



# Grupo PRISA

**2003 1H results**

**23<sup>rd</sup> of July, 2003**

## FIRST HALF OF 2003

### THE EBIT OF GRUPO PRISA INCREASED BY 8.8 % UP TO €65 MILLION

*EBITDA came in at €108 million, a 11.4% increase over the same period of the previous year and net income amounted to €34 million*

The most relevant issues to highlight concerning the first half results are the following:

- **Substantial growth in the circulation figures** of the main newspapers, which led circulation revenues to increase by 7%, up to €116 million.
- **Advertising figures increased by 5.2%** including the new incorporations. On a like-for-like basis, the advertising revenues would have increased by 0.3%. It is noteworthy the growths experienced at the Radio (+2.5%), Regional Press (+47.4%) and Local TV (+91.0%) business divisions.
- EBIT margin of **El País** stood at 29.2%.
- **Santillana's sales grew in local currency terms** in most of the countries.
- **The Specialised and Regional Press** business division reached a **positive EBIT**. It is worth mentioning the improvements of **As and the regional press**.
- **Operating losses at the Local TV and Internacional Media business divisions decreased** notably.
- **Income before extraordinary items** increased by 49.4% reaching €52 million.



## GENERAL

Along the first half of 2003, the performance of Prisa improved significantly: **Revenues increased by 8.3%** up to €649 million and the **operating result (EBIT) grew by 8.8%**.

The rigorous cost-cutting policy implemented in the group, particularly in the new business divisions and El País and Santillana, gave rise to operating improvements in the majority of the business units and contributed to achieving these satisfactory results.

**The new business divisions**<sup>1</sup> reduced the operating losses by 15% with regard to the same period of the previous year. One of the top priorities for the Group is to reach the break-even in these divisions.

The Group continues with its **disinvestment strategy** in those non-core businesses that either run into losses or are not expected to offer any grow opportunities.

During the first half of 2003, there have been sold the bookshop chain Fausto in Argentina, some information technology systems' companies under the name of Extrasoftware and the regional newspaper Nuevo Diario de Valladolid.

## ADVERTISING MARKET

During the first six months of 2003, **the Spanish advertising market** experienced a 0.7% decrease, according to our own estimates. Press underwent the most relevant decrease, mainly due to national and economic press falls.

It is noteworthy the good performance of the local advertising in every Grupo Prisa division.

**The Advertising revenues of the Group increased by 5.2%** partly due to the **new incorporations**<sup>2</sup>, which contributed €11 million in advertising revenues during the first half of 2003.

On a like-for-like basis, the Group advertising revenues would have increased by 0.3%, outperforming the Spanish advertising market.

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<sup>1</sup> **New business divisions** include Regional Press, Local TV, Prisacom and Leisure and Entertainment

<sup>2</sup> **New incorporations** include Caracol and the company Sociedad Canaria de Televisión Regional consolidated by proportional integration (40%) for the first time.



## LATIN AMERICA

Outlook for Latin America is becoming more favourable. Within an international context still uncertain, Latin America performance is already improving.

Nevertheless, most of the Latin-American currencies have depreciated against the euro as compared to the same period of the previous year. This has notably affected the figures reached by the group in such region, when converted to euros.

Throughout the first half of 2003, revenues coming from Latin-America reached €127 million, where most of them stem from the publishing business Santillana, whose revenues increased in local currency terms in the majority of the countries where the business is present.

During the first half of the year the impact of the depreciations led to a reduction in revenues and EBIT amounting to €37 million and €10 million respectively. Without this effect, **Group revenues** would have **increased by 15%** and **EBIT** would have **raised 26%**.



**MAIN FINANCIAL FIGURES**

The main financial figures of Grupo Prisa during the first half of 2003 can be summarized as follows:

€Million	CUMULATIVE TO JUNE		
	2003	2002	Var %
<b>Revenues</b>	<b>649.01</b>	<b>599.11</b>	<b>8.3</b>
<b>EBITDA</b>	<b>107.97</b>	<b>96.93</b>	<b>11.4</b>
<b>EBIT</b>	<b>64.71</b>	<b>59.47</b>	<b>8.8</b>
Financial Result	(3.21)	(17.29)	81.4
Equity Method Result	(1.71)	0.53	-
Goodwill Amortization	7.50	7.70	(2.6)
<b>Income before extraordinary items</b>	<b>52.29</b>	<b>35.01</b>	<b>49.4</b>
Extraordinary Result	0.78	6.74	(88.4)
<b>Pre-Tax Profit</b>	<b>53.07</b>	<b>41.75</b>	<b>27.1</b>
Taxes over profits	18.90	(23.88)	-
Minority Interest	0.52	(0.46)	-
<b>Net Profit</b>	<b>33.65</b>	<b>66.09</b>	<b>(49.1)</b>

**BUSINESS PERFORMANCE**

**Revenues** increased by 8.3%, up to €649.01 million, as compared to €599.11 million reached during the first half of 2002.

By business line, revenue breakdown was as follows:

€Million	CUMULATIVE TO JUNE		
	2003	2002	Var %
Advertising Revenues	243.12	231.22	5.2
Book and Right Sales	145.67	162.99	(10.6)
Newspaper Sales	115.50	107.91	7.0
Printing Services Sales	40.81	32.90	24.0
Music Sales	8.26	7.03	17.5
Other revenues	95.65	57.06	67.6
<b>Total revenues</b>	<b>649.01</b>	<b>599.11</b>	<b>8.3</b>

**Advertising revenues** increased by 5.2% year-on-year. Caracol was first time consolidated in September 2002, albeit backdated to April of that year, and contributed €10.49 million in advertising revenues during the first half of 2003.



Additionally, the 40% stake in the TV Canaria Regional was first time consolidated by proportional integration and contributed €0.7 million in advertising revenues.

On a like-for-like basis, advertising revenues would have increased by 0.3% year-on-year, outperforming the Spanish advertising market in every media channel in which Prisa is present.

Regarding the advertising performance by divisions, it is worth mentioning the significant growths in:

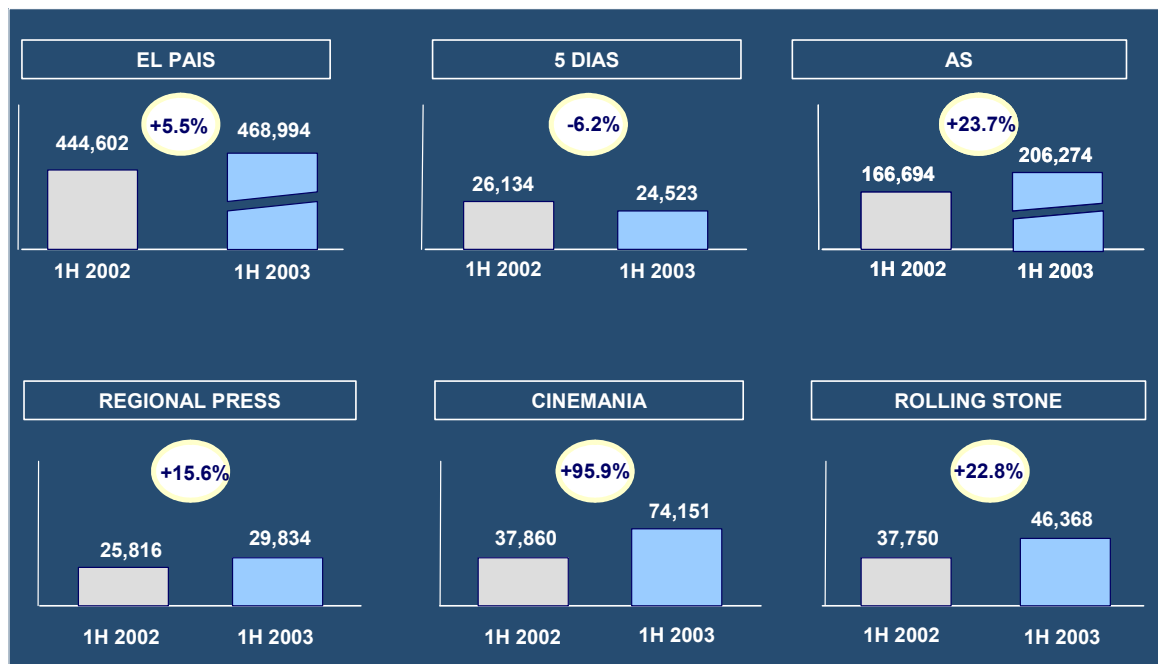
- 1- **Radio** (+2.5%), thereby confirming the resilience of this media channel to the advertising market crisis.
- 2- The **Regional Press** (+47.4%) and **Local TV** (+91%), new business divisions that without reaching very significant figures yet, recorded a positive performance, showing the potential of growth in the local market.

**Book & Right sales** dropped by 10.6%, down to €145.67 million. The depreciation of the currencies of the Latin American countries where Santillana operates is reflected in these figures, and conditioned the drop.

**Without the effect of the depreciations, which led book and right sales to decline by €35 million, book & right sales would have increased by 10.6%.**

**Magazine and Newspaper sales** experienced an increase of 7% reaching €116million.

**Circulation figures** of the main newspapers and magazines of the group **increased notably** as it can be seen below:

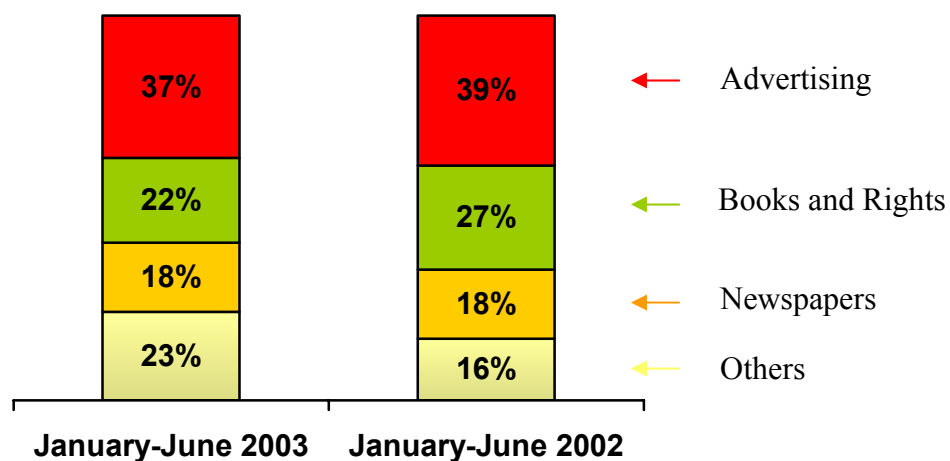


Despite the printing market continued to undergo a complex environment, with overall downfalls in both, activity and prices, **the printing services sales** rose by 24%, namely due to the gaining of new clients in Spain.

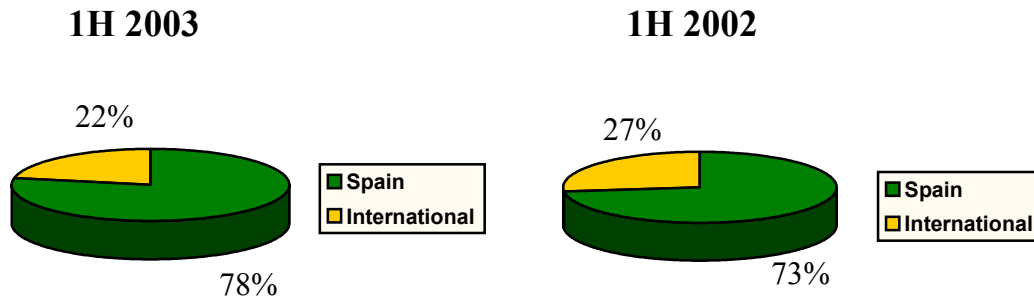
**Music sales** experienced an increase of 17.5%.

**Other operating revenues** increased by 67.6% mainly due to the higher revenues coming from promotions. Additionally, the higher programming sales in the Local TV business division, the higher revenues of Prisacom, stemming from sales of content to mobile telephony companies, as well as the audiovisual rights and programming sales of the audiovisual producer Tesela, contributed this growth.

Revenue breakdown by business line could be depicted as follows:



**Geographic breakdown of revenues** during the first half of 2003 and 2002 was the following:



The lower international contribution is explained by the depreciations of the Latin American currencies against the euro. Around 74% of the Group's international revenues came from the publishing business division, Santillana, 16% stemmed from the International Media business division, whereas the remaining 10% corresponded to the Printing unit.

**EBITDA** came in at €107.97million, increasing by 11.4% with respect to the same period of the previous year.

**EBIT** amounted to €64.71 million, as compared to €59.47 million reached in the first half of 2002, which demonstrates a 8.8% increase and it is mainly due to:

- **The significant operating improvements experienced by El País and Radio**, as a result of the good performance of revenues, above the Spanish market, and the important cost-cutting measures.
- **Reduction of operating losses** in the new business divisions of **International Media and Local TV**.
- **Significant improvements at the Specialised Press**.

All this allowed the Company to offset the impact of the depreciations of the Latin American currencies against the euro in the Santillana accounts, the negative contribution of the Music division and the printing business, whose market continued to face a complex environment.

**The financial result** improved substantially due to the positive differences of the exchange rate.





**The equity method result**, mainly included the stakes in Sogecable, Antena 3 Radio and Iberbanda, which was included in the scope of consolidation for the first time in 2003, contributing a €3.4 million loss.

The **goodwill amortization** declined by 2.6% due to the sale of the company Extrasoftware, the full amortization of the goodwill of Net Languages in 2002, and the lower amortization due to adjustments in the goodwill of Radiopolis.

The **extraordinary result** declined by 88.4%, namely as a consequence of the agreement reached with the Grupo Bavaria in 2002, where it was set an adjustment in the price of the investment carried out by the Grupo Prisa in 1999 in Participaciones de Radio Latinoamericana and Caracol. This agreement resulted in an extraordinary income in 2002 that has not occurred in 2003.

**Extraordinary revenues** included €10.8 million stemming from the reversion of the provision that took place in Iberbanda, as well as €6.4 million derived from the sale of assets.

During 2002 the Group recorded revenues derived from tax credits corresponding to the 25% of the investments carried out in 2001 in **Moderna**, in Brazil, and **Radiopolis**, in Mexico. As those tax credits finished in 2002 and no new tax credits have been applied during 2003, an **income tax expense** amounted to €18.9 million has arisen, in comparison to €23.9 million revenues registered in 1Q 2002.

Consequently, **net income** reached €33.65 million.



**BALANCE SHEET**

<b>ASSETS</b>	<b>€ Million</b>		
	<b>06/30/2003</b>	<b>12/31/2002</b>	<b>06/30/2002</b>
<b>TOTAL FIXED ASSETS</b>	<b>676.49</b>	<b>695.59</b>	<b>633.54</b>
Start-up expenses	17.84	20.40	15.80
Intangible assets	131.55	128.53	110.83
Tangible fixed assets	333.26	338.67	321.81
Long-term financial investments	165.13	180.28	160.38
Treasury stock	28.71	27.71	24.72
<b>GOODWILL IN CONSOLIDATION</b>	<b>244.53</b>	<b>252.36</b>	<b>278.63</b>
<b>DEFERRED CHARGES</b>	<b>5.27</b>	<b>4.06</b>	<b>3.98</b>
<b>CURRENT ASSETS</b>	<b>667.52</b>	<b>549.69</b>	<b>680.22</b>
Inventories	105.66	94.38	102.73
Accounts receivable	507.27	400.76	487.61
Short-term financial investments	15.54	27.10	45.07
Cash	19.98	15.81	27.06
Prepayments	19.00	9.75	17.32
Subscribed shares not paid-in	0.07	1.89	0.43
<b>TOTAL ASSETS</b>	<b>1,593.81</b>	<b>1,501.70</b>	<b>1,596.37</b>

<b>LIABILITIES</b>	<b>€ Million</b>		
	<b>06/30/2003</b>	<b>12/31/2002</b>	<b>06/30/2002</b>
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>629.97</b>	<b>619.47</b>	<b>610.11</b>
Capital Stock	21.88	21.88	21.88
Controlling company reserves	574.44	515.53	522.14
Income attributed to the controlling company	33.65	82.06	66.09
<b>MINORITY INTEREST</b>	<b>27.17</b>	<b>31.92</b>	<b>22.89</b>
<b>DEFERRED REVENUES</b>	<b>22.36</b>	<b>20.56</b>	<b>8.28</b>
<b>PROVISIONS FOR CONTINGENCES &amp; EXPENSES</b>	<b>21.22</b>	<b>21.39</b>	<b>23.59</b>
<b>LONG TERM LIABILITIES</b>	<b>369.45</b>	<b>343.49</b>	<b>342.60</b>
Payable to credit entities	344.79	323.31	328.50
Other long-term liabilities	24.66	20.18	14.10
<b>CURRENT LIABILITIES</b>	<b>523.64</b>	<b>464.88</b>	<b>588.90</b>
Payable to credit entities	180.15	155.45	228.72
Trade accounts payable	184.77	168.49	164.78
Other short-term liabilities	152.84	136.17	188.57
Accrual accounts	5.87	4.77	6.83
<b>TOTAL LIABILITIES</b>	<b>1,593.81</b>	<b>1,501.70</b>	<b>1,596.37</b>

**INVESTMENTS**

Total investments - which include investments in tangible fixed assets and intangible assets as well as long-term financial investments-, during the first half of the year amounted to €50.72 million as opposed to €57.47 million during the same period of the previous year.

Total investments, by business divisions, were the following:

INVESTMENTS 1H 2003	€ Million
Publishing	20.14
Printing	10.16
El País	7.55
Leisure & Entertainment	3.70
Radio	2.22
Others	6.94
<b>Total</b>	<b>50.72</b>

**NET DEBT**

Net debt as of June 30, 2003 amounted to €489.42 million in comparison to €436 million as of December 31, 2002.

NET DEBT 1H 2003	€ Million
Financial debt	524.94
Long Term	344.79
Short Term	180.15
Cash and short term financial investments	35.52
<b>Net debt</b>	<b>489.42</b>

Long-term debt accounted for 66% of the total financial debt.  
By currency, 66% of the debt was in euros and the rest in dollars.  
Additionally, almost 100% of the debt is linked to a floating interest rate.

The ratio net debt to market capitalisation as of June 30 2003 was 28.3%.



**CASH FLOW STATEMENT**

	06/30/2003	06/30/2002
EBIT	<b>64.71</b>	<b>59.48</b>
Depreciation & Amortization	38.58	34.09
Change in Working capital items	(74.08)	(149.34)
Investments	(50.72)	(57.47)
<b>Free Cash Flow</b>	<b>(21.51)</b>	<b>(113.24)</b>
Financial Result	(3.21)	(17.29)
Extraordinary result	0.78	6.74
Dividends paid	(18.71)	(18.71)
Taxes	(18.91)	23.88
Others	7.99	4.46
<b>NET DEBT CHANGE</b>	<b>53.57</b>	<b>114.16</b>

The working capital change was mainly due to the seasonality of the business divisions. Particularly, Santillana explained most of the change due to the educational campaigns calendar. Nevertheless, it is worth mentioning the improvement experienced with regards to the previous year.

The higher EBIT and the improvement in the working capital change contributed to significantly improving the free cash flow generation in comparison to the previous year.



## **BUSINESS DIVISIONS PERFORMANCE**

The main issues that should be highlighted during the first half of the year are the following:

- EBIT of **El País** increased by 26.5% up to €46.05 million, with circulation figures increasing substantially. In addition, EBIT margin stood at 29.2%.
- **Radio** revenues and EBIT increased by 3.8% and 2.4% respectively, despite the advertising market sluggishness.
- **Good performance of the schoolbook sales in Latin America** in local currency terms. Same as previous year, some of the institutional sales in Mexico have been brought forward, taking place in the second quarter.
- **Specialised and Regional Press posted a positive figure at EBIT level.** The sport newspaper Diario As increased its average daily circulation by 23.7%, up to 206,274 copies.
- Operating losses at the **Local TV** division declined notably, due to the good performance of the local advertising, as well as the higher programming sales.
- **Remarkable operating improvement at the International Media division.**
- **The Printing business** continued to undergo a difficult environment, experiencing overall downfalls in activity and prices.

<b>OPERATING REVENUES</b>			
	<b>CUMULATIVE TO JUNE</b>		
<b>€ Million</b>	<b>2003</b>	<b>2002</b>	<b>Var %</b>
El País	157.91	152.77	3.4
Spec. & Regional Press	58.65	52.81	11.1
Radio	99.19	95.52	3.8
Local TV	11.24	7.45	50.9
International Media	23.22	14.20	63.5
Education & General Editions	149.60	167.48	(10.7%)
Prisacom	5.97	6.94	(14.0%)
Leisure & entertainment	52.28	20.58	-
Printing	57.24	50.29	13.8
GDM	43.08	42.93	0.4
Distribution	102.26	83.68	22.2
Others	9.75	9.08	7.4
Consolidation Adjustments	(121.38)	(104.62)	16.5
<b>TOTAL</b>	<b>649.01</b>	<b>599.11</b>	<b>8.3</b>

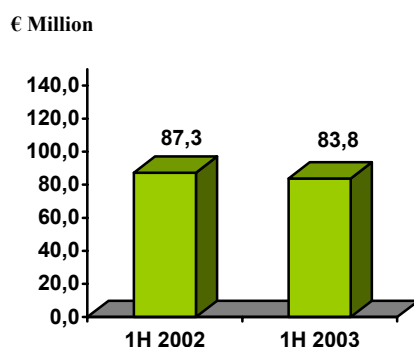
<b>EBIT</b>			
	<b>CUMULATIVE TO JUNE</b>		
<b>€ Million</b>	<b>2003</b>	<b>2002</b>	<b>Var %</b>
El País	46.05	36.40	26.5
<b>EBIT Margin</b>	<b>29.2%</b>	<b>23.8%</b>	
Spec. & Regional Press	1.23	(1.92)	-
<b>EBIT Margin</b>	<b>2.1%</b>	<b>(3.6%)</b>	
Radio	20.20	19.73	2.4
<b>EBIT Margin</b>	<b>20.4%</b>	<b>20.7%</b>	
Local TV	(5.35)	(6.86)	22.0
<b>EBIT Margin</b>	<b>(47.6%)</b>	<b>(92.1%)</b>	
International Media	(1.84)	(3.89)	52.7
<b>EBIT Margin</b>	<b>(7.9%)</b>	<b>(27.4%)</b>	
Education & General Edition	12.44	19.06	(34.7)
<b>EBIT Margin</b>	<b>8.3%</b>	<b>11.4%</b>	
Prisacom	(5.02)	(5.23)	4.0
<b>EBIT Margin</b>	<b>(84.1%)</b>	<b>(75.4%)</b>	
Leisure & Entertainment	(5.36)	(2.73)	(96.3)
<b>EBIT Margin</b>	<b>(10.2%)</b>	<b>(13.3%)</b>	
Printing	3.91	5.60	(30.2)
<b>EBIT Margin</b>	<b>6.8%</b>	<b>11.1%</b>	
GDM	2.68	3.00	(10.7)
<b>EBIT Margin</b>	<b>6.2%</b>	<b>7.0%</b>	
Distribution	0.38	0.19	100
<b>EBIT Margin</b>	<b>0.4%</b>	<b>0.2%</b>	
Adjustments and Others	(4.61)	(3.88)	18.8
<b>TOTAL</b>	<b>64.71</b>	<b>59.47</b>	<b>8.8</b>
<b>Margin</b>	<b>9.97%</b>	<b>9.93%</b>	<b>0.4</b>



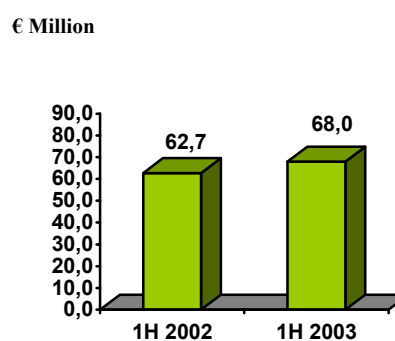
**EL PAÍS**

€ Million	CUMULATIVE TO JUNE		
	2003	2002	Var %
<b>Operating Revenues</b>	<b>157.91</b>	<b>152.77</b>	<b>3.4</b>
<b>Operating Expenses</b>	<b>111.86</b>	<b>116.37</b>	<b>(3.9)</b>
<b>EBIT</b>	<b>46.05</b>	<b>36.40</b>	<b>26.5</b>
<b>%/Sales</b>	<b>29.2%</b>	<b>23.8%</b>	
<b>EBITDA</b>	<b>52.71</b>	<b>41.83</b>	<b>26.0</b>

Advertising revenues



Circulation revenues



El País improved its soundness and profitability during the first half of 2003. The excellent performance of circulation revenues, which increased by 8.4%, together with the significant cost-cutting initiatives, resulted in an EBIT increase of 26.5%, reaching a margin EBIT of 29.2%.

- **Advertising Revenues**, declined by 3.9% with respect to the same period of the previous year. However, the advertising revenues at El País outperformed the advertising market of the national press in Spain, which according to estimates of the industry, experienced a 10% drop.

- **Circulation revenues**, experienced a growth of 8.4%, due to the substantial increase in the circulation figures. The success of the promotions that took place during the first half of the year (“Un País de Cine – 45 DVD’s of Spanish movies- and “Los discos de tu vida” -25 CD’s of Music- and “España sello a sello”) contributed this performance.



Circulation of both the **daily newspaper** and the Sunday edition, **El País Semanal (EPS)**, increased substantially as it can be seen below:

	January-June 2003	January-June 2002	Var %
<b>Diario El País</b>	<b>468,994</b>	<b>444,602</b>	<b>5.5</b>
<b>El País Semanal</b>	<b>828,683</b>	<b>735,217</b>	<b>12.7</b>

Additionally, the cover price increase from €0.9 to €1 that took place as of March 4 2002 had a favourable effect on the comparison basis.

The promotions that have been carried out during the year resulted in an EBIT increase of €2.3 million.

Despite the increase in the number of copies printed, **the newsprint consumption**, decreased by 5.7% y-o-y, due to lower prices.

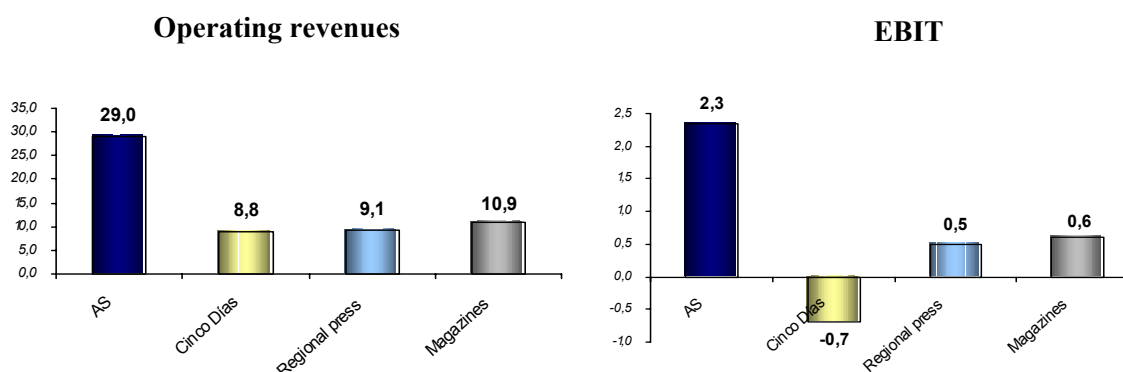
In addition, **external services** declined by 4.7%.

Consequently, **EBIT** improved by 26.5%, up to €46.05 million, and **EBIT margin** came in at 29.2%, a remarkable improvement in relation to 23.8% posted in 1H 2002.



## SPECIALISED AND REGIONAL PRESS

€ Million	CUMULATIVE TO JUNE		
	2003	2002	Var %
<b>Operating Revenues</b>	<b>58.65</b>	<b>52.81</b>	<b>11.1</b>
<b>Operating Expenses</b>	<b>57.42</b>	<b>54.73</b>	<b>4.9</b>
<b>EBIT</b>	<b>1.23</b>	<b>(1.92)</b>	<b>-</b>
<b>%/Sales</b>	<b>2.1%</b>	<b>(3.6%)</b>	<b>-</b>
<b>EBITDA</b>	<b>2.64</b>	<b>(0.43)</b>	<b>-</b>



The substantial increase in revenues experienced by the newspaper *As* and the Regional Press, together with the effort made in the control of the expenses, allowed this division to record a positive EBIT for the first time.

*As* figures remarkably improved, highlighting the following issues:

- **Circulation revenues** increased by 23.2%. During the first half of 2003 the average daily circulation reached 206,274 copies, in comparison to 166,694 copies reached in the first half of 2002, a 23.7% increase. In addition, the comparison basis was easier as the cover price was increased from €0.75 to €0.8 in March 2002.
- **Advertising revenues** increased by 0.4%.
- **A substantial improvement at EBIT level**, which increased by 28%, up to €2.34 million.

The average daily circulation recorded by **Cinco Días** was 24,523 newspapers, as compared to 26,134 copies reached in 2002.

Advertising revenues decreased by 8.3% y-o-y.

**Regional Press** recorded an EBIT of €0.49 million, as opposed to the negative €2.74 million registered in the previous year. This remarkable improvement is namely explained by higher advertising and circulation revenues, which increased by 47.4% and 21.1% respectively, as well as to the cost control initiatives – operating expenses declined by 10% - and the sale of Nuevo Diario de Valladolid, S.A., which recorded €1 million operating losses as of June 2002.

The average daily circulation of the regional press during the first half of the year amounted to 29,834 copies, as compared to 25,816 copies during the same period of the previous year.

As of June 30, 2003, it was communicated the sale of the 60% stake in Nuevo Diario de Valladolid, S.A., to Ical Mediatel, S.L. The aforementioned transaction is in line with the restructuring process of the regional press business and generated €1.2 million capital gains.

## RADIO

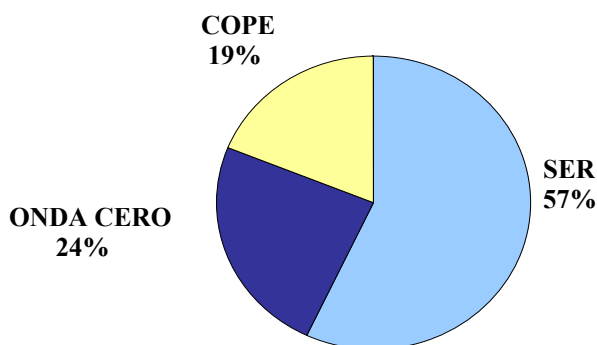
€ Million	CUMULATIVE TO JUNE		
	2003	2002	Var %
Operating Revenues	99.19	95.52	3.8
Operating Expenses	78.99	75.79	4.2
EBIT	20.20	19.73	2.4
%/Sales	20.4%	20.7%	
EBITDA	22.66	22.03	2.9

**Operating revenues** of the radio business division in Spain increased by 3.8%. The indisputable leadership position of Grupo Prisa in this industry allowed it to outperform the radio market.

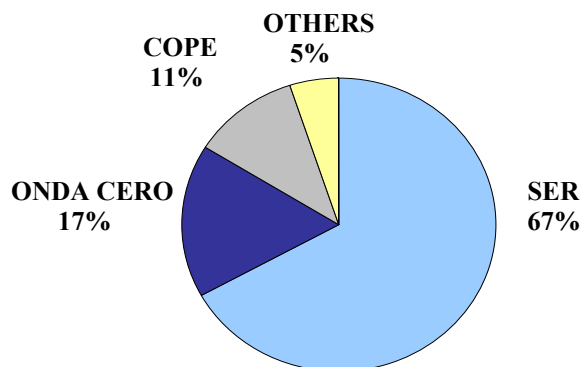
Regarding **audience**, EGM's second wave confirmed, once again, the leadership of SER, both in conventional radio and in radio formulas. It is worth mentioning that, in conventional radio, SER beat the record of audience within the Spanish radio industry, with 5,200,000 listeners, 216,000 more than in the first wave of 2003.

The audience share of the main radio groups in Spain (excluding RNE), both in conventional radio and radio formulas, was as follows:

### Convencional Format



### Radio formulas

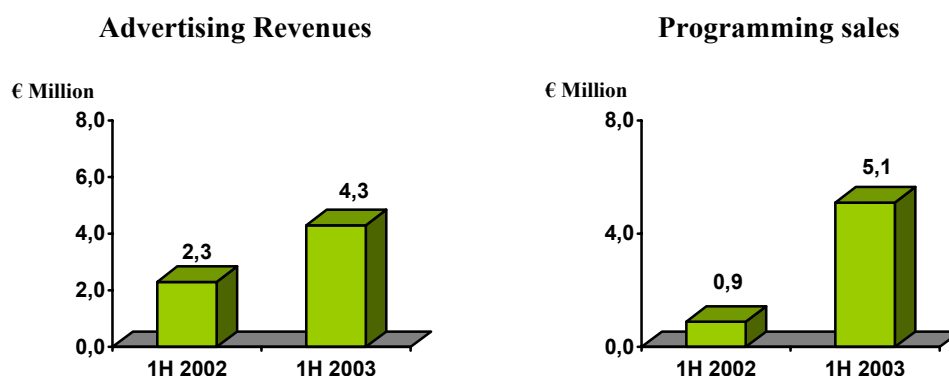


## LOCAL TV

€ Million	CUMULATIVE TO JUNE		
	2003	2002	Var %
<b>Operating Revenues</b>	<b>11.24</b>	<b>7.45</b>	<b>50.9</b>
<b>Operating Expenses</b>	<b>16.59</b>	<b>14.31</b>	<b>15.9</b>
<b>EBIT</b>	<b>(5.35)</b>	<b>(6.86)</b>	<b>22.0</b>
<b>%/Sales</b>	<b>(47.6%)</b>	<b>(92.1%)</b>	
<b>EBITDA</b>	<b>(4.10)</b>	<b>(5.57)</b>	<b>26.4</b>

The local TV business continues to consolidate its position within the TV industry. Several legal initiatives suggest an improvement and consolidation of the regulatory framework that will make possible the development of the sector.

The main business lines of this division are focused on programming sale and advertising. The former represented 46% of total revenues, while the latter accounted for 38% of revenues.



The positive performance of the local advertising, the higher programming sales and the change in the consolidation method of the company, Sociedad Canaria de Televisión Regional, previously consolidated by the equity method and now first time consolidated by proportional integration, as Prisa holds the shared management, are the main reasons that explained the noteworthy increase of revenues and the substantial improvement at EBIT level.

Without the contribution of Sociedad Canaria de Televisión Regional, advertising revenues and programming sales would have increased by 59% and 52% respectively, and the operating profit would have increased by 14%.

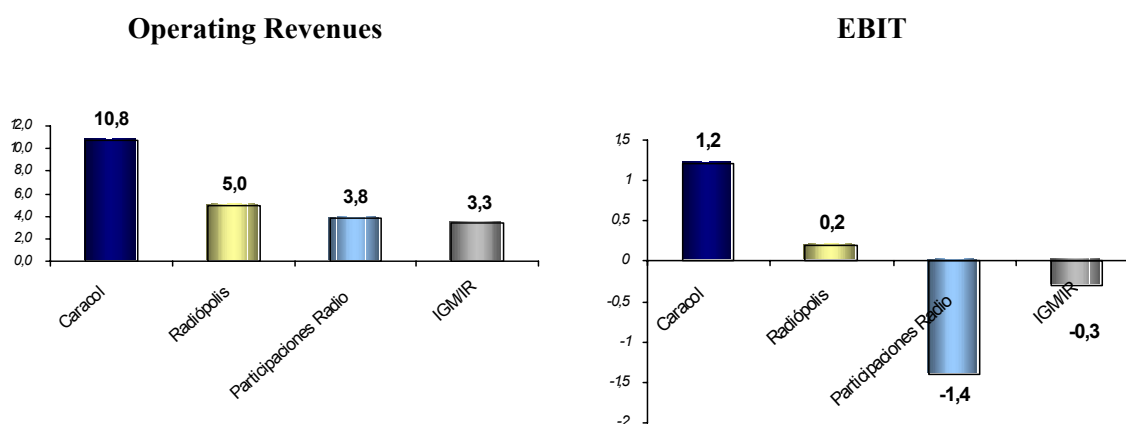


## INTERNATIONAL MEDIA

€ Million	CUMULATIVE TO JUNE		
	2003	2002	Var %
<b>Operating Revenues</b>	<b>23.22</b>	<b>14.20</b>	<b>63.5</b>
<b>Operating Expenses</b>	<b>25.06</b>	<b>18.09</b>	<b>38.5</b>
<b>EBIT</b>	<b>(1.84)</b>	<b>(3.89)</b>	<b>52.7</b>
<b>%/Sales</b>	<b>(7.9%)</b>	<b>(27.4%)</b>	
<b>EBITDA</b>	<b>0.40</b>	<b>(2.30)</b>	<b>-</b>

This business division includes **Participaciones de Radio Latinoamericanas** in Chile, Costa Rica, USA, France and Panama, **Grupo Caracol** in Colombia, **Radiópolis** in Mexico and Inversiones Grupo Multimedia and Inversiones de Radiodifusión (IGM/IR) in Bolivia.

During the first half of 2003, revenues and EBIT, in € million, of the different businesses included in this division were the following:



The growth of revenues and expenses with regards to 1H 2002 was mainly due to the contribution of Caracol, which was fully consolidated for the first time in September 2002, although retroactively since April. Hence, its contribution was not included in the figures of June 2002.

During the first half of 2003, Caracol contributed €10.78 million in revenues and €1.15 million at EBIT level to the Group's statement of income.

Both, the cost-cutting initiatives and the restructuring of the business division, led EBIT to improve by 23%, without the contribution of **Caracol**. The EBIT of **Radiópolis**



improved substantially despite the effect of the depreciations of the Latin American currencies versus the euro.

The impact of the currency depreciations in this business division resulted in a revenues decline of €2 million.

Additionally, during the first half of 2003 the programming and contents of the broadcasters in Mexico and Panama were renewed. Furthermore, some changes were introduced in the broadcasters of Radio **Caracol** and Chile.

The Prisa project for its radio in America includes the export and adaptation to the American broadcasters of formats that have proved to be very successful in Spain because of its high quality. Currently, they are broadcasting in Mexico, Colombia and Chile and have been warmly welcomed.

The Group aims to reorient its investments in Bolivia, once the litigation with the Grupo Garafulic concerning the main media group in that country, was solved favourably.

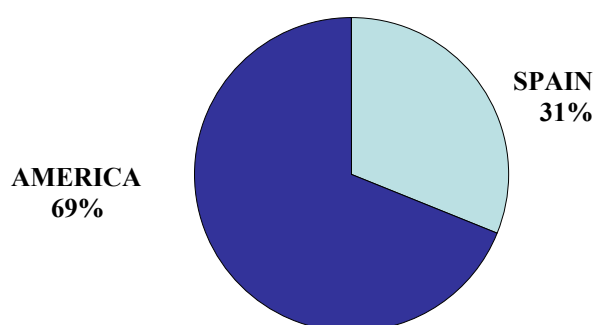
Following a notarial auction, hold 16<sup>th</sup> July of this year, Grupo Garafulic has lost the property of its stake in the main newspaper of Bolivia, the daily newspaper La Razón, now controlled by Prisa.



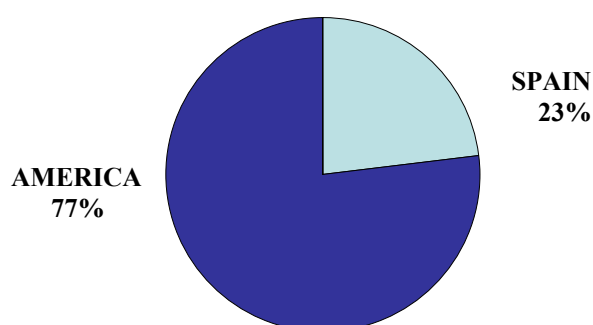
## EDUCATION AND TRAINING

€ Million	CUMULATIVE TO JUNE		
	2003	2002	Var %
Operating Revenues	149.60	167.48	(10.7)
Operating Expenses	137.16	148.42	(7.6)
EBIT	12.44	19.06	(34.7)
%/Sales	8.3%	11.4%	
EBITDA	27.70	34.24	(19.1)

Geographic breakdown of revenues in 2003



Geographic breakdown of revenues in 2002



**Santillana's** figures in the first half include the educational campaigns of the Southern cone, which usually occur in the first quarter of the year, and some of the institutional sales in Mexico, which usually take place in the second quarter.

Despite the good performance of the schoolbook campaigns in local currency terms, the results were conditioned by the currency depreciations of the Latin American countries.

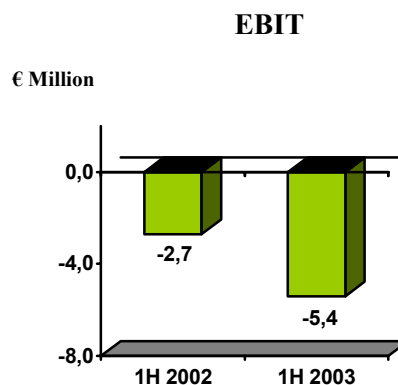
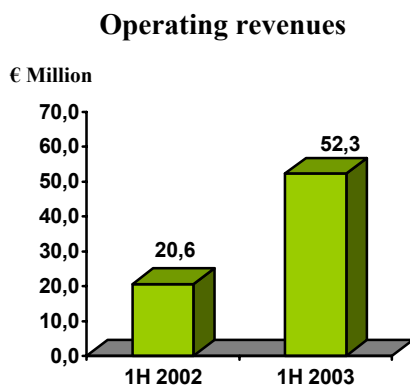
The total impact of the depreciations led Santillana's revenues and EBIT to decline by €35 million and €10 million respectively. Stripping out this effect, **Santillana's** revenues and EBIT would have increased by 10% and 18% respectively.

The campaigns in Mexico and Spain will take place in the second half of the year.



## LEISURE & ENTERTAINMENT

€ Million	CUMULATIVE TO JUNE		
	2003	2002	Var %
<b>Operating Revenues</b>	<b>52.28</b>	<b>20.58</b>	-
<b>Operating Expenses</b>	<b>57.64</b>	<b>23.31</b>	-
<b>EBIT</b>	<b>(5.36)</b>	<b>(2.73)</b>	<b>(96.3)</b>
<b>%/Sales</b>	<b>(10.2%)</b>	<b>(13.3%)</b>	
<b>EBITDA</b>	<b>(2.08)</b>	<b>(1.66)</b>	<b>(25.3)</b>



The remarkable increase in revenues and expenses was mainly due to the following reasons:

- 1- The promotions that the Music division carried out for El País.
- 2- The growth in the sales of CD's.
- 3- The good performance of the group activities related to the organisation of events and concerts.
- 4- The contribution of the audiovisual producer, Tesela, which was first time consolidated in September 2002.

Operating losses worsened with regards to the same period of the previous year as revenues stemming from the audiovisual production have been delayed in 2003. Nevertheless, these are expected to improve in the last quarter of the year.





**PRISACOM**

€ Million	CUMULATIVE TO JUNE		
	2003	2002	Var %
<b>Operating Revenues</b>	<b>5.97</b>	<b>6.94</b>	<b>(14.0)</b>
<b>Operating Expenses</b>	<b>10.99</b>	<b>12.17</b>	<b>(9.7)</b>
<b>EBIT</b>	<b>(5.02)</b>	<b>(5.23)</b>	<b>4.0</b>
<b>%/Sales</b>	<b>(84.1%)</b>	<b>(75.4%)</b>	
<b>EBITDA</b>	<b>(3.82)</b>	<b>(4.10)</b>	<b>6.8</b>

Revenues decreased by 14%, namely due to the sale of the companies, Extrasoftware, C2P and CMIPS, as well as the negative performance of the advertising revenues.

The excellent performance of the sales of content to mobile telephony companies, which increased by 91% y-o-y, together with the meaningful cost-cutting measures, offset the decline of revenues, driving operating losses to decrease by 4%.

As of November 2002, the site **El Pais.es** launched its new pay-per-view digital edition. This new version offers real time updated information, motion photos, multimedia elements and interactive quality for users.

Currently, the number of paid subscriptions amounts to 17,500. Besides, 5,000 more users are included in a promotion period, what enable them to have free access to a large variety of contents and exclusive services.



**MEDIA ADVERTISING SALES (GDM)**

€ Million	CUMULATIVE TO JUNE		
	2003	2002	Var %
<b>Operating Revenues</b>	<b>43.08</b>	<b>42.93</b>	<b>0.4</b>
<b>Operating Expenses</b>	<b>40.41</b>	<b>39.93</b>	<b>1.2</b>
<b>EBIT</b>	<b>2.68</b>	<b>3.00</b>	<b>(10.7)</b>
<b>%/Sales</b>	<b>6.2%</b>	<b>7.0%</b>	
<b>EBITDA</b>	<b>2.90</b>	<b>3.19</b>	<b>(9.1)</b>

The Spanish advertising market continues to show clear signs of weakness. Radio continued to be the most resilient media channel to advertising crisis, and local advertising was the kind of advertising that recorded the best performance.

On the other hand, press continued to be hit by the adverse economic situation, mainly in both national and financial press.

Approximately 41% of the total advertising managed by **GDM** related to Sogecable and third parties.

€ Million	CUMULATIVE TO JUNE		
	2003	2002	Var %
Operating revenues	<b>43.08</b>	<b>42.93</b>	<b>0.4</b>
COGS	<b>33.04</b>	<b>32.62</b>	<b>1.3</b>
<b>Net operating revenues</b>	<b>10.04</b>	<b>10.31</b>	<b>(2.6)</b>

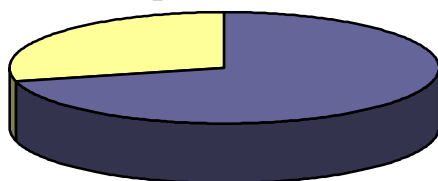
**PRINTING**

€ Million	CUMULATIVE TO JUNE		
	2003	2002	Var %
<b>Operating Revenues</b>	<b>57.24</b>	<b>50.29</b>	<b>13.8</b>
<b>Operating Expenses</b>	<b>53.33</b>	<b>44.69</b>	<b>19.3</b>
<b>EBIT</b>	<b>3.91</b>	<b>5.60</b>	<b>(30.2)</b>
<b>%/Sales</b>	<b>6.8%</b>	<b>11.1%</b>	
<b>EBITDA</b>	<b>9.45</b>	<b>10.72</b>	<b>(11.9)</b>

Revenues increased by 13.8% mainly due to the gaining of new clients in Spain, despite the printing market continued to face a complex environment in terms of price and activity downfalls. Nevertheless, the growth in the variable costs together with an increase in the depreciation expenses derived from the acquisition of new machinery, led EBIT to decline.

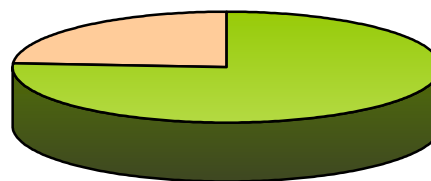
Revenue breakdown by geographic region (both national and exports) and kind of client (Clients of the Group and third parties) was as follows:

**Clients of the Group: 29%**



**Third parties: 71%**

**Exports: 24%**



**National: 76%**