

**Promotora de  
Informaciones, S.A.  
(Prisa) and  
Subsidiaries**

Consolidated Financial Statements  
and Consolidated Directors' Report  
for 2005 together with Auditor's  
Report

*Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain. In the event of a discrepancy, the Spanish-language version prevails*

## AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Promotora de Informaciones, S.A.:

We have audited the consolidated financial statements of PROMOTORA DE INFORMACIONES, S.A. (PRISA) and SUBSIDIARIES comprising the consolidated balance sheet at 31 December 2005 and the related consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Parent's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the documentation supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.

The consolidated financial statements for 2005 referred to above are the first that the Group has prepared in accordance with the International Financial Reporting Standards adopted by the European Union (EU-IFRSs), which require, in general, that financial statements present comparative information. In this regard, as required by corporate legislation, for comparison purposes the Parent's directors present, in addition to the consolidated figures for 2005 for each item in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements, the figures for 2004, which were obtained by applying the EU-IFRSs in force at 31 December 2005. Accordingly, the figures for 2004 differ from those contained in the approved consolidated financial statements for 2004, which were prepared in accordance with the accounting principles and standards in force in that year. The differences arising from the application of EU-IFRSs to the consolidated equity at 1 January and 31 December 2004, and to the Group's consolidated profit for 2004 are detailed in Note 27 to the consolidated financial statements referred to above. Our opinion refers only to the consolidated financial statements for 2005. Our auditor's report dated 18 February 2005, on the consolidated financial statements for 2004, prepared in accordance with the accounting principles and standards in force in that year, contained an unqualified opinion.

In our opinion, the consolidated financial statements for 2005 referred to above present fairly, in all material respects, the equity and financial position of PROMOTORA DE INFORMACIONES, S.A. (PRISA) and SUBSIDIARIES at 31 December 2005, and the results of their operations, the changes in the consolidated equity and their consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with the generally accepted principles and standards adopted by the European Union applied on a basis consistent with that used in the preparation of the financial statements for 2004, which were included in the consolidated financial statements for 2005 for comparison purposes.

The accompanying consolidated directors' report for 2005 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2005. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of the Companies.

DELOITTE  
Registered in ROAC under no. S0692



Luis Jiménez Guerrero

17 February 2006

**PROMOTORA DE INFORMACIONES, S.A. (PRISA) AND  
SUBSIDIARIES**

Consolidated Financial Statements for 2005  
prepared in accordance with International Financial Reporting Standards (IFRS)  
adopted in Europe together with the Consolidated Management Report

**PROMOTORA DE INFORMACIONES, S.A. (PRISA) AND  
SUBSIDIARIES**

Consolidated Financial Statements for 2005  
prepared in accordance with International Financial Reporting Standards (IFRS)  
adopted in Europe

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Note 28).  
In the event of a discrepancy, the Spanish-language version prevails.

PROMOTORA DE INFORMACIONES, S.A. (PRISA) AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER, 2005 AND 2004  
(Thousands of Euros)

ASSETS	Notes	31/12/05	31/12/04	NET EQUITY AND LIABILITIES	Notes	31/12/05	31/12/04
<b>A) NON-CURRENT ASSETS</b>		<b>1,520,956</b>	<b>1,087,737</b>	<b>A) NET EQUITY</b>	9	<b>865,255</b>	<b>716,316</b>
I. PROPERTY, PLANT AND EQUIPMENT	4	324,285	296,931	I. SHARE CAPITAL		21,881	21,881
II. INVESTMENT PROPERTY	3b	12,314	11,472	II. OTHER RESERVES		530,102	491,081
III. GOODWILL	5	225,732	188,407	III. ACCUMULATED PROFIT		316,503	217,209
IV. INTANGIBLE ASSETS	6	91,716	78,090	1. From prior years		163,604	94,756
V. NON-CURRENT FINANCIAL ASSETS	7	78,697	96,584	2. For the year		152,899	122,453
VI. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	8	644,842	331,267	IV. TREASURY SHARES		(32,766)	(29,706)
VII. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE		2,448	1,372	V. TRANSLATION DIFFERENCES		10,639	107
VIII. DEFERRED TAX ASSETS	19	140,922	83,614	VI. MINORITY INTERESTS		18,896	15,744
<b>B) CURRENT ASSETS</b>		<b>626,197</b>	<b>585,413</b>	<b>B) NON-CURRENT LIABILITIES</b>		<b>545,444</b>	<b>479,113</b>
I. INVENTORIES		104,273	99,654	I. EXCHANGEABLE BOND ISSUE	10	151,093	147,187
II. TRADE AND OTHER RECEIVABLES		492,952	455,229	II. BANK BORROWINGS	12	311,095	259,641
1. Trade receivables for sales and services		391,218	348,944	III. DEFERRED TAX LIABILITIES	19	42,996	40,117
2. Receivable from associates		55,433	48,784	IV. LONG-TERM PROVISIONS	11	22,186	21,531
3. Receivable from public authorities		29,518	31,695	V. OTHER NON-CURRENT LIABILITIES		18,074	10,637
4. Other receivables		47,889	51,526	<b>C) CURRENT LIABILITIES</b>		<b>736,454</b>	<b>477,721</b>
5. Provisions		(29,106)	(25,720)	I. TRADE PAYABLES		211,425	201,604
III. CURRENT FINANCIAL ASSETS		5,130	6,016	II. PAYABLE TO ASSOCIATES		35,371	37,138
IV. CASH AND CASH EQUIVALENTS		23,242	24,514	III. OTHER NON-TRADE PAYABLES	13	119,657	49,027
V. OTHER CURRENT ASSETS		600	-	IV. BANK BORROWINGS	12	320,172	144,491
				V. PAYABLE TO PUBLIC AUTHORITIES	19	37,538	37,399
				VI. PROVISIONS FOR RETURNS		5,444	3,989
				VII. OTHER CURRENT LIABILITIES		6,847	4,063
<b>TOTAL ASSETS</b>		<b>2,147,153</b>	<b>1,673,150</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,147,153</b>	<b>1,673,150</b>

The accompanying Notes 1 to 28 are an integral part of the Consolidated Balance Sheets at 31 December 2005 and 2004.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Note 28). In the event of a discrepancy, the Spanish-language version prevails.

PROMOTORA DE INFORMACIONES, S.A. (PRISA) AND SUBSIDIARIES  
CONSOLIDATED INCOME STATEMENTS FOR 31 DECEMBER, 2005 AND 2004  
(Thousands of Euros)

	Notes	31/12/05	31/12/04
Revenue	14	1,425,966	1,276,657
Other income	14	57,125	78,785
<b>OPERATING REVENUES</b>		<b>1,483,091</b>	<b>1,355,442</b>
Cost of materials used		(346,038)	(332,168)
Staff costs		(385,649)	(365,625)
Depreciation and amortisation charge	15	(69,771)	(67,370)
Outside services		(435,254)	(396,949)
Variation in operating allowances		(23,395)	(12,306)
Other expenses		(4,262)	(9,962)
<b>OPERATING EXPENSES</b>		<b>(1,264,389)</b>	<b>(1,184,380)</b>
<b>PROFIT FROM OPERATIONS</b>		<b>218,702</b>	<b>171,062</b>
Finance income	16	10,882	10,868
Finance costs	16	(32,247)	(24,911)
Exchange differences (net)	16	(1,439)	244
<b>FINANCIAL RESULT</b>		<b>(22,804)</b>	<b>(13,799)</b>
Result of companies accounted for using the equity method	8	(29,160)	(21,247)
Result from other investments		(458)	-
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>166,280</b>	<b>136,016</b>
Income taxes	19	(2,944)	11,696
<b>PROFIT FROM CONTINUING OPERATIONS</b>		<b>169,224</b>	<b>124,320</b>
Loss after tax from discontinued operations	17	(9,724)	-
<b>CONSOLIDATED PROFIT FOR THE YEAR</b>		<b>159,500</b>	<b>124,320</b>
Minority interests	9	6,691	1,867
<b>PROFIT ATTRIBUTABLE TO THE PARENT COMPANY</b>		<b>152,809</b>	<b>122,453</b>

The accompanying Notes 1 to 28 are an integral part of the Consolidated Income Statements for 2005 and 2004.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Note 28). In the event of a discrepancy, the Spanish-language version prevails.

PROMOTORA DE INFORMACIONES, S.A. (PRISA) AND SUBSIDIARIES  
CONSOLIDATED CASH FLOW STATEMENTS FOR 2005 AND 2004  
(Thousands of Euros)

	31/12/05	31/12/04
<b>PROFIT FROM OPERATIONS</b>	<b>218,702</b>	<b>171,062</b>
Depreciation and amortisation charge	69,771	67,370
<b>Changes in working capital</b>	<b>40,110</b>	<b>(2,300)</b>
Inventories	(4,619)	(8,834)
Trade receivables	(37,723)	(27,551)
Accounts payable	83,052	34,085
Other current assets	(600)	-
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>328,583</b>	<b>236,132</b>
<b>Recurrent investments</b>	<b>(104,875)</b>	<b>(95,555)</b>
Investments in intangible assets	(46,251)	(39,268)
Investment in property, plant and equipment	(37,684)	(56,287)
Investment property	(940)	-
<b>OPERATING CASH FLOW</b>	<b>223,708</b>	<b>140,577</b>
<b>Investments in non-current financial assets</b>	<b>(407,637)</b>	<b>(152,190)</b>
Financial loss	(22,804)	(13,799)
Dividends paid	(25,686)	(21,263)
Other	3,126	24,746
<b>CHANGE IN NET DEBT IN THE YEAR</b>	<b>(229,293)</b>	<b>(21,929)</b>

<b>NET DEBT AT BEGINNING OF THE YEAR</b>	<b>(373,602)</b>	<b>(351,673)</b>
Change in cash and cash equivalents and current financial assets	(2,158)	(18,921)
Change in bank borrowings	(227,135)	(3,008)
<b>NET DEBT AT END OF YEAR</b>	<b>(602,895)</b>	<b>(373,602)</b>

The accompanying Notes 1 to 28 are an integral part of the Consolidated Cash Flow Statements for 2005 and 2004.



Translation consolidated of financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Note 28). In the event of a discrepancy, the Spanish-language version prevails.

PROMOTORA DE INFORMACIONES, S.A. (PRISA) AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR 2005 AND 2004  
(Thousands of Euros)

	Share Capital	Share Premium	Reserves	Reserves for First-Time Application of IFRSs	Accumulated Prior Year Profits	Treasury Shares	Translation Differences	Consolidated Profit for the Year	Equity Attributable to the Parent	Minority Interests	Net Equity
Balance at 31 December 2003	21,881	108,369	399,760	(72,535)	117,134	(29,365)	-	60,597	605,841	26,913	632,754
Delivery of treasury shares						79			79		79
Purchase of treasury shares						(420)			(420)		(420)
Distribution of 2003 profit											
- Directors' remuneration								(1,382)	(1,382)		(1,382)
- Dividends								(21,263)	(21,263)		(21,263)
- Reserves			54,976		(17,024)			(37,952)			
Translation differences					(6,075)		107		(5,968)		(5,968)
Change in revaluation reserves					4,734				4,734		4,734
Other			511		(4,013)				(3,502)		(3,502)
Changes in minority interests										(8,240)	(8,240)
- Changes in percentages of ownership										(3,702)	(3,702)
- Dividends paid during the year										(281)	(281)
- Due to changes in the scope of consolidation										(813)	(813)
- Other										1,867	1,867
Profit for 2004								122,453	122,453		124,320
Balance at 31 December 2004	21,881	108,369	455,247	(72,535)	94,756	(29,706)	107	122,453	700,572	15,744	716,316
Delivery of treasury shares						73			73		73
Sale of treasury shares						583			583		583
Purchase of treasury shares						(3,716)			(3,716)		(3,716)
Distribution of 2004 profit											
- Directors' remuneration								(1,382)	(1,382)		(1,382)
- Dividends								(25,686)	(25,686)		(25,686)
- Reserves			36,232		59,153			(95,385)			
Translation differences					16,861				27,393		27,393
Change in revaluation reserves					3,622		10,532		3,622		3,622
Other			2,789		(10,698)				(7,909)		(7,909)
Changes in minority interests										(4,640)	(4,640)
- Dividends paid during the year										1,009	1,009
- Due to changes in the scope of consolidation										92	92
- Other										6,691	6,691
Profit for 2005								152,809	152,809		159,500
Balance at 31 December 2005	21,881	108,369	494,268	(72,535)	163,694	(32,766)	10,639	152,809	846,359	18,896	865,255

The accompanying Notes 1 to 28 are an integral part of the Consolidated Statements of Changes in Equity for in 2005 and 2004.

**PROMOTORA DE INFORMACIONES, S.A. (PRISA) AND  
SUBSIDIARIES**

Notes to the Consolidated Financial Statements for 2005  
prepared in accordance with International Financial Reporting Standards (IFRS)  
adopted in Europe

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Notes 1 and 28). In the event of a discrepancy, the Spanish-language version prevails.*

## **PROMOTORA DE INFORMACIONES, S.A. (PRISA) AND SUBSIDIARIES**

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR 2004 AND 2005 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) AS ADOPTED BY THE EUROPEAN UNION

#### **(1) DESCRIPTION AND FINANCIAL STATEMENTS OF THE GROUP**

PROMOTORA DE INFORMACIONES, S.A. (hereinafter, "Prisa") and its subsidiaries and investees constitute a group of companies (hereinafter the "Prisa Group" or the "Group"). Prisa, with registered office in Madrid, at calle Gran Vía, 32, was incorporated on 18 January 1972. Its business activities include, inter alia, the exploitation of printed and audiovisual media, the holding of investments in companies and businesses and the provision of all manner of services.

In addition to operations carried out by the Company itself, Prisa heads a group of subsidiaries, multigroup and associated companies which undertake a variety of business activities and which constitute the Group. Therefore, in addition to its own financial statements, Prisa is obliged to present consolidated financial statements for the Group including its interests in multigroup companies and investments in associated companies.

The Group's consolidated financial statements for 2004 were approved by the shareholders at the Annual General Meeting on 17 March 2005. Said financial statements were prepared in accordance with Spanish accounting principles and, therefore, do not coincide with the figures for 2004 included in these financial statements, which were prepared in accordance with International Financial Reporting Standards (see Note 27 for a reconciliation of the profit for 2004 and the equity at 1 January 2004 and 31 December 2004).

The consolidated financial statements for 2005 will be submitted for approval at the Annual General Meeting, and it is considered that they will be approved without any changes.

These financial statements are presented in thousands of euros as this is the currency of the main economic area in which the Group operates. Foreign operations are accounted for in accordance with the policies described in Note 3-p.

## **(2) BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

### **a) Basis of presentation**

The consolidated financial statements for 2005 were prepared in accordance with the International Financial Reporting Standards (hereinafter "IFRSs") adopted by the European Union in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, taking into account all mandatory accounting principles and standards and measurement bases with a material effect and the alternatives permitted by the Standards in this respect, which are detailed in Note 2-c.

The consolidated financial statements have been obtained from the individual financial statements of Prisa and its Subsidiaries and present fairly the Group's consolidated equity and financial position at 31 December 2005, and the results of its operations, and the changes in consolidated equity and cash flows at the Group in the year then ended. The Group has prepared its financial statements on a going concern basis. Also, with the exception of the cash flow statement, these financial statements have been prepared in accordance with the accrual basis of accounting.

Given that the accounting policies and measurement basis applied in preparing the Group's consolidated financial statements for 2005 may differ from those applied by some of the companies making up the Group, the necessary adjustments and reclassifications have been made on consolidation process to unify these policies and basis and to adapt them to the IFRSs adopted by the European Union.

### **b) Responsibility for the information and for the estimates made**

The information contained in these financial statements is the responsibility of the Group's directors.

In the consolidated financial statements for 2005 estimates were occasionally made by the executives of the Group and of the entities in order to quantify certain assets, liabilities and commitments recorded therein. Basically, these estimates refer to:

- The measurement of assets and goodwill to determine the possible existence of impairment losses (see Note 3-e).
- Assumptions used in the calculation of the actuarial value of assets and liabilities.
- The useful life of property, plant and equipment and intangible assets (see Notes 3-a and 3-d).
- Assumptions used in the calculation of the fair value of financial instruments (see Note 3-j).
- Assessment of the likelihood and amount of undetermined or contingent liabilities.

These estimates were made on the basis of the best available information at the date of preparation of these consolidated financial statements on the events analysed. However, future events may make it necessary to change these estimates (upwards or downwards) in the coming years, which would be carried out prospectively, recognizing the impact of the change in estimates in the related consolidated income statements.

### c) First-time application of IFRSs

The Group's consolidated financial statements for 2005 are the first to be prepared in accordance with IFRSs.

In the preparation of the attached financial statements, the alternatives regarding the first-time application of IFRSs were taken into account. The main alternatives applied by the Prisa Group in this respect are the following:

- It was decided not to reconstruct business combinations as if they had occurred under IFRSs. Therefore, all assets and liabilities under Spanish GAAP that do not qualify for recognition as such under IFRSs, have been eliminated against reserves.
- Both intangible assets and assets booked under the captions "*Property, Plant and Equipment*" and "*Investment Property*" may be valued at market value or at their cost of acquisition adjusted for accumulated depreciation and amortization and write-downs. The Prisa Group has opted to record these assets using the cost method.
- The depreciated cost of property, plant and equipment and intangible assets at 31 December 2003 was taken to be the carrying amount of these assets under Spanish GAAP, since Prisa management considers that revaluations of these assets in accordance with regulations in force in those countries in which the Prisa Group companies approximate the increases in prices in those countries.
- It was opted not to apply IFRSs on share-based payments to share option plans granted before 7 November 2002.
- Translation differences generated before 31 December 2003 have been taken to reserves. Consequently, if an investee has been sold, the income statement would only include the translation differences generated after that date.
- it was opted to proportionately consolidate interests in multigroup companies.
- The information presentation alternatives chosen are as follows:
  - Presentation of financial statements by nature.
  - Calculation of the cash flow statement using the indirect method.
  - Segment reporting is structured primarily on the basis of the Group's various lines of business and, secondarily, by the geographical area.

Note 27 shows the reconciliation between the equity at 1 January 2004 and the profit for the year ended 31 December 2004, which therefore appear in the Group's consolidated financial statements for that year, and the related balances for the year determined in accordance with IFRSs.

#### d) Basis of consolidation

The data relating to Sociedad Española de Radiodifusión, S.A., Sociedad de Servicios Radiofónicos Unión Radio, S.L., Grupo Santillana de Ediciones, S.L., Gerencia de Medios, S.A., Dédalo Grupo Gráfico, S.L., Promotora de Emisoras de Televisión, S.A., Gran Vía Musical de Ediciones, S.L., Plural Entertainment España, S.L., Grupo Latino de Radiodifusión Chile, Ltda., Sistema Radiópolis, S.A de C.V., Grupo Media Capital SPGS, S.A., Inversiones Grupo Multimedia de Comunicaciones, S.A., Antena 3 de Radio, S.A., Sogecable, S.A., Inversiones en Radiodifusión, S.A. and Inversiones Digitales, S.A. contained in these notes to consolidated financial statements were obtained from these companies' respective consolidated financial statements.

The consolidation methods applied are the following:

##### *Full consolidation -*

Subsidiaries are fully consolidated and all their assets, liabilities, income, expenses and cash flows after adjustments and eliminations corresponding to intra-Group transactions, are included in the consolidated financial statements. Subsidiaries are those in which the Parent controls a majority of the voting power or, if this is not the case, has the capacity to exercise control over their financial and operating policies. The fully consolidated companies are listed in Appendix I.

The results of subsidiaries which are acquired or sold during the year are included in the consolidated income statement from the effective date of acquisition or until the effective date of disposal, as appropriate.

When a subsidiary is acquired, all its assets, liabilities and contingent liabilities are recorded at market value. If there is a positive difference between the cost of acquisition of the subsidiary and the market value of its assets and liabilities corresponding to the percentage of ownership of the Parent, this difference is booked as goodwill. If the difference is negative, it is recorded with a credit to the consolidated income statement.

Minority interests in Group companies' equity and profit or loss are presented under the headings "*Net Equity - Minority Interests*" in the consolidated balance sheet and "*Profit Attributable to Minority Interests*" in the consolidated income statement.

The interests of minority shareholders are established in proportion to the fair values of the recognised assets and liabilities. Therefore, any loss applicable to minority interests that exceeds said minority interests is attributed to the Parent.

All balances and transactions between fully consolidated companies were eliminated in consolidation.

##### *Proportionate consolidation -*

Multigroup companies are proportionately consolidated. Joint ventures are considered to be contractual agreements by virtue of which two or more entities ("venturers") undertake

operations or hold assets so that strategic financial or operating decisions affecting the joint venture requires the unanimous consent of the venturers, and those operations and assets are not part of any financial structure other than those of the venturers. The detail of these companies is disclosed in Appendix I to these notes.

Under this consolidation method, balances are aggregated and subsequent eliminations are made exclusively in proportion to the percentage of the share capital of the multigroup company owned by the Group. Assets and liabilities assigned to multigroup company or which are controlled jointly with other venturers are presented in the consolidated balance sheet classified by nature. Similarly, income and expenses arising from multigroup company are presented in the consolidated income statement on the basis of their nature.

#### *Equity method-*

Associated companies are accounted for using this method. Associates are companies in which Prisa has a direct or indirect investment of between 20% and 50%, or at which, even if the percentage of ownership is less than 20%, there is significant influence over their management. The detail of these companies is disclosed in Appendix I to these notes.

Under the equity method, investments are booked in the balance sheet at the fraction of their net equity represented by the Group's percentage of ownership, adjusted, if necessary, for the effect of intra-Group transactions, plus the unrealised gain relating to the goodwill paid in the acquisition of the company.

Dividends received from these companies are booked as a reduction of the value of the Group's investment and the results obtained by these companies that correspond to the Prisa Group on the basis of its percentage of ownerships are included, net of the related tax effect, in the consolidated income statement under the heading "*Result of Companies Accounted for Using the Equity Method*".

#### *Other matters-*

The items in the balance sheets and income statements of the foreign companies included in the scope of consolidation were translated to euros using the "year-end exchange rate method", i.e. all assets, rights and obligations were translated at the exchange rates in force at the end of the year, and the income statement items were translated at the average exchange rates for the year. The difference between the value of the equity translated at historical exchange rates and the net equity position resulting from the translation of other items as indicated above is recorded under the "*Net Equity - Translation Differences*" caption in the accompanying consolidated balance sheet.

The balance sheet items relating to foreign companies affected by high inflation rates are adjusted to reflect the impact of price fluctuations, pursuant to local regulations, prior to translation to euros. This effect is included separately in these notes to the financial statements in the column entitled "*Monetary Adjustment*". The effect of the inflation adjustment for the year on the monetary assets and liabilities of these companies is included under the "*Finance Costs*" caption in the accompanying consolidated income statement. The effect of the inflation adjustment on the equity contributed by the companies where this accounting practice is used

is booked under the caption “*Net Equity – Translation Differences*” in the accompanying consolidated balance sheet.

In keeping with standard practice, these consolidated financial statements do not include the tax effect of transferring to Prisa’s accounts the accumulated reserves and retained earnings of the other consolidated companies, on the understanding that these balances will be used as equity by said companies.

**e) Changes in the scope of consolidation**

The most significant variations in the scope of consolidation in 2005 were as follows:

*Subsidiaries -*

On 1 January 2005, Sociedad de Servicios Radiofónicos, Unión Radio, S.L. started to fully consolidate the group of companies belonging to Ediciones LM, S.L., after the requisite administrative authorisation had been obtained. This group of companies had previously been accounted for using the equity method.

In June 2005, GLR Services, Inc. and Corporación Argentina de Radiodifusión, S.A. acquired 70% and 30%, respectively of Radio Continental, S.A. and Radio Estéreo, S.A., which engage in the operation of radio stations in Argentina.

Also, in June 2005, Santillana Ediciones Generales, S.L. acquired 75% of the Brazilian publishing company Editora Objetiva, Ltda., with an option to acquire the remaining 25%.

In September 2005, Sociedad Española de Radiodifusión, S.A. acquired 85% of Ona Catalana, S.A. from Radio Ambiente Musical, S.A. The seller has announced that it will exercise its put option on the remaining 15%.

In November 2005, Promotora de Informaciones, S.A. acquired all the shares of Portuguese company Vertix, SPGS, S.A., itself the owner of 33% of Media Capital, SPGS, S.A., a company listed on the Eurolist Euronext Lisbon Exchange. As a result of this acquisition, Promotora de Informaciones, S.A. made cash payments and handed over shares corresponding to 24% of the share capital of Prisa División Internacional, S.L. Furthermore, the parties agreed that the sellers will have an option to sell shares representing 24% of Prisa División Internacional, S.L., and that Prisa will have an option to buy the afore-mentioned shares once the term granted to the sellers has expired (see Notes 8 and 13).

In December 2005, Gran Vía Musical de Ediciones, S.L., sold its 100% stake in the record and leisure product distribution company El Diablo Distribución, S.L., (see Note 17).

The table below shows the main effects on the balance sheet of the acquisitions of subsidiaries:



	Thousands of Euros
	31.12.2005
Non-current assets	12,784
Current financial assets and cash and cash equivalents	331
Other current assets	8,791
Current and non-current liabilities	19,953
<b>Fair value of net assets acquired</b>	<b>1,953</b>
<b>Goodwill</b>	<b>31,952</b>
Cash payments	28,452
Other means of payment	5,453
<b>Total consideration</b>	<b>33,905</b>

#### *Multigroup companies-*

In May 2005, Grupo Latino de Publicidad Colombia, Ltda. carried out a capital increase which was not subscribed by Prisa División Internacional, thereby reducing the latter's stake from 99.99% to 50%. Grupo Latino de Publicidad Colombia, Ltda. is no longer fully consolidated and is now proportionately consolidated.

#### *Associated companies-*

In June 2005, Guipúzcoa Televisión, S.A., 30% owned by Promotora de Emisoras de Televisión, S.A., acquired 90% of Televisión Bidasoa, S.L., which is now accounted for using the equity method.

In November 2005, Grupo Media Capital SPGS, S.A., 33% owned by Vertix SPGS, S.A., started to be accounted for using the equity method.

In December 2005, Prisaprint, S.L., sold its 49% stake in Field Mateu, S.L.

When comparing information for 2003, 2004 and 2005, these changes, the effect of which is presented separately in these notes to the consolidated financial statements in the "*Changes in the Scope of Consolidation*" column, should be taken into account.

### **(3) ACCOUNTING POLICIES**

#### **a) Property, plant and equipment**

"*Property, Plant and Equipment*" are carried at cost, net of the related accumulated depreciation and impairment losses.

"*Property, Plant and Equipment*" acquired prior to 31 December 1983, is carried at cost, revalued pursuant to the applicable enabling legislation. Subsequent additions are stated at cost, revalued pursuant to Royal Decree-Law 7/1996 in the case of Diario El País, S.L., Sociedad Española de Radiodifusión, S.A., Prisa División Inmobiliaria, S.L., Promotora de Informaciones, S.A., Ítaca, S.L., Mateu Cromo Artes Gráficas, S.A., Macrolibros, S.A., Polestar Hispánica, S.L. and Algarra, S.A.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Period upkeep and maintenance expenses are charged directly to the consolidated income statement.

Property, plant and equipment is depreciated by the straight-line method at annual rates based on the years of estimated useful life of the related assets, the detail being as follows:

	Estimated Useful Life
Buildings and structures	50
Plant and machinery	5 - 10
Other items of property, plant and equipment	4 - 20

The amounts arising from the revaluation made pursuant to Royal Decree-Law 7/1996 are depreciated over the years of the residual useful life of the revalued assets at 31 December 1996.

The cost of assets held under finance leases is presented under the caption "*Non-Current Assets -Property, Plant and Equipment*" corresponding to the asset leased, and is depreciated over the projected useful life using the same method as that used to depreciate owned assets or over the relevant lease term should its useful life be shorter.

The gain or loss recorded on the disposal or retirement of an asset is calculated as the difference between the asset's sale price and its carrying amount and is recognised in the consolidated income statement.

#### **b) Investment property**

Investment property is valued at cost of acquisition less any accumulated depreciation. As of 31 December 2005, the carrying amount of these assets was €12,314 thousand and their market value was approximately €71,107 thousand. This market value is determined on the basis of reports prepared by independent experts.

Investment property is mainly property earmarked for lease under operating leases. The rental income earned in 2005 from the rental of such property amounted to approximately €3,073 thousand and is recorded under the caption "*Other Income*" in the accompanying consolidated income statement.

Investment property is depreciated by the straight-line method by distributing the cost of the various items over the estimated useful life according to the depreciation rates stated in Note 3-a, which constitutes the period over which the companies expect to use them.

### c) Goodwill

Positive differences between the acquisition cost of ownership interests in consolidated companies and their corresponding underlying carrying amount at the time of the acquisition or at the date of first-time consolidation, are accounted for as follows:

- If the excess is assignable to specific assets of the companies acquired, by increasing the value of the assets (or reducing the value of the liabilities) whose market values are higher (lower) than the carrying amounts at which they are recorded in the balance sheet of the companies acquired and which are treated in a similar way for accounting purposes to the Group's own assets (or liabilities).
- If the excess is assignable to specific intangible assets, by explicitly recognising them in the consolidated balance sheet, provided that the fair value at the date of acquisition can be determined reliably.
- The remaining differences are recorded as goodwill.

The assets and liabilities acquired are measured provisionally at the date on which the investment is acquired and the related value is reviewed within a maximum of one year following the acquisition date. Therefore, until the definitive fair value of the assets and liabilities has been established, the difference between the acquisition price and the carrying amount of the company acquired is provisionally recognised as goodwill.

Goodwill is considered as an asset of the company acquired and therefore, in the case of a subsidiary with a functional currency other than the euro, it is valued in that subsidiary's functional currency and is translated to euros using the exchange rate prevailing at the balance sheet date.

The Group prepares long-term business plans for its investments on the basis of its knowledge of the medium, the best available estimates of the conditions and future evolution of the market, the operational evolution planned for the business, compliance with legal conditions and the Group's future strategy. In relation to these business plans, the Group will obtain medium- and long-term profits that will allow it to recover the acquisition cost paid in excess of the fair value of the identifiable assets and liabilities acquired.

Goodwill acquired after 1 January 2004 is valued at acquisition cost and goodwill acquired prior to that date is valued at its carrying amount at 31 December 2003 in accordance with Spanish GAAP. In both cases, since 1 January 2004, goodwill has not been amortised and at each reporting date the Group estimates whether there has been any impairment that might have reduced the recoverable amount of the goodwill to below the carrying amount recorded, and, where applicable, the appropriate impairment loss is recognised (see Note 3-e).

When a subsidiary, associated or multigroup company is disposed of, the attributable amount of the goodwill is included in the calculation of the gain or loss on the disposal.

### d) Intangible assets

The main items included under this caption and the valuation methods used are as follows:

#### *Computer software-*

This account includes the amounts paid to develop specific computer programmes and the amounts incurred in acquiring from third parties the licenses to use programmes. Computer software is amortised by the straight-line method over a period ranging from three to five years from the date on which it is brought into service.

#### *Prototypes and master copies-*

This account includes prototypes for the publication of books, which are measured at the costs incurred on materials and work performed by third parties to obtain the physical medium required for industrial mass reproduction. The prototypes are amortised by the straight-line method over three years from the date on which they are launched on the market, in the case of text books, atlases, dictionaries and major works, and over two years in the case of other publications. The cost of the prototypes of books that are not expected to be published is charged to the income statement for the year in which the decision not to publish is taken.

This account also includes audiovisual productions, which are recorded at the amounts incurred in their production with a view to their subsequent marketing. Audiovisual productions are amortised on the basis of the income expected to be obtained there from, over a maximum period of seven years from the date on which production is completed.

Lastly, this account includes music and audiovisual master copies, which are recorded at the cost incurred in the recording and manufacture of records. Master copies are amortised by the straight-line method over 15 months from the date on which the record is released.

#### *Advances on copyright-*

This account includes the advances paid to authors for the acquisition of book publishing rights. These advances are charged to the income statement from the date on which the book is launched on the market, at the rate established in each contract, which is applied to the book cover price. These items are presented in the balance sheet at cost, less the portion charged taken to income. This cost is reviewed each year and, where necessary, an allowance is booked based on the projected sales of the related publication.

Advances paid to artists and music producers are also recorded in this account. These advances, paid on account of royalties to be generated from the date the record is launched, are charged to income from that date, in accordance with the royalty set in each contract, until this has been recovered in full, which normally occurs in a period of more than one year.

#### *Other intangible assets-*

This account basically includes the amounts paid to acquire administrative concessions for the operation of radio frequencies. These are temporary administrative concessions, granted for renewable ten-year periods and amortised by the straight-line method over ten years, except for cases where the renewal costs are not significant, in which case they are deemed to be assets with an indefinite useful life.

**e) Provisions and hedges for impairment losses**

At the end of each year, or whenever considered necessary, assets are evaluated to determine whether there are any indications, of impairment losses. If there are any such indications, the recoverable amount of the asset is estimated to determine the necessary write-down. In the case of identifiable assets that individually do not give rise to cash flows, the recoverability of the cash-generating unit to which the asset belongs is estimated.

In the case of cash-generating units to which goodwill or intangible assets with an indefinite useful life have been allocated, recoverability is assessed systematically at the end of each fiscal year or whenever this is deemed necessary.

The recoverable amount is the higher of the market value less costs to sell and the value in use, the latter being understood to be the present value of the estimated future cash flows.

If the recoverable amount is lower than the asset's carrying amount, the corresponding impairment loss relating to the difference is recognised in the consolidated income statement under the caption "*Depreciation and Amortisation Charge*".

Impairment losses recognised in assets in previous years are reversed when there is a change in the estimate of its recoverable amount, which increasing the asset's value up to the original carrying amount prior to the loss in value. The reversal of the impairment loss is recognised immediately as income in the consolidated income statement. In the case of goodwill, write-downs may not be reversed.

**f) Investments accounted for using the equity method**

Investments in companies over which the Group has significant influence are accounted for using the equity method, which consists of replacing the carrying amount at which these investments are stated in the financial statements of the respective Group companies by the amount relating to the percentage of the equity of each investee owned. Also included under this caption is the goodwill generated in the acquisition of these companies.

The dividends received from these investees are recorded by reducing the value of the investment, and the results obtained by these investees that correspond to the Group on the basis of its percentage of ownership are booked, net of the related tax effect, in the consolidated income statement under the caption "*Result of Companies Accounted for Using the Equity Method*".

**g) Non-current assets classified as held for sale**

Non-current assets classified as held for sale are carried at the lower of their carrying amount and their fair value less cost to sell, and are not depreciated.

Non-current assets are classified as held for sale when their carrying amount is expected to be recovered through their subsequent disposal and not through their continued use in the course of the company's main business activity. This condition is deemed to have been met only when disposal is highly probable and the asset is available for immediate sale in its

current state. Management must be committed to the disposal, which will foreseeably be concluded within one year from the date of classification.

#### **h) Profit (loss) from discontinued operations**

A discontinued activity is a business line which the Group has decided to discontinue and/or dispose of and whose assets, liabilities and profit or loss can be distinguished physically, at operating level and for financial reporting purposes.

Income and expenses from discontinued operations are presented separately in the consolidated income statement under the caption "*Profit (Loss) after tax from Discontinued Operations*".

#### **i) Inventories**

Inventories of raw materials and other supplies and commercial products or finished goods purchased from third parties are valued at the lower of their average acquisition cost or market value.

Work-in-progress and finished goods produced in-house are valued at the lower of average production cost or market value. Production cost includes the cost of materials used, labour and in-house and third-party direct and indirect manufacturing expenses.

Obsolete, defective or slow-moving inventories have been reduced to their realisable value.

At year-end the Group assesses the net realisable value of its inventories and makes the appropriate provisions when they are overstated. When the circumstances which previously caused the provision to be made have ceased to exist or when it is clear that the increase in the net realisable value is due to a change in economic circumstances, the amount recorded is reversed.

#### **j) Financial instruments**

##### *Non-current financial assets-*

- Loans and receivable: are recorded at amortised cost, i.e. cash paid less reimbursements of the principal, plus accrued interest receivable, in the case of loans, and the present value of the related consideration in the case of accounts receivable. The Group records the corresponding provisions for the difference between the recoverable amount of the accounts receivable and the carrying amount at which they are stated.
- Held-to-maturity investments: are those which the Group intends to, and is capable of, holding until maturity, which are recorded at amortised cost. At 31 December 2004 and 2005, the Group had no such assets.
- Financial assets classified as at fair value through profit or loss: include the held-for-trading financial assets and financial assets which are managed and evaluated using the fair value model. At 31 December 2004 and 2005, the Group had no such assets.

- Available-for-sale financial assets: are the remaining assets not included in the three categories above, which relate substantially in full to equity investments. These investments are recorded in the consolidated balance sheet at fair value when it is possible to determine this reliably. It is not normally possible to determine reliably the market value of investments held in unlisted companies and, therefore, these are measured at acquisition cost or a lower amount if there are signs of impairment.

#### *Cash and cash equivalents-*

This caption in the consolidated balance sheet includes mainly cash on hand and at banks, current accounts and other highly liquid current assets that are quickly realisable in cash and are subject to an insignificant risk of changes in value.

#### *Financial liabilities-*

Loans, bonds and other similar liabilities are carried at the amount received, net of transaction costs. Interest expenses, including premiums payable on settlement or redemption and transaction costs, are recognised in the consolidated income statement on an accrual basis using the effective interest method. The amount accrued and not paid is added to the carrying amount of the instrument if settlement is not made during the accrued period.

Amounts payable are recognised initially at market value and are subsequently measured at amortised cost using the effective interest rate method.

#### *Derivative financial instruments and hedge accounting-*

The Group is exposed to fluctuations in exchange rates in the various countries in which it operates. In order to mitigate this risk, foreign exchange hedges are used, on the basis of its projections and budgets, when the market outlook so requires.

Similarly, the Group is exposed to exchange rate risk as a result of potential fluctuations in the various currencies in which its bank borrowings are denominated (see Note 12). It therefore uses hedging instruments for transactions of this nature when the market outlook so requires.

The Group is also exposed to the risk of interest rate fluctuations since all of its bank borrowings bear interest at floating rates (see Note 12). Consequently, the Group arranges interest rate hedges, basically through contracts providing for interest rate caps.

At year-end, the contracts in force were valued by comparing, for each contract on a case-by-case basis, the price agreed on with the market value of each currency and the reference interest rate, if any, at year-end, and changes in the value thereof are recognised in the consolidated income statement.

#### *Compound financial instruments-*

The exchangeable bond issue made by the Group meets the requirements in IFRSs for being considered to be an "Equity instrument". Therefore, the amount corresponding to the liability component which represents the fair value of the option included in this instrument, of the

net amount received since the bond issue was separated from the equity component (see Note 10).

#### **k) Long-term provisions**

Obligations existing at the consolidated balance sheet date arising as a result of past events which could give rise to a loss for the Group which is uncertain as to its amount and timing are recognised in the consolidated balance sheet as provisions at the present value of the most probable amount that it is considered the Group will have to pay to settle the obligation.

##### *Provisions for taxes-*

The "*Provision for Taxes*" caption relates to the estimated amount of the tax debts whose exact amount or date of payment has not yet been determined, since they depend on the fulfilment of certain conditions.

##### *Provisions for third-party liability-*

At 31 December 2005, several lawsuits and claims had been filed against the consolidated companies that arose during the normal course of their activities. The Group's legal advisers and its directors consider that the outcome of these proceedings and claims will not have a material effect on the financial statements for the years in which they end.

This caption also relates to the estimated amount required to cover potential claims arising from obligations assumed by the consolidated companies in the course of their commercial operations and to the estimated termination benefits payable to employees whose contracts are expected to be terminated.

#### **l) Provisions for returns**

This caption refers mainly to the estimated amount (relating mainly to the Santillana de Ediciones, S.L. group companies) of sales returns received after year-end. This amount is estimated on the basis of the realisable value of the inventories returned.

#### **m) Revenue and expense recognition**

Revenue and expenses are recognised on an accrual basis, regardless of when the resulting monetary or financial flow arises.

However, in accordance with the accounting principle of prudence, the consolidated companies only recognise realised income at year-end, whereas foreseeable contingencies and losses, including possible losses, are recorded as soon as they become known.

#### **n) Offsetting**

Asset and liability balances must be offset and, therefore, the net amount presented in the consolidated balance sheet when, and only when, they arise from transactions in which, contractually or by law, offsetting is permitted and the Company intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.



#### **o) Tax matters**

The income tax expense for the year is calculated as the sum of the current income tax expense and the deferred tax assets and liabilities. The current corporate income tax expense is calculated by applying the tax rate in force to the taxable profit, after deducting the tax relief and tax credits generated and taken in the year.

The corporate income tax expense is recorded in the consolidated income statement or in equity accounts in the consolidated balance sheet, depending on where the gains or losses giving rise to it originate.

Deferred tax assets and liabilities arise from temporary differences defined as the amounts expected to be payable or recoverable in the future and which arise from differences between the carrying amount of assets or liabilities and their tax bases. These amounts are recorded applying to the temporary differences the tax rate at which they are expected to be recovered or settled.

Deferred tax assets may also arise from tax loss and tax credit carryforwards.

The related deferred tax liability is recognised for all taxable temporary differences, unless the temporary difference derives from the initial recognition of goodwill or the initial recognition (except in a business combination) of other assets and liabilities in a transaction that did not affect the taxable profit or accounting profit when it was carried out.

Deferred tax assets identified with deductible temporary differences are only recognised if it is considered likely that the consolidated companies will have sufficient taxable profits in the future against which to realise them and they do not derive from the initial recognition (except in a business combination) of other assets and liabilities in a transaction that does not affect taxable profit or the accounting profit. The remaining deferred tax assets (tax loss and tax credit carryforwards) are only recognised if it is considered likely that the consolidated companies will have sufficient taxable profits in the future against which to realise them.

The deferred tax assets and liabilities recognised are reviewed at each accounting close to check that they still exist, and the appropriate corrections being made on the basis of the results of the review.

In Spain, Promotora de Informaciones, S.A. files consolidated tax returns as permitted by the Corporation Tax Law. It is the Parent of tax group no. 2/91 which includes all its subsidiaries (see Appendix I) that meet the requirements in the legislation governing the taxation of the consolidated profit of corporate groups.

#### **p) Foreign currency transactions**

Foreign currency transactions are translated to euros (the Group's functional currency) at the exchange rates ruling at the transaction date. During the year, differences arising between the exchange rate recorded and that prevailing at the date of collection or payment are recognised as finance income or finance costs in the consolidated income statement.

Also, balances receivable or payable at 31 December each year in currencies other than the functional currency in which the consolidated companies' financial statements are denominated are translated to euros at the year-end exchange rate. Translation differences are recognised as financial items in the consolidated income statement.

**q) Current/non-current classification**

Debts and credits are recorded at face value. Debts and credits maturing in under 12 months from the balance sheet date are classified as current assets or liabilities and those maturing at over 12 months as non-current assets or liabilities.

**r) Share-based payment**

The Group pays some employees share-based payments in the form of equity instruments settled in cash. Share-based payments in the form of equity instruments are valued at fair value at the grant date. The fair value at the grant date of share-based payments in the form of equity instruments is charged to income on a straight-line basis throughout the vesting period, in line with the estimates carried out by the Group regarding the shares which will finally vest, with a credit to "*Net Equity - Other Reserves*".

**s) Consolidated cash flow statements**

The following terms are used in the consolidated cash flow statements with the meanings specified:

- Net debt: is the amount of short- and long-term "*Bank Borrowings*" less "*Cash and Cash Equivalents*", less "*Current Financial Assets*".
- Cash flows from operating activities: cash flows from activities constituting the main purpose of the group's business.
- Recurrent investments: acquisitions of property, plant and equipment, intangible assets and real estate in order to maintain and, in some cases, develop the operating capacity of each business line.
- Operating cash flow: is the net cash flow from the operating activities less recurrent investments.
- Investments in financial assets: are those made to acquire investments in companies.
- Financial income (loss): arising from finance income and costs.
- Dividends paid: dividends paid by the Parent.

**t) Environmental impact**

In view of the printing activities carried out by certain consolidated Group companies, basically Diario El País, S.L. and Dédalo Grupo Gráfico, S.L., and in accordance with current legislation, these companies control the degree of pollution caused by waste and emissions, and have an adequate waste disposal policy in place. The expenses incurred in this connection, which are not material, are expensed currently.

The evaluation carried out indicates that the Group does not have any environmental liability, expenses, assets, provisions or contingencies that could materially impact its equity, financial position or results.

#### (4) PROPERTY, PLANT AND EQUIPMENT

2005

The variations recorded in 2005 in this caption in the consolidated balance sheet were as follows:

	Thousands of Euros							Balance at 31.12.2005
	Balance at 31.12.2004	Monetary Adjustment	Translation Differences	Changes in Consolidation Scope	Additions	Retirements	Transfers	
<b>Cost:</b>								
Land and structures	150,484	1,380	8,204	6,230	9,193	(4,778)	4,001	174,714
Plant and machinery	326,715	1,649	8,885	3,197	13,368	(14,360)	5,685	345,139
Other items of property, plant and equipment	118,125	816	4,699	525	10,350	(5,114)	4,185	133,586
Advances and property, plant and equipment in the course of construction	18,033	2	756	-	24,773	(2,603)	(18,154)	22,807
<b>Total cost</b>	<b>613,357</b>	<b>3,847</b>	<b>22,544</b>	<b>9,952</b>	<b>57,684</b>	<b>(26,855)</b>	<b>(4,283)</b>	<b>676,246</b>
<b>Accumulated depreciation:</b>								
Structures	(39,364)	(651)	(1,561)	(1,045)	(2,648)	184	293	(44,792)
Plant and machinery	(195,266)	(1,320)	(6,601)	(3,192)	(20,830)	13,630	(637)	(214,216)
Other items of property, plant and equipment	(81,274)	(673)	(3,637)	(864)	(11,130)	4,067	643	(92,868)
<b>Total accumulated depreciation</b>	<b>(315,904)</b>	<b>(2,644)</b>	<b>(11,799)</b>	<b>(5,101)</b>	<b>(34,608)</b>	<b>17,881</b>	<b>299</b>	<b>(351,876)</b>
<b>Impairment losses:</b>								
Structures	(282)	-	-	-	-	197	-	(85)
Plant and machinery	(240)	-	-	-	-	240	-	-
Other items of property, plant and equipment	-	-	-	-	-	-	-	-
<b>Total impairment losses:</b>	<b>(522)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>437</b>	<b>-</b>	<b>(85)</b>
<b>Property, plant and equipment, net</b>	<b>296,931</b>	<b>1,203</b>	<b>10,745</b>	<b>4,851</b>	<b>23,076</b>	<b>(8,537)</b>	<b>(3,984)</b>	<b>324,285</b>

The most significant transactions in 2005 were as follows:

##### *Changes in the scope of consolidation-*

The changes in the scope of consolidation relate to the companies detailed in Note 2e.

##### *Additions -*

The additions to the "Land and structures" account correspond primarily to Prisa División Inmobiliaria, S.L., in relation to the renovation work underway on the Miguel Yuste building. In addition, Diario El País, S.L. expanded its registered office in Barcelona to house a new rotary press.

The additions to the "Plant and machinery" account include the acquisition and start up of a new rotary press for the printing plant in Madrid.

The additions to the *"Advances and property, plant and equipment in the course of construction"* account include the expansion of the following printing plants: Distribuciones Aliadas, S.A., in Seville and Dédalo Heliocolor, S.L., in Guadalajara. In addition, this caption includes the renovation work underway at the floors occupied by Sociedad Española de Radiodifusión, S.A., at Gran Vía, 32, in Madrid. Furthermore, it includes an advance of €2,325 thousand intended for the purchase of machinery to expand the rotary presses at the Diario El País, S.L. printing plants in Madrid and Barcelona.

#### *Retirements-*

The retirements from the *"Plant and machinery"* caption, relating to both cost and accumulated depreciation, owe primarily to the retirement of fully depreciated assets.

#### *Transfers-*

The transfers to the *"Plant and machinery"* account relate primarily to Diario El País, S.L., due to the completion of the expansion and assembly of the new rotary press at the printing plant in Madrid, which was retired from the *"Advances and property, plant and equipment in the course of construction"* account.

The transfers from the *"Advances and property, Plant and Equipment in the Course of Construction"* account correspond primarily to non-current assets of Sociedad Española de Radiodifusión, S.A., the adaptation and assembly of which have concluded and which has been recorded in the *"Other items of property, plant and equipment"* account.

As of 31 December, 2005, the carrying amount of property, plant and machinery subject to ownership restrictions totalled €1,957 thousand.

As of 31 December, 2005, Diario El País, S.L. had firm property, plant and equipment purchase commitments amounting to €5,425 thousand to improve the production processes at its printing plants in Madrid and Barcelona.

As of 31 December 2005, the Prisa Group's fully depreciated property, plant and equipment items in use amounted to €138,463 thousand.

As of 31 December 2005, the *"Property, plant and equipment"* caption in the consolidated balance sheet included assets held under finance leases amounting to €10,423 thousand.

In 1996, pursuant to the applicable asset revaluation legislation, the cost of the various property, plant and equipment captions was increased. The consolidated detail of this revaluation as of 31 December 2005, is as follows:

	Thousands of Euros
Land and structures	10,808
Plant and machinery	5,497
Other items of property, plant and equipment	701
<b>Total</b>	<b>17,006</b>

The 2005 depreciation charge relating to property, plant and equipment revalued pursuant to Royal Decree-Law 7/1996 of June 7, amounted to €121 thousand.

The Group companies take out insurance policies to cover the potential risks to which the various items of this heading are exposed. As of 31 December, 2005, the insurance policies taken out sufficiently covered the risks to which they are exposed.

## 2004

The variations recorded in 2004 in this caption in the consolidated balance sheet were as follows:

	Thousands of Euros							Balance at 31.12.2004
	Balance at 31.12.2003	Monetary Adjustment	Translation Differences	Changes in Consolidation Scope	Additions	Retirements	Transfers	
<b>Cost:</b>								
Land and structures	148,771	1,215	(831)	45	6,124	(3,442)	(1,398)	150,484
Plant and machinery	306,099	1,133	423	(3,532)	18,909	(9,847)	13,530	326,715
Other items of property, plant and equipment	105,445	725	(148)	1,721	11,594	(3,382)	2,170	118,125
Advances and property, plant and equipment in the course of construction	15,448	(1)	(28)	(63)	19,660	(609)	(16,374)	18,033
<b>Total cost</b>	<b>575,763</b>	<b>3,072</b>	<b>(584)</b>	<b>(1,829)</b>	<b>56,287</b>	<b>(17,280)</b>	<b>(2,072)</b>	<b>613,357</b>
<b>Accumulated depreciation:</b>								
Structures	(39,354)	(584)	123	(11)	(3,262)	3,324	400	(39,364)
Plant and machinery	(182,542)	(769)	(757)	2,905	(19,680)	6,495	(918)	(195,266)
Other items of property, plant and equipment	(72,492)	(602)	195	(979)	(10,871)	2,658	817	(81,274)
<b>Total accumulated depreciation</b>	<b>(294,388)</b>	<b>(1,955)</b>	<b>(439)</b>	<b>1,915</b>	<b>(33,813)</b>	<b>12,477</b>	<b>299</b>	<b>(315,904)</b>
<b>Impairment losses:</b>								
Structures	(85)	-	-	-	(197)	-	-	(282)
Plant and machinery	(974)	-	-	-	(240)	974	-	(240)
Other items of property, plant and equipment	-	-	-	-	(584)	584	-	-
<b>Total impairment losses</b>	<b>(1,059)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,021)</b>	<b>1,558</b>	<b>-</b>	<b>(522)</b>
<b>Property, plant and equipment, net</b>	<b>280,316</b>	<b>1,117</b>	<b>(1,023)</b>	<b>86</b>	<b>21,453</b>	<b>(3,245)</b>	<b>(1,773)</b>	<b>296,931</b>

The most significant transactions in 2004 were as follows:

#### *Additions -*

The additions to the *"Land and structures"* account relate basically to improvements and refurbishments made in 2004 to various buildings belonging to Group companies.

The additions to the *"Plant and machinery"* account include mainly the acquisition and entry into service of a new rotary press for Diario El País, S.L.'s printing plant in Madrid.

The additions to the *"Other items of property, plant and equipment"* account include, inter alia, investments of €7,501 thousand in computer and communications equipment related to the projects being carried out by the Group as part of its Technological Plan.

The *"Advances and property, plant and equipment in the course of construction"* account includes the general and technical renovation work carried out on the floors occupied by Sociedad Española de Radiodifusión, S.A. at Gran Vía, 32, Madrid and the advance delivered by Diario El País, S.L. for the purchase of a new rotary press for its printing plant in Barcelona, which came into service in 2005.

#### *Retirements-*

The retirements from the *"Land and structures"* caption include, inter alia, the sale of various buildings and land located in Pinto (Madrid) by Dédalo Grupo Gráfico, S.L. and Prisa División Inmobiliaria, S.L., the sale by Prisa División Inmobiliaria, S.L. of various premises and the sale by El Correo de Andalucía, S.L. of an industrial building in Seville.

The retirements from the *"Plant and machinery"* account also include the sale of closing equipment by Diario El País, S.L.

#### *Transfers-*

The transfers from the *"Advances and property, plant and equipment in the course of construction"* account relate mainly to machinery owned by Diario El País, S.L. whose expansion, adjustment and assembly was completed and which recorded in the *"Plant and machinery"* account.

As of 31 December 2004, Diario El País, S.L. had firm property, plant and equipment purchase commitments amounting to €4,650 thousand to improve production processes at its printing plant in Barcelona.

As of 31 December 2004, the Prisa Group's fully depreciated property, plant and equipment items in use amounted to €129,624 thousand.

As of 31 December 2004, the carrying amount of the Group's *"Property, plant and equipment"* included assets held under finance leases amounting to €16,388 thousand.

## (5) GOODWILL

2005

The breakdown of and variations in 2005 in the goodwill relating to fully and proportionately consolidated companies were as follows:

	Thousands of Euros						Balance at 31.12.2005
	Balance at 31.12.2004	Translation Differences	Additions	Impairment Losses	Retirements	Transfers	
<b>Consolidation goodwill relating to fully and proportionately consolidated companies:</b>							
Canal 4 Navarra, S.L.	2,640	-	-	-	-	-	2,640
Dédalo Grupo Gráfico, S.L.	11,639	-	3,294	-	-	-	14,933
Ediciones LM, S.L.	-	-	-	-	-	2,838	2,838
Editora Moderna, Ltda.	60,565	-	-	-	-	-	60,565
Espacio Editorial Andaluza Holding, S.L.	14,994	-	-	-	-	-	14,994
Gerencia de Medios, S.A.	33,944	-	-	-	-	-	33,944
Grupo Latino de Radio, S.L.	9,109	-	-	-	-	-	9,109
Inversiones Grupo Multimedia de Comunicaciones, S.A.	3,074	-	-	-	-	-	3,074
Lyrics and Music, S.L.	3,993	-	-	-	-	-	3,993
Editora Objetiva, Ltda.	-	-	8,345	-	-	-	8,345
Ona Catalana, S.A.	-	-	20,086	-	-	-	20,086
Radio Continental, S.A.	-	-	3,361	-	-	-	3,361
Sistema Radiópolis, S.A. de C.V.	31,338	-	-	-	-	-	31,338
Other	17,111	754	260	(362)	(1,251)	-	16,512
<b>Total consolidation goodwill relating to fully and proportionately consolidated companies</b>	<b>188,407</b>	<b>754</b>	<b>35,346</b>	<b>(362)</b>	<b>(1,251)</b>	<b>2,838</b>	<b>225,732</b>

### *Additions-*

The additions to goodwill of Editora Objetiva, Ltda., Ona Catalana, S.A. and Radio Continental, S.A. arose from the transactions described in Note 2-e.

The addition to the goodwill of Dédalo Grupo Grafico, S.L. was due to the increase with share premium carried out in December 2005 and to the adjustment made to the cost of the merger of the Prisa Group's printing businesses in Spain with the UK group Polestar envisaged in the initial business combination agreement.

### *Transfers-*

The transfer of the goodwill of Ediciones LM, S.L. was the result of the change in the company's consolidation method, from the equity method to the full consolidation method.

2004

The breakdown of and variations in 2004 in goodwill relating to fully and proportionately consolidated companies were as follows:

	Thousands of Euros						Balance at 31.12.2004
	Balance at 31.12.2003	Translation Differences	Additions	Impairment Losses	Retirements	Transfers	
<b>Consolidation goodwill relating to fully and proportionately consolidated companies:</b>							
Canal 4 Navarra, S.L.	-	-	2,640	-	-	-	2,640
Dédalo Grupo Gráfico, S.L.	13,445	-	224	-	(2,030)	-	11,639
Ediciones Musicales Horus, S.A.	1,146	-	-	(14)	(1,132)	-	-
Editora Moderna, Ltda.	60,565	-	-	-	-	-	60,565
Espacio Editorial Andaluza Holding, S.L.	14,994	-	-	-	-	-	14,994
Gerencia de Medios, S.A.	33,944	-	-	-	-	-	33,944
Grupo Latino de Radio, S.L.	-	-	9,109	-	-	-	9,109
Inversiones Grupo Multimedia de Comunicaciones, S.A.	3,070	4	-	-	-	-	3,074
Lyrics and Music, S.L.	685	-	3,524	(216)	-	-	3,993
Sistema Radiópolis, S.A. de C.V.	31,338	-	-	-	-	-	31,338
Other	13,255	34	3,434	(27)	-	415	17,111
<b>Total consolidation goodwill relating to fully and proportionately consolidated companies:</b>	<b>172,442</b>	<b>38</b>	<b>18,931</b>	<b>(257)</b>	<b>(3,162)</b>	<b>415</b>	<b>188,407</b>

#### *Additions-*

The addition to the goodwill of Canal 4 Navarra, S.L. arose on the acquisition by Promotora de Emisoras de Televisión, S.A. of the remaining 49% of this company.

On 7 May 2004, Prisa acquired a 13.24% holding in Grupo Latino de Radio, S.L. for €16,513 thousand from Invernac & Cia S.C.A. and Compañía del Litoral, S.A., belonging to Grupo Valores Bavaria, S.A. The Prisa Group owned the remaining 86.76% of the capital of this company through Prisa División Internacional, S.L. The sale was made after this same sum was paid by Valores Bavaria, S.A. to repay its outstanding debt incurred as a result of the refunded contributions made by Participaciones de Radio Latinoamericana, S.A. (dissolved in 2005) and by Grupo Caracol companies. Consequently, there was also an indirect increase in the Prisa Group's investments, though its subsidiary Grupo Latino de Radio, S.L., in Participaciones de Radio Latinoamericana, S.L., Sistema Radiópolis, S.A de C.V. and Caracol, S.A. All these events are reflected in additions to the goodwill of Grupo Latino de Radio, S.L.

The addition to the goodwill of Lyrics and Music, S.L. arose as a result of the Prisa Group increasing its stake in the company from 60% to 100% in March 2004.

The "Other" caption includes the addition to goodwill generated by the increase in the holding in Málaga Altavisión, S.A. and its subsidiaries Axarquía Visión, S.A., Marbella Digital Televisión, S.A. and Telecomunicaciones Antequera, S.A., previously accounted for using the equity method and now fully consolidated.

This caption also includes the additions to goodwill of Legal Affairs Consilium, S.L. and Collserola Audiovisual, S.L. arising from the acquisition by Promotora de Emisoras de Televisión, S.A. of all the shares of Legal Affairs Consilium, S.L.. This account also includes an addition to the goodwill of Televisión, Medios y Publicidad, S.L. as a result of the acquisition in September 2004 of an additional 16.20% of the company, and Radio Gibralfaro, S.A. as a result of its inclusion in the scope of consolidation.



### Retirements-

The changes in the goodwill of Dédalo Grupo Gráfico, S.L. arose from the adjustments triggered by the merger of the Prisa Group's printing businesses in Spain and the UK printing group Polestar in December 2003.

The retirement of goodwill of Ediciones Musicales Horus, S.A. was due to the retirement of assets of the recording business by virtue of the agreement between the Prisa Group and Universal Music Spain, S.L.

### Transfers-

The aforementioned change in the method used to consolidate Málaga Altavisión, S.A. and its subsidiaries prompted the transfer of goodwill that arose on the Group's investments in these companies.

## (6) INTANGIBLE ASSETS

### 2005

The breakdown of and variations in 2005 in "Intangible Assets" were as follows:

	Thousands of Euros							Balance at 31.12.2005
	Balance at 31.12.2004	Monetary Adjustment	Translation differences	Changes in Consolida- tion Scope	Additions	Retire- ments	Transfers	
<b>Cost:</b>								
Computer software	49,291	141	958	60	8,733	(994)	2,471	0,660
Prototypes and master copies	112,850	456	8,335	(103)	26,512	(4,739)	537	143,848
Advances on copyright	15,857	-	541	(188)	7,219	(2,634)	(3,197)	17,598
Other intangible assets	15,593	272	1,120	1,505	3,787	(622)	1,440	23,095
<b>Total cost</b>	<b>193,591</b>	<b>869</b>	<b>10,954</b>	<b>1,274</b>	<b>46,251</b>	<b>(8,989)</b>	<b>1,251</b>	<b>245,201</b>
<b>Accumulated amortisation:</b>								
Computer software	(32,878)	(129)	(740)	(63)	(7,864)	843	(6)	(40,837)
Prototypes and master copies	(68,993)	(432)	(5,045)	75	(23,093)	2,253	236	(94,999)
Advances on copyright	(1,892)	-	(537)	-	(3,326)	69	3,364	(2,322)
Other intangible assets	(5,484)	(156)	(472)	(541)	(704)	21	(287)	(7,623)
<b>Total accumulated amortization</b>	<b>(109,247)</b>	<b>(717)</b>	<b>(6,794)</b>	<b>(529)</b>	<b>(34,987)</b>	<b>3,186</b>	<b>3,307</b>	<b>(145,781)</b>
<b>Impairment losses:</b>								
Computer software	-	-	-	-	-	-	-	-
Prototypes	-	(1)	-	-	100	-	(141)	(42)
Advances on copyright	(6,254)	-	(65)	-	(1,972)	171	458	(7,662)
Other intangible assets	-	-	-	-	-	131	(131)	-
<b>Total impairment losses</b>	<b>(6,254)</b>	<b>(1)</b>	<b>(65)</b>	<b>-</b>	<b>(1,872)</b>	<b>302</b>	<b>186</b>	<b>(7,704)</b>
<b>Intangible assets, net</b>	<b>78,090</b>	<b>151</b>	<b>4,095</b>	<b>745</b>	<b>9,392</b>	<b>(5,501)</b>	<b>4,744</b>	<b>91,716</b>

The most significant transactions in 2005 were as follows:

*Changes in the scope of consolidation-*

The changes in the scope of consolidation relate to the companies detailed in Note 2e.

*Additions-*

The additions to the *"Computer software"* account correspond primarily to software acquired and/or developed by third parties for Sociedad Española de Radiodifusión, S.A., Grupo Santillana de Ediciones, S.L. and Promotora de Informaciones, S.A. for the various projects being carried out by the Group as part of its Technological Plan.

The additions to the *"Prototypes and master copies"* account include mainly additions of prototypes for the publication of books at Grupo Santillana de Ediciones, S.L. and audiovisual production costs incurred by Plural Entertainment España, S.L.

*"Advances on copyright"* mainly include additions for operations carried out at Grupo Santillana de Ediciones, S.L.

*Retirements-*

The retirements from the *"Prototypes and master copies"* and *"Advances on copyright"* accounts relate to Grupo Santillana de Ediciones, S.L. and Gran Vía Musical de Ediciones, S.L.

As of 31 December 2005, the Prisa Group's fully amortised intangible assets in use amounted to €35,504 thousand.

**2004**

The breakdown of and variations in 2004 in *"Intangible Assets"* were as follows:

	Thousands of Euros							Balance at 31.12.2004
	Balance at 31.12.2003	Monetary Adjustment	Translation Differences	Changes in Consolida- tion Scope	Additions	Retire- ments	Transfers	
<b>Cost:</b>								
Computer software	41,350	189	103	(8)	4,666	(473)	3,464	49,291
Prototypes and master copies	100,304	(177)	(1,111)	629	27,144	(13,780)	(159)	112,850
Advances on copyright	20,803	-	(97)	291	5,567	(7,993)	(2,714)	15,857
Other intangible assets	18,847	197	59	(126)	1,891	(2,008)	(3,267)	15,593
<b>Total cost</b>	<b>181,304</b>	<b>209</b>	<b>(1,046)</b>	<b>786</b>	<b>39,268</b>	<b>(24,254)</b>	<b>(2,676)</b>	<b>193,591</b>
<b>Accumulated amortisation:</b>								
Computer software	(26,182)	(236)	(31)	3	(6,687)	247	8	(32,878)
Prototypes and master copies	(56,732)	183	547	(539)	(23,007)	10,628	(73)	(68,993)
Advances on copyright	(2,497)	-	(20)	(141)	(2,970)	863	2,873	(1,892)
Other intangible assets	(4,356)	(170)	(46)	(111)	(893)	1,780	(1,688)	(5,484)
<b>Total accumulated amortisation</b>	<b>(89,767)</b>	<b>(223)</b>	<b>450</b>	<b>(788)</b>	<b>(33,557)</b>	<b>13,518</b>	<b>1,120</b>	<b>(109,247)</b>
<b>Impairment losses:</b>								
Computer software	-	-	-	-	-	-	-	-
Prototypes	-	-	-	-	-	-	-	-
Advances on copyright	(4,861)	(1)	(74)	(32)	(3,301)	2,042	(27)	(6,254)
Other intangible assets	-	-	-	-	-	-	-	-
<b>Total impairment losses</b>	<b>(4,861)</b>	<b>(1)</b>	<b>(74)</b>	<b>(32)</b>	<b>(3,301)</b>	<b>2,042</b>	<b>(27)</b>	<b>(6,254)</b>
<b>Intangible assets, net</b>	<b>86,676</b>	<b>(15)</b>	<b>(670)</b>	<b>(34)</b>	<b>2,410</b>	<b>(8,694)</b>	<b>(1,583)</b>	<b>78,090</b>

The most significant transactions in 2004 were as follows:

#### *Additions-*

The additions to the “*Computer software*” account relate mainly to software acquired and/or developed by third parties for Diario El País, S.L. and Grupo Santillana de Ediciones, S.L.

The additions to the “*Prototypes and master copies*” account mainly include additions of prototypes for the publication of books at Grupo Santillana de Ediciones, S.L. and audiovisual production costs incurred by Plural Entertainment España, S.L.

The “*Advances on copyright*” caption includes the additions from operations performed at Grupo Santillana de Ediciones, S.L. and Gran Vía Musical de Ediciones, S.L.

#### *Retirements-*

The retirements from the “*Prototypes and master copies*” and “*Advances on copyright*” accounts correspond primarily to Gran Vía Musical de Ediciones, S.L., in relation to the agreement Prisa reached with Universal Music Spain, S.L. for the sale of the recording rights of its leading artists and to use of the musical catalogues of its subsidiaries Gran Vía Musical de Ediciones, S.L., Compañía Discográfica Muxxic Records, S.A., Ediciones Musicales Horus, S.A. and Eurotropical de Producciones Discográficas, S.L. The agreement included a repurchase option for the recording assets to be bought back at market price after a period of five years. During this period Prisa has the right to participate in the commercial exploitation of the recording assets. The agreement also includes commitments relating to the temporary assignment to Universal Music Spain, S.L. of the right to use music labels for the commercial

exploitation of recording products, and a commitment by Universal Music Spain, S.L. to make expenditure on advertising in the Prisa Group's media.

The retirements from the *"Prototypes and master copies"* account also relate to the retirement of prototypes belonging to Grupo Santillana de Ediciones, S.L., whose commercial exploitation was deemed to have ended and which had been fully amortized.

As of 31 December 2004 the Prisa Group's fully amortised intangible assets in use amounted to €27,852 thousand.

#### (7) NON-CURRENT FINANCIAL ASSETS

The breakdown of the balance of this caption in the consolidated balance sheet is as follows:

	Thousands of Euros	
	31.12.2005	31.12.2004
Loans and receivables	30,441	83,664
Available-for-sale financial assets	54,964	19,418
Allowances	(6,708)	(6,498)
<b>Total non-current financial investments</b>	<b>78,697</b>	<b>96,584</b>

The decrease in the *"Loans and receivables"* caption corresponds primarily to the repayment of the participating loan granted by Prisa to Sogecable, S.A. in July 2003 for €50,000 thousand and of the related capitalised interest.

The change in the *"Available-for-Sale financial assets"* caption corresponds primarily to the acquisition of an investment of 15.50% in the share capital of Le Monde, S.A. for €32,468 thousand.

#### (8) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

##### 2005

As of 31 December 2005, the Group's most significant investments in associated companies were as follows:

	Thousands of Euros				Balance at 31.12.2005
	Balance at 31.12.2004	Additions	Retirements	Share of Results	
<b>Investments accounted for using the equity method:</b>					
Antena 3 de Radio, S.A.	6,803	-	(8,352)	9,085	7,536
Beralán, S.A.	551	-	(15)	(44)	492
Field Mateu, S.L.	2,491	-	(500)	(1,991)	-
Iberbanda, S.A.	18,110	-	-	(39,830)	(21,720)
Inversiones Godó, S.A.	589	-	(74)	(67)	448
Media Capital, SPGS, S.A.	-	41,272	-	1,136	42,408
Novotécnica, S.A.	3,280	-	(555)	2,103	4,828
Onda Musical, S.A.	2,087	-	(208)	346	2,225
Promotora de Emisoras de Televisión, S.A. (subsidiaries)	975	3,080	-	(1,928)	2,127
Sogecable, S.A.	32,313	48,787	(8,877)	2,026	74,249
S.S.R. Unión Radio, S.L. (subsidiaries)	1,395	18	(862)	42	593
Other	417	819	(3,811)	2,758	183
<b>Total</b>	<b>69,011</b>	<b>93,976</b>	<b>23,254</b>	<b>(26,364)</b>	<b>113,369</b>
Capital payments payable	(90)	(23)	-	-	(113)
<b>Total investments accounted for using the equity method:</b>	<b>68,921</b>	<b>93,953</b>	<b>(23,254)</b>	<b>(26,364)</b>	<b>113,256</b>
	Balance at 31.12.2004	Additions	Transfers	Impairment Losses	Balance at 31.12.2005
<b>Goodwill of companies accounted for using the equity method:</b>					
Promotora de Emisoras de Televisión, S.A. (subsidiaries)	1,611	1,186	-	(2,797)	-
Ediciones LM, S.L.	2,838	-	(2,838)	-	-
Grupo Media Capital, SPGS, S.A.	-	219,702	-	-	219,702
Sogecable, S.A.	256,253	52,877	-	-	309,130
Other	1,644	1,109	-	1	2,754
<b>Total goodwill of companies accounted for using the equity method</b>	<b>262,346</b>	<b>274,874</b>	<b>(2,838)</b>	<b>(2,796)</b>	<b>531,586</b>

#### *Investments accounted for using the equity method-*

In 2005, Prisa acquired for €25,238 thousand, through the purchase of shares on the market, an additional holding of 0.70% in Sogecable, S.A. Also, in June 2005, it subscribed to the capital increase at Sogecable, S.A., subscribing the shares relating to its ownership interest and acquiring an additional investment of 0.80%, for a total amount of €74,709 thousand in this transaction. As a result of these transactions, Prisa's ownership interest in Sogecable, S.A. rose from 23.00% to 24.50% in 2005.

On 2 November 2005, Prisa submitted to the Spanish National Securities Market Commission (CNMV) a tender offer for the shares of Sogecable, S.A., which was approved by this Commission on 23 January 2006 (see Note 22). The offer involves 26,712,926 shares, representing 20% of the share capital of Sogecable, S.A., and is conditional upon the acquisition by Prisa of shares representing 16% of the share capital of Sogecable, S.A. Should, as a result of the offer, Prisa acquire all the shares in question, its ownership interest in Sogecable, S.A. would amount to 44.50% of share capital. The consideration offered is €37 per share, which will be paid in full in cash.

The addition of Media Capital, SPGS, S.A. arose from the purchase by Promotora de Informaciones, S.A. of all the shares of Vertex, SPGS, S.A., which holds 33% of Media Capital, SPGS, S.A. Within the framework agreement for the transaction, the sellers granted Prisa

preemption rights on the shares owned by them and on any shares of Media Capital, SGPS, S.A. that they might come to own, up to a maximum of 13.32% of the share capital.

In exchange for the preemption right, Prisa granted the sellers a put option on a minimum of 12% and a maximum of 13.32% of the share capital of Media Capital, SGPS, S.A., to be exercised in a period of between 24 and 27 months subsequent to 8 November 2005.

The remaining additions relate basically to acquisitions of shareholdings and the incorporation of companies, the most significant being Promotora de Emisoras de Televisión, S.A., a local television business holding company which continued to expand throughout 2005.

The retirements correspond primarily to dividends paid by the companies and to exclusions from the scope of consolidation, as in the case of Field Mateu, S.L.

*Consolidation goodwill of companies on investments accounted for using the equity method-*

The addition to the goodwill of Sogecable, S.A. arose from the Prisa Group's successive acquisitions of investments in this company in 2005.

The addition to the goodwill of Grupo Media Capital, SGPS, S.A. was due to the acquisition by Promotora de Informaciones, S.A., of 33% of this group.

The transfer of goodwill of Ediciones LM, S.L. is due to the change in the method by which this company is consolidated (from the equity method to full consolidation) after the requisite administrative authorisation had been obtained.

## **2004**

As of 31 December 2004, the Group's most significant investments in associated companies were as follows:

	Thousands of Euros				
	Balance at 31.12.2003	Additions	Retirements	Share of Results	Balance at 31.12.2004
<b>Investments accounted for using the equity method:</b>					
Antena 3 de Radio, S.A.	7,424	-	(8,870)	8,249	6,803
Beralán, S.A.	422	-	(142)	271	551
Field Mateu, S.L.	3,066	-	-	(575)	2,491
Iberbanda, S.A.	24,508	-	-	(6,398)	18,110
Inversiones Godó, S.A.	561	-	(48)	76	589
Novotécnica, S.A.	2,198	-	(163)	1,245	3,280
Onda Musical, S.A.	1,860	-	(181)	408	2,087
Promotora de Emisoras de Televisión, S.A. (subsidiaries)	2,350	1,744	(767)	(2,352)	975
Sogecable, S.A.	48,007	8,505	-	(24,199)	32,313
S.S.R. Unión Radio, S.L. (subsidiaries)	971	128	-	296	1,395
Other	129	334	(1,778)	1,732	417
<b>Total</b>	<b>91,496</b>	<b>10,711</b>	<b>(11,949)</b>	<b>( 21,247)</b>	<b>69,011</b>
Capital payments payable	-	(90)	-	-	(90)
<b>Total investments accounted for using the equity method</b>	<b>91,496</b>	<b>10,621</b>	<b>(11,949)</b>	<b>(21,247)</b>	<b>68,921</b>
	Balance at 31.12.2003	Additions	Transfers	Impairment Losses	Balance at 31.12.2004
<b>Total goodwill of companies accounted for using the equity method:</b>					
Sogecable, S.A.	138,059	118,194	-	-	256,253
Other	5,837	671	(415)	-	6,093
<b>Total goodwill of companies accounted for using the equity method</b>	<b>143,896</b>	<b>118,865</b>	<b>(415)</b>	<b>-</b>	<b>262,346</b>

*Investments accounted for using the equity method-*

The addition relating to Sogecable, S.A. arose as a result of the acquisition of an additional investment of 3.29% in this company, which increased the value of the investment by €125,886 thousand and took the total ownership interest to 23.00%.

The other additions relate basically to acquisitions of shareholdings and the incorporation of companies, the most significant being Promotora de Emisoras de Televisión, S.A., a local television business holding company, which continued to expand throughout 2004.

The reductions corresponded mainly to dividends paid by the companies and to changes in the consolidation methods used, including most notably the switch from the equity method to the full consolidation method for the Grupo de Málaga television companies. This is reflected as a decrease in the investments accounted for using the equity method of Promotora de Emisoras de Televisión, S.A.

*Consolidation goodwill of companies on investments accounted for using the equity method-*

The addition to the goodwill of Sogecable, S.A. arose as a result of the Prisa Group's successive acquisitions of investments in this company in 2004.

## **(9) NET EQUITY**

### **a) Share capital**

As of 31 December, the share capital of Promotora de Informaciones, S.A. consisted of 218,812,500 shares of €0.1 par value each.

As of 31 December 2005, the only shareholders of the Parent with direct ownership interests of 10% or more in its share capital were Promotora de Publicaciones, S.L., with a holding of 44.535%, and Timón, S.A., with a holding of 18.479%.

### **b) Share premium**

The consolidated Corporations Law expressly permits the use of the share premium balance to increase capital with a charge to reserves and does not establish any specific restrictions as to its use.

### **c) Reserves**

#### *Revaluation reserve 1983-*

Pursuant to the legislation on the revaluation of property, plant and equipment and intangible assets published in 1983, the cost and accumulated depreciation and amortization of the assets were increased by a net amount of €3,289 thousand, and this amount is recorded under the "Revaluation Reserve 1983" caption.

Under Transitional Provision Thirteen of Legislative Royal Decree 4/2004, of 5 March, approving the consolidated Corporation Tax Law, this reserve may be transferred to unrestricted reserves from the date of entry into force of Law 43/1995, of 27 December.

#### *Revaluation reserve Royal Decree-Law 7/1996-*

Under Royal Decree 2607/1996, of 20 December, approving the regulations for asset revaluations pursuant to Royal Decree-Law 7/1996, of 7 June, the surpluses arising from the revaluations must be charged to the "Revaluation Reserve Royal Decree-Law 7/1996" caption.

The balance of this caption, which amounted to €10,650 thousand as of 31 December 2005, is restricted for ten years.

The tax authorities reviewed the balance of this account in 1999, increasing it by €92 thousand. Prisa will, if appropriate, record the accounting entry for the difference once final decisions have been handed down on the objections raised against the changes made by the tax inspection authorities.

#### *Legal reserve-*

Under the consolidated Corporations Law, 10% of the profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital.



The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Except as mentioned above, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

*Reserve for treasury shares-*

Under Article 79 of the consolidated Corporations Law, when a company has acquired treasury shares, it must record on the liability side of the balance sheet a restricted reserve equal to the cost of the treasury shares recorded in assets. This reserve must be maintained until the shares are sold or retired.

*Bylaw-stipulated reserves-*

Under Article 32 of the Parent's bylaws, a reserve must be recorded each year to which at least 10% of the profit after tax is transferred until the balance of this reserve reaches at least 20% and does not exceed 50% of the paid-in share capital. The Parent had recorded the reserve in full at 31 December 2005.

**d) Reserves for First-time application of IFRSs -**

As a result of the first-time application of IFRSs to the Group's consolidated financial statements, at 1 January 2004, certain assets and liabilities arose (explained in Note 27), the effect on equity of which is included in this account.

**e) Accumulated prior year profits**

The following table shows a breakdown by company at 31 December 2005 and 2004:

	Thousands of Euros	
	31.12.2005	31.12.2004
Agencia Informativa de Noticias Económicas, S.L.	-	(1,075)
Cadena Hispanoamericana de Radio, S.A.	(1,883)	-
Caracol Broadcasting, Inc.	3,371	-
Compañía de Comunicaciones, Ltda.	(1,594)	-
Dédalo Grupo Gráfico, S.L.	6,208	17,715
Diario As, S.L.	4,198	3,395
Diario El País, S.L.	63,997	54,246
Diario El País Argentina, S.A.	(1,457)	(1,668)
Diario El País México, S.A. de C.V.	(992)	(1,042)
Ediciones La Mirada, S.A.	(1,113)	(1,114)
El Correo de Andalucía, S.L.	(2,898)	(4,629)
Espacio Editorial Andaluza Holding, S.L.	(2,479)	(2,669)
Estructura, Grupo de Estudios Económicos, S.A.	(8,653)	(6,673)
Gerencia de Medios, S.A.	5,518	4,101
GLR Chile, Ltda.	(1,007)	(1,636)
GLR Costa Rica, S.L.	(1,392)	-
Gran Vía Musical de Ediciones, S.L.	(35,050)	(31,392)
Caracol, S.A.	(17,922)	(26,065)
Grupo Empresarial de Medios Impresos, S.L.	15,523	11,042
Grupo Latino de Radio, S.L.	15,054	3,304
Grupo Latino de Radiodifusión Llc	(2,151)	-
Grupo Santillana de Ediciones, S.L.	117,096	90,009
Inversiones Grupo Multimedia de Comunicaciones, S.A.	(4,398)	(4,569)
Odiel Press, S.L.	(3,122)	(3,068)
Participaciones de Radio Latinoamericana, S.L.	-	6,830
Prisacom, S.A.	(26,788)	(21,814)
Prisa División Inmobiliaria, S.A.	2,639	1,263
Prisa División Internacional, S.L.	(9,308)	(6,134)
Prisa Finance, S.V.B.	(2,142)	-
Prisa Inc.	(1,681)	(1,648)
Prisaprint, S.L.	11,733	600
Promotora de Emisoras, S.L.	(326)	4,275
Promotora de Emisoras de Televisión, S.A.	(21,785)	(13,442)
Promotora de Informaciones, S.A.	107,844	29,197
Redprensa, S.L.	3,715	3,218
Sistema Radiópolis, S.A. de C.V.	(5,004)	(8,983)
Sociedad Española de Radiodifusión, S.A.	33,130	34,172
S.S.R. Unión Radio, S.L.	3,833	1,686
Trokar de Colombia, S.A.	(2,158)	-
Other	(3,790)	1,373
<b>Total reserves of fully consolidated companies</b>	<b>234,767</b>	<b>128,805</b>
Antena 3 de Radio, S.A.	(3,964)	(3,773)
Iberbanda, S.A.	(12,688)	(6,290)
Inversiones en Radiodifusión, S.A.	(1,715)	(1,491)
Inversiones Godó, S.A.	(1,564)	(1,591)
Novotécnica, S.A.	2,152	952
Sogecable, S.A.	(53,050)	(21,690)
Other	(244)	(166)
<b>Total reserves of companies accounted for using the equity method</b>	<b>(71,073)</b>	<b>(34,049)</b>
<b>Total Accumulated Priors Years Profits</b>	<b>163,694</b>	<b>94,756</b>

The impact, by company, of the accounting revaluation on accumulated prior year profits pursuant to Royal Decree Law 7/1996 at 31 December 2005 and 2004, is as follows:

	Thousands of Euros	
	31.12.2005	31.12.2004
Diario El País, S.L.	5,184	5,184
Sociedad Española de Radiodifusión, S.A.	2,533	2,533
<b>Total</b>	<b>7,717</b>	<b>7,717</b>

#### f) Treasury shares

The variations in the “*Treasury stock*” heading in 2005 and 2004 were as follows:

	Thousands of Euros			
	2005		2004	
	Number of Shares	Amount	Number of Shares	Amount
<b>Balance at beginning of year</b>	<b>10,940,625</b>	<b>29,706</b>	<b>10,940,625</b>	<b>29,365</b>
Purchases	234,959	3,716	29,563	420
Sales	(208,219)	(583)	-	-
Deliveries	(26,740)	(73)	(29,563)	(79)
<b>Balance at end of year</b>	<b>10,940,625</b>	<b>32,766</b>	<b>10,940,625</b>	<b>29,706</b>

As of 31 December 2005, Promotora de Informaciones, S.A. held a total of 10,940,625 shares of treasury shares, representing 5% of its share capital. The total cost of these shares was €32,766 thousand, with a cost per share of €2.99.

The Company plans to cover the exchangeable bond issue launched in 2003 (see Note 10) through all the treasury shares held by it.

Also, in the context of the above-mentioned issue, the Company held 8,623,142 shares on loan as of 31 December 2005.

#### g) Translation differences

Translation differences in 2005 stood at €10,639 thousand, of which €9,961 thousand corresponded to Grupo Santillana de Ediciones, S.A., mainly because of its Brazilian holdings.

### (10) EXCHANGEABLE BOND ISSUE

On 11 December 2003, Prisa Finance (Netherlands) B.V., a wholly-owned subsidiary of Prisa, resolved to launch an issue of bonds exchangeable for common shares of the Prisa. The nominal amount of this issue was €162,300 thousand, and the face value of each bond was €10,000. Following the placement of this issue, the annual coupon was set at 1.75% of the bond principal and the exchange premium of each bond was set at 34% of the benchmark price per share established at €11.0755. The maturity date of the bonds was established at five years from the issue date.

In the context of this issue, on December 19, 2003, the Prisa entered into a deposit agreement with Prisa Finance (Netherlands) B.V., whereby Prisa guarantees bondholders that it will fulfil all its obligations.

Also, the funds obtained from the bond issue, amounting to €162,300 thousand, were transferred to the Prisa as a deposit, and the interest thereon was 1.75% of the principal, payable under the same terms and conditions as those established for the issue.

Prisa plans, through its subsidiary, to cover the exchangeable bond issue through all the treasury shares held by it, which has been notified to the bondholders.

This issue meets the requirements established by IFRSs for recognition as "Equity Instruments" Therefore, the amount corresponding to the liability component (€9,541 thousand), which represents the fair value of the option included in this instrument, of the net amount received since the bond issue was separated from the equity component.

The amounts reflected in the consolidated balance sheet at 31 December 2005 and 2004, represents to the net present value of the future payments that will be generated, discounted at the discount rate used for non-convertible financial instruments with similar issue periods. The change in the balance during the year relates to the effect of this discount.

In addition to the foregoing, Prisa made available to the entities managing the transaction, as a securities loan, up to a maximum of 9,846,562 treasury shares in order to provide financial coverage for the investors that required it. As of 31 December 2005, the number of shares thus loaned was 8,623,142. The loan will earn interest of five basis points, payable monthly, calculated on the basis of the market value of the loaned shares. Also, Prisa is entitled to receive from the entities managing the transaction the full amount of any dividend paid on the loaned shares during the term of the loan (see Note 9-f).

#### (11) LONG-TERM PROVISIONS

The variations in 2005 in the various "Long-Term Provisions" accounts were as follows:

	Thousands of Euros					
	Balance at 31.12.2004	Translation Differences	Changes in Consolidation Scope	Additions	Amounts Used	Balance at 31.12.2005
For taxes	17,270	1	-	8	(854)	16,425
For third-party liability and other	4,261	406	271	3,547	(2,724)	5,761
<b>Total</b>	<b>21,531</b>	<b>407</b>	<b>271</b>	<b>3,555</b>	<b>(3,578)</b>	<b>22,186</b>

The "Provision for taxes" corresponds to the estimated amount of tax debts arising from the inspection carried out at various Group companies (see Notes 3-k and 19).

The breakdown of provisions made in the consolidated income statement in 2005 is as follows:

	Thousands of Euros
Retirement benefits	1,446
Other staff costs	1,232
Income tax	19
Other taxes	60
Other	798
<b>Total</b>	<b>3,555</b>

## (12) FINANCIAL LIABILITIES

### Bank borrowings

Bank borrowings at 31 December 2005, and scheduled maturities are as follows:

	Thousands of Euros							
	31.12.2005	Maturities						
		Short Term	Long Term					
	2006	2007	2008	2009	2010	> 2010	Total LT	
<b>Loans</b>								
In Euros	247,498	79,598	80,898	52,088	16,111	8,097	10,706	167,900
In foreign currency	49,592	31,930	15,151	2,493	9	9	-	17,662
Accrued interest payable	1,378	1,378	-	-	-	-	-	-
<b>Total loans</b>	<b>298,468</b>	<b>112,906</b>	<b>96,049</b>	<b>54,581</b>	<b>16,120</b>	<b>8,106</b>	<b>10,706</b>	<b>185,562</b>
<b>Credit facilities</b>								
In Euros	298,209	175,383	83,522	34,943	-	-	4,361	122,826
In foreign currency	28,141	28,141	-	-	-	-	-	-
Accrued interest payable	1,179	1,179	-	-	-	-	-	-
<b>Total credit facilities</b>	<b>327,529</b>	<b>204,703</b>	<b>83,522</b>	<b>34,943</b>	<b>-</b>	<b>-</b>	<b>4,361</b>	<b>122,826</b>
<b>Leasing</b>	<b>4,001</b>	<b>1,905</b>	<b>1,094</b>	<b>967</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>2,096</b>
<b>Discounted drafts</b>	<b>1,269</b>	<b>658</b>	<b>445</b>	<b>163</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>611</b>
<b>Total bank borrowings</b>	<b>631,267</b>	<b>320,172</b>	<b>181,110</b>	<b>90,654</b>	<b>16,158</b>	<b>8,106</b>	<b>15,067</b>	<b>311,095</b>

Loans and credit facilities amounting to €298,468 thousand and €327,529 thousand, respectively (€220,235 thousand and €86,777 thousand, respectively, in 2004) were arranged at floating interest rates tied mainly to Euribor or Libor.

The average interest rate on the Group's bank borrowings in 2005 was 3.07%, with an average of 3.41% for loans and 2.80% for credit facilities.

At 31 December 2005, the limit on the Group's credit facilities was €472,955 thousand, of which €145,426 thousand was undrawn.

The loans and credit facilities payable in foreign currencies are recorded at their equivalent value in euros at the end of each year, calculated at the exchange rates ruling at year-end. €78,106 thousand of the total debt was arranged in foreign currencies (mainly USD, Mexican pesos and Brazilian reais).

In addition, for the sole purpose of financing the tender offer on the shares of Sogecable, S.A. (see Note 8), Prisa was granted a bridge loan for a maximum amount of €988,378 thousand relating to the maximum payment of the tender offer. This loan bears interest tied to Euribor plus a spread ranging from 0.70% to 1.10%, and matures in September 2006. The loan will be drawn down on the day prior to the settlement date of the shares envisaged in the tender offer prospectus, in compliance with the deadlines established under Royal Decree 1197/1991 on Tender Offer Regimes. At 31 December 2005, no amount had been drawn down against this facility. Also, this bridge loan acts as a counterguarantee for the guarantee provided to the CNMV (see Note 25).

### **Foreign exchange hedges**

The Group on occasion uses currency derivatives to hedge its exchange rate risk operations and cash flows in foreign currency. The instruments used are forward foreign currency option contracts denominated in the currencies of the main markets in which the Group operates.

The Prisa Group's exchange rate risk is mainly associated with the following operations:

- Foreign currency debt contracted by Group and associated companies.
- Profit or loss from activities carried out in non-euro zone countries tied to fluctuations in the respective currency.
- Financial investments used for the acquisition of holdings in foreign companies.

All of the hedging contracts in force at 31 December 2005 are used to hedge bank borrowings in USD and expire at the same time as the repayment of the loans they cover. The nominal value of these contracts is USD 24,338 thousand (USD 112,092 thousand in 2004) and the final expiry dates fall in the first four months of 2006.

At 31 December 2005, it is estimated that the fair value of the Group's foreign currency hedges was approximately €25,865 thousand (€81,126 thousand in 2004).

The Group recognised in the income statement losses of €1,922 thousand and €1,258 thousand for 2005 and 2004, respectively and these amounts correspond to the settlements of such contracts as well as their valuation at the closing date.

### **Interest-rate hedges**

The Group is exposed to variations in the interest rate curve as all its bank borrowings are at floating interest rates. It therefore has taken out Euribor interest rate hedges in order to ensure a maximum rate. The nominal amount of these contracts at 31 December 2005 and 2004 was €150,000 thousand, with six-monthly settlement periods and a final maturity date of 2007.

The Group recognised in the income statement losses of €186 thousand and €3 thousand for 2005 and 2004, respectively, and these amounts correspond to the settlements of such contracts as well as their valuation at the closing date.

### (13) OTHER NON-TRADE PAYABLES

This caption shows accounts payable to fixed asset suppliers, unpaid remuneration and other debts arising from non-trade operations. At 31 December 2005, Prisa had booked €45,000 thousand for debts related to the Group's option to acquire holdings worth 24% of Prisa División Internacional, S.L. (see Note 2-e).

### (14) OPERATING REVENUES

The breakdown of the income from the Group's main business lines is as follows:

	Thousands of Euros	
	31.12.2005	31.12.2004
Advertising sales	521,886	462,176
Sales of books, rights and educational material	403,857	343,651
Newspaper and magazine sales	203,900	204,197
Sales of promotional products	149,284	114,145
Printing service sales	58,736	60,959
Audiovisual and music sales	36,932	38,114
Intermediary services	31,215	35,199
Other services	20,156	18,216
<b>Revenue</b>	<b>1,425,966</b>	<b>1,276,657</b>
Fixed asset sales	2,820	26,683
Other revenue	54,305	52,102
<b>Other revenue</b>	<b>57,125</b>	<b>78,785</b>
<b>Total operating income</b>	<b>1,483,091</b>	<b>1,355,442</b>

### (15) OPERATING EXPENSES

#### Staff costs

The table below shows a breakdown of staff costs:

	Thousands of Euros	
	31.12.2005	31.12.2004
Wages and salaries	305,092	288,669
Employee welfare expenses	58,970	54,910
Termination benefits	12,266	14,296
Share-based compensation	1,023	511
Other welfare expenses	8,298	7,239
<b>Total</b>	<b>385,649</b>	<b>365,625</b>

The average number of employees in 2005, by category, was as follows:

	Number of employees	
	31.12.2005	31.12.2004
Executives	421	425
Middle management	1,358	1,223
Qualified line personnel	3,927	3,387
Other employees	3,930	4,079
<b>Total</b>	<b>9,636</b>	<b>9,114</b>

### Share-based payments

On 18 May 2000, and 15 April 2004, the shareholders at the Annual General Meetings approved stock option plans for the acquisition of Prisa shares to facilitate the ownership of equity interests in Prisa by the Company's executives, by those of its corporate group and by particularly significant professionals related to the Group who perform activities for the Group companies on an ongoing basis; they also authorized the Board of Directors to develop and implement this Plan.

The total number of options will enable a maximum of 1% of the capital stock of Prisa to be acquired (2,188,125 shares). Each option carries the entitlement to acquire one share of the Company. This system will be applied in various tranches, pursuant to the general criteria approved by the Board of Directors. The options and rights under this plan are nontransferable.

#### *Plan 2000*

The exercise period was initially stipulated as three years from the date on which each of the tranches is awarded. On 21 March 2002, the Board of Directors decided to extend by one year the execution period for the stock options. Accordingly, the options acquired could have been exercised between 1 July 2003 and 31 January 2005, by which date none of the participants had exercised their option.

#### *Plan 2004*

On 15 July 2004, the Board of Directors approved a Compensation Plan consisting of the delivery of options on the Company's shares in accordance with the authorization granted by the shareholders at the Annual General Meeting on 15 April 2004.

The options may be exercised from 31 July 2007 through 31 January 2008.

Options were delivered free of charge and the exercise price is €13.40 per share (which is the simple arithmetic mean of the closing price of the Company's shares on the continuous market during the 90 trading days prior to the Annual General Meeting on 15 April 2004).

The options granted at 31 December 2005, amounted to 1,580,500 and affect 278 beneficiaries.

### Fees received by the audit firm

The fees for financial audit services provided to the various companies composing the Prisa Group and Subsidiaries by the principal auditor and by other entities related to the auditor during 2005 amounted to €1,168 thousand (€1,144 thousand in 2004). Also, fees charged by other auditors participating in the audit of the various Group companies totalled €220 thousand (€184 thousand in 2004).



In addition, the fees for other professional services provided to the various Group companies by the principal auditor and by other entities related to the auditor during 2005 amounted to €361 thousand (€437 thousand in 2004), while fees to other auditors participating in the audit of the various Group companies for these services amounted to €116 thousand (€26 thousand in 2004).

## (16) FINANCIAL RESULT

The breakdown of this caption on the 2005 consolidated income statement is as follows:

	Thousands of Euros	
	31.12.2005	31.12.2004
Income from short-term investments	1,182	436
Income from equity investments	333	1,046
Other financial income	9,367	9,386
<b>Finance income</b>	<b>10,882</b>	<b>10,868</b>
Interest on debt	(17,412)	(15,919)
Inflation adjustments	(1,786)	(1,352)
Other finance costs	(13,049)	(7,640)
<b>Finance cost</b>	<b>(32,247)</b>	<b>(24,911)</b>
Positive exchange differences	5,569	7,025
Negative exchange differences	(7,008)	(6,781)
<b>Exchange differences (net)</b>	<b>(1,439)</b>	<b>244</b>
<b>Financial loss</b>	<b>(22,804)</b>	<b>(13,799)</b>

## (17) DISCONTINUED OPERATIONS

A breakdown of income from discontinued businesses included in consolidated results is as follows:

	Thousands of Euros
	31.12.2005
Revenues	1,784
Expenses	(8,610)
Pre-tax loss	(6,826)
Taxes	474
Net loss attributable to discontinued operations	(6,352)
Loss on disposal of discontinued operations	(3,372)
<b>Discontinued operations</b>	<b>(9,724)</b>

On 26 December 2005, a contract was signed for the disposal of El Diablo Distribución, S.L., which performed sales and distribution activities for the Group's music business. The deal was finalised on 1 January 2006, at which point control of El Diablo Distribución, S.L. was transferred to the acquirer.

As of 31 December 2004, the Group has booked no profit from discontinued activities.

## **(18) BUSINESS AND GEOGRAPHICAL SEGMENTS**

Segment reporting is structured on a primary basis by business segment and on a secondary basis by geographical area.

### **Primary segments - business segments**

The business segments described below are established in accordance with the Prisa Group's organisational structure at the end of 2005 bearing in mind the nature of the products and services offered and the customer segments at which they are targeted.

The information on these activities in 2004 and 2005, by segment, is as follows:

	PAIS		RADIO		EDUCATIONAL		INTERNATIONAL		OTHER		TOTAL GROUP	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004
Operating revenues	455,160	398,957	231,998	206,528	419,399	354,719	80,943	54,365	295,591	340,873	1,483,091	1,355,442
- External sales	395,006	344,361	224,265	198,653	410,395	353,640	80,486	54,307	372,939	404,481	1,483,091	1,355,442
- Sales between segments	60,154	54,596	7,733	7,875	9,004	1,073	457	58	(77,348)	(63,608)	0	0
Operating expenses	(311,492)	(273,921)	(186,068)	(172,593)	(371,393)	(327,393)	(81,036)	(59,820)	(314,409)	(350,694)	(1,264,389)	(1,184,380)
- Cost of materials used	(114,489)	(97,958)	(62,790)	(59,236)	(109,266)	(93,479)	(5,859)	(5,295)	(113,764)	(132,610)	(346,058)	(332,168)
- Staff costs	(73,892)	(71,921)	(62,790)	(59,549)	(99,862)	(92,862)	(31,153)	(24,400)	(110,147)	(109,893)	(385,649)	(365,625)
- Depreciation and amortisation charge	(11,376)	(10,748)	(4,560)	(3,201)	(30,477)	(27,818)	(4,690)	(3,377)	(18,668)	(22,226)	(69,771)	(67,370)
- Outside services	(110,506)	(92,511)	(115,147)	(106,074)	(104,898)	(99,702)	(35,107)	(25,588)	(69,596)	(79,104)	(435,254)	(396,949)
- Variation in operating allowances	(885)	(398)	(843)	(869)	(16,695)	(7,922)	(3,663)	(370)	(1,399)	(2,747)	(43,354)	(12,306)
- Other expenses	(364)	(58)	(58)	(74)	(2,369)	(4,569)	(326)	(820)	(925)	(4,114)	(4,262)	(9,924)
<b>Profit from operations</b>	<b>143,668</b>	<b>125,036</b>	<b>45,930</b>	<b>33,935</b>	<b>48,017</b>	<b>27,367</b>	<b>(96)</b>	<b>(5,455)</b>	<b>(16,818)</b>	<b>(9,821)</b>	<b>218,702</b>	<b>171,062</b>
Finance income	862	769	106	128	1,921	760	2,927	843	5,066	8,368	10,882	10,888
Finance costs	(37)	(64)	(334)	(206)	(10,394)	(7,054)	(3,172)	(3,076)	(18,310)	(14,481)	(32,247)	(24,911)
Exchange differences (net)	(60)	(69)			(1,223)	844	544	(382)	(700)	(149)	(1,439)	244
<b>Financial result</b>	<b>765</b>	<b>606</b>	<b>(228)</b>	<b>(79)</b>	<b>(9,696)</b>	<b>(9,450)</b>	<b>299</b>	<b>(2,615)</b>	<b>(13,944)</b>	<b>(6,262)</b>	<b>(22,804)</b>	<b>(13,799)</b>
Result of companies accounted for using equity method			8,842	8,693			(199)	(441)	(37,803)	(29,499)	(29,160)	(21,247)
Result from other investments			(50)				102	(510)		(458)		
<b>Profit before tax from continuing operations</b>	<b>144,433</b>	<b>125,642</b>	<b>54,494</b>	<b>42,550</b>	<b>36,321</b>	<b>21,917</b>	<b>107</b>	<b>(8,511)</b>	<b>(71,075)</b>	<b>(45,582)</b>	<b>166,280</b>	<b>136,016</b>
Income taxes	47,920	41,328	16,183	11,234	13,637	2,993	1,686	(5,845)	(82,380)	(38,014)	(2,944)	11,696
<b>Profit from continuing operations</b>	<b>96,503</b>	<b>84,314</b>	<b>39,311</b>	<b>31,316</b>	<b>24,684</b>	<b>18,924</b>	<b>(1,579)</b>	<b>(2,666)</b>	<b>11,305</b>	<b>(7,566)</b>	<b>169,224</b>	<b>124,320</b>
Loss after tax from discontinued operations									(9,724)			
<b>Consolidated profit for the year</b>	<b>96,503</b>	<b>84,314</b>	<b>39,311</b>	<b>31,316</b>	<b>24,684</b>	<b>18,924</b>	<b>616</b>	<b>(2,666)</b>	<b>1,581</b>	<b>(7,568)</b>	<b>159,500</b>	<b>124,320</b>
Minority interest			3,614	3,244	(108)	(632)		2,072	2,569	(2,817)	6,691	1,867
<b>Profit attributable to the parent company</b>	<b>96,503</b>	<b>84,314</b>	<b>34,697</b>	<b>28,072</b>	<b>24,792</b>	<b>19,556</b>	<b>(2,195)</b>	<b>(4,738)</b>	<b>(988)</b>	<b>(4,751)</b>	<b>152,809</b>	<b>122,453</b>
<b>BALANCE SHEET</b>												
Assets	207,825	171,858	190,993	153,234	404,311	342,974	207,219	157,123	1,136,805	847,961	2,147,153	1,673,150
- Non-current	76,308	69,192	91,194	57,563	186,770	168,706	132,368	114,468	1,034,316	677,808	1,520,956	1,087,737
- Current	131,517	102,666	99,799	95,671	217,541	174,268	74,851	42,655	102,489	170,153	626,197	585,413
Liabilities	207,825	171,858	190,993	153,234	404,311	342,974	207,219	157,123	1,136,805	847,961	2,147,153	1,673,150
- Net Equity	112,715	80,001	80,479	68,537	191,556	153,017	166,546	80,829	313,959	333,932	865,255	716,316
- Non-current	1,351	1,448	18,288	12,406	37,258	41,723	9,579	13,833	478,968	409,703	545,444	479,113
- Current	93,759	90,409	92,226	72,291	175,497	148,234	31,094	62,461	343,878	104,326	736,454	477,721

## Secondary segments - geographical segments

The Group's activities are located in Europe and South America. Prisa carries on its European business activity mainly in Spain, although the Group has expanded in Portugal since 2005. Its activities in America are located mainly in Mexico, Colombia and Brazil.

The following table provides the breakdown of specific consolidated Group balances in accordance with the geographical distribution of the companies that produce them:

	Thousands of Euros					
	Europe		America		Total	
	2005	2004	2005	2004	2005	2004
Revenue	1,095,857	1,026,635	330,109	250,022	1,425,966	1,276,657
Other income	46,927	72,372	10,198	6,413	57,125	78,785
Profit before minority interests and taxes	140,492	121,554	25,788	14,462	166,280	136,016
Total assets	1,816,833	1,438,113	330,320	235,037	2,147,153	1,673,150

## (19) TAXATION

As indicated under "Accounting Policies", Promotora de Informaciones, S.A files consolidated tax returns in Spain, in accordance with the Corporate Income Tax Law, and is the Parent of consolidated tax group 2/91, which includes all of its subsidiaries (see Appendix 1) that fulfil the requirements on the corporate income tax of consolidated groups of companies.

Lanza, S.A. de C.V. (Mexico) files consolidated tax returns in Mexico together with its Mexican subsidiaries.

The remaining subsidiaries file individual tax returns in accordance with the tax regulations prevailing in each country.

In 2005 and in prior years, some Group companies performed or participated in corporate restructuring transactions under the tax neutrality regime regulated in Chapter VIII, Title VII, of Legislative Royal Decree 4/2004 of 5 March, approving the revised Corporate Income Tax Law. The information required by this legislation is included in the related Group companies' notes to financial statements for the year in which these transactions were carried out.

In 2003 and 2004 several Group companies availed themselves of the tax credit for reinvestment of extraordinary income, amounting to €21,104 thousand and €16,779 thousand, respectively. The required information on these moves is included in the corresponding companies' notes to financial statements.

In prior years, several Group companies also availed themselves of credits for the reinvestment of extraordinary income under Article 21 of repealed Corporate Income Tax Law 43/1995. The required information on these moves is included in the corresponding companies' notes to financial statements.

**a) Reconciliation of income per books to taxable income**

The reconciliation of the result of applying the current tax rate in Spain (which has not changed from 2004) to consolidated net profit per books, calculated under International Financial Reporting Standards, to the consolidated Group's income tax expense in 2004 and 2005, distinguishing between its Spanish (mainly tax group) companies and the foreign companies is as follows (in thousands of euros):

	31.12.2005	31.12.2004
<b>NET PROFIT UNDER IFRS</b>	<b>155,750</b>	<b>115,881</b>
Tax charge at 35%	54,513	40,558
Consolidation adjustments	(12,771)	(6,207)
IFRS adjustments	1,170	-
Permanent differences (1)	20,342	8,406
Tax loss carryforwards	(701)	(1,865)
Tax credits and tax relief (2)	(71,444)	(18,330)
Effect of applying different tax rates (3)	(1,878)	(32,565)
<b>TAX ON 2005 EARNINGS</b>	<b>(10,770)</b>	<b>10,003</b>
ADJUSTMENT OF OTHER YEARS' TAX (4)	3,608	(175)
FOREIGN TAX EXPENSE (5)	1,970	770
EMPLOYEES PROFIT SHARING (6)	2,248	2,031
<b>TOTAL TAX ON EARNINGS</b>	<b>(2,944)</b>	<b>12,629</b>
<b>DEFERRED INCOME TAX</b>	<b>(58,199)</b>	<b>4,112</b>
<b>CURRENT INCOME TAX</b>	<b>47,429</b>	<b>5,891</b>

- (1) The permanent differences are mainly due to: (i) certain non-deductible costs and provisions, (ii) the exemption of dividends from international sources, and (iii) costs for foreign taxes relating to withholdings at source.
- (2) In calculating their respective corporate income tax expense or revenue, the Spanish companies belonging to the Prisa Group availed themselves of the tax benefits envisaged in Articles 33, 37, 38 and 40 of Legislative Royal Decree 4/2004 of 5 March approving the revised Corporate Income Tax Law for €65,042 thousand, of which €211 thousand relate to tax credits arising in prior years which had not been booked. Additionally, the Group availed itself of the tax benefit envisaged in Article 94 of Law 20/1991 for Investments in the Canary Islands for €131 thousand.

Also, the consolidated Group companies took an internal dividend double taxation tax credit for €95 thousand for dividends not eliminated in the consolidation process, and an international double taxation tax credit for €1,112 thousand.

As part of the co-operation agreement signed by the Prisa Group and the Castilla-La Mancha government in honour of the 400th anniversary of the publication of "El Ingenioso Hidalgo Don Quijote de La Mancha," the consolidated Group obtained the tax credit envisaged in Article 27 of Law 49/2002 of 23 December on the Tax Regime of Non-Profit-Making Entities and Patronage Tax Incentives, under Law 62/2003 of 30

December on Tax, Administrative, Labour and Social Security Measures which grants tax deductions for advertising and publicity costs, amounting to €3,829 thousand.

Similarly, the consolidated Group companies availed themselves of the tax credit envisaged in Article 20 of Law 49/2002 of 23 December on the Tax Regime of Non-Profit-Making Entities and Patronage Tax Incentives, amounting to €985 thousand.

The Group obtained the tax credits for reinvesting capital gains envisaged in Article 42 of the Corporate Income Tax Law, amounting to €1,248 thousand, having fulfilled, by 31 December 2005, the obligation to reinvest the sale price through the acquisition of financial assets, according to the terms established by this Law. This tax deduction totalled €250 thousand.

- (3) Relates to the effect of taxation of profits from US and European subsidiaries at different rates.
- (4) Includes (i) the impact on the income statement of the adjustment of the 2004 corporate income tax return as well as (ii) the cancellation of the tax credits capitalised.
- (5) This relates to the cost of taxes paid abroad and of withholdings at source from exports of services provided by the Group's Spanish companies abroad, or dividends received by its international subsidiaries or from other international companies.
- (6) This is an additional component of the income tax expense in countries such as Mexico.

#### b) Deferred Tax Assets and Liabilities

The following table shows the origin and amount of deferred tax assets and liabilities booked in 2004 and 2005, in thousands of euros:

Deferred Tax Assets from:		
	31.12.2005	31.12.2004
Non-deductible provisions	7,831	5,665
Non-capitalisable assets	3,113	4,646
Adjustment of accounts receivable	709	610
Tax losses available for carryforward	27,124	20,886
Capitalised tax credits not taken	97,724	48,300
Other	4,421	3,507
<b>Total</b>	<b>140,922</b>	<b>83,614</b>
Deferred Tax Liabilities from:		
	31.12.2005	31.12.2004
Portfolio provisions and goodwill	18,740	16,649
Deference for reinvesting extraordinary gains	8,169	6,917
Early depreciation and amortisation	876	910
Lease payments payable	6,233	6,024
Adjustment of accounts payable	3,306	3,985
Exchange differences	344	627
Other	5,328	5,005
<b>Total</b>	<b>42,996</b>	<b>40,117</b>

The assets and liabilities registered in 2005 were recognised directly with a charge or a credit, respectively, to the income statement. The balance at 31 December 2004 shows deferred tax assets and liabilities arising from adjustments made under the first-time adoption of IFRS, which have been taken to equity.

There are no significant temporary differences arising from investments in subsidiaries, branches, associated or multigroup companies that generate deferred tax liabilities.

There is no significant amount from temporary differences associated to un-distributed earnings from subsidiaries in jurisdictions where there are different tax rates, so no deferred tax liabilities have been identified.

Prior years' tax losses at the Group's companies in Spain available for offset against future earnings are detailed, in thousands of euros, as follows, showing the year in which the loss was generated and the year when the tax credit expires:

Year of generation	Year of expiry	Amount	Capitalised	Not Capitalised
1992	2007	366	-	366
1993	2008	135	-	135
1994	2009	403	211	192
1995	2010	961	461	500
1996	2011	840	629	211
1997	2012	3,484	1,036	2,448
1998	2013	1,789	1,537	252
1999	2014	2,441	1,456	985
2000	2015	11,698	2,669	9,029
2001	2016	17,066	3,436	13,630
2002	2017	14,308	8,053	6,256
2003	2018	21,506	13,981	7,525
2004	2019	18,024	13,266	4,757
2005	2020	11,569	11,569	-
<b>Total</b>		<b>104,590</b>	<b>58,304</b>	<b>46,286</b>

The tax losses of the Group companies in the tax group generated before such companies were included in the Group totalled €33,757 thousand, while those relating to companies in the Group for accounting purposes but not in the tax group amounted to €70,833 thousand. Of the total, €58,304 thousand has been capitalised in the Group's balance sheet at 31 December. Deferred tax assets were not recorded for the other tax losses since the Company's directors consider that at 31 December the future recovery thereof was not sufficiently certain.

A breakdown, by country, in thousands of euros, of the Group's foreign companies' tax loss carryforwards not yet taken is as follows:

	BOLIVIA	PORTUGAL	USA	CHILE	URUGUAY	BRAZIL	ARGENTINA	COLOMBIA	MEXICO	TOTAL
1991			1,597							1,597
1992										-
1993			1,325							1,325
1994			2,477							2,477
1995			425							425
1996			779						371	1,150
1997			2,787						67	2,854
1998			2,882						271	3,153
1999			5,812			180			540	6,531
2000		438	5,014						835	6,287
2001		88	3,720			1,589	1,325	1,260	1,071	9,053
2002		537	2,172		134	4,083	1,833	332	2,521	11,611
2003	1,198	573	3,635			6,755	327	143	672	13,303
2004	12,359	945	4,247	9,305		630	18	731	313	28,547
<b>Total</b>	<b>13,558</b>	<b>2,581</b>	<b>36,871</b>	<b>9,305</b>	<b>134</b>	<b>13,237</b>	<b>3,502</b>	<b>2,465</b>	<b>6,662</b>	<b>88,314</b>
Capitalised				9,305	134	13,237	839	297		23,812
Not capitalised	13,558	2,581	36,871		-	-	2,663	2,168	6,662	64,502
Payment period	indefinite	6 yrs	20 yrs	indefinite	3 yrs	indefinite	5 yrs	8 yrs	10 yrs	

Of the total, €23,812 thousand had been registered in the accompanying balance sheet at 31 December 2005. Deferred tax assets were not recorded for the other tax losses since the Company's directors consider that at 31 December the future recovery thereof was not sufficiently certain.

Some of the Group's companies that are consolidated under the Spanish tax system have tax credits for investments that were generated before they joined the Group and which have not been capitalised. The Company's directors expect the related amounts to be used before the deadline established by the authorities expires. The breakdown, in thousands of euros, is as follows:

Year of generation	Amount	Year of expiry
1998	692	2008
1999	554	2009
2000	366	2010
2001	712	2011
2002	557	2012

### c) Years open for review by the tax inspection authorities

The years open for review by the tax inspection authorities for the main taxes vary from one consolidated company to another, although they are generally the last four years. The exceptions are shown below.

As a result of the tax audit performed by the tax authorities in 1988 and 1989, various tax assessments were issued to the Group for a total amount of €8,769 thousand. In 2002 the Supreme Court dismissed the cassation appeal filed and the outstanding tax debt arising from the assessments, amounting to €4,120 thousand, was paid. The decision was appealed to the Constitutional Court and in 2003 the appeal for protection of constitutional rights was rejected. Nevertheless, in 2003 an order was received from the National Appellate Court upholding an



ancillary execution proceeding in relation to the settlement arising from the above-mentioned Supreme Court decision, on account of the incorrect calculation of late-payment interest, entitling the Company to collect €1,332 thousand. When enforcing the order in 2004, the tax authorities disallowed the tax refund and issued an assessment for an additional amount of €122 thousand, which was paid in and appealed against before the National Appellate Court by the Company. At the date of preparation of these financial statements, the National Appellate Court had handed down a writ of execution in relation to 1987 corporate income tax in which it recognized the right to a refund of the original amount, together with the additional amount deposited and the related late-payment interest increased by two points, and €1,037 thousand was refunded by the tax authorities in this connection. The amount relating to 1986 has not yet been refunded.

Also the tax authorities audited the years open for review of several tax group and consolidated Group companies consolidated for accounting purposes, as a result of which various tax assessments were issued for personal income tax withholdings and prepayments, VAT, the single tax on revaluations and corporate income tax, the detail, by company and by year, being as follows:

Company	Years
<b>Parent -</b> Promotora de Informaciones, S.A.	1992 to 1996
<b>Subsidiaries-</b> Diario El País, S.L.	1992 to 1996
Sociedad Española de Radiodifusión, S.A.	1993 to 1996
Radio Club Canarias, S.A.	1993 to 1996
Radio España de Barcelona, S.A.	1993 to 1996
Ediciones Bidasoa, S.A.	1994 to 1996
Estructura Grupo de Estudios Económicos, S.A.	1995 and 1996
Sociedad de Servicios Radiofónicos Unión Radio, S.L.	1995 to 1997
Diario As, S.L.	1996 to 1998
Grupo Santillana de Ediciones, S.L.	1991 to 1992
Ítaca, S.L.	1986, 1989 to 1992
Canal de Editoriales, S.A.	1988 to 1992

Since the Group does not concur with the criteria applied by the tax inspection authorities, it has filed appeals in the appropriate jurisdictions against virtually all the tax assessments issued; however, the Group has recorded a provision of €16,425 thousand (see Note 11) to cover any payments that it might have to make in this connection in the future. All of the settlements have been guaranteed and are pending resolution.

Also, in 2005 the audit of the Spanish tax group for consolidated corporate income tax for 1999, 2000, 2001 and 2002 continued. As part of the tax audit, VAT, personal income tax withholdings and prepayments (employees and professionals), the tax on property income, the tax on income from movable capital and non-resident income tax are subject to review, the detail, by company and by year, being as follows:

Company	Years
<b>Parent -</b> Promotora de Informaciones, S.A.	June 2000 to May 2004
<b>Subsidiaries-</b> Diario El País, S.L. Sociedad Española de Radiodifusión, S.A. Promotora de Emisoras de Televisión, S.A. Grupo Empresarial de Medios Impresos, S.L. Grupo Santillana de Ediciones, S.L. Santillana Educación, S.L. Santillana Ediciones Generales, S.L.	June 2000 to May 2004 June 2000 to May 2004 January 2001 to December 2003 January 2001 to December 2003 January 2001 to December 2003 January 2001 to December 2003 January 2001 to December 2003

However, the tax audits of Mateu Cromo, S.A., Gerencia de Medios, S.A. and Itaca, S.L. have been completed and the related tax assessments were issued for Corporate Tax and tax acceptances for other taxes, without having a significant effect on the companies.

Due to the different interpretations of tax laws, the results of present or future reviews could lead to tax liabilities of an amount impossible to quantify objectively at present. The Company's directors do not expect any material liabilities to arise for the Group as a result of the tax audit which could have a significant effect on the accompanying consolidated financial statements.

## (20) DISTRIBUTION OF PROFIT

Promotora de Informaciones, S.A.'s directors have proposed that 2005 earnings be distributed as follows (in thousands of Euros):

	Amount
<b>Distributable profit</b>	
Profit for the year	109,743
<b>Distribution to:</b>	
- Dividends	€0.14 per share
- Directors' remuneration	1,382
- Voluntary reserves	Remainder

The dividend per share, disregarding the treasury shares of Promotora de Informaciones, S.A. but including the shares delivered on loan (see Note 10), will be €0.14 per share. No interim dividend out of 2005 income was approved.

## (21) EARNINGS PER SHARE

The earning per share is calculated as follows:

	31.12.2005	31.12.2004
Net profit for the year (thousands of euros)	152,809	122,453
Weighted average number of stocks in circulation (thousands of shares)	207,872	207,872
<b>Basic earnings per share (euros)</b>	<b>0.74</b>	<b>0.59</b>

Earnings per share is calculated by dividing the net profit attributable to the Parent by the number of ordinary shares in circulation during the period, not including the average number of treasury shares held.

The Group has not undertaken any type of operation that would cause diluted earnings per share to differ from its basic earnings per share.

## (22) SUBSEQUENT EVENTS

On 23 January 2006, the CNMV authorized the tender offer on the shares of Sogecable, S.A. submitted by Prisa on 2 November 2005 (see Note 8). Also, on 30 January 2006, the Board of Directors of Sogecable, S.A. issued a favourable report on the transaction.

Also, in relation to the associate Iberbanda, S.A., on 19 May 2005, this company signed a memorandum of understanding with a telecommunications services operator for the latter to become a reference shareholder of the company. This agreement defined a new business plan which gave rise to the restructuring and discontinuation of a part of Iberbanda, S.A.'s current business in order to optimize its capacities and focus its activities on complementing the infrastructures of the aforementioned telecommunications services operator. On 27 January 2006, the Council of Ministers resolved to declare unlawful the aforementioned economic concentration transaction. As of 31 December 2005, Prisa had provisioned in full its investment in Iberbanda, S.A.

## (23) RELATED-PARTY TRANSACTIONS

The transactions with associated companies and related companies in 2005 were as follows:

	Thousands of Euros	
	31.12.2005	31.12.2004
<b>Revenues</b>		
Sales of merchandise	90,618	84,213
Services rendered and other	99,395	84,983
Financial revenues	3,723	6,804
<b>Total</b>	<b>193,736</b>	<b>176,000</b>
<b>Expenses</b>		
Purchases of merchandise	16,798	15,527
Services rendered and other	25,024	23,036
Finance income	3	97
<b>Total</b>	<b>41,825</b>	<b>38,660</b>

*Remuneration of key management personnel-*

The members of the Executive Committee and the Management Committee who are not executive directors of Promotora de Informaciones, S.A. are Ignacio Santillana del Barrio, Augusto Delkader Teig, Jaime de Polanco Soutullo, Miguel Satrústegui Gil-Delgado, José Carlos Herreros Díaz-Berrio, José Luis Sáinz Díaz, Pedro García Guillén and Matilde Casado Moreno. Their total remuneration in 2005 amounted to €4,170 thousand.

**(24) DIRECTORS' REMUNERATION AND OTHER BENEFITS**

In 2004 and 2005, the consolidated companies recorded the following compensation earned by the members of the Board of Directors:

	Thousands of Euros	
	31.12.2005	31.12.2004
Wages and salaries	5,132	4,782
Board members' fees	1,382	1,382
Per diems	1,098	1,097
<b>Total</b>	<b>7,612</b>	<b>7,261</b>

No credits, advances or loans have been granted to the members of the Board of Directors, and there are no pension commitments to them.

As indicated in Note 15 to these financial statements, the Board members acquired 185,000 options in the 2004 stock options Plan.

Pursuant to Article 127 ter.4 of the Spanish Corporations Law, introduced by Law 26/2003 of 17 July, which amends Securities Market Law 24/1988 of 28 July, and the revised Spanish Corporations Law, in order to reinforce the transparency of listed corporations, following is a detail of the companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the corporate purpose of Promotora de Informaciones, S.A. in which the members of the Board of Directors own equity interests, and of the functions, if any, that they discharge thereat:

Owner	Investee	% of Ownership	Functions
Jesús de Polanco Gutiérrez	Sogecable, S.A.	24.501 (*)	-
	Le Monde, S.A.	-	Director
Juan Luis Cebrián Echarri	Sogecable, S.A.	0.002	Deputy Chairman
	Compañía Independiente de Noticias de Televisión, S.L	-	Representative of the Director Sogecable, S.A.
	Sistema Radiópolis, S.A. de C.V.	-	Director
	Cadena Radiodifusora Mexicana, S.A. de C.V.	-	"
	Radio Comerciales, S.A. de C.V.	-	"
	Radio Melodía, S.A. de C.V.	-	"
	Radio Televisora de Mexicali, S.A. de C.V.	-	"
	Radio Tapatía, S.A. de C.V.	-	"
	Xezz, S.A de C.V.	-	"
	Grupo Media Capital SGPS, S.A.	-	"
	Le Monde, S.A.	-	"
Le Monde Europe, S.A.	-	Representative of the member Prisa Management Committee	

Owner	Investee	% of Ownership	Functions
Francisco Javier Diez de Polanco	Canal Club de Distribución de Ocio y Cultura, S.A.	-	Director
	Compañía Independiente de Televisión, S.L	-	Chairman and Chief Executive Officer
	DTS Distribuidora de Televisión Digital, S.A.	-	"
	Sociedad General de Cine, S.A.	-	"
	Sogepaq, S.A.	-	"
	Sogecable, S.A.	0.026	Chief Executive Officer
	Canal Satélite Digital, S.L.	-	"
	Audiovisual Sport, S.L.	-	Chairman (representing Sogecable, S.A.)
	Cinemanía, S.L.	-	"
	Compañía Independiente de Noticias de Televisión, S.L.	-	Chairman (representing Compañía Independiente de Televisión, S.L.)
Ignacio Polanco Moreno	Sogecable Editorial, S.L	-	Chairman and Chief Executive Officer (representing Sogecable, S.A.)
	Sogecable Media, S.L.	-	"
	Sogecable, S.A.	0.020	-
Isabel Polanco Moreno	Cadena Radiodifusora Mexicana, S.A. de C.V.	-	Director
	Radio Comerciales, S.A. de C.V.	-	"
	Radio Melodía, S.A. de C.V.	-	"
	Radio Televisora de Mexicali, S.A. de C.V.	-	"
	Radio Tapatía, S.A. de C.V.	-	"
	Sistema Radiópolis, S.A. de C.V.	-	"
	Xezz, S.A. de C.V.	-	"
Manuel Polanco Moreno	Sogecable, S.A.	0.001	-
Manuel Polanco Moreno	Vertex SGPS, S.A.	-	Chairman
	Productora de Televisión de Almería, S.A.	-	Deputy Chairman
	Grupo Media Capital SGPS, S.A.	-	Chief Executive Officer
	Promotora Audiovisual de Jaén, S.A.	-	Director
	Dédalo Grupo Gráfico, S.L.	-	"
Diego Hidalgo Schnur	Antena 3 de Radio, S.A.	-	"
Diego Hidalgo Schnur	Sogecable, S.A.	0.000	Director
Francisco Pérez González	Sogecable, S.A.	-	Director
Adolfo Valero Cascante	Sogecable, S.A.	0.016	-
Emiliano Martínez Rodríguez	Sogecable, S.A.	0.011	-
Juan Salvat Dalmau	Sogecable, S.A.	0.012	-
Borja Jesús Pérez de Arauna	Sogecable, S.A.	0.008	-
Jesús de la Serna y Gutiérrez- Répide	Sogecable, S.A.	0.000	-
Gregorio Marañón y Bertrán de Lis	Sogecable, S.A.	0.000	Director
Manuel Varela Uña	Sogecable, S.A.	0.008	-

(\*) The holding declared by Jesús de Polanco Gutiérrez in Sogecable, S.A. relates to the ownership interest held by Promotora de Informaciones, S.A.

This list does not include Prisa Group companies. However, we hereby state that the following directors of Promotora de Informaciones, S.A. are part of the managing body of certain Prisa Group companies, as stated in the Company's Annual Corporate Governance Report: Jesús de Polanco Gutiérrez, Juan Luis Cebrián Echarri, Ignacio Polanco Moreno, Francisco Javier Diez de Polanco, Emiliano Martínez Rodríguez, Isabel Polanco Moreno, Manuel Polanco Moreno, Juan Salvat Dalmau, Gregorio Marañón y Bertrán de Lis, Diego Hidalgo Schnur, Ramón Mendoza Solano, Alvaro Noguera Giménez, Francisco Pérez González, Adolfo Valero Cascante and Manuel Varela Uña.

Also, in accordance with the above-mentioned Law, it is hereby stated that there is no record that any of the members of the Board have performed in 2004 or 2005, or are currently performing, as independent professionals or as employees, any activities that are identical, similar or complementary to the activity that constitutes the corporate purpose of Promotora de Informaciones, S.A.

## **(25) GUARANTEE COMMITMENTS TO THIRD PARTIES**

Within the scope of the tender offer on the shares of Sogecable, S.A. (see Notes 8 and 22), in order to guarantee compliance with the payment obligations which may arise for the Company to the shareholders of Sogecable, S.A. which accept this offer, the Company provided a bank guarantee amounting to €988,378 thousand to the CNMV.

Also, Prisa guarantees bank loans and credits granted to Iberbanda, S.A and to Promotora de Emisoras de Televisión, S.A up to a maximum amount of €16,465 thousand and €22,500 thousand, respectively, and to WSUA Broadcasting Corp. amounting to US\$ 6,800 thousand.

In order for the LMDS broadcasting license to be awarded to the investee Iberbanda, S.A., Prisa provided a guarantee for the amount of the investment commitment made by this company, in proportion to its percentage of ownership and based on the terms and conditions in the tender specifications. At 31 December 2005, the guarantees provided totalled €1,179 thousand.

In 2003 Sogecable, S.A. entered into a €1,350,000 thousand loan and syndicated credit facility agreement. Under this agreement, Prisa assumed a commitment to the syndicate of banks and credit institutions to contribute funds to make good the cash deficit, up to a maximum of €38,259 thousand, should Sogecable, S.A. be unable to meet or not meet the payment of the amounts owed under the senior bank debt, and undertook to contribute funds to restore the senior debt/EBITDA ratio in the event that the limits established in the loan and credit agreements be exceeded. At 30 June 2005, the guarantees assumed by Prisa were released without giving rise to any payment obligation for the Company.

At 31 December 2005, Prisa had provided bank guarantees amounting to €11,285 thousand, mainly in relation to the tax assessments issued by the tax authorities that were signed under protest (see Note 19). The Company's directors consider that the guarantees provided to cover the litigation will under no circumstances have a material effect on the accompanying consolidated income statement.

Also, at 31 December 2005, Sociedad Española de Radiodifusión, S.A. had provided guarantees totalling €13,916 thousand relating mainly to the award of administrative

concessions and to tax assessments issued by the tax authorities that were signed under protest. The Company's directors consider that the guarantees provided to cover the litigation will under no circumstances have a material effect on the accompanying consolidated income statement.

Lastly, on 23 December 2003, Dédalo Grupo Gráfico, S.L. and a group of banks entered into a syndicated loan and credit agreement for a maximum amount of €125,000 thousand tied to Euribor, of which €36,147 thousand were repaid in 2004 and 2005 and whose partial objective is to refinance the debts of the investees. The aforementioned syndicated loan and credit agreement was also subscribed by Mateu Cromo Artes Gráficas, S.A., Dédalo Altamira, S.A., Mateu Liber, S.L., Macrolibros, S.A., Distribuciones Aliadas, S.A., Norprensa, S.A., Bidasoa Press, S.L., Dédalo Hispánica, S.A., Dédalo Heliocolor, S.L. and Gráficas Integradas, S.A., subsidiaries of Dédalo Grupo Gráfico, S.L. which acted as its guarantors. The pledge on the collection rights arising from the material contracts of these companies and the mortgage on certain assets were also included as guarantees.

Dédalo Grupo Gráfico, S.L. informed the financial institutions that at year-end it will not meet the conditions established by these institutions in the syndicated loan and credit agreements entered into. Consequently, Dédalo Grupo Gráfico, S.L., together with its shareholders and lending banks are analyzing various scenarios in order to establish new conditions to facilitate the continuity of the financing channels currently operative. At 31 December 2005, this transaction did not give rise to any additional liability for the Group.

## (26) LEGAL MATTERS

In connection with the enforcement process of the Spanish Supreme Court's decision of 9 June 2000, which held that the Council of Ministers' Resolution dated 20 May 1994, authorizing the economic concentration of Sociedad Española de Radiodifusión, S.A. ("SER"), Antena 3 de Radio, S.A. and Sociedad de Servicios Radiofónicos Unión Radio, S.L. ("Unión Radio") was unlawful, the Directorate-General of Fair Trading, by means of a Resolution dated 30 July 2004, resolved to consider that the measures taken by the companies involved in the concentration process "guarantee the effective separation of the operating and economic management of Antena 3 de Radio, S.A. from SER" and that "neither Prisa or its group companies control Antena 3 de Radio, S.A.". Accordingly, the aforementioned body responsible for enforcing the decision referred to above considered its function to have been completed and remitted its Resolution to the Supreme Court. The appellants instituted a new ancillary enforcement proceeding with respect to which a decision has not been handed down by the Supreme Court.

Notwithstanding the above, in September 2005 Unión Radio notified the Spanish Antitrust Authority of a new concentration plan consisting of taking exclusive control of Antena 3 de Radio, S.A. Through a capital increase agreed by the shareholders at the Annual General Meeting of Unión Radio, its shareholders –the Prisa Group and GODÓ Groups– will contribute to Unión Radio their holdings in SER and Antena 3 de Radio, S.A. Once this capital increase has been made, Unión Radio will become the direct owner of 99.99% of SER and the indirect owner of 99.419% of Antena 3 de Radio, S.A.

The effectiveness of this transaction is subject to compliance with two conditions: the obtainment of the authorization of the antitrust authorities and of the authorizations envisaged by specific legislation in the radio broadcasting industry.

To date the first of the aforementioned two conditions has been complied with: on 27 January 2006, the Council of Ministers resolved to authorize the concentration transaction on the condition that the resulting company disposes of five radio stations.

The Company has an ownership interest through Promotora de Emisoras, S.A. in the share capital of various local television companies. Law 62/2003 of 30 December on Tax, Administrative, Labour and Social Security Measures introduced further amendments to the television legal system, whereby it is deemed compatible to simultaneously hold material ownership interests (of more than 5%) in national, autonomous community and local television license-holder companies. However, the Law also establishes certain restrictions regarding population coverage. Within this framework, Promotora de Emisoras de Televisión, S.A. intends to implement its plan to establish itself in the local and autonomous community television industry by submitting bids in tenders called for the awarding of licenses. Accordingly, as a result of the approval of the Local Digital Television Technical Plan by Royal Decree 439/2004 of 12 March amended by Royal Decree 2268/2004 of 3 December, autonomous community governments are beginning to invite bids for the indirect management of local digital television services and the situation in the industry is in the process of being regularized. In 2005, through its various subsidiaries, Promotora de Emisoras de Televisión, S.A. participated in tenders held by the Autonomous Communities of Madrid, Valencia, Galicia, Murcia and Asturias. The Galicia and Asturias tenders have not yet been awarded. In Madrid and Murcia, the Prisa was not the successful bidder in any of the concessions and filed the related appeal in Madrid. In Valencia the company was awarded a concession in Onteniente. In Murcia and Valencia the company will file the related appeal for judicial review in the legally stipulated period.

As part of the plan to obtain concessions, Grupo Promotora de Emisoras de Televisión, S.A.'s management prepared a long-term Business Plan, currently up-to-date, which took into consideration the Group's future strategy and the fulfilment of legal conditions, as well as the Group's experience in other related media businesses at a local level. The main conclusion of this Business Plan, based on conservative assumptions, is that the Group will obtain earnings in the medium term, despite significant losses in 2004 y 2005, which will allow its assets to be realised and its liabilities settled for the amounts booked on the balance sheet.

## **(27) TRANSITION FROM SPANISH GAAP TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Until 2004 the Group prepared its consolidated financial statements in accordance with the accounting principles and standards in force in Spain ("Spanish GAAP"). From 2005 onwards the Group is preparing its consolidated financial statements under the International Financial Reporting Standards (IFRSs) adopted by the European Union, in conformity with Regulation (EC) 1606/2002 of the European Parliament and of the Council.



**a) Reconciliation of Net Equity at 1 January 2004 and 31 December 2004**

The following table shows the reconciliation of equity at 1 January 2004 and 31 December 2004 between Spanish GAAP and IFRSs:

	Thousands of Euros	
	01.01.2004	31.12.2004
<b>Net Equity under Spanish GAAP</b>	<b>660,665</b>	<b>735,765</b>
Inclusion of shares of the Parent	(29,365)	(29,706)
Inclusion of minority interests	26,913	15,744
Effect of first-time application of IFRSs on investments accounted for by using the equity method	(24,810)	(24,810)
Non-capitalisable costs	(10,794)	(10,794)
Discount of exchangeable bond issue	9,541	9,541
Exchange gains	2,358	2,358
Discount of accounts receivable	(1,014)	(1,014)
Adjustments to 2004 profit (Note 27-b)		19,201
Other adjustments	(740)	31
<b>Net Equity under IFRSs</b>	<b>632,754</b>	<b>716,316</b>

*Inclusion of shares of the Parent-*

In accordance with IFRSs, treasury shares acquired by the Group companies will be presented as a deduction from equity, meaning that the amounts received or paid form part of equity.

*Inclusion of minority interests-*

Under Spanish GAAP, equity is made up solely of equity of shareholders of the Parent; however, under IFRSs, equity includes funds corresponding to the Parent and to minority shareholders. Therefore, the minority interests in the PRISA Group's consolidated balance sheet drawn up under Spanish accounting GAAP are now included in equity in the consolidated balance sheet prepared under IFRSs.

*Effect of first-time application of IFRSs on investments accounted for using the equity method-*

This caption shows the impact on equity of the conversion to IFRSs of investments accounted for using the equity method.

The most significant impact derives from the decision taken by Sogecable S.A. on 1 January 2004, not to book the tax revenue arising from the deductibility of portfolio provisions from certain companies not included in the consolidated tax group. A deferred tax liability was recognised with a charge to equity.

*Non-capitalisable costs-*

IFRSs establish some requirements for the capitalisation of some types of expense. They do not allow the capitalisation of those expenses that do not qualify as assets. As a result, under IFRSs the following cannot be capitalised:

- Start-up costs.
- Research costs, costs associated with the internal generation of brands and web page-related costs that do not directly contribute to generating revenue.
- Advertising and promotional expenditure relating to the launch of a new product.

*Discount of the exchangeable bond issue-*

The amount recorded under the "Exchangeable Bond Issue" caption relates to the present value of future payments that will be generated with the issue, discounted at the discount rate used for non-convertible financial instruments with similar issue periods, with the concomitant effect on the Group's equity.

*Exchange gains-*

Spanish GAAP treat exchange difference asymmetrically and do not generally allow unrealised positive exchange differences to be booked until they arise. IFRSs, however, do allow unrealised exchange gains to be recognised in the income statement.

*Discount of accounts receivable-*

The long-term accounts receivable earning a fixed interest rate were discounted at 31 December 2003, with a charge to equity.

**b) Reconciliation of the profit for 2004**

The following table reflects the reconciliation of the profit for 2004 between Spanish GAAP and IFRSs:

	Thousands of Euros
<b>Profit at 31/12/04 under Spanish GAAP</b>	<b>103,252</b>
Amortisation of goodwill	22,083
Exchange gains	421
Finance costs	(2,682)
Non-capitalisable costs and other	(621)
<b>Profit at 31/12/04 under IFRSs</b>	<b>122,453</b>

*Amortisation of goodwill-*

Under Spanish GAAP, goodwill must be amortised systematically over a maximum period of 20 years; under IFRSs, goodwill is not amortised, but it is subject to periodic impairment tests.

*Exchange gains-*

IFRSs allow unrealised exchange gains to be recognised.

*Finance costs-*

The discount of accounts receivable and the exchangeable bond issue by applying market interest rates generates increased finance costs. To compensate for this effect, the amortisation of the exchangeable bond issue expenses recognised under Spanish GAAP was reversed.

**(28) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH**

These consolidated financial statements are presented on the basis of IFRSs, as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

COMPANY	REGISTERED OFFICES	ACTIVITY	COMPANY OWNING THE HOLDING	December 2005	
				PERCENTAGE HELD	TAX GROUP
<b>PRISA and OTHER</b> <i>Fully consolidated</i> Oficina del Autor, S.A.	Gran Via, 32 - Madrid	Management of publishing rights and author representation	Prisacom, S.A.	0.01%	YES
Prisa División Inmobiliaria, S.L.	Gran Via, 32 - Madrid	Lease of commercial and industrial premises	Promotora de Informaciones, S.A.	99.99%	YES
Prisa Finance (Netherlands) BV	Gran Via, 32 - Madrid	Participation and financing of companies	Grupo Santillana de Ediciones, S.L.	0.01%	YES
Prisa Innova, S.L.	Gran Via, 32 - Madrid	Management of products and promotional services	Promotora de Informaciones, S.A.	99.99%	YES
<i>Equity consolidated</i> Iberbanda, S.A.	Pso. Castellana, 110 - Madrid	Creation, development and management of communications networks	Diario El País, S.L. Promotora de Informaciones, S.A.	100.00% 0.05% 99.95%	YES
<b>MEDIA CAPITAL</b> <i>Fully consolidated</i> Vertex, SGPS, S.A.	Rua de las Amoreiras, 107 - Lisboa, Portugal	Holding company	Promotora de Informaciones, S.A.	25.98%	
<i>Equity consolidated</i> Grupo Media Capital, SGPS, S.A.	Rua Mário Castilhana nº 40, Queluz de Baixo, Portugal	Production and distribution of television programmes, radio and magazines.	Promotora de Informaciones, S.A. Vertex, SGPS, S.A.	100.00% 33.00%	

COMPANY	REGISTERED OFFICES	ACTIVITY	COMPANY OWNING THE HOLDING	December 2005	
				PERCENTAGE HELD	TAX GROUP
<b>EL PAIS</b> <i>Fully consolidated</i> Diario El País, S.L. Diario El País Argentina, S.A. Diario El País Internacional, S.A. Diario El País México, S.A. de C.V.	Miguel Yuste, 40 - Madrid Avda. Leandro N. Alem 720- Ciudad Autónoma de Buenos Aires Miguel Yuste, 40 - Madrid Avda. de la Universidad, 767 - México D.F.	Publication and operation of El País newspaper Operation of El País newspaper in Argentina No activity Operation of El País newspaper in Mexico	Fundación Santillana Promotora de Informaciones, S.A. Diario El País, S.L. Diario El País, S.L. Promotora de Informaciones, S.A. Diario El País, S.L. Lanza S.A. de C.V. Promotora de Informaciones, S.A.	0.01% 99.99% 99.99% 99.99% 0.01% 14.05% 1share 85.95%	YES YES YES YES
<b>ENTERTAINMENT AND LEISURE</b> <i>Fully consolidated</i> Compañía Discográfica Muxxic Records, S.A. Ediciones Musicales Horus, S.A. Eurotropical de Producciones Discográficas, S.L. Gran Vía Musical de Ediciones, S.L. Gran Vía Musical Inc. Lyrics and Music, S.L. Media Festivals, S.A. Nova Ediciones Musicales, S.A. Planet Events, S.A. Plural Entertainment Canarias, S.L. Plural Entertainment España, S.L. Plural Entertainment Inc. Tosela Producciones Cinematográficas, S.L.	Gran Vía, 32 - Madrid Gran Vía, 32 - Madrid Gran Vía, 32 - Madrid Gran Vía, 32 - Madrid 111 West, 57 th Street, NY - USA Camino Olveras, 22 - Barcelona Gran Vía, 32 - Madrid Gran Vía, 32 - Madrid Gran Vía, 32 - Madrid Gran Vía, 32 - Madrid Dársena Pesquera-Edif. Plató del Atlántico-San Andrés 38180 Gran Vía, 32 - Madrid 1680 Michigan Avenue, Suite 730 - Miami Beach - USA Gran Vía, 32 - Madrid	Sound production and recording Sound production and recording Sound production and recording Music services Holding company Music publications Production and organisation of concerts and events Music publications Production and organisation of concerts and events Audiovisual production and distribution Audiovisual production and distribution Audiovisual production and distribution Audiovisual production and distribution	Gran Vía Musical de Ediciones, S.L. Nova Ediciones Musicales, S.A. Gran Vía Musical de Ediciones, S.L. Gran Vía Musical de Ediciones, S.L. Plural Entertainment España, S.L. Promotora de Informaciones, S.A. Gran Vía Musical de Ediciones, S.L. Gran Vía Musical de Ediciones, S.L. Gran Vía Musical de Ediciones, S.L. Gran Vía Musical de Ediciones, S.L. Nova Ediciones Musicales, S.A. Gran Vía Musical de Ediciones, S.L. Promotora de Informaciones, S.A. Gran Vía Musical de Ediciones, S.L. Nova Ediciones Musicales, S.A. Plural Entertainment España, S.L. Promotora de Emisoras, S.L. Promotora de Informaciones, S.A. Plural Entertainment España, S.L. Plural Entertainment España, S.L.	99.99% 0.01% 100.00% 100.00% 0.01% 99.99% 100.00% 100.00% 99.97% 0.03% 99.99% 0.01% 50.99% 0.01% 100.00% 0.01% 99.99% 100.00% 80.80%	YES YES YES YES YES YES YES YES YES YES YES YES YES YES YES YES YES YES YES YES
<b>INTERNET</b> <i>Fully consolidated</i> Información, Telefonía y Comunicación, S.A. Inversiones Digitales, S.A. Prisacom, S.A. Santillana en Red, S.L. Sistemtel Telecomunicaciones Bolivia, S.A.	Argentina, 2057, La Paz, Bolivia Federico Zuazo, 1598, La Paz - Bolivia Gran Vía, 32 - Madrid Ribera del Sena s/n. Edificio APOT, Madrid Argentina, 2057, La Paz, Bolivia	Telecommunications services Holding company Internet services provider Multimedia publishing Telecommunications services	Inversiones Digitales, S.A. Inversiones en Radiodifusión, S.A. Inversiones Grupo Multimedia de Comunicaciones, S.A. Inversiones Grupo Multimedia de Comunicaciones, S.A. Prisacom, S.A. Oficina del Autor, S.A. Promotora de Informaciones, S.A. Prisacom, S.A. Santillana Educación, S.L. Inversiones Digitales, S.A. Inversiones en Radiodifusión, S.A. Inversiones Grupo Multimedia de Comunicaciones, S.A.	98.00% 1.00% 1.00% 50.00% 50.00% 0.01% 99.99% 50.00% 50.00% 99.85% 0.08% 0.08%	YES YES YES YES YES YES YES YES YES YES YES YES YES
<i>Proportionally consolidated</i> Infotecnia 11824, S.L.	Ronda de Poniente 7, Tres Cantos - Madrid	Telecommunications services	Prisacom, S.A.	50.00%	YES



COMPANY	REGISTERED OFFICES	ACTIVITY	COMPANY OWNING THE HOLDING	December 2005	
				PERCENTAGE HELD	TAX GROUP
<b>RADIO</b>					
<i>Fully consolidated</i>					
Algarra, S.A.	García Llovera, 3 - Córdoba	Operation of radio broadcasting stations	S. S. R. Unión Radio, S.L.	100.00%	YES
Avante Radio, S.A.	Gran Vía, 32 - Madrid	Operation of radio broadcasting stations	Radio Club Canarias, S.A.	3.33%	YES
			Radio Murcia, S.A.	3.33%	
Bergadana de Radio y Televisión, S.L.	Llado, 1-3 - Manresa	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.A.	93.34%	
Catalana de Comunicaciones y Publicidad, S.L.	Aragón, 390 - Barcelona	Operation of radio broadcasting stations	Ona Catalana, S.A.	100.00%	
Ciudad Real Noticias, S.A.	Plaza Cervantes 6 - Ciudad Real	Operation of radio broadcasting stations	Ona Catalana, S.A.	100.00%	
Compañía Aragonesa de Radiodifusión, S.A.	Paseo de la Constitución, 21 - Zaragoza	Operation of radio broadcasting stations	Ediciones LM, S.L.	100.00%	
Comunicación Radiofónica, S.A.	Gran Vía, 32 - Madrid	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.A.	97.03%	YES
			Avante Radio, S.A.	50.91%	YES
			Ediciones Bidasoa, S.A.	49.09%	
Corporación Canaria de Información y Radio, S.A.	General Balmes s/n - Las Palmas de Gran Canaria	Operation of radio broadcasting stations	S. S. R. Unión Radio, S.L.	100.00%	YES
Ediciones LM, S.L.	Plaza de Cervantes, 6 - Ciudad Real	Operation of radio broadcasting stations	S. S. R. Unión Radio, S.L.	50.00%	
Frecuencia del Principado, S.A.	Jovellanos 1, Gijón	Operation of radio broadcasting stations	S. S. R. Unión Radio, S.L.	100.00%	YES
Gironina de Radio, S.A.	Gran Vía Jaume I - Girona	Operation of radio broadcasting stations	Ona Catalana, S.A.	100.00%	
Iniciativas Radiofónicas, S.A.	Gran Vía, 32 - Madrid	Operation of radio broadcasting stations	Ondas, S.A.	93.42%	YES
Iniciativas Radiofónicas de Castilla La Mancha, S.A.	Carreteros, 1 - Toledo	Operation of radio broadcasting stations	Ediciones LM, S.L.	40.00%	
			S. S. R. Unión Radio, S.L.	50.00%	
Ona Catalana, S.A.	Aragón, 390 - Barcelona	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.A.	100.00%	YES
Onda La Finjosa, S.A.	Limosa, 2 - Hinojosa del Duque - Córdoba	Operation of radio broadcasting stations	Algarra, S.A.	100.00%	YES
Ondas, S.A.	Caspe, 6 - Barcelona	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.A.	100.00%	
Ondas Galicia, S.A.	San Pedro de Mezonzo, 3 - Santiago de Compostela	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.A.	42.42%	
Palmeva, S.A.	Gran Vía, 32 - Madrid	Holding company for stakes in radio broadcasting companies	Promotora de Informaciones, S.A.	50.93%	
Radio 30, S.A.	Radio Murcia, 4 - Murcia	Operation of radio broadcasting stations	Radio Murcia, S.A.	100.00%	YES
Radio Burgos, S.L.	Venerables 8 - Burgos	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.A.	100.00%	YES
Radio Club Canarias, S.A.	Avda. Anaga, 35 - Santa Cruz de Tenerife	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.A.	95.00%	YES
Radio Costa Brava, S.A.	Didac Garrell, 102 - Palamós	Operation of radio broadcasting stations	Ona Catalana, S.A.	100.00%	
Radio España de Barcelona, S.A.	Caspe, 6 - Barcelona	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.A.	99.32%	YES
Radio Gibralfaro, S.A.	Santa Paula 2, Granada	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.A.	100.00%	YES
Radio Murcia, S.A.	Radio Murcia, 4 - Murcia	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.A.	83.33%	YES
Radio Zaragoza, S.A.	Paseo de la Constitución, 21 - Zaragoza	Operation of radio broadcasting stations	Compañía Aragonesa de Radiodifusión, S.A.	66.00%	YES
			Sociedad Española de Radiodifusión, S.A.	34.00%	
Radiodifusión Tenerife, S.A.	Avda. Anaga, 35 - Santa Cruz de Tenerife	Operation of radio broadcasting stations	Ediciones Bidasoa, S.A.	100.00%	YES
S. S. R. Unión Radio, S.L.	Gran Vía, 32 - Madrid	Operation of radio broadcasting stations	Promotora de Informaciones, S.A.	80.00%	YES
Sociedad Española de Radiodifusión, S.A.	Gran Vía, 32 - Madrid	Operation of radio broadcasting stations	Promotora de Informaciones, S.A.	99.99%	YES
Sociedad de Radiodifusión Aragonesa, S.A.	Paseo de la Constitución, 21 - Zaragoza	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.A.	50.00%	
Societat de Comunicació i Publicitat, S.L.	Parc. De la Mola, 10 Torre Caldes, 6ª Escalade - Engordany (Andorra)	Operation of radio broadcasting stations	Ona Catalana, S.A.	100.00%	
Sogetable Música, S.L.	Gran Vía, 32 - Madrid	Creation, broadcasting, distribution and operation of thematic TV channels	S. S. R. Unión Radio, S.L.	50.00%	
			Compañía Independiente de Televisión, S.L.	50.00%	
Talavera Visión, S.L.	Avda. del Rey Santo, 8 - Ciudad Real	Operation of radio broadcasting stations	Valdepeñas Comunicación, S.L.	100.00%	
Telecomunicaciones Empresariales del Sur, S.L.	Avda. del Rey Santo, 8 - Ciudad Real	Operation of radio broadcasting stations	Ediciones LM, S.L.	82.00%	
Teleonda Ciudad Real, S.L.	Avda. del Rey Santo, 8 - Ciudad Real	Operation of radio broadcasting stations	Ediciones LM, S.L.	100.00%	
Teleser, S.A.	Gran Vía, 32 - Madrid	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.A.	71.64%	
Unión Radio Digital, S.A.	Gran Vía, 32 - Madrid	Operation of digital radio broadcasting concession	Antena 3 de Radio, S.A.	40.00%	
			Sociedad Española de Radiodifusión, S.A.	60.00%	
Valdepeñas Comunicación, S.L.	Pza. de Cervantes, 6 - Ciudad Real	Operation of radio broadcasting stations	S. S. R. Unión Radio, S.L.	50.00%	

COMPANY	REGISTERED OFFICE	ACTIVITY	COMPANY OWNING THE HOLDING	December 2005	
				PERCENTAGE HELD	TAX GROUP
<b>RADIO</b>					
<i>Equity consolidated</i>					
Antena 3 de Radio, S.A.	María de Molina, 54 - Madrid	Operation of radio broadcasting stations	Inversiones Godó, S.A.	64.64%	
Antena 3 de Radio de León, S.A.	María de Molina, 54 - Madrid	Operation of radio broadcasting stations	Paltrivia, S.A.	34.78%	
Antena 3 de Radio de Melilla, S.A.	María de Molina, 54 - Madrid	Operation of radio broadcasting stations	Antena 3 de Radio, S.A.	99.56%	
Inversiones Godó, S.A.	Pelayo, 28 - Barcelona	Holding company	Antena 3 de Radio, S.A.	100.00%	
La Palma Difusión, S.A.	Almirante Díaz Pimentel, 10 - Los Llanos de Aridane	Operation of radio broadcasting stations	Promotora de Informaciones, S.A.	48.95%	
Onda Musical, S.A.	Oquendo 23 - Madrid	Operation of radio broadcasting stations	Antena 3 de Radio, S.A.	100.00%	
Radio La Cerdanya, S.A.	Pla del Fort, 2 - Puigcerdá	Operation of radio broadcasting stations	Antena 3 de Radio, S.A.	49.01%	
Radio Jaén, S.L.	Obispo Aguilar, 1 - Jaén	Operation of radio broadcasting stations	Inversiones Godó, S.A.	16.68%	
Radiodifusora de Navarra, S.A.	Poliño Plazaola, Marzana F - 2ª A - Pamplona	Operation of radio broadcasting stations	Paltrivia, S.A.	34.30%	
Sociedad Independiente Comunicación Castilla La Mancha, S.A.	Avd. de la Estación, 5 Bajo - Albacete	Operation of radio broadcasting stations	Oña Catalana, S.A.	34.92%	
Sonido e Imagen de Canarias, S.A.	Caldera de Bandama, 5 - Arrecife	Operation of radio broadcasting stations	S. S. R. Unión Radio, S.L.	35.99%	
Teleradio Pres, S.L.	Avd. de la Estación, 5 Bajo - Albacete	Operation of radio broadcasting stations	Antena 3 de Radio, S.A.	100.00%	
Televisión Ciudad Real, S.L.	Plaza España, 2 - Ciudad Real	Operation of radio broadcasting stations	Antena 3 de Radio, S.A.	74.60%	
Unión Radio del Pirineu, S.A.	Carrer Prat del Creu, 32 - Andorra la Vella	Production, broadcasting, publication and distribution of all types of media and advertising activities.	Antena 3 de Radio, S.A.	50.00%	
		Operation of radio broadcasting stations	Antena 3 de Radio, S.A.	75.10%	
		Operation of radio broadcasting stations	S. S. R. Unión Radio, S.L.	75.10%	
				33.00%	



COMPANY	REGISTERED OFFICES	ACTIVITY	COMPANY OWNING THE HOLDING	December 2005 PERCENTAGE HELD	TAX GROUP
<b>LOCAL TELEVISION</b> <i>Equity consolidated</i>					
Axaquia Visión, S.A.	Paseo de Reding, 7 - Málaga	Local TV services	Málaga Alaviación, S.A.	80.00%	YES
Canal 4 Navarra, S.L.	Avda. Sancho el Fuerte, 18 - Pamplona	Production and broadcasting of videos and TV programmes	Promotora de Emisoras de Televisión, S.A.	100.00%	YES
Canal 4 Navarra Digital, S.A.	Polígono Industrial Cordovilla - Navarra	Local TV services	Canal 4 Navarra, S.L.	100.00%	YES
Colserola Audiovisual, S.L.	Pza. Narcís Oller Nº6 1º, 1º - 08006 Barcelona	Local TV services	Legal Affairs Consilium, S.L.	92.00%	0.50%
Comunicaciones y Medios Audiovisuales Tele Alcalá, S.L.	Encuentada, 33 - Alcalá de Henares	Local TV services	Promotora de Emisoras de Televisión, S.A.	99.99%	0.07%
Legal Affairs Consilium, S.L.	Pza. Narcís Oller Nº6 1º, 1º - 08006 Barcelona	Local TV services	Productora Digital de Medios Audiovisuales, S.A.	100.00%	YES
Localia TV Madrid, S.A.	Gran Vía, 32 - Madrid	Local TV services	Promotora de Emisoras de Televisión, S.A.	1share	YES
Localia TV Valencia, S.A.	Don Juan de Austria 3 - 46002 Valencia	Local TV services	Promotora de Emisoras de Televisión, S.A.	100.00%	YES
Málaga Alaviación, S.A.	Paseo de Reding, 7 - Málaga	Production and broadcasting of videos and TV programmes	Málaga Alaviación, S.A.	73.72%	100.00%
Marbella Digital Televisión, S.A.	Paseo de Reding, 7 - Málaga	Local TV services	Promotora de Emisoras de Televisión, S.A.	51.00%	99.84%
Productora Audiovisual de Badajoz, S.A.	Ramón Albarrán, 2 - Badajoz	Local TV services	Promotora de Emisoras de Televisión, S.A.	99.84%	74.84%
Productora Audiovisual de Mallorca, S.A.	Puerto Rico, 15 - Palma de Mallorca	Local TV services	Promotora de Emisoras de Televisión, S.A.	74.84%	0.01%
Productora de Comunicación Toledo, S.A.	Carreteros, 1 - Toledo	Local TV services	Localia TV Madrid, S.A.	0.01%	99.99%
Productora de Televisión de Córdoba, S.A.	Amatista s/n, Pol. El Granadall - Córdoba	Local TV services	Promotora de Emisoras de Televisión, S.A.	99.99%	97.00%
Productora Digital de Medios Audiovisuales, S.A.	Juan de la Cierva, 72 - Pol. Ind. Prado Regordito - Mostoles	Local TV services	Promotora de Emisoras de Televisión, S.A.	97.00%	51.00%
Productora Extremeña de Televisión, S.A.	J. M. R. "Azorin", Ed. Zeus, Pol. La Corchera - Mérida, Badajoz	Local TV services	Promotora de Emisoras de Televisión, S.A.	51.00%	100.00%
Promoción de Actividades Audiovisuales en Canarias, S.A.	Avda. Anaga, 35 - Santa Cruz de Tenerife	Communications for TV media in the Canary Islands	Promotora de Emisoras de Televisión, S.A.	100.00%	1share
Promociones Audiovisuales Sevillanas, S.A.	Rafael González Abreu, 3 - Sevilla	Production and broadcasting of videos and TV programmes	Localia TV Madrid, S.A.	55.00%	1share
Promotora Audiovisual de Zaragoza, S.L.	Emilia Pardo Bazán, 18 - Zaragoza	Local TV services	Promotora de Emisoras de Televisión, S.A.	99.90%	100.00%
Promotora de Emisoras, S.L.	Gran Vía, 32 - Madrid	Radio broadcasting services	Promotora de Emisoras, S.L.	75.00%	93.01%
Promotora de Emisoras de Televisión, S.A.	Gran Vía, 32 - Madrid	Operation of TV channels	Málaga Alaviación, S.A.	93.01%	100.00%
Telecomunicación Antequera, S.A.	Aguardeneros, 15 - Antequera, Málaga	Local TV services	Promotora de Emisoras de Televisión, S.A.	100.00%	90.00%
Televisión, Medios y Publicidad, S.L.	Quitana, 38 - Alicante	TV services	Productora Audiovisual de Mallorca, S.A.	90.00%	40.00%
TV Local Eivissa, S.L.	Avd. San Jordi s/n - Edificio Residencial - Ibiza	TV services	Promotora de Emisoras de Televisión, S.A.	40.00%	50.00%
<i>Proprietarily consolidated</i>					
Sociedad Canaria de Televisión Regional, S.A.	Avda. de Madrid s/n - Tenerife	Audiovisual productions for TV	Promotora de Emisoras de Televisión, S.A.	40.00%	30.00%
<i>Equity consolidated</i>					
Albarrizas Comunicación, S.A.	Avda. del Membrillar s/n - Jerez de la Frontera, Cádiz	Production and broadcasting of videos and TV programmes	Promotora de Emisoras de Televisión, S.A.	50.00%	30.00%
Canal Bilbao, S.A.	Ribera Eiorrieta, 3 - Bilbao	TV services	Promotora de Emisoras de Televisión, S.A.	30.00%	25.00%
Canal Gazteiz televisión, S.L	Portal de Gamara 23, pabellón A-01013 Gazteiz-Vitoria, Álava	TV services	Promotora de Emisoras de Televisión, S.A.	25.00%	100.00%
Chip Audiovisual, S.A	Coso, 100 planta 3ª puerta 4-50001 Zaragoza	Audiovisual productions for TV	Unión de Televisiones Gallegas, S.A.	100.00%	30.00%
Compostela Visión, S.L.	Rua Nova 32, 2ª planta 15705 Santiago de Compostela-La Coruña	Development of the Latin American radio business	Unión de Televisiones Gallegas, S.A.	100.00%	33.33%
Ferrolvisión, S.L.	Arce s/n, Ferrol	Local TV services	Promotora de Emisoras de Televisión, S.A.	30.00%	59.99%
Gujuzkoa Televisión, S.A.	Liberaid, 17 - San Sebastián	Local TV services	Promotora de Emisoras de Televisión, S.A.	33.33%	40.00%
Grupo de Comunicación y Televisión Castilla La Mancha, S.A.	C/Pais Valenciano 5 - Ciudad Real	Local TV services	Promotora de Emisoras de Televisión, S.A.	40.00%	58.51%
Productora Asturiana de Televisión, S.A.	Asturies, 19 - Oviedo	Local TV services	Promotora de Emisoras de Televisión, S.A.	59.99%	33.27%
Productora Canaria de Programas, S.A.	Enrique Wolfson, 17-S. C. de Tenerife	Development of a promotional TV channel for the Canary Islands	Promoción de Actividades Audiovisuales en Canarias, S.A.	40.00%	58.51%
Productora de Televisión de Almería, S.A.	Avda. del Mediterraneo 150- Edificio Laura 1ª Planta - Almería	Local TV services	Novolétrica, S.A.	58.51%	33.27%

COMPANY	REGISTERED OFFICES	ACTIVITY	COMPANY OWNING THE HOLDING	December 2005	
				PERCENTAGE HELD	TAX GROUP
<b>LOCAL TELEVISION</b>					
<i>Entity consolidated</i>					
Productora de Televisión de León, S.A.	República Argentina, 28 - León	Local TV services	Promotora de Emisoras de Televisión, S.A.	32.93%	
Productora de Televisión de Salamanca, S.A.	Arco, 16-20 - Salamanca	Local TV services	Promotora de Emisoras de Televisión, S.A.	41.37%	
Promotora Audiovisual de Jaén, S.A.	Avda. del Ejército Español, 6 - Jaén	Local TV services	Diario Jaén, S.A.	25.00%	
			Promotora de Emisoras de Televisión, S.A.	20.01%	
			Radio Jaén, S.L.	25.00%	
Radio Televisión Compostela, S.L.	Fuencarral, 123 - Madrid	Local TV services	Unión de Televisión Callegas, S.A.	100.00%	
Riotedisa, S.A.	Avda. de Portugal, 12 - Logroño	Audiovisual productions for TV	Promotora de Emisoras de Televisión, S.A.	49.00%	
Televisión Alpujarra, S.L.	Pza. Zenete Nº11, El Ejido - Almería	Local TV services	Novotécnica, S.A.	16.00%	
			Productora de Televisión de Almería, S.A.	51.00%	
Televisión Bidasoa, S.L.	Sector Aranzate, 10 20304-Irún, Guipuzcoa	Local TV services	Cipuzkoa Televisión, S.A.	90.00%	
Televisión Pontevedra S.A.	Castelao 3 B 1º - Pontevedra	Local TV services	Unión de Televisión Callegas, S.A.	100.00%	
Unión de Televisión Callegas, S.A.	Pza. de Orense, 3 - La Coruña	Operation of local audiovisual media	Promotora de Emisoras de Televisión, S.A.	32.69%	

COMPANY	REGISTERED OFFICES	ACTIVITY	COMPANY OWNING THE HOLDING	PERCENTAGE HELD	TAX GROUP
<b>PUBLISHING</b> <i>Entity consolidated</i> Aguilar A.T.A., S.A. de Ediciones.	Leandro N. Alent 720 - Buenos Aires 1001, Argentina	Publishing	Ediciones Santillana, S.A. (Argentina) Itaca, S.L.	1 share 5.00%	
Aguilar Chilena de Ediciones, S.A.	Dr. Anibal Arizola 1444, Providencia - Santiago de Chile, Chile	Publishing	Santillana Ediciones Generales, S.L. Itaca, S.L.	95.00% 0.03%	
Canal de Editoriales, S.A.	Juan Bravo, 38 - Madrid	Retail	Grupo Santillana de Ediciones, S.L.	99.14%	YES
Constancia Editores, S.A.	Estimada du Otorola 118, 2795 - Caronxide Linda a Vellia - Portugal	Publishing	Santillana Educación, S.L.	100.00%	
Distribuidora y Editora Aguilar, A.T.A., S.A. de C.V.	Calle 80, N 10-23 - Santa Fe de Bogotá, Colombia	Publishing	Ediciones Grazelem, S.A. Ediciones Obradoro, S.A. Ediciones Voramar, S.A. Itaca, S.L.	0.01% 0.01% 0.01% 3.01%	
Distribuidora y Editora Richmond, S.A.	Calle 80, N 10-13 - Santa Fe de Bogotá, Colombia	Publishing	Santillana Ediciones Generales, S.L. Ediciones Grazelem, S.A. Ediciones Obradoro, S.A. Ediciones Voramar, S.A. Itaca, S.L.	94.97% 0.10% 0.10% 4.80%	
Ediciones Aguilar Venezolana, S.A.	Rómulo Gallegos, Edificio Zulia 1º - Caracas, Venezuela	Publishing	Santillana Educación, S.L.	94.99%	
Ediciones Grazelem, S.A.	Rafael Beca Mateos, 3 - Sevilla	Publishing	Editorial Santillana, S.A. (Venezuela) Itaca, S.L.	100.00% 0.02%	YES
Ediciones Santillana Inc.	1506 Roosevelt Avenue, Guaynabo, Puerto Rico	Publishing	Santillana Educación, S.L.	99.98%	
Ediciones Santillana, S.A. (Argentina)	Leandro N. Alent 720 - Buenos Aires 1001, Argentina	Publishing	Santillana Educación, S.L. Itaca, S.L.	100.00% 5.00%	
Ediciones Santillana, S.A. (Uruguay)	Constitución, 1889 - 11600 - Montevideo, Uruguay	Publishing	Santillana Educación, S.L.	95.00%	
Ediciones Obradoro, S.A.	Vía Pasteur, 44 Pol. Ind. Tambre - Santiago de Compostela	Publishing	Santillana Educación, S.L. Itaca, S.L.	100.00% 0.01%	YES
Ediciones Voramar, S.A.	Valencia, 44 - 46210 Pinetxa - Valencia	Publishing	Santillana Educación, S.L. Itaca, S.L.	99.99% 0.01%	YES
Editora Moderna Ltda.	Rua Padre Adelino, 758 Bozarinho, Sao Paulo - Brazil	Publishing	Santillana Educación, S.L.	98.99%	
Editora Objetiva Ltda.	Rua Cosme Velho 103, Rio de Janeiro - Brazil	Publishing	Grupo de Ediciones Santillana Ltda.	100.00%	
Editorial Nuevo México, S.A. de C.V.	Insurgentes, 486 - Mezzanino - Colonia del Valle - México D.F.	Publishing	Santillana Ediciones Generales, S.L. Editorial Santillana S.A. de C.V. (Mexico) Lanza, S.A. de C.V.	75.00% 0.01% 99.99%	
Editorial Santillana, S.A. (Colombia)	Calle 80, N 10-23 - Santa Fe de Bogotá, Colombia	Publishing	Itaca, S.L.	5.10%	
Editorial Santillana, S.A. (Guatemala)	7ª Avenida 11-11, Zona 9, Guatemala, C.A.	Publishing	Santillana Educación, S.L. Itaca, S.L.	94.90% 0.01%	
Editorial Santillana, S.A. (Rep. Dominicana)	Juan Sánchez Ramírez, 9, Caizaco, Santo Domingo, R. Dominicana	Publishing	Santillana Educación, S.L.	99.99%	
Editorial Santillana, S.A. (Venezuela)	Rómulo Gallegos, Edificio Zulia 1º - Caracas, Venezuela	Publishing	Santillana Educación, S.L.	99.95%	
Editorial Santillana, S.A. de C.V. (Mexico)	Avda. Universidad 767, Colonia del Valle, México DF, México	Publishing	Otras Sociedades Grupo Santillana de Ediciones, S.L. Santillana Educación, S.L.	0.05% 100.00%	
Editorial Santillana, S.A. de C.V. (El Salvador)	Stemens, 48 Zona Industrial Santa Elena - La Libertad, El Salvador	Publishing	Editorial Nuevo México S.A. de C.V. Lanza, S.A. de C.V.	1 share 100.00%	
Grup Promotor D'Ensayement i Difusió en Català, S.L.	Frederic Mompou, 11 - V. Olímpica, Barcelona	Publishing	Itaca, S.L.	0.05%	
Grupo de Ediciones Santillana Ltda.	Rua Padre Adelino, 758 Bozarinho, Sao Paulo - Brazil	Publishing	Santillana Educación, S.L. Promotora de Informaciones, S.A. Santillana Educación, S.L. Ediciones Santillana, S.A. (Argentina) Santillana Educación, S.L.	99.95% 0.01% 98.99% 1 share 100.00%	YES

COMPANY	REGISTERED OFFICES	ACTIVITY	COMPANY OWNING THE HOLDING	PERCENTAGE HELD	TAX GROUP
<b>PUBLISHING</b> <i>Edity consolidada</i>					
Grupo Santillana de Ediciones, S.L.	Torreleguana, 60 - Madrid	Publishing	Ilica, S.L.	1 share 100.00%	YES
Instituto Universitario de Posgrado, S.A. Ilica, S.L.	Torreleguana, 60 - Madrid Torreleguana, 60 - Madrid	Complementary educational services Book distribution	Promolora de Informaciones, S.A. Santillana Formación, S.L. Grupo Santillana de Ediciones, S.L. Promolora de Informaciones, S.A.	52.00% 99.99% 0.01% 0.01%	YES
Lanza, S.A. de C.V.	Avda. Universidad 767- Colonia del Valle, México DF, Mexico	Creation, development and management of companies	Editorial Santillana S.A. de C.V. (Mexico) Santillana Educación, S.L.	99.99% 99.89%	YES
Librerías Crisol, S.A. N. Editorial, S.L.	Avda. Primavera 2160 - Santiago de Surco, Lima, Peru. Torreleguana, 60 - Madrid	Retail Publishing	Santillana, S.A. (Peru) Grupo Santillana de Ediciones, S.L. Promolora de Informaciones, S.A. Santillana Ediciones Generales, S.L.	99.99% 0.01% 100.00%	YES
Punto de Lectura, S.L. (formerly Suma de Letras, S.L.) Punto de Lectura, S.A. de C.V. (formerly Suma de Letras, S.A. de C.V.)	Juan Bravo, 38 - Madrid Avda. Universidad 767 - México D.F., Mexico	Publishing Publishing	Ilica, S.L. Lanza, S.A. de C.V.	1 share 1.00%	YES
Richmond Publishing S.A. de C.V.	Avda. Universidad 767- Colonia del Valle, México DF, Mexico	Publishing	Punto de Lectura, S.L. Santillana Ediciones Generales, S.L.	98.00% 1.00%	
Salamandra Editorial, Ltda.	Rua Padre Adelino, 758 Belezinho, Sao Paulo - Brazil	Publishing	Editorial Santillana S.A. de C.V. (Mexico) Lanza, S.A. de C.V. (Mexico)	0.02% 99.98%	
Santillana, S.A. (Costa Rica)	La Uruca, 100m Oeste de Migración - San José, Costa Rica	Publishing	Editora Moderna, Ltda. Grupo de Ediciones Santillana Ltda.	100.00% 1 share	
Santillana, S.A. (Ecuador) Santillana, S.A. (Paraguay)	Avda. Eloy Alfaro, 2277 y 6 de diciembre - Quito, Ecuador Avda Venezuela, 276 - Asunción, Paraguay	Publishing Publishing	Ilica, S.L. Santillana Educación, S.L. Santillana Educación, S.L.	0.01% 99.99% 100.00%	
Santillana, S.A. (Peru) Santillana Canarias, S.L.	Avda. Primavera 2160 - Santiago de Surco, Lima, Peru. PG El Mayorazgo parcela 14A, Santa Cruz de Tenerife, España	Publishing Publishing	Santillana Educación, S.L. Ilica, S.L.	95.00% 1.00%	YES
Santillana de Ediciones, S.A.	Avda. Arce, 2333 - La Paz, Bolivia	Publishing	Santillana Educación, S.L. Santillana Ediciones Generales, S.L.	99.00% 0.15% 0.15%	
Santillana del Pacifico, S.A. de Ediciones.	Dr. Avnibal Arizola 1444, Providencia - Santiago de Chile, Chile	Publishing	Santillana Educación, S.L.	99.70%	
Santillana Ediciones Generales, S.L.	Torreleguana, 60 - Madrid	Publishing	Ilica, S.L. Santillana Educación, S.L.	1 share 100.00%	YES
Santillana Ediciones Generales, S.A. de C.V.	Avda. Universidad 767- Colonia del Valle, México DF, Mexico	Publishing	Grupo Santillana de Ediciones, S.L. Ilica, S.L.	100.00% 2.46%	
Santillana Educación, S.L.	Torreleguana, 60 - Madrid	Publishing	Lanza, S.A. de C.V. Santillana Ediciones Generales, S.L.	97.54% 100.00%	YES
Santillana Formación, S.L.	Torreleguana, 60 - Madrid	Complementary educational services	Ilica, S.L. Grupo Santillana de Ediciones, S.L. Ilica, S.L.	99.99% 0.01%	YES
Santillana USA Publishing Co. Inc. Suma de Letras Argentina, S.A.	2105 NW 86th Avenue - Miami, Florida, USA Leandro N. Alem 720 - Buenos Aires 1001, Argentina	Publishing Publishing	Grupo Santillana de Ediciones, S.L. Ilica, S.L.	100.00% 0.07%	
Zubia Editorial, S.A.	Pol. Lezama Legutiazamon, c/ 31 - Elchebarri, Vizcaya	Publishing	Suma de Letras, S.L. Promolora de Informaciones, S.A. Santillana Educación, S.L.	4.93% 95.00% 0.10% 99.90%	YES

COMPANY	REGISTERED OFFICES	ACTIVITY	COMPANY OWNING THE HOLDING	December 2005	
				PERCENTAGE HELD	TAX GROUP
<b>PRINTING</b>					
<i>Entity consolidated</i>					
Ediciones Biltarea, S.A.	Gran Vía, 32 - Madrid	Management of printing companies	Grupo Empresarial de Medios Impresos, S.L.	0.01%	YES
Prisaprint, S.L.	Gran Vía, 32 - Madrid	Printing of published materials	Promotora de Informaciones, S.A.	99.99%	YES
<i>Organizational consolidated</i>					
Ediciones Biltarea, S.A.	Gran Vía, 32 - Madrid	Printing of published materials	Dedalo Hipánica, S.A.	100.00%	
Alantira Press, S.A.	Ctra. de Pinto a Fuenlabrada, km. 20.8 - Madrid	Printing of published materials	Dedalo Grupo Gráfico, S.L.	100.00%	
Biltarea Press, S.L.	Gran Vía, 32 - Madrid	Printing of published materials	Dedalo Grupo Gráfico, S.L.	50.00%	
Dedalo Alantira, S.A.	Ctra. de Pinto a Fuenlabrada, km. 20.8 - Madrid	Printing of published materials	Melisa Cromo Artes Gráficas, S.A.	100.00%	
Dedalo Grupo Gráfico, S.L.	Ctra. de Pinto a Fuenlabrada, km. 20.8 - Madrid	Printing of published materials	Prisaprint, S.L.	100.00%	
Dedalo Helicolor, S.L. (formerly Rotostar Helicolor, S.L.)	C/ Camino de los Alfilletes 5/N - Alcala de Henares - Madrid	Printing of published materials	Dedalo Hipánica, S.A.	100.00%	
Dedalo Hipánica, S.A. (formerly Rotostar Hipánica, S.A.)	C/ Camino de los Alfilletes 5/N - Alcala de Henares - Madrid	Printing of published materials	Dedalo Grupo Gráfico, S.L.	100.00%	
Distribuciones Aliadas, S.A.	Gran Vía, 32 - Madrid	Printing of published materials	Dedalo Grupo Gráfico, S.L.	100.00%	
Gráficas Ingridas, S.A.	C/ Virreyes de Marchena, 9 Poligono Industrial Argyles - Valladolid	Printing of published materials	Dedalo Grupo Gráfico, S.L.	0.01%	
Microfines, S.A.	Ctra. de Pinto a Fuenlabrada, km. 20.8 - Madrid	Printing of published materials	Melisa Cromo Artes Gráficas, S.A.	99.99%	
Melisa Cromo Artes Gráficas, S.A.	Ctra. de Pinto a Fuenlabrada, km. 20.8 - Madrid	Printing of published materials	Dedalo Grupo Gráfico, S.L.	100.00%	
Melisa Liker, S.L.	Ctra. de Pinto a Fuenlabrada, km. 20.8 - Madrid	Printing of published materials	Dedalo Grupo Gráfico, S.L.	99.50%	
Norpress, S.A.	Gran Vía, 32 - Madrid	Printing of published materials	Melisa Cromo Artes Gráficas, S.A.	0.50%	
<b>DISTRIBUTION</b>					
<i>Entity consolidated</i>					
Gráficas de Legística Editorial, S.L.	Suroeste 5/n. Pol. Las Mercedes - Madrid	Distribution and sale of published materials	Redprensa, S.L.	50.00%	YES
Redprensa, S.L.U.	Gran Vía, 32 - Madrid	Holding company	Promotora de Informaciones, S.A.	100.00%	
<i>Entity consolidated</i>					
Bentán, S.L.	Avda. Ana Kandiá, 21 - Guipuzcoa	Distribution of published materials	Redprensa, S.L.	22.25%	
Cipress, S.L.	Autopista A8 Km 14.4 - Arribas, Asturias	Distribution of published materials	Redprensa, S.L.	24.70%	
Diapres, S.R.L.U.	C/ Dels Argenter 4, P.I. Vana de Quart - 46014 Valencia	Distribution of published materials	Val Disme, S.L.	100.00%	
Distribuciones Papiro, S.L.	Dior, Ferrás/n. Pol. Ind. El Montolio - Carpio de la Sagrada, Salamanca	Distribution of published materials	Redprensa, S.L.	25.14%	
Distribuidora Americana de Publicaciones, S.L.	Sieras Cabrera, 1, Pol. Ind. La Jaula - Valcarlos, Almería	Distribution of published materials	Comercialización de Medios 2000, S.A.	30.00%	
Distribuidora Córdoba de Medios Editoriales, S.L.	Pol. Ind. Chibales, nave 7 y 8, parcela 29 - Córdoba	Distribution of published materials	Distribuciones, S.L.	70.00%	
Distribuidora de Publicaciones Borell, S.L.	Avenida de Puentevar, 29 - Córdoba, Madrid	Distribution of published materials	Distribuciones, S.L.	29.00%	
Distribuidora Extremena de Publicaciones, S.L.	Ctm. N-5, Km. 397 - Badajoz	Distribution of published materials	Redprensa, S.L.	70.00%	
Distribuidora Jencense de Publicaciones, S.L.	Pol. Ind. Los Olivares, calle 57 - Jencena 506 - Jaba	Distribution of published materials	Distribuciones, S.L.	29.00%	
Distribuciones, S.L.	Agricultura, parcela D310 (P. Empresarial) - Jerez, Cádiz	Distribution of published materials	Redprensa, S.L.	29.00%	
Melisa Press Distribuciones, S.L.	Paseo IV, 467 - Barcelona	Distribution of published materials	Redprensa, S.L.	30.00%	
Premsa Serrvintó, S.L.	Poligono Industrial, 308 Calle A - 24610 San Juan del Puerto (Huelva)	Distribution of published materials	Distribuidora de Publicaciones Borell, S.L.	70.00%	
Sento, S.L.	Pol. Ind. Los Olivares, parcela 107 27280 Lugo	Distribution of publications	Distribuciones, S.L.	100.00%	
Suscripciones de Medios Editoriales, S.L.	C/ De la Agricultura Parque Empresarial Parcela D1 - 11407 Jerez de la Frontera	Distribution of publications	Distribuciones, S.L.	100.00%	
Treccani, S.L.	C/ Avenida de Bruselas, 5, Arrevalo de la Vega - 28108 Alcobendas	Distribution of publications	Berlín, S.L.	7.69%	
<b>ADVERTISING SALES MEDIA</b>					
<i>Entity consolidated</i>					
Val Disme, S.L.	Trojama, 3 - Valencia	Distribution of published materials	Distribuciones Papiro, S.L.	7.69%	
Gerencia de Medios, S.A.	Gran Vía, 32 - Madrid	Contracting of advertising exclusive	Distribuidora de Publicaciones Borell, S.L.	7.69%	
GDM Publicidad Electrónica, S.A.	Gran Vía, 32 - Madrid	Design and development of image applications	Distribuciones, S.L.	7.69%	
Solomades, S.A.	Gran Vía, 32 - Madrid	Advertising management	Gerencia de Legística Editorial, S.L.	7.69%	
			Melisa Press Distribuciones, S.L.	7.69%	
			Val Disme, S.L.	23.75%	
			Redprensa, S.L.	99.99%	YES
			Gerencia de Medios, S.A.	0.01%	
			Gerencia de Medios, S.A.	51.00%	
			Promotora de Informaciones, S.A.	99.97%	YES
			Promotora de Informaciones, S.A.	0.03%	

COMPANY	REGISTERED OFFICES	ACTIVITY	COMPANY OWNING THE HOLDING	PERCENTAGE HELD	TAX GROUP
<b>INTERNACIONAL RADIO</b> <i>El Comercio</i>					
Caracol S.A.	Caracas, 39-A, 1581 - Bogotá, Colombia	Commercial radio broadcasting services	Grupo Latino de Radio, S.L.	77.05%	
Caracol Broadcasting Inc.	2100 Coral Way - Miami, 33145 - Florida, USA	Operation of radio broadcasting stations	Grupo Latino de Radiodifusión LLC	100.00%	
Caracol Estéreo S.A.	Caracas, 39-A, 1581 - Bogotá, Colombia	Commercial radio broadcasting services	Grupo Latino de Radio, S.L.	77.04%	
CHR, Cadena Hispanoamericana de Radio, S.A.	Caracas, 39-A, 1581 - Bogotá, Colombia	Commercial radio broadcasting services	Caracol S.A.	48.15%	
			Caracol Estéreo S.A.	46.79%	
			Premotora de Publicidad Radial S.A.	5.06%	
Compañía de Comunicaciones C.C.C. Ltda.	Caracas, 39-A, 1581 - Bogotá, Colombia	Commercial radio broadcasting services	Caracol S.A.	43.45%	
			Caracol Estéreo S.A.	11.13%	
			Ecos de la Montaña Cadena Radial Andina S.A.	4.42%	
			Grupo Latino de Radio, S.L.	16.77%	
Comunicaciones del Pacifico S.A.	Los Llanos 2235 - Providencia, Santiago de Chile	Operation and management of TV channels and radio broadcasting stations	Premotora de Publicidad Radial, S.A.	66.70%	
Comunicaciones Santiago S.A.	Los Llanos 2235 - Providencia, Santiago de Chile	Operation of radio broadcasting stations	Comunicación Radial de Chile, S.A.	33.30%	
			Comunicaciones Santiago S.A.	25.00%	
			Publicitaria y Difusora del Norte Ltda.	78.00%	
			Radifonora del Norte Ltda.	1.00%	
			GLR Chile Ltda.	0.14%	
			Grupo Latino de Radio, S.L.	0.14%	
			Grupo Latino de Radio, S.L.	100.00%	
		Advisory services and commercialisation of services and products in general, particularly to Green Emerald Business Inc.	Relaciones Suelitama, S.A. (Argentina)	1.00%	
		Operation of radio broadcasting stations	GLR Services Inc.	99.00%	
		Commercial radio broadcasting services	Grupo Latino de Radio, S.L.	76.80%	
		Commercial radio broadcasting services	Grupo Latino de Radio, S.L.	75.72%	
		Telecommunications and radio broadcasting services	Comunicación Radial de Chile, S.A.	99.00%	
		Operation of radio broadcasting stations	Publicitaria y Difusora del Norte Ltda.	1.00%	
		Operation of radio broadcasting stations	GLR Services Inc.	100.00%	
		Operation of radio broadcasting stations	Caracol S.A.	0.01%	
		Radio broadcasting	Grupo Latino de Radio, S.L.	99.99%	
		Radio broadcasting	Grupo Latino de Radio, S.L.	100.00%	
		Services for radio broadcasting companies	Prisa División Internacional, S.L.	20.00%	
		Services for radio broadcasting companies	GLR Services Inc.	100.00%	
		Development of Latin American radio market	Grupo Latino de Radio, S.L.	100.00%	YES
		Development of Latin American radio market in USA	Prisa División Internacional, S.A.	86.76%	
		Services for radio broadcasting commercial	Premotora de Informaciones, S.A.	13.24%	
		Radio broadcasting and advertising services	Caracol S.A.	0.01%	
		Radio broadcasting and advertising services	Grupo Latino de Radio, S.L.	75.64%	
		Radio broadcasting and advertising services	Corporación Argentina de Radiodifusión, S.A.	30.00%	
		Holding for foreign companies	GLR Services Inc.	70.00%	YES
		Management of companies in the USA and North America	Prisa División Internacional, S.L.	1 share	
		Commercial radio broadcasting services	Premotora de Informaciones, S.A.	76.00%	
		Radio broadcasting	Prisa División Internacional, S.L.	100.00%	
		Operation of radio broadcasting stations	Grupo Latino de Radio, S.L.	77.04%	
		Operation of radio broadcasting stations and advertising services	Comunicación Radial de Chile, S.A.	99.00%	
		Radio broadcasting	GLR Chile Ltda.	1.00%	
		Operation of radio broadcasting stations	Comunicaciones del Pacifico S.A.	91.00%	
		Operation of radio broadcasting stations and advertising services	Comunicaciones Santiago S.A.	9.00%	
		Radio broadcasting	Corporación Argentina de Radiodifusión, S.A.	30.00%	
		Commercial radio broadcasting services	GLR Services Inc.	70.00%	
		Commercial radio broadcasting services	Prisa División Internacional, S.L.	20.00%	
		Commercial radio broadcasting services	Caracol S.A.	60.00%	
		Commercial radio broadcasting services	Caracol Estéreo S.A.	29.35%	
		Commercial radio broadcasting services	Ecos de la Montaña Cadena Radial Andina, S.A.	0.35%	
		Commercial radio broadcasting services	Estación Mil Vientos S.A.	0.01%	
		Commercial radio broadcasting services	Grupo Latino de Radio, S.L.	0.38%	
		Commercial radio broadcasting services	Premotora de Publicidad Radial, S.A.	48.40%	
		Commercial radio broadcasting services	Grupo Latino de Radio, S.L.	0.35%	
		Development of Latin American radio market in France	Grupo Latino de Radio, S.L.	80.00%	

COMPANY	REGISTERED OFFICES	ACTIVITY	COMPANY OWNING THE HOLDING	December 2005	
				PERCENTAGE HELD	TAX GROUP
<b>INTERNATIONAL RADIO</b> <i>Equity consolidated</i>					
Sociedad Radiodifusora del Norte, Ltda.	Los Leones 2255 - Providencia, Santiago de Chile	Operation of radio broadcasting stations	Consorcio Radial de Chile, S.A.	80.00%	
Sociedad de Radiodifusión y Publicidad Extra Ltda.	Los Leones 2255 - Providencia, Santiago de Chile	Operation of radio broadcasting stations	Publicitaria y Difusora del Norte Ltda.	20.00%	
Trekler de Colombia, S.A.	Carrera, 39-A 1581 - Bogotá, Colombia	Retail and wholesale	Publicitaria y Difusora del Norte Ltda.	20.00%	
<i>Proportionally consolidated</i>			Grupo Latino de Radio, S.L.	70.17%	
Cadena Radiodifusora Mexicana, S.A. de C.V.	Calleada de Tlalpan 3000 col Espartaco México Distrito Federal 04870	Operation of radio broadcasting stations	Radio Comerciales, S.A. de C.V.	0.01%	
GLP Colombia, Ltda	Carrera 9, 9987 oficina 1200, Bogotá, Colombia	Advertising sales for any type of printed, audiovisual or radio media	Sistema Radiópolis, S.A. de C.V.	99.99%	
CLR Costa Rica, S.A.	Llorento de Tibás, Edificio La Nación - San José, Costa Rica	Radio broadcasting	Prisa División Internacional, S.L.	99.99%	
Radio Comerciales, S.A. de C.V.	Rubén Darío nº 158, Cuauhtémoc - México	Operation of radio broadcasting stations	Promotora de Informaciones, S.A.	0.01%	
Radio Melodía, S.A. de C.V.	Rubén Darío nº 158, Cuauhtémoc - México	Operation of radio broadcasting stations	Grupo Latino de Radio, S.L.	50.00%	
Radio Tapatula, S.A. de C.V.	Rubén Darío nº 158, Cuauhtémoc - México	Operation of radio broadcasting stations	Cadena Radiodifusora Mexicana, S.A. de C.V.	99.00%	
Radiotelevisora de Mexicali, S.A. de C.V.	Av. Reforma 1270 Mexicali Baja California Norte	Operation of radio broadcasting stations	Radio Comerciales, S.A. de C.V.	1.00%	
Sistema Radiópolis, S.A. de C.V.	Av. Vasco de Quiroga 2000, México D.F.	Operation of radio broadcasting stations	Radio Comerciales, S.A. de C.V.	0.01%	
Xexa, S.A. de C.V.	Rubén Darío nº 158, Cuauhtémoc - México	Operation of radio broadcasting stations	Sistema Radiópolis, S.A. de C.V.	99.99%	
		Operation of radio broadcasting stations	Radio Comerciales, S.A. de C.V.	99.00%	
		Operation of radio broadcasting stations	Radio Comerciales, S.A. de C.V.	1.00%	
<i>Equity consolidated</i>					
El Dorado Broadcasting Corporation	2100 Coral Way - Miami, Florida, USA	Development of Latin American radio market in USA	Grupo Latino de Radiodifusión LLC.	25.00%	
Green Emerald Business Inc.	Calle 54 Obispo N. 4, Ciudad de Panamá - Panamá	Development of Latin American radio market in Panama	Grupo Latino de Radio, S.L.	34.95%	
Multiservicios de Comunicación, S.A.	Diagonal 108 nº 29 Este (Colombia)	Commercial radio broadcasting services	Caracol, S.A.	30.00%	
Parisienne Regio, S.A.R.L.	Rue de Charonne 5, 75011 Paris (France)	Commercial radio broadcasting services	Regie Musique Latine S.A.R.L.	25.00%	
Promotora Radial del Llano Ltda.	Villavicencio Calle 67 nº 7-37-Piso 7, Cra. 31 (Colombia)	Commercial radio broadcasting services	Caracol, S.A.	25.00%	
WSUA Broadcasting Corporation	2100 Coral Way - Miami, Florida, USA	Radio broadcasting	Promotora de Publicidad Radial, S.A.	25.00%	
<b>INTERNATIONAL PRESS</b> <i>Equity consolidated</i>			El Dorado Broadcasting Corporation	100.00%	
Comunicaciones El País, S.A.	Colinas de Santa Rita, La Paz, Bolivia	Publishing	Inversiones Grupo Multimedia de Comunicaciones, S.A.	94.75%	
Editorial Amanecer, S.A.	Cristo Redentor 3355, Santa Cruz - Bolivia	Publishing	Inversiones en Radiodifusión, S.A.	0.25%	
Información Extra, S.A.	Avda. Argentina 2057, La Paz, Bolivia	Publishing	Inversiones en Radiodifusión, S.A.	94.98%	
Inversiones Grupo Multimedia de Comunicaciones, S.A.	Federico Zuazo, 1598 - La Paz, Bolivia	Holding company	Illimant de Comunicaciones, S.A.	0.02%	
			Inversiones Grupo Multimedia de Comunicaciones, S.A.	99.96%	
			Inversiones en Radiodifusión, S.A.	0.02%	
			Prisa División Internacional, S.L.	76.95%	
			Promotora de Informaciones, S.A.	23.05%	
<b>INTERNATIONAL TELEVISION</b> <i>Equity consolidated</i>					
ATB Illimant de Comunicaciones y Asociados del Valle, S.A.	Tupiza, 1140 - Recoleta, San Berdo - Bolivia	Operation of TV and radio programmes	Illimant de Comunicaciones, S.A.	79.99%	
ATB Santa Cruz Televisión, S.A.	Avda. Cristo Redentor, 31-55 - Santa Cruz, Bolivia	Operation of TV and radio programmes	Inversiones en Radiodifusión, S.A.	0.01%	
Illimant de Comunicaciones, S.A.	Avda. Argentina, 2057 - La Paz, Bolivia	Operation of TV and radio programmes	Illimant de Comunicaciones, S.A.	99.34%	
Inversiones en Radiodifusión, S.A.	Federico Zuazo, 1598 - La Paz, Bolivia	Operation of TV stations in Bolivia	Inversiones en Radiodifusión, S.A.	0.66%	
			Promotora de Informaciones, S.A.	75.00%	
				25.00%	

COMPANY	REGISTERED OFFICES	ACTIVITY	COMPANY OWNING THE HOLDING	December 2005	
				PERCENTAGE HELD	TAX GROUP
<b>SOGECABLE</b> <i>Equity consolidated</i>					
Audiovisual Sport, S.L.	C/ Diagonal, 477 Barcelona	Management and distribution of audiovisual rights	Sogecable, S.A.	80,00%	
Canal Club de Distribución de Ocio y Cultura, S.A.	C/ Hermosilla, 112 - Madrid	Catalogue sales	Sogecable, S.A.	25,00%	
Canal + Investment Inc.	Beverly Hills, California, USA	Film production	Sogecable, S.A.	60,00%	
Canal Satélite Digital, S.L.	Avda. de los Artesanos, 6 - Tres Cantos - Madrid	TV services	Sogecable, S.A.	85,50%	
Centro de Asistencia Telefónica, S.A.	Avda. de los Artesanos, 6 - Tres Cantos - Madrid	Services	Compañía Independiente de Televisión, S.L.	0,30%	
			Sogecable, S.A.	99,70%	
Compañía Independiente de Noticias de TV, S.L.	C/ Pablo Ruiz Picasso, s/n - Madrid	TV services	Sogecable, S.A.	50,00%	
Compañía Independiente de Televisión, S.L.	Avda. de los Artesanos, 6 - Tres Cantos - Madrid	Management and distribution of audiovisual rights	Sogecable, S.A.	99,99%	
			Sociedad General de Cine, S.A.	0,01%	
Cinemania, S.L.	Avda. de los Artesanos, 6 - Tres Cantos - Madrid	Operation of thematic channels	Compañía Independiente de Televisión, S.L.	90,00%	
DTS, Distribuidora de Televisión Digital, S.A.	Avda. de los Artesanos, 6 - Tres Cantos - Madrid	TV services	Compañía Independiente de Televisión, S.L.	0,01%	
			Sogecable, S.A.	99,99%	
Jetix España, S.L. (formerly Fox Kids España, S.L.)	Avda. de los Artesanos, 6 - Tres Cantos - Madrid	Operation of thematic channels	Compañía Independiente de Televisión, S.L.	50,00%	
Sociedad General de Cine, S.A.	Avda. de los Artesanos, 6 - Tres Cantos - Madrid	Production and distribution of audiovisual rights	Compañía Independiente de Televisión, S.L.	0,01%	
			Sogecable, S.A.	99,99%	
Sogecable, S.A.	Avda. de los Artesanos, 6 - Tres Cantos - Madrid	Operation of TV activities	Promotora de Informaciones, S.A.	24,50%	
Sogecable Media, S.L.	Avda. de los Artesanos, 6 - Tres Cantos - Madrid	Commercialisation of advertising space	Gerencia de Medios, S.A.	25,00%	
			Sogecable, S.A.	75,00%	
Sogecable Editorial, S.L.	Avda. de los Artesanos, 6 - Tres Cantos - Madrid	Management of intellectual property rights	Compañía Independiente de Televisión, S.L.	0,01%	
Sogepaq, S.A.	Avda. de los Artesanos, 6 - Tres Cantos - Madrid	Management and distribution of audiovisual rights	Sogecable, S.A.	99,99%	
			Sogecable, S.A.	99,99%	
Vía Atención Comunicación, S.L.	Alcalá, 506 - Madrid	Digital TV services	Sociedad General de Cine, S.A.	0,01%	
Warner Sogefilms, A.I.E.	Cardenal Marcelo Spínola, 8 - Madrid	Film distribution	DTS, Distribuidora de Televisión Digital, S.A.	100,00%	
			Sogecable, S.A.	50,00%	



**PROMOTORA DE INFORMACIONES, S.A. (PRISA) AND  
SUBSIDIARIES**

Consolidated Management Report for 2005

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

**PROMOTORA DE INFORMACIONES, S.A. (PRISA)**  
**AND SUBSIDIARIES**  
**2005 CONSOLIDATED DIRECTORS' REPORT**

**1. BUSINESS PERFORMANCE**

The most noteworthy aspects of 2005 were as follows:

- Prisa made a net profit of €153 million (up 25%).
- Income increased by 9.4% and profit from operations (EBIT) rose to €219 million (up 28%).
- The Group strengthened its presence in the audiovisual industry by acquiring a 33% ownership interest in the share capital of Media Capital and by launching a partial takeover bid on Sogecable.
- The Internet, international radio and audiovisual production witnessed notable rates of expansion.

The most significant achievements of 2005 were as follows:

- **The growth in advertising income (up 12.9%).** The growth of Radio in Spain (up 12.6%) and El País (up 6.2%) outstripped market rates. Income from advertising at Prisacom and Radio in Latin America rose by 18.7% and 40.8%, respectively.
- **Promotions. Income was up 30.8%** to €149.28 million, with improved profitability. The EBIT/income margin from promotions was 30.0%, as compared with 15.5% in 2004.
- **Sales of Santillana books increased by 17.5%.** The surge of income in Brazil (up 45.4%) and Mexico (up 22.0%) was notable. In Spain income increased by 7.8%.
- **The AS newspaper increased its circulation, gained market share and increased its advertising income by 17.6%.**
- **The profit from operations of developing businesses improved by 27%.** Prisacom reduced its losses by 33.0% and International Media made profits.

Other salient transactions in the year were:

- **The increase in the ownership interest in Sogecable to 24.5% and a subsequent takeover bid on a further 20%.**
- **The acquisition of a 33% ownership interest in Media Capital, one of Portugal's leading media groups.**
- **Agreement with Clear Channel for the acquisition of the programming and commercial operation rights of a radio station in Los Angeles and Southern California.**
- **The acquisition of a 15.5% ownership interest in Le Monde.**
- **The concentration of SER and Antena 3 radio was authorized by the antitrust authorities, which will mean improved operating margins for the radio station in Spain. This transaction is subject to the obtainment of the authorizations envisaged in the specific legislation applicable to the radio broadcasting industry.**

#### CONSOLIDATED INCOME STATEMENT

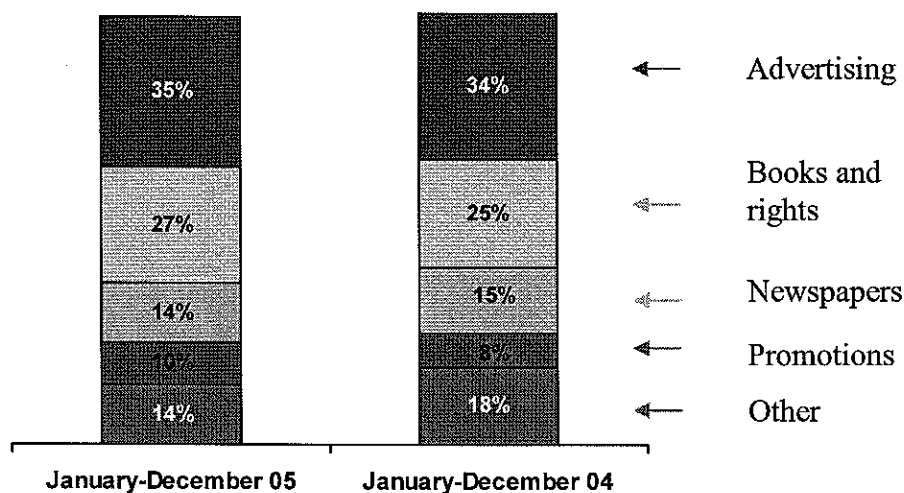
Millions of Euros (IFRS)	JANUARY - DECEMBER		
	2005	2004	% Change
Operating income	1,483.09	1,355.44	9.4
EBITDA	314.48	257.59	22.1
EBIT	218.70	171.06	27.8
Net finance costs	(22.80)	(13.80)	(65.3)
Results of companies accounted for using the equity method	(29.62)	(21.25)	(39.4)
Profit before tax	166.28	136.02	22.2
Income tax	(2.94)	11.70	-
Loss from discontinued operations	(9.72)	-	-
Loss attributable to minority interests	(6.69)	(1.87)	-
Net profit	152.81	122.45	24.8
EBITDA margin	21.2%	19.0%	
EBIT margin	14.7%	12.6%	

## OPERATING INCOME

In 2005 income rose by 9.4% to stand at €1,483.09 million, compared with the €1,355.44 million obtained in 2004. By line of business, the breakdown is as follows:

Millions of Euros (IFRS)	JANUARY - DECEMBER		
	2005	2004	% Change
Advertising sales	521.89	462.18	12.9
Sales of books and rights	403.86	343.65	17.5
Newspaper and magazine sales	203.90	204.20	(0.1)
Income from promotional products	149.28	114.15	30.8
Printing services sales <sup>1</sup>	58.74	60.96	(3.6)
Music and audiovisual sales	36.93	38.11	(3.1)
Other income <sup>2</sup>	108.49	132.19	(17.9)
<b>Total operating income</b>	<b>1,483.09</b>	<b>1,355.44</b>	<b>9.4</b>

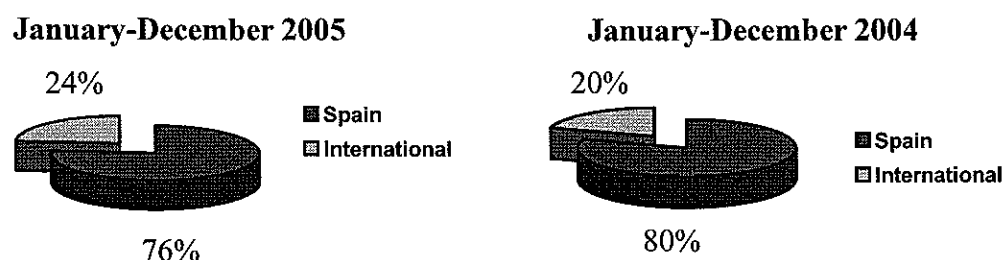
By line of business, advertising accounts for 35% of income, books and rights for 27% and newspapers for 14%. Substantial growth was reported for sales of books and income from promotions.



<sup>1</sup> Accounts for 40% of the income of Dédalo, the company arising from the merger between Prisaprint and Polestar Spain and the holding of Ibersuizas (20%).

<sup>2</sup> Includes e-business sales, internet services, income from sales of noncurrent assets and other products.

The breakdown of income, by geographical area, is as follows:



Of the Group's total 2005 income, 24% was earned by the international area as compared with 20% in 2004. International Radio surged by 48.9%.

Santillana accounted for 73% of the Group's international income, the International Media division (Radio and Press) for 23%, while Dédalo (Printing) accounted for 4%.

#### Advertising sales

The Group's advertising income (€521.89 million) exceeded market growth, rising by 12.9%.

Millions of Euros (IFRS)	JANUARY - DECEMBER		
	2005	2004	% Change
Radio	206.05	182.99	12.6
El País	190.12	178.81	6.2
International Media	65.65	46.62	40.8
Specialized Press	42.58	38.45	10.7
Local TV (Localia)	17.45	15.83	10.2
Prisacom	5.99	4.48	33.6

Local advertising, particularly radio advertising, performed strongly.

#### Sales of books and rights

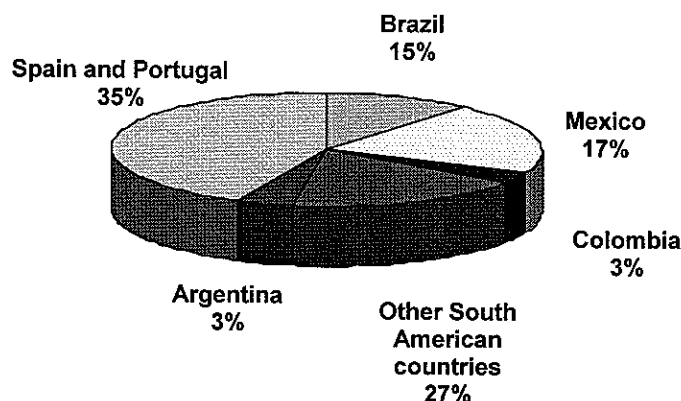
Sales of books and rights in 2005 were up 17.5% on 2004 (€403.86 million compared with €343.65 million).

In Spain income rose by 7.8%. In Latin America Brazil stood out with income of €63 million, up 45% on 2004, while Mexico reported higher sales of 22%.

In the rest of South America campaigns performed well, particularly in Venezuela (up 44%), Colombia (up 37%) and Argentina (up 25%).

Local currency fluctuations against the dollar, mainly in Brazil, Colombia and the Dominican Republic, boosted income by €13.2 million.

The geographic distribution of income was as follows:



#### Sales of newspapers and magazines

Income from newspaper and magazine sales (€203.90 million) remained virtually stable with respect to 2004, in a complicated scenario with across-the-board reductions in circulation in all countries.

The average daily circulation of El País in 2005 was 453,602 copies and 826,321 copies for the weekend edition. These figures point to a slight decrease, partly due to the fact that in 2004 the circulation of El País was boosted by its promotional product "La Enciclopedia" and by certain exceptional events (general elections, terrorist attacks, etc.), which increased the demand for information.

The sports newspaper AS increased its average daily circulation by 3.2%, to stand at 209,585 copies, gaining market share from its main competitor.

The economic newspaper Cinco Días increased its circulation by 21.1%.

#### Average daily circulation of the Group's newspapers

	January-December 2005	January-December 2004	% Change
El País	453,602	469,183	(3.3)
El País Semanal (EPS)	826,321	812,476	1.7
AS	209,585	203,158	3.2
Cinco Días	30,427	25,136	21.1

### Income from promotional products

Promotional products have been consolidated, both as a means of boosting circulation and as a sound line of business. In 2005 income from promotional products amounted to €149.28 million. The contribution of promotional products to profit from operations (EBIT) from January to December 2005 amounted to €44.58 million, compared with €17.65 million in 2004 (growth of 252.5%). The sales margin was 30.0%, compared with 15.5% in 2004.

Sales of promotional products by the Group's business units as a whole had a positive impact on circulation and profit from operations.

The contribution of El País from sales of promotional products gave rise to income of €127.79 million, compared with the €79.29 million generated in 2004. These sales contributed €43.06 million to profit from operations, compared with €23.71 in January to December 2004. Noteworthy among these promotions was "La Historia Universal", "La Enciclopedia del Estudiante" and "Cine de Oro", for which average weekly sales of 194,000, 177,000 and 160,000 copies, respectively, were recorded.

The sports newspaper As increased its income from promotions by 52%, to stand at €7.45 million and improved its profitability by contributing - €0.81 million to profit from operations, compared with - €6.41 million in 2004.

### Printing services sales

Printing services sales amounted to €58.74 million, down 3.6% on the 2004 figure. In 2005 Dédalo continued to go ahead with its adjustments in the restructuring processes after the merger of Prisaprint and Polestar.

### Music and audiovisual sales

Income from audiovisual and music sales fell by 3.1% due to the reduced income obtained on music sales (Gran Via Musical) after the restructuring of this business division. Sales of audiovisual rights and events performed well, achieving growth of 6.3% and 4.0%, respectively.

### Other income

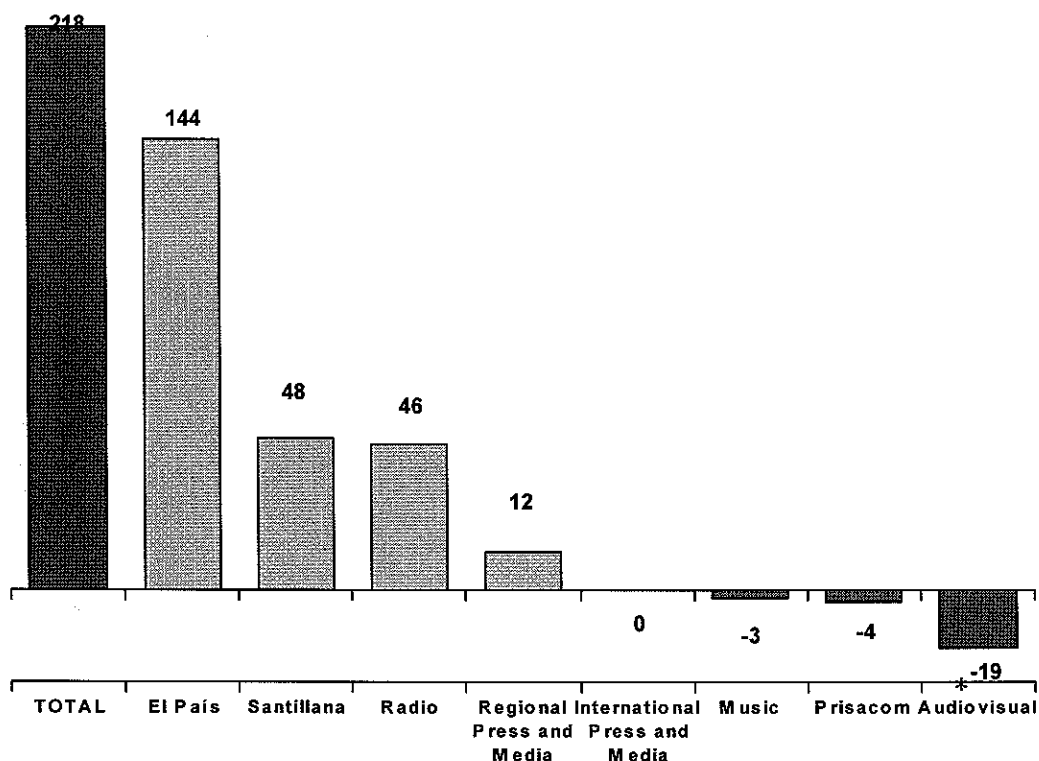
The other income heading includes income from electronic commerce sales, from Internet services and from non-current asset sales, among others. The 17.9% drop in 2005 with respect to 2004 was due to the extraordinary sale of certain real estate properties that year.

## PROFIT FROM OPERATIONS

The Group's profit from operations (EBIT) amounted to €218.70 million, compared with the €171.06 million obtained in 2004 (up 27.8%).

By business unit, profit from operations was distributed as follows:

### EBIT (Millions of Euros)



\* Of the unit's -€19 million, -€18 million related to the local TV business and -€1 million to audiovisual production (Plural)

The Group's margins improved in the period under examination. The EBIT/income ratio rose to 14.7%, compared with 12.6% in 2004, while the EBITDA margin increased from 19.0% to 21.2%.

This improvement in margins was due to:

- The performance of **El País**: advertising income (up 6.2%) and improved margins in promotions pushed EBIT up by 15%, compared with 2004, to stand at 31.7%.
- Income from **text book sales**: income from the Education and Training division leapt by 18.2%, which together with the cost contention drive, improved the unit's operations (the EBIT margin rose from 7.7% in 2004 to 11.5% in 2005).
- Sound performance of **SER's** margins: the EBIT margin of the radio business rose by over three points from 16.4% in 2004 to 19.8% in 2005, underpinned mainly by the performance of advertising income (up 12.6%).
- Profit from operations from the **Regional and Specialised Press Division** amounted to €11.58 million, compared with €2.37 million from January to



December 2004. In this connection, noteworthy were the performances of the AS newspaper, whose results from operations soared by 149% due to the paper's increased circulation and improved contribution from promotions, and that of Cinco Días, which achieved profit from operations (€0.41 million) as opposed to the loss of - €3.03 million made by it in 2004.

- The improvement in profit/loss from operations and cost control in new businesses. At **Prisacom** and **Music** EBIT improved by 49.9% and 46.3%, respectively, while **International Media** has now broken even.

## NET PROFIT

Net profit jumped to €152.81 million, compared with the €122.45 million reported in the same period in 2004, thus implying an improvement of 24.8%.

Result of companies accounted for using the equity method (- €29.62 million), mainly reflect the investments in Sogecable (€1.8 million), Antena 3 de Radio (€9.1 million) and Iberbanda (- €39.8 million), for which special allowances were recorded due to the discontinuation of one of its lines of business.

The loss from discontinued operations reflect the losses made in the music line of business and certain local television businesses, which were closed or discontinued operations.

In 2005 the Income tax line includes income of €2.94 million, which reflects the tax credits taken to promote investments in foreign companies.

## BALANCE SHEET

ASSETS (IFRS)	Millions of Euros	
	31/12/05	31/12/04
<b>NON-CURRENT ASSETS</b>	<b>1,295.23</b>	<b>899.33</b>
Intangible assets	91.72	78.09
Property, plant and equipment	324.29	296.93
Non-current financial assets	78.70	96.58
Companies accounted for using the equity method	644.84	331.27
Investment property	12.31	11.47
Assets held for sale	2.45	1.37
Deferred tax assets	140.92	83.61
<b>GOODWILL ARISING ON CONSOLIDATION</b>	<b>225.73</b>	<b>188.41</b>
<b>CURRENT ASSETS</b>	<b>626.20</b>	<b>585.41</b>
Inventories	104.27	99.65
Receivables	493.55	455.23
Current financial assets	5.13	6.02
Cash equivalents	23.24	24.51
<b>TOTAL ASSETS</b>	<b>2,147.15</b>	<b>1,673.15</b>

EQUITY AND LIABILITIES (IFRS)	Millions of Euros	
	31/12/05	31/12/04
<b>EQUITY</b>	<b>865.25</b>	<b>716.32</b>
Share capital	21.88	21.88
Reserves	671.66	556.25
Profit for the year attributable to the Parent	152.81	122.45
Minority interests	18.90	15.74
<b>NON-CURRENT LIABILITIES</b>	<b>540.14</b>	<b>479.11</b>
Bank borrowings	311.09	259.64
Other non-current payables	161.17	155.09
Other non-current liabilities	73.18	64.38
<b>CURRENT LIABILITIES</b>	<b>736.46</b>	<b>477.72</b>
Bank borrowings	320.17	144.49
Trade payables	211.43	201.60
Other current payables	198.01	127.57
Accrued expenses and deferred income	6.85	4.06
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,147.15</b>	<b>1,673.15</b>

## INVESTMENTS

Investments in non-current assets amounted to €512.51 million, compared with €247.16 million in 2004. By business unit, investments were as follows:

INVESTMENTS JANUARY-DECEMBER 2005	Millions of Euros
Prisa	382.40
Santillana	41.72
Radio	20.64
El País	14.96
International Media	19.15
Printing	13.18
TV production TV (Plural)/Cinema (Tesela)	5.91
Local TV (Localia)	5.82
Other	8.73
<b>Total</b>	<b>512.51</b>

Prisa's investments related mainly to its increased stake in Sogecable and its capital increase (€103.7 million), to its acquisition of 33% of Media Capital (€237.8 million) and to its investment in the French daily Le Monde (€31.8 million). Investments in Santillana related mainly to prototypes and to the acquisition of the Brazilian publisher Objetiva (€6.8 million). Radio accounted for a further €10.0 million for the investment made in ONA Catalana. Investments in International Media related mainly to the purchase of Radio Continental de Argentina (€8.1 million).

The detail of investments, by type of asset, is as follows:

INVESTMENTS JANUARY-DECEMBER 2005	Millions of Euros
Property, plant and equipment	57.68
Intangible assets	46.25
Financial assets	407.64
Investment property	0.94
<b>TOTAL INVESTMENTS</b>	<b>512.51</b>

## NET FINANCIAL POSITION

Net bank borrowings at 31 December 2005, amounted to €602.90 million, compared with €373.61 million at 31 December 2004.

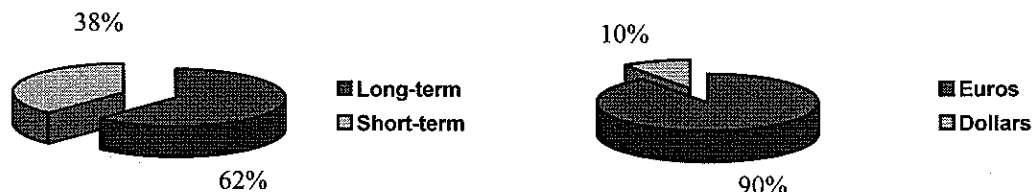
NET BANK BORROWING POSITION AT 31/12/05	Millions of Euros
Bank borrowings	631.27
Non-current	311.10
Current	320.17
Cash and current financial assets	28.37
<b>Net debt</b>	<b>602.90</b>

In the fourth quarter of 2005, net borrowings increased by €202.90 million, compared with the figure at the end of the third quarter. This was due to the acquisition of a 33% investment in the Portuguese media enterprise Media Capital and the outlay for the purchase of a 15.5% stake in Le Monde.

In December 2003, Prisa issued exchangeable bonds valued at €162.3 million, on which the coupon is set at 1.75%. These exchangeable bonds are secured by 5% of the treasury shares held by Prisa.

Average interest on bank borrowings in the period from January to December 2005 was 3.07%.

As regards maturity, 62% of bank borrowings (including the exchangeable bonds) mature at long term. By currency, 90% are denominated in euros and 10% in dollars. Approximately 30% of debt maturities in dollars have a fixed exchange rate, established under hedge transactions.



## CONSOLIDATED CASH FLOW STATEMENT

Millions of Euros (IFRS)	31/12/05	31/12/04
EBIT	218.70	171.06
Depreciation/ Amortisation charge	69.77	67.37
Changes in non-financial working capital	40.12	(2.30)
Investments in operations	(104.88)	(94.97)
<b>Cash flow from operating activities</b>	<b>223.72</b>	<b>141.16</b>
Financial investments	(407.64)	(152.19)
Net finance costs	(22.81)	(13.80)
Dividends	(25.69)	(21.26)
Taxes	2.94	(11.70)
Other	178	35.86
<b>CHANGE IN NET DEBT</b>	<b>229.29</b>	<b>21.93</b>

Cash flows from operating activities in 2005 amounted to €223.72 million, compared with €141.16 million in 2004.

Increased profit from operations, together with improved management of working capital, underpinned the sound performance of cash flow from operating activities.

### STRATEGIC ACQUISITIONS AND AGREEMENTS IN 2005

- Ownership interest in Sogecable increased to 24.50% and subsequent takeover bid launched on 20% of Sogecable's shares.
- Agreement with Clear Channel for the acquisition of programming and commercial operation rights of a radio operation broadcasting from Tijuana (Mexico) in Spanish for the Los Angeles and Southern California region. The total investment amounted to USD 28 million and the acquisition was authorized on 26 January 2006.
- Acquisition by Santillana of 75% of the share capital of the Brazilian company Editora Objetiva Ltda. Formed in 1991, Objetiva is a leading publisher in the general publishing segment in Brazil. In 2004 it reported turnover of €5 million. With this acquisition Santillana is consolidating its presence in the general publishing segment and boosting the activities it is already pursuing in the education area in Brazil through Editora Moderna.
- Acquisition of 100% of Radio Continental and Radio Estéreo, radio broadcasting companies in Argentina, for a price of €8.1 million.
- Agreement with Le Monde to acquire a 15.5% ownership interest in its share capital. Prisa entered into an agreement with Le Monde to set up a joint venture for the production and operation of promotions in France, which commenced operations in January 2006.

- Agreement with the main shareholders of the Portuguese company Media Capital to acquire up to 46.32% of its share capital, instrumented by exercising two put options. In November 2005, the shareholders of Media Capital exercised its rights under the first put option and Prisa acquired 33% of Media Capital. Since that date Prisa has appointed the Company's CEO and has three members on the Board of Directors.

## 2. EVENTS AFTER THE BALANCE SHEET DATE

On 23 January 2006, the Spanish National Securities Markets Commission (CNMV) authorized Prisa's takeover bid launched on the shares of Sogecable, S.A., launched on 2 November 2005. Also, on 30 January 2006, the Board of Directors of Sogecable, S.A. approved a favourable report on the transaction.

On 19 May 2005, the associated company Iberbanda, S.A. signed a memorandum of understanding with a telecommunication services operator, whereby the latter was to become a reference shareholder of the Company. In the memorandum agreement a new business plan was defined, entailing the restructuring and discontinuation of a portion of the current business of Iberbanda, S.A., with a view to optimising its capacities and focusing on activities supplementing the infrastructure of the telecommunication services operator. On 27 January 2006, the Council of Ministers resolved not to approve this economic concentration. At 31 December 2005, Prisa had provisioned in full its investment in Iberbanda, S.A.

## 3. PRINCIPAL RISKS ASSOCIATED WITH THE BUSINESS

The Group's activities and hence its operations and results are exposed to risks in the scenario in which they are carried on and also to outside factors, such as the macroeconomic situation, the performance of its markets (advertising, publishing, etc.) and legislative amendments, as well as the inclusion of new competitors and their performance. In the pursuit of activities carried on by its business units abroad, mainly in Latin America, the Group is exposed to additional risks associated with exchange rate fluctuations and the economic and political situation of the country in question.

The risk associated with fluctuations in exchange rate assumed by the Group relates mainly to the following transactions:

- Debt denominated in foreign currency: 12% of the Group's total bank financing at 31 December 2005 is arranged in foreign currency.
- Results from activities carried on in other countries outside the euro area are conditioned by the fluctuations of the respective currencies: around 16% of the Group's results (before minority interests and taxes) at 31 December 2005, originated from America.

- Financial investments made to acquire ownership interests in foreign companies: these are long-term investments with a view to maintaining a stable shareholder structure, although such investments are exposed to changes in equity, not only triggered by the activity, but also due to fluctuations in exchange rates.

In managing and monitoring risk, the Group classifies its main exposure in the following categories:

- a. Strategic risks
- b. Business processes risk
- c. Risks relating to financial management
- d. Risks arising from the reliability of financial information
- e. Technological risks

The Corporate Governance Report provides greater details on each of these risk categories and on the bodies and specific actions in place to detect, measure, monitor and manage them.

#### **4. USE OF FINANCIAL INSTRUMENTS**

The Prisa Group enters into exchange rate hedging contracts to hedge exposure to fluctuations in exchange and interest rates, where considered advisable in view of the performance of its operations and the market situation.

##### *Exchange rate hedges-*

At 31 December 2005, the Group had exchange rate hedging contracts to hedge bank borrowings denominated in U.S. dollars, and their maturity dates coincide with the repayment dates of the loans they cover. The nominal amount of these contracts totals USD 24,338 thousand, and they are scheduled to mature in the first quarter of 2006.

##### *Interest rate hedges-*

At 31 December 2005, the Group had arranged contracts to hedge Euribor interest rates aimed at ensuring a maximum rate. The nominal amount of these contracts is €150,000 thousand, with half-yearly settlements and final maturity in 2007.

#### **5. TREASURY SHARES**

At 31 December 2005, Promotora de Informaciones, S.A. owned a total of 10,940,625 treasury shares, representing 5% of its share capital. The total cost of these shares was €32,766 thousand, with a cost per share of €2.99.

The Company plans to use the full amount of the treasury shares it holds to hedge the exchangeable bond issue launched in 2003 through its subsidiary Prisa Finance (Netherlands) B.V.

## 6. OUTLOOK

Looking ahead to 2006, the various business units through which Prisa operates are expected to perform well. The projections for the coming year point to growth in the Prisa Group's turnover and its share of the advertising market, good prospects in the circulation of our newspapers and magazines and enhanced economic performance in Latin American countries. Lastly, the outlook for the new businesses is that efficiency and results will improve. The performance of the Group's various business units will be marked by the ongoing adaptation of our resources to the opportunities and challenges offered by the new technologies.

As regards financing activities, the Group's intention is to rethink its financing structure in 2006, with a view to adapting it to its new situation, from the standpoint of terms and costs, once all scheduled acquisitions have been completed.