

Grupo PRISA



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

AUDIT AND COMPLIANCE COMMITTEE

**ANNUAL REPORT
2005**

Madrid, January, 2006

**ANNUAL REPORT OF THE
AUDIT AND COMPLIANCE COMMITTEE
2005**

I.- INTRODUCTION

The Audit and Compliance Committee of PROMOTORA DE INFORMACIONES, S.A. (hereinafter PRISA and, where applicable, GRUPO PRISA) is issuing this report to enable the Board of Directors to make available to its shareholders information concerning the Committee's operations and activities during the 2005 financial.

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

PRISA'S Audit and Compliance Committee is governed by the Eighteenth Additional Provision of the Securities Market Law, by Article 21bis of the Company Bylaws and by the Regulations of the Board of Directors of PRISA, passed on June 21, 2001, as amended on July 17, 2003 and March 18, 2004.

II.- FUNCTIONS AND POWERS

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

The Audit and Compliance Committee has the following basic responsibilities:

- a. To inform the shareholders present at the Shareholders' Meeting with regard to issues that they may raise concerning the Committee's powers, as provided by the Law and in the Shareholders' Meeting Regulations.
- b. To propose to the Board of Directors, to be submitted at the Shareholders' Meeting, the appointment of external account auditors, as set forth in Article 204 of the consolidated text of the Corporations Law.
- c. To supervise external auditing services.
- d. To monitor the Company's financial information processes and internal control systems.

e. To maintain contact with the external auditors in order to receive information concerning issues that could jeopardize their independence or other information related to the progress of the account auditing process, as well as other communications provided for in legislation governing audits and technical auditing practices.

In addition, and without prejudice to other tasks that may be assigned it by the Board of Directors, the Audit and Compliance Committee has the following powers:

- a) To inform and propose to the Board of Directors the contract terms, the scope of appointment and, when applicable, the revocation or non-renewal of external auditors, as well as to supervise compliance with the terms of the audit contract;
- b) To review Company accounts and ensure compliance with legal requisites and the correct application of generally-accepted accounting practices, as well as to provide information concerning any proposed modification of accounting principles and criteria that management may propose;
- c) To review issue prospectuses and information concerning the quarter and half-year financial statements that the Board is required to furnish the securities markets and their supervisory boards;
- d) To verify compliance with the Internal Code of Conduct with respect to securities markets, the Board Regulations and, in general, all rules governing the Company, and to propose changes for their improvement. In particular, the Audit and Compliance Committee shall receive information and, when warranted, issue to the senior company management reports concerning disciplinary measures;
- e) To analyze and report on specific significant investment transactions when requested by the Board to do so;
- f) To exercise any other powers attributed to the Committee in the Board Regulations.

III.- COMPOSITION

At present the members of the Audit and Compliance Committee include:

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

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

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

IV.- MEETINGS

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

The meetings held and issues resolved during 2005 were the following:

Meeting held January 19, 2005

The proposed professional fees for the external auditors for the 2004 financial year were discussed.

It was resolved to extend the appointment of the present firm, DELOITTE, S.L., as auditor of the accounts of the company and its consolidated group for a term of one year, in order to audit the financial statements for the 2005 financial year.

The 2004 Report of the Audit and Compliance Committee was approved.

Likewise, a favorable opinion was issued with regard to risk control in the Corporate Governance Report for 2004.

The external auditor presented a preliminary report concerning the most significant aspects of the audit of the 2004 accounts carried out to-date.

Meeting held February 16, 2005

Review of the financial information for the second semester of 2004, to be made public to the markets.

The Committee approved and agreed to submit for the Board's consideration, the projected “Rules for Interpreting and Applying the Regulations of the General Shareholders Meeting,” designed to clarify and determine different aspects of the regulations, particularly those concerning: 1) shareholders' signatures in votes cast electronically; 2) the irrevocability of votes cast, and 3) proxy voting.

The director of the internal audit presented a report to the Committee concerning the present status of Grupo Prisa's procedures. As a result of this report, the Committee resolved that group company management procedures be set forth in writing in all principal areas.

The external auditor presented a report concerning the most significant aspects of the 2004 external audit.

The Finance Director presented a report concerning exchange rate and interest rate risk coverage operations.

Meeting held April 21, 2005

Review of the first quarter 2005 financial information to be made public to the markets.

With regard to the bonds exchangeable for Prisa shares issued by Prisa Finance (Netherlands) B.V. in December, 2003, and with a view to avoiding undesirable fluctuations in the Group's Profit and Loss Account, the Finance and Management Director proposed eliminating the possibility of redeeming the bonds in cash. The Committee approved this proposal to be submitted to the Board, in order to negotiate the necessary changes in that regard in the issue contracts.

Committee members were informed concerning the report prepared by the Information Technologies Department at the request of the Audit Committee, concerning back-up procedures in the Group's principal data processing centers.

Meeting held on July 21, 2005

Review of the first semester 2005 financial information to be made public to the markets.

Meeting held on October 20, 2005

Review of the third quarter 2005 financial information to be made public to the markets.

Meeting held on November 17, 2005

The internal audit director presented a report concerning the Group's global risk map as of June, 2005, comparing it with the situation in December, 2004. He likewise presented a detailed analysis of the risk map for each business unit.

In addition, the internal audit director then made a presentation concerning the content and functions of the technological platform developed in his department. This platform operates in the network environment, to enable internal audit information to be prepared and accessed online. This achieves increased productivity and greater homogeneity in the methods used in this area, and ensures coordination among the finance departments in the different business units.

In addition, the internal audit director informed the Committee of the new organizational structure implemented in his department.

V.- RELATIONS WITH THE EXTERNAL AUDITORS

The Audit and Compliance Committee proposed that the Board of Directors extend the appointment of DELOITTE, S.L. as auditors of the accounts of the Company and its Consolidated Group for the term of one year. Based on the Board of Directors' proposal, the shareholders present at the General Shareholders' Meeting of PRISA on March 17, 2005 passed a resolution to appoint that firm to audit the financial statements corresponding to the 2005 financial year.

With regard to the presence of the external auditor at the meetings of the Audit and Compliance Committee, it was underscored that Mr. Luis Jimenez Guerrero, partner of

DELOITTE, S.L., in charge of the external audit of the Company and its Consolidated Group, attended the meetings held on January 19, 2005 and February 16, 2005, in which he informed the committee of the most relevant aspects of the external auditor's work.

The fees of DELOITTE S.L. and its associate companies for auditing the accounts of GRUPO PRISA companies and their subsidiaries during 2005 amounted to 1,168,000 Euros, of which 102,000 Euros were for services provided to PRISA. In that regard, the fees charged by other auditors who participated in the audits of various Group companies amounted to 220,000 Euros.

In other respects, the fees for other professional services provided to Group companies by the principal auditors and its associate companies during 2005 amounted to 361,000 Euros, of which 160,000 Euros were for services provided to PRISA, while other professional services provided by other auditors participating in the audits of various Group companies amounted to 116,000 Euros.

The foregoing information concerning professional fees shall be included in PRISA's individual annual report and in the consolidated annual report of GRUPO PRISA for the 2005 financial year.

VI.- INTERNAL AUDIT

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

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

- (i) Evaluating the appropriateness of internal control systems with a view to ensuring greater effectiveness in processes for controlling and managing the risks inherent in the activities in which the Group is engaged.
- (ii) Reviewing operations with a view to verifying whether the results achieved meet the established objectives and goals, and whether operations and programs are being implemented or carried out as they were planned.
- (iii) Providing independent opinions and observations with respect to the interpretation and application of current legislation in the area of accounting.
- (iv) Evaluating the efficiency with which Group resources are used.
- (v) Reviewing the means for safeguarding assets and verifying their existence.
- (vi) Reviewing the feasibility and integrity of the Group companies' operational and financial information, and the means used to identify, evaluate, classify and disseminate that information.

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

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

The most significant projects carried out by the Internal Audit Department during the 2005 financial year include:

- i. Reviewing the degree of compliance with the accounting valuation and recording rules established by GRUPO PRISA, and evaluating the level of appropriateness and effectiveness of the internal control environment in place in companies within the Santillana Group in Spain (Santillana Educación, S.L.), Mexico, Brazil, Ecuador and Bolivia.
- ii. Analyzing the existing systems, policies and procedures that support the process of preparing information reported to GRUPO PRISA by its companies in the International Media Unit located in Mexico and Colombia.
- iii. Evaluating the appropriateness and effectiveness of the control environment in place in Gestion Logistica Editorial, S.L., a company that is part of GRUPO PRISA's Resources Unit.
- iv. Participating in due diligences conducted during the 2005 financial year.
- v. Reviewing the extent of compliance with the PRISA Groups' valuation and accounting entry rules implemented in the companies Unidad Ocio y Entretenimiento, Plural Entertainment, S.L. and Tesela Producciones Cinematográficas, S.A.
- vi. Participating in the design and implementation of new reporting processes in the different business units, as a means for adapting to the new requirements set forth with the entry into force of the International Accounting Standards.

The Director of the Internal Audit Department attended all of the Audit and Compliance Committee's meetings in 2005, specifically informing the Committee about the activities of the Internal Audit Department and the progress of the activities carried out with respect to the Annual Internal Auditing Activities Plan.

VII.- INTERNATIONAL ACCOUNTING STANDARDS (IAC)

Pursuant to the provisions of European Regulation 1606/2002 of July 19 concerning the application of International Accounting Standards, enterprise groups established in European Union member states that issue variable-interest securities listed on regulated markets must present their consolidated financial statements in accordance with International Accounting Standards for the financial years commencing from January 1, 2005.

Grupo Prisa's 2005 annual consolidated accounts were the first ones prepared in accordance with the International Accounting Standards. With respect to the standards in force when the 2004 consolidated group accounts were prepared, these new rules require:

- Changes in accounting policies, valuation criteria and the way in which the financial statements in the annual accounts are presented.
- Incorporating two new financial statements into the consolidated annual accounts, i.e., the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows, and
- A significant increase in the information to be provided in the annual report with respect to annual consolidated accounts.

VIII.- COMPLIANCE WITH RULES OF CORPORATE GOVERNANCE

Pursuant to Article 24.5 of the Board of Directors Regulations that attribute to this Committee the obligation to evaluate the degree of efficiency and compliance with the Company's rules and procedures of good governance, the Committee verified that the Company has complied with the rules and procedures of corporate governance provided for by law and in the Company's Bylaws and Regulations.

Specifically, the Committee underscored the following aspects and actions in that regard that were carried out by the company during the 2005 financial year and January, 2006:

Communication of Information

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

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

During the 2005 financial year and pursuant to the legislation in force, on the following dates the Company sent the required periodic public information concerning its results:

- 18 Feb 05: The company issued information concerning its results for the 2004 financial year.
- 22 Apr 05: The company issued information concerning its results for the first quarter of 2005.
- 22 Jul 05: The company issued information concerning its results for the first semester of 2005.

- o 21 Oct 05: The company issued information concerning its results for the third quarter of 2005 (results for the first nine months of 2005).

In all, the Company sent 33 Announcements of Relevant Information to the CNMV during the 2005 financial year.

ii) Likewise, the work to renew the company's corporate webpage has been completed (www.prisa.es). This webpage complies with the provisions of Law 26/2003, Order ECO/3722/2003 of December 26, and Circular 1/2004 of March 17 issued by the National Securities Market Commission on "Annual Corporate Governance Reports of Listed Companies and Other Entities Issuing Securities Traded on Official Secondary Markets, and other Information Issued by Listed Companies."

iii) At the proposal of the Remuneration and Appointments Committee, in its Meeting of February 17, 2005 the Board of Directors approved the 2004 Corporate Governance Report, which was made available to shareholders and the general public.

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

iv) At its meeting of January 20, 2005 the Board of Directors approved reports prepared with respect to Items 7 and 8 of the Agenda of the General Shareholders Meeting held on the following March 17 (concerning the issue of bonds convertible and/or exchangeable for shares in the Company).

At its meeting of February 17, 2005, the Board of Directors approved a report prepared with regard to Item 6 on the Agenda of the General Shareholders Meeting held on the following March 17 (concerning delegation to the Board of Directors of the power to increase the share capital, once or several times.)

The foregoing reports were made available to shareholders, pursuant to the provisions of current legislation.

Likewise, at its meeting held on February 17, 2005, the Board of Directors resolved to make the 2004 Annual Report of the Audit and Compliance Committee available to shareholders and, after receiving a favorable report thereon from the Audit and Compliance Committee, approved the Rules for Interpreting and Applying the Regulations of the General Shareholders Meeting, which were also made available to shareholders.

v) In compliance with Article 36 of the Board of Directors Regulations, mechanisms have been set up to provide regular non-privileged information to the company's institutional investors, by remitting to the National Securities Exchange Commission reports and presentations on the company, and by publicizing information of interest to those investors on the corporate webpage.

Application of the General Shareholders Meeting Regulations

The Regulations of the General Shareholders Meeting was applied for the first time during the General Shareholders Meeting held on March 17, 2005.

At that meeting, for the first time via the Company's webpage shareholders had the opportunity to electronically authorize proxies to vote on their behalf, and could likewise vote absentee (either by mail or electronically via the company webpage).

Shareholders were also able to exercise their right to information electronically via the company webpage.

Operations of the Board of Directors

During the financial year the Board of Directors held 12 meeting, one per month, with exception of the month of November in which two meetings were held, and the month of August in which there was no meeting.

Notices of board meetings, providing information to directors and, in general, all operations of the Board, were issued in accordance with the provisions of the Board Regulations.

The Board of Directors dealt with various matters falling within its powers, and specifically those set forth in paragraphs b), c), e), f) and h) of Article 5 of the Board Regulations.

Preceded by the corresponding report from the Remuneration and Appointments Committee dated February 17, 2005, at the proposal of the Board of Directors the resolution to reelect the Directors Messrs. Javier Díez de Polanco, Borja Pérez Arauna and Jesús de la Serna was passed at the General Shareholders' Meeting held on March 17, 2005.

Operations of the Board of Directors' Committees

The two committees of the Board of Directors (the Audit and Compliance Committee and the Remuneration and Appointments Committee) acted within the confines of the provisions set forth in the company's bylaws and regulations with respect to their composition, powers and operations.

Regarding the composition of these committees:

i) Three of the members of the Audit and Compliance Committee are independent directors (including its chairman) and two of its members represent significant shareholdings. None of the members of this committee is an executive director (the Eighteenth Additional Provision of the Securities Market Law provides that at least a majority of the members of the Audit Committee shall be non-executive directors).

The committee likewise complies with the provision set forth in the aforementioned Eighteenth Additional Provision of the Securities Market Law requiring the members of the Committee and, in any case its Chairman, "shall not have any other contractual

relationship with the Company other than the position for which they are appointed.”

ii) Three of the four members of the Remuneration and Appointments Committee are external directors representing significant shareholders and one of the members (the Chairman) is an independent external director, all of which complies with Article 25.a of the Board of Directors Regulations.

Concerning their powers and operations:

i) During the past financial year the Audit and Compliance Committee has fulfilled the responsibilities attributed to it in both Article 21bis of the Company Bylaws and Article 24 of the Board of Directors Regulations, as indicated in sections IV, V, VI and VIII of this Report.

ii) Among the responsibilities carried out by the Remuneration and Appointments Committee during the past financial year are those set forth in paragraphs 1, 2, 3, 4, 5 and 7 of paragraph b), Article 25, of the Board of Directors Regulations.

Conflicts of Interest

At the proposal of the Remuneration and Appointments Committee, at its meeting held on March 17, 2005, Prisa’s Board of Directors authorized Diario As, S.L.’s engagement of Mr. Luis Cortes Dominguez, brother of Director Mr. Matias Cortes Dominguez, to act as attorney in the following lawsuits:

i) Complaint on the part of Diario As, together with the Professional Football League and Santa Monica Sports against Recoletos Grupo de Comunicacion with regard to “Liga Fantastica Marca.”

ii) Complaint on the part of Diario As, together with the Professional Football League and Santa Monica Sports against Recoletos Grupo de Comunicacion with regard to the image rights of the Professional Football League.

Transactions with Significant Shareholders

During the 2005 financial year the company did not participate in any transactions with significant shareholders.

Code of Conduct in Matters Related to the Securities Markets

In compliance with the “Internal Code of Conduct Concerning Matters Related to the Securities Markets”, during the 2005 financial year the following measures were taken:

i) The General Secretary of Grupo Prisa has created and maintained an updated list of those persons subject to the Internal Code of Conduct.

All persons included in the aforementioned list have likewise been informed of the Internal Code of Conduct.

ii) The Department of Finance and Administration has received communications from those persons who, being subject to the Internal Code of Conduct, have carried out transactions involving the purchase or sale of Prisa stock.

Likewise, and in compliance with Article 3.4 of the Internal Code of Conduct, the Department of Finance and Administration has asked the persons subject to the Internal Code of Conduct for confirmation of their balances of Prisa stock at December 31, 2005.

iii) As indicated above in this Report, all Relevant Information was promptly remitted to the National Securities Exchange Commission. All communications in that regard are available on the Commission website and on the corporate website of this company.

iv) The General Secretary of Grupo Prisa has maintained a Central Register of Privileged Information from which, and with regard to the legal and financial operations that may have had a significant influence on the quotation of the company's securities, he has prepared an updated list of all persons with access to Privileged Information.

Madrid, January 19, 2006