

## 1Q 2005 results review

### ■ Better than expected results

Revenues grew 11.6% y/y to €61.3m vs. our €60m est. EBIT of €6.4m (+82% y/y) was 10% above our expectations due to lower depreciation charges, but in line with consensus. Net profit reached €3.3m (+145% y/y growth) ahead of our €2.3m est. and consensus of €2.5m. Accounts were presented under IAS standards.

### ■ TV continues to drive growth

Good top-line was once again mainly driven by Impresa's TV arm (SIC), which reported 1Q advertising revenue growth of 12% y/y, not only due to advertising market growth, but also because of audience share improvements (30.8% avg. in prime time in 1Q05, an 11.8% gain vs. 1Q 04) and the decline in agency discounts (from 6.5% to 2%).

### ■ FY05 guidance raised

Following a strong set of results, Impresa raised its FY05 guidance to: 8-9% y/y revenue growth (vs 8% previously), 25-30% EBITDA growth (vs >20% prev.) and €29-31m NP (vs €25-30m prev.). We have adjusted our estimates to consider mainly the higher financials resulting from the €152m cash outflow from the acquisition of SIC minorities (see table 4). Our forecasts are now in line with guidance.

### ■ Valuation: €7.0 per share DCF-based SOP remains unchanged

On our numbers Impresa trades on 14.5x 05E adj. earnings and 9.6x 05E EV/EBITDA vs the sector on 18.3x and 9.5x respectively. We reiterate our Buy 2 rating.

Highlights (€m)	12/03	12/04	12/05E	12/06E	12/07E
Revenues	266	259	278	298	311
EBIT	8	31	57	65	71
Net income (UBS)	0	14	32	39	44
EPS (UBS, €)	0.00	0.17	0.38	0.46	0.52
Net DPS (UBS, €)	0.00	0.00	0.15	0.19	0.21

Profitability & Valuation	5-yr hist. av.	12/04	12/05E	12/06E	12/07E
EBIT margin %	-0.5	11.9	20.5	21.9	22.7
ROIC (EBIT) %	-0.6	12.3	19.5	19.1	22.6
EV/EBITDA x	-	14.4	9.6	9.2	8.1
PE (UBS) x	-	25.1	14.5	11.8	10.5
Net dividend yield %	-	0.0	2.8	3.4	3.8

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 €5.47 on 26 Apr 2005 21:31 BST

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Portugal

Broadcasting

**Rating** **Buy 2**  
*Unchanged*

**Price target** €7.00/US\$9.09  
*Unchanged*

**Price** €5.47/US\$7.10

RIC: IPRN.IN BBG: IPR PL

**26 April 2005**

#### Trading data (local/US\$)

52-wk. range	€6.05-3.71/US\$7.98-4.53
Market cap.	€0.46bn/US\$0.60bn
Shares o/s	84.0m (ORD)
Free float	30%
Avg. daily volume ('000)	113
Avg. daily value (€m)	0.6

#### Balance sheet data 12/05E

Shareholders' equity	€0.13bn
P/BV (UBS)	2.9x
Net cash (debt)	(€0.21bn)

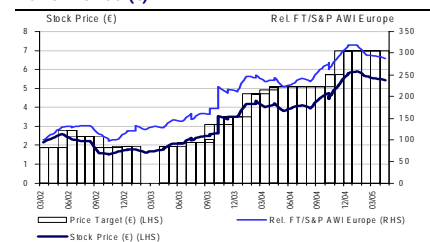
#### Forecast returns

Forecast price appreciation	+28.0%
Forecast dividend yield	4.2%
Forecast stock return	+32.2%
Market return assumption	7.2%
Forecast excess return	+25.0%

#### EPS (UBS, €)

	12/05E			12/04
	From	To	Cons.	Actual
Q1E	0.04	0.04	-	0.01
Q2E	0.13	0.11	0.13	0.07
Q3E	0.07	0.06	0.07	0.01
Q4E	0.20	0.17	0.20	0.07
12/05E	0.44	0.38	0.37	
12/06E	0.49	0.46	0.38	

#### Performance (€)



Source: UBS

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Table 1: Impresa 1Q 2005 results summary

€ Million	IAS		% y/y	1Q05E	% diff.
	1Q04	1Q05			
TV	34.6	39.0	12.8%	38.5	1.3%
Newspapers	13.0	13.6	4.8%	13.7	(0.2%)
Magazines	8.1	8.8	9.9%	8.8	0.7%
Intercompany sales	(0.6)	(0.1)	(78.4%)	(1.0)	(85.9%)
<b>Net revenues</b>	<b>55.0</b>	<b>61.3</b>	<b>11.6%</b>	<b>59.9</b>	<b>2.3%</b>
TV	4.1	7.7	85.3%	7.3	5.0%
Newspapers	2.8	2.5	(11.0%)	3.2	(21.3%)
Magazines	0.3	0.4	7.2%	0.4	(15.1%)
Holding adjustments	(0.7)	(1.9)	153.3%	(0.8)	138.2%
<b>EBITDA</b>	<b>6.6</b>	<b>8.7</b>	<b>31.9%</b>	<b>10.2</b>	<b>(14.6%)</b>
% Margin	12.0%	14.2%	-	17.0%	-
Provisions	0.0	0.0	-	(1.4)	-
Depreciation	(3.1)	(2.3)	(25.7%)	(3.0)	(22.9%)
<b>EBIT</b>	<b>3.5</b>	<b>6.4</b>	<b>82.1%</b>	<b>5.8</b>	<b>10.2%</b>
% Margin	6.4%	10.4%	-	9.7%	-
Net financials (inc. associates)	(1.9)	(1.4)	(26.0%)	(2.7)	(47.8%)
<b>Pre-Tax-Profit</b>	<b>1.6</b>	<b>5.0</b>	<b>210.3%</b>	<b>3.1</b>	<b>60.5%</b>
Tax	0.1	(1.4)	(1983.1%)	(0.9)	61.7%
Minorities	(0.3)	(0.3)	(5.2%)	0.0	-
<b>Net profit/(loss)</b>	<b>1.3</b>	<b>3.3</b>	<b>144.9%</b>	<b>2.3</b>	<b>45.7%</b>

Source: Impresa, UBS estimates

Table 2: Impresa divisional revenues quarterly evolution (under Portuguese GAAP unless otherwise stated)

€ Million	1Q04	1Q04 (IAS)	2Q04	3Q04	4Q04	1Q05 (IAS)	% y/y
<b>Television</b>							
Advertising	24.5	24.2	38.7	26.2	36.8	27.1	11.8%
SIC channels	7.0	7.0	7.5	7.3	7.4	7.6	7.4%
Other	3.3	3.3	1.9	2.4	1.9	4.4	31.7%
<b>Newspapers</b>							
Advertising	7.6	7.5	10.7	7.3	10.9	7.7	3.2%
Circulation	3.9	3.9	3.6	4.3	3.6	3.8	(3.8%)
Other	1.6	1.6	0.7	0.3	2.4	2.1	33.0%
<b>Magazines</b>							
Advertising	2.8	2.8	4.9	3.6	4.9	3.0	6.8%
Circulation	4.7	4.7	5.3	5.2	4.8	4.9	5.0%
Other	0.8	0.6	0.7	0.4	1.8	1.0	57.9%

Source: Impresa, UBS estimates

Table 3: Impresa results: new IAS accounting standards versus Portuguese GAAP

€ million	IAS		Portuguese GAAP		Comments
	1Q05	1Q04	% y/y	1Q04	
TV	39.0	34.6	12.8%	34.8	
Newspapers	13.6	13.0	4.8%	13.1	
Magazines	8.8	8.1	9.9%	8.3	
Intercompany sales	(0.1)	(0.6)	(78.4%)	(1.0)	
Net revenues	61.3	55.0	11.6%	55.2	Reclassification of extraor.revs / Volume discounts on paper & printing / financial discounts
Cash costs	(52.7)	(48.4)	8.8%	(551.3)	Reclassification of extraor. costs & provisions to operating costs
TV	7.7	4.1	85.3%	4.5	
Newspapers	2.5	2.8	(11.0%)	3.0	
Magazines	0.4	0.3	7.2%	0.6	
Holding adjustments	(1.9)	(0.7)	153.3%	(0.8)	
EBITDA	8.7	6.6	31.9%	7.3	
% Margin	14.2%	12.0%	-	13.3%	
Provisions	0.0	0.0	-	(0.5)	
Depreciation	(2.3)	(3.1)	(25.7%)	(3.3)	Reclassification of leasing contracts as fixed assets / Elimination of intangible assets which were considered assets / Elimination of start-up costs
Goodwill	0.0	0.0	-	(2.6)	Annulations of Goodwill depreciation substituted by the Impairment method
EBIT	6.4	3.5	82.1%	1.0	
% Margin	10.4%	6.4%	-	1.8%	
Net financials	(1.4)	(1.9)	(26.0%)	(2.3)	Interest rate swap registered at fair value / Forex differences registered by the net
Extraordinary	0.0	0.0	-	0.2	
Pre-Tax-Profit	5.0	1.6	210.3%	(1.2)	
Tax	(1.4)	0.1	-	0.1	Alteration of differed taxes due to previous corrections.
Minorities	(0.3)	(0.3)	(5.2%)	(0.2)	
Net profit/(loss)	3.3	1.3	144.9%	(1.3)	

Source: Impresa, UBS estimates

Table 4: Change in earnings estimates

€ Million	2004 A	2005E	2006E	2007E
<b>Revenues</b>				
Previous	258.8	278.7	292.7	306.3
New	258.8	278.2	297.6	311.5
% Change	0.0%	(0.2%)	1.7%	1.7%
<b>Reported net income</b>				
Previous	6.2	26.4	30.5	34.6
New	6.2	31.6	39.0	43.7
% Change	0.0%	19.8%	27.9%	26.4%
<b>Adjusted EPS</b>				
Previous	0.17	0.44	0.49	0.54
New	0.17	0.38	0.46	0.52
% Change	0.1%	(14.5%)	(5.3%)	(3.6%)

Source: Impresa, 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.

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### UBS Investment Research: Global Equity Ratings Definitions and Allocations

UBS rating	Definition	UBS rating	Definition	Rating category	Coverage <sup>1</sup>	IB services <sup>2</sup>
<b>Buy 1</b>	FSR is > 10% above the MRA, higher degree of predictability	<b>Buy 2</b>	FSR is > 10% above the MRA, lower degree of predictability	<b>Buy</b>	37%	30%
<b>Neutral 1</b>	FSR is between -10% and 10% of the MRA, higher degree of predictability	<b>Neutral 2</b>	FSR is between -10% and 10% of the MRA, lower degree of predictability	<b>Hold/Neutral</b>	52%	32%
<b>Reduce 1</b>	FSR is > 10% below the MRA, higher degree of predictability	<b>Reduce 2</b>	FSR is > 10% below the MRA, lower degree of predictability	<b>Sell</b>	11%	25%

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 31 March 2005.

### 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.

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**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.

**UK and European Investment Fund ratings and definitions are:** Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.

**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.

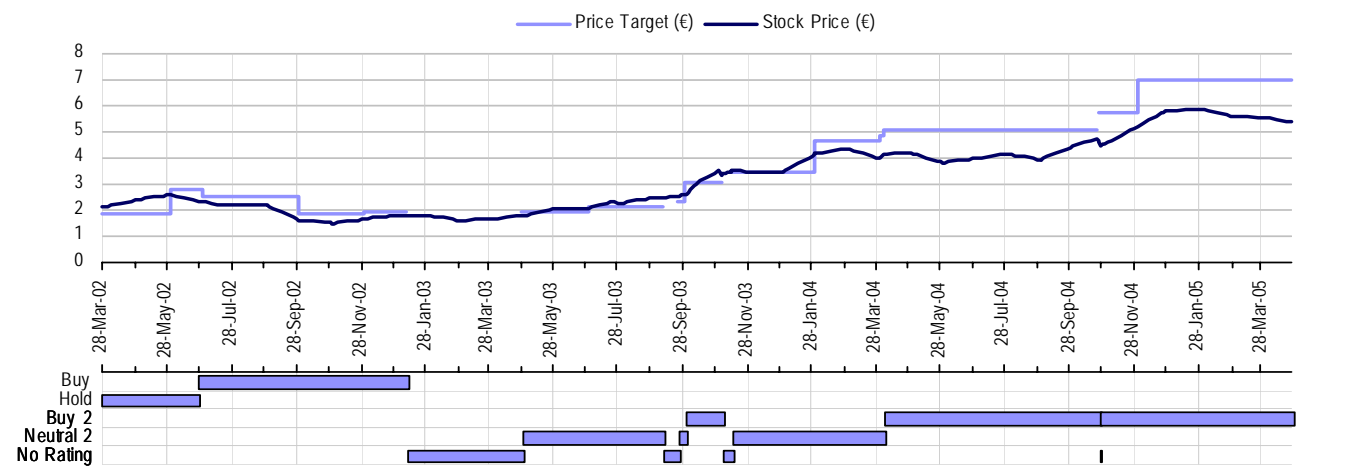
### Companies mentioned

Company Name	Reuters	Rating	Price	Price date/time
Impresa	IPRN.IN	Buy 2	€5.40	25 Apr 2005 21:09 BST

Source: UBS. BST: British summer time.

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

Impresa (€)



Source: UBS; as of 25 April 2005.

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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