



## **REMUNERATION POLICY REPORT**

The Board of Directors and the Nomination and Compensation Committee of Promotora de Informaciones, S.A. (PRISA), within the scope of their respective powers, have approved the 2012 remuneration policy for Board members and the management team.

This policy addresses the following matters:

### **1. REMUNERATION POLICY OF DIRECTORS (ARTICLE 19 OF THE BYLAWS)**

The Shareholders Meeting held on November 27, 2010 approved a maximum fixed compensation for the board of directors of 2,000,000 Euros. Article 19 of the bylaws states that at the annual approval of the accounts the Assembly can modify the limits of compensation to directors and in case it doesn't do it limits will be updated automatically at the beginning of each year based on the percentage of inflation. However, the Board of Directors has resolved not to update on the percentage of inflation for 2011 (2.4%), the compensations for the year 2012.

In application of such general limits, the board of directors of the company approved the compensation policy for non-executive board members. These limits don't apply also to the compensation of the Chairman. These compensations are established as follows:

- A maximum of EUR 2,000 thousand, and therefore without the aforementioned inflation update, will be paid in 2012, under the terms approved by the Board of Directors, based on the agreement made at the Extraordinary General Shareholders' Meeting held on November 27, 2010 and pursuant to Article 19 of the bylaws. Likewise, the Board of Directors has approved a further reduction of 5% on all amounts paid by these concepts, in line with the cost containment policy applied by the Company.
- This compensation will differ depending on each Board Member, whether serving on the Board of Directors, the Delegated Committee, and the other Board Committees, as follows:
- Compensation for participation at the Board of Directors, excluding the Chairman and executive directors<sup>1</sup>: 95,000 € per year, which will be paid 60% cash and 40% in PRISA shares. These shares will be delivered to directors on a quarterly basis (see section of this report entitled "Delivery Plan Shares and Stock Option").

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<sup>1</sup> Chairman is Mr Ignacio Polanco Moreno and executive directors are Mr. Juan Luis Cebrian, Mr. Fernando Abril-Martorell Hernandez and Mr. Manuel Polanco Moreno

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- Compensation for participation at the Delegated Committee, excluding the executive directors<sup>2</sup>: 95,000 € per year.
- Audit Committee Compensation: 38,000 € per year for the Chairman and 19,000 € for the members.
- Nomination and Compensation Committee Remuneration: 38,000 € per year for the Chairman and 19,000 € for the members.
- Corporate Governance Committee compensation: 38,000 € per year for the President and 19,000 € for the members.

The Audit, Nomination and Corporate Governance Committee, do not have the participation of executive directors.

- Per diem fees for attendance at meetings of the Board of Directors and its Committees, for an estimated amount for the year 2012, about 462,000 euros.
- Board members may also benefit from private health insurance that the Company has to cover the contingencies that might have, in this area, its managers.
- Additionally to these amounts, the Directors of PRISA may receive other fees for participation in the Boards of Directors of other Group companies in accordance with their respective bylaws.

## **2. 2012 MANAGEMENT TEAM REMUNERATION POLICY**

The management team is composed of the executive directors of the Company, Mr. Juan Luis Cebrián (CEO and Chairman of the Delegated Committee), Mr. Fernando Abril- Martorell (Deputy CEO and CFO) and Mr. Manuel Polanco Moreno (Chairman of Prisa TV), as well as the senior management team<sup>3</sup>.

The compensation of the members of the management team is determined by the respective employment contract, ordinary or senior management, and mercantile, which each have with the Company. In general terms, the compensation for members of the management team includes a fixed remuneration and a variable remuneration. In turn, the variable remuneration comprises a percentage in cash and another percentage in delivery of shares of PRISA. Additionally, the Company's remuneration policy aims to encourage and retain members of the management team and to this end has adopted a Long-Term Incentives Plan which compensates the permanence in the Group for a period of three years.

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<sup>2</sup> See former note above

<sup>3</sup> According to the Unified Code, members of the senior management are those who report directly to the chief executive (members of the Management and Business Committee who are not directors) as well as the Internal Audit Manager of Promotora de Informaciones, S.A. They are, particularly, the following managers: Mr Ignacio Santillana del Barrio, Mr Fernando Martinez Albacete, Mr Augusto Delkader Teig, Mr Javier Pons Tubio, Mr Miguel Angel Cayuela Sebastián, Mr Iñigo Dago Elorza, Mr Pedro García Guillén, Mr Kamal M. Bherwani, Mr Andrés Cardó, Mrs Bárbara Manrique de Lara, Mr Jose Luis Sainz and Mrs Virginia Fernández Iribarnegaray.

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## **2.1. Compensation system of the CEO and Chairman of the Delegated Committee D. Juan Luis Cebrian Echarri**

During years 2009 and 2010 the company faced a process of changing its capital structure and refinancing of its financial debt. Under the restructuring of its capital, the Company's negotiated with Liberty Acquisition Holdings (Liberty), which was a SPAC (Special Purpose Acquisition Company), the incorporation into its capital. This transaction was finally approved by the Shareholders Assembly of Shareholders of PRISA on November 27, 2010. As a condition precedent for the effectiveness of this transaction, PRISA and Liberty had agreed the necessary continuity of the CEO, Mr. Juan Luis Cebrian Echarri, for a minimum period of three years, conditioning the effectiveness of the transaction to his continuity and to the execution of a contract between Mr. Cebrian and PRISA, in terms satisfactory for both parties. This information was published in the Form F-4 filed in May 2010 with the SEC - and subsequent update-, and in the Prospectus approved by the CNMV on 26 November 2010.

The contract between Mr. Cebrian and PRISA was signed in October 2010, with the favorable report from the Corporate Governance, Nomination and Compensation Committee and approval by the Board of Directors of PRISA. The Committee had the advice of the consulting firm Spencer Stuart.

Mr. Cebrian's contract with PRISA provides a fixed annual payment in cash and a variable annual compensation in cash. It also includes the delivery of shares of the Company, by a variable amount, as a substitute of the Long Term Incentive, which does not apply to the CEO due to the limitation to three years.

Additionally, the contract of Mr. Cebrian with PRISA provided for some extraordinary compensations to pay his activity during latest years, in the process of restructuring and refinancing of the Company and his commitment to stay during the period specified above. These amounts are non-recurring or periodic –payable at one time-, are dependent on the success of the transaction with Liberty and collected in 2010 and 2011. According to Spencer Stuart report, these extraordinary compensations are assimilated as social benefits given by other Companies to their top executives, such as pension plans, etc., which PRISA does not address. Such remunerations are detailed in section 5 of this report.

## **2.2. Compensation system of the Deputy CEO D. Fernando Abril-Martorell Hernandez.**

In April 2011 Mr. Fernando Abril-Martorell Hernandez joined the Company as Chief Financial Officer. Mr. Abril-Martorell signed a senior manager employment contract with the Company. Subsequently, the Assembly held on June 24, 2011, at the proposal of the Board of Directors, approved his appointment as Director and at the Board of Directors he was appointed Deputy CEO. His appointment as Director has not produced any change in his labor conditions at the time of joining the Company.

The contract signed by Mr. Abril-Martorell was reviewed and approved by the Corporate Governance, Nomination and Compensation Committee of PRISA, which was also advised by Spencer Stuart.

The contract of Mr. Abril-Martorell provides a fixed annual payment in cash and a variable annual remuneration in cash and also by delivery of shares of the Company.

## **2.3. Compensation system of the rest of the management team**

*(Free translation from the original in Spanish language)*

The remuneration policy of the entire Management Team includes a fixed remuneration and a variable remuneration which is associated with the achievement of annual objectives and that is satisfied partly in cash and partly in shares of PRISA, except for the CEO and Deputy CEO, in whose cases the annual variable compensation is satisfied in cash. For the rest of the management team, a Long-Term Incentives Plan (ILP) satisfied by shares, must be added. The CEO and Deputy CEO, instead of the ILP, have a compensation by delivery of shares, linked to the achievement of annual objectives.

#### **2.4. Fixed remuneration of the Management Team:**

The fixed remuneration of the management team for 2012, including the 3 executive directors above referred will amount to **EUR 6,533 thousand**, according to the following breakdown:

Directors Fixed Remuneration	<b>EUR 2,366 thousand<sup>4</sup></b>
Senior management team fixed remuneration	<b>EUR 4,167 thousand</b>

The fix remuneration of Mr. Manuel Polanco Moreno is paid by PRISA TV S.A.

From January 1<sup>st</sup>, 2012 a 92% of the senior managers with fixed compensations equal or above 100,000 Euros per year have accepted a reduction of 7% of their fixed compensation, indefinitely. This measure includes also the Executive Directors and the Chairman of the Board.

Additionally, CEO Mr. Juan Luis Cebrián Echarri, has accepted a reduction of 7% of his variable compensation in kind by delivery of shares that has been accrued in 2011.

#### **2.5. Short-term variable remuneration (annual):**

**2.5.1.** The short-term annual variable remuneration consists of a bonus tied 100% to achievement of all the management objectives approved yearly by the Nomination and Compensation Committee, except for the Executive Directors, whose objectives are approved by the Board of Directors, at the proposal of the Committee.

The objectives are both quantitative (75%) and qualitative (25%), corresponding the quantitative part to the consolidated group and, where applicable, to the business group in which a member of the Management Team performs his duties.

The annual incentive amount is directly linked to a performance scale that links the level of objective achievement to the percentage reward applicable to the reference bonus. During 2011 no bonus has been paid if objective achievement is below 60%. Also, the maximum variable remuneration is 130% of the reference bonus amount, which corresponds to a level of objective achievement of 120%. Those thresholds have been modified for year 2012 (establishing independents scales by metric), so below achievements of 77%, the quantitative part of the bonus will be 0, but the upper threshold of the compensation arises according to the fulfillment of the goals up to 150%.

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<sup>4</sup> Breakdown of the fixed compensations of the Executive Directors is shown below.

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The bonus of 2012 will be paid, depending on the level of achievement of objectives, after the close of that year and once the annual accounts of the Group are drawn up by the Board of Directors.

The variable bonus is paid in cash, except for the group that participates in the Long Term Incentive (ILP) described in the following section, to whom the payment will be made partly in cash and part in shares of Prisa or any of its listed subsidiaries, at the option of PRISA (with the maximum limit of 30% shares), being able to sell these shares by half, annually, from the first year of delivery.

The reference bonus for Executive Directors and the management team for 2012 is **EUR 10,576 thousand**, with the following breakdown:

Directors reference bonus	<b>EUR 8,200 thousand</b>
Senior management reference bonus	<b>EUR 2,376 thousand</b>

The bonus for Mr. Manuel Polanco Moreno is paid by PRISA TV

**2.5.2.** Annual variable compensation in shares applicable to the CEO and Deputy CEO. As described above, the employment contracts of the CEO and Deputy CEO not provide an ILP, and instead have included an annual variable compensation by delivery of shares of PRISA, associated with achieving the objectives approved annually by the Board of Directors on a proposal from the Nomination and Compensation Committee.

## **2.6. Variable Multiannual Compensation<sup>5</sup>:**

The Long-Term Incentives Plan (ILP) is multiannual and with cycles overlapping, will be determined according to the objectives assigned to each of the cycles included during its validity, and will be paid in shares of Prisa or any of its listed subsidiaries, at the option of Prisa, being able to sell these shares without limitation. The annual reference bonus is around 32% of the annualized salary of the manager. The calculation of variable and multiannual remuneration is made considering fulfillment of quantitative targets which take into account the results of Grupo PRISA and stay in the Management Team during the term of the Plan. These objectives are also approved yearly by the Nomination and Compensation Committee.

As noted above, this Plan doesn't apply to the Executive Directors Mr Juan Luis Cebrián Echarri and Mr Fernando Abril-Martorell Hernández.

## **2.7. In-kind remuneration Plan:**

The Group has taken out an insurance policy with an insurance company to cover the risks of death or serious accident with an insured sum equal to one year's total remuneration of the beneficiary. The Group also provides private health insurance, under the expense refund system, for members of the management team and their families.

## **2.8. Share delivery and option plans:**

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<sup>5</sup> This Plan was approved on June 2011.

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Based on Section 219 of Corporate Enterprises Act, and Article 19 of the Company bylaws, at the Extraordinary General Shareholders' Meeting on November 27, 2010, a compensation system was authorized consisting of the delivery of shares and/or stock options of the Company to the directors and managers in the Prisa Group during 2010, 2011, 2012, and 2013, to facilitate or increase their shareholdings in the Company.

In the terms described above, the Executive Directors Mr Juan Luis Cebrian and Mr Fernando Abril-Martorell Hernández, according to their respective current labor contracts, approved by the Nomination and Compensation Committee and the Board of Directors, will receive in 2012 a compensation in kind in shares of Grupo PRISA, whose final amount will be linked to the achievement of the objectives established for 2011.

The rest of the Senior Management will receive this compensation by application of the system described in point b (yearly variable compensation part in kind) and c (long term compensation).

The main terms of this agreement were the following:

The Company may deliver a number of the Company's shares or stock options to each of the Participants. The system may be offered to such directors and managers in the Prisa Group in the categories indicated in this resolution as may be determined by the Board of Directors, on proposal of the Nomination and Compensation Committee.

The number of shares and stock options that may correspond to each Participant will be determined by the Board of Directors on proposal of the Corporate Governance, Nomination and Compensation Committee, based on their responsibilities within the management bodies of the Company or any of the companies in its group of their management functions and responsibilities.

(i) Delivery of shares

The total number of shares in no case will exceed 2% of company's capital from time to time, using the average closing quotation of the share on the Continuous Market over the 30 working days immediately prior to the delivery as reference.

(ii) Delivery of stock options

The total number of stock options in no case will exceed 1% of company's capital from time to time. The delivery of stock options will give the right to acquire an equivalent number of shares of the Company, during the period from 12 months to 24 months after delivery of the stock options. The exercise price of each stock option will be the average closing quotation of the share on the Continuous Market for the 30 working days immediately prior to the delivery.

The Company has implemented the Plan through deliverance of shares and no options.

**3. OTHER ASPECTS RELATING TO THE REMUNERATION OF THE MANAGEMENT TEAM**

**Guarantee clauses:**

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The management team includes 11 members (3 directors and 8 senior executives) whose contracts include a special clause which provides in general for a termination benefit in the event of termination without just cause for an amount of one years' total remuneration (fixed salary + last bonus received).

Additionally, another officer of the Company (which is not part of the management team) has stipulated a clause in the same terms as above, in an amount equivalent to his annual total compensation.

#### **4. OVERVIEW OF THE REMUNERATION POLICY APPLIED IN 2011:**

	<b>2011 Projected Fix Remuneration Management Team</b>	<b>2011 Actual Fix Remuneration Management Team</b>
Directors and members of senior management	<b>6,066,386 €</b>	<b>6,537,569 €</b>
	<b>2011 Reference Bonus Management Team</b>	<b>2011 Actual Bonus Management Team</b>
Directors and members of senior management	<b>3,386,186 €</b>	<b>8,094,412 €</b>

Differences between forecast in the Compensation Policy Report for 2011 and carried out in the Compensation Policy Report for 2012 is due to the different perimeter considered. At the Compensation Policy Report for 2011, for the calculation of both the fixed compensation of the management team in 2011 (€ 6,066,386) and the target bonus for the management team for 2011 (€ 3,386,186), it was expected one executive director and 14 managers who then made up the top management. However, at the effective fixed salary and cash bonus paid for 2011, which are recorded in the two tables above, there are included 3 directors of the Company with executive functions within the PRISA Group (Mr Juan Luis Cebrian Echarri, Mr Fernando Abril-Martorell Hernandez and Mr Manuel Polanco Moreno), and 12 directors who are current members of senior management.

#### **5.- INDIVIDUAL COMPENSATION ACCRUED BY THE DIRECTORS IN 2011**

##### **5.1. Breakdown of cash compensation accrued by members of the Board of Directors in 2011**

<b>Director</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
D. Ignacio Polanco Moreno	1,000,000	680,000	3,000	
D. Juan Luis Cebrián Echarri	1,200,000	1,020,000	6,000	
D. Fernando Abril-Martorell Hernández	637,668	722,500		

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D. Manuel Polanco Moreno	495,075	261,250	6,000	
D <sup>a</sup> Agnès Noguera Borel	0	0	48,000	90,000
D. Diego Hidalgo Schnur	0	0	39,000	80,000
D. Borja Pérez Arauna	0	0	39,000	80,000
D. Nicolas Berggruen	0	0	12,000	60,000
D. Martin Franklin	0	0	45,000	160,000
D. Gregorio Marañón Bertrán de Lis	0	0	96,000	260,000
D. Juan Arena de la Mora	0	0	39,000	100,000
D. Alan Minc	0	0	66,000	180,000
D. Emmanuel Roman	0	0	60,000	180,000
D. Harry Sloan	0	0	27,000	80,000
D. Ernesto Zedillo Ponce de León	0	0	27,000	80,000
D. Matías Cortés Domínguez	0	0	48,000	170,000
<b>TOTAL</b>	<b>3,332,743</b>	<b>2,683,750</b>	<b>561,000</b>	<b>1,520,000</b>

Column A: Fixed Compensation in cash for the Chairman and the Executive Directors for 2011

Column B: Variable Compensation in kind for the Chairman and the Executive Directors for 2011 (accrued in 2011 and to be paid in 2012)

Column C: Per diem fees

Column D: Fixed Compensation in cash for the Board of Directors for 2011

## 5.2. Breakdown of compensation in kind, by deliverance of shares, accrued by members of the Board of Directors in 2011

Director	E	F	G	H
D. Ignacio Polanco Moreno			14,405	
D. Juan Luis Cebrián Echarri	2,290,861		39,170	853,440
D. Fernando Abril-Martorell Hernández	1,861,500		9,643	
D. Manuel Polanco Moreno			11,538	
D <sup>a</sup> Agnès Noguera Borel		40,000	0	
D. Diego Hidalgo Schnur		40,000	0	
D. Borja Pérez Arauna		40,000	0	
D. Nicolas Berggruen		40,000	0	

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D. Martin Franklin		40,000	0	
D. Gregorio Marañón Bertrán de Lis		40,000	850	
D. Juan Arena de la Mora		40,000	0	
D. Alan Minc		40,000	0	
D. Emmanuel Roman		40,000	0	
D. Harry Sloan		40,000	0	
D. Ernesto Zedillo Ponce de León		40,000	0	
D. Matías Cortés Domínguez		40,000	0	
<b>TOTAL</b>	<b>4,152,361</b>	<b>480,000</b>	<b>75,606</b>	<b>853,440</b>

Column E: Variable Compensation in kind, by deliverance of shares, accrued in 2011 (to be paid in 2012)

Column F: Fixed Compensation for the Board by deliverance of shares in 2011

Column G: Social benefits (life and accident insurance policy and health care)

Column H: Extraordinary Compensation by deliverance of shares because of the continuity commitment described in 5.1.

Regarding the compensation of Mr. Cebrian, column E included the voluntary reduction of 7% of his variable compensation in kind by delivery of shares, as indicated in section 2.4 of this report.

### **5.3. Breakdown of compensations paid to the Board members in 2011 but accrued in other years.**

As indicated above, during years 2009 and 2010 the company faced a process of changing its capital structure and refinancing of its financial debt and due to the same and within the framework of the agreement with Liberty, the Company and Mr. Cebrián signed a contract which, in addition to the ordinary compensation system, provided for some extraordinary compensations to pay his activity during latest years in the process of restructuring and refinancing of the Company and his commitment to stay for a period of three years. These amounts are non-recurring or periodic –payable at one time-, and were conditioned to the success of the transaction with Liberty and were perceived in 2010 and 2011.

In that regard, during year 2011, CEO has received the amount of 1,200,000 euros in cash as extra compensation for the result of the recapitalization and refinancing of the Company. Also during the year 2011, the CEO has received EUR 5,014,286 by delivery of shares (1,350,000 shares), according to a reference value of 2.08 euros/share. This extra compensation is linked to the success of the recapitalization of Company, that is described in section 2.1., and was communicated to the CNMV at the time of delivery, being also reported in the financial information of the first half of 2011.

During 2011 the Chief Executive Officer has received the amount of EUR 1,706,666, by delivery of 440,486 shares of PRISA, for his commitment to continue at the Company for a period of three years, according to the contract signed with Prisa in October 2010 as part of restructuring and corporate recapitalization. The above table (section H) includes the amount attributable to 2011, that corresponds to 220,242 shares. The total amount of shares delivered to

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the CEO due to this item is 660,728 shares, according to a reference value of 2.17 euros/share. This extraordinary compensation was also communicated to the CNMV at the time of delivery, being also reported in the financial information of the first half of 2011.

Finally, during the year 2011 the CEO has received in cash the amount of 300,000 euros, according to his previous contractual relationship with the Company.

#### **5.4. Consistency of this report with the information provided with the Semi-Annual Financial Information.**

There is a difference between the aggregated remuneration in the Semi-Annual Financial Information, released on 28 February 2012 and the remuneration contained in this report, 436,000 euros lower. This difference is due to the evolution of the quotation of PRISA share in the year.

#### **6. MOST SIGNIFICANT CHANGES IN THE 2012 REMUNERATION POLICY WITH RESPECT TO THAT APPLIED IN 2011:**

	<b>2011</b>	<b>2012</b>
Directors' remuneration	1,950,000 €	1,900,000 €
Directors' attendance fees	540,000 €	462,000 €
	<b>2,490,000 €</b>	<b>2,362,000 €</b>
	<b>2011 Actual Fix Remuneration Management Team</b>	<b>2012 Fix Remuneration Management Team</b>
Directors	2,332,743 €	2,366,920 €
Members of senior management	4,204,826 €	4,166,640 €
	<b>6,537,569 €</b>	<b>6,533,560 €</b>
	<b>2011 Actual Bonus Management Team</b>	<b>Reference Bonus 2012 management Team</b>
Directors	6,174,612 €	8,200,000 €
Members of senior management	1,919,800 €	2,375,622 €
	<b>8,094,412 €</b>	<b>10,575,622 €</b>

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