

**REPORT PREPARED BY THE APPOINTMENTS AND REMUNERATION
COMMITTEE OF PARQUES REUNIDOS SERVICIOS CENTRALES, S.A. IN
RELATION TO THE PROPOSED RESOLUTION TO MODIFY THE
DIRECTORS REMUNERATION POLICY OF THE COMPANY, INCLUDED AS
ITEM SEVEN ON THE AGENDA OF THE GENERAL MEETING OF
SHAREHOLDERS CALLED FOR 16 MARCH 2017 AT THE FIRST CALL AND
17 MARCH AT THE SECOND CALL**

1. PURPOSE OF THE REPORT

In accordance with the provisions of Article 529 *novodecies* of the consolidated text of the Spanish Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July (*Ley de Sociedades de Capital*) (the “**Spanish Companies Act**”), as well as Article 15.5 (v) of the Regulations of the Board of Directors of Parques Reunidos Servicios Centrales, S.A. (“**Parques Reunidos**” or the “**Company**”), the Appointments and Remuneration Committee of this Board of Directors has, at its meeting on 7 February, prepared and approved this report to justify and explain the proposal to modify the Directors Remuneration Policy of the Company to be submitted to the Board of Directors in order to submit it, in turn, to the General Shareholders Meeting of Parques Reunidos.

The purpose of this proposal, which full text is attached to this Report, is to remunerate the executive director for the growth and creation of value for the Group in order to align the interests of shareholders with the prudent management of risks in a multi-year framework. This will be done through the payment of a variable remuneration, two thirds in cash and one third in Company shares, amounting to up to 120% of his fixed remuneration and linked to the compliance with certain targets based on (i) the business results, measured in terms of earnings before interest, taxes, depreciation and amortisation (EBITDA); and (ii) a target regarding the specific performance of the functions corresponding to each executive director which will be monitored by the Appointments and Remuneration Committee. For receiving the remuneration that accrues under the Incentive Plan that the beneficiary must be in the Company at the payment time, except for special cases (e.g. death, invalidity or retirement). Within the referred maximum percentage, the final amount of the variable remuneration will be

determined by the Appointments and Remuneration Committee based on the degree of achievement of the referred objectives.

The remaining terms of the Directors Remuneration Policy approved by the then sole shareholder of the Company on 13 April 2016 shall remain unchanged.

2. JUSTIFICATION OF THE PROPOSED CHANGE

The Appointments and Remuneration Committee considers that it is important to include a system of long-term remuneration linked to the Company's growth and the creation of value for shareholders within the general system of variable remuneration for the executive director of the Company.

The Appointments and Remuneration Committee has been working together with external advisors to design this system. Following a process of consultations and communication between the members of the Committee, led by its Chairman, a firm agreement has been reached on the need to implement the system in the terms described below and, therefore, it has been proposed to the Board of Directors that it should submit this system for its approval by the General Meeting.

3. EXPLANATION OF THE PRINCIPAL CHARACTERISTICS OF THE SYSTEM OF VARIABLE LONG-TERM REMUNERATION

Amount of the variable long-term remuneration

The variable long-term remuneration plan allows the executive director to receive up to a maximum 120% of his fixed remuneration every year as variable remuneration. Two thirds of this amount would be paid in cash and a third in Company's shares.

Regarding the part paid in shares, the executive director would receive Performance Stock Units (PSUs) every year for a maximum amount equivalent to 40% of his fixed remuneration (depending on the compliance with the conditions referred to below, this amount may finally range between a minimum of 0% and a maximum of 40% of his fixed remuneration). The value of each PSU will be equivalent to the average price of the Company's share in the thirty business day period before the date the PSUs are granted. Each PSU will be exchangeable for one share in the Company, in accordance with the schedule referred to below.

PSUs shall be delivered each year immediately after the announcement of the annual results of the Company. If this incentive programme is approved by the next General Shareholders Meeting, the first PSUs should be granted once the annual results for the year ending on 30 September 2017 have been published.

Link to the medium and long-term performance of Parques Reunidos

PSUs will be converted into shares within three years counting from the end of the fiscal year in which the variable remuneration was paid and by virtue of which the PSUs were granted, provided that a number of conditions are met in order to ensure that this conversion into shares corresponds to the performance of the executive director. Provided that these conditions are met, the first delivered PSUs shall be converted into shares as soon as possible following the closure of the fiscal year ending 30 September 2020.

Link between receiving the remuneration and the results of Parques Reunidos

In particular, the following parameters of a quantitative nature will be taken into account for the delivery of the PSUs:

- (a) An objective parameter based on business results, measured in terms of earnings before interest, taxes, depreciation and amortisation (EBITDA) every year. This parameter accounts for 80% of the total PSUs granted each year.
- (b) A target regarding the specific performance of the functions corresponding to each executive director which will be monitored by the Appointments and Remuneration Committee. This parameter accounts for 20% of the total PSUs granted each year.

The system will include standard claw-back mechanisms. The PSUs may also be converted into shares early in certain circumstances.

4. PERIOD OF VALIDITY

In accordance with the provisions of Article 529 *novodecies* of the Spanish Companies Act, the Directors Remuneration Policy will be applicable during the years ending 30 September 2017, 2018 and 2019, unless the Company's General Shareholders Meeting approves a resolution modifying or replacing it during this period.



This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

As a result, the Directors Remuneration Policy that is the subject of this report substitutes and replaces the one in force until now and which was described in the last Directors Remuneration Annual Report and subjected to a consultative vote by the General Shareholders Meeting, i.e. the report corresponding to the year ended 30 September 2016.

5. CONCLUSION

Based on the above, and in accordance with the provisions of Article 529 *novodecies* of the Spanish Companies Act, the Appointments and Remuneration Committee of Parques Reunidos hereby submits this proposal to the Board of Directors of the Company, so that the latter may in turn propose it to the General Shareholders Meeting for approval.

Madrid, 7 February 2017

ANNEX

COMPLETE TEXT OF THE PROPOSED AMENDMENT

The following amendment to section “5.3.2.1 Annual variable remuneration” (not altering or modifying the remaining sections of the Directors Remuneration Policy) is hereby proposed with the following text:

“Annual variable remuneration

The variable component or bonus will be linked to the achievement of the targets set for the executive officer each year, based on the proposal made by the Appointments and Remuneration Committee, taking into account the available historical information and future results. The variable remuneration, whose main purpose is to stimulate and reward the Company’s growth, allows the alignment of the total annual remuneration with the principles set forth in the Remuneration Policy.

Annual variable remuneration will be calculated as a reference to fixed remuneration in accordance to practices followed by the Company with its workforce.

In the specific of the Chief Executive Officer, the maximum amount he or she is entitled to receive as annual variable remuneration will be 120% of his or her fixed salary. Within this maximum, the final amount will be determined by the Appointments and Remuneration Committee.

Two thirds of the annual variable remuneration will be paid in cash and one third in Company shares. The delivery of the shares corresponding to the annual variable remuneration owed, where appropriate, to the Chief Executive Officer will take place within the three-year period from the closure of the fiscal year corresponding to the owed variable remuneration. The delivery of the shares may be carried out through the delivery of units granting their holders the right to receive the corresponding shares. These units will only be converted into shares if the executive officer maintains his or her position in the Company.

Specifically, the following objective targets will be taken into account for the payment of the annual variable remuneration:



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- (a) A target based on the consolidated results of the business, measured in terms of earnings before interests, taxes, depreciation and amortization (EBITDA) each year. This target will represent 80% of the total PSUs granted each year.*
- (b) A target regarding the specific performance of the functions corresponding to each executive director which will be monitored by the Appointments and Remuneration Committee. This target will represent 20% of the total PSUs granted each year.”*