



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

AUDIT COMMITTEE

**ANNUAL REPORT
2010**

Madrid, February 2011

(Free translation from the original in Spanish language)

ANNUAL REPORT OF THE AUDIT COMMITTEE 2010

I.- INTRODUCTION

The Audit Committee of PROMOTORA DE INFORMACIONES, S.A. (hereinafter PRISA or GRUPO PRISA where reference to the consolidated Group is made) issues this report to enable the Board of Directors to make available to shareholders information concerning the Committee's operations and activities during the 2010 financial year.

The Audit Committee (hereinafter the 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.

The Committee is governed by the Eighteenth Additional Provision of the Securities Market Law and, since 2010, also by the American law applicable to companies listed on the American market, particularly the Securities Act, the Securities Exchange Act and the Sarbanes Oxley Act. Likewise, the Committee is governed by Article 21bis of the Company Bylaws and by the Regulation of the Board of Directors of PRISA.

II.- COMPOSITION

The current composition of the Audit Committee is as follows:

Chairman: Mr. D. Juan Arena de la Mora - Independent External Director

Members: Mr. Alain Minc – Independent External Director.
Ms. Agnes Noguera Borel – External Director (representing a significant shareholding)
Mr. Emmanuel Román- Independent External Director.

Secretary: Mr. Iñigo Dago Elorza, Non-Member Secretary of the Board of Directors

Up to the Extraordinary General Shareholders Meeting of PRISA held on November 27, 2010, the Committee was chaired by Mr. José Buenaventura Terceiro Lomba and was also composed by Ms. Agnés Noguera Borel, Mr. Ramón Mendoza Solano and Mr. Borja Pérez Arauna.

Within the framework of the Extraordinary Shareholders Meeting held to approve and implement the agreements reached with Liberty Acquisition Holdings Corp. (hereinafter, "Liberty"), the Board of Directors in full presented its resignation, and the Shareholders proceeded to appoint a new Board of Directors. Resignation from the Board likewise entailed the resignation of the Committee members.

The Board of Directors meeting held after the shareholders meeting appointed Mr. Juan Arena de la Mora as Chairman of the Committee and also appointed Mrs Agnes Noguera Borel, Mr. Alain Minc and Mr. Emmanuel Román, as members of the Committee.

Mr. Juan Arena de la Mora was not Director of PRISA prior to such shareholders meeting and his appointment as Chairman of the Committee complies with all legal requirements and with the internal rules of the Company.

III.- FUNCTIONS AND POWERS

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

As established by the mentioned Regulation, the 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 263 of the Companies Act, to be submitted at the annual shareholders meeting.
- c. To supervise internal auditing services.
- d. To understand and supervise the financial reporting process and the effectiveness of internal control systems of the Company, and risk management systems, and discuss with the auditors or audit firms significant weaknesses of the control system detected in developing internal audit.
- e. To supervise the process of preparation and presentation of regulated financial information.

- f. 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 any case, the Audit Committee shall receive from the external auditors every year written confirmation of its independence from the entity or entities linked to auditors, directly or indirectly, and information of any additional services provided to these entities by said external auditors or societies, or by persons or entities linked to them in accordance with the provisions of Law 19/1988 of July 12, Audit of Accounts.
- g. To issue every year, prior to the issuance of the Audit Report, a report expressing an opinion on the independence of external auditors. This report shall, in any case, make reference on the provisions of additional services referred to above paragraph f).

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

- a. To advise and make proposals to the Board of Directors concerning the auditors contract conditions, scope of professional mandate and, if warranted, the revocation or non-renewal of the external auditors, as well as supervising their performance of audit contract obligations;
- b. To propose the selection, appointment, reappointment or removal of the person in charge of the company's internal audit service.
- c. To review the company accounts, oversee compliance with the legal requirements and the proper application of generally accepted accounting principles, as well as to issue opinions on proposals to amend accounting principles and criteria suggested by the management;
- d. To review the issue prospectuses and information concerning the quarterly and half-yearly financial statements that the Board must provide the markets and their supervisory bodies;
- e. To analyze and issue opinions concerning specific investment transactions when, owing to their importance, the Board so requests;
- f. To issue opinions concerning the creation or acquisition of interests in entities domiciled in countries or territories considered as tax havens.
- g. To exercise all other powers granted the committee in this Regulation.

In accordance with the provisions of the Board of Directors Regulation, the 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 Committee shall meet periodically as required and at least four (4) times a year.

The meetings held and principal matters discussed during 2010 were the following:

February 2, 2010

In consonance with Committee practice, at that meeting the external auditor anticipated the preliminary findings of its report on the accounts for 2009.

Likewise, a favorable opinion was issued with regard to the section concerning risk control in the 2009 Corporate Governance Report.

Finally the Committee analyzed and approved the proposed professional fees of the external auditors for 2009.

February 18, 2010

The Committee reviewed the financial information for the second semester 2009, that was subsequently released to the markets.

March 18, 2010

The external auditor presented his conclusions concerning the 2009 annual consolidated accounts of Promotora de Informaciones, S.A, expressing reservations concerning the completion of the debt restructuring process that would be subject to obtaining approval and authorization from both financial institutions and securities markets regulatory agencies, or only authorization from the latter if on the date the report was issued an agreement had been reached with the financial institutions to extend the bridge loan. In that regard, the Committee underlined that, apart from the auditors' reservations concerning the completion of the debt restructuring process, the Company's and its Consolidated Group's annual accounts reflect a true and fair view of their assets and financial situation as per December 31, 2009, as well as the results of their operations, variations in net equity and cash flows for the 2009 fiscal year. In consequence, the Committee resolved to have the Board of Directors prepare the individual and consolidated accounts.

Likewise, it was resolved to extend the appointment of the present auditors DELOITTE, S.L., as auditor of the accounts of the company and its consolidated group, for a period of one year to audit the 2010 financial statements.

Within the framework of conversations held with Liberty, the principal implications of being listed in the United States were analyzed, with special reference to disclosure requirements and obligations imposed on the Audit Committee by the provisions of the Sarbanes-Oxley Act.

The Audit Committee Report for 2009 was approved.

April 13, 2010

A review was conducted of the financial information for the first quarter of 2010, to be made public to the markets.

Then, the Committee is informed about the upcoming filing of the F-4 Form to the Securities and Exchange Commission (SEC) within the framework of the transaction between Liberty and Prisa, and it was agreed its distribution among the members of the Committee in order to proceed to its review at a future meeting.

Additionally, the auditors' fees were approved for the audits of the consolidated group for the 2007, 2008 and 2009 fiscal years, in accordance with the auditing rules of the Public Company Accounting Oversight Board (PCAOB) of the United States, in order that they be included in the F-4 Registration Statement.

April 27, 2010

F-4 Form was revised.

Likewise, the Committee was informed about the audit report on the accounts for 2009, issued on April 23, 2010, which indicates that in all significant aspects those accounts represent a true and fair view of the assets, financial position, earnings, changes in net equity and cash flow for the year ending December 31, 2009, with the exception of any effects that may derive from the eventual approval and authorizations described by the auditor in the following paragraph included in both the consolidated, as well as the individual audit report:

“As indicated in Note 1.c) of the attached consolidated annual report, in the next few months the Group will implement two capital increases to finalize the restructuring process agreed with its creditor banks with respect to its syndicated loan and bridge loan, fixing May 19, 2013 as the maturity date for both. The capital increases will be approved at the annual shareholders meeting of the parent company, once the pertinent authorizations have been obtained from the securities authorities”.

In that regard, the Committee expressed its confidence that the Group should obtain such authorizations and approvals which were required to the execution of the agreed capital increases and, thus, should successfully complete its debt restructuring process. Likewise, it was agreed to include the external auditor's conclusions within the Committee's annual report for the year 2009.

July 15, 2010

At this meeting the first semester 2010 financial information was reviewed prior to being released to the markets. In compliance with securities market legislation, the information, which was approved by the Board, included an update concerning the reservations expressed in the 2009 audit report, indicating that the reservations still remain since the process of restructuring the Company's financial debt has not yet been concluded.

Then the Director of Internal Audits presented his proposed Internal Audit Plan for 2010, which the Committee approved, likewise providing a general summary of the internal audits conducted during 2009.

October 20, 2010

The Committee reviewed the third quarter 2010 financial information, that was subsequently made public to the markets.

V.- EXTERNAL AUDITORS

5.1. Relations with the External Auditors

The 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 June 30, 2010 passed a resolution to appoint that firm to audit the financial statements corresponding to the 2010 financial year.

As noted above, the Committee customarily conducts a periodic review of the Company's and Group's financial information and the risks this may involve. To this end the Committee requested that the external auditor reports on the most relevant aspects of the external audit. In that regard, Mr. Luis Jiménez Guerrero, partner at DELOITTE, S.L. and the person in charge of the external audit of the Company and its Consolidated Group for the 2009 annual accounts, attended the meeting held on February 2, 2010. Likewise, Mr. Fernando García Beato, also partner at DELOITTE, S.L. and person in charge of the audit of the 2010 fiscal year, attended to the meeting held in March.

The fees paid in 2010 for DELOITTE, S.L.'s auditing services provided to GRUPO PRISA companies, subsidiaries and other related entities amounted to 2,170,000 euros, of which 486,000 were for services rendered to PRISA. In addition, during 2010 Deloitte audited the Consolidated Group for the 2007, 2008 and 2009 annual accounts under PCAOB audit rules, and the fees corresponding to this service amounted to 1,580,000 euros. Fees paid to other auditors who participated in the audit of the Group's companies amounted to 383,000 euros.

The fees for other professional services provided to Group companies by the principal auditors and its associate companies, as well as by other auditors participating in the audits of various Group companies, are the following (in euros 000):

	2010	
	Principal Auditors	Other Auditors
Other attest services	444	261
Tax services	264	65
Other services	1,691	927
Total other professional services	2,399	1,253

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 2010 financial year.

5.2. External Audit Reports

Financial Statement Audit under PCAOB standards for the three years ended December 31, 2009

In 2010 Deloitte has audited the consolidated financial statements for 2007, 2008 and 2009 in accordance with the standards of the United States Public Company Oversight Board (PCAOB) for their inclusion in the F-4 Form registered in the SEC within the framework of the transaction with Liberty.

In the auditor's opinion, issued on May 7, 2010, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2009 and 2008, and the results of their operations and their cash flows for 2007, 2008 and 2009, in conformity with IFRS as issued by the IASB. The auditor's report included two explanatory paragraphs, one relating to actions taken by Prisa in 2010 to restructure its financial debt and strengthen its capital structure as required in the agreements with the lending Banks, and the second relating to the retrospective adjustment of the consolidated statements of cash flows for the years ended December 31, 2008 and 2007, as a result of the amendment made to IAS 7.

2010 Annual Accounts

During the Committee meeting held on February 17, 2011, the external auditors presented their conclusions concerning the audit of the 2010 annual individual and consolidated accounts of Promotora de Informaciones, S.A. which presents fairly, in all material respects, the equity, the financial position, the results of the operations, the changes in equity and cash flows of Prisa and its consolidated Group, respectively.

3. Independence of the External Auditor

In compliance with the Eighteenth Additional Provision of the Securities Market Act (as amended by Law 12/2010 of June 30) and sections f) and g) of Article 24 of the Board of Directors Regulation:

- i) The Committee has received from the external auditor written confirmation of its independence, as well as information concerning the fees of the principal auditor and its related entities for professional services rendered to different Grupo Prisa companies (as explained in section 5.1. above), pursuant to the provisions of the Accounts Audit Act;
- ii) In view of the foregoing, at its meeting held on February 17, 2011 the Committee issued a report verifying the independence of the external auditors.

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:

- a. Evaluating the suitability of internal control systems to increase the effectiveness of procedures to manage and control the risks inherent in Group company activities.
- b. Reviewing operations with a view to verifying whether the results achieved meet the established objectives and goals, and to ensure that operations and programs are being implemented and carried out as planned.

- c. Obtaining independent opinions and advice concerning the interpretation and application of current accounting legislation and norms.
- d. Evaluating the efficiency with which Group resources are used.
- e. Reviewing measures to safeguard assets and to verify their existence.
- f. 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 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 2010 financial year include:

- a. Review of the degree of compliance with the valuation and accounting rules established by GRUPO PRISA, and evaluation of the level of adaptation and effectiveness of the internal control environment operative in the Grupo Santillana company located in Puerto Rico (Ediciones Santillana, Inc.), in Editora Moderna and Avalia Qualidade Educacional, Ltda. in Brazil and in Santillana Educación, S.L. (Spain).
- b. Review of the reliability and integrity of the financial information provided to GRUPO PRISA by the company responsible for developing the Group's digital strategy, Prisa Digital, S.L.
- c. Review of the degree of compliance with the valuation and accounting rules established by GRUPO PRISA, and evaluation of the level of adaptation and effectiveness of the internal control environment operative in the Group companies that sold Group advertising in 2009, Gerencia de Medios, S.A. and Box News Publicidad, S.L., which were merged in 2010 to form Prisa Brands Solution.
- d. Supervision of Prisa's registration documents filed with the SEC, the prospectus for registering shares and the stock sheets on the capital increases at the CNMV.

The director of the Internal Audit Department attended all of the Committee's meetings in 2010, specifically informing the Committee about the activities of the Internal Audit Department, the annual internal audit plan and the evolution in the Groups' risk map and long-term internal audit 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.