

FLASH NOTE

Investor Day Highlights

IMPRESA

MEDIA

NEUTRAL – High Risk**Price Target: €5.2****Potential: 10%****WILL THE NEW PROGRAMMING PAY OFF?**

Impresa Impresa's TV channel (76% of EV) will enter a new stage. SIC should start producing more Portuguese fiction (including soaps) and wants to bid for soccer rights more aggressively (which it has never done in the past). Although with potential benefits, this raises the risk profile of SIC for the coming quarters. The success (and improvement in ratings) in 2006 should depend on the success of the Portuguese fiction and better results from the coming Brazilian soaps. The World Cup also seems to be a potential driver that could add to the story.

Looking at the guidance for 2006, and this excludes any revenues or costs from soccer, it is quite in line with our forecasts. **Since Impresa is currently trading at 9.7x EV/EBITDA 06E (vs 9.0x for the sector) and 14x on P/E (16x for its peers) we believe our current NEUTRAL rating continues to be appropriate, especially given the higher risks to be taken in the coming months. It will be very important to monitor the evolution of the audience share in Dec05/Jan06 to see if the new prime time Brazilian soap is more successful than the current one and the audiences of the Portuguese fiction (to be placed in the 18-20h slot) produced by SIC to start in Jan/Fev.06.**

Impresa held its Investor day yesterday. The presentation was made firstly by the Head of Programming that stepped in September, explaining what was going to change in the programming guidelines of Impresa's TV channel (SIC) for 2006. It was followed by the Head of IR, more focused on the numbers and guidance for the forthcoming year.

ON THE NUMBERS...

- Revenues are slightly lower for 2005E and 2006E than our figures
- On the EBITDA side the overall figure is in line with our number for 2005E and slightly higher for 2006E. The TV contribution however, is lower than we expect for 2005E and 2006E. The newspaper and magazine division should have a better performance than we currently have in our estimates. One of the main positives is the reduction of the holding costs that allowed Impresa to maintain EBITDA guidance for 2005. This reduction at the holding level should be made since targets were not achieved and Impresa decided to cut the variable remuneration usually attributed at the end of the year. Overall, guidance in line with our estimates for 2005E and 2006E
- To achieve the mentioned growth in TV, Impresa targets 27.5% audience share target for 2006 (including pay-TV) and roughly 31.5% excluding pay-TV channels which compares with our forecast of 32.5%. Currently (in the 4Q) the audience is near 26% (29.5% excluding pay-TV channels), while for the 9M it stood at 28% (32% excl. pay-TV)
- Advertising market is now expected to grow in 2005E by 3% (already in line with our forecast) and 2.5% for 2006E (vs our 3% forecast)

ON PROGRAMMING STRATEGY...

Mr. Francisco Penim, the new head of programming, seems to be quite keen and confident that SIC can recover some of the lost ground to competitors during 2005. Mr. Penim was already in SIC but managing some of the thematic channels, namely SIC Radical focused in the younger target. Mr. Penim wants to change the strategy that SIC has followed in the past years. In our opinion the main highlights were:

- SIC wants to do Portuguese soaps in 2006 as well as bidding more aggressively for soccer rights (World Cup + Portuguese League)
- Wants to launch with an own production Portuguese soap in Jan/Fev. 06 and probably another two at the end of 2006
- Mr. Penim recognizes that there is a shift in the taste of Portuguese viewers regarding Portuguese soaps vs Brazilian, especially due to the better quality of the Portuguese that are benefiting from the learning curve of the past four years (better actors, scripts, directs, more adapted to Portuguese taste, etc);
- Wants to have a relevant presence in soccer, since it believes it can make more than the current owners of rights out of matches, summaries, etc. Furthermore, the World Cup rights winners should be announced probably today and SIC seems to be quite confident in the outcome of this bidding process. The success/profitability of the World Cup seems to be linked to the success of the Portuguese soccer team in the world Cup, since audiences will be quite dependent on that. Regarding the League rights for the 2006/2008 season, the bidding process should take place in Jan.06 and apparently SIC should also be quite active in that process;
- Working with a production company to start making Portuguese fiction. Should buy a relevant stake in the production company during 2006 (very low investment / less than € 1m) since the company is recent and has an exclusivity contract with SIC;
- Strategy to improve ratings in the 1H06 in the mornings and access to prime time (18-20h) with a new morning show (similar to Oprah's concept) and the new Portuguese soap at the end of the afternoons.

The overall impression of the head of programming was quite good and Mr. Penim seems to have very clear ideas on what he wants (and what it takes) to improve ratings. However, the new strategy will be riskier especially in 2006. In the first place, SIC never made any successful Portuguese soap production. Secondly, a more competitive environment to bid for soccer rights should raise prices. The World Cup profitability will be also linked to the success or not of the Portuguese soccer team and the soccer League rights.

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Impresa's Guidance vs ESR

	Guidance 2005E	YoY	ESR	Guidance 2006E	YoY	ESR	Dev. (%)
REVENUES	262.7	2%	268.2	270.2	3%	275.9	-2%
TV	163.0	-1%	165.0	168.9	4%	170.6	-1%
Newspapers	60.5	6%	63.0	61.5	2%	63.0	-2%
Magazines	41.9	5%	42.9	42.3	1%	45.1	-6%
Adjustments	-2.7	-28%	-2.7	-2.5	-7%	-2.7	-8%
EBITDA	53.0	-1%	52.5	62.2	17%	59.5	5%
TV	35.4	-15%	39.8	44.3	25%	45.7	-3%
Newspapers	14.2	13%	13.5	15.2	7%	14.0	8%
Magazines	4.5	33%	3.4	5.2	16%	4.0	32%
Holding	-1.0	-76%	-4.2	-2.5	150%	-4.1	-40%
EBITDA excl. Restruct.	57.1	5%	56.1	62.2	9%	59.5	5%
<i>TV excl. Restruct.</i>	<i>39.5</i>	<i>-6%</i>	<i>43.3</i>	<i>44.3</i>	<i>12%</i>	<i>45.7</i>	<i>-3%</i>
Net income				31-32		28.1	12%
Net debt	<200		210	170		182	-7%

Note: excludes any soccer transmission rights, both on top line or costs

Source: Impresa and Espírito Santo Research.

IMPRESA'S SOP

€m	EV	Stake	Impresa's Eq.Value	% of Group Eq.Value	Method	Implied EV/EBITDA 06E	Business	EV	EBITDA 06E
TV	486	100%	486	76%	DCF	10.6	TV	486	45.7
Newspapers	140	100%	140	22%	DCF	10.0	Newspapers	140	14.0
Magazines	75	50%	37	6%	DCF	9.5	Magazines	75	7.9
Distribution	39	33%	12	2%	Multiple	7.0x 04	Distribution	12	
Holding/ Other			-34	-5%	DCF		Holding/Other	-34	-4.1
SoP			641	100%		11.4		679	59
Net debt			208						
Equity Value			434						
Per share (EUR)			5.2						

Source: Espírito Santo Research

European FTA Broadcasters

Ticker	Last Price	% Change 1Y	Market Cap	EV/EBITDA 2005E 2006E	P/E 2005E 2006E	EBITDA 04-06E	EBITDA mg 2005E	DY06E	
Mediaset	MS IM	9.0	-3.1%	10,678	10.6 9.6	16.3 15.1	4.8%	32.6%	5.4%
RTL	RTL LX	62.5	13.8%	9,601	10.4 8.9	22.9 20.1	7.5%	18.7%	1.9%
TF1	TFI FP	21.2	-11.6%	4,530	10.0 10.0	20.6 21.3	-2.0%	16.9%	3.2%
ITV	ITV LN	108.3	2.9%	4,421	9.5 9.0	14.3 14.3	18.8%	23.1%	3.0%
M6	MMT FP	21.8	4.4%	2,878	8.5 7.7	19.3 18.6	5.6%	24.4%	4.4%
Pro-Sieben	PSM GR	15.1	11.9%	3,304	9.8 8.3	17.6 15.6	13.7%	19.4%	2.6%
Antena 3	A3TV SM	18.6	39.8%	4,127	11.2 8.8	18.4 12.7	54.6%	34.9%	6.3%
Tele5	TL5 SM	20.3	33.8%	5,009	12.1 8.5	18.7 13.3	34.4%	43.2%	6.7%
Impresa	IPR PL	4.7	-18.4%	397	10.8 9.7	16.3 13.4	4.4%	21.1%	2.1%
Media Capital	MCP PL	7.0	27.5%	582	14.3 12.5	29.6 23.2	11.2%	21.8%	3.0%
AVG				10.7 9.3	19.4 16.8	15.3%	25.6%		

Source: Impresa and Espírito Santo Research.

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INVESTMENT RATINGS indicate expected return within the period to June 2006: **1 - Buy (minimum 15%); 2 - Neutral (5-15%); 3 - Sell (less than 5%);** the required returns for High Risk securities can be higher.

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