

## **Press Release – IMPRESA 2002 Consolidated Accounts**

### **1. Main Events**

IMPRESA posted consolidated revenues of M€ 250.7, down 9.3% on the 2001 pro-forma numbers. A straight comparison with the 2001 pro-forma numbers must take into account a change in the scope of consolidation, following a reduction of our equity holding in VASP, to 33.3%.

The main explanation for this downward trend in revenues lies primarily in a 12.8% decline in advertising revenues. In 2002, these still accounted for 67.6% of total consolidated revenues.

Total advertising spending in Portugal fell by 9.1% in 2002, with all IMPRESA's business areas being affected.

At the same time, publication sales were buoyant, growing by 8,4% and accounting for nearly 20% of consolidated revenues. Expresso posted its second best year ever in sales, while Visão and Cosmopolitan magazines beat all previous sales records.

SIC maintained its leading position in the television market and continued to invest in diversification. The theme channels showed revenue growth of 18.1% and now account for 8.5% of IMPRESA's consolidated revenues.

Much strenuous effort was devoted to reducing costs. Programming and personnel expenses were cut and variable costs were tightly controlled. In this way, a 15.9% reduction in consolidated operating costs was achieved, resulting in savings of M€ 43.9.

This reduction in costs enabled us to make up for some of the decline in revenues, as evidenced by EBITDA of M€ 18.8, compared with a bare M€ 0.2 in 2001.

Restructuring charges, at M€ 6.9, were a drain on operating cash flow. These were incurred to cover severance costs, particularly at SIC, Expresso, EDIMPRESA and Jornal da Região. As of year-end 2002, the payrolls of the three main business areas were down by 9.3%.

Operating results showed a strong improvement, with losses down by 55.3%, to M€ 19.8.

By virtue of operating cost savings, which cushioned the fall in advertising revenues, and of the benefit of lower interest expense, consolidated net results for 2002 stood at -M€ 27.9 (2001, - M€ 52.2).

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**Tabela 1. IMPRESA Consolidated Accounts**

<b>(Values in €)</b>	<b>2002</b>	<b>2001</b>	<b>2001</b>	<b>Change</b>
		<b>Pro-forma</b>		<b>(vs proforma)</b>
<b>Consolidated Revenues</b>	<b>250.690.901</b>	<b>276.492.262</b>	<b>301.046.470</b>	<b>-9,3%</b>
Television	130.352.359	144.425.126	144.425.125	-9,7%
Newspapers	50.544.938	58.124.484	58.124.484	-13,0%
Magazines	72.758.490	75.471.131	75.471.131	-3,6%
Distribution	0	0	44.318.609	
Inter-segments	-2.964.886	-1.528.478	-21.292.879	94,0%
<b>Cash Costs</b>	<b>231.891.784</b>	<b>275.829.155</b>	<b>300.443.731</b>	<b>-15,9%</b>
<b>EBITDA Consolidated</b>	<b>18.799.117</b>	<b>221.211</b>	<b>602.739</b>	<b>n.a.</b>
EBITDA per business área				
Television	452.228	-11.867.449	-11.867.449	n.a.
Newspapers	6.112.779	6.698.563	6.698.563	-8,7%
Magazines	13.788.274	8.959.202	8.959.202	53,9%
Distribution	0	0	381.528	
Holding Adjustments	-1.554.162	-3.569.105	-3.569.105	+143,5%
Restructuring Charges	6.413.505	14.763.107	14.763.107	-56,6%
Depreciation (-)	21.588.909	19.478.387	19.738.239	10,8%
Provisions (-)	10.556.456	10.217.913	10.219.608	3,3%
<b>EBIT</b>	<b>-19.759.753</b>	<b>-44.238.196</b>	<b>-44.118.215</b>	<b>55,3%</b>
Financial Results(-)	11.133.585	11.529.505	11.643.346	3,4%
Goodwill(-)	9.861.671	9.861.671	9.861.671	0,0%
Extraordinary Gains (+)	331.003	-16.986.120	-16.986.120	n.a.
<b>Results before Minorities &amp; Taxes</b>	<b>-40.424.006</b>	<b>-82.173.596</b>	<b>-82.609.352</b>	<b>50,8%</b>
Income tax (IRC)(-)	-2.327.431	-13.275.575	-13.488.317	82,5%
Minority Interests (-)	-10.131.387	-16.654.878	-16.878.209	39,2%
<b>Consolidated Net Profit / Loss</b>	<b>-27.965.188</b>	<b>-52.242.826</b>	<b>-52.242.826</b>	<b>46,5%</b>

(1) The 2001 pro-forma accounts reflect the changes occurred in the consolidation, due to the reduction of a stake in the distribution company VASP to 33.33%.

## 2. The Advertising Market

The reporting year saw a 9.1% decline in advertising spending, following the 6.5% decline recorded in 2001. The recovery expected in the second half of the year did not materialize, while the continuing deterioration of the macro-economic environment, both domestically and internationally, forced most companies to defend their margins in the only possible way: by cutting costs. This meant keeping the brakes on advertising spending throughout the year.

On top of the difficulties common to all businesses, there were particularly severe cuts in the advertising spend of some key economic sectors, such as banking and insurance (-40%), telecommunications (-20%) and automobiles (-12%).

Open television, which accounted for 51.2% of the total spend and continues to be the favored medium for advertisers, was down 10.2%. This reflected the increasing importance of cable channels, which accounted for 2.5% of the ad spend, with growth of 51.2% over the past year. The cable channels' transmission of the World Cup contributed to this growth.

However, it was the press sector that continued to lag behind. In the specific case of the non-dailies, a segment of particular importance to IMPRESA, the decline was 12.5%. The worst performing segments in 2002 were the dailies and the internet, with respective declines of 15.4% and 14%.

**Table 2. Trend in Advertising Market**

(values in m€)	2002	weight	2001	weight	Change
TV	288.551	51.2%	321.500	51.9%	-10,2%
Cable TV	13.975	2.5%	9.240	1.5%	51,2%
Daily Press	48.460	8.6%	57.315	9.2%	-15,4%
Non Daily Press	98.595	17.5%	112.735	18.2%	-12,5%
Radio	36.801	6.5%	41.191	6.6%	-10,7%
Outdoors	69.816	12.4%	69.995	11.3%	-0,3%
Cinema	4.292	0.8%	4.364	0.7%	-1,6%
Internet	3.200	0.5%	3.719	0.6%	-14,0%
<b>Total Market</b>	<b>563.690</b>		<b>620.059</b>		<b>-9,1%</b>

Source: Ad Agencies

### 3. Television

SIC posted consolidated revenues of M€ 130.3 for fiscal 2002, down 9.7% on 2001. A 10.2% decline in television's share of the advertising spend continued to stifle any growth in SIC's revenues that might have otherwise occurred.

**Table 3. SIC Revenues**

(values in M€)	2002	2001	Change
<b>Consolidated Revenues</b>	<b>130,3</b>	<b>144,4</b>	<b>-9,7%</b>
Advertising	101,4	113,7	-10,8%
Merchandising	1,8	2,3	-22,4%
SIC Internacional	1,2	1,0	14,4%
Thematic Channels	21,6	18,3	18,1%
Others	4,3	9,1	-52,2%
<b>EBITDA Consolidated (1)</b>	<b>0,4</b>	<b>-11,8</b>	
<b>Restructuring Charges</b>	<b>3,8</b>	<b>10,5</b>	

(1) Without including restructuring charges.

Revenues from SIC's new business areas accounted for 22.2% of total billings, up slightly from the 20.4% posted in 2001. This growth, which was achieved through the growth of the theme channels and of SIC Internacional, made up in part for the decline in the revenues of SIC Filmes.

#### **Trend in audience share of advertising spending**

In 2002, its tenth anniversary, SIC general television occupied first place in the television market, in terms of average annual audience numbers. It thus continued to be Portugal's most viewed channel, a lead it has held since 1995. Within the television universe, its annual audience share was 31.5%, compared with that of TVI (31.4%) and of RTP (21.1%)

SIC saw its advertising revenues severely eroded, with a 10.7% decline from 2001, mainly due to the decline in spending suffered in all segments of the advertising market. Open television advertising was down 10.2%, following an 8.4% decline in 2001.

SIC was able to cushion the impact of lost audience share (down from 34% to 31.5%) in 2002, while increasing its market share to 42.1% in terms of net revenues.

This was achieved by stimulating the market to increase advertising time in months when ad space occupation was low, and more importantly, increasing audience numbers in the prime-time period of the last quarter. Thus the decline in advertising revenues in the 4<sup>th</sup> quarter was limited to 2%, as compared with an overall market decline of 10% over the same period.



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### **Programming Strategy**

The decline in advertising revenues called for strenuous efforts to reduce costs, but even under this constraint, we were able to meet the targets called for by our programming strategy. SIC recovered its leading position for 5 months in succession, during which period our "Masterplan" reality show was a significant factor, reducing TVI's prime-time lead in 2001.

Two more central aspects of our programming strategy are worth noting. First of all, we worked hard to restore the prestige of the Brazilian soap's to its former luster. With the exhibition of "Coração de Estudante", we recovered our leadership position in prime-time access time. Also in prime time, the "Clone" series achieved important audience levels, cementing the loyalty of a highly selective public. In light of these results, we renewed our contract with Globo, for a further 4 years, to 2007.

Secondly, to meet the need to reduce costs, we placed the greatest possible emphasis on internal production, producing the following new programs, either through co-productions or with recourse to independent producers:

- During the first half of the year: "Fúria de Viver", "Às 2 por 3", "Fora de Série", "Masterplan", "Catarina.com", "Super Sábado", "Linha da Sorte", "Especiais Herman";
- After the summer, from September onwards: "Não há Pai", "Olhar da Serpente", "Fun Totil" "Totil Total", o novo "Disney Kids", "Iô-Iô", "Mentes Brilhantes", "75 Horas de Hipnotismo", "101 Horas de Dança", "O meu nome é Ágata", "A casa do Toy".

SIC continued to count on a loyal mass audience, with viewers spread evenly throughout all time slots, while enjoying the special preference of the younger audience (from 4 to 34).

Of equal importance was bringing fresh talent to the screen, with new television personalities such as Marisa Cruz, Jorge Mourato, Fernanda de Freitas, Maria João Simões, or the reintroduction of actor Camacho Costa.

In the news area, SIC covered the major domestic and international events, thus maintaining its profile as the Portuguese public's preferred station.

On the domestic front, SIC covered all of the year's main events. We were innovative in our coverage of the electoral campaign and secured the only face-to-face encounter between the main candidates for the premiership. An unequal and decisive debate between Durão Barroso and Ferro Rodriguez earned general applause. We took the lead in covering the main events that shook the Portuguese legal system: the "Moderna" case; the resignations from the police; the detentions in the GNR, the PSP, and the public finances. It also fell to SIC to uncover, in an investigation conducted jointly with Expresso, the pedophile network that had victimized the children of the Casa Pia orphanage, which left, without any doubt, a painful scar on the national conscience.



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During 2002, SIC lived up fully to its tradition, with five prizes for journalism awarded to its reporters:

- "Private Condominium", by João Ferreira: Grand Prix for television reporting, awarded by the Portuguese Press Club;
- "Death Proclaimed", by Luís Garriapa: Journalism Prize of the Portuguese Network of Healthy Cities;
- "East of Paradise", by Augusto Madureira: two honorable mentions for AMI prizes 2001: Journalism against indifference;
- "East of Paradise", by Augusto Madureira: "The future of Europe" prize awarded by the European Commission;
- "East of Paradise", by Augusto Madureira: Human Rights prize, awarded by the National Commission of Human Rights.

2002 saw changes in our graphic image and news settings, a reorganization of management and working methods, a reduced head-count and the achievement of important savings in operating costs.

### **Content Sales**

In addition to its regular supply of archive photographs to domestic and international producers in the area of content sales, SIC strengthened its intervention in the market, the following deals being particularly noteworthy:

- The sale of television serials and min-series such as "Ganância", "A Viúva do Enforcado", "Médico de Família" or "Grande Reportagem", for broadcasting in various countries, such as, Cabo Verde, Kuwait, USA, etc.
- Exploitation of cable rights through contracts with foreign producers, supplying long wavelengths to the Premium channels of TV Cabo.
- Sale to the world's main television stations and news agencies of daily news photos and technical support at events (elections in Portugal, World Cup in Korea, etc.);
- Renegotiation of contract with TAP to broadcast "Jornal da Noite on board", with a strengthening of the partnership through negotiation of a new video for the tourist industry (Azulejo);
- Renewal of contract with CP to supply programs for exhibition in that company's passenger trains.



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### **Thematic Channels**

Our three thematic channels, which have now been on the air for 30 months since the launch of first project, are responsible for 24.1% of the total cable audience. Including subscription and advertising revenues, these three channels accounted for 16.6% of the station's 2002 revenues.

### **SIC Radical**

2002 was SIC Radical's defining year. It was successful in establishing itself as the unquestioned leader of the cable TV channels segment catering to young people between 15 and 24-years of age, with an audience share of 5.9%, while holding an excellent 4<sup>th</sup> place on the most-viewed channels list.

### **SIC Gold**

2002 was a year of transition for SIC Gold as it implemented its strategy of representing itself as a television classics channel for the entire family and not merely as a channel for broadcasting original SIC programs.

After April 2002, with the slogan "SIC is always Gold" and a new graphics package, the channel started to air foreign productions originally broadcast in Portugal by other television channels. "Roots", "Fame", "Alf" and "Falcon Crest" were the first of the channel's ventures, along with programming from SIC's archives. Also in 2002, a repeat of SIC's "Jornal da Noite" start to appear on SIC Gold every night at midnight

By year end, SIC Gold achieved 9<sup>th</sup> place among TV Cabo's theme channels, ahead of channels such as Odisseia, Eurosport, MTV and História.

### **SIC Notícias**

Two years after its launch, SIC Notícias continues to be TV Cabo's most widely viewed channel, with an average audience of 14.9% in 2002. SIC Notícias captured a total average audience of 1,350,000 in 2002, with 300,000 more viewers than in 2001.

It goes without saying that the major events on the domestic and international agenda deserved special attention; we covered these with live broadcasts, making the best use of synergies with SIC general TV.

However, even though it achieved good audience numbers, SIC Notícias (Lisboa TV, SA) experienced a more difficult year financially, reflected in both increased costs and lower advertising revenue. As some sponsors reduced their spending, so revenues declined: by approximately euros 400,000. This left us with a positive operating cash flow at year end, but nevertheless still in the red in terms of net profits.

### **SIC Internacional**

Continuing its international expansion during 2002, SIC Internacional consolidated its presence with Portuguese communities around the world through the following initiatives:

- We renegotiated our distribution agreements in Europe, namely in France (TPS and NOOS), in Switzerland (Télégenève and Cablecom) and in Luxemburg (Eltrona).



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- Renegotiated distribution agreements in the US (SPT) and Canada (FP-TV). In the US we strengthened our presence through the growth of the DTH system.
- We continued to distribute product in Africa, specifically in Angola, Mozambique and South Africa, through the Multichoice digital platform.
- We continued to distribute product in Australia and New Zealand, with prospects of covering Timor and Macao as well, through the TARBS digital platform.

### **SIC Online**

We completely reorganized SIC Online in 2002, making substantial cutbacks in editorial, multimedia and technical staff. We changed our publication system and maintained our editorial line; strengthened by a new venture that offers videos online, with a product of peerless transmission quality (compared with that of our domestic competitors) and targeted at broadband. We achieved our best audience levels ever in October and December.

SIC Online has strengthened its position as a business unit of the IMPRESA group, operating as a packager of content and making steady progress through minimizing costs, rationalizing resources and acting as paying agent for other publications. Additionally, with a view to full rationalization of resources and the diversification of the business model, we launched the SIC teletex service at the start of 2003.

SIC Online is now focusing more and more on paid content, having been a pioneer in offering micro-payments by SMS for only 24 hours of access. It has now launched subscription for monthly and annual access to content to be seen solely on video and multimedia.

Despite these successes, revenues continue to fall short of costs, so that we had to make deep cuts in overheads, including personnel, throughout the reporting year. Operating cash flow stood at a negative M€ 2.9

### **SIC Serviços**

Formed at year-end 2001, SIC Serviços became operational in 2002. The company ended the year with a loss of M€ 1.739. On these results is included M€ 1.6 charge to face lay-offs, which are expected to occur in early 2003.

As planned from its inception, SIC Serviços' main activity was to provide technical services to SIC and to Lisboa TV. During the reporting year, the company also took over responsibility for SIC companies' IT systems, as well as management of the investment plans of SIC, SA and Lisboa TV. .

The company's activity as a service provider to other entities is still at the start-up stage but nevertheless it has obtained contracts outside the SIC universe, some of which are for setting up special operations for the BBC, RAI, TVE, TV Galiza and APTN, to name the most important. This has been a major opportunity to earn the preference and confidence of those operators.



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### **SIC Filmes**

With a steep decline in sponsorship in the audiovisual sector, the pace of activity at SIC Filmes slowed down considerably. Three SIC Filmes productions screened by SIC during the reporting year were "8:8", "Jogo da Glória" and "Pulsação Zero"

### **SIC Main Financial Indicators**

2002 saw major efforts to reduce costs at SIC. The most important steps had already been taken at year end 2001 but since the advertising market showed no signs of recovery, a new cost reduction program was launched during the 2002 second half.

This enabled SIC to reduce operating costs still further, by M€ 26.6, with the emphasis on a 26.2% cut in programming costs at SIC general TV. This saving was partly offset by cost increases at the theme channels and mainly because SIC Radical was only on the air for 8 months in 2001, as against the whole of the year in 2002. Hence, SIC took out costs totaling M€ 28.4, in the reporting year.

This reduction in costs cushioned a 9.7% decline in revenues, enabling SIC to achieve a positive cash flow of 452,000 euros versus the -11.8 M€ in 2001.

The second stage of the cost-cutting plan, which covered all areas of SIC, called for further payroll reductions, particularly in the 4th quarter, with incentives for voluntary resignations and severances by mutual agreement. In all SIC companies, 68 employees departed on amicable terms in 2002, with some severances deferred to 2003. Severance costs totaled M€ 3.8, with a further M€ 2.5 in provisions for those deferred beyond the start of 2003.

Depreciation charges increased by M€ 14.2, reflecting capital spending incurred in 2001, namely the new equipment purchased at the start up of SIC Notícias and the start up of SIC Online in September 2001.

Results were further penalized by non-recurring charges against inventory losses, of M€ 2.4. The company continued in the red, posting a net loss of M€ 19.3 for 2002, this however 29.3% less than the loss it posted for fiscal 2001.

## 4. Newspapers

**Table 4. Key Newspaper indicators**

(values in M€)	2002	2001	Change (hom)
<b>Total Revenues</b>	<b>50,5</b>	<b>58,1</b>	<b>-13,0%</b>
Advertising	35,8	44,1	-19,1%
Newspaper Sales	13,5	11,9	13,5%
Others	1,2	2,0	-40,0%
<b>Revenues by Newspaper</b>			
Expresso	42,3	48,4	-12,6%
Jornal da Região	3,9	5,8	-28,4%
Others	4,3	3,9	10,3%
<b>EBITDA Consolidated (1)</b>	<b>6,1</b>	<b>6,7</b>	<b>-8,7%</b>
<b>Margin</b>	<b>12,1%</b>	<b>11,5%</b>	
Restructuring Charges	1,9	1,6	

(1) Without including restructuring charges.

The newspaper segment posted consolidated revenues of M€ 50.5 in 2002, 13% down on 2001. Despite circulation growth, revenue growth was stifled by the decline in the advertising spend.

Advertising revenues were down by 19.1%. This decline was common to all group newspapers, with emphasis on Expresso, (down 14.8%) and Jornal da Região, (down 28.4%). At the same time circulations improved, with an increase of 13.5%, this fuelled by better circulation numbers from Expresso, the sale of new Expresso products and a cut in distribution commissions during the second half

**Table 5. Newspaper Circulations**

	2002	2001	Change
Expresso	141.458	138.131	2,4%
Blitz	12.199	13.182	-7,5%
AutoSport	13.298	15.190	-12,5%
Surf Portugal	3.387	3.250	4,2%
Jornal da Região	34.084	62.759	-45,7%

Source: APCT and IMPRESA

In commenting on operating expenses in this segment, we would emphasize the 9.8% cost reduction achieved in 2002, the fruit of tight controls and lower newsprint prices. However, in the face of continuing adverse conditions in the advertising market, we took a number of



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additional steps; these called for M€ 1.9 in restructuring charges. Head-count was reduced by 7.3%, with cuts focused mainly on Jornal da Região. At the same time, we topped up Sojornal's pension fund by 777,500 euros to make up for portfolio losses in the year and the attendant increase in past service liabilities.

Despite the lower advertising spend, the newspapers' circulation increases and cuts in operating expenses enabled us to limit the decline in operating cash flow: this was down 9%, to M€ 6.1 (2001: M€ 6.7), representing a margin of 12.1%, excluding the restructuring charges mentioned above.

## **EXPRESSO**

The newspaper EXPRESSO posted total revenues of M€ 42.3, down 12.6% in 2002.

This decline was due to reduced advertising spending. Expresso generated advertising revenues of M€ 29.5, down 14.8% on 2001. This was because along with a 13.4% decline in traditional advertising, the classified side was particularly weak, with help wanted ads plunging by 33.4%. At the same time, there was an 8.4% growth in property ads.

On the other hand, 2002 proved to be Expresso's second best year ever for circulation. With an average print run of 161,096 copies per edition, a 1% increase, average circulation was up by 2.4%, to 141,507 copies. This circulation gain is significant since it was achieved in a year during which the cover price increased by 4.6%. Total circulation revenue for 2002 was M€ 12.7, up 14.5% on 2001.

As a reaction to the crisis in the advertising market, the company put in place a program of cost reductions, which among other measures, called for deep payroll cuts, at an overall restructuring cost of 871,000 euros. In addition, some editorial changes were made; these are expected to yield important savings in production costs in 2003.

Cost controls, lower newsprint prices and a reduced head-count enabled us to cut operating expenses, thereby improving operating cash flow even while revenues were falling. After stripping out restructuring charges and a one-off contribution to the pension fund, the company generated an operating cash flow of M€ 4.6.

During the year under review, Sojornal sold its building at Rua Duque de Palmela and exchanged the building it had owned at Travessa do Poço da Cidade for two parcels of land at Alto da Belavista, owned by the Lisbon Town Hall, generating capital gains of M€ 4.2 in the process. As a result of these two transactions and taking into account Sojornal's move to new premises at Edifício S. Francisco de Sales, Paço de Arcos, planned for the 2003 first quarter, it was necessary to set up a provision of 143,500 euros for exceptional assets writedowns in 2002



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Several initiatives were taken in 2002, the effects of which will be felt by Expresso over the years to come:

- A drive to capture new advertising segments, which Expresso had previously not addressed, catered to by Expresso Moda (fashions) and Expresso Vinhos (wines).
- A search for alternative sources of revenue, such as:
  - Launch of the first "Anuário Expresso" and the "Livro da Boa Cama e Boa Mesa".
  - Launch of "Dicionário Político à Portuguesa" by José António Saraiva, which inaugurated what we hope will be the first of a series of titles by "house" writers to be published with the Expresso.
- Other initiatives, such as the Map of Portugal, the Tax Guide, the Museum Guide, and the collectable Guide to the castles of Portugal.

All in all, these launches have been highly successful, generating additional revenues of about 1 M€; the guides and almanac were sold out. As well as having been financially successful, these ventures represented important medium and long-term commitments to cementing the loyalty of existing readers while at the same time attracting new ones. Their contribution to Expresso's circulation gains can already be seen in the results of the reporting year.

The last quarter saw a revamp in the graphics of Cartaz, generating important savings in production costs while preparing for the birth of a new 2002 cultural publication styled "Actual".

For 2003 we forecast that spending on press advertising will continue unchanged. However, bearing in mind the fall in newsprint prices, editorial revamps - where we can highlight the birth of "Unica", the result of the merger between the magazine and the "Vidas" (biographies) feature - and the increase of the cover price to euros 2.9, it is possible to foresee a significant increase in operating margins and operating profit.

## **JORNAL DA REGIÃO**

2002 was a particularly difficult year for Publiregiões, the publisher of Jornal da Região, in which IMPRESA has a 60% stake. This was due mainly to the slump in the advertising market, the sole source of income for this company.

Jornal da Região generated revenues of M€ 3.9, down 28.4% on 2001. Operating cash flow was a negative M€ 1.15, but still a 17% improvement on 2001. It should be emphasized that restructuring charges drained 208,000 euros from operating cash flow in 2002.



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At the end of the first half it was decided to carry out a thoroughgoing reorganization. The closing of 2 editions in Lisbon, and in June, 3 northern editions was the visible phase of a multi-faceted restructuring, which involved reduced print runs, changes in distribution, a new image and changes at the editorial level. This reorganization enabled us to substantially improve the profitability of Jornal da Região in the second half of the year. To summarize:

2002: 1st half	12 editions with a total weekly print run of 479,000 copies, billings of M€ 2.1, 82 employees and a negative operating cash flow of 963,000 euros.
2002: 2nd half	9 editions with an average print run of 230,000 copies, billings of M€ 1.7, 46 employees and a negative operating cash flow of 187,000 euros

Jornal da Região now publishes 9 editions in the Greater Lisbon region, with an average print run of 34,084 copies

We expect 2003 to be another difficult year, with continuing weakness in the advertising market, particularly in those segments in which Jornal da Região is active, namely help-wanted, property and local retailing advertisements. All of these segments are now languishing as a result of depressed confidence and consumption levels, while at the same time, there is growing competition among the dailies in the classified market. It will therefore be necessary to tighten cost controls and find new ways of generating revenues.

### **BLITZ**

BLITZ newspaper, wholly owned by IMPRESA, posted revenues of M€ 1.2 in 2002, down 21% on 2001. This decline was due to a 26.4% reduction in advertising spending and to the fact that the Blitz Music Contest did not take place.

The average print run for the year was 20,011 copies, with little change from 2001. Average circulation was down 7% to 12,198 copies. It should be mentioned that 2002 saw a substantial increase in subscriptions. Despite an increase in the cover price, newspaper sales were down by only 2%.

Costs were tightly controlled, enabling us to achieve a 44.7% improvement in operating cash flow, to euros 112,000. The operating margin was 8.9%.

Due to this newspaper's move to new premises, planned for the 2003 first half, it was necessary to take an inventory of fixed assets. This called for an adjustment of euros 222,000, a further item of non-recurring expense in fiscal 2002.

In 2003, we will continue to concentrate on ways to capture more advertising spending and new advertisers, with a re-launch of the Music Contest, circulation increases and continuing cost reductions on the agenda.



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## **AUTOSPORT**

AUTOSPORT, the automotive weekly in which IMPRESA has a 50% stake, celebrated its 25th birthday in 2002. This anniversary did nothing to prevent a 22.7% decline in revenues, to M€ 1.3. The automotive sector has now gone through its 3<sup>rd</sup> consecutive year of crisis.

The specialized media such as AUTOSPORT suffered even more, with advertising revenues down 35% on 2001.

At the same time, car racing did little to stimulate newspaper sales. As the venue for Formula 1 was practically decided by July, all domestic interest in the World Rally was lost once it became known that it would not be held in Portugal. Hence this newspaper's sales were down 10.8% on 2001, to 553,000 euros.

While a 15% reduction in operating costs was achieved, this was not sufficient to stem the fall in operating cash flow, which was reflected in a severe shrinkage in the operating margin, from 18.4% in 2001 to 6.4% at year-end 2002.

2003 holds little more in store for the automotive sector except a continuing situation of crisis. However, after the steep declines of 2002 we now see some signs of a rebound. This will make it easier to find partners with whom to launch fresh initiatives during the current year.

## **SURFPORTUGAL**

SURFPORTUGAL magazine continued to post circulation gains in 2002, with circulation rising to 3,387, up 4% on 2001. However, these gains did not suffice to offset a 22.7% decline in advertising revenues.

Total revenues fell by 19%, with an 8.7% decline in operating cash flow, this however, not as bad as the 16.4% decline posted in 2001. The magazine made a net profit of euros 12,883 euros.

Our main goal for 2003 will be to continue to push for circulation increases and public recognition of this magazine, while awaiting an improvement in performance that can only come when the advertising market is restored to health.

## **CINFORMA**

CINFORMA, which is wholly owned by IMPRESA, consolidated its activities as a pre-press service provider to IMPRESA group newspapers, namely Expresso, Blitz, Jornal da Região and AutoSport, as well as to other publications outside the group. In the latter category, O Jogo was prominent. It also served the clients of Imprejournal in various ways.

CINFORMA posted revenues of M€ 1.6, a 9.5% decline from 2001. This was due to the fall in advertising spending, with the attendant reduction in the number of pages published and in some cases, the number of editions.



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Operating cash flow was 35,000 euros, after 64,000 euros in severance costs. Had it not been for these, operating cash flow would have shown a distinct improvement over 2001.

Although market conditions continue to be difficult, we now expect Cinforma to operate on an even keel for the remainder of the year. This will be made possible by the charges taken following last year's payroll cuts, which were duly provisioned at the time.

### **IMPRESA JORNAL**

2002 was an extremely difficult year for IMPRESA JORNAL. The fall in the advertising spend made for a general reduction in the average number of printed pages, while some editors reduced their print runs.

2002 revenues totaled M€ 4.8, 26% down on 2001. Operating cash flow was M€ 1.46.

Capital spending totaled 400,000 euros in 2002, the major item having being the repair work done on the rotogravure press in August. This had no effect on normal production. Capital spending of around 100,000 euros is planned for 2003.

While we expect our customers to remain with us this year, some editors may have to reduce their print runs. To prevent this from happening we will be stepping up our promotional efforts, thereby attracting new customers.

## 5. Magazines

**Table 6. Magazine indicators**

(values in M€)	2002	2001	Change (y-o-y)
<b>Total Revenues</b>	<b>72,7</b>	<b>75,4</b>	<b>-3,6%</b>
Ad Revenues	33,6	37,2	-9,7%
Magazine Sales	35,5	33,3	6,6%
Others	3,6	4,9	-24,5%
<b>EBITDA Consolidated (1)</b>	<b>13,8</b>	<b>8,9</b>	<b>55.1%</b>
<b>Margin</b>	<b>19,0%</b>	<b>11,9%</b>	
Restructuring Charges	0,6	3,1	

(1) EBITDA adjusted for restructuring charges.

Business on the magazines side is constrained by the weakness of the advertising market, but good circulation figures have partly made up for this.

ACJ generated revenues of M€ 72.7, down 3.6% on 2001. This was due mainly to the shrinkage of the advertising market, to which a 12.5% decline in the non-daily press segment bore witness. Advertising revenues fell by 9.7% over the year. However, the growth in circulations and audience levels throughout the year made it possible to reverse the declining trend in those revenues, which grew by 7.1% during the 2002 4<sup>th</sup> quarter.

This was the result of heavy promotion all through the year, which with the emphasis on advertising our main brands on TV, as well as on the relaunch of some titles, produced important circulation gains, with an approximate 8% increase in the number of copies sold. Even though fewer titles were published in 2002, circulation revenues grew by 6.4%. After a sustained recovery in circulations, these now account for 49% of ACJ's total revenues.

The re-launch of some magazines, editorial changes and special promotions have restored circulations, as can be seen in table 6. The performance of some magazines is worth highlighting:

- VISÃO achieved a new sales record, with circulation passing the 110,000 copies mark in 2002, thus strengthening its market position by 8.7%. The successful launch of “Guia das Praias” in the summer months contributed to this improved circulation.
- The re-launch of Cosmopolitan, which increased its circulation by 27.9% and posted a new sales record, with more than 58,000 copies sold.
- A 38.2% sales increase for Aactiva, which achieved its 2<sup>nd</sup> best year ever, with more than 80,000 copies sold.
- A strong recovery, mainly in the 2nd half, for Exame Informática (IT magazine), which grew by nearly 20% in 2002.



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**Table 7. Magazine Circulations**

	<b>2002</b>	<b>2001</b>	<b>Change</b>
Activa	80.320	58.110	38,2%
Cosmopolitan	57.635	45.047	27,9%
Exame Informática	37.775	31.538	19,8%
Caras	112.312	102.470	9,6%
Visão	110.494	101.660	8,7%
TV Mais	82.619	76.877	7,5%
Exame	23.263	22.049	5,5%
Telenovelas	154.652	147.161	5,1%
Super Interessante	52.991	53.603	-1,1%
Auto Guia	13.629	13.869	-1,7%
Casa Cláudia	28.529	29.263	-2,5%
Jornal de Letras	10.371	10.693	-3,0%
Caras Decoração	26.219	27.669	-5,2%
Turbo	26.600	28.513	-6,7%
Executive Digest	20.917	22.480	-7,0%

Sources: APCT and IMPRESA

In light of poor business conditions in 2002, the company continued with a two-pronged cost-cutting program, with emphasis on close control of print runs and the reduction of the main costs of publication.

This strategy, combined with the restructuring carried out in 2001 and 2002, was rewarded by a reduction of 11.4% in operating expenses in the latter year, and thus a substantial increase in operating margins. Operating cash flow was M€ 13.8, representing a margin of 19% (2001: 11.9%), the best ever achieved since the company's inception.

As mentioned, restructuring continued throughout the reporting year, with a 7% reduction in the payroll, to 468 workers at year-end. Severance costs were 607,000 euros.

Making the most of a good year, we continued to reduce inventories of finished goods, which stood at 567,000 euros at year-end. Inventory levels declined significantly through sales of existing titles in warehouse and through an increase in reserves (totaling M€ 4.4 in 2002) against future price declines of items of greatest obsolescence. Total inventories including both raw materials and finished products stood at M€ 3.8, down 25% on 2001

In 2002, ACJ's moved to its new head office. This is a new building inaugurated for that purpose in 2002 and held under a 15-year lease valued at M€ 15.

Despite the disappointing trend in total revenues, the reduction in costs enabled us to achieve a net profit of M€ 1.8, after M€ 3.7 loss in 2001.



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At year end, after protracted negotiations, IMPRESA, in partnership with EDIPRESS, acquired the Abril group's 33.3% indirect holding in ACJ, at a cost of M€ 23; IMPRESA and EDIPRESS now own ACJ in its entirety, each with a 50% stake. In January of 2003, ACJ changed its name to EDIMPRESA.

Even though we see continuing weakness in the advertising market, EDIMPRESA will continue to exert whatever efforts are needed to increase its revenues in 2003. By adding in the savings achieved through cost controls and with the benefit of lower newsprint prices, margins should continue to improve.



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## 6. Other Activities

There is a group of companies, which are consolidated by the equity method, specifically VASP, Portais Verticais, LUSA and Portusat.

1. The merger between VASP and Deltapress was completed at the end of the 2002 first half. As a result of this process, IMPRESA reduced its holding from 50% to 33.33% and VASP is now consolidated according to the equity method instead of by the proportional method as before. This change in the scope of consolidation applied for the whole of fiscal 2002.

VASP enjoyed strong growth in 2002, with a 55.3% increase in revenues, to M€ 137.6. This growth reflected not only a concentration of business in the last quarter, but also the general increase in publication sales and the capture of new publishers.

Although it was not until end September 2002 that Deltapress was absorbed by VASP, the integration of operations, along with absorption of the attendant restructuring charges, was completed by year-end.

VASP posted a loss of 424,000 euros after taking restructuring charges totaling 879,000 euros, of which 455,000 euros represented goodwill amortization (as dictated by the acquisition of Deltapress).

2. At Portais Verticais, SGPS, in which IMPRESA has a 50% stake, two portals were discontinued in 2002; the viability of the "Exit" travel portal is now being reassessed. Its contribution to earnings was a negative M€ 3.1.
3. In 2002, Lusa embarked on the restructuring of its business, which will leave it with a lower cost base over the coming years. These restructuring costs have reached 813,000 euros. Hence, accounting for Lusa's results by the equity method will mean that IMPRESA will bear 711,000 euros of its losses. IMPRESA owns 22.35% of Lusa share capital.
4. Premium TV Portugal, SA, a company in which SIC and Globo are associated with the Portugal Telecom group through Portusat, SGPS, Lda., an investee, chalked up 240,00 subscribers and posted a profit for the second year running. IMPRESA's share of this was 198,000 euros.

Steps taken in 2002 will enable this group of companies to make a positive contribution in 2003, largely as a result of VASP's returning to profit in fiscal 2003.

## 7. Financial Review

For the year under review, IMPRESA posted consolidated revenues of M€ 250.7, a 9.3% decline on the preceding year's pro-forma numbers. These pro-forma statements for 2001 reflect the change in the scope of consolidation as a result of the reduction in the company's holding in VASP, to 33.33%, while facilitating comparison with 2002.

The trend in revenues is largely explained by a 12.3% decline in advertising revenues. These still accounted for 67.6% of consolidated revenues in 2002. Other revenues were down 38.3% as a result of a slowdown in the business of SIC Filmes and in printing services for third parties. At the same time, publications enjoyed excellent sales: these were up by 8.4%, and accounted for nearly 20% of total revenues. The revenues of the theme channels also grew - by 8.4% - and already account for 8.5% of total revenues.

The reporting year was marked by strenuous efforts to cut costs. Programming costs were cut, as was personnel expense; variable costs were tightly controlled, specifically the numbers of pages and print runs of publications, over and above the welcome decline in newsprint prices. Accordingly, consolidated operating expenses were reduced by 15.9%, yielding a saving of M€ 43.9.

This cost reduction enabled us to cushion the impact of declining revenues and was reflected in operating cash flow of M€ 18.8 as against a modest 220,000 euros in 2001.

The year's operating cash flow was further drained by restructuring charges, which totaled M€ 6.4 and represented severance costs, specifically at SIC, Expresso, EDIMPRESA and Jornal da Região. The number employed in the 3 main business areas at year-end was 1,593, down 163 or 9.3% from year-end 2001.

We continued to provision at a high level: at around M€ 10.5, including one provision (M€ 3.9) to cover severance pay already negotiated in the first months of 2003.

Depreciation charges were up by 10.8%, reflecting capital spending during 2001, mainly relative to SIC Online, whose start up was a recent as September of 2001. Except for the acquisition of Abril's holding in ACJ, investments made in 2002 were modest, totaling M€ 8.7. Capital spending programmed for 2003 should not exceed M€ 10, which will mean lower depreciation charges in 2003.

There was a strong improvement in operating results, with losses reduced to M€ -19.9, which is 55.3% improvement against 2001 results.

Net financial income was a negative M€ 11.4, unchanged from 2001. Despite the increase in interest-bearing debt and a general increase in margins, we paid less in interest because of the decline in rates during 2002. Profits on foreign exchange increased, reflecting gains resulting from the appreciation of the euro against the US dollar. Our exposure to the US dollar is justified by the fact that a significant part of SIC's programming costs are in that currency.



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At the same time, losses increased significantly at our associated companies, to M€ 3.75, due to restructurings, particularly at Portais Verticais, LUSA and VASP. In the case of Portais Verticais and LUSA, their restructurings will enable them to break even in the near future.

Table 8. Financial Results

	2002	2001
Interest charges (-)	6.251.259	6.611.317
Discounts (-)	1.880.382	1.985.034
Foreign Exchange Gains (+)	2.966.261	-291.864
Losses in associated companies (-)	3.750.477	2.294.583
Others (-)	2.217.731	460.565
<b>Total Financial Results (-)</b>	<b>11.133.588</b>	<b>11.643.346</b>

Goodwill amortization charges totaled M€ 9.86 for the reporting year. After the increase in our holding in ACJ, which added a further goodwill item of M€ 21.4 to our balance sheet, annual amortization charges will be increased by approximately M€ 1 from the start of 2003.

New bank borrowings totaling M€ 30.6 were used to finance the acquisition of Abril's holding in ACJ, and for the working capital requirements of SIC, bringing total borrowings to M€ 147.9 by year-end. We would emphasize that working capital requirements peaked during the summer months and have since subsided.

At year end, IMPRESA disposed of some none-core assets, including its holding in Oniway, the mobile operator and the building occupied by Expresso. These disposals generated total gains of approximately M€ 4.2. However, these exceptional gains were absorbed by exceptional charges against potential inventory losses.

Operating cost reductions, which offset the fall in advertising revenues and lower net interest expense narrowed the consolidated net loss for the year by 46.5%, to M€ -27.9 (2001: M€ -52.2).



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## **Prospects for 2003**

Although we now expect this year's advertising spend to remain at a level similar to that seen in 2002, IMPRESA will continue to strengthen its market share, as demonstrated in the 2002 4th quarter.

We will also continue to exert every effort to increase publication revenues, whether by increased circulation or increases in cover prices.

However, 2003 will be a year of new challenges. It will see the start up of SIC Indoor TV, SIC Mulher, the new cable channel, the start up of regional advertising sales and the start of a cycle of new publication launches.

Taking its businesses as a whole, the IMPRESA group looks forward to renewed growth in revenues after 2 years of declines.

At the same time, operating margins in 2003 will receive a powerful boost from the restructurings of the past two years, from new editorial formats, the continuing tight control of variable costs and a continuation of the downward trend in newsprint prices. Hence, before absorbing goodwill amortization and taxes, IMPRESA expects to return to profit, if only to a modest extent, by year-end 2003.

Lisbon, March 17th, 2003

For the Board of Directors

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