BPI

EQUITY RESEARCH

Impresa

Accumulate

28th July 2003

Portugal

Earnings and Valuation Update: Gaining momentum!

- Impresa has been one of the best performers among Portuguese stocks in 2003. After presenting a positive set of 1Q03 results the company has build momentum with a positive newsflow. In fact, the news regarding the advertising market, the recovery in audience shares, the possibility of consolidation in the Portuguese Media sector and European Media stocks performance since March (+24%) were major factors justifying Impresa's good performance.
- On the 24th July the company released a good set of results, powered by the Group's cost restructuring effectiveness, and announced an € 20 mn rights issue prompting us to revise our estimates. We have revised our 2003 Adj. Net Profit (excl. goodwill) from € 2.4mn to € 3.7mn and we expect Impresa's EBITDA to grow at a 65.4% CAGR from 2002 to 2005 vs. our previous estimate of 60.2% on an enhanced profitability following the Group's successful cost restructuring. Nevertheless, we continue cautious on 2004 and 2005 advertising growth. Since Impresa is now ready to take advantage of the media business operating leverage, a stronger advertising pick up can trigger further revisions.
- We are setting a YE03 Price Target of € 2.85 per share (previous Price Target of € 1.95), which commands a 15% upside relative to Impresa's current price, and an ACCUMULATE recommendation on the stock. We believe that if the positive momentum and newsflow continues a possible short term pressure created by the € 20 mn capital increase may be offset.

Stock Data

Risk	High	Sector	Media
Price	2.47	Price Target	2.85
PSI20	5794	No. of shares (mn)	72.0
Index Weight	0.4%	Market Cap (€ mn)	177.8
Reuters/Bloomberg	IPRN.IN/IPR PL	EV (€ mn)	265.7
Avg. Daily Turnover (€ mn)	0.6	Free-Float	33%
Major Shareholders:			Impreger (52.2%), BPI (15.2%)

Note: BPI has appointed a non-executive member of the board and holds15.2% of Impresa and 26.4% of SIC.

Estimates (€)	2001	2002E	2003E	2004E	2005E
EPS	-0.35	-0.26	0.04	0.18	0.24
PER	-7.0	-9.6	64.0	13.8	10.1
CEPS	-0.31	0.06	0.21	0.29	0.34
P/CE	-8.0	42.5	11.6	8.6	7.2
EV/EBITDA	-83.8	29.5	11.0	8.7	7.9
EV/Sales	1.6	1.7	1.7	1.6	1.5

Source: BPI Equity Research, Bloomberg.

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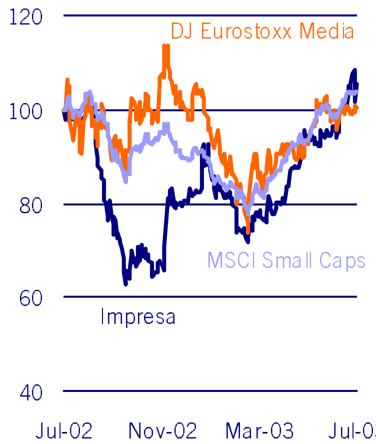
Impresa vs. DJ Eurostoxx Media and MSCI Small Caps



Source: Datastream.

Historical Recommendation

Date	Recommendation
12-Sep-00	Accumulate
1-Jan-02	Hold
17-Jan-03	Reduce
18-Mar-03	Hold

Source: BPI Equity Research.

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

INVESTMENT SUMMARY

Impresa has been one of the best performers among Portuguese stocks in 2003. After presenting a positive set of 1Q03 results the company has build momentum with a positive newsflow. In fact, the **news regarding the advertising market, the recovery in audience shares and the possibility of consolidation in the Portuguese Media sector were major factors justifying Impresa's good performance** (30% YTD and 47% since its 2003 minimum on the 11th March).

On the 24th of July Impresa confirmed this good momentum with yet another **good set of results.** Even though the results were already expected to confirm the positive trend, they impressed us, **particularly at the TV and Newspapers divisions**, for the effective turnaround provided by the 2002 cost restructuring, **which allowed for a higher than expected profitability at the EBITDA level. This leads us to believe that Impresa is ready to take advantage of the media business operating leverage once the advertising market strengthens up.**

We did revise our estimates on the back of Impresa's results announcement. We now estimate slightly lower revenues than before for Impresa (€ 261.1 mn vs. € 261.8mn) **but EBITDA was revised upwards by 4.1% to € 39.3 mn on the back of an enhanced EBITDA margin** (15.1% vs. 14.4%). This improvement is essentially triggered by the TV and Newspapers division. Magazines division EBITDA should be hurt by stiffer competition "obliging" the company to defend its titles position while increasing advertising and promotion costs to try and take advantage of a stronger advertising market.

Still, we could call this a cautious revision. In fact, we have maintained our estimates for the Portuguese advertising market in 2004 (+4.4%) and 2005 (+3.8%). **We believe that a possible economic recovery and a positive effect of Euro 2004 could lead advertising to grow at a faster pace.** If that happens, and after its successful cost restructuring, **Impresa lies in a favourable position to take advantage of a stronger pick-up of the advertising market.**

Impresa also announced an € 20 mn rights issue destined to reinforce the company's capital structure. We consider this capital increase as a positive move to return some equilibrium to the company's capital structure. However, after this small capital call, the company will maintain a low financial flexibility to actively pursue cash acquisitions. The company's majority shareholder, Impreger, has already stated it will subscribe its part in this operation. It is likely that the capital increase could introduce some short-term pressure on the stock at the time the operation is performed in October. However, this effect could be offset if the positive momentum and newsflow continues.

We continue to use the DCF sum-of-the-parts as our base valuation and applying a 10% discount to Impresa's Fair Value due to the visibility that may arise with news concerning possible deals within the Portuguese media sector. We are setting a YE03 Price Target of € 2.85 per share (previous Price Target of € 1.95), which commands a 15% upside relative to Impresa's current price, and an ACCUMULATE recommendation on the stock.

BPI

Recent Developments

- **Advertising Market on the rise**: usually considered a leading indicator for the economy's performance, the Portuguese advertising market is performing quite well and above initial expectations.

Portuguese Advertising Market

€ mn	1H03	1H02	Δ%
TV	150.1	142.4	5.4%
Cable	8.0	7.7	2.9%
Daily Press	21.6	24.7	-12.6%
Non-Daily Press	48.3	47.2	2.3%
Radio	18.8	18.0	4.3%
Outdoors	35.8	34.5	3.7%
Cinema	2.2	1.8	21.6%
Internet	1.3	1.9	-31.4%
Total	**286.0**	**278.2**	**2.8%**

Source: SIC, Advertising Agencies.

Advertising figures in Portugal are always controversial. Several entities try to provide these figures but none of them has yet emerged with figures which can be considered as "official". Still, we believe the figures presented capture the current trend in the advertising market.

The TV segment is essentially growing at the expense of the Daily Press segment. The weak advertising market of the last couple of years drove TV ads prices down leading advertisers to transfer more investments to this segment. Advertising in the cable network has been growing quite fast as advertisers try to "hit" specific segments through TV Cabo's thematic channels.

The revision of our estimates for the Portuguese advertising market comprised only one change in the TV segment for 2003. We are now expecting a 3% growth on the TV segment in 2003 for 2003 from a previously estimated 1% growth. This change has a significant impact in the total market, which we now expect to grow 1% vs. a previously estimated flat market. Despite the good indications from the advertising market in 2003 we maintain our estimates for 2004 and 2005, while expecting for data confirming (or not) an economical recovery in 2004 as well as a positive Euro 2004 (Portugal will host the 2004 European Football Championship) effect.

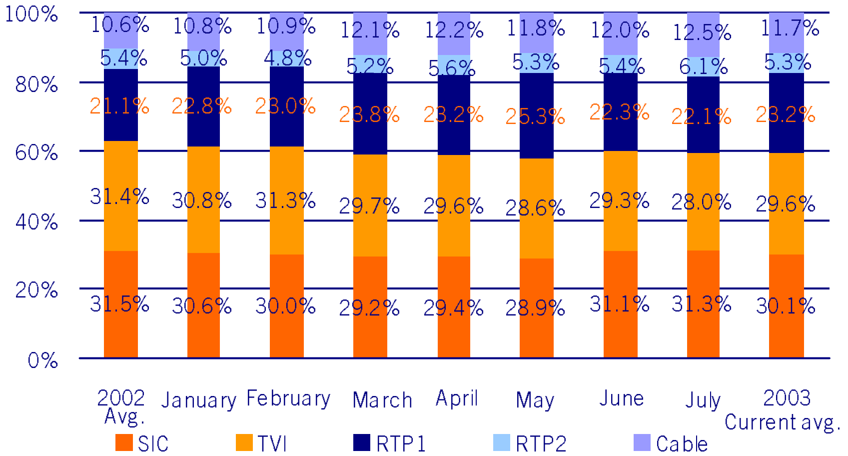
Advertising Market in Portugal

	2001	2002	Δ%	2003E	Δ%	2004E	Δ%	2005E	Δ%
TV	321.5	288.6	-10.2%	297.2	3.0%	312.1	5.0%	324.9	4.1%
Cable	9.2	14.0	51.2%	15.4	10.0%	16.9	10.0%	18.2	7.5%
Daily Press	57.3	48.5	-15.4%	43.6	-10.0%	45.4	4.0%	47.0	3.6%
Non-Daily Press	112.7	95.6	-15.2%	97.5	2.0%	101.4	4.0%	105.1	3.6%
Radio	41.2	36.8	-10.7%	37.9	3.0%	39.0	3.0%	40.2	3.0%
Outdoors	70.0	69.8	-0.3%	70.9	1.5%	72.3	2.0%	73.7	2.0%
Cinema	4.4	4.3	-1.6%	5.2	20.0%	5.4	5.0%	5.7	5.0%
Internet	3.7	3.2	-14.0%	2.1	-35.0%	2.3	10.0%	2.5	10.0%
Total	620.1	560.7	-9.6%	569.7	1.6%	594.8	4.4%	617.2	3.8%

Source: Impresa, BPI Equity Research.

- **Audience share recovery but tough battle ahead**: SIC's recovery in the morning and afternoon periods allowed it to take control of the leading spot in audience shares in June. Obviously, this has positive implications for SIC, especially considering that the recovery coincided with the two strongest advertising months in the 1H of the year, May and June. This trend is continuing in July allowing SIC to get a firmer grip on the lead.

2003 Monthly Audience Shares and Annual Average (2003 annual average until 24th July)



Source: Mediamonitor, BPI Equity Research.

It should be noted, however, that TVI's Prime Time leadership continued relatively unscathed since the beginning of the year until the 25th of June. That was the 1st single day in 2003 when SIC was able to lead the prime-time audience.

It is no secret for anybody that SIC aims for that top spot in Prime Time. Conversely, TVI also aims to lead not only in Prime Time but also during the full day. Both companies are currently preparing their grids for the September "rentreé" when SIC will launch the Portuguese version of "Pop Idol" and TVI will follow with the 4th edition of "Big Brother". RTP1 is probably not aiming for any of the lead spots but can add further spice to the audiences battle with the 2nd edition of the Portuguese version of the Spanish "Operación Triunfo" and the British "Fame Academy" also starting in September. It should be interesting to follow.

- **Corporate movements ahead...?**: PT Multimedia has made no secret that it is interested in finding some kind of solution for its media assets (Lusomundo Media) and has just completed an independent valuation of the business. In a recent interview Impresa's CEO, Mr. Pinto Balsemão, recognised that there have been talks with PT Multimedia and Recoletos but nothing more than that. One thing is certain though: at this time Impresa does not have financial strength to acquire Lusomundo Media. Thus, any possible operation between these two groups has to involve some kind of association not involving cash. Nonetheless, the rumours should continue...

Nothing is certain though and we don't want to jump into any premature conclusions. We just reiterate that corporate movements within the media sector can bring visibility to Impresa's assets, which has our reason to apply only a 10% small cap discount in Impresa's price target (Impresa's market cap would command a 20% small cap discount in normal circumstances).

- **Positive 1H03 results**: Impresa disclosed a positive set of results mainly backed by the good operating performance at the TV and Newspapers division, which counteracted the disappointing performance of the Magazines division. We were particularly impressed by the profitability reached at the EBITDA level in the TV and the Newspapers division following the cost restructuring of the last couple of years. The Magazines division was not able to capitalise on its own cost restructuring due to accrued competition. The decision to defend its major titles position led to higher marketing and promotions costs leading to a worse than expected performance at this particular division. Impresa reached a Net Loss of € 6.7 in the 1H03, a significant improvement when compared to the € 13.0 mn Net Loss in the same period last year.

- **€ 20 mn rights issue**: Impresa's Board announced it will call up an Extraordinary AGM in September to deliberate on a proposed € 20 mn rights issue. This capital call aims to strengthen up the Group's capital structure, particularly after the € 19 mn additional debt arising from the exercise of Deutsche Bank's and BPI's put options on the 5th June. This capital increase (11% of company's current market cap) should allow Impresa to reach acceptable gearing levels but won't allow it any added flexibility to pursue any relevant cash acquisitions.

Investment Positives

- **Successful turnaround and ready for the advertising pick-up**: Following the shock of losing its leadership position in the TV market and a significant advertising market crisis, Impresa had no choice but to cut some of the "fat" it had built up during the golden years until 2000. Impresa's commitment to increase profitability is finally producing results after the successful implementation of the Group's costs restructuring plan. A significant advertising pick-up would be much welcomed as the company is clearly ready to take advantage of the media business operating leverage.

- **TV audiences recovery**: In June SIC reached the lead in TV audience shares and since has been consoidating its grip on that leading position. Moreover, SIC has been able to lead prime-time audiences for 3 days in late June. It may not be much but it is an indication that the "battle for audiences" is also getting tighter at this time of the day. Nonetheless, all TV channels will be launching new programming grids in September. We should wait to see if SIC is able to continue this positive trend.

Valuation Sensitiveness

		2004 Advertising Growth		
-2%	**-1%**	**Base Case**	**+1%**	**+2%**
2.63	2.73	**2.83**	2.93	3.03
-3.7%	-3.6%		3.6%	3.4%
		TV Advertising Market Share		
39.5%	**40.5%**	**41.5%**	**42.5%**	**43.5%**
2.53	2.68	**2.83**	2.98	3.14
-5.6%	-5.4%		5.3%	5.1%

Source: BPI Equity Research Estimates.

Investment Negatives

- **Low Financial Flexibility**: The € 20 mn capital increase should certainly strengthen the company's financial position. However, it will not guarantee the company enough flexibility to pursue acquisitions within its sector in Portugal using cash. Impresa will maintain a high leveraged position that we expect to improve as long as the advertising market performs as we expect it to.

Impresa's Liquidity and Debt Ratios

	2002	2003E	2004E	2005E
Interest Coverage	0.7x	3.9x	6.1x	8.3x
Debt/Shareholders' Equity	180.2%	138.4%	103.1%	81.1%
Debt/Market Cap	87.9%	77.9%	60.7%	52.2%
Debt/EBITDA	12.8x	3.6x	2.2x	1.7x

Source: BPI Equity Research Estimates.

Valuation

We continue to use our DCF sum-of-the-parts valuation as a base to calculate Impresa's fair value:

- WACCs for each division stand at 9.6% for SIC, 9.0% for Edimpresa and 9.1% for the Newspapers division after the adoption of a 4.1% Risk Free rate from the previously used 4.8%.
- We continue to use a nominal growth rate in perpetuity of 3.5% for each division.
- The valuation considers an € 20 mn capital increase at market price. Thus, the number of shares increases from 72.0 mn to 80.1 mn.
- This valuation does not consider any kind of controlling premium in SIC.

Impresa Sum of the Parts: DCF

Business Area	EV	Net Debt	Impresa's Stake	Equity Value	Implied Multiples
TV	335.1	57.0	51.0%	141.8	EV/EBITDA 04 = 11.9x; EV/Sales 04 = 2.1x
Magazines	145.0	22.3	50.0%	61.3	EV/EBITDA 04 = 10.5x; EV/Sales 04 = 2.1x
Newspapers	95.8	18.4	100.0%	77.4	EV/EBITDA 04 = 10.5x; EV/Sales 04 = 1.7x
Total	**575.9**	**97.7**		**280.5**	**EV/EBITDA 04 = 9.6x; EV/Sales 04 = 1.8x**
(+) Distribution			33.3%	8.6	6x 2004 EV/EBITDA Multiple
(-) Net Debt				37.8	
Equity Value				**251.3**	
# Shares				80.1	
FV per share				**3.14**	
Small Cap Discount				10%	
YE03 Price Target				**2.83**	

Note: Just for calculations purposes we have considered that the € 20mn capital call would be at current market price.

Source: BPI Equity Research Estimates.

Despite the recent Media sector recovery, market multiples continue to yield lower valuations but already justify Impresa's current stock price:

- FV of € 2.71 per share if using EV/EBITDA 04 multiples without discount

Impresa Sum of the Parts: EV/EBITDA 04

Business Area	EV	Net Debt	Impresa's Stake	Equity Value	Implied Multiples
TV	324.1	57.0	51.0%	136.2	
Magazines	114.6	22.3	50.0%	46.1	
Newspapers	81.2	18.4	100.0%	62.8	
Total	**519.8**	**97.7**		**245.1**	
(+) Distribution				8.6	6x 2004 EV/EBITDA Multiple
(-) Net Debt				36.9	
Equity Value				**216.8**	
# Shares				80.1	
FV per share				**2.71**	

Source: BPI Equity Research Estimates.

- FV of € 2.58 per share if using EV/Sales 04 multiples without discount

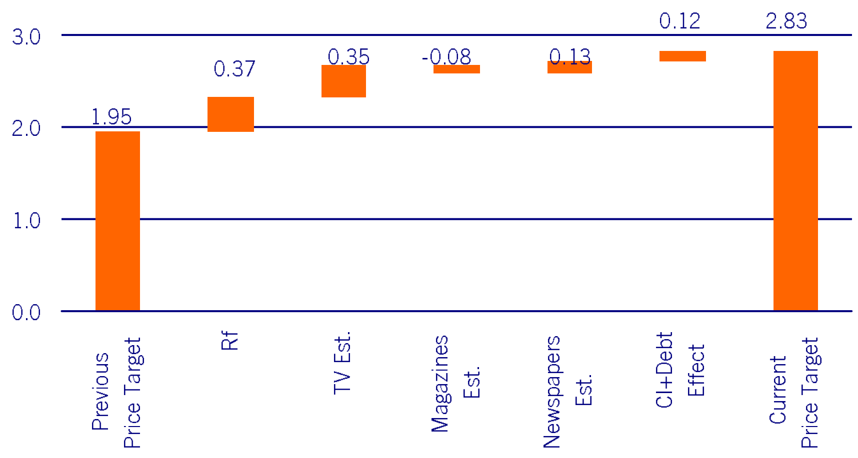
Impresa Sum of the Parts: EV/Sales 04

	EV	Net Debt	Impresa's Stake	Equity Value	Implied Multiples
TV	315.2	57.0	51.0%	131.7	
Magazines	99.0	22.3	50.0%	38.4	
Newspapers	83.5	18.4	100.0%	65.1	
Total	**497.7**	**97.7**		**235.1**	
(+) Distribution				8.6	6x 2004 EV/EBITDA Multiple
(-) Net Debt				36.9	
Equity Value				**206.8**	
# Shares				80.1	
FV per share				**2.58**	

Source: BPI Equity Research Estimates.

We continue to use the DCF sum-of-the-parts as our base valuation and applying a 10% discount to Impresa's Fair Value due to the visibility that may arise with news concerning possible deals within the Portuguese media sector. We are setting a YE03 Price Target of € 2.85 per share (previous Price Target of € 1.95), which commands a 15% upside relative to Impresa's current price, and an ACCUMULATE recommendation on the stock.

Impresa's PT Evolution



Source: BPI Equity Research Estimates.

TV Multiples

	Price	Currency	EV/Sales 2003	EV/Sales 2004	EV/Sales 2005	EV/EBITDA 2003	EV/EBITDA 2004	EV/EBITDA 2005
TF1	27.8	Eur	2.3	2.2	2.1	13.3	11.9	11.2
Mediaset	7.7	Eur	3.4	3.2	3.1	7.9	7.4	8.2
Prosieben	6.8	Eur	1.4	1.3	1.2	15.8	12.4	9.5
M6 - Metropole Television	24.2	Eur	2.7	2.6	2.5	11.1	10.3	10.2
Granada	95.8	GBp	1.8	1.7	1.6	13.8	12.5	10.8
Carlton	157.5	GBp	1.6	1.6	1.5	16.7	14.7	12.2
Average			**2.2**	**2.1**	**2.0**	**13.1**	**11.5**	**10.3**
SIC Implied Multiples			2.3	2.1	2.0	16.1	11.9	10.3

Source: IBES, BPI Equity Research Estimates

Consumer Magazines Multiples

			EV/Sales 2003	EV/Sales 2004	EV/Sales 2005	EV/EBITDA 2003	EV/EBITDA 2004	EV/EBITDA 2005
Emap	896.0	GBp	2.4	2.3	2.2	11.4	10.6	9.9
Edipresse	515.0	CHF	1.2	1.1	1.1	10.2	8.9	8.0
Roularta	27.6	Eur	0.7	0.7	0.7	5.9	5.4	5.1
Mondadori	6.4	Eur	1.0	1.0	0.9	7.3	6.8	6.3
Average			**1.3**	**1.3**	**1.2**	**8.7**	**7.9**	**7.3**
Edimpresa Implied Multiples			2.2	2.1	2.0	10.8	10.2	10.0

Source: IBES, BPI Equity Research Estimates.

Newspapers Multiples

			EV/Sales 2003	EV/Sales 2004	EV/Sales 2005	EV/EBITDA 2003	EV/EBITDA 2004	EV/EBITDA 2005
Daily Mail	578.5	GBP	1.7	1.6	1.6	9.0	9.9	9.1
L'Espresso	3.5	Eur	1.7	1.7	1.7	9.1	8.9	8.3
Independent News & Media	1.7	Eur	2.4	2.3	2.3	11.5	11.1	10.9
Recoletos	5.8	Eur	1.8	1.7	1.7	7.7	7.1	6.7
Telegraaf	15.2	Eur	1.1	1.0	1.0	8.9	7.9	6.7
Trinity Mirror	468.5	GBP	1.8	1.8	1.8	8.2	7.8	7.3
Average			**1.7**	**1.7**	**1.6**	**9.2**	**9.0**	**8.3**
Newspapers Implied Multiples			1.7	1.7	1.6	12.4	10.5	9.8

Source: IBES, BPI Equity Research Estimates.

EARNINGS REVISION

TELEVISION - SIC

We rose our revenues estimates from € 140.0 mn to € 140.8 mn on the back of:

- a 3% growth in TV advertising in 2003 vs. our previous estimate of 1% growth;
- an increase in other revenues due to the success of the introduction of SMS messaging in some TV programs;
- this is partially offset by diminished effect of the reduction of advertising minutes at RTP1 from 7.5 to 6.0 minutes. We were previously estimating that this effect would impact the whole year but this measure should only be implemented in the last quarter of the year.

We are also expect the EBITDA margin in 2003 to improve from our previous estimate of 12.0% to 15.1%, essentially due to the effective results of the cost restructuring implemented in 2002. SIC was able to reach cost savings of € 10 mn in the 1H03. However, we do not expect the company to replicate that performance in the 2H03 as it should invest more in programming to try and grab the audiences lead in the prime-time.

Television P&L

(€ mn)	2002	2003E	Δ%	2004E	Δ%	2005E	Δ%
Total Operating Income	130.4	140.8	8.0%	150.5	6.8%	158.1	5.1%
Advertising	101.5	106.3	4.7%	111.6	5.0%	116.2	4.1%
Thematic Channels	21.6	25.3	17.2%	27.9	10.0%	29.7	6.3%
Others	7.3	9.2	27.0%	11.0	19.0%	12.3	11.7%
Gross margin	55.2	69.5	25.8%	78.1	12.4%	83.9	7.4%
External Supplies & Services	31.2	24.6	-21.1%	25.0	1.4%	25.6	2.6%
Personnel Costs	27.4	24.0	-12.5%	25.0	4.4%	25.7	2.7%
EBITDA	**-3.4**	**20.8**	**-**	**28.1**	**34.8%**	**32.5**	**15.8%**
EBITDA Margin	-2.6%	14.8%		18.7%		20.6%	

Source: BPI Equity Research Estimates.

The estimates for 2004 and 2005 suffered the impact from the 2003 estimates revision even though we maintained our assumptions for 2004 and 2005 unchanged.

Television P&L

(€ mn)	2003E Current	2003E Previous	2003E % Chg.	2004E Current	2004E Previous	2004E % Chg.	2005E Current	2005E Previous	2005E % Chg.
Total Operating Income	140.8	140.0	0.6%	150.5	148.4	1.4%	158.1	155.9	1.4%
Advertising	106.3	106.5	-0.3%	111.6	110.7	0.8%	116.2	115.2	0.8%
Thematic Channels	25.3	25.3	0.0%	27.9	27.9	0.0%	29.7	29.7	0.0%
Others	9.2	8.1	14.3%	11.0	9.8	12.4%	12.3	11.0	11.6%
Gross margin	69.5	70.1	-0.9%	78.1	77.5	0.8%	83.9	83.2	0.8%
External Supplies & Services	24.6	27.3	-10.0%	25.0	27.7	-10.0%	25.6	28.4	-10.0%
Personnel Costs	24.0	25.9	-7.2%	25.0	26.3	-4.8%	25.7	26.9	-4.5%
EBITDA	**20.8**	**16.9**	**23.7%**	**28.1**	**23.5**	**19.7%**	**32.5**	**27.8**	**16.8%**
EBITDA Margin	14.8%	12.0%		18.7%	15.8%		20.6%	17.9%	

Source: BPI Equity Research Estimates.

MAGAZINES (EDIMPRESA)

We revised our estimates for the Magazines division to encompass the effect of higher than expected marketing and promotions costs to face stiffer competition in 2003. However, in 2004, we expect these costs to come down again and allow Edimpresa's EBITDA margin to better benefit from a recovery in advertising.

Magazines P&L

(€ mn)	2002	2003E	Δ%	2004E	Δ%	2005E	Δ%
Total Operating Income	72.8	75.2	3.4%	77.6	3.2%	79.9	3.0%
Advertising	33.9	34.1	0.6%	35.4	4.0%	36.7	3.6%
Circulation	35.5	37.6	6.0%	38.6	2.5%	39.5	2.5%
Others	3.4	3.5	2.9%	3.6	2.5%	3.7	2.5%
Gross margin	60.7	62.5	2.9%	64.4	3.1%	66.3	2.9%
External Supplies & Services	29.6	32.6	10.3%	31.0	-4.9%	31.8	2.6%
Personnel Costs	18.0	18.3	1.8%	19.0	3.6%	19.7	3.7%
EBITDA	**13.2**	**11.6**	**-12.1%**	**14.5**	**24.9%**	**14.8**	**2.5%**
EBITDA Margin	18.1%	15.4%		18.7%		18.6%	

Source: BPI Equity Research Estimates.

Magazines P&L

(€ mn)	2003E Current	2003E Previous	2003E % Chg.	2004E Current	2004E Previous	2004E % Chg.	2005E Current	2005E Previous	2005E % Chg.
Total Operating Income	75.2	74.9	0.3%	77.6	77.3	0.4%	79.9	79.6	0.4%
Advertising	34.1	33.3	2.1%	35.4	34.7	2.1%	36.7	35.9	2.1%
Circulation	37.6	38.0	-1.1%	38.6	39.0	-1.1%	39.5	40.0	-1.1%
Others	3.5	3.6	-1.1%	3.6	3.7	-1.1%	3.7	3.8	-1.1%
Gross margin	62.5	62.9	-0.7%	64.4	64.9	-0.7%	66.3	66.7	-0.7%
External Supplies & Services	32.6	29.7	9.8%	31.0	30.4	1.9%	31.8	31.2	1.9%
Personnel Costs	18.3	18.3	0.0%	19.0	18.9	0.2%	19.7	19.6	0.4%
EBITDA	**11.6**	**14.9**	**-22.4%**	**14.5**	**15.5**	**-6.7%**	**14.8**	**15.9**	**-6.9%**
EBITDA Margin	15.4%	19.9%		18.7%	20.1%		18.6%	20.0%	

Source: BPI Equity Research Estimates.

NEWSPAPERS

We expect the Newspapers division revenues to come lower than we were initially anticipating on the back of an extremely week classified ads market. In fact, display advertising at Expresso has also suffered in 2003 but the economic slowdown is strongly affecting classified ads. This affects not only Expresso but also Jornal da Região and contributes to an € 1.9 mn decrease in our Revenues estimate to € 48.7 mn.

This is more than compensated, however, by the successful cost restructuring in this unit. The closure of some editions of Jornal da Região that contributed negatively to EBITDA and the rationalisation of the division's back office should allow for a lighter cost structure. Thus, we are now expecting an € 7.6 mn on a 15.7% EBITDA margin vs. our previous figures of € 6.7 mn and 13.3%, respectively.

Newspapers P&L

(€ mn)	2002	2003E	Δ%	2004E	Δ%	2005E	Δ%
Total Operating Income	50.5	48.7	-3.6%	49.9	2.4%	51.7	3.6%
Advertising	35.8	32.2	-9.9%	33.0	0.0	34.2	0.0
Circulation	13.6	15.2	12.0%	15.5	0.0	16.1	0.0
Others	1.2	1.3	5.0%	1.3	0.1	1.4	0.1
Gross margin	42.0	41.5	-1.2%	42.6	2.7%	44.1	3.5%
External Supplies & Services	19.3	16.2	-15.8%	16.6	2.5%	17.0	2.5%
Personnel Costs	18.5	17.6	-5.0%	16.9	-4.1%	17.3	2.8%
EBITDA	**4.2**	**7.6**	**83.3%**	**9.1**	**18.6%**	**9.7**	**6.9%**
EBITDA Margin	8.2%	15.7%		18.1%		18.7%	

Source: BPI Equity Research Estimates.

Newspapers P&L

	2003E			2004E			2005E		
(€ mn)	Current	Previous	% Chg.	Current	Previous	% Chg.	Current	Previous	% Chg.
Total Operating Income	48.7	50.6	-3.8%	49.9	52.1	-4.3%	51.7	54.0	-4.2%
Advertising	32.2	34.1	-5.6%	33.0	35.3	-6.3%	34.2	36.5	-6.2%
Circulation	15.2	15.2	0.0%	15.5	15.5	0.0%	16.1	16.1	0.0%
Others	1.3	1.3	0.0%	1.3	1.3	0.0%	1.4	1.4	0.0%
Gross margin	41.5	42.6	-2.6%	42.6	44.0	-3.2%	44.1	45.5	-3.1%
External Supplies & Services	16.2	17.1	-4.9%	16.6	17.3	-4.0%	17.0	17.6	-3.1%
Personnel Costs	17.6	18.8	-6.3%	16.9	19.3	-12.3%	17.3	19.7	-12.1%
EBITDA	**7.6**	**6.7**	**13.7%**	**9.1**	**7.4**	**22.5%**	**9.7**	**8.2**	**18.3%**
EBITDA Margin	15.7%	13.3%		18.1%	14.2%		18.7%	15.2%	

Source: BPI Equity Research Estimates.

Consolidated Accounts

This estimates revision has a positive impact in Impresa's profitability in 2003 despite a slight downwards revision in revenues:

- Revenues up from € 261.8 mn to € 261.1 mn;
- EBITDA and EBITDA margin improve to € 39.3 mn and 15.1% from our previous estimates of € 37.8 mn and 14.4%, respectively.

Consolidated P&L

(€ mn)	2002	2003E	Δ%	2004E	Δ%	2005E	Δ%
Total Operating Income	250.7	261.1	4.1%	274.1	5.0%	285.7	4.2%
Television	130.4	140.8	8.0%	150.5	6.8%	158.1	5.1%
Magazines	72.8	75.2	3.4%	77.6	3.2%	79.9	3.0%
Newspapers	50.5	48.7	-3.6%	49.9	2.4%	51.7	3.6%
Intragroup	-3.0	-3.7	23.3%	-3.8	5.0%	-4.0	4.2%
Gross margin	166.0	170.9	3.0%	182.4	6.7%	191.4	4.9%
External Supplies & Services	85.5	72.5	-15.2%	71.6	-1.2%	73.5	2.6%
Personnel Costs	68.0	59.1	-13.1%	60.1	1.7%	61.9	3.0%
EBITDA	**12.4**	**39.3**	**217.3%**	**50.7**	**29.0%**	**56.0**	**10.5%**
EBITDA Margin	4.9%	15.1%		18.5%		19.6%	

Source: BPI Equity Research Estimates.

Additionally, the consolidated accounts also take the impact of the exercise of the Equity Swap agreements by Deutsche Bank and BPI and the recently announced capital increase. These operations "cancel out" each other. The accrued debt arising from the put option amounts to € 19 mn while Impresa will propose an € 20 mn capital increase to its AGM.

Impresa's Liquidity and Debt Ratios

	2002	2003E	2004E	2005E
Interest Coverage	0.7x	3.7x	5.1x	7.0x
Debt/Shareholders' Equity	180.2%	203.2%	161.2%	112.6%
Debt/Market Cap	87.9%	90.9%	74.8%	57.5%
Debt/EBITDA	12.8x	4.2x	2.7x	1.8x

Source: BPI Equity Research.

1H03 EARNINGS RESULTS

Impresa disclosed a positive set of results mainly backed by the good operating performance at the TV and Newspapers division, which counteracted the disappointing performance of the Magazines division.

Impresa reached a Net Loss of € 6.7 in the 1H03, a significant improvement when compared to the € 13.0 mn Net Loss in the same period last year.

Consolidated 1H03 Results

(€ mn)	1H03	1H02	%Δyoy	Dev.	2Q02	1Q02	2003E
Turnover	**122.1**	**119.4**	**2.3%**	**-4.1%**	**67.3**	**54.8**	**258.6**
TV	68.3	63.6	7.4%	-2.4%	38.6	29.7	140.0
Newspapers	23.9	25.8	-7.0%	-2.4%	13.2	10.8	75.2
Magazines	32.8	31.2	4.9%	-5.9%	17.3	15.5	47.1
Intra-Group Adjustments	-2.9	-1.2	148.8%	41.0%	-1.8	-1.1	-3.6
EBITDA	**16.0**	**0.8**	**-**	**7.9%**	**14.9**	**1.2**	**37.0**
EBITDA Margin	13.1%	0.7%			22.1%	2.1%	14.3%
Depreciation & Provisions	12.7	12.9	-1.6%	19.8%	6.3	6.5	21.7
EBIT	**3.3**	**-12.1**	**-127.6%**	**-21.6%**	**8.6**	**-5.3**	**15.3**
EBIT Margin	2.7%	-10.1%			12.8%	-9.7%	5.9%
Net Financials	-9.4	-9.0	4.2%	-4.7%	-4.7	-4.7	-22.1
Extraordinaries	0.9	1.3	-	-	0.4	0.5	0.5
EBT	**-5.1**	**-19.8**	**-74.1%**	**1.0%**	**4.4**	**-9.5**	**-6.3**
Taxes	1.7	-2.7	-	353.4%	1.1	0.6	-0.4
EAT	**-6.8**	**-17.1**	**-60.1%**	**24.7%**	**3.3**	**-10.1**	**-6.0**
Minorities	-0.1	-4.1	-	-90.6%	2.6	-2.7	3.0
Net Profit	**-6.7**	**-13.0**	**-**	**46.3%**	**0.7**	**-7.4**	**-9.0**
Adjusted Net Profit (1)	**-1.2**	**-8.1**	**-**		**3.4**	**-4.6**	**2.1**

(1) Adjusted by Goodwill.

Source: BPI Equity Research.

SIC: Cost Restructuring Delivery

TV 1H03 Results

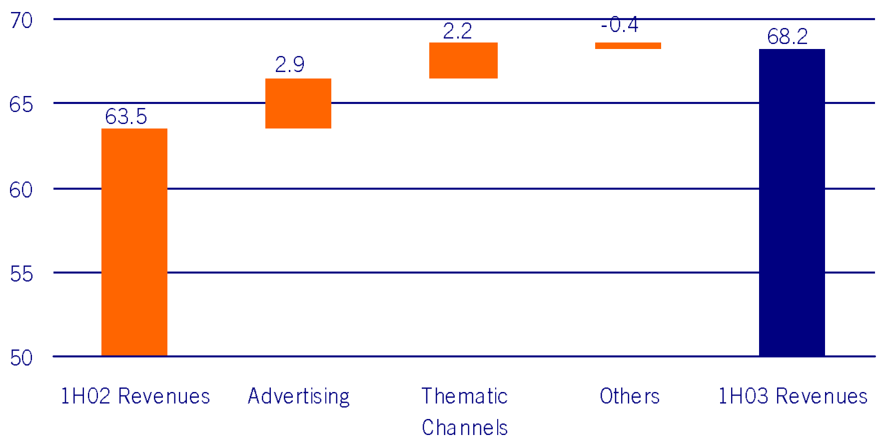
(€ mn)	1H03	1H02	%Δyoy	Dev.	2Q02	1Q02	2003E
Turnover	**68.2**	**63.5**	**7.4%**	**-2.5%**	**38.6**	**29.6**	**139.0**
Advertising	50.9	48.0	6.1%		30.5	20.4	0.0
Thematic Channels	12.9	10.7	20.6%		6.9	6.0	0.0
Others	4.4	4.8	-9.1%		1.2	3.2	0.0
Operating Costs	58.6	68.6	-14.6%	-5.7%	28.3	30.3	119.5
EBITDA	**9.6**	**-5.1**	**-288.2%**	**23.2%**	**10.3**	**-0.7**	**20.5**
EBITDA Margin	14.1%	-8.0%			26.7%	-2.4%	14.7%

Source: BPI Equity Research.

SIC achieved a higher than expected EBITDA margin, essentially powered by higher costs savings than we were expected. It is true that revenues also went up by 7.4% YoY. However, they stood 2.5% below our 1H03 estimates.

Revenues were driven by:
- A good performance of the advertising market in the TV segment, which went up 5.4% YoY. SIC's advertising revenues rose 6.1% YoY while incorporating the additional revenues arising from the introduction of regional advertising since the beginning of the year.
- As expected, the launch of SIC Mulher drove thematic channels revenues up by 20.6%.
- Other revenues came down 9.1%, which is consequence of two variables: (1) weaker 2Q in terms of Merchandising sales and SMS related revenues and (2) in the 1H02, SIC had revenues arising from the General Elections campaign, which were not replicated this year.

SIC's Revenues Evolution in 1H03

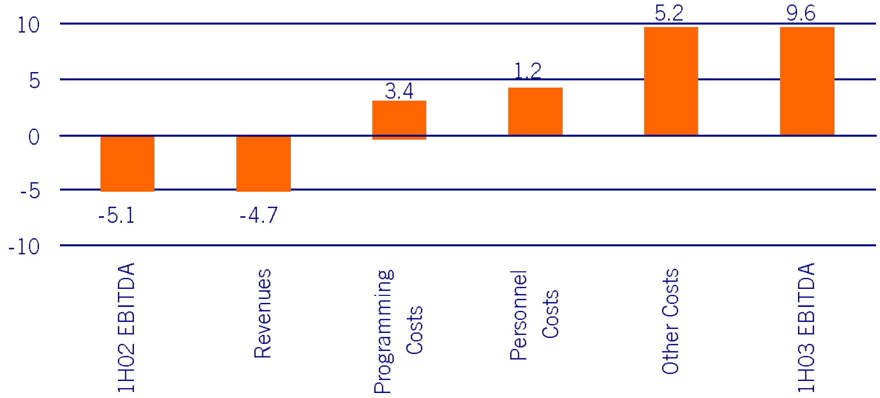


Source: Impresa.

Despite the positive revenues performance, costs savings of € 10 mn, in this 1H03 were by far the main contributor to a surprising EBITDA performance:
- Even though the launch of SIC Mulher and the extensive coverage of the Iraq War led to an € 0.7 mn increase of the thematic channels programming costs, this was more than compensated by € 4.1 mn savings at the free-to-air channel. All in all, programming costs were reduced in € 3.4 mn.
- Personnel costs suffered an € 1.2 mn reduction following the layoffs from 2002's 4Q.
- Other costs were also effectively controlled allowing for an € 5.2 mn cut.
- Overall, operating costs fell 14.6% YoY.

This translated into an € 14.7 mn jump at the EBITDA line, which reached € 9.6 mn in the 1H03 comparing to the EBITDA loss of € 5.1 mn in the 1H02. This operating performance allowed SIC to register a positive Net Profit of € 0.6 mn in the 1H03, reverting its 1Q03 € 4.5 mn Net Loss.

SIC's EBITDA Evolution in 1H03



Source: Impresa.

EDIMPRESA: COMPETITION HURTS MAGAZINES PROFITABILITY

The intense competition in the magazines business with several recent launches was the main reason behind Edimpresa's weak operating performance. In fact, Edimpresa had to increase its marketing and promotion costs in order to maintain several of its magazines leadership position, which was not translated in stronger circulation revenues in the 2Q03. The company intends to defend its magazines in order to benefit from their position when the press advertising market turns the negative tide.

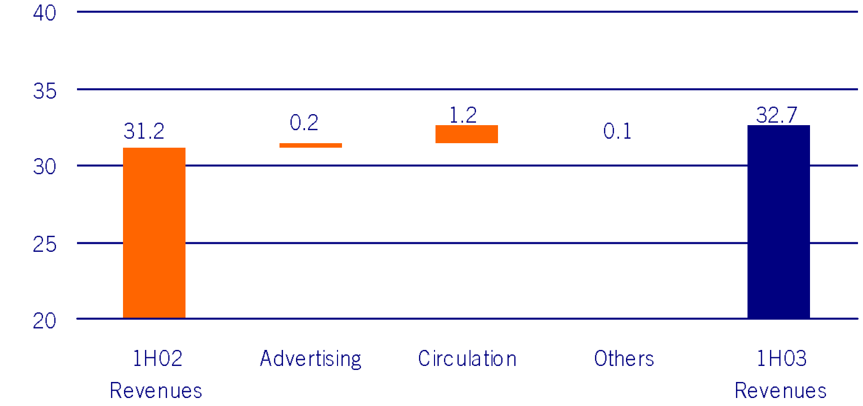
Magazines 1H03 Results

(€ mn)	1H03	1H02	%Δyoy	Dev.	2Q03	1Q03
Turnover	**32.7**	**31.2**	**4.7%**	**-6.0%**	**17.3**	**15.4**
Advertising	14.5	14.3	1.4%		9.1	5.4
Circulation	17.7	16.5	7.3%		8.8	8.9
Others	0.5	0.4	17.9%		-0.6	1.1
Operating Costs	29.2	26.5	10.0%	-2.8%	14.9	14.3
EBITDA	**3.5**	**4.7**	**-25.3%**	**-26.4%**	**2.4**	**1.1**
EBITDA Margin	10.7%	15.1%			14.0%	7.1%

Source: BPI Equity Research.

Revenues at Edimpresa posted a 4.7% YoY increase driven essentially by the improved circulation of Edimpresa's leading magazines and by cover price increases. Despite the poor performance of the press advertising market, Edimpresa managed to reach a 1.4% YoY growth capitalising on its leading magazines. This also helps to explain Edimpresa's efforts to protect its magazines and benefit from a stronger advertising market. Still, we were expecting a better circulation performance in the 2Q03 following the trend of the 1Q03. In the 2Q03 circulation revenues showed no growth when compared to the 1Q03 when they grew 14.1% YoY. This basically explains the deviation to our 1H03 estimates.

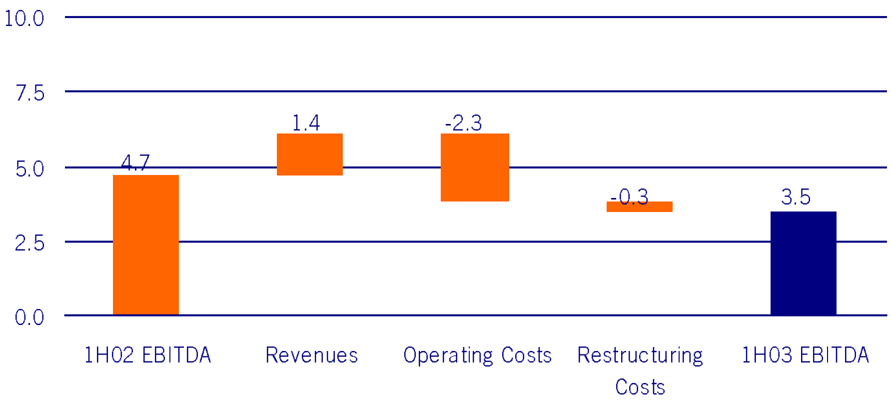
Edimpresa's Revenues Evolution in 1H03



Source: Impresa.

In absolute terms Operating Costs grew € 2.3 mn YoY as a consequence of Edimpresa's strategy to protect its titles positions. The company also incurred in € 0.3 mn of restructuring costs as a result of personnel layoff in the 2Q03. The increase in marketing and promotion costs was the main variable backing this increase. Since this effort did not have a response in terms of higher circulation revenues in the 2Q03, the 1H03 margin was hurt while coming down from 15.1% in the 1H02 to the current 10.7%.

Edimpresa's EBITDA Evolution in 1H03



Source: Impresa.

Newspapers: Profitability benefits from close of further Jornal da Região editions

The reduction in operating costs was also the major reason for an increased profitability at the Newspapers division. As expected revenues suffered from an extremely weak classifieds ads market and from the closure of two further editions of Jornal da Região. However, the new Expresso layout and the cut in Jornal da Região editions allowed coupled with personnel recuctions and the 11% fall in paper prices allowed for a 14.9% EBITDA margin in this 1H03.

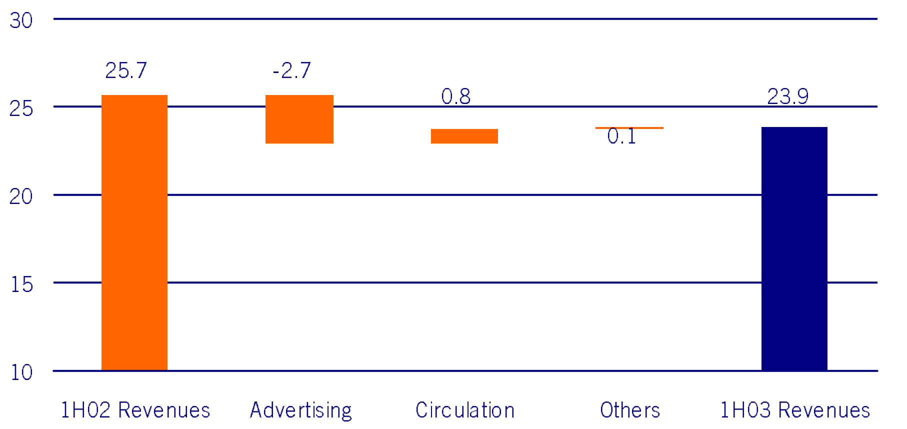
Newspapers 1Q03 Results

(€ mn)	1H03	1H02	%Δyoy	Dev.	4Q02	4Q01	2Q03E	1Q03	2003E
Turnover	**23.9**	**25.7**	**-7.0%**	**-2.2%**	**13.5**	**16.0**	**13.2**	**10.7**	**47.1**
Advertising	15.5	18.1	-14.4%		35.8	44.1	9.3		
Circulation	7.3	6.6	10.6%		13.5	11.9	3.5		
Others	1.1	1.0	11.1%		1.2	2.0	0.4		
Operating Costs	20.3	23.2	-12.3%	-5.9%	12.3	14.8	10.8	9.6	40.5
EBITDA	**3.6**	**2.5**	**42.2%**	**25.8%**	**1.2**	**1.2**	**2.5**	**1.1**	**6.6**
EBITDA Margin	14.9%	9.8%			9.0%	4.2%	18.7%	10.3%	14.1%

Source: BPI Equity Research.

The 7.0% fall in revenues was justified by:
- A weak advertising performance at Expresso, with display advertising and classifieds down 3.3% and 23.1% YoY, respectively.
- Advertising at Jornal da Região dropped 45% as a consequence of the clsure of two editions
- Despite the fall in circulations (Expresso circulation fell 2%), the increase in cover prices (particularly the 16% hike in Expresso) allowed for a sound growth in circulation revenues.

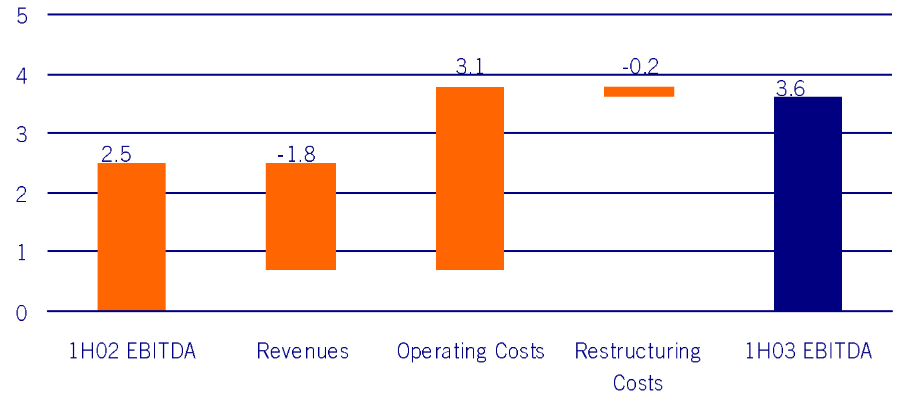
Newspapers' Revenues Evolution in 1H03



Source: Impresa.

Operating Costs fell 13.5% YoY (or € 3.1 mn) on the back of:
- The change in Expresso's layout, with 2 magazines, Revista and Vidas, turning into one, Única.
- The closure of a further 2 editions of Jornal da Região. Currently Jornal da Região is running 7 editions.
- Reduction in personnel and fall in paper prices.
- The Newspapers division has also started the rationalisation of its back-office following the move of all the Group's publication to the same building.

Newspapers' EBITDA Evolution in 1H03



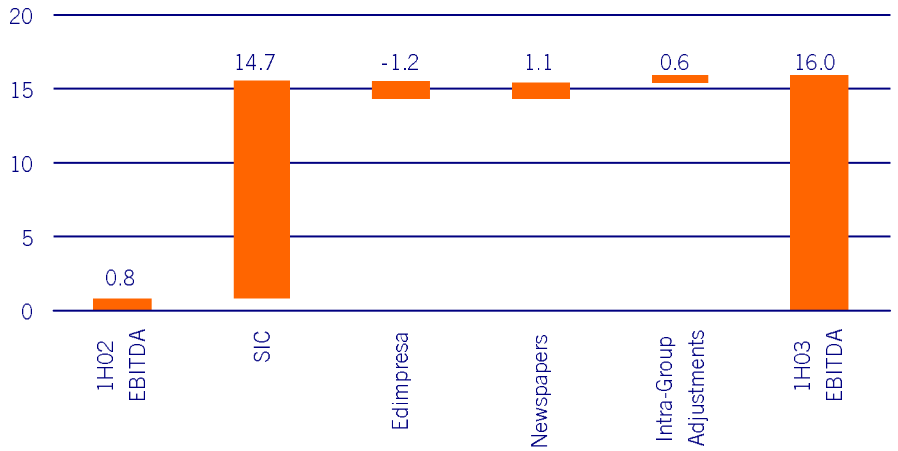
Source: Impresa.

Consolidated Accounts

Revenues and EBITDA

The operating performance of Impresa's 3 areas allowed for a 2.3% YoY consolidated growth in revenues and a hefty improvement in EBITDA. In fact, EBITDA went up from € 0.8 mn in the 1H02 to € 16.0 mn in the 1H03, resulting in a 13.1% EBITDA margin.

Impresa's EBITDA Evolution in 1H03



Source:

Consolidated Debt

On the 5th June 2003 Deutsche Bank and BPI exercised their put options "forcing" Impresa to take on an additional € 19 mn of debt to pay for those 2.1 mn shares.

Debt Implied in Put Options Exercise

	# Shares	05-Jun-03 Exercise Price	Amount Stock Price	(€ mn)
Deutsche Bank	1 800 000	11.76	2.17	17.3
BPI	299 452	7.85	2.17	1.7
Total	2 099 452			19.0

Source: BPI Equity Research Calculations, Impresa's Annual Reports.

As a consequence the Group's Net Debt went up from € 156.5 at the end of March to € 171.2 at the end of June. If not for this additional debt, Impresa's Net Debt would have been reduced by € 4.3 mn.

Given Impresa's healthy EBITDA figure in this 1H03 one could be tempted to believe the Group would be able to reduce its debt more than € 4.3 mn. However, one should take into account that the nature of the business leads to an investment in Working Capital at the end of the semester. In fact, June is, usually, the best month of the 2Q and of the 1H. Even though advertising agencies usually pay on time there's a lag in the June's payments that should only be reflected in July. As such, in June Receivables usually increase at the expense of higher debt.

Impresa's Working Capital

(€ mn)	Dec-02	Mar-03	Jun-03
Receivables	41.4	40.9	46.1
Inventory	42.3	41.3	45.1
Payables	59.5	46.1	50.8
Working Capital	**24.2**	**36.0**	**40.4**

Source: BPI Equity Research, Impresa's Consolidated Accounts.

Please note that this effect is not likely to happen in the 4Q. Since October and November are, usually, the best months in the 4Q, in December when the company closes its accounts advertising agencies have already filled their commitments. Usually advertising agencies tend to fulfil their commitments on time in order to benefit from discounts in following years.

Impresa's Net Debt

(€ mn)	Dec-02	Mar-03	Jun-03
LT Debt	111.6	91.6	127.9
ST Debt	46.7	73.2	64.6
Cash & Related	10.4	8.2	21.2
Reported Net Debt	**147.8**	**156.5**	**171.2**
Adjusted Net Debt (1)	**147.8**	**156.5**	**152.2**

(1) Adjusted in June 03 for the additional debt arising from the exercise of the put options.

Source: BPI Equity Research, Impresa's Consolidated Accounts

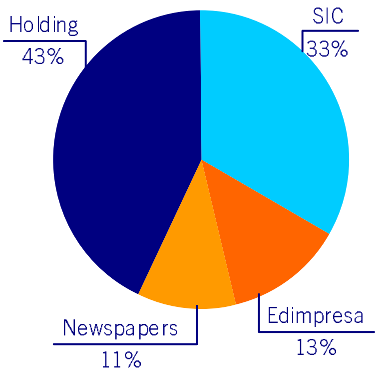
Additionally, the company has restructured part of its debt shifting some of its short-term responsibilities to long-term, thus, taking away some short-term funding needs pressure. Impresa also transferred part of the debt (€ 13.25 mn) at the holding level to the Newspapers division (owned at 100%).

Impresa's Solvency Ratios

	Dec-02	Mar-03	Jun-03
Shareholders' Equity/Total Assets	20.5%	18.9%	18.8%
Debt/Shareholders' Equity	180.2%	206.5%	241.1%
Debt/Market Cap	87.9%	91.5%	106.9%

Source: BPI Equity Research, Impresa.

Breakdown of Impresa's Net Debt



Source: Impresa.

Consolidated P&L

(€mn)	2002	2003		2004		2005	
Total Operating Income	**250.7**	**261.1**	**4.1%**	**274.1**	**5.0%**	**285.7**	**4.2%**
Television	130.4	140.8	8.0%	150.5	6.8%	158.1	5.1%
Magazines	72.8	75.2	3.4%	77.6	3.2%	79.9	3.0%
Newspapers	50.5	48.7	-3.6%	49.9	2.4%	51.7	3.6%
Distribution	0.0	0.0		0.0		0.0	
Intragroup	-3.0	-3.7	23.3%	-3.8	5.0%	-4.0	4.2%
Gross margin	166.0	170.9	3.0%	182.4	6.7%	191.4	4.9%
External Supplies & Services	85.5	72.5	-15.2%	71.6	-1.2%	73.5	2.6%
Personnel Costs	68.0	59.1	-13.1%	60.1	1.7%	61.9	3.0%
Other Operating Income (net)	0.0	0.0	-	0.0	-	0.0	-
EBITDA	**12.4**	**39.3**	**217.3%**	**50.7**	**29.0%**	**56.0**	**10.5%**
EBITDA Margin	4.9%	15.1%		18.5%		19.6%	
Depreciation & Provision	32.1	23.0	-28.4%	19.8	-14.1%	19.1	-3.4%
EBIT	**-19.8**	**16.3**	**-182.4%**	**30.9**	**89.9%**	**36.9**	**19.5%**
EBIT Margin	-7.9%	6.2%		11.3%		12.9%	
Net Financial Expenses	-21.0	-21.3	1.4%	-20.3	-4.8%	-18.1	-10.7%
Extraordinaries	0.3	0.9	169.0%	0.0	-	0.0	-
EBT	-40.4	-4.1	-89.8%	10.7	-359.3%	18.9	76.8%
Income Tax	-2.3	-0.2	-89.8%	1.0	-503.4%	2.2	126.2%
Effective Tax Rate	5.8%	5.8%		9.0%		11.5%	
Minority Interest	-10.1	3.5	-134.1%	6.4	85.9%	8.2	27.0%
Net Profit	**-28.0**	**-7.3**	**-73.8%**	**3.3**	**-144.8%**	**8.5**	**160.0%**
Goodwill	9.9	11.1	12.1%	11.1	0.0%	11.0	-0.3%
Adjusted Net Profit	**-18.1**	**3.7**	**-120.6%**	**14.3**	**285.2%**	**19.6**	**36.4%**

Consolidated Balance Sheet

(€ mn)	2002	2003	2004	2005
Net Intangibles	180.4	166.9	155.9	144.9
Net Fixed Assets	82.9	78.2	72.6	70.9
Investments	7.4	7.4	7.4	7.4
MLT Debtors	0.0	0.0	0.0	0.0
Total LT Assets	**270.7**	**252.5**	**235.9**	**223.2**
Inventories	42.3	44.4	45.2	46.6
ST Receivables	41.4	43.1	45.3	47.2
Accruals & Deferrals	36.9	38.4	40.3	42.0
Other ST Assets	26.1	27.0	28.3	29.4
Cash & Equivalents	10.4	5.6	5.5	19.5
Net Assets	**427.8**	**411.1**	**400.5**	**407.9**
Equity	87.8	100.5	103.8	112.3
Minorities	12.8	16.3	22.7	30.9
Provisions	33.6	18.4	19.3	20.2
MLT Liabilities	129.0	135.0	124.9	113.9
o.w. debt	111.6	116.9	105.9	94.0
ST Liabilities	131.8	106.8	94.0	93.4
o.w. debt	46.7	24.2	5.7	0.0
Accruals & Deferrals	32.7	34.1	35.8	37.3
Liabilities	293.5	275.9	254.7	244.5
Equity + Minorities + Liabilities	**427.8**	**411.1**	**400.5**	**407.9**

Cash-flow Statement

(€ mn)	2002	2003	2004	2005
+ EBIT	-19.8	16.3	30.9	36.9
+ Dep. & Amort.	22.3	18.1	14.6	13.7
- Changes Working Capital	1.2	-9.0	0.0	-1.0
= Operating Cash Flow	**3.7**	**25.4**	**45.5**	**49.6**
- Capex	-45.0	-10.7	-8.7	-11.7
- Net financial investments	7.0	0.0	0.0	0.0
= Cash Flow after Investments	**-34.2**	**14.8**	**36.8**	**37.9**
- Net financial expenses	-11.1	-10.2	-9.2	-7.1
- Taxes paid	2.3	0.2	-1.0	-2.2
- Dividends Paid	0.0	0.0	0.0	0.0
- Other	2.0	-13.2	2.0	2.0
+ Equity increase	-0.8	20.0	0.0	0.0
= Changes in Net Debt	**41.9**	**-11.6**	**-28.6**	**-30.7**

Source:

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Investment ratings and risk classification (Total return in 12-18 months):

	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%
Sell	< -15%	< -20%	< -25%

These investment ratings are not strict and should be taken as a general rule.

Investment ratings statistics

As of 30th June BPI Equity Research's investment ratings were distributed as follows:

	%
Buy / Speculative Buy	22%
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Hold	38%
Reduce	7%
Sell	1%
Under Revision	12%
Total	100%

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