PROMOTORA DE INFORMACIONES, S.A.
(PRISA)

AUDIT COMMITTEE

ANNUAL REPORT
2014

Madrid, February 2015

(Free translation from the original in Spanish language)
ANNUAL REPORT OF THE AUDIT COMMITTEE
2014

I. INTRODUCTION

The Audit Committee of PROMOTORA DE INFORMACIONES, S.A. (hereinafter PRISA, the Company or GRUPO PRISA where reference to the consolidated Group is made) issues this report to enable the Board of Directors to make available to shareholders information concerning the Committee’s operations and activities during the 2014 financial year.

The Audit Committee (hereinafter the Committee) was set up in 2001 (under the name “Audit and Compliance Committee”) and has progressively adapted its operations and composition to the rules and codes which have since then been published with a view to achieving maximum efficiency and transparency for listed companies.

The Committee is governed by article 529 terdecies of the Capital Companies Act (in the wording introduced by Act 31/2014, which amends the Capital Companies Act for the improvement of corporate governance) and by the internal rules of the Company: Article 21bis of the Company Bylaws and by the Board of Directors Regulation of PRISA.

However, given that the Company Bylaws and the Board of Directors Regulation are in the process of being revised, amongst other reasons in order to adapt them to Act 31/2014, the internal governance regime set out in section III of this Report is likely to be modified in the near future.

Similarly it is noted that from 2010 until September 2014, the Committee was also governed by the US legislation applicable to companies listed on the US market, specifically the Securities Act, the Securities Exchange Act and the Sarbanes Oxley Act (SOX), given that PRISA’s American Depositary Shares (ADs), representing Class A (ADS-A) shares and Class B (ADS-B) shares of the Company, were listed on the New York Stock Exchange (NYSE) until: i) in the case of the ADS-B, their mandatory conversion in July 2014 and ii) in the case of the ADS-A, their delisting (at the Company’s own request) in September 2014.

II. COMPOSITION

The current composition of the Audit Committee is as follows:

Chairman: Mr. Alain Minc - Independent External Director

Members: Mr. Juan Arena de la Mora– Independent External Director.
         Mr. Emmanuel Román- Independent External Director.
         Mr. Fernando Abril- Martorell.- Other external Director.
         Mr. Claudio Boada Pallerés- Other external Director.

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During 2014 the following changes have been made in the composition of this Committee:

- In February 2014 the director Ms. Agnes Noguera Borel, member of the Committee, was replaced by Mr. Claudio Boada Pallerés.

- In October 2014, the director Mr. Alain Minc was appointed as Chairman of the Audit Committee replacing Mr. Juan Arena de la Mora who remained as a member of the Committee.

- Also in October 2014 the director Mr. Fernando Abril-Martorell Hernández (CEO of the Company until September 30, 2014) was appointed as member of the Committee.

It is also noted that the Director Mr. Claudio Boada Pallerés was treated as an independent director of the Company throughout the 2014 fiscal year and was reclassified as an “other external director” when the Board of Directors approved the Annual Corporate Governance Report for the 2014 fiscal year.

The composition of the Committee complies with all legal requirements and with the internal rules of the Company.

Article 529 quaterdecies of Capital Companies Act provides that the majority of the Committee be comprised of non-executive Directors appointed by the Board of Directors, at least two of its members must be independent and at least one of them must be appointed based on knowledge and experience of accounting or audit matters, or both, and that the Chairman of the Committee is an independent director.

The Board Regulation also requires that adequate representation be given to independent directors and, in addition, if the Company’s shares are traded, directly or indirectly, by way of other financial instruments, on the New York Stock Exchange (NYSE), that the composition of the Committee be adapted to the rules established by the legislation of the United States of America and the NYSE.

Since PRISA ADSs have been listed on the NYSE until September 2014, it is noted that: i) US legislation (section 10A-3 of the Securities Exchange Act of 1934, in the version given by section 301 of the Sarbanes-Oxley Act, and implementing rules of the NYSE) provides that all members of the Audit Committee must be independent directors (under the independence requirements contemplated in that legislation, which are different from those contemplated in the Spanish system) and ii) that legislation does not contemplate proprietary directors.

For information purposes it is noted that all members of the PRISA Audit Committee have been independent directors for purposes of US legislation.

Likewise, the committee’s secretary is the secretary to the Board of Directors, in accordance with the aforesaid internal rules.

III.- FUNCTIONS AND POWERS
Pursuant to the provisions of the Board of Directors Regulation, the main function of the Committee is to support the Board of Directors in its supervisory and management tasks.

As established by the mentioned Regulation (which adaptation to Act 31/2014 is to be approved by the Board of Directors), the Committee has the following basic responsibilities:

a) To report at annual shareholders meetings on issues raised by shareholders, pursuant to the provisions of the Law and the Shareholders Meeting Regulation.

b) In connection with the preparation and publication of the Company's financial information:
   i. Review legal compliance requirements and monitor proper application of generally accepted accounting principles, and report on the proposed changes to accounting principles and criteria suggested by management.
   ii. Know and oversee the effectiveness of internal control systems of the Company, and risk management systems, and discuss with the auditors or audit firms significant weaknesses in internal control, identified in the development of audit
   iii. Oversee the preparation and presentation of financial information regulated.
   iv. Review any admission or trading prospectus, and the information on the financial statements to be filed by the Board to the markets and to the Regulators.

c) In connection with the outside Auditors of the Company:
   i. To propose to the Board of Directors the appointment of external account auditors pursuant to Section 263 of the Companies Act, to be submitted at the General Shareholders’ Meeting.
   ii. To report and propose to the Board the external Auditor engagement conditions, the scope of its charge, and, if is the case, the removal or not renewal of the Auditor, and the oversight of the engagement fulfillment.
   iii. To maintain contact with the outside auditors in order to receive information on those issues related to the accounts auditing process, together with any other communication provided for in accounts auditing legislation and rules.
   iv. To receive from the outside auditors any information about all the issues that may compromise the Auditor’s independence. In any event, the Committee shall receive every year written confirmation from the Auditor of its independence from the entity or entities linked to auditors, directly or indirectly, and information of any additional services provided to these entities by external auditors, or by persons or entities linked to them in accordance with the provisions of Audit Accounts Law.
v. Pre-approve, before its execution, any engagement with the Company’s Auditor, for any works related with audit services or any other kind of services rendered by the Auditor.

vi. To issue every year, prior to the issuance of the Audit Report, a report expressing an opinion on the independence of external auditors. This report shall, in any case, make reference on the provisions of additional services rendered by the Auditor.

d) In connection with the Internal Audit services:

i. To propose the selection, appointment, reappointment or removal of the person in charge of the company’s internal audit service.

ii. To oversee internal auditing services and the annual report of the Internal Audit Department.

e) Other competences:

i. To analyze and issue opinions concerning specific investment transactions when, owing to their importance, the Board so requests.

ii. To issue opinions concerning the creation or acquisition of interests in entities domiciled in countries or territories considered as tax havens.

iii. To exercise all other powers granted the committee in the Board of Directors Regulation.

iv. To approve an annual report about the Committee performance and propose to the Board its publication when the General Shareholders’ Meeting is convened.

The Audit Committee also supervises the whistleblowing channel, which allows employees to report any potentially important irregularities, especially of a financial or accounting nature, that they may detect within the Group. Any reports submitted through the whistleblowing channel by employees of the Company or the Group will be treated in confidence and anonymously.

In accordance with the provisions of the Board of Directors Regulation, the Committee may seek external advice when it deems it warranted when carrying out its functions.

IV. MEETINGS

Pursuant to the Board of Directors Regulation, the Audit Committee shall meet periodically as required and at least four (4) times a year.

During 2014 the Committee had met 7 times (on February 6 and 24, March 18, April 28, July 22, October 22 and December 19) and the principal matters discussed were the following:

Review of Financial Reporting

(Free translation from the original in Spanish language)
Under this point it should be noted the review of the annual accounts for the 2013 financial year and the preparation of the periodic public reporting for 2014.

2013 fiscal year:

Consistent with the practice of this Committee, the external auditor has met several times with the Committee to advance the preliminary results of its report on the accounts for the 2013 financial year.

At the Audit Committee prior to the approval of the Group's accounts, the external auditor presented its conclusions regarding the audit of 2013 consolidated annual accounts under Spanish Law and in accordance with US rules.

The auditor also attended a meeting of the Board of Directors to report on the scope and results of the audits carried out.

2014 fiscal year:

The Committee reviewed the periodic (quarterly and half-yearly) reports published by the Company in compliance with legal requirements. It was assisted in this task by the outside auditor, which conducted a limited review of the half-yearly reports, the results of which were presented to the Audit Committee at its meeting in July 2014.

Likewise the external auditor reported on the planning of the audit of PRISA Group for 2014.

Finally, during the final months of 2014 and in the beginning of 2015 the outside auditor also met with the Committee to offer its first analysis of the accounts for the 2014 fiscal year.

Outside auditor

Appointment of Auditor: As indicated in section 5.1. below, the Committee resolved to propose to the Board the extension of the appointment of the auditor, Deloitte, S.L., for the 2014 fiscal year. The General Meeting of Shareholders approved that proposal.

Likewise, the Committee resolved to propose the appointment of the auditor, Deloitte, S.L., for the 2015 fiscal year.

Independence of the outside auditor: The regulatory requirements in this regard have been fulfilled, as reported under heading 5.3 below.

Pre-approval of other professional engagements: The procedure for pre-approval of the engagements of services with the Auditor was approved in 2014. In compliance with said procedure the Committee, at its different meetings, has analysed specific proposals for engaging the services of the Auditor and, if the case, approved.

Professional fees: The Committee approved the proposed professional fees of the outside auditor for audit of the annual accounts for the 2014 fiscal year.

(Free translation from the original in Spanish language)
Attendance of outside auditor at meetings of the Board and Committee: The team responsible for the audit of the Group accounts attended all meetings of the Committee and one meeting of the Board of Directors.

**Systems for Risk Management and Internal Control of financial information**

The Committee has looked at the results of the evaluation of the internal control of the Group and at whether it complies with both the Spanish legislation (System for Internal Control of Financial Information set out in the Sustainable Economy Act [*Ley de Economía Sostenible]*) and the US legislation (Sarbanes-Oxley Act (SOX) and Securities Act 1934). This is required due to the fact that the Company’s shares are listed both in Spain and in the United States of America. As we have already indicated, PRISA’s ADSs were listed on the NYSE until September 2014.

In particular, the Internal Audit Manager has reported on the results of the evaluation of the extent to which the internal control model complies with SOX, by business unit, and the External Auditor has reported on the results of its evaluation of the Group's internal control system. There was evidence of a general improvement in the control systems during the 2014 fiscal year.

In relation to the risk management systems, the Internal Audit Department has presented the risk maps of the business units and of the Group, which were prepared with the involvement of the main people responsible for the business units, and the Group’s main risks have been analysed by the Committee. The managers responsible for these risks have also been identified.

The Committee has approved the paragraphs relating to the risk management systems and the System for Internal Control of Financial Information (SCIIF) in the Annual Corporate Governance Report corresponding to the 2014 fiscal year.

In relation to the external audit of the internal control system, although PRISA’s ADSs ceased to be listed on the NYSE during the 2014 fiscal year and the Company does not therefore have to present the report showing compliance with the provisions of SOX, the Committee has asked the external auditor to review the operation of the system for internal control of financial information during the 2014 fiscal year.

**Corporate Map**

The Committee has been analysing the corporate structure of the Group (comprised of a large number of companies with operations in 22 countries), and has evaluated the contribution of these companies to the Group, in order to evaluate the risks associated with the Group structure and encourage the simplification of the corporate map, which has significantly reduced in regard to inactive companies.

**Internal audit projects**

The Internal Audit Manager has reported on the closing of 2013 internal audit projects and has also presented the 2014 Internal Audit Plan to the Committee. She has also reported at the various meetings held during the year on the degree of progress of the Plan and on the results of work undertaken by her department.

*(Free translation from the original in Spanish language)*
**Accounting rules**

The Committee analysed, together with the external auditor, certain modifications of accounting rules according with NIIF and the date of coming into force.

**Treasury Shares Policy**

The Committee has been periodically informed on the movements performed in the Company’s treasury.

**Other matters**

**Whistleblowing Channel:** The Internal Audit Manager has reported on the functioning of the whistleblowing channel, that allows to fill complaints and claims by employees and/or third parties. Although the Company is no longer subject to US law, this channel will continue operating according to the best practices recommended by the CNMV and under COSO internal control practices.

**20-F Registration Document:** The 2012 Form 20-F for 2013 that was submitted to the Securities and Exchange Commission (SEC), incorporating the corporate documentation and financial statements at December 31, was reviewed by the Committee, which reported on the Form to the Board.

The outside auditors reviewed the Form 20-F in accordance with PCAOB standards and issued an unqualified opinion on the financial information for 2013.

**Report of the Audit Committee:** The Audit Committee Report for the 2013 fiscal year was approved.

**V.- OUTSIDE AUDITORS**

**5.1. Relations with the External Auditors**

The Committee proposed that the Board of Directors extend the appointment of DELOITTE, S.L. as outside auditors of the accounts of the Company and its Consolidated Group for the term of one year. Based on the Board of Directors’ proposal, the shareholders present at the General Shareholders’ Meeting of PRISA on April 28, 2014 passed a resolution to appoint that firm to audit the financial statements corresponding to the 2014 financial year.

As noted above, the Committee customarily conducts a periodic review of the Company’s and Group’s annual accounts and financial information and the risks this may involve. To this end, during 2014, the team of Deloitte that is in charge of the external audit of the Company and its Consolidated Group attended to all meetings held by the Committee, and has reported on the most relevant aspects of the external audit.

The fees for the services of auditing the financial statements for 2014 provided to GRUPO PRISA companies and other affiliates by Deloitte, SL and by other related
entities amounted to 1,775 thousand euros, of which 180 thousand euros corresponds to Prisa.

Likewise, the fees paid to other auditors that in 2014 provided auditing services to Group companies, amounted to 269 thousand euros.

The fees for other professional services provided to Group companies by the principal auditors and its associate companies, as well as by other auditors participating in the audits of various Group companies, are the following (in euros 000):

<table>
<thead>
<tr>
<th></th>
<th>2014 Principal Auditors</th>
<th>2014 Other Auditors</th>
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</thead>
<tbody>
<tr>
<td>Other attest services</td>
<td>539</td>
<td>136</td>
</tr>
<tr>
<td>Tax services</td>
<td>461</td>
<td>105</td>
</tr>
<tr>
<td>Other services</td>
<td>395</td>
<td>348</td>
</tr>
<tr>
<td><strong>Total other professional services</strong></td>
<td><strong>1,395</strong></td>
<td><strong>589</strong></td>
</tr>
</tbody>
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The foregoing information concerning professional fees shall be included in PRISA’s individual annual report and consolidated annual for the 2014 financial year.

5.2. External Audit Reports

**Auditors’ report on the consolidated financial statements for 2011, 2012 and 2013, prepared in accordance with PCAOB standards, and auditors’ report on the system of internal control of financial reporting for 2013.**

As indicated previously, the Form 20-F for 2013 was reviewed by the auditors, who in April 29, 2014 issued an unqualified opinion, in accordance with PCAOB standards, on the consolidated financial statements for 2011, 2012 and 2013. In compliance with the Sarbanes Oxley Act, the 20-F Form included the outside auditor’s report on the 2013 system of internal control of financial reporting. In the external auditor’s opinion, during 2013 Prisa maintained, in every relevant respect, effective internal control of its financial reporting.

**Auditors’ report on the financial statements for 2013**

The external auditors presented their conclusions on the audit of the individual and consolidated financial statements of Promotora de Informaciones, S.A. for 2013, which give in all material respects a true and fair view of the assets and liabilities, financial situation and results of operations, the changes in equity and the cash flows of Prisa and its consolidated group, respectively.

**Limited review of the abridged consolidated interim financial statements at June 30, 2014**

In 2014 Deloitte conducted a limited review of the abridged interim financial statements of the Group.
In the auditor’s opinion, issued on July 24, 2014, the interim financial statements at June 30, 2014 were, in all material respects, prepared in accordance with the requirements established by International Accounting Standards.

The auditor’s report also contained an emphasis paragraph dealing with the negative net worth of Prisa at June 30, 2014. It reported too on the mechanism contained in the Company’s financing agreement for the automatic conversion of part of the debt into participative loans in order to re-establish the equity balance.

**Auditors’ report on the financial statements for 2014 and on the system for internal control of financial information for the 2014 fiscal year**

At the meeting of the Committee held on February 27, 2015, the outside auditors presented their conclusions on the audit of the individual and consolidated financial statements of Promotora de Informaciones, S.A. for 2014, which give in all material respects a true and fair view of the assets and liabilities, financial situation and results of operations, the changes in equity and the cash flows of Prisa and its consolidated group, respectively.

The external auditor also presented the results of the audit of the Group’s system for internal control of financial information for the 2014 fiscal year. In the opinion of the external auditor, Prisa maintained effective internal control over the financial information in all material respects during the 2014 fiscal year.

**5.3. Independence of the External Auditor**

In compliance with the current Law, and sections f) and g) of Article 24 of the Board of Directors Regulation:

i) The Committee has received from the external auditor written confirmation of its independence, as well as information concerning the fees of the principal auditor and its related entities for professional services rendered to different Grupo Prisa companies (as explained in section 5.1. above), pursuant to the provisions of the Accounts Audit Act;

ii) In view of the foregoing the Committee issued a report concluding about the independence of the external auditors.

**VI. - INTERNAL AUDIT**

The principal objective of the Internal Audit Department is to provide GRUPO PRISA management and the Audit Committee with the reasonable assurance that the environment and systems of internal control in place in the Group companies have been correctly designed and managed.

To achieve that objective, the Department carries out the functions it has been assigned, which include: 

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*Free translation from the original in Spanish language*
a. Evaluating the suitability of internal control systems to increase the effectiveness of procedures to manage and control the risks inherent in Group company activities.

b. Review of the reliability and integrity of the financial and operating information of the Group companies, and the means used to identify, evaluate, classify and report that information.

c. Obtaining independent opinions and advice concerning the interpretation and application of current accounting legislation and norms.

d. Reviewing measures to safeguard assets and to verify their existence.

The Internal Audit Manager designs an Annual Plan based on the identification and evaluation of risks inherent in the activities carried out by Grupo Prisa’s business units, in order to determine priorities with respect to internal auditing activities that are consistent with the goals defined by the Organization.

The Annual Plan reflects the activities to carry out during the financial year. The plan, which is included within the multi-year strategic plan of the audit, sets forth the activities and projects to be undertaken, the nature of the work to be done, and the resources of the Internal Audit Department to be assigned to each project.

The most significant projects carried out by Internal Audit during the 2014 financial year include:

a. The supervision of the design of the model for internal control of financial information of GRUPO PRISA, based on the general framework established by COSO.

b. The evaluation of the functioning of the control activities defined in the Group’s model for internal control of financial information, in order to certify its effectiveness.

c. The review of the level of compliance with the valuation and registration rules established by the Group and the evaluation of the level of suitability and effectiveness of the internal control environment operating in the companies of Grupo Santillana located in Puerto Rico, Argentina, Colombia, the Dominican Republic, the USA and Rio de Janeiro (Brazil).

d. The review of the reliability and integrity of the financial information reported to GRUPO PRISA and the effectiveness of the internal control system in the companies responsible for the radio business in Portugal, Chile and Spain.

e. The review of the reasonableness of the financial information reported by the company marketing advertising in Spain, Prisa Brand Solutions, and the companies responsible for the Group’s printing business in Spain.

f. The review of the situation and financial information corresponding to companies in liquidation or trading to a very limited extent.
The Internal Audit Manager attended all of the Committee’s meetings in 2014, specifically informing the Committee about the activities of the Internal Audit Department, the annual plan, the risk map of the Group and its evolution, and developments in the system of internal control of financial reporting.

VII.- EVALUATION OF THE AUDIT COMMITTEE

Within the framework of the process for evaluation the Board, contemplated in article 5 of the Board of Directors Regulation, the members of the Audit Committee evaluated the composition and functioning thereof and reported their conclusions to the Board.