

*“English translation for information purposes only. In case of discrepancies between the Spanish original and the English translation, the Spanish version shall prevail”.*

## APPENDIX I

### **Model and statistics of the Annual Report on Compensation of Directors of Circular 4/2013, of the Spanish National Securities Market Commission**

#### **MODEL ANNEX I ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED CORPORATIONS.**

#### **THE ISSUER’S IDENTIFYING DATA**

END DATE OF FINANCIAL YEAR OF REFERENCE

12/31/2018

TAX IDENTIFICATION NO. A28297059

Corporate Name PROMOTORA DE INFORMACIONES, S.A.

Registered Office: GRAN VÍA 32 - 28013 Madrid

<p style="text-align: center;"><b>ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED CORPORATIONS.</b></p>
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**A. THE COMPANY'S COMPENSATION POLICY FOR THE CURRENT YEAR (2019)**

*A.1 Explain the directors' compensation policy in force in the current fiscal year. To the extent that it is relevant, certain information may be included by reference to the compensation policy approved by the General Shareholders' Meeting, provided the inclusion thereof is clear, specific and exact.*

*A description should be given of the specific determinations, for the current fiscal year, of the compensation of the directors in their capacity as such for the performance of executive functions, made by the Board of Directors both in accordance with the provisions of the contracts signed with the executive directors and with the compensation policy approved by the General Shareholders' Meeting.*

*In any case, at least the following aspects shall be reported:*

- Description of the company's procedures and bodies involved in the determination and approval of the remuneration policy and its terms and conditions.*
- Indicate and, as appropriate, explain whether comparable companies have been taken into account to establish the company's remuneration policy.*
- Information on whether any external advisor has participated and, if so, the identity thereof.*

**1. Directors' compensation policy in force in the current fiscal year.**

1.1. Background and change in the chairmanship of the Board of Directors:

At the meeting of the Board of Directors of PROMOTORA DE INFORMACIONES, S.A. ("PRISA" or the "Company") held in December 2018, the Board resolved to terminate Mr. Manuel Polanco Moreno as non-executive Chairman, with effects from January 1, 2019, and resolved to appoint Mr. Javier Monzón de Cáceres, at that time non-executive Vice Chairman and Coordinating Director, as non-executive Chairman of the Board of PRISA, also with effects from January 1, 2019.

At the date of approval of this annual report on the compensation of the directors of PRISA relating to fiscal year 2018 (the “Report” or the “Annual Report”), the Board of PRISA is composed by 13 Board members: 1 executive director, Mr. Manuel Mirat Santiago (Chief Executive Officer, “CEO”), 5 independent non-executive directors, which include the non-executive Chairman, Mr. Javier Monzón de Cáceres (“Chairman”), “other” non-executive director, and 6 nominee non-executive directors.

## 1.2. Compensation policy in force.

The compensation policy for the directors of PRISA, which was approved, at the proposal of the Company’s Board of Directors, by the General Shareholders’ Meeting held on April 25, 2018 with a favorable vote of 99.99% (“Compensation Policy” or the “Policy”), is applicable for fiscal years 2018, 2019 and 2020.

However, as a consequence of the appointment of the new Chairman, the Board of Directors will propose to the next General Shareholders’ Meeting the modification of that Compensation Policy, in order to stipulate in it certain changes in relation to the compensation of the new Chairman of the Board of Directors, given that the Policy currently in force, as regards the office of Chairman of the Board of the Company, refers to the person who held that position up to December 31, 2018. It is not envisaged for any other changes to be proposed in the Compensation Policy. In any case, the compensation of the new Chairman of the Board, which will be proposed for its approval by the General Shareholders’ Meeting as an amendment of the current Policy, will be in keeping with the compensation currently envisaged in the Compensation Policy for the former Chairman of the Board.

The general principle of the PRISA Compensation Policy is for the compensation to be what is needed to attract, retain and motivate directors with appropriate professional profiles who contribute to reaching the strategic objectives of the group headed by PRISA (the “Group” or “PRISA Group”). Specifically, PRISA Compensation Policy is based on the following principles:

- a) Moderation and adaptation to the best market practices: The aim is for the compensation of directors to be moderate and consistent with market trends and references in relation to compensation in the Company’s sector of business or at companies that are comparable in terms of size, activity or their structure and characteristics, so that they are in-keeping with the best market practices.

- b) Proportionality: The compensation of non-executive directors must reflect the effective dedication, qualification and responsibility required by the post, but must not be so high as to compromise the director's independence of mind.
- c) Restrictions on the transfer of the shares that the directors may receive as part of their compensation package: The Policy establishes that non-executive directors may receive shares in payment for their fixed compensation and, in that case, they have the obligation to maintain the ownership of those shares until their relationship as director is terminated. Moreover, the executive directors who receive Company shares in payment for their compensation shall have the obligation to maintain the ownership of those shares in an amount equal to two times their fixed annual compensation, for at least three years since the allocation of those shares. These restrictions will not apply to any shares that the director must dispose of to defray the costs and taxes related to their acquisition.
- d) In addition, the compensation of the directors who perform executive functions is based on the following principles:
  - It motivates their permanence and guides their management with exigency and special focus on the long term, and is reasonably linked to the performance of the stock market price in that time period.
  - It reflects the Company's current situation, perspectives and aims of sustainable growth. The compensation system established is aimed at promoting profitability and sustainability at the Company on the long term.
  - It includes fixed and variable components, with an annual or multi-year scope, as appropriate, in cash and in kind, and in elements indexed to share value, determined according to the following criteria, in order for the weighting of the different compensation components to be in line with market practices:
    - i) It keeps fixed compensation at moderate levels and is not modified during the term of the Policy, unless specific circumstances arise which making revising the Policy advisable.
    - ii) Variable compensation represents an important part of total compensation.

- iii) Medium-term compensation has a significant weight.
- iv) The share-based compensation is also significant.
- v) A significant portion of total variable compensation is obtained after a certain period of time has elapsed (i.e., three years).
- o Lastly, the compensation system for executive directors includes the necessary precautions to avoid assuming excessive risks and to prevent compensating unfavorable results, through the inclusion in their contracts of a clause that enables the Company to claim back any variable compensation paid in the event it is subsequently verified, on an objective basis, that said compensation was determined based on incorrect or inaccurate data.

The Compensation Policy to be applied in fiscal year 2019 will therefore be approved by the General Shareholders' Meeting of 2018 which includes the principles and bases of prudence, moderation and transparency described before. That is without prejudice to the fact that, as stated previously, the Board of Directors will propose to the next General Shareholders' Meeting to modify that Policy to include the compensation for the new Chairman of the Board, because the current Policy includes the compensation paid to the former Chairman, Mr. Manuel Polanco, established in the past in light of the special characteristics of his appointment as non-executive Chairman after having been executive Vice Chairman of the Company until January 1, 2018. In any case, the modification proposed in relation to the compensation of the new Chairman of the Board of Directors is not expected to be very different from what has been established up to now for the former Chairman of the Board.

**2. Specific determinations of the compensation of the directors both in their capacity as such and for the performance of executive functions**

In relation to the specific determinations for the fiscal year in course, the compensation of the directors both in their capacity as such and for the performance of executive functions, the Appointments, Compensation and Corporate Governance Committee ("ACCGC" or the "Committee") and the Board of Directors are going to apply in 2019 the Compensation Policy strictly on the terms approved by the General Shareholders' Meeting until that Meeting approves, as appropriate, the modification of the Policy to include the compensation of the new Chairman. However, in 2019, the specific compensation stipulated in the current Compensation Policy for the former Chairman of the Board, Mr. Manuel Polanco, will not apply

given that he resigned from his post as Chairman with effects from January 1, 2019.

Both the fixed and the variable compensation applicable to the directors for the performance of executive functions will be that established in the Policy without changes with respect to the content approved by the General Shareholders' Meeting.

Specifically, according to the principles included in the PRISA Directors' Compensation Policy for 2019:

- a) The non-executive directors will be paid a fixed annual allowance in cash for belonging to the Board of Directors and, as appropriate, an additional fixed amount of compensation for belonging to or presiding over the committees of the Board of Directors (the "Committees").
- b) The compensation of the directors in their capacity as such (not as executives) will be compatible with any which they may receive for participating on the Boards of Directors of other Group companies, pursuant to their respective bylaws.
- c) The directors of PRISA will not receive per diems for participating on the Boards of Directors and Committees or other fixed compensation as directors.
- d) The expenses associated to travel, meals and accommodation to attend the meetings of the Board of Directors and Committees will be reimbursed by the Company, where they have been previously notified to the Company and accepted by it, and where they are duly justified.
- e) For the non-executive Chairman of the Board, according to the modifications that will be included in the Policy, his compensation will consist of a specific fixed compensation in view of the required dedication to institutional and representative functions at the Company. This compensation will be incompatible with the compensation items established in points a) and b) above.
- f) Mr. Manuel Polanco, former Chairman of the Board of Directors, is entitled to receive the amount stipulated in his previous provision of services agreement, 230,000 euros, to compensate him for the non-competition undertaking, as a consequence of his termination as Chairman before December 31, 2019. In this regard, the Board of Directors, at its meeting on February 26, 2019, has adopted the necessary resolutions to make effective the payment of that amount.

- g) According to the Policy and the detail of his contract, the compensation of the sole executive director of the Company (Mr. Manuel Mirat Santiago) includes the following compensation components: (i) fixed compensation, (ii) short-term variable compensation and medium- or long-term variable compensation, (iii) compensation in kind, (iv) insurance policies, and (v) payments for severance, exclusivity, post-contractual non-competition undertakings or permanence agreements. The CEO will not receive the compensation established for the rest of directors and his compensation shall be confined, therefore, to the items mentioned previously.

**3. Description of the procedures and bodies at the Company involved in the determination and approval of the compensation policy and its terms and conditions**

The bodies in charge of designing the Compensation Policy are the Board of Directors and the ACCGC, while the General Shareholders' Meeting is the one that has the authority, according to article 9 of PRISA's bylaws ("Bylaws"), to approve the Directors' Compensation Policy, pursuant to applicable legislation.

In this regard, as established in the Bylaws and in the PRISA Board of Directors Regulations ("Board Regulations"), according to articles 249, 249 bis and 529 of the Capital Companies Law, in the version implemented by Law 31/2014, of December 3, 2014, amending the Capital Companies Law for the improvement of corporate governance ("LSC"), the Board of Directors shall be in charge of:

- a) Decisions regarding directors' compensation, within the framework of the Bylaws and, where appropriate, the compensation policy approved at the General Shareholders' Meeting.
- b) Approving the terms and conditions of the contracts of the directors that have been attributed executive functions.
- c) Setting the compensation of the directors for performing executive functions.

The Board Regulations attribute to the ACCGC not only the functions determined by the LSC but also the following powers in relation to the compensation of the directors:

- a) Propose to the Board of Directors the compensation policy of directors and senior managers, and the individual compensation and other contractual conditions of the executive directors.

- b) Ensure that the policy is observed and that the compensation policy for directors and senior managers, including share-based compensation systems and their application, are periodically reviewed, and ensure that their individual compensation is proportionate to their responsibility and dedication and to that of the other directors and senior managers at the Company.
- c) Inform the Board of Directors of proposals relating to the terms of the variable compensation of the executive directors and senior managers at the Company, and of the other incentive plans addressed to them and, as the case may be, verify the degree of achievement of the objectives established for them.
- d) Verify the information on the compensation of directors and senior managers set out in the different corporate documents and, in particular, prepare the annual report on directors' compensation for approval by the Board of Directors.

The ACCGC shall be formed by a minimum of three and a maximum of five non-executive directors, the majority of whom shall be independent directors. The designation of the Committee members shall seek to ensure that they have the appropriate knowledge, skills and experience for the functions which they will perform. The appointment and removal of Committee members shall be done by the Board of Directors at the proposal of the ACCGC itself.

At the date of preparation of this Report, the composition of the ACCGC was as follows:

- a) Mr. Javier Monzón, independent non-executive director, as Chairman.
- b) Mr. Joseph Oughourlian, nominee non-executive director, as a member.
- c) Mr. Javier Gómez-Navarro, independent non-executive director, as a member.
- d) Mr. Dominique D'Hinnin, independent non-executive director, as a member.
- e) Mr. Roberto Alcántara, nominee non-executive director, as a member.



In April 2018, the Bylaws and Board Regulations were modified and the ACCGC was created, replacing the former Appointments and Compensation Committee (“ACC”) and Corporate Governance Committee.

In 2018, the ACC met 5 times (from January to April) and the ACCGC met 3 times.

In 2019, the ACCGC and the Board of Directors have agreed to evaluate the degree of achievement of the objectives of the short-term variable compensation of the CEO during 2018, establishing the degree of achievement explained in section B.7 of this Report.

#### **4. Comparable companies used to establish the company’s compensation policy**

The aim of the PRISA Compensation Policy is for directors’ compensation to comply with market trends and references in relation to compensation in the Company’s sector of business or at companies that are comparable in size, activity or structure, so that they are in-keeping with the best market practices.

PRISA has participated in a compensation study prepared by the firm Korn Ferry, which analyzes the amounts and trends in compensation paid to directors and members of senior management at a set of companies that are comparable to PRISA in terms of stock market capitalization and annual income (the “Study”). Specifically, in that Study, the Company has been included in a comparison group along with thirteen other companies, based on the following segmentation criterion: companies with an annual volume of revenues and/or stock market capitalization in excess of 1.3 billion euros, whether or not their business activities and transactions have international exposure.

According to the Study, the CEO’s fixed compensation and short-term annual variable compensation target is below the median of the comparison group. Moreover, the items making up the CEO’s compensation package are in line with those of the peer group.

The Study indicates that the fixed compensation received by PRISA’s directors in respect of their positions as Board members (non-executive) is below the median for directors on the boards of the IBEX 35 companies.

**5. Information on whether any external advisor has participated and, if so, identity thereof**

In general, all the proposals of the ACCGC have received the assistance of the Company's internal advisors and, where appropriate, external advisors who perform their analyses to ensure the best corporate governance practices.

Garrigues Human Capital Services has provided external advisory to the Company in relation to the preparation of this Annual Report on Directors' Compensation for fiscal year 2018.

Additionally, the ACCGC has received advice from Spencer Stuart, Korn Ferry and Russell Reynolds in the remuneration proposal for the non-executive Chairman.

- *Relative importance of variable vs. fixed remuneration items (compensation mix) and what criteria and objectives have been taken into account in their determination and to ensure an appropriate balance between fixed and variable components of compensation. In particular, specify the actions taken by the company in relation to the compensation system to reduce exposure to excessive risks and adapt it to the company's long-term objectives, values and interests, which should include a reference to any measures established to ensure that the compensation policy is based on the company's long-term results, the measures adopted in relation to the categories of personnel whose professional activities have a material impact on the entity's risk profile and measures established to prevent conflicts of interest, as the case may be.*

*Additionally, specify whether the Company has established any accrual or vesting period for certain variable compensation items in cash, shares or other financial instruments; a deferral period for the payment of amounts or the delivery of financial instruments already accrued and vested; or whether any clause has been agreed for the reduction of the deferred compensation or which requires the director to reimburse the compensation received, if that compensation has been based on data which has subsequently been shown to be clearly inaccurate.*

**6. Relative importance of variable vs. fixed compensation items (compensation mix)**

As established in the Compensation Policy, only the executive directors will participate in the variable compensation system. Thus, the Policy complies with Recommendation 57 of the CNMV, according to which variable compensation should be confined to executive directors.

The aim of the variable compensation received by the CEO is to foment his commitment to the Company and incentivize the best performance of his functions, and it represents an important portion of his total compensation, being linked to the achievement of objectives established by the Board of Directors in advance, which are mostly specific and quantifiable, so that it does not derive simply from general performance of the market, the Company's business sector or other similar circumstances.

The aim of the Company, in relation to the Group's executives, is to design competitive compensation packages that permit attracting and retaining top-tier professionals while establishing a link between compensation, results and the objectives of the Company and the Group.

Every year a variable compensation system is defined which complies with formal procedures for determining the amounts to be paid to the CEO. The objectives are set down in writing in advance, and their achievement is determined according to the CEO's results and approved by the Board of Directors.

The variable components of compensation have sufficient flexibility to permit adjusting them to the point of being able to eliminate them altogether. There is no right to obtain a guaranteed variable compensation. The ACCGC's participation facilitates taking into account the risks associated to compensation in discussions and in their proposal to the Board of Directors, both when determining and when assessing the annual and multi-year incentives.

The determination of the variable compensation for the CEO takes into account mainly quantitative business-related objectives, which include the Group's operational and financial objectives, value creation objectives, and, in a small proportion, qualitative objectives relating to the attitudes and conduct which are required of a top-tier executive of such characteristics.

In accordance with the foregoing, the variable compensation system of the CEO currently includes two variable components: (i) a short-term annual variable component, and (ii) a medium-term deferred variable component.

To determine the relative importance of the variable vs. fixed compensation items ("Compensation Mix"), the following is taken into account:

- A fixed compensation of 500,000 euros for 2019,

- a short-term annual variable compensation of 300,000 euros for a 100% level of achievement, with the possibility of increasing that amount to a maximum of 130% when the degree of achievement of the objectives exceeds 100%, meaning that the maximum amount would be 390,000 euros, and
- a long-term deferred variable compensation of up to 2,800,000 shares, which is the maximum number of shares that will correspond to the CEO, as the case may be, approved by the Shareholders' Meeting held on April 25, 2018, for his participation in the medium-term deferred compensation plan for the period from 2018 through 2020 ("Deferred Compensation").

The medium-term Deferred Compensation for the period 2018-2020 is calculated taking into account (i) that this compensation relates to a three-year period with accrual for accounting purposes during its term of validity, and (ii) that the Deferred Compensation is linked to the performance of the market price of the PRISA share and to the achievement of certain objectives, consequently the accounting expense is determined by:

- The estimated fair value of the "theoretical shares" granted, linked to the performance of the market price of the PRISA share, which is determined through generally accepted statistical models used in the accounting practice, entailing an approximate imputed value of 2.5 euros for the PRISA share on the plan's settlement date.
- The estimated fair value of the "theoretical shares" granted, linked to the achievement of certain quantitative objectives, which is determined by the market price of the PRISA share on the measurement date. Moreover, the degree of achievement of those quantitative objectives is considered during the term of validity of the medium-term Deferred Compensation.

At the date of this Report, it is not possible to determine the value which the PRISA share will have at the end and settlement date of the Deferred Compensation, given that these are estimates made for the purpose of their accounting recognition.

The number of "theoretical shares" assigned to the CEO is 2,200,000 shares, which may increase to 25% depending on the achievement of the quantitative objectives and on the performance of the market value of the PRISA share, which has been taken into account to estimate the aforementioned fair value.

**7. Actions taken by the company in relation to the compensation system to reduce exposure to excessive risk and adjust it to the company's long-term objectives, values and interests, period of accrual and of payment deferral**

The principles regulating the Company's Directors' Compensation Policy take into account the shareholders' interests and prudent risk management. For that purpose, the compensation system seeks to promote the Company's long-term profitability and sustainability and includes the necessary safeguards to prevent excessive risk-taking and the rewarding of poor results. The Company works so that the financial-economic return is such that it protects and increases the value of the Company, to appropriately remunerate shareholders for the risk they assume with the investment of their capital. Compensation linked to the Company's earnings takes into account any qualifications stated in the external auditor's report that reduce those earnings.

As stated in the Compensation Policy, the measures that the Company has established for determining an appropriate risk management and promoting sustainability of results are:

Short-term annual variable compensation

- There is no right to obtain a guaranteed short-term variable compensation.
- Every year a variable compensation system is defined which complies with formal procedures for determining the amounts to be paid to the CEO. The objectives are set down in writing in advance, and their achievement is determined according to the Company's results and approved by the Board of Directors.
- The system for establishing metrics for the quantitative objectives takes into consideration the variables that have been identified within the Company's risk map.
- This compensation accrues annually and the payment thereof is made after the end of the fiscal year, within the first half of the calendar year following the year of generation.
- For the short-term annual variable compensation, the CEO's contract contains a clawback clause that requires the CEO to reimburse the excess variable compensation received if, in the year following its payment, there is any fact or circumstance that results in the alteration or modification of the accounts, results or economic data that might have an impact on the quantitative portion taken into account for the grant thereof, regardless of

whether or not the CEO has any kind of liability for such circumstance.

- There are maximum amounts established for all variable compensation payable.

#### Medium-term deferred variable remuneration

- The CEO's contract and the General Conditions approved by the Board of Directors of PRISA, which define the characteristics of the medium-term Deferred Compensation, contain a clawback clause that requires the CEO to reimburse the excess variable compensation received if, in the three years following payment thereof, the Board of Directors determines that the circumstances have arisen as established by the Board at any given time.
- In accordance with Recommendation 62 of the Code of Good Governance of the CNMV, there is a limit on the transfer of the shares delivered which, in the CEO's case, is a number of shares equal to two times his fixed annual compensation, until at least three years have elapsed since their delivery; that limit does not apply to the shares which he must transfer to meet the costs related to the acquisition of the shares.

The clawback clause and the clause on the maintenance of a portion of the shares after they are delivered will also apply to the categories of personnel whose professional activities have a material impact on the Company's risk profile.

- *Amount and nature of the fixed components which are expected to accrue in the fiscal year in favor of the directors in their capacity as such*

#### **8. Amount and nature of the fixed components which will accrue to the directors in the fiscal year**

##### Fixed compensation of the directors for their status as such:

The Compensation Policy established a total maximum compensation of 2,000,000 euros payable by the Company for all the directors in their capacity as such (non-executive) per annum (excluding that received by the executive directors).

The aforementioned amount has, in any case, the nature of maximum, and it falls to the Board of Directors to propose how that amount will be distributed amongst the different compensation components and amongst the directors, in the form, date and proportion freely determined by the Board in light of the functions and responsibilities

attributed to each one, their membership and duties on the Board Committees and other objective circumstances as may be deemed relevant.

Of that amount, the breakdown of the fixed compensation per position and responsibilities of the members of the Board, as determined by the Board of Directors for fiscal year 2019, is as follows:

- a) Chairman of the Board of Directors: The Board of Directors will propose to the General Shareholders' Meeting the fixed compensation of the new Chairman of the Board.
- b) Members of the Board of Directors, excluding the Chairman and the CEO: 70,000 euros
- c) Additional compensation for belonging to the different Committees:
  - Members of the Delegated Committee: 30,000 euros
  - Compensation for participating in the Audit, Risks and Compliance Committee and in the ACCGC: 20,000 euros per annum per director, being two times this amount for their respective chairmen (i.e. 40,000 euros)

On a provisional basis and until the General Shareholders' Meeting of PRISA approves the amendment of the Policy, which will establish the specific compensation of Mr. Monzón in his capacities as non-executive Chairman of PRISA, Mr. Monzón will continue earning the same compensation to which he is currently entitled for his status as director, member of the Delegated Committee and Chairman of the ACCGC, according to the Compensation Policy.

However, once the amendment of the Policy is approved, the Company will make the appropriate adjustments so that the compensation of Mr. Monzón is that stipulated in the Policy effective from January 1, 2019.

For the fiscal year in course, the Policy does not establish the payment of per diems for participating in the Board of Directors and Committees.

- *Amount and nature of the fixed components which will accrue to the executive directors in the fiscal year for the performance of senior management functions*

**9. Amount and nature of the fixed components which will accrue to the executive directors in the fiscal year for the performance of senior management functions**

For the performance of executive functions at the Company, the fixed annual compensation in cash to be received by the CEO amounts to 500,000 euros.

- *Amount and nature of any compensation component in kind that will accrue in the fiscal year, including but not being limited to insurance premiums paid to the director*

**10. Amount and nature of any compensation component in kind that will accrue in the fiscal year, including but not being limited to insurance premiums paid to the director**

The Compensation Policy envisages for the CEO certain compensation in kind, consisting of the following items:

i) A life and accident insurance policy:

PRISA has signed a policy with an insurance company that covers the contingencies of death by any cause, absolute invalidity and total permanent disability caused by an accident, with a capital equal to one annuity of the beneficiary's total compensation (compensation received in the preceding year).

There is an age limit of 75 years of age for the main risk of death, and of 65 years of age for the supplemental benefits.

The policy envisages supplemental benefits in case of accidental death or absolute invalidity due to accident, and supplemental benefits in case of death by traffic accident.

Up to December 31, 2018, the members of the Board of Directors who were beneficiaries of this Policy have been exclusively the former Chairman, Mr. Manuel Polanco, and the CEO.

For the CEO, the insured capital is one annuity of the compensation associated to his position.

For 2019, the insured capital of the CEO's life insurance policy amounts to 738,920 euros, which has been calculated taking as a base the fixed and variable compensation effectively resulting from applying to the variable objective the actual degree of achievement in the preceding fiscal year.



The insurance premiums are reviewed annually in light of the claims reported on PRISA's Group policies, and they vary according to the age of the insureds. The amount of premiums is determined during the first quarter of the fiscal year, so the specific amount of premiums relating to the CEO for fiscal year 2019 is not known until the date of preparation of this Report, although the amount thereof is expected to be similar to that of fiscal year 2018. Said amount is specified in section B.14 of this Report.

ii) A private health insurance policy:

PRISA's policy for all its executives includes private health insurance in the form of expense reimbursement. The CEO and his immediate family are beneficiaries of that insurance, observing the age limits that appear in the relevant insurance policy. The former Chairman of the Board, Mr. Manuel Polanco, was also a beneficiary of this policy until his resignation from that post on December 31, 2018.

The private health insurance premiums are adjusted annually in light of the losses under PRISA's Group policies and the evolution of the Consumer Price Index in the health sector, according to the broker's proposal. In the last quarter of each year, the premium for the following year is established.

For 2019, the premium for the health insurance of the CEO is 4,801 euros.

The amendment of the Compensation Policy that will be proposed at the next General Shareholders' Meeting will include any compensation in kind to which the new Chairman of the Board of Directors will be entitled.

iii) Use of a chauffeured company car:

The CEO will be entitled to the use of a chauffeured vehicle according to the terms of PRISA Group's vehicle fleet policy.

iv) Others:

Lastly, the directors shall be entitled to the reimbursement of any expenses related to trips, meals and accommodation incurred to attend the meetings of the Board of Directors and Committees, provided they are duly justified.

The Chairman will also have the necessary means to adequately perform his office and functions, according to the Company's practices and policies.

Moreover, PRISA has contracted a civil liability insurance policy for all its directors, including the CEO, pursuant to the habitual market conditions for this type of insurance.

- *Amount and nature of variable components, making a distinction between those established on a short- and long-term basis. Financial and non-financial parameters, including in the latter social, environmental and climate change parameters, selected to determine the variable compensation in the fiscal year in course, explanation of to what extent those parameters are related to the compensation of both the director and of the entity and with its risk profile, and the methodology, necessary period and techniques established to be able to determine, at the end of the fiscal year, the degree of achievement of the parameters used in the design of the variable compensation. Indicate the range in monetary terms of the different variable components according to the degree of achievement of the objectives and parameters established, and whether there is any maximum monetary amount in absolute terms*

**11. Amount and nature of variable components, making a distinction between those established on the short and long term.**

As stated previously, the variable compensation system of the CEO currently includes two variable components. The specific criteria and objectives set for 2019, taken into account to determine the variable compensation, are:

Short-term annual variable compensation

The annual variable compensation of the CEO is that regulated in his contract with the Company, according to which, he will receive variable compensation, which does not vest, in cash, according to the objectives assigned to him for each of the annual periods covered by his contract, and which shall be set each year by the Board of Directors at the proposal of the ACCGC.

The Policy establishes that, in general terms, this short-term variable compensation will be determined according to a scale of achievement linked mainly to quantitative business-related objectives, which include the Group's operational and financial objectives, value creation and sustainability objectives, and, in a smaller proportion, qualitative objectives.

In relation to fiscal year 2019, the criteria that will be taken into account to determine the CEO's short-term variable compensation will be as follows:

- Objectives and indicators:

The weighting of objectives is as follows: (i) 80% quantitative objectives and (ii) 20% qualitative objectives.

- Quantitative objectives

These objectives reflect the expected results for different financial metrics resulting from contributions by the businesses as a whole, and they allow measuring performance in those areas over the year.

The parameters used by PRISA to calculate the short-term compensation are based on quantitative indicators of financial results and on a qualitative assessment of the director's performance (just as those used most frequently by listed corporations, according to the CNMV's Report on the directors' compensation reports of listed corporations relating to fiscal year 2017, published by the CNMV on October 17, 2018 ("CNMV Report") and pursuant to the CNMV's Recommendation 58), and on the fulfillment of specific individual objectives.

Specifically, the achievement of quantitative objectives is measured according to the following two indicators which reflect the Group's most relevant objectives and pursuant to the following weighting:

Metrics	Weighting: (over 100)
Adjusted EBITDA	50%
Cash generation (free cash flow)	50%

The metrics are based on the 2019 budget. The scale to be applied to the fulfillment of each basic metric for determining the variable compensation will be the following:

Metrics	Degree of achievement							
	% of achievement	Payment	% of achievement	Payment	% of achievement	Payment	% of achievement	Payment
Adjusted EBITDA	<90%	0%	90%	50%	100%	100%	≥110%	130%
Cash generation (free cash flow)	<90%	0%	90%	50%	100%	100%	≥110%	130%

The intermediate points of the intervals are calculated by linear interpolation.

- Qualitative objectives

The qualitative part will include variables which measure individual performance, the achievement of which can reach a maximum of 130%. Thus, the maximum payment of variable compensation for this item could be 26% of the fixed compensation. If the quantitative criteria have reached the maximum achievement level of 130%, they would be 104% of fixed compensation and the total variable compensation would then be 130% of fixed compensation.

These objectives measure individual performance and are related to both specific performance and to how the objectives are achieved.

The assessment of the CEO's individual performance is done based on the following individual objectives: i) promoting the Group's digital strategy, ii) defining succession plans for key positions in the organization, and iii) revision of specific aspects of the internal governance model.

According to the CNMV Report, that qualitative parameter is aligned with market practices in relation to short-term variable compensation systems for executive directors.

- Key objectives

A "key objective" will apply, which fulfillment might or might not enable the director to earn the short-term variable compensation, once the adjusted EBITDA/EBIT and free cash

flow objectives have been met. This key objective is the following:

- PRISA's 2019 Net Results (the Group's consolidated figure) must be 50% or more of the 2019 Net Results established in the budget approved by the Board of Directors.

The Net Results (as a key objective) if any, will be adjusted by any expenses recognized in the year related to the medium-term Deferred Compensation.

The fundamental parameters of the short-term variable compensation system are reviewed annually by the ACCGC, having concluded that they are appropriate for measuring the contribution of the managing team, including the CEO, to the Company's results. Moreover, the ACCGC may adjust the key objectives to reflect extraordinary transactions not included in the budget, such as for example adjustments to the consolidated group, sales of fixed assets and other exceptional effects, upwards or downwards.

Pursuant to article 28 of the Board Regulations, the ACCGC will verify the degree of achievement of the objectives on which the short-term variable compensation depends, and will bring it to the Board of Directors for final approval.

The short-term variable compensation will be paid after the end of the fiscal year, meaning that the short-term variable compensation accrued in fiscal year 2019 will be paid, as the case may be, in fiscal year 2020.

#### Medium-term deferred variable remuneration

Article 18 of the Bylaws and article 32 of the Board of Directors' Regulations establish that, upon a resolution by the General Shareholders' Meeting, the CEO may be the beneficiary of compensation systems consisting of the delivery of shares or rights on shares, and of any other compensation system based on the value of shares.

At the date of approval of this Report, the CEO's compensation system only envisages, as long-term variable compensation, his participation in the medium-term Deferred Compensation for fiscal years 2018-2020, which was approved by the Shareholders' Meeting held on April 25, 2018.

The aim of the Deferred Compensation is to align the interests of its beneficiaries (i.e., the CEO, the senior managers and certain executives of the Company) with those of the Company's shareholders pursuant to the Company's Strategy Plan for the period 2018-2020 ("Strategy Plan").

The Deferred Compensation entails for the beneficiaries the assignment of a number of theoretical shares ("RSUs") that serve as a reference for determining, as appropriate, the delivery of a number of ordinary shares in the Company after a reference period of three years and provided certain requirements are met, subject to the achievement of its objectives: (i) Increase in share value, (ii) consolidated EBITDA, and (iii) consolidated Cash Flow.

The end date of the Deferred Compensation is set to be the date of delivery of the shares, determined by the Board of Directors, within the sixty calendar days following the date on which the Board prepares the annual accounts for 2020.

The specific characteristics of the Deferred Compensation are as follows:

- a) It establishes some transparent, demanding objectives measured on the medium term (i.e., over a three-year period).
- b) It includes some metrics and accrual conditions clearly linked to the achievement of demanding financial objectives and which enhance the value for the shareholders.
- c) The degrees of achievement of the objectives of the Deferred Compensation plan have been set by the ACCGC based on the Company's Strategy Plan for the period 2018-2020.

Those objectives are periodically monitored to ensure that the conditions agreed upon are adapted, to the extent necessary, to preserving the principles underlying the original aim of the Deferred Compensation, while supporting the Company's interest in avoiding any possible loss of competitiveness in the market.

- d) To receive the shares, the CEO must maintain a contractual relationship with the PRISA Group throughout the term of the Deferred Compensation and until the date of delivery, except in certain cases of termination of his relationship for reasons not attributable to him, which are duly stated in the document containing the general terms and conditions of the Deferred Compensation ("General Conditions").

- e) In order to calculate the ratio attained by the CEO for each level of achievement of objectives, a maximum incentive level assigned and an achievement scale are determined for each of the metrics.

Both the number of measurement parameters and the payment instruments used to determine the Deferred Compensation are in line with the most commonly used practices of listed companies, according to the CNMV Report.

- *Main characteristics of the long-term savings systems*

## **12. Main characteristics of the long-term savings systems**

No savings system is established for the current directors for the current fiscal year.

- *Any kind of payment or severance for early termination or removal or derived from the termination of the contractual relationship on the terms established between the Company and the director, whether at the will of the Company or the director, and any kind of agreements reached, such as exclusivity, post-contractual non-competition undertaking and retention, which entitle the director to any kind of payment.*

## **13. Payments or indemnities for early termination or removal, or derived from the termination of the contractual relationship on the terms established between the company and the director, in his capacity as such, whether due to the company's or the director's decision**

The directors in their capacity as such (non-executives) are not entitled to indemnities for termination of their functions as director.

The CEO's contract establishes the indemnities explained in the following subsections 14 and 15.

## **14. Agreements reached, such as exclusivity, post-contractual non-competition undertaking and retention of directors, which entitle them to any type of payment**

The CEO's contract establishes, for certain cases, the payment of considerations for: (i) the fulfillment of a post-contractual non-competition undertaking, (ii) the termination of the relationship with the Company by decision of the latter, when it is not due to the CEO having committed any of the conducts which labor legislation in force establishes are just grounds for dismissal, (iii) the expiration of the contract, and (iv) the termination of the contract by decision of the CEO based on the serious and culpable breach by the Company.

More details are offered on these agreements in the section in relation to the conditions of the CEO's contract (i.e. subsection 15 of section A.1).

Pursuant to Mr. Polanco's executive director contract, the director was entitled to receive 230,000 euros as compensation for his non-competition undertaking. That agreement was kept in force once his contract was terminated, and is thus established in the Compensation Policy, for the case of his termination as Chairman before December 31, 2019. The Board of Directors, at its meeting of February 26, 2019, has adopted the resolutions necessary for the payment of this amount, as mentioned in section B.10.

- *Conditions that must be respected in the contracts of those who perform senior management functions as executive directors*

**15. Conditions that must be respected in the contracts of those who perform senior management functions as executive directors**

The contract that regulates the performance of the functions and responsibilities of the Company's CEO includes the customary clauses included in this type of contract, according to habitual market practices in this area, and are aimed at attracting and retaining the most outstanding professionals and safeguarding the legitimate interests of the Company.

In accordance with articles 249 and 529 *octodecies* of the LSC, and article 32 of the Board of Directors' Regulations, the essential terms and conditions affecting the CEO are as follows:

- a) Duration: The contract has a term of four years starting from September 4, 2017.
- b) Exclusivity and non-competition The CEO's contract includes a clause on the provision of services solely and exclusively for the Company and the PRISA Group, and he may not provide services or pursue professional activities, under any contractual relationship, for other persons or entities. In addition, the CEO's contract includes a specific non-competition prohibition.
- c) Advance notice period: In the event of termination of the contract by a decision of the CEO, he must send a communication to the Company indicating that circumstance at least three months in advance. In case of total or partial breach of the advance notice period, the CEO will be obliged to pay the fixed compensation in cash with the inclusion of the proportion of the extraordinary payments corresponding to the proportional breach of the advance notice period.



The Company, in case of discontinuance of the business, must give an advance notice of at least three months. In case of total or partial breach of the advance notice period, the Company will be obliged to pay the fixed compensation in cash with the inclusion of the proportion of the extraordinary payments corresponding to the proportional breach of the advance notice.

- d) Severance The CEO's contract contemplates the following types of compensation: (i) an indemnity equal to eighteen months of his fixed and variable annual compensation, in case the contract is terminated as a consequence of its expiration. Also, in this case, the CEO will be entitled, as part of his settlement, to the proportional part of the variable compensation target (i.e. 300,000 euros) and of the multi-year incentive which may correspond to him; (ii) the employment severance payable to him according to the applicable legislation for the abeyance of his ordinary labor relationships, plus an indemnity equal to one year and six months of his fixed and variable compensation in cash, in case the Company decides to terminate his contract for reasons other than those contemplated in article 54 of the Workers' Statute; and (iii) the employment severance payable according to applicable labor legislation for the abeyance of the ordinary labor relationships, plus an indemnity equal to one year and six months of his fixed and variable annual compensation in cash, where the termination is voluntary by the CEO, due to serious and culpable breach by the Company of the obligations established in the contract.

Additionally, the termination of the CEO's commercial relationship will entitle him to receive a supplementary indemnity equal to the amount of the unemployment benefits established at that time, with reference to the maximum contribution base and also the maximum period in which that benefit is granted. In any case, if the CEO obtains unemployment benefits from the relevant public agency, he will be obliged to reimburse the Company for any amount received for that supplementary indemnity, albeit limited to the amount of those benefits received, making that refund within a maximum term of one month following the date on which his entitlement to the unemployment benefits is recognized.

In the event of termination of the contract between the Company and the CEO for any cause not attributable to him, he shall receive the proportional part of the short-term variable remuneration according to the time he has spent working at the Company in the fiscal year. The variable compensation relating to the fiscal year in which the CEO discontinues working at the

Company shall not be paid to him if such discontinuation is decided by the Company due to serious breach of his obligations, or if it is due to resignation by the CEO himself, unless in this last case the resignation takes place in the last two months of the fiscal year, in which case he will receive the proportional part of the variable compensation payable, provided the annual objectives established are reached.

- e) Post-contractual non-competition undertaking: The CEO's contract includes a post-contractual non-competition clause whereby the CEO undertakes (i) not to provide services to Spanish or foreign companies whose activity is the same or similar to those of the PRISA Group companies, for a period of six months, and (ii) not to hire any person who belongs, or has belonged in the 12 months preceding the date of termination of the contract, to the staff of PRISA Group, or to contribute to any PRISA Group employee leaving the Group.

The CEO will receive, as economic consideration for those obligations, a compensation equal to six monthly payments of the last gross fixed salary being received by him at the time of termination of the contract. In case of breach of that post-contractual non-competition undertaking, the CEO will be obliged to reimburse the compensation to the Company plus an indemnity equal to six monthly payments of his last gross fixed salary received.

- f) Clawback clause: In general terms, the CEO's contract includes a clause whereby the Company can claim the reimbursement of the amounts received by him in excess as annual and multi-year variable compensation, if, in the year following its settlement and payment, any fact or circumstance is revealed that results in the alteration or modification of the accounts, results or economic data which could affect the quantitative elements considered when that compensation was granted.
- g) Professional secrecy and duty of confidentiality: The contract of PRISA's CEO includes the obligation to keep professional secrecy. The duty of confidentiality is regulated in article 34 of the Board Regulations, and it remains in force even when the director is no longer in the post.

- *Nature and estimated amount of any other supplementary compensation that will be earned by the directors in the current fiscal year in consideration for services provided other than those inherent to their post*

**16. Nature and estimated amount of any other supplementary compensation that will be earned by the directors in the current fiscal year in consideration for services provided other than those inherent to their post**

The Compensation Policy does not contemplate any compensation other than what is mentioned in the preceding sections for the directors.

- *Other compensation items such as those derived, if any, from the provision by the company to the directors of advances, loans and guarantees and other items*

**17. Other compensation items such as those derived, if any, from the provision by the company to the directors of advances, loans and guarantees and other items**

The Compensation Policy does not envisage the possibility of providing advances, loans and guarantees to the directors.

- *Nature and estimated amount of any other supplementary compensation not included in the preceding sections, whether paid by the entity or by another group entity, that will be earned by the directors in the current fiscal year*

**18. Nature and estimated amount of any other supplementary compensation not included in the preceding sections, whether paid by the entity or by another group entity, that will be earned by the directors in the current fiscal year**

No compensation of any kind is envisaged, for the current fiscal year, to be paid by Group entities to any of the members of the Board of Directors except for Mr. Manuel Polanco. The Board of Directors has proposed that Prisa Noticias should compensate Mr. Polanco for his status as non-executive Chairman, for a maximum amount of 50,000 euros per annum.

**A.2 Explain any relevant change in the compensation policy applicable in the current fiscal year, derived from:**

- *A new policy or an amendment of the policy already approved by the Shareholders' Meeting.*
- *Relevant changes in the specific determinations established by the Board for the current fiscal year in the compensation policy in force, with respect to the policy applied in the preceding year.*

- *Proposals which the Board has resolved to present to the shareholders' meeting to which this annual report will be submitted and which the Board proposes applying in the current fiscal year.*

As stated in detail in section A.1 of this Report, the Board of Directors intends to propose to the General Shareholders' Meeting the modification of the current Compensation Policy, to include therein the the specific compensation applicable to the new Chairman of the Board of Directors starting on January 1, 2019.

- A.3 *Indicate the direct link to the document which contains the current compensation policy, which should be available on the company's webpage.*

<https://www.prisa.com/uploads/2018/04/nueva-politica-de-remuneraciones-de-los-consejeros.pdf>

- A.4 *Explain, taking into account the data provided in section B.4, how the vote of the shareholders at the general shareholders' meeting to which the annual report on compensation of the previous year was submitted to advisory vote, has been taken into account*

The resolution received the favorable vote of 99.69% of the votes cast, on the terms stated in section B.4.

According to the information provided in the CNMV's Report, at the general shareholders' meetings held in 2017 by listed corporations that do not belong to IBEX 35, a favorable vote of over 95% was reached on the annual reports on directors' compensation, at 44% of these entities.

## **B. OVERALL SUMMARY OF HOW THE COMPENSATION POLICY WAS APPLIED IN THE LAST FISCAL YEAR**

- B.1 *Explain the process followed to apply the compensation policy and to determine the individual compensation reflected in section C herein. This information will include the role performed by the compensation committee, the decisions made by the board and, as appropriate, the identity and role of external advisors whose services have been used in the process of applying the compensation policy in the last fiscal year closed.*

The compensation items accrued in fiscal year 2018 comply with the principles, bases and composition of the compensation system in force according to the Compensation Policy described in section A.1 above.

As mentioned in section A.1, according to article 529 *novodecies* of the LSC, the Compensation Policy approved by the General Shareholders' Meeting on April 25, 2018 applies in fiscal years 2018, 2019 and 2020, unless the Company's General Shareholders' Meeting resolves to modify it or replace it during this period.

This Policy replaced the previous directors' compensation policy for 2017-2019 ("Compensation Policy 2017-2019") and has applied since January 1, 2018. Nonetheless, the current Compensation Policy establishes the validity of the compensation paid in 2018, until the date of its approval, to the directors or former directors under Compensation Policy 2017-2019.

In particular, the process followed to apply the Compensation Policy in 2018 and to determine the individual compensation shown in section C of the Report is the following:

1. Directors in their capacity as such (non-executive)

Their compensation is established in the current Compensation Policy, which modified the amount of compensation of non-executive directors established in Compensation Policy 2017-2019. The change in the compensation of non-executive directors is detailed in section B.5.

2. Executive directors

According to the CEO's contract and the Compensation Policy, the CEO earned the following compensation in 2018: (i) fixed compensation of 500,000 euros, (ii) a cash amount in relation to short-term annual variable compensation of 2018, detailed in section B.7, (iii) the amounts relating to premiums for life and accident insurance and for health insurance which are described in section B.14, and (iv) a chauffeured company car.

The procedures, matters and decisions adopted by the ACCGC and the Board of Directors according to the powers described in section A.1.3 are the following:

The ACCGC proposed to the Board (which in turn proposed to the General Shareholders' Meeting) the bases of the new Directors' Compensation Policy, establishing the compensation criteria for executive and non-executive directors, with effects from January 1, 2018.

Moreover, in relation to variable compensation, the ACCGC proposed to the Board of Directors the criteria for the variable compensation of the CEO for fiscal year 2018, establishing the objectives, the weighting of the metrics, and the scale to be applied to the achievement of each one. All of the foregoing was approved by the Board.

The ACCGC and the Board, in the context of their respective authorities, have adopted the different decisions to which reference is made throughout this Report in relation to the Medium-Term Deferred Compensation for fiscal years 2018-2020, which was approved by the Shareholders' Meeting held in April 2018.

### 2.1. In relation to the short-term annual variable compensation:

As was already stated in last year's Compensation Report, to determine the variable remuneration of the CEO, there are two key objectives which must be achieved jointly in order to permit the variable remuneration to be earned, based on the fulfillment of quantitative objectives (adjusted EBITDA and Free Cash Flow, each of which has a 50% weight in the quantitative objectives) and of qualitative objectives.

The key objectives are the following: (i) positive net results, and (ii) fulfillment of the budgeted savings plan with the associated increase of EBITDA; the ACCGC may adjust the key objectives upwards or downwards to reflect extraordinary operations or circumstances, such as changes in the consolidated group, sales of fixed assets, and other exceptional effects.

The aim of the savings plan has been fully met and, as regards net results, the ACCGC has considered appropriate to take as a reference for determining its performance thereof, the net results before the adjustments made for impairment of the goodwill of Media Capital and tax credits, in view of the nature of these latter items. As that amount is positive, this key objective has also been met.

According to the aforementioned, the ACCGC, at its meetings of January 29 and February 26, 2019, has determined and assessed the degree of achievement of the objectives established for the CEO to receive the short-term variable compensation accrued in 2018 and has proposed to the Board of Directors the amount to be paid to him for this item. The Board of Directors meeting held on February 26, 2019, approved the ACCGC's proposal.

On that basis, the degree of achievement of the quantitative objectives is 100.8% for the EBITDA objective and 130% for the free cash flow objective (which means an achievement of quantitative objectives of 115.4% of fixed compensation, and 125% in the case of quantitative objectives).

The total degree of achievement is 117.3%, so the variable remuneration earned by the CEO in 2018 is 351,950 euros.

### 2.2. In relation to medium-term deferred variable remuneration:

- The Deferred Compensation plan was approved by the General Shareholders' Meeting of April 25, 2018, which authorized the Board of Directors, with express power of delegation to any of its members, of the Committees or of any other authorized representative, to adopt as many agreements and sign as many

public documents as necessary or advisable to manage the Deferred Compensation plan 2018-2020.

- The Board of Directors, at the proposal of the ACCGC, approved the beneficiaries and proposed distribution of the Plan, as well as the General Conditions that define the characteristics of the Deferred Compensation, granting powers to the ACCGC to pass certain resolutions in relation to the management of that compensation.
- In this regard, on July 24, 2018, pursuant to the Board Regulations, the ACCGC adopted the resolution on the Deferred Compensation establishing the EBITDA and cash flow objectives on which the incentive is conditional, according to the Strategy Plan approved by the Board of Directors on July 24, 2018. In addition, on the same date and according to what was approved by the General Shareholders' Meeting, the ACCGC set the initial reference value of the PRISA share, as defined in the General Conditions of the Deferred Compensation plan, at 1.7737 euros.

During 2018, PRISA has received external advisory services from Garrigues Human Capital Services for the design and implementation of the Deferred Compensation.

The amount of the total compensation of the directors, specified in section C of this Report, which followed the accrual criteria established in the CNMV's "Circular 2/2018, establishing the model of annual report on compensation of directors of listed corporations", differs from the total amount of directors' compensation specified in the Notes to the Financial Statements and in the Half-Yearly Financial Statement of PRISA of fiscal year 2018, because that amount relates to the accounting recognition of the expense.

*B.2 Explain the different actions taken by the company in relation to the compensation system and how they have contributed to reducing exposure to excessive risk and adapting it to the company's long-term objectives, values and interests, including a reference to the measures taken to ensure that the compensation accrued takes into account the company's long-term results and an appropriate balance between fixed and variable components of compensation, what measures have been taken in relation to the categories of personnel whose professional activities have a material impact on the entity's risk profile, and what measures have been adopted to avoid conflicts of interest, if any.*

The ACCGC ensures the observance of the Compensation Policy for directors and senior managers and informs the Board of the proposals relating to the terms of the variable compensation of the Company's

executive directors and senior managers and verifies the degree of achievement of the objectives to which they are subject.

In this regard, the Board of Directors, at the proposal of the ACCGC, determines the objectives on which the payment of the variable compensation to the CEO depends, their weight and metrics at the start of each fiscal year and the evaluation of their level of achievement at the end of the year.

In order to evaluate the achievement of the objectives, the ACCGC uses the information provided by the Company's Financial and Human Resources Directors.

Moreover, if the Company's auditors, in their annual audit report, issue a qualified opinion that affects the objectives on which the CEO's variable compensation depends, the Board of PRISA must take them into account for determining that variable compensation.

Lastly, the Company has a risk management system in place that applies to all of the Group entities, including the investees over which the Group has management capacity, which works integrally by business units, consolidating the management at a corporate level.

The Group continuously monitors the most significant risks, including tax risks, which might affect the business units. For that purpose, it uses a risk map as a tool for graphic representation of the risks inherent to the Group, which is used to identify and assess the risks affecting the performance of the activities of the different business units. The identification of the risks and of the processes that manage each of the risks considered is carried out by the General Directors of the business units and of the corporate, and it is aggregated and standardized by the Group's Internal Audit Director. The risk map is reported to the Audit, Risks and Compliance Committee which continually monitors the main risks identified. At least once a year, the Board is informed of the Group's risk map.

The respective directors of the businesses identify both the persons responsible for managing each risk and the action plans and associated controls.

Moreover, the Company has a financial reporting internal control at risk management system (IFCR). One of the functions of the Board of Directors of PRISA, as established in the Board Regulations, is the supervision of the internal reporting and control systems. For the performance of these functions, the Board is supported by the Audit, Risk and Compliance Committee of PRISA, whose responsibilities include supervising the process of preparation and the integrity of the financial information of the Company and of its Group. The Committee in turn supervises the Internal Audit unit to ensure that the latter controls the proper functioning of the



reporting and internal control systems. The aim of the internal audit is to provide the Group's Management and the Audit Committee reasonable assurance that the internal control environment and systems operating in the Group companies have been correctly conceived and managed. For that purpose, internal audit supervises the design and scope of the Group's financial reporting internal control model and subsequently assesses the functioning of the control procedures defined in the model.

The effective implementation of the internal control model is the responsibility of the CEO and of the General Financial Director of PRISA, and of the CEOs and General Directors of the Group's business units that are involved in the preparation of the financial information that serves as a basis for preparing the Group's financial statements.

The Audit Committee periodically evaluates the risk control and management function to ensure that it is carried out with the required independence, verifying that the appropriate processes have been implemented so that the management, the Committee itself and the Board can know whether the risk control and management system has functioned according to the policies and criteria approved by the Board.

The system for internal control over financial reporting is audited by the Group's auditor which issues an opinion on the effectiveness of the internal control in a reasonable assurance report in accordance with ISAE 3000.

The Directors' Compensation Policy which replaced the previous Compensation Policy 2017-2019 with effects from January 1, 2018, is framed within the Company's project to revise its internal corporate governance system to align it with the best corporate governance practices, which is deemed beneficial for the Company's organization and management.

In particular, the modifications included in the Policy are aimed at (i) adapting the Compensation Policy to the new structure of corporate governance at the Company, due to the significant changes in the shareholding structure and in the composition of the Company's Board of Directors; (ii) aligning the compensation structure of the directors with the general strategy of the Group; and (iii) promoting an incentive system that guarantees the orientation to results and value creation for the shareholder on a sustainable basis in the medium and long term.

The different actions adopted by the Company to (i) reduce exposure to excessive risk, (ii) adjust the compensation to the Company's long-term interests, and (iii) reach a balance between the fixed and variable components of directors' compensation, are described in section A.2 of this Report. Moreover, as also detailed in that section, only the executive directors participate in variable compensation systems, thereby preventing

variable compensation from being able to compromise the independence of mind of non-executive directors.

As indicated in subsection 7, of section A.1, the variable compensation includes the following provisions for reducing risks:

- Every year a short-term variable compensation system is defined which complies with formal procedures for determining the amounts to be paid to the CEO. The objectives are set down in writing in advance, and their achievement is determined according to the Company's results and approved by the Board of Directors. The short-term annual variable compensation system for fiscal year 2018 is detailed in section B.7.
- There is no right to obtain a guaranteed short-term variable compensation.
- There are maximum amounts established for all variable compensation payable.
- The system for establishing metrics for the quantitative objectives takes into consideration the variables that have been identified within the Company's risk map.
- The CEO's contract contains a clawback clause that permits the Company to claim a reimbursement of the variable components of compensation when they have been paid based on data whose inaccuracy is verified subsequently. This clause has effects for all the variable compensation received since the entry into force of the CEO's contract with the Company, that is, since September 4, 2017, and applies in the year following the payment of the relevant variable compensation.
- Additionally, the medium-term Deferred Compensation approved for the period 2018-2020 by the General Shareholders' Meeting and described in detail in section A.1 of this Report, contains, considering the duration of this variable compensation, a specific clawback clause, which obliges the CEO to reimburse the variable compensation received if, within the three years following the receipt thereof, the circumstances determined by the Board which oblige the CEO to return the shares delivered or their equivalent in cash have arisen. This clawback clause also applies to the rest of the beneficiaries of the plan (i.e. senior managers and other executives of the Group), in which case the period of application is two years, rather than three.

**B.3** *Explain how the compensation accrued in the fiscal year complies with the provisions of the compensation policy in force.*

*Also inform on the relationship between the compensation obtained by the directors and the results or other measurements of performance at the entity, on the short and long term, explaining how the variation in the company's results may have affected the variation in the compensation of directors, including the compensation accrued the payment of which has been deferred, and how it contributes to the company's results on the short and long term.*

**1. Explain how the compensation accrued in the fiscal year complies with the provisions of the compensation policy in force**

Pursuant to the Compensation Policy, the compensation earned in 2018 by the directors was as follows:

- In 2018, the non-executive directors received the amounts determined in the Compensation Policy and which are detailed in section B.5, for belonging to the Board of Directors and to the different Committees, and for being the chairman, as the case may be.
- The total amount earned by all of the directors as a whole, in their capacity as such (non-executive) in 2018, amounts to 1,585,000 euros, complying with the total annual maximum limit established in the Compensation Policy (i.e. 2,000,000 euros)
- In 2018, Mr. Manuel Polanco, non-executive Chairman up to December 31, 2018, received: (i) a compensation of 500,000 euros, in view of the dedication required by the institutional and representative functions of the Company at the highest level, as established in the Compensation Policy, (ii) the amounts corresponding to the life and accident insurance and health insurance premiums which are described in section B.14, and (iii) the use of a chauffeured company car to perform his functions as non-executive Chairman.
- The CEO earned in 2018: (i) a fixed component of 500,000 euros, (ii) an amount in cash in relation to the short-term annual variable compensation, detailed in section B.7 and which will be paid in 2019, (iii) the amounts corresponding to the life and accident insurance and health insurance premiums which are described in section B.14, and (iv) the use of a chauffeured company car.

**2. Relationship between the compensation obtained by directors and the results or other measurements of performance, short and long term, at the company, explaining, as the case may be, how variations in the company's results may have influenced the variation in directors' compensation.**

As stated in section B.1, the modifications in the compensation of directors, as a consequence of the change in the Compensation Policy, have permitted the Company to adapt that compensation to the Company's new corporate governance structure and the Group's strategy.

To adapt the compensation of the CEO to the short- and long-term results of PRISA, the Policy establishes two compensation components: (i) a short-term annual variable compensation for which the objectives are determined annually and are linked, in a significant percentage (i.e. 80%) to financial objectives of the Company, and (ii) a medium-term Deferred Compensation, the objectives of which are linked to the PRISA Strategy Plan of that period, and to the value creation in a medium-term.

The short- and medium-term variable compensation systems entail measures that take into account possible variations in the Company's results, which include:

- Defined scales of achievement for each objective based on the Company's results. Consequently, any variation in the Company's results on the short or long term will affect the degree of achievement of the objectives and directly the amount of variable compensation that may be obtained by the CEO.
- Only where the Board of Directors has prepared the financial statements with which to determine the degree of achievement of the objectives will the short- or long-term variable compensation linked to the Company's financial objectives accrue.
- Moreover, the medium-term Deferred Compensation contemplates the obligation to maintain the ownership of a certain number of shares that may be received under this plan.
- All of the CEO's variable compensation is subject to a clawback clause that permits the Company to claim the reimbursement of the variable components of compensation when that compensation has been paid based on data that is subsequently proven to be inaccurate.

- B.4 *Report on the outcome of the advisory vote of the general shareholders' meeting on the annual report on directors' compensation for the previous year, indicating the number of votes cast against it, if any.*

	<b>Number</b>	<b>% of total</b>
<b>Votes cast</b>	<b>438,655,708</b>	<b>100%</b>

	<b>Number</b>	<b>% of total</b>
<b>Votes against</b>	<b>1,333,747</b>	<b>0.30%</b>
<b>Votes in favor</b>	<b>437,321,928</b>	<b>99.70%</b>
<b>Abstentions</b>	<b>33</b>	<b>0.00%</b>

- B.5 *Explain how the fixed components accrued during the fiscal year by the directors in their capacity as such have been determined and how they have varied with respect to the preceding year.*

As mentioned in section B.1, with the entry into force of the Compensation Policy, the compensation of the non-executive directors, among others, is modified with respect to the compensation established in Compensation Policy 2017-2019.

The variation in the fixed components accrued in 2018, with respect to those accrued in fiscal year 2017, is derived from the application of the Compensation Policy 2017-2019 until the entry into force of the current Compensation Policy.

Specifically, the modifications made are as follows:

- The maximum amount of fixed annual compensation for participating in the Board of Directors is reduced from 75,000 to 70,000 euros. This amount is paid entirely in cash and prorated monthly. Thus, the possibility for the directors to elect to receive 40% of their compensation in Company shares, as was established in Compensation Policy 2017-2019, has been eliminated. Specifically, in relation to the current directors of the Company, in 2017, part of the compensation was paid in shares to Mr. Roberto Alcántara Rojas, Mr. Khalid Bin Thani Abdullah Al Thani, and Mr. Waleed Ahmad Ibrahim.
- The Compensation Policy establishes that the directors will not receive fees for attending meetings of the Board of Director and Committees. In this regard, the Compensation Policy 2017-2019 established that the directors could receive fees for attending meetings, in the amount of 5,000 euros for chairmen of the Committees and 2,500 euros for members of the Board of Directors, of the Delegated Committee, and of the Committees.

- The maximum annual compensation for the participation in the Delegated Committee is 30,000 euros per director, compared to 75,000 euros established in the Compensation Policy 2017-2019. The annual compensation for the participation on the Audit, Risk and Compliance Committee and the ACCGC is 20,000 euros per director, which amount is double for the respective chairmen (i.e. 40,000 euros) In Compensation Policy 2017-2019, these amounts were 9,500 and 19,000 euros but those amounts were increased by per diems which, according to the new Directors' Compensation Policy, are no longer paid.
- According to the Compensation Policy, Mr. Manuel Polanco, non-executive Chairman up to December 31, 2018, had a right to receive gross annual fixed compensation of 500,000 euros, for his status as director and non-executive Chairman of the Board of Directors, in cash and prorated monthly. The compensation relating to fiscal year 2018 (i.e. 500,000 euros) has been paid as follows: i) until the approval of the Directors' Compensation Policy, Mr. Manuel Polanco has continued receiving the monthly compensation that corresponded to him pursuant to the services contract that he maintained with the Company (i.e. 460,420 euros per annum), for a total amount of 153,000 euros which amount is recognized as a salary and (ii) the difference up to 500,000 euros, that is, 347,000 euros, recognized within the fixed compensation of the directors.

In particular, the amount of the individual compensation accrued in 2018 by the directors in their capacity as such (non-executive) has been the following:

- Mr. Manuel Polanco Moreno: 500,000 euros of cash compensation.

Moreover, according to the Compensation Policy, on occasion of the termination, in December 2018, of Mr. Manuel Polanco's office as Non-Executive Chairman, he is entitled to receive the compensation envisaged in the one-year post-contractual non-competition clause established in his previous provision of services agreement as executive director, which was deferred upon his appointment as Chairman of the Board. The amount which Mr. Polanco is entitled to receive for this item is 230,000 euros.

Mr. Polanco was a beneficiary in 2018 of a life and accident insurance policy and of a health insurance policy, the amounts of which are detailed in section B.14.

- Mr. Francisco Javier Monzón de Cáceres: 140,000 euros of cash compensation.
- Mr. Roberto Alcántara Rojas: 93,000 euros of cash compensation.

- Mr. Waleed Ahmad Ibrahim Al'Sadi: 90,000 euros of cash compensation.
- Mr. Khalid Bin Thani Abdullah Al Thani: 77,000 euros of cash compensation.
- Amber Capital UK LLP (represented by Mr. Fernando Martínez Albacete): 54,000 euros of cash compensation.
- Mr. Javier de Jaime Guijarro 70,000 euros of cash compensation.
- Mr. Dominique D'Hinnin: 130,000 euros of cash compensation.
- Ms. Sonia Dulá: 90,000 euros of cash compensation.
- Mr. José Francisco Gil Díaz: 70,000 euros of cash compensation.
- Mr. Francisco Javier Gómez-Navarro Navarrete: 92,000 euros of cash compensation.
- Mr. Joseph Oughourlian: 120,000 euros of cash compensation.
- Mr. John Paton (who was director at the Company until April 24, 2018): 40,000 euros of cash compensation.

In addition, in 2018, Mr. Paton received remuneration for belonging to the board of directors of other PRISA Group companies, in the amount of 14,000 euros in cash.

According to the above, the total amount earned by all the directors in their capacity as such (non-executive) in 2018 amounts to 1,585,000 euros, which entails a reduction of 560,000 euros with respect to the total amount received by all the directors in their capacity as such (non-executive) in 2017 (including per diems).

The reduction in the total compensation earned in 2018 by the directors in their capacity as such (non-executive) with respect to the previous fiscal year is mainly due to the changes in the composition of the Board of Directors.

**B.6** *Explain how the salaries accrued in the closed fiscal year, by each of the executive directors for the performance of management functions have been determined and how they have changed with respect to the preceding year.*

The CEO, sole executive director in fiscal year 2018, earned the following fixed compensation in this fiscal year:

- The amount of the fixed annual compensation of 2018 is maintained, as from the signature of the CEO's contract in September 2017, at 500,000 euros. The compensation earned by the CEO in 2017 corresponded to the annual amount, prorated by the time period in which he began to perform the functions as CEO of PRISA (i.e., from September 4 to December 31, 2017), which means 338,000 euros of variation in the compensation received in 2018, which is accrued for the entire fiscal year.
- The amount of the annual premium corresponding to the life and accident insurance policy, of which he is the sole beneficiary since January 1, 2018, is 1,045.35 euros (855.75 euros for life insurance and 189.60 euros for accident insurance). In fiscal year 2017, the CEO was the beneficiary of a life insurance policy since his appointment as director on June 30, 2017, the amount of which was 695.66 euros. Previously, he was the beneficiary of a life insurance policy as a member of senior management for the period until June 30, 2017, the amount of which was 650.04 euros. As CEO, he was the beneficiary of an accident insurance policy since June 30, 2017, for which the premium paid in 2017 was 89.64 euros.
- The amount of the premium corresponding to the health insurance policy was 4,718.40 euros in 2018, whereas in 2017, the CEO was beneficiary of (i) a health insurance policy until June 30, 2017, for which the premium was paid by PRISA Noticias and amounted to 2,617.50 euros, and (ii) a health insurance policy as director of PRISA, the premium of which was for the same amount, since his appointment as director until the end of the fiscal year.
- The CEO has used, in the pursuit of his functions as director, a company car, according to the PRISA Group's vehicle fleet policy.

The total amount earned by the CEO, the sole executive director in 2018, is 858,000 euros, which entails a reduction of 6,619,000 euros in what was received in fiscal year 2017 by all of those who were executive directors in 2017 (i.e. Mr. Juan Luis Cebrián, Mr. Manuel Polanco, Mr. José Luis Sainz until September 2017, and Mr. Manuel Mirat since July 2017).

In fiscal year 2017, the Board of Directors had three executive directors at all times (i.e. Mr. Juan Luis Cebrián, Mr. Manuel Polanco and, since September 2017 and substituting Mr. José Luis Sainz, the current CEO, Mr. Manuel Mirat), whereas in fiscal year 2018 the sole executive director was Mr. Mirat, which is therefore the reason for the variation in the total amount of compensation accrued in one year with respect to the other.



B.7 *Explain the nature and principal characteristics of the variable components of the compensation accrued in the previous fiscal year.*

*In particular:*

- *Identify each of the compensation plans that have determined the different variable compensation items earned by each of the directors during the last fiscal year closed, including information on their scope, date of approval, date of implementation, accrual periods and validity, criteria used to evaluate performance and how that has affected the setting of the variable amount accrued, the measurement criteria used, and the period necessary to be in a position to adequately measure all the conditions and criteria stipulated.*

*In the case of stock option plans or other financial instruments, the general characteristics of each plan will include information on the conditions both to acquire their unconditional ownership (vesting) and to be able to exercise those options or financial instruments, including the exercise price and period.*

- *Each of the directors and their category (executive directors, nominee non-executive directors, independent non-executive directors or other non-executive directors), who are beneficiaries of compensation systems or plans that include variable compensation.*
- *As applicable, information on the accrual periods or payment deferral periods established and applied and/or the periods of maintenance/non-disposal of shares or other financial instruments, if any.*

As established in the Compensation Policy, the CEO was the only participant of variable compensation systems in fiscal year 2018.

The variable compensation system of the CEO includes two variable components:

(i) Short-term annual variable compensation

Both the CEO's contract and the Compensation Policy contemplate his participation in the short-term annual variable compensation.

According to article 28 of the Regulations of the Company's Board of Directors, the ACCGC informed the Board of Directors in February 2019 of the proposal regarding the terms of the short-term variable compensation of the CEO for fiscal year 2018.

In this regard, the accrual period of the short-term variable compensation of fiscal year 2018 was from January 1 to December 31 of that year.

The short-term variable compensation target of the CEO, for an achievement level of 100% of the objectives established for 2018, was 300,000 euros. This amount could be increased up to 130% (i.e. 390,000 euros) if the degree of achievement of the established objectives is over 100%.

The criteria taken into account to determine the short-term variable compensation of the CEO are as follows:

- Objectives and indicators:

The weighting of objectives is as follows: (i) 80% quantitative objectives and (ii) 20% qualitative objectives.

As was stated in the Compensation Report of the previous fiscal year, to determine the variable compensation of the CEO, two key objectives apply, the fulfillment of which permits him to earn the variable compensation, and which are based on quantitative objectives (adjusted EBITDA and Free Cash Flow, each of which is weighted at 50% in the quantitative objectives) and on qualitative objectives.

The key objectives are the following: (i) positive net results, and (ii) fulfillment of the budgeted savings plan with the increase of associated EBITDA; the ACCGC may adjust the key objectives, upwards or downwards, to reflect extraordinary operations or circumstances, such as changes in the consolidated group, sales of fixed assets, and other exceptional effects.

- The aim of the savings plan has been fully met and, as regards net results, the ACCGC has considered it appropriate to take as a reference, for determining the performance thereof, the net results before the adjustments made for impairment of the goodwill of Media Capital and tax credits, in view of the nature of these latter items. As that amount is positive, this key objective has also been met.
- Accordingly, the ACCGC, at its meetings of January 29 and February 26, 2019, has determined and assessed the degree of achievement of the objectives established for the CEO to receive the short-term variable compensation accrued in 2018 and has proposed to the Board of Directors the amount to be paid to him for this item. The Board of Directors meeting held on February 26, 2019, approved the ACCGC's proposal.

On that basis, the degree of achievement of the quantitative objectives is 100.8% for the EBITDA objective and 130% for the Free Cash Flow objective (which means an achievement of quantitative objectives representing 115.4% of fixed compensation, and 125% in the case of quantitative objectives).

The total degree of achievement is 117.3%, so the variable compensation earned by the CEO in 2018 is 351,950 euros.

(ii) Medium-term deferred variable remuneration:

The CEO participates in the Deferred Compensation plan for fiscal years 2018-2020, although no compensation accrued in 2018 for this item because the accrual period of this plan ends in 2020 and it is settled, as the case may be, in 2021.

Greater details on this compensation are found in subsection 11 of section A.1.

- B.8 *Indicate whether certain variable components have been reduced or a reimbursement claimed where, in the first case, the payment has vested and been deferred or, in the second case, it has vested and been paid, based on data that has subsequently been shown to be clearly inaccurate. Describe the amounts reduced or reimbursed by application of the reduction or reimbursement (clawback) clauses, why they have been executed and the fiscal years to which they relate.*

There are no variable components of compensation which have been reduced or a reimbursement claimed as none have accrued or been paid based on data that has subsequently been shown to be clearly inaccurate.

- B.9 *Explain the main characteristics of the long-term savings systems the annual amount or equivalent cost appears in the tables of Section C, including retirement and any other survival benefit, which are financed, in part or in full, by the company, whether provided internally or externally, indicating the type of plan, whether it is for defined contributions or benefits, the contingencies covered by it, the conditions on which economic rights vest in favor of the directors and their compatibility with any other kind of indemnity for early termination or for termination of the contractual relationship between the company and the director.*

There were no long-term savings systems in favor of the directors in 2018.

B.10 *Explain any indemnities or other types of payments derived from early termination, whether due to removal by the company or resignation by the director, or from termination of the contract on the terms established in it, accrued and/or received by the directors in the last fiscal year closed.*

The payments made by the Company to the directors during fiscal year 2018 as a consequence of their termination are as follows:

- The contract of the former director, Mr. Manuel Polanco, with the Company in his capacity as executive Vice President established that in case of unilateral termination by the simple discretion of the Company or due to breach by it, he would be entitled to an indemnity equal to fifteen months of his fixed and variable annual compensation in cash, taking as a reference the last compensation paid to him. Mr. Polanco's contract ended on January 1, 2018 and the Board of Directors recognized his right to receive this indemnity for an amount of 905,000 euros. Mr. Polanco received this amount in 2018, which was reported by PRISA in section D.1. a) i) of the Report for 2017, given that its accrual took place in fiscal year 2017.

Pursuant to Mr. Polanco's executive director's contract, the director was entitled to receive 230,000 euros as compensation for his non-competition undertaking. That agreement was kept in force once his contract was terminated, and is thus established in the Compensation Policy, for the case of his resignation as Chairman before December 31, 2019. The Board of Directors, at its meeting of February 26, 2019, has approved the resolutions necessary to pay this amount.

Therefore, that amount derives from Mr. Manuel Polanco's previous contract, and therefore does not affect the calculation of the maximum amount of the compensation payable to the directors in their capacity as such (i.e. 2,000,000 euros)

- Although the following amount does not refer to a payment derived from his status as director of the Company, Mr. Fernando Martínez Albacete, individual representative of the independent director Amber Capital UK LLP, on the Board of Directors of PRISA since March 2018, received in 2018 an amount for non-competition undertaking as senior manager of PRISA up to June 2017.
- The contract of Mr. José Luis Sainz Díaz (i.e. CEO until September 4, 2017) established a compensation for the fulfillment of a post-contractual non-competition undertaking, of six months of fixed compensation. The Board of Directors authorized the payment of 375,000 euros for this item, prorated monthly from October 2017 to March 2018. Consequently, in fiscal year 2018, the amount corresponding to the months of January, February and March were accrued and paid, totaling 187,500 euros.

B.11 *Indicate whether there have been significant changes in the contracts of those who perform senior management functions as executive directors and, if so, explain them. Also, explain the main conditions of the new contracts signed with executive directors during the fiscal year, unless they have already been explained in section A.1.*

There have been no changes with respect to the CEO's contract.

B.12 *Explain any supplementary compensation earned by directors as consideration for services provided other than those inherent in their post*

Explain any supplementary compensation earned by directors as consideration for services provided other than those inherent in their post

B.13 *Indicate any compensation derived from the grant of advances, loans and guarantees, stating the interest rate, their essential features and any amounts subsequently repaid, together with the obligations assumed on their behalf under guarantees*

There are no grants of advances, loans or guarantees by the Company to its directors.

B.14 *Detail the compensation in kind earned by the directors during the fiscal year, briefly explaining the nature of the different salary components.*

In relation to Mr. Manuel Polanco (non-executive Chairman until December 31, 2018) and the CEO, there follows a detail of the amount and nature of the compensation in kind accrued in fiscal year 2018:

i) A life and accident insurance policy:

The amount of the annual premium for 2018 relating to the life and accident insurance policy, on the terms described in subsection 10 of section A.1 was 1,416.45 euros for the life insurance and 118.50 euros for the accident insurance of Mr. Manuel Polanco, and 855.75 euros in relation to the life insurance and 189.60 euros for the accident insurance in the case of the CEO.

The insured capital of the life insurance policy of Mr. Manuel Polanco and the CEO for 2018 amounted to 500,000 euros and 800,000 euros, respectively.

ii) Private health insurance:

In the case of Mr. Manuel Polanco, the amount of the health insurance premium was 3,619.42 euros, whereas for the CEO, the health insurance premium was 4,718.40 euros.

iii) Use of a chauffeured company car:

Mr. Manuel Polanco and the CEO have used, in the performance of their functions, a company car according to the PRISA Group's vehicle fleet policy.

*B.15 Indicate the compensation earned by the director by virtue of the payments made by the listed company to a third-party entity at which the director provides his or her services, where the purpose of such payments is to remunerate the director's services at the company*

PRISA has not made payments to a third-party entity at which the directors might provide services, where the aim of which is to compensate their services at the company.

*B.16 Explain any compensation item other than those listed above, regardless of its nature or the group entity making payment, especially when it may be considered a related-party transaction or when its issuance would distort a true and fair view of the total compensation received by the director.*

The directors have not earned any compensation items in addition to those already described in this Report.

**C. DETAIL OF THE INDIVIDUAL COMPENSATION CORRESPONDING TO EACH OF THE DIRECTORS**

<b>Name</b>	<b>Type</b>	<b>Accrual period fiscal year 2018</b>
Mr. MANUEL POLANCO MORENO	Nominee Chairman	From 1/1/2018 through 12/31/2018
Mr. MANUEL MIRAT SANTIAGO	Chief Executive Officer	From 1/1/2018 through 12/31/2018
Mr. FRANCISCO JAVIER MONZÓN DE CÁCERES	Vice Chairman and Coordinating Director	From 1/1/2018 through 12/31/2018
Mr. ROBERTO LÁZARO ALCÁNTARA ROJAS	Nominee Director	From 1/1/2018 through 12/31/2018
Mr. JOSEPH OUGHOURLIAN	Nominee Director	From 1/1/2018 through 12/31/2018
AMBER CAPITAL UK LLP	Nominee Director	From 3/22/2018 through 12/31/2018
Mr. KHALID BIN THANI BIN ABDULLAH AL-THANI	Nominee Director	From 1/1/2018 through 12/31/2018
Mr. WALEED AHMAD IBRAHIM ALSA'DI	Nominee Director	From 1/1/2018 through 12/31/2018
Mr. DOMINIQUE D'HINNIN	Independent Director	From 1/1/2018 through 12/31/2018
Mr. FRANCISCO JAVIER GÓMEZ-NAVARRO NAVARRETE	Independent Director	From 1/1/2018 through 12/31/2018
Mr. JAVIER DE JAIME GUIJARRO	Independent Director	From 1/1/2018 through 12/31/2018
Ms. SONIA DULÁ	Independent Director	From 1/1/2018 through 12/31/2018
Mr. JOSÉ FRANCISCO GIL DÍAZ	Other Non-executive Director	From 1/1/2018 through 12/31/2018
Mr. JOHN PATON	Independent Director	From 1/1/2018 through 4/24/2018

C.1 Complete the following tables on the individual compensation earned by each director during the year (including compensation for executive functions)

a) **Compensation earned at the Company to which this report relates:**

i) Compensation earned in cash (€k)

Name	Fixed compensation	Per diems	Compensation for belonging to a board committee	Salary	Short-term variable compensation	Long-term variable remuneration	Severance	Other items	Total fiscal year 2018	Total fiscal year 2017
FRANCISCO JAVIER MONZÓN DE CÁCERES	70	0	70	0	0	0	0	0	140	36
MANUEL MIRAT SANTIAGO	0	0	0	500	352	0	0	6	858	246
MANUEL POLANCO MORENO	347	0	0	153	0	0	230	5	735	1,636
ROBERTO ALCÁNTARA ROJAS	70	0	23	0	0	0	0	0	93	168
KHALID BIN THANI ABDULLAH AL THANI	70	0	7	0	0	0	0	0	77	57
JOSEPH OUGHOURLIAN	70	0	50	0	0	0	0	0	120	161
WALEED AHMAD IBRAHIM ALSADI	70	0	20	0	0	0	0	0	90	82
AMBER	54	0	0	0	0	0	0	0	54	0



CAPITAL UK LLP (REPRESENTED BY MR. FERNANDO MARTÍNEZ ALBACETE):										
DOMINIQUE D'HINNIN	70	0	60	0	0	0	0	0	130	224
JAVIER DE JAIME GUIJARRO	70	0	0	0	0	0	0	0	70	11
SONIA DULÁ	70	0	20	0	0	0	0	0	90	0
FRANCISCO JAVIER GÓMEZ- NAVARRO NAVARRETE	70	0	22	0	0	0	0	0	92	18
JOSÉ FRANCISCO GIL DÍAZ	70	0	0	0	0	0	0	0	70	11
JOHN PATON	23	0	17	0	0	0	0	0	40	191
TOTAL	1,124	0	289	653	352	0	230	11	2,659	2.841

<b>Observations</b>
<p>i) The amount of the total compensation of the directors, specified in the previous and subsequent tables of this Report, which followed the accrual criteria established in the CNMV's "Circular 2/2018, establishing the model of annual report on compensation of directors of listed corporations", differs in 480,000 euros from the total amount of directors' compensation specified in the Notes to the Financial Statements and in the Half-Year Financial Information of PRISA of fiscal year 2018, because that amount relates to the accounting provision of the expense. The difference in the amount is broken down as follows:</p> <ul style="list-style-type: none"> <li>• Variable compensation of the CEO: for accounting purposes, a qualitative value of 20% was provisioned. The Board of Directors has set the qualitative valuation at 25% for the CEO's performance.</li> </ul>

- In relation to the medium-term Deferred Compensation plan for the period 2018/2020, the Company has assigned a number of “theoretical shares” (Restricted Stock Units) to each beneficiary and has set some objectives (different from market price) that must be met to be able to benefit from the incentive, which will serve as a reference for determining the final number of shares to be delivered, if any. A total of 2,200,000 Restricted Stock Units have been assigned to the CEO. The possibility that the plan beneficiaries will receive shares in the Company is conditional on the fulfillment of certain conditions during the reference period, so no right has arisen to receive any amount for this item in fiscal year 2018, notwithstanding any accounting provisions that may have been recorded on the statement of income.
  - Reversion of insurance: for accounting purposes, an amount of 9,000 euros has been recorded, whereas the aforementioned global compensation has taken into account 11,000 euros, as a result of the adjustment of premiums due to changes in the Group’s workforce over the preceding year.
- ii) Within the global compensation of the Board of Directors includes that pertaining to Mr. John Patron until the date of his termination as director in April 2018.
- iii) According to the Directors’ Compensation Policy for the period 2018-2020, which was approved by the Ordinary Shareholders’ Meeting held on April 25, 2018, and which applies retroactively from January 1, 2018, Mr. Manuel Polanco Moreno was entitled to receive a fixed gross annual compensation of 500,000 euros for his status as director and as non-Executive Chairman of the Board, payable in cash and prorated monthly. The compensation for fiscal year 2018, that is, 500,000 euros, has been recognized as follows: i) until the approval of the Compensation Policy, Mr. Manuel Polanco has continued to receive the compensation payable to him pursuant to the provision of services agreement which he had with the Company, for a total of 153,000 euros, recognized as “salary”, and ii) the difference up to 500,000 euros, that is, 347,000 euros, is recognized as “fixed compensation”.
- iv) By resolution of the Board of Directors meeting held in December 2018, Mr. Manuel Polanco Moreno's status as non-Executive Chairman of PRISA has terminated with effects from January 1, 2019. Mr. Manuel Polanco is entitled to receive the amount stipulated in his previous provision of services agreement, i.e., 230,000 euros, to compensate him for the non-competition undertaking as a consequence of his termination as Chairman before December 31, 2019.
- v) It is placed on record that Mr. Fernando Martinez Albacete, individual representative of the director Amber Capital UK LLP, was a member of the senior management of PRISA until June 2017, and he received some amounts for a non-competition undertaking until May 2018 due to the termination of his contract with the Company. Those amounts are not included in the previous table because they do not relate to payments received for his status as member of senior management in 2018.

ii) Table of movements of share-based compensation systems and gross profit on vested shares or financial instruments

Name	Name of the Plan	Financial instruments at the beginning of the fiscal year t		Financial instruments granted during the fiscal year t		Financial instruments vested during the fiscal year				Instruments accrued and not exercised	Financial instruments at the end of the fiscal year t	
		No. instruments	No. equivalent shares	No. instruments	No. equivalent shares	No. instruments	No. equivalent shares/ vested shares	Price of vested shares	Gross profit on the vested shares or financial instruments (€k)	No. instruments	No. instruments	No. equivalent shares
MANUEL MIRAT SANTIAGO	Medium-term Incentive Plan 2018-2020	0	0	2,200,000	2,200,000	0	0	0	0	0	2,200,000	2,200,000

Observations
<p>At the Ordinary Shareholders' Meeting held on April 25, 2018, a medium-term Deferred Compensation plan was approved for the period 2018 to 2020, consisting of the delivery of shares in the Company linked to the performance of the market price of the share and the achievement of some objectives. That plan was addressed to the CEO of PRISA and to certain executives, who may receive a specific number of ordinary shares in the Company after a reference period of 3 years, provided certain pre-established requirements are met. The Company has assigned a number of "theoretical shares" (Restricted Stock Units or RSUs) to each beneficiary and has set some objectives (different from share market price) that must be met to be able to benefit from the incentive, which will serve as a reference for determining the final number of shares to be delivered, if any.</p> <p>The possibility that the plan beneficiaries will receive shares in the Company is conditional on the fulfillment of certain conditions during the reference period, so no right has arisen to receive any amount for this item in fiscal year 2018, notwithstanding any accounting provisions that may have been recorded on the statement of income.</p>

iii) Long-term savings systems

	Compensation for vesting of rights under savings systems
Director 1	

Name	Contribution of the year by the company (€k)				Amount of cumulative funds (€k)			
	Savings systems with vested economic rights		Savings systems with non-vested economic rights		Year t		Year t-1	
	Year t	Year t-1	Year t	Year t-1	Systems with vested economic rights	Systems with non-vested economic rights	Systems with vested economic rights	Systems with non-vested economic rights
	Director 1							

Observations

iv) Detail of other items

Name	Item	Amount of compensation
MANUEL MIRAT SANTIAGO	Life, accident and health insurance	6
MANUEL POLANCO MORENO	Life, accident and health insurance	5

Observations

**b) Compensation earned by Company directors for membership of Boards at other group companies:**

i) Compensation accrued in cash (€k)

Name	Fixed compensation	Per diems	Compensation for belonging to Board committees	Salary	Short-term variable compensation	Long-term variable compensation	Severance	Other items	Total fiscal year 2018	Total fiscal year 2017
JOHN PATON	14	0	0	0		0	0	0	14	34
MANUEL MIRAT SANTIAGO	0	0	0	0	0	0	0	0	0	79
TOTAL	14	0	0	0	0	0	0	0	14	113

Observations

ii) Table of movements of share-based compensation systems and gross profit on vested shares or financial instruments

Name	Name of the Plan	Financial instruments at the beginning of the fiscal year t		Financial instruments granted during the fiscal year t		Financial instruments vested during the fiscal year				Instruments accrued and not exercised	Financial instruments at the end of the fiscal year t	
		No. instruments	No. equivalent shares	No. instruments	No. equivalent shares	No. instruments	No. equivalent /vested shares	Price of vested shares	Gross profit on vested shares or financial instruments (€k)	No. instruments	No. instruments	No. equivalent shares
Director 1	Plan 1											
	Plan 2											

Observations

iii) Long-term savings systems

	<b>Compensation for vesting of rights under savings systems</b>
<b>Director 1</b>	

<b>Observations</b>

<b>Name</b>	<b>Contribution of the year by the company (€k)</b>				<b>Amount of cumulative funds (€k)</b>			
	<b>Savings systems with vested economic rights</b>		<b>Savings systems with non-vested economic rights</b>		<b>Year t</b>		<b>Year t-1</b>	
	<b>Year t</b>	<b>Year t-1</b>	<b>Year t</b>	<b>Year t-1</b>	<b>Systems with vested economic rights</b>	<b>Systems with non-vested economic rights</b>	<b>Systems with vested economic rights</b>	<b>Systems with non-vested economic rights</b>
	Director 1							

iv) Detail of other items

<b>Name</b>	<b>Item</b>	<b>Amount of compensation</b>
Director 1		

**c) Summary of compensation (€k):**

Summary should include the amounts relating to all the compensation items included in this report that have been earned by the director, in thousands of euros.

Name	Compensation earned at the Company					Compensation earned at group companies:				
	Total compensation in cash	Gross profit on vested shares or financial instruments	Compensation from savings systems	Compensation for other items	Company total fiscal year 2018	Total compensation in cash	Gross profit on vested shares or financial instruments	Compensation from savings systems	Compensation for other items	Total fiscal year 2018 group
FRANCISCO JAVIER MONZÓN DE CÁCERES	140	0	0	0	140	0	0	0	0	0
MANUEL MIRAT SANTIAGO	858	0	0	0	858	0	0	0	0	0
MANUEL POLANCO MORENO	735	0	0	0	735	0	0	0	0	0
ROBERTO ALCÁNTARA ROJAS	93	0	0	0	93	0	0	0	0	0
KHALID BIN THANI ABDULLAH AL THANI	77	0	0	0	77	0	0	0	0	0

JOSEPH OUGHOURLIAN	120	0	0	0	120	0	0	0	0	0
WALEED AHMAD IBRAHIM ALSA'DI	90	0	0	0	90	0	0	0	0	0
AMBER CAPITAL UK LLP (REPRESENTED BY MR. FERNANDO MARTÍNEZ ALBACETE):	54	0	0	0	54	0	0	0	0	0
DOMINIQUE D'HINNIN	130	0	0	0	130	0	0	0	0	0
JAVIER DE JAIME GUIJARRO	70	0	0	0	70	0	0	0	0	0
SONIA DULÁ	90	0	0	0	90	0	0	0	0	0
FRANCISCO JAVIER GÓMEZ-NAVARRO NAVARRETE	92	0	0	0	92	0	0	0	0	0



JOSÉ FRANCISCO GIL DÍAZ	70	0	0	0	70	0	0	0	0	0
JOHN PATON	40	0	0	0	40	14	0	0	0	14
<b>Total</b>	2,659	0	0	0	2,659	0	0	0	0	14

<b>Observations</b>

**D. OTHER INFORMATION OF INTEREST**

If there are any material aspects relating to directors' compensation that have not been addressed elsewhere in this report and which are necessary in order to provide a more comprehensive and reasoned view of the compensation structure and practices of the company, provide a brief explanation.

This annual compensation report was approved by the Board of Directors at its meeting held on March 12, 2019.

Indicate whether there are any directors who voted against or abstained from voting to approve this Report.

YES  NO

<b>Name or corporate name of Board members that did not vote in favor of approving this report</b>	<b>Reason (against, abstained, absence)</b>	<b>Explain the reasons</b>