

Impresa

Accumulate

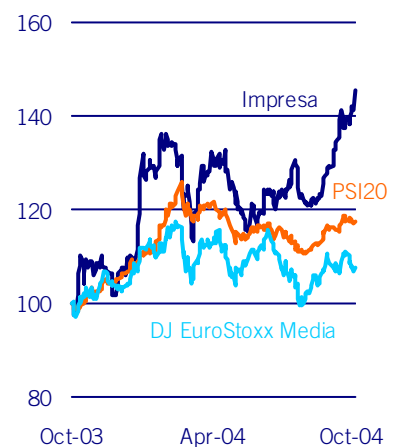
21st October 2004

Spain

Earnings and Valuation Update

- ▶ After the completion of the restructuring process the company is now focusing its attention on operations. **We again stress that the expected advertising market performance should allow Impresa to improve its margins in future years in a scenario where we estimate (1) the maintenance of audience shares at SIC, (2) the launch of 3 magazines in late 2004 and 2005, (3) the launch of one political publication in the Newspapers division and (4) above all, the ability to keep a tight reign on costs even in a favourable environment.**
- ▶ **We expect Impresa to surpass its EBITDA record in 2004 (€ 62.0 mn) and reach a Net Profit for the first time since its listing in 2000.** The positive advertising market momentum should allow the company to improve its consolidated EBITDA margin from 24.0% in 2004 to 26.0% in 2007.
- ▶ **We value Impresa through a SoP DCF analysis and after revising our estimates reached a YE05 Price Target of € 5.45 per share, which leads us to upgrade our recommendation to ACCUMULATE.** Please note that given the high visibility media assets reached with a strong speculation concerning possible consolidation moves and the recent investment of RTL in Media Capital, **we are now taking the 10% small cap discount from our valuation.**

Impresa vs. PSI20 and DJ Eurostoxx Media



Source: Bloomberg.

Stock data

Risk	High	Sector	Media
Price	4.66	Price Target	5.45
PSI20	7 447	No. of shares (mn)	84.0
Index Weight	0.7%	Market Cap (€ mn)	391
Reuters/Bloomberg	IPRN.IN/IPR PL	EV (€ mn)	429
Avg. Daily Turnover (€ mn)	0.5	Free-Float	33%
Major Shareholders:	Impreger (52.2%), BPI (15.2%)		

Note: BPI has appointed a non-executive member of the Board. BPI Group holds 15.2% of Impresa and 41% of SIC.

Estimates (€)	2001	2002	2003	2004 ^E	2005 ^E	2006 ^E	2007 ^E
EPS	-0.43	-0.25	0.01	0.21	0.29	0.33	0.36
PER	n.s.	n.s.	n.s.	21.8	16.2	14.4	12.9
CEPS	-0.15	0.05	0.15	0.31	0.38	0.41	0.45
P/CE	n.s.	n.s.	30.9	15.1	12.3	11.4	10.3
EV/EBITDA	n.s.	57.5	18.6	10.6	9.5	8.8	8.2
EV/Sales	2.5	2.8	2.7	2.7	2.5	2.4	2.3

Source: BPI Equity Research (E), Bloomberg.

Analyst

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Historical Recommendation

Date	Recommendation
12-Sep-00	Accumulate
01-Jan-02	Hold
17-Jan-03	Reduce
18-Mar-03	Hold
28-Jul-03	Accumulate
28-Oct-03	Under revision
05-Nov-03	Hold
26-Jul-04	Under Revision

Source: BPI Equity Research.

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

INVESTMENT CASE

Impresa is one of the leading media companies in Portugal. Its portfolio includes a 51% stake in SIC, currently fighting head-to-head for the coveted prize of TV market leadership, a 50% stake in Edimpresa, the major Portuguese consumer magazines publisher together with the weekly newspaper Expresso, one of the most sought-after in the country.

Since the beginning of 2003 Impresa has been positively surprising the market in every earnings release. **After a successful restructuring process completed in 2003, the company has been reaping the benefits from the advertising market recovery in 2004 and taking advantage of the operating leverage of the media business, particularly in the TV segment.** We expect this trend to continue as we have upgraded our advertising estimates for 2004 and 2005.

After the completion of the restructuring process the company is now focusing its attention on operations. **We again stress that the expected advertising market performance should allow Impresa to improve its margins in future years in a scenario where we estimate (1) the maintenance of audience shares at SIC, (2) the launch of 3 magazines in late 2004 and 2005, (3) the launch of one political publication in the Newspapers division and (4) above all, the ability to keep a tight reign on costs even in a favourable environment.**

We expect Impresa to surpass its EBITDA record in 2004 (€ 62.0 mn) and reach a Net Profit for the first time since its listing in 2000. The positive advertising market momentum should allow the company to improve its consolidated EBITDA margin from 24.0% in 2004 to 26.0% in 2007.

2004 should also be confirmation of Impresa's cash generation ability. We expect the company to close 2004 with a € 92.5 mn Net Debt, a 57 mn reduction when compared to YE03. Part of this reduction should result from a "sale and leaseback" operation involving SIC's building but it still shows, yet again, the enormous operating leverage of the media business.

At the beginning of 2003, in our Impresa reports, we were discussing the possibility of financial distress in the event of the advertising market not performing to our expectations. **Almost two years have elapsed and we are expecting the company to disclose whether it plans to continue investing in the media sector either through new projects or even consolidation moves or alternatively, whether it will start remunerating shareholders while implementing a dividend policy.**

In terms of consolidation within the Portuguese media sector, Impresa could have a limited role. The unwillingness of Impresa's major shareholder, Mr. Balsemão, to abdicate from his controlling stake clearly reduces Impresa's options. However, Impresa could still play a role in the case where PT Multimedia possibly sells its Lusomundo Media assets separately.

Nonetheless, we believe Impresa could benefit from the unveiling of value resulting from the visibility of media assets arising from speculation of a possible consolidation move in the press segment or from an increase of RTL's stake in Media Capital. For this reason, we are taking away the 10% discount we used to apply to the stock in our valuation.

Will the long-awaited consolidation in the Portuguese media sector ever come to fruition? PT Multimedia has already classified Lusomundo Media as a "less strategic but valuable asset" while Cofina's CEO, Mr. Paulo Fernandes, considers that consolidation in the sector "is inevitable". However, PT's CEO, Mr. Horta e Costa, stated in a recent interview that nothing should happen on the consolidation front, at least within the next 12 months.

The controversy surrounding the possible consolidation of the Portuguese media sector, particularly after a renowned political pundit left TVI amidst non-confirmed rumours that he suffered pressures from Media Capital's management to refrain its negative comments on the Government's performance, **should probably refrain speculation in the short-term.**

Although we believe Impresa can reach our estimates in the future, its activity also comprises some risks that cannot be neglected and must be monitored closely:

- **Advertising Market:** we expect a positive performance from the advertising market based on our expectation of an economic recovery. **Should the economy perform below our expectations then the advertising market, closely correlated with economic performance, could suffer a downturn;**
- **TV Audience Shares:** we believe the Portuguese TV market is reaching maturity and that barring any exceptional program, the audience shares of each operator should remain stable. **Curiously, we are currently experiencing a period in which one of those exceptional programmes has been launched** at SIC's competitor, TVI. According to our calculations, "Celebrities Farm", launched on the 3rd October, has been posting a close to 50% average audience share in its first 15 days, most of it in prime-time. This has allowed TVI to extend its lead in prime-time and conquer the overall audience share lead during early October. Even though we do not believe such an audience share is sustainable, this could attract viewers to other TVI programmes and structurally change audience share scenarios in the future. For now, we keep our stable audience shares scenario.

We value Impresa through a SoP DCF analysis and after revising our estimates reached a YE05 Price Target of € 5.45 per share., which leads us to upgrade our recommendation to **ACCUMULATE**. Please note that given the high visibility media assets reached with a strong speculation concerning possible consolidation moves and the recent investment of RTL in Media Capital, **we are now taking the 10% small cap discount from our valuation.**

VALUATION UPDATE

We value Impresa through a SoP DCF analysis and reach a YE05 Price Target of € 5.45 per share, which leads us to upgrade our recommendation to **ACCUMULATE**. Please note that given the high visibility media assets reached with a strong speculation concerning possible consolidation moves and the recent investment of RTL in Media Capital, **we are now taking the 10% small cap discount from our 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 9.2% 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.

Please note that we have also upgraded our estimates for VASP, a press distribution company in which Impresa holds a 33% stake. The proliferation of sales of alternative products has led the company to significantly increase Turnover and consequently its EBITDA. We now estimate a € 8.7 mn EBITDA for 2005 to which we apply a 6x EV/EBITDA multiple in our valuation.

Impresa Sum-of-the-Parts DCF (€ mn)

Business Area	EV	Net Debt	Impresa's Stake	Equity Value	Implied Multiples
TV	515	0	51.0%	263	EV/EBITDA 05 = 10.1x; EV/Sales = 2.9x
Magazines	146	12	50.0%	67	EV/EBITDA 05 = 11.1x; EV/Sales = 1.7x
Newspapers	174	0	100.0%	174	EV/EBITDA 05 = 11.1x; EV/Sales = 2.9x
Holding Costs	-27		100.0%	-27	
Total	835	12		477	
(+) Distribution			33.3%	17	6x 2004 EV/EBITDA Multiple
(+) Other Non-Core Assets			12		
(-) Net Debt				49	
Equity Value				456	
# Shares				84.0	
YE05 FV per share				5.43	

Source: BPI Equity Research Estimates.

SIC DCF VALUATION

DCF: SIC

(€ mn)	2006 ^E	2007 ^E	2008 ^E	2009 ^E	2010 ^E	2011 ^E	2012 ^E	2013 ^E	2014 ^E	TV
EBIT	39	44	46	48	52	54	56	58	61	
Tax Rate	0.0%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	
(+) EBIT x (1-Tax Rate)	39	32	34	35	38	39	41	42	44	44
(+) Depreciation	9	9	8	8	8	8	9	9	9	9
(-) Chg. Working Capital	-2	-1	-1	-1	-1	-1	-1	-1	-1	-1
(-) Capex	-8	-8	-8	-8	-8	-8	-9	-9	-9	-9
(=) Free Cash Flow	39	31	33	33	37	39	40	42	43	43
Discounted FCF	35	26	25	23	23	22	21	20	18	302
Enterprise Value	515									

Source: BPI Equity Research Estimates.

NEWSPAPERS DIVISION VALUATION

DCF: Newspapers Division

(€ mn)	2006 ^E	2007 ^E	2008 ^E	2009 ^E	2010 ^E	2011 ^E	2012 ^E	2013 ^E	2014 ^E	TV
EBIT	13	15	15	17	18	18	18	18	18	
Tax Rate	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	
(+) EBIT x (1-Tax Rate)	10	11	11	12	13	13	13	13	13	13
(+) Depreciation	2	2	2	1	1	1	1	1	1	1
(-) Chg. Working Capital	-1	0	0	0	0	0	0	0	0	0
(-) Capex	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
(=) Free Cash Flow	10	11	11	12	12	13	13	13	13	13
Discounted FCF	10	9	9	8	8	7	7	6	6	103
Enterprise Value	174									

Source: BPI Equity Research Estimates.

MAGAZINES DIVISION VALUATION

DCF: Magazines Division

(€ mn)	2006 ^E	2007 ^E	2008 ^E	2009 ^E	2010 ^E	2011 ^E	2012 ^E	2013 ^E	2014 ^E	TV
EBIT	12	13	13	14	14	14	15	15	15	
Tax Rate	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	
(+) EBIT x (1-Tax Rate)	8	9	9	10	10	10	11	11	11	11
(+) Depreciation	1	1	1	1	1	1	1	1	1	1
(-) Chg. Working Capital	0	0	0	0	0	0	0	0	0	0
(-) Capex	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
(=) Free Cash Flow	8	9	9	10	10	10	10	11	11	11
Discounted FCF	8	8	7	7	6	6	6	5	5	89
Enterprise Value	146									

Source: BPI Equity Research Estimates.

SENSITIVITY ANALYSIS

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

- Advertising from 2005 onwards;
- Advertising in 2005 only;
- TV advertising market share;
- Market risk premium;
- Nominal perpetuity growth rate;
- Risk-free rate.

We would highlight that Impresa is extremely sensitive to changes in the assumptions relative to the evolution of the advertising market and to a lesser extent, market shares of the TV ad market (indirectly TV audience shares).

SIC WACC Assumptions

Re	12.2%
Risk Free Rate	4.25%
Beta Equity	1.3
Market Premium	6.0%
Debt to Equity	40%
Tax Rate	30%
Rd	5.3%
WACC	9.8%
g	3.5%

Source: BPI Equity Research Estimates

Still, we would note that our DCF valuation only registers values below current market price only in the extreme scenarios of advertising market growth coming 1 or 2 p.p. below our estimates every year from 2005 onwards.

Impresa's Valuation Sensitivity

	Advertising Growth				
	-2%	-1%	Base Case	+1%	+2%
DCF Fair Value	3.16	4.25	5.43	6.71	8.09
Chg. To Base Case	-41.8%	-21.7%		23.5%	48.9%

	2005 Advertising Growth				
	-2%	-1%	Base Case	+1%	+2%
DCF Fair Value	5.10	5.26	5.43	5.60	5.76
Chg. To Base Case	-6.1%	-3.1%		3.1%	6.1%

	TV Advertising Market Share				
	38.1%	39.1%	40.1%	41.1%	42.1%
DCF Fair Value	4.94	5.19	5.43	5.67	5.92
Chg. To Base Case	-9.0%	-4.5%		4.5%	9.0%

	Perpetuity Growth Rate (g)				
	2.5%	3.0%	3.5%	4.0%	4.5%
DCF Fair Value	4.92	5.15	5.43	5.76	6.15
Chg. To Base Case	-9.5%	-5.1%		6.0%	13.2%

	Market Risk Premium				
	5.0%	5.5%	6.0%	6.5%	7.0%
DCF Fair Value	6.43	5.89	5.43	5.04	4.69
Chg. To Base Case	18.3%	8.4%		-7.3%	-13.6%

	Rf				
	3.75%	4.00%	4.25%	4.50%	4.75%
DCF Fair Value	5.90	5.66	5.43	5.22	5.03
Chg. To Base Case	8.7%	4.2%		-3.9%	-7.4%

Source: BPI Equity Research Estimates.

Newspapers WACC Assumptions

Re	11.4%
Risk Free Rate	4.25%
Beta Equity	1.2
Market Premium	6.0%
Debt to Equity	40%
Tax Rate	28%
Rd	5.3%
WACC	9.2%
g	3.5%

Source: BPI Equity Research Estimates

Magazines WACC Assumptions

Re	11.4%
Risk Free Rate	4.25%
Beta Equity	1.2
Market Premium	6.0%
Debt to Equity	40%
Tax Rate	28%
Rd	5.3%
WACC	9.2%
g	3.5%

Source: BPI Equity Research Estimates

MULTIPLES CROSS CHECK

Impresa is currently trading at an attractive multiple (9.8x vs. 11.5x EV/EBITDA 2005) when compared to its Iberian peers, thus reinforcing our view that under the current scenario, the stock still has upside. Please note however, that this Iberian multiples average is strongly influenced by the pay-TV operators PT Multimédia and Sogecable, which trade at higher multiples than other companies in the media industry. Still, even if taking away those two companies from the average, Impresa would still compare well, at 9.8x vs. 10.1x EV/EBITDA 2005.

Iberian Media

	Price	Currency	EV/Sales			EV/EBITDA		
			2004 ^E	2005 ^E	2006 ^E	2004 ^E	2005 ^E	2006 ^E
Antena 3	52.00	Eur	3.8	3.6	3.5	12.4	10.9	10.3
Impresa	4.55	Eur	2.8	2.6	2.5	11.0	9.8	9.1
Media Capital	5.23	Eur	2.6	2.5	2.4	13.1	10.6	9.6
Prisa	14.47	Eur	2.0	1.9	1.8	10.0	9.1	8.4
PT Multimedia	18.26	Eur	4.1	3.8	3.5	14.9	13.7	11.7
Recoletos	5.99	Eur	2.2	2.0	1.8	13.3	10.7	9.7
Sogecable	30.30	Eur	4.7	4.3	3.8	24.1	18.5	14.4
Telecinco	15.43	Eur	4.8	4.5	4.3	10.4	9.6	9.1
TPI	5.64	Eur	3.7	3.5	3.3	11.1	10.4	9.9
Average			3.4	3.2	3.0	13.3	11.5	10.2
Impresa @ Price Target	5.45	Eur	3.2	3.0	2.9	12.8	11.4	10.6

Source: BPI Equity Research Estimates, IBES (Telecinco).

The implied EV/EBITDA multiple in our DCF valuation for the TV division is above the sector average for 2005 but below those which Antena 3 and Media Capital are trading at. The implied multiples in our DCF valuations for the Newspapers and Magazines divisions also come above the respective sector average.

TV Multiples

	Price	Currency	EV/Sales			EV/EBITDA		
			2004 ^E	2005 ^E	2006 ^E	2004 ^E	2005 ^E	2006 ^E
TF1	22.4	Eur	1.8	1.7	1.6	10.1	9.3	9.3
Mediaset	9.0	Eur	3.3	3.1	2.9	6.9	6.5	6.3
Prosieben	14.0	Eur	1.8	1.8	1.7	10.6	9.3	8.4
M6 - Metropole Television	20.6	Eur	2.0	1.9	1.8	8.1	7.4	7.0
ITV	107.3	GBP	2.3	2.3	2.2	14.5	10.2	9.7
RTL	51.0	Eur	1.8	1.7	1.6	12.4	11.1	7.7
Antena 3 (BPI Estimates)	52.0	Eur	3.8	3.6	3.5	12.4	10.9	10.3
Telecinco	15.4	Eur	4.8	4.5	4.3	10.4	9.6	9.1
Media Capital (BPI Estimates)	5.2	Eur	2.6	2.5	2.4	13.1	10.6	9.6
Average			2.7	2.6	2.4	10.9	9.4	8.6
SIC Implied Multiples			3.1	2.9	2.8	11.7	10.1	9.8

Source: IBES, BPI Equity Research Estimates.

Newspapers Multiples

	Price	Currency	EV/Sales			EV/EBITDA		
			2004 ^E	2005 ^E	2006 ^E	2004 ^E	2005 ^E	2006 ^E
Daily Mail	718.5	GBP	1.8	1.8	1.7	10.8	10.2	9.6
L'Espresso	4.2	Eur	1.9	1.8	1.8	8.7	8.2	7.8
Independent News & Media	2.2	Eur	2.2	2.1	2.0	10.3	9.7	9.0
Telegraaf	18.0	Eur	1.4	1.3	1.2	14.1	10.4	8.9
Trinity Mirror	653.0	GBP	2.2	2.1	2.1	8.6	8.2	7.8
Average			1.9	1.8	1.8	10.5	9.3	8.6
Newspapers Implied Multiples			3.1	2.9	2.8	11.9	11.1	10.3

Source: IBES, BPI Equity Research Estimates.

Consumer Magazines Multiples

	Price	Currency	EV/Sales			EV/EBITDA		
			2004 ^E	2005 ^E	2006 ^E	2004 ^E	2005 ^E	2006 ^E
Emap	770.0	GBP	2.1	2.0	1.9	9.7	9.0	8.6
Edipresse	635.0	CHF	1.1	1.0	1.0	9.2	8.0	7.4
Mondadori	7.5	Eur	1.2	1.2	1.2	8.3	7.9	7.3
Average			1.5	1.4	1.4	9.1	8.3	7.8
Edimpresa Implied Multiples		1.8	1.7	1.6	11.8	11.0	9.3	

Source: IBES, BPI Equity Research Estimates (Edimpresa).

EARNINGS REVISION

This earnings revision is essentially powered by a (1) better than expected performance of the Portuguese advertising market in the 1H04, (2) the launch of 4 new magazines at Edimpresa and (3) a fine-tuning of our model following the 1H04 results.

ADVERTISING MARKET

The Portuguese advertising market posted an impressive performance in the 1H04 irrespective of the consulted source. In fact, if one uses OMD estimates, the market has grown 18% while if using Marktest the market has gone up 14%. The bottom line is that the market surpassed our expectations and we have revised our estimates for YE04.

Additionally, we believe that 2005 could be another good year for the advertising market given the prospects of a better macro-economic environment not only in Portugal but also throughout most developed economies in the world. Please note that investment by multinational companies in advertising, represents approximately 70% of the total Portuguese advertising market.

Advertising Market in Portugal

	2004 ^E	%	2005 ^E	%	2006 ^E	%	2007 ^E	%
TV	306	11%	329	8%	342	4%	355	4%
Cable	19	30%	22	15%	24	10%	26	10%
Daily Press	47	9%	50	5%	52	4%	54	4%
Non-Daily Press	103	6%	109	5%	113	4%	117	4%
Radio	53	15%	55	5%	57	4%	60	4%
Outdoors	89	20%	93	5%	97	4%	100	4%
Cinema	5	0%	5	5%	6	4%	6	4%
Internet	2	20%	3	10%	3	4%	3	4%
Total	625	12%	666	7%	694	4%	721	4%

Source: BPI Equity Research Estimates.

Advertising Market in Portugal

(€ mn)	2004 ^E			2005 ^E			2006 ^E			2007 ^E		
	Current	Previous	% Chg.	Current	Previous	% Chg.	Current	Previous	% Chg.	Current	Previous	% Chg.
TV	306	301	2%	329	310	6%	342	322	6%	355	333	7%
Cable	19	16	18%	22	17	26%	24	18	34%	26	19	42%
Daily Press	47	46	2%	50	48	3%	52	50	3%	54	52	4%
Non-Daily Press	103	103	0%	109	107	1%	113	112	1%	117	115	1%
Radio	53	49	8%	55	50	10%	57	52	10%	60	54	10%
Outdoors	89	78	14%	93	80	17%	97	83	17%	100	86	17%
Cinema	5	5	-5%	5	6	-5%	6	6	-5%	6	6	-4%
Internet	2	2	0%	3	3	0%	3	3	0%	3	3	0%
Total	625	600	4%	666	621	7%	694	646	7%	721	668	8%

Source: BPI Equity Research Estimates.

Our estimate of 11.9% growth for the Portuguese advertising market in 2004 is still below that announced by OMD in September (ie. +14%), but has a significant difference: while we expect the TV segment to grow 11% and above the press segment, OMD estimates a 10% growth, only above Internet and Cinema.

A 6.5% growth in 2005 could be quite surprising as the general idea remains that one-off events such as the Euro 2004 and Rock in Rio had a very strong impact on 2004 performance and that in 2005, the advertising market would be penalised accordingly. We believe however, that better economic prospects will lead announcers to try and capture the attention of an improved domestic demand. In our opinion in 2005, TV will continue to outperform other segments as operators should keep pushing for agency discount reductions. We expect TV advertising to grow some 7.5% in 2005 vs. a market growth of 6.5%. This could be quite surprising as the general idea remains that one-off events such as the Euro 2004 and Rock in Rio had a very strong impact on 2004 performance and that in 2005 the advertising market would be penalised accordingly. According to both Impresa and Media Capital, the impact of Euro 2004 was not as strong as initially thought.

OMD Portugal's CEO stated that a double-digit growth was not out of the question for 2005. With a still reduced visibility on the outlook for 2005, we are not prepared to be as aggressive.

TELEVISION - SIC

Apart from the changes implied in our advertising estimates revision, we only performed a fine-tuning of the model according to 1H04 results. This prompted an improvement in our estimated EBITDA margin in 2004 and across our estimation period.

In what respects TV advertising, we were previously estimating a 9% YoY growth based on the natural growth of the market and the reduction of agency commissions. **We are now expecting the TV advertising market to grow 11%.** Our YE04 advertising revenues estimate for SIC implies a 6% YoY growth in the 2H04. The 2H04 should be a tougher comparable as it comprises the strongest quarter of the year (4Q) and the pick-up of the advertising market started from the 4Q03.

For 2005, despite yet another strong year in TV advertising, we estimate programming costs to go up by 4%. Please note that in 2004 SIC invested € 2 mn in Euro 2004 matches and highlights, which gives it a comfortable cushion to invest more in programming in 2005 and still maintain costs under control.

Just another note to make is that in our model, we maintain audience shares stable relative to YE03. Even though SIC had a strong 1H04, its comparable basis was easier than that of TVI. The reverse will happen in the 2H04, particularly in the 4Q04. As we find it extremely difficult to estimate the evolution of audience shares we have kept it stable throughout the period of estimation.

In 2006, the fall in EBITDA margin is related to an expected recovery of the USD, which has a negative impact in SIC's programming costs.

SIC Estimates Revision

(€ mn)	2004 ^E			2005 ^E			2006 ^E			2007 ^E		
	Current	Previous	% Chg.	Current	Previous	% Chg.	Current	Previous	% Chg.	Current	Previous	% Chg.
Total Operating Income	165	160	3%	177	167	6%	186	174	7%	193	181	7%
Advertising	125	121	3%	135	126	7%	140	131	7%	146	136	8%
Thematic Channels	29	29	0%	31	31	2%	34	33	4%	37	35	6%
Others	10	10	5%	11	10	6%	12	11	5%	11	10	6%
Cash Costs	121	119	2%	126	121	4%	133	127	5%	137	129	6%
COGS	71	69	3%	74	70	6%	79	74	7%	81	75	9%
External Supplies & Services	23	23	0%	24	23	4%	26	25	5%	27	25	7%
Personnel Costs	27	27	-1%	27	28	-1%	28	28	-1%	29	29	-1%
EBITDA	44	41	6%	51	46	11%	53	47	11%	57	52	9%
EBITDA Margin	26.7%	25.9%		28.8%	27.5%		28.2%	27.2%		29.3%	28.7%	

Source: BPI Equity Research Estimates.

Television P&L

(€ mn)	2004 ^E		2005 ^E		2006 ^E		2007 ^E	
Total Operating Income	165	14%	177	7%	186	5%	193	4%
Advertising	125	14%	134.9	8%	140.4	4%	146	4%
Thematic Channels	29	11%	31	7%	34	8%	37	8%
Others	10	17%	11	3%	12	8%	11	-5%
Total Cash Costs	121	2%	126	4%	133	6%	137	2%
COGS	71	3%	74	4%	79	7%	81	3%
Personnel Costs	27	-3%	27	2%	28	2%	29	2%
Other Operating Costs	23	3%	24	6%	26	7%	27	2%
EBITDA	44	71%	51	16%	53	3%	57	8%
EBITDA Margin	26.7%		28.8%		28.2%		29.3%	

Source: BPI Equity Research Estimates

MAGAZINES - EDIMPRESA

We revised our estimates for Edimpresa to take into account an increasing weight of alternative product sales jointly with the magazines. This also led to a fine-tuning of our operating costs for 2004. Newspapers and Magazines have been feeding off this new source of revenues and this currently successful activity indicates that they will keep increasing their promotions in future years.

Impresa has already announced that Edimpresa will launch 2 new magazines in 2005: (1) the Portuguese version of "FHM" and (2) "Caras Angola", the extension of the magazine to the Angolan market. Additionally, **Edimpresa also leveraged on a positive experience in August to launch a permanent version of "Visão Junior" in October.**

This revision hiked a 7% upward change in our Turnover estimates. However, the launching costs of "FHM" should take its toll on EBITDA margin. "FHM" is a leading magazine in almost every market it is present and Edimpresa should probably vow for the leadership in Portugal. To achieve that, we expect a massive campaign to gain ground in a segment already bulging with competitors.

We expect EBITDA margin to stay put in 2005 and Edimpresa to "collect" the benefits from a stronger advertising market in 2006. This assumes that the company does not launch any other magazines. However, we would not be surprised if further plans to launch new magazines are disclosed in the near future.

Magazines P&L

(€ mn)	2004 ^E			2005 ^E			2006 ^E			2007 ^E		
	Current	Previous	% Chg.	Current	Previous	% Chg.	Current	Previous	% Chg.	Current	Previous	% Chg.
Total Operating Income	41	39	3%	44	41	7%	45	42	8%	47	43	8%
Advertising	17	17	0%	19	18	3%	19	19	3%	20	19	3%
Circulation	20	20	2%	22	20	6%	22	21	6%	23	21	6%
Others	3	2	37%	4	2	53%	4	2	64%	4	2	73%
Cash Costs	35	34	3%	37	34	8%	37	35	7%	38	36	7%
COGS	6	6	5%	7	6	16%	8	6	19%	8	7	19%
Personnel Costs	10	10	1%	10	10	4%	11	10	4%	11	11	4%
Other Operating Costs	18	18	3%	19	18	7%	19	18	4%	20	19	4%
EBITDA	6	6	4%	7	6	4%	8	7	14%	8	7	17%
EBITDA Margin	15.1%	14.9%		15.1%	15.5%		17.2%	16.2%		17.5%	16.3%	

Source: BPI Equity Research Estimates.

Magazines P&L

(€ mn)	2004 ^E		2005 ^E		2006 ^E		2007 ^E	
	Current	% Chg.	Current	% Chg.	Current	% Chg.	Current	% Chg.
Total Operating Income	41	9%	44	7%	45	4%	47	3%
Advertising	17	6%	19	7%	19	4%	20	4%
Circulation	20	8%	22	6%	22	2%	23	2%
Others	3	40%	4	15%	4	10%	4	5%
Total Cash Costs	35	8%	37	7%	37	1%	38	2%
COGS	6	12%	7	13%	8	5%	8	2%
Personnel Costs	10	3%	10	5%	11	2%	11	3%
Other Operating Costs	18	9%	19	6%	19	-1%	20	2%
EBITDA	6	18%	7	7%	8	18%	8	5%
EBITDA Margin	15.1%		15.1%		17.2%		17.5%	

Source: BPI Equity Research Estimates

Please note that Edimpresa's estimates shown in this report account for only 50% of the company's P&L. Impresa now consolidates Edimpresa in proportion to its 50% stake and here we only show the estimates relevant to Impresa.

NEWSPAPERS

Our revision of the Newspaper division's top line comprises: (1) better prospects for the advertising market; (2) the launch of the Portuguese version of the political magazine, "Courier International" and (3) a stronger leverage on the "Expresso" brand to increase the sale of alternative products from 2005 onwards.

In terms of EBITDA margin we do not expect "Courier International" to have a major impact. The magazine should be produced by former "Expresso" journalists that were already on the company's payroll.

The newspaper division seems to be on "cruise speed" and we expect it to improve margins in the next few years as the advertising market improves.

Newspapers P&L

(€ mn)	2004 ^E			2005 ^E			2006 ^E			2007 ^E		
	Current	Previous	% Chg.	Current	Previous	% Chg.	Current	Previous	% Chg.	Current	Previous	% Chg.
Total Operating Income	56	55	3%	59	56	5%	62	58	7%	64	60	7%
Advertising	37	36	3%	38	37	4%	40	38	4%	41	40	4%
Circulation	15	16	-2%	16	16	1%	16	16	1%	17	17	1%
Others	4	3	24%	5	4	41%	6	4	55%	6	4	62%
Cash Costs	42	42	-1%	44	43	1%	45	44	2%	47	46	2%
COGS	7	7	0%	8	7	12%	9	8	12%	9	8	13%
Other Operating Costs	17	17	0%	18	18	0%	18	18	0%	19	19	0%
Personnel Costs	17	17	-1%	18	18	-1%	18	18	-1%	19	19	-1%
EBITDA	15	13	14%	16	13	19%	17	14	22%	18	14	24%
EBITDA Margin	25.9%	23.3%		26.3%	23.4%		27.1%	23.6%		27.5%	23.9%	

Source: BPI Equity Research Estimates

Newspapers P&L

(€ mn)	2004 ^E		2005 ^E		2006 ^E		2007 ^E	
Total Operating Income	56	11%	59	6%	62	4%	64	4%
Advertising	37	13%	38	5%	40	4%	41	4%
Circulation	15	2%	16	5%	16	2%	17	3%
Others	4	30%	5	20%	6	15%	6	10%
Total Cash Costs	42	-2%	44	5%	45	3%	47	3%
COGS	7	5%	8	16%	9	3%	9	4%
Other Operating Costs	17	-4%	18	3%	18	3%	19	3%
Personnel Costs	17	-2%	18	3%	18	3%	19	4%
EBITDA	15	73%	16	8%	17	7%	18	6%
EBITDA Margin	25.9%		26.3%		27.1%		27.5%	

Source: BPI Equity Research Estimates.

CONSOLIDATED ACCOUNTS

Consolidated P&L

(€ mn)	2003 ^A	2004 ^E	Chg	2005 ^E	Chg	2006 ^E	Chg	2007 ^E	Chg
Total Operating Income	266	258	-3%	276	7%	289	5%	300	4%
Television	145	165	14%	177	7%	186	5%	193	4%
Magazines	75	41	-45%	44	7%	45	4%	47	3%
Newspapers	51	56	11%	59	6%	62	4%	64	4%
Distribution	0	0		0		0		0	
Intragroup	-4	-4	-16%	-4	7%	-4	5%	-4	4%
Programming Costs	78	77	-2%	81	6%	86	6%	88	3%
Other Operating Costs	78	62	-21%	65	5%	67	3%	69	3%
Personnel Costs	69	58	-16%	60	3%	61	3%	63	3%
EBITDA	41	62	52%	70	14%	75	6%	80	7%
EBITDA Margin	15.4%	24.0%		25.5%		25.8%		26.6%	
Depreciation & Provisions	22	18	-17%	18	-2%	17	-4%	18	4%
EBIT	19	44	134%	52	20%	57	9%	62	8%
EBIT Margin	7.0%	16.9%		19.0%		19.8%		20.6%	
Net Financial Expenses	-21	-19	-10%	-16	-17%	-13	-15%	-11	-20%
Extraordinaries	1	1	36%	0	-	0	-	0	-
EBT	-1	26	n.s.	37	42%	44	19%	51	17%
Income Tax	5	8	42%	10	31%	12	19%	14	17%
Minority Interest	3	10	n.s.	13	27%	15	15%	17	15%
Net Profit	-10	8	n.s.	14	74%	17	24%	20	18%
Goodwill	11	10	-6%	10	0%	10	-1%	10	0%
Adjusted Net Profit	1	18	n.s.	24	32%	27	13%	30	11%

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

Please note that we do not have a 2003 pro-forma following the change in consolidation method of Edimpresa. Edimpresa was fully consolidated in 2003 and will be proportionately consolidated in 2004. This justifies the reason for a 46% fall in Magazines Revenues and a 3% fall in Consolidated Revenues in 2004.

Still, even with this change in accounting method we are expecting Impresa to beat its record EBITDA (€ 62.0 mn vs. € 60.1 mn with full consolidation of Edimpresa). If not changing the accounting method we estimate Impresa's EBITDA would reach € 68.1 mn. Obviously, the change in accounting method does not have any impact in terms of valuation.

We have also fine-tuned our estimates for Depreciation and Financial Results to encompass 1H04 trends.

Overall, we are expecting Impresa to post a € 7.9 mn Net Profit in 2004, its first positive bottom line since its listing in 2000.

As for Net Debt, we are expecting Impresa to close 2004 with a € 92.5 mn Net Debt, a 56.6 mn reduction relative to YE03. This performance demonstrates the company's ability to generate cash-flow in good years for the advertising market following its restructuring. Please note that 2004's reduction in Net Debt is also enhanced by the sale and leaseback of SIC's building.

Consolidated P&L

(€ mn)	2003 ^A	Chg	2004 ^E	Chg	2005 ^E	Chg	2006 ^E	Chg	2007 ^E	Chg	2008 ^E	Chg	2009 ^E	Chg	2010 ^E	Chg
Total Operating Income	266	6%	258	-3%	276	7%	289	5%	300	4%	311	4%	323	4%	335	4%
Television	145	11%	165	14%	177	7%	186	5%	193	4%	201	4%	209	4%	217	4%
Magazines	75	2%	41	-45%	44	7%	45	4%	47	3%	48	3%	49	3%	51	3%
Newspapers	51	0%	56	11%	59	6%	62	4%	64	4%	66	3%	69	4%	71	3%
Distribution	0		0		0		0		0		0		0		0	
Intragroup	-4	44%	-4	-16%	-4	7%	-4	5%	-4	4%	-4	4%	-4	4%	-5	4%
Programming Costs	78	-8%	77	-2%	81	6%	86	6%	88	3%	92	5%	97	5%	99	3%
External Supplies & Services	78	-9%	62	-21%	65	5%	67	3%	69	3%	71	3%	73	4%	75	3%
Personnel Costs	69	1%	58	-16%	60	3%	61	3%	63	3%	65	3%	67	3%	68	3%
EBITDA	41	n.s.	62	52%	70	14%	75	6%	80	7%	83	4%	86	3%	92	7%
EBITDA Margin	15.4%		24.0%		25.5%		25.8%		26.6%		26.7%		26.7%		27.4%	
Depreciation & Provision	22	-31%	18	-17%	18	-2%	17	-4%	18	4%	19	4%	18	-5%	18	2%
EBIT	19	n.s.	44	135%	52	20%	57	9%	62	8%	64	4%	68	6%	74	8%
EBIT Margin	7.0%		16.9%		19.0%		19.8%		20.6%		20.7%		21.1%		22.0%	
Net Financial Expenses	-21	-1%	-19	-10%	-16	-17%	-13	-15%	-11	-20%	-8	-26%	-4	-55%	1	-118%
Extraordinaries	1	n.s.	1	36%	0	-	0	-	0	-	0	-	0	-	0	-
EBT	-1	-96%	26	n.s.	37	42%	44	19%	51	17%	57	10%	65	14%	74	15%
Income Tax	5	n.s.	8	42%	10	30%	12	19%	14	17%	16	10%	18	14%	20	15%
Minority Interest	3	n.s.	10	n.s.	13	32%	15	15%	17	15%	19	9%	20	6%	22	10%
Net Profit	-10	-64%	8	n.s.	14	66%	17	23%	20	18%	22	11%	27	21%	32	18%
Goodwill	11	11%	10	-6%	10	0%	10	-1%	10	0%	10	0%	9	-13%	8	-12%
Adjusted Net Profit	1	n.s.	19	n.s.	24	29%	27	13%	30	11%	33	8%	36	10%	40	11%

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

Consolidated Balance Sheet

(€ mn)	2003 ^A	2004 ^E	2005 ^E	2006 ^E	2007 ^E	2008 ^E	2009 ^E	2010 ^E
Net Intangibles	167	146	135	125	114	104	95	87
Net Fixed Assets	73	50	48	48	48	46	47	47
Investments	3	3	3	3	3	3	3	3
MLT Debtors	0	0	0	0	0	0	0	0
Total LT Assets	243	199	186	176	165	153	144	137
Inventories	38	32	34	36	37	39	41	42
ST Receivables	52	44	47	49	51	53	55	57
Accruals & Deferrals	29	24	26	27	28	29	30	32
Other ST Assets	17	12	13	13	14	14	15	15
Cash & Equivalents	21	17	42	71	108	155	205	262
Net Assets	401	328	349	373	403	444	490	544
Equity	96	104	118	135	155	178	205	237
Minorities	16	25	38	53	70	89	109	130
Provisions	6	4	5	5	5	5	6	6
MLT Liabilities	136	118	106	95	84	81	77	73
o.w. debt	120	109	97	86	74	70	66	62
ST Liabilities	117	51	54	57	59	61	63	66
o.w. debt	50	0	0	0	0	0	0	0
Accruals & Deferrals	31	25	27	28	29	30	31	33
Liabilities	284	194	188	180	172	172	172	172
Equity + Minorities + Liabilities	401	328	349	373	403	444	490	544

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

Cash-flow Statement

(€ mn)	2003 ^A	2004 ^E	2005 ^E	2006 ^E	2007 ^E	2008 ^E	2009 ^E	2010 ^E
+ EBIT	19	44	52	57	62	64	68	74
+ Dep. & Amort.	8	12	11	10	11	11	10	10
- Changes Working Capital	-3	4	-3	-3	-1	-2	-2	-1
= Operating Cash Flow	24	60	61	65	71	73	76	82
- Capex	-3	22	-9	-10	-10	-9	-10	-10
- Net financial investments	4	0	0	0	0	0	0	0
= Cash Flow after Investments	25	82	52	55	61	64	66	72
- Net financial expenses	-10	-8	-5	-3	0	2	5	8
- Taxes paid	-5	-8	-10	-12	-14	-16	-18	-20
- Dividends Paid	0	0	0	0	0	0	0	0
- Other	-27	-2	0	0	0	0	0	0
+ Equity increase	18	0	0	0	0	0	0	0
= Changes in Net Debt	0	-64	-37	-41	-47	-51	-54	-60

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

Television P&L

(€ mn)	2003 ^A	2004 ^E	2005 ^E	2006 ^E	2007 ^E	2008 ^E	2009 ^E	2010 ^E								
Total Operating Income	145	11%	165	14%	177	7%	186	5%	193	4%	201	4%	209	4%	217	4%
Advertising	110	8%	125	14%	135	8%	140	4%	146	4%	150	3%	154	3%	159	3%
Thematic Channels	26	21%	29	11%	31	7%	34	8%	37	8%	40	8%	43	8%	46	8%
Others	9	23%	10	17%	11	3%	12	8%	11	-5%	11	4%	12	4%	12	4%
Programming Costs	69	-8%	71	3%	74	4%	79	7%	81	3%	85	5%	89	5%	92	2%
External Supplies & Services	22	-29%	23	3%	24	6%	26	7%	27	2%	27	2%	29	5%	29	2%
Personnel Costs	28	1%	27	-3%	27	2%	28	2%	29	2%	30	3%	30	2%	31	2%
EBITDA	26	n.s.	44	71%	51	16%	53	3%	57	8%	59	4%	61	3%	66	8%
EBITDA Margin	17.8%	26.7%	28.8%	28.2%	29.3%	29.4%	29.1%	30.2%								

Magazines P&L

(€ mn)	2003 ^A	2004 ^E	2005 ^E	2006 ^E	2007 ^E	2008 ^E	2009 ^E	2010 ^E								
Total Operating Income	75	2%	41	-45%	44	7%	45	4%	47	3%	48	3%	49	3%	51	3%
Advertising	33	-4%	17	-47%	19	7%	19	4%	20	4%	21	3%	21	3%	22	3%
Circulation	38	6%	20	-46%	22	6%	22	2%	23	2%	23	2%	24	2%	24	3%
Others	4	27%	3	-30%	4	15%	4	10%	4	5%	4	5%	4	5%	5	5%
Costs of Goods Sold	12	-4%	6	-44%	7	13%	8	5%	8	2%	8	5%	8	2%	9	5%
External Supplies & Services	33	13%	18	-46%	19	6%	19	-1%	20	2%	20	2%	21	2%	21	2%
Personnel Costs	19	7%	10	-49%	10	5%	11	2%	11	3%	11	2%	11	2%	12	2%
EBITDA	10	-21%	6	-41%	7	7%	8	18%	8	5%	8	2%	9	3%	9	3%
EBITDA Margin	13.9%	15.1%	15.1%	17.2%	17.5%	17.4%	17.6%	17.5%								

Newspapers P&L

(€ mn)	2003 ^A	2004 ^E	2005 ^E	2006 ^E	2007 ^E	2008 ^E	2009 ^E	2010 ^E								
Total Operating Income	51	0%	56	11%	59	6%	62	4%	64	4%	66	3%	69	4%	71	3%
Advertising	32	-9%	37	13%	38	5%	40	4%	41	4%	42	3%	44	3%	45	3%
Circulation	15	11%	15	2%	16	5%	16	2%	17	3%	17	2%	18	3%	18	2%
Others	3	167%	4	30%	5	20%	6	15%	6	10%	7	10%	8	10%	9	10%
Costs of Goods Sold	7	-20%	7	5%	8	16%	9	3%	9	4%	9	4%	10	4%	10	4%
External Supplies & Services	18	-7%	17	-4%	18	3%	18	3%	19	3%	19	3%	20	3%	21	3%
Personnel Costs	18	-6%	17	-2%	18	3%	18	3%	19	4%	20	3%	20	4%	21	3%
EBITDA	8	102%	15	73%	16	8%	17	7%	18	6%	18	3%	19	5%	20	4%
EBITDA Margin	16.6%	25.9%	26.3%	27.1%	27.5%	27.5%	27.8%	27.9%								

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

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"Within the last 2 years, BPI acted as co-lead or co-manager in secondary offerings by Gescartão. BPI was also in this period lead manager of rights issues by BPI, Sonaecom, Impresa and Jerónimo Martins."

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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 September BPI Equity Research's investment ratings were distributed as follows:

	%
Buy / Speculative Buy	13%
Accumulate	42%
Hold	22%
Reduce	11%
Sell	0%
Under Revision	13%
Total	100%

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