



RECOLETOS

Investor
Relations

**INTERIM RESULTS
FIRST QUARTER 2003
(January - March 2003)
RECOLETOS GRUPO DE COMUNICACIÓN S.A.**

The consolidated financial results for the first quarter of 2003 demonstrate profit improvement and enhanced financial position.

With regard to the results for the three months of the year, we highlight the following:

1. **Increased revenues: Consolidated revenues** increased by 7.5% reaching 55.78 million euros despite the economic slowdown, sluggish financial markets and advertising downturn, due to the strong leadership of the group's media.

Advertising revenues increased by 10.9% and **circulation revenues** by 4.1% (+8.1% and +3.2% excluding Argentina, Chile and Portugal respectively). The absence of the Easter holidays in the first quarter of 2003 has improved this revenues performance.

Leadership of Marca: Marca maintains its leadership with remarkable growth in circulation, advertising revenues and gross profit.

2. **Cost control: Direct Costs** and **Central Costs** increased slightly (+1.4% and +3.5% respectively). After a successful cost reduction programme implemented in 2001 and 2002, tight cost control in 2003 will contribute to protect margins in a very weak business environment. Trading conditions remain difficult with a weak and erratic advertising market, which has deteriorated further during the second quarter of 2003.
3. **Increased profitability:**
 - **EBIT** increased by 62.7% up to €7.99 million, and
 - **EBITDA** increased by 37.2% up to €10,68 million
4. The **Extraordinary Result**¹ includes capital gains of €46.89 million from the sale of our 30% stake in Unidad Editorial S.A. (Unedisa).
5. **Net Profit** amounts to €48.32 million (vs. €31.28 million in 1Q02).
6. **Strong balance sheet:** The net cash position reaches 323.64 million euros.

¹ In 2002 the Extraordinary Result included a non-cash goodwill amortisation charge of €15.00 million relating to Argentinean ventures

I. CONSOLIDATED PROFIT AND LOSS ACCOUNT

Table 1: Consolidated Profit and Loss Account

Million €	1Q2003	1Q2002	Var. %
Revenues	55.78	51.90	7.5
Direct Costs	41.79	41.19	1.4
Gross Profit	13.99	10.71	30.6
Central Costs	6.00	5.80	3.5
EBIT	7.99	4.91	62.7
Interest Income (Expense)	0.92	52.29	--
Goodwill Amortisation	(0.36)	(2.91)	--
Associated Undertakings	0.46	(1.02)	--
Profit on Ordinary Activities	9.01	53.27	(83.1)
Extraordinary Results	46.76	(14.93)	--
Profit before Taxes	55.76	38.33	45.5
Income Taxes	(7.45)	(7.06)	5.5
Consolidated Net Income	48.32	31.28	54.5
Depreciation	2.69	2.87	(6.4)
EBITDA	10.68	7.78	37.2

Below we present the consolidated P&L excluding our operations in Argentina, Chile and Portugal:

Table 2: Underlying Consolidated Profit and Loss Account*

Million €	1Q2003	1Q2002	Var. %
Revenues			
Advertising	21.84	20.20	8.1
Circulation	26.18	25.36	3.2
Others	4.86	4.50	8.1
Total Revenues	52.88	50.06	5.6
Direct Costs	37.62	38.00	(1.0)
Gross Profit	15.26	12.06	26.5
Central Costs	6.00	5.80	3.4
EBIT	9.26	6.26	47.9
Depreciation	2.66	2.81	(5.2)
EBITDA	11.92	9.07	31.4

*Excludes activities in Argentina, Chile and Portugal

II. MARGINS

The margins are as follows:

Table 3: Margins

Million €	1Q2003	1Q2002
Consolidated:		
Gross Profit / Revenues	25.1 %	20.6 %
EBITDA / Revenues	19.2 %	15.0 %
EBIT / Revenues	14.3 %	9.5 %
Consolidated without Argentina, Chile and Portugal:		
Gross Profit / Revenues	28.9%	24.1%
EBITDA / Revenues	22.5%	18.1%
EBIT / Revenues	17.5%	12.5%

III. OPERATING REVENUES

Total Operating Revenues amount to € 55.78 million, increasing by 7.5%.

a) The following table shows the consolidated operating revenues of Recoletos based on the source of income:

Table 4: Operating Revenues

Million €	1Q2003	1Q2002	Var. %
Advertising	23.70	21.36	10.9
Circulation	26.99	25.92	4.1
Other revenues	5.08	4.62	10.1
Total Revenues	55.78	51.90	7.5

Advertising revenues increased by 10.9% (up 8.1% excluding Argentina, Chile and Portugal) benefiting from the strong performance of Sports. Advertising revenues in Sports increased by 15.6% thanks to Marca's leadership.

Growth in advertising revenues is also shown in Business and Finance on a consolidated level (+6.7%), Women's Interest (+14.9%), and Youth (+27.0%). The advertising downturn continued to have the most severe impact on underlying Business and Finance (-2.9% without Argentina, Chile and Portugal).

Circulation revenues increased by 4.1% at consolidated level. Excluding the Argentinean, Chilean and Portuguese publications, circulation revenues increased by 3.2%. Marca's increase in circulation by 7.4% has contributed to this performance. Expansión circulation decreased by -2.7%.

b) Regarding the development of revenues by content areas², Sports (+8.7%), Business and Finance (+6.9%), Women's interest (+12.3%) and Youth (+27.0%) show remarkable growth rates. Sports remains, with 58.1% the largest contributor to group revenues.

² P&L accounts with regard to the several content areas are shown from Chapter VIII of this note.

Table 5: Revenues by content areas

Million €	1Q2003	% of total	1Q2002	Var. %
Sports	32.40	58.1	29.82	8.7
Business & Finance	14.49	26.0	13.56	6.9
Women's Interest	3.55	6.4	3.16	12.3
Medical	2.08	3.7	2.17	(4.3)
Youth	0.92	1.6	0.72	27.0
Others	2.34	4.2	2.47	(5.2)
Total Revenues	55.78	100.0	51.90	7.5

In Sports, advertising revenues (+15.6%) and circulation revenues (+3.4%) increased. Copy sales of *Marca* rose by 7.4% to an average daily circulation of 379,656. *Marca*'s market share in the first two months of 2003 reached 47.9% (Source: AEDE).

Revenues from Business and Finance increased by 6.9% due to higher advertising (+6.7%) and circulation revenues (+6.6%). Excluding Argentina, Chile and Portugal, advertising revenues in Business and Finance decreased by 2.9% and circulation revenues increased by 0.5%. *Expansión* had an average daily circulation of 47.426 (-2.7%).

Women's Interest shows advertising and circulation revenues with remarkable growth (+14.9% and 8.8% respectively), due to the excellent circulation performance of *Telva* magazine (+9.1%) reaching an average monthly circulation of 161.784.

Medical showed decreased advertising revenues (-2.5%). On the contrary, Youth benefited from a remarkable increase of advertising revenues (+27.0% respectively).

IV. DIRECT COSTS

Consolidated Direct Costs increased by 1.4%. Nevertheless they decrease at underlying level by 1%. Raw materials – mainly newsprint – were down 6.3% and marketing down 12.9%. On the other hand, printing, distribution and personnel costs have increased by 26.1%, 7.0% and 6.4% respectively.

Direct costs decreased in underlying Business and Finance (-3.9%) and Health (-3.6%), while they increased in Sports (+2.6%), Women's Interest (+4.1%) and Youth (+7.7%).

The breakdown of Direct Costs by content divisions is as follows:

Table 6: Direct Costs by content divisions

Million €	1Q2003	1Q2002	Var. %
Sports	21.05	20.51	2.6
Business and Finance	14.08	13.66	3.1
Women's interest	2.63	2.53	4.1
Medical	1.73	1.79	(3.6)
Youth	0.83	0.77	7.7
Others	1.47	1.93	(23.8)
Total Direct Costs	41.79	41.19	1.4

V. CENTRAL COSTS

Central costs increased by 3.5% reaching € 6.00 million as a result, mainly of higher personnel costs (+4.8%), which made 55% of the total central costs.

VI. GROSS PROFIT

Gross Profit by business areas show the following development:

Table 7: Gross Profit by business areas

Million €	1Q2003	1Q2002	Var. %
Sports	11.35	9.31	21.9
Business and Finance	0.41	(0.11)	--
Women's Interest	0.92	0.64	44.9
Medical	0.35	0.38	(7.5)
Youth	0.09	(0.05)	--
Others	0.87	0.54	61.1
Total Gross Profit	13.99	10.71	30.6

Note: Gross Profit= Revenues less Direct Costs. it does not include Central Costs

Gross Profit increased by 30.6%. The key developments were:

- Significant improvement in Sports' Gross Profit due mainly to the increase in advertising revenues (which contribute 31% of the total revenues for this division) and in circulation revenues (66.5% of total revenues).
- Improvement in Business and Finance as a result of increased advertising revenues, which contribute 56% of the total revenues of this content division.
- Improvement in Gross Profit in Women's Interest (+44.9%) due to strong growth of circulation and advertising revenues.
- Deterioration in Medical, due to the decrease of revenues.
- Gross Profit in Youth improved with increasing advertising revenues.

VII. NET PROFIT

Net Profit increases, reaching € 48.32 million. It includes capital gains of € 46.89 million obtained from the sale of Recoletos 30% stake in Unidad Editorial S.A. (Unedisa).

VIII. SPORTS

This business area showed enhanced Gross Profit due to increasing advertising and circulation revenues. www.marca.es continued to build its audience, reaching 145 million page views in March.

Table 8: Results of the Sports Area

Million €	1Q2003	1Q2002	Var. %
Revenues			
Advertising	10.07	8.71	15.6
Circulation	21.53	20.81	3.4
Others	0.81	0.30	--
Total Revenues	32.40	29.82	8.7
Direct Costs	21.05	20.51	2.6
Gross Profit	11.35	9.31	21.9
Gross Profit / Revenues	35.0%	31.2%	

IX. BUSINESS AND FINANCE

Revenues in Business and Finance increased due to the integration of our activities in Argentina, Chile and Portugal. Underlying revenues continued to be hit by the advertising downturn and declining circulation.

Table 9: Results of Business and Finance Area

Million €	1Q2003	1Q2002	Var. %
Revenues			
Advertising	8.12	7.61	6.7
Circulation	4.45	4.18	6.6
Other	1.91	1.77	8.2
Total Revenues	14.49	13.56	6.9
Direct Costs	14.08	13.66	3.1
Gross Profit	0.41	(0.11)	--
Gross Profit / Revenues	2.8%	(0.8%)	

Table 10: Results of Business and Finance Area, underlying*

Million €	1Q2003	1Q2002	Var. %
Revenues			
Advertising	6.26	6.45	(2.9)
Circulation	3.63	3.61	0.5
Others	1.69	1.64	3.1
Total Revenues	11.59	11.71	(1.0)
Direct Costs	9.91	10.31	(3.9)
Gross Profit	1.67	1.40	19.9
Gross Profit / Revenues	14.4%	11.9%	

*Excludes activities in Argentina, Chile and Portugal

X. WOMEN'S INTEREST

Women's Interest revenues and margins increased thanks to a remarkable performance of advertising and *Telva* copy sales.

Table 11: Results of Women's Interest Area

Million €	1Q2003	1Q2002	Var. %
Revenues			
Advertising	2.53	2.20	14.9
Circulation	1.00	0.92	8.8
Others	0.03	0.05	(38.1)
Total Revenues	3.55	3.16	12.3
Direct Costs	2.63	2.53	4.1
Gross Profit	0.92	0.64	44.9
Gross Profit / Revenues	25.9%	20.1%	

XI. MEDICAL

This area has experienced an decrease in advertising revenues and profitability despite cost reduction.

Table 12: Results of Medical Area

Million €	1Q2003	1Q2002	Var. %
Revenues			
Advertising	2.07	2.12	(2.5)
Circulation	0.02	0.02	--
Other	(0.01)	0.03	--
Total Revenues	2.08	2.17	(4.3)
Direct Costs	1.73	1.79	(3.6)
Gross Profit	0.35	0.38	(7.5)
Gross Profit / Revenues	16.9%	17.5%	

XII. YOUTH

A remarkable increase in advertising revenues has caused an improvement in margins.

Table 13: Results of Youth Area

Million €	1Q2003	1Q2002	Var. %
Revenues:			
Advertising	0.91	0.72	27.0
Circulation	0.00	0.00	--
Others	0.01	0.00	36.8
Total Revenues	0.92	0.72	27.0
Direct Costs	0.83	0.77	7.7
Gross Profit	0.09	(0.05)	--
Gross Profit / Revenues	9.7%	(6.5%)	

XIII. CASH-FLOW

Table 14: Cash-flow

Millions of €	1Q2003	1Q2002	Var. %
Net Income	48.32	31.28	54.5
Depreciation	2.69	2.87	(6.4)
Goodwill Amortisation	0.36	2.91	(87.5)
Extraord. Goodwill Amortisation Argentina	0.00	15.00	--
Provisions with regard to fixed assets	0.05	0.48	--
Other Adjustments	(47.56)	(49.87)	--
Net Cash provided by Operating Activities	3.87	2.67	44.9
Change in Working Capital	2.27	13.17	--
Net Capex	77.55	120.01	--
Net Cash used in Investment Activities	79.83	133.19	(37.7)
Equity Financing	0.00	0.00	--
Net Debt Financing	0.00	0.00	--
Dividend Payment	0.00	0.00	--
Other changes in Shareholders' Equity	(0.17)	1.00	--
Net Cash provided by Financing Activities	(0.17)	1.00	--
Net Increase in Cash and Cash Equivalents	83.52	136.86	(39.0)

XIV. CONSOLIDATED BALANCE SHEET

Table 15: Consolidated Balance Sheet

Million €	2003	2002
	March	December
Fixed Assets:	90.50	113.98
- Tangible Assets	59.35	58.08
- Intangible Assets	5.18	5.73
- Financial Investments	25.97	50.18
Goodwill on Amortisation	17.77	26.83
Accounts receivable	45.49	47.12
Stocks	4.49	5.91
Cash and Cash Equivalents*	323.64	240.04
Other Assets	3.20	2.64
Total Assets	485.09	436.52
Shareholders Equity	385.95	345.86
Minority Shareholders	1.23	1.10
Provisions	12.23	12.26
Long-term Liabilities	3.19	3.62
Short-term Liabilities	82.49	73.68
Total Debts	485.09	436.52

* It includes, at December 2002 and March 2003, 32.97 million € SIMCAV (Investment Trust) investment

XV. OTHER RELEVANT ISSUES

Recoletos agreed on March 2003 to sell to RCS Editori SpA its 30% stake in Unidad Editorial S.A. (Unedisa). The sale, valued at 80.00 million Euros including capital gains of 46.89 million Euros, was completed March 6th 2002.

XVI. IMPACT OF DEVALUATION OF ARGENTINEAN CURRENCY

At March 2003, the exchange rates used for the conversion to euros have been the following:

- Profit and Loss account items, at the average exchange rate for the first three months of the year: 3.15 Argentinean pesos/USA \$.
- Balance Sheet items, at the official quarter-end (end of March) exchange rate: 2,98 Argentinean pesos / USA \$.

Differences resulting from the application of this conversion method are recorded under "Differences on Currency Translation" within "Shareholder's Equity" on the consolidated Balance Sheet.

At March 2002 the exchange rates used were:

- the average exchange rate for January-March of 2,31 pesos/USA \$ for the Profit and Loss items, and
- the quarter-end rate of 2,85 pesos/USA \$, for the Balance Sheet items.

XVII. OPERATIONAL FIGURES

OPERATING MAGNITUDES	1Q2003	1Q2002	%Var.
SPORTS			
Accumulated Marca copy sales	379,656	353,374	7.4
Accumulated Golf Digest copy sales	16,483	14,982	17.9
March page views of marca.com ('000)	145,174	97,039	49.6
BUSINESS AND FINANCE			
Accumulative Expansión copy sales	47,426	48,573	(2.7)
Accumulative Actualidad Económica copy sales	19,179	20,110	(4.6)
March page views of Expansióndirecto.com ('000)	18,279	18,830	(2.9)
March page views Expansiónyempleo.com ('000)	1,843	1,642	12.2
WOMEN'S INTEREST			
Accumulative. Copy sales Telva	161.784	148.248	9,1
March page views estarguapa.com ('000)	5,075	3,084	64.6
MEDICAL AND YOUTH			
March page views diario medico.com ('000)	803	1,973	(59.3)
March page views tuGueb.com ('000)	1,409	1,716	(17.9)