

25 July 2008

IMPRESA

(Media/ Portugal)

BUY

(Previous: BUY)

| Price (€) | 1.32 | Performance | | Size | | Index Weight | | Time View | | Price Target (€) | 2.15 |
|-------------|------|-------------|---------|------------------|-------|-------------------|-------|-------------|---------|----------------------------|-------|
| 52W High: | 3.22 | 1M: | -19.51% | Mkt Cap (€mn): | 222 | PSI20 | 0.49% | Short Term: | Neutral | Previous Price Target (€): | 2.15 |
| 52W Low: | 1.29 | 3M: | -1.54% | Avg Vol 5D (th): | 301 | PSI General Index | 0.82% | | | Potential Return: | 62.9% |
| 1 Year ago: | 2.76 | YTD: | -35.92% | Free-Float: | 31.1% | Euronext Top 150 | 0.31% | | | | |

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Closing prices as of July 24, 2008.

2008Q2: Lowering expectations

Impresa disclosed 2008Q1 results below our estimates and market expectations, mainly in terms of EBITDA and net profit, due to higher costs in the digital segment and €1.3mn impairment charges. Total revenues remained almost stable at €76.3mn with EBITDA declining 4% yoy to €15.5mn, 12% below our expectations. The main reason behind our deviation at the EBITDA level is explained by TV's worse than expected performance in terms of revenues and higher costs at Impresa Digital. Below EBITDA, the most important deviation came from better than expected financial costs and income taxes. Impresa also revised downwards its 2008 targets, by forecasting: (1) Total revenues of €304m (+8.5% yoy) and (2) EBITDA of €46mn (0% yoy). Impresa also revised downward its adv market growth guidance for 2008 to 1.50% from 3.90% previously. Impresa announced that it has received the approval from the Portuguese Competition for the acquisition of the remaining 50% stake in its magazine subsidiary Edimpresa.

We see this earnings release as negative as EBITDA performance came below our and market expectations, particularly in TV. In addition, new guidance compares slightly negative to our estimates. Although this may lead to some estimate fine-tuning, this should not materially change our positive long term view over Impresa (adjusting our 2008 estimates to the new guidance would cut €0.15 from our price target). Nevertheless, we recognized that short term momentum will remain tough for Impresa and that valuation is unlikely to be a driver in the coming months. Only a clear recovery in SIC's audience shares will make us change our short term view – in this regard, monitoring September/October audiences share evolution will be key to assess any potential changes, as SIC will launch several new programs in September. Against this background, and since we believe the market has already priced in a very negative scenario for Impresa, we maintain our neutral short term view.

What we liked

► **Operating costs:** Although coming slightly ahead our expectation, due to the digital unit, we liked to see cost evolution at TV and Newspapers. SIC's costs reflected a good cost control, particularly in programming which fell 3% yoy in 2Q08. In 2008H1, SIC's costs increased 3.6%, with the full consolidation of TDN in 2Q08 being the most responsible for the rise. Excluding that effect, costs would have gone up by only 1.5%. A tight control of variable costs and declining programming cost helped. At newspapers cost decreased by 8.2%, coming 3.3% below, benefiting from lower fixed costs. It seems that the restructuring efforts carried out over the last years are starting to pay back. Therefore, despite the small improvement in terms of revenues, newspapers' EBITDA margin improved 6.2pp yoy, coming well above our expectations.

► **Financial charges** performed better than expected due to an improved contribution from associated companies (Vasp, Lusa and the Spanish company Elsinor) but also Forex gains, offsetting higher interest rates. The group's net debts remained stable yoy at €202.3mn.

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What we see as negative

► **Adv revenues** performed below our numbers in all business areas, by declining 3.1% yoy versus our flat expectations. At SIC the impact from Euro 2008 championship, which was broadcasted by other channels, was higher than expected, leading to a 3.4% yoy decline. At press, the performance was also poor. According to the latest adv market data, press advertising worsened in 2Q (in 1H08 it increased 0.4% yoy versus a 4.3% growth of the adv market, with non-daily segment falling 4.8% yoy). On top of that, 'Expresso's adv revenues were also affected by a lower adv investment from the financial sector in the quarter, leading to a 3.4% decline in newspapers adv revenues. The positive evolution at classifieds and Internet adv was not enough to offset the decline in traditional adv. Adv performance at Magazines was even worse (-11.2% below our estimates) reflecting a strong adv market instability in that segment together with the closure of some magazine over 2007.

► **Company guidance:** Impresa revised downwards its 2008 targets, by forecasting total revenues of €304m and EBITDA of €46mn, versus €300mn and €54.5mn previously. Overall, all areas were revised down in terms of revenues, with exception of Edimpresa, due to the full consolidation in 2H08. In terms of EBITDA, only Newspapers were revised upwards. All in all, these numbers compare slightly negatively with our estimates. However, we believe that the market has already priced in a very chaneling scenario for Impresa going forward.

Impresa - P&L Highlights

| € mn | 1H08 | YoY | 1H08E | Dev.% | 2Q08 | YoY | 2Q08E | Dev.% |
|-----------------------------|--------------|----------------|--------------|-------------|--------------|----------------|--------------|-------------|
| Revenues | 138.0 | 0% | 139.1 | -1% | 76.3 | 0% | 77.2 | -1% |
| Television | 92.2 | 1% | 94.1 | -2% | 50.1 | -1% | 52.0 | -4% |
| Newspapers | 27.6 | -17% | 27.3 | 1% | 15.2 | 0% | 14.9 | 2% |
| Magazines | 15.4 | -2% | 15.7 | -2% | 8.7 | -15% | 8.9 | -2% |
| Impresa Digital | 4.0 | n.m. | 3.1 | | 2.7 | n.m. | 1.8 | |
| Other/Holding | -1.2 | 5% | -1.1 | 10% | -0.5 | 34% | -0.5 | 12% |
| Operating Cash Costs | 116.7 | 1% | 115.4 | 1% | 60.8 | 1% | 59.6 | 2% |
| Television | 75.1 | 4% | 75.6 | -1% | 37.9 | 1% | 38.3 | -1% |
| Newspapers | 21.0 | -17% | 21.4 | -2% | 10.9 | -16% | 11.3 | -3% |
| Magazines | 15.0 | -8% | 14.7 | 2% | 8.1 | -8% | 8.1 | 1% |
| Impresa Digital | 5.2 | -17% | 3.9 | | 3.3 | | 2.0 | |
| Other/Holding | 0.4 | 35% | -0.2 | -323% | 0.5 | 45% | 0.1 | 437% |
| EBITDA | 21.3 | -6% | 23.8 | -10% | 15.5 | -4% | 17.6 | -12% |
| EBITDA Margin | 15.4% | -0.9 pp | 17.1% | | 20.3% | -0.8 pp | 22.8% | |
| Television | 16.6 | -12% | 18.5 | -10% | 11.8 | -10% | 13.7 | -14% |
| Newspapers | 6.6 | -14% | 5.9 | 11% | 4.3 | 27% | 3.6 | 18% |
| Magazines | 0.4 | 24% | 1.0 | -60% | 0.6 | -11% | 0.9 | -29% |
| Impresa Digital | -1.2 | n.m. | -0.7 | 59% | -0.6 | n.m. | -0.2 | 228% |
| Other/Holding | -1.1 | -23% | -0.9 | 22% | -0.6 | -24% | -0.4 | 50% |
| Depreciation | 4.8 | 34% | 4.6 | 4% | 2.6 | 35% | 2.4 | 7% |
| Impairments Provisions | 1.3 | | 0.0 | | 1.3 | | 0.0 | |
| EBIT | 15.2 | -20% | 19 | -21% | 11.5 | -18% | 15.2 | -24% |
| EBIT Margin | 11.0% | -2.8 pp | 13.7% | | 15.1% | -3.4 pp | 19.6% | |
| Financial Results | -6.2 | 4% | -6.7 | -8% | -2.9 | -2% | -3.4 | -16% |
| EBT | 9 | -31% | 12 | -27% | 9 | -23% | 12 | -26% |
| Income Taxes | 3.2 | -18% | 3.8 | -15% | 2.8 | -17% | 3.3 | -17% |
| Minorities & Others | 0.8 | 74% | 0.6 | 23% | 0.6 | 146% | 0.4 | 34% |
| Net Profit | 5.0 | -42% | 8.0 | -37% | 5.4 | -30% | 8.0 | -33% |

Source: Banif, Banco de Investimento & company reports.

Business areas

| TV | 1H08 | YoY | 1H08E | Dev.% | 2Q08 | YoY | 2Q08E | Dev.% |
|------------------------|--------------|----------------|--------------|---------------|--------------|----------------|--------------|---------------|
| Total Revenues | 92.2 | 0.9% | 94.1 | -2.0% | 50.1 | -0.5% | 52.0 | -3.6% |
| Advertising | 59.0 | -0.3% | 59.8 | -1.4% | 33.4 | -3.4% | 34.2 | -2.5% |
| Thematic Channels | 18.1 | 13.3% | 18.0 | 0.6% | 9.2 | 13.1% | 9.1 | 1.2% |
| Others | 15.1 | -7.3% | 16.2 | -6.9% | 7.6 | -2.2% | 8.7 | -12.9% |
| Cash Costs | 75.1 | 3.6% | 75.6 | -0.6% | 37.9 | 1.3% | 38.3 | -1.2% |
| EBITDA | 16.6 | -12.2% | 18.5 | -10.2% | 11.8 | -9.7% | 13.7 | -13.8% |
| <i>EBITDA Margin</i> | <i>18.0%</i> | <i>-2.7 pp</i> | <i>19.6%</i> | | <i>23.5%</i> | <i>-2.4 pp</i> | <i>26.3%</i> | |
| Newspapers | 1H08 | YoY | 1H08E | Dev.% | 2Q08 | YoY | 2Q08E | Dev.% |
| Total Revenues | 27.6 | -1.8% | 27.3 | 1.1% | 15.2 | -0.4% | 14.9 | 2.0% |
| Advertising | 19.6 | -1.9% | 19.8 | -1.3% | 11.0 | -3.4% | 11.2 | -2.3% |
| Publication sales | 6.9 | -0.1% | 6.9 | -0.6% | 3.3 | 3.6% | 3.3 | -1.2% |
| Others | 1.1 | -9.0% | 0.5 | 109.3% | 0.9 | 30.2% | 0.3 | 175.1% |
| Cash Costs | 21.0 | -7.9% | 21.4 | -1.7% | 10.9 | -8.2% | 11.3 | -3.3% |
| EBITDA | 6.6 | 24.4% | 5.9 | 11.2% | 4.3 | 27.4% | 3.6 | 18.2% |
| <i>EBITDA Margin</i> | <i>23.8%</i> | <i>5.0 pp</i> | <i>21.6%</i> | | <i>28.3%</i> | <i>6.2 pp</i> | <i>24.4%</i> | |
| Magazines | 1H08 | YoY | 1H08E | Dev.% | 2Q08 | YoY | 2Q08E | Dev.% |
| Total Revenues | 15.4 | -17.1% | 15.7 | -2.3% | 8.7 | -15.4% | 8.9 | -2.3% |
| Advertising | 7.3 | -4.8% | 7.8 | -7.1% | 4.4 | -7.3% | 5.0 | -11.2% |
| Publication sales | 6.6 | -7.6% | 6.6 | -0.2% | 3.2 | -6.9% | 3.2 | -0.3% |
| Others | 1.6 | -59.4% | 1.3 | 15.7% | 1.1 | -47.1% | 0.8 | 48.3% |
| Cash Costs | 15.0 | -17.2% | 14.7 | 1.6% | 8.1 | -15.7% | 8.1 | 0.7% |
| EBITDA | 0.4 | -13.8% | 1.0 | -59.9% | 0.6 | -10.7% | 0.9 | -29.5% |
| <i>EBITDA Margin</i> | <i>2.6%</i> | <i>0.1 pp</i> | <i>6.3%</i> | | <i>7.1%</i> | <i>0.4 pp</i> | <i>9.8%</i> | |
| Impresa Digital | 1H08 | YoY | 1H08E | Dev.% | 2Q08 | YoY | 2Q08E | Dev.% |
| Total Revenues | 4.0 | 250.8% | 3.1 | 28.6% | 2.7 | 333.7% | 1.8 | 49.6% |
| Advertising | 1.0 | 131.0% | 1.1 | -9.6% | 0.6 | 124.6% | 0.7 | -15.6% |
| Software | 0.1 | -43.2% | 0.5 | -85.2% | 0.1 | 143.1% | 0.3 | -74.1% |
| Contents and Others | 3.0 | 407.5% | 1.5 | 96.3% | 2.1 | 503.5% | 0.9 | 143.2% |
| Operating Costs | 5.2 | 195.7% | 3.9 | 34.4% | 3.3 | 267.6% | 2.0 | 66.5% |
| EBITDA | -1.2 | 91.5% | -0.7 | 59.2% | -0.6 | 121.1% | -0.2 | 227.7% |
| <i>EBITDA Margin</i> | <i>mn</i> | | <i>mn</i> | | <i>mn</i> | | <i>mn</i> | |

Source: Banif, Banco de Investimento & company reports.

Guidance - Impresa versus BBI

| | 2008 | | |
|------------------------|-------|----------|------------|
| | BBI | Guidance | IPR vs BBI |
| Consolidated | | | |
| Sales | 312.7 | 304.2 | -3% |
| Cash Costs | 260.8 | 258.0 | -1% |
| EBITDA | 51.9 | 46.2 | -11% |
| EBITDA mg | 16.6% | 15.2% | -1.4 pp |
| Television | | | |
| Sales | 199.6 | 194.4 | -3% |
| EBITDA | 40.8 | 39.0 | -4% |
| EBITDA mg | 20.4% | 20.1% | -0.4 pp |
| Newspapers | | | |
| Sales | 55.2 | 54.0 | -2% |
| EBITDA | 11.4 | 12.0 | 5% |
| EBITDA mg | 20.7% | 22.2% | 1.5 pp |
| Magazines | | | |
| Sales | 49.6 | 48.3 | -3% |
| EBITDA | 0.7 | 0.2 | -73% |
| EBITDA mg | 1.5% | 0.4% | -1.1 pp |
| Impresa Digital | | | |
| Sales | 10.55 | 10.00 | -5% |
| EBITDA | 0.53 | -2.00 | -479% |
| EBITDA mg | 5.0% | -20.0% | -25.0 pp |

Source: Banif, Banco de Investimento & company reports.

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IMPRESA- 12-month Rating History

| Date | Fundamental Rec. | Price Target | Closing Price |
|------------|------------------|--------------|---------------|
| 25-07-2007 | UR | UR | € 3.19 |
| 31-07-2007 | UR | UR | € 3.13 |
| 20-08-2007 | Buy | € 3.70 | € 2.73 |
| 23-10-2007 | Buy | € 3.70 | € 2.60 |
| 31-10-2007 | Buy | € 3.50 | € 2.50 |
| 28-11-2007 | Buy | € 3.50 | € 2.03 |
| 06-03-2008 | Buy | € 3.50 | € 1.61 |
| 29-04-2008 | UR | UR | € 1.55 |
| 04-07-2008 | Buy | € 2.15 | € 1.58 |



25 July 2008

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