PROMOTORA DE INFORMACIONES, S.A.
(PRISA)

AUDIT AND COMPLIANCE COMMITTEE

ANNUAL REPORT
2006

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Madrid, February, 2007
I. INTRODUCTION

Alter the latest amendment of the Board of Directors Regulation passed on January 18, 2007, the name of the Audit and Compliance Committee was changed to Audit Committee. Throughout this report this will be the name used to designate the committee. In other respects, quotes included in this report were taken from the last version of Board of Directors Regulation.

The Audit Committee of PROMOTORA DE INFORMACIONES, S.A. (hereinafter PRISA and, where applicable, GRUPO PRISA) is issuing this report to enable the Board of Directors to make available to its shareholders information concerning the Committee’s operations and activities during the 2006 financial year.

The Audit Committee was set up in 2001. The Committee 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.


II. COMPOSITION

At present the members of the Audit Committee include:

Chairman: Mr. José Buenaventura Terceiro Lomba.- Independent External Director.

Members: Mr. Matías Cortés Domínguez.- Independent External Director  
Mr. Borja Jesús Pérez Arauna.- External Director Representing a Significant Shareholding  
Mr. Juan Salvat Dalmau.- Independent External Director.  
Mr. Adolfo Valero Cascante.- External Director Representing a Significant Shareholding.

Secretary: Mr. Miguel Satrústegui Gil-Delgado, Non-Member Secretary of the Board of Directors.
III.- **FUNCTIONS AND POWERS**

Pursuant to the provisions of the Board of Directors Regulations, the main function of the Audit Committee is to support the Board of Directors in its supervisory and management tasks.

As established by the mentioned Regulations, the Audit Committee has the following basic responsibilities:

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

b) To propose to the Board of Directors the appointment of external account auditors pursuant to Section 204 of the consolidated text of the Corporations Law, to be submitted at the annual shareholders meeting.

c) To supervise internal auditing services.

d) To supervise the Company's financial information process and internal monitoring systems.

e) To maintain contact with the external auditors in order to receive information on those issues that could compromise their independence and any others related to the accounts auditing process, together with any other communication provided for in accounts auditing legislation and rules.

In addition, and regardless of other tasks that may be assigned it by the Board of Directors, the Audit Committee shall have the following powers:

a) To advise and make proposals to the Board of Directors concerning the auditors' contract conditions, scope of professional mandate and, if warranted, the revocation or non-renewal of the external auditors, as well as supervising their performance of audit contract obligations;

b) To propose the selection, appointment, reappointment or removal of the person in charge of the company's internal audit service.

c) To review the company accounts, oversee compliance with the legal requirements and the proper application of generally accepted accounting principles, as well as to issue opinions on proposals to amend accounting principles and criteria suggested by the management;

d) To review the issue prospectuses and information concerning the quarterly and half-yearly financial statements that the Board must provide the markets and their supervisory bodies;
e) To analyze and issue opinions concerning specific investment transactions when, owing to their importance, the Board so requests;

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

g) To exercise all other powers granted the committee in this Regulation.

IV.- MEETINGS

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

The meetings held and issues resolved during 2006 were the following:

Meeting held January 19, 2006

The proposed professional fees for the external auditors for the 2005 financial year were discussed.

The 2005 Report of the Audit and Compliance Committee was approved.

Likewise, a favorable opinion was issued with regard to risk control in the Corporate Governance Report for 2005.

Moreover the following projects were reviewed and received favorable opinions, to be offered to the Board of Directors for its consideration: i) Proposal to amend Article 6 of the company bylaws to provide for the possibility of issuing redeemable shares, as well as Article 14 to adapt it to the provisions of Law 19/2005 of November 14 amending Article 97 of the Corporations Law, and ii) Proposal to amend Article 5 of the Shareholders Meeting Regulation to likewise adapt it to the aforementioned reform of the Corporations Law.

The external auditor presented a preliminary report concerning the most significant aspects of the audit of the 2005 accounts carried out to-date.

Meeting held February 15, 2006

The external auditor presented a report on the most significant aspects of the external audit for the 2005 financial year. Given its impact on individual accounts, he underscored the 19.4 million euro adjustment that should have been made had goodwill been amortized according to the General Accounting Plan. However, in line with the criterion followed in the annual consolidated accounts that conform to IFRS, the company opted not to make the corresponding provision in the individual accounts, and the auditor indicated that a qualification would be included with respect to this matter in Prisa’s individual accounts and that he had no further reservation with respect to the accounts that the Board intended to present.

Review of financial information for the second semester of 2005, to be made public to the markets.
It was resolved to extend the appointment of the present firm, DELOITTE, S.L., as auditor of the accounts of the company and its consolidated group for a term of one year, in order to audit the financial statements for the 2006 financial year.

Meeting held April 20, 2006

Review of the first quarter 2006 financial information to be made public to the markets.

Meeting held on May 18, 2006

The Committee issued a favorable opinion to be submitted to the Board for its consideration with regard to the proposed amendment of the Internal Code of Conduct Concerning Securities Markets Matters, whose principal purpose, among others, is to adapt the code to changes in securities market legislation (especially RD 1333/2005, on Market Abuse) and legislation governing corporations.

The Internal Audit Director likewise made an initial presentation on the Internal Audit Plan for the 2006 financial year.

Meeting held on June 15, 2006

The Committee issued a favorable opinion concerning a proposed increase in personnel for the Internal Audit Department.

The Internal Audit Director finished his presentation on the Internal Audit Plan for the 2006 financial year, which the Committee approved, referring particularly to: i) auditing work or support that other group companies or administrative units requested from his department, and ii) work performed at the initiative of internal audit management, based on the Group's risk map.

Meeting held on July 20, 2006

Review of the first semester 2006 financial information to be made public to the markets.

Likewise, the Secretary informed the Committee of the request for information received from the National Securities Markets Commission (Financial and Accounting Reports Department) concerning the qualified opinion expressed by the company account auditors concerning the annual accounts for the 2005 financial year and our response to that request.

Meeting held on October 19, 2006

Review of the third quarter 2006 financial information to be made public to the markets.

V.- EXTERNAL AUDITORS
5.1. Relations with the external auditors

The Audit Committee proposed that the Board of Directors extend the appointment of DELOITTE, S.L. as 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 March 23, 2006 passed a resolution to appoint that firm to audit the financial statements corresponding to the 2006 financial year.

With regard to the presence of the external auditor at the meetings of the Audit and Compliance Committee, it was underscored that Mr. Luis Jimenez Guerrero, partner of DELOITTE, S.L., in charge of the external audit of the Company and its Consolidated Group, attended the meetings held on January 19, 2006 and February 15, 2006, in which he informed the committee of the most relevant aspects of the external auditor’s work.

The fees of DELOITTE S.L. and its associate companies for auditing the accounts of GRUPO PRISA companies and their subsidiaries during 2006 amounted to 1,660,000 Euros, of which 106,000 Euros were for services provided to PRISA. In that regard, the fees charged by other auditors who participated in the audits of various Group companies amounted to 337,000 Euros.

In other respects, the fees for other professional services provided to Group companies by the principal auditors and its associate companies during 2006 amounted to 401,000 Euros, of which 38,000 Euros were for services provided to PRISA, while other professional services provided by other auditors participating in the audits of various Group companies amounted to 63,000 Euros.

The foregoing information concerning professional fees shall be included in PRISA’s individual annual report and in the consolidated annual report of GRUPO PRISA for the 2006 financial year.

5.2. External Auditor’s Reports

i) At the meeting of the Audit Committee held on January 18, 2007, the external auditor presented his preliminary report on the accounts audit for the 2006 financial year.

ii) At the Audit Committee meeting held on February 15, 2007 the external auditor presented his final conclusions concerning the most significant aspects of the accounts audit for 2006, reporting at that time the qualifications that would be included in PRISA’s individual and consolidated accounts:

a) Individual Accounts: The company auditor explained that the company has made a provision for the securities portfolio in those cases in which the value of its holdings is less than their theoretical book value, adjusted (if warranted) for tacit capital gains existing when acquired (goodwill) and which subsisted at December 31, 2006 in the annual group consolidated accounts prepared in accordance with the International Financial Reporting Standards adopted by the European Union, as described in Note 4 of the annual report. It is the Company’s opinion that the sole objective of the criterion adopted is to reflect the valuation of those holdings in both the individual and consolidated group in a uniform and consistent way.
The company believes that the differences presently existing between the Spanish General Accounting Plan and the International Financial Reporting Standards with respect to reflecting goodwill result in non-uniform entries for the same holdings, based on whether they are included in the individual or consolidated financial statements. For that reason the company decided to apply a single valuation method.

In other respects, the Company understands that this difference in reflecting goodwill will be analyzed and resolved in the process of reforming and adapting corporate legislation in matters of accounting. In that regard it should be underscored that the text of the draft law to reform and adapt corporate legislation in matters of accounting to bring it in line with international standards based on European Union legislation provides that goodwill should not be amortized and the corresponding adjustments must be made in the event of depreciation.

In the opinion of the Company the sole objective for this change contemplated in the draft law is to eliminate the difference in treatment afforded goodwill presently existing between the two sets of accounting rules, so that individual annual accounts may reflect in all relevant aspects a true and fair view of its financial position, assets and operational results.

However, in the opinion of the auditor the Company should have made a provision for the securities portfolio in accordance with the criteria set forth in Valuation Rule 8 “Securities”, section 2 “Valuation Adjustments” included in Part Five of the General Accounting Plan and in the technical accounting rules in force in Spain. Thus there should have been an increase of approximately 82.8 million euro in the figure included under “Variation in securities provisions” in the profit and loss account for the 2006 financial year, as a consequence of the effect of the amortization in 2006 of goodwill in PRISA’s consolidated accounts at December 31, 2006.

b) Consolidated Accounts: On November 2, 2006 legislation was passed including Law 35/2006 on Individual Income Tax and the partial amendment of the laws governing corporate tax, non-residents tax and wealth tax, thus changing the tax rate applied to corporations commencing during the 2007 financial year. The Company has concluded that, without failing to adequately value the fiscal assets and liabilities included in the balance sheet at December 31, 2005 with the new tax rates, the reflection of that valuation should not affect the profit and loss account, so that the view of the performance of operations for the year is not altered by a change in tax legislation, which basically affects assets and liabilities registered in previous years. Therefore the amount resulting from that effect (165 million euro) was recorded as net wealth in the consolidated balance sheet.

However, according to the auditor International Financial Reporting Standards provide that this be recorded in the profit and loss account for the year in which the amended tax rate was approved. In that regard, if that criterion had been followed the “profit/loss for the parent company” for 2006 would be 71.3 million euro less, once the aforementioned effect of the interests of minority shareholders has been subtracted. This adjustment would not change the
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:

(i) Evaluating the appropriateness of internal control systems with a view to ensuring greater effectiveness in processes for controlling and managing the risks inherent in the activities in which the Group is engaged.

(ii) Reviewing operations with a view to verifying whether the results achieved meet the established objectives and goals, and whether operations and programs are being implemented or carried out as they were planned.

(iii) Providing independent opinions and observations with respect to the interpretation and application of current legislation in the area of accounting.

(iv) Evaluating the efficiency with which Group resources are used.

(v) Reviewing the means for safeguarding assets and verifying their existence.

(vi) Reviewing the feasibility and integrity of the Group companies’ operational and financial information, and the means used to identify, evaluate, classify and disseminate that information.

The Internal Audit Director designs an Annual Internal Auditing Activities 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 the priorities with respect to internal auditing activities that are consistent with the goals defined by the Organization.

The Annual Internal Auditing Activities Plan reflects all of the activities that the Internal Auditors plan to carry out during the financial year. The plan specifically sets forth the activities and projects to be undertaken, the nature of the tasks involved, and the resources available to the Internal Audit Department.

The most significant projects carried out by the Internal Audit Department during the 2006 financial year include:

i. Reviewing the degree of compliance with the accounting valuation and recording rules established by GRUPO PRISA, and evaluating the level of appropriateness and effectiveness of the internal control environment in place in companies within the Santillana Group in Portugal, Venezuela, Puerto Rico, Guatemala y El Salvador.

ii. Analyzing established systems, policies and procedures underlying the process for preparing information reported to GRUPO PRISA by the Unión Radio companies located in the United States and Argentina.
iii. Evaluating the adequacy of operating procedures and the effectiveness of the internal monitoring environment in Diario El País, S.L. in the areas of advertising, production and promotions.

iv. Reviewing the degree of compliance with the valuation and accounting entry rules established by GRUPO PRISA in Prisacom, S.A., Gerencia de Medios, S.A. and Promotora de Emisoras de Televisión, S.A.

v. Performing diagnostics of the operative processes supporting the revenue cycles from advertising sales in the digital, local television, Spanish radio and regional and specialized press departments.

vi. Participating in the design and implementation of new reporting processes in the different business units, as a means for adapting to the new requirements set forth with the entry into force of the International Accounting Standards.

The Director of the Internal Audit Department attended all of the Audit Committee’s meetings in 2006, specifically informing the Committee about the activities of the Internal Audit Department and the progress of the activities carried out with respect to the Annual Internal Auditing Activities Plan.

VII.- COMPLIANCE WITH RULES OF CORPORATE GOVERNANCE

With the latest amendment of the Board Regulation passed on January 18, 2007, powers with regard to compliance and corporate governance have been assumed by the Corporate Governance, Appointments and Remuneration Committee.

Nevertheless, it should be underscored that the Audit Committee evaluated efficiency and the degree of compliance with governance rules and procedures during the 2006 financial year and noted that during that period the company had complied with all of the corporate governance rules and procedures provided for by law and in the company bylaws and regulations.

Specifically, the Committee underscored the following aspects and actions in that regard that were carried out by the company during the 2006 financial year:

7.1. Communication of Information

The measures adopted by the company to disseminate information about the company more efficiently include:

i) In compliance with applicable laws with regard to the securities markets and the Company's Internal Code of Conduct, the Company promptly sends to the National Stock Exchange Commission all of the company's Relevant Information. These announcements are available on both the webpage of the Commission and the Company's corporate webpage.

During the 2006 financial year and pursuant to the legislation in force, on the following dates the Company sent the required periodic public information concerning its results:
17 Feb 06: The company issued information concerning its results for the 2005 financial year.

24 Apr 06: The company issued information concerning its results for the first quarter of 2006.

24 Jul 06: The company issued information concerning its results for the first semester of 2006.

20 Oct 06: The company issued information concerning its results for the third quarter of 2006 (results for the first nine months of 2006).

During the 2006 financial year the company likewise sent the National Securities Markets Commission Announcements of Relevant Information concerning the following matters:

- Notice of meeting, shareholders meeting as held, and related documents.
- Announcement of dividends paid
- Execution of a share option plan for Grupo Prisa executive directors and managers.
- Appointment of Ignacio Polanco Moreno as Vice Chairman of the Board of Directors.
- Appointment by cooptation of Ms. Agnès Noguera Borel as director.
- Acquisition on the part of the US subsidiary GLR Southern California LLC from Citicasters (subsidiary of Clear Channel) of programming and commercial rights in AM radio. The total price of the operation was 28 million dollars.
- Completion of the capital increase operation of the controlled company Sociedad de Servicios Radiofónicos Unión Radio, S.L. (80% Grupo Prisa and 20% Grupo Godó) by means of a contribution of 99.99% of Sociedad Española de Radiodifusión, S.A. (owned by Prisa) and 100% of the Inversiones Godó, S.A. companies (51.05% Grupo Godó and 48.95% Grupo Prisa) and Paltrieva, S.A. (50.93% Grupo Prisa and 49.07% Grupo Godó). The two latter companies control 99.42% of Antena 3 de Radio, S.A.
- Sale of 20% of the shares in Grupo Latino de Radio, S.L. to Grupo Godó de Comunicación for 35,000,000 € and, immediately thereafter a contribution both of Prisa and Grupo Godó via a capital increase of 100% of the holdings in GLR to Sociedad de Servicios Radiofónicos Unión Radio, S.L, thus making Unión Radio the leading company of Prisa’s radio broadcasting activities, both in Spain and abroad.
- Acquisition from Courical Holding, BV and Berggruen Holdings Limited of 16.800% and 7.200% of the share capital which those companies respectively held in Prisa División Internacional, S.L. The total price of the operation was 46,300,000 €
- Acquisition through Grupo Latino de Radiodifusión Chile (subsidiary of Unión Radio) from Claxson Chile, S.A. of the capital stock of Iberoamerican Radio Chile, S.A. (IARC), Chile's leading radio broadcasting group. The price of the operation was 75,000,000 $, less the financial liabilities derived from IARC’s syndicated debt on the effective date of the operation, once it was approved by the Chilean Competition Tribunal.
Long term syndicated financing agreement with 40 financial entities for a maximum of 1,600 million euro.

Agreement reached with the remaining members of Dédalo Grupo Gráfico, S.L., 40% owned by its subsidiary Prisaprint, S.L., in the context of restructuring that company's bank debt, which partially amends the Joint Company Agreement of October 24, 2003. Among other terms, by virtue of that agreement PRISA granted subordinated debt to Dédalo in the amount of 15,000,000 €, which could be capitalized in October, 2006.

Filing with the Portuguese Securities Market Commission of a voluntary takeover bid to acquire 100% of the capital stock in Grupo Media Capital, SGPS, S.A. (33% owned by Prisa).

Announcement of information concerning the average circulation of the EL PAIS daily newspaper, as well as the positive results in Sogecable and Santillana.

Award issued by the International Court of Arbitration of the International Chamber of Commerce with respect to the petition for arbitration filed by Prisa against Tiscali, S.p.A in which the latter was ordered to pay 6,695,098.34 euro plus interest accrued until compliance with the award is effective, as well as all arbitration costs and expenses incurred.

Presentations concerning the Company and information with regard to meetings with analysts and investors.

In addition, the following announcements were made by third parties:

The National Securities Market Commission published its authorization of the takeover bid filed by PRISA to acquire a maximum of 20% of the capital stock in Sogecable, S.A.

Sogecable, S.A. issued an opinion passed by its board of directors concerning the takeover bid filed by PRISA.

Timón, S.A. announced a novation with respect to one of the parties to the shareholders agreement signed by Timón, S.A. and other individual and corporate entities with interests in Promotora de Publicaciones, S.L., concerning PRISA.

ii) At the proposal of the Remuneration and Appointments Committee, in its Meeting of February 16, 2006 the Board of Directors approved the 2005 Corporate Governance Report, which was made available to shareholders and the general public.

That information was prepared in accordance with the provisions of Art. 116 of Law 24/1988 of July 28 on the Securities Market, Order Eco/3722/2003, as well as Circular 1/2004 of March 17 issued by the National Securities Exchange Commission.

iii) In compliance with Article 36 of the Board of Directors Regulations, mechanisms have been set up to provide regular non-privileged information to the company's institutional investors, by remitting to the National Securities Exchange Commission
7.2. Operation of the Board of Directors and its Committees

During the financial year the Board of Directors held 11 meetings, one per month, with exception of the month of August in which there was no meeting, and duly carried out the tasks attributed it in the company bylaws and the board regulations.

Particularly noteworthy was the resolution passed by the Board of Directors in its meeting of November 16, 2006 appointing Mr. Ignacio Polanco Moreno as Vice Chairman of the Board of Directors and, with a view to adequately providing for the succession of the Chairman of the Board when he decides to resign or leaves the post for any reason, it was likewise resolved that Mr. Ignacio Polanco Moreno shall be appointed Chairman of the Board, with the same powers as the present chairman.

During 2006 the committees have likewise exercised the functions attributed them by law and in the bylaws and board regulation, holding the following meetings: Audit and Compliance Committee—7 meetings; Remuneration and Appointments Committee—5 meetings.

Appointment of Directors

The Board of Directors’ proposed resolution to reelect directors Ramón Mendoza Solano, Manuel Polanco Moreno, Juan Salvat Dalmau and José Buenaventura Terceiro Lomba was passed at the Annual Shareholders Meeting held on March 23, 2006, the Remuneration and Appointments Committee having issued its corresponding opinion on February 16, 2006.

On April 20, 2006 the Board of Directors likewise appointed Ms. Agnès Noguera Borel director by cooptation to cover the vacancy left by the death of Mr. Alvaro Noguera Giménez, after having received the opinion of the Remuneration and Appointments Committee dated that same day.

7.3. Board of Directors Regulation

As mentioned previously in this report, the Board of Directors Regulation was amended by the Board on January 18, 2007 and the consolidated text reflecting the amendments was duly filed at the National Securities Market Commission and is available on the company’s webpage.

7.4. Code of Conduct in Matters Relating to the Securities Markets

After having received the favorable opinion of the Audit Committee, in its meeting of June 15, 2006 the Board of Directors resolved to amend the “Internal Code of Conduct in Matters Concerning Securities Markets Matters for Promotora de Informaciones, S.A. and its Group Companies” to adapt it to changes in securities markets legislation (particularly RD 1333/2005, on Market Abuse), corporation laws and, in view of past experience, to more precisely outline those persons subject to the code and to partially
redefine the tasks of the General Secretary and Finance and Management Department with respect to the code. The mandatory content of the code was partially extended with respect to securities issued by other entities included within Prisa's accounting consolidation perimeter, and it was decided that the code should likewise be mandatory for managers of those companies who participate in integrating their companies' financial and operating policies with those of Grupo Prisa.

In addition, an automated database was created to optimize supervision of compliance with the Internal Code of Conduct.

In compliance with the Internal Code of Conduct, the following actions were taken during the financial year 2006:

i) The General Secretary created and has continually updated the list of persons subject to this Internal Code of Conduct.

In that regard, all persons included in that list have been informed of the Internal Code of Conduct.

ii) The Department of Finance and Management and the General Secretary (before and after the reform of the Internal Code of Conduct, respectively) have received notice of all persons subject to the Internal Code of Conduct who have participated in transactions involving the purchase or sale of Prisa shares.

iii) The General Secretary of Grupo Prisa has maintained a Central Register of Insider Information in which, with regard to legal or financial operations that may significantly influence the quotation of company securities, contains an up-to-date list of persons with access to such information.

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Madrid, February 15, 2007