



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

NOMINATION AND COMPENSATION COMMITTEE

**ANNUAL REPORT
2012**

Madrid, February 2013.

(Free translation from the original in Spanish language)

NOMINATION
AND COMPENSATION COMMITTEE ANNUAL REPORT

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I.- INTRODUCTION

The Nomination and Compensation Committee (hereinafter the Committee) is governed by PRISA Bylaws (article 21 quáter) and by articles 25 and related of the Regulation of the Board of Directors and issues this report concerning its performance during the 2012 financial year, in accordance with the provisions of Article 25. 3.d)i., of the Board of Directors Regulation.

The Committee is a successor, on appointments and compensation matters, of the former Corporate Governance, Nomination and Compensation Committee, which was split into two different Committees in June 2011.

II.- COMPOSITION

The current composition of the Committee is as follows:

Chairman: Mr. Gregorio Marañón y Bertrán de Lis – External Independent Director

Members: Mr. Martin Franklin – External Director (representing significant shareholdings).

Mr. Borja Pérez Arauna- External Director (representing significant shareholdings).

On October 24, 2012, the Board of Directors restructured its composition and the composition of its Committees and appointed Mr. Martin Franklin as member of the Nomination and Compensation Committee.

In 2012 the following directors were also members of the Committee: Mr Diego Hidalgo (until its resignation as director in July), Mr Juan Arena de la Mora (who succeeded to Mr Diego Hidalgo as member of the Committee) and Mr Harry Sloan.

Therefore, the number of members of the Committee has been reduced from 4 to 3.

Article 21 quáter of the Bylaws set forth that the Nominations and Compensation Committee shall be composed exclusively of external directors and likewise provides that its president shall be an independent director, which are, in fact, the cases.

The Committee's secretary is the secretary to the Board of Directors, in accordance with the mentioned rules.

III. ACTIVITIES OF THE COMMITTEE IN 2012

In accordance with the provisions of Article 25 of the Board of Directors Regulation, the Nomination and Compensation Committee has the following competencies:

- a) Regarding the composition of the Board of Directors and Board Committees of PRISA and management bodies of its subsidiaries:
 - i. Report on proposals for appointment, reappointment and removal of directors.
 - ii. Report, together with the Corporate Governance Committee, on proposals for appointment of Chairman and Vice Chairman, Chief Executive Officer, members of the Delegated Committee and other committees of the Board of Directors.
 - iii. Report on the nomination of the Secretary and Deputy Secretary.
 - iv. Review and organize the succession of the chairman and chief executive of the Company and make recommendations to the Board of Directors to facilitate that such succession occurs in an orderly and well planned.
 - v. Report on proposals for appointment of representatives of the Society in the managing bodies of its subsidiaries.
- b) In connection with the senior management of the Group:
 - i. Propose the definition of senior management.
 - ii. Report the appointment and removal of senior management.
 - iii. Approve contracts for senior management.
 - iv. Information and, where appropriate, issue reports on disciplinary action to senior management of the Company.
- c) In relation to the compensation policy:
 - i. Propose to the Board of Directors: i) the Compensation Plan for directors, ii) the amounts and/or compensation limits that apply to directors, based on their dedication to the Board and the Committees thereof, iii) the individual compensation of executive directors and other conditions of their contracts and iv) a statement of compensation policy for Directors and senior management.
 - ii. Approve the key objectives linked with the variable compensation for executive directors and/or the management.

- iii. Propose to the Board of Directors the compensation system for senior managers of PRISA and its subsidiaries and report to the Board about the liquidation of the variable compensation for them and to establish other incentive plans for them.
- iv. Ensure compliance with the compensation policy set by the Company.

Likewise, the Committee approves annually a report on its performance and exercise all other powers granted to the Committee in that Regulation.

During 2012 the Committee has met on 9 occasions.

The following are the issues discussed during 2012 in subject areas pertaining to this Committee:

a) Regarding the composition of the Board of Directors and Board Committees of PRISA and management bodies of its subsidiaries:

Composition of the Board of Directors and Board Committees of PRISA

In July 2012 Mr Ignacio Polanco Moreno tendered his resignation as Chairman of the Board of Directors and Director of the Company. The Committee reported, together with the Corporate Governance Committee, on the proposed appointments as Executive Chairman, Deputy Chairman and CEO of Mr Juan Luis Cebrián, Mr Manuel Polanco and Mr Fernando Abril- Martorell, respectively, and on the delegation of all authority of the Board, except non delegable authority, to Mr. Cebrián and Mr. Abril- Martorell.

Also, in order to fill vacancies on the Board left by the resignation of Mr Ignacio Polanco Moreno and Mr Diego Hidalgo Schnur (also tendered in July 2012), the Committee reported favorably on the proposal of the Corporate Governance Committee for the interim appointment of Mr Jose Luis Leal and Mrs Arianna Huffington, as independent directors.

Moreover, the Committee has reported, together with the Corporate Governance Committee, whenever there have been changes in the composition of the Delegated Committee and other Committees of the Board.

Composition of the Board of Directors of Grupo PRISA's subsidiaries.

The Committee reported favourably on the proposed appointments to the Board of Directors of the Group's Business Units.

b) In connection with the senior management of the Group:

Appointment and removal of senior management. Contracts for senior management

The Committee has reported on the appointment and dismissal of senior management, in both the corporate center and in the business units, and on the contractual conditions for them.

c) In relation to the compensation policy

Report on the Compensation Policy

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The Committee proposed the Report on the Annual Compensation Policy of the Board of Directors and Management Team for 2012, which was submitted for advisory approval at the Annual Shareholders Meeting held on June 30, 2012, as a separate item of the agenda.

The report included, for the first time, the breakdown of the individual remuneration of the Directors, pursuant to the Sustainable Economy Act.

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The Committee will present to the Board of Directors the report on the compensation policy of the board and management team for 2013.

Compensation Plan for Directors

The Annual General Shareholders Meeting held on November 27, 2010 set an upper limit of 2,000,000 euros on the total amount of fixed compensation payable to the Board of Directors. Under article 19 of the Bylaws, the General Meeting, when receiving the annual accounts, may change the limits on directors' compensation; if it does not do so, the current limits will be updated automatically at the start of each year in line with the CPI. The Committee has assessed the situation of the economy in general and of the Company in particular and proposes that the upper limit be maintained as it is, without updating. It also proposes the measures set forth below. Consequently, the upper limit for directors' compensation continues to be that approved by the General Meeting in 2012.

Applying this overall limit, the Nomination and Compensation Committee submitted to the Company's Board of Directors the compensation policy stated in the Report on Compensation Policy, which the Board will approve and make available to shareholders when the General Meeting is called. The stated policy takes into account each director's degree of participation in the Board of Directors, Delegated Committee and other Board Committees

At its meeting in February 2012, the Committee agreed to submit to the Board a proposal for a 5% reduction in the then current compensation for participation in the Board of Directors, Delegated Committee and other Board Committees, which the Board approved on February 24, 2012. Subsequently, at its meeting on October 24, 2012, the Board of Directors, again at the proposal of the Nomination and Compensation Committee, approved an additional reduction, averaging 22%, in various items of compensation, effective November 1. Together with the other

measures taken by the Board, this proposal entailed a reduction of around 30% in fixed compensation. This amount is paid to each external director 60% in cash and 40% in shares of PRISA. It is planned that from October 2012, coinciding with the reduction, this amount will be paid wholly in cash. The cash compensation is paid monthly.

In addition, the Committee also proposed, and the Board approved, a 24% reduction in attendance fees.

Individual compensation of executive directors

The Committee proposed that the variable compensation of Mr. Cebrián, Mr. Abril-Martorell and Mr. Polanco for 2011 be paid out, in accordance with the contracts entered into between these three directors and the Company and based on the achievement of the goals set by the Board for financial year 2011.

Likewise, the Committee approved the targets for determining the variable compensation for 2012 of the executive directors.

Contractual conditions and compensation system for managers

The Committee examined the system of classification of executives, defined the Group's Senior Management and discussed measures to encourage the promotion of certain executives.

The Committee reviewed the contractual terms of senior managers and, in line with the savings measures applied in the Corporate Centre, proposed a reduction in the compensation of directors of subsidiaries.

In light of the accounts presented by the Board, the Committee authorized the redemption of the corresponding bonds and the long-term incentives for the Group's senior executives for 2011.

The Committee also approved the targets associated with the variable compensation for 2012 and the updated list of managers covered by the long-term incentive plan.

Performance evaluation

The Committee has assessed its own performance and has sought measures for improvement.

Other Matters

The Committee has sought labor reform which occurred in the year 2012 as well as the impact it has had on the staff of the Group companies.

This report was approved at the meeting of the Nominations and Compensation Committee held on February 2013.