

SOGECABLE, S.A.

AUDIT COMMITTEE

**ACTIVITIES REPORT
2007**

SOGECABLE, S.A.

INTRODUCTION

The purpose of this document is to inform the shareholders of Sogecable regarding the performance and activities of the Audit Committee during 2007.

The Audit Committee of Sogecable was formally established by decision of the Board of Directors on 19 September 2000. It was initially set up as the Audit and Compliance Committee and was given powers for corporate governance matters.

Later on, with the reform of Securities Market Act 24/1988 of 28 July 1988 by Act 44/2002, and after adaptation of the By-laws of the Company and the Regulations of the Board of Directors to the new legal provisions, the Audit Committee is now an official bylaw body within the Company. Its legal status is regulated, in addition to the general legal provisions, by article 33 bis of the By-laws, by article 25 of the Regulation of the Board of Directors and other company and regulatory provisions, including the Regulation of the Board and the Internal Code of Conduct.

The Board of Directors, at its meeting of 13 February 2007, resolved to amend the Board Regulation and proposed to the General Meeting the changes that were needed in the By-laws and in the Regulation of the General Meeting to align the internal rules with regulatory provisions. Apart from other changes affecting the functioning of other corporate bodies, the Board, in line with the most recent trends in corporate governance matters gave responsibility for dealing with these questions, which were initially attributed to the Audit Committee, to the Corporate Governance, Appointments and Remuneration Committee, which acquired the latter name, with functions relating to the supervision of the accounts and related matters being reserved for the Audit Committee. For this reason, as from that time the Audit and Compliance Committee was renamed the Audit Committee.

COMPOSITION AND FUNCTIONS OF THE COMMITTEE

COMPOSITION

There were no changes in the Committee's composition during 2007. Since the Board of Directors meeting of 21 March 2006, the Committee is composed of the following members, whose offices were agreed at the Committee meeting of 18 April 2006:

Office	Full name
Chairman	Mr. Jaime Terceiro Lomba
Member	Mr. Juan Arenas Uría
Member	Mr. Julio Linares López
Member	Mr. Gregorio Marañón Bertrán de Lis
Secretary (Non-Director)	Mr. Iñigo Dago Elorza

As is customary, during 2007 Sogecable informed its shareholders and investors on the current offices, which may be consulted on the Company website Sociedad (www.sogecable.com), in the sections on Information for Shareholders and Investors and CNMV Filings, as well as on the CNMV website (www.cnmv.es).

At its Committee meeting of 4 February 2008 a change was made in the distribution of offices in the Committee. Mr. Jaime Terceiro, who had chaired the Committee since February 2004, presented his resignation as Committee Chairman, on expiry of the four year term established in the eighteenth additional provision to the Securities Market Act, as worded pursuant to article 98.3 of Act 62/2003 of 30 December 2003. The Committee thanked Mr. Terceiro for his dedication to its work and appointed as its Chairman Mr. Juan Arenas Uría. Mr. Terceiro will continue to serve as member of the Committee.

FUNCTIONS

The functions of the Committee are set forth in legal provisions of general application and in article 33 bis of the By-laws and article 25 of the Regulation of the Board of Directors. In addition to such other tasks as may be assigned to it by the Board, the Committee has the following basic responsibilities:

- To report to the General Meeting on questions raised by shareholders that fall within the scope of its responsibilities;
- To make recommendations to the Board of Directors, for it to put to the shareholders for their approval in General Meeting, in relation to the appointment of the statutory auditor referred to by article 204 of the Consolidated Text of the Public Limited Companies Act (Ley de Sociedades Anónimas), and, where applicable, to the reappointment or removal thereof, and to propose to the Board of Directors the terms and scope of the auditor's engagement;
- To supervise the Company's internal audit function, if there is one, and propose the selection, appointment, reappointment and removal of the head of the Company's internal audit function;
- To keep itself informed of the Company's financial reporting process and internal control systems, review the Company's accounts, monitor compliance with legal requirements and the proper application of generally accepted accounting principles, and report on any proposals suggested by management for the modification of accounting principles and policies;

- To maintain relations with the external auditor in order to gather information on matters that may call the auditor's independence into question, as well as any other matters relating to the auditing process, including the other disclosures stipulated in accounting and auditing legislation and auditing standards;
- To supervise the execution of the audit contract and ensure that the auditor's opinion on the annual accounts and the main contents of the auditor's report are clear and accurate;
- To supervise the issue prospectuses and the periodic financial information that the Board is required to provide to the markets and market supervisory bodies;
- To analyse and report on specific investment transactions when requested to do so by the Board on account of the importance of the transaction;
- To report on the creation or acquisition of holdings in enterprises domiciled in other countries or territories classified as tax havens;
- To exercise all other powers assigned to the Committee in the By-laws and in the Regulation of the Board of Directors.

The Chairman of the Committee reports on a timely and periodic basis to the Board of Directors on all matters considered at meetings of the Committee and the resolutions it has adopted.

ACTIVITIES OF THE COMMITTEE DURING 2007

During 2007 the Committee held five meetings to deal with matters which rest with it under the by-laws and regulations. Below is a brief summary of the principal matters considered by the Committee during those meetings:

Review of the annual accounts

The Committee throughout the entire year paid special attention to review of the annual financial statements. Although this work was pursued on an ongoing basis throughout 2007, it can be separated into two parts.

The first months of the year were used to review the financial statements for the recently closed 2006 financial year. Regarding the annual accounts the Committee is required to report to the Board, so that it may proceed to prepare accounts and propose their approval to the General Shareholders Meeting.

Prior to preparation by the Board of Directors of the accounts for 2006, the Committee held meetings with the Company's auditors to inform itself of the progress of auditing the 2006 accounts. Likewise before the Board formulated the accounts, in February 2007 the Committee reviewed those accounts and reported to the Board meeting of 13 February 2007 on its conclusions regarding the accounts presented to it for preparation, checking the draft audit report on the consolidated and individual annual accounts for 2006.

On this point, it bears noting that the Audit Report for the previous year's financial statements contained a qualification regarding the interpretation and application of the tax reform approved in 2006, specifically as regards the impact on earnings of the cut in the corporate income tax rate from 35% to 30%. The Chairman of the Audit Committee explained that the reason for the qualification was that the Sogecable Group had changed the value of the deferred tax assets and liabilities recorded in previous years, adjusting them to the tax rates that would be in force at the time of their expected recovery. The effect of that adjustment was approximately 164,112,000 euros, and was

recorded under "Prior period loss" on the consolidated balance sheet at 31 December 2006, in the understanding that this involved an adjustment of the value associated with tax assets and liabilities recorded in previous years, for the purpose of having the 2006 consolidated income statement give a true and fair view of the results of the Group's business during the year. The tax assets and liabilities of the consolidated balance sheet at 31 December 2006 were thus recorded at their estimated recovery value, whereas the Group's equity at that date included the whole of the accounting effect of the said change in the tax regulations.

Given the nature of the qualification described above, its effects were resolved in 2007, as indicated in the Special Report issued by the Group's auditors on 17 July 2007, notified to the CNMV at the time the results were released for the first half of 2007.

The Board of Directors prepared the accounts, which were signed by all directors, and the General Shareholders Meeting of 20 March approved them, with 99.38% of the votes present or represented.

As regards the accounts for 2007, as in prior financial years, the Committee held periodic meetings with the external auditors to obtain their opinion regarding the advance of the 2007 audit in progress. At these meetings the auditors discussed with the Committee the evolution of the various matters that were subject to the closest analysis by them. In some cases these related to matters beginning in prior financial years. In others the auditors paid special attention due to the new auditing process. The auditing work is dynamic and requires interchange between the auditors and the Committee itself, with input from the Finance Department.

During 2007 the Committee paid special attention to the reform of Spain's Securities Market Act and its implications for the preparation of financial

information. The Committee has monitored the legislature's processing of the reform and the resulting statute.

Review of the periodic public disclosures

Pursuant to its functions under the by-laws and regulations, the Committee continued to give special attention to reviewing the periodic (quarterly and semi-annual) public disclosures the Company made to the markets in 2007. The Committee examined the periodic financial information prior to its review by the Board of Directors.

On this point the Committee also took a favourable view of the February 2007 reform of the Board Regulation, which expressly attributes to the Board authority to approve the periodic public disclosures that must be made to the CNMV and to the markets.

The documentation is prepared by the Finance Department. The Committee reviews it and makes suggestions and recommendations, in order to improve the information and make it more easily accessible to the market, and submits the information to the Board for approval. During the meetings of the Committee held in April and October, the Committee examined the quarterly financial information. At the meetings held in February and July it reviewed the semi-annual financial information. This information was sent to the CNMV and to the markets in the usual ways, and within the regulatory time limits. Sogecable makes this information public, immediately after notice to the CNMV, on its corporate webpage: www.sogecable.com. It is available in the section "CNMV Filings", under "Periodic Information", and also in "Investor Relations", en "Quarterly Results".

Relations with the External Auditor

The Committee considers maintaining a constant relationship with the Company's statutory auditor to be a priority matter, in order to monitor the auditing work and supervise the financial information.

As indicated above, the Committee held periodic meetings with the external auditor, to review the accounts for the 2006 financial year, which were approved by the General Meeting of 20 March 2007, and to inform itself regarding the status of audit work on the 2007 accounts.

In addition, the Committee supervised compliance with the audit agreement, so that the independence of the auditor is respected, and the opinion of the auditor on the annual accounts and the main content of the audit report are drafted clearly and accurately.

Also within its competence, the Committee at the meeting held on 13 February 2007 proposed to the Board of Directors, to be submitted to the General Shareholders Meeting, the extension of the agreement entered into with Deloitte, S.L. for the auditing of the 2007 annual accounts of Sogecable, S.A. and its Group. The General Shareholders Meeting held on 20 March 2007 approved the extension with 99.42% of the votes. Previously, the Committee had assigned the Finance Department to negotiate the terms of the contract and the scope of the professional assignment, following instructions of the Committee.

The fees for auditing the accounts of Sogecable and its consolidated Group during 2007 amounted to 423,000 euros approximately. During 2007, in addition to auditing the annual accounts, Deloitte performed other work worth approximately 29,000 euros. The information regarding fees of the auditor will be included in the annual and consolidated report of Sogecable for 2007.

The Committee, at the meeting held on 4 February 2008, proposed to the Board, if it deemed it to be appropriate, to propose to the General Shareholders

Meeting the extension of the agreement entered into with Deloitte, S.L. for audit of the accounts of Sogecable, S.A. and its Group for 2008.

Internal Audit

The Committee also paid special attention during 2007 to the work of the Internal Audit Unit, created in 2004 to improve the Company's internal control systems.

The Committee considers evaluation of the business risks to be an important task. It will see to it that in coming prospectuses for the issue of shares prepared by the Company, in the Notes to the Annual Financial Statements and in the Annual Report on Corporate Governance, the risks inherent in the Company's business are specified, appropriately aggregated to protect business secrets.

Adaptation of accounting policies to International Accounting Standards (IFRS)

The 2006 accounts, prepared by the Board in February and approved by the General Meeting in March 2007, were prepared and approved in accordance with International Financial Reporting Standards (IFRS). The various modifications and interpretative criteria introduced in 2006 by different regulators interpreted by the Committee on the terms indicated above, in the explanation of the qualification in the Audit Report. The 2007 financial statements, presented to the Board for their formulation in the 5 February 2008 meeting, after having been examined by the Audit Committee at its meeting of 4 February, were drawn up in accordance with IFRS, drawing on the experience acquired during the years in which the new standards have applied, pursuant to the indications given by the auditors.

Review of prospectuses for issue of shares

During 2007 the Company did not issue prospectuses regarding share issues.

At its meeting of 18 December 2007, the Sogecable Board of Directors, pursuant to the powers delegated to it by the General Meeting of 27 April 2005, resolved to retire 102,000 redeemable shares of the Company, belonging to class B-2007, consecutively numbered from 1 B-2007 to 102,000 B-2007, with the consequent reduction of the share capital by 204,000.00 euros and conversion of 284,500 redeemable series B-2007 shares into ordinary shares. The conversion of the redeemable shares into ordinary stock is not subject to prior issuance of a prospectus, under the new regulations governing prospectuses, given that the issue is for the purpose of executing the plan on stock options subscribed by executive directors and management personnel.

Analysis of transactions

During 2007 the Company did not undertake any unique transactions.

Dissemination of information

The Committee believes that dissemination of financial and all other allows all shareholders and investors to know, in real time and on the same conditions, all information the Company releases. In addition, during 2007 dissemination of the Company's presentations and notices and meetings has been broadened in specialized forums. Sogecable's corporate website is an effective instrument for providing information to shareholders. It has received recognition and awards from various specialized media.

Compliance with rules on transparency and Corporate Governance

As already indicated above, the Company's Board of Directors approved, at its meeting of 13 February 2007, an amendment to the Internal Regulation of the Board. Amongst other questions, the purpose of the change in the regulations

included assigning authority to what was then called the Appointments and Remuneration Committee for the corporate governance functions that previously rested with the Audit Committee. For this reason, as from the effective date of the amendment, and subsequent to the approval of the amendments to the By-laws by the Shareholders in General Meeting, the Committee ceased to supervise those functions.

Nevertheless, in 2007 the Audit Committee continued to have powers in those matters and, consequently, at its meeting of 13 February, it analyzed and assessed the Company's compliance with the rules of governance, concluding that they had been complied with correctly.

Approval of this Activities Report

This report of the Audit Committee of Sogecable was approved at its meeting of 4 February 2008, for submission to the Company's Board of Directors so that, if it deems it to be appropriate, it may be made available to the shareholders together with the documentation required for the 2008 Annual General Meeting.