



Meximerica

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San Antonio, Meximerica:

Edward Schumacher Matos, CEO

Jose Antonio Ferris, CFO

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April 20th, 2004

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Project highlights

- **Launch of RUMBO, a leading network of Spanish-language multi-market daily newspapers targeted at Mexican-Americans in Texas: San Antonio, Houston, Austin and Lower Rio Grand Valley**



- **Timetable:**
 - San Antonio, Houston: 3Q2004
 - Austin, The Valley: 4Q2004

Rationale

To seize the opportunity to become a leading player in one of the fastest growing and most stable Spanish speaking markets

- A clearly defined and targeted readership/advertising client base
- Joint venture with local team with excellent and proven US-Hispanic publishing track record
- Leverage low cost, efficient scale of one editorial/graphic hub, repackaged content and small local editorial / advertising teams
- Full support of Recoletos: multi-local editions, share of content, IT, purchasing
- Moderate investment requirements with high expected rate of return

The market (I)

- **Rapidly growing Hispanic market: largest US minority (39 million, 13% of population), grew 61% 1990-2001 and will triple by 2050 to 25% of US population**
- **2/3 of Hispanic population is Mexican: 25.5 million**
- **Excellent growth potential in national, regional and local advertising:**
 - **growing Hispanic purchasing power (\$ 652 billion, +30% in 2001-2003)**
 - **pent up advertiser demand due to absence of consistent Hispanic newspaper options**
- **RUMBO will be launched in markets where there is no, or little daily newspaper competition in Spanish language**

The market (II)



- Texas, the second largest Hispanic market in the US and more than 80% Mexican
- 800,000 Mexican households in RUMBO's four market areas
- 4.2 million Hispanics in the four market areas, of which 3.2 are Mexican

● San Antonio:
Strategic geographic position
No existing Spanish language daily
Headquarters of Meximerica

● Austin:
State capital
No existing Spanish language daily

● Houston:
Largest Texas market
Existing Spanish language daily

● The Valley:
Permanent cross-border influence

A proven management team (I)

- **A successful record of designing, launching and operating newspapers and joint partner publications in Spanish and English**
- **Strong commitment, as the management team has conceived and entirely developed the project and will have a shareholding interest**
- **Edward Schumacher Matos, CEO and Editorial**
 - Managing Editor and Associate Publisher, *The Wall Street Journal Americas*
 - Bureau Chief, *The New York Times*, Buenos Aires and Madrid; member of Pulitzer Prize team, *The Philadelphia Inquirer*
 - Boards, Inter American Press Association; Instituto de Empresa graduate business school, Madrid; Maria Cabot Moors Awards, Columbia University

A proven management team (II)

- **Jose Antonio Ferris, CFO**
 - New York correspondent for *Expansión* and *Actualidad Económica*
 - Managing Director, *Diario Financiero*, Chile. During this tenure the daily became the leading business newspaper in Chile

- **Jonathan Thompson, COO, Advertising and Circulation**
 - 25 years of management and sales/marketing experience in newspapers, *CBS Magazines* (GM, *Family Weekly*)
 - Senior executive, *Tribune Co* (*New York Daily News*) and *Knight Ridder* (*Miami Herald* and *El Nuevo Herald*)
 - CEO, *Sawyer Ferguson Walker*, newspaper advertising and consulting firm

A proven management team (III)

- **Jonathan Friedland, Vice President, Editorial**
 - *The Wall Street Journal* Bureau Chief in Los Angeles, Buenos Aires and Mexico
 - Correspondent of *Far Eastern Economic Review* (Dow Jones) in Hong-Kong and Tokyo
 - Member of the *WSJ* team awarded Pulitzer Prize for its coverage of the Mexican peso devaluation and its implications in Latin American economies

The publications (I)

- **RUMBO, an eye-catching modern tabloid serving the Mexican-American community**
- **Short, attractive articles, crisp comment, can do information, top colour and graphic displays**
- **Contents include local, US, Mexican, and international news and comment; sports, entertainment, family, health, lifestyle and local business**
- **Five days a week, 25 cents daily**
- **Pagination: average of 40 pages a day, combining common (2/3) and local content (1/3)**

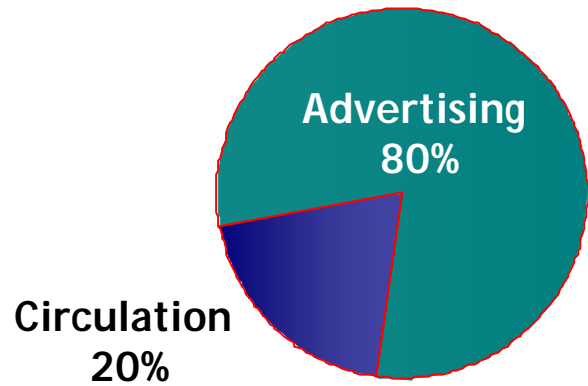
The publications (II)



- A network of four newspapers that share common content
- Realistic penetration objectives: 14% penetration in Hispanic households
- Circulation target 2007: 125,000 + copies

Business Model

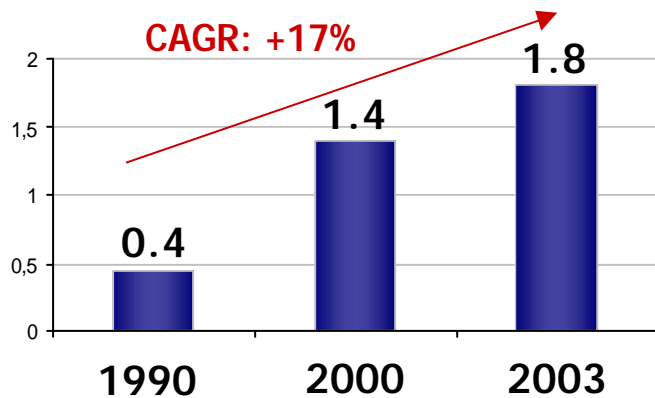
- Revenue mix 2008E



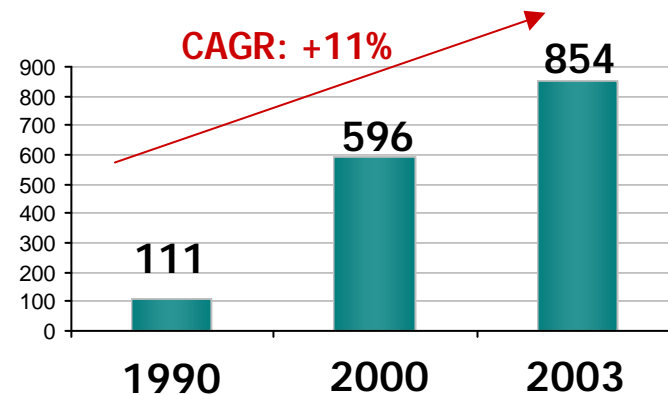
- Extraordinary growth potential:

- US Hispanic advertising market today only 1% of total ad spend but 13% of population and 8% of purchasing power
- Circulation: Market for Hispanic readers is underdeveloped

READERSHIP HISPANIC DAILIES*
Number of daily readers, million



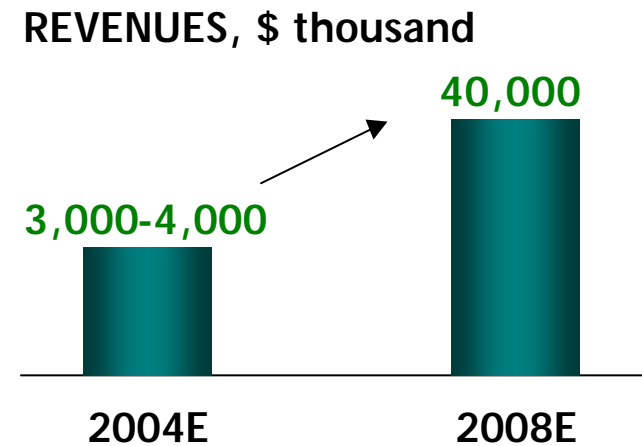
ADVERTISING REVENUES OF HISPANIC DAILIES*
\$ Million



* Source: Latino Print Network

Financial highlights (I)

- Revenues 2005 (I) -2008: +30% CAGR
- Costs 2005 (I) - 2008: +10% CAGR
- Break-even in 2007
- Expected EBIT margin at “cruising speed” of 15%



(I) First full year

Financial highlights (II)

- **Initial investment (2004) \$ 16.5 mill:**
 - **EBIT 2004E: \$ -8.6 million
(excluding launch costs)**
 - **Launch costs: \$ 4.9 million**
 - **Capex 2004: \$ 3.2 million**

- **Further investment requirements will depend on the expansion path**

Impact on Recoletos

- Full consolidation of 100% of Meximerica
- Conservative accounting approach: launch costs fully recorded as costs in the 2004 Profit and Loss account of Recoletos
- Moderate investment requirements and significant value creation:
 - Initial investment € 13.7 million*
 - At “cruising speed”: expected revenues aprox € 33 million, EBIT margin of 15%
 - Expected IRR of 28.5%

*Exchange rate: €1 = \$0,83

Conclusions

- **A unique opportunity to lead the rapid development of a high growth market**
- **A clearly defined and targeted readership/advertising client base**
- **Highly motivated local team with proven US and Hispanic publishing track record**
- **Full support of Recoletos: efficient management, operating synergies, multi-local editions, IT, purchasing**
- **Moderate investment requirements**
- **Highly profitable business model**