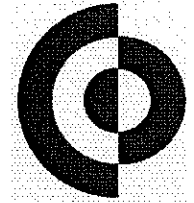


Grupo PRISA



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

COMPLIANCE AND AUDITING COMMITTEE

**ANNUAL REPORT
Financial Year 2003**

Madrid, February 2004.

**ANNUAL REPORT BY
THE COMPLIANCE AND AUDITING COMMITTEE
FINANCIAL YEAR 2003**

I. INTRODUCTION

The Compliance and Auditing Committee of PROMOTORA DE INFORMACIONES, S.A (henceforth PRISA and, when appropriate, GRUPO PRISA) issues this report in order to provide the Board of Directors with information about the financial year 2003 and the functions and activities carried out by said Committee during the year, so that the former may present it at the General Shareholders' Meeting.

The Compliance and Auditing Committee is one of the Committees constituted by the Board of Directors of PRISA and its existence and operation first began in the year 2001. The Compliance and Auditing Committee has adapted its way of working and its composition to the rules and codes that have since been published with the aim of ensuring maximum efficiency and transparency in listed corporations.

The PRISA Compliance and Auditing Committee is governed by the stipulations of the additional eighteenth provision of the Stock Market Law (according to the phrasing given by the Law 62/2003 of 30th December), Article 21B of the Articles of Association and the Regulations of the Board of Directors of PRISA, approved on 21st June 2001 and modified on 17th July 2003*¹.

II. FUNCTIONS AND FIELDS OF COMPETENCE

In accordance with the provisions of the Regulations of the Board of Directors, the fundamental purpose of the Compliance and Auditing Committee is to assist the Board of Directors in its task of monitoring company management.

The Compliance and Auditing Committee has the following basic responsibilities:

- a. To provide information at the General Shareholders' Meeting in response to questions raised by shareholders regarding issues that lie within its field of competence.

¹ The said regulations were also later modified on 18th March 2004.

- b. To make proposals to the Board of Directors, for submission at the General Shareholders' Meeting, regarding the appointment of external accounts auditors referred to in Article 204 of the consolidated Public Limited Company Act.
- c. To supervise the internal audit services.
- d. To understand the company's financial information process and internal control systems.
- e. To maintain contacts with the external auditors in order to receive information about issues which could jeopardise their independence or any information concerning the completion of the accounts audit process, as well as all other communications provided for in accounts audit legislation and technical audit rules.

Additionally, and without affecting the other tasks that it may be assigned by the Board of Directors, the Compliance and Auditing Committee has the following fields of competence:

- a. To provide the Board of Directors with information and proposals about contracting terms, the scope of professional appointments and, where appropriate, the revocation or non-renewal of external auditors, as well as supervising the fulfilment of the audit contract.
- b. To review the company's accounts, monitor the fulfilment of legal requirements and the correct application of generally-accepted accounting principles and to provide information about any proposals made by the management to modify accounting principles and criteria.
- c. To review issue leaflets and the information regarding the quarterly and six-monthly financial statements that the Board must provide to markets and their supervisory bodies.
- d. To analyse the fulfilment of the Internal Rules of Conduct of stock markets, the regulations contained herein and the administrative rules of the company in general and to make any proposals necessary for improvement. In particular, the Compliance and Auditing Committee will receive information and, when appropriate, issue reports regarding disciplinary measures for the company's senior executives.
- e. To analyse and provide information about one-off investment transactions, when requested by the Board due to their importance.
- f. To work in the other fields of competence assigned to the aforesaid Committee by these regulations.

III. COMPOSITION

The Compliance and Auditing Committee is currently formed by:

Chairperson (*): Mr. José Buenaventura Terceiro Lomba – Independent External Director.

Members: Mr. Matías Cortés Domínguez.- Independent External Director. Mr. Borja Jesús Pérez Arauna - Part-Time External Director.
Mr. Juan Salvat Dalmau – Independent External Director.
Mr. Adolfo Valero Cascante – Part-Time External Director.

Secretary: Mr. Miguel Satrústegui Gil-Delgado, Non-Director Secretary for the Board of Directors.

(*). During the financial year 2003, the Committee Chairman was Mr. Matías Cortés Domínguez, who resigned from said post on 15th January 2004 to be replaced by Mr. José Buenaventura Terceiro Lomba. Mr. Matías Cortés Domínguez continues to be a member of the Committee.

IV. MEETINGS

In accordance with the provisions of the Regulations of the Board of Directors, *“the Compliance and Auditing Committee will meet regularly, according to necessity, and at least four (4) times a year”*.

The meetings held during 2003 and the main issues dealt with at these meetings were as follows:

- Meeting of 20th February 2003.

Review of the financial information for the second half of the year 2002 which must be provided to the markets. Review of the internal audit process and certain aspects of internal control, including treasury control. It was agreed that an Internal Audit Programme would be prepared by Internal Audit Management, to be presented to the Committee.

- Meeting of 13th March 2003

The external auditor presented a report on the external audit work. The Internal Audit Programme discussed at the previous meeting was presented to the Committee. It was agreed that a proposal would be made to continue the appointment of the current auditor as accounts auditor for the company and its consolidated group for the period of 1 year, to complete the audit of the financial statements for the year 2003.

- Meeting of 8th May 2003.

Review of the financial information for the first quarter of the year 2003 which must be provided to the markets. Review of the Plans to Reform the Regulations of the Board of Directors and review of the Internal Rules of Conduct in matters relating to stock markets for the consideration of the Board

of Directors. Information from Internal Audit Managers regarding the monitoring and development of the Internal Audit Programme.

- Meeting of 22nd July 2003

Review of the financial information for the first half of the year 2003 which must be provided to the markets. Information about the implementation of the Internal Audit Programme. Information about the Project for Conversion to International Accounting Standards (IAS).

- Meeting of 20th October 2003

Review of the financial information for the third quarter of 2003 which must be provided to markets. Information about the implementation of the Internal Audit Programme. Information about the accounts reconciliation process for the group's companies, information about work regarding conversion to International Accounting Standards (IAS).

V. RELATIONS WITH THE EXTERNAL AUDITOR

The Compliance and Auditing Committee made a proposal to the Board of Directors recommending that the appointed company, DELOITTE & TOUCHE ESPAÑA, SL, should continue as the accounts auditors for the company and its consolidated group for the period of 1 year. Upon the recommendation of the Board of Directors, the Ordinary General Meeting of PRISA held on 10th April adopted the agreement to designate the aforesaid firm to carry out the audit of the financial statement for the year 2003.

Regarding the presence of the external auditor at Compliance and Auditing Committee meetings, it is noted that Mr. Juan José Roque, partner of DELOITTE & TOUCHE ESPAÑA, SL (the firm responsible for the company's external audits), attended the aforementioned Committee meetings on 20th February and 13th March 2004, where he provided information about the most important aspects of the external audit process.

During the financial year 2003, the fees paid for accounts audit services provided to the different companies that form GRUPO PRISA and its dependent companies by DELOITTE & TOUCHE ESPAÑA, SL, as well as those provided by other entities linked to the latter, totalled 1,059 thousand euros, of which 57 thousand euros corresponded to services provided to PRISA. Likewise, the fees paid for this same service to other auditors involved in the audit of different companies within the group totalled 178 thousand euros.

During the financial year 2003, the fees paid for other professional services provided to the different companies that form the Group by the main auditor, as well as those provided by other entities linked to the latter, totalled 83 thousand euros, of which 35 thousand euros corresponded to services provided to PRISA. Services of this kind that were provided by other auditors involved in the audit of different companies within the group totalled 19 thousand euros.

The above information regarding fees will be included in both the individual PRISA Report and the consolidated GRUPO PRISA report for the financial year 2003.

VI. INTERNAL AUDIT

The main objective of the Internal Audit Department is to provide the Compliance and Auditing Committee with a reasonable degree of certainty that the internal control systems and conditions that exist within the group's companies have been correctly designed and managed.

In order to achieve this objective, the Committee must carry out the functions with which it has been entrusted, in particular:

- (i) Evaluation of the appropriateness of internal control systems, in order to contribute to greater effectiveness in the management and control of accounting risks.
- (ii) Review of operations in order to ensure that the results are in line with the objectives and goals established and that the operations and programmes are being implemented or performed according to plan.
- (iii) Independent comparison and opinion regarding the interpretation and application of prevailing legal regulations on the subject of accounting.
- (iv) Evaluation of the suitability of the companies' use of resources.
- (v) Review of resources for asset safeguarding and checks to verify their existence.
- (vi) Review of the reliability and integrity of the operative and financial information provided by the group's companies and of the means used to identify, evaluate, organise and communicate said information.

The Internal Audit Managers are responsible for designing the proposal for the Annual Programme of Internal Audit Activities, based on an evaluation of the risks that are inherent to the activities performed by the group's units in order to determine priorities for internal audit work and to ensure consistency with the goals defined by the organisation.

The Annual Programme for Internal Audit Activities must include all activities that the Internal Audit Department intends to carry out during the financial year. The programme must give specific details of the activities and projects to be carried out, the nature of the work and the resources available in the Internal Audit Department.

The Internal Audit Managers must submit the proposed Annual Programme for Internal Audit Activities for approval by the Compliance and Auditing Committee.

The most significant projects carried out by the Internal Audit Department during the year 2003 include:

- (i) A comparative analysis of the control and management infrastructure of the Customer Department that is established in each of the group's business units in Spain, as well as a study of the credit risk that is associated with the activities and operations performed by each.
- (ii) A review of the degree to which the accounts classification and assessment standards established by GRUPO PRISA are fulfilled and an analysis of the

appropriateness and effectiveness of the internal control conditions that are implemented in Grupo Santillana companies located in Mexico, Costa Rica, Peru and Colombia.

(iii) An analysis of the policies, processes and systems that underlie the preparation of the information provided to GRUPO PRISA by the companies that belong to Unidad de Medios Internacional, located in Mexico and Colombia, together with a review of the degree of reliability and integrity of said information.

(iv) The performance of tasks to support the group's Managers in "due diligence" projects that have been carried out during the year 2003.

(v) Involvement in the project for conversion to International Accounting Standards begun by the group's Managers, in which the key differences between the group's assessment standards and International Accounting Standards have been identified and an initial evaluation has been carried out regarding the impact that the application of international standards will have on the financial statements of the group.

The Director of the Internal Audit Department has attended all the meetings held by the Compliance and Auditing Committee during the year 2003 and has provided information, above all, about the activities carried out by the Internal Audit Department and the progress of the Annual Programme of Internal Audit Activities. The Director also took part in the analysis of the proposals received for collaborating in the project for conversion to International Accounting Standards (IAS).

VII. INTERNATIONAL ACCOUNTING STANDARDS (IAS)

In accordance with the provisions of European Regulation 1606/2002, of 19th July, regarding the application of International Accounting Standards, European business groups which issue variable yield shares which are listed in regulated markets must present consolidated financial statements in accordance with International Accounting Standards for the years starting on and following 1st January 2005.

During the year 2003, GRUPO PRISA began its project for conversion to International Accounting Standards with the aim of ensuring that the annual accounts and comparatives for the year 2005 will fulfil the new regulations.

Within this context, and as part of the first phase of the project, GRUPO PRISA has carried out a preliminary analysis of the main implications, in collaboration with the company KPMG Auditores, S.L.

The Managers of this project have kept the Compliance and Auditing Committee informed of its progress.

VIII. INFORMATION REGARDING THE FULFILMENT OF THE RULES FOR CORPORATE GOVERNANCE

In compliance with Article 24.5 of the Regulations of the Board of Directors, which assigns this Committee the duty of evaluating efficiency and compliance with the rules and procedures for managing the company at one of its annual meetings, the Committee verifies that the company has, in general, fulfilled the rules and procedures regarding corporate governance which are established by the law, articles and regulations.

The Committee particularly highlights the following aspects and actions which have been carried out, in the aforementioned area, by the company during the year 2003 and the first two months of this year:

Modification of the company's internal rules:

In compliance with the provisions of Article 47 of the Law 44/2002, of 22nd November, on Reform Measures for the Financial System, the General Shareholders' Meeting held on 10th April 2003 introduced a new article, Article 21B, in the Articles of Association, to regulate the Compliance and Auditing Committee's composition, fields of competence and operative rules.

Subsequently, the Board of Directors, in the meeting held on 17th July 2003 and after first notifying the Compliance and Auditing Committee, modified the Regulations of the Board of Directors, mainly in order to adapt it to: i) the aforesaid Law 44/2002, of 22nd November, on Reform Measures for the Financial System and ii) Article 21B of the Articles of Association.

Similarly, and during the same meeting, the Board of Directors modified the Internal Rules of Conduct in matters relating to stock markets, in order to adapt it to the Law 44/2002, of 22nd November, on Reform Measures for the Financial System, with regards the communication of important information and the use of insider information.

Dissemination of Information

Of all the measures undertaken by the company to efficiently disseminate information about the company, the following are of particular interest:

i) In compliance with the applicable stock market laws and the company's Internal Rules of Conduct, the company has appropriately provided the Securities and Exchange Commission with all important information about the company. The aforementioned communications are available on the web page of the Securities and Exchange Commission and the company's corporate web site.

During the course of 2003, and in accordance with the regulations in force, the company sent regular public information about its results on the following dates:

- **21-2-2003.** The company sent information about its results for the year 2002.
- **14-5-2003.** The company sent information about its results for the first quarter of the year 2003.
- **23-7-2003.** The company sent information about its results for the first six months of the year 2003.

- o **21-10-2003.** The company sent information about its results for the third quarter of the year 2003 (the results for the first nine months of the year 2003).

In total, the company sent 42 documents with important information to the Securities and Exchange Commission during the year 2003.

ii) The content of the company's corporate web site (www.prisa.es) has recently been restructured in order to adapt it to the demands of the Law 26/2003 and Order ECO/3722/2003, of 26th December. Work is underway to renew the design of the web page.

iii) The Board of Directors, at the meeting held on 20th March 2003 and upon the recommendations of the Appointments and Salaries Committee, approved a Report on Corporate Governance for the year 2002, which was made available to the shareholders and the general public at the same time that the General Shareholders' Meeting was called.

iv) In compliance with Article 36 of the Board Regulations, mechanisms have been set up for the exchange of regular, but not insider, information with the company's institutional investors, by means of reports and presentations about the company which are sent to the Securities and Exchange Commission and the dissemination of information which is of interest to the aforesaid investors via the corporate web site.

Board of Directors

During the year, the Board of Directors has held meetings every month, with the exception of August.

The calling of Board meetings, the provision of information to Directors and the general functioning of the Board have been carried out in accordance with the rules established in the Board Regulations.

The Board of Directors has dealt with several issues related to confidential matters and, more precisely, matters which are included within epigraphs b), c), d), f), and h) of Article 5 of the Regulations of the Board of Directors.

The decision to re-elect Mr. Ignacio de Polanco Moreno and Mr. Diego Hidalgo Schnur as Directors, upon the recommendation of the Board of Directors, was agreed at the General Shareholders' Meeting of 10th April 2003 and was preceded by the issuing of a corresponding report issued by the Appointments and Salaries Committee, dated 20th March 2003.

Committees within the Board of Directors

The two Committees within the Board of Directors (the Compliance and Auditing Committee and the Appointments and Salaries Committee) have behaved entirely in accordance with the rules established in the company's articles and regulations, as far as their composition, powers and functioning are concerned.

Regarding their composition:

The majority of the members of the Compliance and Auditing Committee are Independent Directors (including the Chairperson) and the rest are Part-time Directors. None of the members of this Committee hold the position of Executive Director, therefore they all fulfil the additional eighteenth provision of the Stock Market Law, according to the phrasing given by the Law 62/2003 of 30th December, which requires that at least a majority of the Audit Committee members are non-executive Directors.

Furthermore, the Committee also fulfils the requirement, established by the aforementioned additional eighteenth provision of the Stock Market Law, that the Chairperson and a majority of the Committee members must "have no contractual relationship other than the position for which they are appointed".

ii) The four members of the Appointments and Salaries Committee are External Part-time Directors. When the Regulations of the Board of Directors were modified, requiring all members of the Committee to be External Directors, Mr. Juan Luis Cebrián Echarri, Chief Executive of the company (and, therefore, executive director) ceased to form part of the Appointments and Salaries Committee, although he continued to attend its meetings upon the request of the aforesaid Committee.

Regarding their powers and functioning:

i) Over the last year the Compliance and Auditing Committee has undertaken the responsibilities assigned to it by Article 21B of the Articles of Association and Article 24 of the Board Regulations, as indicated in epigraphs IV, V, VI and VII of this report.

ii) From among the duties that the Appointments and Salaries Committee has undertaken during the past year, we can highlight that, in accordance with the provisions of Article 25 of the Board Regulations, the Committee has provided information about proposals for the re-election of Directors and Audit & Compliance Committee members, it has approved salary scales for the company's senior executives, it has proposed incentives schemes and is currently studying an initial proposal for the Annual Report on Corporate Governance for the year 2003.

Conflicts of Interest

After receiving reports issued by the Appointments and Salaries Committee, the Board of Directors has authorised the following professional or commercial transactions:

i) The hiring of the Director Mr. Diego Hidalgo Schnur as correspondent for the 'Cinco Días' newspaper in the United States of America.

ii) The hiring of Mr. Luis Cortés Domínguez (the brother of the Director Mr. Matías Cortés Domínguez) as the lawyer for certain lawsuits involving Gran Vía Musical de Ediciones, S.L.

The aforementioned Directors left the meeting room for the period during which the Board and the Appointments and Salaries Committee discussed these matters.

Transactions with significant shareholders

During the year 2003, the company has not carried out any transactions with significant shareholders.

Code of Conduct in matters relating to stock markets

In compliance with the "Internal Rules of Conduct in Matters relating to Stock Markets", the following actions have been taken during the year 2003:

i) The Secretary General of Grupo Prisa has prepared and up-dated a list of individuals who are subject to the Internal Rules of Conduct.

Similarly, all the people included in the aforesaid list have been informed of the Internal Rules of Conduct and all have expressly accepted their fulfilment.

ii) The Financial and Administrative Managers have received notifications from individuals who have purchased or sold Prisa shares whilst subject to the Internal Rules of Conduct.

Likewise, and in compliance with Article 3.4 of the Internal Rules of Conduct, the Financial and Administrative Managers have asked the people that are subject to the Internal Rules of Conduct to confirm their Prisa share balance on 31st December 2003.

iii) As indicated earlier in this report, all important information has been made available to the Securities and Exchange Commission, as appropriate. All such communications are available on the web page of the Securities and Exchange Commission and the company's corporate web site.

iv) The Secretary General of Grupo Prisa has prepared a Central Register of Insider Information, related to legal or financial transactions which may have notably influenced the price of the company's shares, with an up-to-date list of the people who have access to insider information.

v) The transactions involving shares from the treasury stock have been carried out within the scope of the authorisation granted at the General Shareholders' Meeting of 10th April 2003.

Madrid, 26th February 2004