

Buy out of SIC minorities

■ An attractive price

Impresa announced last night that it agreed to acquire the 49% of its TV channel SIC it did not own for a total €152.5m. The price translates into Impresa paying nearly a 50% discount to the full value we estimate for SIC (100% at €600m vs €311m implied by the operation), or a 6x 2005E EV/EBITDA multiple against the European broadcasting sector currently at 9x.

■ No more holding nature...

We view this operation as highly positive for Impresa not only because of the attractive price being paid but also because it allows the company to obtain full control of this core asset's cashflow stream, thus practically terminating the company's holding nature.

■ ...and no more minority interests

Moreover, we estimate the acquisition to be earnings enhancing. Despite an expected increase in interest charges (as the acquisition is financed through a mid/long-term loan facility), from next year onwards Impresa eliminates minority charges that represented almost half of the company's 2005 estimated net profit.

■ Valuation: DCF-based SOP points to €7.0 per share

We consequently revise our SOP valuation of Impresa to consider 100% of SIC as well as the debt increase. We reach a new equity value for Impresa of €7.0/share (our new price target). We reiterate our Buy 2 rating.

Highlights (€m)	12/02	12/03	12/04E	12/05E	12/06E
Revenues	251	266	258	275	289
EBIT	(30)	8	30	41	47
Net income (UBS)	(18)	0	18	37	41
EPS (UBS, €)	(0.23)	0.00	0.21	0.44	0.48
Net DPS (UBS, €)	0.00	0.00	0.00	0.13	0.14

Profitability & Valuation	5-yr hist. av.	12/03	12/04E	12/05E	12/06E
EBIT margin %	1.2	2.9	11.6	14.8	16.1
ROIC (EBIT) %	-	2.9	11.5	13.1	12.8
EV/EBITDA x	-	16.4	15.3	9.4	9.1
PE (UBS) x	-	>100	26.7	12.7	11.7
Net dividend yield %	-	0.0	0.0	2.2	2.5

Source: Company accounts, Thomson Financial, UBS estimates. UBS EPS is stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of €5.65 on 22 Dec 2004

Frederico Ataide

frederico.ataide@ubs.com

+34-91-436 9054

Portugal

Broadcasting

Rating **Buy 2**
Unchanged

Price target **€7.00/US\$9.36**
Prior: €5.75/US\$7.69

Price **€5.65/US\$7.62**

RIC: IPRN.IN BBG: IPR PL

23 December 2004

Trading data (local/US\$)

52-wk. range	€5.74-3.41/US\$7.69-4.25
Market cap.	€0.47bn/US\$0.64bn
Shares o/s	84.0m (ORD)
Free float	30%
Avg. daily volume ('000)	182
Avg. daily value (€m)	0.9

Balance sheet data 12/04E

Shareholders' equity	€0.10bn
P/BV (UBS)	3.8x
Net cash (debt)	(€0.09bn)

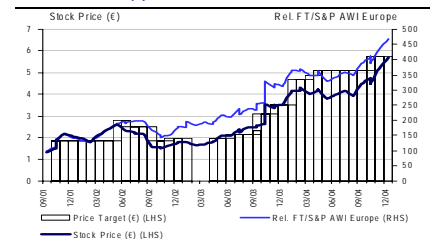
Forecast returns

Forecast price appreciation	+23.9%
Forecast dividend yield	2.8%
Forecast stock return	+26.7%
Market return assumption	7.4%
Forecast excess return	+19.3%

EPS (UBS, €)

	12/04E			12/03
	From	To	Cons.	Actual
Q1E	0.01	0.01	-	(0.07)
Q2E	0.07	0.07	-	0.04
Q3E	0.01	0.01	-	(0.03)
Q4E	0.11	0.11	-	0.05
12/04E	0.21	0.21	0.21	
12/05E	0.29	0.44	0.29	

Performance (€)



Source: UBS

www.ubs.com/investmentresearch

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 4

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Following the announcement in mid-November that it was negotiating the acquisition of BPI's 41.4% stake of the SIC TV channel, Impresa announced last night that it agreed to acquire all the remaining 49% of SIC it did not own for a total €152.5 million.

The price is attractive in our view. It implies a full value for SIC of €111 million, which compares to our estimated €600 million value for the TV channel. In terms of multiples, we estimate that Impresa is paying implied multiples of 6x 2005E EV/EBITDA and 11.3x 2005E earnings. These compare to the European broadcasting sector currently on 9x 2005E EV/EBITDA and 17x 2005E earnings.

Table 1: Impresa sum-of-the-parts

€ million	EV (100%)	% ownership	Attrib. To Impresa	Comment
TV	600.6	100.0%	600.6	Implies 11.6x 2005E EBITDA
Magazines	135.1	50.0%	67.6	Implies 10.4x 2005E EBITDA
Newspapers	138.9	100.0%	138.9	Implies 9.1x 2005E EBITDA
Total Impresa	874.6		807.0	
Group debt (2004E) *			(243.8)	
Debt not attrib to Impresa			2.3	
Peripherals			25.0	
Impresa Equity Value			590.6	
Per share (€)			7.0	

Source: UBS estimates. * Net debt adjusted for acquisition of SIC minorities

We are consequently revising our sum-of-the-parts valuation of Impresa to consider 100% of SIC as well as the extra debt (€152.5 million) raised to finance the operation.

We currently estimate a total enterprise value attributable to Impresa of €807 million. We estimate the group's total net debt at the end of 2004 to stand at €1.3 million. Adding to this figure the €152.5 million of new debt we reach an adjusted debt position at the end of the year of €243.8 million.

Considering the debt not attributable to Impresa (or 50% of the magazines division Edimpresa's net debt of €4.6 million) and the estimated €25 million value of peripherals (real estate assets earmarked for disposal), as presented by the company on its Investor Day, we reach a full equity value of Impresa of €90.6 million or €7.0 per share.

Upgrading estimates

We are also upgrading our estimates for the company on the back of this acquisition. We are slightly increasing our EBITDA estimates for the company following the 2005 guidance (€76 million revenues with group EBITDA margins of 25-26%) that the company provided on its Investor Day.

But the main change to our estimates comes from the elimination of minority charges related to SIC, as this is Impresa's main contributor to earnings. The elimination has a strong impact in our earnings estimates, so that even

accounting for higher interest charges (as the acquisition of SIC minorities is debt financed), our 2005 and 2006 adjusted EPS estimates increase by 52% and 42% respectively. We present in the table below the summary of our estimates changes.

Table 2: Impresa – summary of estimates changes

€ million	----- New estimates -----			----- Previous estimates -----			----- % change -----		
	2005E	2006E	2007E	2005E	2006E	2007E	2005E	2006E	2007E
TV	177.9	187.5	196.6	179.7	191.2	199.7	-1.0%	-1.9%	-1.6%
Magazines	42.2	43.8	45.6	42.4	44.1	45.9	-0.7%	-0.7%	-0.6%
Newspapers	59.6	62.2	65.0	57.5	60.1	62.8	3.5%	3.5%	3.5%
Intercompany sales	(4.3)	(4.4)	(4.6)	(4.2)	(4.4)	(4.5)	1.7%	1.7%	1.7%
Total operating revenues	275.3	289.2	302.6	275.4	291.1	303.9	0.0%	-0.7%	-0.4%
TV	51.7	55.8	59.6	48.6	53.3	56.7	6.4%	4.6%	5.1%
Magazines	6.5	7.1	7.7	6.7	7.3	7.9	-2.9%	-2.8%	-2.8%
Newspapers	15.2	16.4	17.8	14.0	15.2	16.4	8.8%	8.4%	8.1%
Total EBITDA	70.7	76.5	82.1	67.1	73.6	79.8	5.3%	4.0%	2.9%
% margin	25.7%	26.5%	27.1%	24.4%	25.3%	26.3%			
Depreciations	(13.0)	(12.9)	(13.0)	(13.0)	(12.8)	(12.9)	0.5%	0.9%	0.9%
Provisions	(5.8)	(6.1)	(6.4)	(5.8)	(6.1)	(6.4)	-0.1%	-0.7%	-0.5%
Goodwill amortisation	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)	0.0%	0.0%	0.0%
EBIT	40.8	46.5	51.8	37.3	43.7	49.6	9.4%	6.6%	4.5%
% margin	14.8%	16.1%	17.1%	13.6%	15.0%	16.3%			
Pretax profit	35.1	40.9	46.5	34.6	44.6	51.2	1.6%	-8.3%	-9.1%
Taxes	(8.8)	(11.2)	(12.8)	(8.6)	(12.3)	(14.1)	1.6%	-8.3%	-9.1%
Minority interests	0.0	0.0	0.0	(12.4)	(14.7)	(16.1)	-100.0%	-100.0%	-100.0%
Reported net profit	26.3	29.6	33.7	13.6	17.6	21.1	94.3%	68.4%	60.3%
UBS net profit pre goodwill	37.3	40.6	44.7	24.5	28.6	32.0	52.2%	42.2%	39.7%

Source: UBS estimates

■ Impresa

Impresa is the premier diversified media group in Portugal, with strong market shares in the most important areas of the Portuguese advertising market, namely television (which represents 53% of the Portuguese advertising cake), and magazines and newspapers (a further 24% share). It has interests in free-to-air TV (SIC), pay-TV (thematic channels), print media (newspapers and magazines), distribution (VASP/Deltapress) and internet portals (SIC online).

■ Statement of Risk

The media sector is mainly affected by consumer spending and the advertising cycle which are inherently difficult to predict. Therefore, Impresa's future earnings forecasts and underlying valuations may be subject to abrupt changes.

■ Analyst Certification

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UBS Investment Research: Global Equity Ratings Definitions and Allocations

UBS rating	Definition	UBS rating	Definition	Rating category	Coverage ¹	IB services ²
Buy 1	FSR is > 10% above the MRA, higher degree of predictability	Buy 2	FSR is > 10% above the MRA, lower degree of predictability	Buy	41%	33%
Neutral 1	FSR is between -10% and 10% of the MRA, higher degree of predictability	Neutral 2	FSR is between -10% and 10% of the MRA, lower degree of predictability	Hold/Neutral	50%	33%
Reduce 1	FSR is > 10% below the MRA, higher degree of predictability	Reduce 2	FSR is > 10% below the MRA, lower degree of predictability	Sell	9%	27%

1: Percentage of companies under coverage globally within this rating category.

2: Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS; as of 30 September 2004.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (an approximation of the equity risk premium).

Predictability Level The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities.

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Rating/Return Divergence (RRD) This qualifier is automatically appended to the rating when stock price movement has caused the prevailing rating to differ from that which would be assigned according to the rating system and will be removed when there is no longer a divergence, either through market movement or analyst intervention.

EXCEPTIONS AND SPECIAL CASES

US Closed-End Fund ratings and definitions are: Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.

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Core Banding Exceptions (CBE): Exceptions to the standard +/-10% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned table in the relevant research piece.

Companies mentioned

Company Name	Reuters	Rating	Price
Banco BPI ^{2,4a}	BPIN.IN	Not rated	€3.03
Edipresse ^{4b,5}	EDI.S	Buy 2	CHF595.00
Impresa	IPRN.IN	Buy 2	€5.70

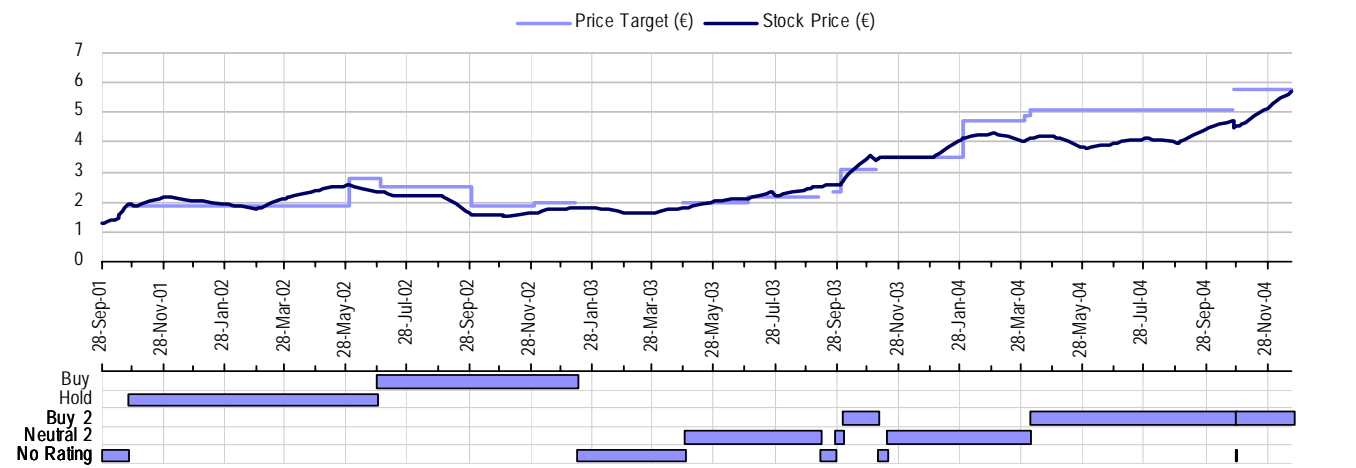
Price(s) as of 21 December 2004. Source: UBS.

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Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Impresa (€)



Source: UBS; as of 21 December 2004.

Note: On October 13, 2003, UBS adopted new definition criteria for its rating system. (See 'UBS Investment Research: Global Equity Ratings Definitions and Allocations' table for details.) Between January 11 and October 12, 2003, the UBS ratings and their definitions were: Buy 1: Excess return potential > 15%, smaller range around price target; Buy 2: Excess return potential > 15%, larger range around price target; Neutral 1: Excess return potential between -15% and 15%, smaller range around price target; Neutral 2: Excess return potential between -15% and 15%, larger range around price target; Reduce 1: Excess return potential < -15%, smaller range around price target; Reduce 2: Excess return potential < -15%, larger range around price target. Prior to January 11, 2003, the UBS ratings and definitions were: Strong Buy: Greater than 20% excess return potential, high degree of confidence; Buy: Positive excess return potential; Hold: Low excess return potential, low degree of confidence; Reduce: Negative excess return potential; Sell: Greater than 20% negative excess return potential, high degree of confidence. Under both ratings systems, excess return is defined as the difference between the FSR and the one-year local market interest rate.

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Head Office: UBS Limited, 1 Finsbury Avenue, London, EC2M 2PP, UK Phone: +44-20-7567 8000

Local Office: UBS Securities (España) SV SA, Calle Fortuny, n. 18, MADRID 28010 Phone: +34-91-436 9050

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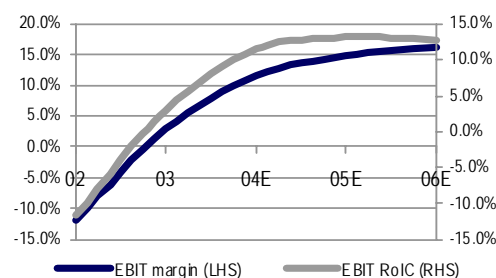


Impresa (euro)

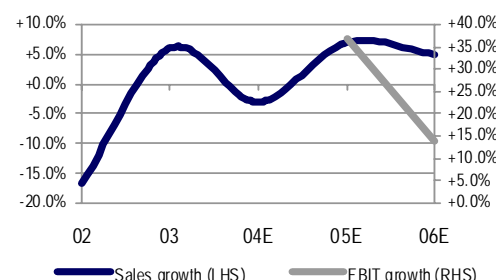
Per share (€)	12/02	12/03	12/04E	12/05E	12/06E
EPS	(0.23)	0.00	0.21	0.44	0.48
CEPS	0.09	0.27	0.46	0.67	0.71
Net DPS	0.00	0.00	0.00	0.13	0.14
BVPS	1.14	1.33	1.51	1.77	2.00
Profit & loss (€ m)					
Sales	251	266	258	275	289
EBITDA	2	34	54	65	70
Operating income (EBIT)	(30)	8	30	41	47
Pre-tax profit	(40)	(2)	23	35	41
Net income (UBS adj.)	(18)	0	18	37	41
Cash flow (€ m)					
Operating income (EBIT)	(30)	8	30	41	47
Depreciation & amortisation	31	27	24	24	24
Net change in working capital	2	(38)	7	(2)	2
Other (operating)	21	10	1	12	12
Operational cash flow	25	7	62	75	84
Tax paid	2	(5)	(5)	(9)	(11)
Capital expenditure	(61)	(31)	(5)	(163)	(13)
Net interest	(11)	(10)	(7)	(6)	(1)
Dividends paid	0	(2)	(3)	(5)	(11)
Net (acquisitions) / disposals	(3)	44	13	25	12
Other items	5	14	3	(6)	(11)
Increase (decrease) in net debt	(42)	16	58	(89)	49
Operating free cash flow (OpFCF) (€ m)					
EBITDA (core)	16	41	60	71	76
Less maintenance capital expenditure	(11)	(11)	(5)	(10)	(12)
Less maintenance net working capital	(2)	(2)	(1)	(1)	(1)
OpFCF	3	28	54	59	63
Balance sheet (€ m)					
Net tangible fixed assets	180	167	158	156	156
Net intangible fixed assets	83	73	63	192	169
Net working capital	(5)	33	26	28	26
Total invested capital (IC)	258	273	246	376	351
Financial & other fixed assets	7	3	3	3	3
Net cash / (debt)	(165)	(149)	(91)	(180)	(131)
Provisions	0	0	0	0	0
Minority interests	(13)	(16)	(26)	(26)	(26)
Shareholders' funds	88	96	101	123	142
Profitability					
EBITDA margin	0.7%	12.9%	21.1%	23.5%	24.3%
EBIT margin	(11.8%)	2.9%	11.6%	14.8%	16.1%
EBIT RoIC	NM	2.9%	11.5%	13.1%	12.8%
Net RoE	NM	0.0%	18.1%	33.4%	30.7%
Interest cover (EBIT)	NM	0.8x	4.1x	7.2x	47.6x
Dividend cover (net)	NA	NA	NA	2.8x	2.7x
Productivity					
Labour % sales	26.3%	26.4%	21.5%	20.7%	20.3%
Depreciation % sales	12.5%	10.0%	9.5%	8.7%	8.3%
Capex % sales	24.3%	11.5%	1.9%	59.3%	4.4%
Invested capital turnover	1.0x	1.0x	1.0x	0.9x	0.8x
Tax rate	NM	NM	23.5%	25.0%	27.5%
Net debt / total equity	164.2%	133.9%	71.9%	121.0%	77.8%
Momentum					
Sales growth	-16.7%	+6.0%	-3.1%	+6.9%	+5.0%
EBIT growth	NM	NM	>+200%	+36.9%	+14.0%
Net earnings growth	NM	NM	>+200%	+110.1%	+8.8%
Dividend growth	NM	NM	NM	NM	+12.5%
Value*					
Market capitalisation (€ m)	154	186	475	475	475
Plus: Core net debt / (cash)	152	157	120	136	155
Plus: Pension provisions	-	-	-	-	-
Plus: Buy out of minorities	347	347	347	67	67
Less: Non-core assets	(20)	(20)	(25)	(12)	-
Enterprise value (EV, avg)	632	670	917	666	697
EV/Sales (core)	3.34x	2.52x	3.56x	2.42x	2.41x
EV/EBITDA (core)	40.5x	16.4x	15.3x	9.4x	9.1x
EV/EBIT (core)	NM	87.3x	30.7x	16.3x	15.0x
EV/OpFCF	>100x	23.6x	17.0x	11.2x	11.0x
EV/Invested capital	2.5x	2.5x	3.5x	2.1x	1.9x
P/CE	22.5x	8.6x	12.3x	8.5x	8.0x
P/E	NM	>100x	26.7x	12.7x	11.7x
Dividend yield (net)	0.00%	0.00%	0.00%	2.22%	2.50%
P/BV (average)	1.8x	1.8x	3.7x	3.2x	2.8x

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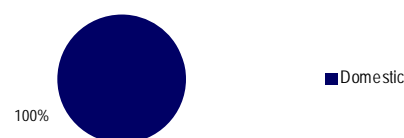
Profitability (EBIT margins & RoIC)



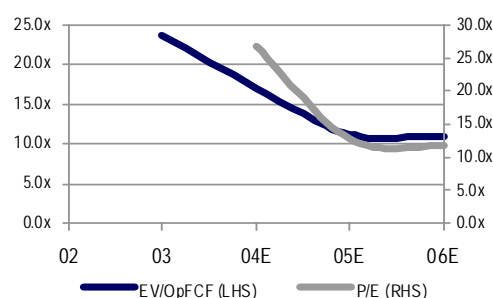
Momentum (Sales & EBIT growth)



Geographic exposure (Sales)



Value (EV/OpFCF & P/E)



Source: UBS estimates, * Historical valuations are based on an average for the year share price. Current & future valuations are based on a share price of €5.65 on 22/12/2004