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Future commitments and challenges

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A commitment to society and stakeholders, internal and external, is at the very core of all PRISA's operations. From the very beginning, the Group has made every effort to perfect and reconceive all those aspects that might improve its products and how its companies perform. Since the foundation of *El País* and Santillana, the first companies of the Group that was to later emerge, PRISA has shown clearly its commitment to quality, innovation, service and rigor across all its products. This compromise remains our priority and will continue to be so. It is our most valuable asset. The main challenge for the future is to continue working in this direction.

Testament to our commitment was the recognition PRISA received this year from the **United Nations Global Compact**. PRISA has been signed up to the compact since 2008 and in November 2010 presented its progress report, a document in which adherents demonstrate their commitment to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption, as outlined by Kofi Annan in 1999. PRISA's companies were congratulated for the quality of the information supplied, the initiatives undertaken by the Group and the high level of implementation of corporate social responsibility policies.

Meanwhile, since PRISA went public, the Group has adopted a permanent commitment to generate value for its shareholders, to grow as a company, to improve content, to maintain the optimum levels of quality and service in its products and to seek out and expand into new markets. PRISA has been recognized by investors as a company that upholds responsible business practices, which is why the company has been included since 2008 on the international index for corporate social responsibility, the **FTSE4Good**. FTSE4Good is a package of indices aimed at measuring the efforts of companies to meet globally recognized corporate responsibility standards. In June 2011, for the second year running, the Group received the index certification.

The strategy for 2012 is to continue working on the Global Transformation Plan, which will significantly improve the Group's position and enable it to better weather the current economic climate as well as increase efficiency and productivity.

To increase the competitiveness of the Group, the Human Resources management model has changed dramatically. A global services center is being set up that will unify all necessary policies, methodologies and tools to facilitate and streamline the work of labor management of all PRISA companies. This reform, based on technology and communication, will be accompanied by profound internal changes that will provide new job and training opportunities for all employees.

PRISA's most innovative initiative is the building of a digital platform that will be shared among all group companies and media. The platform seeks to optimize

the system for creating and publishing content via the implementation of new management systems. In 2011 we set out the action plan for the digital platform, defining what we saw as pioneering projects. Several components such as the social networking access system via As.com, immediately went into production. Other components include a multivariate testing system (MVT) also on As.com and a new online video system. Tools for analyzing user behavior have been greatly improved and as has the the dynamic registry center, which will efficiently achieve a greater overall number of registered users. Finally, we launched a new information and control system and control for digital sales, Columbus.

From the standpoint of income, PRISA's Digital Division is to concentrate on signing agreements with third parties, all key players in the digital business. The division will also work to increase the number of registered users to 9.6 million and the quality of information and data provided by them. Audience objectives for the Group in 2012 are located in the region of 70 million unique browsers.

The year 2012 will see the launch of numerous properties within the new PRISA digital platform. The Change Management team, in coordination with Human Resources and Corporate Communications, will launch PRISA's transformation plan, which seeks to integrate new forms of leadership and teamwork, thereby developing employee skills within the framework of PRISA's core values while laying a particular emphasis on innovation.

Another novelty is the outsourcing of the IT infrastructure of the new digital platform for publishing and distribution to a flexible, hybrid Cloud model that can adapt quickly and efficiently to the fluctuating demand characteristic of the media.

SANTILLANA

The production of educational and general-interest content, as well as innovation and new technologies, will be the primary strategic objectives of Santillana.

With regards to education, the main challenges for Santillana in 2012 are the following:

- Publish the best textbooks and teacher's materials in all those countries where we operate.
- Continue to investigate all aspects relating to how teachers make use of our textbooks.
- Achieve greater efficiency, savings and uniformity in the publishing process and the creation and production of teaching materials.
- Create a seamless transition between print and digital media: Libroweb, Libromedia, Libroclik, etc.
- Keep up to date with current administrative arrangements, trends in teaching, new technology tools, etc.
- Produce and distribute printed personalized content on demand, that will ensure good business performance and lower costs of logistics and warehousing.
- Generate not merely our own digital content but also integrate content from other suppliers who are specialized in certain formats or devices, or user-generated content.
- Have a catalog with a powerful search tool that allows us to locate, recover, rethink, reuse, etc. content currently available within the Group.
- Produce digital content aimed both at what might be called the traditional market (textbooks, activities, libraries), as well as the new, emerging market (online tutor, online exercises, adaptive learning, assessment, etc.).
- All our digital products have to be designed for multi-device and multi-platform use.

- In 2012 we will continue to develop and research new content and digital educational services oriented to the home and family.

For **PRISA Ediciones**, the challenges are related to the increase and diversification of our digital catalog (both new and backlist) in ebook format. We are convinced that piracy (49 % in Spain) can only be curbed, by providing a comprehensive legal catalog.

Furthermore, we are committed to the creation of 100 % digital products linked to prestigious publishing imprints such as Alfaguara, Aguilar and Suma de Letras, and to exploring new opportunities based on the ePub 3.0 format, which allows us to introduce animation and a degree of interactivity.

Meanwhile, we are developing a market place with the following objectives:

- To explain and bring our catalog of digital content and services closer to our customers (family + students + teachers).
- Provide an excellent online shopping experience.
- Monetize Santillana's digital content and services, generating new revenues.
- Be pioneers in launches, promote Santillana's innovative image and maintain its market lead.
- Digital product integration and presence in other leading retailers (Apple Store, Amazon, Android market, Copia, Google editions, Kobo, Telefonica, B & N, etc.)

Finally, for use in the home, Santillana is designing an online platform to help and support schoolchildren with their studies. An educational service that will provide answers and practical examples to help students successfully complete their tasks and homework, and resolve any doubts that they might have.

The future of general-interest publishing is linked to the economic crisis and the changed market landscape created by the arrival of e-book. The stock of titles, author policy, marketing campaigns and the diversification of

distribution channels must all be re-considered in light of this situation.

The need for investment in a market that has so far been marginal (the e-book) and the contraction in the market for print books in recent years means that we need to optimize our resources. Pricing in the e-book market, which has so far been erratic at best, needs to be consistent to gain readers' trust.

We need to make better use of social networks to generate word of mouth, which is what makes a book a success.

Powerful new players such as Amazon and Apple, are crucial to the new market conditions, though we remain committed to the traditional bookstore, which is still the main sales channel for our books.

In keeping with our philosophy of publishing quality works (print and digital) across a wide range of genres that provide reader satisfaction, our challenges are:

- Continue to increase and diversify our digital catalog, both new titles and backlist, in ebook format, involving all Latin American subsidiaries. We are convinced that piracy (49 % in Spain) can only be curbed, by providing a comprehensive legal catalog.
- We are committed to the creation of 100 % digital products linked to prestigious publishing imprints such as Alfaguara, Aguilar and Suma de Letras.

- Explore new opportunities based on the ePub 3.0 format, which allows us to introduce animation and a degree of interactivity with a cost well below that of applications.
- Continue developing picture books in Fixed Layout format, an ideal solution for children's imprint Alfaguara Infantil and *El País-Aguilar*.
- Look into new ways of creating content and discovering new talent.

PRISA Noticias

News organizations, and especially the print media, are witnessing a complete transformation of our production model, where innovation and new technologies are not merely a thing of the future, but are already here. Integrating digital journalistic structures with traditional ones is a reality, fostered by the development of a new platform at *El País*, which has been rewarded by an audience lead in the Spanish market.

The creation of a transversal digital structure for PRISA Noticias aimed at promoting new digital initiatives and generating new revenue for companies has been one of the milestones of 2011. In 2012, PRISA Noticias has its sights set on becoming the leading group of companies in terms of CSR, new technologies, the application of a motivating and inclusive model of labor relations and audience share on the Internet in Spanish. We also plan on opening up new markets, in Spanish and Portuguese, outside our borders. The goal is for our media to set the standard for credibility as we champion the values of peaceful coexistence and participation in defending the common good.

PRISA Noticias will continue working to increase its presence in society through the the basic principles of good journalism: to inform, educate and entertain. Thus, beyond merely informing, the newspaper is present at many social initiatives (Earth Hour, workshops with children in hospitals, etc.), providing in-depth knowledge to the wider society (debates, conferences, etc.).



PRISA Radio

In 2012, PRISA Radio aims to qualitatively increase its support for NGOs and other local and national organizations that work on good causes or on environmental issues. As a leading media company, we have a responsibility to society and we will strive to become even more involved with projects that have a direct social impact, that raise social awareness on a range of issues, and that spur people to action, by supporting these initiatives on the airwaves.

Colombia

- Continued support for educational projects in the areas of Early Childhood, Family and Sexual and Reproductive Health. Greater support for the National Peace Prize 2012. Renew alliances and partnerships to give greater visibility to life stories, the recovery of victims of armed conflict and displaced populations.
- Implement project to promote the rural sector - Radio Program "*Un campo para el campo*".
- Develop project in partnership with State agencies and private sector to address environmental issues through programming and particularly on Planeta Caracol (Rio +20).
- These initiatives will be implemented via collaborative agreements and technical assistance that will enable us to co-finance projects and develop content to be broadcast in our news and entertainment programs.

Chile

- To maintain our lead, market share and profitability in national broadcasting, in a year that is set to be very competitive, with new players arriving on the scene.
- To continue the policies of growth and professional development for employees of the company.
- Implement our Digital plan, key to the future of the company and our brands.

Miami

- Development of our strategic plan, which envisages an increase of market share, a significant increase in revenue, and continued spending cuts.
- Greater offer of content, through the improvement of existing products and the development of new ones. It is expected that the resulting synergies of content produced at our stations or internationally, will enable us to grow our network of affiliate stations nationwide.
- Continue the development of our digital platforms, Caracol1260 y GLR Networks
- Develop a new pan-regional radio advertising category, within advertising agencies, in order to compete with pan-regional cable and magazine rates.

PRISA Música

Has several goals for 2012: The launch of the Imagine project with Telefonica; build a closer relationship with the music industry; Premios 40 America Awards; Prisa Radio España radio map; increase the number of countries with the 40 Principales brand through franchises; more flexible models to adapt commercial exploitation to new advertiser demand; make a map of digital music products in the Group and create a new information system for Grupo Prisa's music. Some of these challenges already have an action plan in place and others are at the strategic planning stage.

PRISA TV

PRISA TV has always been committed to bringing viewers the very best content with the all the latest technology. This commitment has this year led to a comprehensive digital transformation. We have incorporated our premium content into the online environment and now offer our customers a totally new user experience. And we are set to continue growing in this area, through our strategy of partnering with leaders in the field of digital entertainment.

In 2012 we will remain committed to new environments and new quality content using all the latest technology.

PRISA TV will continue to pursue all the latest developments in all environments. We will remain committed to new content and the use of cutting edge technology, that has always characterized our commitment to our customers, and that has positioned us as leader in audiovisual entertainment.

Media Capital

In terms of CSR, Media Capital is constantly seeking new answers to the needs of the market, without losing sight of our strategic business objectives and our relationship with society. Due to the economic and social crisis in Portugal, 2012, like 2011, will see us working to strengthen the basic Social Responsibility policies of the Group.