IMPRESA

BUY

(Media / Portugal)

Price (€)	5.35	Performance		Size		Index Weight		Time View		Price Target (€)	6.82
52W High:	6.10	1M:	1.33%	Mkt Cap (€mn):	449	PSI20	0.49%	Short Term:	Neutral	Previous Price Target:	n.a
52W Low:	4.11	3M:	0.06%	Avg Vol 5D (th):	85	PSI General Index	0.82%	Long Term:	Positive	Potential Return:	28%
1 Year ago:	4.16	YTD:	-7.76%	Free-Float:	33.0%	Euronext Top 150	0.31%				

Reality could become a show…

Impresa is a key media player in Portugal, controlling the second most watched FTA TV channel and a broad press portfolio. It also has a presence in cable TV through its five thematic channels.

The fight for TV audiences is fierce and the market does not appear to believe that SIC will make it, partially explaining the stock's 7.8% Ytd loss. However, with the sector basically driven by M&A speculation, we feel Impresa is the sole stock offering good value at this point, allowing for a play on the likely medium-term convergence of the Portuguese media sector to European standards. Also, even in the event that Media Capital reinforces audience leadership, we do not expect the advertising revenue gap to widen significantly in detriment of Impresa.

We valued Impresa through a SoP model, which led us to a €6.82 price target. As a result, we are rating Impresa a BUY. However, we reckon September and Q4 will be testing times for Impresa, audience wise, and are therefore setting a neutral short term trading view on the stock.

Carla Rebelo
carla.rebelo@banifinvestimento.pt
(+351) 21.389.33.49

Julieta Vital
julieta.vital@banifinvestimento.pt
(+351) 21.389.33.47

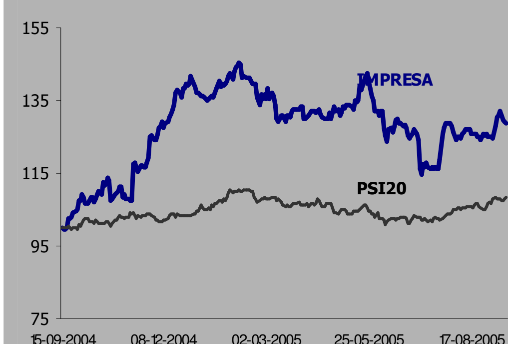
Key Financials

€ mn	2004	2005E	2006F
Sales	258.8	275.5	290.5
EBITDA	53.4	64.6	71.6
EBITDA margin (%)	*20.6%*	*23.4%*	*24.6%*
EBT	24.1	44.9	50.6
Net Profit	6.2	31.7	35.7
Cash Earnings	3.2	31.7	35.7

Key Multiples

	2004	2005E	2006F
P/E (x)	78.4	14.2	12.6
P/Cash Earnings (x)	31.8	11.0	10.1
P/BV (x)	4.8	2.9	2.6
EV/EBITDA (x)	10.6	10.0	9.0
EV/Revenues (x)	2.2	2.3	2.1

Source: Banif Banco de Investimento and company reports.



Source: Bloomberg, Prices as of September 15, 2005.

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1. Investment case

Impresa is the oldest player in the market, both in terms of press and TV. While its position in press is almost undisputable, even in spite of the absence of a daily newspaper, the TV battleground has proven more challenging, especially after TVI's emergence as a key player in 2000. At this point, the fight for audiences is fierce and the market does not appear to believe that Impresa's channel SIC will make it. In our view, that is the main reason behind Impresa's Year-to-date loss (7.8%), which fails to reflect the quality of the company's fundamentals. Drawing from our valuation, we have reached a €6.82 price target, which offers a 27% upside to current prices, therefore supporting our long-term Buy on the stock.

Among the reasons we like Impresa on a fundamental basis rank the focus on strict cost control and the operational performance expected over the coming months, mainly fuelled by the format / colour changes in the weekly newspaper Expresso and improved contributions from thematic TV channels. As a result, we are forecasting a 9% CAGR in EBITDA over the 2005-2007 period, translating into a 2p.p. improvement in the EBITDA margin to 25% by 2007. This performance will also be helped by the full appropriation of SIC's cash-flow after the very cheap minorities acquisition (41% stake) late last year. On top of this, we expect the company's adds-on strategy in the press segment to help sustain circulation and advertising revenues; albeit the impact is difficult to quantify (it depends on the selected contents, something difficult to predict at this point), the fact is that Impresa has been particularly successful in its adds-on strategy so far and we would expect it to remain so. On a longer-term, macro view, it is important to stress that SIC is very well positioned to benefit from the much-expected convergence of domestic TV ad prices towards EU averages, the key driver to bring the weight of the Portuguese domestic advertising market over GDP more in line with EU standards (the market weighs around 0.64% in terms of GDP versus an EU average in the 0.8% range).

Having said this, we would reckon that September and the whole of Q4 will be testing times for Impresa, as new programming grids fully unfold their audience impact. However, we are not expecting the advertising revenue gap to widen significantly in detriment of Impresa should Media Capital consolidate its all-day audience leadership, although that consolidation may naturally impact the client breakdown between the two channels. However, it is worth highlighting here that, in our view, the rationale behind Impresa at this point is one of delivery on operational targets and efficiency improvements, features which make up for a long-term investment rather than a specific, short term trigger-driven story.

Valuation wise, we feel comfortable with our €6.82 price target, which implies a 2005 EV / EBITDA close to 12x. Albeit that stands above a blended multiple comprising broadcasting, newspapers and magazines, we have to bear in mind that the prevailing M&A speculation has highlighted the strategic value of Portuguese media assets, given the wide range of potentially interested parties. Also, a quick look at a valuation table will show that both Media Capital and Cofina are trading at much higher multiples than Impresa, which tends to favour the latter as a preferred option within the domestic media sector.

All in all, we initiate coverage of Impresa with a long-term Buy, supported on our fundamental valuation of the stock, which offers a 28% potential return. We are attributing a neutral short-term trading view, however, to account for the fact that this is mostly a story based upon operational delivery, lacking any evident positive short-term triggers, but also to account for the testing times expected for Q4 audience wise.

Below, we present a summary on the main reasons we like Impresa, while also highlighting some of the stock's caveats:

(+) Agreement with the Brazilian Globo group ensures exclusive access to Globo's usually successful soap-operas, a key anchor of SIC's programming grid, with the advantage of being less expensive than Portuguese speaking contents.

(+) Comprehensive press portfolio, with exposure to nearly all of the key segments. Joint-venture with Swiss group Edipress for the magazines segment is a plus.

(+) Good portfolio of thematic channels is a strategic advantage in the pay-tv business, as it allows for a larger number of broadcasting times for Impresa's own contents, therefore raising the return per program. In addition to their increasing contribution to group revenues, notably from SIC International and SIC Notícias, these channels can be used to explore and test viewers' reaction and they could also prove a relevant competitive advantage when DTT fully unfolds.

(+) The recent acquisition of SIC's minorities was done at extremely attractive multiples and has plenty of strategic rationale, as it will allow Impresa to appropriate 100% of its most profitable and largest cash-flow generator business unit.

(+) Attractive fundamental valuation, as current prices have not yet fully captured the increased cash flow appropriation arising from the acquisition of SIC's minorities.

(-) No presence in the daily newspapers segment.

(-) Business model focuses solely on TV and press, lacking presence in other relevant segments like radio and outdoors.

(-) SIC has been less fortunate than TVI in what regards reality shows and soap operas. We reckon that it may be difficult for SIC to reverse recent audience trends as soaps' audiences tend to increase towards the end of the story, favouring Media Capital at this point in time.

(-) Absence of possible corporate moves in the short-term at a time the market is being mostly driven by M&A speculation.

(-) Absence of short-term positive catalysts.

2. Valuation

We are valuing IMPRESA using a Sum-of-Parts (SoP) valuation, having reached a price target of €6.82 per share, which provides a 27% upside at current levels. Regarding TV valuation, while the implicit multiple may seem high comparing to European peers, it is important to bear in mind that, regardless short-term swings in audiences, SIC still leads in terms of advertising revenues and we do not expect it to lose much room to Media Capital in this regard. Also relevant to this analysis, i) the fact that the regulatory framework has finally stabilised, much in favour of private operators; ii) the pivotal role of TV in terms of the domestic ad market and iii) the likelihood of seeing significant gains in ad prices over the medium term are all viable arguments favouring a premium of domestic TV channels over foreign counterparts.

IMPRESA – Sum-of-the-Parts

	EV	% held	*Weighted EV*	% of the total	Method	Implied EV / EBITDA
SIC	581	100.0%	581	*75.5%*	DCF	13.2x
Newspapers & Magazines	240		195	*25.3%*	DCF	10.3x
Newspapers	150	100.0%	150	19.5%	DCF	10.2x
Magazines	90	50.0%	45	5.9%	DCF	10.6x
VASP	32	33.3%	11	*1.4%*	Multiple	7x 2004 EBITDA
Holding & Adjustments			(17)	*-2.2%*	DCF	
Enterprise Value			**769**	100%		
Net Debt			196			
Minorities			0			
Equity Value			**573**			
Equity Value per share			**6.82**			
Current Price			5.35			
U/D			28%			

Source: Impresa, Banif Investimento. Prices as of September 15, 2005.

Individual Businesses – DCF assumptions

Business	Rf	Beta	WACC	g
TV	4.50%	1.40	10.0%	3.5%
Newspapers	4.50%	1.30	9.6%	2.0%
Magazines	4.50%	1.30	9.6%	2.0%

Source: Banif Investimento.

Comparative valuation

In a market mostly driven by M&A speculation, Impresa is now the sector's laggard, although its 7.8% Ytd decline also reflects the losses in terms of TV audiences to TVI, which became particularly visible from Q2 onwards. Indeed, for different reasons, both Cofina and Media Capital have outperformed the PSI20 so far this year, grabbing the index's second and third best Ytd performances. While the latter enjoyed strong M&A speculation, confirmed in July but not in the format the market was hoping for (no take-over for the time being), the former benefited from the conglomerate's spin-off, which granted higher visibility to the media arm.

The performance gap between the three stocks naturally had implications in terms of their trading multiples. Media Capital is nowadays trading on pure M&A grounds, very far from what its fundamentals, even if extremely positive as they are, would suggest. Cofina appears to have fully priced in the slight improvement in operational prospects expected in the coming years but not the strategic uncertainty arising from its 100% focus on the press segment at a time the sector is seeing relevant ownership changes. Impresa has been left behind, both because it has no M&A appeal and because it is been suffering from poor audience shares. However, the gap versus the two other players has now become too wide; in our view, at current prices, Impresa is the sole stock offering potential as a play on the likely convergence of the Portuguese media sector to European standards.

Media - Sector Multiples

		Last Price		Market Cap.(Mn)	P/E			EV/EBITDA			EBITDA Margin (%)			EV/SALES			DY 2005 (%)
					2005E	2006E	2007E	2005E	2006E	2007E	2005E	2006E	2007E	2005E	2006E	2007E	
	Cofina	2.98	EUR	152.8	13.7	11.4	10.1	11.8	10.5	9.5	13.1%	14.1%	14.9%	1.5	1.5	1.4	1.5%
	Media Capital	7.01	EUR	592.4	28.0	21.7	17.5	13.1	11.8	10.8	23.3%	24.9%	25.9%	3.1	2.9	2.8	0.4%
	Impresa	5.35	EUR	449.4	14.2	12.6	11.3	10.0	9.0	8.4	23.4%	24.6%	25.2%	2.3	2.2	2.1	0.0%
Broadcasting	**Antena 3**	16.00	EUR	3555.6	17.1	15.3	12.4	10.3	9.6	9.1	35.9%	36.1%	36.3%	3.7	3.5	3.3	4.0%
	Telecinco	19.07	EUR	4703.5	16.4	15.3	14.7	9.8	9.2	8.8	49.0%	49.4%	49.0%	4.8	4.6	4.3	4.7%
	ITV	112.75	GBP	4587.8	14.8	14.3	12.7	9.7	9.6	8.6	23.4%	23.1%	24.8%	2.3	2.2	2.1	2.8%
	Mediaset	10.25	EUR	12110.0	18.4	16.4	15.0	6.9	6.3	6.1	47.7%	49.2%	47.4%	3.3	3.1	2.9	4.2%
	TF1	21.55	EUR	4612.8	20.2	21.6	14.0	10.0	10.5	7.6	17.1%	15.5%	20.1%	1.7	1.6	1.5	3.2%
	RTL	62.55	EUR	9682.0	22.2	19.6	17.3	11.3	10.3	9.6	17.7%	18.7%	19.4%	2.0	1.9	1.9	1.6%
Radios	**Chrysalis**	152.00	GBP	254.1	105.2	53.4	33.6	42.8	24.3	18.3	4.7%	8.0%	10.0%	2.0	2.0	1.8	0.9%
	SMG	96.00	GBP	300.9	17.8	16.4	15.2	10.5	9.8	9.3	19.6%	21.0%	21.5%	2.1	2.1	2.0	2.7%
	NRJ	18.00	EUR	1556.7	19.4	21.9	18.2	10.6	11.7	9.5	40.1%	30.5%	30.3%	4.3	3.6	2.9	1.7%
	GCAP Media	287.75	GBP	472.0	23.7	18.9	14.3	13.6	11.1	9.0	17.6%	20.1%	23.1%	2.4	2.2	2.1	6.1%
Magazines	**Emap**	825.50	GBP	2118.3	13.3	12.3	11.5	9.5	9.0	8.7	22.2%	22.7%	23.0%	2.1	2.0	2.0	3.2%
	Roularta	47.26	EUR	470.6	14.2	12.8	12.0	6.5	6.0	5.7	14.2%	14.8%	15.0%	0.9	0.9	0.9	1.7%
	Mondadori	8.42	EUR	2183.9	18.6	17.7	16.6	8.7	8.2	7.6	14.4%	14.7%	15.0%	1.2	1.2	1.1	4.3%
	Edipresse	650.00	CHF	756.2	16.7	13.5	12.1	8.6	7.7	7.3	11.4%	12.2%	12.4%	1.0	0.9	0.9	1.1%
Newspapers	**L' Espresso**	4.72	EUR	2043.3	20.3	19.1	16.7	9.3	9.0	8.4	22.0%	22.3%	22.9%	2.1	2.0	1.9	3.2%
	Trinity	609.00	GBP	1788.9	11.8	11.0	10.2	7.7	7.4	7.3	25.7%	26.1%	26.2%	2.0	1.9	1.9	3.6%
	Daily Mail	663.50	GBP	2772.1	15.2	13.3	11.9	9.3	8.5	8.0	17.5%	18.2%	18.9%	1.6	1.6	1.5	1.8%
	Independent N&M	2.40	GBP	1782.0	14.9	13.0	11.8	9.7	9.1	8.6	21.6%	22.2%	23.0%	2.1	2.0	2.0	4.0%
	Telegraaf	19.88	EUR	1043.7	30.2	21.5	19.6	13.0	10.6	9.6	10.4%	12.4%	18.6%	1.4	1.3	1.8	1.7%
	Johnston Press	488.00	GBP	1387.2	12.7	12.0	11.2	8.7	8.2	7.9	37.9%	38.3%	38.8%	3.3	3.2	3.1	1.7%
	Prisa	15.36	EUR	3361.0	22.9	18.1	15.0	11.4	10.4	10.6	23.1%	24.2%	22.5%	2.6	2.5	2.4	1.0%
	SECTOR					%											
	Portuguese Average				**18.5**	**14.9**	**13.0**	**10.5**	**9.3**	**8.7**	**20.6%**	**22.2%**	**22.7%**	**2.2**	**2.1**	**2.0**	**0.6%**
	Broadcasting				**18.9**	**17.1**	**14.3**	**10.1**	**9.5**	**8.6**	**29.7%**	**30.2%**	**31.0%**	**2.9**	**2.8**	**2.6**	**2.6%**
	Radios				**41.5**	**27.7**	**20.3**	**19.4**	**14.2**	**11.7**	**20.5%**	**19.9%**	**21.2%**	**2.7**	**2.5**	**2.2**	**2.8%**
	Magazines				**15.7**	**14.1**	**13.0**	**8.3**	**7.7**	**7.3**	**15.5%**	**16.1%**	**16.4%**	**1.3**	**1.3**	**1.2**	**2.6%**
	Newspapers				**18.3**	**15.4**	**13.8**	**9.9**	**9.0**	**8.6**	**22.6%**	**23.4%**	**24.4%**	**2.2**	**2.1**	**2.1**	**2.4%**

Source: Banif Banco de Investimento, Thomson Financial, Bloomberg. Prices as of September 15, 2005.

Media Sector – Price Performance

			Absolute Performance (%)					Perf. vs STOXX Media (%)				% Difference to			
		Last (€)	1D	5 D	1M	3M	YTD	5 D	1M	3M	YTD	52W High	Date	52W Low	Date
	Cofina	**2.98**	0.0	-1.0	1.0	1.0	28.7	-2.3	0.1	-2.3	17.0	-20.3	24-02-2005	51.1	15-09-2004
	Media Capital	**7.01**	-0.8	-2.1	3.1	9.5	28.6	-3.4	2.1	6.2	16.9	-6.0	06-09-2005	73.9	15-09-2004
	Impresa	**5.35**	-0.4	-1.8	1.3	0.6	-7.8	-3.2	0.4	-2.8	-19.5	-12.3	09-02-2005	30.2	16-09-2004
Broadcasting	**Antena 3**	**16.00**	-0.3	0.1	-0.5	-6.2	20.4	-1.3	-1.5	-9.6	8.7	-9.1	13-06-2005	39.1	23-09-2004
	Telecinco	**19.07**	-0.9	1.9	-2.2	-1.1	25.6	0.6	-3.2	-4.5	13.9	-6.7	12-07-2005	40.1	15-09-2004
	ITV	**112.75**	-1.1	1.1	-2.4	-2.2	7.1	-0.2	-3.3	-5.5	-4.6	-16.3	04-07-2005	11.6	25-10-2004
	Mediaset	**10.25**	-1.1	0.1	2.5	5.4	9.9	-1.2	1.5	2.1	-1.8	-9.0	31-03-2005	15.7	27-10-2004
	TF1	**21.55**	0.0	-0.3	-3.8	-2.3	-10.0	-1.6	-4.7	-5.7	-21.7	-17.3	15-02-2005	2.1	07-07-2005
	RTL	**62.55**	0.0	4.8	8.2	4.8	13.9	3.5	7.3	1.4	2.2	unch	14-09-2005	31.7	30-09-2004
Radio	**Chrysalis**	**152.00**	-1.3	-1.9	-1.6	-0.7	-18.2	-3.3	-2.6	-4.0	-29.9	-24.8	20-09-2004	16.0	11-05-2005
	SMG	**96.00**	0.0	0.0	1.9	1.6	-10.1	-1.3	0.9	-1.8	-21.8	-19.0	17-11-2004	10.0	19-05-2005
	NRJ	**18.00**	-0.2	2.1	-0.3	-3.2	11.5	0.8	-1.2	-6.5	-0.3	-6.5	17-06-2005	19.8	08-12-2004
	GCAP Media	**287.75**	-1.8	-5.0	-6.1	2.7	-34.6	-6.3	-7.1	-0.7	-46.3	-38.1	20-09-2004	12.4	21-06-2005
Magazines	**Emap**	**825.50**	-1.5	0.2	-0.3	3.6	1.2	-1.1	-1.3	0.2	-10.5	-7.1	14-02-2005	10.3	11-05-2005
	Roularta	**47.26**	-1.3	0.4	-6.8	-13.1	-6.9	-1.0	-7.7	-16.5	-18.6	-23.7	18-02-2005	4.8	21-12-2004
	Mondadori	**8.42**	-1.7	-1.0	2.6	7.4	-0.7	-2.3	1.6	4.1	-12.5	-5.4	09-02-2005	13.3	21-10-2004
	Edipresse	**650.00**	-2.3	1.6	-1.1	-4.2	10.2	0.2	-2.1	-7.5	-1.6	-8.5	05-04-2005	13.0	27-10-2004
Newspapers	**L' Espresso**	**4.72**	-2.5	-0.6	0.5	5.4	6.2	-1.9	-0.4	2.1	-5.5	-5.0	17-02-2005	15.3	09-12-2004
	Trinity	**609.00**	-0.7	0.1	0.0	-0.1	-4.2	-1.2	-1.0	-3.4	-16.0	-16.5	03-03-2005	3.8	14-07-2005
	Daily Mail	**663.50**	-0.3	0.5	1.2	0.1	-10.6	-0.9	0.3	-3.3	-22.3	-15.5	22-02-2005	4.2	07-07-2005
	Independent N&M	**2.40**	-3.2	-2.8	-2.6	-7.7	4.3	-4.2	-3.6	-11.0	-7.4	-9.3	20-06-2005	21.2	23-09-2004
	Telegraaf	**19.88**	0.6	0.0	10.2	8.0	8.9	-1.3	9.2	4.7	-2.8	-0.8	07-02-2005	18.2	18-05-2005
	Johnston Press	**488.00**	-0.5	-1.9	-2.4	1.6	-10.0	-3.2	-3.3	-1.8	-21.7	-16.2	07-03-2005	6.1	07-07-2005
	Prisa	**15.36**	-0.1	-1.2	0.1	-5.1	-1.7	-2.5	-0.9	-8.5	-13.4	-7.3	23-06-2005	8.2	15-09-2004

SECTOR	%								
Portuguese Average	**-0.4**	**-1.6**	**1.8**	**3.7**	**16.5**				
Broadcasting	**-0.6**	**0.5**	**0.8**	**1.1**	**11.0**				
Radios	**-0.8**	**-1.2**	**-1.5**	**0.1**	**-12.8**				
Magazines	**-1.4**	**-0.1**	**-0.9**	**-1.2**	**-0.8**				
Newspapers	**-1.0**	**-0.9**	**1.0**	**0.3**	**-1.0**				
European Sector Average									
DJ Eurostoxx Media	**-0.2**	**1.3**	**1.0**	**3.3**	**11.7**	**-0.8**	02-08-2005	**21.3**	25-10-2004
B. Europe Media Index	**-1.1**	**-0.9**	**0.5**	**3.0**	**-0.3**	**-6.4**	09-03-2005	**16.8**	28-09-2004

Source: Bloomberg. Prices as of September 15, 2005.

Sensitivity analysis

We also performed a sensitivity analysis of our fundamental valuation to four key variables, which highlights the importance of audience shares as a valuation driver: less 1% in audience cuts around 11% from valuation whereas it would take a slowdown of the ad market of 2.5% to produce the same effect. Changes in the press market, both in terms of the segment's global importance as of Impresa's share, also affect valuation but to a smaller extent.

Company / Driver	2005 Price Target	2006 Advertising Market Growth		TV All Day Audience Share		Press Weight in Adv. Market Share		2006 Press Market Share	
		-2.5%	+2.5%	-1.0%	+1.0%	-1.0%	+1.0%	-1.0%	+1.0%
Impresa	**6.82**	-11.6%	+11.6%	-11.3%	+11.3%	-5.1%	+5.1%	-4.0%	+4.0%

Source: Banif Banco de Investimento.

Please refer to the end of the report for analyst and firm disclosures.

3. Strategic issues

The Portuguese media sector has been living turbulent times: the unexpected sales of Lusomundo Media to Controlinveste, much criticized by the remaining players, and of Media Capital to Prisa, in a format that failed to match the market's expectations of a full take-over, will imply significant changes to the market's current status quo. On one hand, Lusomundo Media's weak marketing strategy over the past two years – its most important daily titles all lost circulation - was one of the factors which helped Cofina to get leadership of the newspaper segment; on the other hand, Prisa's likely entrance in TVI may raise doubts about the station's programming strategy at a time the advertising market leadership is just around the corner for the company. By other words, the visibility on the advertising landscape one year from now is low – both in strategic terms as well as growth prospects, given the prevailing poor domestic macro environment.

Lusomundo Media: will this sale shake the market status?

The sale of Lusomundo Media, the most relevant player in the generalist daily newspapers and owner of the country's top news radio station, was a long time expected move by Portugal Telecom, given the difficulty in successfully restructuring the business, but had a quite unexpected outcome. While all the relevant domestic media players together with some foreign ones (the Spanish Prisa, most notably) showed some interest in all or part of the assets, the bid's winner turned out to be Controlinveste, the group which controls soccer's broadcasting rights and whose presence in the ad market was until now confined to a daily sports newspaper.

However, the deal required regulatory approval and, for some time, there was the expectation that Controlinveste could be forced to sell some of the assets. That could have been particularly interesting for Cofina, which holds a 19% stake in Lusomundo Media and was willing to exchange that for TSF, the news radio. Impresa, which controls the weekly newspaper niche but lacks a presence in the daily segment, could have been interested in one of Lusomundo's generalist dailies. However, the Competition Authority cleared the deal a month ago and the only news in the market at this point regards talent switches among the market players. In a business like media, however, talent is a key part of the business, hence it will take some time to assess to what extent this sale will change the market status. Recall that the absence of a clear strategic drive by Lusomundo Media's main press titles had already resulted in falling circulation levels, partially ensuring Cofina the leadership in daily newspapers.

Media Capital & Prisa: new partner, new route?

In the very same day the Lusomundo Media deal got the green light from the regulator, an agreement between Media Capital's main shareholder Vertix (includes the current CEO) and the Spanish group Prisa regarding the sale of a 33% stake in MCP was announced. The deal's structure is quite complex, involving call and put options, but should basically imply Prisa assuming management control of MCP by yearend. With MCP now enjoying an apparently stable leadership in TV audiences, even if by a small margin, the question turns to whether Prisa will change the group's strategic course of action.

At first sight, two main issues arise: on one hand, it will be interesting to see whether Prisa will change TVI's programming guidelines, notably its heavy reliance on reality shows; on the other, MCP's most evident flaw in terms of business model is its discrete presence in the press segment, precisely the area where Prisa's expertise is more widely recognized. While acknowledging that the domestic press market is somewhat crowded already, especially for a country with low readership levels on top of small critical mass, we would not disregard a move by Prisa in this segment, which will inevitably shake the market status given the company's solid press track-record.

In addition to press, Prisa may also be willing to take steps in Cable TV - recall that Prisa holds around 25% of the Spanish cable TV operator Sogecable –, especially following recent market rumors that Media Capital is in advanced negotiations with Cabovisão (2nd largest cable operator, albeit very far from PT / TV Cabo) to sign a partnership that could evolve to Media Capital entering Cabovisão´s share capital. Note that TV Cabo and Media Capital have been negotiating the introduction of Media Capital´s thematic channels in the cable platform but have so far failed to reach an agreement. All in all, this could be a source of new competition for Impresa, even if in a smaller scale.

SIC versus TVI: the battle for TV audience leadership

Moving away from the strategic impact on the sector of changing ownerships, the most interesting issue to monitor in the short term will be the evolution of TV audiences. Having held leadership in prime-time for a while, only recently has TVI been able to ensure all-day, stealing that position from SIC. Soccer's broadcasting rights, which TV won in Summer 2004, were key to bring male audiences to the channel, a segment which TVI had until then been unable to attract given the heavy weight of soap operas in its programming. This is more so if we consider that, despite the gap in terms of audiences, Impresa's total ad revenues still stand slightly above those of Media Capital, meaning it still leads the global advertising market despite the falling TV audiences.

While TVI will still benefit from soccer broadcasting in the 2005/6 season (rights are attributed every 2-year), Q4 programming will be key to assess whether the company will be able to retain and consolidate its current leadership and therefore surpass Impresa in terms of net advertising revenues. In this regard, it is important to notice that TVI is very "opportunistic" in its programming strategy: the company has completely focused its programming efforts on Q2 and Q4, which it views as the strongest in terms of advertising spending.

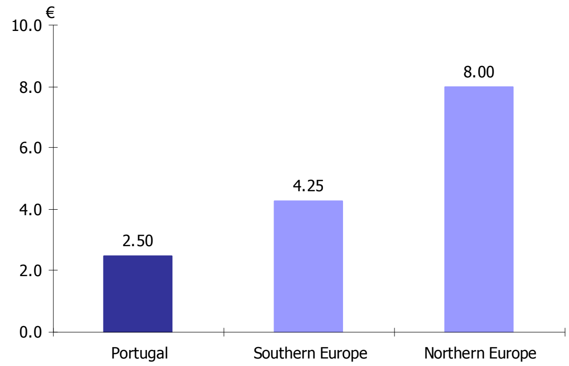
Impresa, on its hand, has elected two reality shows ("Senhora Dona Lady" and "Esquadrão G"), a new Brazilian soap opera ("Lua Disse-me") and a teenager programme ("Witch") in its Q4 programming grid in order to reverse recent audience share trends. Overall, the battle between TVI and SIC for TV audiences promises to be very fierce, as TVI's programming grid seems to be very competitive – it includes a new reality show featuring the key characters of the first "Farm" release. September audience shares, to be released in the first days of October, could provide a reasonable insight into the quarter's trend; having said this, audiences will require very close monitoring in the months ahead to assess any likely impact in terms of ad revenues.

TV ad prices: how long will convergence take?

It is widely known that TV ad prices in Portugal are relatively low given TV's high audience levels and its inherent advertising effectiveness versus other channels. This status quo was further worsened by the previous regulatory framework that allowed the main public channel to compete with private operators in a similar basis and ultimately forced ad prices significantly down. The 2002 regulation changed this and the market is definitely more stabilised now, implying increased bargaining power from private operators, TVI and SIC.

While, in the beginning, the bargaining power was basically used to force agency commissions down, it is now moving to an increased sophistication of the pricing techniques used with final clients. We understand that the Portuguese ad market is too small and that, in times of economic stagnation like the prevailing ones, it may be tempting to let go of bargaining power so as not to lose the client. However, we would reckon that, over the medium term, TV ad prices, normally measured on a "Cost per thousand [viewers]" will tend to converge to EU standards. This would have a positive externality of making the ad market structure more balanced between the several segments.

CPT's – European standards (2003)



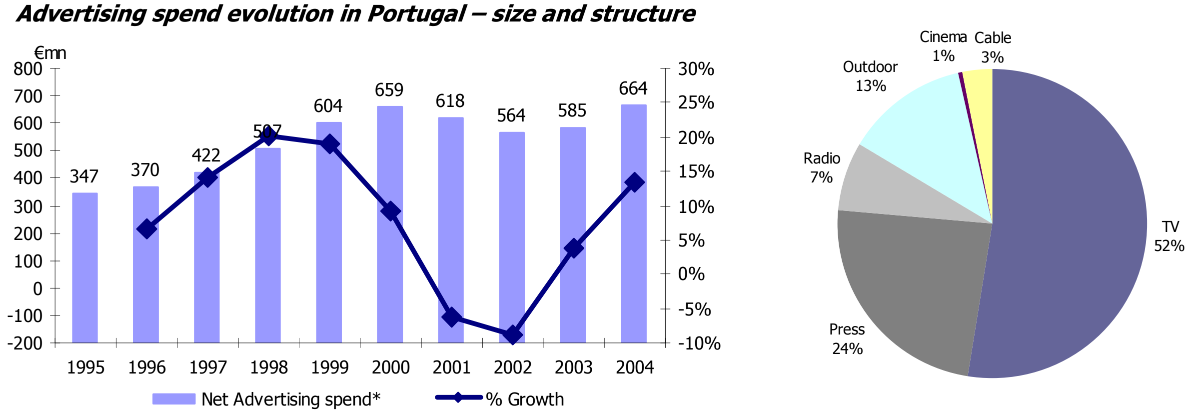
Source: Initiative Media in Impresa's 2004 Investor Day presentation.

4. The Portuguese advertising market

Ad spending data shows that finding a consensus on the size of the market is not easy: estimates range from between 0.45% and 0.6% of GDP, the main difference being the discounts and agency commissions (discounts to official prices may reach 80% for the best clients, especially on TV). This would put the market value in 2004 between the €665mn-€460mn range, with slightly more than half of this spent on TV, which clearly places Portugal above European averages. The reasons are two-fold: on one hand, Portuguese spend more time watching TV than most of its European counterparts, which tends to reduce the relative cost of advertising in TV versus other channels; on the other, the regulatory environment that prevailed in the Free-to-Air (FTA) TV segment until 2002 strongly disrupted the market, as the main public operator competed on an equal basis with the private operators for advertising and forced a significant price compression.

FTA TV and press represent almost 79% of total advertising spend. In the last couple of years, FTA TV and Pay TV have been increasing their weight in the advertising market. The main loser seems to be the press segment which saw its weight over total Ad spending decline from 35% in the mid-90's to almost 25% nowadays in favour of FTA but also Pay-TV and Internet.

Advertising spend evolution in Portugal – size and structure



Source: Media Capital presentation; OMD Portugal estimates.
*Note: * Net 2.* ***Note on advertising data:*** *Net Advertising spend is the cash advertising expenditure actually earned by advertising companies. Gross Advertising spend represents the advertising investments after rate-cards discounts but before deducting agency commissions and volume rebates than media companies offer to advertisers and their agencies.*

As expected, ad spending is strongly correlated with GDP trends but it tends to amplify the changes. While the late 90's were quite prosperous for the business, with growth rates averaging 20%, the market has barely recovered from the 2001-2002 recession, if we exclude the one-offs related to the Euro 2004 and the Rock-in-Rio concerts in June 2004. With the economy expected to grow by 0.5% in real terms in 2005, the outlook for ad spending is relatively modest.

Portuguese advertising spend growth vs GDP nominal growth

Δ %	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
GDP (nominal)	6.7%	7.9%	8.5%	7.0%	7.0%	6.6%	5.2%	2.7%	3.6%
Net Ad Spending (Net 2)	6.6%	14.1%	20.1%	19.1%	9.2%	-6.2%	-8.8%	3.8%	13.4%

Source: Companies presentation.

Indeed, the restrictive measures announced by the Portuguese government to reduce the high public deficit (6.8%), including increases in VAT (from 19% to 21%) and tobacco taxes, together with persistently high oil prices, have already forced the Bank of Portugal to revise 2005 GDP growth forecasts from 1.6% to 0.5% (2006 was also revised to 1.2% from 2.0%). In the meantime, the Government has presented a broad Investment plan for the 2005-2009 period, comprising about €25bn to be spent in the several infrastructures, which may alleviate some of the recessionary impact of fiscal measures but should have no visible effects in the short term.

Against this background, advertising spending should still show growth between 4% and 6% in 2005, driven by specific factors other than GDP - we are forecasting increases of 5.9% and 6.2% for 2005 and 2006, respectively. 2005H2 should benefit from the expected launch of several car models in September, increased telco advertising related to 3G and the election period (municipalities in October, Presidential elections in early January). For 2006, the Rock in Rio 2006, the World Football Cup, coupled with the likely privatisations of GALP and REN, may provide some boost of their own to the ad market.

Below, we provide a quick overview of the major ad segments, first through a brief description and then summarizing the main features in a single table.

TV Market

Free-to-Air (FTA) TV accounts for 52% of the total Ad market – Pay-TV has been increasing its weight but the importance in terms of advertising is still negligible. The market is now more stabilised following the regulatory changes 2002, by which the public operator, through its RTP1 channel, was limited to 6 min / hour of advertising versus 12 min / hour for the private operators. However, the fight for prime time leadership has been fierce between SIC and MCP and the war is far from won.

Depressed TV prices have attracted advertisers to this channel in detriment of, most notably, press. However, with the TV regulatory environment under stabilisation, private FTA TV operators are seeing their bargaining power increased and will try to force discounts and agency commissions down. Overall, while a decline in TV's weight over total ad spending is possible in the coming years, it is difficult to forecast which other vehicles (press, pay-tv, cinema, internet) will benefit from this trend.

Press Market

Press accounts for about 25% of the total ad market, a low figure in comparison with EU standards owing to TV's absolute dominance in terms of advertising effectiveness. This segment is also more fragmented than the remainder, counting seven relevant players. The absence of barriers to entry favours the frequent appearance of new titles, most of which have very short life periods. Also, readership fidelity is being challenged as the business model is increasingly dependent on the complementary offers sold together with the newspaper / magazine.

The recent sale of Lusomundo Media, which controls the generalist daily newspapers niche, to the Controlinveste group, was the most relevant corporate move and is likely to shake the market structure somewhat (please refer to section 3. Strategic Issues).

Outdoors

Ad spending directed to outdoors represented 13% of the total market in 2004. This segment is already highly concentrated and we do not anticipate any important changes in the current structure, given the high barriers to entry (the market is close to saturation in many cities and further licensing by municipalities is unlikely).

Radio

Radio accounts for around 7% of total Ad spending. While the segment enjoyed growth in the region of 15% in 2004, the trend is somewhat difficult to forecast; however, there are no reasons to believe that the radio's share in the global market will change in the coming years.

	Free-to-Air Television	Press	Radio	Outdoors
2004 Ad Market Size*	52.5%	24.0%	7.0%	13.0%
# players	3 players competing for advertising; four channels, of which two are State-owned	7 players with relevant circulation levels	3 players competing for advertising, through 8 stations; the State controls 3 other stations, which are not allowed to carry advertising; several local stations	3 relevant players
Main features	Portugal displays one of the highest TV audience shares in Europe, turning this segment particularly effective in terms of advertising's reaching capacity. "Cost per Thousand" (CPTs), a good proxy for TV Ad prices, is relatively low as a result, explaining the excessive weight of TV in the global ad market (52.5%). This structure is further aggravated in recessionary periods, as advertisers tend to concentrate their budgets in TV at the expense of other segments so as to improve their advertising's effectiveness.	Readership levels in Portugal are relatively low, which has always hindered this segment's potential in terms of advertising. Sports' dailies are the sole exception, displaying very high circulation levels (which also reduces the importance of advertising as a key revenue source). As a result, the press' share in the ad market is low by comparison with other countries and is now facing important competition from Internet. The expansion of free newspapers also poses some risks, especially for players not so concerned with the quality of their contents. The market is extremely fragmented, especially in the magazine segment. New titles tend to appear frequently but most projects are very short-lived. The press business model is facing a relevant change, as the introduction of complementary offers, normally paid, is switching the importance of contents to the offers, strongly reducing readers' fidelity to the brand. This phenomenon is more evident in the case of magazines, where the contents' importance is smaller. Against this model, the players with more capacity to advertise their own products through other channels are more favoured.	Global audience shares have remained stable in broad terms in recent years, turning radio into a reliable advertising channel. This feature is further enhanced the high fidelity levels from radio listeners to their favourite stations. However, audience shares are measured on a quarterly basis, somewhat hampering the link between each station's audience shares and its capacity to attract advertisers. MCP's acquisition strategy has allowed for some consolidation in a market featuring innumerable local stations. The two key private players (Catholic Church and MCP) now accont for 63.1% of audience shares.	Comprises three main segments: street furniture, billboards, transport services. Capacity is limited at this point, with some areas very close to saturation. Therefore, sales' trends are mostly dependent on prices rather than volume (last year's Eurocup, for instance, ensured a very good year, as competition for the best spots forced ad prices up). MCP's acquisition strategy, focusing on small players, ensured even market positions between the top three players. The segment's structure should remain stable over the medium term. Late last year, MCP introduced a new concept - MCO, a specialised TV channel in tube stations - that may prove a revolutionary turning point for the segment.
Main issues	The two main players (MCP and Impresa) have very similar audience shares, meaning that any relevant change in programming may be key in widening the gap. Soccer broadcasting rights', which are licensed every two years, are usually a key anchor to ensure audiences. TVI benefited from that last year, by attracting male audiences to the channel. The flipside to soccer games is their costs (MCP paid around €400th per game). On the longer term, the introduction of Digital TV may also change the market structure, depending on each player's ability to leverage the programming potential of this technology.	The recent sale of Lusomundo Media (key position in generalist daily newspapers + news radio station) to Controlinveste is likely to shake the market's status, notably by promonting talent switches. Prisa's forthcoming entrance in the market, through MCP, may also change the current status quo, given the group's solid expertise in the business.	Prisa's forthcoming entrance in the market, through MCP, may also change the current status quo, given the group's solid expertise in the business.	
Legal environment	The market was liberalised in 1992, with two private FTA licenses awarded for a 15-year period. Renewal requires an extra payment of up to €25,000. Private broadcasters can air up to 12 min / hour of advertising, in two blocks. The main State-owned channel is limited to 6 min / hour. FTA channels are not allowed to carry advertising of tobacco, medicines and alcohol (this, only after 10pm). Ad virtual, spilt screen and product placement are not allowed.	Not relevant.	There are three type of licenses: national coverage (15 years, 5 is the maximum allowed per player); regional and local coverage (10 years, renewals can be for 10 or 15 years). Re-broadcasting is allowed (players already limited in terms of national licenses take advantage to widen their reach). Advertising time cannot exceed 20% of total broadcasting time.	Outdoor advertising requires licensing from municipalities. Key urban areas like Lisbon and Oporto are close to saturation and the likelihood of further licensing is low. Transports and transport stations do not require licensing but are normally operated through concession regimes, with renewal options.

5. Impresa's sector positioning

The Portuguese ad market is dominated by four media players - Impresa, Media Capital, Cofina and Lusomundo Media (LM), which is the sole not to be listed in the stock exchange. As for the lower tier, the Sonae group has a small presence in the market, through the generalist daily newspaper "Público", and there are a few other small players, notably in the press segment but not very relevant in terms of advertising share.

Impresa's presence in the media sector dates from the early 70's, with the launch of weekly newspaper Expresso, but the company has evolved to become Portugal's most comprehensive magazine player. The creation of the TV channel SIC in the early 90's reinforced Impresa's comfortable position in the media sector, backed by its strong audiences.

The entrance of the Media Capital group in the advertising market, at least from the moment TVI was bought and turned around in the late 90's, was the greatest change seen by the sector over the recent years. TVI's success – in less than five years, it became TV's audience leader - is certainly the most visible feature of that process but the impact of Media Capital's strategy was felt in all of the most relevant ad segments.

Indeed, the key difference between MCP and Impresa / Cofina is that, while the latter see themselves as media players, where contents are absolutely critical to ensure success, MCP assumes itself as an "ad player"; it focus solely on generating advertising revenues in the most profitable manner. That explains why MCP actively worked for consolidation in the radio and outdoors segments, having reached its 'close to top' position through a string of small acquisitions in areas which were never targets for neither Impresa nor Cofina. Conversely, MCP's investment in the press segment is almost negligible and mostly concentrated in heavy advertising formats (society, male and women magazines) rather than content ones.

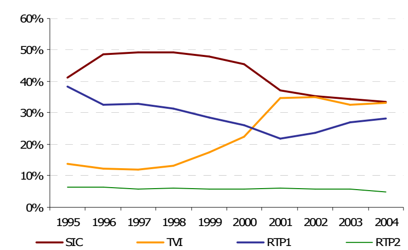
The ugly duck here is LM: despite controlling some of the country's oldest media jewels (daily newspapers, a top news radio), the company was never as profitable as it could be; on top of that, it has been losing wide room in terms of circulation levels. Drawing from this, Controlinveste will have a tough home-work to do to fully exploit the potential of its current portfolio.

As mentioned before, the impact of recent ownership changes in LM and MCP will be pivotal in creating a new equilibrium for the market. Traditional press players, notably Impresa and Cofina, are likely to feel more pressure from Controlinveste and Prisa. Among the two, Cofina is even more pressured by the lack of diversification of its revenue stream: it is totally press-dependent and, after losing the bid for Lusomundo Media and failing to get at least the radio station in exchange for its 19% in LM, growth / diversification alternatives seem very scarce.

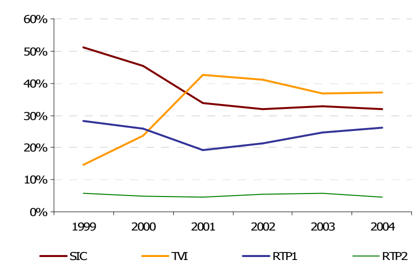
In the following pages, we will provide an overview on the positioning of the main listed players in each of the ad market's segments.

TV	LISTED PLAYERS			Other Players
	IMPRESA	MEDIA CAPITAL	COFINA	
Main features	Controls SIC, the 2nd largest FTA broadcaster, which has fiercely disputed leadership in prime time to TVI. Programming anchored in Brazilian soap-operas (exclusive agreement with TV Globo) and information.	Controls TVI, the Portuguese market leader in both prime and all time. Programming anchored on Portuguese-speaking fiction, reality shows and football (Prime league). Controls 60% of NBP, the Portuguese largest production house, which accounted for roughly 3/4 of non-news, prime time programs.	No presence.	State-owned channels: - RTP1: generalist channel, competing directly with private channels in terms of audience shares; advertising is allowed but in a smaller scale than private broadcasters (6 min / hour versus 12 min/hour); - RTP2: broadcasts mostly cultural and society programming; advertising is not allowed
Strategic guidelines	Diversification from pure TV ad revenues through: - Merchandising related to key programs; - Development of cable & satellite channels; - Development of new multimedia services (interactive services; production services; merchandising)	Ad pricing strategy designed to force price rises over the medium term. Diversification from pure TV ad revenues through: - merchandising related to key programs; - tematic cable channels (however, ongoing negotiations with TV Cabo have proved fruitless so far); - sale of NBP's production to Portuguese speaking countries.		
2004 Key numbers	Average Audience Share = 33.6% Advertising Market share = 36.2% Weight of TV over total sales = 64%	Average Audience Share = 33.1% Advertising Market share = 36.7% Weight of TV over total sales = 68%		

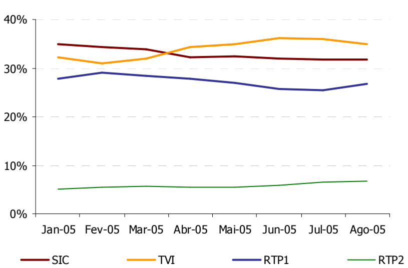
Audience Share - All day



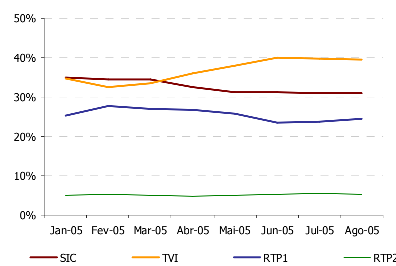
Audience Share - Prime Time



2005 Audience Share - All day



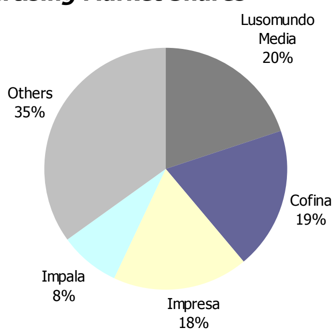
2005 Audience Share - Prime Time



Source: company reports, Marktest. Note: audiences for FTA only (excludes Pay TV).

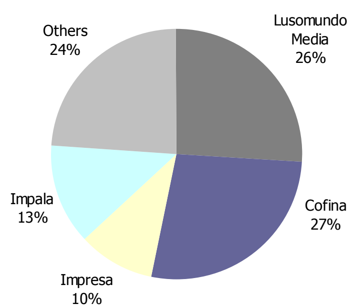
PRESS	LISTED PLAYERS			Other Players
	IMPRESA	MEDIA CAPITAL	COFINA	
Main features	Holds leadership positions in weekly newspapers and magazines segments, with the most relevant being: - Expresso (newspaper, weekly) - Visão (magazine, weekly) - Exame (Business, bi-monthly) - Caras (Society, weekly).	Holds a modest position in press, fully focused on heavy advertising formats: - Lux (weekly society magazine) - Lux Woman (women, monthly, magazine) - Lux Deco (decoration, monthly, magazine) - MaxMen (Men, monthly, magazine)	Holds leadership in the daily segment: - Correio da Manhã (generalist newspaper) - Record (sports, mostly football) Holds 2nd position in the daily business segment (Jornal de Negócios) The remaining portfolio is composed by a generalist magazine, women, men and society magazines; travel and leisure.	Lusomundo Media, previously owned by Portugal Telecom group and now controlled by Controliveste, owns: - Jornal de Notícias, generalist daily, focusing mainly in the Northern part of the country but displaying the highest circulation level; - generalist daily Diario de Notícias, national coverage, 5th most read; - 24 Horas, tabloid, 4th most read; - several magazines (leisure, trips) The Sonae group, through Sonae.com, controls generalist daily Público (3rd most read). Impala controls weekly society Nova Gente and weekly generalist magazine Focus. Spanish group Recoletos publishes specialised economic newspapers, holidng leadership in the daily segment (Diário Económico).
Strategic guidelines	Growth in circulation/ad revenues trough the launch of new publication. Develop offer of complementary products. Sustain readership levels, through bet on quality contents (notably in the newspaper segment). Portfolio looks stable, especially after the introduction of a monthly male magazine.	Develop offer of complementary products, taking advantage of the group's advertising capacity through other channels (TV, Outdoor). May add 1 / 2 titles to portfolio, either through organic growth or acquisitions. Sharp focus on profitability may lead to the closure of loss making publications (already happened in the past).	Develop offer of complementary products. Portfolio looks stable.	
2004 Key numbers	Advertising Market share = 18% Weight of Press over total sales = 38%	Not relevant.	Advertising Market share = 19% Weight of Press over total sales = 100%	

Advertising Market Shares



Source: Cofina.

Circulation levels – Share



Circulation - Generalist Daily Newspapers

	Company	2002	2003	2004	Δ% 04/03
Correio da Manhã	Cofina	97,118	110,750	115,943	4.7%
Jornal de Notícias	Lusomundo Media	105,705	102,644	112,150	9.3%
Público	Sonaecom	56,212	54,306	51,194	-5.7%
24 horas	Lusomundo Media	37,298	47,171	49,738	5.4%
Diário de Notícias	Lusomundo Media	51,581	47,115	39,094	-17.0%

Source: Company reports, APCT.

Portuguese Press Market: Press portfolio

	Daily			Weekly						Monthly								
	Generalist	**Sports**	**Business**	**Generalist**	**Society**	**Business**	**Regional**	**TV Guides**	**Auto**	**Women**	**Men**	**Junior**	**Travel**	**Business**	**Decor**	**Auto**	**IT**	**Others**
Impresa				Expresso Visão Courrier International	Caras Caras Angola		Jornal da Região	TV Mais Telenovelas	Autosport	Cosmopolitan Activa	FHM	Visão Junior Brinca e Aprende	Rotas do Mundo	Exame*	Caras Decoração Casa Cláudia	Turbo	Exame Informática Exame Digital	Super Interessante Boa Mesa
Cofina	Correio da Manhã	Record	Jornal de Negócios	Sábado Magazine Domingo CM	Flash			TV Guia		Máxima Vogue	GQ		Rotas e Destinos		Máxima Interiores	Automotor	PC Guia Semana Informática	
Controlinveste / Lusomundo Media	Jornal de Notícias Diário de Notícias 24 Horas	O Jogo		Noticias Magazine Grande Reportagem									Volta ao Mundo Evasões National Geographic					
Media Capital					Lux					Lux Woman	MaxMen				Lux Deco			
Recoletos			Diário Económico			Semanário Económico												
Sonae	Público																	
Impala				Focus	Nova Gente													
Independent:																		
Vítor Serpa		A Bola																

Source: Company reports.
Note: Circle denotes segment leader.

Other Segments	LISTED PLAYERS: IMPRESA	LISTED PLAYERS: MEDIA CAPITAL	LISTED PLAYERS: COFINA	Other Players
Radio	No presence.	Holds 2nd position, with four radios, but has several re-broadcasting agreements with local radios. Controls a internet portal radio (*Cotonete*). Low-cost formats anchored in music, targeting several segments (adult, young adults, adolescent). Currently considering the possibility of developing its AM frequence, using digital technology, to launch its 5th station. Sports or information could be the elected formats, although these formats are more expensive than MCP's current ones.	No presence.	Leadership is held by the Catholic Church, which controls three radios: Renascença, RFM and Mega FM. Lusomundo Media controls the top news station, TSF. There are three State-owned channels: Antena 1, 2 and 3.
Outdoors	No presence.	Almost exclusive control of transport networks and key positions in transport routes, plus street furniture. Widespread country coverage. Recent launch of MCO TV, a specialised TV channel for tube stations, could prove a turning point for the company.	No presence.	JCDecaux is the market leader in street furniture and billboards. Cemusa holds 2nd position in street furniture but is mostly concentrated in key urban areas (Lisbon, Oporto).
Other (Internet, Cinema, etc)	Most relevant newspaper / magazines have their own independent portal.	Controls one Internet portal (IOL).	Most relevant newspaper / magazines have their own independent portal.	-

Ad Market – Positioning by the main players

	FTA - TV	Cable-TV: Content	Cable-TV: Distribution	Radio	Press	Outdoors	Internet
Cofina					●		●
Impresa	●	●			●		●
Lusomundo Media				●	●		●
Media Capital	●			●	●	●	●
SonaeCom					●		●

Source: Company reports, Banif Investimento, Marktest.

6. Impresa at a glance

The largest press player

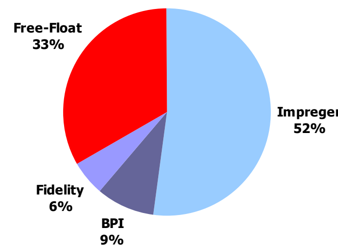
Impresa's roots lie in press and go back to the early 70's, when the company launched the Expresso newspaper, which is, still today, the country's most important weekly. In the meantime, the company's magazine portfolio evolved to become Portugal's largest and most comprehensive, covering nearly all of the segments, much owing to a successful connection with the Swiss Groupe Edipresse, which dates from 1999. Entrance in TV happened along the sector's liberalization in the early 90's, through SIC. Having led TV audience shares for most of the decade, SIC saw its position challenged by the emergence of TVI and has been enduring a fierce battle for audiences ever since. If competition is tough in FTA, Impresa's position in cable TV is quite solid though: the company has launched several thematic channels (SIC Notícias; SIC Radical, SIC Comedia and SIC International) and enjoys interesting audience levels in all of them. Impresa also holds stakes in press distribution (VASP) and Internet portals (SIC Online).

IMPRESA – Profile

Business Portfolio

Source: Impresa.

Main Shareholders



Source: Impresa.

The ad market recession of the early 2000's forced Impresa to undergo a complex restructuring process, with heavy cost cutting and debt reduction. The process was successfully concluded during 2004 and cost control has now become a key feature of Impresa's management kit. On the corporate front, the acquisition late last year of BPI's minority stake in SIC together with other small minority shareholders, granting Impresa full control of the TV channel, was definitely the cherry on top of the cake, given the transaction's very cheap multiples (EV/EBITDA2005 at 6.4x).

At this point, Impresa's main challenge lies in the TV battleground: the fight for audiences has been proving very fierce throughout this year and any less inspired programming choice may prove pivotal to unbalance the current status quo. In this regard, we retain the impression that SIC has been less fortunate than TVI when it comes to reality shows and that the 2005 Winter grid, to start in September, will be a key input to assess likely audience trends into 2006.

Television

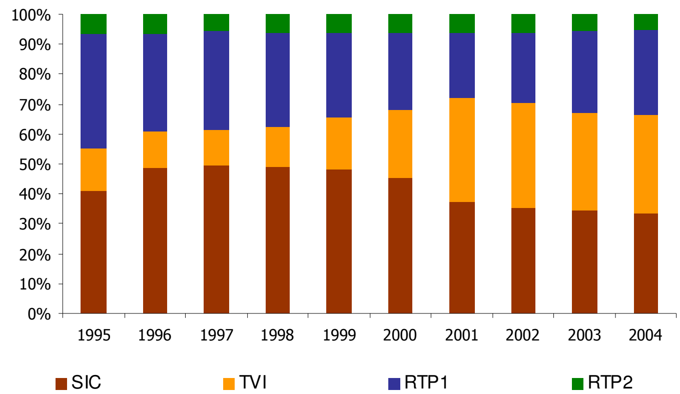
FTA Business (SIC)

Impresa's presence in TV dates from the early 90's, when SIC was awarded one of the two TV licences to become the first private Portuguese FTA TV channel. The strategy was anchored in a valuable partnership with the Brazilian Globo and followed an aggressive programming strategy which ensured audience leadership by 1995, three years after start-up. Originally targeting the lower segments, SIC's programming strategy managed to ensure audience leadership for several years in a row, opening room for the company to invest in contents and gradually upgrade its programming.

In 1999, TVI, the other private FTA TV, became an evident threat following the tremendous impact of the reality show "Big Brother" – a format originally rejected by SIC. "Big Brother", later followed by countless Portuguese-speaking soap-operas, confirmed TVI's solid strategy, allowing the company to finally grab prime-time leadership last year and all-day leadership last April.

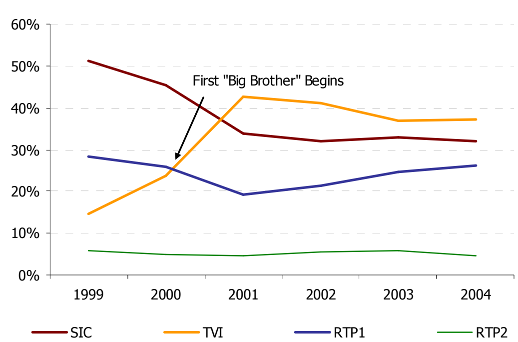
At this moment, SIC's main challenges have to do with programming choices – any less fortunate content may prove pivotal to unbalance the status quo. Other than that, SIC has already begun talks with Globo Media so as to extend the prevailing contract, which expires in 2009, although no major changes are to be expected to the terms of the contract (five daily soap operas, with costs being paid in USD).

All day audience share evolution

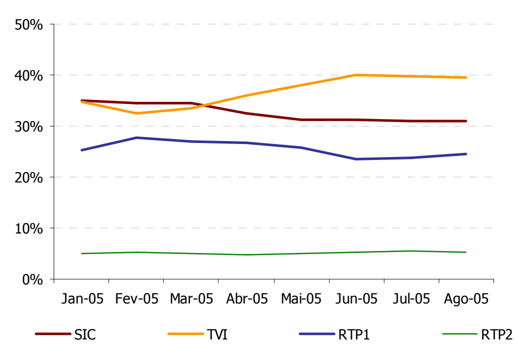


Source: company reports

Prime Time - Audience Share Evolution



Prime Time Audience – Recent Evolution



Source: company reports, Marktest. Note: audiences for FTA only (excludes Pay TV).

SIC Thematic Channels

In order to diversify its revenue stream and reduce dependence from advertising revenues, Impresa invested in several new projects, notably TV channels for cable distribution. In 2001, three cable channels were launched (SIC Notícias, SIC Radical, SIC Gold). SIC Mulher was launched in 2003, followed by SIC Comédia in 2004. More recently, Impresa launched SIC Internacional, a satellite channel broadcasting Portuguese-speaking live service for 24 hours / day, directed towards emigrant Portuguese communities, namely in France, Canada, Angola, Mozambique, South Africa and Brazil. These channels accounted for 17.7% of total revenues in 2004 but should see their weight rise gradually over time.

Cable revenues come from two main sources: a monthly fee based on the number of TV subscribers for each channel and a 50/50 split of advertising revenues between SIC and TV Cabo. In order to leverage its exposure to the advertising market, SIC managed that revenues from SIC Comédia – the most recent contract with TV Cabo – are also dependent on audiences. SIC channels currently have an aggregate 25% cable audience share (August).

From a strategic point of view, cable channels make sense for two main reasons: on one hand, they boast strong margins given the low programming costs (SIC Notícias is the exception, given the burden related to personnel expenses); on the other, thematic channels allow for a large number of broadcasting times for Impresa's own contents, therefore raising the return per programme. The contract with TV Cabo, which will expire at the end of 2009, is currently being re-negotiated and SIC is trying to increase the importance of audience shares as a key input for revenue calculations.

Others / New business areas

Impresa controls several Internet portals like SIC Online, Expresso.pt, Jornaldaregiao.pt and has been developing other business areas, namely in multimedia services, through SIC Serviços, SIC Multimédia, SIC Portátil and SIC Mobile. Impresa has been very active in this area and is targeting new multimedia services to account for 10% of SIC's total revenues in 2007, up from 4% now. Regarding other business ventures, Impresa is also negotiating the acquisition of Som Livre, Globo's record label.

We expect SIC's revenues to grow at a CAGR of 5.8% between 2005 and 2007. Given the recent strength shown by TVI, we are expecting a slight decrease in SIC advertising market share. Although advertising will remain SIC's most important sales driver, the SIC Channels together with other services will increase their weight in total revenues, driven by the enlarged coverage of SIC Internacional and SIC Notícias and the increased contents diffusion through several platforms. Focused cost control together with more visible businesses should help Impresa to improve EBITDA margins in the coming years. We expect EBITDA margin to reach 27.4% by 2007. Programming costs should remain relatively stable at around 47-48% of revenues, although USD trends may carry some risk after 2006 (recall that Impresa hedged its USD flows at 1.235). These costs are mainly related to local programming (40%), the Globo contract (25%, USD denominated), news (20%) and other foreign series (15%).

SIC – Forecasts

	2004 (GAAP)	2005E	2006F	2007F	CAGR 05-07
Total Revenues	**165**	**172**	**183**	**193**	**5.8%**
% Growth		*4.5%*	*6.4%*	*5.2%*	
Advertising	126	130	138	145	5.3%
SIC Channels	29	32	34	35	5.9%
Other	9	10	12	13	11.7%
Operating Cash Costs	**124**	**128**	**134**	**140**	**4.4%**
% Growth		*3.8%*	*4.7%*	*4.2%*	
EBITDA	**41**	**44**	**49**	**53**	**9.7%**
EBITDA margin	*25.0%*	*25.5%*	*26.6%*	*27.4%*	
Depreciation	9	7	7	7	1.7%
Amortization	0	0	0	0	
EBIT	**32**	**37**	**42**	**46**	**11.1%**

Source: Company Data, Banif Banco Investimento. Values in €mn.

Newspapers

Newspapers lied at the core of Impresa's original business, having started operations in 1973 with the launch of weekly newspaper Expresso, one of the most important newspapers in Portugal. That "weekly focus" has been kept until now, as Impresa has no presence at all in the daily segment. The newspaper portfolio, which is managed by the Controljornal unit, has increased through the addition of several titles like Blitz (music); Autosport (motor sports); Jornal da Região, a free newspaper with nine different editions for different regions. More recently, "Courier International", a Portuguese version of the political magazine in partnership with the French group Le Monde, was also launched. Worth mentioning, Impresa holds a relevant position in the classifieds segment, notably in jobs and real state.

At this point, the main strategic target is to improve profitability. Some steps were taken, through the re-launch of Autosport, after Impresa bought full control in May 2004, and the merger of some of Expresso supplements. The growth strategy also encompasses Add-ons, which have been key in stimulating circulation levels. However, the most important move will happen next year with the launch of Expresso's new format. Last April, Impresa made an agreement with a local print company (Mirandela - Artes Gráficas) in order to sell its printing unit Imprejornal. According to this deal, Mirandela will be responsible for printing "Expresso" and will also be obliged to invest in a new printing machine that should allow for full colour newspapers, a key competitive advantage in terms of advertising reach. Impresa is also considering whether to change the Expresso format from "broadsheet" to "Berliner", a format between tabloid and broadsheet used by "Le Monde" and "The Independent".

Revenues should grow at a CAGR of 3.4% between 2005 and 2007 reflecting resilient circulation and advertising levels of Expresso. Add-ons will also have an important contribution, although we reckon recent growth levels will be hard to sustain in the coming years. 2005 revenues should rise by 10.6% helped by the launch of the new publications and the high contribution from add-ons – revenues from this business area increased 81.3% yoy in 2005H1 alone, on the back of the very successful CD's and DVD launches ("Grandes Compositores"; "Fábulas de La Fontaine", etc). In terms of EBITDA margins, we expect some improvement in the coming years, reflecting strict cost control. The cost impact of Courier International should be small, as it is mainly produced by Expresso journalists. Recall that 2Q05 newspaper Ebitda margins reached 27.3% versus 24.8% in the same period of 2004.

Newspapers - Forecasts

	2004 (GAAP)	2005E	2006F	2007F	CAGR 05-07
Total Revenues	**57**	**63**	**65**	**67**	**3.4%**
% Growth		*10.6%*	*3.6%*	*3.2%*	
Advertising	37	38	40	41	4.3%
Circulation	15	16	16	17	2.6%
Other (add-ons)	5	9	9	9	0.9%
Operating Cash Costs	**44**	**48**	**50**	**51**	**2.9%**
% Growth		*8.7%*	*2.8%*	*3.0%*	
EBITDA	**13**	**15**	**16**	**16**	**5.0%**
EBITDA margin	*22.0%*	*23.4%*	*23.9%*	*24.1%*	
Depreciation	2	1	2	1	27.0%
Amortization	0	0	0	0	
EBIT	**11**	**14**	**14**	**15**	**3.7%**

Source: Company Data, Banif Banco Investimento. Values in €mn.

Magazines

EDIMPRESA

Impresa's first step in magazines started in 1989 with the launch of the first business magazine in Portugal - Exame - in partnership with the Brazilian group Abril Morumbi. In 1995, this partnership was broadened to all Impresa magazines, thereby creating ACJ. In 1999, Impresa made an agreement with the Swiss group Edipress aimed at merging its magazine activities with their Portuguese operations. This deal allowed Impresa to add to its publication portfolio important magazines like Visão, TV Mais and Telenovelas. Currently Impresa owns 50% of Edimpresa in partnership with the Edipresse group. Nowadays, Impresa manages the largest and most comprehensive magazine portfolio in Portugal, covering nearly all of the segments (over 40 publications). Several magazines are clear leaders in their respective segments, namely Visão, Exame and Caras.

Despite that, Edimpresa remains very active, having launched three new magazines – the men magazine "FHM", a children magazine "Brinca e Aprende" and a travel magazine "Rota do Mundo". According to Impresa, market reaction has been positive in face of circulation levels attained so far. "FHM" is a leading magazine in almost all the markets in which it is present and Impresa is very confident in achieving leadership in Portugal, with 50,000 copies sold by edition.

Like with newspapers, magazines growth strategy is also based in add-ons so as to mitigate the dependence on advertising. In 2005H1, add-ons accounted for 14% of magazine sales, helped mainly by the high success of the porcelain dinner and crystal glass services launched with Caras.

Magazines - Financials

	2004 (GAAP)	2005E	2006F	2007F	CAGR 05-07
Total Revenues	**40**	**43**	**45**	**46**	**4.0%**
% Growth		*8.0%*	*4.3%*	*3.7%*	
Advertising	16	17	18	19	5.5%
Circulation	20	21	21	22	2.8%
Other (add-ons)	4	5	5	5	3.7%
Operating Cash Costs	**34**	**39**	**40**	**42**	**3.6%**
% Growth		*13.1%*	*4.0%*	*3.2%*	
EBITDA	**6**	**4**	**5**	**5**	**7.6%**
EBITDA margin	*14.0%*	*9.9%*	*10.2%*	*10.6%*	
Depreciation	1	0	1	1	71.7%
Amortization	1	0	0	0	
EBIT	**4**	**4**	**4**	**4**	**3.0%**

Source: Company Data, Banif Banco Investimento. Note: these figures refer to 50% of the P&L, since Impresa consolidates only 50% of Edimpresa. Values in €mn.

We expect magazine revenues to display a CAGR of 4% between 2005 and 2007. 2005 revenues should increase by 8% reflecting the contribution of the new publications. Recent EBITDA margin trends reflect the negative impact of new launches (1H05 EBITDA margin reached 8.6% versus 9.1% in 1H04). However, we are expecting EBITDA margin to improve to 10% by yearend.

Other assets

Together with two other major publishers in Portugal, Lusomundo Media (Controlinvest) and Cofina, Impresa owns 33% of VASP, the major press distributor in Portugal.

7. Recent financial performance and 2005 guidance

Revenues 1H05 consolidated revenues rose 7% yoy, on a IFRS comparable basis, helped by a 63% increase in "Other revenues" (Merchandising and SMS in the TV segment and add-ons in newspapers and magazines). Advertising revenues rose a mere 1% reflecting the poor yoy performance from SIC's advertising revenues due to tough comparables. Recall that SIC's 2Q05 advertising revenues had tough comparables as 2Q04 benefited from 'Rock in Rio' (SIC was an official partner) and 'Euro2004'. Revenues from thematic channels rose by 7.9%, benefiting from the increase in cable subscribers and higher advertising revenues. Circulation revenues increased 3.4%, mainly due to the 4.9% rise in magazines (new publications); conversely, circulation of newspapers rose only 1.3% reflecting less one edition of Expresso (2004 was a leap year) and in spite of the launch of "Courier International" in April. Considering revenues per segment, magazines had the best performance with a 14% rise, helped by a 152.2% increase in add-ons.

EBITDA margins EBITDA margin increased 1.3pp reflecting mostly SIC's good performance. Despite the weak advertising revenues, SIC was able to post a 14.5% increase in EBITDA due to strict cost control - programming costs fell by 2.6% in the semester. Newspapers' EBITDA margin remained stable at 23.4%. Magazines showed a negative evolution, reflecting the €1mn launch costs related to the three new magazines.

Financial income and debt Net financial income registered a negative performance (19.4%), reflecting higher indebtdness related to the acquisition of SIC's minorities and lower forex gain.

Net profit Net profit reached €15mn, mainly reflecting a 86% reduction in minorities.

Income Statement - Highlights

€ mn	1H04	1H05	% Δ	2Q04	2Q05	% Δ
Revenues	**128**	**137**	**7%**	**73**	**75**	**3%**
Television	83	86	3%	49	47	-4%
Magazines	19	22	14%	11	13	17%
Newspapers	28	31	9%	15	17	13%
Other/Holding	-2	-1	-45%	-1	-1	-31%
Operating Cash Costs	**102**	**107**	**5%**	**53**	**54**	**2%**
Television	63	63	0%	33	32	-3%
Magazines	17	20	15%	9	11	19%
Newspapers	21	23	9%	11	12	10%
Other/Holding	0	1	nm	0	1	nm
EBITDA	***26***	***30***	***14%***	***20***	***21***	***8%***
EBITDA Margin	*20.4%*	*21.7%*	*1.3pp*	*26.8%*	*27.9%*	*1.1pp*
Television	20	23	15%	16	15	-4%
Magazines	2	2	6%	1	2	7%
Newspapers	7	7	9%	4	5	24%
Other/Holding	-2	-2	0%	-1	0	-95%
Depreciation	6	4	-28%	3	2	-29%
EBIT	**20**	**25**	**26%**	**17**	**19**	**14%**
EBIT Margin	*15.7%*	*18.3%*	*2.7pp*	*22.7%*	*25.1%*	*2.4pp*
Financial Results	-4	-4	19%	-2	-3	69%
EBT	**16**	**21**	**28%**	**15**	**16**	**8%**
Income Taxes	3	5	79%	3	4	24%
Minorities	5	1	-86%	5	0	-109%
Net Profit	**9**	**15**	**78%**	**7**	**12**	**65%**

Source: Company Data, Banif Banco Investimento. Values in €mn.

Company guidance for 2005

Taking into account the less favourable macro environment and the recent evolution in TV audiences, Impresa downgraded its guidance for the year.

€ mn	**New**	**Previous**
Revenues	**€274-277mn**	**€ 279**
	6.9%-8%	9%
Advertising	-	7%
Circulation	-	4%
Others	-	20%
EBITDA	**€64-67mn**	**€ 66**
Margin	23%-24%	24%
Net Income	**€29-31mn**	**€29-31mn**

Source: Company Data.

8. Consolidated Estimates

Sales Impresa's revenue mix should remain almost stable over the coming years; by medium, TV should still account for 63%-64% of total revenues while, by source, advertising revenues should also remain stable at around 67-68% of total sales over the coming years. Despite the recent negative evolution of audience shares, SIC revenues should continue to be the most important sales driver in the coming years, delivering a 5.8% CAGR in the 2005/2007 period, supported by TV advertising, an expected good performance of thematic channels and multimedia services. Newspapers should see a 3.4% sales CAGR over the 2005/2007 period, with Expresso's circulation levels expected to remain high. Magazines should post slightly stronger growth, around 4% in the same period, reflecting the contribution from the three publications launched this year ("FHM", "Rotas do Mundo" and "Brinca e Aprende"), and resilient circulation levels from its most important magazines, "Visão" and "Caras".

Margins Regarding TV, we expect an improvement over the coming years as a result of sales growth and cost control. Newspapers' operational margins should improve mostly as a result of the recent sale of the printing unit Imprejornal to a local printer company (Mirandela), which will be responsible for printing "Expresso". The good news is that the company will also be obliged to invest in a new newspapers machine, which, in addition to lower production costs, should allow for full colour newspapers, a key competitive advantage in terms of advertising reach.

Debt 2005 debt should increase to €231mn, due to the acquisition of SIC's minorities, but will remain relatively stable in the coming years at around €200mn.

Net profit We expect 2005 net profit to reach €31mn. On a CAGR basis, we are forecasting a 12.2% rise between 2005 and 2007.

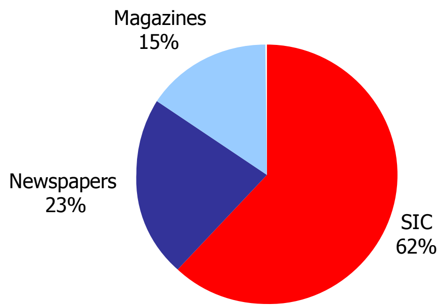
Impresa – 2004 / 2007 Consolidated performance

€mn	**2004 GAAP**	**2005F**	**2006F**	**2007F**	**CAGR 05-07**
Sales	**259**	**276**	**291**	**304**	**5.0%**
∆ %		6.5%	5.4%	4.6%	
SIC	165	172	183	193	5.8%
Nwespapaers	57	63	65	67	3.4%
Magazines	40	43	45	46	4.0%
Others/holding	(3)	(3)	(3)	(3)	3.0%
EBITDA	**53**	**65**	**72**	**77**	**9.0%**
∆ %		20.8%	10.9%	7.1%	
EBITDA margin		*23.4%*	*24.6%*	*25.2%*	
EBIT	41	56	63	68	10.6%
EBIT margin	*15.9%*	*20.2%*	*21.6%*	*22.4%*	
Net Financial Income	(9)	(11)	(12)	(12)	4.1%
EBT	24	45	51	56	12.1%
Taxes	(7)	(12)	(14)	(16)	12.1%
Effective tax rate	30%	28%	28%	27%	
Minorities Intrest	(11)	(1)	(1)	(1)	9.7%
Net profit	**6**	**32**	**36**	**40**	**12.2%**
Total Assets	319	499	520	553	5.2%
Interest Bearing Debt	124	231	231	232	0.2%
Cash and Sec.	21	35	51	78	49.6%

Source: Company Data, Banif Banco Investimento. Values in €mn.

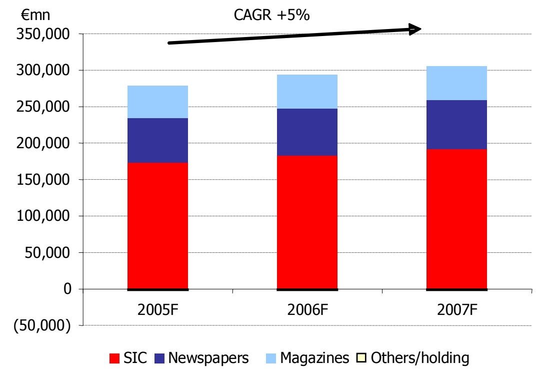
Consolidated Revenues

2005 Breakdown – by division



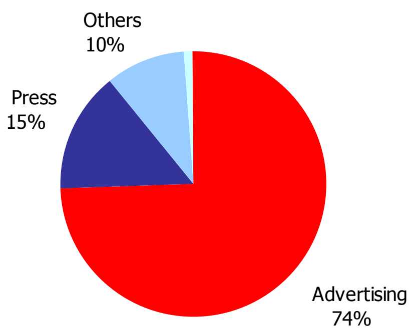
Source: Company Data, Banif Banco Investimento.

2005-2007 evolution



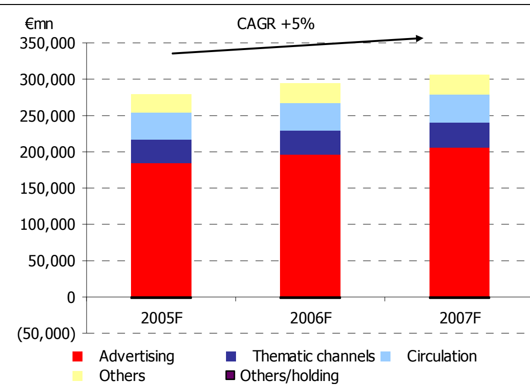
Source: Company Data, Banif Banco Investimento.

2005 Breakdown – by source



Source: Company Data, Banif Banco Investimento.

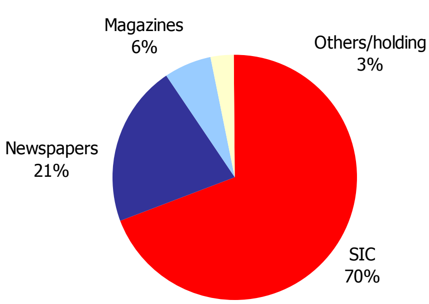
2005-2007 evolution



Source: Company Data, Banif Banco Investimento.

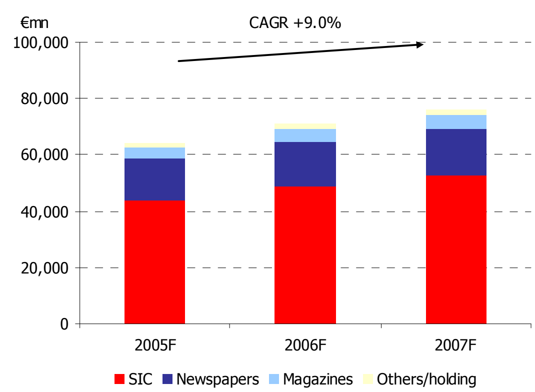
Consolidated EBITDA

2005 Breakdown



Source: Company Data, Banif Banco Investimento.

2005-2007 evolution



Source: Company Data, Banif Banco Investimento.

IMPRESA - PROFIT & LOSS ACCOUNT

	2004 GAAP	2005F	2006F	2007F	2008F	Δ % 06/05	CAGR 05/08
Sales	**258,769**	**275,528**	**290,536**	**303,804**	**318,637**	**5.4%**	**5.0%**
SIC	164,893	172,338	183,348	192,919	203,687	6.4%	5.7%
Magazines	39,793	42,962	44,789	46,460	48,170	4.3%	3.9%
Newspapers	56,894	62,947	65,200	67,309	69,750	3.6%	3.5%
Other / Holding	(2,811)	(2,718)	(2,800)	(2,884)	(2,971)	3.0%	3.0%
COGS	71,148	75,798	77,692	80,252	83,205	2.5%	3.2%
External Supplies	68,792	72,980	76,149	79,006	81,997	4.3%	4.0%
Personnel Costs	58,509	60,001	62,836	65,483	67,626	4.7%	4.1%
Others & Provisions	2,557	2,194	2,255	2,358	2,473	2.8%	4.1%
EBITDA	**53,436**	**64,556**	**71,604**	**76,705**	**83,337**	**10.9%**	**8.9%**
EBITDA margin	*20.6%*	*23.4%*	*24.6%*	*25.2%*	*26.2%*		
Depreciation & Ammortization	12,168	8,977	8,866	8,692	8,500	-1.2%	-1.8%
EBIT	**41,267**	**55,579**	**62,738**	**68,013**	**74,836**	**12.9%**	**10.4%**
EBIT margin	*15.9%*	*20.2%*	*21.6%*	*22.4%*	*23.5%*		
Financial Results	**(9,128)**	**(10,630)**	**(12,188)**	**(11,514)**	**(11,101)**	**14.7%**	**1.5%**
Non-recurring Results	2,341	0	0	0	0		
EBT	**24,056**	**44,948**	**50,551**	**56,499**	**63,735**	**12.5%**	**12.3%**
Taxes	(7,252)	(12,361)	(13,901)	(15,537)	(17,527)	12.5%	12.3%
Tax Rate		*27.5%*	*27.5%*	*27.5%*	*27.5%*		
Minority Interests	(10,594)	(878)	(977)	(1,056)	(1,160)	11.3%	9.8%
Net Profit	**6,211**	**31,710**	**35,672**	**39,906**	**45,047**	**12.5%**	**12.4%**
Net Earnings	**3,163**	**31,710**	**35,672**	**39,906**	**45,047**	**12.5%**	**12.4%**

Source: Company Data, Banif Banco Investimento.

IMPRESA - BALANCE SHEET

	2004 GAAP	2005F	2006F	2007F	2008F	Δ % 05/04	CAGR 05/08
Total assets	319,400	**499,014**	**520,232**	**552,653**	**589,093**	**4.3%**	**5.7%**
Fixed Assets	194,872	**350,338**	**349,647**	**349,122**	**349,586**	**-0.2%**	**-0.1%**
Intangible	145,306	296,819	296,364	295,907	295,448	-0.2%	-0.2%
Tangible	46,829	39,099	37,420	35,766	34,945	-4.3%	-3.7%
Financial	2,737	14,421	15,863	17,449	19,194	10.0%	10.0%
Current Assets	105,290	**128,562**	**149,376**	**181,353**	**216,246**	**16.2%**	**18.9%**
Inventories	35,240	41,329	43,580	45,571	47,796	5.4%	5.0%
Short term credits	49,154	52,338	55,189	57,709	60,527	5.4%	5.0%
Cash and Deposits	20,854	22,042	23,243	24,304	25,491	5.4%	5.0%
Marketable Securities	42	12,853	27,364	53,769	82,433	112.9%	85.8%
Accruals and Deferrals	19,238	**20,114**	**21,209**	**22,178**	**23,261**	**5.4%**	**5.0%**
SHAREHOLDERS' EQUITY	101,864	**153,180**	**170,131**	**198,065**	**229,598**	**11.1%**	**14.4%**
Share Capital	84,000	84,000	84,000	84,000	84,000	0.0%	0.0%
Issue Premium	97,902	97,902	97,902	97,902	97,902	0.0%	0.0%
Legal reserves	281	592	2,177	3,961	5,956	268.0%	115.9%
Goodwill	0	0	0	0	0		
Previous Profit	(86,530)	(61,024)	(49,621)	(27,704)	(3,308)	-18.7%	-62.2%
Net Profit	6,211	31,710	35,672	39,906	45,047	12.5%	12.4%
MINORITY INTERESTS	24,553	**4,926**	**4,926**	**4,926**	**4,926**	**0.0%**	**0.0%**
LIABILITIES							
Provisions	3,618	**3,980**	**4,167**	**4,378**	**4,584**	**4.7%**	**4.8%**
Long term debt	103,764	**228,425**	**228,900**	**229,319**	**229,788**	**0.2%**	**0.2%**
Bank loans	95,586	219,717	219,717	219,717	219,717	0.0%	0.0%
Bond Issues	0	0	0	0	0		
FA suppliers	8,179	8,708	9,183	9,602	10,071	5.4%	5.0%
Other loans	0	0	0	0	0		
Other	0	0	0	0	0		
Current liabilities	60,906	**46,256**	**47,742**	**49,333**	**51,078**	**3.2%**	**3.4%**
Bank loans & Bonds	17,497	0	0	0	0		
FA suppliers	2,026	2,570	2,570	2,570	2,570	0.0%	0.0%
Other loans	292	0	0	0	0		
Accounts payable	25,970	27,610	28,549	29,555	30,658	3.4%	3.6%
State	11,380	12,098	12,510	12,950	13,434	3.4%	3.6%
Other creditors	3,742	3,978	4,113	4,258	4,417	3.4%	3.6%
Accruals and Deferrals	24,696	**62,248**	**64,366**	**66,633**	**69,119**	**3.4%**	**3.6%**
EQUITY, MIN. INT., LIAB.	319,400	**499,014**	**520,232**	**552,653**	**589,093**	**4.3%**	**5.7%**

Source: Company Data, Banif Banco Investimento.

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Equity Sales, Trading & Research

Lisbon	Fátima Frazão	+351 21 389 33 05	Head of Equity	fatima.frazao@banifinvestimento.pt
	Sales			
	José Afonso	+351 21 389 33 03	Retail Sales	jose.afonso@banifinvestimento.pt
	Ana Cristina	+351 21 389 33 06	Retail Sales	ana.cristina@banifinvestimento.pt
	Rui Costa	+351 21 389 33 04	Retail Sales	rui.costa@banifinvestimento.pt
	Pedro Henriques	+351 21 389 33 08	Retail Sales	pedro.henriques@banifinvestimento.pt
	Miguel Teixeira	+351 21 389 33 74	Retail Sales	miguel.teixeira@banifinvestimento.pt
	Gonçalo Pires	+351 21 389 33 26	Institutional Sales	goncalo.pires@banifinvestimento.pt
	Research			
	Carla Rebelo	+351 21 389 33 45	Head of Equity Research	carla.rebelo@banifinvestimento.pt
	Jorge Guimarães	+351 21 389 33 39	Utilities & Energy	jorge.guimaraes@banifinvestimento.pt
	Julieta Vital	+351 21 389 33 47	Retail & Motorways	julieta.vital@banifinvestimento.pt
	Teresa Martinho	+351 21 389 33 45	Telecoms	teresa.martinho@banifinvestimento.pt
	Trading			
	João Leite	+351 21 389 33 28	Head of Trading	joao.leite@banifinvestimento.pt
	Rui Marques	+351 21 389 33 07	Trader	rui.marques@banifinvestimento.pt
São Paulo	**Sales & Trading**			
	Nami Tavares Neneas	+5511 3549 97 14	Institutional Sales	namineneas@banifinvestment.com.br
	Rodrigo Machado	+5511 3549 97 70	Trader	rodrigomachado@banifinvestment.com.br
	Ricardo Gomes Pinto	+5511 3549 97 45	Trader	ricardopinto@banifinvestment.com.br
	Sergio Rosa	+5511 3549 97 46	Retail Sales	sergio.rosa@banifprimus.com.br
	Research			
	Catarina Pedrosa	+5511 3254 29 06	Natural Resources & Banks	catarinapedrosa@banifinvestment.com.br
	Oswaldo Telles Filho	+5511 3254 29 04	Utilities & Aerospace	oswaldotelles@banifinvestment.com.br
	Roger Oey	+5511 3254 29 03	Telecom & Food	rogeroey@banifinvestment.com.br
	João Reis	+5511 3254 29 08	Assistant	joãoreis@banifinvestment.com.br
	Futures & Derivatives			
	Eduardo Ippolito	+5511 3254 2936	Head of Futures Desk	eduardoippolito@banifinvestment.com.br
	Alexandre Lopes	+5511 3254 2938	Trader	alexandrelopes@banifinvestment.com.br
Rio de Janeiro	**Sales & Trading**			
	Edmilson Lana	+5521 2559 8007	Trader	edmilsonlana@banifprimus.com.br
	Fernando Costa e Silva	+5521 2559 8011	Trader	fernandocostaesilva@banifprimus.com.br
	Roberto Romero	+5521 2559 8013	Trader	robertoromero@banifprimus.com.br
	Sergio Azzi	+5521 2559 8009	Retail Sales	sergioazzi@banifinvestment.com.br
New York	**Sales & Trading**			
	Tom Mobille	+1 212 487 18 50	Institutional Sales	tmobille@banifsecurities.com
	Michael LoPiano	+1 212 487 18 50	Institutional Sales	mlopiano@banifsecurities.com
	Rowena DasGupta	+1 212 487 18 50	Institutional Sales	rdasgupta@banifsecurities.com
México	**Research**			
	Xavier Escala	+5255 5251 27 77	Equity Analyst	xavier.escala@banifinvestimento.pt
	Luis de León	+5255 1951 73 62	Equity Analyst	luis.deleon@banifinvestimento.pt

Offices

Lisbon
Banif – Banco de Investimento
Rua Tierno Galvan, Torre 3, 14º
1070-274 Lisboa
Tel : + 351 21 381 62 00

New York
Banif Securities, Inc.
40 Wall Street, 33rd Floor
New York, NY 10006
Tel: + 212-487-1801

Miami
Banif Securities, Inc
1001 Brickell Bay Dr, Suite
Miami, FL 33131
Tel: + 1 305 577 0253

São Paulo
Banif Primus CVC S.A.
Al. Santos 745, 2 Andar
São Paulo, SP 01419-001
Tel: + 55 11 3549 9650

Rio de Janeiro
Banif Primus CVC S.A.
Praia de Botafogo, 228, 17º
Ala B, Sala 1704
Rio de Janeiro, RJ 102359-900
Tel: + 55 21 2559 8000

London (REP)
Banif UK
16th floor
City Tower
40 Basinghall Street
London EC2V5DE
Tel : + 44 207 382 78 30

Mexico City (REP)
Banif Securities Mexico, S.A. de C.V.
Paseo de los Tamarindos No. 400
Torre Arcos A, Piso 5
Col. Bosques de las Lomas - 05120
Tel : + 5255-5251-2777

Fixed Income Sales, Trading, Structuring & Research

Lisbon	Carlos Cruz Ferreira	+351 21 389 33 80	Head of Fixed Income	carlos.ferreira@banifinvestimento.pt
	Sales			
	Joao Lourenco	+351 21 389 33 80	Head of Sales	joao.lourenco@banifinvestimento.pt
	Pedro Lau	+351 21 389 33 80	Sales Trading	pedro.lau@banifinvestimento.pt
	Erica Bella	+351 21 389 33 80	Sales	erica.bella@banifinvestimento.pt
	Structuring			
	Marta Rangel	+351 21 389 33 86	Head of Structuring	marta.rangel@banifinvestimento.pt
	Eduardo Pinho	+351 21 381 62 22	Debt Capital Markets	eduardo.pinho@banifinvestimento.pt
	Research			
	Ana Garcia	+351 21 389 33 33	Head of Credit Research	ana.garcia@banifinvestimento.pt
	Gonçalo Lopes	+351 21 381 62 96	Credit Analyst	goncalo.lopes@banifinvestimento.pt
	Trading			
	Marcelo Chucre	+351 21 389 33 80	Trader	marcelo.chucre@banifinvestimento.pt
São Paulo	**Sales**			
	Alexandre Chauar	+55 11 3549 96 64	Head of Sales	alexandrechauar@banifinvestmnet.com.br
	Research			
	Gilza Porto	+55 11 3549 97 31	Head of Fixed Income Research	gilza.porto@banifprimus.com.br
Miami	**Sales**			
	Gislaine Cortez	+1 305 577 02 53	Head of Sales	gcortez@banifsecurities.com
	Juliana Munhoz Moreira	+1 305 577 02 53	Sales	juliana.moreira@banifprimus.com.br