PROMOTORA DE INFORMACIONES, S.A.
(PRISA)

AUDIT COMMITTEE

ANNUAL REPORT
2007

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Madrid, February, 2008
I.- INTRODUCTION

The Audit Committee of PROMOTORA DE INFORMACIONES, S.A. (hereinafter PRISA or GRUPO PRISA where applicable) issues this report to enable the Board of Directors to make available to shareholders information concerning the Committee’s operations and activities during the 2007 financial year.

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

After the amendment of the Board of Directors Regulation passed on January 18, 2007, the name of the committee was changed to “Audit Committee”, since it no longer exercises the corporate governance and compliance functions that have now been attributed to the “Corporate Governance, Appointments and Remuneration Committee”.

PRISA’S Audit Committee is governed by the Eighteenth Additional Provision of the Securities Market Law, by Article 21bis of the Company Bylaws and by the Regulation of the Board of Directors of PRISA passed on June 21, 2001 and amended on July 17, 2003; March 18, 2004; January 18, 2007 and October 18, 2007.

II.- COMPOSITION

The composition of the Audit Committee is as follows:

Chairman: Mr. Matias Cortes Dominguez - Independent External Director

Members:
- Mr. Ramon Mendoza Solano – Independent External Director
- Ms. Agnes Noguera Borel – External Director (representing a significant shareholding)
- Mr. Borja Jesus Perez Arauna – External Director (representing a significant shareholding)
- Mr. D. Juan Salvat Dalmau – Independent External Director

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

In its meeting of October 18, 2007 the Board of Directors of PRISA accepted the resignation of Mr. Jose Buenaventura Terceiro Lomba from his post as chairman of the
Audit Committee, and pursuant to the provisions of Article 24 of the Board of Directors Regulation and after having received a favorable report from the Corporate Governance, Appointments and Remuneration Committee, at the proposal of the Chairman of the Board of Directors the Board resolved to appoint Mr. Matias Cortes Dominguez as chairman of the Audit Committee.

**III.- FUNCTIONS AND POWERS**

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

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

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

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

c) To supervise internal auditing services.

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

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

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

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

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

c) To review the company accounts, oversee compliance with legal requirements and the proper application of generally accepted accounting principles, as well as to issue opinions on proposals to amend accounting principles and criteria suggested by the management;
d) To review the issue prospectuses and information concerning the quarterly and half-yearly financial statements that the Board must provide the markets and their supervisory bodies;

e) To analyze and issue opinions concerning specific investment transactions when, owing to their importance, the Board so requests;

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

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

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

IV.- MEETINGS

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

The meetings held and principal matters discussed during 2007 were the following:

Meeting held on January 18, 2007

The proposed professional fees for 2006 for the external auditors were discussed.

It was resolved to extend the appointment of the present auditors DELOITTE, S.L., as auditors of the accounts of the company and its consolidated group, for a period of one year to audit the 2007 financial statements.

A favorable opinion was issued with regard to the section concerning risk control in the 2006 Corporate Governance Report.

Likewise, a favorable opinion was issued, to be submitted to the Board of Directors, concerning the amendment of the Board of Directors Regulation and changes in the Corporate Bylaws and Prisa’s Shareholders Meeting Regulation.

The external auditor presented a preliminary report on the most significant aspects of the 2006 accounts audit conducted thus far.

Meeting held on February 15, 2007

The external auditor presented his final conclusions concerning the most significant aspects of the 2006 external accounts audit, reporting at that time on the reservations that will be included in PRISA’s individual and consolidated accounts:

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

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

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

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

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

However, according to the auditor International Financial Reporting Standards provide that this be recorded in the profit and loss account for the year in which
the amended tax rate was approved. In that regard, if that criterion had been followed “Profit/Loss for the Parent Company” for 2006 would be 71.3 million euro less, once the aforementioned effect of the interests of minority shareholders has been subtracted. This adjustment would not change the consolidated net worth figure recorded on the balance sheet at December 31, 2006.

The Audit Committee Report for 2006 was likewise approved.

And, finally, there was a review of the financial information for the second semester 2006, to be released to the markets.

**Meeting held on April 19, 2007**

A review was conducted of the financial information for the first quarter of 2007, to be made public to the markets.

Likewise, the Secretary informed the Committee of a request received from the National Securities Market Commission to provide it information concerning the 2006 annual accounts, and the response given that request.

Finally, in view of the resignation of Mr. Javier Fariñas as Internal Audit Director (in order to assume the post of Financial Director) the Committee proposed that Ms. Virginia Fernandez Iribarnegaray be appointed the new Internal Audit Director.

**Meeting held on June 21, 2007**

Introduction of the new Internal Audit Director.

The former Internal Audit Director explained the 2006 Group Risks Map and analyzed the internal audit work carried out in 2006.

The new Internal Audit Director presented a proposed Internal Audit Plan for 2007, which the Committee approved and which included: i) audit or support work received by her department from other companies or administrative units of the Group, ii) work conducted at the Internal Audit Office's own initiative, and iii) an analysis of the new General Accounting Plan and its impact on financial statements commencing in 2008.

**Meeting held on July 19, 2007**

Review of the first semester 2007 financial information to be made public to the markets.

**Meeting held on October 18, 2007**

Review of the third quarter 2007 financial information to be made public to the markets.

The Internal Audit Director presented a report on the application of the new General Accounting Plan, which is presently in its draft stage pending approval by means of a
Royal Decree implementing Law 16/2007 of July 4. Adoption of the new accounting plan will be mandatory commencing from January 1, 2008. She outlined the most relevant aspects of the Accounting Plan and the differences with the former, as well as the principal conversion stages that business units must implement, under the supervision of the Corporative Center.

V.- EXTERNAL AUDITORS

5.1. Relations with the External Auditors

The Audit Committee proposed that the Board of Directors extend the appointment of DELOITTE, S.L. as auditors of the accounts of the Company and its Consolidated Group for the term of one year. Based on the Board of Directors’ proposal, the shareholders present at the General Shareholders’ Meeting of PRISA on March 22, 2007 passed a resolution to appoint that firm to audit the financial statements corresponding to the 2007 financial year.

With regard to the presence of the external auditor at the meetings of the Audit 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 18, 2007 and February 15, 2007, 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 2007 amounted to 1,784,000 euro, of which 112,000 euro 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 342,000 euro.

In other respects, the fees for other professional services provided to Group companies by the principal auditors and its associate companies during 2007 amounted to 922,000 euro, of which 31,000 euro were for services provided to PRISA, while other professional services provided by other auditors participating in the audits of various Group companies amounted to 464,000 euro.

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 2007 financial year.

5.2. External Audit Reports

i) At the meeting of the Audit Committee held on January 17, 2008, the external auditor presented his preliminary report on the accounts audit for the 2007 financial year.

ii) At the Audit Committee meeting held on February 7, 2008 the external auditor presented his final conclusions concerning the most significant aspects of the accounts audit for 2007, reporting at that time the following reservation that will be included concerning Promotora de Informaciones, S.A.’s individual accounts:

“As parent of the Group, PROMOTORA DE INFORMACIONES, S.A. (PRISA) submits annual consolidated accounts in accordance with the International Financial
Reporting Standards adopted by the European Union (IFRS-EU). On this same date we are issuing our audit report concerning the aforementioned annual consolidated accounts for 2007 for which we express a favorable opinion. In accordance with the content of those consolidated annual accounts prepared pursuant to IFRS-EU, total net consolidated assets amount to 1,353,547,000 euro, the consolidated profit for the year is 191,973,000 euro and the total volume of assets and sales amounts to 6,526,360,000 euro and 3,696,028,000 euro, respectively. In other respects and as is explained in Note 4-d of the attached report, company directors value holdings in the capital of the group and its subsidiaries as the lesser of their acquisition cost and their corrected theoretical book value, if warranted, for the amounts assigned goodwill subsisting at December 31, 2007 in the Group’s annual consolidated accounts prepared in accordance with the International Financial Reporting Standards adopted by the European Union, considering that in both the individual and the consolidated financial statements of this Group this affords a more accurate reflection of the value of the capital holdings. However, the Company should have valued those holdings in accordance with the criteria set forth in the General Accounting Plan and in specific Spanish accounting rules to reflect in the valuation of holdings recorded under the heading “Financial Fixed Assets” the effect of the amortization of goodwill remaining at the end of the financial year. If those criteria had been followed, the balance in the profit and loss account for 2007 under the heading “Variation in Provisions for Securities” would have been increased by 59,122,000 euro and the heading in that same account “Extraordinary Expenses—Expenses and Losses from Previous Years” would have increased by 82,799,000 euro.

However, the Audit Committee believes that the sole objective of the criterion adopted by the Company is to reflect the value of those holdings in both the individual and consolidated financial statements of the Group in an accurate and consistent manner. The discrepancies existing in 2007 between the Spanish General Accounting Plan and International Financial Reporting Standards with respect to goodwill will be corrected in the new General Accounting Plan, whose application is mandatory commencing on January 1, 2008 pursuant to Law 16/2007 of July 4 on the reform and adaptation of corporate accounting legislation and its international harmonization based on European Union legislation. This new law allows the same valuation criterion to be applied in consolidated and individual financial statements, according to which the amounts reflecting goodwill are not amortized, without prejudice, if applicable, to the evaluation of impairment in its impact at the end of each financial year. Thus, it is the opinion of the Committee that this new legislation supports the criterion applied by the Company in its 2005 and 2006 accounts, and deems that it should continue to be applied in 2007, since in addition to providing a consistent valuation of its holdings in the individual and consolidated financial statements, it reflects the true value of those holdings in the Group and its subsidiaries.

VI.- INTERNAL AUDIT

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

To achieve that objective, the Department carries out the functions it has been assigned, which include:
i) Evaluating the appropriateness of internal control systems with a view to ensuring greater effectiveness in processes for controlling and managing the risks inherent in the activities in which the Group is engaged.

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

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

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

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

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

The Internal Audit Director designs an Annual Internal Auditing Activities Plan based on the identification and evaluation of risks inherent in the activities carried out by Grupo Prisa's business units, in order to determine 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 2007 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 Venezuela, Mexico, Brazil, Peru, the United States and Costa Rica.

ii. Analyzing established systems, policies and procedures underlying the process for preparing information reported to GRUPO PRISA by the Union Radio companies located in Mexico.

iii. Reviewing the degree of compliance with the valuation and accounting entry rules established by GRUPO PRISA and evaluating the adequacy of operating procedures
and the effectiveness of the internal monitoring environment in Estructura Grupo de Estudios Economicos, S.A. and Diario AS, S.L.


v. Participating in the design and implementation of new accounts and valuation processes derived from implementing the requirements established for the entry into force of the new General Accounting Plan.

The former director of the Internal Audit Department attended all of the Audit Committee’s meetings in 2007, 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.- EVALUATION OF THE AUDIT COMMITTEE**

To contribute to the Board’s evaluation, pursuant to Article 5 of the Board of Directors Regulation the Audit Committee members have evaluated its composition and operations and have submitted to the Board their partial report to be included in the general one to be submitted to the Board for its approval.

Madrid, February 7, 2008