

## Media Update

### Finding value in a uninspiring environment

	YE06 Price Target (€)	Latest Price (€)	Upside Potential	Rec.	Risk Rating	Mkt Cap (€mn)	Avg Daily Vol 3m (k)
Impresa	6.10	4.98	22%	Buy	High	418	276.1
Media Capital	5.50	7.26	-24%	Sell	High	614	147.9
Cofina	3.30	3.25	2%	Neutral	High	167	99.0

	2003	2004	2005E	2006E
<b>Impresa</b>				
Turnover (€ mn)	265.7	256.3	263.1	275.4
EBITDA (€ mn)	34.2	52.8	52.1	58.1
Net Income (€ mn)	-10.2	17.3	23.6	28.4
EPS (€)	0.00	0.21	0.28	0.34
P / E (x)	nm	28.1	17.7	14.7
EV / EBITDA (x)	21.5	17.5	12.2	10.4
<b>Media Capital</b>				
Turnover (€ mn)	199.8	218.6	220.6	212.5
EBITDA (€ mn)	36.0	46.1	46.5	40.7
Net Income (€ mn)	-43.5	6.4	18.9	14.9
EPS (€)	-0.24	0.09	0.23	0.18
P / E (x)	nm	63.6	32.0	41.3
EV / EBITDA (x)	nm	13.0	15.7	17.3
<b>Cofina</b>				
Turnover (€ mn)	100.6	134.5	134.9	136.5
EBITDA (€ mn)	12.8	17.9	17.0	16.7
Net Income (€ mn)	na	na	9.1	7.6
EPS (€)	na	na	0.18	0.15
P / E (x)	na	na	18.3	21.8
EV / EBITDA (x)	na	na	11.2	11.0

Source: Company data, Millennium bcp investimento and JCF Consensus; Cofina 2003 and 2004 are Investec figures

- We reinstate coverage of Impresa, with a YE06 target of €6.10 per share and a Buy recommendation. We have also revised our estimates for Media Capital and Cofina, having lowered both valuations, which now stand at €5.50 and €3.30 vs. €6.80 and €3.45 previously.
- We are now more bearish on the Portuguese advertising market, expecting only a marginal growth over the next two years, despite the upcoming events of World Cup and Rock in Rio. TV should be the most benefited segment. Press, namely magazines, could be the most hit.
- Furthermore, Impresa's SIC has changed the programming team and now it is clearly looking to increase domestic production. We believe this should pressure costs for the group, as well as for TVI, at a time when there is much doubts regarding top line evolution. In the long-run, we expect TVI and SIC to have equal advertising share in FTA.
- With top line under pressure and costs tending to increase, FTA operating margins could be somewhat under pressure in the next couple of years.
- Despite this view on the sector economics, we still find Impresa very attractive on valuation grounds. Under a scenario of SIC maintaining its advertising share at 2005 levels (i.e. below its capacity share in terms of minutes), we would reach a valuation of €5.40, 8% above the current market price. The risk, in our view, is the case of SIC increasing effort in production does not translate at all in audiences and/or an even worse than expected advertising market.
- The relevant decrease in our valuation of Media Capital's TVI has to do with (i) worse advertising market; (ii) lower long-term advertising share; (iii) lower margins. The two last reasons reflect SIC stance to go after domestic contents. Media Capital's valuation was also penalised by the other divisions.
- Although our fundamental recommendation of Media Capital is a Sell, we note that the latest changes in shareholder structure have increased substantially the likelihood of a tender offer at a price clearly above the fundamental one.

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## Investment case

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As we mentioned in previous Media Reports, the main risk for advertising funded players is the current economic situation and expectations regarding its evolution. The main coincident and leading indicators macro indicators continue to show faltering levels of consumer confidence, which points towards poor prospects for 2006. We see risks of a poor performance in terms of private consumption for 2006, given the following: (i) interest rates increase (as seen over the last weeks, due to the ECB's more hawkish stance); (ii) increase of unemployment; (iii) an effective increase of taxes. Since disposable income will be under pressure and the debt service will increase, a lower share of income should be allocated to consumption, a problem even bigger given the rising unemployment. Furthermore, as people realise that, at the end of the day, the public deficit must be financed with more taxes, then their propensity to save (i.e. not to consume) may tend to increase over the next years. Therefore, although we recognise that advertising, as a percentage of Portuguese GDP, is low on a European scale, the ability to close or even to reduce the gap over the next years is clearly difficult to be materialised.

On the side of the coin, we note that some of the heaviest advertising spenders refer to basic products, whose consumption has a low elasticity to changes in disposable income. Furthermore, some of the core segments, such as food, were quite important advertisers in the Euro2004, which could mean they could be back again for the 2006 World Cup. Another offsetting force of the difficult macro conditions is the increasing competition in several markets, such as telecoms (mobile and fixed line) and banking. But while in certain of these areas competition continues strong (namely in banking, fixed broadband internet and voice), we also note that in other areas the competitive environment has cooled down (e.g. subsidisation of 3G terminals, MVNOs, the delay of the Iberian electricity market).

Under such a difficult advertising fundamentals, media buyers can become more selective when choosing which media to invest in. In this case they may allocate a higher portion of their advertising budget in the most effective (higher reach) and lower absolute and relative CPT media, namely TV. TV will be the main beneficiary of the World Cup 2006 and Rock in Rio. Still, we note that not all the advertising related with those events will be a net addition to advertising budgets, as media buyers most likely should opt to concentrate advertising effort in those events at the expense (to some extent) of the remainder of the year, as was the case in Euro 2004.

The possibility of FTA operators to reduce once again agency commissions, as well as rappel (volume discounts) could be another force supporting FTA advertising. Still, we believe that operators could face some difficulties in reducing discounts given (i) the current macro environment and (ii) the more competitive environment, with SIC going after its "natural" advertising share.

The TV FTA advertising market is not evenly split. This obviously gives an incentive for SIC to go after its "natural" share. As announced by the new programming team, SIC will make an effort in increasing the weight of national contents over the next years. Our assumption of a gradual gain in advertising market share towards the 42.5% equilibrium with TVI is a consequence of that approach. Note that we have opted not to assume a rapid equilibrium, as SIC is now at the very beginning of the experience curve, as was TVI/NBP a few years ago.

Other relevant issues to take into account regarding the FTA are the following: (i) the advertising market is not evenly split between the three operators (due to the symmetry in ratings); (ii) Impresa and Media Capital will be competing for the similar contents and (iii) SIC is trying to develop a star system in Portugal. These issues reflect a huge shift in the TV sector and should tend to increase FTA operators' cost base (namely SIC's) ... in a sluggish advertising market.

Still, amid such an unpleasant central scenario, we are able to find an interesting upside in Impresa. Even assuming a negative scenario such as SIC maintaining an advertising market share at current levels (approximately 38%), we would we would arrive at a YE06 price target of €5.40, 8% above the current market price.

As for other risks to FTA operators we note (i) a more bearish macro scenario; (ii) the existence of the DTT; (iii) and the possible launching of a general TV channel in PT Multimedia cable network. Although no details are yet known the last two, in our view, both add risks to the investment case of FTA operators. Furthermore, the Portuguese government is proceeding with several changes to the regulatory framework of the media sector. Although most of the changes are not known yet, we also see some risks here, namely in what regards the law concerning media concentration, which at the end of the day could reduce the possibilities of national media players to increase size and therefore increase market power and enhance efficiency.

As for Media Capital, although our fundamental recommendation is a Sell, we note that the latest changes in shareholder structure have increased substantially the likelihood of a tender offer at prices clearly above our estimate of the fundamental value of the group.

### 3Q05 Advertising Market

*Advertising market fell YoY for the second quarter in a row.*

Listed companies' third quarter advertising data was not a good sight to see for the market as a whole. In fact, advertising revenues fell by 1% on a consolidated basis, after the 2% fall seen in the second quarter (partially justified by the strong base – Euro 2004 and Rock in Rio). Nevertheless, there were disparate performances, with Impresa on the spotlight, having seen its market share in TV deteriorating substantially, as a result of poor audiences. On the contrary, Media Capital was able to offset the weak market with strong audiences, thus getting a bigger portion of the advertising cake. Cofina also had an unpleasant performance, with advertising revenues falling 1% YoY.

Advertising Revenues YoY by company	%	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05E
<b>TOTAL</b>		15	19	8	4	8	-2	-1	2
<b>Media Capital</b>		7	19	6	7	13	1	8	6
TV		5	13	4	5	12	6	11	8
Radio		18	48	17	23	28	-2	7	6
Outdoors		26	63	7	2	-3	-26	-6	-5
Internet & Magazines		-11	-9	15	41	69	-2	-25	-11
<b>Impresa</b>		19	23	10	3	10	-3	-8	-5
TV		20	27	13	4	12	-6	-14	-9
Newspapers		22	16	8	7	3	3	9	5
Magazines		5	7	-5	-8	7	2	0	-1
<b>Cofina</b>		32	10	9	11	6	0	-1	3
Newspapers		44	1	15	17	8	2	-9	-4
Magazines		3	34	-8	1	2	-5	28	18
<b>PTM - Media</b>		39	43	55	22	2	13	-2	9
Cable		39	43	55	22	2	13	-2	9
<b>Sonaecom</b>		2	16	4	-16	-26	36	1	30
Newspapers		2	16	4	-16	-26	36	1	30

Source: Company data

Looking at the segments, FTA TV and newspapers had a similar evolution during the quarter. Apparently magazines were the best segment, but please bear in mind that one of the main players (Impala) is not represented here.

Advertising Revenues YoY by segment	%	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05E
<b>TV</b>		13	21	11	6	11	1	-1	1
FTA		11	20	8	5	12	0	-1	0
Cable		39	43	55	22	2	13	-2	9
<b>Press</b>		19	11	5	2	2	4	1	5
Newspapers		28	10	10	5	-2	7	-1	6
Magazines		3	12	-4	-2	10	0	4	3

Source: Company data and Millennium bcp investimento;

Magazines advertising include Media Capital's internet advertising revenues

Advertising Revenues YoY by company	%	1Q04	1H04	9M04	2004	1Q05	1H05	9M05	2005E
<b>TOTAL</b>		14	17	14	11	8	2	1	1
<b>Media Capital</b>		7	14	12	10	13	6	6	6
TV		5	9	8	7	12	9	9	9
Radio		18	35	28	27	28	10	9	8
Outdoors		26	48	34	24	-3	-18	-15	-12
Internet & Magazines		-11	-10	-2	8	69	21	5	0
<b>Impresa</b>		19	21	18	13	10	2	-1	-2
TV		20	24	21	15	12	1	-3	-5
Newspapers		22	18	15	13	3	3	5	5
Magazines		5	6	2	-1	7	4	3	2
<b>Cofina</b>		32	20	16	15	6	3	2	2
Newspapers		44	20	18	18	8	4	0	-1
Magazines		3	19	11	8	2	-2	6	9
<b>PTM - Media</b>		39	42	46	38	2	9	5	6
Cable		39	42	46	38	2	9	5	6
<b>Sonaecom</b>		2	10	8	0	-26	0	0	9
Newspapers		2	10	8	0	-26	0	0	9

Source: Company data

Advertising Revenues YoY by segment	%	1Q04	1H04	9M04	2004	1Q05	1H05	9M05	2005E
<b>TV</b>		12	17	12	11	11	3	1	1
FTA		11	15	8	10	12	2	1	1
Cable		39	42	46	38	2	9	5	6
<b>Press</b>		16	14	11	8	2	3	3	3
Newspapers		20	16	13	10	-2	3	2	3
Magazines		3	8	4	2	10	4	4	4

Source: Company data and Millennium bcp investimento;

Magazines advertising include Media Capital's internet advertising revenues

## Changes in estimates – Advertising Market

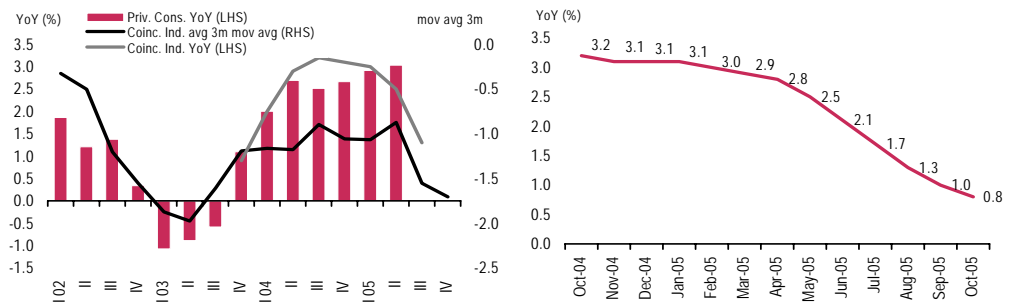
As we mentioned over the past Media Reports, the main risk for advertising funded players is the current economic situation and expectations regarding its evolution.

*Leading confidence indicators at low levels, with households' indebtedness levels being a vulnerability...*

The main coincident and leading indicators macro indicators continue to show faltering levels of consumer confidence, which points towards poor prospects for 2006. The left-hand graph below is pretty much self-explanatory on what should happen to private consumption towards the end of this year.

Price consumption, real YoY vs. coincident indicators (LHG);

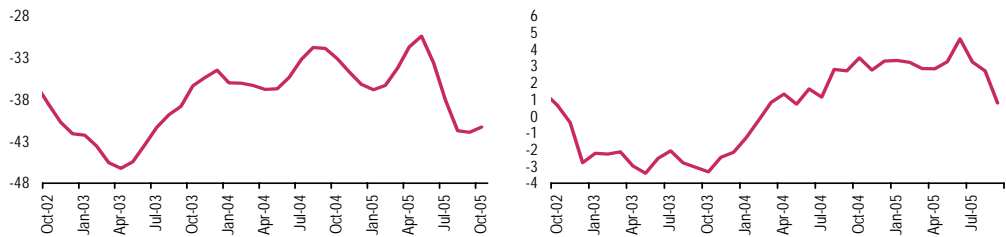
Coincident indicator of private consumption – YoY monthly (RHG)



Source: DGEP; BoP and Millennium bcp investimento

The left-hand graph compares real YoY private consumption with (i) the new coincident indicator published by BoP; and with (ii) the quarterly average of the three-month moving average for the previous coincident indicator (Millennium bcp investimento calculation).

Consumer confidence (LHG)  
Deflated retail index (RHG)



Source: DGEP

In 2004 private consumption grew 2.5%, faster than real disposable income, meaning that the savings rate continued to fall. This year, the same pattern should happen. Total indebtedness of Portuguese households thus continues to increase substantially (in 2004 it reached almost 120% of disposable income). In spite of this evolution, households' debt service has remained stable for the last two years (near 14% of disposable income), as a result of low interest rates. This explains why consumption has not faltered.

We see risks of a poor performance in terms of private consumption for 2006, given the following:  
(i) interest rates increase (as seen over the last weeks, due to the ECB's more hawkish stance);  
(ii) increase of unemployment; (iii) an effective increase of taxes. Since disposable income will be

*... rising unemployment, interest rates and taxes also do not help. This cocktail of risks puts relevant constraints for the evolution of the advertising market in 2006*

under pressure and the debt service will increase, a lower share of income should be allocated to consumption, a problem even bigger given the rising unemployment. Furthermore, as people realise that, at the end of the day, the public deficit must be financed with more taxes (as the reduction of public spending is quite difficult), then their propensity to save (i.e. not to consume) may tend to increase over the next years.

*Portugal as a convergence play should not be a strong argument in the short/medium term*

Therefore, although we recognise that advertising, as a percentage of Portuguese GDP, is low on a European scale, the ability to close or even to reduce the gap over the next years is clearly difficult to be materialised. On top of this, advertising is a rather discretionary variable, when management intends to cut back costs. This probably justifies the conundrum that encompasses the fact that advertising is a pro-cyclical variable, despite being closely related to private consumption, which in turn is the least cyclical of the macro aggregates (permanent income theory).

*Durable goods industries should be the most severely hit, contrary to food and beverage*

These negative forces should have a bigger impact in some sub-segments of durable goods, such as auto industry, house equipments and luxuries (goods/services with income elasticity greater than 1). Regarding the auto industry, one factor that might at least partially offset its usual sensitivity to the business cycle is the launching of an abnormal number of new models and versions by several auto manufacturers. On the other hand, some of the heaviest advertising spenders refer to the basic products, such as food and beverage, whose consumption has a low elasticity to changes in disposable income. These segments should be the ones less hit by a less inspiring advertising market. Furthermore, some of the core segments, such as food, were quite important advertisers in the Euro2004, which could mean they could be back again for the 2006 World Cup. This is because the importance of football in terms of depth and variety of audiences has increased substantially for the past years (to which the Euro 2004 contributed a lot), given the success of the Portuguese national team. Therefore, football matches (namely national team matches) are nowadays a key content for mass consumption, when concerns the Portuguese market.

%	2003	2004	1H05	9M05
Food	21.1	18.8	18.5	19.1
Personal hygiene	15.1	13.2	12.6	12.3
Comunication services & equipment	9.4	10.2	10.4	11.5
Commerce	8.1	9.2	9.1	9.1
Beverages	8.7	7.5	7.2	8.3
Auto	6.7	7.2	8.4	8.3
Home hygiene	8.5	7.1	6.9	7.3
Financial institutions	4.4	5.7	7.0	7.1
Personal services	1.3	2.3	2.9	1.9
Pharmaceuticals	2.1	2.1	2.7	2.5
Other sectors	14.5	16.7	14.2	12.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Marktest; Impresa

9M05 data on personal services refers only to gaming

We have been mentioning, as an important offsetting factor to the difficult macro conditions, the increasing competition in several markets, such as telecoms (mobile and fixed line) and banking.

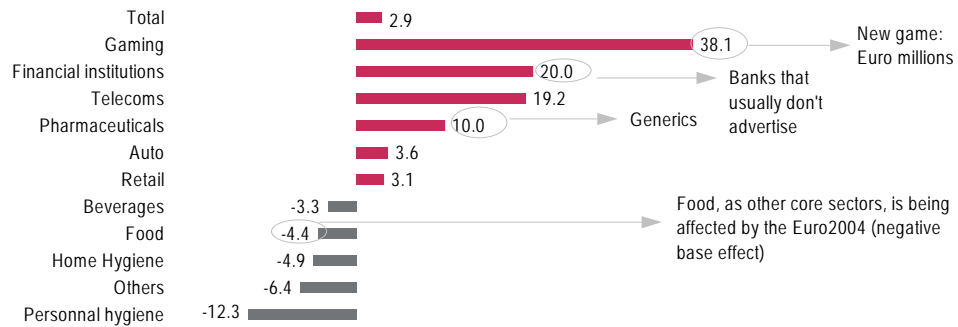
Micro offsetting forces, namely increasing competition, are now less likely to act as an important driver to advertising.

While in certain of these areas competitions continues strong (namely in banking, fixed broadband internet and voice) and some has not yet started (new pay-TV offers), we also note that in other areas the competitive environment has cooled down (e.g. subsidisation of 3G terminals, MVNOs, the delay of the Iberian electricity market).

Media buyers should become more selective. We expect TV to be one of the least affected media and press one of the most affected.

Also as mentioned in previous reports, under a worse market scenario, media buyers can become more selective when choosing which media to invest in. In this case they may allocate a higher portion of their advertising budget in the most effective (higher reach) and lower absolute and relative CPT media, namely TV. Furthermore, TV is the segment most exposed to the sectors that should see higher competition and have low elasticity to changes in disposable income. This comparison is evident when one compares TV with specialised segments, such as some press niches. This could lead to the closure of some titles. Furthermore, TV will be the main beneficiary of the World Cup 2006 and Rock in Rio, as we shall see in the next section.

TV ad market performance by sector Ytd Oct05 (rate prices)



Source: Impresa; Millennium bcp investimento

As for the other segments aside from FTA TV, and looking on a medium/long term basis, we continue to predict the same patterns, i.e. Radio to increase its weight, Press to follow the worldwide trend of seeing its share reduced (mostly due to the greater ability to disseminate information through other media, in a less expensive and timely manner, such as internet). Aside from this secular tendency, Press should be particularly under pressure in a difficult macro scenario, as it is a paid media with no characteristics of a basic good. On the other hand, Internet and Cable should continue to increase substantially. Cinema should continue to be unexpressive, given the increasing penetration of wide screens, DVDs, pay-tv, video-on-demand, pay-per-view, higher penetration of PVR devices, all this coupled with higher quality in terms of sound and image vis-à-vis today. As for Outdoors, we expect an evolution broadly in line with the market.

For this reason we are revising downwards our estimates regarding advertising growth. This revision is relatively pronounced in what regards the next coming years. We are now expecting a CAGR of 0.9% in the 2005-2007 period versus 3.1% previously.

Nonetheless, we are also factoring a recovery thereafter, and so the 2005-2015 CAGR suffered a more modest downward adjustment, from 4.5% to 3.9%.

Advertising market – YoY growth rates	%	2002	2003	2004	2005E	2006E	2007E	CAGR 05-07	CAGR 05-15
<b>Total</b>		<b>-5.9%</b>	<b>2.6%</b>	<b>12.5%</b>	<b>1.7%</b>	<b>0.1%</b>	<b>2.0%</b>	<b>1.0%</b>	<b>3.9%</b>
Free-to-air TV		-5.9%	7.4%	9.9%	1.1%	1.3%	1.4%	1.3%	4.5%
Press		-9.2%	-3.9%	12.0%	2.0%	-2.5%	1.0%	-0.8%	2.1%
Radio		-6.8%	7.4%	13.5%	-1.0%	-2.0%	2.5%	0.2%	3.9%
Outdoors		-0.3%	2.1%	19.1%	-2.0%	-1.0%	2.5%	0.7%	3.8%
Cinema		-1.6%	-8.5%	0.5%	-3.0%	-3.0%	-3.0%	-3.0%	-0.9%
Internet		-14.3%	-13.3%	-3.0%	30.0%	20.0%	15.0%	17.5%	19.9%
Cable & DTH		51.2%	20.0%	40.0%	20.0%	15.0%	10.0%	12.5%	6.3%
<b>Previous</b>					<b>3.8%</b>	<b>2.8%</b>	<b>3.5%</b>	<b>3.1%</b>	<b>4.5%</b>
Free-to-air TV					3.6%	2.6%	3.5%	3.0%	4.9%
Press					3.5%	1.0%	2.0%	1.5%	2.6%
Radio					6.0%	3.5%	4.5%	4.0%	5.3%
Outdoors					-5.0%	3.5%	4.0%	3.7%	4.6%
Cinema					-3.0%	-3.0%	-3.0%	-3.0%	-0.9%
Internet					30.0%	20.0%	15.0%	17.5%	19.9%
Cable & DTH					20.0%	15.0%	10.0%	12.5%	6.3%
<b>Change</b>					<b>-2.1pp</b>	<b>-2.6pp</b>	<b>-1.5pp</b>	<b>-2.1pp</b>	<b>-0.5pp</b>
Free-to-air TV					-2.5pp	-1.3pp	-2.1pp	-1.7pp	-0.4pp
Press					-1.5pp	-3.5pp	-1.0pp	-2.3pp	-0.5pp
Radio					-7.0pp	-5.5pp	-2.0pp	-3.8pp	-1.4pp
Outdoors					3.0pp	-4.5pp	-1.5pp	-3.0pp	-0.8pp
Cinema					0.0pp	0.0pp	0.0pp	0.0pp	0.0pp
Internet					0.0pp	0.0pp	0.0pp	0.0pp	0.0pp
Cable & DTH					0.0pp	0.0pp	0.0pp	0.0pp	0.0pp

Source: Company data, OMD, Millennium bcp investimento

## FTA TV market – what to expect going forward

*TV expected to outperform other segments*

### Top line

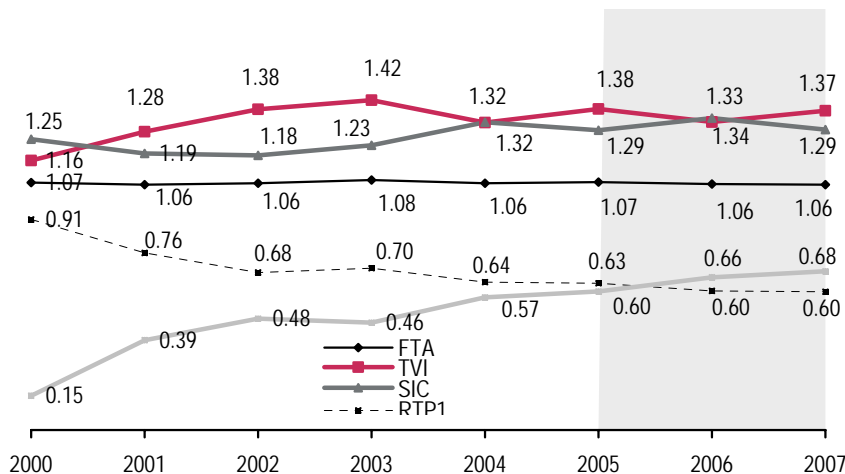
As mentioned in the previous section, prospects for next year's advertising market are not great, in our opinion. Despite this, on a relative basis TV could be one of the least affected segments, due to its high reach, low absolute and relative CPT and high exposure to industries with low-income elasticity segments and higher potential for increasing competition. History also provides some inside to this. Looking at the previous advertising recession period, from 2000 to 2003 TV advertising posted a negative CAGR of 3.7%, which compares with -6.7% for Press and -3.8% in Outdoors. In that period, the total advertising market fell at a CAGR of 4.0%. Furthermore, the 2006 World Cup and Rock in Rio should also be a plus in the current environment for TV advertising, as a push force for the market, but also helping TV to benefit vs. other media. Still, we note that not all the advertising related with those events will be a net addition to advertising budgets, as media buyers most likely should opt to concentrate advertising effort in those events at the expense (to some extent) of the remainder of the year, as was the case in Euro 2004.

*Reduction of discounts could take place, but to not that much*

The possibility of FTA operators to reduce once again agency commissions, as well as rappel (volume discounts) could be another force supporting FTA advertising. Still, we believe that operators could face some difficulties in reducing discounts given (i) the current macro environment and (ii) the more competitive environment, with SIC going after its "natural" advertising share.

Given our estimates for the cable and FTA market over the next years, we have made a cross check test to see whether we are being too optimistic on the share of FTA operators, assuming cable/other will reach audiences of 15%, vs. 12.7% in 2004 and an expected figure of 14.2% in 2005. What we see is that the power ratio for the FTA market falls slightly from 1.07 in 2005 to 1.06 in 2006 and 2007 (1.06 in steady-state). It is important to highlight the fact that the power ratio for the FTA market as a whole has remained quite stable over the past years.

Plain vanilla power ratio, including cable&other

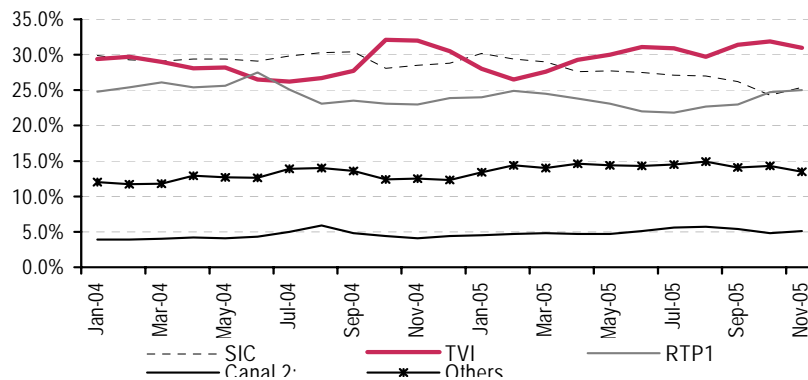


Source: Marktest; Company data; Millennium bcp investimento

The unusual huge gap in audiences brings additional complexity to forecasting advertising revenues by player

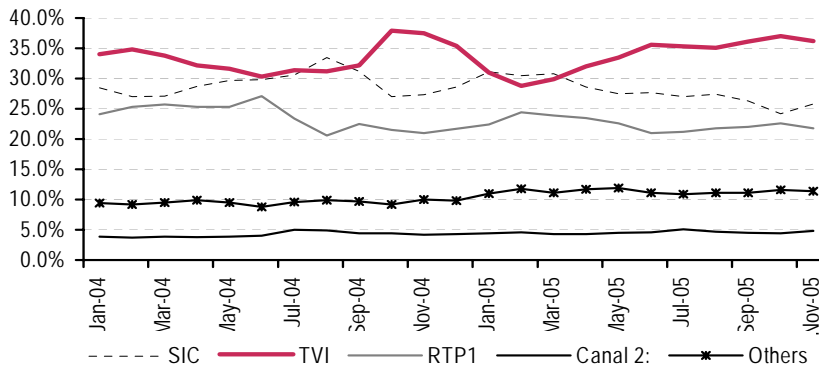
After having the estimates for the FTA market, we now face the dilemma of advertising shares between FTA operators. The market share issue assumes a higher importance than in the recent years, when audiences were somewhat stable. However, this time around, there is a serious audience gap between the two privately owned operators in some important time slots, and this difference has become higher over the recent months, as can be seen in the graphs below.

Audience shares – all-day



Source: Marktest

Audience shares – prime time



Source: Marktest

Our forecasts assume SIC will increase market share from an estimated figure of 38.8% in 2005 to 41.6% in 2006, which is equal to assume the increase of the power ratio from 1.29 to 1.33 and a small increase in audiences. The increase in power ratio is justified by the fact that (i) Rock in Rio advertising revenues should go almost entirely to SIC and are not directly linked to audiences (sponsorship has a great weight), while (ii) the 2006 World Cup will concentrate an important share of advertising, and when calculation power ratio this is not taken into account, since it averages audiences for the all year. On the contrary, we expect Media Capital and RTP to lose market share.

Going forward, we are expecting Media Capital and Impresa to reach steady state figures in 2010 (i.e. FTA advertising market shares of 42.5% for each one), meaning that during this period we expect Impresa's SIC to outperform the FTA market.

It is critical for investors to understand that the operating performance of FTA operators over the next couple of years can change quite a bit in light of possible relevant shifts in audience share, on top of the market evolution. As it was clear in Impresa's recent Investor Day, SIC is significantly changing its *modus operandis* in terms of TV concept, as follows:

**Audience shift**

- Reach younger viewers
- Reach viewers that don't watch TV
- Keep viewers SIC already has

**News Shows**

- Belissima -Nov05
- New afternoon show - Jan06
- Game show - Jan/feb06
- Soap opera -Feb06

**New shows late on in 2006**

- Mini series - Mar/Apr06
- Rock in Rio -May/Jun06
- Feature film - Sep06
- US series - March/April06
  - Desperate housewives II
  - CSI
  - Commander in chief

**Relationship between entertainment shows and news**

- News inside existing shows
- News extras
- Flexibility between programs and news
- New morning show

**Fiction production**

- Features and TV movies
- Soaps
- Series
- Sitcoms

**Stars**

- The return of the star system
- SIC stars for all channels
  - Thematics channels as finders
  - SIC as keeper
- 5 new stars are already known
- 3 more will be announced

Source: Impresa

Putting it simple, SIC will make an effort in increasing the weight of national contents over the next year, reducing the dependence from TV Globo's soaps and series. In fact Impresa is currently re-negotiating the contract, and one of the issue being discussed is the possibility to reduce the mandatory broadcasting of at least part of the soaps contracted. We recall that the current contract is valid until 2009. Our assumption of a gradual gain in advertising market share towards the 42.5% equilibrium with TVI is a consequence of that approach. Note that we have opted not to assume a rapid equilibrium, as SIC is now at the very beginning of the experience curve, as was TVI/NBP a few years ago.

All these changes in SIC's programming leads us to costs.

**Costs**

*New strategy for SIC contents:  
(i) more national contents; (ii) try to develop a star system; (iii) go after audiences not yet reached*

In order to invert the poor audiences performance, Impresa's SIC has changed the team in charge of the programming grid (for further details on this please refer to our Media Report out on 27 September, page 16). Mr. Francisco Penim, the person responsible for this shift in strategy, has stated as the main guidelines the following: (i) a higher weight of national contents; (ii) trying to develop a star system; (iii) go after audiences which SIC believes are not being reached with the existing formats.

Last May we wrote that there were strong reasons to believe that the cost structure of the FTA operators had the right incentives to stay under control, such as:

- The advertising market was evenly split by the three operators (due to the symmetry in

ratings) according to their share in advertising minutes, meaning that the incentive to go after a higher share of advertising was low at that time;

- Impresa and Media Capital did not compete for the same contents in most programs of the most important slot (prime time);
- Unlike other countries (namely the US), there was no star system in Portugal.

*It is quite clear to us that the drivers for cost control that were somewhat evident just a few months ago are no longer in place*

It is interesting to notice that only a few months have passed and all of these conditions are no longer valid. The TV FTA advertising market is not evenly split, as Media Capital has a advertising share/capacity share ratio of 1.13, which compares with 0.97 of SIC. This obviously gives an incentive for SIC to go after its "natural" share. Related with this is the fact that SIC is now looking to bet on national contents, as it understood that this is critical to reach higher audiences. In our opinion this should tend to increase SIC's cost base by means of higher production costs. At this stage, SIC has already gone after Media Capital's NBP staff (it basically is monopoly on what regards Portuguese fiction), namely scriptwriters, actors and so forth. As resources should not expand as much as demand for them and so they are now more scarce (i.e. expensive), costs should increase (both for SIC and TVI). Furthermore, SIC is clearly trying to create a star system, a path that in our opinion has many risks, although we recognise that at this stage there aren't probably many alternatives. Under a star system, the channel becomes too much dependent on the stars in term of audiences and its success therefore depends on a few persons, who tend to be highly paid (perhaps not at the beginning) and have a high bargaining power. Nevertheless, we believe these positives and negatives should not affect much SIC in the short-term, as the five stars announced to the market have yet to earn that title.

*Football as a killer content – another source of pressure on programming costs*

To make matters worse, in 2006 there will be another source of pressure in programming costs, as there will be a bid for three major football events: Champions League (2006-2009 contract), 2006 World Cup and the Portuguese League. Given (i) the importance of football in audiences (higher today than a few years ago); (ii) its expensive nature and (iii) the interest shown by the three FTA operators; and (iv) the special interest of SIC as means of finding a killer content, we believe that programming costs will be under pressure...in a sluggish advertising market.

### 2006 World Cup

At the Investor Day, Mr. Penim was clearly motivated to acquire the football rights, namely in what concerns the World Cup. The idea is that (i) football nowadays has clear higher reach (as previously discussed) in absolute terms, social classes, gender, age; (ii) SIC could more easily leverage on those contents, given the existence of the thematic channels and its leading approach in exploring other platforms, such as mobile contents. While this is true, it is also true that concerning the first issue, football rights owners are also aware that football is more valuable than a few years ago, and since they have the monopoly of rights and everybody is interested in those contents, these should not come cheap, i.e. the seller should keep most of the consumer (TV operators) surplus. On the second issue, while in our opinion it is true that SIC has an edge to explore contents, this source of revenues is still marginal compared with the impacts on FTA TV, and therefore should not justify, by themselves, the interest in the event.

Still, last Wednesday was confirmed that SIC won the bid for the World Cup matches. Not many details are not known at this stage, but SIC should have the right to broadcast at least 13 matches, including the opening match, three of the national team referring to the first round of the

tournament, four games of the round of 16, two games of the quarter-finals, the two semi-finals and the final. According to the press, the price to be paid will increase in case Portugal passes the several rounds. There is also the possibility of SIC broadcasting one or two more games involving national teams of other companies (could be Brazil or Angola).

In order to assess the potential impacts in top line and costs, we considered the following. As a central scenario, if Portugal does not pass the first round, then we assume the cost per match will be considerably above the cost of the Euro 2004 match, reaching €450k, as the average game to be broadcasted by SIC has higher value (as it has all the national team matches, as well as the final rounds of the tournament. Recall that in the Euro2004 SIC spent roughly €1.7mn to broadcast nine matches (meaning €170k per game). In terms of advertising, we recall that the two private FTA operators mentioned at that time that the Euro 2004 had a marginal net contribution to EBITDA, meaning that advertising revenues per match were roughly €170k.

*We estimate a cost per match of €450k versus advertising revenues of €508k, thus implying a return of 13%, i.e. a €0.8mn contribution to EBITDA for the 13 games*

We then assume that prices will go up 150%, reflecting the fact that SIC will have the monopoly of most of the important games (whereas in Euro 2004, all the FTA operators broadcasted games and of lower average importance). Furthermore, we also took the average ratings for the first three matches of the Portuguese national team (32.6) and assume it will go up to 35, as the involvement with the national team we believe is now even higher, given the improving track record when compared with before the beginning of the Euro2004. We assume the remaining games will have the same ratings as in the Euro 2004. Thus multiplying the Euro 2004 advertising revenue per game by  $(1+150%) \times (1+35/32.6)$  we reach an estimated advertising revenue of €508k per game, thus representing a total of €6.6mn, or a net gain of only €760k, representing a 13% return.

**Estimates of the impacts of the 2006 World Cup**

Main assumptions		
- Portugal does not pass the first round		<i>Hope we are wrong about this!</i>
- SIC cost per Euro 2004 game	0.189	<i>using SIC 'all-in' cost of Euro 2004 matches</i>
- Cost per match	0.450	<i>SIC now has higher reach matches (namely all of Portugal), near-monopoly and the FTA operators were quite interested in the WC</i>
Premium to Euro2004 matches	138%	<i>Opening match, 3 PT games, 4 round of 16, 2 quarter finals, 2 semi-finals, final</i>
Number of games	13	
<b>Base case scenario for programming costs</b>	<b>5.9</b>	
Euro 2004 avg advertising match	0.189	<i>SIC and TVI said that net impact on EBITDA was almost null</i>
Avg rating of Portugal matches in first round (Euro2004)	32.6	<i>Port-Greece 27.5; Port-Russia 35.5, Port-Spain 34.9</i>
Avg rating of Portugal matches in first stage (World Cup06)	35.0	<i>Assuming people are more prone for football</i>
Change in prices	150%	<i>Exclusive rights; important matches - gives high bargaining power</i>
Avg advertising per game	0.508	
<b>Net gain per share</b>	<b>0.058</b>	
<b>Overall net gain (impact on EBITDA)</b>	<b>0.759</b>	
<b>Estimated Return</b>	<b>13%</b>	

Source: Company, Media, Millennium bco investimento

Note that we are considering neither increase staff costs on covering the event nor additional revenues from other programs, highlights, sponsorship, serving as an anchor to the launch of

other programs, exploration of alternative media platforms, etc. Furthermore, a more accurate analysis would have to take into account the differential gain/loss of not having the event in terms of revenues and costs (i.e. the opportunity cost). Given the lack of information, we have simplified our analysis. Furthermore, if Portugal indeed goes far in the tournament, then costs should increase (average cost per match should increase), but so should revenues. For Impresa, the main risks for the success (in terms of return) of the World Cup are related with the apparently high cost per match. If the market is really down and ratings of Portuguese matches do not increase, then it could be difficult for advertisers to justify paying a much higher GRP when compared with the Euro2004.

### Rock in Rio

*Rocking the World Cup*

Despite being a much less important event than the World Cup, we are far more confident on the return of Rock in Rio. One reason is because in this case SIC is the organiser of the event, capturing practically all the advertising related with this event. The other reason (a stronger one), is that we estimate 2004 Rock in Rio programming costs stood slightly below €0.5mn, which compares with revenues over €4mn (also estimated figure). This time around, we assume Rock in Rio will benefit SIC EBITDA by the same dimension, which compares with our estimate of €0.8mn for the World Cup...

### Other football

We note that in our estimates we do not consider any impacts from the Champions League and from the Portuguese League, to be negotiated this year. Nevertheless, as in the case of the World Cup, we expect them to be more expensive than the previous contracts, namely the Portuguese League contract, which cost around €214k per match (i.e. €14.1mn for 66 matches – 2 years) to TVI.

### Presidential elections

Presidential elections will take place in 1Q06 and, as in the case of general elections, the FTA operators receive a compensation each of approximately €1.1mn.

### Other risks – DTT, cable and other platforms

*DTT – scarce information so far. Still, risks could outpace opportunities*

On top of all this, there is the issue of digital terrestrial television, whose contest is scheduled to take place during next year. Although the model and details are not known, at this stage we believe risks are higher than opportunities, as the possibility of an additional FTA player cannot be ruled out, as see in other European countries.

*PTM general TV channel – an important menace...if materialised*

Another risk encompasses the possibility of PT Multimedia launching a general TV channel in its cable network. At the end of October, Portugal Telecom's CEO, Mr. Miguel Horta e Costa, announced that PTM is preparing the launch of a general TV channel with the objective of allowing a free access to this channel to all homes passed by TV Cabo, which currently amount to 2.6mn. Recall that PTM aims to reach a further 400k households until the end of 2006. If this target were achieved then reach would stand at c.65% of all homes, including secondary homes. As the homes passed are in areas with higher income per capita, TV Cabo has apparently reached a minimum critical mass in order to make such an option. Given the free access, revenues would come from advertising. If this project goes ahead, it could become a threat to

Impresa and Media Capital, as they would have another player on the block fighting for audiences and advertising share, which could decrease revenues and increase production costs. On what regards PTM, we note that its track record in own contents is yet to be proven. In effect, we recall two experiences, NTV and CNL, which were below what would be acceptable.

We also note that, although feasible, the room for a profitable new general TV channel is not straightforward. Taking the expected 2005 advertising FTA market, and assuming that, as a neutral scenario, this new channel would have (i) the same minutes of advertising as the other private FTA channels and (ii) an advertising share equal to the share of capacity (28.6%), then it could reach advertising revenues of approximately €90mn. This assumes no expansion of the advertising market, which we recognise to be a somewhat conservative assumption. Under such scenario, the cost structure would have to be lean in order to the new channel be a profitable one; as a remainder, note that Media Capital should end this year with programming costs around €75mn, and obviously there are other costs that have to be considered. On the other hand, that level of audiences is typically not achieved overnight for a new channel, as the international experience shows.

In spite of the simplistic exercise we made above, we note that PTM would in fact not be subject to the advertising capacity limits of FTA channels, as it would be using its own network. This has serious implications, as (i) it could use more than 12 minutes of advertising per hour; and, perhaps more importantly (ii) it could make advertising a lot more effective (i.e. with higher ratings) for a given amount of minutes, as it could make as much breaks as it wants, with the duration it pleases. This is not the case of FTA operators, as the current legislation practically obliges them to pass commercials two or three times per hour. The problem that PTM could face would be the fact that it has a dominant position in cable. Under this reasoning, the launching of a general TV channel could become a catalyst for a regulation of contents, which at the end of the day could bring additional risks for PTM.

*Meanwhile, pay-TV penetration should continue to increase, thus pressuring FTA channels*

Aside from this, cable penetration continues. Furthermore, PTM's plans to significantly increase penetration over the coming years. This should be a driving force for cable channels to increase reach and therefore reduce the influence of general FTA channels. The advent of new offers of pay-TV (AR Telecom, Sonaecom's triple play and, probably, Portugal Telecom ADSL) could also imply lower ratings and audiences for current FTA channels. As an offsetting force, current FTA operators should receive a fee and eventually could put produce come contents (e.g. thematic channels) for those platforms.

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## A new regulatory framework

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Amid the doubts that surround the impacts of macro events on the market, as well the market share issue and risk of increasing competition, there are structural changes that might modify the landscape of the Portuguese media, as follows:

*ERC, the new regulatory authority for the mass media has just been created, with more powers than its predecessor. It is likely that Television Law will be suffer changes, but the renewal of the licenses should face no major problems.*

1) The current Government has already announced the by-law of the new regulatory body for the mass media – Entidade Reguladora para a Comunicação Social (ERC). This regulator will substitute the High Authority for the Mass Media, with more ample powers. Its staff structure should have higher technical competences than what was the case of ERC's predecessor, which should allow it to better monitor the activity of the sector. The ERC will collaborate with the Competition Authority (AC) and the telecoms regulator (ANACOM). Most of ERC revenues will come from the State Budget (around €3mn), with the remaining coming from fines and fees. As regards fees charged to media entities, these will be defined over the next months.

One of the first issues that will be an eventual update of the Television Law, as well as the renewal of the broadcasting licenses of Impresa's SIC and Media Capital's TVI. Although we have no doubts that the renewal is going to take place (as both broadcasters have complied to the conditions on which the awarding of the license was based), we also note that the current law implies a renewal for 15 years, which is not compatible with the European timetables for the introduction of DTT (switch off is scheduled for 2012). Nevertheless, recall that any amendment in the legal rules related to the television industry is not grounds for any claim of compensation by a license holder.

*A law specifically applied to the concentration of the ownership mass media should be approved next year*

2) The Portuguese government is also preparing a law that will address the concentration of media ownership. This could be important in order to assess the feasibility of further M&A in the sector (vertically, horizontally and multi-segment), as well as any need for any operator to divest from part of its assets. The government expects this law to be out during next year.

3) The advertising code will be changed, and a fee of 0.5% over advertising revenues should be applied to every operator. This fee will be revenue of the Consumer Institute.

*Higher bargaining power for journalists*

4) A new draft version of the so-called "Journalist Statute" is available for public discussion. One of the changes includes the possibility of a journalist to cease his work with just cause, having right to an indemnity of at least three months of its base salary, in case there is a deep modification in the line of orientation or the nature of the media where it works, confirmed by the ERC. If approved, this could imply a higher bargaining power of journalists. The same is valid for the property of contents, which should become friendlier to journalists, as the text now says "The intellectual creator of the journalistic workmanship of any nature is its author, to who the respective moral and patrimonial rights belong".

5) The law of the Cinematographic Art and the Audiovisual, published in August, comprises a widening of the incidence of a 4% tax on advertising revenues to all advertising forms, such as sponsorships, product placement, telepromotion, embedded advertising in teletext and EPG.

*All in all, despite the lack of details in some of the key measures, the changes in regulatory framework should be more negative than positive*

While important doubts remain on ERC, we note that 3), 4) and 5) are negative for media players. As for the law concerning media concentration, at the end of the day it should reduce the possibilities of national media players to increase size and therefore increase market power and enhance efficiency.

## Changes in estimates – Media Capital

*2006 – an important year for Media Capital – change in management; tough comparable in TV; increase market share and efficiency in other segments.*

Media Capital faces several important challenges in 2006. The most important one is in TV. Not only we forecast a difficult advertising market, but also 2005 will represent a tough comparable in terms of audiences and market share, due to SIC's effort on improving programming, including the main events of the year. In all the remaining segments, Media Capital as yet to prove it can at least reduce the gap to its the long-term targets in terms of margins and conquer market share. For this to be achieved, audiences must improve significantly in Radio; in Outdoors, the comparable will be an easy one, but at the same time competition has increased high quality capacity, while MCO TV should continue to have a hard time in capturing advertisers, as seen this year. As for Others, ISP revenues should continue to implode, while Internet contents revenues should continue to be a mirage in terms of revenues and Magazines are expected to stand as a low/negative margin business. Therefore, the time is one of increasing market share, explore non-advertising related revenues and strict control of opex (especially in TV) and capex. On top of all this, there is some risk that management focus could be diverted towards tasks related with changing control and internal reorganisation.

### Media Capital - changes in estimates (P&L)

	2004	New Estimates			Old Estimates			Change		
		2005E	2006E	2007E	2005E	2006E	2007E	2005E	2006E	2007E
<b>Revenues</b>	<b>211.9</b>	<b>220.6</b>	<b>212.5</b>	<b>214.6</b>	<b>226.0</b>	<b>226.1</b>	<b>227.8</b>	<b>-2.4%</b>	<b>-6.0%</b>	<b>-5.8%</b>
TV	143.4	158.6	155.9	162.4	158.6	162.5	168.0	0.0%	-4.1%	-3.3%
Radio	14.3	15.4	15.3	16.1	16.1	17.1	18.2	-4.6%	-10.1%	-11.7%
Outdoors	18.9	16.6	16.8	17.2	17.7	18.8	20.0	-6.2%	-10.7%	-14.0%
Other	35.3	30.0	24.5	19.0	33.6	27.7	21.7	-10.7%	-11.8%	-12.4%
<b>Cash Costs</b>	<b>-169.4</b>	<b>-174.1</b>	<b>-171.7</b>	<b>-170.3</b>	<b>-176.7</b>	<b>-175.4</b>	<b>-174.0</b>	<b>-1.5%</b>	<b>-2.1%</b>	<b>-2.1%</b>
TV	-102.3	-110.5	-112.7	-116.1	-110.0	-112.8	-115.6	0.5%	0.0%	0.4%
Radio	-12.2	-13.6	-14.0	-14.4	-13.3	-14.0	-14.8	1.9%	0.0%	-2.8%
Outdoors	-15.9	-15.1	-15.4	-15.8	-16.0	-16.6	-17.3	-5.6%	-7.4%	-8.8%
Other	-39.0	-34.9	-29.6	-24.1	-37.4	-32.0	-26.4	-6.6%	-7.3%	-8.6%
<b>EBITDA</b>	<b>42.5</b>	<b>46.5</b>	<b>40.7</b>	<b>44.3</b>	<b>49.3</b>	<b>50.7</b>	<b>53.8</b>	<b>-5.7%</b>	<b>-19.7%</b>	<b>-17.6%</b>
TV	41.1	48.1	43.2	46.3	48.6	49.8	52.4	-1.0%	-13.2%	-11.6%
Radio	2.1	1.8	1.3	1.7	2.8	3.1	3.4	-35.3%	-56.3%	-50.1%
Outdoors	3.0	1.5	1.4	1.4	1.7	2.2	2.7	-11.5%	-36.2%	-47.6%
Other	-3.8	-4.9	-5.2	-5.1	-3.8	-4.3	-4.7	28.9%	21.9%	8.9%
<b>Margin</b>	<b>20.1%</b>	<b>21.1%</b>	<b>19.2%</b>	<b>20.7%</b>	<b>21.8%</b>	<b>22.4%</b>	<b>23.6%</b>	<b>-0.7pp</b>	<b>-3.3pp</b>	<b>-3.0pp</b>
TV	28.7%	30.3%	27.7%	28.5%	30.6%	30.6%	31.2%	-0.3pp	-2.9pp	-2.7pp
Radio	14.8%	11.9%	8.7%	10.6%	17.6%	17.9%	18.8%	-5.6pp	-9.2pp	-8.2pp
Outdoors	15.9%	9.3%	8.2%	8.2%	9.8%	11.5%	13.5%	-0.6pp	-3.3pp	-5.3pp
Other	-10.7%	-16.5%	-21.2%	-26.9%	-11.4%	-15.3%	-21.6%	-5.1pp	-5.9pp	-5.3pp
D&A	-13.2	-11.6	-11.6	-10.6	-11.4	-11.2	-10.6	1.7%	2.8%	0.1%
<b>EBIT</b>	<b>29.3</b>	<b>34.9</b>	<b>29.2</b>	<b>33.7</b>	<b>37.9</b>	<b>39.5</b>	<b>43.2</b>	<b>-7.9%</b>	<b>-26.1%</b>	<b>-22.0%</b>
Financial Results	-12.2	-8.4	-8.1	-6.2	-9.5	-8.4	-6.7	-11.6%	-3.0%	-8.4%
<b>EBT</b>	<b>17.1</b>	<b>26.4</b>	<b>21.0</b>	<b>27.5</b>	<b>28.4</b>	<b>31.1</b>	<b>36.5</b>	<b>-6.7%</b>	<b>-32.4%</b>	<b>-24.5%</b>
Taxes	-7.2	-8.1	-5.8	-7.6	-7.8	-8.6	-10.0	3.9%	-32.4%	-24.5%
<b>EBM</b>	<b>10.0</b>	<b>18.4</b>	<b>15.2</b>	<b>20.0</b>	<b>20.6</b>	<b>22.5</b>	<b>26.4</b>	<b>-10.7%</b>	<b>-32.4%</b>	<b>-24.5%</b>
Minority Interests	-0.4	0.6	-0.4	-0.5	-0.5	-0.6	-0.7	-213.9%	-32.4%	-24.5%
<b>Net Income</b>	<b>9.5</b>	<b>18.9</b>	<b>14.9</b>	<b>19.5</b>	<b>20.0</b>	<b>22.0</b>	<b>25.8</b>	<b>-5.5%</b>	<b>-32.4%</b>	<b>-24.5%</b>

Source: Millennium bcp investimento

2004 data is our estimate for IAS figures

**Changes in estimates**

Our updated figures clearly differ from the previous ones. In TV, this is a mix of lower advertising revenues (worse market) and higher costs (namely programming). As for Outdoors and Radio, we are see now less reasons to be confident on Media Capital improve substantially its fundamentals over the next years, given the recent track record. In the others segment, we are also less optimistic on the ability to Internet operations (ex-ISP) and Magazines to post a positive contribution going forward. This latter issue is also due to the fact that this division offsets intra-group advertising revenues. As an example, in 1H05 intra-group cancellations represented 1.8mn (i.e. 2.1% of total advertising revenues).

Media Capital – estimates vs guidance	Media Capital				MBCPI		
	New	July	Investor Day	Change	New	Old	Change
Advertising Market	1-3%	4-6%	4-6%	↓	1.7%	3.8%	↓
Total revenues	4-6%	5-7%	-		4.1%	6.6%	↓
<b>Advertising revenues</b>							
Group	5-7%	6-9%	8-10%	↓	6.1%	8.2%	↓
TV	8-9%	7-9%	4-6%	↑	8.7%	9.8%	↓
Radio	5-10%	10-15%	17-19%	↓	7.6%	13.3%	↓
Outdoors	-5-0%	0%	25-28%	↓	-12.2%	-6.5%	↓
Others	-10-0%	8-10%	8-10%	↓	3.6%	11.5%	↓
<b>EBITDA Margin</b>							
Group	20-21%	21-23%	22-24%	↓	21.1%	21.8%	↓
TV	29-32%	30-33%	30-33%	↓	30.3%	30.6%	↓
Radio	8-10%	17-21%	21-24%	↓	11.9%	17.6%	↓
Outdoors	6-10%	6-10%	19-22%	↓	9.3%	9.8%	↓
Others	-5mn	-(€3mn)	-break even	↓	-4.9mn	-3.8mn	↓
<b>Other indicators</b>							
Total Debt/EBITDA	2.5-3.0x	2.5-3.0x	2.5-3.0x	↔	2.3	2.1	↑
Total Capex/Sales	3.5-4.0%	3.5-4.0%	4.0-5.0%	↔	3.9%	3.9%	↔
Maintenance Capex/Sales	-	-	3.5-4.0%		-	-	
Invest. Capex	-	-	0.5-1.0%		-	-	
Cost of Debt	5-6%	5-6%	5-6%	↔	-	-	

Source: Company data and Millennium bcp investimento

Media Capital – estimates vs guidance

€ million	2003	2004 IAS	2005E	YoY	2006E	YoY	2005 (MC)		YoY	
							Min	Max	Min	Max
<b>TV</b>										
Revenues	135.3	143.4	158.6	10.6%	155.9	-1.7%				
Advertising	119.6	125.8	136.8	8.7%	133.0	-2.7%	135.8	137.1	8%	9%
Other	15.7	17.6	21.8	23.7%	22.9	5.0%				
Cash Costs	-97.2	-102.3	-110.5	8.1%	-112.7	2.0%				
EBITDA	38.1	41.1	48.1	16.8%	43.2	-10.1%				
Margin	28.2%	28.7%	30.3%	1.6pp	27.7%	-2.6pp	29%	32%		
<b>Radio</b>										
Revenues	12.5	14.3	15.4	7.4%	15.3	-0.3%				
Advertising	11.2	13.9	15.0	7.6%	14.9	-0.5%	14.6	15.3	5%	10%
Other	1.2	0.4	0.4	-1.1%	0.5	6.0%				
Cash Costs	-11.4	-12.2	-13.6	11.0%	-14.0	3.3%				
EBITDA	1.1	2.1	1.8	-13.7%	1.3	-27.2%				
Margin	8.7%	14.8%	11.9%	-2.9pp	8.7%	-3.2pp	8%	10%		
<b>Outdoors</b>										
Revenues	15.5	18.9	16.6	-12.2%	16.8	0.8%				
Advertising	15.5	18.9	16.6	-12.2%	16.7	0.8%	18.0	18.9	-5%	0%
Other	0.0	0.0	0.0	37.5%	0.0	5.0%				
Cash Costs	-14.0	-15.9	-15.1	-5.2%	-15.4	2.0%				
EBITDA	1.5	3.0	1.5	-48.9%	1.4	-10.7%				
Margin	9.8%	15.9%	9.3%	-6.7pp	8.2%	-1.1pp	6%	10%		
<b>Other</b>										
Revenues	36.5	35.3	30.0	-15.0%	24.5	-18.4%				
Advertising	4.5	4.7	4.9	3.6%	4.8	-3.0%	4.4	4.9	-10%	0%
Other	31.9	30.5	25.1	-17.9%	19.7	-21.4%				
Cash Costs	-41.2	-39.0	-34.9	-10.5%	-29.6	-15.1%				
EBITDA	-4.7	-3.8	-4.9	31.0%	-5.2	4.9%	-5.0	-5.0		
Margin	-13.0%	nm	nm	nm	-21.2%	nm				

Source: Company data and Millennium bcp investimento

2003 figures are local GAAP; 2004 figures are our estimates for IAS

Media Capital – P&L estimates	€ million	2004	2005E	2006E	2007E	2015E	YoY			CAGR 05-15
							2005	2006	2007	
<b>Revenues</b>		<b>211.9</b>	<b>220.6</b>	<b>212.5</b>	<b>214.6</b>	<b>301.8</b>	<b>4.1%</b>	<b>-3.7%</b>	<b>1.0%</b>	<b>3.2%</b>
TV		143.4	158.6	155.9	162.4	229.5	10.6%	-1.7%	4.2%	3.8%
Radio		14.3	15.4	15.3	16.1	24.5	7.4%	-0.3%	4.7%	4.8%
Outdoors		18.9	16.6	16.8	17.2	24.7	-12.2%	0.8%	2.5%	4.0%
Other		35.3	30.0	24.5	19.0	23.1	-15.0%	-18.4%	-22.4%	-2.6%
<b>Cash Costs</b>		<b>-169.4</b>	<b>-174.1</b>	<b>-171.7</b>	<b>-170.3</b>	<b>-227.8</b>	<b>2.7%</b>	<b>-1.3%</b>	<b>-0.8%</b>	<b>2.7%</b>
TV		-102.3	-110.5	-112.7	-116.1	-160.6	8.1%	2.0%	3.0%	3.8%
Radio		-12.2	-13.6	-14.0	-14.4	-19.5	11.0%	3.3%	2.5%	3.7%
Outdoors		-15.9	-15.1	-15.4	-15.8	-21.5	-5.2%	2.0%	2.5%	3.6%
Other		-39.0	-34.9	-29.6	-24.1	-26.1	-10.5%	-15.1%	-18.8%	-2.8%
<b>EBITDA</b>		<b>42.5</b>	<b>46.5</b>	<b>40.7</b>	<b>44.3</b>	<b>74.0</b>	<b>9.4%</b>	<b>-12.4%</b>	<b>8.9%</b>	<b>4.8%</b>
TV		41.1	48.1	43.2	46.3	68.9	16.8%	-10.1%	7.3%	3.7%
Radio		2.1	1.8	1.3	1.7	5.0	-13.7%	-27.2%	27.6%	10.5%
Outdoors		3.0	1.5	1.4	1.4	3.1	-48.9%	-10.7%	2.6%	7.4%
Other		-3.8	-4.9	-5.2	-5.1	-3.1	31.0%	4.9%	-1.6%	-4.6%
D&A		-13.2	-11.6	-11.6	-10.6	-11.8	-11.9%	-0.7%	-7.9%	0.2%
<b>EBIT</b>		<b>29.3</b>	<b>34.9</b>	<b>29.2</b>	<b>33.7</b>	<b>62.1</b>	<b>19.0%</b>	<b>-16.3%</b>	<b>15.5%</b>	<b>6.0%</b>
Financial Results		-12.2	-8.4	-8.1	-6.2	0.0	-30.9%	-3.2%	-24.2%	-42.3%
<b>EBT</b>		<b>17.1</b>	<b>26.4</b>	<b>21.0</b>	<b>27.5</b>	<b>62.1</b>	<b>54.4%</b>	<b>-20.5%</b>	<b>30.9%</b>	<b>8.9%</b>
Taxes		-7.2	-8.1	-5.8	-7.6	-16.8	12.9%	-28.6%	30.9%	7.6%
<b>EBM</b>		<b>10.0</b>	<b>18.4</b>	<b>15.2</b>	<b>20.0</b>	<b>45.3</b>	<b>84.3%</b>	<b>-16.9%</b>	<b>30.9%</b>	<b>9.5%</b>
Minority Interests		-0.4	0.6	-0.4	-0.5	-1.1	nm	nm	30.9%	nm
<b>Net Income</b>		<b>9.5</b>	<b>18.9</b>	<b>14.9</b>	<b>19.5</b>	<b>44.2</b>	<b>98.8%</b>	<b>-21.5%</b>	<b>30.9%</b>	<b>8.8%</b>

Source: Millennium bcp investimento

2004 data is our estimate for IAS figures

### Dividend issue

Whereas previously we were convinced that Media Capital could pay a dividend in 2006 (as also indicated by management), we now have a different opinion. Given that the strike price of the put option held by Miguel Pais do Amaral and Nicolas Berggruen (€7.03) is not adjusted for dividends, then Prisa's representatives in the Board of Media Capital have no incentive to propose dividends, as for each €1 euro paid in dividends they would be throwing away €0.66, assuming no tender offer in the short term.

### Valuation

Valuation wise, our DCF came down quite a bit. All areas contributed to this, with the exception of "Others". Nevertheless, we highlight that the recent quarters of this division have clearly disappointed, and therefore if this trend continues, we see risks to our valuation.

Media Capital – Sum of the parts	€ million	EV	Method	Weight	Implied Multiple	Previous	Change	Pct Change
Television	571.4	DCF	98%	EV/EBITDA 06 13.2x	644.9	-73.5	-11%	
Radio	33.8	DCF	6%	EV/EBITDA 06 25.3x	54.2	-20.4	-38%	
Outdoors	21.9	DCF	4%	EV/EBITDA 06 15.8x	42.9	-21.1	-49%	
Other <sup>1</sup>	-57.8	DCF	-10%		-55.9	-1.9	3%	
PV of Deferred Tax Assets	12.6	DCF	2%		13.1	-0.5	-4%	
<b>Total</b>	<b>581.9</b>		<b>100%</b>		<b>699.2</b>	<b>-117.4</b>	<b>-17%</b>	
Adjusted Net Debt YE05		102.7			96.1			
Minorities		15.5			15.5			
NBP		15.5		Last Acquisition	15.5			
Dividends		0.0			12.0			
<b>Equity Value</b>		<b>463.7</b>			<b>575.6</b>	<b>-111.9</b>	<b>-19%</b>	
Number of shares		84.5			84.5			
<b>Price Target - YE06</b>		<b>5.50</b>			<b>6.80</b>	<b>-1.3</b>	<b>-19%</b>	

Source: Millennium bcp investimento

<sup>1</sup> Other includes Holding Costs, Magazines and Internet

Consolidated Net Debt includes deferred payments for previous acquisitions and is adjusted for the cash in related with the stock option plan

We further note that our SotP valuation does not include any potential synergies with whoever takes over the company, if this happens.

#### RTL increases stake to 32.2% - pushing for a tender offer?

On November 25, RTL increased its stake in Media Capital from 15.66% to 32.2%. According to the media, the shares were acquired to Fidelity Investments, although so far there is no official confirmation. With this move, the battle for control with Prisa (which owns 33% of Media Capital) is more alive than ever. At this stage, we believe that the likelihood of a tender offer in the short term has increased substantially.

According to Prisa, the value of Vertix net debt was €17.5mn when the deal was signed with Miguel Pais do Amaral and Nicolas Berggruen. Adding this figure to the €189.6mn, as well as the €45mn cash equivalent of the 24% stake in Prisa International that Prisa gave to those two shareholders, this would represent a total consideration of €9.04 per share (€8.41 + €0.63). Nevertheless, we also recall that in 2Q05 conference call, Prisa mentioned it would pay €8.68 per share, which is compatible with a net debt of €7.4mn for Vertix. Anyway, in case Prisa opts to make a tender offer in the next 6 months, then the bid price most probably would be one of those two (depending on the exact value of Vertix debt figure).

Tender offer price - scenarios according to Vertix net debt when Prisa acquired it	0.0	1.0	3.0	5.0	7.4	10.0	12.5	15.0	17.5
Net Debt of Vertix (€mn)	0.0	1.0	3.0	5.0	7.4	10.0	12.5	15.0	17.5
Tender offer price (€ per share)	8.41	8.45	8.52	8.59	8.68	8.77	8.86	8.95	9.04

Source: Prisa; Millennium bcp investimento

In order to analyse the likelihood of a near term tender offer over Media Capital we note the following:

In case RTL launches a take over bid it could be complicated in terms of managing Media Capital, assuming Prisa would reject the offer. Recall that the members of the Board of Directors were appointed for a four-year term as from 10 March 2004 ending in 31 December 2007. In order for a General Meeting to approve a dismissal with no cause of the Board of Directors, a two-thirds majority of the votes is required. This would mean that Prisa would have to wait until 2008 to control the Board of Directors, when GM will elect a new Board by simple majority. Even if RTL by any way reaches an understanding with some of the current Board members ex- Prisa it would, maximum, have two Board members (as two are Prisa, one is Miguel Pais do Amaral and there are two independent), which does not give control of the Board.

As for Prisa, we believe the Spanish group has no interest in anticipating any take over from its own will, especially in the 6 month period after 8 November, as before that, the take over bid price would have to be at the €8.68/€9.04 level mentioned previously, as according to Portuguese legislation in case of a tender offer the price should be the highest between (i) the highest price paid by the bidder in the six months previous to the tender offer; and (ii) the weighted average market price in the last six months.

But we also note that the recent changes in the Board of Media Capital (the entrance of two Prisa representatives) will have to be approved in the next GM, to take place early next year. And this has to be approved by the majority of votes. If RTL opts to make a tender offer previous to that and if by that way it reaches over 50% of voting rights then it could block the recent nominations, this could oblige Prisa to reach an understanding. Still, last Friday it was announced that Mr. Miguel Pais do Amaral and Nicolas Berggruen have increased their stake to 7.54% and 8.38% respectively, which coupled with Prisa totals 48.9%, just 1.1% below the minimum stake that would revoke the aforementioned argument for RTL to block the nominations. Thus the importance of MPA NB is critical as regards the future control of Media Capital.

To make matters even more complicated, the tender offer Directive should be adopted by the Portuguese authorities during next year. One of the items under discussion is one new paragraph to be added to the article 20 (attribution of voting rights). It says that in the calculation of qualifying holdings consideration should be given, in addition to those attaching to shares of which the participant has ownership or usufruct, "the voting rights held by entities that have reached an agreement with the purpose of acquiring the control of a company...". Thus, there is the risk that the new regulation would oblige Prisa to make a tender offer, due to the put option it sold to Miguel Pais do Amaral and Nicolas Berggruen, which gives these two shareholders the right to sell Prisa between 12% and 13.2% of Media Capital share capital, thus putting Prisa stake in Media Capital above the 1/3 threshold for tender offers.

Therefore, at the end of the day, the possibility of a near term tender offer is high in our opinion. Furthermore, we further note that Prisa has confirmed to us that, if necessary, they are able to benefit from the same fiscal scheme when they bought Vertix, i.e. have a 25% tax deduction on foreign investments.

If despite all the aforementioned arguments Prisa or RTL do not launch a tender bid in the meantime, we note that the stock is somewhat shielded by the put option that Miguel Pais do Amaral and Nicolas Berggruen have over Prisa, to be exercised between 24-27 months, at €7.03

per share.

<b>Media Capital current shareholder structure</b>	<b>% voting rights</b>
Vertex (Grupo Prisa)	33.00%
Bertelsmann	32.18%
Miguel Pais do Amaral	7.54%
Berggruen Holdings, Ltd	8.38%
Other	18.90%

*Source: Media Capital; Millennium bcp investimento*

## Changes in estimates - Impresa

In the case of Impresa, also carried out relevant changes in our estimates (we had Impresa under revision), also taking into consideration the Investor Day that took place last Tuesday.

Impresa's view on the advertising is a more optimistic one versus our estimates regarding 2006. *Ceteris paribus*, this obviously would imply a difference between our estimates and Impresa's. In fact, Impresa expects the market to increase 2.5%, whereas we are looking at a worse evolution. As a final note, please take into consideration that Impresa's targets were made assuming no World Cup (the winner of the bid was known one day after the Investor Day).

### TV

Given the aforementioned target of 2.5% growth rate for the advertising market, as well as the assumption of an average audience of 27.5% and a stable power ratio, Impresa aims SIC advertising revenues to grow by 3.0%. Our estimates imply an 8.6% increase (inc. Rock in rio and the World Cup). As for other revenues, we believe the prospects are now better with the new team, as Mr. Penim on top of being the head of programming has also responsibility over thematic channels and other platforms and contents, meaning that revenue synergies could be easier achieved now. This why Impresa is targeting this line (ex-thematics) to grow 15% in 2006. Still, thematic channels revenues should increase only moderately this year, as TV Cabo penetration slows down. Revenues from alternative carriers, such as AR Telecom and ADSL operators should be relatively low and only come near year-end. The expansion of SIC Noticias, SIC International and SIC Radical should also contribute with a small portion for overall growth.

As for costs, we are somewhat concerned, given the previously mentioned effort of increasing national contents, the star system, and football rights. Impresa targeted programming costs of only €72.5mn in 2006 (ex-football rights), around 3.5% above our estimated figure for 2005. Still, we note two things, on top of the issue mentioned in previous sections:

- (i) as always, it will be quite important to monitor the evolution of the stock of TV rights, as the true cash cost related with programming is equal to programming costs plus the variation of that balance sheet item. In the recent years, this has been one of the reasons for Impresa to reduce debt, as SIC used (broadcasted) substantially the programs it had on stock, and therefore P&L programming costs were an overestimate of actual cash costs. In 2006, the effort put in production should increase substantially and part of the material produced may not be on air in 2006, meaning that program stocks should increase.
- (ii) Going forward, the effort put in place in what regards national contents should be reflected in higher programming costs, as despite they those contents will substitute other, their costs is higher than the previous ones.

Nevertheless, we expect that the bet on national contents should gradually pay its dividends, meaning that we expect SIC to grab a higher share of advertising than today over the coming years. Hopefully, this should compensate a heavier burden on programming costs. As for other

costs, SIC should benefit in 2006 from lower staff costs (as the previous team was fired), lower transmission costs (in August the telecoms regulator obliged Portugal Telecom to reduce by 17% the fee it charged to RTP and SIC for the use of the broadcasting grid). Other costs should increase, due to higher other revenues.

Impresa – headlines for guidance vs our figures

	Impresa	MBCPI
Revenues (€mn)	270.2	275.4
EBITDA (€mn)	62.2	58.1
Margin	23.0%	21.1%
Capex (€mn)	8.0	8.8
TV (€mn)	7.5	7.5
Magazines (€mn)	0.3	0.7
Newspapers (€mn)	0.3	0.6
Net Debt reduction(increase) - €mn	36	29
Advertising market growth	2.5%	1.7%
Net Profit (€mn)	31-32	28.4

Source: Company data and Millennium bcp investimento

TV – Impresa's targets versus our estimates

€ million	Impresa				MBCPI				Dev	
	2005E	2006E	Chg	YoY	2005E	2006E	Chg	YoY	2005	2006
<b>Revenues</b>	<b>163.0</b>	<b>169.4</b>	<b>6.4</b>	<b>3.9%</b>	<b>162.0</b>	<b>175.9</b>	<b>13.9</b>	<b>8.6%</b>	<b>0.6%</b>	<b>-3.7%</b>
Ad revenues	118.8	122.3	3.4	2.9%	117.8	127.9	10.1	8.6%	0.9%	-4.4%
Thematic	31.3	32.3	1.0	3.3%	31.3	32.6	1.3	4.0%	-0.2%	-0.9%
Others	12.9	14.8	2.0	15.0%	12.9	15.5	2.6	20.0%	0.0%	-4.1%
<b>Cash costs</b>	<b>127.6</b>	<b>125.2</b>	<b>-2.4</b>	<b>-1.9%</b>	<b>127.4</b>	<b>131.8</b>	<b>4.4</b>	<b>3.4%</b>	<b>0.2%</b>	<b>-5.0%</b>
reestruct.	4.1	0.0	-4.1	-100%	4.1	0.0	-4.1	-100%	0.0%	nm
other	123.5	125.1	1.6	1.3%	123.3	131.8	8.5	6.9%	0.2%	-5.1%
<b>EBITDA</b>	<b>35.4</b>	<b>44.2</b>	<b>8.8</b>	<b>24.9%</b>	<b>34.6</b>	<b>44.2</b>	<b>9.6</b>	<b>27.7%</b>	<b>2.3%</b>	<b>0.0%</b>
Margin	21.7%	26.1%	4.4pp		21.4%	25.1%	3.7pp			

Source: Company data and Millennium bcp investimento

Breakdown of Impresa's guidance for revenues is our estimate, given the guidance on YoY changes

Newspapers

As for newspapers, the next couple of years will be ones of many changes. First, "Expresso", the main asset of this division, will have a new team in charge since the beginning of the year. The challenge will be for this new team to maintain or even increase audiences and circulation of that weekly publication. In our opinion, one of the most important impacts in top line should come from the new colour capacity, with "Expresso" being printed fully in colour from September06 onwards.

Still on top line, not only in "Expresso" but in other publications as well, Impresa could benefit from the increase in audiences it has posted in the recent past, while at the same time explore the 2005 launches and re-launches, although the impact of the latter should be relatively small. As for add-ons, in 2006 the newspapers division should face difficult times in reaching the same levels of 2005, as (i) most of 2005 add-ons had a huge success and (ii) the economic framework is not that great for this type of products. For these reasons, we are more sceptic than Impresa, and expect a reduction of add-on revenues. Printing revenues should fall by roughly 50% in 2006, as the disposal of the current printer should take place towards the

middle of the year.

Newspapers – Impresa's targets versus our estimates

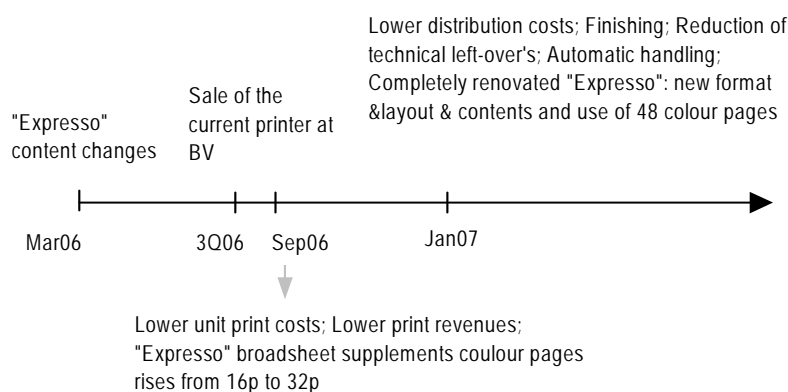
€ million	Impresa				MBCPI				Dev	
	2005E	2006E	Chg	YoY	2005E	2006E	Chg	YoY	2005	2006
Revenues	60.5	61.5	1.0	1.7%	60.4	59.8	-0.5	-0.9%	0.2%	2.8%
Ad revenues	37.7	39.0	1.3	3.5%	37.9	38.0	0.1	0.3%	-0.5%	2.7%
Circulation	16.2	16.4	0.2	1.0%	15.7	15.8	0.2	1.0%	3.5%	3.5%
Others	6.6	6.1	-0.5	-8.0%	6.8	6.0	-0.8	-12.0%	-2.6%	1.8%
Add-ons	5.6	5.6	0.0	0.0%	na	na	na	na	na	na
Printing	1.1	0.5	-0.5	-50.0%	na	na	na	na	na	na
Cash costs	46.3	46.3	0.0	0.0%	46.2	46.1	-0.1	-0.1%	0.3%	0.4%
EBITDA	14.2	15.2	1.0	7.0%	14.2	13.7	-0.5	-3.3%	0.1%	10.8%
Margin	23.5%	24.7%	1.2pp		23.5%	22.9%	-0.6pp			

Source: Company data and Millennium bcp investimento

Breakdown of Impresa's guidance for revenues is our estimate, given the guidance on YoY changes

The deal with Mirandela, as stated in previous notes, comprises the sale of Impresa's current printer to Mirandela (the second largest printing group in Portugal) at BV and the commitment by Mirandela to buy a new machine with full colour capacity and finishing system. The contract will last 10 years and will allow for lower distribution costs, improved finishing, reduction of technical left-overs, automatic handling, improved quality and a new layout and format for "Expresso" (broadsheet and full colour). As Impresa ceases to have a printing machine, capex requirements should come down significantly. These features will be partially implemented in 2006, and "Expresso" should start 2007 with a brand new operating structure and completely reshuffled. Therefore, we are expecting most of the impacts (top line, opex and capex) to take place in 2007.

Timetable of the impacts of the "Mirandela" deal (new printing machine)



Source: Company data

Magazines

As for magazines, Impresa aims to gain market share during next year (i) taking advantage of the higher audiences (in advertising); (ii) growth of 2005 launches; (iii) the impact of 2006 new magazines (Stuff – a gadget magazine, and another one, to be launched in Sep06) and (iv) the Rock in Rio event. Cover prices will also take place in some titles. Add-ons are expected to be lower, with a re-focus towards profitability. We are less optimistic, as (i) we believe press to be

one of the most hit segments in a scenario of advertising downturn and (ii) Cofina will continue to push for the newsmagazine "Sábado", which could imply some pressure in pricing of advertising and cover price. Still, we believe that costs should be under control, as the 2005 base is an easy one (several important launches). Going forward, we expect margins to stay in the region of 10-11%, which compares with an historic average of 9.3% in the period from 1999 to 2005 (ex-2001 would be 10.7%).

Magazines – Impresa's targets versus our estimates

€ million	Impresa				MBCPI				Dev	
	2005E	2006E	Chg	YoY	2005E	2006E	Chg	YoY	2005	2006
<b>Revenues</b>	41.9	42.3	0.4	1.0%	41.8	40.7	-1.1	-2.6%	0.3%	3.9%
Ad revenues	16.9	17.5	0.6	3.6%	16.3	15.8	-0.4	-2.7%	3.6%	10.3%
Circulation	20.0	20.8	0.8	4.0%	20.4	20.8	0.4	2.0%	-1.7%	0.2%
Others	5.0	4.0	-1.0	-20.0%	5.2	4.1	-1.1	-20.4%	-2.9%	-2.4%
<b>Cash costs</b>	37.4	37.1	-0.3	-0.8%	37.5	37.0	-0.6	-1.5%	-0.3%	0.3%
<b>EBITDA</b>	4.5	5.2	0.7	15.6%	4.3	3.7	-0.5	-12.3%	5.9%	39.5%
Margin	10.7%	12.3%	1.6pp		10.2%	9.2%	-1.0pp			

Source: Company data and Millennium bcp investimento

Breakdown of Impresa's guidance for revenues is our estimate, given the guidance on YoY changes

Breakdown of Impresa's target revenues versus our estimates

€ million	Impresa				MBCPI				Dev	
	2005E	2006E	Chg	YoY	2005E	2006E	Chg	YoY	2005	2006
<b>Total Revenues</b>	262.3	270.2	7.9	3.0%	263.1	275.4	12.3	3.0%	-0.3%	-1.9%
<b>Advertising</b>	173.4	178.8	5.4	3.1%	171.9	181.7	9.8	5.7%	0.8%	-1.6%
TV	118.8	122.3	3.5	2.9%	117.8	127.9	10.1	8.6%	0.9%	-4.4%
Magazines	16.9	17.5	0.6	3.6%	16.3	15.8	-0.4	-2.7%	3.6%	10.3%
Newspapers	37.7	39.0	1.3	3.5%	37.9	38.0	0.1	0.3%	-0.5%	2.7%
<b>Circulation</b>	36.2	37.2	1.0	2.7%	36.0	36.6	0.6	1.6%	0.5%	1.6%
Magazines	20.0	20.8	0.8	4.0%	20.4	20.8	0.4	2.0%	-1.7%	0.2%
Newspapers	16.2	16.4	0.2	1.0%	15.7	15.8	0.2	1.0%	3.5%	3.5%
<b>Other</b>	52.7	54.2	1.5	2.9%	55.2	57.1	1.9	3.5%	-4.5%	-5.1%
TV	44.2	47.1	3.0	6.7%	44.2	48.1	3.8	8.7%	-0.2%	-1.9%
Thematic	31.3	32.3	1.0	3.3%	31.3	32.6	1.3	4.0%	-0.2%	-0.9%
Other	12.9	14.8	1.9	15.0%	12.9	15.5	2.6	20.0%	0.0%	-4.1%
Magazines	5.0	4.0	-1.0	-20.0%	5.2	4.1	-1.1	-20.4%	-2.9%	-2.4%
Newspapers	6.6	6.1	-0.5	-8.0%	6.8	6.0	-0.8	-12.0%	-2.6%	1.8%
Add-ons	5.6	5.6	0.0	0.0%	na	na	na	na	na	na
Printing	1.1	0.5	-0.5	-50.0%	na	na	na	na	na	na

Source: Company data and Millennium bcp investimento

Breakdown of Impresa's guidance for revenues is our estimate, given the guidance on YoY changes

Impresa's operating targets versus our estimates

€ million	Impresa				MBCPI				Dev	
	2005E	2006E	Chg	YoY	2005E	2006E	Chg	YoY	2005	2006
<b>Revenues</b>	<b>262.3</b>	<b>270.2</b>	<b>7.9</b>	<b>3.0%</b>	<b>263.1</b>	<b>275.4</b>	<b>12.3</b>	<b>3.0%</b>	<b>-0.3%</b>	<b>-1.9%</b>
Television	163.0	169.4	6.4	3.9%	162.0	175.9	13.9	8.6%	0.6%	-3.7%
Magazines	41.9	42.3	0.4	1.0%	41.8	40.7	-1.1	-2.6%	0.3%	3.9%
Newspapers	60.5	61.5	1.0	1.7%	60.4	59.8	-0.5	-0.9%	0.2%	2.8%
Other	-3.1	-3.0	0.1	-2.3%	-1.0	-1.0	0.0	2.5%	207.0%	192.7%
<b>Cash Costs</b>	<b>209.4</b>	<b>208.0</b>	<b>-1.4</b>	<b>-0.7%</b>	<b>211.1</b>	<b>217.3</b>	<b>6.2</b>	<b>3.0%</b>	<b>-0.8%</b>	<b>-4.3%</b>
Television	127.6	125.2	-2.4	-1.9%	127.4	131.8	4.4	3.4%	0.2%	-5.0%
Magazines	37.4	37.1	-0.3	-0.8%	37.5	37.0	-0.6	-1.5%	-0.3%	0.3%
Newspapers	46.3	46.3	0.0	0.0%	46.2	46.1	-0.1	-0.1%	0.3%	0.4%
Other	-1.9	-0.6	1.3	-68.5%	0.0	2.5	2.5	nm	nm	nm
<b>EBITDA</b>	<b>52.9</b>	<b>62.2</b>	<b>9.3</b>	<b>17.5%</b>	<b>52.1</b>	<b>58.1</b>	<b>6.1</b>	<b>11.6%</b>	<b>1.7%</b>	<b>7.0%</b>
Television	35.4	44.2	8.8	24.9%	34.6	44.2	9.6	27.7%	2.3%	0.0%
Magazines	4.5	5.2	0.7	15.6%	4.3	3.7	-0.5	-12.3%	5.9%	39.5%
Newspapers	14.2	15.2	1.0	7.0%	14.2	13.7	-0.5	-3.3%	0.1%	10.8%
Other	-1.2	-2.4	-1.2	nm	-1.0	-3.5	-2.5	252.5%	16.4%	-31.9%
<b>EBITDA Margin</b>	<b>20.2%</b>	<b>23.0%</b>	<b>2.8pp</b>		<b>19.8%</b>	<b>21.1%</b>	<b>1.3pp</b>			
Television	21.7%	26.1%	4.4pp		21.4%	25.1%	3.7pp			
Magazines	10.7%	12.3%	1.6pp		10.2%	9.2%	-1.0pp			
Newspapers	23.5%	24.7%	1.2pp		23.5%	22.9%	-0.6pp			

Source: Company data and Millennium bcp investimento

Breakdown of Impresa's revenues is our estimate, given the guidance on YoY changes

Impresa - Revenues estimates

€ million	2004	2005E	2006E	2007E	2015E	YoY			CAGR 05-15
						2005	2006	2007	
<b>Total</b>	<b>256.3</b>	<b>263.1</b>	<b>275.4</b>	<b>281.1</b>	<b>399.9</b>	<b>2.7%</b>	<b>4.7%</b>	<b>2.1%</b>	<b>4.3%</b>
Advertising	176.1	171.9	181.7	181.7	271.8	-2.3%	5.7%	0.0%	4.7%
Circulation	35.4	36.0	36.6	37.6	44.8	1.8%	1.6%	2.9%	2.2%
Other	44.8	55.2	57.1	61.7	83.3	23.1%	3.5%	8.1%	4.2%
<b>Television</b>	<b>164.0</b>	<b>162.0</b>	<b>175.9</b>	<b>178.2</b>	<b>272.2</b>	<b>-1.2%</b>	<b>8.6%</b>	<b>1.3%</b>	<b>5.3%</b>
Advertising	123.9	117.8	127.9	125.8	200.5	-4.9%	8.6%	-1.6%	5.5%
Thematic channels	29.2	31.3	32.6	35.0	42.0	7.3%	4.0%	7.4%	3.0%
Others	10.9	12.9	15.5	17.4	29.7	18.3%	20.0%	12.5%	8.7%
<b>Magazines</b>	<b>39.3</b>	<b>41.8</b>	<b>40.7</b>	<b>41.2</b>	<b>49.7</b>	<b>6.3%</b>	<b>-2.6%</b>	<b>1.3%</b>	<b>1.8%</b>
Advertising	16.0	16.3	15.8	16.0	20.0	1.5%	-2.7%	1.0%	2.1%
Circulation	19.9	20.4	20.8	21.1	24.7	2.2%	2.0%	1.8%	2.0%
Others	3.3	5.2	4.1	4.1	5.0	54.5%	-20.4%	0.6%	-0.3%
<b>Newspapers</b>	<b>56.5</b>	<b>60.4</b>	<b>59.8</b>	<b>62.7</b>	<b>79.2</b>	<b>6.8%</b>	<b>-0.9%</b>	<b>4.9%</b>	<b>2.8%</b>
Advertising	36.2	37.9	38.0	39.9	51.3	4.8%	0.3%	5.0%	3.1%
Circulation	15.5	15.7	15.8	16.5	20.0	1.3%	1.0%	4.5%	2.5%
Others	4.9	6.8	6.0	6.3	7.9	38.8%	-12.0%	4.8%	1.5%

Source: Company data; Millennium bcp investimento

Impresa - EBITDA estimates

€ million	2004	2005E	2006E	2007E	2015E	YoY			CAGR 05-15
						2005	2006	2007	
<b>Total</b>	<b>52.8</b>	<b>52.1</b>	<b>58.1</b>	<b>62.2</b>	<b>90.1</b>	<b>-1.4%</b>	<b>11.6%</b>	<b>7.1%</b>	<b>5.6%</b>
Television	40.1	34.6	44.2	46.3	71.6	-13.7%	27.7%	4.8%	7.5%
Magazines	4.4	4.3	3.7	3.9	5.2	-2.5%	-12.3%	5.3%	2.1%
Newspapers	12.4	14.2	13.7	15.6	17.8	14.4%	-3.3%	14.0%	2.3%
Other	-4.1	-1.0	-3.5	-3.6	-4.5	-75.5%	nm	2.9%	16.3%
<b>Margin</b>	<b>20.6%</b>	<b>19.8%</b>	<b>21.1%</b>	<b>22.1%</b>	<b>22.5%</b>	<b>0.0pp</b>	<b>0.1pp</b>	<b>0.0pp</b>	<b>0.3pp</b>
Television	24.5%	21.4%	25.1%	26.0%	26.3%	-3.1pp	3.7pp	0.9pp	0.5pp
Magazines	11.1%	10.2%	9.2%	9.5%	10.5%	-0.9pp	-1.0pp	0.4pp	0.0pp
Newspapers	21.9%	23.5%	22.9%	24.9%	22.5%	1.6pp	-0.6pp	2.0pp	-0.1pp

Source: Company data; Millennium bcp investimento

Impresa - P&L estimates

€ million	2004	2005E	2006E	2007E	2015E	YoY			CAGR 05-15
						2005	2006	2007	
<b>Revenues</b>	<b>256.3</b>	<b>263.1</b>	<b>275.4</b>	<b>281.1</b>	<b>399.9</b>	<b>2.7%</b>	<b>4.7%</b>	<b>2.1%</b>	<b>4.3%</b>
Television	164.0	162.0	175.9	178.2	272.2	-1.2%	8.6%	1.3%	5.3%
Magazines	39.3	41.8	40.7	41.2	49.7	6.3%	-2.6%	1.3%	1.8%
Newspapers	56.5	60.4	59.8	62.7	79.2	6.8%	-0.9%	4.9%	2.8%
Other	-3.5	-1.0	-1.0	-1.1	-1.3	-71.6%	2.5%	2.5%	2.5%
<b>Cash Costs</b>	<b>-203.5</b>	<b>-211.1</b>	<b>-217.3</b>	<b>-218.9</b>	<b>-309.7</b>	<b>3.7%</b>	<b>3.0%</b>	<b>0.7%</b>	<b>3.9%</b>
Television	-123.9	-127.4	-131.8	-131.9	-200.5	2.9%	3.4%	0.1%	4.6%
Magazines	-34.9	-37.5	-37.0	-37.3	-44.5	7.4%	-1.5%	0.9%	1.7%
Newspapers	-44.1	-46.2	-46.1	-47.1	-61.4	4.6%	-0.1%	2.2%	2.9%
Other	-0.6	0.0	-2.5	-2.6	-3.3	nm	nm	3.0%	nm
<b>EBITDA</b>	<b>52.8</b>	<b>52.1</b>	<b>58.1</b>	<b>62.2</b>	<b>90.1</b>	<b>-1.4%</b>	<b>11.6%</b>	<b>7.1%</b>	<b>5.6%</b>
Television	40.1	34.6	44.2	46.3	71.6	-13.7%	27.7%	4.8%	7.5%
Magazines	4.4	4.3	3.7	3.9	5.2	-2.5%	-12.3%	5.3%	2.1%
Newspapers	12.4	14.2	13.7	15.6	17.8	14.4%	-3.3%	14.0%	2.3%
Other	-4.1	-1.0	-3.5	-3.6	-4.5	-75.5%	nm	2.9%	16.3%
Depreciation	-11.2	-8.6	-8.4	-8.6	-12.1	-23.1%	-2.6%	2.7%	3.5%
<b>EBIT</b>	<b>41.6</b>	<b>43.5</b>	<b>49.7</b>	<b>53.6</b>	<b>78.1</b>	<b>4.4%</b>	<b>14.5%</b>	<b>7.9%</b>	<b>6.0%</b>
Financials	-5.7	-8.7	-8.3	-7.4	10.2	52.5%	-5.0%	-11.1%	nm
<b>EBT</b>	<b>35.9</b>	<b>34.7</b>	<b>41.4</b>	<b>46.3</b>	<b>88.2</b>	<b>-3.2%</b>	<b>19.4%</b>	<b>11.6%</b>	<b>9.8%</b>
Income taxes	-7.5	-9.5	-11.4	-12.7	-24.0	27.1%	19.4%	11.6%	9.7%
<b>EBM</b>	<b>28.4</b>	<b>25.2</b>	<b>30.0</b>	<b>33.5</b>	<b>64.2</b>	<b>-11.3%</b>	<b>19.4%</b>	<b>11.6%</b>	<b>9.8%</b>
Minorities	-11.0	-1.6	-1.7	-1.7	-2.3	-85.5%	3.5%	3.5%	3.5%
<b>Net Income</b>	<b>17.3</b>	<b>23.6</b>	<b>28.4</b>	<b>31.8</b>	<b>62.0</b>	<b>36.0%</b>	<b>20.4%</b>	<b>12.1%</b>	<b>10.2%</b>

Source: Company data; Millennium bcp investimento

Impresa - Sum of the parts

€ million	EV	Stake	Value to Impresa	Method	Weight	Implied Multiple
Television	563.1	100.0%	563.1	DCF	75%	EV/EBITDA 06 12.7x
Magazines	77.9	50.0%	38.9	DCF	5%	EV/EBITDA 06 10.4x
Newspapers	183.1	100.0%	183.1	DCF	25%	EV/EBITDA 06 13.3x
Holding&Adjustments	-50.4	100.0%	-50.4	DCF	-7%	
Non-Operating Assets			12.2	BV	2%	
<b>Sum-of-the-Parts</b>			<b>747.0</b>		<b>100%</b>	
Adjusted Net Debt YE05			216.2			
Minorities			16.6			
<b>Equity Value</b>			<b>514.1</b>			
Number of shares (mn)			84.0			
<b>Price Target - YE05 (€)</b>			<b>6.10</b>			

Source: Millennium bcp investimento

For details on DCF calculations please refer to the "Impresa - Valuation" section

Impresa and Media

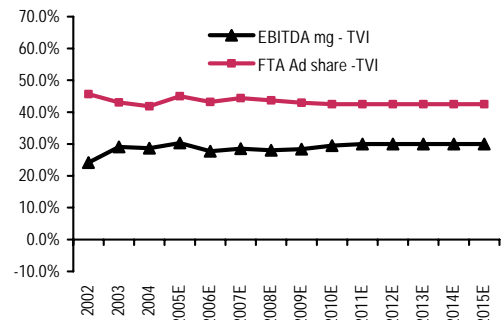
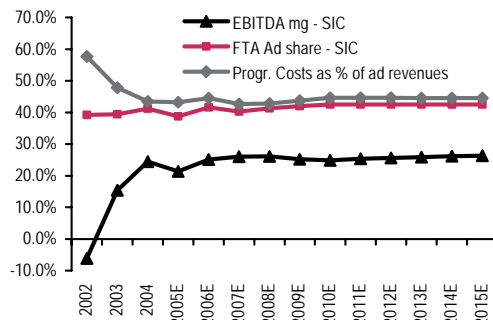
Capital – alternative scenarios

The purpose of this section is to (i) explain and compare the assumptions used to value Impresa and Media Capital TV units and (ii) elaborate on alternative scenarios, namely in terms of the evolution of advertising market share.

Comparison of assumptions

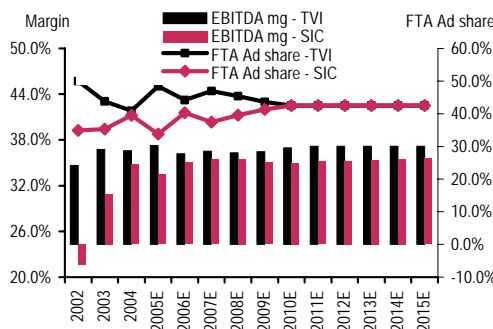
In terms of assumptions, much of them was already discussed in other sections, but we highlight the fact that (i) we are assuming FTA TV advertising market to post a CAGR 05-15 of 3.9%; (ii) TVI and SIC to converge in terms of market share (42.5% each). Obviously, the World Cup and Rock in Rio events imply that this path towards convergence should not be a smooth one. We are also assuming a strong growth of programming costs, namely at SIC. We estimate SIC programming costs to grow at a CAGR 05-15 of 5.6% and 6.7% in the 2005-2010 period (recall that the contract with Globo ends in 2009), as a result of the effort to increase domestic production. As such during this transitory period, we assume margins to be a bit under pressure. Still, as we assume the advertising market to start recovering more strongly after 2007, the effort in programming should be mostly absorbed by top line. As for Media Capital, we expect a somewhat symmetrical evolution in terms of market share, while in terms of costs we are now expecting a steady state EBITDA margin (30%) lower than previously, given the competition of SIC for domestic contents.

Impresa – evolution of margins, prog. Costs and ad share



Source: Company data, Millennium bcp investimento

SIC and TVI - Ad shares, EBITDA margin and ad growth



Source: Company data, Millennium bcp investimento

**Alternative scenarios**

Given the current status in audiences, we have performed two alternative scenarios to our base case scenario. In the first one, we assume that Impresa's SIC will maintain its advertising share at the level expected for 2005 (38.8%). The other ones assume that SIC will recover its advertising share to 42.5% immediately in 2006. In both scenarios we assume that SIC and TVI together account for 85% of the FTA advertising market (i.e. in line with the base case scenario).

We arrive to the conclusion that under the first scenario (we avoid to call it worst case, because one never knows...), the worst one for Impresa, we would arrive at a YE06 price target of €5.40, still representing an 8% upside to the current market price. As for Media Capital, its YE06 target would be €6.20. On the other hand, if SIC manages to quickly reach balance with MC in terms of market share, then the stock could be worth €6.75 and MC €4.85. In this case we assume that SIC would not need to increase the programming costs as a % of advertising advertising as of 2007 (2006 will have the impact of the World Cup).

As a note, please recall that these simulations have several limitations, among which we highlight (i) when market share changes, companies attitude also typically changes, meaning opex structures could suffer important changes in order to offset part of the impacts on top line or even making things worse by making a mammoth effort in programming to regain share; (ii) those changes could also imply other pricing policies (more aggressive ones by the player most hit); (iii) market estimates were kept unchanged; (iv) we did not consider any new FTA operator nor increasing competition from a more daunting scenario in terms of higher penetration of pay-TV.

## Changes in estimates - Cofina

*Advertising revenues revised downwards, mainly in newspapers, due to macro issues and stronger competition*

As a result of an expected worse performing advertising market and probable deviation towards other less expensive media, we have scaled down our estimates for Cofina top line both in newspapers and magazines. The impact was greater on newspapers than magazines, as the newsmagazine "Sábado", launched in mid-2004, should benefit from the impact of higher audiences, which in press typically have a relevant lagging period. As for newspapers, we highlight the fact that competition could become stronger, as 2005 has been a year of relevant management changes in one of the main competitors (Lusomundo Media). One of the factors that might offset a lacklustre performance in advertising is the 2006 World Cup, which could bring some support to the industry, namely to sport newspapers, where Cofina is well positioned. Nevertheless, we recall that some players, such as Impresa, have indicated that they could launch a free sports newspaper. If materialised, in our opinion this kind of competition could represent a bigger threat to paid sports newspapers than free general newspapers do to paid ones, given the less in-depth characteristics of sports news.

As for circulation, growth should slowdown next year, with magazines providing some support, as we expect "Sábado" to increase market share. One of the risks for circulation (both magazines and newspapers) is pricing pressure, given the poor economic environment, as well as a more competitive atmosphere.

Add-ons should have a lower importance in overall revenues, since the associated risk of these products increases as macro conditions deteriorate and there has been excess supply over the recent quarters.

Changes in operating estimates

	2004	New Estimates			Old Estimates			Change		
		2005E	2006E	2007E	2005E	2006E	2007E	2005E	2006E	2007E
<b>Revenues</b>	<b>134.5</b>	<b>134.9</b>	<b>136.5</b>	<b>141.2</b>	<b>144.2</b>	<b>148.0</b>	<b>152.9</b>	<b>-6.4%</b>	<b>-7.8%</b>	<b>-7.7%</b>
Newspapers	92.9	91.0	90.3	92.4	98.0	99.7	102.6	-7.2%	-9.5%	-10.0%
Magazines	41.6	44.0	46.2	48.8	46.2	48.3	50.3	-4.9%	-4.3%	-3.0%
Holding & Adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	nm	nm	nm
<b>Cash Costs</b>	<b>-114.4</b>	<b>-117.9</b>	<b>-119.8</b>	<b>-123.5</b>	<b>-124.7</b>	<b>-127.7</b>	<b>-131.7</b>	<b>-5.5%</b>	<b>-6.2%</b>	<b>-6.3%</b>
Newspapers	-74.2	-74.8	-75.1	-77.0	-80.0	-81.3	-83.6	-6.5%	-7.6%	-7.9%
Magazines	-40.2	-42.2	-43.7	-45.4	-43.8	-45.4	-47.1	-3.5%	-3.8%	-3.5%
Holding & Adjustments	0.0	-0.9	-1.0	-1.1	-1.0	-1.0	-1.1	nm	nm	nm
<b>EBITDA</b>	<b>20.1</b>	<b>17.0</b>	<b>16.7</b>	<b>17.8</b>	<b>19.5</b>	<b>20.3</b>	<b>21.2</b>	<b>-12.4%</b>	<b>-17.9%</b>	<b>-16.2%</b>
Newspapers	18.7	16.2	15.2	15.4	18.0	18.5	19.0	-10.0%	-17.7%	-18.8%
Magazines	1.4	1.8	2.5	3.4	2.5	2.9	3.3	-28.6%	-12.5%	4.2%
Holding & Adjustments	0.0	-0.9	-1.0	-1.1	-1.0	-1.0	-1.1	nm	nm	nm
<b>Margin</b>	<b>14.9%</b>	<b>12.6%</b>	<b>12.2%</b>	<b>12.6%</b>	<b>13.5%</b>	<b>13.7%</b>	<b>13.9%</b>	<b>-0.9pp</b>	<b>-1.5pp</b>	<b>-1.3pp</b>
Newspapers	20.2%	17.8%	16.8%	16.7%	18.4%	18.5%	18.5%	-0.6pp	-1.7pp	-1.8pp
Magazines	3.4%	4.0%	5.5%	7.0%	5.3%	6.0%	6.5%	-1.3pp	-0.5pp	0.5pp

Source: Company data; Millennium bcp investmento  
2004 EBITDA is local GAAP and before provisions

Changes in revenues -  
breakdown

	2004	New Estimates			Old Estimates			Change		
		2005E	2006E	2007E	2005E	2006E	2007E	2005E	2006E	2007E
<b>Revenues</b>	<b>134.5</b>	<b>134.9</b>	<b>136.5</b>	<b>141.2</b>	<b>144.2</b>	<b>148.0</b>	<b>152.9</b>	<b>-6.4%</b>	<b>-7.8%</b>	<b>-7.7%</b>
Circulation	52.5	58.3	60.4	62.4	58.7	61.3	63.7	-0.6%	-1.4%	-2.0%
Advertising	51.7	52.1	52.3	54.4	55.3	57.3	59.0	-5.8%	-8.7%	-7.8%
Ad-ons	30.3	24.5	23.8	24.4	30.2	29.5	30.3	-18.9%	-19.3%	-19.3%
Holding & Adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	nm	nm	nm
<b>Newspapers</b>	<b>92.9</b>	<b>91.0</b>	<b>90.3</b>	<b>92.4</b>	<b>98.0</b>	<b>99.7</b>	<b>102.6</b>	<b>-7.2%</b>	<b>-9.5%</b>	<b>-10.0%</b>
Circulation	39.3	41.5	42.3	43.4	41.9	43.3	44.8	-0.8%	-2.4%	-3.3%
Advertising	37.5	36.7	35.7	36.5	39.3	40.1	41.0	-6.6%	-10.9%	-11.1%
Ad-ons	16.2	12.8	12.2	12.5	16.8	16.3	16.7	-24.2%	-25.0%	-25.0%
<b>Magazines</b>	<b>41.6</b>	<b>44.0</b>	<b>46.2</b>	<b>48.8</b>	<b>46.2</b>	<b>48.3</b>	<b>50.3</b>	<b>-4.9%</b>	<b>-4.3%</b>	<b>-3.0%</b>
Circulation	13.2	16.8	18.1	19.1	16.8	18.0	18.9	0.0%	0.9%	0.9%
Advertising	14.3	15.4	16.6	17.9	16.0	17.2	17.9	-3.8%	-3.8%	-0.1%
Ad-ons	14.1	11.8	11.5	11.9	13.4	13.1	13.5	-12.3%	-12.3%	-12.3%

Source: Company data; Millennium bcp investimento

Cost base should be closely monitored, due to the aforementioned top line risks

As a result of uninspiring top line landscape, we expect Cofina to closely monitor the evolution of its cost base, as seen in 3Q05. Still, margins should be negatively affected in newspapers, as we are expecting advertising (which has small direct costs) to falter. On the contrary, in magazines we are expecting improvements versus 2005, benefiting from (i) higher top line (namely advertising); and (ii) lower promotion efforts now that "Sábado" has reached a higher readership base. Notwithstanding, it will be important to monitor the market leader (Impresa's "Visão") response in terms of pricing (both cover price and advertising) and promotional material.

Newspapers – operating performance

€ million	2004	2005E	2006E	2007E	2015E	CAGR 05-15E
<b>Revenues</b>	<b>92.9</b>	<b>91.0</b>	<b>90.3</b>	<b>92.4</b>	<b>113.2</b>	<b>2.2%</b>
Circulation	39.3	41.5	42.3	43.4	52.3	2.3%
Advertising	37.5	36.7	35.7	36.5	45.7	2.2%
Alternative Marketing	16.2	12.8	12.2	12.5	15.3	1.8%
<b>Cash Costs</b>	<b>-74.2</b>	<b>-74.8</b>	<b>-75.1</b>	<b>-77.0</b>	<b>-93.1</b>	<b>2.2%</b>
<b>EBITDA</b>	<b>18.7</b>	<b>16.2</b>	<b>15.2</b>	<b>15.4</b>	<b>20.2</b>	<b>2.2%</b>
Margin	20.2%	17.8%	16.8%	16.7%	17.8%	
<b>YoY</b>						
<b>Revenues</b>	<b>35.1%</b>	<b>-2.1%</b>	<b>-0.7%</b>	<b>2.3%</b>	<b>2.3%</b>	
Circulation	16.4%	5.6%	1.9%	2.5%	2.0%	
Advertising	18.0%	-2.0%	-2.6%	2.1%	2.5%	
Alternative Marketing	397.4%	-21.2%	-4.0%	2.5%	2.5%	
<b>Cash Costs</b>	<b>30.8%</b>	<b>0.8%</b>	<b>0.5%</b>	<b>2.5%</b>	<b>2.1%</b>	
<b>EBITDA</b>	<b>55.6%</b>	<b>-13.6%</b>	<b>-6.3%</b>	<b>1.5%</b>	<b>3.0%</b>	
Margin	2.7pp	-2.4pp	-1.0pp	-0.1pp	0.1pp	

Source: Company data; Millennium bcp investimento

Magazines – operating performance	€ million	2004	2005E	2006E	2007E	2015E	CAGR 05-15E
<b>Revenues</b>		<b>41.6</b>	<b>44.0</b>	<b>46.2</b>	<b>48.8</b>	<b>60.0</b>	<b>3.2%</b>
Circulation		13.2	16.8	18.1	19.1	22.5	3.0%
Advertising		14.3	15.4	16.6	17.9	22.4	3.8%
Alternative Marketing		14.1	11.8	11.5	11.9	15.0	2.5%
<b>Cash Costs</b>		<b>-40.2</b>	<b>-42.2</b>	<b>-43.7</b>	<b>-45.4</b>	<b>-55.2</b>	<b>2.7%</b>
<b>EBITDA</b>		<b>1.4</b>	<b>1.8</b>	<b>2.5</b>	<b>3.4</b>	<b>4.8</b>	<b>10.6%</b>
Margin		3.4%	4.0%	5.5%	7.0%	8.0%	
<b>YoY</b>							
<b>Revenues</b>		<b>30.5%</b>	<b>5.7%</b>	<b>5.2%</b>	<b>5.7%</b>	<b>2.4%</b>	
Circulation		9.0%	27.1%	8.0%	5.0%	2.0%	
Advertising		7.7%	8.0%	7.5%	8.2%	2.5%	
Alternative Marketing		117.3%	-16.6%	-2.0%	3.0%	3.0%	
<b>Cash Costs</b>		<b>38.0%</b>	<b>5.1%</b>	<b>3.5%</b>	<b>4.0%</b>	<b>2.4%</b>	
<b>EBITDA</b>		<b>-49.0%</b>	<b>24.2%</b>	<b>45.0%</b>	<b>34.3%</b>	<b>2.9%</b>	
Margin		-5.3pp	0.6pp	1.5pp	1.5pp	0.0pp	

Source: Company data; Millennium bcp investimento

Breakdown by type of revenues	€ million	2004	2005E	2006E	2007E	2015E	CAGR 05-15E
<b>Total Revenues</b>		<b>134.5</b>	<b>134.9</b>	<b>136.5</b>	<b>141.2</b>	<b>173.2</b>	<b>2.5%</b>
<b>Circulation</b>		<b>52.5</b>	<b>58.3</b>	<b>60.4</b>	<b>62.4</b>	<b>74.9</b>	<b>2.5%</b>
Newspapers		39.3	41.5	42.3	43.4	52.3	2.3%
Magazines		13.2	16.8	18.1	19.1	22.5	3.0%
<b>Advertising</b>		<b>51.7</b>	<b>52.1</b>	<b>52.3</b>	<b>54.4</b>	<b>68.1</b>	<b>2.7%</b>
Newspapers		37.5	36.7	35.7	36.5	45.7	2.2%
Magazines		14.3	15.4	16.6	17.9	22.4	3.8%
<b>Alternative Marketing</b>		<b>30.3</b>	<b>24.5</b>	<b>23.8</b>	<b>24.4</b>	<b>30.3</b>	<b>2.2%</b>
Newspapers		16.2	12.8	12.2	12.5	15.3	1.8%
Magazines		14.1	11.8	11.5	11.9	15.0	2.5%
<b>YoY</b>		<b>33.7%</b>	<b>0.3%</b>	<b>1.2%</b>	<b>3.5%</b>	<b>2.3%</b>	
<b>Circulation</b>		<b>14.4%</b>	<b>11.0%</b>	<b>3.7%</b>	<b>3.3%</b>	<b>2.0%</b>	
Newspapers		16.4%	5.6%	1.9%	2.5%	2.0%	
Magazines		9.0%	27.1%	8.0%	5.0%	2.0%	
<b>Advertising</b>		<b>14.9%</b>	<b>0.7%</b>	<b>0.4%</b>	<b>4.0%</b>	<b>2.5%</b>	
Newspapers		18.0%	-2.0%	-2.6%	2.1%	2.5%	
Magazines		7.7%	8.0%	7.5%	8.2%	2.5%	
<b>Alternative Marketing</b>		<b>210.9%</b>	<b>-19.1%</b>	<b>-3.0%</b>	<b>2.7%</b>	<b>2.7%</b>	
Newspapers		397.4%	-21.2%	-4.0%	2.5%	2.5%	
Magazines		117.3%	-16.6%	-2.0%	3.0%	3.0%	
<b>Weight</b>		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	
<b>Circulation</b>		<b>39.0%</b>	<b>43.2%</b>	<b>44.3%</b>	<b>44.2%</b>	<b>43.2%</b>	
Newspapers		29.2%	30.8%	31.0%	30.7%	30.2%	
Magazines		9.8%	12.5%	13.3%	13.5%	13.0%	
<b>Advertising</b>		<b>38.5%</b>	<b>38.6%</b>	<b>38.3%</b>	<b>38.5%</b>	<b>39.3%</b>	
Newspapers		27.9%	27.2%	26.2%	25.8%	26.4%	
Magazines		10.6%	11.4%	12.1%	12.7%	12.9%	
<b>Alternative Marketing</b>		<b>22.5%</b>	<b>18.2%</b>	<b>17.4%</b>	<b>17.3%</b>	<b>17.5%</b>	
Newspapers		12.0%	9.5%	9.0%	8.9%	8.8%	
Magazines		10.5%	8.7%	8.4%	8.4%	8.7%	

Source: Company data; Millennium bcp investimento

Our SotP was not as hit as the impact on operating performance could anticipate. This is because we scaled down the capex and working capital requirements, reflecting in the first case a capex over sales of less than 2%, while in the second case newspapers consume less WC than magazines, especially in classifieds.

Cofina – Sum of the parts

€ million	Value	Stake	Method	Implied Multiple	Previous	Change	Pct Change
<b>Total</b>	<b>223.0</b>				<b>226.5</b>	<b>-3.5</b>	<b>-2%</b>
Newspapers/Magazines	196.0	100.0%	DCF	EV/EBITDA 06 11.7x	200.6	-4.6	-2%
Lusomundo Media	24.0	19.1%	Acquisition		24.0	0.0	0%
Vasp	3.0	33.3%	Book Value		1.9	1.1	55%
YE05 Net Debt & adjustments	53.4				49.6	3.8	8%
YE05 Net Debt	50.7				47.0		
Dividends	2.7				2.6		
Target Equity	169.6				176.9	-7.3	-4%
<b>Price Target YE06</b>	<b>3.30</b>				<b>3.45</b>	<b>-0.15</b>	<b>-4%</b>

Source: Company and Millennium bcp investimento

## Multiples

### Multiples - Broadcasting

	Last Price (€)	Mkt Cap (€mn)	EV / EBITDA		EV / Revenues		P / CF		P / E		Div. Yield	
			2005E	2006E	2005E	2006E	2005E	2006E	2005E	2006E	2005E	2006E
Television Broadcasters		47,804	9.2	8.5	2.8	2.6	11.8	11.4	17.5	17.0	3.4%	3.7%
Mediaset	9.00	10,631	6.4	5.9	3.5	3.2	6.9	6.6	16.7	15.0	4.9%	5.3%
RTL Group	62.30	9,643	10.1	8.8	1.9	1.8	11.8	12.2	16.2	18.7	1.8%	1.9%
ITV	110.25	6,644	9.4	9.5	2.2	2.2	13.8	13.8	14.7	15.3	2.8%	3.0%
TF 1	21.47	4,596	9.9	10.4	1.7	1.6	13.5	13.8	21.0	21.8	3.0%	3.0%
Telecinco	20.00	4,933	10.7	9.5	4.9	4.6	11.0	10.1	17.1	15.6	4.8%	5.1%
Antena 3	18.28	4,062	11.6	10.0	4.1	3.7	15.7	14.2	19.0	16.3	4.1%	4.7%
Prosieben SAT 1	15.23	3,332	9.4	8.3	1.9	1.7	15.0	13.0	17.1	14.9	2.1%	2.7%
Impresa	4.98	418	11.8	9.9	2.4	2.2	12.9	10.9	17.8	13.5	0.0%	0.0%
Media Capital	7.26	614	15.0	12.7	3.2	2.9	22.4	18.6	34.5	27.3	0.6%	0.8%
Impresa (MBCPI)	4.98	418	12.2	10.4	2.4	2.2	17.7	14.7	17.7	14.7	0.0%	0.0%
Media Capital (MBCPI)	7.26	614	15.7	17.3	3.3	3.3	19.8	23.2	32.0	41.3	0.0%	0.0%
<b>Premium (discount) to Sector</b>												
Impresa (Consensus)			29%	17%	-16%	-17%	9%	-4%	2%	-21%		
Media Capital (Consensus)			63%	50%	12%	12%	90%	63%	98%	61%		
Impresa (MBCPI)			33%	23%	-15%	-16%	50%	29%	2%	-13%		
Media Capital (MBCPI)			71%	104%	16%	26%	68%	104%	83%	143%		

Source: Company data, JCF Consensus and Millennium bcp investimento

Portuguese broadcasters are trading at premium to European peers in terms of EV/EBITDA, more evident in the case of Media Capital, fueled by the speculative nature of the stock. Applying the current EV/EBITDA06 multiple of Media Capital to Impresa, we would reach a price of €9.66 per share.

### Multiples - Press

	Last Price	Mkt Cap (€mn)	EV / EBITDA		EV / Revenues		P / CF		P / E		Div. Yield	
			2005E	2006E	2005E	2006E	2005E	2006E	2005E	2006E	2005E	2006E
Press		45,172	10.3	9.0	1.9	1.7	13.0	11.3	17.5	15.3	2.6%	2.8%
Daily Mail	753.50	4,538	10.0	9.1	1.7	1.6	12.1	11.0	17.3	15.3	1.6%	1.7%
Editoriale L'Espresso	4.39	1,902	9.1	8.7	2.0	1.9	12.7	12.2	18.2	17.3	3.4%	3.7%
EMAP	873.00	3,318	10.5	8.8	2.3	2.0	13.4	11.4	14.0	12.8	3.0%	3.3%
Grupo Prisa	15.05	3,293	12.4	10.9	2.7	2.5	13.9	12.1	21.2	18.1	1.0%	1.2%
Pearson	680.50	8,022	11.1	9.7	1.7	1.5	14.3	12.1	20.6	17.4	3.9%	4.1%
WPP	576.00	10,756	9.7	8.4	1.5	1.4	13.0	11.3	16.9	14.6	1.6%	1.9%
Trinity Mirror	618.50	2,650	8.0	7.7	2.0	1.9	10.6	8.7	12.2	11.5	3.5%	3.8%
Johnston Press	490.00	2,063	8.8	7.9	3.4	2.9	11.1	10.4	12.7	12.0	1.7%	1.9%
Wolters Kluwer	17.13	5,214	11.4	9.2	2.1	1.9	13.2	10.8	17.6	14.3	3.2%	3.2%
Edipresse	530.00	406	10.2	9.7	0.9	0.8	11.0	9.5	16.7	17.6	1.2%	1.4%
Telegraaf	18.60	976	10.4	9.2	1.3	1.2	11.8	11.8	21.9	20.3	2.1%	2.2%
Mondadori	7.84	2,033	8.4	8.0	1.2	1.1	12.7	12.1	17.4	16.2	5.0%	5.4%
Cofina (MBCPI)	3.25	167	11.2	11.1	1.4	1.4	13.9	15.7	18.3	21.8	1.6%	1.4%
<b>Premium (discount) to Sector</b>												
Cofina (MBCPI)			9%	24%	-26%	-22%	7%	39%	4%	43%	-37%	-51%

Source: Company data, JCF Consensus and Millennium bcp investimento

After the revision we have made, Cofina looks expensive in EV/EBITDA. On top of this, we highlight its low market cap and liquidity might continue to justify a discount in the majority of multiples.

## Media Capital – Valuation details

### TV - Valuation

€ million	2004	2005E	2006E	2007E	2015E	CAGR 05-15
EBIT	36.8	41.6	36.7	39.8	59.7	3.7%
(+) Non-Cash Items	6.5	6.5	6.4	6.5	9.2	3.5%
(-) Taxes on EBIT	-10.1	-11.4	-10.1	-11.0	-16.4	3.7%
(-) Capital Expenditure	-6.0	-6.3	-6.2	-6.5	-9.2	3.8%
(-) Working Capital Changes	0.0	-1.0	-0.6	-1.2	-1.0	0.0%
<b>Free Cash Flow to the Firm</b>	<b>27.3</b>	<b>29.3</b>	<b>26.2</b>	<b>27.7</b>	<b>42.3</b>	<b>3.7%</b>
Discount Factor			1.00	0.92	0.46	
PV of Explicit Period			229.1			
PV of Terminal Value			342.3			
<b>Enterprise Value</b>			<b>571.4</b>			
Revenues Growth	11.1%	8.9%	-1.7%	4.2%	3.8%	3.8%
FCFF As a % of Revenues	18.7%	18.5%	16.8%	17.0%	18.4%	
EBITDA Margin	28.7%	30.3%	27.7%	28.5%	30.0%	
Capex to Sales	4.2%	4.0%	4.0%	4.0%	4.0%	

Source: Millennium bcp investimento

### Radio - Valuation

€ million	2004	2005E	2006E	2007E	2015E	CAGR 05-15
EBIT	0.3	0.6	0.1	0.6	4.0	22%
(+) Non-Cash Items	1.9	1.3	1.3	1.1	1.0	-2.6%
(-) Taxes on EBIT	-0.1	-0.2	0.0	-0.2	-1.1	22%
(-) Capital Expenditure	-0.6	-0.6	-0.6	-0.6	-1.0	4.8%
(-) Working Capital Changes	0.0	-0.1	-0.1	-0.1	-0.1	0.9%
<b>Free Cash Flow to the Firm</b>	<b>1.6</b>	<b>1.0</b>	<b>0.6</b>	<b>0.8</b>	<b>2.8</b>	<b>11.2%</b>
Discount Factor			1.00	0.91	0.45	
PV of Explicit Period			11.8			
PV of Terminal Value			22.0			
<b>Enterprise Value</b>			<b>33.8</b>			
Revenues Growth	17.4%	5.2%	-0.3%	4.7%	4.0%	5.0%
FCFF As a % of Revenues	10.7%	6.3%	4.2%	4.9%	11.4%	
EBITDA Margin	14.8%	11.9%	8.7%	10.6%	20.4%	
Capex to Sales	4.0%	4.0%	4.0%	4.0%	4.0%	

Source: Millennium bcp investimento

Outdoors - Valuation

€ million	2004	2005E	2006E	2007E	2015E	CAGR 05-15
EBIT	2.2	0.2	0.1	0.2	2.2	25.4%
(+) Non-Cash Items	1.2	1.3	1.3	1.2	1.0	-2.9%
(-) Taxes on EBIT	-0.6	-0.1	0.0	-0.1	-0.6	25.4%
(-) Capital Expenditure	-0.8	-0.7	-0.7	-0.7	-1.0	4.0%
(-) Working Capital Changes	0.0	-0.1	-0.1	-0.1	-0.1	0.2%
<b>Free Cash Flow to the Firm</b>	<b>2.0</b>	<b>0.7</b>	<b>0.6</b>	<b>0.5</b>	<b>1.5</b>	<b>7.4%</b>
Discount Factor			1.00	0.92	0.48	
PV of Explicit Period			7.1			
PV of Terminal Value			14.8			
<b>Enterprise Value</b>			<b>21.9</b>			
Revenues Growth	24.4%	-13.9%	0.8%	2.5%	4.0%	4.0%
FCFF As a % of Revenues	10.5%	4.3%	3.7%	3.1%	5.9%	
EBITDA Margin	15.9%	9.3%	8.2%	8.2%	12.8%	
Capex to Sales	4.0%	4.0%	4.0%	4.0%	4.0%	

Source: Millennium bcp investimento

Other - Valuation

€ million	2004	2005E	2006E	2007E	2015E	CAGR 05-15
EBIT & financial discounts	-13.6	-8.5	-8.7	-7.9	-5.1	-4.9%
(+) Non-Cash Items	6.8	2.6	2.5	1.8	0.7	-12.5%
(-) Taxes on EBIT	3.7	2.3	2.4	2.2	1.4	-4.9%
(-) Capital Expenditure	-1.1	-0.9	-0.7	-0.6	-0.7	-2.6%
(-) Working Capital Changes	0.0	-0.2	-0.1	-0.1	-0.1	-6.1%
<b>Free Cash Flow to the Firm</b>	<b>-4.1</b>	<b>-4.7</b>	<b>-4.6</b>	<b>-4.6</b>	<b>-3.8</b>	<b>-2.0%</b>
Discount Factor			1.00	0.91	0.45	
PV of Explicit Period			-27.6			
PV of Terminal Value			-30.2			
<b>Enterprise Value</b>			<b>-57.8</b>			
Revenues Growth	-2.8%	-15.0%	-18.4%	-22.4%	2.3%	-2.6%
FCFF As a % of Revenues	-11.8%	-15.6%	-18.8%	-24.3%	-16.6%	
EBITDA Margin	-10.7%	-16.5%	-21.2%	-26.9%	-13.4%	
Capex to Sales	3.0%	3.0%	3.0%	3.0%	3.0%	

Source: Millennium bcp investimento

## DCF - Assumptions

	TV	Radio	Outdoors	Other
Risk-Free Rate	3.75%	3.75%	3.75%	3.75%
Market Premium	5.0%	5.0%	5.0%	5.0%
Unlevered Beta	1.20	1.20	1.00	1.20
Leverage (D/E)	25%	25%	25%	25%
Levered Beta	1.42	1.42	1.18	1.42
<b>Cost of Equity</b>	<b>10.8%</b>	<b>10.8%</b>	<b>9.7%</b>	<b>10.8%</b>
Cost of Debt	5.0%	5.0%	5.0%	5.0%
Leverage	20.0%	20.0%	20.0%	20.0%
<b>WACC</b>	<b>9.4%</b>	<b>9.4%</b>	<b>8.5%</b>	<b>9.4%</b>
Terminal Growth Rate	3.5%	3.5%	3.5%	3.5%
<b>WACC-g</b>	<b>5.9%</b>	<b>5.9%</b>	<b>4.9%</b>	<b>5.9%</b>

Source: Millennium bcp investimento

### Impresa – Valuation details

TV - Valuation

€ million	2004	2005E	2006E	2007E	2015E	CAGR 05-15
EBIT	31.7	28.1	37.1	38.8	61.4	8.1%
(-) Taxes on EBIT	-8.7	-7.7	-10.2	-10.7	-16.9	8.1%
(+) Non-Cash Items	8.5	6.5	7.1	7.5	10.2	4.6%
(-) Capital Expenditure	-4.5	-7.5	-7.5	-7.5	-10.2	3.1%
(-) Working Capital Changes	-0.8	10.0	-2.5	-0.9	-1.4	nm
<b>Free Operating Cash Flow</b>	<b>26.1</b>	<b>29.4</b>	<b>24.0</b>	<b>27.2</b>	<b>43.2</b>	<b>3.9%</b>
Discount Factor			1.00	0.91	0.45	
PV of Explicit Period			223.4			
PV of Terminal Value			339.7			
<b>Enterprise Value</b>			<b>563.1</b>			
Revenues Growth	13.9%	-1.2%	8.6%	1.3%	3.9%	5.3%
FCFF As a % of Revenues	15.9%	18.1%	13.6%	15.3%	15.9%	
EBITDA Margin	24.5%	21.4%	25.1%	26.0%	26.3%	
Capex to Sales	2.7%	4.6%	4.3%	4.2%	3.8%	

Source: Millennium bcp investimento

Magazines - Valuation

€ million	2004	2005E	2006E	2007E	2015E	CAGR 05-15
EBIT	7.6	7.5	6.4	6.8	9.0	1.9%
(-) Taxes on EBIT	-2.1	-2.0	-1.8	-1.9	-2.5	1.9%
(+) Non-Cash Items	1.1	1.1	1.1	1.0	1.5	3.6%
(-) Capital Expenditure	-1.1	-2.0	-1.4	-1.2	-1.5	-2.9%
(-) Working Capital Changes	-0.8	-0.8	-0.8	-0.8	-1.0	1.8%
<b>Free Cash Flow to the Firm</b>	<b>4.8</b>	<b>3.6</b>	<b>3.5</b>	<b>3.9</b>	<b>5.5</b>	<b>4.3%</b>
Discount Factor			1.00	0.92	0.46	
PV of Explicit Period			33.2			
PV of Terminal Value			44.7			
<b>Enterprise Value</b>			<b>77.9</b>			
Revenues Growth	6.8%	5.0%	-2.6%	1.3%	2.2%	1.8%
FCFF As a % of Revenues	4.2%	4.3%	4.3%	4.7%	5.6%	
EBITDA Margin	11.1%	10.2%	9.2%	9.5%	10.5%	
Capex to Sales	1.4%	2.4%	1.8%	1.5%	1.5%	

Source: Millennium bcp investimento

Newspapers - Valuation

€ million	2004	2005E	2006E	2007E	2015E	CAGR 05-15
EBIT	10.4	12.6	13.0	15.0	16.7	2.8%
(-) Taxes on EBIT	-2.9	-3.5	-3.6	-4.1	-4.6	2.8%
(+) Non-Cash Items	2.0	1.6	0.7	0.6	1.1	-3.3%
(-) Capital Expenditure	-1.5	-1.5	-0.6	-0.6	-1.2	-2.3%
(-) Working Capital Changes	0.3	0.3	0.3	0.3	0.4	2.8%
<b>Free Cash Flow to the Firm</b>	<b>8.3</b>	<b>9.5</b>	<b>9.8</b>	<b>11.2</b>	<b>12.4</b>	<b>2.7%</b>
Discount factor			1.00	0.92	0.46	
PV of Explicit Period			82.6			
PV of Terminal Value			100.5			
<b>Enterprise Value</b>			<b>183.1</b>			
Revenues Growth	12.1%	6.8%	-0.9%	4.9%	2.9%	2.8%
FCFF As a % of Revenues	14.8%	15.8%	16.5%	17.8%	15.7%	
EBITDA Margin	21.9%	23.5%	22.9%	24.9%	22.5%	
Capex to Sales	2.6%	2.5%	1.0%	1.0%	1.5%	

Source: Millennium bcp investimento

DCF - Assumptions

	TV	Newspapers	Magazines
Risk-Free Rate	3.75%	3.75%	3.75%
Market Premium	5.0%	5.0%	5.0%
Unlevered Beta	1.20	1.10	1.10
Leverage (D/E)	25%	25%	25%
Levered Beta	1.42	1.30	1.30
<b>Cost of Equity</b>	<b>10.8%</b>	<b>10.2%</b>	<b>10.2%</b>
Cost of Debt	5.0%	5.0%	5.0%
Corporate Tax Rate	27.5%	27.5%	27.5%
<b>After-tax Cost of Debt</b>	<b>3.6%</b>	<b>3.6%</b>	<b>3.6%</b>
Leverage	20.0%	20.0%	20.0%
<b>WACC</b>	<b>9.4%</b>	<b>8.9%</b>	<b>8.9%</b>
Terminal Growth Rate	3.5%	3.0%	3.0%
<b>WACC-g</b>	<b>5.9%</b>	<b>5.9%</b>	<b>5.9%</b>

Source: Millennium bcp investimento

## Cofina – Valuation details

Newspapers & Magazines - Valuation	€ million	2004	2005E	2006E	2007E	2015E	CAGR
							05-15
EBIT		15.9	14.2	13.7	15.3	20.7	3.8%
(+) Non-Cash Items		2.0	2.9	3.0	2.5	3.0	0.5%
(-) Taxes on EBIT		-4.4	-3.9	-3.8	-4.2	-5.7	3.8%
(-) Capital Expenditure		-1.3	-2.4	-2.4	-2.5	-3.0	2.5%
(-) Working Capital Changes		-0.7	-0.7	-0.7	-0.7	-0.9	2.5%
<b>Free Cash Flow to the Firm</b>		<b>11.5</b>	<b>10.1</b>	<b>9.8</b>	<b>10.4</b>	<b>14.1</b>	<b>3.4%</b>
Discount Factor				1.00	0.92	0.46	
PV of Explicit Period				81.9			
PV of Terminal Value				114.1			
<b>Enterprise Value</b>				<b>196.0</b>			
Revenues Growth		33.7%	0.3%	1.2%	3.5%	2.3%	2.5%
FCFF As a % of Revenues		8.6%	7.5%	7.2%	7.4%	8.1%	
EBITDA Margin		13.3%	12.6%	12.2%	12.6%	13.7%	
Capex to Sales		1.0%	1.8%	1.8%	1.8%	1.8%	

Source: Millennium bcp investimento

## DCF - Assumptions

	Media
Risk-Free Rate	3.75%
Market Premium	5.00%
Unlevered Beta	1.10
Leverage (D/E)	25%
Levered Beta	1.30
<b>Cost of Equity</b>	<b>10.2%</b>
Cost of Debt	5.0%
Corporate Tax Rate	27.5%
<b>After-tax Cost of Debt</b>	<b>3.6%</b>
Leverage	20.0%
<b>WACC</b>	<b>8.9%</b>
<b>Terminal Growth Rate</b>	<b>3.0%</b>
<b>WACC-g</b>	<b>5.9%</b>

Source: Millennium bcp investimento

Media Capital - Financial Statements

Balance Sheet

€ million	2003	2004	2005E	2006E	2007E	CAGR 05-15E
<b>Assets</b>	<b>317.8</b>	<b>343.2</b>	<b>345.4</b>	<b>333.1</b>	<b>325.6</b>	<b>0.7%</b>
<b>Non-current assets</b>	<b>195.8</b>	<b>226.8</b>	<b>229.4</b>	<b>226.1</b>	<b>223.9</b>	<b>-0.4%</b>
Goodwill	135.1	168.9	174.9	174.9	174.9	0.0%
Fixed Assets	39.7	37.0	35.8	34.1	33.2	-0.9%
Investments	2.7	5.5	5.5	5.5	5.5	0.0%
Other	18.3	15.4	13.2	11.6	10.3	-4.9%
<b>Deferred TV rights</b>	<b>42.9</b>	<b>48.0</b>	<b>48.5</b>	<b>46.7</b>	<b>47.2</b>	<b>3.2%</b>
<b>Current assets</b>	<b>79.1</b>	<b>68.4</b>	<b>67.9</b>	<b>69.3</b>	<b>59.7</b>	<b>1.3%</b>
Accounts Receivables	26.0	30.5	30.9	29.7	30.7	5.0%
Other	44.1	32.7	31.5	34.2	23.7	-4.7%
Cash & Equivalents	9.1	5.3	5.5	5.3	5.4	3.2%
<b>Equity</b>	<b>-19.6</b>	<b>109.3</b>	<b>133.2</b>	<b>148.0</b>	<b>167.5</b>	<b>7.4%</b>
<b>Minority interests</b>	<b>3.3</b>	<b>3.2</b>	<b>2.6</b>	<b>3.0</b>	<b>3.5</b>	<b>15.2%</b>
<b>Liabilities</b>	<b>334.2</b>	<b>230.7</b>	<b>209.7</b>	<b>182.1</b>	<b>154.6</b>	<b>-8.1%</b>
Financial Debt	240.7	135.1	108.2	84.5	57.1	nm
Accounts Payable	31.2	26.5	29.0	28.6	28.3	2.7%
Other	62.3	69.1	72.5	69.0	69.2	2.8%

Source: Company and Millennium bcp investimento; 2003 is local GAAP

Income Statement

€ million	2003	2004	2005E	2006E	2007E	CAGR 05-15E
<b>Operating Revenues</b>	<b>199.8</b>	<b>211.9</b>	<b>220.6</b>	<b>212.5</b>	<b>214.6</b>	<b>3.2%</b>
Cash Costs	-163.8	-169.4	-174.1	-171.7	-170.3	2.7%
<b>EBITDA</b>	<b>36.0</b>	<b>42.5</b>	<b>46.5</b>	<b>40.7</b>	<b>44.3</b>	<b>4.8%</b>
Depreciation and Amortisation	-22.0	-13.2	-11.6	-11.6	-10.6	0.2%
<b>EBIT</b>	<b>14.0</b>	<b>29.3</b>	<b>34.9</b>	<b>29.2</b>	<b>33.7</b>	<b>6.0%</b>
Net Financials	-25.1	-12.2	-8.4	-8.1	-6.2	nm
<b>EBT</b>	<b>-42.4</b>	<b>17.1</b>	<b>26.4</b>	<b>21.0</b>	<b>27.5</b>	<b>8.9%</b>
Taxes	-1.0	-7.2	-8.1	-5.8	-7.6	7.6%
<b>EBM</b>	<b>-43.4</b>	<b>10.0</b>	<b>18.4</b>	<b>15.2</b>	<b>20.0</b>	<b>9.5%</b>
Minority Interests	-0.1	-0.4	0.6	-0.4	-0.5	nm
<b>Net Income</b>	<b>-43.5</b>	<b>9.5</b>	<b>18.9</b>	<b>14.9</b>	<b>19.5</b>	<b>8.8%</b>
Net Earnings	-12.2	9.5	18.9	14.9	19.5	8.8%
EPS (€)	-0.24	0.13	0.23	0.18	0.23	8.7%

Source: Company and Millennium bcp investimento; 2003 is local GAAP

Cash Flow Statement

€ million	2003	2004	2005E	2006E	2007E	CAGR 05-15
Cash Flow from Operations	-4.5	20.0	36.7	31.7	35.9	4.3%
Cash Flow from Investing	-6.4	-33.6	-14.5	-8.3	-8.4	-2.0%
Cash Flow from Financing	11.3	9.9	-22.0	-23.7	-27.4	7.1%
<b>Free Cash Flow to Equity</b>	<b>-11.4</b>	<b>-14.1</b>	<b>22.6</b>	<b>23.3</b>	<b>26.9</b>	<b>12.6%</b>

Source: Company and Millennium bcp investimento; 2003 is local GAAP

## Impresa – Financial Statements

Balance Sheet	€ million	2003	2004	2005E	2006E	2007E	CAGR 05-15E
<b>Assets</b>		<b>401.4</b>	<b>327.0</b>	<b>447.3</b>	<b>452.9</b>	<b>456.1</b>	<b>1.1%</b>
<b>Non-current assets</b>		<b>243.2</b>	<b>217.3</b>	<b>343.4</b>	<b>342.8</b>	<b>343.8</b>	<b>0.3%</b>
Goodwill / Intangibles		166.6	153.8	287.9	287.9	287.9	0.0%
Fixed assets		46.8	35.0	36.4	36.9	37.0	0.3%
Investments		2.7	10.8	10.8	10.8	10.8	-100.0%
Other		27.1	17.7	8.2	7.2	8.1	12.9%
<b>Deferred TV rights</b>		<b>37.8</b>	<b>37.8</b>	<b>27.8</b>	<b>30.3</b>	<b>30.3</b>	<b>0.9%</b>
<b>Current assets</b>		<b>158.1</b>	<b>71.9</b>	<b>76.1</b>	<b>79.8</b>	<b>82.0</b>	<b>4.4%</b>
Inventories		38.2	3.1	3.2	3.3	3.3	3.9%
Accounts receivable		52.1	42.3	48.2	50.4	52.0	4.4%
Other		46.8	5.6	6.3	6.9	7.0	4.7%
Cash & equivalents		21.0	20.9	18.4	19.3	19.7	4.3%
<b>Equity</b>		<b>95.7</b>	<b>111.7</b>	<b>135.2</b>	<b>163.6</b>	<b>195.4</b>	<b>15.7%</b>
<b>Minority Interests</b>		<b>15.7</b>	<b>23.9</b>	<b>5.0</b>	<b>6.7</b>	<b>8.4</b>	<b>17.2%</b>
<b>Liabilities</b>		<b>290.0</b>	<b>191.5</b>	<b>307.0</b>	<b>282.7</b>	<b>252.3</b>	<b>nm</b>
Financial debt		190.0	122.7	234.6	206.5	175.0	nm
Accounts payable		5.6	26.8	28.5	29.3	29.5	3.9%
Other		94.4	42.0	43.9	46.8	47.8	4.5%

Source: Company and Millennium bcp investimento; 2003 is local GAAP

Income Statement	€ million	2003	2004	2005E	2006E	2007E	CAGR 05-15E
<b>Operating Revenues</b>		<b>265.7</b>	<b>258.8</b>	<b>263.1</b>	<b>275.4</b>	<b>281.1</b>	<b>4.3%</b>
Depreciation and Amortisation		15.6	12.2	8.6	8.4	8.6	3.5%
<b>EBITDA</b>		<b>34.2</b>	<b>53.4</b>	<b>52.1</b>	<b>58.1</b>	<b>62.2</b>	<b>5.6%</b>
Cash Costs		-231.5	-205.3	-211.1	-217.3	-218.9	3.9%
<b>EBIT</b>		<b>18.6</b>	<b>41.2</b>	<b>43.5</b>	<b>49.7</b>	<b>53.6</b>	<b>6.0%</b>
Net Financials		-10.0	-9.1	-8.7	-8.3	-7.4	nm
<b>EBT</b>		<b>-1.6</b>	<b>24.1</b>	<b>34.7</b>	<b>41.4</b>	<b>46.3</b>	<b>9.8%</b>
Taxes		-5.5	-7.3	-9.5	-11.4	-12.7	9.7%
<b>EBM</b>		<b>-7.1</b>	<b>16.8</b>	<b>25.2</b>	<b>30.0</b>	<b>33.5</b>	<b>9.8%</b>
Minority Interests		-3.1	-10.6	-1.6	-1.7	-1.7	3.5%
<b>Net Income</b>		<b>-10.2</b>	<b>6.2</b>	<b>23.6</b>	<b>28.4</b>	<b>31.8</b>	<b>10.2%</b>
Net Earnings		0.0	17.3	23.6	28.4	31.8	10.2%
EPS (€)		0.00	0.21	0.28	0.34	0.38	10.2%

Source: Company and Millennium bcp investimento; 2003 is local GAAP

Cash Flow Statement	€ million	2003	2004	2005E	2006E	2007E	CAGR 04-15
Cash Flow from Operations		6.5	44.2	49.6	37.8	40.7	3.9%
Cash Flow from Investing		-4.3	6.5	-161.8	-8.8	-8.7	-21.0%
Cash Flow from Financing		17.2	-38.1	109.8	-28.1	-31.5	nm
Free Cash Flow to Equity		-4.5	28.5	-91.3	49.9	31.9	nm

Source: Company and Millennium bcp investimento; 2003 is local GAAP

## Cofina - Financial Statements

### Balance Sheet

€ million	2003	2004	2005E	2006E	2007E	CAGR 05-15
<b>Assets</b>	na	na	224.5	222.4	223.1	0.2%
<b>Non-current assets</b>	na	na	121.0	120.5	120.5	0.0%
Tangible	na	na	2.5	1.9	1.9	-2.6%
Goodwill	na	na	85.4	85.4	85.4	0.0%
Investments	na	na	29.4	29.4	29.4	0.0%
Other	na	na	3.7	3.7	3.7	0.0%
<b>Current assets</b>	na	na	103.5	102.0	102.7	0.4%
Inventories	na	na	1.5	1.5	1.5	0.0%
Accounts receivables	na	na	12.0	12.3	12.7	2.7%
Other	na	na	8.0	8.2	8.5	2.7%
Cash and equivalents	na	na	82.0	80.0	80.0	-0.2%
<b>Equity</b>	na	na	48.5	53.4	60.1	8.4%
<b>Minority interests</b>	na	na	0.2	0.3	0.4	19.9%
<b>Liabilities</b>	na	na	175.8	168.7	162.7	-3.9%
Financial Debt	na	na	132.7	124.6	117.3	-7.1%
Accounts payable	na	na	20.7	21.6	22.2	2.6%
Other	na	na	22.4	22.6	23.2	2.0%

Source: Company and Millennium bcp investimento

### Income Statement

€ million	2003	2004	2005E	2006E	2007E	CAGR 05-15
<b>Operating Revenues</b>	na	na	134.9	136.5	141.2	2.5%
Cash Costs	na	na	-117.9	-119.8	-123.5	2.4%
<b>EBITDA</b>	na	na	17.0	16.7	17.8	3.3%
Depreciation and Amortisation	na	na	-2.9	-3.0	-2.5	0.5%
<b>EBIT</b>	na	na	14.2	13.7	15.3	3.8%
Net Financials	na	na	-0.8	-3.1	-2.8	-3.0%
<b>EBT</b>	na	na	13.4	10.6	12.5	4.1%
Taxes	na	na	-4.2	-2.9	-3.4	2.8%
<b>EBM</b>	na	na	9.2	7.7	9.0	4.7%
Minority Interests	na	na	-0.1	-0.1	-0.1	4.7%
<b>Net Income</b>	na	na	9.1	7.6	9.0	4.7%
Net Earnings	na	na	9.1	7.6	9.0	4.7%
EPS (€)	na	na	0.18	0.15	0.17	4.7%

Source: Company and Millennium bcp investimento

### Cash Flow Statement

€ million	2003	2004	2005E	2006E	2007E	CAGR 05-15
Cash Flow from Operations	na	na	na	8.5	9.7	na
Cash Flow from Investing	na	na	na	-2.4	-2.5	na
Cash Flow from Financing	na	na	na	-8.1	-7.3	na
Free Cash Flow before debt amortisation	na	na	na	5.3	4.9	na
EBITDA - Capex	na	na	na	14.3	15.3	na

Source: Company and Millennium bcp investimento

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