

Impresa

Hold

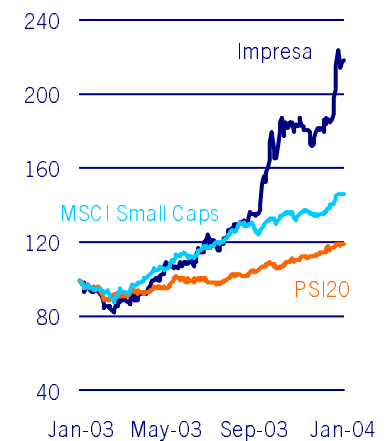
27th January 2004

Portugal

Earnings and Valuation update

- ▶ **Since our last Impresa Valuation Update** (dated 5th November 2003) **the European Media Sector has surged in anticipation of better prospects for the advertising market boosted by an economic recovery.** TV Comparables rose an average of 15% in the same timeframe while the Magazines and Newspapers Comparables rose 19% and 8%, respectively. **Impresa's stock price appreciated 18% in the same period.**
- ▶ Three major factors contribute to our revised estimate of an € 60 mn EBITDA in 2004, which should equal the Group's record EBITDA achieved in the peak year of the advertising market in 2000: (1) **Impresa's ability to reduce its cost base;** (2) **a recovery in the advertising market;** and (3) **the devaluation of the USD,** which allows for savings in programming costs at SIC and paper costs in the Magazines and Newspapers divisions.
- ▶ After the recent surge in media stocks it is impossible to continue to ignore the sector's momentum in our valuation. As such, we are incorporating Multiples in our Impresa valuation, which until now has been based only on our DCF valuation. **We are sticking to our HOLD recommendation even though we are raising our YE04 Price Target from € 3.30 to € 4.10. However, we acknowledge that we may have not seen the end of the media sector's run.**

Impresa vs. DJ Eurostoxx Media and MSCI Small Caps



Source: Datastream.

Stock Data

Risk	High Sector	Media
Price	4.13 Price Target	4.10
PSI20	7010 No. of shares (mn)	84.0
Index Weight	0.7% Market Cap (€ mn)	346.9
Reuters/Bloomberg	IPRN.IN/IPR PL EV (€ mn)	446.1
Avg. Daily Turnover (€ mn)	1.0 Free-Float	33%
Major Shareholders:	Impreger (52.2%), BPI (15.2%)	

Estimates (€)

	2001	2002	2003 ^E	2004 ^E	2005 ^E	2006 ^E
EPS	-0.35	-0.26	0.06	0.24	0.33	0.40
PER	-11.7	-16.1	71.6	16.9	12.6	10.4
CEPS	-0.07	0.05	0.22	0.34	0.42	0.48
P/CE	-56.1	77.3	18.7	12.1	9.9	8.6
EV/EBITDA	-139.8	49.5	17.0	12.0	10.9	10.1
EV/Sales	2.6	2.9	2.8	2.6	2.5	2.4

Source: BPI Equity Research, Bloomberg.

Historical Recommendation

Date	Recommendation
12-Sep-00	Accumulate
1-Jan-02	Hold
17-Jan-03	Reduce
18-Mar-03	Hold
28-Jul-03	Accumulate
28-Oct-03	Under revision
5-Nov-03	Hold

Source: BPI Equity Research.

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

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VALUATION UPDATE

Since our last Impresa Valuation Update (dated 5th November 2003) **the DJ Eurostoxx Media has gone up some 9%**. Still, this performance lies below that of the comparables we use for each of Impresa's divisions. TV Comparables rose an average of 15% in the same timeframe while the Magazines and Newspapers Comparables rose 19% and 8%, respectively. **Impresa's stock price appreciated 18% in the same period.**

European Media Performance

	YTD	24M	12M	6M	3M	1M	Since 5 th Nov.
Iberian Media							
Antena 3	13%	-	-	-	-	16%	41%
Impresa	18%	103%	117%	82%	31%	19%	18%
Prisa	16%	25%	112%	46%	40%	17%	38%
PT Multimedia	11%	117%	43%	20%	20%	12%	15%
Recoletos	10%	66%	79%	29%	19%	3%	13%
Sogecable	19%	21%	237%	63%	59%	18%	44%
TPI	13%	15%	57%	20%	16%	12%	12%
Average	14%	58%	107%	44%	31%	14%	26%
TV							
TF1	8%	9%	32%	8%	18%	10%	15%
Mediaset	5%	21%	54%	26%	18%	5%	13%
Prosieben	31%	231%	166%	144%	45%	30%	25%
M6	8%	0%	34%	16%	15%	10%	11%
Granada	9%	8%	105%	37%	19%	10%	14%
Average	12%	54%	78%	46%	23%	13%	15%
Newspapers							
Daily Mail	6%	10%	32%	22%	24%	8%	21%
L'Espresso	0%	63%	78%	44%	17%	2%	13%
Ind. News & Media	6%	12%	40%	19%	9%	14%	4%
Telegraaf	0%	0%	15%	20%	6%	-1%	3%
Trinity Mirror	6%	39%	53%	27%	9%	7%	9%
Johnston Press	0%	49%	27%	11%	2%	0%	-1%
Average	3%	29%	41%	24%	11%	5%	8%
Magazines							
Emap	5%	21%	27%	0%	13%	5%	10%
Edipresse	13%	30%	61%	29%	27%	14%	23%
Roularta	16%	115%	83%	56%	29%	17%	28%
Mondadori	10%	18%	38%	20%	18%	10%	16%
Average	11%	46%	52%	26%	22%	12%	19%
DJ Eurostoxx Media	8%	-35%	28%	21%	15%	8%	9%

Source: Datastream.

After the recent surge in media stocks it is impossible to continue to ignore the sector's momentum in our valuation. As such, we are incorporating Multiples in our Impresa valuation, which until now has been based on our DCF valuation.

We are setting a YE04 Price Target of € 4.10, which is in line with the current market price. However, we acknowledge that the stock may perform along the lines of its European peers. We wouldn't be surprised if the positive momentum in the media sector continues as analysts and investors jump on the anticipation of the economic recovery in the advertising market. We could go through a period in which upward revisions of media companies could lead the sector multiples downwards and prompt the perception that the media sector still has room to perform. **This is a tough call as investors do not want to be tangled in the "Multiple Spiral" once again - neither do they wish to be out of a "hot" industry.**

We are sticking to our HOLD recommendation, even though we acknowledge that this may not be the end of the media sector's run. In the particular case of Impresa, we should point out some variables that could alter investors' perception of Impresa's value:

- **2003 Results Presentation** (11th March): In 2003 Impresa has been consistently presenting a positive set of results. We wouldn't be surprised if that continues to be the case, particularly with a tighter cost control than we are expecting at SIC.
- **Audience Shares:** 2003 was a recovery year for SIC. It managed to grab the overall audience share lead and recoup some lost ground in the prime-time period. For 2004, Impresa set a target of maintaining the overall lead and gaining the prime-time lead. In that sense, the year hasn't started particularly well for SIC. SIC maintains the overall lead even though TVI closed the gap but has lost some ground to TVI in the prime-time period. However, it is only January, traditionally one of the weakest months of the year in advertising terms and TV channels do not usually use their "trump cards" in weak periods of the advertising market. On the other hand, to regain the prime-time lead one should expect SIC to try to capture viewer "loyalty" from day one. Audience shares should be closely monitored. In our estimates we consider that SIC's audience shares in 2004 should be similar to those of 2003.
- **Advertising:** Relative to our estimates, we believe that surprises from the advertising market could come from the press segment where we're expecting a 4% growth. An important source of revenues in the past, IPOs, have been completely absent since 2000. Newspapers have already advanced the possibility of two IPOs occurring before the end of the 1H04, and more could come if the market keeps improving.
- **New launches and acquisitions at the Magazines division:** We refrained from incorporating in our estimates any possible launches or acquisition that Edimpresa may carry out in 2004. Edimpresa, though, has declared its intention to launch or acquire new titles.
- **USD evolution:** Impresa is clearly benefited with the USD devaluation. In that sense and for now, 2004 has been a very good year and could prompt further costs savings this year. However, the USD linked programming should continue to represent a large slice of SIC's total programming costs and any reversion of the USD evolution, either this year or in the years to come, will be reflected in SIC's accounts.
- **Mediacapital IPO:** Mediacapital, a media holding with assets such as TVI (TV channel leader in the prime-time period), radios, magazines, TV production company and outdoor advertising, is currently preparing its IPO. This could attract more visibility to the media sector in Portugal but also lead investors to choose between Mediacapital or Impresa as a vehicle for exposure to the TV segment in Portugal.

Impresa's Valuation

DCF	€ 4.13
Multiples	€ 4.98
Average YE04 FV	€ 4.55
Discount	10%
Price Target YE04	€ 4.10

Source: BPI Equity Research Estimates.

DCF VALUATION

We are maintaining the basic assumptions of our DCF valuation:

- WACCs stand at 9.8% for SIC (TV), 9.2% for Edimpresa (Magazines) and 9.3% for Newspapers;
- Nominal growth rate in perpetuity remains at 3.5% for each division;
- This valuation does not include any kind of controlling premium for SIC.

Apart from the change in estimates, the major difference relative to our last Valuation Update (dated 5th November 2003) lies in the **recognition of non-core assets** (two sites in Lisbon with permission to develop office buildings) **that could be put up for sale in 2004 and 2005 and represent € 11.7 mn in our valuation.**

Our DCF Sum-of-the Parts Valuation points to an € 4.13 YE04 Fair Value per share.

Impresa Sum-of-the-Parts DCF

Business Area	EV	Net Debt	Impresa's Stake	Equity Value	Implied Multiples
TV	429	25	51.0%	206	EV/EBITDA 04 = 11.6x; EV/Sales = 2.7x
Magazines	144	14	50.0%	65	EV/EBITDA 04 = 11.0x; EV/Sales = 1.8x
Newspapers	121	13	100.0%	108	EV/EBITDA 04 = 10.3x; EV/Sales = 2.3x
Total	694	52		379	
(+) Distribution			33.3%	9	EV/EBITDA 04 = 6x
(+) Other Non-Core Assets				12	
(-) Net Debt				52	
Equity Value				347	
# Shares				84.0	
FV per share				4.13	

Source: BPI Equity Research Estimates.

Impresa's Valuation Sensitiveness

	2004 Advertising Growth				
	-2 p.p.	-1 p.p.	Base Case ⁽¹⁾	+1 p.p.	+2 p.p.
DCF Fair Value	3.76	3.95	4.13	4.32	4.51
Chg. To Base Case	-9.1%	-4.5%		4.5%	9.1%
	Perpetuity Growth Rate (g)				
	2.5%	3.0%	3.5%	4.0%	4.5%
DCF Fair Value	3.64	3.87	4.13	4.45	4.83
Chg. To Base Case	-12.0%	-6.5%		7.6%	16.8%

(1) Base case considers an 8% growth in the TV advertising markets and 4% growth in the Press advertising market.

Source: BPI Equity Research Estimates.

MULTIPLES VALUATION

The recent surge in media stocks anticipating a recovery in advertising markets has led to a significant increase in Impresa's value through Multiples valuation, while using EV/EBITDA Multiples. Impresa's Sum-of-the-Parts using EV/EBITDA 2004 multiples points to an € 4.98 YE04 Fair Value per share. If using EV/Sales multiples we reach a YE04 Fair value of € 4.32 per share.

Impresa Sum-of-the-Parts: EV/EBITDA Multiples

Business Area	EV	Net Debt	Impresa's Stake	Equity Value	Valuation Method
TV	579	25	51.0%	282	2004 EV/EBITDA Multiple = 15.1x
Magazines	120	14	50.0%	53	2004 EV/EBITDA Multiple = 9.2x
Newspapers	127	13	100.0%	114	2004 EV/EBITDA Multiple = 10.8x
Total	826	52		450	
(+) Distribution				9	6x 2004 EV/EBITDA Multiple
(+) Other Non-Core Assets				12	
(-) Net Debt				52	
Equity Value				418	
# Shares				84.0	
FV per share				4.98	

Source: IBES, BPI Equity Research Estimates.

TV Multiples

	Price	EV/Sales			EV/EBITDA		
		2003	2004	2005	2003	2004	2005
TF1	Eur 30.0	2.5	2.4	2.3	14.6	13.3	12.2
Mediaset	Eur 9.9	4.1	4.0	3.8	9.2	8.6	8.0
Prosieben	Eur 16.8	2.4	2.3	2.2	24.6	19.5	15.5
M6 - Metropole Television	Eur 28.0	3.1	2.9	2.7	12.5	11.6	10.7
Granada	GBp 133.3	2.5	2.4	2.3	17.0	16.2	14.9
Carlton	GBp 255.0	2.4	2.3	2.2	23.3	21.1	15.7
Antena 3	Eur 39.5	3.5	3.4	3.2	24.1	15.7	14.0
Average		2.9	2.8	2.7	17.9	15.1	13.0
SIC Implied Multiples (DCF)		3.0	2.7	2.6	18.5	11.6	10.0

Source: IBES, BPI Equity Research Estimates.

Consumer Magazines Multiples

	Price	EV/Sales			EV/EBITDA		
		2003	2004	2005	2003	2004	2005
Emap	GBp 904.0	2.4	2.3	2.2	11.3	10.6	10.0
Edipresse	CHF 675.0	1.2	1.2	1.1	10.8	9.5	8.3
Roularta	Eur 43.0	1.0	1.0	0.9	8.1	7.4	7.0
Mondadori	Eur 7.8	1.3	1.3	1.2	9.6	9.1	8.6
Average		1.5	1.4	1.4	9.9	9.2	8.5
Edimpresa Implied Multiples (DCF)		1.9	1.8	1.7	11.5	11.0	10.3

Source: IBES, BPI Equity Research Estimates.

Newspapers Multiples

	Price	EV/Sales			EV/EBITDA		
		2003	2004	2005	2003	2004	2005
Daily Mail	GBP 701.0	1.9	1.9	1.8	10.4	11.2	10.4
L'Espresso	Eur 4.9	2.2	2.2	2.1	10.6	10.6	9.7
Independent News & Media	Eur 2.0	2.2	2.1	2.2	10.9	10.4	10.3
Telegraaf	Eur 18.0	1.4	1.4	1.3	13.1	11.1	9.1
Trinity Mirror	GBP 597.5	2.2	2.2	2.1	9.4	8.6	8.3
Average		1.9	1.9	1.8	11.2	10.8	9.9
Newspapers Implied Multiples (DCF)		2.4	2.3	2.2	14.8	10.3	9.9

Source: IBES, BPI Equity Research Estimates

EARNINGS REVISION

We left our 2003 estimates unchanged while awaiting the 11th March results disclosure. However, we are already incorporating what we believe is relevant information for 2004 in our model:

TELEVISION - SIC

We revised our estimates for SIC to encompass: (1) the expected reduction in advertising agencies commission and (2) the positive impact of the USD devaluation in SIC's programming costs.

(1) Reduction of Agency Commissions. We estimate the gross TV advertising market in Portugal to grow some 5% in 2004. We acknowledge, however, that there is the possibility that the introduction of the new TV law and, particularly, the ad minutes reduction at the State owned channel (RTP), will have a significant impact in the reduction of discounts to agencies.

In fact, now that the fines imposed for surpassing the advertising minutes limit should prevent TV channels from breaking it, the latter now have the incentive to reduce discounts in order to increase their revenues. This is particularly important to RTP in order to try and recover some of the revenues lost with the reduction of its ad minutes limit from 7.5 to 6.0 minutes per hour. Another factor contributing to the success of this measure is the Euro 2004. It is likely that advertisers do want to take advantage of the event, which could reduce their opposition to such a move.

We believe that the reduction of agency commissions could provide an additional 3 p.p. to the advertising market growth. **In other words, if the gross TV advertising market grows 5%, as we estimate it will, the lower commissions should allow an 8% growth of the net TV advertising market.**

We also estimate TV advertising revenues to be positively affected by an increase in market share related with the ad minutes reduction at RTP and by an increase in SIC Indoor revenues in its first full year of activity.

All in all, we are estimating a 9.8% increase in SIC's advertising revenues in 2004.

(2) Impact of the USD in programming costs: A large chunk of SIC's programming costs is USD-linked. Movies, US series and especially, Brazilian soap operas contribute to this amount, which we estimate to be around € 32 mn USD in 2003 (USD 34.7 mn at the average forex rate for 2003 indicated by the company, USD/€ 1.085), thus representing some 45% of total programming costs.

The devaluation of the USD could then provide further cost savings, which we estimate to be around € 3.8 mn if considering BPI's estimate of an average USD/Eur exchange rate of 1.23 in 2004. This is particularly important in a year in which SIC will invest € 2 mn to broadcast 10 Euro 2004 matches and the highlights of the Tournament. **We estimate that**

the positive impact of the USD should allow SIC to maintain its programming costs stable relative to 2003, which coupled with the expected 9.5% growth in advertising revenues should help to boost EBITDA margin to 23.5% in 2004. We are not considering any possible investments SIC may make to upgrade its grid, while benefiting from these savings.

SIC 2004 Programming Costs

Rising Costs	Lower Costs
- More Portuguese Fiction in 2004	- Merger of SIC and SIC Notícias newsrooms
- Costs of the Public Service obligations assumed under the agreement to reduce ad minutes at RTP	- Lower production costs allowed by the effort to repay Trade Payables and a higher involvement of SIC Serviços
- Full Year of SIC Mulher	- Impact of USD
- Euro 2004	
Balance	
-0.1% YoY in Programming Costs	

Source: Impresa, BPI Equity Research Estimates.

Please note that the Euro 2004 investment is an € 2 mn 2004 one-off. This should contribute towards € 2 mn in savings in 2005, which should allow SIC maintaining programming costs under control. This again contributes to a hike in the EBITDA margin to 26.1%.

We do not consider further investments in the years in which World Cups or European Football Championships take place, as those should be decided on a case-by-case basis depending on Portugal's participation in those events. If happening, those investments should be on similar terms to this investment in Euro 2004. We do not envision SIC acquiring full rights to broadcast one of these competitions since, as proven by the Spanish Antena 3, it is extremely difficult for a Free-to-Air TV to obtain returns from such an investment.

SIC Estimates Revision

(€ mn)	2003 ^E			2004 ^E			2005 ^E		
	Current	Previous	% Chg.	Current	Previous	% Chg.	Current	Previous	% Chg.
Total Operating Income	143	143	0%	155	155	0%	162	162	0%
Advertising	109	109	0%	118	116	2%	123	120	2%
Thematic Channels	25	25	0%	28	28	0%	30	30	0%
Others	9	9	-5%	9	11	-16%	10	12	-22%
Cash Costs	120	120	0%	120	124	-3%	122	127	-4%
COGS	71	71	0%	71	74	-3%	72	75	-5%
Personnel Costs	22	24	-10%	23	25	-10%	23	26	-11%
Other Operating Costs	27	24	10%	26	25	5%	27	26	5%
EBITDA	23	23	0%	35	31	12%	41	35	15%
EBITDA Margin	16.2%	16.2%		22.3%	20.0%		25.0%	21.9%	

Source: BPI Equity Research Estimates.

The changes in 2003 estimates result from (1) the transfer of SIC Indoor from Others to Advertising. SIC Indoor revenues all originate from advertising; and (2) an amendment to the Personnel Costs and Other Operating Costs items. These changes do not have a material impact in our 2003 estimates.

Television P&L

(€ mn)	2002 ^A	2003 ^E	Δ	2004 ^E	Δ	2005 ^E	Δ
Total Operating Income	130	143	10%	155	8%	162	5%
Advertising	101	109	8%	118	8%	123	5%
Thematic Channels	22	25	17%	28	10%	30	6%
Others	7	9	20%	9	6%	10	3%
Total Cash Costs	134	120	-10%	120	0%	122	1%
COGS	75	71	-5%	71	0%	72	1%
Personnel Costs	27	27	-3%	26	-2%	27	2%
Other Operating Costs	31	22	-30%	23	3%	23	1%
EBITDA	-3	23	-	35	49%	41	17%
EBITDA Margin	-2.6%	16.2%		22.3%		25.0%	

Source: Impresa (A), BPI Equity Research Estimates (E) Estimates.

MAGAZINES - EDIMPRESA

We revised our estimates for Edimpresa to take into account what we believe should be a tough year for the magazines business. Edimpresa is not the only publisher aiming to launch new publications. Some others (Cofina and Impala) have also announced their intention to introduce new magazines onto the market, which should propel a more challenging competitive environment.

Cofina, in particular, has announced the launch of a "news magazine" to compete with Edimpresa's "Visão". The entrance of Cofina's "Flash" in the Celebrity segment in 2003 caused a significant stir, with Edimpresa's "Caras" dropping in circulation.

In face of this, we are adopting a rather conservative stance while estimating that:

- **Edimpresa's circulation revenues will drop 2.6% relative to our previous estimates.** Circulation revenues should still increase by 5.8% due to the contribution of the 5 new titles launched since late September 2003 and the average increase of 2.1% in cover prices.
- **Cost of Goods Sold to decline 4.1% relative to our previous estimate to encompass favourable paper price negotiations.**
- **Other Operating Costs to increase 7.4% relative to our previous estimate to encompass an increase in promotions and advertising induced by the expected competitive environment.**

Magazines P&L

(€ mn)	2003 ^E			2004 ^E			2005 ^E		
	Current	Previous	% Chg.	Current	Previous	% Chg.	Current	Previous	% Chg.
Total Operating Income	76	76	0%	79	81	-2%	82	84	-2%
Advertising	34	34	0%	35	35	-2%	36	37	-1%
Circulation	39	39	0%	41	42	-3%	42	43	-3%
Others	4	4	0%	4	4	-6%	4	4	-6%
Cash Costs	64	64	0%	67	65	2%	69	67	2%
COGS	13	13	0%	14	14	-4%	14	15	-5%
Personnel Costs	18	18	0%	19	19	-1%	19	20	-2%
Other Operating Costs	33	33	0%	34	32	7%	35	33	7%
EBITDA	13	13	0%	12	16	-22%	13	16	-19%
EBITDA Margin	16.4%	16.4%		15.6%	19.6%		16.1%	19.5%	

Source: BPI Equity Research Estimates.

Overall, we expect the competitive environment to hamper Edimpresa's EBITDA margin evolution. We now expect Edimpresa's EBITDA margin to stabilise in 2004 and register a slight improvement in 2005.

Even though Impresa already announced that Edimpresa intends to launch or even acquire some magazines in 2004, our estimates do not account for any launch or acquisition.

Magazines P&L

(€ mn)	2002 ^A	2003 ^E	Δ	2004 ^E	Δ	2005 ^E	Δ
Total Operating Income	73	76	5%	79	4%	82	3%
Advertising	34	34	1%	35	2%	36	4%
Circulation	35	39	9%	41	6%	42	2%
Others	3	4	5%	4	2%	4	2%
Total Cash Costs	60	64	7%	67	5%	69	2%
COGS	12	13	6%	14	7%	14	2%
Personnel Costs	18	18	3%	19	2%	19	3%
Other Operating Costs	30	33	10%	34	6%	35	2%
EBITDA	13	13	-5.1%	12	-1%	13	7%
EBITDA Margin	18.1%	16.4%		15.6%		16.1%	

Source: BPI Equity Research Estimates

NEWSPAPERS

We revised our estimates for the Newspapers division to encompass the effects of:

- **a recovery in the classified ads market** that should propel advertising revenues at the division to perform stronger than the display press advertising market (5.4% vs. 4.0%).
- **Espresso's cover price went up by a further 3.4% in the beginning of January.** We believe that the **push for further supplements in 2004,**

particularly with the return of the Summer Guides, **should allow a stabilisation of circulation levels** despite the price increase. In 2003, Espresso's cover price increased by 16% and its circulation levels fell close to 2%.

- **Espresso's intention to replicate the 2003 edition of "Os Lusíadas"**. The "Os Lusíadas" project aimed at publishing a significant work to commemorate Espresso's 30th anniversary. The success of the edition has Espresso studying similar projects capable of catching its readers' interest. Thus, what was supposed to be a one-off effect should probably become a yearly activity in the future.
- **The favourable evolution of paper prices provides for further cost savings.** European paper producers are currently pressured to adjust their prices in Euros to those of their North American counterparts, benefiting paper buyers such as media groups.

Newspapers P&L

(€ mn)	2003 ^E			2004 ^E			2005 ^E		
	Current	Previous	% Chg.	Current	Previous	% Chg.	Current	Previous	% Chg.
Total Operating Income	51	50	0%	52	50	5%	54	52	4%
Advertising	32	32	0%	34	33	1%	35	34	2%
Circulation	15	17	-9%	16	15	2%	16	16	0%
Others	3	1	125%	3	1	125%	3	1	125%
Cash Costs	42	42	0%	41	41	1%	43	42	2%
COGS	7	7	0%	7	7	-6%	7	8	-6%
External Supplies & Services	18	18	0%	17	17	3%	18	17	5%
Personnel Costs	18	18	0%	17	17	3%	18	17	3%
EBITDA	8	8	0%	11	9	18%	11	10	14%
EBITDA Margin	16.2%	16.2%		21.0%	18.5%		21.0%	19.2%	

Source: BPI Equity Research Estimates

Please note that we did not revise our 2003 estimates for the newspapers division. The change in 2003 estimates is related to the transfer of the revenues coming from the "Os Lusíadas" sales from Circulation to Other Revenues.

Newspapers P&L

(€ mn)	2002 ^A	2003 ^E	Δ	2004 ^E	Δ	2005 ^E	Δ
	Total Operating Income	51	51	0%	52	4%	54
Advertising	36	32	-9%	34	4%	35	4%
Circulation	14	15	12%	16	4%	16	2%
Others	1	3	136%	3	5%	3	5%
Total Cash Costs	46	42	-9%	41	-2%	43	3%
COGS	9	7	-16%	7	-4%	7	3%
External Supplies & Services	19	18	-9%	17	-2%	18	3%
Personnel Costs	19	18	-5%	17	-2%	18	3%
EBITDA	4	8	96.4%	11	34%	11	4%
EBITDA Margin	8.2%	16.2%		21.0%		21.0%	

Source: BPI Equity Research Estimates.

CONSOLIDATED ACCOUNTS

Consolidated P&L

(€ mn)	2002	2003 ^E		2004 ^E		2005 ^E	
Total Operating Income	251	265	6%	284	7%	296	4%
Television	130	143	10%	157	10%	165	5%
Magazines	73	76	5%	80	5%	82	3%
Newspapers	51	51	0%	53	5%	55	3%
Intragroup	-3	-5	61%	-6	19%	-6	4%
Total Cash Costs	238	222					
COGS	85	90	6%	90	1%	91	1%
External Supplies & Services	86	71	-17%	73	3%	74	2%
Personnel Costs	68	62	-9%	61	-1%	63	3%
EBITDA	12	43	247%	60	39%	67	12%
EBITDA Margin	4.9%	16.2%		21.1%		22.7%	

Source: BPI Equity Research Estimates.

Overall, three major factors contribute to our estimate of an € 60 mn EBITDA in 2004, which should equal the Group's record EBITDA achieved in the peak year of the advertising market in 2000:

- **Impresa's ability to reduce its cost base**, which now enables the company to benefit from an upturn in the advertising market;
- **A recovery in the advertising market**, which should allow Impresa to take advantage of its operating leverage;
- **The devaluation of the USD**, which allows for cost savings in programming costs at SIC and paper costs in the Magazines and Newspapers divisions.

Our € 60 mn EBITDA estimate compares with the company's guidance of € 55 mn for 2004, which we believe to be conservative in face of the recent USD devaluation. **We would not be surprised if Impresa revised its guidance following its YE03 Results Presentation on the 11th March.**

Even though Impresa should continue its effort to reduce Trade Payables, particularly at SIC, to benefit from more advantageous conditions with direct impact in COGS, we believe 2004 should demonstrate the Group's capacity to generate cash in a good year. Without considering any asset sales, we believe Impresa should be able to reduce its Net Debt by € 33 mn from € 148 mn to € 115 mn by the end of 2004.

SIC building sold and more asset sales on the way...

SIC already closed a "sale and lease-back" operation of the SIC building, which involved an amount of € 11.1 mn. This should allow a reduction in the same amount in Net Debt on top of the € 33 mn reduction achieved through operations. The extra savings reached allow SIC to encompass almost € 1 mn rent from the lease and to benefit from the reduction in Net Debt in its valuation.

Additionally, Impresa still holds in its Balance Sheet two portions of land in Lisbon with permission to develop office space and valued at € 11.7 mn. The first piece is currently being used as a guarantee for an € 7.5 mn loan and a possible sale could come to fruition in 2004. The other is currently on SIC's books for € 4.2 mn and is awaiting approval for development of office space towards a possible sale in 2005.

Impresa's Liquidity and Debt Ratios

	2002	2003 ^E	2004 ^E	2005 ^E
Interest Coverage	1.9x	4.3x	7.1x	10.4x
Debt/Shareholders' Equity	180.2%	149.1%	95.1%	71.7%
Debt/Market Cap	46.3%	45.0%	31.9%	27.5%
Debt/EBITDA	12.8x	3.6x	1.8x	1.4x

Source: BPI Equity Research.

In its guidance for 2004, Impresa stated its goal of reaching a 110% gearing by YE without considering the sale of any non-core asset. We believe the company is definitely on the right track.

Consolidated P&L

(€ mn)	2002 ^A	Δ	2003 ^E	Δ	2004 ^E	Δ	2005 ^E	Δ	2006 ^E	Δ
Total Operating Income	250.7	-16.7%	265.2	5.8%	284.1	7.2%	295.7	4.1%	307.1	3.9%
Television	130.4	-9.7%	143.2	9.9%	157.0	9.6%	164.6	4.8%	171.9	4.4%
Magazines	72.8	-3.6%	76.2	4.7%	79.9	4.8%	82.4	3.2%	85.0	3.2%
Newspapers	50.5	-13.0%	50.5	-0.1%	53.0	4.9%	54.7	3.2%	56.4	3.2%
Distribution	0.0		0.0		0.0		0.0		0.0	
Intragroup	-3.0	-86.1%	-4.8	61.0%	-5.7	19.1%	-5.9	4.1%	-6.1	3.9%
Gross margin	166.0	-2.7%	175.4	5.7%	193.9	10.5%	204.3	5.4%	213.3	4.4%
External Supplies & Services	85.5	-19.8%	70.7	-17.3%	73.0	3.2%	74.5	2.1%	76.3	2.5%
Personnel Costs	68.0	-10.8%	61.8	-9.2%	61.1	-1.1%	62.7	2.6%	64.3	2.6%
EBITDA	12.4	-187.5%	42.9	246.5%	59.9	39.5%	67.1	12.1%	72.6	8.2%
EBITDA Margin	4.9%		16.2%		21.1%		22.7%		23.6%	
Depreciation & Provision	32.1	7.3%	23.7	-26.1%	19.2	-18.9%	18.7	-3.1%	17.8	-4.3%
EBIT	-19.8	-55.2%	19.2	-197.0%	40.6	111.7%	48.5	19.4%	54.8	13.0%
EBIT Margin	-7.9%		7.2%		14.3%		16.4%		17.8%	
Net Financial Expenses	-21.0	-2.4%	-21.2	1.2%	-19.7	-7.2%	-16.8	-14.9%	-13.9	-17.4%
Extraordinaries	0.3	-101.9%	1.9	485.9%	2.1	8.3%	0.0	-	0.0	-
EBT	-40.4	-51.1%	-0.1	-99.7%	23.0	-	31.7	37.8%	40.9	29.1%
Income Tax	-2.3	-82.7%	0.0	-99.7%	2.1	-	3.6	76.2%	4.7	29.1%
Minority Interest	-10.1	-40.0%	4.5	-	9.4	107.5%	11.6	23.8%	13.7	17.8%
Net Profit	-28.0	-46.5%	-4.6	-83.4%	11.6	-	16.4	42.3%	22.5	37.1%
Goodwill	9.9	0.0%	11.1	12.1%	11.1	0.0%	11.0	-0.3%	10.8	-2.1%
Adjusted Net Profit	-18.1	-57.3%	6.4	-135.4%	22.6	252.4%	27.5	21.5%	33.3	21.3%

Source: Impresa (A) and BPI Equity Research Estimates.

Consolidated Balance Sheet

(€ mn)	2002 ^A	2003 ^E	2004 ^E	2005 ^E	2006 ^E
Net Intangibles	180.4	166.9	155.9	144.9	134.2
Net Fixed Assets	82.9	77.6	63.7	62.6	62.6
Investments	7.4	7.4	7.4	7.4	7.4
MLT Debtors	0.0	0.0	0.0	0.0	0.0
Total LT Assets	270.7	251.9	226.9	214.9	204.2
Inventories	42.3	44.2	44.7	45.4	46.6
ST Receivables	41.4	43.8	47.0	48.9	50.7
Accruals & Deferrals	36.9	39.0	41.8	43.5	45.2
Other ST Assets	26.1	22.4	23.8	24.7	25.5
Cash & Equivalents	10.4	5.6	5.3	32.0	68.2
Net Assets	427.8	406.9	389.5	409.3	440.4
Equity	87.8	103.2	114.7	131.2	153.7
Minorities	12.8	17.4	26.7	38.3	52.0
Provisions	33.6	16.0	17.1	17.8	18.5
MLT Liabilities	129.0	135.3	125.6	114.6	103.5
o.w. debt	111.6	116.9	105.9	94.0	82.2
ST Liabilities	131.8	100.5	68.3	68.8	72.6
o.w. debt	46.7	36.9	3.3	0.0	0.0
Accruals & Deferrals	32.7	34.6	37.1	38.6	40.1
Liabilities	293.5	270.4	230.9	221.9	216.2
Equity + Minorities + Liabilities	427.8	406.9	389.5	409.3	440.4

Source: Impresa (A) and BPI Equity Research Estimates.

Cash-flow Statement

(€ mn)	2002 ^A	2003 ^E	2004 ^E	2005 ^E	2006 ^E
+ EBIT	-19.8	19.2	40.6	48.5	54.8
+ Dep. & Amort.	22.3	18.8	13.9	13.0	12.0
- Changes Working Capital	1.2	-24.0	-4.9	-1.2	-1.9
= Operating Cash Flow	3.7	14.1	49.6	60.2	64.9
- Capex	-45.0	-10.7	0.3	-11.7	-11.8
- Net financial investments	7.0	0.0	0.0	0.0	0.0
= Cash Flow after Investments	-34.2	3.4	49.9	48.5	53.1
- Net financial expenses	-11.1	-10.2	-8.7	-5.8	-3.1
- Taxes paid	2.3	0.0	-2.1	-3.6	-4.7
- Dividends Paid	0.0	0.0	0.0	0.0	0.0
- Other	2.0	-14.6	3.9	1.9	1.9
+ Equity increase	-0.8	20.0	0.0	0.0	0.0
= Changes in Net Debt	41.9	1.4	-43.1	-41.0	-47.2

Source: Impresa (A) and BPI Equity Research Estimates.

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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 31st December BPI Equity Research's investment ratings were distributed as follows:

	%
Buy / Speculative Buy	25%
Accumulate	31%
Hold	19%
Reduce	13%
Sell	1%
Under Revision	11%
Total	100%

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