IMPRESA

2015 Audit Committe Report

IMPRESA – SGPS, S.A.

Publicly Held Company
Share Capital Eur 84,000,000
Rua Ribeiro Sanches, 65
1200-787 LISBON
Tax Number 502 437 464
Commercial Registry Office of Lisbon

ACTIVITY REPORT
OF
THE AUDIT COMMITTEE

2015

1. Introduction

The Audit Committee elected for the 2015-2018 term of office consists of the following:

- Chairman - Dr. Alexandre de Azeredo Vaz Pinto
- Members - Prof. António Soares Pinto Barbosa
  - Dr. Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia

The majority of the members of the Audit Committee meet the compatibility criteria for the performance of their duties as established in article 414 A of the Companies Code.

The members of the Audit Committee participated in all the meetings of the Board of Directors, to which they were duly and promptly summoned, having subsequently received the minutes of the meetings, and presented, where relevant, appropriate recommendations and suggestions concerning internal audit, external audit and risk control.

During 2015, the Audit Committee held 11 meetings, dedicated to the follow-up and supervision of the management of the Company and efficacy of the internal control system.

The Audit Committee received all the minutes of the meetings of the Executive Committees of the participated companies and analysed the report of the Risk Management Office.

The efficacy of the risk management and internal control system is, in the opinion of this Committee, the main guarantor of the quality and integrity of the financial information provided by the Company, and of compliance with the applicable legal, regulatory and statutory provisions.

The Company maintains a risk management and internal control system; the Chief Executive Officer and the Executive Committees, in coordination with the Audit Committee, are responsible for its implementation, assessment and compliance. During 2015, the Audit Committee continued to supervise the quality, integrity and efficacy of the risk management and internal control system, and to monitor the improvements implemented with a view to rectifying shortcomings.

The Audit Committee reviewed and approved the work plans of the External Auditor and maintained periodic meetings to assess the work carried out and review the results, having obtained from the External Auditor:

(i) summary review reports of the consolidated financial statements as at 31 March and 30 September 2015;
(ii) simplified examination reports of the consolidated financial statements relative to the semester ended on 30 June 2015;
(iii) audit reports of the individual and consolidated financial statements relative to the financial year ended on 31 December 2015;
(iv) audit report of the consolidated annual accounts.

2. Internal Audit

Similarly to previous years, the Internal Audit Department (DAI) of the Group IMPRESA carried out its activity with a view to providing an independent and objective service, aimed at adding value and improving the operations of the Impresa Group. This Department was, however, extinguished at the end of the year, taking effect as at 01/01/2016, as a result of a significant restructuring which the Group IMPRESA considered critical, with a view to adapting its cost and operational structure to the new challenges posed by a not always favourable environment.

In the period during which it performed its duties, the Department covered, as per usual, the various segments of activity of the Group IMPRESA:

Regarding the television segment, it audited the “Safety Master Plan – Parque Holanda”.

In the publishing segment, it audited the "Free Gift and PVA Publishing Purchases", "Publishing Subscription Sales", "Customer Publishing" and "Segregation of B2B Functions" processes.

In areas afecting the whole Group, it audited the “DAF – General Controls”, "Safety Master Plan - S.F.Sales", "Function Segregation - STEP", "Vehicle Management", "Mobile Communications" and "Safety Master Plan - Matosinhos" processes.

In the 11 procedures audited in 2015, 522 internal controls were analysed, 51 recommendations were made with respect to ineffective controls and 27 recommendations with respect to effective controls.

The percentage effectiveness of all the controls carried out in 2015 was 90%, which represents an improvement on 2014 (88%).

The table below shows the efficiency of internal controls in 2015:

Internal Audit Department- Efficiency of Internal Controls							
2015 Summary	No. of controls	No. of Effective Controls	No. of Ineffective Controls	No Events to Test	Non-existent Controls	% of Effectiveness	No. of Effective Controls with Recommendations
Customer Publishing	36	33	3	0		92%	3
Purchases of Gifts and Alternative Products	31	27	3	1		90%	6
Publishing Advertising Sales	57	54	3	0		95%	2
DAF	41	41	0	0		100%	0
Segregation of B2B Functions	6	6	0	0		100%	0
Safety Master Plan – Matosinhos	74	57	8	9		88%	3
Safety Master Plan – São Francisco Sales	86	73	11	2		87%	1
Vehicle Management 2015	52	52	0	0		100%	2
Segregation of STEP Functions	22	18	4	0		82%	0
Safety Master Plan – Parque Holanda	79	53	17	9		76%	0
Mobile Communications	38	34	2	0	2	94%	10
Total	**522**	**448**	**51**	**21**	**0**	**90%**	**27**

In general, the internal audit department of the Group IMPRESA continued to have a positive opinion of the way that the performance of its duties was received by the different departments and COOs with which it worked during 2015, and how it saw its recommendations being implemented over the course of the year.

During 2015, the Internal Audit Department also played an active role in the risk management office, together with the director of studies and projects and the IT director, having contributed to the preparation of the end of year Risk Management Report of the Group IMPRESA.

Following the extinction, as referred to above, of the Internal Audit Department, the Audit Committee considered it appropriate to adjust its method of intervention accordingly in order to ensure the continuity of the quality and efficiency in carrying out the duties it has been entrusted with.

In this sense, the Committee decided to, namely, intensify contacts with the Administrative and Financial Department, concentrate and focus the assessment on processes whose nature and/or amounts involved entail higher potential risks and open up the possibility, when justified, of contracting additional internal audit services from specialised companies. This guideline was subsequently approved by the Board of Directors.

3. External Audit

3.1 Audit activity including the accounts

The Audit Committee represents the company, for all purposes, before the External Auditor and ensures that suitable conditions exist for the provision of these services. It is also the company's representative when dealing with the External Auditor, and the first recipient of the respective reports.

The Audit Committee regularly supervised the work of the External Auditor, holding regular meetings with the Statutory Auditor and its employees.

The progress achieved in the work leading up to the auditing of the accounts, the atmosphere of cooperation of the company's departments with the External Auditor, any weaknesses found in terms of the implemented internal control system and adopted accounting policies, and the material effects of the implemented accounting policies and procedures were discussed in meetings.

The recommendations for improving the internal control system presented by the External Auditor were reported by the Audit Committee to the Board of Directors.

The regular meetings held with the External Auditor enabled the Audit Committee to ensure the integrity, rigour, competence and quality of the review and audit of the accounts, as well as the reliability of the financial information published.

The External Auditor cooperated with the Audit Committee over the course of 2015 with regards to all of the issues raised. The Audit Committee was granted access to financial information on a regular basis, without any constraints. The External Auditor formally informed the Audit Committee that, during the year, its duties were conducted in conformity with compliance with its duties of independence.

In particular, compliance with the specific legal standards and accounting policies and criteria with a material impact on the accounts of IMPRESA, , including recent changes to the legal framework, were discussed with the External Auditor, which contributed to the Audit Committee being able to carry out its supervisory role under normal conditions.

In 2015, the accounting policies, criteria and procedures, among other aspects, were also discussed in relation to:

- Preparation of impairment tests of goodwill and other assets, with emphasis on the updating of the discount rate used;
- Adjustment of the policy on provisions and contingencies, specifically concerning ongoing tax proceedings and lawsuits, including reversals;
- Liquidation of the FICA Fund;
- Control of the consumption of stocks;

- Accruals basis;
- Accounting of the Pensions Fund;
- Control of the accounts receivable;
- Evolution of debt;
- Valuation of real estate properties.

3.2 Fees for Statutory Audit and Other work undertaken by the auditor

Whenever applicable, the Audit Committee was requested to assess and issue its approval, duly registered in minutes, relative to the hiring of the External Auditor for the provision of services not included under statutory audit services, with a view to ensuring that the independence of the auditor was not compromised. The assessment takes into consideration, namely, the reasonableness of the proposed prices and level of knowledge of the activity sector.

In 2015, the total services provided by the External Auditor/Statutory Auditor amounted to 339,440 euros, of which 315,200 euros corresponded to legal auditing of the accounts, 2,300 euros to reliability assurance required by banks, of contractual obligations (ratios) stipulated in financing contracts, and 21,940 euros to other services, primarily related to consulting in the tax area.

In 2015, the Audit Committee also authorised the provision of services, of the value of 26,667 euros, to be rendered during 2016, concerning a study involving the measurement of television audiences.

3.3 Business carried out between the company and owners of qualifying holdings or entities which are related to it in any way

For the purposes of prior appraisal of any business to be conducted between the company and owners of qualifying holdings or entities which are related to it in any way, the Audit Committee defined that transactions representing more than 1% of the consolidated variable costs of the Group for the year prior to that to which the business refers, are considered to be of significant relevance.

In 2015, the following were subject to the prior intervention of the Audit Committee.

- The conclusion of a contract for acquisition of television production services, of the value of 22,176,000 euros.
- The conclusion of contracts for the acquisition of IT services and equipment of the value of 346,000,000 euros.

All the assessment requests, which received a favourable opinion, were accompanied by suitable justification.

3.4 Specific opinion on the auditor's conditions of independence

Throughout 2015, the Audit Committee appraised the activity of the External Auditor, regularly following-up and assessing the performance of its duties and its independence, and concluded that there were no situations involving conflicts of interest and that the statutory audit activity was satisfactory.

The assessment of the external auditors was also discussed at the meetings of the Audit Committee, with no reason having been found, so far, for their dismissal and consequent replacement.

Lisbon, February 25^{th}, 2016

The Audit Committee,

Alexandre de Azeredo Vaz Pinto

António Soares Pinto Barbosa

Maria Luísa Anacoreta Correia

ADDITION TO THE ACTIVITY REPORT
OF
THE AUDIT COMMITTEE

2015

In addition to the Activity Report of the Audit Committee, related to the financial year of 2015, and pursuant to Article 423 f) subparagraph g, of the Commercial Company Code, the Audit Committee issue an favorable opinion to the Annual Report of the year 2015 and to the Board of Directors proposal of the net profit appropriation.

Lisbon, April 5th, 2016

The Audit Committee,

Alexandre de Azeredo Vaz Pinto

António Soares Pinto Barbosa

Maria Luísa Anacoreta Correia