

Impresa

Media

Accumulate
High-Risk

2nd February 2007

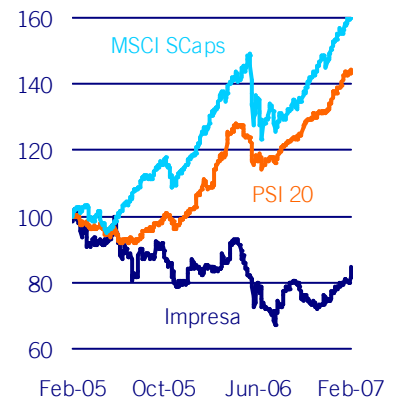
Portugal

Turning The Page?

(Price Target raised from € 5.20 to € 5.80; Recommendation maintained)

- ▶ After SIC's recent audience share performance **we are upgrading our audience share and power ratio estimates to 28% and 1.10x** from a previous 27% and 1.09x, respectively. After the launch of "Páginas da Vida" (Pages of Life in a direct translation), its new prime-time Brazilian soap opera, SIC has been showing audience share improvements that lead us to believe that it could reach our new estimate and turn our previous 27% estimate as a floor for the channel.
- ▶ This coupled with our belief that programming costs could be lower than we expected in 2007, the reduction of the Municipal Tax Rate in Portugal as well as a fine-tuning of our estimates (advertising, SIC Other Revenues and Magazines and Newspapers restructuring costs in 2006) **led to a 1% reduction in our YE06 EBITDA estimate but a 6% and 3% in our YE07 and YE08 EBITDA estimates.**
- ▶ We have valued Impresa through a SoP DCF analysis and reach a **€ 5.80 YE07 Price Target. Although this valuation introduces a risky proposition - at this point it is difficult to ensure SIC will be able to reach the 28% average assumed in our model - we feel comfortable while assuming this risk.** Additionally, the Portuguese economy has been showing signs of renewed strength that could have a positive impact in the advertising market. However, we prefer to wait for a confirmation of that trend before factoring it in our model. Additionally, recent news on RTL's position regarding its possible exit of Media Capital and interest in the Portuguese media market could prompt some short-term speculation on Impresa. We are maintaining our **ACCUMULATE** recommendation on the stock.

Impresa vs. PSI20 vs. MSCI Small Cap Index



Source: Bloomberg.

Stock data

| | | | |
|------------------------|------------------------------|---------------------------|-------|
| Price ⁽¹⁾ : | 5.02 | Price Target: | 5.80 |
| No. of shares (mn) | 84.0 | Market Cap (€ mn): | 421.7 |
| Reuters/Bloomberg: | IPR.LS/IPR.PL | Free-Float: | 29% |
| ROE: | 11.5% | Net Debt/EBITDA: | 4.6x |
| EPS Growth (3 Years): | 9.5% | Avg. Daily Vol. [€ '000]: | 1 879 |
| Major shareholders: | Impreger (51.7%); BPI (9.4%) | | |

| Estimates | 2004 | 2005 | 2006 ^F | 2007 ^F | 2008 ^F | 2009 ^F |
|----------------|------|------|-------------------|-------------------|-------------------|-------------------|
| P/E | 24.3 | 19.2 | 24.3 | 16.3 | 14.6 | 12.9 |
| EPS | 0.21 | 0.26 | 0.21 | 0.31 | 0.34 | 0.39 |
| EV/EBITDA | 10.9 | 11.6 | 13.1 | 10.2 | 9.7 | 9.2 |
| FCF Yield | 7.6% | 6.3% | 2.8% | 5.2% | 5.8% | 7.7% |
| Dividend Yield | 0.0% | 0.0% | 0.0% | 1.2% | 1.4% | 1.5% |

(1) Yesterday's closing price.

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Historical Recommendation

| Date | Recommendation |
|-----------|----------------|
| 09-Jun-05 | Buy |
| 26-Apr-06 | Under Revision |
| 02-Jun-06 | Accumulate |
| 18-Sep-06 | Hold |
| 12-Dec-06 | Accumulate |

Source: BPI Equity Research.

Available on our website:
www.bpi.pt/equity, **BPI Online**,
and Bloomberg at **BPIR**.

ESTIMATES REVISION: WE EXPECT STRONGER AUDIENCE SHARE IN 2007!

We are currently revising our estimates for Impresa based:

- On an upgrade of our audience share estimate for SIC (from 27% to 28%) from 2007 onwards.
- An upgrade of SIC's power ratio from 1.09 to 1.10 from 2007 onwards.
- A successful Brazilian soap opera in prime-time should delay the investment in a 3rd Portuguese soap opera and, consequently, reduce programming costs in 2007.
- The recent change in the Portuguese Municipal Tax led us to change Impresa's tax rate from 27.5% to 26.5%. The previous law set the Municipal Tax at a maximum of 10% over the nominal tax rate of 25%. The new law establishes a ceiling of 1.5 p.p. over the nominal tax rate.

We are also fine-tuning our estimates for 2006 based on a conversation with the company where we perceived:

- Q4 advertising market was weaker than we expected in all segments Impresa is present (TV, Newspapers and Magazines);
- Other revenues at SIC closed the year stronger than we expected pushed by thematic channels, merchandising, multimedia and technical services.
- Restructuring Costs at the Newspapers and Magazines divisions should be higher than we were expecting.

RECOVERING TV AUDIENCE SHARE

We are upgrading our audience share estimate for SIC from 27% to 28% from 2007 onwards. This revision is based on SIC's recent performance after the launch of its new prime-time soap opera. We believe that given the early success of this Brazilian soap opera our previous 27% estimate could be used as a floor for SIC's valuation. Nonetheless, SIC's programming grid still faces some risks, albeit it also has opportunities to improve. Thus, monitoring audience shares should continue to be key when investing in Impresa.

SIC closed 2006 very strongly while posting a 27.7% audience share in December, its highest monthly figure of the year if excluding July, which was strongly influenced by the final stage of the FIFA 2006 Football World Cup and Portugal's performance in that event.

The finale of one of SIC's Brazilian soap operas, "Cobras & Lagartos", was key to reach that result, as well as the consistency of "Floribella" in prime-time and late afternoon.

Given that performance, SIC's start of 2007 was a bit of a disappointment. 25.9% in the first week of the year, followed by 26.5% in the second were not positive signs. Although SIC did miss its most successful program from December, it had launched another Brazilian soap on the 1st of January, "Páginas da Vida". This soap was (and is) reaching very good audience shares in Brazil and, unlike some others that SIC has recently broadcasted, its storylines can be appealing to Portuguese viewers. Although obviously connected to Brazilian reality, they could be easily replicated in Portugal.

"Páginas da Vida" "awakened" in the 3rd week of January, when the story reached a high intensity level, while helping SIC to post an overall 28.1% average. Curiously, from Monday to Saturday of the mentioned week, SIC posted a 29.1% average, only for a ruinous Sunday (22.3%) to drop the average down.

However, this was not the only difference from the first two weeks to the third week of the year:

- a) **Mornings: "Fátima", SIC morning talk-show, emerges as a clear winner,** leaving RTP1 and TVI to battle it out for 2nd place.
- b) **Early Afternoon:** recently, SIC 1 p.m. news and the following Brazilian soap opera are also improving their performances.
- c) **Afternoon:** In the week of its first anniversary, SIC's afternoon talk show, **"Contacto" pulls off a strong improvement.**
- d) **Late Afternoon:** After a weak start of the year, **the repetitions of "Floribella" returned to the levels of 2006.** Some of the natural public of this soap opera is only able to see it at this time (6 p.m.), which usually guarantees shares around 30% in this time slot. "Floribella" new episode is broadcasted after 9 p.m. when potential viewers of this soap, mainly children, have already gone to bed.
- e) **Prime-Time:** "Páginas da Vida" posted an average audience share close to 34% in its 3rd week of exhibition.
- f) **Late Night:** performance depends on the series SIC exhibits in a specific day. CSI and CSI Miami usually deliver good figures.

We believe that with its current grid and the expected success of "Páginas da Vida", SIC could reach a 28% audience share average in 2007.

Weekly Audience Share - January 2007

| | SIC | TVI | RTP1 | RTP2 | Cable |
|----------------|--------------|--------------|--------------|-------------|--------------|
| 1-7 January | 25.9% | 29.0% | 26.2% | 5.1% | 13.9% |
| 8-14 January | 26.5% | 28.1% | 27.1% | 4.6% | 13.5% |
| 15-21 January | 28.1% | 28.1% | 26.0% | 4.8% | 13.0% |
| 22-28 January | 27.7% | 28.5% | 26.2% | 4.6% | 13.1% |
| 29-31 January | 28.4% | 27.2% | 27.2% | 4.3% | 12.9% |
| January | 27.1% | 28.3% | 26.4% | 4.7% | 13.4% |

Source: Mediamonitor, Marktest, BPI calculations.

We must also note that with the current strength of "Páginas da Vida", even when other time-slots perform below expectations, SIC is able to reach an average close to 27%. As such we believe that our former estimate of SIC's audience share could represent a floor in the future.

Nonetheless, there are always risks involved when estimating or analysing the possible performance of a TV channel grid and trying to assess the viewers response to it. Obviously, TVI and RTP1 will not stand still and will also try to respond in order to maintain its strongholds and strengthen its weak points:

- RTP1 launched a new soap opera, co-produced by the Brazilian Bandeirantes and the Portuguese NBP (Media Capital's subsidiary),

"Paixões Proibidas", with the aim of reinforcing its presence in prime-time. For now, the soap has 2 weeks of exhibition, "Paixões Proibidas" is posting weak results when compared to its direct competitors.

- RTP1 celebrates its 50th anniversary in 2007 and has an ambitious plan in which it intends to launch several new programs during 2007;
- TVI usually launches a reality show in late March while preparing its grid for Q2, which is much stronger in terms of advertising. Specialised press is rumouring "The Beauty and the Geek" as the chosen reality show.
- TVI soap operas have shown resilience in the past. Despite "Páginas da Vida" recent strong run, SIC cannot underestimate the power that TVI still holds while controlling its own productions.

SIC does face some risks, but it could also have some opportunities. SIC's grid will also "receive" new programs during the year. A new Portuguese soap opera, "Vingança", is expected should be launched in February and several other entertainment programs are being prepared (once again according to the specialised press). Additionally, in March SIC will start broadcasting new seasons of its most successful American series in the late night slot, namely the CSIs franchises. Recently, SIC acquired new American series, which include Globe winner "Betty, The Ugly", as well as "Jericho" and "Shark".

However, SIC's weakest points lies in access prime-time (7-8 p.m.). SIC recently launched a new Brazilian soap opera for this time slot, "Pé na Jaca", which in its still short life is posting weak results. An average close to 21-22% at this time-slot is very low and on top of that hurts the audience of SIC's 8 o'clock news show. An improvement in "Pé na Jaca" performance would represent a boost for SIC. However, at this point this does not seem likely.

BETTER POWER RATIO

We believe that improving audience shares should also lead to a recovery in power ratio. We are now estimating a 1.10x power ratio versus a previously estimated 1.09x.

Please note that in our model we use the power ratio relating advertising market share with the proportional audience of just the 3 commercial channels (RTP1, SIC and TVI). This 1.10x power ratio translates into 1.24x if considering the audience shares of the FTA commercial channels as well as 2: (State-Owned channel dedicated to minorities and without advertising) and the multi-channel platforms.

LOWER PROGRAMING COSTS

If, as we believe, "Páginas da Vida" turns out to be a successful program for SIC, the investment in a 3rd Portuguese soap opera could be delayed. Currently, SIC is broadcasting "Floribella" and plans to introduce "Vingança" before the end of Q1. Since "Páginas da Vida" should last until November, we believe SIC can save some programming costs this year as the budget advanced by Impresa in its Investor Day assumed the production of 3 Portuguese soap operas at the same time in 2007.

For 2008, we assume SIC could return to its initial plan of producing 3 Portuguese soap operas at the same time.

CHANGE IN THE PORTUGUESE MUNICIPAL TAX

The recent change in the Portuguese Municipal Tax led us to change Impresa's tax rate from 27.5% to 26.5%. The previous law set the Municipal Tax at a maximum of 10% over the nominal tax rate of 25%. The new law establishes a ceiling of 1.5 p.p. over the nominal tax rate.

Overall, we expect Impresa to close 2006 with consolidated revenues amounting to € 257mn, which represents a 0.3% upwards revision relative to our previous estimates. We also estimate Impresa to reach a € 43.7mn EBITDA and Net Profit of € 17.3mn, which compare with our previous estimates of € 44.0mn and € 17.5mn, respectively.

SIC Change in Estimates

| (€ mn) | 2006 ^F | | | 2007 ^F | | | 2008 ^F | | |
|---------------------------|-------------------|------------|-----------|-------------------|------------|------------|-------------------|------------|-----------|
| | Current | Previous | Chg. | Current | Previous | Chg. | Current | Previous | Chg. |
| Total Oper. Income | 164 | 163 | 1% | 184 | 181 | 1% | 190 | 188 | 1% |
| Advertising | 116 | 117 | -1% | 126 | 123 | 3% | 129 | 126 | 3% |
| Thematic Channels | 31 | 30 | 1% | 33 | 34 | -3% | 34 | 35 | -4% |
| Others | 18 | 16 | 9% | 25 | 25 | 0% | 27 | 27 | 0% |
| Cash Costs | 132 | 131 | 1% | 139 | 140 | -1% | 143 | 143 | 0% |
| EBITDA | 33 | 33 | 1% | 45 | 42 | 8% | 46 | 44 | 5% |
| EBITDA Margin | 20.0% | 19.9% | | 24.4% | 22.9% | | 24.4% | 23.5% | |

Source: BPI Equity Research.

Magazines Change in Estimates

| (€ mn) | 2006 ^F | | | 2007 ^F | | | 2008 ^F | | |
|---------------------------|-------------------|------------|------------|-------------------|------------|------------|-------------------|-----------|------------|
| | Current | Previous | Chg. | Current | Previous | Chg. | Current | Previous | Chg. |
| Total Oper. Income | 38 | 38 | 0% | 39 | 39 | 0% | 41 | 41 | 0% |
| Advertising | 16.6 | 16.7 | -1% | 17 | 17 | -1% | 17 | 17 | -1% |
| Circulation | 16 | 16 | 0% | 17 | 17 | 0% | 18 | 18 | 0% |
| Others | 5 | 5 | 0% | 5 | 5 | 0% | 5 | 5 | 0% |
| Cash Costs | 35 | 35 | 0% | 36 | 36 | 0% | 37 | 37 | 0% |
| EBITDA | 2.6 | 2.9 | -8% | 3.7 | 3.8 | -3% | 4 | 4 | -3% |
| EBITDA Margin | 6.9% | 7.5% | | 9.3% | 9.6% | | 9.6% | 9.8% | |

Source: BPI Equity Research.

Newspapers Change in Estimates

| (€ mn) | 2006 ^F | | | 2007 ^F | | | 2008 ^F | | |
|---------------------------|-------------------|-----------|------------|-------------------|-----------|------------|-------------------|-----------|------------|
| | Current | Previous | Chg. | Current | Previous | Chg. | Current | Previous | Chg. |
| Total Oper. Income | 57 | 57 | 0% | 56 | 56 | 0% | 57 | 58 | 0% |
| Advertising | 36 | 36 | -1% | 37 | 37 | -1% | 38 | 38 | -1% |
| Circulation | 15 | 15 | 0% | 13 | 13 | 0% | 13 | 13 | 0% |
| Others | 5 | 5 | 0% | 6 | 6 | 0% | 6 | 6 | 0% |
| Cash Costs | 37 | 37 | 1% | 38 | 38 | 0% | 39 | 39 | 0% |
| EBITDA | 10 | 11 | -5% | 10 | 10 | -2% | 11 | 11 | -2% |
| EBITDA Margin | 17.9% | 18.8% | | 18.4% | 18.6% | | 19.7% | 19.9% | |

Source: BPI Equity Research.

Impresa Change in Estimates

| (€ mn) | 2006 ^F | | | 2007 ^F | | | 2008 ^F | | |
|---------------------------|-------------------|------------|------------|-------------------|------------|-----------|-------------------|------------|-----------|
| | Current | Previous | Chg. | Current | Previous | Chg. | Current | Previous | Chg. |
| Total Oper. Income | 257 | 256 | 0% | 280 | 278 | 1% | 290 | 289 | 1% |
| TV | 164 | 163 | 1% | 184 | 181 | 1% | 190 | 188 | 1% |
| Magazines | 38 | 38 | 0% | 39 | 39 | 0% | 41 | 41 | 0% |
| Newspapers | 57 | 57 | 0% | 56 | 56 | 0% | 57 | 58 | 0% |
| New Media | - | - | - | 3 | 3 | 0% | 5 | 5 | 0% |
| Intra-Group Adjust. | -2 | -2 | 0% | -3 | -3 | 1% | -3 | -3 | 1% |
| EBITDA | 44 | 44 | -1% | 56 | 52 | 6% | 59 | 57 | 3% |
| EBITDA Margin | 17.0% | 17.2% | | 19.9% | 18.9% | | 20.4% | 19.9% | |
| Net Profit | 17 | 18 | -1% | 25 | 24 | 6% | 29 | 28 | 2% |

Source: BPI Equity Research.

VALUATION

We have valued Impresa through a SoP DCF analysis and reach a YE07 Price Target of € 5.80 per share.

Although this valuation introduces a risky proposition - at this point it is difficult to ensure SIC will be able to reach the 28% average assumed in our model - we feel comfortable while assuming this risk. SIC has been demonstrating ability to reach, at least, 27%, which leads us to believe this audience share, as well as our previous € 5.20 per share YE07 Price Target could be considered as a floor for SIC and Impresa, respectively.

Moreover, the recent news speculating that RTL could be interested in acquiring a stake in Impresa while exiting from Media Capital could also give support to the stock. Although RTL has not confirmed this news (and we do not believe it will unless or until it possibly acquires a stake), this should prompt some short-term speculation as well as give added visibility to SIC's recent audience shares.

Additionally, we have to bear in mind that recent news over Portuguese economy have been upbeat. We do not have doubts that a stronger economy and stronger private consumption could prompt an acceleration of the Portuguese advertising market. Nonetheless, we prefer to wait for a confirmation of this potential before factoring into our model.

As such, **we recommend we maintain our ACCUMULATE recommendation on the stock.**

Nonetheless, we would like to remind investors that **even though at this point we believe SIC should be able to post improvements in its audience share figures, the uncertainty over audience shares turns Impresa into a risky investment.**

DCF Assumptions

| | SIC & New Media | Newspapers & Magazines |
|-------------|--------------------|---------------------------|
| Re | 12.0% | 11.1% |
| Rf | 4.0% | 4.0% |
| Beta Equity | 1.3 | 1.2 |
| Mkt Premium | 6.0% | 6.0% |
| Rd | 5.0% | 5.0% |
| Tax Rate | 28% | 28% |
| D/EV | 29% | 29% |
| WACC | 9.6% | 9.0% |
| g nominal | 3.5% | 3.5% |

Source: BPI Equity Research.

Impresa Sum-of-Parts Valuation (€ mn)

| Business Area | EV | Impresa's Stake | Equity Value | %EV | Implied Multiples |
|------------------------------|------------|-----------------|--------------|-------------|---------------------------------------|
| TV | 490 | 100% | 490 | 77% | EV/EBITDA 06 = 10.9x; EV/Sales = 2.7x |
| Magazines | 93 | 50% | 46 | 7% | EV/EBITDA 06 = 12.6x; EV/Sales = 1.2x |
| Newspapers | 124 | 100% | 124 | 19% | EV/EBITDA 06 = 12.1x; EV/Sales = 2.2x |
| New Digital Media | 7 | 60% | 4 | 1% | |
| Holding Costs | -27 | 100% | -27 | -4% | |
| Total | 707 | | 637 | 100% | |
| (+) Distribution | | 33.3% | 12 | 6x | 2004 EV/EBITDA Multiple |
| (+) Other Non-Core Assets | | | 13 | | |
| (-) Holding Net Debt | | | 176 | | |
| Equity Value | | | 486 | | |
| # Shares | | | 84.0 | | |
| YE07 Price Target (€) | | | 5.80 | | |

Source: BPI Equity Research.

In our DCF valuations we changed the tax rate applied in our WACC assumptions from 27.5% to 26.5%. However, changes to the tax rate were minor (decimals) and the WACC remains roughly the same for each division:

- WACCs stand at 9.6% for SIC (TV), 9.0% for Edimpresa (Magazines), 9.0% for Edijornais (Newspapers) and 9.6% for New Media;
- Nominal growth rate in perpetuity remains at 3.5% for each division.

SIC DCF Valuation

| (€ mn) | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | TV |
|---------------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| EBIT | 39 | 42 | 44 | 46 | 49 | 49 | 51 | |
| Tax Rate | 26.5% | 26.5% | 26.5% | 26.5% | 26.5% | 26.5% | 26.5% | |
| (+) EBIT x (1-Tax Rate) | 29 | 31 | 32 | 34 | 36 | 36 | 37 | 37 |
| (+) Depreciation | 7 | 7 | 6 | 6 | 6 | 5 | 5 | 5 |
| (-) Chg. Working Capital | -2 | 19 | 3 | -6 | 0 | -2 | -2 | -2 |
| (-) Capex | -5 | -5 | -5 | -5 | -5 | -5 | -5 | -5 |
| (-) Other Costs | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 |
| (=) Free Cash Flow | 29 | 52 | 37 | 29 | 36 | 34 | 35 | 35 |
| Discounted FCF | 27 | 43 | 28 | 20 | 23 | 19 | 18 | 312 |
| Enterprise Value | 490 | | | | | | | |

Source: BPI Equity Research.

Edimpresa (Magazines) DCF Valuation

| (€ mn) | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | TV |
|---------------------------|-----------|----------|----------|----------|----------|----------|----------|-----------|
| EBIT | 7 | 8 | 8 | 9 | 9 | 9 | 9 | |
| Tax Rate | 26.5% | 26.5% | 26.5% | 26.5% | 26.5% | 26.5% | 26.5% | |
| (+) EBIT x (1-Tax Rate) | 5 | 6 | 6 | 7 | 7 | 7 | 7 | 7 |
| (+) Depreciation | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (-) Chg. Working Capital | 0 | 0 | 0 | 0 | -1 | -1 | -1 | -1 |
| (-) Capex | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (-) Other Costs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (=) Free Cash Flow | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 6 |
| Discounted FCF | 5 | 5 | 4 | 4 | 4 | 4 | 3 | 64 |
| Enterprise Value | 93 | | | | | | | |

Source: BPI Equity Research.

Edijornais (Newspapers) DCF Valuation

| (€ mn) | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | TV |
|---------------------------|------------|----------|----------|----------|----------|----------|----------|-----------|
| EBIT | 11 | 12 | 12 | 12 | 12 | 12 | 12 | |
| Tax Rate | 26.5% | 26.5% | 26.5% | 26.5% | 26.5% | 26.5% | 26.5% | |
| (+) EBIT x (1-Tax Rate) | 8 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| (+) Depreciation | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (-) Chg. Working Capital | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 |
| (-) Capex | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (-) Other Costs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (=) Free Cash Flow | 7 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Discounted FCF | 7 | 7 | 6 | 6 | 5 | 5 | 4 | 84 |
| Enterprise Value | 124 | | | | | | | |

Source: BPI Equity Research.

New Media DCF Valuation

| (€ mn) | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | TV |
|---------------------------|-----------|----------|----------|----------|----------|----------|----------|----------|
| EBIT | -0.4 | 0.1 | 0.2 | 0.5 | 0.6 | 0.9 | 1.1 | |
| Tax Rate | 26.5% | 26.5% | 26.5% | 26.5% | 26.5% | 26.5% | 26.5% | |
| (+) EBIT x (1-Tax Rate) | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 |
| (+) Depreciation | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| (-) Chg. Working Capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (-) Capex | -2 | -2 | -1 | -1 | -1 | -1 | -1 | -1.0 |
| (-) Other Costs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (=) Free Cash Flow | -1 | 0 | 1 | 1 | 1 | 1 | 1 | 1 |
| Discounted FCF | -1 | 0 | 0 | 0 | 0 | 0 | 0 | 6 |
| Enterprise Value | 7 | | | | | | | |

Source: BPI Equity Research.

SENSITIVITY ANALYSIS

We performed a sensitivity analysis to some key operating variables of our model as well as to valuation assumptions:

- Advertising from 2007 onwards;
- Advertising in 2007 only;
- TV advertising market share;
- Market risk premium;
- Nominal perpetuity growth rate;
- Risk-free rate.

We should highlight the fact that Impresa is extremely sensitive to changes in the assumptions relative to the evolution of the advertising market as well as audience and advertising market shares.

Impresa's Valuation Sensitivity

| | Advertising Growth (2007 onwards) | | | | |
|-----------------------|-----------------------------------|--------|-------------|-------|--------|
| | -2% | -1% | Base Case | 1% | 2% |
| DCF Fair Value | 2.70 | 4.20 | 5.80 | 7.47 | 9.26 |
| Chg. To Base Case | -53.3% | -27.4% | | 29.1% | 60.1% |
| | 2007 Advertising Growth | | | | |
| | -2% | -1% | Base Case | 1% | 2% |
| DCF Fair Value | 5.42 | 5.60 | 5.80 | 5.97 | 6.15 |
| Chg. To Base Case | -6.3% | -3.1% | | 3.1% | 6.3% |
| | TV Advertising Market Share | | | | |
| | 36.7% | 36.2% | 37.7% | 38.2% | 38.7% |
| DCF Fair Value | 5.29 | 5.54 | 5.80 | 6.03 | 6.28 |
| Chg. To Base Case | -8.5% | -4.3% | | 4.3% | 8.5% |
| | TV Audience Share | | | | |
| | 26.0% | 27.0% | 28.0% | 29.0% | 30.0% |
| DCF Fair Value | 4.89 | 5.34 | 5.80 | 6.22 | 6.64 |
| Chg. To Base Case | -15.5% | -7.7% | | 7.5% | 14.7% |
| | TV Power Ratio | | | | |
| | 1.06 | 1.08 | 1.10 | 1.12 | 1.14 |
| DCF Fair Value | 5.11 | 5.45 | 5.80 | 6.12 | 6.46 |
| Chg. To Base Case | -11.7% | -5.9% | | 5.9% | 11.7% |
| | Perpetuity Growth Rate (g) | | | | |
| | 2.5% | 3.0% | 3.5% | 4.0% | 4.5% |
| DCF Fair Value | 5.04 | 5.38 | 5.80 | 6.27 | 6.84 |
| Chg. To Base Case | -13.0% | -7.0% | | 8.3% | 18.2% |
| | Market Risk Premium | | | | |
| | 5.0% | 5.5% | 6.0% | 6.5% | 7.0% |
| DCF Fair Value | 7.13 | 6.40 | 5.80 | 5.26 | 4.80 |
| Chg. To Base Case | 23.2% | 10.6% | | -9.1% | -17.0% |
| | Rf | | | | |
| | 3.50% | 3.75% | 4.00% | 4.25% | 4.50% |
| DCF Fair Value | 6.40 | 6.08 | 5.80 | 5.51 | 5.26 |
| Chg. To Base Case | 10.7% | 5.1% | | -4.7% | -9.1% |

Source: BPI Equity Research.

Still, at this point in time when SIC audience shares are still key to operating performance, we believe it is imperative to give investors a better sense of the risks they could face.

As such, we provide a sensitivity analysis in our DCF valuation to two key variables in the TV segment: audience shares and power ratio.

Impresa Valuation Sensitivity to TV Audience Shares and Power Ratio

| | | Audience Share | | | | | |
|-------------|------|----------------|-------|-------|--------------|-------|-------|
| | | 32.8% | 33.3% | 33.8% | 34.3% | 34.8% | 35.3% |
| Power Ratio | 1.06 | 4.32 | 4.58 | 4.85 | 5.11 | 5.37 | 5.63 |
| | 1.08 | 4.65 | 4.91 | 5.18 | 5.45 | 5.71 | 5.98 |
| | 1.10 | 4.97 | 5.24 | 5.51 | 5.80 | 6.06 | 6.33 |
| | 1.12 | 5.30 | 5.57 | 5.85 | 6.12 | 6.40 | 6.68 |
| | 1.14 | 5.62 | 5.90 | 6.18 | 6.46 | 6.74 | 7.03 |

Note: In our model we use the power ratio relating to the audience share of just the 3 commercial FTA channels. As such, these audience shares are not comparable with those including the performances of 2- and multi-channel platforms. Below we provide a table relating these audience share values to those usually provided and including 2- and multi-channel platforms.

SIC Audience Share

| | | | | | | |
|-----------------------|-------|-------|-------|-------|-------|-------|
| SIC,TVI,RTP | 32.8% | 33.3% | 33.8% | 34.3% | 34.8% | 35.3% |
| SIC,TVI,RTP,2-,Others | 26.2% | 26.8% | 27.4% | 28.0% | 28.6% | 29.3% |

Source: BPI Equity Research.

Television P&L

| (€ mn) | 2004 | | 2005 | | 2006 ^F | | 2007 ^F | | 2008 ^F | | 2009 ^F | |
|-------------------------------|--------------|--------------|--------------|---------------|-------------------|--------------|-------------------|--------------|-------------------|-------------|-------------------|-------------|
| Total Operating Income | 164.0 | 13.3% | 162.0 | -1.2% | 164.5 | 1.5% | 183.7 | 11.7% | 189.6 | 3.2% | 195.4 | 3.0% |
| Advertising | 123.9 | 13.1% | 118.3 | -4.5% | 116.3 | -1.7% | 125.7 | 8.1% | 128.9 | 2.5% | 132.7 | 3.0% |
| Thematic Channels | 29.2 | 5.6% | 31.1 | 6.6% | 30.7 | -1.5% | 33.0 | 7.4% | 33.8 | 2.4% | 34.3 | 1.6% |
| Others | 10.9 | 45.0% | 12.5 | 15.1% | 17.5 | 39.7% | 25.0 | 42.7% | 27.0 | 8.0% | 28.4 | 5.0% |
| Programming Costs | 71.3 | 3.1% | 71.8 | 0.8% | 76.7 | 6.9% | 76.0 | -1.0% | 78.6 | 3.5% | 80.6 | 2.5% |
| External Supplies & Services | 23.8 | 7.7% | 29.1 | 21.9% | 28.2 | -3.0% | 33.7 | 19.7% | 34.9 | 3.5% | 35.8 | 2.5% |
| Personnel Costs | 28.5 | 3.3% | 26.7 | -6.5% | 26.7 | 0.0% | 29.2 | 9.4% | 29.9 | 2.5% | 30.6 | 2.5% |
| EBITDA | 40.3 | 56.3% | 34.5 | -14.5% | 32.9 | -4.7% | 44.8 | 36.2% | 46.2 | 3.1% | 48.3 | 4.7% |
| EBITDA Margin | 24.6% | | 21.3% | | 20.0% | | 24.4% | | 24.4% | | 24.7% | |

Magazines P&L

| (€ mn) | 2004 | | 2005 | | 2006 ^F | | 2007 ^F | | 2008 ^F | | 2009 ^F | |
|-------------------------------|-------------|---------------|-------------|--------------|-------------------|---------------|-------------------|--------------|-------------------|-------------|-------------------|-------------|
| Total Operating Income | 38.8 | -48.0% | 40.9 | 5.5% | 38.0 | -7.1% | 39.4 | 3.6% | 40.6 | 3.2% | 41.8 | 2.8% |
| Advertising | 15.9 | -51.3% | 16.3 | 2.7% | 16.6 | 1.5% | 16.8 | 1.5% | 17.4 | 3.4% | 17.9 | 3.0% |
| Circulation | 19.9 | -46.9% | 19.9 | 0.1% | 16.4 | -17.5% | 17.3 | 5.4% | 17.8 | 2.5% | 18.1 | 2.0% |
| Others | 3.0 | -32.0% | 4.7 | 56.9% | 5.0 | 7.0% | 5.2 | 5.0% | 5.5 | 5.0% | 5.8 | 5.0% |
| Costs of Goods Sold | 4.8 | -58.2% | 5.5 | 13.7% | 8.2 | 50.5% | 9.0 | 8.9% | 9.4 | 5.1% | 9.7 | 2.5% |
| External Supplies & Services | 20.6 | -38.2% | 22.0 | 6.7% | 17.8 | -19.4% | 18.1 | 1.8% | 18.5 | 2.1% | 18.9 | 2.0% |
| Personnel Costs | 9.1 | -52.3% | 9.2 | 1.0% | 9.3 | 1.2% | 8.6 | -7.9% | 8.8 | 2.5% | 9.0 | 2.5% |
| EBITDA | 4.2 | -59.9% | 4.1 | -0.2% | 2.6 | -36.8% | 3.7 | 40.4% | 3.9 | 5.5% | 4.2 | 8.2% |
| EBITDA Margin | 10.7% | | 10.1% | | 6.9% | | 9.3% | | 9.6% | | 10.1% | |

Newspapers P&L

| (€ mn) | 2004 | | 2005 | | 2006 ^F | | 2007 ^F | | 2008 ^F | | 2009 ^F | |
|-------------------------------|-------------|--------------|-------------|-------------|-------------------|---------------|-------------------|--------------|-------------------|-------------|-------------------|-------------|
| Total Operating Income | 56.5 | 11.4% | 60.7 | 7.3% | 56.6 | -6.7% | 56.0 | -1.0% | 57.4 | 2.4% | 59.1 | 3.1% |
| Advertising | 36.2 | 11.4% | 38.1 | 5.3% | 36.2 | -5.0% | 37.1 | 2.5% | 38.0 | 2.5% | 39.1 | 3.0% |
| Circulation | 15.5 | 2.9% | 15.0 | -2.9% | 15.1 | 0.6% | 13.4 | -11.5% | 13.5 | 0.8% | 13.8 | 2.5% |
| Others | 4.9 | 50.4% | 7.6 | 55.0% | 5.3 | -30.0% | 5.6 | 5.0% | 5.9 | 5.0% | 6.2 | 5.0% |
| Costs of Goods Sold | 7.3 | 6.9% | 9.3 | 26.9% | 8.1 | -13.3% | 8.9 | 10.0% | 9.2 | 4.1% | 9.6 | 4.2% |
| External Supplies & Services | 20.3 | 13.2% | 22.3 | 9.6% | 23.6 | 5.9% | 23.4 | -0.8% | 23.4 | 0.0% | 24.1 | 3.0% |
| Personnel Costs | 16.7 | -4.8% | 16.4 | -1.8% | 14.8 | -9.5% | 13.4 | -9.2% | 13.4 | -0.5% | 13.3 | -0.5% |
| EBITDA | 12.2 | 44.7% | 12.7 | 4.3% | 10.1 | -20.4% | 10.3 | 1.7% | 11.3 | 9.9% | 12.0 | 6.5% |
| EBITDA Margin | 21.5% | | 20.9% | | 17.9% | | 18.4% | | 19.7% | | 20.4% | |

New Media P&L

| (€ mn) | 2007 ^F | | 2008 ^F | | 2009 ^F | |
|-------------------------------|-------------------|-------------|-------------------|--------------|-------------------|-------------|
| Total Operating Income | 3.7 | n.s. | 4.9 | 32.6% | 5.1 | 3.0% |
| EBITDA | -0.6 | n.s. | 0.4 | n.s. | 1.5 | n.s. |
| EBITDA Margin | -16.1% | | 8.2% | | 30.0% | |

Source: BPI Equity Research.

Income Statement

| (€ mn) | 2004 | 2005 | 2006 ^F | 2007 ^F | 2008 ^F | 2009 ^F | CAGR 05-09 ^F |
|------------------------|------------|------------|-------------------|-------------------|-------------------|-------------------|----------------------------|
| Sales | 256 | 261 | 257 | 280 | 290 | 300 | 4% |
| EBITDA | 53 | 49 | 44 | 56 | 59 | 64 | 7% |
| EBITDA Margin | 20.6% | 18.8% | 17.0% | 19.9% | 20.4% | 21.2% | |
| Dep + Provision | 11 | 9 | 8 | 9 | 9 | 9 | 1% |
| EBIT | 42 | 40 | 36 | 47 | 50 | 54 | 8% |
| EBIT Margin | 16.2% | 15.5% | 14.0% | 16.8% | 17.3% | 18.2% | |
| Net Financial Expenses | -6 | -10 | -11 | -10 | -9 | -8 | -5% |
| Extraordinaries | 0 | 0 | 0 | 0 | 0 | 0 | - |
| Taxes | 8 | 7 | 7 | 10 | 11 | 12 | 14% |
| Minorities | 11 | 2 | 1 | 2 | 2 | 2 | 3% |
| Net Profit | 17 | 22 | 17 | 26 | 29 | 33 | 10% |

Consolidated Balance Sheet

| (€ mn) | 2004 | 2005 | 2006 ^F | 2007 ^F | 2008 ^F | 2009 ^F | CAGR 05-09 ^F |
|--------------------------------|------------|------------|-------------------|-------------------|-------------------|-------------------|----------------------------|
| Net Fixed Assets | 190 | 322 | 323 | 324 | 323 | 321 | -0% |
| Financial Assets | 14 | 15 | 15 | 15 | 15 | 15 | 0% |
| Inventories | 21 | 24 | 35 | 36 | 38 | 40 | 14% |
| ST Receivables | 42 | 38 | 38 | 42 | 44 | 46 | 5% |
| Cash & Equivalents | 21 | 20 | 21 | 21 | 36 | 59 | 30% |
| Net Assets | 327 | 450 | 462 | 471 | 490 | 516 | 3% |
| Equity & Minorities | 136 | 137 | 156 | 183 | 209 | 237 | 15% |
| MLT Liabilities | 103 | 225 | 213 | 202 | 198 | 195 | -3% |
| o.w. debt | 95 | 216 | 204 | 193 | 189 | 185 | -4% |
| ST Liabilities | 59 | 59 | 65 | 55 | 50 | 51 | -4% |
| o.w. debt | 17 | 15 | 18 | 5 | 0 | 0 | n.s. |
| Equity+Min.+Liabilities | 327 | 450 | 462 | 471 | 490 | 516 | 3% |

Cash-flow Statement

| (€mn) | 2004 | 2005 | 2006 ^F | 2007 ^F | 2008 ^F | 2009 ^F |
|---------------------------------|------------|------------|-------------------|-------------------|-------------------|-------------------|
| + EBIT | 42 | 40 | 36 | 47 | 50 | 54 |
| + Dep. & Amort. | 20 | 9 | 8 | 9 | 10 | 10 |
| - Δ Working Capital | 7 | 5 | -9 | -3 | -5 | -4 |
| = Operating Cash Flow | 68 | 54 | 35 | 54 | 55 | 60 |
| - Capex | 39 | -141 | -8 | -10 | -8 | -8 |
| - Net financial investments | -11 | 0 | 0 | 0 | 0 | 0 |
| = C.F. after Investments | 96 | -87 | 27 | 44 | 48 | 52 |
| - Net Fin. expenses | -6 | -10 | -11 | -10 | -9 | -8 |
| - Taxes paid | -8 | -7 | -7 | -10 | -11 | -12 |
| - Dividends Paid | 0 | 0 | 0 | 0 | -5 | -6 |
| - Other | -47 | -16 | 0 | -1 | 0 | 0 |
| + Equity increase | -1 | 0 | 0 | 0 | 0 | 0 |
| = Changes in Net Debt | -58 | 120 | -9 | -25 | -23 | -27 |

Source: Company Data (2005) and BPI Equity Research (F).

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| | | |
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| | Low Risk | Medium Risk | High Risk |
|------------|----------------|----------------|----------------|
| Buy | > 15% | >20% | >25% |
| Accumulate | >10% and < 15% | >10% and < 20% | >15% and < 25% |
| Hold | >0% and < 10% | >0% and < 10% | >0% and < 15% |
| Reduce | >-15% and < 0% | >-20% and < 0% | >-25% and < 0% |
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