

# **Vocento, S.A.**

Auditors' Report

Financial Statements  
for the year ended  
31 December 2006  
together with Directors' Report

*Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 21). In the event of a discrepancy, the Spanish-language version prevails.*

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#### AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Shareholders of  
Vocento, S.A.:

1. We have audited the financial statements of Vocento, S.A. (Parent of the Group of companies called "Vocento" – see Note 8) comprising the balance sheet at 31 December 2006 and the related income statement and notes to the financial statements for the year then ended. The preparation of these financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.
2. As required by Spanish corporate and commercial law, for comparison purposes the directors present, in addition to the 2006 figures for each item in the balance sheet, income statement and statement of changes in financial position, the figures for 2005. Our opinion refers only to the 2006 financial statements. On 31 March 2006, we issued our auditors' report on the 2005 financial statements, in which we expressed an unqualified opinion.
3. The individual financial statements are presented in compliance with current corporate and commercial law. However, the transactions of Vocento, S.A. and the Group companies are managed on a consolidated basis, regardless of the individual allocation of the related net worth effect and results. Consequently, the accompanying financial statements of Vocento, S.A. do not reflect the financial and equity variations resulting from the application of consolidation methods to the investments in Group companies and associates or to the transactions carried out by Vocento, S.A. or these companies. These variations are reflected in the consolidated financial statements for 2006, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, on which we issued our auditors' report on this same date, in which we expressed an unqualified opinion. The amounts of the main consolidated headings pursuant to International Financial Reporting Standards are detailed in Note 2.
4. In our opinion, the accompanying financial statements for 2006 present fairly, in all material respects, the net worth and financial position of Vocento, S.A. at 31 December 2006 and the results of its operations and the funds obtained and applied by it in the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards applied on a basis consistent with that of the preceding year.
5. The accompanying directors' report for 2006 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2006. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.  
Registered in ROAC under no. S0692

Alberto Uribe-Echevarría Abascal  
1 March 2007

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 21). In the event of a discrepancy, the Spanish-language version prevails.

**VOCENTO, S.A.**

**BALANCE SHEETS AT 31 DECEMBER 2006 AND 2005 (NOTES 1, 2 AND 4)**

(Thousands of Euros)

ASSETS	2006	2005 (*)	EQUITY AND LIABILITIES	2006	2005 (*)
<b>NON-CURRENT ASSETS:</b>			<b>EQUITY (Note 11):</b>		
Start-up costs (Note 5)	423	488	Share capital	24,994	24,994
Intangible assets, net (Note 6)	1,227	1,130	Share premium	9,516	9,516
<b>Property, plant and equipment (Note 7)-</b>			Other reserves	88,676	96,317
Land and buildings	2,373	2,373	Profit for the year	78,825	40,338
Plant and machinery	538	538	Less- Interim dividend	-45,000	-8,000
Other fixtures, tools and furniture	2,140	2,125	<b>Total equity</b>	<b>157,011</b>	<b>163,165</b>
Other items of property, plant and equipment	841	591			
Advances and property, plant and equipment in the course of construction	20	20	<b>DEFERRED INCOME</b>	<b>150</b>	<b>150</b>
Less - Accumulated depreciation	-2,935	-2,552			
	<b>2,977</b>	<b>3,095</b>	<b>PROVISIONS FOR CONTINGENCIES AND CHARGES (Note 12)</b>	<b>5,546</b>	<b>1,988</b>
<b>Long-term investments (Note 8)-</b>					
Investments in Group companies	445,800	358,800	<b>NON-CURRENT LIABILITIES:</b>		
Long-term tax receivables (Note 14)	4,796	5,995	Bank borrowings (Note 15)	4,525	17,707
Guarantees and deposits given	10	10	Payable to Group companies and associates (Note 10)	160,934	70,761
Less - Provisions for investments in Group companies and long-term investment securities	-156,882	-136,427	Other payables (Note 13)	20,891	26,856
	<b>293,724</b>	<b>228,378</b>	<b>Total non-current liabilities</b>	<b>186,350</b>	<b>115,324</b>
<b>Total non-current assets</b>	<b>298,351</b>	<b>233,091</b>			
			<b>CURRENT LIABILITIES:</b>		
<b>DEFERRED CHARGES (Note 9)</b>	<b>1,953</b>	<b>2,987</b>	Bank borrowings (Note 15)	134	44
			Payable to Group companies and associates (Note 10)	5,204	2,083
<b>CURRENT ASSETS:</b>			Trade payables	4,586	2,286
<b>Inventories</b>	<b>19</b>	<b>-</b>	Other non-trade payables-		
<b>Accounts receivable-</b>			Taxes payable (Note 14)	423	1,230
Receivable from Group companies and associates (Note 10)	37	218	Other payables	23,836	18,244
Sundry accounts receivable	573	567	<b>Total current liabilities</b>	<b>34,183</b>	<b>23,887</b>
Tax receivables (Note 14)	13,820	13,147			
Less - Provision for operating bad debts	-14	-14			
	<b>14,416</b>	<b>13,918</b>			
<b>Short-term investments</b>					
Loans to Group companies (Note 10)	57,514	29,533			
Short-term treasury shares (Note 10)	32,190	9			
Provision for decline in value of treasury shares (Notes 8 and 11)	-22,979	-			
<b>Cash</b>	<b>1,595</b>	<b>24,844</b>			
<b>Accrual accounts</b>	<b>181</b>	<b>132</b>			
<b>Total current assets</b>	<b>82,936</b>	<b>68,436</b>			
<b>TOTAL ASSETS</b>	<b>383,240</b>	<b>304,514</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>383,240</b>	<b>304,514</b>

(\*) Presented for comparison purposes only

The accompanying Notes 1 to 21 and the Appendix are an integral part of the balance sheet at 31 December 2006.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 21). In the event of a discrepancy, the Spanish-language version prevails.

**VOCENTO, S.A.**

**INCOME STATEMENTS**

**FOR THE YEARS ENDED**

**31 DECEMBER 2006 AND 2005 (NOTES 1, 2 AND 4)**

(Thousands of Euros)

DEBIT	2006	2005 (*)	CREDIT	2006	2005 (*)
<b>EXPENSES:</b>			<b>INCOME:</b>		
Staff costs (Note 16)	7,028	7,274	<b>Other operating income-</b>		
Depreciation and amortisation charge (Notes 5, 6 and 7)	886	529	Non-core and other current operating income (Note 16)	1,748	1,701
Other operating expenses	8,431	8,951			
	16,345	16,754	<b>I. LOSS FROM OPERATIONS</b>	<b>14,597</b>	<b>15,053</b>
				16,345	16,754
<b>Finance and similar costs-</b>			<b>Income from equity investments (Note 8)</b>	<b>115,000</b>	<b>55,000</b>
On debts to third parties and similar costs (Notes 9 and 15)	1,689	4,018	<b>Other interest and similar income-</b>		
On debts to Group companies (Note 10)	5,719	2,373	Group companies	-	120
Exchange losses	-	1	Other interest	43	168
<b>II. FINANCIAL PROFIT</b>	<b>107,635</b>	<b>48,896</b>			
	115,043	55,288		115,043	55,288
<b>III. PROFIT FROM ORDINARY ACTIVITIES (II - I)</b>	<b>93,038</b>	<b>33,843</b>			
Change in control portfolio allowances (Note 8)	20,455	2,706	Extraordinary income	110	254
Extraordinary expenses (Note 16)	12,642	754	Prior years' income and profits	377	60
Prior years' expenses and losses	-	478			
	33,097	3,938	<b>IV. EXTRAORDINARY LOSS</b>	<b>32,610</b>	<b>3,624</b>
				33,097	3,938
<b>V. PROFIT BEFORE TAX (III±IV)</b>	<b>60,428</b>	<b>30,219</b>			
Income tax (Note 14)	18,397	10,119			
<b>VI. PROFIT FOR THE YEAR</b>	<b>78,825</b>	<b>40,338</b>			

(\*) Presented for comparison purposes only

The accompanying Notes 1 to 21 and the Appendix are an integral part of the income statement for 2006.

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## **Vocento, S.A.**

### Notes to the Financial Statements for the year ended 31 December 2006

#### **1. Company description**

Vocento, S.A. was incorporated for an indefinite period of time on 28 June 1945. Its company objects per its bylaws are the publication, distribution and sale of unitary publications, whether periodical or otherwise, dealing with general, cultural, sports, artistic and any other information, the printing of such publications and the operation of printing workshops and, in general, any other activity related to the publishing and graphic arts industry; the setting-up, use and operation of radio and television stations and any other facilities for the broadcasting, production and promotion of audiovisual media, as well as the production, publishing and distribution of disks, cassettes, recorded tapes, films, programmes and any other devices or means of communication of any type; the ownership, acquisition, sale and performance of acts of administration and disposal by any means of shares, securities, and investments in companies engaging in any of the aforementioned activities, and, in general, in any other activity directly or indirectly related to the aforementioned activities which is not prohibited by the legislation currently in force.

All the activities making up the aforementioned company objects can be carried on both in Spain and abroad, and may be carried on, either totally or partially, indirectly through the ownership of shares or other equity interests in companies with identical or similar company objects (see Note 8).

The shareholders at the Annual General Meeting held on 17 March 2001 resolved to change the Company's corporate name from Bilbao Editorial, S.A. to Grupo Correo de Comunicación, S.A.

On 26 November 2001, as a result of the merger by absorption of Prensa Española, S.A., the shareholders at an Extraordinary General Meeting resolved to change the Company's corporate name to Grupo Correo Prensa Española, S.A. On 17 December 2002, it was resolved to transfer the assets and liabilities of Prensa Española de Locales, S.L.U. *en bloc* to the sole shareholder, Grupo Correo Prensa Española, S.A., with the subsequent dissolution of the former. Lastly, shareholders at the Annual General Meeting held on 29 May 2003 resolved to change the Company's corporate name to Vocento, S.A. ("the Company").

The business activity of the Company is the control of the ownership interests held by it as the parent of a Group of companies ("the Group") (see Note 8 and Appendix).

The Parent's registered office is located in Madrid, at calle Juan Ignacio Luca de Tena, nº 7. The tax domicile is located at the Polígono Industrial de Torrelarragoiti, Barrio de San Martín, Zamudio, Vizcaya.

In view of the activity carried on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

### **Public offering process**

On 23 May 2006, the Parent's directors resolved:

- To request admission to official listing of all the Company's shares on the Bilbao, Madrid, Barcelona and Valencia Stock Markets and on the continuous market (Spanish computerised trading system).
- To launch a public offering of the Group's shares.

The process was completed on 8 November 2006 with the admission to public listing of the Company's shares.

The cost of the public offering, which was paid by the Company, amounted to approximately EUR 12,642 thousand and were recognised under "Extraordinary Expenses" in the accompanying income statement for 2006 (see Note 16).

"Extraordinary Expenses" also includes EUR 3,500 thousand relating to the discounted value of the annuity income granted to the Chairman as a result of the admission to listing of Vocento, S.A.'s shares (see Note 12).

## **2. Basis of presentation**

### **a) Fair presentation-**

The financial statements for 2006, which were prepared from the Company's accounting records, are presented in accordance with the Spanish National Chart of Accounts and, accordingly, present fairly the Company's equity, financial position and results of operations. These financial statements, which were prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes.

The accompanying 2006 financial statements refer only to the individual Company. As head of the Group, Vocento, S.A. filed consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs). According to the consolidated financial statements prepared in conformity with EU-IFRSs, at 31 December 2006 consolidated equity amounted to EUR 608,236 thousand, profit attributed to the parent was EUR 77,565 thousand and total assets in the consolidated balance sheet amounted to EUR 1,052,301 thousand.

### **b) Grouping of items-**

"Other Non-Trade Payables –Other Payables" on the liability side of the accompanying balance sheet at 31 December 2006 is composed of various items that were grouped together for the purposes of presentation in the balance sheet, according to the following breakdown:

	Thousand of Euros
Profit sharing of the Board of Directors (Note 17)	1,637
Remuneration payable	1,171
Other payables (Note 13)	21,028
	<b>23,836</b>

Second Interim Dividend	30/09/06 (Thousands of Euros)
Profit before tax	52,685
Income tax provision	10,210
<b>Distributable profit</b>	<b>62,895</b>
Liquidity	30/09/06 (Thousands of Euros)
Cash	1,273
Current financial assets	218,023
Current account with Group companies	221,082
<b>Liquidity available</b>	<b>440,378</b>

#### **4. Accounting policies**

The principal accounting policies used by the Company in preparing its financial statements for 2006, in accordance with the Spanish National Chart of Accounts, were as follows:

##### **a) Start-up costs-**

“Start-up Costs” in the accompanying balance sheet at 31 December 2006 includes the costs incurred in the refurbishment of properties leased by the Company in order to increase its operating capacity and to continue performing the activities related to its company object (see Note 1).

These costs are amortised on a straight-line basis over five years, less than the term of the lease contract, and are recognised with a charge to “Depreciation and Amortisation Charge” in the accompanying income statement. The charge in this respect in 2006 was EUR 174 thousand (see Note 5).

##### **b) Intangible assets-**

Intangible assets, which basically include computer software, are carried at cost and amortised on a straight-line basis over four years. In 2006, amortisation amounted to EUR 329 thousand and the period charge was recognised under “Depreciation and Amortisation Charge” in the accompanying income statement for the year (see Note 6).

##### **c) Property, plant and equipment-**

Property, plant and equipment are stated at cost.

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

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

The Company depreciates its property, plant and equipment by the straight-line method at annual rates based on the following years of estimated useful life (see Note 7):

	Average Estimated Useful Life (Years)
Buildings	30
Plant and machinery	6.6
Other fixtures, tools and furniture	10
Transport equipment	5
Computer hardware	5

**d) Long- and Short-term investments-**

Long-term investments, none of which are listed, are valued at the lower of cost and consolidated underlying carrying amount, adjusted by the amount of the unrealised gains disclosed at the time of acquisition and still existing at a subsequent valuation, considering for these purposes an effective period of ten years. Consequently, the Company's financial statements do not reflect the changes that would arise from using consolidation or equity methods, as applicable, which are broken down in Note 2-a.

Loans and long-term guarantees and deposits given are carried at the amount effectively delivered.

The Company records provisions for the ownership interests whose cost is higher than the underlying carrying amount disclosed in the latest consolidated balance sheet available for the investees, calculated as indicated above.

Short-term financial investments, except treasury shares (see Note 4-e) are carried at the amount effectively delivered.

**e) Treasury shares-**

Treasury shares (see Note 8) are valued at the lower of cost or market price, where market price is the lowest of the following three amounts:

- market price at year-end
- average market price during the last quarter
- underlying carrying amount

The losses disclosed by the comparison of cost and market price, either market price at year-end or during the last quarter, are charged to "Losses on Transactions with Treasury Shares" in the income statement, and the additional loss disclosed if the underlying carrying amount is in turn lower than the market price or the price arising from the comparison of the cost price with the underlying carrying amount when the latter is lower than the market price, is charged to "Reserve for Treasury Shares" in the balance sheet.

Reversals of previously recorded losses as a result of subsequent valuation adjustments or disposals of treasury shares are credited to profit for the year or to reserves, depending on where they had previously been charged.

As a result of the admission to listing of its shares, the Company acquired 11,910,127 treasury shares, with a view to launching a public offering at a price of EUR 14 per share, with the commitment to pay

the difference between this price and that established for the minority tranche in the admission to listing (see Note 11). On completion of the public offering and corresponding settlement, the Company held 2,224,675 shares, equivalent to 1.78% of its share capital, with an acquisition cost of EUR 14.47 per share, once the definitive price became known (see Note 11). In accordance with the agreements entered into by Vocento and its offering shareholders regarding the non-transfer of shares. Vocento is required to hold these shares until at least 8 November 2007. The directors have stated that the shares will be sold on that date and, therefore, the treasury shares are included under "Short-Term Investments" in the accompanying balance sheet at 31 December 2006 (see Note 8).

Given that at year-end the cost of the treasury shares was lower than the market price but higher than the underlying carrying amount, the Company charged approximately EUR 22,979 thousand to "Reserves for Treasury Shares" in the accompanying balance sheet (see Note 11).

**f) *Deferred charges-***

"Deferred Charges" includes the finance costs related to certain debts incurred by the Company which are valued on the basis of the difference between the repayment value and the face value thereof.

These costs are allocated to income during the maturity period of the related debts and in accordance with the finance plan (see Note 9), with a charge to "Finance and Similar Costs – On Debts to Third Parties and Similar Costs" in the accompanying income statement.

**g) *Operating receivables and payables and non-trade payables -***

Operating receivables and payables are recognised at face value.

Non-trade payables are recognised at repayment value.

The Company follows the criteria of recording the necessary allowances for debts to cover balances which, according to their age and other matters, meet certain requirements for them to be considered doubtful receivables.

Accounts receivable and payable are classified in the accompanying balance sheet on the basis of the maturity date, where debts maturing in 12 months or less after the balance sheet date are considered short term.

**h) *Deferred income-***

"Deferred Income" in the accompanying balance sheet at 31 December 2006 includes the deferred income from collection rights.

This income is recognised in the income statement during the maturity period of the related collection rights and in accordance with the finance plan, with a credit to "Other Interest and Similar Income – Other Interest" in the accompanying income statement.

**i) *Provisions for pensions and similar obligations-***

The Company externalised all its pension obligations to employees in 2002, pursuant to Royal Decree 1588/1999, of 15 October, and no past services remained uncovered at 31 December 2006. The obligations are as follows:

- For employees from Grupo Correo de Comunicación subject to the collective labour agreement (see Note 1), supplementing in different percentages the retirement pension of the employees who joined the company before 1 January 1982, pursuant to Article 35 of the current collective

labour agreement. The employees entitled to this supplement may opt to receive a lump sum on retirement equal to 10 annuities of the corresponding amount discounted at an annual rate of 5%.

The foregoing obligation is covered by insurance policies in accordance with the related actuarial studies carried out on an individual basis and using, among other assumptions, a discount rate of 5.13% and PERM/F2000P mortality tables.

- For employees not subject to the collective labour agreement, supplementing the retirement and widowhood pensions by an amount determined on an individual basis.

These obligations are covered through defined benefit and defined contribution insurance policies, in accordance with the related actuarial studies, performed on a case-by-case basis and using, among other assumptions, a discount rate of 4% and GRM/F - 95 mortality tables and a discount rate of 3.11% and GRM/F – 95 mortality tables, respectively.

The net level premium reserves assigned to these obligations amount to EUR 3,676 thousand. This amount includes the related pension obligations of EUR 760 thousand to members of the Board of Directors who are also company employees.

- The collective labour agreement also establishes the obligation to pay certain long-service bonuses to employees on completion of 20, 30 and 40 years of service at the Company. To cover the liability accrued in this respect at 31 December 2006 the Company recorded a provision of approximately EUR 94 thousand under “Provisions for Contingencies and Charges” on the liability side of the accompanying balance sheet at that date (see Note 12).
- The Company also had obligations to employees from Prensa Española, S.A. (see Note 1) pursuant to the collective labour agreements in force on their retirement, whose terms have been maintained unchanged. These obligations were secured in 2000 by a group insurance policy with a prestigious insurance company where Prensa Española, S.A. was the policyholder and the retired employees the beneficiaries. The single premium of this policy amounted to approximately EUR 36,770 thousand and the Company decided to finance it in ten annual instalments, as permitted by Article 36 of the Regulations on the instrumentation of Pension Obligations to Employees and Beneficiaries, as follows:
  - Constant annual instalments of approximately EUR 4,767 thousand each, including the related deferral interest (see Note 9).
  - Financial surcharge for deferral, calculated using the discount rate used to calculate the net level premium.
  - The long-term portion of the total payment obligations to the insurance company, including financing interest, are included in the accompanying balance sheet under “Non-Current Liabilities – Other Payables” and the short-term portion is recorded under “Current Liabilities – Other Non-Trade Payables” (see Note 13). Unincurred interest is included under “Deferred Charges” in the accompanying balance sheet (see Notes 4-f and 9).

***j) Other provisions for contingencies and charges-***

The policy of Vocento, S.A. is to record provisions for contingencies and charges in order to cover probable or certain and quantifiable liabilities arising from litigation in progress, outstanding indemnity payments, obligations or expenses, collateral and other similar guarantees provided by the Company. The Company recorded a provision in this respect of approximately EUR 1,846 thousand under “Provisions for Contingencies and Charges” on the liability side of the accompanying balance sheet (see Note 12).

**k) Income tax-**

Since 1997, the Company has filed consolidated tax returns with certain Group companies specified in the Appendix, which entails the joint calculation of the taxable profit of the Group and the tax credits and tax relief (see Note 14).

The income tax-related expense or income is calculated on the basis of accounting profit before taxes, increased or decreased, as appropriate, by the permanent differences, which are taken to be the differences between profit before tax and taxable profit that do not reverse in subsequent periods. The Company capitalises deferred tax assets arising from timing differences only when they will be recovered within ten years and recognises, if any, the deferred tax liabilities arising from such timing differences.

Tax credits to avoid double taxation, tax incentives and tax relief on income tax applicable in the income tax return are capitalised when they arise, provided they will be recovered within ten years.

**l) Revenue and expense recognition -**

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

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

Dividends from equity investments are recognised on an accrual basis when the related managing body of the investee agrees the distribution (see Note 8).

**m) Termination benefits-**

Under current labour legislation, the Company is required to pay termination benefits to employees terminated under certain conditions.

In 2006, Vocento recognised termination benefits of EUR 2,053 thousand with a charge to "Staff Costs" (see Note 16) in the accompanying 2006 income statement, related to the indemnity agreed with the former deputy chairman and managing editor (see Note 17).

The Company's directors do not anticipate any significant dismissals or terminations in the future and therefore did not record any provisions in this respect in the balance sheet at 31 December 2006.

**n) Share-based payment-**

On 5 September 2006, the shareholders at the Annual General Meeting resolved to approve an incentive plan, tied to the value of Vocento's shares, targeted at Vocento's executive directors, senior executives and executives, who total approximately 66. The plan consists of the establishment of a single variable remuneration payment in cash and tied to the performance of the share price over a period of three years from the date on which the Company's shares were admitted to listing and conditional upon the achievement of a given increase in the Group's EBITDA, with a cash amount corresponding to each management level.

The amount of the variable remuneration will be equal to the result of multiplying the number of reference shares corresponding to the executive, by the positive difference between the share flotation price and the share price three years later, adjusted by a factor which depends on the degree to which the EBITDA increase target is met. The maximum number of reference shares will be 1,230,000 shares, of which a maximum of 60,000 reference shares can be allotted to the executive director.

The Company accrues for these future payments, on the basis of the valuation of the plan at 31 December each year, as a result of which EUR 49 thousand were charged to "Staff Costs" in the accompanying income statement (see Note 16).

To value this plan, the Black-Scholes valuation method was used to value the transactions and the main assumptions used were as follows:

Principal Assumptions	31 December 2006
Plan exercise price	€15.00
Price at quarterly closing	€14.70
Risk-free interest rate	3.87%
Volatility	18.00%
Estimated dividend rate	3.00%
Staff rotation	3.00%
Probability of meeting the EBITDA target	100.00%

## **5. Start-up costs**

The changes in "Start-Up Costs" in 2005 were as follows:

	Thousands of Euros			
	31/12/05	Additions	Amortisation	31/12/06
Start-up costs	488	109	(174)	423
<b>Total</b>	<b>488</b>	<b>109</b>	<b>(174)</b>	<b>423</b>

In 2006 the Company capitalised approximately EUR 109 thousand relating to the costs incurred in refurbishing a property leased by the Company (see Note 7).

## **6. Intangible assets**

The changes in "Intangible Assets" in 2006 were as follows:

	Thousands of Euros				
	Balance at 31/12/05	Additions/ (Charge for the Year)	Disposals	Transfers	Balance at 31/12/06
<b>Cost:</b>					
Computer software	1,088	168		354	1,610
Trademarks	27	-	-	-	27
Advances on intangible assets	96	503	(245)	(354)	-
<b>Total cost</b>	<b>1,211</b>	<b>671</b>	<b>(245)</b>	<b>-</b>	<b>1,637</b>
<b>Accumulated amortisation:</b>					
Computer software	(81)	(329)	-	-	(410)
<b>Total accumulated amortisation</b>	<b>(81)</b>	<b>(329)</b>	<b>-</b>	<b>-</b>	<b>(410)</b>
<b>Total net cost</b>	<b>1,130</b>	<b>342</b>	<b>(245)</b>	<b>-</b>	<b>1,227</b>

The additions relate to certain management software purchased by the Company in 2006.

At 31 December 2006, the cost and accumulated amortisation of the fully amortised intangible assets in use amounted to EUR 31 thousand.

## **7. Property, plant and equipment**

The changes in various property, plant and equipment accounts and the related accumulated depreciation in 2006 were as follows:

	Thousands of Euros		
	Balance at 31/12/05	Additions/ (Charge for the Year)	Balance at 31/12/06
<b>Cost:</b>			
Land and buildings	2,373	-	2,373
Plant and machinery	538	-	538
Other fixtures, tools and furniture	2,125	15	2,140
Other items of property, plant and equipment-			
Transport equipment	372	55	427
Computer hardware	219	195	414
Advances and property, plant and equipment in the course of construction	20	-	20
<b>Total cost</b>	<b>5,647</b>	<b>265</b>	<b>5,912</b>
<b>Accumulated depreciation:</b>			
Buildings	(596)	(71)	(667)
Plant and machinery	(530)	(2)	(532)
Other fixtures, tools and furniture	(961)	(208)	(1,169)
Other items of property, plant and equipment-			
Transport equipment	(293)	(42)	(335)
Computer hardware	(172)	(60)	(232)
<b>Total accumulated depreciation</b>	<b>(2,552)</b>	<b>(383)</b>	<b>(2,935)</b>
<b>Total net cost</b>	<b>3,095</b>	<b>(118)</b>	<b>2,977</b>

The building in Zamudio in which the Company's registered office is situated, whose cost is recorded under "Property, Plant and Equipment – Land and Buildings" was built on land owned by Bilbao Editorial Producciones, S.L.U. (see Appendix) pursuant to a surface rights agreement in exchange for a consideration that can be reviewed annually. This consideration amounted to EUR 21 thousand in 2006 and the term of the agreement is 99 years measured from 1 June 1998, the date on which the building was delivered. On termination of the agreement, the buildings will become the property of Bilbao Editorial Producciones, S.L.U. for no consideration. At 31 December 2006 the carrying amount of this item of property, plant and equipment was EUR 1,706 thousand.

At 31 December 2006, the cost and accumulated depreciation of the fully depreciated items of property, plant and equipment in use amounted to EUR 1,063 thousand.

At 31 December the Company's property, plant and equipment was adequately covered by the related insurance policies.

## **8. Long- and short-term investments**

The detail and changes in this heading on the asset side of the balance sheet at 31 December 2006 are as follows:

	Thousands of Euros			
	31/12/05	Additions/ (Change in Provisions)	Disposals	31/12/06
Investments in Group companies (Note 10 and Appendix)	358,800	87,000	-	445,800
Long-term tax receivables (Note 14)	5,995	-	(1,199)	4,796
Guarantees and deposits given	10	-	-	10
<b>Total cost</b>	<b>364,805</b>	<b>87,000</b>	<b>(1,199)</b>	<b>450,606</b>
Less- Provisions for investments in Group companies	(136,427)	(20,455)	-	(156,882)
	<b>228,378</b>	<b>66,545</b>	<b>(1,199)</b>	<b>293,724</b>

#### Investments in Group companies-

The detail of the most significant investments in Group companies and associates at 31 December 2006 can be summarised as follows (see Appendix):

	Thousands of Euros				
	Carrying Amount	Share Capital (* )	Reserves (* )	Profit (Loss) for 2006 (* )	Dividends Received by Vocento, S.A. in 2006 (Note 14)
<b>Group companies-</b>					
Corporación de Medios Regionales, S.L.U.	56,123	27,769	57,472	34,568	25,000
Corporación de Medios Internacionales de Prensa, S.A.U.	29,860	60	29,664	136	-
Corporación de Medios de Nuevas Tecnologías, S.L.U.	3,494	555	1,677	(599)	-
Corporación de Nuevos Medios Audiovisuales, S.L.U.	40,778	40,739	121,244	33,844	90,000
Corporación de Medios de Comunicación, S.L.U.	47,128	10,000	44,440	203	-
Diario ABC, S.L.	44,601	6,100	36,680	1,820	-
Corporación de Nuevos Medios Digitales, S.L.U.	66,934	1,500	87,578	(20,043)	-
	<b>288,918</b>	<b>86,723</b>	<b>378,755</b>	<b>49,929</b>	<b>115,000</b>

(\* ) This information refers to the individual unconsolidated financial statements for the respective companies at 31 December 2006.

### Corporación de Nuevos Medios Digitales, S.L.U.-

In March 2006, the Company subscribed the capital increase of EUR 87,000 thousand carried out by Corporación de Nuevos Medios Digitales, S.L.U.

#### Short-term investments-

The breakdown of "Short-Term Investments" in the accompanying balance sheet at 31 December 2006 is as follows:

	Thousands of Euros
Balances with Group companies (Note 10)	57,893
Treasury shares (Notes 4-e and 11)	9,211
<b>Total</b>	<b>67,104</b>

The estimated maturity of the investments in the foregoing table is less than one year.

#### 9. Deferred charges

The detail and changes in "Deferred Charges" in the 2006 balance sheet were as follows (see Notes 4-f, 13 and 15):

	Thousands of Euros		
	Balance at 31/12/05	Allocation to Profit/Loss	Balance at 31/12/06
Finance costs-Group insurance (Notes 4-I and 13)	2,984	(1,031)	1,953
Termination benefits payable (Notes 4-m and 13)	3	(3)	-
	<b>2,987</b>	<b>(1,034)</b>	<b>1,953</b>

The breakdown of finance costs relating to the group insurance policy at 31 December 2006, on the basis of the settlement or payment date, is as follows:

Year of Payment	Thousands of Euros
2007	828
2008	610
2009	379
2010	136
	<b>1,953</b>

#### 10. Balances with related parties

The Company's balances with related parties at 31 December 2006 is as follows (see Appendix):

	Thousands of Euros			
	Receivables	Short-Term Investments (Note 8)	Short-Term Payables	Long-Term Payables
Corporación de Nuevos Medios Audiovisuales, S.L.U.	-	15,778	-	-
Diario El Correo, S.A.U.	-	10,210	22	-
Bilbao Editorial Producciones, S.L.U.	-	918	10	-
CM Norte, S.L.U.	-	102	-	-
Sociedad Vascongada de Publicaciones, S.A.	-	5,475	-	-
Sociedad Vascongada de Producciones, S.L.U.	-	-	18	-
Sarnet, S.A.	-	802	-	-
Distribuciones Comecosa, S.A.U.	-	467	-	-
Comerresa País Vasco, S.L.U.	-	302	-	-
Servicios Redaccionales Bilbainos, S.L.U.	-	26	-	-
Corporación de Medios Regionales, S.L.U.	-	23,012	-	160,934
Corporación de Medios de Nuevas Tecnologías, S.L.U.	-	-	990	-
Corporación de Medios Radiofónicos Digitales, S.A.	-	-	105	-
Corporación de Medios Internacionales de Prensa, S.A.U.	-	148	-	-
Taller de Editores, S.A.	22	-	-	-
Canal Bilbovisión, S.L.	-	-	237	-
Radio El Correo, S.L.U.	-	-	64	-
El Correo Digital, S.L.U.	-	44	-	-
Vocento Media Trader, S.L.U.	-	154	9	-
Sector MD, S.L.	-	-	1	-
Diario ABC, S.L.	14	-	47	-
Radio Tele Basconia, S.A.	-	16	-	-
Corporación de Medios de Comunicación, S.L.U.	-	59	-	-
Álava Televisión, S.L.	-	-	255	-
Federico Domenech, S.A.	1	-	-	-
Viapolis, S.L.U.	-	-	27	-
Veralia, Corporación de Productoras de Cine y Televisión, S.L.	-	-	2,964	-
Advernet, S.L.	-	-	-	-
Avista Televisió de Barcelona, S.L.	-	-	-	-
Comercial Multimedia Vocento S.A.U.	-	-	332	-
Comeco Impresión, S.L.U.	-	-	96	-
Victor Steinberg y Asociados, S.L.	-	-	19	-
La Trastienda Digital S.A.U.	-	-	5	-
Durango Telebista S.L.	-	-	3	-
	<b>37</b>	<b>57,513</b>	<b>5,204</b>	<b>160,934</b>

The short-term accounts payable to Group companies and associates and the amounts included under "Short-Term Investments" were disclosed basically as a result of paying income tax under the consolidated tax regime from the amounts allocated by the Parent, Vocento, S.A., to its subsidiaries (see Note 14). These amounts include the unused tax credits of the various companies, which were recorded under "Tax Receivables" in their respective balance sheets.

Long-term accounts payable includes the current account balance with Corporación de Medios Regionales, S.L.U. The Company also holds a current account with Corporación de Nuevos Medios Audiovisuales, S.L.U., which had not been drawn down at 31 December 2006.

The related current account contracts are renewed automatically for six-month periods unless the parties expressly waive the contract. The Company's directors consider that this balance will not be called in the short term. The accounts receivable generate a return calculated on the basis of average three-month EURIBOR + 0.3 points, whereas accounts payable give rise to finance costs of average three-month EURIBOR + 0.6 points.

## **11. Equity**

The changes in "Equity" in the accompanying 2006 balance sheet are as follows:

	Thousands of Euros							
	Share Capital	Share Premium	Legal Reserve	Reserve for Treasury Shares (Notes 4-e and 8)	Voluntary Reserve	Profit for the Year	Interim Dividend	Total Equity
<b>Balance at 31 December 2005</b>	<b>24,994</b>	<b>9,516</b>	<b>4,999</b>	<b>9</b>	<b>91,309</b>	<b>40,338</b>	<b>(8,000)</b>	<b>163,165</b>
Distribution of profit	-	-	-	-	15,338	(40,338)	8,000	(17,000)
Interim dividend (Note 3)	-	-	-	-	-	-	(45,000)	(45,000)
Acquisition of treasury shares	-	-	-	32,181	(32,181)	-	-	-
Provision for treasury shares (Note 4-e)	-	-	-	(22,979)	-	-	-	(22,979)
2006 profit/loss	-	-	-	-	-	79,500	-	79,500
<b>Balance at 31 December 2006</b>	<b>24,994</b>	<b>9,516</b>	<b>4,999</b>	<b>9,211</b>	<b>74,466</b>	<b>79,500</b>	<b>(45,000)</b>	<b>157,686</b>

EUR 17,000 thousand of 2006 profit was allocated to the final dividend.

### **Share capital-**

At 31 December 2006, the share capital of Vocento, S.A. amounted to EUR 24,994 thousand and consisted of 124,970,306 fully subscribed and paid book-entry shares of EUR 0.2 par value each.

At 31 December 2006 the only shareholder with an ownership interest of 10% or more was Mezouna, S.A., which owns 10.38% of the share capital.

The Parent has been listed on Bilbao, Madrid, Barcelona and Valencia Stock Exchanges and on the Spanish computerised trading system (continuous market) since 8 November 2006.

### **Share premium-**

The Consolidated Spanish Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

### **Legal reserve-**

Under the Consolidated Spanish Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The Company reached this limit in December 2006. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

### Treasury shares-

The detail of the treasury shares and of the changes therein in 2006 is as follows:

	Thousands of Euros	Number of Shares
<b>Balance at 31 December 2005</b>	<b>9</b>	<b>7,339</b>
Acquisition of treasury shares	166,742	11,910,127
Disposals in the public offering	(135,720)	(9,692,791)
Expenses related to listing	1,159	-
Provision for decline in value	(22,979)	-
<b>Balance at 31 December 2006</b>	<b>9,211</b>	<b>2,224,675</b>

Pursuant to the Consolidated Companies Law, the Company keeps a restricted reserve for an amount equal to the value of the treasury shares held by the Company. In any evaluation of the Company's equity at 31 December 2006, the balance of treasury shares under "Short-Term Investments" on the asset side of the accompanying balance sheet (see Notes 4-e and 8) should be deducted from the Company's equity figure at that date.

### 12. Provisions for contingencies and charges

The detail of "Provisions for Contingencies and Charges" on the liability side of the accompanying balance sheet at 31 December 2006 and of the changes therein in 2006 is as follows:

	Thousands of Euros		
	Provisions for pensions and similar obligations (Note 4-i)	Other provisions (Note 4-j)	Total
<b>Balance at 31 December 2005</b>	<b>192</b>	<b>1,796</b>	<b>1,988</b>
Additions (Notes 1 and 16)	3,508	50	3,558
<b>Balance at 31 December 2006</b>	<b>3,700</b>	<b>1,846</b>	<b>5,546</b>

The additions to "Provisions for Pensions and Similar Obligations" relate basically to the estimated payment to the Chairman that the directors calculate will be made in 2008 (Notes 1 and 4-i).

### 13. Other payables

The detail of "Non-Current Liabilities – Other Payables" in the accompanying balance sheet at 31 December 2006 and "Other Payables" in the breakdown in Note 2-b is as follows:

	Thousands of Euros		
	Long Term	Short Term (Note 2-b)	Total
Group insurance (Note 4-i)	14,301	4,767	19,068
Termination benefits payable (Note 4-m)	-	23	23
Development of technological projects	29	481	510
Long-term taxes payable (Note 14)	6,561	-	6,561
Interim dividends payable (Note 3)	-	15,757	15,757
	<b>20,891</b>	<b>21,028</b>	<b>41,919</b>

#### **Group insurance-**

On 10 May 2000, Prensa Española, S.A. (Note 1) reached an agreement with its employees' representatives whereby a group insurance policy was taken out in order to instrumentalise the company's pension obligations to its retired employees. Thus, the Company's only current and future liability is payment of the single premium, amounting to EUR 36,770 thousand. Given that Prensa Española, S.A. deferred payment thereof in ten annual instalments (the first was paid on 2 January 2001), the annual payments amount to EUR 4,767 thousand and include the interest implicit in the deferral. These amounts are recognised under "Deferred Charges" in the accompanying balance sheet at 31 December 2006 (see Notes 4-i and 9).

#### **Development of technological projects-**

The Company has received interest-free loans from the Ministry of Industry, Trade and Tourism amounting to EUR 510 thousand as aid for the development of technological projects and mature in 2007 (EUR 481 thousand) and 2008 (EUR 29 thousand).

#### **14. Deferred taxes and income tax expense**

Vocento, S.A. and certain of its subsidiaries subject to Vizcaya corporation tax legislation pay income tax under the Special Consolidated Tax Regime, with Vocento, S.A. as the Parent of the Group (see Appendix). The notification of the composition of the Tax Group for 2006 was submitted to the Vizcaya Provincial Department of Economy and Finance on 30 December 2006.

The special regime provided for in Chapter X, Title VIII of the Provincial Corporation Tax Law 3/1996, of 26 June, and Chapter VIII, Title VIII of the Spanish Corporation Tax Law 43/1995, of 27 December was applied to the merger of Vocento, S.A. (then Grupo Correo de Comunicación, S.A.) and Prensa Española, S.A. in 2001. The references to the merger transaction required under the aforementioned laws are detailed in the notes to the financial statements for the year ended 31 December 2001. The transfer *en bloc* in 2002 of the assets and liabilities of Prensa Española de Locales, S.L.U. was also carried out under this special regime (see Note 1).

At 31 December 2006, the "Tax Receivables" and "Taxes Payable" under current assets and current liabilities in the accompanying balance sheet were as follows:

Description	Thousands of Euros	
	Assets	Liabilities
VAT	645	-
Income tax	1,586	208
Income tax assets	11,589	-
Personal income tax withholdings	-	195
Other taxes	-	20
	<b>13,820</b>	<b>423</b>

The detail and changes in income tax credits and deferred tax assets and liabilities are as follows:

	Thousands of Euros				
	31/12/05	Additions	Amounts Used	Transfers	31/12/06
<b>Long-term income tax assets (Note 8)-</b>					
Deferred tax assets	5,995	-	-	(1,199)	4,796
<b>Total long term</b>	<b>5,995</b>	<b>-</b>	<b>-</b>	<b>(1,199)</b>	<b>4,796</b>
<b>Short-term income tax assets-</b>					
Tax loss carryforwards	10,010	4,154	(4,038)	-	10,126
Deferred tax assets	1,271	-	(1,199)	1,199	1,271
Other tax credit carryforwards	-	192	-	-	192
<b>Total short term</b>	<b>11,281</b>	<b>4,346</b>	<b>(5,237)</b>	<b>1,199</b>	<b>11,589</b>
<b>Total ASSETS</b>	<b>17,276</b>	<b>4,346</b>	<b>(5,237)</b>	<b>-</b>	<b>16,385</b>
<b>Long-term deferred tax liabilities (Note 13)</b>	<b>(7,279)</b>	<b>-</b>	<b>718</b>	<b>-</b>	<b>(6,561)</b>
<b>Total LIABILITIES</b>	<b>(7,279)</b>	<b>-</b>	<b>718</b>	<b>-</b>	<b>(6,561)</b>

The income tax expense and income tax receivable was calculated as follows:

	Thousands of Euros
Accounting profit (before tax) – Profit	60,428
Permanent differences:	
- Elimination of duplicated tax asset for capitalised tax losses ⇒ Portfolio provisions Diario ABC, S.L. (Note 8)	(1,820)
- Portfolio provisions of tax group companies (Nota 8)	268
- Other non-deductible expenses	732
- Elimination of tax group dividends (Note 8)	(115,000)
Prior years' timing differences:	
- Group insurance policy (Notes 9 and 13)	(3,678)
- Elimination of duplicated tax asset for capitalised tax losses ⇒ Diario ABC, S.L. (Note 8)	1,820
<b>Gross taxable base</b>	<b>(57,250)</b>
<b>Offset of Group taxable base</b>	<b>(12,389)</b>
<b>Net taxable base</b>	<b>(69,639)</b>

“Elimination of duplicated tax asset for capitalised tax losses” relates to the accounting elimination of the tax income from the portfolio provisions of Group companies that capitalised tax loss carryforwards, where this amount corresponds to the reversal made as a result of the profit obtained by Diario ABC, S.L. in 2006.

“Other Non-Deductible Expenses” relates to the estimated insurance premium payable for management and contributions to pension plans for employees not subject to a collective labour agreement (see Note 4-i). This expense will be deductible on payment of the aforementioned pensions.

“Income Tax” in the accompanying income statement for 2006 includes income of EUR 340 thousand arising from the difference between estimated income tax for the previous year and the return actually filed.

“Offset of Group Taxable Profit” arises from tax losses which were offset by the Company. The tax losses available for carryforward are as follows:

	Thousands of Euros
Vocento, S.A. 2001 tax losses	31,061
	<b>31,061</b>

In addition, as the head of the tax group, the Company includes an amount for the contribution of the various Tax Group companies relating to income tax, which stood at EUR 22,708 thousand at 31 December 2006.

At 31 December 2006, the last three years were open for review for all taxes applicable to Vocento, S.A., 2003 onwards for income tax and 2004 onwards for all other taxes for the absorbed company Prensa Española, S.A., and 2002 onwards for all taxes applicable to Prensa Española de Locales, S.L.U.

On 31 December 2005, Vizcaya Decree 1/2005, of 30 December, was published. This Decree amended Vizcaya Corporation Tax Regulation 3/1996, of 26 June and increased the standard Vizcaya corporation tax rate to 32.6%, up one-tenth of a percentage point with respect to the rate applicable until that date which had been held to be null and void by the Spanish Supreme Court and by the Basque Country High Court. However, a provision was included whereby if the courts conclude that the provincial institutions may establish a standard tax rate of 32.5% the Vizcaya Provincial Government may take appropriate measures to restore the pre-existing legal situation. In this regard, in 2006 Basque Country High Court declared the aforementioned tax rate of 32.6% to be null and void. This Decree is effective for the tax periods ended on or after 14 March 2005.

In view of the varying interpretations that the tax and judicial authorities may make of the tax legislation applied by Vocento, S.A., contingent tax liabilities which cannot be objectively quantified may exist for the years open for review. However, the Company's directors and legal advisers consider that the possibility of such contingent liabilities becoming actual is remote and, in any event, they would not have a material effect on the financial statements of Vocento, S.A.

#### **15. Bank borrowings**

The changes in "Non-Current Liabilities – Bank Borrowings" in the 2006 balance sheet are as follows:

	Thousands of Euros
<b>Balance at 31 December 2005</b>	<b>17,707</b>
Retirements	(13,182)
<b>Balance at 31 December 2006</b>	<b>4,525</b>

The breakdown of the balances of "Non-Current Liabilities – Bank Borrowings" and "Current Liabilities – Bank Borrowings" in the accompanying balance sheet at 31 December 2006 is as follows:

	Maturity	Interest Rate	Limit Granted	Thousands of Euros	
				Balance Drawn Down at 31/12/06	
				Long Term	Short Term
Credit facilities-					
Banco Bilbao Vizcaya Argentaria, S.A.	2009	EURIBOR+spread (*)	30,000	1,075	84
Bilbao Bizkaia Kutxa	2009	EURIBOR+spread (*)	14,500	-	40
Banco Guipuzcoano, S.A.	2009	EURIBOR+spread (*)	11,667	-	10
Caja Madrid	2009	EURIBOR+spread (*)	21,000	3,428	-
Banco Español de Crédito, S.A.	2008	EURIBOR+spread (*)	10,000	22	-
				<b>4,525</b>	<b>134</b>

(\*) The spread of the credit facilities ranges from 0.30% to 0.55%

The credit facilities in the foregoing table were guaranteed personally by the Company and are shared by the Company and Corporación de Medios Regionales, S.L.U. and Corporación de Nuevos Medios Audiovisuales, S.L.U. (see Notes 8 and Appendix), with a combined limit at each financial institution. The individual limit assigned to the Company is, initially, the amount included in the foregoing table although the aforementioned companies may opt to modify the limits set for each one by mutual agreement and with the approval of the related financial institution.

In addition, the Company has other credit facilities similar to those described above with a limit at 31 December 2006 of EUR 51,667 thousand.

## **16. Income and expenses**

### **Staff costs-**

The breakdown of "Staff Costs", in the accompanying income statement is as follows:

	Thousands of Euros
Wages and salaries	4,083
Termination benefits	2,053
Employee benefit costs	213
Other employee welfare costs	679
	<b>7,028</b>

The average number of employees in 2006, by professional category, was as follows:

	Average number of employees
Executives	11
Employees	9
	<b>20</b>

### **Transactions with Group companies-**

The most significant transactions with Group companies in 2006, in addition to those described in Notes 8 and 10, consisted basically of monthly billings to the newspapers that form part of the Group (see Appendix) for the rendering of general services. These billings amounted to EUR 906 thousand and were recognised under "Other Operating Income – Non-Core and Other Current Operating Income" in the accompanying income statement.

### **Extraordinary expenses –**

The Company incurred a series of extraordinary expenses amounting to approximately EUR 12,642 thousand as a result of the flotation of the Company. This amount includes the fees paid to the Group's principal auditor (see Note 11).

## **17. Remuneration of directors**

The remuneration, including salaries and other expenses, earned in all connections by the members of the Board of Directors in 2006 amounted to approximately EUR 4,326 thousand, of which approximately EUR 1,637 thousand relate to the directors' share in profit for the year (see Notes 2-b and 4-i).

REMUNERATION OF DIRECTORS

(Thousands of Euros)

	Attendance Fees		Profit-Sharing Payment	Contributions to Pension Plans Life Insurance and Other	Termination Benefits	Remuneration of Directors for Senior Executive Functions		TOTAL
	Board of Direct.	Committees				Fixed	Variable	
<b>DIRECTORS AT 31 DECEMBER 2006</b>								
D. Santiago de Ybarra y Churruca	14	13	613	-	-	-	-	640
D. Alejandro Echevarría Busquet	13	17	60	175	1,000	169	-	1,434
D. José María Bergareche Busquet	14	8	60	61	-	685	248	1,076
D. Enrique de Ybarra e Ybarra	14	8	60	-	-	-	-	82
Mezouna (D. Ignacio Ybarra Aznar)	6	3	60	-	-	-	-	69
D. Santiago Bergareche Busquet	14	13	60	-	-	-	-	87
D. Victor Urrutia y Vallejo	11	12	60	-	-	-	-	83
D. Claudio Aguirre Pemán	7	3	60	-	-	-	-	70
Dña. Catalina Luca de Tena García-Conde	14	7	60	-	-	-	-	81
Dña. Soledad Luca de Tena García-Conde	14	18	60	-	-	-	-	92
D. Alvaro Ybarra Zubiria	14	14	60	-	-	-	-	88
Dña. María del Carmen Careaga	11	-	41	-	-	-	-	52
D. Diego del Alcazar Silvela	11	-	41	-	-	-	-	52
ATLAN PRESSE, S.A.R.L.	14	-	41	-	-	-	-	55
D. Carlos Castellanos Borrego	8	-	41	-	-	-	-	49
<b>Total directors at 31 December 2006</b>	<b>179</b>	<b>116</b>	<b>1,377</b>	<b>236</b>	<b>1,000</b>	<b>854</b>	<b>248</b>	<b>4,010</b>
<b>DIRECTORS REMOVED DURING THE YEAR</b>								
D. Emilio de Ybarra y Churruca	6	7	60	-	-	-	-	73
D. Juan Entrecanales de Azcárate	12	-	40	-	-	-	-	52
D. Nemesio Fernández Cuesta Luca de Tena	3	4	60	-	-	-	-	67
D. Santiago Eguidazu Mayor	7	10	60	-	-	-	-	77
D. Juan Carlos Guerra Zunzunegui	7	-	40	-	-	-	-	47
<b>Total directors removed during the year</b>	<b>35</b>	<b>21</b>	<b>260</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>316</b>
<b>TOTAL REMUNERATION OF DIRECTORS</b>	<b>214</b>	<b>137</b>	<b>1,637</b>	<b>236</b>	<b>1000</b>	<b>854</b>	<b>248</b>	<b>4,326</b>

Pursuant to Article 127 ter.4 of the Spanish Companies Law, introduced by Law 26/2003, of 17 July, which amends Securities Market Law 24/1988, and the Consolidated Companies Law, in order to reinforce the transparency of listed corporations, following is a detail of the companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Vocento, S.A. in which the members of the Board of Directors own equity interests and of the functions, if any, that they discharge at those companies.

<b>Owner</b>	<b>Investee</b>	<b>Activity</b>	<b>Ownership Interest</b>	<b>Functions</b>
Santiago de Ybarra y Churruca	Sociedad Vascongada de Publicaciones, S.A.	Newspaper publishing	0.7163%	Chairman
Santiago de Ybarra y Churruca	Diario ABC, S.L.	Newspaper publishing	0.0002 %	Director
José María Bergareche Busquet	Sociedad Vascongada de Publicaciones, S.A.	Newspaper publishing	0.2779 %	First Deputy Chairman
Alejandro Echevarría Busquet	Sociedad Vascongada de Publicaciones, S.A.	Newspaper publishing	0.1072 %	Director
Alejandro Echevarría Busquet	Diario ABC, S.L.	Newspaper publishing	0.0002 %	Director
Alejandro Echevarría Busquet	Gestevisión Telecinco, S.A.	Television	0.0023 %	Chairman
Diego del Alcázar Silvela	Mercared, S.A.	Publications	0.74 %	-
Santiago Bergareche Busquet	Sociedad Vascongada de Publicaciones, S.A.	Newspaper publishing	0.2042%	-
Catalina Luca de Tena García-Conde	Diario ABC, S.L.	Newspaper publishing	0.0002 %	Chairman
Catalina Luca de Tena García-Conde	Sociedad Vascongada de Publicaciones,S.A.	Newspaper publishing	0.0235 %	-
Catalina Luca de Tena García-Conde	Ediciones Luca de Tena, S.L.	Book publishing	95%	Sole Director
Soledad Luca de Tena García-Conde	Diario ABC, S.L.	Newspaper publishing	0.0002 %	Deputy Chairman
Álvaro de Ybarra Zubiria	Sociedad Vascongada de Publicaciones, S.A.	Newspaper publishing	0.0135%	-
Atlanpresse S.A.R.L.	S.E.P.L.	Press	99.99%	-
Atlanpresse S.A.R.L.	Dordogne Libre	Press	99.98%	-
Atlanpresse S.A.R.L.	Les Editions du Bassin	Press	99.00%	-
Atlanpresse S.A.R.L.	Les Editions de la Semaine	Press	100.00%	-
Atlanpresse S.A.R.L.	Surf Session	Press	100.00%	-
Atlanpresse S.A.R.L.	Societe de Gratuit D'Information	Press	75%	-
Atlanpresse S.A.R.L.	SNEM	Press	5%	-
Carlos Castellanos Borrego	Recoletos	Media	0.0023%	-
Carlos Castellanos Borrego	Pearson	Media	0.0055%	-

Also, as provided for by the aforementioned Law, set forth below are the activities additional to those stated in the foregoing table performed by the directors, as independent professionals or as employees, that are identical, similar or complementary to the activity that constitutes the company object of Vocento, S.A.:

<b>Name</b>	<b>Activity Performed</b>	<b>Type of Arrangement</b>	<b>Company through which the Activity is Performed</b>	<b>Positions or Functions at the Company Concerned</b>
<b>Santiago de Ybarra y Churruca</b>				
Diario El Correo, S.A.U.	Newspaper publishing	Independent professional	-	Chairman
Corporación de Medios de Murcia, S.A.	Newspaper publishing	Independent professional	-	Director
El Norte de Castilla, S.A.	Newspaper publishing	Independent professional	-	Director
<b>José María Bergareche Busquet</b>				
Diario ABC, S.L.	Newspaper publishing	Independent professional	-	Director
Diario El Correo, S.A.U.	Newspaper publishing	Independent professional	-	Director
Gestevisión Telecinco, S.A.	Television	Independent professional	-	Director
Radio Publi, S.L.	Radio	Independent professional	-	Chairman
<b>Alejandro Echevarría Busquet</b>				
Diario El Correo, S.A.U.	Newspaper publishing	Independent professional	-	Director
Editorial Cantabria, S.A.	Newspaper publishing	Independent professional	-	Director
Agencia de Televisión Latinoamericana de Servicios y Noticias España, S.A.	News agency	Independent professional	-	Chairman
Publiespaña, S.A.	Advertising sales	Independent professional	-	Chairman
<b>Santiago Bergareche Busquet</b>				
Corporación de Medios de Murcia, S.A.	Newspaper publishing	Independent professional	-	Director
<b>Soledad Luca de Tena García-Conde</b>				
Grupo Europroducciones, S.A.	Audiovisual production	Independent professional	-	Director
Sociedad Gestora de TV Onda 6, S.A.U.	Televisión	Independent professional	-	Director
Radio Publi, S.L.	Radio	Independent professional	-	Director
Diario el Correo, S.A.U.	Newspaper publishing	Independent professional	-	Director
Corporación de Medios de Cadiz, S.L.U.	Newspaper publishing	Independent professional	-	Director
Federico Doménech, S.A.	Newspaper publishing	Independent professional	-	Director
ABC de Sevilla, S.L.	Newspaper publishing	Independent professional	-	Director
<b>Catalina Luca de Tena García-Conde</b>				

ABC de Sevilla, S.L.	Newspaper publishing	Independent professional	-	Chairman
<b>Victor Urrutia y Vallejo</b>				
Diario el Correo, S.A.U.	Newspaper publishing	Independent professional	-	Director
El Norte de Castilla, S.A.	Newspaper publishing	Independent professional	-	Director
<b>Enrique de Ybarra e Ybarra</b>				
Corporación de Medios de Andalucía,S.A.	Newspaper publishing	Independent professional	-	Director
Diario El Correo, S.A.U.	Newspaper publishing	Independent professional	-	Director
Editorial Cantabria, S.A.	Newspaper publishing	Independent professional	-	Director
El Comercio, S.A.	Newspaper publishing	Independent professional	-	Director
Nueva Rioja, S.A.	Newspaper publishing	Independent professional	-	Director
Sociedad Vascongada de Publicaciones, S.A.	Newspaper publishing	Independent professional	-	Director
<b>Carlos Castellanos Borrego</b>				
Diario El Correo, S.A.U.	Newspaper publishing	Independent professional	-	Director
<b>Diego del Alcázar Silvela</b>				
Diario ABC, S.L.	Newspaper publishing	Independent professional	-	Director
ONO, S.A.	Telecommunications	Independent professional	-	Director
<b>Heléne Lemoine</b>				
Groupe Sud Ouest, S.A.	Newspaper publishing	Employee	Atlan Presse, S.A.R.L.	Director
SAPESO, S.A.	Newspaper publishing	Employee	Atlan Presse, S.A.R.L.	Sole Director

#### **18. Fees paid to auditors**

“Other Operating Expenses – Administration” and “Extraordinary Expenses” in the accompanying income statement for 2006 include fees for auditing the Company’s financial statements of approximately EUR 285 thousand and EUR 594 thousand, respectively. The fees of the principal auditor for auditing the financial statements of the various companies comprising the Group and its subsidiaries amounted to EUR 1,991 thousand in 2006. “Other Operating Expenses – Administration” also includes EUR 751 thousand for other advisory services provided to the Group by the auditor.

#### **19. Guarantee commitments to third parties**

At 31 December 2006, the Company had granted guarantees to various financial institutions totalling approximately EUR 27,138 thousand, of which approximately EUR 2,739 thousand relate to aid for the development of technological projects from the Ministry of Industry, Trade and Tourism, EUR 21,931 thousand to secure guarantees given by other Group companies and EUR 2,468 thousand to other items.

## 20. Statement of changes in financial position

The statements of changes in financial position for the years ended 31 December 2006 and 2005 are as follows:

APPLICATION OF FUNDS	Thousands of Euros		SOURCE OF FUNDS	Thousands of Euros	
	2006	2005 (*)		2006	2005 (*)
Non-current asset additions:			Funds obtained from operations	104,040	45,379
- Start-up costs (Note 5)	109	338			
- Intangible assets (Note 6)	671	1,136	Non-current asset disposals:		
- Property, plant and equipment (Note 7)	265	832	- Intangible assets (Note 6)	245	4
- Long-term investments (Note 8)	87,000	9,243			
Repayment or transfer to short term of non-current liabilities (Notes 9 and 13)	18,429	55,018	Write-off or transfer to short term of tax asset (Note 14)	1,199	1,195
Dividends (Note 11)	62,000	22,000	Arrangement of long-term bank borrowings	-	4,434
Decline in value of treasury shares (Notes 4-e and 11)	22,979	-	Repayment of loans to Group companies	-	5,532
Increase in working capital	4,204	-	Arrangement of long-term debt - Group companies	90,173	-
<b>TOTAL FUNDS APPLIED</b>	<b>195,657</b>	<b>88,567</b>	Decrease in working capital	-	32,023
			<b>TOTAL FUNDS OBTAINED</b>	<b>195,657</b>	<b>88,567</b>

The increases (decreases) in working capital are composed of the following:

CHANGE IN WORKING CAPITAL	Thousands of Euros	
	2006	2005 (*)
Inventories	19	-1
Accounts receivable	498	-17,292
Accounts payable	-10,296	345
Short-term investments	37,183	-27,259
Cash	-23,249	12,264
Accrual accounts	49	-80
<b>Increase (Decrease) in working capital</b>	<b>4,204</b>	<b>-32,023</b>

(\*) Presented for comparison purposes only.

The reconciliation of the accounting profit for the year to the funds obtained from operations is as follows:

	Thousands of Euros	
	2006	2005
Profit for the year	78,825	40,338
Add- Depreciation and amortisation charge (Notes 5, 6 and 7)	886	529
- Deferred charges allocated to profit for the year (Note 9)	1,034	3,590
- Long-term deferred tax liability	-	28
- Changes in provisions for contingencies and charges (Note 12)	3,558	86
Less – Long-term deferred tax assets	-	18
- Long-term tax liability used (Note 14)	718	1,880
- Changes in control portfolio provisions (Note 8)	(20,455)	(2,706)
	<b>104,040</b>	<b>45,379</b>

## **21. Explanation added for translation to English**

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

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

Vocento, S.A.

## **2006 Directors' Report**

### **Business performance.**

#### **Economic climate-**

In 2006, the world economy expanded by 3.8%, completing a three-year cycle of record growth. The rapid expansion of developed economies in the first half of the year, particularly during the first quarter, and the continued improvement of certain developing economies, mainly China and India, were the main engines for growth. Of the world's three largest economies the Euro zone grew relatively strongly, Japan started to recover slightly and the United States economy began to slow steadily from the second quarter of 2006. The European Union grew by 3.4% in 2006, up 1.4% on the previous year. This level was reached thanks to the German economy which expanded 2.9%, the highest rate of growth since 2000. The growth rate of the Spanish economy reached 3.9%, compared to 3.4% the previous year, narrowing the gap in GDP terms with the European Union although the difference in terms of GDP per capita has widened over the last few quarters.

Within the context of this favourable economic climate in Spain, 2006 was a very important year for Vocento. In a year in which the media industry has undergone significant developments with the markets particularly the audiovisual and Internet sectors, undergoing transformation Vocento entered a new phase as a listed company.

Vocento made its debut on the stock exchange through a public offering on 8 November at EUR 15 per share, rising 4% at the end of the first day. Vocento's first steps on the trading floor were marked by the stability of the market price and the volume of transactions.

Vocento continued to head the daily press market in Spain in 2006, reinforcing the success of its regional multimedia strategy with the incorporation of the Las Provincias newspaper. Its commitment to audiovisual media and the Internet is reflected in Vocento's positioning over the entire audiovisual spectrum with an integrated range of services and 11.2 million single users of its websites at year-end.

#### ***Business lines-***

With the purpose of increasing transparency in financial reporting and enhancing the quality of financial and non-financial information, thus achieving more useful and reliable data for company management and reporting to the market, the segmentation of the company's businesses was changed. Until 31 December 2005, the management information used included the ABC, Regional Multimedia, Audiovisual, Distribution and Other segments. These segments were in line with the legal structure of Vocento and the regional multimedia segment encompassed the subsidiaries of each multimedia company, i.e. the related newspaper, the digital edition, local radio station, local television channel and the related media marketing company. Vocento's directors considered that, due largely to growth of various markets, the organisation of management information along certain defined business lines would lend itself more to the evaluation of the Group's risks and performance. These segments are Printed Media, Audiovisual, Internet and Other Businesses and all the newspapers, digital editions, local television channels, etc. are assigned to the related business line. The comments in this Directors' Report are based on this segmentation.

#### **Print media-**

Vocento has consolidated its position as the leading communications group in Spain by number of copies, selling 751,352 copies per day and obtaining 24.2% of the total general press market.

The Group's readership reached 3.3 million readers per day, representing 23.3% of the total readership of Spanish generalist newspapers.

#### Audiovisual-

Vocento's commitment to the audiovisual sector was reinforced in 2006 and it operates in an integrated manner in this market. The Company considers that the strategy of integrating different audiovisual platforms is key to achieving growth through the combined management of content and synergies between the various platforms.

#### Internet-

The Internet market is still at the growth stage in Spain. In 2006 Vocento consolidated its position as one of the leading Internet communication groups in Spain, focusing mainly on business aimed at the end consumer (B2C) and, to supplement this, also focusing on businesses aimed at companies (B2B) as an alternative for generating income.

#### Other businesses-

In addition to the aforementioned activities, Vocento is developing the following businesses: printing plants, newspaper distribution, international business, other regional multimedia investees, free newspapers, Audiotex and events management.

Among the most noteworthy companies in the main business lines are Comeco Impresión and Distribuciones Comecosa, whose business is linked to print media. At the end of 2006 the plan to segregate printing plants of certain regional newspapers was begun.

#### **Solid economic results in a highly competitive environment-**

The individual financial statements of Vocento, S.A. are presented in accordance with the Spanish National Chart of Accounts.

As shown in its consolidated financial statements, 2006 was a highly positive year for Vocento, S.A.

The balance sheet reveals an increase in assets and liabilities of EUR 78.7 million, due to the higher ownership interest in Group companies.

In the income statement profit after tax was EUR 78.8 million, which was achieved thanks to the efficient management of the Group's various business lines and the excellent results obtained by investees, giving rise to high dividends.

### ***Dividends.***

Vocento's general policy on dividends after the public offering will consist of paying approximately 75% of net attributable profit to shareholders subject to several factors such as, on an unlimited basis, Vocento's revenue, financial position, available cash, cash requirements (including capital and investment costs), outlook and other factors that may be considered relevant for the future.

In 2006, Vocento complied with this dividends policy and the Board of Directors will propose to the shareholders at the Annual General Meeting the distribution of a supplementary dividend totalling EUR 13,174 thousand.

### **Treasury shares.**

— As a result of the admission to listing process, Vocento, S.A. acquired 11,910,127 treasury shares with a view to facilitating the public offering and including these shares in the offering, with the commitment to pay the difference between the offer price and that established for the minority tranche in the admission to listing. On completion of the public offering and corresponding settlement, Vocento, S.A. held 2,224,675 shares, i.e. 1.78% of its share capital, with an acquisition cost of EUR 14.47 per share.

## **Plan for executives**

In the Annual General Meeting held on 5 September 2006, the shareholders resolved to approve an incentive plan tied to Vocento, S.A.'s share price for the Company's executive directors, senior management and executives. The plan will consist of payment of variable remuneration in a cash lump sum linked to the performance of Company shares during a three-year period after the flotation and subject to achieving a certain increase in the Group's EBITDA. Each management category will receive an amount in cash equal a certain number of reference shares. The amount of the variable remuneration will be obtained by multiplying the number of reference shares that correspond to each executive by the positive difference between the initial flotation share price and the price after three years. The maximum number of reference shares is 1,230,000.

## **Research and development activities.**

In 2006 the Company did not make any investments related to research and development of a material amount.

## **Use of financial instruments.**

Vocento uses financial instruments to hedge the risk of changes in interest and exchange rates when the market outlook suggests that it would be advisable to do so. At 31 December 2006, the Company did not have any contracts in force of a material amount.

With respect to its liquidity policy, Vocento combines its cash surplus with obtaining credit facilities in accordance with projected cash requirements and the situation of debt and capital markets.

## **Events subsequent to year-end.**

There were no significant events between 31 December 2006 and the preparation of the Company's financial statements that might effect the fair presentation of the 2006 financial statements.

## **Outlook.**

These financial results and the audience and circulation figures which generated such results constitute the foundations of Vocento and are a permanent reminder of the Group's level of responsibility toward and commitment to our readers and advertisers.

Consequently, we can face the year with ambitious targets: strengthening our position in the audiovisual and Internet sectors, maintaining our leadership position in quality generalist press and growth in profitability, which will position Vocento even further ahead in generalist press and make it a stronger multimedia group.

In this new phase Vocento aspires to consolidate its position as one of the leading multimedia communication groups, combining its national presence with its local focus through integrated management that allows it to create synergies in all its businesses.

