

WEEKLY

TOP STORIES

Equity Markets - Summing up and despite downwards revisions in terms of top line in 2013 mainly in the Portuguese listed companies exposed to the domestic market, due to the strong restrictive fiscal measures announced yesterday before that should be in place in 2013, the accelerated reduction of the net borrowing needs of the Portuguese economy, could bring downwards long bond Portuguese government yields to levels not seen for a while triggering a strong bull market in the Portuguese stock market. The next couple of weeks are critical in terms social peace and 2013 budget approval (page 4).

OUT THIS WEEK

Snapshots / Company Reports - Banco Popular & Bankinter, Media Sector, Retail Sector, Sector Overview, Telefónica

Price Target / Recommendation Changes - Banco Popular, REN, Impresa, BPI, Jerónimo Martins, Mota-Engil

Other News - Banking Sector, Utilities Sector, Retail Sector, Equity Markets

WEEK AHEAD

Monday - BCP's Capital Increase: admission to trading of all the shares issued under capital increase

Friday - Galp's trading update 3Q12

PORTFOLIOS

This week, **Mib Aggressive Portfolio** went up 2.09%, underperforming the PSI20 by 1.47pp. Excluding Sonae Industria, all stocks contributed for this underperformance (page 14).

This week, **Mib Liquidity Portfolio** went up 6.71%, outperforming the PSI20 by 3.16pp. BES and EDPR were the main contributors for this outperformance (page 15).

Stock Market	Last	1W	YTD	2011
PSI 20	5,388	3.55%	-1.94%	-27.60%
IBEX 35	7,954	3.19%	-7.14%	-13.11%
Euro Stoxx 50	2,531	3.14%	9.27%	-5.56%

Daily Vol. (€mn)	1W	1M	6M	2011
PSI 20	76	80	58	148
IBEX 35	2,321	2,572	2,611	4,925
Euro Stoxx 50	7,879	8,874	8,206	14,831

Forex Rates	Last	1W	YTD	2011
EUR/USD	1.30	0.56%	0.49%	-3.17%
EUR/GBP	0.80	0.65%	-3.84%	-2.96%
EUR/BRL	2.64	1.31%	9.47%	8.86%

Interest Rates	Last	1W	Chg	YE11
Euribor 6m	0.43%	0.44%	-1bp	1.62%
10Y Bond PT	8.26%	9.00%	-74bp	13.36%
10Y Bond SP	5.69%	5.94%	-25bp	5.09%

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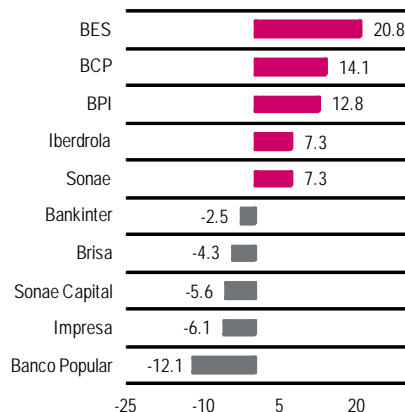
Millennium
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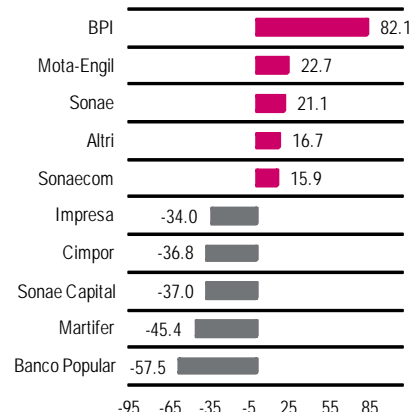
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Best & Worst Performers -1 Week (%)



Best & Worst Performers - YTD (%)



CHANGES

	New		Previous		Motive
	Rating	Target	Rating	Target	
Banco Popular	Reduce	1.55	Buy	1.95	Moving Valuation to YE13
Banco Popular	Neutral	1.55	Reduce	1.55	Price Performance
REN	Buy	2.60	Buy	2.60	Moving Valuation to YE13
BPI	Reduce	0.80	Neutral	0.80	Price Performance
Impresa	Buy	0.35	Neutral	0.35	Price Performance
Jerónimo Martins	Neutral	14.70	Buy	14.70	Price Performance
Mota-Engil	Reduce	1.25	Neutral	1.25	Price Performance

EARNINGS

Company	3Q2012	Investor Day
Galp Energia **	12-10 BM	
Bankinter	18-10 BM	
Portucel	22-10 AM	
BPI	24-10 AM	
Jerónimo Martins	25-10 BM	
Iberdrola	25-10 BM	
Galp Energia	26-10 BM	06-03-2012
Zon Multimedia	26-10 BM	
Banco Popular (e)	26-10 BM	
Novabase	30-10 AM	
Semapa	30-10 AM	
Impresa	31-10 AM	
Brisa	31-10 AM	
BCP	05-11 AM	
EDP	06-11 AM	25-05-2012
Sonae Sierra	06-11 AM	
EDP Renováveis	06-11 BM	24-05-2012
Telefónica	07-11 BM	
Altri	07-11 AM	
Sonae Indústria	08-11 AM	
REN	08-11 AM	09-11-2012
Portugal Telecom	08-11 BM	
Cofina	08-11 AM	
BES	13-11 AM	
Glintt	13-11 AM	
Cimpor	13-11 BM	
Sonae	14-11 AM	
Indra	15-11 AM	
Martifer	15-11 AM	
Sonae Capital	15-11 AM	
Ibersol	19-11 AM	
Mota-Engil	21-11 AM	
Media Capital	n.a.	
Sonaecom	n.a.	15-06-2012
ESFG	n.a.	
Soares da Costa	n.a.	
SAG	n.a.	

AM - After market; BM - Before market; n.a. - Not available; (e) Expected;

** Trading update

DIVIDENDS

Company	Gross DPS	AGM	Payment Date	Ex-Div Date	Obs	Last Year	
						Pay Date	Gross DPS
Banco Popular* (1)	*1x21 ou 8c (1)	11-Jun-12	26/06/2012 (2)	21/06/2012 (2)	Approved	11-Oct-11	0.050
	-	-	-	-	-	21-Jul-11	1x78
	-	-	-	-	-	6-May-11	1x85
	-	-	-	-	-	12-Jan-11	0.050
Bankinter *	0.048	-	7-Jan-12	7-Jan-12	Approved	28-Sep-11	0.052
	0.039	-	7-Apr-12	7-Apr-12	Approved	2-Jul-11	0.052
	0.029	0-Jan-00	7-Jul-12	7-Jul-12	Approved	0-Jan-00	0.000
	0.027	-	13-Oct-12	13-Oct-12	Approved	-	-
	0.027	-	13-Oct-12	13-Oct-12	Approved	1-Jan-11	0.048
BCP	0.000	25-Jun-12	-	-	-	-	-
BES	0.000	22-Mar-12	-	-	Approved	11-Apr-11	0.126
BPI	0.000	27-Jun-12	-	-	Approved	-	-
Banif	0.000	22-Mar-12	-	-	-	-	0.020
ESFG	0.000	31-May-12	-	-	-	3-Jun-11	0.280
	0.215	-	-	-	Estimate	4-Jan-12	0.215
Sonaecom	0.070	27-Apr-12	24-May-12	21-May-12	Approved	25-May-11	0.050
Zon Multimedia	0.160	27-Apr-12	25-May-12	22-May-12	Approved	6-May-11	0.160
Telefónica**	0.530	13-May-12	18-May-12	18-May-12	Approved	6-May-11	0.750
	0.000	-	-	-	Proposed	7-Nov-11	0.770
Impresa	0.000	24-Apr-12	-	-	Approved	-	0.000
Media Capital	0.069	21-Mar-12	19-Apr-12	16-Apr-12	Approved	15-Apr-11	0.074
Cofina	0.010	12-Apr-12	11-May-12	8-May-12	Approved	21-Jun-11	0.010
Indra	0.680	20-Jun-12	4-Jul-12	4-Jul-12	Approved	4-Jul-11	0.680
Novabase	0.030	3-May-12	4-Jun-12	30-May-12	Approved	6-Jun-11	0.130
	-	-	-	-	-	13-Jul-10	0.180
Glint	0.000	22-May-12	-	-	Approved	-	-
Iberdrola**	0.160	22-Jun-12	23-Jul-12	23-Jul-12	Approved	5-Aug-11	0.150
	0.030	22-Jun-12	-	-	Approved	13-Jul-11	0.030
EDP	0.185	17-Apr-12	16-May-12	11-May-12	Approved	13-May-11	0.170
EDP Renováveis	0.000	12-Apr-12	-	-	Approved	-	0.000
REN	0.169	27-Mar-12	20-Apr-12	17-Apr-12	Approved	12-May-11	0.168
Brisa	0.310	2-Apr-12	-	-	Rejected	5-May-11	0.310
Sonae	0.033	30-Apr-12	30-May-12	25-May-12	Approved	27-May-11	0.033
	-	-	-	-	-	27-Dec-10	0.168
Portucel	0.221	4-Apr-12	20-Apr-12	17-Apr-12	Approved	-	-
Altri	0.020	26-Apr-12	25-May-12	22-May-12	Approved	21-Jun-11	0.020
F Ramada	-	-	-	-	-	21-Jun-11	0.070
Inapa	-	-	-	-	-	-	0.000
Sonae Industria	0.000	29-Mar-12	-	-	Approved	-	0.000
Sonae Capital	0.000	30-Mar-12	-	-	Approved	-	0.000
Cimpor	-	20-Apr-12	-	-	-	6-May-11	0.205
	0.166	6-Jul-12	3-Aug-12	31-Jul-12	Approved	-	-
Semapa	0.255	18-May-12	11-Jun-12	6-Jun-12	Approved	-	0.000
Mota-Engil	0.110	17-Apr-12	17-May-12	14-May-12	Approved	13-May-11	0.110
Soares da Costa	0.000	24-May-12	-	-	Approved	13-Jun-11	0.022
Teixeira Duarte	0.000	17-May-12	-	-	Approved	16-Jun-11	0.015
Martifer	0.000	11-Apr-12	-	-	Approved	-	0.000
Galp Energia	0.200	7-May-12	24-May-12	21-May-12	Approved	30-May-11	0.140
	0.120	-	18-Sep-12	13-Sep-12	Approved	-	-
Ibersol	0.055	13-Apr-12	11-May-12	8-May-12	Approved	11-May-10	0.055

na - Not available

Estimate: Estimated by the Millennium investment banking

Proposed: Announced by the company to be proposed in AGM

Approved: Dividend already approved by AGM

(1) Remuneration system, which allows choosing between new, shares or cash. Cash dividend: €0.08;

Scrip dividend: one new share for every 21 shares.

(2) These dates apply for shareholders in Portugal

* Company pays dividends four times a year

EQUITY MARKETS

Equity Markets

Portuguese Stock Market News – The Portuguese Stock market in the next 12 months António Seladas, CFA;
Equity Analyst

Exactly 4 weeks ago Mr. Passos Coelho, the Portuguese Prime Minister, announced a set of austerity measures regarding 2013 Budget that triggered several strong negative reactions, not just from the opinion makers and press but also from people usually identified with the major party of the colligation. Meanwhile strikes and several demonstrations occurred. Yesterday before the Finance Minister announced a new set of austerity measures regarding 2013 budget, mainly a huge increase on the IRS rates to replace the measures announced before. Again several opinion makers, journalists, the opposition parties and people close to the Government party strongly criticized the measures basically arguing that all the effort on balancing the public deficit is done through tax rates increases instead of cutting the spending. So apparently the social peace that accompanies this Government since it was elected at the beginning of the summer last year, finished. On this environment we were expecting an underperformance of the Portuguese stock market and Portuguese Government bonds yields moving upwards however was not the case actually the PSI20 is positive roughly 1.75% vs. a flat performance for the Eurostoxx and Government bond yields are just 10bp to 25bp above the levels recorded four weeks ago.

There's apparently a strong confidence that the measures announced yesterday before will be implemented and despite an expected strong negative reaction in terms of domestic consumption in 2013, since the net borrowing of the Portuguese economy would continue to improve (it was 2% of the GDP in the year ending in the 2Q12 vs. 4.2% in the previous quarter, 7.5% one year ago and close to 10% two years ago), Government bond yields would continue to drop having a strong positive effect in the stock market valuation mirroring the years 2010 and 2011, however with a different signal (a simple average on our price targets if we eliminate the abnormal current discount rates on our models, would mean plus 60%, ceteris paribus). This enhanced position should at some point in time start to attract foreign direct investment, allowing a renewal of the internal consumption.

Summing up and despite downwards revisions in terms of top line in 2013 mainly in the Portuguese listed companies exposed to the domestic market, due to the strong restrictive fiscal measures announced yesterday before that should be in place in 2013, the accelerated reduction of the net borrowing needs of the Portuguese economy, could bring downwards long bond Portuguese government yields to levels not seen for a while triggering a strong bull market in the Portuguese stock market. The next couple of weeks are critical in terms social peace and 2013 budget approval.

SECTOR OVERVIEW

Sector Overview

Spotting turning points - Spain: imminent help?

- Once again Spain is in the spotlight. Not only because it seems likely that Spain will formerly ask for help in the near future but also because every time someone does their math's on how much banks need, someone else says it's not enough. While Oliver Wyman stress tests were conducted under tough economic premises – detecting a €59bn capital gap, helping add to the creditworthiness of the financial system – the fact that Moody's came along and alerted that banks could need double that amount added to uncertainty. Irrespectively of who is right, ECB will only conduct its bond purchase program if Spain reaches out for help.
- Cement consumption in Portugal (GPEARI) came 30.3% lower YoY in August. In the 8M12, consumption plunged almost 25% YoY, threatening a close to 25% YoY fall for the FY12, despite the already low basis reached in the 2H11. All construction qualitative indicators but one continued pointing north, reinforcing the break-up of the negative trend after May-12. The only indicator that does not show any inversion of the trend refers to price expectations in construction and public works. Cement consumption data for Spain in August show a 33.6% YoY fall, resulting in a YoY

contraction of 34.25% in the 8M12. Consumption in the Spanish market seems to be heading an over 30% YoY plunge in the FY12 and threatens to fall under 14mn tons. According to preliminary cement consumption data in Brazil (SNIC) consumption increased 7.3% YoY in August, or 8.53% in the 8M12. We now expect a lower than 8.5% YoY growth for Brazil in 2012, close to the previous year's 8% in 2011.

- In September, monthly electricity consumption (adjusted for temperature and working days) dropped by 4.2% YoY in Portugal, implying a decline in volumes over the last 20 months. In Spain, the same figure dropped by 1.8% YoY.
- The Spanish Pay TV market reached 4,260k subscribers in the end of 2Q12, losing 98k net subs in the quarter. The number of Pay TV subscribers is on the decline this year (1Q and 2Q) on the back of the economic crisis. The Spanish Fixed Broadband market reached 11,147k subscribers in the end of 2Q12, with 51k net adds in the quarter. By the end of the quarter there were 24.1 broadband subscribers per 100 inhabitants. 2Q12 showed, as previous quarters, a deceleration of subscribers' growth, but trend is still healthy under current circumstances (+3.3% YoY). The Spanish Mobile market reached 51,872k subscribers in the end of 2Q12, losing 698k subs in the period. Mobile penetration rate reached 112.3%. Regarding Mobile Broadband, there were 3,052 wireless datacards in Spain by the end of 2Q12 (-195k in the quarter), 6.6% of the population.
- The Brazilian mobile market reached 257.9 million clients and a penetration of 131.2% in the end of August 2012, according to data disclosed by Anatel. Net additions during the month were 1,491k, which compares to 3,669k net adds in August 2011 (-59.4%). Subscriber growth in the Brazilian market has decelerated in the last months, but continues to be strong in accumulated terms: the number of mobile subscribers grew 15.1% in the last 12 months.

(For further details, please refer to our report out this week)

FINANCIALS

Banking Sector

EBA – final assessment

*Rita Silva:
Equity Analyst*

EBA and the Bank of Portugal announced the final assessment of the implementation of EBA recommendation that established that the Core Tier 1 capital ratio of EU banks should reach the 9% by 30 of June 2012, considering the valuation of sovereign debt at market prices on 30 September 2011.

According to EBA methodology, BES had as of 30 of June 2012 a Core Tier 1 ratio of 9.9%, taking into account the sovereign buffer (calculated as of 30 September 2011). Moreover, Bank of Portugal CT1 ratio stands at 10.5%.

BPI's Core Tier I capital ratio stood at 9.4% including the sovereign buffer for sovereign debt as stated in the EBA December recommendation stood at €1,184mn adjusted for Greek debt. However, if the actual BPI's sovereign exposure was marked-to-market at present prices and those results were taken into account in the EBA buffer calculation, the sovereign buffer, would diminish to €703mn from €1,184mn corresponding to a €481mn improvement. At the same date, Core Tier 1 ratio calculated in accordance with Bank of Portugal rules stood at 14.5%.

Banco Popular EBA's ratio, after deducting for the sovereign buffer, stood at 9.3%.

EBA – new rules

EBA will adopt a new recommendation on capital conservation once the final CRD IV/CRR text is agreed. Its aim will be to ensure that banks refrain from using capital for strategic purposes or dividend payments and variable remuneration that was accumulated in the last year, so as to be able to absorb unexpected losses and to support a smooth convergence to the CRD IV/CRR regulatory requirements.

Banks will be required to maintain an absolute amount of CT1 capital corresponding to the level of 9% Core Tier One ratio at the end of June 2012 (there are some exceptions that allow banks to go below the required amount of capital, as for example the sale of subsidiaries as part of restructuring plan

accompanied by a reduction of capital held against that subsidiary). The definition of the capital will be the same as the one agreed on for the 2011 stress tests and recapitalization recommendation. The sovereign component of the capital buffers remains in force at September 2011 level: If circumstances change it could be withdrawn.

As such, BES will be required to hold the "nominal amount" of €5,746mn CT1, BPI €2,267mn and Popular €8,754mn.

	BES	BPI	Banco Popular
RWA (June 2012)	63,844	25,186	97,271
CT1 (€)	6,440	3,549	9,980
CT1 (%)	10.1%	14.1%	10.3%
Sovereign buffer	121	1184	900
CT1 (€) after deducting sovereign buffer	6,319	2,365	9,080
CT1 (%) after deducting sovereign buffer EBA	9.9%	9.4%	9.3%
Surplus [9%*RWA-(Core Tier 1-Sovereign capital buffer)]	573	99	326
9% CT1	5,746	2,267	8,754

Banco Popular

Neutral – High Risk (Target YE13: €1.55)

Valuation Update – New business plan followed by a massive capital increase

*Rita Silva;
Equity Analyst*

- Following Banco Popular's new business plan we have revised adjusted our price target and took the opportunity to make some estimate adjustments while rolling-over the price-target from YE12 to YE13. The new price-target has decreased from €1.95 (YE12) to €1.55 (YE13). Given the 2% downside, we rate it with a Reduce recommendation. We have not incorporated the new shares of the €2.5bn proposed capital increase as the final details are not yet known (probably by mid-November). New shares will likely be made available at a deep discount, as signaled by management (50%). If so, final shares would more than double, leading to a 2013E EPS dilution close to 50%. Core shareholders (40% of the structure) will likely participate, while 12 investment banks have already stated their interest in underwriting the rights issue, according to management.
- OW stress tests identified a capital shortfall under the adverse scenario of €3.2bn. According to Popular's renewed business plan, this gap should be filled by (1) €2,500mn capital increase; (2) €400mn excess of pre-provision profit for 2012 vs. OW estimates; and (3) capital gains from the sale of non-core assets and recovery of write-offs (o.w. €124mn have already been achieved by 1H12).
- The main changes we did in our estimates were driven mainly by: (i) removal of the penalties given by Bank of Spain regarding the overpayment of deposits; (ii) fine-tuning of commissions on the upside after 2Q12 figures; (iii) update of provisioning charges after OW stress tests are twofold: (a) from a net accumulated figure of €5.2bn for 2012-13 to €8bn (not only the new number is much higher, but also Popular will anticipate what was planned to be done in two years) and (b) as the bank will perform accelerated provisions, we have cut expected future charges from 2015 onwards; (iv) our estimates for capital gains remained unchanged at €1.5bn but spread throughout the next 5 years.
- Considering the €2,500mn capital increase done with a 50% discount over the closing price as of 1st October subscription price would stand at €0.85 with the issuance of 2,941mn new shares. Final shares would rise to close to €5,000mn while ex-rights theoretical price would stand at €1.20.

(For further details, please refer to our company update out this week)

Banco Popular Neutral – High Risk (Target YE13: €1.55)
Bankinter Reduce – High Risk (Target YE12: €3.10)

OW Stress Tests results – Popular in short of €3.2bn; Bankinter with a surplus of €400mn

*Rita Silva;
Equity Analyst*

- Banco Popular has been identified as one of the banks with additional capital needs in the adverse scenario that amount to €3,223mn. It will present a New Business Plan for 2012-14 on Monday (10am CET). Bankinter does not have the need for extra capital, by the contrary, it has a €399mn capital surplus under the adverse scenario.
- The extra capital that Popular needs is above the €2.3bn predicted extraordinary capital gains + €700mn rights issue that had been postponed to June 2013 (totalling €3bn). These capital gains included the sale of the retail branch network with expected capital gains of €1.3bn that are unlikely to be realized by YE12. As such, Popular will most likely boost the amount of the capital increase to around €2.2bn. Although about 40% of its shareholders are core shareholders – we consider that the high figure adds to the uncertainty of its success. Having done some back of the envelope calculations, assuming a €2.2bn rights issue, with a discount of around 40-60%, the number of shares would more than double and the dilutive effect on EPS would be of around 25%. Also, if we consider that the market was already discounting capital needs of around €2.1bn it is fair to say (*ceteris paribus*) that the net surprise effect of today's announcement was €1.1bn and this would be the amount that the price would adjust to, i.e., around 30%. However, we do not believe that the adjustment will be as violent as the negative performance of the stock already incorporates many of the uncertainties regarding Popular's ability to realize the proposed capital gains.
- Regarding Bankinter, the fact that it does not need extra capital is less surprising given the profile of its loan book (low RE exposure, lowest sensitivity to stress tests scenarios in the last 2 EBA tests, restructured loans represent 1.9% of total book).

(For further details, please refer to our snapshot out last Friday)

TELECOMS

Telefónica Buy – Medium Risk (Target YE12: €16.95)

Telefónica Germany IPO - Germany IPO guarantees group's net debt goal *Alexandra Delgado, CFA*
Equity Analyst

- Telefónica announced this week that it intends to list its German unit in the Frankfurt Stock Exchange in the fourth quarter this year. The company said it hasn't decided the percentage of capital it will float, only that it will retain control over the operation. This IPO had already been announced last May, as one of the measures that aim to accelerate debt reduction and protect credit rating.
- Given the higher growth profile of the German unit (10.5% OIBDA CAGR 11-13E) and the fact that investors still consider Germany a safe haven, the IPO multiple should be above the 5.4x EV/EBITDA 2013 that Telefónica Group currently trades currently at. However, given current market conditions, we also believe it will be difficult to achieve valuations above 6.0x EV/EBITDA 2013 multiple.
- We therefore believe an EV/EBITDA 2013 multiple between 5.5x and 6.0x to be a reasonable estimate for Telefónica Germany listing. Considering our EBITDA 2013 estimate for the German unit of €1,403 mn, we get an Enterprise Value between €7.7 bn and €8.4 bn and an Equity Value between €6.6 bn and €7.3 bn for this unit. In summary, this operation should result in a €1.3-€1.5 bn cash inflow from a sale of 20% of capital (refer to table inside).
- Telefónica ended 2011 with €56.3 bn of Net financial debt, which stands for 2.46x of OIBDA. Its goal is to end 2012 with a 2.35x Net financial debt-on-OIBDA. According to our estimates, the combination of asset sale in 1H12 (€3.1 bn), plus announced dividend cut and circa €1.3-€1.5 bn with Telefónica Germany IPO guarantees the company reaches net debt goal by YE12 without any

further asset sale (e.g. Atento, Latin America businesses' listings, ...). And therefore, its completion should be well received by investors.

- Since our valuation for Telefónica implies a multiple of 8.3x EV/OIBDA for the region Telefónica Europe (exc. Spain), the IPO of 20% of Telefónica Germany's capital at a multiple between 5.5x and 6.0x will have a negative impact on our valuation. In this scenario, our price target (YE12) declines by €0.15/ share, to €16.80/ share (refer to table inside).

(For further details, please refer to our snapshot out today)

MEDIA

Media Sector

Audience Shares Sep12 – SIC's soap strategy starting to bear fruits

*João Flores;
Equity Analyst*

- SIC/Impresa led recovery, benefiting from successful prime-time soaps.
- Cable channels kept 1st place in audience shares as expected while increased gap to 2nd place (TVI/Media Capital).
- TVI /Media Capital kept 2nd place in audience shares. All-Day 23.2% (+0.5pp MoM, -1.8pp YoY) and prime-time 27.3% (-0.4pp MoM, -1.9pp YoY).
- SIC/Impresa kept 3rd place: All-day 21.1% (+0.9pp MoM, -1.1pp YoY); Prime-time: 25.5% (+0.9pp MoM, +0.9pp YoY). We highlight SIC kept reducing gap to 2nd place, benefiting from prime-time soap strong audience shares numbers.
- State-owned RTP1 kept unchanged on a monthly basis (while kept audience shares below 15%).

Cable:

- Audience shares in cable: Disney Channel kept 1st place in audience shares. We highlight SIC Noticias strongly rose to 3rd place (from 6th place in August) probably benefiting from politics news flow (protests against new austerity measures,...).
- We have a YE12 price target of €0.35 for Impresa (Buy, High Risk), a YE12 price target of €2.15 for Media Capital (no recommendation) and a YE12 price target of €0.43 for Cofina (Sell, High Risk).

(For further details, please refer to our snapshot out this week)

UTILITIES

Utilities Sector

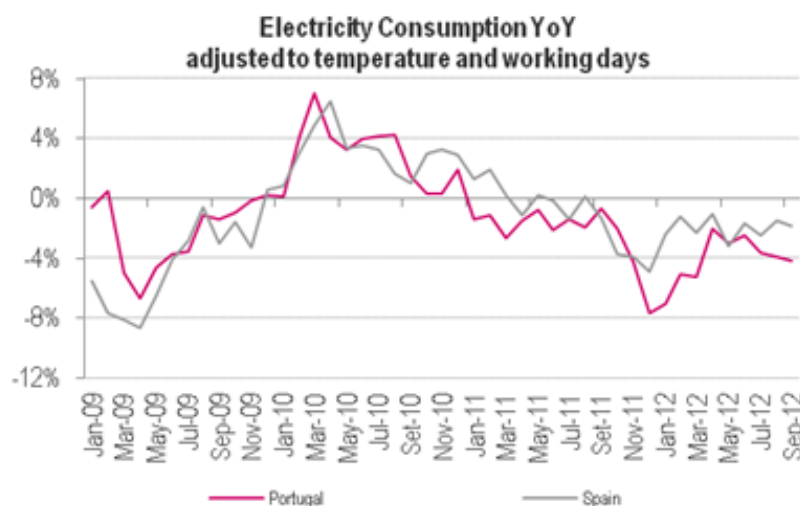
Utilities - Monthly electricity consumption

*Vanda Mesquita,
Equity Analyst*

In September, monthly electricity consumption (adjusted for temperature and working days) dropped by 4.2% YoY in Portugal, implying a decline in volumes over the last 20 months (as shown in the graph). In Spain, the same figure dropped by 1.8% YoY.

YoY (%)	Accum 2012	Sep-12	Ago-12	Jul-12	Jun-12	May-12	Apr-12	Mar-12	Feb-12
Consumption in Portugal	-4,20%	-4,20%	-3,90%	-3,60%	-2,50%	-3,00%	-2,00%	-5,20%	-5,10%
Consumption in Spain	-1,60%	-1,80%	-1,50%	-2,50%	-1,70%	-3,20%	-1,00%	-2,30%	-1,20%

Fonte: REN, REE



Source: REN (Rede Eléctrica Nacional), REE (Red Eléctrica España)

As previously mentioned, in the case of EDP, earnings from the distribution business are not significantly affected by the drop in volumes (as the bulk of the distribution model has a fixed component) and liberalized activities only accounted for 10% of 2011 EBITDA. Regarding Iberdrola, Spanish liberalized activities represented about 20% of 2011 EBITDA, but given the drop of consumption, we do not expect a meaningful impact.

REN

Buy – Low Risk (Target YE13: €2.60)

Valuation Update – Waiting for the new business plan

Vanda Mesquita
Equity Analyst

- Following estimates fine-tuning, we value REN at €2.60 per share (YE13), keeping our price target and our buy recommendation (Low risk) unchanged. While the roll over to 2013 added 25 cents, the update of estimates cut 30 cents to our valuation mostly driven by a downward revision of capex that led to lower earnings, as the lower the RAB, the lower the earnings. The downward revision of 10-year Portuguese Government bond yield to 10% from 11% reduced WACC estimates and added 5 cents to our valuation.
- Main events in the near future include the presentation of the new strategic plan (November 2012, 9th) and the new regulation for Gas (draft will be available in April 2013). Due to the current market price, the sale of the Portuguese State's remaining stake in REN (11%) should not occur in the near future.
- The new strategic plan will give us further insight on the strategic partnerships with State Grid International Development and Oman Oil Company, the new capex plan and the future dividend policy. In addition, the company may unveil more details related to its international expansion, namely the acquisition of a 7.5% stake in Cahora Bassa hydro in Mozambique.
- Capex peaked in 2009 and since then has been trending downwards. Considering the slowdown of investments in the Portuguese electricity and gas system and also given the tightening of credit conditions, we believe that future capex will be lower than the historical average (from 2007 to 2011, the average capex per year was €365mn). Therefore, we have adjusted our figures by reducing total investment from 2012 to 2016 to approximately €1.1bn vis-à-vis €1.6bn in our previous valuation, meaning that we expect an average annual capex of €220mn per year over the next five years vis-à-vis €320mn per year in our previous valuation.
- REN has been offering a growing dividend over the last five years (CAGR 2007-2011 of almost 1%). As dividend yield is one of the REN's main features, we believe that the company will continue to increase its dividend gradually (1 cent per year). According to our estimates, dividend yield should

be 8.5% in 2012.

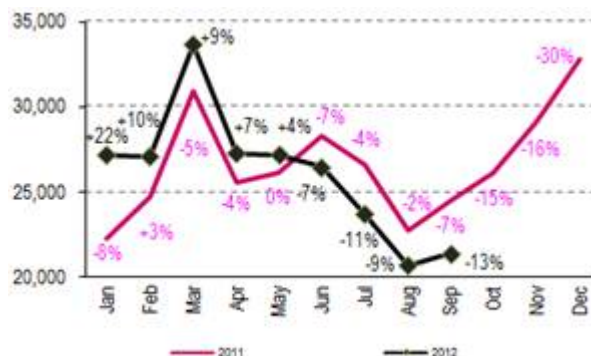
(For further details, please refer to our company update out this week)

RETAIL

Retail Sector

*João Flores,
Equity Analyst*

Retail: Car sales in Poland increased pace of decline in September



New car sales in Poland are down 13% YoY in September to 21.400 registrations, bringing the year-to-date total to 234.699 units, up 1.2% on 2011 (vs 3% YTD in August) (note that from 2012 onwards commercial vehicles are included).

Recall Polish retail sales in September will be disclosed on October 22-29

According to Bloomberg's early estimates, Polish Retail Sales are expected to rise 4.5% YoY in September 2012, following 5.8% YoY increase in August 2012.

Recall Polish retail-sales (disclosed on Sep 25th) increased 5.8% on an annual basis in August (5.5% consensus), slower than the 6.9% growth seen in July. On a monthly basis, retail sales moved up 0.1% during the month (0.1% consensus), following 1.3% increase in July.

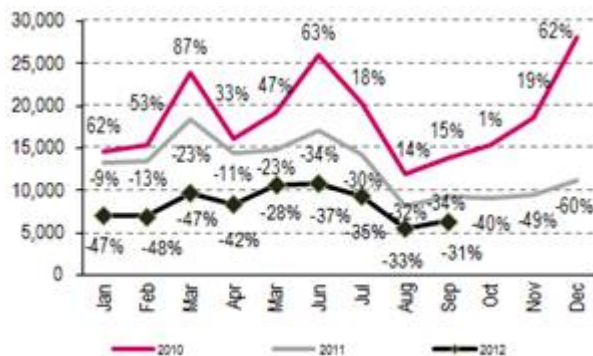
There was a 5.0% YoY gain in retail sales of food, beverages and tobacco products (from 4.1% in July), thus YTD average declined to 6.5% from 6.7%. Recall our Biedronka's estimated LfL sales in 2012 were revised downwards to 6% from 10%, following Biedronka's disappointing numbers in 2Q12 (+4.7%) and company revised downwards target, thus we keep confident with our LfL estimates.

We highlight there's a deceleration trend in the Polish economy (households are using savings to keep their living standards unchanged), thus growth sales will probably decelerate in the months ahead.

Retail: September car sales in Iberia suggests retail sales kept negative trend in September:

Overall, Portugal is benefiting from a favorable comparison basis (reduced pace of decline) while bad numbers in Spain led Government to approve a new plan of aid for the purchase of vehicles.

Portugal: Car sales reduced pace of decline in September



Portugal light vehicles sales reduced pace of decline in August

According to ACAP (Portuguese Automobile Trade Association) light vehicle sales fell 31% YoY in September (6.358 vehicles).

We highlight Portugal light vehicles sales in Portugal reduced pace of decline, following a 33% YoY decline in August. Sales declined 39.7% YTD.

Recall encouraging numbers were partially explained by favorable comparison basis, since market accelerated pace of decline from June 2011

Spain: Car sales slump



New car sales in Spain slumped 37% YoY to just 35.206 registrations in September. All segments and channels are affected, with private sales down 44% YoY and sales to companies down 29% YoY.

The implementation of a higher VAT on 01/09 (increased from 18% to 21%) has not helped an already devastated market.

Year-to-date, the Spanish new car sales are down 11% to 556.095 units and expected to fall below 700.000 by year-end for the first time since the mid-eighties.

To stop this dramatic fall, the Government of Spain has approved a plan called PIVE (Incentive Program Efficient Vehicle) of aid for the purchase of vehicles.

This plan will begin on October 1 and will end on March 31, 2013. Each person invoking the plan PIVE receive €2.000 for the purchase of a new car.

The beneficiaries of the plan must give instead PIVE a vehicle with more than 12 years old.

Recall we estimated LfL sales 2012:

Jerónimo Martins: Food +1.3%

Sonae Food -0.8% Non-Food -11.9%

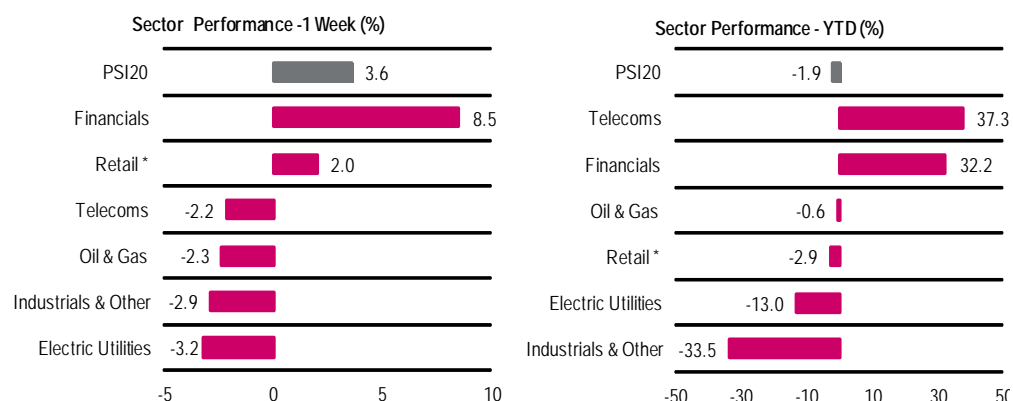
thus we keep confident with our estimates.

Retail Sales Aug12 - Slightly reduced pace of decline

- Overall, retail sales numbers slightly reduced pace of decline (showing early stabilization signs?). Numbers are neutral to our Jerónimo Martins (Rating: Buy; Target YE12: €14.70, Medium Risk) and Sonae (Rating Buy; Target YE12: €0.76; Medium Risk) valuations, since our estimates have embedded a tougher scenario.
- Portuguese retail sales (disclosed on Sep 28th) decreased pace of decline in August, both in Food and Non-Food. Retail sales (overall) declined an annual 6.1% YoY, after dropped 7.7% YoY in July (revised from -7.9%). YTD average recovered to -6.6% from -6.7%. On a monthly basis, sales were up 2.9% YoY (+0.4% in July). Recall we estimate LfL sales 2012: JM: Food +1.3%; Sonae Food -0.8% Non-Food -11.9%, thus we keep confident with our estimates.
Food Retail sales declined 1.5% YoY in August (-4.8% YoY in July). YTD average improved to -4.3% from -4.7%. We believe encouraging numbers reflected declining household spending outside home during Summer holidays, following restaurants VAT increase.
Non-food retail sales fell 10.5% YoY in August (-10.6% in July). YTD average declined to -8.9% from -8.7%.
- Spanish retail sales (disclosed on Sep 27th) strongly improved. In August, retail sales dropped 2.1% over the same month last year, which marked an improvement compared to the 7.0% drop recorded in July. Retail sales in Spain have now contracted for 27 months straight in annual terms as unemployment hit record highs nearing one in every four people, and the country's economy deleverages after a debt fueled economic boom leading to the 2008 property crash. We highlight Non-food sales declined 3.5% YoY.
- Polish retail-sales (disclosed on Sep 25th) increased 5.8% on an annual basis in August (5.5% consensus), slower than the 6.9% growth seen in July. On a monthly basis, retail sales moved up 0.1% during the month (0.1% consensus), following 1.3% increase in July.
There was a 5.0% YoY gain in retail sales of food, beverages and tobacco products (from 4.1% in July), thus YTD average declined to 6.5% from 6.7%. Recall our Biedronka's estimated LfL sales in 2012 were revised downwards to 6% from 10%, following Biedonka's disappointing numbers in 2Q12 (+4.7%) and company revised downwards target, thus we keep confident with our estimates.
Recall Poland's unemployment rate slightly increased to 12.4% in August (+0.1pp MoM, vs expected 12.3%) leaving almost 2mn Poles without jobs and further worrying economists, who had expected the labour market to improve in the summer months. Overall, retail sales numbers combined with a slight rise in unemployment fueled expectations the central bank could cut interest rates soon to help the slowing economy. We highlight there's a deceleration trend in the Polish economy (households are using savings to keep their living standards unchanged), thus growth sales will probably decelerate in the months ahead.
- Retail sales in Colombia (disclosed on Sep 19th) rose 1.3% YoY in July (+ 4.0% YoY June).
- Greek retail sales (disclosed on Sep 28th) dropped 8.0% YoY in July, reducing pace of decline (-9.7% YoY June). Greek retail sales continue to decline since households have slashed spending. The fall was worst in the clothing and footwear sector, where sales were down 18.6% YoY. According to separate estimates from Greece's national trade confederation, turnover during the July and August summer sales period dropped 20% YoY, and a total 36% since the summer of 2010.

(For further details, please refer to our snapshot out this week)

SECTOR PERFORMANCE



* includes Jeronimo Martins and Sonae

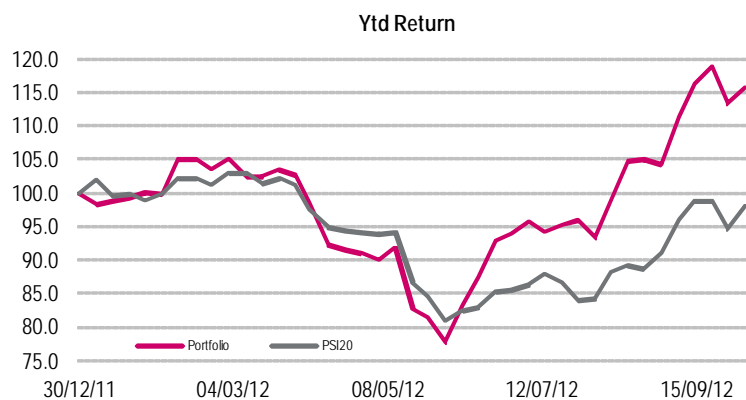
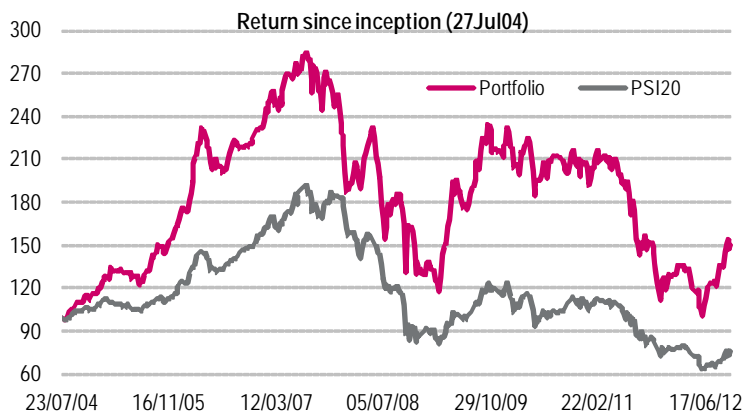
- This week, the PSI20 went up 3.6%. The best performing sector was Financials with a 8.5% growth and the worst was Electric Utilities with a 3.2% fall.
- On a Ytd basis, the PSI20 went down 1.9%. The best performing sector was Telecoms with a 37.3% growth and the worst was Industrials & Other with a 33.5% fall.

AGGRESSIVE PORTFOLIO

- This week, *Mib Aggressive Portfolio* went up 2.09%, underperforming the PSI20 by 1.47pp. Excluding Sonae Industria, all stocks contributed for this underperformance.
- We highlight that the portfolio is composed by the five stocks with the highest upside potential of our coverage universe. It is equal weighted and rebalanced on a weekly basis.

LIQUIDITY PORTFOLIO

- This week, *Mib Liquidity Portfolio* went up 6.71%, outperforming the PSI20 by 3.16pp. BES and EDPR were the main contributors for this outperformance.
- We highlight that the portfolio is composed by the five stocks with the highest upside potential of our coverage universe, excluding the less liquid stocks. It is equal weighted and rebalanced on a weekly basis.



Mib AGGRESSIVE PORTFOLIO

Portfolio weekly return

Company	Risk Rating	Market Price (€)	Price Target (€)	Upside Potential	Weekly Return	Performance	
						Contribution	Deviation
Novabase	High	2.03	4.10	102%	0.0%	0.00pp	-0.71pp
Indra	High	7.68	12.40	61%	1.9%	0.38pp	-0.33pp
Telefónica	Medium	10.62	16.95	60%	2.3%	0.46pp	-0.25pp
Portugal Telecom	Medium	3.95	6.00	52%	2.6%	0.53pp	-0.02pp
Sonae Industria	High	0.58	0.85	48%	3.6%	0.72pp	0.01pp
Portfolio					2.09%		
PSI 20					3.55%		
Gain/loss						-1.47pp	
Explained by the portfolio						-1.31pp	
Explained by being underweight in the remaining PSI20 stocks						-0.16pp	

Next week Portfolio

Company	Risk Rating	Market Price (€)	Price Target (€)	Upside Potential
Novabase	High	2.03	4.10	102%
Indra	High	7.68	12.40	61%
Telefónica	Medium	10.62	16.95	60%
Portugal Telecom	Medium	3.95	6.00	52%
Sonae Industria	High	0.58	0.85	48%

Changes in Portfolio

In	Out
-	-

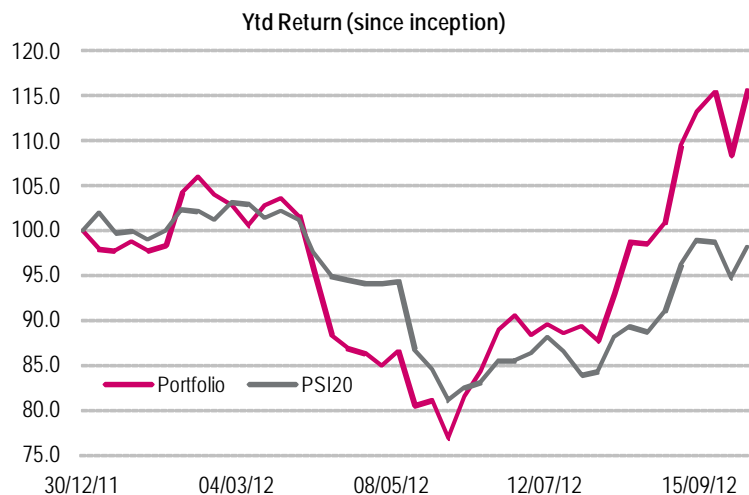
Return vs. PSI 20

	2007	2008	2009	2010	2011	YTD	1 Month	1 Week
Portfolio	-2.4%	-43.6%	71.9%	-7.30%	-36.6%	15.8%	3.9%	2.1%
PSI20	16.3%	-51.3%	33.5%	-10.30%	-27.6%	-1.9%	2.1%	3.6%
Gain/loss	-18.7pp	7.7pp	38.5pp	3.0pp	-9.0pp	17.7pp	1.8pp	-1.5pp

Source: Bloomberg; Millennium investment banking

"Mib Aggressive Portfolio" is composed by the five stocks with a higher upside potential of our coverage universe.

"Mib Aggressive Portfolio" is equal-weighted and its composition changes at the end of the last trading day of each week.



Mib LIQUIDITY PORTFOLIO

Portfolio weekly return

Company	Risk Rating	Market Price (€)	Price Target (€)	Upside Potential	Weekly Return	Performance	
						Contribution	Deviation
Indra	High	7.68	12.40	61%	1.9%	0.38pp	-0.33pp
Telefónica	Medium	10.62	16.95	60%	2.3%	0.46pp	-0.25pp
Portugal Telecom	Medium	3.95	6.00	52%	2.6%	0.53pp	-0.02pp
EDP Renováveis	Low	3.69	5.30	44%	5.9%	1.18pp	0.33pp
BES	High	0.68	0.85	24%	20.8%	4.17pp	3.46pp
Portfolio					6.71%		
PSI 20					3.55%		
Gain/loss					3.16pp		
Explained by the portfolio						-1.31pp	
Explained by being underweight in the remaining PSI20 stocks						4.46pp	

Next week Portfolio

Company	Risk Rating	Market Price (€)	Price Target (€)	Upside Potential
Indra	High	7.68	12.40	61%
Telefónica	Medium	10.62	16.95	60%
Portugal Telecom	Medium	3.95	6.00	52%
EDP Renováveis	Low	3.69	5.30	44%
Galp Energia	High	12.71	17.85	40%

Changes in Portfolio

In	Out
Galp Energia	BES

Return vs. PSI 20

	2011	YTD	1 Month	1 Week
Portfolio	-	15.5%	5.6%	6.7%
PSI20	-27.6%	-1.9%	2.1%	3.6%
Gain/loss	-	17.4pp	3.5pp	3.2pp

Source: Bloomberg; Millennium investment banking

"Mib Liquidity Portfolio" is composed by the five stocks with a higher upside potential, excluding less liquid stocks.

"Mib Liquidity Portfolio" is equal-weighted and its composition changes at the end of the last trading day of each week.

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- Millennium bcp is regulated by Comissão de Mercado de Valores Mobiliários.
- Recommendations:
Buy means more than 10% absolute return;
Neutral means between 0% and +10% absolute return;
Reduce means between -10% and 0% absolute return;
Sell means less than -10% absolute return.
- Unless otherwise specified, the time frame for price targets included in this report is current year-end or next year-end.
- Risk is defined by the analyst's view in a qualitative way (High, Medium, Low).
- Usually we update our models and price targets in between 3 and 9 months.
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- The views expressed above, accurately reflect personal views of the authors. They have not and will not receive any compensation for providing a specific recommendation or view in this report. There were not any agreements between the companies covered and the analysts regarding the recommendation.
- Analysts are paid in part based on the profitability of BCP group, which includes investment banking revenues.
- BCP group has more than 2% of EDP.
- BCP group has more than 2% of Sonaecom.
- BCP group was chosen to evaluate EDP regarding the 8th stage of the privatization process.
- BCP group was chosen to evaluate REN regarding the 2nd stage of the privatization process.
- A member of the Executive Board of Directors of Millennium bcp is member of the General and Supervisory Board of EDP - Energias de Portugal, SA.
- Banco Millennium bcp Investimento, S.A. (merged into Millennium bcp) was chosen as a joint global coordinator of the Initial Public Offering of EDP Renováveis.
- Banco Millennium bcp Investimento, S.A. (merged into Millennium bcp) was part of the consortium, as a Co-Leader, of BES rights issue, done in April 2009.
- Millennium bcp was part of the consortium, as Co-Manager, of BES rights issue completed in May 2012.
- Millenniumbcp through its investment banking department is providing investment banking services to Tagus Holdings S.a.r.l. ("Offeror" in the launch of a tender offer over Brisa - Autoestradas de Portugal, S.A. shares).
- Recommendations on Millennium bcp covered companies (%)

Recommendation	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Dec-09	Dec-08	Dec-07	Dec-06	Dec-05	Dec-04
Buy	65%	78%	72%	68%	93%	76%	79%	79%	63%	54%	41%	37%	30%	63%
Neutral	19%	4%	7%	11%	0%	14%	14%	7%	15%	4%	27%	11%	40%	6%
Reduce	4%	0%	3%	0%	0%	0%	0%	0%	7%	0%	0%	21%	5%	6%
Sell	8%	7%	3%	7%	0%	0%	4%	4%	4%	0%	14%	16%	5%	0%
Unrated/Under Revision	4%	11%	14%	14%	7%	10%	4%	11%	11%	42%	18%	16%	20%	25%
Performance	10.7%	-15%	1%	-7%	-20%	-6%	2%	-10%	33%	-51%	16%	30%	13%	na
PSI 20	5,203	4,698	5,557	5,494	5,891	7,324	7,753	7,588	8,464	6,341	13,019	11,198	8,619	7,600

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