

FINANCIAL RESULTS THIRD QUARTER OF YEAR 2001 RECOLETOS GRUPO DE COMUNICACIÓN S.A.

The general economic slowdown, accelerated by the terrorist attacks of September 11th in the USA, has had a significant negative impact on the advertising market in Spain. We estimate that total advertising spend in Spain has fallen by more than 10% in the first nine months of the year.

In this difficult environment, our main newspapers and magazines in Spain have clearly outperformed their competitors, thanks to the leadership and specialisation of our publications. Total revenues generated by these publications have increased by 3% although advertising revenues have fallen by 4%. Their profitability has also decreased with underlying EBITDA falling by 10%. Nevertheless margins have been maintained at satisfactory levels.

The Group's consolidated financial results show a decline in profitability due to the development of new ventures in different distribution channels (internet, radio, TV) and in new geographic markets (Argentina). The financial year 2001 is characterized by a significant drive to launch new products and reduce the cost base in new ventures. The costs of the new ventures have now peaked, ensuring higher profitability in coming years.

The group continues to strengthen its new products launched recently in Spain (Radio Marca Madrid, Radio Marca Valencia, Correo Farmacéutico) as well as its activities in Argentina, Portugal and Chile. In Chile Recoletos has increased its stake in Ediciones Financieras to 37,35%.

In 2001 Recoletos has implemented a cost cutting programme to offset the weakness of the demand and the increase in external costs such as newsprint. Growth rates of direct and central costs have slowed and the cost trends over recent months enable us to maintain our cost cutting objectives for the full year.

To be more specific we highlight the following:

1. **Revenues at the consolidated level grow at +7.7%** due to both, the **increase in circulation revenues of 10.6%** and in **advertising revenues of 7.1%**.
2. **EBITDA** on a consolidated basis decreases (-30.9%) due to an increase in Direct Costs (+21.2%) and Central Costs (+22.2%), as a result of international expansion efforts and the development of new businesses. Excluding Argentina and new developments (radio, TV, internet, etc) EBITDA falls by 10.1%, due to increasing revenues of 2.9% and the slowdown in the growth rate of Direct Costs (+7.0%).
3. The increase in direct and central costs is mainly a result of restructuring and re-launching the newspaper El Cronista in Argentina, increased newsprint prices, the development of new ventures and the strengthening of the group organisation as a result of its IPO.
4. **Net Profit** declines by 83.0% as a result of the developments mentioned above. Excluding new activities and international ventures, consolidated Profit decreases by 38.1% (before taxes).

I. CONSOLIDATED PROFIT AND LOSS ACCOUNT

Table 1: Consolidated Profit and Loss Account

Million €	Sept. 01	Sept. 00	Var. %
Revenues	180.0	167.1	7.7
Direct Costs	(139.7)	(115.2)	21.2
Gross Profit	40.4	51.9	(22.2)
Central Costs	(19.1)	(15.6)	22.2
EBIT	21.3	36.3	(41.4)
Interest Income (Expense)	(3.3)	0.7	NA
Goodwill Amortisation	(9.2)	(8.2)	NA
Associated Undertakings	(0.5)	1.3	NA
Profit on Ordinary Activities	8.3	30.0	(72.3)
Extraordinary Results	(3.5)	1.6	NA
Profit before Taxes	4.8	31.6	(84.7)
Income Taxes	(1.4)	(11.0)	(87,3)
Net Income before Minority Interests	3.5	20.6	(83.0)
Net Income after Minority Interest	8.5	6.8	24.4
Depreciation	29.8	43.1	(30.9)
EBITDA			

The results of the first nine months of the financial year 2001 are not comparable with the same period of last year, as we include in 2001 the activities of Recoletos in Argentina. Below we present the consolidated P&L excluding our operations in Argentina:

Table 2: Consolidated Profit and Loss Account excluding Argentina*

Million €	Sept. 01	Sept. 00	Var. %
Revenues:			
Advertising	70.5	72.4	(2.6)
Circulation	84.9	79.0	7.4
Other	15.0	15.6	(4.3)
Total Revenues	170.4	167.1	2.0
Direct Costs	(123.7)	(115.2)	7.4
Gross Profit	46.7	51.9	(10.1)
Central Costs	(19.1)	(15.6)	22.2
EBIT	27.6	36.3	(24.0)
Interest Income (Expense)	(3.2)	(0.7)	NA
Goodwill Amortisation	(9.2)	(8.2)	11.1
Associated Undertakings	(0.5)	1.3	NA
Profit on Ordinary Activities	14.6	30.0	(51.2)
Extraordinary Results	(0.4)	1.6	NA
Profit before Taxes	14.2	31.6	(55.0)
Depreciation	8.3	6.8	21.0
EBITDA	35.8	43.1	(16.9)

*Excludes Sadei and Mind Opener

II. THE CONSOLIDATED UNDERLYING PROFIT AND LOSS ACCOUNT

The consolidated underlying profit and loss account below excludes new ventures: Radio Marca, Expansion TV, Expansion y Empleo, ganar.com, Sadei & Mind Opener and Internet activities.

This underlying Profit and Loss Account (excluding new ventures) shows moderate growth rates in revenues, Direct Costs and Central Costs causing a slight decrease in Gross Margin and falling Operating Profit and Net Profit.

*Table 3: Underlying Profit and Loss Account**

Million €	Sept. 01	Sept. 00	Var. %
Revenues:			
Advertising	64.7	67.5	(4.2)
Circulation	84.7	77.7	8.9
Other	12.5	12.1	2.8
Total Revenues	161.8	157.3	2.9
Direct Costs	(107.3)	(100.3)	7.0
Gross Profit	54.5	57.0	(4.4)
Central Costs	(18.0)	(15.0)	20.0
EBIT	36.4	41.9	(13.2)
Interest Income (Expense)	(3.2)	0.7	NA
Goodwill Amortisation	(9.2)	(8.2)	NA
Associated Undertakings	(0.5)	1.3	NA
Profit on Ordinary Activities	23.5	35.7	(34.1)
Extraordinary Results	(0.4)	1.6	NA
Profit before Taxes	23.1	37.3	(38.1)
Depreciation	6.1	5.3	14.2
EBITDA	42.5	47.3	(10.1)

Excluding Radio Marca, Expansión TV, Ganar.com, Expansión y Empleo, Sadei, Mind Opener and Internet activities. Included are Golf Digest and Estadio Deportivo

III. MARGINS

The margins are as follows:

Table 4: Margins

	Sept. 01	Sept. 00
Consolidated		
Gross Profit/Revenues	22.4 %	31.1 %
EBITDA/Revenues	16.5 %	25.8 %
EBIT/Revenues	11.8 %	21.7 %
Consolidated without Argentina:		
Gross Profit / Revenues	27.4%	31.1%
EBITDA/Revenues	21.0%	25.8%
EBIT/Revenues	16.2%	21.7%
Underlying:		
Gross Profit / Revenues	33.7%	36.2%
EBITDA/Revenues	26.3%	30.1%
EBIT/Revenues	22.5%	26.7%

IV. OPERATING REVENUES

Total Operating Revenues grow 7,7% to 180.0 million Euros.

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

Table 5: Operating Revenues

Million €	Sept. 01	Sept. 00	Var. %
Advertising	77.6	72.4	7.1
Circulation	87.4	79.0	10.6
Other revenues	15.0	15.6	(4.0)
Total Revenues	180.0	167.1	7.7

Advertising revenues grow by 7.1%. Strong growth rates are shown by Business and Finance (+23.9% but 0.0% without Argentina), Women's interest (+23.2%) and Medical (+2.7%), while advertising revenues fall in Sports (-8.9%) and Youth (-19.8%). If the contributions from Argentina are excluded, revenues at the consolidated level decrease by 2.6%.

Circulation revenues increase by 10.6% driven by the October 2000 cover price increases of the two main publications of the group, Marca and Expansion and the inclusion of the Argentinean publications. Excluding Argentina, circulation revenues at consolidated level increase by 7.4%.

The reporting line "Other Revenues" is influenced by the fact that the distribution companies Distribuidora de Revistas y Periódicos S.A. and Bidexpress S.A. are no longer consolidated at group level. Stripping out the contribution of both companies to the January-September results of 2000. "Other Revenues" grow by 14.4%.

b) Regarding the evolution of revenues by business areas¹, Business and Finance shows strong growth (+21.3%, +1.4% without Argentina), while Sports remains, with 53.4%, the largest contributor to group revenues.

Table 6: Revenues by business areas

Million €	Sept. 01	% total	Sept. 00	Var. %
Sports	96.2	53.4	91.3	5.4
Business & Finance	58.9	32.7	48.6	21.3
Women's Interest	9.4	5.2	7.8	20.2
Medical	5.5	3.1	5.4	2.7
Youth	2.0	1.1	2.5	(19.8)
Others	8.0	4.5	11.5	(36.2)
Total Revenues	180.0	100.0	167.1	7.7

In Sports, advertising revenues decrease (-8.9%) and circulation revenues grow 12.7%. The effect of the 20% increase in the cover price of Marca from October 2000 has been partially offset by a slight decrease in copy sales of Marca (-4.7%), reaching an average daily circulation of 378.771 in the first nine months of 2001.

Revenues from Business and Finance grew by 21.3%. This growth came from advertising revenues (+23.9%) and circulation revenues (+9.8%) driven by the cover price increase at Expansión in October 2000, the inclusion of El Cronista, Opening, Target and Information Technology. Excluding the Argentinean publications, advertising revenues in Business and Finance are maintained, while circulation revenues fall by 6.7%.

Women's Interest has achieved significant growth in advertising revenues (+ 23.2%) and circulation revenues (+10%), due to the excellent evolution in copy sales of Telva magazine (+7.9%) reaching an average monthly circulation of 142.654.

Medical shows a recovery in advertising revenues (+2.7%), whereas the area of Youth experiences an important fall in advertising revenues (-19.8%).

Revenues in General Information (Unedisa) decrease by 1.9%, despite the general deterioration that has affected the sector in Spain.

V. DIRECT COSTS

As commented in the previous reports on results, the increase in direct costs is a consequence mainly of:

¹ P&L accounts with regard to the several content areas are shown from Chapter IX of this note.

- the inclusion of Sadei and Mind Opener in the consolidated statements. The Argentinean companies were bought October 18th 2000 and are at present undergoing a process of restructuring and re-launching.
- the increase in the price of newsprint of approximately 25%, and
- the development of new ventures: Internet, Expansion y Empleo, ganar.com, Radio Marca Madrid and Radio Marca Digital.

All categories of Direct Costs have increased significantly. Nevertheless, direct costs of the first nine months of the year are overvalued by approximately 1 million Euros because of changes in the accountancy of marketing expenses.

Direct costs increase significantly in Business and Finance where new developments have the greatest impact. Excluding Argentina, Direct Costs of the content area grow at 6.3% and at consolidated level 7.4%.

The breakdown of Direct Costs by business areas is as follows:

Table 7: Direct Costs by business areas

Million €	Sept 01	Sept 00	Var. %
Sports	63.0	58.1	8.4
Business and Finance	56.4	38.1	48.1
Women's interest	7.4	6.2	19.9
Medical	4.8	3.9	24.3
Youth	2.3	2.1	10.6
Others	5.8	6.8	(17.2)
Total Direct Costs	139.7	115.2	21.2

VI. CENTRAL COSTS

Central costs increased by 22.2% reaching Euros 19.1 million, showing a slowdown in comparison to 1H2001 (+28.2%). The increase reflects the strengthening of the group's organisation as a result of its stock market listing.

VII. GROSS PROFIT

Gross Profit by business areas show the following development:

Table 8: Gross Profit by business areas

Million €	Sept. 01	Sept. 00	Var. %
Sports	33.2	33.1	0.2
Business and Finance	2.5	10.5	(76.1)
Women's Interest	2.0	1.6	21.2
Medical	0.7	1.5	(52.8)
Youth	(0.3)	0.4	(177.5)
Others	2.3	4.8	(47.9)
Total Gross Profit	40.4	51.9	(22.2)

Note: Gross Profit= Revenues less direct costs, it does not include Central Costs

Gross Profit falls by 22.2%. The key developments are:

- Improvement of Gross Profit in the Sports due to the growth in revenues and efforts to contain costs
- Significant worsening in the Business and Finance as a result of the increase in the direct costs related to the incorporation of the Argentinean publications
- Very significant improvement in margins of the Women's Interest
- Worsening in the Medical and Youth, the latter suffering from a decrease in advertising revenues by 19,8%.

VIII. NET PROFIT

Net Profit diminishes by 83.0% due mainly to the fall in advertising expenditure, the inclusion of the activities in Argentina, increased Goodwill Amortisation, extraordinary losses resulting from the cost-cutting programme and losses from equity-consolidated companies. Excluding the Argentinean activities, the consolidated Profit before taxes decreases by 55.0%.

IX. SPORTS

This business area shows significant growth in Revenues and Gross Profit and an improvement in margins (Gross Profit / Revenues). We should highlight the improvement in margins corresponding to the underlying P&L, due to the 5.3% increase in revenues (95.2 million Euros) and the slowdown in growth of Direct Costs (58.2 million Euros). That has delivered an increase of 7.8% in underlying Gross Margin reaching 37 million Euros.

Tabla 9: Results of the Sports Area

Million €	Sept. 01	Sept. 00	Var. %
Revenues:			
Advertising	27.2	29.8	(8.9)
Circulation	68.3	60.6	12.7
Others	0.7	0.9	(13.2)
Total Revenues	96.2	91.3	5.4
Direct Costs	(63.0)	(58.1)	8.4
Gross Profit	33.2	33.1	0.2
Gross Profit / Revenues	34.5%	36.3%	
Underlying Gross Profit*	37.0	34.3	7.8
Underlying Gross Profit / Revenues	38.9%	37.9%	

**Excluding Radio Marca and marca.com*

X. BUSINESS AND FINANCE

Business and Finance is characterised by strong revenue growth, mainly from advertising (+23.9%), that benefits from the inclusion of the Argentinean publications in the consolidated accounts. Excluding Argentina, advertising revenues are maintained at a satisfactory level compared with the record levels of 2000. Direct Costs increase mainly due to the Argentinean ventures.

Table 10: Results of Business and Finance Area

Million €	Sept. 01	Sept. 00	Var. %
Revenues:			
Advertising	36.3	29.3	23.9
Circulation	16.4	14.9	9.8
Other	6.2	4.3	42.6
Total Revenues	58.9	48.6	21.3
Direct Costs	(56.4)	(38.1)	48.1
Gross Profit	2.5	10.5	(76.1)
Gross Profit / Revenues	4.3%	21.6%	
Underlying Gross Profit*	11.6	14.3	(18.6)
Underlying Gross Profit / Revenues	27.5%	33.1%	

**Excluding Expansión TV Expansión y Empleo, Sadei & Mind Opener, Ganar.com and Expansióndirecto.com*

Table 11: Results of Business and Finance Area excluding Argentina

Million €	Sept. 01	Sept. 00	Var. %
Revenues:			
Advertising	29.3	29.3	0.0
Circulation	13.9	14.9	(6.7)
Others	6.1	4.3	41.8
Total Revenues	49.3	48.6	1.4
Direct Costs	(40.5)	(38.1)	6.3
Gross Profit	8.8	10.5	(16.2)
Gross Profit / Revenues	17.8%	21.6%	

Excludes Sadei & Mind Opener

XI. GENERAL INFORMATION, UNEDISA

At Unedisa (in which Recoletos owns a 30% stake) revenues decrease slightly due to the slowdown in the general interest information market. El Mundo has increased copy sales by +5.9% reaching 320.385 average daily sales.

Table 12: Unedisa Results

Million €	Sept. 01	Sept. 00	Var. %
Revenues:	168.1	171.3	(1.9)
Operating Costs	170.3	167.1	1.9
EBIT	(2.1)	4.3	NA
Interest Income (expenses)	(1.3)	(0.2)	NA
Goodwill Amortisation	(0.3)	(0.4)	(5.8)
Associated Undertakings	(2.6)	0.0	NA
Profit on Ordinary Activities	(6.4)	3.7	NA
Extraordinary Results	(0.1)	(0.1)	0.0
Profit before Taxes	(6.5)	3.6	NA
Depreciation	9.0	6.7	33.0
EBITDA	6.8	11.0	(37.9)

XII. WOMEN'S INTEREST

Women's Interest has achieved strong revenue growth from advertising and circulation. Telva has increased its copy sales by 7.9% reaching 142.654 units.

Table 13: Results of Women's Interest Area

Million €	Sept. 01	Sept. 00	Var. %
Revenues:			
Advertising	6.6	5.3	23.2
Circulation	2.7	2.4	10.0
Others	0.1	0.0	NA
Total Revenues	9.4	7.8	20.2
Direct Costs	(7.4)	(6.2)	19.9
Gross Profit	2.0	1.6	21.2
Gross Profit / Revenues	21.2%	21.0%	
Underlying Gross Profit*	2.5	1.9	29.9
Underlying Gross Profit/Revenues	26.7%	24.3%	

*Excluding estarguapa.com

XIII. MEDICAL

This area has experienced a slight decrease in advertising revenues and a reduction of margins.

Table 14: Results of Medical Area

Million €	Sept. 01	Sept. 00	Var. %
Revenues:			
Advertising	5.5	5.3	2.7
Circulation	0.1	0.1	0.0
Total Revenues	5.5	5.4	2.7
Direct Costs	(4.8)	(3.9)	24.3
Gross Profit	0.7	1.5	(52.8)
Gross Profit / Revenues	12.9%	27.9%	
Underlying Gross Profit*	1.3	1.7	(20.4)
Underlying Gross Profit/Revenues	25.2%	31.4%	

*Excludes Onda Salud y Diario Médico

XIV. YOUTH

The fall in advertising revenues has caused a decrease in margins in this business area.

Table 15: Results of Youth Area

Million €	Sept. 01	Sept. 00	Var. %
Revenues:			
Advertising	2.0	2.5	(19.8)
Circulation	0.0	0.0	NA
Total Revenues	2.0	2.5	(19.8)
Direct Costs	(2.3)	(2.1)	10.6
Gross Profit	(0.3)	0.4	(177.5)
Gross Profit / Revenues	(15.6%)	16.1%	
Underlying Gross Profit*	(0.2)	0.4	(145.8)
Underlying Gross Profit/Revenues	(9.4%)	16.2%	

*Excluding tuGUEb.com

XV. CASH-FLOW

Table 16: Cash-flow

Millions of €	Sept. 01	Sept. 00	Var. %
Net Income	3.3	20.3	(83.7)
Depreciation	8.5	6.8	25.0
Amortisation	9.2	8.2	12.2
Other Adjustments	6.8	1.6	NA
Net Cash provided by Operating Activities	27.8	36.9	(24.7)
Change in Working Capital	(3.0)	(1.3)	123.1
Net Capex	(8.8)	(23.3)	NA
Net Cash used in Investment Activities	(11.8)	(24.6)	(52.0)
Equity Financing	(0.4)	(0.1)	NA
Net Debt Financing	-	-	
Dividend Payment	(10.5)	-	
Net Cash provided by Financing Activities	(10.9)	(0.1)	NA
Net Increase in Cash and Cash Equivalents	5.1	(12.2)	NA

XVI. CONSOLIDATED BALANCE SHEET

Table 17: Consolidated Balance Sheet

Million €	Sept. 01	Dec. 00
Fixed Assets	194.5	200.7
- Tangible Assets	60.1	63.3
- Intangible Assets	8.0	7.1
- Financial Investments	126.4	130.2
Goodwill Amortisation	47.5	54.1
Accounts receivable	41.5	53.9
Stocks	10.3	4.5
Cash and Cash Equivalents	65.4	60.3
Other Assets	1.8	0.9
Total Assets	361.0	374.4
Shareholders Equity	294.3	300.5
Minority Shareholders	0.6	0.8
Provisions	13.7	8.4
Long-term Liabilities	3.8	6.0
Short-term Liabilities	48.6	58.7
Total Debt	361.0	374.4

XVII. OTHER RELEVANT ISSUES

XVII.I. CHANGES IN THE CONSOLIDATION PERIMETER

In the previous report we informed about changes related to the consolidation perimeter of the group, which has not changed in the last three months. They were as follows:

1. Inclusion of “Corporación Radiofónica Información y Deporte S.L.” This company, set up 5th March 2001, is 50% owned by Recoletos Cartera de Inversiones and will be consolidated by “proportional integration” from March 2001 onwards.
2. The distribution companies “Distribuidora de Periódicos y Revistas S.A.” and “Bidexpress S.A.” will not belong to the consolidated group from the 21st June 2001. The shareholding in both companies owned by “Red de Distribuciones Editoriales S.A.” has been exchanged for a 25.54% stake in the distribution company “BERALAN S.A.”. The latter will be integrated through equity consolidation from June 2001 onward.
3. The distribution company “Distribuidora Tarraconense de Publicaciones S.A.” will be equity consolidated from June 2001 onward.

XVII.II OTHERS

Novomedia and TV Trans (Media Trans and Pluvimedia-Dragados Group) signed an agreement on July 31st for managing advertising activities in digital TV channels for the public transport, underground, trains, and airports. This service is already in operation in the underground in Madrid and Barcelona and will start in the trains in the Catalanian region and the underground of Valencia in October of this year. From 2002 onwards the advertising activities will also be offered in trains and airports

On July 6th “Correo Farmacéutico” was launched; a free weekly newspaper targeting 22.000 pharmacists with contents regarding health policy issues, pharmacology, science and research, management, training, etc. Correo Farmacéutico’s competitive advantages include, among others, being the only weekly-specialised publication in this field in Spain.

On 10th May a 2.5% stake in Veo Televisión was acquired. The stake held by Recoletos (through Boj Media) at present amounts to 28.0%.

As we reported also in previous notes, Radio Marca Madrid started broadcasting on February 1st, and Radio Marca in Valencia on May 2nd, with specialised local sports content for both regions, resulting from the agreement between Telefónica Media and Recoletos to develop local sports and entertainment programming through 50-50% joint ventures. This agreement will be extended to other regions and content areas.

Although the following issue does not correspond to the first nine months of this financial year, we should highlight that on October 4th, Recoletos increased its stake in the Chilean publisher Ediciones Financieras up to 37,35%. This has been possible due to the abolition of regulatory restrictions regarding participations in media companies in Chile.

XVIII. OPERATIONAL FIGURES

OPERATING MAGNITUDES	3H2001	3H2000	%Var.
SPORTS			
Accumulated Marca copy sales	378,771	397,624	(4.7)
Accumulated Golf Digest copy sales	13,974	12,674	10.3
Sept. page views of marca.com ('000)	77,344	55,161	40.2
BUSINESS AND FINANCE			
Accumulative Expansión copy sales	53,979	64,385	(16.2)
Accumulative Actualidad Económica copy sales	21,824	22,838	(4.4)
Accumulative ganar.Com copy sales	11,804	16,470	(28.3)
Sept. page views of Expansióndirecto.com ('000)	24,897	11,917	108.9
Sept. page views Expansiónyempleo.com ('000)	1,517	NA	NA
Sept. page views ganar.com ('000)	1,052	923	14.0
GENERAL INFORMATION			
El Mundo. accumulated copy sales	320,385	302,672	5.9
Sept. page views El Mundo ('000)	100,000	40,600	146.3
WOMEN'S INTEREST			
Accumulative. Copy sales Telva	142,654	132,245	7.9
Sept. page views estarguapa.com ('000)	2,531	382	562.6
MEDICAL AND YOUTH			
Sept. page views diario medico.com ('000)	1,982	1,810	9.5
Sept. page views tuGueb.com ('000)	987	NA	NA