

**COFINA, S.G.P.S., S.A.
(PUBLIC COMPANY)**

**DIRECTORS'
REPORT**

December 31, 2011

INDEX

INTRODUCTION.....	2
MACROECONOMIC BACKGROUND.....	3
STOCK EXCHANGE EVOLUTION.....	4
GROUP'S ACTIVITY.....	6
FINANCIAL REVIEW	7
ACTIVITY DEVELOPED BY THE NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS.....	10
2012 OUTLOOK	11
PROPOSAL OF THE BOARD OF DIRECTORS FOR APPROPRIATION OF THE NON CONSOLIDATED NET PROFIT FOR THE YEAR AND RESERVES DISTRIBUTION	12
CORPORATE GOVERNANCE.....	13
LEGAL MATTERS.....	47
DECLARATION OF RESPONSIBILITY	49
FINAL CONSIDERATIONS.....	49
APPENDIX I.....	50

To the Shareholders

Pursuant to the legal requirements, the Board of Directors of Cofina, S.G.P.S., S.A. (Open Capital Company) hereby presents its Director's Report for the year 2011. According to number 6 of article 508 - C of the Companies Code, the Board of Directors decided to submit a single Board of Directors' Report, fulfilling all legal requirements.

INTRODUCTION

The year 2011, with particular emphasis in the second semester, was characterized by a strong contraction in economic activity, particularly in segments dependent on private consumption. In this context, advertising investment recorded significant falls, with advertisers delaying and strongly reducing their investment decisions. However, control and cost rationalization measures that have been adopted by Cofina in recent years have enabled smoothing the effect of sales decrease in the Group's operating performance.

MACROECONOMIC BACKGROUND

As the year 2011 progressed, the perspectives for the world economy, and with particular emphasis on mature economic areas, have become increasingly adverse. The main cause continues to focus on high debt level of these economies, public and private, resulting in external deficits with levels historically not reached.

In the European Union, the GDP growth in 2011 was about 1.6%, slightly lower than 1.9% of growth recorded in 2010. During the year 2011, the growing fear of the European debt crisis had a significant negative impact on the stock markets' performance and in the debt pricing.

The International Monetary Fund (IMF) forecasts a growth of 3.3% in world GDP in 2012, including a recession scenario for the Euro Area (0.5% decline in GDP), reflecting the impact in the real economy of the measures adopted to overcome the sovereign debt crisis and to deleverage most of the European economies. In a political and economic scenario characterized by uncertainty and volatility, investors have been demanding higher risk premiums, thus maintaining the pressure towards higher funding spreads and falling stock market indices. In the Euro Area, inflation should remain at low levels during 2012 (about 1.5% according to IMF projections) and unemployment should be around 10% (according to the same source).

The implementation of the economic adjustment program by the Portuguese government was the main factor influencing the performance of the Portuguese economy in 2011, with amplified effects in subsequent years. The economic adjustment program includes fiscal and financial measures and structural measures aiming to restore confidence in financial markets and rectify the structural deficit that has characterized the Portuguese economy in recent years. The extent of these measures and its implementation calendar will put significant pressure on disposable income, with the inevitable losses in the level of private consumption and investment.

The most recent estimates of the Portuguese Central Bank (Banco de Portugal) forecast, in the winter economic bulletin, a real fall in GDP of 3.1% in 2012, affected by the decrease of 6% in the private consumption, by 2.9% fall in public consumption and 12.8% on investment. For 2013, the same entity points to a marginal growth of 0.3% of GDP, while stressing the various risks underlying the forecast, mostly in the downward direction.

The Portuguese advertising market recorded a new contraction, which affected all media, similar to what has happened in recent years, and following the trend in general economic environment in 2011.

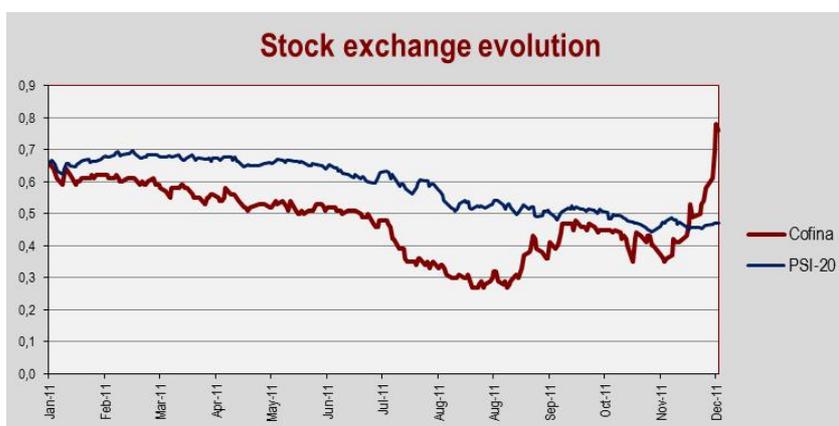
Considering the advertising agencies market and before *rappel*, the decrease of about 12% for the entire market during the year 2011 - far more pronounced, it is noted, than in the previous year, which was around 2.5 % - was again particularly penalizing for the press segment, which fell about 20%, with similar percentages break for the daily and non daily press.

Despite the successive breakdown that has been observed in advertising investment market in the past years, it is not expected that 2012 might be a year of recovery, although it is expected that the variation might record a lower magnitude than that recorded in 2011. Even so, the unfavorable economic environment expected for next year, presents risks that could aggravate market conditions and, as such, the companies' advertising investment.

STOCK EXCHANGE EVOLUTION

(Note: in order to enable a better comparison of the stock fluctuations, the PSI 20 index has been considered as being equal in value to the opening price of Cofina shares)

The national stock exchange closed the year 2011 losing 28% towards 2010. The start of 2011 in the markets, anticipated a year with promising results, when the PSI-20 index recorded a maximum, early in February. But the final values show that the year was not good for investors, with the main index of NYSE Euronext Lisbon closing negative when comparing with the past year, that had already been negative compared to 2009.

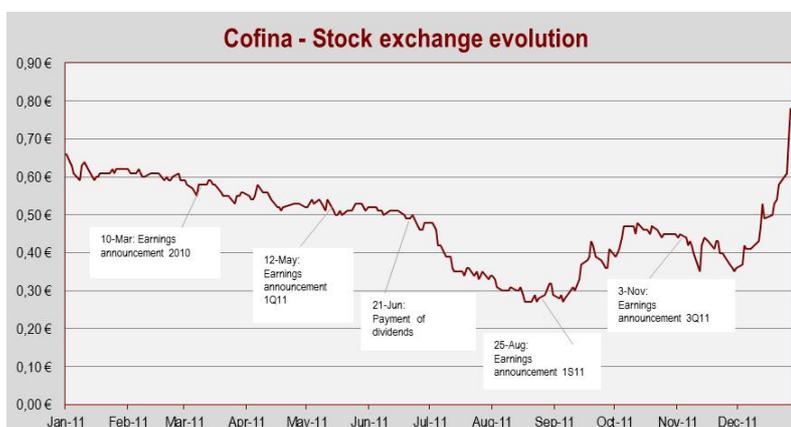


Cofina's share price evolution was consistent with the evolution of PSI 20 throughout the year, ending the year with a price of 0.76 Euro per share, when it had begun the year of 2011 with a price of 0.69 Euro per Share.

During 2011, Cofina's shares were traded at a maximum price of 0.78 Euro per share in December, 29 and at a minimum of 0.27 Euro per share in September, 7. In total, 14,708,638 Cofina shares were traded in 2011, which corresponds to 14.3% of the shares issued.

Cofina's stock price evolution

The main events that distinguished the stock price evolution of Cofina's shares during 2011 may be described chronologically as follows:



DIRECTORS' REPORT 2011

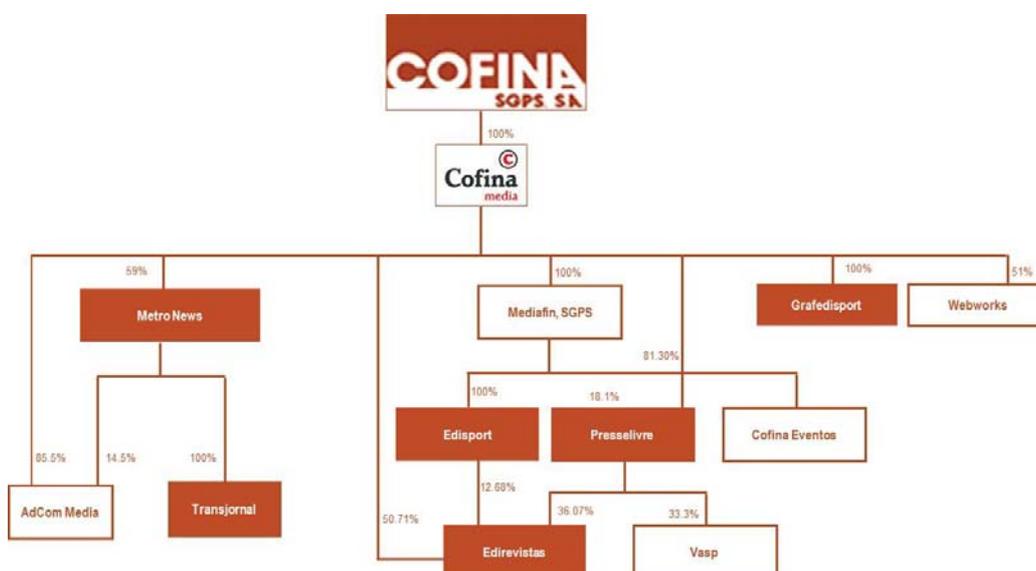
- In the announcement regarding the Group's performance in the financial year 2010, released in 10 March 2011, Cofina reported a consolidated net income of 5 million Euro. Operating income increased 1.7%, reaching 136 million Euro and EBITDA (earnings before interest, taxes, depreciation and amortization) increased 8% when compared to 2009. As of this date, Cofina shares closed the day with a price of 0.58 Euro per share.
- In the announcement regarding the financial statements of the first quarter of 2011, released in 12 May, Cofina SGPS, S.A. presented operating revenues of 29.5 million Euro. EBITDA recorded a decreased of 7.9% over the first quarter of 2010 and net income of 4.8 million Euro. As of this date, Cofina shares closed the day with a price of 0.51 Euro per share.
- In the announcement made in 27 May, Cofina informed the market about the deliberations of the General Meeting of 26 May 2011. On this meeting, amongst other decisions, the proposal for the distribution of dividends was approved, corresponding to 0.01 Euro per share, to be paid as from 21 June. On that date, the shares closed the day with a price of 0.53 Euro per share.
- In the announcement of the financial statements of the first half year of 2011, made in 25 August, Cofina SGPS, S.A. announced a net income of 4.4 million Euro. The operating income reaching 62.2 million Euro and EBITDA recorded 9.1 million Euro. On that date, the shares closed the day with a price of 0.27 Euro per share.
- In the announcement of the financial statements of the third quarter of 2011, made in 3 November, Cofina SGPS, S.A. announced a net income of 5.4 million Euro and an EBITDA of 14.4 million Euro. Despite the contraction of total revenues, it should be noted the growth, even slight, of circulation revenues, which grew 0.1% over the same period of 2010. On that date, the shares closed the day with a price of 0.44 Euro per share.

GROUP'S ACTIVITY

Cofina Group's activity is mainly focused in the media and content industry.

The key company in this business area is Cofina Media, S.G.P.S., S.A., owner of the leading publications in each respective segment. In the Group's publications portfolio, "Correio da Manhã", daily sports newspaper "Record", daily newspaper of economy segment "Jornal de Negócios", gratuitous newspapers "Destak" and "Metro", weekly newsmagazine "Sábado" stand out, as well as other publications, such as "Máxima"; "Tv Guia", "Flash!", "Vogue" and "GQ".

Therefore, Cofina Group's complete structure of participations as of 31 December 2011 is as follows:



The year of 2011 was also characterized by a very difficult macroeconomic environment, which had consequences regarding the internal demand. Still, Cofina managed to keep, and in some cases, reinforce its market leadership in its main media products.

According to the data provided by APCT for 2011, "Correio da Manhã" is the most sold newspaper in Portugal, with an average of more than 125 thousand copies sold daily. According to the data provided by this certifying entity, "Correio da Manhã" has a market share of 43.8% (regarding the daily paid generic newspapers segment). It should be noticed that in 2010, "Correio da Manhã" had a market share of 41.9% and that, in 2011, despite the adverse market conditions, the newspaper reinforced its leadership.

DIRECTORS' REPORT 2011

FINANCIAL REVIEW

The consolidated financial information of Cofina for the year 2011 was prepared in accordance with the recognition and measurement principles defined by the International Financial Reporting Standards as adopted by the European Union, and may be summarized as follows:

(amounts in thousand Euro)	2011	2010	Var (%) 2011/2010
Consolidated operating Revenue	126,677	136,314	-7.1%
Circulation	64,682	65,029	-0.5%
Advertising	49,774	54,947	-9.4%
Alternative marketing products and others	12,221	16,338	-25.2%
Consolidated EBITDA (b)	19,751	23,108	-14.5%
EBITDA margin	15.6%	17.0%	- 1.4 p.p.
EBIT	16,388	19,489	-15.9%
EBIT Margin	12.9%	14.3%	- 1.4 pp
Net consolidated profit / (loss) (b)	4,812	5,018	-4.1%

(a) EBITDA = Earnings before interest, taxes, depreciation and amortisation
 (b) Net Profit/ (Loss) attributable to the parent company shareholders

Consolidated operating revenue reached approximately 126.7 million Euro, corresponding to a decrease of about 7% over the same period last year. This decrease was motivated by lower advertising revenues (-9.4%), circulation revenues (-0.5%) and alternative marketing products (-25%).

As of 31 December 2011, Cofina's nominal net debt reached 79.8 million Euro, which corresponds to a decrease of 9.8 million Euro compared to the reported net debt at the end of the previous year.

In a more detailed view, the key indicators regarding the consolidated income statement of Cofina Group are as follows:

(amounts in thousand Euro)	2011	2010	Var (%) 2011/2010
Consolidated operating revenue	126,677	136,314	-7.1%
Circulation	64,682	65,029	-0.5%
Advertising	49,774	54,947	-9.4%
Alternative marketing products and others	12,221	16,338	-25.2%
Operating income by segments	126,677	136,314	-7.1%
New spapers	96,681	101,485	-4.7%
Magazines	29,996	34,829	-13.9%
Operating Expenses (a)	106,926	113,206	-5.5%
Impairment	1,050	0	-
Consolidated EBITDA (b)	19,751	23,108	-14.5%
EBITDA margin	15.6%	17.0%	- 1.4 p.p.
New spapers	19,724	22,604	-12.7%
New spapers EBITDA margin	20.4%	22.3%	- 1.9 p.p.
Magazines	27	504	-
Magazines EBITDA margin	0.1%	1.4%	- 1.4 p.p.
Amortisation and depreciation (-)	3,363	3,619	-7.1%
EBIT	16,388	19,489	-15.9%
EBIT Margin	12.9%	14.3%	- 1.4 pp
Net financial income / (loss)	(3,021)	(16,377)	-
Income before taxes and minority interests	13,367	3,112	-
Income taxes (-)	8,417	(2,138)	-
Minority Interests (-)	138	232	-40.5%
Net consolidated profit / (loss) (c)	4,812	5,018	-4.1%

(a) Operating expenses excluding amortisation
 (a) EBITDA = Earnings before interest, taxes, depreciation and amortisation
 (c) Net Profit/ (Loss) attributable to the parent company shareholders

DIRECTORS' REPORT 2011

The EBITDA in 2011 was approximately 19.8 million Euro, which corresponds to a decrease of 14.5% year on year. The EBITDA margin reached 15.6%. In absolute values, revenues decreased approximately 9.6 million Euro between 2010 and 2011, while EBITDA declined by about 3.4 million Euro.

The control and cost rationalization measures that have been adopted by Cofina allowed, at the EBITDA level, to accommodate most of the decreases in revenues.

During the year 2011 an impairment loss on goodwill totaling 1.05 million Euro was recorded, which allowed adapting the valuation of the portfolio of Cofina to the current macroeconomic environment and current expectations.

Consolidated net income reached 4.8 million Euro at year-end 2011, which represents a decrease of about 4.1% over the profit in the previous year.

Newspapers:

(amounts in thousand Euro)	2011	2010	Var (%) 2011/2010
Consolidated operating revenue	96,681	101,485	-4.7%
Circulation	48,890	48,305	1.2%
Advertising	38,177	41,006	-6.9%
Alternative marketing products and others	9,614	12,174	-21.0%
Operating expenses (a)	76,957	78,881	-2.4%
Impairment costs	850	-	-
Consolidated EBITDA (b)	19,724	22,604	-12.7%
EBITDA margin	20.4%	22.3%	-1.9 p.p.

(a) Operating expenses excluding amortisation

(b) EBITDA = earnings before interest, taxes, amortisation and depreciation

Cofina newspapers segment presented in 2011 total revenues of 97 million Euro, a decrease of 4.7% when compared with 2010. Advertising revenues presented a year-on-year decrease above 6%, while the alternative marketing products recorded a decrease of about 21%.

Circulating income increased 1.2%, reaching approximately 48.9 million Euro.

In terms of costs, an impairment loss on goodwill in the amount of 850 thousand Euro was recorded.

In this segment, EBITDA reached approximately 19.7 million Euro, which represents a decrease of 12.7%. In absolute terms, the revenues decreased about 4.8 million Euro, while EBITDA contracted around 1.9 million Euro. The EBITDA margin reached 20.4% (vs. 22.3% in 2010).

DIRECTORS' REPORT 2011

Regarding the portfolio of this segment, emphasis should be made to the performance of the generalist daily newspaper "Correio da Manhã", which during 2011, and according to the data from APCT ("Associação Portuguesa de Controlo de Tiragens"), recorded an average daily paid circulation above 125 thousand newspapers. "Correio da Manhã" has strengthened its leadership, reaching a market share of 43.8%.



Magazines:

(amounts in thousand Euro)	2011	2010	Var (%) 2011/2010
Consolidated operating revenue	29,996	34,829	-13.9%
Circulation	15,792	16,724	-5.6%
Advertising	11,597	13,941	-16.8%
Alternative marketing products and others	2,607	4,164	-37.4%
Operating expenses (a)	29,969	34,325	-12.7%
Impairment costs	200	-	-
Consolidated EBITDA (b)	27	504	-94.6%
EBITDA margin	0.1%	1.4%	-1.4 p.p.

(a) Operating expenses excluding amortisation

(b) EBITDA = earnings before interest, taxes, amortisation and depreciation

On an annual basis, magazines segment revenues decreased approximately 14%, to 30 million Euros. EBITDA reached the breakeven, although the recorded value is affected by the recording for an impairment loss on goodwill of 200 thousand Euro.

Circulation revenues fell by 5.6%, reaching 15.8 million Euros; advertising and alternative marketing products revenues' recorded declines of 16.8% and 37.4%, respectively, when compared with 2010.

As a result of the cost reduction strategy that has been implemented, operating costs reduced 13% towards 2010.

ACTIVITY DEVELOPED BY THE NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

During 2011, the non-executive directors of the Company have developed regularly and effectively the functions that they are legally entitled to and which consist in monitoring and evaluating the activities of the executive members.

During 2011, the non-executive directors regularly and actively attended the Board of Directors meetings, discussing the matters under consideration and expressing their respective opinions on the Group's strategic guidelines and specific business areas. Whenever necessary, they maintained a close contact with the directors of the Group's operating and financial units. In the year 2011, and during the Board of Directors' meetings, the executive members provided all the information required by the remaining members of the Board of Directors.

2012 OUTLOOK

The projected expectations of contraction in domestic demand leave few doubts towards a negative trend in the advertising market. The key issue is related with its dimension.

It is anticipated that the year 2012 is characterized by a strong macroeconomic contraction, with particular impact on private consumption. Therefore, a strong decrease in advertising investment is expected. A decline in circulation revenues is also expected. Cofina's publications, and their revenue, will be affected by this crisis scenario.

However, the Group continues to develop measures to minimize the negative impact of lower revenues, through improvement and rationalization costs policies'. These measures will make the Cofina Group more agile and competitive.

It is expected that, during the year 2012, the deepest point of the economic crisis in Portugal will be reached. Finally, it's important to stress that the uncertainties at the macroeconomic level, as well as some structural changes that the media industry is going through, make any projection more difficult.

PROPOSAL OF THE BOARD OF DIRECTORS FOR APPROPRIATION OF THE NON CONSOLIDATED NET PROFIT FOR THE YEAR AND RESERVES DISTRIBUTION

Cofina, S.G.P.S., S.A., as holding company of the Group, recorded in its individual financial statements, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, a net loss of 16,644,304.49 Euro, for which, in accordance with the applicable legislation and the Company's articles of association, the Board of Directors proposes to the Shareholders General Meeting its transfer to the caption "Retained earnings".

The Board of Directors proposes, as well, the distribution of free reserves in the amount of 1,025,658.36 Euro, by means of dividends, which corresponds to a dividend of 0.01 Euro per share.

CORPORATE GOVERNANCE

0. Statement of compliance

0.1. Location where the public may find the Corporate Governance Codes to which the issuer is subject

This report was prepared in accordance with the CMVM Regulation no. 1 / 2010, of 7 January 2010 and the Code of Corporate Governance (Código do Governo das Sociedades), available at www.cmvm.pt, and aims to be the summary of the fundamental aspects of the management of the Company as regards the Board of Directors, considering the need for transparency on this issue and the need for communication with investors and stakeholders. The reporting format adopted by the Company is laid down in article 2 and in Appendix I of that Regulation.

Also fulfilled are the duties of disclosure required by Law 28/2009, of 19 June, articles 447 and 448 of the Commercial Companies' Code (Código das Sociedades Comerciais) and the CMVM Regulation No. 5/2008, of 2 October 2008.

0.2. Detailed list of recommendations that have or have not been adopted by Cofina, SGPS, S.A., which are set out in the CMVM Corporate Governance Code.

Cofina, S.G.P.S., S.A. complies with the majority of the recommendations of the Securities Market Commission (Comissão de Mercado de Valores Mobiliários – CMVM) as follows:

CMVM recommendations	Complies	Report
I. GENERAL MEETINGS		
I.1 GENERAL MEETING BOARD		
I.1.1. The Chairman of the Board of the Shareholders' General Meeting shall be given adequate human and logistical resources, taking into consideration the financial position of the Company.	Complies	I.1
I.1.2. The remuneration of the Chairman of the Board of the Shareholders' General Meeting shall be disclosed in the annual Corporate Governance Report.	Complies	I.3
I.2. PARTICIPATION AT THE MEETING		
I.2.1 The time period required for share deposit or blocking declarations for attendance at the general meeting to be received by the board of the shareholders' general meeting shall not exceed 5 working days.	Not applicable	I.4
I.2.2 Should the Shareholders' General Meeting be suspended, the Company shall not require share blocking during the full period until the meeting is resumed, but shall apply the same period as for the first session.	Not applicable	I.5
I.3. VOTING AND EXERCISING VOTING RIGHTS		
I.3.1 Companies should not impose any statutory restriction on postal voting and whenever adopted or admissible, on electronic voting.	Complies	I.9 e I.12
I.3.2 The statutory advance deadline for receiving voting ballots by post shall not exceed three working days.	Complies	I.11
I.3.3 Companies shall ensure that voting rights and shareholder's attendance are proportional, ideally through the statutory provision that obliges the one share-one vote principal. Companies that: i) hold shares that do not confer voting rights; ii) establish that voting rights will not be taken into account above a certain number, when issued by a single shareholder or by shareholders related to him/her, do not comply with the proportionality principle.	Complies	I.6 e I.7
I.4. RESOLUTION FIXING QUORUM		
Companies shall not set a resolution-fixing quorum that is greater than that required by law.	Complies	I.8
I.5. MINUTES AND INFORMATION ON RESOLUTIONS ADOPTED		
Extracts from the minutes of the general meetings or documents with an equivalent content must be made available to shareholders on the company's website within a five day period after the General Meeting has been held, irrespective of the fact that such information may not be classified as material information. The information disclosed shall include the resolutions passed, the capital represented and the results of voting. Said information shall be kept on file on the company's website for no less than a 3 year period.	Complies	I.13 e I.14
I.6. MEASURES RELATING TO CHANGES IN COMPANY CONTROL		
I.6.1 Measures aimed at preventing the success of takeover bids, shall respect the interests of both the company and its shareholders. In accordance with this principle, any company that has Articles of Association with clauses that restrict or limit the number of votes that may be held or exercised by a single shareholder, either individually or acting in concert with other shareholders, shall also require that, at least once every five years, the continuation of such clauses must be ratified at a shareholders' general meeting, at which the quorum shall not exceed the legal minimum and all votes cast shall count, without applying any restriction.	Complies	I.19 e I.21
I.6.2. Defensive measures that automatically lead to serious erosion in the value of the Company's assets, when there has been a change in control or a change in the composition of the Board management, should not be adopted, as this prevents the free transmission of shares and the ability of shareholders to freely assess the performance of those responsible for managing the Company.	Complies	I.20

DIRECTORS' REPORT 2011

CMVM recommendations	Complies	Report
II. MANAGEMENT AND AUDIT BOARDS		
II.1. GENERAL POINTS		
II.1.1. STRUCTURE AND DUTIES		
II.1.1.1 The Board of Directors in its Corporate Governance Report shall assess the governance model adopted by the Company, by identifying any restrictions that are holding back performance and by proposing actions to be taken that are judged to be appropriate to resolve them.	Complies	II.1
II.1.1.2 The company shall set up internal control and risk management systems to protect its assets and maintain the transparency of its corporate governance, which will allow risks to be identified and managed. These systems should include as a minimum the following: i) establishment of the company's strategic objectives relating to risk taking; ii) identification of the main risks related to its business and events that may be the source of risks; iii) the analysis and measurement of the impact and probability of the occurrence of each of the potential risks; iv) risk management, the goal of which is to align risks incurred with the company's strategic choice of direction in dealing with these risks; v) mechanisms for controlling the execution of the risk management measures taken and their effectiveness; vi) implementing internal mechanisms to provide information about the various components of the system and give warning of risks; vii) periodic assessment of the system implemented and the necessary changes introduced.	Fails	0.4, II.5 e II.9
II.1.1.3 The board of directors shall ensure the set up and proper functioning of the internal control and risk management systems. The supervisory board shall be responsible for assessing the functioning of said systems and proposing any relevant changes in accordance with the company's requirements.	Complies	II.6
II.1.1.4 The companies shall: i) identify the main economic, financial and legal risk that the company is exposed to during the exercise of its activity; ii) describe the performance and efficiency of the risk management system, in its annual report on corporate governance.	Complies	II.5 e II.9
II.1.1.5 The board of directors and the supervisory board shall have internal operating regulations which must be disclosed on the company's website.	Complies	II.7
II.1.2. INCOMPATIBILITY AND INDEPENDENCE		
II.1.2.1 The board of directors shall include a sufficient number of non-executive members to ensure that there is effective supervision, auditing and assessment of the activities of the members of the executive board.	Complies	II.14
II.1.2.2 Non-executive members shall include an adequate number of independent members, taking into account the size of the company and its shareholder structure, but this shall never be less than one quarter of the total number of board members.	Fails	0.4 e II.14
II.1.2.3 The assessment carried out by the board of directors of the independence of non-executive members shall take into account the legal and regulatory rules in force concerning independence requirements and the system of dealing with conflicts of interest applicable to members of other statutory entities, in order to ensure timely and consistent application of independence criteria across the entire company. An independent executive member shall not be considered as such, if, on another statutory entity and because of the rules applying to it, he/she is not considered to be independent.	Fails	0.4 e II.15
II.1.3. ELIGIBILITY CRITERIA FOR APPOINTMENT		
II.1.3.1 Depending on the governance model adopted, the chairman of the statutory audit board, or of the board audit committee or of the financial matters committee shall be independent and possess the necessary skills to perform his/her duties.	Complies	II.21 e II.22
II.1.3.2 The process for selecting candidates as non-executive members shall be designed to prevent interference by executive members.	Fails	0.4 e II.16
II.1.4. POLICY ON THE REPORTING OF IRREGULARITIES		
II.1.4.1 The company shall adopt a policy on reporting irregularities that allegedly occurred within the company, which includes the following: i) the means through which such irregularities may be reported internally, including the persons who are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should this be requested by the reporter.	Fails	0.4 e II.35
II.1.4.2 General guidelines from this policy should be disclosed in the Corporate Governance Report.	Fails	0.4 e II.35

DIRECTORS' REPORT 2011

CMVM recommendations	Complies	Report
II.1.5. REMUNERATION		
II.1.5.1 The remuneration of the members of the board of directors shall be structured so that their interests can be aligned with the long term interests of the company. Furthermore, the remuneration shall be based on performance assessment and shall discourage excessive risk taking. Remuneration should thus be structured as follows: i) The remuneration of the board of directors carrying out executive duties shall include a variable element which is determined by a performance assessment carried out by competent bodies of the company, according to pre-established and quantifiable criteria. These criteria shall take into consideration the company's real growth and the actual return generated for shareholders, its long-term sustainability and the risks taken on, as well as compliance with the rules applicable to the company's business. ii) The variable component of the remuneration shall be reasonable overall in relation to the fixed remuneration component and maximum limits shall be set for all components. iii) A significant part of the variable remuneration shall be deferred for a period not less than three years and its payment shall depend of the company's continued positive performance during said period. iv) Members of the Board of Directors shall not enter into contracts with the company or third parties that will have the effect of mitigating the risk inherent in the variability of the remuneration established by the company. v) Until the end of their mandates, executive directors shall hold company shares that have been allotted to them by virtue of variable remuneration schemes up to a maximum value of twice their total annual remuneration, with the exception of those shares that are required to be sold for the payment of taxes on the gains made on said shares; vi) When the variable remuneration includes stock options, the period for exercising same shall be deferred for a period of not less than three years; vii) The appropriate legal framework shall be established so that in the event of a director's dismissal without due cause, the established compensation shall not be paid out, if the dismissal or termination by agreement is due to his/hers unsatisfactory performance; viii) The remuneration of non-executive board members shall not include any component the value of which depends on the performance or the value of the company.	FAILS	0.4, II.30, II.32 e II.33
II.1.5.2 A statement on the remuneration policy of the board of directors and supervisory board referred to in article 2 of law no. 28/2009 of 19 June, shall contain, in addition to the content therein stated, adequate information on: i) which groups of companies the remuneration policy and practices of which were taken as a baseline for setting the remuneration ii) the payments for the dismissal or termination of directors by mutual agreement.	Complies	II.30
II.1.5.3 The remuneration policy statement referred to in Article 2 of Law No. 28/2009 shall also include the remuneration of directors, which contains a significant variable component, within the meaning of Article 248-B/3 of the Securities Code. The statement shall be detailed and the policy presented shall in particular take into account the long-term performance of the company, compliance with the rules applicable to its business and restraint in taking risks.	Complies	II.29
II.1.5.4 A proposal must be submitted to the shareholders' general meeting to approve plans to grant shares and/or share options or award compensation based on variations in share prices to members of the management and audit boards, as well as to other persons discharging managerial responsibilities ("dirigentes") as defined in Article 248 B, paragraph 3 of the Portuguese Securities Code. The proposal shall include all information necessary for a comprehensive assessment of the plan. The proposal shall be presented together with the rules that govern the plan or if these have not yet been prepared, the general conditions that will be applied. In the same way, the main features of any retirement benefit plan that benefits the board of directors and supervisory board, as well as other persons discharging managerial responsibilities ("dirigentes") as defined in Article 248 B, sub-paragraph 3 of the Portuguese Securities Code, shall also be approved at the shareholders' general meeting.	Not applicable	I.17, II.33 e II.10
II.1.5.6 At least one representative of the shareholders' remuneration committee must be present at the shareholders' annual general meeting.	Complies	I.15
II.1.5.7 The amount of remuneration received, as a whole and individually, in other companies of the group and the pension rights accrued during the financial year in question shall be disclosed in the Annual Report on Corporate Governance	Complies	II.31
II.2. BOARD OF DIRECTORS		
II.2.1 In accordance with the limits established by the Portuguese Companies Act for each board and supervisory entity, and unless the company is of sufficiently small size, the board of directors shall delegate the day-to-day running of the company, and the delegated powers and terms of this delegation should be set out in the corporate governance report.	FAILS	0.4 e II.3
II.2.2 The board of directors shall ensure that the company acts in accordance with its stated objectives, and should not delegate its own responsibilities, including: i) definition of the company's strategy and general policies; ii) definition of the corporate structure of the group; iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.	Complies	II.3
II.2.3 Should the chairman of the board of directors have an executive role, the board of directors shall set up efficient mechanisms to coordinate the work of non-executive members, to ensure that they take decisions in an independent and informed manner, and shall also explain these mechanisms to the shareholders in the corporate governance report.	Complies	II.8

DIRECTORS' REPORT 2011

CMVM recommendations	Complies	Report
II.2.4 The annual management report shall include a description of the activities carried out by non-executive board members and shall, in particular, report any restrictions that they have encountered.	Complies	II.17
II.2.5. The company should explain its policy of portfolio rotation on the board of directors, in particular the person responsible for financial matters, and report on same in the annual corporate governance report.	Fails	0.4 e II.11
II.3. CHIEF EXECUTIVE OFFICER ('CEO'), EXECUTIVE COMMITTEE AND EXECUTIVE BOARD OF DIRECTORS		
II.3.1 When Directors, who carry out executive duties are requested by other Board members to supply information, they shall provide answers in a timely manner with information that adequately responds to the request made.	Complies	II.8 e II.13
II.3.2 The chairman of the executive committee shall send notices convening meetings and minutes of the respective meetings to the chairman of the board of the directors and, when applicable, to the chairman of the statutory audit board or the audit committee.	Not applicable	Not applicable because the Company hasn't executive committee.
II.3.3 The chairman of the executive board of directors shall send the notices convening meetings and minutes of the respective meetings to the chairman of the general and supervisory board and to the chairman of the financial matters committee.	Not applicable	Not applicable because the Company has adopted the reinforced latin model.
II.4. GENERAL AND SUPERVISORY BOARD, FINANCIAL MATTERS COMMITTEE, AUDIT COMMITTEE AND STATUTORY AUDIT BOARD		
II.4.1 In addition to fulfilling its audit role, the general and supervisory board shall perform an advisory role, as well as monitor and continually assess the management of the company by the executive board of directors. among the other matters on which the general and supervisory board should give their opinion, are the following: i) definition of the strategy and general policies of the company; ii) the corporate structure of the group; and iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.	Not applicable	Not applicable because the Company hasn't general and supervisory board.
II.4.2 The annual reports on the activity of the general and supervisory board, the financial matters committee, the audit committee and the statutory audit board shall be disclosed on the company's website together with the financial statements.	Complies	II.4
II.4.3 The annual reports on the activity of the general and supervisory board, the financial matters committee, the audit committee and the statutory audit board shall include a description of the supervisory and audit work completed and shall, in particular, report any restrictions that they encountered.	Complies	II.4
II.4.4 The general and supervisory board, the audit committee or the statutory audit board (depending on the governance model adopted) shall represent the company, for all purposes, in dealings with the external auditor. This shall include proposing who will provide this service, their respective remuneration, ensuring that the company provides adequate conditions to allow them to provide their services, acting as the point of contact with the company and being the first recipient of their reports.	Complies	II.4
II.4.5 The general and supervisory board, the audit committee or the statutory audit board (depending on the governance model adopted), shall assess the external auditor on an annual basis and propose to the shareholders' general meeting that the external auditor should be discharged, should justifiable grounds exist.	Complies	II.24
II.4.6 The internal audit services and those that ensure compliance with the rules applicable to the company (compliance services) should functionally report to the audit committee, the general and supervisory board or in the case of companies adopting the latin model, to an independent director or to the supervisory board, regardless of the hierarchical relationship that these services have with the executive management of the company.	Fails	0.4 e II.5
II.5. SPECIALISED COMMITTEES		
II.5.1 Unless the company is restricted by its size, the board of directors and the general and supervisory board, depending on the governance model adopted, shall set up the necessary committees in order to: i) ensure that a robust and independent assessment of the performance of the executive directors is carried out, as well as of its own overall performance and including the performance of all existing committees; ii) consider the governance system adopted and assess its efficiency and propose to the respective bodies, measures to be implemented to make improvements; iii) and identify in a timely manner potential candidates with the high level profile necessary to carry out the duties of a board director.	Complies	II.36
II.5.2 Members of the Remuneration Committee or alike shall be independent from the Members of the Board of Directors and include at least one member with knowledge and experience in matters of remuneration policy.	Complies	II.38 e II.39
II.5.3. Any person or company which provides or has provided over the last three years services to any organization reporting to the board of directors, to the board of directors itself or which has a relationship currently existing with the consultant to the company, shall not be recruited to assist the remuneration committee. This recommendation also applies to any person or company who is connected to the company through an employment contract or as a provider of services.	Complies	II.39
II.5.4 All Committees shall draw up minutes of the meetings held.	Complies	II.37

DIRECTORS' REPORT 2011

CMVM recommendations	Complies	Report
III. INFORMATION AND AUDITING		
III.1. GENERAL DISCLOSURE REQUIREMENTS		
III.1.1 companies shall ensure that permanent contact is maintained with the market, upholding the principle of equal treatment for all shareholders and avoiding any asymmetry in the access to information by investors. to achieve this, the company shall set up an investor relations office.	Complies	III.16
III.1.2 The following information disclosed on the company's internet website, shall be available in english: a) the company's name, its listed company status, the registered office and the remaining information set out in article 171 of Portuguese Companies Act; b) articles of association; c) identification of the members of the statutory governing bodies and of the representative for relations with the market; d) investor relations office — its functions and contact details; e) financial statements; f) half-yearly calendar of company events; g) proposals presented to shareholders' general meetings; h) notices convening shareholders' general meetings.	Complies	III.16
III.1.3. Companies shall rotate auditors after two or three mandates of four or three years respectively. If they are to continue beyond this period, the reasoning behind this decision should be written in a specific report prepared by the company's supervisory board in which is expressly considered the degree of independence of the auditors and the advantages and costs of replacing them.	Fails	0.4 e III.18
III.1.4. The external auditor must, within its powers, verify the implementation of remuneration policies and systems, the efficiency and functioning of internal control mechanisms and report any shortcomings to the company's Supervisory Board.	Complies	II.4
III.1.5. The company shall not recruit the external auditor, nor any related company or other entity that is part of the same network, for services other than audit services. Where recruiting such services is called for, the services involved should not be greater than 30% of the total value of services rendered to the company. The hiring of these services must be approved by the Supervisory Board and must be explained in the annual Corporate Governance Report.	Complies	III.17
IV. CONFLICTS OF INTEREST		
IV.1. SHAREHOLDER RELATIONS		
IV.1.1 In relation to business conducted between the company and shareholders with qualified shareholdings, or entities with which these are related, in accordance with Article 20 of the Securities Code, such business should be conducted on an arm's length basis.	Not applicable	III.11 e III.12
IV.1.2 Significant business conducted between the company and shareholders with qualified shareholdings, or entities with which these are related, in accordance with Article 20 of the Securities Code, should be subject to prior comment and opinion by the audit board. This entity must establish the necessary criteria to define the relevant level of significance of the business involved and the scope of its involvement.	Not applicable	0.4 e III.13

0.3. Overall assessment on the degree of adoption of recommendation groups related to each other by topics

Cofina considers that, notwithstanding the failure to fully comply with all the recommendations of CMVM, as explained in detail in the following chapters, the degree of adoption of the recommendations is very broad and complete.

DIRECTORS' REPORT 2011

0.4. Explanation of the differences between the corporate governance practices and the CMVM's recommendations.

The recommendations II.1.1.2, II.1.2.2, II.1.2.3, II.1.3.2, II.1.4.1, II.1.4.2, II.1.5.1, II.2.1, II.2.5, II.4.6, III.1.3 and IV.1.2 are not completely adopted by Cofina, as explained below.

- **Recommendation II.1.1.2:** In points II.5. and II.9 of this report the most important aspects of risk management implemented by the Group are described. However, Cofina does not have a system of internal control and risk management systematized and formalized, covering the components considered in the recommendation and, as such, it is not fully adopted.
- **Recommendations II.1.2.2 and II.1.2.3:** The Board of Directors elected in the General Shareholders Meeting does not include any member who can be considered independent, as its members hold stakes above 2% of the voting rights or were reelected for more than two mandates. As such, this recommendation is not fully adopted.
- **Recommendation II.1.3.2:** Cofina, taking into account the size of the Company, has no defined rules for selecting candidates for non-executive directors and, as such, this recommendation is not fully adopted.
- **Recommendations II.1.4.1 and II.1.4.2:** Cofina does not have a formal communication policy for internal irregularities. However, considering the proximity of the members of the Board of Directors to the activities of the several Group companies, Cofina considers that this allows that, whenever irregularities are detected, the Board of Directors is promptly informed, which ensures the implementation of a procedure which handles in an effective and fair way the eventual irregularities that are detected.
- **Recommendation II.1.5.1:** The current remuneration policy proposed by the Remuneration Committee and approved by the General Meeting fails to comply with this recommendation, once the period of deferral of variable remuneration is not consistent with the current mandate of the statutory bodies. This policy shall be subject to appreciation at the Annual General Meeting, containing the necessary modification to the recommendation fulfillment.
- **Recommendation II.2.1:** In general, Cofina S.G.P.S., S.A. directors, acting as such, focus their activities primarily in the management of the Group's holdings and in the definition of lines for strategic development. The decisions regarding the strategic matters are adopted by Board of Directors as collegial body composed by all its members, executive and non-executive, in their normal duties prosecution. The daily management of operational companies is made by the Directors of each company, which also incorporates some of the directors of Cofina SGPS, S.A.. Therefore, the recommendation is not fully fulfilled.
- **Recommendation II.2.5:** Cofina has not defined a fixed general policy of rotation of the functions of the Board of Directors members, including the responsible for the financial area. Cofina believes that a fixed general policy of rotation of functions does not allow serving its interests and, as such, the functions are determined and assigned at the beginning of each term in accordance with the abilities, qualifications and experience of each member. Cofina understands that it is not admissible that all directors may exercise all the functions with equal ability and performance. Additionally, Cofina promotes, where necessary or appropriate, according with business and strategy developments of the Company, a reflection on the distribution of functions within its Board of Directors.
- **Recommendation II.4.6:** Cofina has no independent internal audit and compliance services, so the recommendation is not fully adopted.

DIRECTORS' REPORT 2011

- **Recommendation III.1.3:** Regarding the rotation period of the External Auditor, Cofina has no defined fixed rotation policy implemented. The Board of Directors considers that the rotation of the partner that is responsible for the Audit services, together with the powers provided to the Statutory Board is sufficient to guarantee the independence of the External Auditor.
- **Recommendation IV.1.2:** Currently, procedures or criteria are established for defining the relevant level of significance of businesses between the company and holders of qualified holdings or entities that are in a group or dominance relationship, from which the intervention is required from the Statutory Board. However, transactions with Cofina directors or with companies that are in a group or dominance relationship, in which the actor is a director, regardless of the amount, are subject to prior approval of the Board of Directors, with a favorable opinion of the Statutory Board, under the terms of article 397º of the Commercial Companies' Code ("Código das Sociedades Comerciais").

DIRECTORS' REPORT 2011

I. General Meeting

I.1. Identification of the members of the Presiding Board to the General Meeting

The General Meeting, is made up of all the shareholders with voting rights, who are responsible for approving changes in the articles of association, making a general assessment of the Management and supervision of the Company, approving the Directors' Report and financial statements for the year, electing the members of the corporate bodies of its competence and, in general, considering all the matters submitted by the Board of Directors.

The President of the General Meeting is Dr. Pedro Nuno Fernandes de Sá Pessanha da Costa and the secretary is Dr. Fernando Eugénio Cerqueira Magro Ferreira.

The President of the Shareholders' General Meeting has the manpower and logistical support that are appropriate to his needs and to fulfill his duties, including the support and collaboration provided by the secretariat of the Company and the Secretary of the Company.

I.2. Indication of the start and end dates of the mandates

The current members of the Presiding Board of Cofina's General Meeting were elected at the General Meeting held on 26 May 2011 for the period 2011/2013.

I.3. Details of the remuneration of the Chairman of the Presiding Board to the General Meeting.

The remuneration of the Chairman of the Presiding Board of the General Meeting in the year ended as of 31 December 2011 was 5,000 Euro.

I.4 Indication of the prior notice required for the blocking of shares for participation in the General Meeting

Considering the publication of the Decree Law no. 49/2010, of 19 May, this recommendation is no longer applicable.

I.5 Indication of the rules for blocking shares in the event of the General Meeting being suspended

Considering the publication of the Decree Law no. 49/2010, of 19 May, this recommendation is no longer applicable.

I.6. Number of shares corresponding to one vote

The General Meeting is composed by all shareholders with voting right, corresponding one vote to each share.

I.7. Indication of the articles of association rules which envisage the existence of shares that do not confer voting rights or which enable voting rights over a certain number not to be counted, when issued by a single shareholder or shareholders related thereto

There are no articles of association which envisage the existence of shares that do not confer voting rights or which enable voting rights over a certain number not to be counted, when issued by a single shareholder or shareholders related thereto.

I.8. The existence of articles of association on the exercise of voting rights, including constitutive and decision-making quorums or systems for equity rights

DIRECTORS' REPORT 2011

Individual shareholders with voting rights and legal persons who are shareholders of the Company may be represented by the person that is designated for that purpose. The representation should be communicated to the President of the General Meeting, in writing, until 5 p.m. of the fifth working day prior to the day assigned for the meeting of the General Meeting. The Company makes available at its headquarters and at its website before the date of each General Meeting, a draft of the appropriate form.

Cofina's articles do not contemplate any constituent or deliberative quorum higher than that considered by law.

1.9. The existence of articles of association rules on the exercise of voting rights via postal voting

The association rules on the exercise of voting rights by correspondence are as follows:

- the vote by correspondence should be exercised through a written declaration, with a signature recognized by a public notary or an attorney and accompanied by a document supporting the registration of the shares on behalf of the shareholder;
- the declaration of intent to exercise the vote by correspondence and the supporting document of the quality of shareholder must be delivered in the Company's headquarters, until 5 p.m. of the fifth working day prior to the day assigned for the meeting, with identification of the remittent, addressed to the Chairman of the General Shareholders' Meeting;
- there must be a declaration of vote for each point of the Order of the Day for which the vote by correspondence is admitted and each declaration of vote will have to be sent in a closed and sealed envelope, inside the mentioned letter, which can only be opened by the Chairman of the General Shareholders' Meeting at the moment of the counting of the votes, for what each envelope will have to indicate in its exterior the point of the Order of the Day that it respects to;
- the votes by correspondence will be valid as negative votes in relation to the proposals of deliberation presented after the issuance of the vote;
- the presence of the shareholder in the General Meeting, or its representative, will be understood as revocation of its vote by correspondence.

1.10. Providing a model for the right to vote by correspondence

To exercise voting rights by correspondence, ballots are made available to shareholders at the Company's headquarters. These may also be obtained through the Company's website.

1.11. Deadline requirement for the receipt of the postal ballots and the date on which the General Meeting is held

According with the articles of association, the declaration of intent to exercise the vote by correspondence and the supporting document of the quality of shareholder must be delivered in the Company's headquarters, until 5 p.m. of the fifth working day prior to the day assigned for the meeting, with identification of the remittent, addressed to the Chairman of the General Shareholders' Meeting.

1.12. The exercise of voting rights by electronic means

It is still not possible to exercise voting rights by electronic means.

1.13. Possibility of shareholders gaining access to excerpts of the Minutes of the General Meetings in the company's website within five days after the general meeting was held

Extracts of the minutes of general meetings are made available to shareholders on the Cofina' website within five days after the meeting.

DIRECTORS' REPORT 2011

I.14. Existence of a historical record on the company's website with the resolutions passed at the company's General Meetings, share capital and voting results referring to the previous three years.

The minutes of the General Meeting are made available to shareholders in Cofina' website, being available there a historical record for at least three years, the main information regarding these meetings, including resolutions, the capital represented and the voting results.

I.15. Indication of the representative(s) from the remuneration committee present at General Meetings

It is the practice of the Remuneration Committee to be represented in the General Meeting by its President and one of its members.

I.16. Information of the intervention of the General Meeting on matters concerning the company's remuneration policy and the assessment of the performance of the members of the Board of Directors and other Directors

According to the articles of association, the board members will have remunerations that will be set by the Remuneration Committee, composed by three elements, one of whom will be the president and will have casting vote, all elected by resolution of shareholders under Article 21 of the articles of association. The Remuneration Committee submits this proposal for approval at the Annual General Meeting.

The remuneration policy is reviewed on an annual basis and submitted for approval at the Annual General Meeting where, at least, one representative of the Remuneration Committee is present.

At the General Meeting held in 26 May 2011, a statement of the Remuneration Committee about the remuneration policy of Cofina and remaining group subsidiaries administration and supervision boards was submitted for appreciation to the Shareholders of the Company.

I.17. Information of the intervention of the General Meeting on matters concerning the proposal on the share allocation plan, and/or stock option plans, or based on share price fluctuations, the members of the Board of Directors, Supervisory Board and other Directors, within the meaning of Article 248-B/3 of the Securities Code together with the details provided to the General Meeting for the purposes of correctly assessing said plans

Cofina, S.G.P.S., S.A. does not have any plan to grant shares or stock option plans to members of Corporate Bodies, or employees.

I.18. Information of the intervention of the General Meeting on matters concerning the approval of the main features of the retirement benefit system as enjoyed by the members of the Board of Directors, Supervisory Board and other Directors, within the meaning of Article 248-B/3 of the Securities Code

Cofina, S.G.P.S., S.A. does not have any complementary pension plan/scheme or early pension plans for the benefit of the members of the administrative, supervisory boards and other leaders, nor has any other relevant non-monetary benefit.

I.19. Existence of statutory provision that envisages for a duty to be subject, at least every five years, to a resolution by the General Meeting, for the maintenance or withdrawal of the statutory provision providing for the limitation of the number of votes capable of being held or exercised by a single shareholder individually or together with other shareholders

There are no association rules that provide the limitation of the number of votes capable of holding or exercising by a single shareholder in an individually or in concert with other shareholders.

I.20. Indication of the defensive measures that have the effect of automatically causing a serious asset erosion of company's assets in case of transfer of control or changes to the composition of the Board of

DIRECTORS' REPORT 2011

Directors

Cofina has not adopted any defensive measures that intended to provoke automatically serious erosion in the Company's assets in case of change of control or of the composition of the Management Board.

I.21. Important agreements to which the company is a party and that come into force, are changed or terminated in cases such as a change in company control, and also related outcome, unless the disclosure of same, due to its nature, is highly damaging to the company and except when the company is specifically obliged to disclose said information by virtue of other legal requirements

There are no significant agreements concluded by Cofina that include any clauses of control change (including following a takeover bid), that is, which take effect, be changed or finished, well as their effects. There are also no specific conditions that limit the exercise of voting rights by shareholders of the Company or other matters that may interfere with the success of takeover bids.

I.22. Agreements between the company and the Board of Directors, within the meaning of Article 248-B/3 of the Securities Code, that provide for compensation in cases of dismissal, unfair dismissal or termination of employment following a change in company control

There are no agreements between the Company and members of the board of directors or other directors, in what relates to the meaning of paragraph 3 of Article 248. °-B of the Securities Code, which provide compensations in case of resignation, dismissal without cause or termination of employment contract following a change in company's control. There aren't also planned agreements with directors to ensure any compensation in case of non-renewal of the mandate.

DIRECTORS' REPORT 2011

II. Management and Audit Boards

II.1. Identification and composition of corporate bodies

The structure of the Company's Corporate Governance is based on the Latin model and is composed by the Board of Directors, Statutory Audit Board and by the Statutory Auditors, all elected by the Shareholders General Meeting.

The corporate bodies of Cofina, S.G.P.S., S.A. are:

- The Shareholders' General Meeting – made up of all the shareholders with voting rights, who are responsible for approving changes in the articles of association, making a general assessment of the Management and monitoring/supervision of the Company, approving the Directors' Report and financial statements for the year, electing the members of the corporate bodies of its competence and, in general, deliberate on all the matters submitted to it by the Board of Directors;
- The Board of Directors – currently made up of 6 members who are responsible for carrying out all the management functions to implement the operations inherent to its corporate objectives, acting in the best interests of the Company, its shareholders and employees.

As of 31 December 2011 this corporate body was composed of the following members:

- Paulo Jorge dos Santos Fernandes – President
- João Manuel Matos Borges de Oliveira – Member
- Pedro Macedo Pinto de Mendonça – Member (non executive)
- Domingos José Vieira de Matos – Member (non executive)
- Pedro Miguel Matos Borges de Oliveira – Member (non executive)
- Ana Rebelo Carvalho Menéres Mendonça Mariz Fernandes – Member (non executive)

All current members of the Board of Directors were appointed at the General Meeting held on 26 May 2011, were reelected for the period 2011/2013.

Of the current members of the Board of Directors, of Cofina S.G.P.S., S.A., only two perform executive functions.

- Statutory Audit Board – appointed by the General Meeting, composed of three members and one or two substitutes, responsible for the supervision of the company and the appointment of the Statutory Auditor. In the period 2011/2013 this corporate body was composed by the following members:
 - João da Silva Natária – President
 - Manuel Tiago Alves Baldaque de Marinho Fernandes – Member
 - Cristina Isabel Linhares Fernandes – Member
 - Jacinto da Costa Vilarinho – Substitute
- The Statutory Auditor – who is responsible for the examination of the Company's financial statements. In the period 2011/2013 this function was performed by Deloitte & Associados, SROC S.A. represented by António Manuel Martins Amaral.

DIRECTORS' REPORT 2011

Evaluation of the Board of Directors on corporate governance model

Cofina's Board of Directors considers that the governance model adopted is fully and effectively implemented, as well as rooted in the Company's culture, and there are no constraints in its operation.

In addition, the current governance model has proved to be balanced and permeable to the adoption of national and international best practices on corporate governance.

Finally, it is also understood that this structure of corporate governance has allowed the smooth operation of the Company, allowing also an appropriate and clear dialogue between the various corporate bodies and, as well as between the Company, its shareholders and other stakeholders

II.2. Identification and composition of specialized committees established with responsibilities in administration or supervision of the company.

The Board of Directors believes that the only committee to meet the essential needs of the Company, considering its size, is the Remuneration Committee.

Cofina, SGPS, S.A. has set a Remuneration Committee for the period 2011/2013, whose composition is as follows:

- Pedro Nuno Fernandes de Sá Pessanha da Costa – President
- João da Silva Natária – Member
- Fernando Eugénio Cerqueira Magro Ferreira – Member

II.3. Organizational structure and functional chart relating to the division of powers among the various boards, committees and/or departments within the company, including information on the scope of the delegation of powers, particularly with regard to the delegation of day-to-day management of the company, or distribution of functions among the members of the Board of Directors or Supervisory Board, and a list of non-delegable matters and powers actually delegated

The Board of Directors, elected in the Shareholders' General Meeting, develops its tasks on a collective basis with the functions of management and coordination of the Group companies and is currently made up of a president and five members, four of them being non-executive.

Two of the current six members of Cofina's Board of Directors play executive functions.

The Board has been exercising its activity in constant dialogue with the Statutory Audit Board and the Statutory Auditor, providing the requested assistance with transparency and rigor, in compliance with the operating regulations and the best practices of corporate governance.

The structure and Cofina's governance practices did not reveal any constraints on the normal functioning of the Board of Directors or committees constituted under it, nor did this Board was aware of any constraints on the functioning of other corporate bodies.

Because Cofina is an Open Society, the Board of Directors and its employees have a great deal of attention in fulfilling the duties of confidentiality in dealings with third parties, protecting Cofina's position in conflict of interest situations.

There is no limit to the maximum number of duties/functions that the Board members can accumulate in the administration bodies of other companies. The members of Cofina's Board of Directors are part of the administration of the most significant group companies, so as to enable their activities to be more closely accompanied.

In terms of internal control, operating companies of Cofina Group have management control bodies that are active at all levels of the affiliated companies, preparing monthly reports to each Board of Directors.

DIRECTORS' REPORT 2011

The distribution of functions among the several members of the Board of Directors may be presented as follows:

Paulo Fernandes	<i>Chairman</i>
João Borges de Oliveira	<i>Chief Financial Officer</i>
Pedro Mendonça	Non-executive member of the Board of Directors
Domingos Matos	Non-executive member of the Board of Directors
Pedro Borges de Oliveira	Non-executive member of the Board of Directors
Ana Rebelo Fernandes	Non-executive member of the Board of Directors

Generically, Cofina SGPS directors focus their activities in managing the Group's participations and defining the strategic development milestones. Cofina has not designated a Board of Directors' Executive Committee. The decisions regarding strategic decisions are adopted by the Board of Directors as a collegial organ composed by all its members, executive and non-executive, in their normal duties prosecution.

The daily management of each operating company is a responsibility of each respective Board of Directors, which includes some of Cofina's directors but also some other members with defined duties and competencies.

Thus, and taking into consideration the activities developed by the Board Members, both in Cofina SGPS and in the several group companies, the functional organization chart can be presented as follows:



The qualifications, experience and positions held in other Companies by the members of the Board of Directors are presented in Appendix I.

DIRECTORS' REPORT 2011

II.4. Reference to the annual reports on the activities undertaken by the General and Supervisory Board, the Financial Board, the Audit Board and the Supervisory Board including the description of the supervisory activity and indicating any restraints found, and being subject to disclosure on the website of the company, together with the financial statements

The supervision of the Company is the competence of the Statutory Audit Board and of the Statutory Auditors, being the Statutory Audit Board composed by three members and one substitute. Under proposal of the Statutory Audit Board, the General Meeting appoints the Statutory Auditor to examine the Company's accounts.

The Statutory Audit Board should also represent the Company for all purposes with the External Auditor and Statutory Auditor, being responsible for proposing the provider of these services, the respective remuneration and ensuring that, within the company, suitable conditions to provide these services are guaranteed.

In 2011, the Statutory Audit Board has exercised its supervisory powers, having received the appropriate support from the Board of Directors for that purpose, namely to the preparation of its annual report on the supervision of the Company and an opinion on the Board of Directors report and proposals. The annual reports on the supervisory activity by the Statutory Audit Board are disclosed in the Company's website, together with the Company's accounts.

During 2011, the Statutory Auditors monitored the development of the company's activity and carried out the tests and inspections deemed necessary to review and issue the legal certification of accounts, in interaction with the Statutory Audit Board and with full cooperation of the Board of Directors.

In addition, the Statutory Auditor pronounced itself over the work carried out in 2011 under its annual audit report, subject to assessment of the Annual General Shareholders Meeting.

II.5. Description of the systems of internal control and risk management implemented in the company, particularly as regards the process of financial reporting, to the operation of this system and its effectiveness

Cofina's businesses are affected by a large number of risk factors. Some of them are out of control of the management, others should be proactively managed, in order to positively influence the performance of the Group. These will affect the operations, revenue, income, assets, liquidity and the Group's resources, and, consequently, the shareholder value of the Company.

Cofina has no autonomous internal audit services and compliance. Risk management is ensured by the several Cofina's operating units, based on a preliminary identification and prioritization of critical risks, by developing risk management strategies in order to implement control procedures considered appropriate to reduce the risk to an acceptable level. The administration believes it is essential to implement systems to:

- Identify the risks that the Group faces.
- Measure the impact on financial performance and the value of the Group.
- Compare the value at risk with the costs of hedging instruments, if available.
- Monitor developments in the identified risks and the hedging instruments.

The risk management strategies adopted are intended to ensure that:

- Systems and control procedures and policies in place allow an appropriate response to the expectations of the management bodies, shareholders and other stakeholders;
- Systems and control procedures and policies are established in accordance with all applicable laws and regulations;
- The financial and operational information is complete, reliable, safe and reported on a regular and timely manner;
- Cofina's resources are used efficiently and rationally;
- The shareholder value is maximized and operational management takes the necessary measures to

DIRECTORS' REPORT 2011

correct issues reported.

The methodology of risk management includes different stages:

- First, internal and external risks that may materially affect the Groups' strategic objectives are identified and prioritized.
- The operational management of the various business units identify risk factors and events that may affect the operations and activities of Cofina, as well as any procedures and control mechanisms.
- Additionally, the impact and the probability of occurrence of each risk factor are weighted and according to the exposure level, the need to respond to the risk is evaluated.
- The risk mitigation actions are monitored and the level of exposure to critical factors is constantly monitored.

In what refers to risk control in the process of disclosure of financial information, a form of control is the involvement of a very limited number of Group employees in the process.

All involved in financial analysis are considered as having access to privileged information, and is especially knowledgeable about the content of their obligations as well as the sanctions resulting from the misuse of such information.

The internal rules of disclosure of financial information are designed to ensure its timeliness and prevent the asymmetry of market knowledge.

The existence of an effective internal control environment, particularly in the financial reporting process is an objective and commitment of the Board of Directors, looking to identify and improve the most relevant processes in terms of preparation and dissemination of financial information, with the objectives of transparency, reliability and materiality. The purpose of the internal control system is to ensure the reliability of the preparation of financial statements in accordance with the accounting principles used and the quality of financial reporting result.

The reliability of the financial information is ensured by the separation between those who prepare it and those who use it, and through various control procedures throughout the preparation and disclosure process.

The system of internal control in areas of accounting and preparation and disclosure of financial information is based in the following key elements:

- The use of accounting principles, detailed throughout the notes to the financial statements, is one of the basis of the control system;
- Plans, procedures and records of the Company and its subsidiaries provide reasonable assurance that transactions are only recorded if properly authorized and that such transactions are recorded in accordance with generally accepted accounting principles;
- Financial information is analyzed in a systematic and regular basis by the management of operational units, ensuring a permanent monitoring and a budget control;
- During the process of preparing and reviewing financial information, a timetable for accounts closure is previously established and shared with the different areas involved, and all documents are reviewed in depth;
- At the level of the individual financial statements of the various group companies, the accounting records and the preparation of financial statements are provided by administrative and accounting services. The financial statements are prepared by the official chartered accountants and reviewed by the financial management of each subsidiary;
- The consolidated financial statements are prepared quarterly by consolidation staff. This process is an additional element of monitoring the reliability of financial reporting, particularly by ensuring the uniform application of accounting principles and procedures for cut-off of operations as well as the checking of balances and transactions between group companies;
- The consolidated financial statements are prepared under the supervision of the CFO. The documents forming the annual report are sent for review and approval by the Board of Directors. After approval, the documents are sent to the External Auditor, who issues its Statutory Audit and Auditor's Report;
- The process of preparing the financial information and consolidated management report is overseen by

DIRECTORS' REPORT 2011

the Statutory Audit Board and by the Board of Directors. Each quarter, these corporate bodies gather and analyze the Company's consolidated financial statements.

As regards to risk factors that could materially affect the accounting and financial reporting, we highlight the use of accounting estimates that are based on the best available information during the preparation of the financial statements as well as the knowledge and experience of past or present events. We also stress the balances and transactions with related parties: within Cofina Group, balances and transactions with related parties relate essentially to normal operating activities of the group companies, as well as to granting and obtaining loans at market rates.

II.6. Responsibility of the board and the supervisory body in the creation and operation of internal control and risk management of the company, as well as evaluating the functioning and adjustment to company's needs

The Statutory Audit Board is responsible for preparing an annual report on its activity and to give an opinion on the annual report and proposals presented by management and to monitor the effectiveness of risk management and internal control.

The Board of Directors decides the level of exposure assumed by the group in its various activities and, without prejudice to the delegation of tasks and responsibilities, sets overall limits of risk and ensures that policies and procedures for risk management are followed.

In monitoring the risk management process, the Board of Directors, as a body responsible for the Cofina's strategy, has the following objectives and responsibilities framework:

- Be aware of the most significant risks affecting the group;
- Ensure the existence within the Group, of appropriate levels of knowledge of the risks affecting the operations and how to manage them;
- Ensure the dissemination of the risk management strategy at all levels;
- Ensure that the Group is able to minimize the likelihood and impact of risks in the business;
- Ensure that the risk management process is adequate and that it maintains a close monitoring of risks with a probability of occurrence and impact in the group's operations.

The subsidiaries manage their own risks, within the established criteria and delegations.

The Board of Directors, in articulation with the Statutory Audit Board, regularly reviews and oversees the preparation and disclosure of financial information, in order to prevent improper and untimely access of relevant information to other persons.

II.7. Indication of the existence of regulations on the functioning of the companies' bodies, or other rules relating to incompatibility and the maximum number of positions and the place where they can be consulted

The Board of Directors and the Statutory Audit Board approved the respective regulations that are available in Cofina's website.

The rules governing the appointment and replacement of members of the administration and supervision bodies are the ones established by the Commercial Companies Code ("Código das Sociedades Comerciais"), there being no specific statutory rules on this matter. Additionally, there is no specific rule regarding the maximum number of cumulative duties.

II.8. In the event of the Board of Directors' Chairman carrying out an executive role, an indication of the mechanisms coordinating the tasks of non-executive members in order to ensure independence and notification of decisions

To allow the non-executive directors an independent and informed decision, the Company has the following mechanisms:

DIRECTORS' REPORT 2011

- Notices of meetings of the Board of Directors shall include the agenda, even tentatively, of the meeting, and should be accompanied by all the relevant information and documentation;
- Directors have wide powers to obtain information on any aspect of the Company, to examine its books, records, documents and other records of operations. They can request relevant information directly to the directors and the heads of the various operational and financial companies of the Group, without requiring any intervention of executive administration in the process.

Additionally, it is Company's practice to include the non-executive directors in the meetings of the Board.

11.9. Identification of the major economic, financial and legal risks to which the company is exposed in pursuing its business activity

The Board of Directors considers that the Group is exposed to the normal risks associated with its operations, namely in its operating units. Therefore, the main risks considered by the Group are:

Credit Risk

Like every activity involving a commercial component, credit risk is one key factor that is considered by the Board of Directors on operating units. This risk is firstly monitored and controlled through a system for collecting financial and qualitative information, provided by entities that provide credible risk information, which allows customers to evaluate the feasibility of the fulfillment of their obligations, in order to minimize the risk associated with granting credit. Credit risk evaluation is done on a regular basis, by analyzing the current economic environment conditions, in particular the credit situation of each company and, when necessary, adopting the corrective measures.

The Group's exposure to credit risk is mainly attributable to the accounts receivable resulting from the Group's operating activity, which is mitigated by the financial discounts policy from advanced payments or prompt payments in cash. This risk is monitored on a regular basis by each of the Group companies, which intend to:

- Limit the credit granted to customers, considering their profile and the ageing of receivables;
- Monitor the evolution of the credit level granted;
- Analyze the recoverability of the receivables on a regular basis.

Interest Rate Risk

Considering the Group's debt, possible variations on the interest rate may have an unwanted impact on the results. Therefore, the Group adopts a balanced position between the cost of the debt and its exposure to the interest rate variability. When the reasonable risk is exceeded, the Group engages in interest rate swap contracts in order to reduce its exposure to risk and to restrict the potential volatility of results.

The interest rate risk is mainly related to interest costs of commercial paper and bonds at a variable interest rate. In order to reduce the level of risk that the Group is exposed, Cofina hired hedging products which fixed the interest rate.

The Group's sensitivity to variations in the interest rate is limited by the existence of hedging derivatives, as referred above, which are recorded at their market value. This is obtained as a reference to external valuations performed by independent entities.

Liquidity Risk

Liquidity risk can occur if the sources of financing, such as operating cash flows of disinvestment, credit lines and cash flows from operations obtained do not meet the financing needs, such as cash outputs for operating activities and financing, investment, return on shareholders and reimbursement of debt.

As a means to mitigate this risk, the Group aims to maintain a net position and an average debt maturity that allows its reimbursement in adequate terms.

Regulation Risk

The Company is subject to national and activity laws and rules of the market where it works, which aim to ensure: the security and protection of consumers, employees' rights and the maintenance of an open and competitive market. This way, Cofina is naturally exposed to the risk of several changes in law, which may

DIRECTORS' REPORT 2011

affect the business rules and, consequently, harm or prevent them from reaching their strategic goals. The Company's behavior is of permanent cooperation with the authorities regarding the respect and observance of the law.

Market Risk

Competition

Risk related to the entrance of new competitors or repositioning of the current ones and with the actions that they may take in order to increase their market share (introducing new concepts, innovation, etc.). The inability of competing in areas such as the price, product portfolio, quality and service may have adverse effects on the financial results of the Group. In order to minimize this risk, Cofina performs constant benchmarking of its competition actions and invests in new products and formats in order to always offer to its customers innovative proposals.

Customers

A fundamental risk factor in the media business is the consumers' tendency to change their consumption patterns, depending mostly of social and economic factors.

Consumers frequently change their preferences and expectations, which demand a continuous adaptation and supply improvement. In order to anticipate the market and consumer tendencies, the Group regularly analyzes the information regarding the readers' behavior, based on market studies and independent entities opinion which have high reputation in the market.

II.10. Powers of the Board of Directors, particularly with regard to resolutions concerning capital increase

The Board of Directors has broad powers to manage and represent the company and to carry out all operations relating to the implementation of its social object, namely:

- To acquire, dispose of and encumber any movable asset, including vehicles and, considering the legal limits, property;
- To acquire participations in other companies;
- Sell participations in other companies;
- Take and give lease on any movable asset and property;
- Appoint agents or attorneys to perform certain acts or categories of acts, defining the extent of their mandates;
- Appointing the Company Secretary and Deputy Secretary of the Company;
- Represent the Company and propose actions to follow, confess and desist the proceedings or the application and compromise, as well as engage in arbitration;
- Decide, with a previous opinion of the supervisory corporate body of the Company, increasing social capital by one or more occasions, up to 35 million euro by cash.

II.11. The information on the rotation policy of the Board of Directors' functions, namely as to the financial responsibility division and the rules applicable to the appointment and replacement of members of the board of directors and of the supervisory board

The Members of the Board of Directors of the Company are elected by the General Shareholders Meeting for a three years mandate, and may be re-elected once or more.

The Board is composed of three to nine members, shareholders or not, elected by the General Shareholders Meeting.

Cofina promotes, whenever necessary or appropriate in view of developments in business and strategy of the Company, a reflection on the distribution of functions within its Board of Directors.

However, Cofina has not set a general policy of fixed rotation of functions of the members of the Board of Directors since it understands that this policy does not allow to best serve their interests and shareholders, so that the functions are determined and assigned at the beginning of each mandate according to the abilities, qualifications and experience of each member and it is not admissible that all directors may

DIRECTORS' REPORT 2011

exercise all the functions with equal ability and level of performance.

II.12. The number of meetings held by the board of directors and the supervisory board as well as reference to the minutes of said meetings.

The Board of Directors meets regularly, and their deliberations are only valid with the presence of the majority of its members. During 2011 the Board of Directors met twelve times with the corresponding records recorded in the minute book of the Board of Directors.

In what concerns the meetings of the Boards of Directors of subsidiaries of which Cofina's Directors are also part, they occur as often as necessary to the proper monitoring of its operations.

During 2011 the Statutory Audit Board of the Company met five times, and the corresponding decisions are recorded in the minute's book of the Statutory Audit Board.

II.13. The number of meetings held by the Executive Committee or by the Executive Board of Directors, as well as reference to the drawing up of the minutes of those meetings and whenever applicable, the submission of same with the convening notices to the Chair of the Board of Directors, the Chair of the Supervisory Board or of the Audit Committee, the Chair of the General and Supervisory Board and to the Chair of the Financial Matters Committee

The Company's Board of Directors meets regularly and the Boards of Directors of subsidiaries of which Cofina's directors are also part, meet as often as necessary to the proper monitoring of its operations. Additionally, the Board of Directors meets periodically with the Statutory Audit Board providing the necessary support, including for the preparation of its annual report on the supervision of the Company and for the opinion on the report and proposals by the Board.

The meetings of the Board shall be scheduled and prepared in advance, and timely documentation relating to the matters contained in its agenda, to ensure all members of the Board the conditions for the exercise of their functions, shall be made available. Similarly, minutes of meetings, once approved, and their calls are forwarded to the President of the Statutory Audit Board.

During 2011 the Board of Directors met twelve times with the corresponding records recorded in the minute's book of the Board.

II.14. Distinction between executive and non-executive members and among these, differentiating those members that would comply if the incompatibility rules were to be applied (Article 414-A/1 of the Commercial Companies Code, except for item /b and the independency criteria provided for in article 414/5, both of the Commercial Companies Code).

As of 31 December 2011, the Board was composed of six members, of whom four were non-executive directors (Domingos Matos, Pedro Mendonça, Ana Fernandes and Pedro Oliveira). Cofina understands that this composition ensures an effective supervision, monitoring and evaluation ability of the activity of executive members.

The Board of Directors does not include any member who complies with the incompatibility rules within the meaning of paragraph 1 of Article 414^o - A and the independence rules set out in paragraph 5 of Article 414 of the Commercial Companies Code, as its members hold stakes above 2% of the company's voting rights or were reelected for more than two mandates, or are members of the Board of Directors of companies which are Group related or members in the Board of Directors in more than five companies.

II.15. A description of the legal and regulatory rules and other criteria that have been used as a basis for assessing the independency of its members carried out by the board of directors.

There are no members of the Board of Directors which may be regarded as independent as referred above and, therefore, the recommendation II.1.2.3 is not fulfilled.

DIRECTORS' REPORT 2011

II.16. A description of the selection rules for candidates for non-executive member positions and the way in which executive members refrain from interfering in the selection process.

Taking into account the size of the Company, it is considered unnecessary to have a formal process for selecting candidates for non-executive directors. Candidates for non-executive management are elected by the General Shareholders Meeting. In elective General meetings being held, the names included in the lists for the election of governing bodies, in particular with regard to the board and its executive members, have been proposed by shareholders who tender in question.

II.17. Reference to the fact that the company's annual management report includes a description on the activity carried out by non-executive members and possible obstacles that may be detected

The consolidated Director's report includes in its chapter "Activity developed by the non-executive members of the Board," a description of the activity of the non-executive directors during the year 2011.

II.18. The professional qualifications of the members of the board of directors, the professional activities carried out by same during the last five years at least, the number of company shares they hold, the date of the first appointment and the date of the end of mandate

The mandate of the current members of the Board corresponds to the period 2011/2013. The Directors Paulo Jorge dos Santos Fernandes, João Manuel Matos Borges de Oliveira, Pedro Macedo de Pinto Mendonça and Domingos José Vieira de Matos were elected, for the first time, in February 1990. The remaining two members were elected in May 2009.

Appendix I presents the qualifications and professional activities by members of the Board over the past years.

Pursuant to and for the purposes of art. 447 of the Companies Code, we inform that as of 31 December 2011, the Directors of the Company held the following shares:

Paulo Jorge dos Santos Fernandes	7,165,746
João Manuel Matos Borges de Oliveira ^(a)	10,264,014
Domingos José Vieira de Matos	7,296,112
Pedro Macedo Pinto de Mendonça	854,500
Pedro Miguel Matos Borges de Oliveira	4,928,291
Ana Rebelo Mendonça Fernandes ^(b)	15,385,276

^(a) – the 10,264,014 shares correspond to the total shares of COFINA, SGPS, S.A. held by Caderno Azul – SGPS, S.A., from which the director João Manuel Matos Borges de Oliveira is a director and shareholder, holding 50% of their capital.

^(b) – besides the 6,377,840 shares of Cofina that are personally held, the 9,007,436 shares of Cofina that are held by PROMENDO – SGPS, S.A. are regarded as attributable to Ana Rebelo Mendonça Fernandes, since she is director and shareholder of this company, holding 59.6% of its share capital. Therefore, legally, it is considered that Ana Rebelo Mendonça Fernandes owns a total of 15,385,276 shares, which corresponds to 15% of the share capital and 15% of the voting rights of Cofina.

II.19. Duties that the members of the board of directors carry out in other companies and a description of duties carried out in other group companies

Appendix I shows the functions that members of the Board of Directors in other companies carry out, including group companies.

There is no limit on the maximum number of cumulative duties of directors in the management bodies of

DIRECTORS' REPORT 2011

other companies, with the members of Cofina's Board of Directors trying to be part of the boards of the most relevant subsidiaries of the Group, to allow a closer monitoring of their activities.

II.21. Identification of the members of the supervisory board and statement indicating that same comply with the incompatibility rules provided for in article 414-A/1, and whether they comply with the independency criteria in article 414/5, both of the Commercial Companies Code. For said purpose, the audit board carries out the relevant self-assessment

The Statutory Audit Board is composed by three members and one substitute. As of 31 December 2011 this corporate body was composed by the following members:

- João da Silva Natária – Presidente
- Manuel Tiago Alves Baldaque de Marinho Fernandes – Member
- Cristina Isabel Linhares Fernandes – Member
- Jacinto Costa Vilarinho – Substitute

As a collegiate body, the assessment of independence of the supervisory board is made to all those who compose it, given the application of Article 414/6 of the Commercial Companies' Code, considering independence in accordance with the definition that is given pursuant to the number 5 of article 414 and incompatibility according to definition of the number 1 of article 414-A, both of the Commercial Companies' Code. The three members that compose the Statutory Audit Board comply the rules of incompatibility and independence identified above.

II.22. Professional qualifications of supervisory board members, indication of the professional activities held by themselves, least the last five years, the number of company shares that they hold, date of the first appointment and date of the expiry of the mandate

The Statutory Audit Board members were elected for the first time in March 2007 for the remainder period of the three year period 2005/2007. Currently, Statutory Audit Board members are completing their third mandate corresponding to the period 2011/2013, for which they were elected in May 2011.

As regards the skills and competence to exercise these functions, all members have appropriate skills to fulfill their duties and the chairman is adequately supported by the other members of the Statutory Audit Board. Appendix I presents the qualifications and professional activities of the members of the Statutory Audit Board.

As of 31 December 2011, the members of the Statutory Audit Board had no representative shares in Cofina's share capital.

II.23. Duties that the members of the supervisory board carry out in other companies and describing those which are carried out in other group companies

Appendix I shows the functions that the Statutory Audit Board members have in other companies. The members of the Statutory Audit Board do not currently carry out duties in other companies of the Cofina Group.

II.24. Reference to the fact that the supervisory board assesses the external auditor on an annual basis and the possibility of proposing to the general meeting that the auditor be discharged whenever justifiable grounds are present

As part of their powers and in compliance of their duties, the Statutory Audit Board proposes to the General Shareholders Meeting the appointment of the Statutory Auditor and External Auditor, oversees its independence, namely in what refers to the provision of additional services, the scope of their services and the review of the Company' financial statements. The Statutory Audit Board meets whenever necessary with the Statutory Auditor / External Auditor in accordance with its responsibilities.

DIRECTORS' REPORT 2011

Annually, the Statutory Audit Board shall evaluate the work of the Statutory Auditor / External Auditor, also overseeing the implementation of Article 54 of Decree-Law no. 487/99, of 16 November (amended by Decree-Law no. 224/2008, of 20 November) in relation to the rotation of the partner responsible to execute the work.

11.29. Description of the remuneration policy including that of the managers within the concept of article 248-B/3 of the Securities Code and of the other workers whose professional activity might have a relevant impact on the risk profile of the company and whose remuneration contains an important variable component

The remuneration policy applicable to persons who are, under the law, considered leaders is equivalent to that adopted for the remuneration of other employees at the same level of duties and responsibilities, followed by the guiding principles of the declaration submitted by the Remuneration Committee for consideration of the General Shareholders Meeting and which is detailed in the paragraph below.

11.30. Description of the remuneration policy of the board of directors and the supervisory board, as provided for in article 2 of Law 28/2009, of 19 June

As provided in Law 28/2009, of 19 June, a statement on the remuneration policy of the management and supervision boards is submitted annually for consideration by the General Shareholders Meeting.

The policy on remuneration and compensation of the corporate bodies of Cofina, adopted at the General Meeting of 26 May 2011, respects the following principles:

I. BOARD OF DIRECTORS:

In order to establish the value of individual remuneration of each director, the following should be taken into account:

- The functions performed at Cofina, SGPS, S.A, and its subsidiaries;
- The responsibility and the value added by individual performance;
- Knowledge and cumulative experience on the job;
- The economic situation of the Company;
- The remuneration in companies within the same sector and in other companies listed on NYSE Euronext Lisbon.

The total remuneration for all the members of the Board of Directors may not exceed 1.25 million Euro per year.

i. Executive Management

- *Fixed component*, amount paid monthly, 14 times a year:

- *Medium term variable component:*

Intended to more strongly align the interests of executive directors with those of shareholders and will be calculated covering years 2010, 2011 and 2012, based on:

- Total shareholder return (stock appreciation plus dividend distributed)
- Sum of the net results of three years (2010, 2011, 2012)
- Company' business development

The total medium term component cannot exceed 50% of fixed remuneration earned during the period of the three years.

At the Annual General Meeting 2011, the Remuneration Committee will propose an amendment to the remuneration policy above in order to adapt it to the term of the Board of Directors' mandate.

ii. Non-executive management

The individual remuneration of any non-executive director may not exceed 100,000 Euro per year, being exclusively fixed.

DIRECTORS' REPORT 2011

II. STATUTORY AUDIT BOARD

The remuneration of Members of the Statutory Audit Board will be based on yearly fixed amounts at levels considered adequate for similar functions.

III. GENERAL SHAREHOLDERS MEETING

The remuneration of the members of the General Shareholders Meeting will be exclusively fixed and will follow market practices.

IV. STATUTORY AUDITOR

The Statutory Auditor will have a fixed payment appropriate to the respective functions and in accordance with market practice, under the supervision of the Statutory Audit Board.

The principles that follow remuneration policies and compensation specified in this policy include not only the salaries paid by the company but also the salaries that are paid to members of the Board of Directors for companies controlled directly or indirectly by it.

The remuneration policy maintains the principle of not contemplating a compensation to directors, or members of other bodies associated with the early termination of functions or at the end of their mandate, according to legal parameters.

II.31. Indication on the amount concerning the annual remuneration paid individually to members of the board of directors and of the supervisory board of the company, including fixed and variable remuneration and as to the latter, mentioning the different components that gave rise to same, the parts that has been deferred and paid

Board of Directors

The compensation received by the Board of Directors of Cofina during 2011, in the exercise of their functions in Cofina and other Group companies, includes only fixed remuneration and amounted to 743,820 Euro allocated as follows: Paulo Fernandes - 265,860 Euro; João Borges de Oliveira - 265,860 Euro, Domingos Matos - 70,700 Euro; Ana Mendonça Fernandes - 70,700 Euro; Pedro Borges de Oliveira - 70,700 Euro. The non-executive director Pedro Mendonça did not receive any compensation in 2011.

The remuneration received by the two executive members of the Board of Directors (Paulo Fernandes and João Borges de Oliveira) were fully paid by the Group's subsidiaries where they perform administration functions. The non-executive members that received compensation in 2011 were directly paid by Cofina SGPS.

Statutory Audit Board

The remuneration of the Statutory Audit Board is composed of a fixed annual amount based on the Cofina's situation and in the current market practices. In the year ended as of 31 December 2011, the remuneration of Statutory Audit Board members amounted to 32,970 Euro, distributed as follows: João Natária – 16,350 Euro; Cristina Linhares – 8,310 Euro; Manuel Tiago Fernandes – 8,310 Euro.

II.32. Information on the way the remuneration is structured so as to allow aligning the interests of the members of the board of directors with the long-term interests of the company as well as how it is based on the performance assessment and how it discourages excessive risk assumption

The remuneration policy for executive directors aims to ensure a proper and thorough hand of the performance and contribution of each director for the success of the organization, aligning the interests of the executive directors with those of the shareholders and of the company. Additionally, the remuneration policy provides for a variable component of deferred payment, aiming to more strongly align the interests of the executive directors with those of the shareholders and the long-term interests of the company.

DIRECTORS' REPORT 2011

The proposal for remuneration of executive directors is drawn up taking into account the functions performed in Cofina, SGPS, S.A. and in its subsidiaries, the responsibility and value added by individual performance, the knowledge and the cumulative experience on the job, the economic situation of the Company, the remuneration earned in other companies from the same sector and other companies listed on NYSE Euronext Lisbon.

II.33. As regards the remuneration of the executive members:

a) Reference to the fact that the executive members' remuneration includes a variable component and information on the way said component relies of the assessment performance;

According to the Company's articles of association, the corporate bodies members receive remuneration that was set by the Remuneration Committee composed by three elements, one of whom will be president and will have the casting vote. In the General Shareholders Meeting held in 26 May 2011, the remuneration policy as detailed in paragraph II.30 above was approved, which provides a variable component depending on performance during the period between 2010 and 2012. The remuneration policy will be, again, appreciated in the accounts approving Annual General Meeting for 2011 where the adequacy of the clearance period of variable pay to the term of office of the board will be proposed.

b) The corporate bodies responsible for assessing the performance of executive members;

The performance assessment of executive directors belongs to the Remuneration Committee and is based on the functions performed by them in Cofina and in companies at the same group as well as the responsibility and the value added by each one of the directors and the accumulated and experience knowledge on the job.

c) The pre-established criteria for assessing the performance of executive members;

The remuneration of executive members of the Board of Directors includes a variable component of medium term (2010 to 2012) calculated based on total shareholder return, on the sum of the net income of that period and on the evolution in the Company's business.

d) The relative importance of the variable and fixed components of the members' remuneration, as well as the maximum limits for each component;

The total fixed remuneration of the Board of Directors cannot exceed 1.25 million Euro per year and the total value of the variable component of medium-term (applicable only to executive members) may not exceed 50% of fixed remuneration earned during the three years period (2010-2012). During 2011, the members of the Board of Directors did not receive any variable remuneration.

e) The deferred payment of the remuneration's variable component and the relevant deferral period;

There is currently no variable compensation, whose payment was deferred in time.

f) An account of the way whereby the payment of the variable remuneration is subject to the company's continual positive performance during the deferral period

The variable remuneration depends, among others, on the sum of net income for the period (2010-2012).

g) Sufficient information on the criteria whereon the allocation of variable remuneration on shares is based, as well as on maintaining company shares that the executive members have had access to, on the possible share contracts, namely hedging contracts or risk transfer, the relevant limit and its relation apropos the value of the total annual remuneration;

Cofina doesn't have, neither plans to have, any form of compensation that may be due to the allocation of shares or other share incentive scheme.

DIRECTORS' REPORT 2011

h) Sufficient information on the criteria whereon the allocation of variable remuneration on options is based as well as its deferral period and exercising price;

Cofina doesn't have, neither plans to have, any form of compensation that may be due to the allocation of shares or other share incentive scheme.

i) The main factors and reasons for any annual bonus scheme and any other non-financial benefits;

Cofina doesn't have any annual bonus scheme and any other non-financial benefits.

j) Remuneration paid in the form of a share in the profits and/or the payment of bonuses and the rationale behind the act of awarding such bonuses and/or share in profits;

During the year, no remuneration related with profit sharing or bonuses was paid.

l) Compensation paid or owed to former executive directors in relation to early contract termination;

During the year, no amounts relating to compensation to directors whose functions have ceased have been paid or owed.

m) Reference to the envisaged contractual restraints for compensation owed for undue dismissal of executive directors and its relation apropos the remunerations' variable component;

No policy is defined regarding any compensation attributable to members of the Board of Directors in case of dismissal.

n) Amounts paid on any basis by other companies in a group relationship or exercising control over the company;

The total remuneration received by directors referred to in paragraph II.31 above was paid by group companies.

o) A description of the main characteristics of the supplementary pensions or early retirement schemes set up for executive directors and whether said schemes were subject or not to the approval of the general meeting;

Cofina has no supplementary pension scheme or early retirement pension plans for Directors.

p) An estimate of the non-financial benefits considered as remuneration which do not fall under the categories listed above;

Cofina does not grant any non-financial benefits as remuneration.

q) Mechanisms for prevent executive directors from having employment contracts that questions the grounds of the variable remuneration;

No mechanisms to prevent executive directors from having employment contracts that question the grounds of the variable remuneration are implemented. However, the Remuneration Committee takes into account these factors in the criteria for determining the variable remuneration.

II.34. Reference to the fact that remuneration of non-executive members of the Board of Directors is not included in the variable component.

The individual remuneration of any non-executive director may not exceed 100,000 euro per year, being exclusively fixed, as defined in the remuneration policy that was approved in the General Shareholders Meeting of 26 May 2011.

DIRECTORS' REPORT 2011

II.35. Information on the reporting of irregularities adopted by the company (reporting means, persons entitled to receive said reports, how the reports are to be handled and the names of the persons or bodies that have access to the information and the relevant involvement in the procedure)

Although the communication policy for internal irregularities is not formally defined, considering the proximity of the members of the Board of Directors to the activities of the several Group companies and their workers, Cofina considers that this proximity allows that, whenever irregularities are detected, these will be promptly communicated to the Board of Directors, which ensures the implementation of procedures that will effectively and fairly deal with eventual irregularities that are detected. Regarding evaluation competences concerning ethical issues, these duties are directly performed by the Board of Directors, which keeps a constant debate of this issue.

II.36. Identification of members of those committees that have been constituted for the purposes of individual and overall performance assessment of the executive members, consideration on the governance system that has been adopted by the company and the identification of potential candidates with the professional profile fitting the member position

Cofina, taking into account the size of the Company, has no committees specifically designed to identify candidates for directors and to consider the governance system that has been adopted.

Candidates for the Board of Directors have been proposed by shareholders who submitted proposals at elective General Meetings. The reflection and the evaluation of the adopted corporate governance model by the Company have been made regularly by the Board of Directors.

The Board of Directors believes that the only specialized committee essential to meet the company' needs, taking into account its size, is the Remuneration Committee.

Some of the members of the Board of Directors are not remunerated by Cofina, SGPS, S.A., but directly by the subsidiaries where they have functions, so that the existing powers of the Remuneration Committee also focus on setting on the remunerations of the members of the Board of Directors of the company earned in other group companies.

The performance assessment of executive belongs to the Remuneration Committee and is based on the functions performed by them in Cofina and in Group companies, as well as the responsibility and value added by each director and the accumulated knowledge and experience on the job.

II.37. Number of meetings held by the committees that have been constituted for management and supervision during the period concerned, as well as reference to the minutes of said meetings that have been held

During 2011, the Company's Remuneration Committee met three times, and the corresponding minutes were recorded in the minute book of that body.

II.38. Reference to the fact that one member of the remuneration committee has knowledge and experience in remuneration policy issues

Cofina believes that the experience and professional careers of the members of the Remuneration Committee allows them to perform their duties accurately and effectively. In particular, Dr. João da Silva Natária has extensive experience and specific knowledge in matters of remuneration policy. Additionally, and whenever necessary, this committee uses specialized resources, internal or external, to support its deliberations.

II.39. Reference to the independency of natural or legal persons with an employment contract or providing services to the remuneration committee, as regards the Board of Directors as well as, when applicable, to the fact that these persons have an existing relation with the company consultant

All members of the Remuneration Committee are independent members of the Board of Directors.

DIRECTORS' REPORT 2011

III. Information and Audit

III.1. The capital structure including those shares that are not admitted to trading, the different category of shares, rights and duties of these shares and the equity percentage that each category represents

As of 31 December 2011, the Company's share capital was fully subscribed and paid up and was composed by 102,565,836 shares with a nominal value of 25 Euro cents each, which entitle them to dividends. Pursuant to and for the purposes of the article 66 of the Commercial Companies Code, we inform that as of that date, Cofina, SGPS, S.A. and its subsidiaries did not hold own shares, and did not acquire or sell own shares during 2011.

III.2. Qualifying holdings in the issuer's share capital calculated as per article 20 of the Securities Code

Pursuant to the requirements of articles 16 and 20 of the Securities Code (*"Código de Valores Mobiliários"*) and article 448 of the Commercial Companies Code, we inform that, in accordance with the notifications received, the companies and/or individuals that hold qualified participations exceeding 2%, 5%, 10%, 20%, 33% and 50% of the voting rights, are as follows:

Exceeding 2% of the voting rights	Shares held at 31.12.2011	Direct % of the voting rights
Pedro Miguel Matos Borges de Oliveira	4,928,291	4.81%

Exceeding 5% of the voting rights	Shares held at 31.12.2011	Direct % of the voting rights
Promendo – SGPS, S.A. (a)	9,007,436	8.78%
Domingos José Vieira de Matos	7,296,112	7.11%
Paulo Jorge dos Santos Fernandes	7,165,746	6.99%
Ana Rebelo Mendonça Fernandes (b)	6,377,840	6.22%

(a) – the 9,007,436 shares of Cofina held by PROMENDO – SGPS, S.A., are attributable to Ana Rebelo Mendonça Fernandes, manager and shareholder, holder of 59.6% of the capital;

(b) – 9,007,436 shares of Cofina held by PROMENDO – SGPS, S.A are equally attributable to Ana Rebelo Mendonça Fernandes, as referred in (a). Therefore, in legal terms, a total of 15,385,276 shares are attributable to Ana Rebelo Mendonça Fernandes, which corresponds to 15% of the share capital and voting rights of Cofina.

Exceeding 10% of the voting rights	Shares held at 31.12.2011	Direct % of the voting rights
Newshold, SGPS, S.A.	15,464,528	15.08%
Cademo Azul – SGPS, S.A. (a)	10,264,014	10.01%

(a) – the 10,264,014 shares correspond to the total amount of Cofina shares that are held by CADERNO AZUL – SGPS, S.A., from which João Manuel Matos Borges de Oliveira is a Director and shareholder, holding 50% of the share capital.

Cofina was not notified on any participation exceeding 20% of the voting rights.

III.3. Identification of the shareholders that hold special rights and a description of those rights

There are no shareholders with special rights.

DIRECTORS' REPORT 2011

III.4. Possible restrictions on share-transfer i.e. consent clauses for their disposal or restrictions on share-ownership

There are no restrictions on transferability or restrictions on the ownership of the shares.

III.5. Shareholder agreements that the company may be aware of and that may restrict the transfer of securities or voting rights.

As far as Cofina is concerned, no agreement was concluded regarding the exercise of social rights or the transfer of shares. Additionally, as far as is knowledgeable, there are no agreements aiming to ensure or frustrate the success of takeover bids.

III.6. Rules applicable to the amendment of the articles of association

There are no statutory rules relating to the amendment of the articles of association. This matter is regulated by the regime included in the Commercial Companies Code.

III.7. Control mechanisms for a possible employee-shareholder system inasmuch as the voting rights are not directly exercised by them

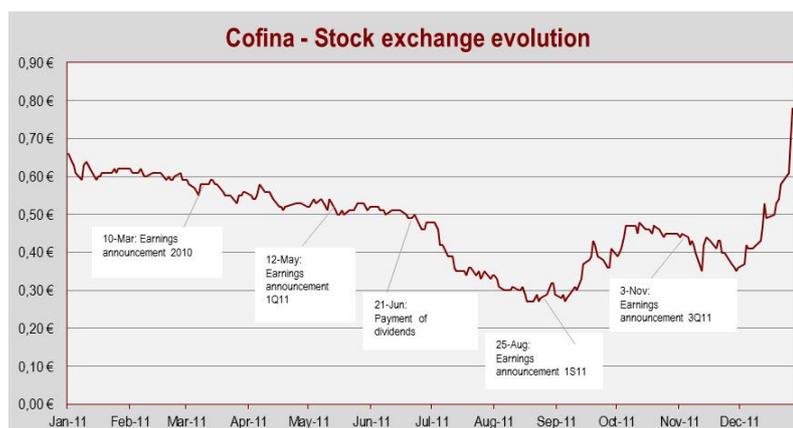
There is no system of employee participation in the capital of the Company.

III.8. Description concerning the evolution of the issuer's share price, taking the following into account:

- a) The issuance of shares or other securities that entitle the subscription or acquisition of shares;*
- b) The results announcement;*
- c) The dividend payment for each share category including the net value per share*

The share price of Cofina closed the year 2011 at 0.76 Euro/per share, representing an appreciation of 10.1% over 2010.

The evolution of the share price of Cofina throughout the year is illustrated in the following chart, where the major events of the year, such as the presentation of results and the payment of dividends are also marked:



During 2011, Cofina' shares were traded at a maximum price of 0.78 Euro per share, and a minimum of 0.27 Euro per share. In total, 14,708,638 Cofina's shares were traded in 2011, which corresponds to 14.34% of the issued shares.

The chapter "Stock Evolution" of the Directors report includes more detailed information about the main events that marked the evolution of the share price of the Company in 2011.

DIRECTORS' REPORT 2011

III.9. Description of the dividend distribution policy adopted by the company, including the dividend value per share distributed during the last three periods

The proposal of dividends distribution, made by the Board of Directors to the General Meeting, is intended to provide an adequate return on invested capital to shareholders, without ever losing sight the needs of expansion / investment of the Group.

In accordance with this policy, the distributed gross dividends in the most recent years had the following evolution:

Year to which the dividends refer to	Distributed dividends	Dividends per share (in Euro) ^(a)
2005 ^(b)	2,564,146	0.050
2006	3,589,804	0.035
2007	3,589,804	0.035
2009	1,025,658	0.010
2010	1,025,658	0.010

(a) – Should be noticed that, upon dividends distribution in 2005, the number of shares was 51,282,918. On December 2006, the number of shares reached 102,565,836.

(b) – In practice, although it is not visible, the distributed dividend doubled between 2004 and 2005, as a consequence of the division of the industrial operations that occurred in that year, since Altri, S.G.P.S., S.A. also distributed a dividend of 0.05 Euro per share.

III.10. A description of the main characteristics of the share and stock-option plans adopted or valid for the financial year in question, the reason for adopting said scheme and details of the category and number of persons included in the scheme, share-assignment conditions, non-transfer of share clauses, criteria on share-pricing and the exercising option price, the period during which the options may be exercised, the characteristics of the shares to be allocated, the existence of incentives to purchase and/or exercise options, and the responsibilities of the Board of Directors for executing and/or changing the plan. Details shall also include the following: a) The number of shares required for the share allotment and the number of shares required for the exercise of the exercisable options at the start and end of the year in question; b) The number of allotted, exercisable and extinct shares during the year; c) The general meetings' appraisal of the plans adopted or in force during the period in question.

There are no plans or incentive systems related to the allocation of shares to members of the Board of Directors.

III.11. A description of the main data on business deals and transactions carried out between the company and between the members of the Management and Supervisory Board or companies in a control or group relationship, provided the amount is economically significant for any of the parties involved, except for those business deals or transactions that are cumulatively considered within the bounds of normal market conditions for similar transactions and are part of the company's current business.

There were no businesses or significant transactions between the Company and members of its corporate bodies (administration and supervision), owners of qualifying holdings or companies in a relation of domain or group, except those that, as part of current activity, were performed in normal market conditions for similar transactions.

III.12. A description of the vital data on business deals and transactions carried out in the absence of normal market conditions between companies and owners of qualifying holdings or entity-relationships with the former, as envisaged in article 20 of the Securities Code

During 2011, there were no businesses or significant transactions between the Company and members of its corporate bodies (administration and supervision), owners of qualifying holdings or entities with whom they are in any relationship, under Article 20 of the Securities Code, outside normal market conditions.

III.13. A description of the procedures and criteria applicable to the supervisory body when same provides preliminary assessment of the business deals to be carried out between the company and the owners of qualifying holdings or entity-relationships with the former, as envisaged in article 20 of the Securities Code

During the year 2011, there were no businesses between the Company and owners of qualifying holdings or entities with whom they are in any domain or group relationship.

Currently, no procedures or criteria for defining the relevant level of significance of businesses between the Company and owners of qualifying holdings or entities with whom they are in any relationship or group are established, from which the intervention of the supervisory board is necessary. However, transactions with Cofina directors or with companies that are in relationship with that group or area in which the actor is a director, regardless of amount, are subject to prior approval of the Board of Directors with a favorable opinion of the Statutory Audit Board, under Article 397 of the Commercial Companies Code.

III.14. Description of the statistical data (number, average and maximum amounts) on the business deals subject to preliminary opinion by the supervisory board

During 2011, there were no transactions between the Company and owners of qualifying holdings or entities with whom they are in any domain or group relationship.

III.15. Indication of the availability on the company's website, of annual activity reports drawn up by the general and supervisory board, by the financial matters committee, the audit committee and the supervisory board, including constraints that might be encountered, as well as financial information documents

The annual reports on the activities of the Statutory Audit Board are disclosed in the Company's website, together with the documents of presentation of accounts.

III.16. Reference to an Investor Support Cabinet or a similar service, describing: a) The role of said office; b) Type of information made available; c) Access means to said Office; d) The company's website; e) The market liaison officer's credentials.

The Company has an Investor Support Cabinet. The Group's representative for the relations with the market are performed by Laurentina da Silva Martins, advisor of the Company's Board of Directors and the investor relations functions are performed by Ricardo Ferreira Mendes.

The contact for investors to obtain information is as follows:

Arruamento D à Rua José Maria Nicolau, nº3
1549-023 Lisboa
Tel: (351) 21 049 42 46
Fax: (351) 21 049 31 55
Email: sede@cofina.pt

Whenever necessary, the investor relations provides all relevant information regarding the events, facts considered relevant, disclosure of quarterly results and answers to any requests for clarification by the investors or the general public on public financial information.

Cofina provides financial information relating to its individual and consolidated operations, as well as that of its participated companies, through its official website (www.cofina.pt). This website is also used by Cofina to provide information on press releases, as well as any relevant facts occurring in the life of the Company. This page also includes Cofina Group's documents of account related to the previous years. All information is available in the website in Portuguese and in English.

DIRECTORS' REPORT 2011

In the institutional relationships with the regulatory market entities, Cofina gives preference, whenever possible, to give or to receive information through the use of the email.

III.17. Indication of the annual compensation paid to the auditor and to other individuals or groups that belong to the same network supported by the company and/or by any group that bears with it a control or group relationship and the percentage of the total amount paid for the following services: a) Statutory account review services; b) Other audit reliability services; c) Tax consulting services; d) Other non-statutory auditing services. A description of the auditor's independency safeguarding measures is required, should the auditor provide any of the services described in items c/ and d/. For the purposes of this text, the 'network' concept derives from the EC Recommendation No. C (2002) 1873 of 16 May.

Compensation paid to Cofina auditors and other single persons or companies belonging to the same network, by the companies in a control or group relationship, for the year 2011, amounted to 225,313 Euro and include 217,313 Euro relative to statutory audit and 8,000 Euro for tax consulting services.

In 2011, the fees charged by Deloitte to Cofina group represented less than 1% of the total annual turnover of Deloitte in Portugal. The quality system of the External Auditor controls and monitors the potential risks of loss of independence and possible conflicts of interest with Cofina.

The Statutory Audit Board, carrying its duties, performs an annual evaluation of the overall performance of the External Auditor, as well as regarding its independence. Additionally, the Statutory Audit Board receives, annually, the declaration of independence from the auditor where the services rendered by him and by other entities of the same network are described, their fees, and possible threats to independence and safeguard measures. All threats to the independence of the Auditor are evaluated and discussed with him as well as the respective measures.

The Board of Directors, on the request of projects assigned to the group companies' auditors, ensures, before its award, that to them and to their network no services are hired that could threaten its independence, in accordance with the recommendation of the European Commission no. C (2002) 1873 of 16 May.

The monitoring of the External Auditor's activity is ensured by the Statutory Audit Board. Additionally, the Statutory Audit Board also proposes to the General Meeting the election of that body. Additionally, the Statutory Audit Board is also responsible to review and supervise the External Auditor's independence, particularly with respect to the rendering of additional services. The Statutory Audit Board approves the services to be performed by the External Auditor and the corresponding remuneration.

III.18. Reference to the external auditor's rotation period

In what concerns the rotation period of the External Auditor, Cofina has not defined a fixed rotation policy regarding the External Auditor. The Company adopted, since 2007, the current corporate governance model, in which the Statutory Auditor is not part of the Statutory Audit Board. According to this model, the election for each mandate of the Statutory Auditor / External Auditor is made in the General Shareholders Meeting upon proposal of the Statutory Audit Board. Additionally, the Statutory Audit Board undertakes an annual assessment of the work of the External Auditor, verifying if the provisions of Article 54 of Decree-Law No. 487/99, of 16 November (amended by Decree-Law No. 224/2008, of 20 November), concerning the rotation of the partner responsible to execute the work is completed.

The functions of the External Auditor and Statutory Auditor of Cofina are currently performed by Deloitte & Associados, SROC S.A., represented by António Manuel Martins Amaral since 2007, being the current mandate the period 2011/2013.

The Statutory Audit Board, in exercising its functions, carries out an annual assessment of the independence of the External Auditor. Additionally, the Statutory Audit Board promotes, whenever

DIRECTORS' REPORT 2011

necessary or appropriate in light of the developments in the Company's business or the configuration of the market in general, a reflection on the appropriateness of the External Auditor to carry out its duties

LEGAL MATTERS

Own Shares

Pursuant to the requirements of article 66 of the Commercial Companies' Code (*"Código das Sociedades Comerciais"*), the Directors inform that as of 31 December 2011 Cofina had no own shares and did not acquire or sell any own shares during the year.

Shares held by the governing bodies of Cofina

Pursuant to the requirements of article 447 of the Commercial Companies' Code, the Directors inform that, as of 31 December 2011, they held the following shares:

Paulo Jorge dos Santos Fernandes	7,165,746
João Manuel Matos Borges de Oliveira ^(a)	10,264,014
Domingos José Vieira de Matos	7,296,112
Ana Rebelo Mendonça Fernandes ^(b)	15,385,276
Pedro Macedo Pinto de Mendonça	854,500
Pedro Miguel Matos Borges de Oliveira	4,928,291

^(a) – the 10,264,014 shares correspond to the total shares of COFINA – SGPS, S.A. held by CADERNO AZUL – SGPS, S.A., from which the Director João Manuel Matos Borges de Oliveira is a Director and shareholder, currently holding 50% of the respective share capital.

^(b) – besides the 6,377,840 shares of COFINA, SGPS, S.A., personally held, the 9,007,436 shares of COFINA – SGPS, S.A. held by PROMENDO – SGPS, S.A. are considered, in legal terms, as attributed to Ana Rebelo Mendonça Fernandes, since she is this company's Director and shareholder, holding 59.6% of its share capital. Therefore, in legal terms, a total of 15,385,276 shares, which correspond to 15% of the share capital and voting rights of COFINA – SGPS, S.A., are attributable to Ana Rebelo Mendonça Fernandes.

As of 31 December 2011, the Statutory Auditor, the members of the Statutory Audit Board and the members of the Board of the General Shareholders' Meeting held no shares of the Company.

Participation in the Company's share capital

Pursuant to the requirements of articles 16 and 20 of the Securities Code (*"Código de Valores Mobiliários"*) and article 448 of the Commercial Companies Code, the Directors inform that, in accordance with the notifications received, the companies and/or individuals that hold qualified participations exceeding 2%, 5%, 10%, 20%, 33% and 50% of the voting rights, and in accordance with the notifications received in the Company's headquarters, are as follows:

	Shares held as of	Direct % of the
Exceeding 2% of the voting rights	31.12.2011	voting rights
Pedro Miguel Matos Borges de Oliveira	4,928,291	4.81%

DIRECTORS' REPORT 2011

Exceeding 5% of the voting rights	Shares held at 31.12.2011	Direct % of the voting rights
Promendo – SGPS, S.A. (a)	9,007,436	8.78%
Domingos José Vieira de Matos	7,296,112	7.11%
Paulo Jorge dos Santos Fernandes	7,165,746	6.99%
Ana Rebelo Mendonça Fernandes (b)	6,377,840	6.22%

(a) – the 9,007,436 shares of COFINA – SGPS, S.A. held by PROMENDO – SGPS, S.A., are, in legal terms, attributable to Ana Rebelo Mendonça Fernandes, shareholder and Director of the company, holding 59.6% of its share capital.

(b) – 9,007,436 shares of Cofina held by PROMENDO – SGPS, S.A are equally attributable to Ana Rebelo Mendonça Fernandes, as referred in (a). Therefore, in legal terms, a total of 15,385,276 shares are attributable to Ana Rebelo Mendonça Fernandes, which corresponds to 15% of the share capital and voting rights of Cofina.

Exceeding 10% of the voting rights	Shares held at 31.12.2011	Direct % of the voting rights
Newshold, SGPS, S.A.	15,464,528	15.08%
Caderno Azul – SGPS, S.A. (a)	10,264,014	10.01%

(a) – the 10,264,014 shares correspond to the total amount of Cofina shares that are held by CADERNO AZUL – SGPS, S.A., from which João Manuel Matos Borges de Oliveira is a Director and shareholder, holding 50% of the share capital.

Cofina was not informed of any participation exceeding 20% of the voting rights.

DECLARATION OF RESPONSIBILITY

The members of the Board of Directors of Cofina, S.G.P.S., S.A. declare that they assume responsibility for this information and assure that the items included herein are true and that, to the best of their knowledge, there are no omissions.

As required by article 21 of Decree-Law 411/91, of 17 October, the Board of Directors informs that there are no overdue debts to the State, namely with respect to Social Security.

CLOSING REMARKS

We don't want to conclude without thanking the External Auditor for the advice and assistance provided during 2011 and to the Statutory Audit Board by the continued monitoring of our operations. We would also like to thank our suppliers, financial institutions and other partners in the group for their trust in our organization.

Finally, we would like to express our gratitude to all our employees, who demonstrated a remarkable capacity of flexibility and dedication.

Oporto, 15 March 2012

The Board of Directors

Paulo Jorge dos Santos Fernandes – President

João Manuel Matos Borges de Oliveira

Pedro Macedo Pinto de Mendonça

Domingos José Vieira de Matos

Pedro Miguel Matos Borges de Oliveira

Ana Rebelo Mendonça Fernandes

APPENDIX I

1. Board of Directors

Qualifications, experience and positions held in other companies by members of the Board of Directors:

Paulo Jorge dos Santos Fernandes

He was one of the founders of Cofina, and has been directly involved in the Group's management since its incorporation. He is graduated from Oporto University with a degree in Electronic Engineering, and has also an MBA at the University of Lisbon.

He works in the media and industry departments, as well as in the definition of the Group's strategy. He is shareholder of the Company since 1990, having also been appointed as Director at the same date.

In addition to the Companies where he currently exercises functions of administration, his professional experience includes:

1982/1984	Assistant Director of Production at CORTAL
1986/1989	General Director at CORTAL
1989/1994	President of the Board of Directors at CORTAL
1995	Director at CRISAL – CRISTAIS DE ALCOBAÇA, S.A.
1997	Director at Group Vista Alegre, S.A.
1997	Chairman of the Board of Directors at ATLANTIS - Cristais de Alcobaca, S.A.
2000/2001	Director at SIC
2001	Director at V.A.A.

Throughout his career, he also played roles in several associations:

1989/1994	President of FEMB (Fédération Européene de Mobilier de Bureau) for Portugal
1989/1990	President of General Assembly at Assoc. Industr. Águeda
1991/1993	Member of Advisory Board at Assoc. Ind. Portuense

The other companies where he carries out management functions as of 31 December 2011, are as follows:

- Alteria, S.G.P.S., S.A. (a)
- Altri, S.G.P.S, S.A. (a)
- Altri – Energias Renováveis, SGPS, S.A. (a)
- Caima – Indústria de Celulose, S.A. (a)
- Caminho Aberto S.G.P.S, S.A. (a)
- Celbi – Celulose da Beira Industrial, S.A. (a)
- Celtejo – Empresa de Celulose do Tejo, S.A. (a)
- Celulose do Caima, S.G.P.S., S.A. (a)
- Cofina Media, S.G.P.S., S.A.
- Edirevistas – Sociedade Editorial, S.A.
- Edisport – Soc. de Publicações, S.A.
- Efe Erre Participações, S.G.P.S., S.A.
- Elege Valor, S.G.P.S., S.A. (a)
- F. Ramada Investimentos, S.G.P.S., S.A. (a)
- F. Ramada – Produção e Comercialização de Estruturas Metálicas de Armazenagem, S.A. (a)
- F. Ramada II Imobiliária, S.A. (a)
- F. Ramada, Aços e Indústrias, S.A. (a)

DIRECTORS' REPORT 2011

- Invescaima, S.G.P.S., S.A. (a)
- Malva – Gestão Imobiliária, S.A. (a)
- Mediafin – S.G.P.S., S.A.
- Presselivre – Imprensa Livre, S.A.
- Prestimo – Prestígio Imobiliário, S.A. (a)
- Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A. (a)
- Torres da Luz – Investimentos imobiliários, S.A. (a)

(a) – Companies that, as of 31 December 2011 cannot be considered to be part of Cofina, S.G.P.S., S.A. Group

João Manuel Matos Borges de Oliveira

Being also one of the founders of Cofina, he has been involved in the Group's management since its incorporation. Graduated from the Porto University with a degree in Chemical Engineering, holds an MBA at INSEAD. Develops his activity in the media and industrial operations, as well as in the strategic definition of the Group. Is a shareholder of the Company since 1990 and has also been appointed Director as from the same date.

In addition to the Companies where he currently exercises functions of administration, his professional experience includes:

1982/1983	Assistant Director of Production at Cortal
1984/1985	Production Director at Cortal
1987/1989	Marketing Director at Cortal
1989/1994	General Director at Cortal
1989/1995	Vice President of the Board at Cortal
1989/1994	Director at Seldex
1996/2000	Non-executive Director at Atlantis, S.A.
1997/2000	Non-executive Director at Vista Alegre, S.A.
1998/1999	Director at Efacec Capital, SGPS, S.A.

The other companies where he carries out management functions as of 31 December 2011 are as follows:

- Alteria, S.G.P.S., S.A. (a)
- Altri, S.G.P.S., S.A. (a)
- Altri – Energias Renováveis, SGPS, S.A. (a)
- Base Holding, SGPS, S.A. (a)
- Caderno Azul, S.G.P.S., S.A. (a)
- Caima – Indústria de Celulose, S.A. (a)
- Celbi – Celulose da Beira Industrial, S.A. (a)
- Celtejo – Empresa de Celulose do Tejo, S.A. (a)
- Celulose do Caima, S.G.P.S., S.A. (a)
- Cofina Media, S.G.P.S., S.A.
- Edirevistas – Sociedade Editorial, S.A.
- Edisport – Soc. de Publicações, S.A.
- Efe Erre Participações, S.G.P.S., S.A.
- Elege Valor, S.G.P.S., S.A. (a)
- F. Ramada Investimentos, S.G.P.S., S.A. (a)
- F. Ramada – Produção e Comercialização de Estruturas Metálicas de Armazenagem, S.A. (a)
- F. Ramada II Imobiliária, S.A. (a)
- F. Ramada Serviços de Gestão, Lda. (a)
- F. Ramada, Aços e Indústrias, S.A. (a)

DIRECTORS' REPORT 2011

- Grafedisport – Impressão e Artes Gráficas, S.A.
- Invescaima, S.G.P.S., S.A. (a)
- Jardins de França – Empreendimentos Imobiliários, S.A. (a)
- Malva – Gestão Imobiliária, S.A.
- Mediafin, SGPS, S.A.
- Presselivre – Imprensa Livre, S.A.
- Prestimo – Prestígio Imobiliário, S.A. (a)
- Storax Racking Systems, Ltd. (a)
- Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A. (a)
- Torres da Luz – Investimentos imobiliários, S.A. (a)
- Universal Afir – Aços Especiais e Ferramentas, S.A. (a)

a) – Companies that, as of 31 December 2011 cannot be considered to be part of Cofina, S.G.P.S., S.A. Group.

Pedro Macedo Pinto de Mendonça

He was one of the founders of Cofina, and has been directly involved in the Group's management since its incorporation. Attended the Faculty of Medicine in Porto for two years, and holds a degree in Mechanics from the École Supérieure de L'Etat in Brussels. He is shareholder of the Company since 1990 and has been appointed as Director since that date.

In addition to the Companies where he currently exercises functions of administration, his professional experience includes:

1959	Director of Supply of Empresa de Metalurgia Artística Lisboa
1965	Production Director of Empresa de Metalurgia Artística Lisboa
1970	Director and sales responsible of Seldex
1986	Founding Partner of Euroseel
1986/1990	Director at Euroseel
1986	Chairman of the Board of Directors at Seldex
1989	Director at Cortal

The other companies where he carries out functions of administration as of 31 December 2011 are:

- Alteria, S.G.P.S., S.A. (a)
- Altri, S.G.P.S., S.A. (a)
- Altri – Energias Renováveis, SGPS, S.A. (a)
- Caima – Indústria de Celulose, S.A. (a)
- Celbi – Celulose da Beira Industrial, S.A. (a)
- Celtejo – Empresa de Celulose do Tejo, S.A. (a)
- Celulose do Caima, S.G.P.S., S.A. (a)
- Cofina Media, S.G.P.S., S.A.
- Cofihold, S.G.P.S., S.A. (a)
- Efe Erre Participações, S.G.P.S., S.A.
- Elege Valor, S.G.P.S., S.A. (a)
- F. Ramada Investimentos, S.G.P.S., S.A. (a)
- F. Ramada – Produção e Comercialização de Estruturas Metálicas de Armazenagem, S.A. (a)
- F. Ramada II Imobiliária, S.A. (a)
- F. Ramada, Aços e Indústrias, S.A. (a)
- Invescaima, S.G.P.S., S.A. (a)
- Malva – Gestão Imobiliária, S.A. (a)
- Prestimo – Prestígio Imobiliário, S.A. (a)
- Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A. (a)

DIRECTORS' REPORT 2011

- Torres da Luz – Investimentos imobiliários, S.A. (a)
- Universal Afir – Aços, Máquinas e Ferramentas, S.A. (a)

a) – Companies that, as of 31 December 2011 cannot be considered to be part of Cofina, S.G.P.S., S.A. Group.

Domingos José Vieira de Matos

He was one of the founders of Cofina, and has been directly involved in the Group's management since its incorporation. Holds a degree in Economics from the Faculty of Economy of the University of Oporto. He initiated his career in management in 1978. He is shareholder of the Company since 1990 and has been Director since that date.

In addition to the Companies where he currently exercises his duties as Director, his professional experience includes:

1978/1994	Director at CORTAL, S.A.
1983	Founding Partner of PROMEDE – Produtos Médicos, S.A.
1998/2000	Director at ELECTRO CERÂMICA, S.A.

The other companies where he carries out management functions as of 31 December 2011 are as follows:

- Alteria, S.G.P.S., S.A. (a)
- Altri, S.G.P.S., S.A. (a)
- Altri Florestal, S.A. (a)
- Base Holding, SGPS, S.A. (a)
- Caima – Indústria de Celulose, S.A. (a)
- Celbi – Celulose da Beira Industrial, S.A. (a)
- Celulose do Caima, S.G.P.S., S.A. (a)
- Efe Erre Participações, S.G.P.S., S.A.
- Elege Valor, S.G.P.S., S.A. (a)
- F. Ramada Investimentos, S.G.P.S., S.A. (a)
- F. Ramada – Produção e Comercialização de Estruturas Metálicas de Armazenagem, S.A. (a)
- F. Ramada II Imobiliária, S.A. (a)
- F. Ramada Serviços de Gestão, Lda. (a)
- F. Ramada, Aços e Indústrias, S.A. (a)
- Jardins de França – Empreendimentos Imobiliários, S.A. (a)
- Livre Fluxo, S.G.P.S., S.A. (a)
- Malva – Gestão Imobiliária, S.A. (a)
- Prestimo – Prestígio Imobiliário, S.A. (a)
- Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A. (a)
- Torres da Luz – Investimentos imobiliários, S.A. (a)
- Universal Afir – Aços, Máquinas e Ferramentas, S.A. (a)

(a) – Companies that, as of 31 December 2011 cannot be considered to be part of Cofina, S.G.P.S., S.A. Group.

Pedro Miguel Matos Borges de Oliveira

He holds a degree in Financial Management by Instituto Superior de Administração e Gestão do Porto. In 2000 he concluded the MBA Executive at the Instituto Empresarial Portuense in partnership with ESADE – Business School of Barcelona, currently Católica Porto Business School. In 2009, he attended the Course of Business Valuation at EGE – Escola de Gestão Empresarial. He is director of the Company since May 2009.

Besides other companies where he currently exercises duties of Director, his professional experience includes:

1986/2000	Management advisor of FERÁGUEDA, Lda.
1997/2000	Assistant manager of GALAN, Lda.
2000	Director of the Department of Saws and Tools of F. Ramada, Aços e Indústrias, S.A.
2006	Director of Universal Afir, Aços Especiais e Ferramentas, S.A.
2009	Director of F. Ramada Investimentos, S.G.P.S., S.A.

The other companies where he carries out management functions as of 31 December 2011 are as follows:

- Alteria, S.G.P.S., S.A. (a)
- Altri Florestal, S.A. (a)
- Efe Erre Participações, S.G.P.S., S.A.
- Elege Valor, S.G.P.S., S.A. (a)
- F. Ramada Investimentos, S.G.P.S., S.A. (a)
- F. Ramada – Produção e Comercialização de Estruturas Metálicas de Armazenagem, S.A. (a)
- F. Ramada II Imobiliária, S.A. (a)
- F. Ramada, Aços e Indústrias, S.A. (a)
- Malva – Gestão Imobiliária, S.A. (a)
- Prestimo – Prestígio Imobiliário, S.A. (a)
- Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A. (a)
- Torres da Luz – Investimentos imobiliários, S.A. (a)
- Universal Afir – Aços, Máquinas e Ferramentas, S.A. (a)
- Valor Autêntico, S.G.P.S., S.A. (a)

(a) – Companies that, as of 31 December 2011 cannot be considered to be part of Cofina, S.G.P.S., S.A. Group.

Ana Rebelo de Carvalho Menéres de Mendonça Mariz Fernandes

Has a Degree in Economics by Universidade Católica Portuguesa in Lisbon, having been appointed as Director of the Company since May 2009.

Besides other companies where she currently exercises duties of Director, her professional experience includes:

1995	Journalist in the economic segment of the newspaper Semanário Económico
1996	Commercial department of Citibank
1996	Director at Promendo, S.A.
1999	Managing partner of Farrajota & Mendonça, Lda.
2009	Director at PROMENDO, SGPS, S.A.

DIRECTORS' REPORT 2011

The other companies where she carries out management functions as of 31 December 2011 are as follows:

- F. Ramada Investimentos, SGPS, S.A. (a)
- F. Ramada – Produção e Comercialização de Estruturas Metálicas de Armazenagem, S.A. (a)
- F. Ramada, Aços e Indústrias, S.A. (a)
- Promendo, SGPS, S.A. (a)
- Prestimo – Prestígio Imobiliário, S.A. (a)
- Farrajota & Mendonça, Lda. (a)

(a) – Companies that, as of 31 December 2011 cannot be considered to be part of Cofina, S.G.P.S., S.A. Group.

2. Statutory Audit Board

Qualifications, experience and positions held in other companies by members of the Statutory Audit Board:

João da Silva Natária

Academic curriculum:

Degree in Law by the University of Lisbon

Professional Experience:

1979	General Manager at Branch Luanda / Viana of F. Ramada, appointed jointly by the Administration and the Ministry of Industry of Angola
1983	Director of the Department of Polyester and Buttons of F. Ramada, Aços e Indústrias, S.A.
1984/2000	Human Resources' Director at F. Ramada, Aços e Indústrias, S.A.
1993/1995	Director at Universal – Aços, Máquinas e Ferramentas, S.A.
Since 2000	Lawyer specialized in Labor Law and Family Law.

Other positions:

President of the Statutory Audit Board of Altri SGPS, S.A. (a)
President of the Statutory Audit Board of F. Ramada Investimentos, SGPS, S.A. (a)
President of the Statutory Audit Board of Celulose do Caima, S.G.P.S., S.A. (a)
Member of the Remuneration Committee of Altri SGPS S.A. (a)
Member of the Remuneration Committee of F. Ramada Investimentos, SGPS, S.A. (a)

(a) - companies that, as of 31 December 2011, cannot be considered as part of the group Cofina, SGPS, S.A.

Cristina Isabel Linhares Fernandes

Academic curriculum:

1996	Degree in Economics - Faculty of Economics, University of Coimbra
2000	Postgraduate in Taxation – Instituto Superior de Administração e Gestão do Porto
2006	External Auditor (nº 1262) certified by the Portuguese Association of Auditors
2007	Executive MBA at EGP - Escola de Gestão do Porto

Professional Experience:

1996/1998	Assistant in the audit division of Arthur Andersen in Porto
1999/2001	Senior of the audit division of Arthur Andersen in Porto
2002/2005	Manager of the audit division of Deloitte office in Porto
2006	Senior Manager of Deloitte's audit division in Luanda
Since 2007	External Auditor certified by the Portuguese Association of Auditors and consultant

DIRECTORS' REPORT 2011

Other positions:

- Member of the Statutory Audit Board of Altri SGPS, S.A. (a)
- Member of the Statutory Audit Board of F. Ramada Investimentos, SGPS, S.A. (a)
- Member of the Statutory Audit Board of Celulose do Caima, SGPS, S.A. (a)
- Statutory Auditor of Sociedade Comercial de Plásticos Chemieuro Unipessoal Lda. (a)
- Statutory Auditor of Stematters – Biotecnologia e Medicina Regenerativa, S.A. (a)
- Statutory Auditor of JCPA 5, S.A. (a)

(a) - companies that, as of 31 December 2011, cannot be considered as part of the group Cofina, SGPS, S.A.

Other past positions:

- Member of the Statutory Audit Board of Tertir – Terminais de Portugal, S.A.

Manuel Tiago Alves Baldaque de Marinho Fernandes

Academic curriculum:

- | | |
|------|--|
| 1992 | Degree in Business Administration and Management provided by the Faculty of Economics and Management of the Regional Centre of Porto, Portuguese Catholic University |
| 2000 | Postgraduate in Human Resource Management, taught by Catholic University |
| 2002 | Masters in Finance, taught by Catholic University |
| 2007 | International MBA taught by the School of Business Management / ESADE |
| 2010 | Postgraduate in Management Services, administered by the Portuguese Catholic University |

Professional Experience:

- | | |
|------------|---|
| 1992 | Auditor at Arthur Andersen, S.A. |
| 1995 | Management Controller at Group SIPMA, S.A. (Saludães, S.A.; Lorisa, S.A. and SOTPA, S.A.) |
| Since 1998 | Financial and Human Resources Director at Regional Centre of Porto, Portuguese Catholic University Professional Experience: |

Other positions:

- Member of the Statutory Audit Board of Altri SGPS, S.A. (a)
- Member of the Statutory Audit Board of F. Ramada Investimentos, SGPS, S.A. (a)
- Member of the Statutory Audit Board of Celulose do Caima, SGPS, S.A. (a)

(a) - companies that, as of 31 December 2011, cannot be considered as part of the Group Cofina, SGPS, S.A.

Other positions:

- Board Member of Financial Management Committee, Portuguese Catholic University
- President of the Statutory Audit Board of Tertir - Terminal de Portugal, S.A.
- Non-executive Director of Investvar Comercial, SGPS, S.A.

Article 447 of the Portuguese Companies Act and Article 14, paragraph 7 of Portuguese Securities Regulator (CMVM) Regulation nr. 05/2008

Disclosure of shares and other securities held by members of the Board of Directors and by those discharging managerial responsibilities, as well as by people closely connected with them (article 248 B of the Securities Code), and disclosure of the respective transactions during the year involving such shares and other securities

Member of the Board of Directors	No. of shares 31,		No. of shares 31,	
	Dec 2010	Acquisitions	Disposals	Dec 2011
Paulo Jorge dos Santos Fernandes	7,165,746	-	-	7,165,746
João Manuel Matos Borges de Oliveira (imputation through CADERNO AZUL - SGPS, S.A)	10,264,014	-	-	10,264,014
Domingos José Vieira de Matos	7,296,112	-	-	7,296,112
Pedro Miguel Matos Borges de Oliveira	4,928,291	-	-	4,928,291
Ana Rebelo Mendonça Fernandes	6,377,840	-	-	6,377,840
Ana Rebelo Mendonça Fernandes (imputation through PROMENDO - SGPS, S.A)	9,007,436	-	-	9,007,436
Pedro Macedo Pinto de Mendonça	854,500	-	-	854,500

APPENDIX 2011

Statement Under the terms of Article 245, paragraph 1, c) of the Securities Code

The signatories individually declare that, to their knowledge, the Board of Directors Report, the Individual and Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union, and the other accounting documents required by law or regulation, give a truthful (fairly) and appropriate image, in all material respects, of the assets and liabilities, financial position and the consolidated and individual results of Cofina, SGPS, S.A. ("Cofina") and of the companies included in the consolidation perimeter, and contains a description of the major risks and uncertainties that they face.

Oporto, 15 March 2012

Paulo Jorge dos Santos Fernandes
President of the Board of Directors

João Manuel Matos Borges de Oliveira
Member of the Board of Directors

Pedro Macedo Pinto de Mendonça
Member of the Board of Directors

Domingos José Vieira de Matos
Member of the Board of Directors

Pedro Miguel Matos Borges de Oliveira
Member of the Board of Directors

Ana Rebelo Mendonça Fernandes
Member of the Board of Directors

**CONSOLIDATED FINANCIAL
STATEMENTS**

COFINA, SGPS, S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2011 AND 2010

(Translation of financial statements originally issued in Portuguese - Note 36)
(Amounts expressed in Euro)

ASSETS	Notes	31.12.2011	31.12.2010
NON CURRENT ASSETS:			
Tangible assets	7	9,561,732	10,755,915
Goodwill	6	93,699,609	94,992,223
Intangible assets	8	537,120	512,688
Investments in associated companies	4	3,438,343	3,393,399
Investments available for sale	4	8,570	5,000
Deferred tax assets	10	7,512,008	8,782,149
Total non current assets		114,757,382	118,441,374
CURRENT ASSETS:			
Inventories	11	4,093,352	3,983,702
Customers	9 and 12	9,184,783	12,596,832
State and other public entities	9 and 13	135,820	283,439
Other current debtors	9 and 14	304,429	1,574,833
Other current assets	9 and 15	6,452,603	6,181,610
Investments measured at fair value through profit and loss	9 and 16	8,583	51,501,598
Cash and cash equivalents	9 and 17	39,167,961	25,179,147
Total current assets		59,347,531	101,301,161
TOTAL ASSETS		174,104,913	219,742,535
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS:			
Share capital	18	25,641,459	25,641,459
Share premium	18	15,874,835	15,874,835
Legal reserve	18	5,409,144	5,409,144
Other reserves		(40,629,854)	(44,757,422)
Consolidated net profit for the year		4,812,155	5,018,193
Equity attributable to equity holder of the parent		11,107,739	7,186,209
Non-controlling interests		787,811	735,909
TOTAL EQUITY		11,895,550	7,922,118
LIABILITIES:			
NON CURRENT LIABILITIES:			
Other loans	9 and 19	-	19,985,593
Pension liabilities	20	443,646	701,190
Other non current creditors	9 and 25	1,273,064	2,456,506
Provisions	22	5,860,560	2,547,778
Total non current liabilities		7,577,270	25,691,067
CURRENT LIABILITIES:			
Bank loans	9,17 and 19	26,964,828	21,309,474
Other loans	9 and 19	92,086,702	123,996,995
Derivative financial instruments	9 and 23	1,001,831	930,601
Suppliers	9 and 24	9,440,522	11,523,113
State and other public entities	9 and 13	4,549,322	3,677,939
Other current creditors	9, 21 and 25	8,699,403	9,746,715
Other current liabilities	9 and 26	11,889,485	14,944,513
Total current liabilities		154,632,093	186,129,350
TOTAL LIABILITIES		162,209,363	211,820,417
TOTAL EQUITY AND LIABILITIES		174,104,913	219,742,535

The accompanying Notes form an integral part of the consolidated financial statements.

The Chartered Accountant

The Board of Directors

COFINA, SGPS, S.A.

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS BY NATURES
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

(Translation of financial statements originally issued in Portuguese - Note 36)
(Amounts expressed in Euro)

	<u>Notes</u>	<u>31.12.2011</u>	<u>31.12.2010</u>
Sales	27 and 29	64,681,562	65,152,320
Services rendered	27 and 29	49,773,548	54,862,849
Other income	27	12,222,091	16,298,835
Cost of sales	11	(19,560,889)	(18,696,228)
External supplies and services		(47,516,639)	(52,064,775)
Payroll expenses		(36,405,037)	(40,054,510)
Amortisation and depreciation	7 and 8	(3,362,787)	(3,618,866)
Provisions and impairment losses	22	(3,052,111)	(670,682)
Other expenses		(391,993)	(1,719,944)
Gains and losses in derivatives	23	(534,647)	(385,235)
Gains and losses in associated companies	28 and 33	141,846	64,686
Gains and losses in other investments	28	1,624,964	(11,969,720)
Financial expenses	28	(5,644,950)	(5,434,575)
Financial income	28	1,392,494	1,347,414
		<u>13,367,452</u>	<u>3,111,569</u>
	Profit before income tax		
		13,367,452	3,111,569
Income tax	10	(8,417,398)	2,138,778
		<u>4,950,054</u>	<u>5,250,347</u>
	Net profit for the year		
		4,950,054	5,250,347
Attributable to:			
Shareholders' of the Parent Company		4,812,155	5,018,193
Non-controlling interests		137,899	232,154
Earnings per share			
Basic	31	0.05	0.05
Diluted	31	0.05	0.05

The accompanying Notes form an integral part of the consolidated financial statements.

The Chartered Accountant

The Board of Directors

COFINA, S.G.P.S., S.A.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

(Translation of financial statements originally issued in Portuguese - Note 36)
(Amounts expressed in Euro)

	Notes	31.12.2011	31.12.2010
Net consolidated profit for the year		4,950,054	5,250,347
Exchange differences on translation of foreign operations		158,357	-
Variation in fair value of cash flow hedge derivative instruments	10 and 23	24,419	(503,594)
Total comprehensive income for the year		<u>5,132,830</u>	<u>4,746,753</u>
Attributable to:			
Shareholders' of the Parent Company		4,994,931	4,514,599
Non-controlling interests		<u>137,899</u>	<u>232,154</u>

The accompanying Notes form an integral part of the consolidated financial statements.

The Chartered Accountant

The Board of Directors

COFINA, S.G.P.S., S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

(Translation of financial statements originally issued in Portuguese - Note 36)
(Amounts expressed in Euro)

Notes	Attributable to equity holders of the Parent						Non-controlling interests	Total Equity
	Share capital	Share premium	Legal reserve	Other reserves	Net profit/loss	Total		
Balance as of 1 January 2010	25,641,459	15,874,835	5,409,144	(60,362,753)	17,091,529	3,654,214	591,835	4,246,049
Appropriation of consolidated net profit for 2009:								
Transfer to legal reserve and retained earnings	-	-	-	16,065,870	(16,065,870)	-	-	-
Dividend distribution	-	-	-	-	(1,025,659)	(1,025,659)	(69,660)	(1,095,319)
Change in reserves and non-controlling interests:								
Other changes	-	-	-	43,055	-	43,055	(18,420)	24,635
Total comprehensive income for the year	-	-	-	(503,594)	5,018,193	4,514,599	232,154	4,746,753
Balance as of 31 December 2010	<u>25,641,459</u>	<u>15,874,835</u>	<u>5,409,144</u>	<u>(44,757,422)</u>	<u>5,018,193</u>	<u>7,186,209</u>	<u>735,909</u>	<u>7,922,118</u>
Balance as of 1 January 2011	25,641,459	15,874,835	5,409,144	(44,757,422)	5,018,193	7,186,209	735,909	7,922,118
Appropriation of consolidated net profit for 2010:								
Transfer to legal reserve and retained earnings	-	-	-	3,992,534	(3,992,534)	-	-	-
Dividend distribution	32	-	-	-	(1,025,659)	(1,025,659)	(88,500)	(1,114,159)
Change in reserves and non-controlling interests:								
Other changes	-	-	-	(47,742)	-	(47,742)	2,503	(45,239)
Total comprehensive income for the year	-	-	-	182,776	4,812,155	4,994,931	137,899	5,132,830
Balance as of 31 December 2011	<u>25,641,459</u>	<u>15,874,835</u>	<u>5,409,144</u>	<u>(40,629,854)</u>	<u>4,812,155</u>	<u>11,107,739</u>	<u>787,811</u>	<u>11,895,550</u>

The accompanying Notes form an integral part of the consolidated financial statements.

The Chartered Accountant

The Board of Directors

COFINA, SGPS, S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

(Translation of financial statements originally issued in Portuguese - Note 36)
(Amounts expressed in Euro)

	Notes	2011	2010
Operating activities:			
Collections from customers		147,462,634	154,840,242
Payments to suppliers		(85,970,985)	(90,969,954)
Payments to personnel		(41,387,644)	(40,817,805)
Other collections/payments relating to operating activities		(1,296,814)	(976,674)
Corporate Income Tax		(1,283,351)	(4,139,960)
<i>Cash flow from operating activities (1)</i>		17,523,840	17,935,849
Investment activities:			
Collections relating to:			
Financial investments	16 and 17	51,627,640	-
Tangible assets		25,884	28,250
Interest and similar income		1,370,565	1,414,714
Dividends	16	1,486,400	2,430,400
3,873,364		54,510,489	3,873,364
Payments relating to:			
Financial investments	17	(160,000)	(125,000)
Intangible assets		(869,404)	(1,128,883)
Tangible assets		(1,862,612)	(2,768,737)
(4,022,620)		(2,892,016)	(4,022,620)
<i>Cash flow from investment activities (2)</i>		51,618,473	(149,256)
Financing activities:			
Collections relating to:			
Loans obtained		-	-
Payments relating to:			
Lease contracts		(1,504,206)	(2,385,732)
Interest and similar costs		(5,275,418)	(5,420,976)
Dividends	32	(1,025,659)	(1,026,659)
Supplementary capital		(3,570)	-
Loans obtained		(53,000,000)	(49,000,000)
(57,833,367)		(60,808,853)	(57,833,367)
<i>Cash flow from financing activities (3)</i>		(60,808,853)	(57,833,367)
Cash and cash equivalents in companies consolidated for the first time (Note 5)		-	17,872
Cash and cash equivalents at the beginning of the year		3,869,673	43,897,575
Cash and cash equivalents variation: (1)+(2)+(3)		8,333,460	(40,046,774)
Cash and cash equivalents at the end of the year	17	12,203,133	3,869,673

The accompanying Notes form an integral part of the consolidated financial statements.

The Chartered Accountant

The Board of Directors

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)

1. INTRODUCTION

Cofina, SGPS, S.A. ("Cofina" or "Company") is a public capital company, with headquarters located at Rua General Norton de Matos, 68, r/c in Porto and has its shares listed in the Lisbon Euronext Stock Exchange. Cofina is the Parent company of a group of companies detailed in Note 4, commonly designated as Cofina Group, and its main activity is the management of investments in the Media sector (written press).

The Cofina Group owns headings of reference in the respective segments, editing titles like newspapers "Correio da Manhã", "Record", "Jornal de Negócios", "Destak" and "Metro", as well as the magazines "Sábado", "Automotor", "TV Guia", "Flash!" and "GQ", among others.

During the year ended as of 31 December 2011, the Cofina Group developed its activity mainly in Portugal, having also some interests in Brazil, through the investments in the associated company Destak Brasil and in the subsidiary Adcom Media (Note 4).

Cofina's consolidated financial statements are expressed in Euro (rounded to the nearest unit). This is the currency used by the Group in its operations and as such, considered its functional currency. The operations of the foreign group companies whose functional currency is not the Euro are included in the consolidated financial statements in accordance with the policy established in Note 2.2.d).

The accompanying consolidated financial statements have been prepared under the going concern assumption, although as of 31 December 2011 the Group's total equity is less than half of its share capital. This situation is due solely to the Group's exposure to ZON Multimédia - Serviços de Telecomunicações e Multimedia, SGPS, S.A. ("Zon Multimedia") until July 2011, through the holding of 15,190,000 shares, which were fully disposed during the year ended as of 31 December 2011 (Note 16).

It is the Board of Directors' belief that the consolidated equity will no longer be less than half of its share capital as a consequence of the results that will be generated by the operations of the Group during the next financial years.

2. BASIS OF PRESENTATION AND MAIN ACCOUNTING POLICIES

The basis of presentation and main accounting policies adopted in the preparation of the consolidated financial statements are as follows:

2.1 BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared on a going concern basis from the books and accounting records of the companies included in the consolidation, maintained in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union for financial years started as from 1 January 2011. These standards include the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), the International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and respective interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and by the Standing Interpretations Committee ("SIC"), as adopted by the European Union. The standards and interpretations mentioned above will generally be presented as "IAS/IFRS".

The Interim financial statements were presented quarterly, in accordance with IAS 34 – "Interim Financial Report".

During the year 2011, no changes occurred in relation to the accounting policies presented in the consolidated financial statements as of 31 December 2010.

Adoption of new, amended or reviewed standards and interpretations

The following standards, interpretations, amendments and endorsed revisions by the European Union and with mandatory application in financial years started on or after 1 January 2011, were adopted for the first time in the year ended as of 31 December 2011:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)

Standard	Effective date (annual periods beginning on or after)	Observations
Amendments to IAS 24 - Related Party Disclosures and IFRS 8 - Operating Segments	31-12-2010	IAS 24 (as revised in 2009) as been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities. Amendments to IFRS 8 arise from the IAS 24 amendment above referred.
Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement	31-12-2010	IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contribution.
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments and amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards	30-06-2010	The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss. The First-time adopters can apply the transitory dispositions contained in IFRIC 19.
Amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards and IFRS 7 - Financial Instruments: Disclosures	30-06-2010	Comparative disclosures obligation's limited exemption in accordance with IFRS 7 for the first time adopters.
Amendments to several IFRS: IFRS 1, IFRS 3 and IFRS 7 IAS 1, 32, 34, 39 and IFRIC 13	IFRS 1, 3 and IAS 32, 39: 30-06-2010 and IFRS 7, IAS 1, 34 and IFRIC 13: 31-12-2010	Amendments in several international financial reporting standards, in order to simplify and clarify the international accounting standards.
IAS 32 - Financial instruments	31-01-2010	The presentation is modified accordingly to the regulation's appendix.

The effect in the consolidated financial statements of the Group for the year ended as of 31 December 2011, due to the adoption of the standards, interpretations, amendments and revisions mentioned above has not been significant.

Improvements of international financial reporting standards

This process included the review of 8 standards and interpretations. The effect in the consolidated financial statements of the Group for the year ended as of 31 December 2011, due to the adoption of the standards and interpretations has not been significant.

New, amended or reviewed standards and interpretations not adopted

The following changes, with mandatory application after 1 July 2011, were, until the approval date of the accompanying financial statements, endorsed by the European Union:

Standard	Effective date (annual periods beginning on or after)	Observations
Amendments to IFRS 7 - Financial Instruments: Disclosures	01-07-2011	The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

These standards, although endorsed by the European Union, were not adopted by the Group in the year ended as of 31 December 2011, because its application is not yet mandatory. No significant impacts are expected to arise in the financial statements as a result of the adoption of these standards.

The accounting policies and measurement criteria adopted by the Group as of 31 December 2011 are consistent with those used in the preparation of the consolidated financial statements as of 31 December 2010.

In the preparation of the consolidated financial statements, in accordance with the IAS/IFRS, the Board of Directors adopted certain assumptions and estimates that affect the reported assets and liabilities, as well as the income and expenses in relation to the reported periods. All the estimates and assumptions made by the Board of Directors were made on the basis of its better existing knowledge, with reference to the date of approval of the financial statements, of the events and transactions in progress.

The accompanying consolidated financial statements have been prepared for appreciation and approval by the General Shareholders Meeting. The Group's Board of Directors believes that they will be approved without changes.

2.2 CONSOLIDATION POLICIES

The consolidation policies adopted by Cofina Group in the preparation of its consolidated financial statements are as follows:

a) Investments in Group companies

Investments in companies in which the Group owns, directly or indirectly, more than 50% of the voting rights at the Shareholders' General Meeting or is able to control the financial and operating policies so as to benefit from its activities (definition of control normally used by the Group), are included in the consolidated financial statements by the full consolidation method. The equity and net result of those investments attributable to non-controlling shareholders are presented separately, under the caption "Non-controlling interests", in the consolidated statement of financial position and in the consolidated statement of profit and loss. Companies included in the consolidated financial statements by the full consolidation method are listed in Note 4.

When losses attributable to the non-controlling interests exceed the non-controlling interest in the equity of the subsidiary, the excess and any further losses attributable to the non-controlling interests are charged against the majority interests, except to the extent that the non-controlling shareholders have a binding obligation and are able to cover such losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the minority's share of losses previously absorbed by the Group has been recovered.

In business combinations occurred after the date of transition to the International Financial Reporting Standards as adopted by the European Union – IFRS (1 January 2004), the assets and liabilities of each subsidiary are measured at fair value at the date of acquisition in accordance with IFRS 3 - "Business Combinations", with this measurement able to be concluded until 12 months after acquisition date. Any excess on the cost of acquisition over the fair value of the identifiable net assets acquired (including contingent liabilities) is recognised as goodwill. Any excess of the fair value of the identifiable net assets and liabilities acquired over its cost is recognised as an income in the profit and loss statement of the period of acquisition, after reassessment of the estimated fair value attributed to the net assets acquired. Non-controlling interests are presented according to their share in the fair value of the acquired identifiable assets and liabilities.

The results of the subsidiaries acquired or disposed during the year are included in the consolidated income statement as from the effective date of acquisition or up to the effective date of disposal, respectively.

Adjustments to the financial statements of the affiliates are performed, whenever necessary, in order to adapt its accounting policies to those used by the Group. All intercompany transactions, balances and distributed dividends are eliminated during the consolidation process.

Whenever the Group has, in substance, control over other entities created for a specific purpose ("Special Purpose Entities – SPE's"), even if no share capital interest is directly or indirectly held in those entities, these are consolidated by the full consolidation method. As of 31 December 2011, there are no special purpose entities within the Group perimeter.

b) Investments in associated companies

Investments in associated companies (companies where the Group has significant influence but has no control over the financial and operating decisions - usually corresponding to holdings between 20% and 50% in a company's share capital) are accounted for in accordance with the equity method.

According to the equity method, the investments in associated companies are initially recorded at acquisition cost, which is adjusted proportionally to the Group's corresponding share capital, as at the acquisition date or as at the date of the first adoption of the equity method. On a yearly basis, investments are subsequently adjusted in accordance with the Group's participation in the associated company's net result. Additionally, the dividends of the subsidiary are recorded as a reduction in the investment's book value, and the Group's proportion in the changes occurred in the associated company's equity are recorded as a change in the Group's equity.

Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets acquired is recognised as goodwill, which is included in the caption "Investments in associated companies". If that difference is negative, it is recorded as a gain in the caption "Gains and losses in associated companies" after reassessment of the fair value of the identifiable assets and liabilities acquired.

An evaluation of investments held (and loans conceded) in associated companies is performed whenever there are signs of impairment in those investments. Impairment losses are recorded in the statement of profit and loss for the period in the caption "Gains and losses in associated companies". When those losses recorded in previous periods are no longer applicable, they are reverted in the statement of profit and loss for the period.

When the Group's share of losses in the associated company exceeds the investment's book value, the investment is recorded at null value, except to the extent of the Group's commitments to the associate. In such case, the Group records a provision to cover those commitments.

Unrealised gains arising from transactions with associated companies are eliminated proportionally to the extent of the Group's interest in the associated company against the investment held. Unrealised losses are also eliminated, but only to the extent that there is no evidence of impairment of the transferred asset.

The financial investments in associated companies are detailed in Note 4.

c) Goodwill

The difference between the acquisition cost of financial investments in Group companies (subsidiaries), added by the amount of the non-controlling interests, and the attributable amount to the fair value of the identifiable assets and liabilities of those companies, as of the acquisition date, when positive, is recorded under the caption "Goodwill" and, when negative, after reassessing its computation, is directly recorded in the statement of income. The differences between the acquisition cost of financial investments in associated companies and in jointly controlled entities and the amount attributable to the fair value of the identifiable assets and liabilities of those companies, as of the acquisition date, when positive, are maintained in the caption "Investments in associated companies" and, when negative, after a reassessment of its computation, are directly recorded in the statement of income.

Additionally, the excess of the cost of acquisition of investments in foreign companies over the fair value of their identifiable assets and liabilities as at the date of acquisition is calculated using the local currency of each of those companies. Translation to the Group's currency (Euro) is performed using the exchange rate as at the balance sheet date. Exchange rate differences arising from this translation are recorded under the equity caption "Conversion reserves", included in the equity caption "Other reserves".

Goodwill arising from acquisitions made prior to the date of transition to IFRS (1 January 2004) is stated using the carrying amounts in accordance with generally accepted accounting principles in Portugal as of that date, and was then subject to impairment tests. The impact of these adjustments was recorded in the caption "Retained earnings", in accordance with IFRS 1. Goodwill arising from the acquisition of foreign companies was recomputed retrospectively using the local currency of each subsidiary.

Cofina Group, on a transaction by transaction basis (for each business combination), will opt to measure any non-controlling interest in the acquired company either at fair value or by the proportional part of the non-controlling interest of the identifiable net assets of the acquired company. Until 1 January 2010, non-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)

controlling interests were measured exclusively in accordance with the proportion of the fair value of the assets and liabilities acquired.

The amount of contingent future payments is recognised as a liability as at the date of the business combination in accordance with its fair value. Any change to the initially recognised amount is recorded against goodwill, but only if it occurs within the measurement period (12 months after acquisition date) and if it relates with events before the acquisition date. In any other situation, these changes are recorded against the income statement.

Transactions involving acquisitions or disposals of interests in already controlled entities, as long as they do not represent loss of control, are treated as transactions between shareholders, thus only affecting equity captions, without any impact in goodwill or results.

Whenever a disposal transaction determines a loss of control, all assets and liabilities of the entity should be derecognised, and any remaining interest in the disposed entity should be re-measured at fair value, being the resulting loss or gain recorded in the income statement.

Goodwill is not amortised, but is subject to impairment tests on an annual basis. The recoverable amounts of cash generating units are determined based on the estimation of its value in use. The recovery amount is estimated to individual assets or, if not possible, for the cash-generating unit to which the asset belongs. These estimations require the use of assumptions based on estimates of future circumstances, which may be different from the expected outcomes. Impairment losses identified in the period are recorded in the statement of profit and loss under the caption "Provisions and impairment losses", and may not be reversed.

d) Translation of financial statements of foreign companies

Assets and liabilities in the financial statements of foreign entities are translated to Euro using the exchange rates in force at the balance sheet date. Profit and loss and cash flows are converted to Euro using the average exchange rate for the period. The resulting exchange rate differences are recorded in equity captions.

Goodwill and adjustments to the fair value arising from the acquisition of foreign subsidiaries are recorded as assets and liabilities of those companies and translated to Euro at the balance sheet date exchange rate.

Whenever a foreign company is disposed, the accumulated exchange rate differences are recorded in the statement of profit and loss as a gain or loss associated with the disposal.

Exchange rates used in the translation of foreign group associated companies are listed below:

	31 December 2011		31 December 2010	
	Year end	Year average	Year end	Year average
Brazilian Real	<u>0.4139</u>	<u>0.4298</u>	<u>0.4501</u>	<u>0.4289</u>

2.3 MAIN ACCOUNTING POLICIES

The main accounting policies used by Cofina Group in the preparation of its consolidated financial statements are as follows:

a) Intangible assets

Intangible assets are recorded at cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognised if it is likely that future economic benefits will flow to the Group, are controlled by the Group and if its cost can be reliably measured.

Research costs incurred with new technical knowledge are recognised in the statement of profit and loss when incurred.

Development costs are recognised as an intangible asset if the Group has proven technical feasibility and ability to finish the development and to sell/use such assets and it is likely that those assets will generate

future economic benefits. Development costs which do not fulfil these conditions are recorded as an expense in the period in which they are incurred.

Internal costs related with maintenance and development of software are recorded as expenses in the statement of profit and loss for the period in which they are incurred, except when these costs are directly attributable to projects for which the existence of future economic benefits is likely. Being this the case, they are capitalized as intangible assets.

Amortisation is calculated on a straight line basis, as from the date the asset is first used, over its expected useful life (usually 3 to 5 years).

b) Tangible assets

Tangible assets acquired until 1 January 2004 (IFRS transition date), are recorded at their respective deemed cost, which corresponds to its acquisition cost, or its acquisition cost restated in accordance with generally accepted accounting principles in Portugal until that date, net of accumulated amortisation and accumulated impairment losses.

Tangible assets acquired after that date are recorded at acquisition cost, net of depreciation and accumulated impairment losses.

Depreciation is calculated on a straight line basis, as from the date the asset is available for use, over the expected useful life for each group of assets.

The depreciation rates used correspond to the following estimated useful lives:

	<u>Years</u>
Buildings and other constructions	10
Plant and machinery	2 to 15
Vehicles	2 to 10
Tools	4 to 14
Office equipment	2 to 10
Other tangible assets	3 to 10

Maintenance and repair costs related to tangible assets which do not increase the useful life or result in significant benefits or improvements in tangible fixed assets are recorded as expenses in the period they are incurred.

Tangible assets in progress correspond to fixed assets still in construction and are stated at acquisition cost, net of impairment losses. These assets are depreciated from the date they are concluded or ready to be used.

Gains or losses arising from the sale or disposal of tangible assets are calculated as the difference between the selling price and the asset's net book value as at the date of its sale/disposal, and are recorded in the statement of profit and loss under the captions "Other income" or "Other expenses", respectively.

c) Lease contracts

Lease contracts are classified as (i) a financial lease if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease if the risks and rewards incidental to ownership do not lie with the lessee.

Tangible fixed assets acquired under financial lease contracts and the corresponding liabilities are recorded in accordance with the financial method. Under this method, the cost of the fixed assets and the corresponding liability are reflected in the statement of financial position. In addition, interests included in the lease instalments and depreciation of the fixed assets, calculated as explained in Note 2.3.b), are recorded in the statement of profit and loss of the period to which they apply.

Classifying a lease as financial or as operational depends on the substance of the transaction rather than on the form of the contract.

The operational lease instalments on assets acquired under long-term rental contracts are recognised in full as expenses in the period to which they refer to.

d) Impairment of assets, except for Goodwill

Assets are assessed for impairment at each balance sheet date and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of profit and loss under the caption "Provisions and impairment losses".

The recoverable amount is the higher of an asset's net selling price and its value of use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal. The value of use is the present value of estimated future cash flows expected to arise from the continued use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognised in prior years is recorded when the Company concludes that the impairment losses previously recognised for the asset no longer exist or have decreased. The reversal is recorded in the statement of profit and loss as "Other income". However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised for that asset in prior years.

e) Borrowing costs

Borrowing costs (interests) related with loans obtained are usually recognised as expenses in the statement of profit and loss for the period in which they are incurred, on an accrual basis.

When the Company becomes part of a loan agreement to specifically finance capital assets, the corresponding interests are capitalized, being part of the cost of the asset. The capitalization of these interests starts after the beginning of the preparation of the activities of construction, and ceases when the asset is ready for use or in case the project is suspended.

f) Inventories

Raw, subsidiary and consumable materials are stated at average acquisition cost, deducted from quantity discounts (rappel) granted by suppliers, which is lower than its market value.

Differences between the cost and the net realisable value of inventories, if negative, are shown as operating expenses under the caption "Provisions and impairment losses".

g) Provisions

Provisions are recognised when, and only when, (i) the Group has an obligation (legal or constructive) arising from a past event, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) a reliable estimate can be made of that obligation. Provisions are reviewed and adjusted at each balance sheet date to reflect the best estimate of the Board of Directors as of that date.

Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and has been communicated to the affected parties.

When a provision is computed taking into consideration the cash flows necessary to eliminate such obligation, it is recorded by its net present value.

h) Pension complements

Whenever there are commitments to provide pension complements to employees retiring due to age or disability, the Group Companies record provisions to face such commitments, based in actuarial calculations prepared by specialized entities. These actuarial liabilities are calculated in accordance with the "Projected Unit Credit" method, using the actuarial financial assumptions considered to be the most adequate (Note 20).

i) Financial instruments

i) Investments

Investments held by the Group are classified in the following categories:

Financial investments at fair value through profit or loss: this category is divided into two subcategories: “Financial assets classified as held for trading” and “Financial assets designated by the Group at fair value through profit or loss”. A financial asset is classified under this category if it is acquired principally for the purpose of selling it in the short term or its performance or investment strategy are analyzed and defined by the Board of Directors based on the fair value of the financial asset. Derivatives are also classified as instruments held for trading, except if designated as an effective hedging instrument. Financial instruments in this category are classified as current assets if they are held for trading or if it is expected that they will be realized within twelve months of the balance sheet date.

Held-to-maturity investments: this category includes non-derivative financial assets with fixed or variable reimbursements with fixed maturity, and for which the intention of the Board of Directors is to maintain them till its maturity.

Available-for-sale investments: this category includes the financial assets, non-derivatives, that are designated as available-for-sale and those that are not classified in the previous categories. This category is classified as non-current, unless the Board of Directors has the intention to sell the investment within 12 months from the balance sheet date.

Investments are initially measured at their acquisition cost, which is the fair value of the price paid, including transaction costs, if related with held to maturity and available for sale investments.

Investments available for sale and investments measured at fair value through profit and loss are subsequently measured at fair value by reference to its market value at the balance sheet date, without any deduction for transaction costs which may be incurred until its sale. Investments in equity instruments which are not listed on a stock exchange market and whose fair value cannot be reliably measured are stated at cost net of impairment losses. Investments held to maturity are recorded at amortised cost, using the effective interest method.

Gains or losses arising from a change in the fair value of available for sale investments are recognised under the equity caption “Fair value reserves” included in the caption “Other reserves”, until the investment is sold or disposed, or until it is determined to be impaired, at which time the cumulative loss previously recognised in equity is transferred to profit or loss captions.

All purchases and sales of investments are recorded on its trade date, independently of the settlement date.

ii) Accounts receivable

The debts from customers and other debtors are recorded at their nominal amount and presented in the consolidated statement of financial position deduced from impairment losses recognised in the caption “Accumulated impairment losses”, in order to reflect their net realizable value. The accounts receivable, when current, do not include interests given the immaterial impact of discounting the cash flows.

Impairment losses are recorded following events that indicate, objectively and in a quantifiable manner, that the whole or part of the balance in debt will not be received. For such, each company takes into consideration market information that demonstrates that:

- the counterpart presents significant financial difficulties;
- significant delays in the payments by the counterpart;
- it's probable that the debtor enters into insolvency or financial reorganization.

The recognized impairment losses correspond to the difference between the recorded receivable balance and the correspondent current value from the estimated future cash flows, discounted at the initial effective interest rate that, in the cases where collection is expected to occur within one year, is considered null, given the immaterial effect of the discount.

iii) Loans

Loans are recorded as liabilities at the respective nominal value net of up-front fees and commissions directly related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the statement of profit and loss on an accrual basis.

Assets and liabilities are compensated and presented by their net amount as long as there is the right for compulsory fulfilment of their compensation and the Board of Directors intends to realise them on a net basis or realise the asset and simultaneously settle the liability.

iv) Accounts payable

Non interest bearing accounts payable are stated at their nominal value, which is roughly equivalent to their fair value.

v) Derivative instruments

The Group may use derivative instruments to manage its exposure to financial risks. Derivative instruments are only used for hedge accounting purposes. Derivative instruments are not used for speculation purposes.

The criteria used by the Group to classify the derivative instruments as cash flow hedges are as follows:

- At the inception of the hedge and in subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated;
- Hedge effectiveness can be reliably measured;
- There is adequate documentation about the transaction at the inception of the hedge;
- The transaction to be hedged is highly probable to occur.

Cash flow hedges are initially recorded at cost, if any, and subsequently revaluated at their fair value. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity in the caption "Hedging reserves", included in the caption "Other reserves". The gain or loss relating to the ineffective portion is recognized immediately in the income statement, when calculated.

In cases when the derivative instruments do not comply with the above mentioned requirements to be considered as a cash-flow hedge, although initially engaged for that purpose, the changes in its fair value are recognized directly in the profit and loss statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised. When a hedging instrument no longer qualifies for hedge accounting, the cumulative gain or loss that was deferred in equity is transferred immediately to the profit and loss of the year and the subsequent revaluations of the derivative are recorded in the income statement, or added to the carrying amount of the hedged asset. Subsequent revaluations are recorded directly in the income statement.

In the case of derivatives embedded in other financial instruments or contracts, these are treated as separate derivatives when the risks and characteristics are not closely related with the host contracts and when the contracts are not reflected by its fair value with unrealised gains and losses recognised in the income statement.

vi) Classification of financial liabilities and equity instruments

Financial liabilities and equity instruments are classified and accounted for based upon its contractual substance, regardless of its legal form. Equity instruments are those that represent a residual interest upon the Group's net assets and are recorded by the amount received, net of the costs incurred with its issuance.

vii) Own shares

Own shares are recorded at acquisition cost as a deduction to equity. Gains and losses arising on its sale are recorded in the equity caption "Other reserves".

viii) Discounted bills and accounts receivable transferred to factoring companies

The Group derecognizes financial assets from its financial statements only when contractual entitlement to the cash flows inherent to such assets expire or when the Group substantially transfers all the risks and benefits inherent to the possession of such assets to a third party. If the Group substantially retains all risks and benefits inherent to the possession of such assets, these are recognised in the financial statements, and the monetary compensation received for the cession of such assets is recognized as a liability under the caption “Bank loans” or “Other loans”.

Consequently, customer balances secured by bills discounted not yet fallen due and accounts receivable assigned under factoring arrangements as of the date of each balance sheet are recognized in the financial statements up to such a time as they are received.

ix) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks on demand and term deposits and other treasury applications which reach its maturity within less than three months and may be mobilized without significant risk of change in value.

For purposes of the consolidated statement of cash flows, “Cash and cash equivalents” caption also includes bank overdrafts, which are included in the balance sheet caption “Bank loans”.

j) Contingent assets and liabilities

Contingent liabilities are defined by the Company as (i) possible obligations that arise from past events and which existence will be confirmed, or not, by one or more occurrences of uncertain future events not controlled by the Company, or (ii) present obligations that arise from past events but that are not recorded because it is unlikely that an outflow of resources will occur to settle the obligation or the obligation amount cannot be reliably measured.

Contingent liabilities are not recorded in the consolidated financial statements, being disclosed, unless the probability of a cash outflow is remote, in which case no disclosure is made.

Contingent assets are possible assets arising from past events and whose existence will be confirmed, or not, by uncertain future events not controlled by the Company.

Contingent assets are not recorded in the consolidated financial statements but only disclosed when the existence of future economic benefits is likely.

k) Income tax

Income tax for the period is determined based on the taxable results of the companies included in the consolidation and takes into consideration deferred taxation.

Current taxes are computed based on the taxable profit of the consolidated companies, in accordance with the tax legislation in force in each company’s jurisdiction.

The majority of the companies included in the consolidation by the full consolidation method are taxed in accordance with the special regime for taxation of groups of companies (“Regime Especial de Tributação de Grupos de Sociedades” – “RETGS”), in accordance with article 69º of the Corporate Income Tax Code (Código do Imposto sobre o Rendimento das Pessoas Colectivas). Cofina, SGPS, S.A. is the dominant company of this group of companies.

Deferred taxes are computed using the balance sheet liability method and reflect the timing differences between the amount of assets and liabilities for accounting purposes and the correspondent amounts for tax purposes. Deferred taxes are computed and reassessed on a yearly basis using the tax rate that is expected to be in force at the time these temporary differences are reversed.

Deferred tax assets are only recorded when there is reasonable expectation that sufficient taxable profits will arise in the future to allow such deferred tax assets to be used. At the end of each period the Company reviews its recorded and unrecorded deferred tax assets which are reduced whenever its recoverability ceases to be likely, or recorded if it is likely that taxable profits will be generated in the future to enable them to be recovered.

Deferred tax assets and liabilities are recorded in the statement of profit and loss, except if related to items directly recorded in equity. In these cases the corresponding deferred tax is also recorded in equity captions.

l) Revenue recognition and accrual basis

Revenue arising from the sale of goods is recognised in the consolidated income statement when (i) the risks and benefits have been transferred to the buyer, (ii) the Company retains neither continued management involvement in a degree usually associated with ownership nor effective control over the goods sold, (iii) the amount of the revenue can be measured reasonably, (iv) it is likely that the economic benefits associated with the transaction will flow to the Company, and (v) the costs incurred or to be incurred related with the transaction can be reliably measured. Sales are recorded net of taxes, discounts and other expenses arising from the sale, and are measured at the fair value of the amount received or receivable.

Sales of magazines and newspapers are recorded in the period they are distributed; the newspapers distribution is performed on a daily basis, and the magazines on a weekly, monthly or bi-monthly basis. Returns of unsold publications are recorded in the corresponding period, as a decrease of previously recorded income. Income arising from magazine and newspaper subscriptions is recognised over the subscription period (usually 1 year).

Services rendered regarding the sale of advertising space are recorded in the period in which the advertising is published. Quantity discounts relating to the sale of advertising space are recorded in the period to which they relate as a deduction of the caption "Services rendered".

Services rendered regarding printing activities are recognized in the period in which the services are rendered.

Dividends are recognised as income in the period its distribution is approved.

All other income and expenses are recognised in the period to which they relate, independently of when the amounts are received or paid. Differences between the amounts received and paid and the corresponding income and expenses are recorded in the captions of accrued and deferred expenses and income included in the captions "Other current assets" and "Other current liabilities".

m) Balances and transactions expressed in foreign currencies

All assets and liabilities expressed in foreign currencies were translated to Euro using the exchange rates in force as of the balance sheet date. Favourable and unfavourable exchange differences arising from changes in the exchange rates between those prevailing on the dates of the transactions and those in force on the dates of payment, collection or as of the balance sheet date are recorded in the consolidated statement of profit and loss.

n) Subsequent events

Post balance sheet date events that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Post balance sheet date events that provide information about conditions that have only arisen after the balance sheet date ("non adjusting events") are disclosed in the notes to the financial statements, if material.

o) Segment information

In each period, the Company identifies the most adequate segment division taking into consideration the business areas in which the Group is represented and managed.

Information regarding the business segments identified is included in Note 33.

p) Cash flows statement

Consolidated cash flow statement is prepared, using the direct method, in accordance with IAS 7. The Group classifies as "Cash and cash equivalents" applications which mature in less than three months and which are subject to insignificant risk of change in value.

Consolidated cash flow statement is classified by operating, investing and financing activities. Operating activities include cash receipts from customers, cash payments to suppliers, cash payments to and on

behalf of employees and other operating activities payments and receipts. Investing activities cash flows include, essentially, payments and receipts related with acquisitions and sales of tangible assets and investments. Financing activities cash flows include, essentially, payments and receipts of loans and borrowings, financial lease contracts and dividend payments.

q) Judgments and estimates

In the preparation of the Group's financial statements judgments and estimates have been made and different assumptions were used that affect the reported amounts of assets and liabilities, as well as the reported amounts of profits and losses of the year.

The estimates and underlying assumptions were determined based on the best existing knowledge as of the date of approval of the financial statements of the events and transactions in progress, as well as the experience of past and / or current events. However, situations may occur in subsequent periods which are not foreseeable at the date of approval of the financial statements, and were not considered in these estimates. Changes to the estimates that occur after the date of the financial statements will be corrected prospectively. For this reason and given the degree of uncertainty, actual results of the transactions in question may differ from the corresponding estimates.

The most significant accounting estimates reflected in the consolidated financial statements include:

- Impairment analysis of goodwill and other tangible and intangible assets;
- Recognition of provisions and impairment losses;
- Determination of the fair value of financial instruments;
- Determination of fair value in connection with business combinations;
- Recognition of deferred tax assets;
- Useful lives of tangible and intangible assets.

r) Risk management policy

Cofina Group is exposed basically to (i) market risks, (ii) credit risks and (iii) liquidity risks. The main objective of Cofina's risk management is to reduce these risks to an acceptable level.

The Group's main risk management principles are approved by the Board of Directors of Cofina, SGPS, S.A., while its implementation is supervised by the directors of each of its subsidiaries.

(i) Market risk

Within market risk, the exchange rate, interest rate and price risks assume particular relevance.

a. Exchange rate

The impact in the Company's consolidated financial statements arising from changes in the exchange rates is reduced, given the fact that most of the operational cash flows are contracted in Euro. The Group is only exposed to the risk of exchange rate in transactions in Brazilian Real, in relation to the stake held in the associated company Destak Brazil - Empreendimentos e Participações, S.A. (company included in the consolidated financial statements by the equity method) and in Adcom Media . Anúncios e Publicidade, S.A. (company included in the consolidated financial statements by the full consolidation method). Therefore, the Company's Board of Directors considers that potential changes in the exchange rates will not have a significant effect on the consolidated financial statements.

In the event of transactions with non resident entities and settled in a currency other than Euro where the variation of exchange rate may have a significant impact on its performance, the Group aims to hedge its position by entering into financial derivative contracts whenever applicable and considered necessary to reduce the volatility of its results.

b. Interest rate

The risk of interest rate mainly arises from the indebtedness indexed to variable rates, thus leading the cost of debt to be quite volatile.

The Group uses derivative instruments or similar transactions for hedging interest rate considered significant. Three principles are used in the selection and determination of the hedging instruments of interest rate:

- For each derivative or hedging instrument used to protect the risk associated with a particular funding, there is coincidence between the dates of the flow of interests paid on loans to be hedged and the dates of liquidation under the hedging instruments;
- Perfect equivalence between the base rates: the indexing used in derivative or hedging instrument should be the same as that applicable to the financing or transaction that is being covered; and
- Since the beginning of the transaction, the maximum cost of debt resulting from the hedging transaction undertaken, is known and limited, even in scenarios of extreme changes in interest rates market.

Since the entire indebtedness of Cofina is indexed to floating rates, interest rate swaps are used when it is considered necessary as a mean of protection against changes in future cash flows associated with interest payments. The interest rate swaps agreed have the economic effect of converting the loans linked to variable rates to fixed rates. Under these contracts the Group agrees with other parties (banks) to exchange, in pre-determined periods of time, the difference between the amount of interest calculated at the fixed rate and variable rate contracted at that time, with reference to the respective amounts previously agreed.

The counterparts of the hedging instruments are limited to high credit quality financial institutions, since the Group policy priority is the hiring of these instruments with banks that are part of its financing operations. For purposes of determining the counterpart of specific operations, Cofina requests proposals and indicative prices from a representative number of banks to ensure adequate competitiveness of these operations.

In determining the fair value of hedging transactions, the Group uses certain methods, such as valuation models of options and discounted future cash flows, as well as certain assumptions that are based on the interest rate market conditions prevailing at the date of the consolidated financial statement position. Quotes of comparative financial institutions, for specific instruments, are used as reference for evaluation.

The Board of Directors approves the terms and conditions of the relevant funding of the Group, analyzing the structure of such debt, the risks and the different options available in the market, particularly regarding the type of interest rate (fixed / variable).

c. Price

The price risk resulted, mainly, from the exposure of the Group, until July 2011, to listed shares. Until that date Cofina Group held 15,190,000 shares of ZON Multimédia - Serviços de Telecomunicações e Multimedia, SGPS, S.A. which were fully disposed during the year ended as of 31 December 2011. The impact in the income statement of this detention and disposal amounted to 133.540 Euro (Note 16).

(ii) Credit risk

The Group's exposure to credit risk is mainly related with accounts receivable arising from its operating and treasury activities. The credit risk relates to the risk of the counterparty not fulfilling its contractual obligations, resulting in a loss to the Group.

The evaluation of credit risk is made on a regular basis, taking into consideration the current conditions of economic conjuncture and the specific situation of credit rating of each debtor, adopting corrective measures whenever necessary.

The Group's credit risk is not concentrated in any particular customer or group of customers with similar characteristics; the accounts receivable are distributed through a high number of customers, different areas of business and geographic areas.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)

The adjustments to accounts receivable are calculated taking into consideration (i) the risk profile of the customer, (ii) the average collection period, and (iii) the customer's financial conditions.

The amounts included in the face of the consolidated statement of financial position are presented net of accumulated impairment losses, and therefore, at its fair value.

(iii) Liquidity risk

The aim of liquidity risk management is to assure that the Group has the ability to meet its responsibilities and pursue the defined strategic goals, complying with all the commitments set with third parties within the established deadlines.

The Group defines as active politics (i) to keep an adequate level of immediately available resources to face to the necessary payments in its due date, (ii) reduce the probability of default in the reimbursement of loans, negotiating the amplitude of its contractual clauses and (iii) minimize the cost of opportunity of excessive short term liquidity.

The Group additionally aims to make compatible the due dates of assets and liabilities through an active management of its maturities.

3. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS

During the year, there were no changes in accounting policies and no material errors related with prior years occurred.

4. INVESTMENTSConsolidation perimeter

The companies included in consolidation by the full consolidation method, its headquarters, percentage participation held and activity as of 31 December 2011, are as follows:

Designation	Headquarters	Percentage participation held	Activity
<u>Parent Company:</u>			
Cofina, SGPS, S.A.	Porto		Investment management
	Amsterdam		Investment management
Cofina B.V. ("Cofina BV")	(The Netherlands)	100.00%	Investment management
Efe Erre Participações, SGPS, S.A. ("FR")	Ovar	100.00%	Investment management
<u>Cofina Media Group</u>			
Cofina Media, SGPS, S.A. ("Cofina Media")	Lisbon	100.00%	Investment management
Presselivre – Imprensa Livre, S.A. ("Presselivre")	Lisbon	99.44%	Newspapers and magazine publication
Edisport – Sociedade de Publicações, S.A. ("Edisport")	Lisbon	100.00%	Newspapers publication
Edirevistas – Sociedade Editorial, S.A. ("Edirevistas")	Lisbon	99.46%	Magazines publication
Mediafin, SGPS, S.A. ("Mediafin")	Lisbon	100.00%	Investment management
Metronews – Publicações, S.A. ("Metronews")	Carnaxide	59.00%	Newspapers publication
Grafedisport – Imprensa e Artes Gráficas, S.A. ("Grafedisport")	Queluz	100.00%	Newspapers print
Web Works – Desenvolvimento de Aplicações para Internet, S.A. ("Web Works")	Lisbon	51%	Production and creation of websites for online business development
Transjornal – Edição de Publicações, S.A. ("Transjornal")	Lisbon	59%	Newspapers publication
Cofina - Eventos e Comunicação S.A. ("Cofina Eventos")	Lisbon	70%	Events promotion and organization
Adcom Media – Anúncios e Publicidade S.A. ("Adcom Media") (a)	São Paulo, Brazil	94.05%	Communication and advertising services

(a) – Group's previously associated company which control was acquired during the year ended as of 31 December 2010 (Note 5).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)

All the above companies were included in the consolidated financial statements of Cofina Group by the full consolidation method, as established in Note 2.2.a).

The associated companies, its headquarters, the percentage participation held, and activity as of 31 December 2011 are as follows:

Designation	Headquarters	Percentage Participation held		Activity
		Direct	Indirect	
VASP – Sociedade de Transportes e Distribuições, Lda.	Lisbon	33.33%	-	Publications distribution
Destak Brasil – Empreendimentos e Participações, S.A.	São Paulo, Brazil	23.96%	-	Investment management
Mercados Globais – Publicação de Conteúdos, Lda.	V.N.Gaia	50%	-	Management services and promotion of a financial forum on the internet

The associated company VASP was included in the consolidated financial statements of Cofina Group by the equity method, as referred to in Note 2.2.b). The remaining companies were recorded at acquisition cost deducted from impairment losses.

Investments in associated companies

The acquisition cost of the associated companies, its book value, equity and net profit, as of 31 December 2011, are as follows:

Designation	Acquisition cost	Book value	Equity	Net result
VASP – Sociedade de Transportes e Distribuições, Lda. (a)	€ 6,234	€ 3,244,498	€ 9,733,495	€244,378
Destak Brasil – Editora, S.A. (a) (b)	-	-	R\$ (681,165)	R\$ 457,390
Destak Brasil – Empreendimentos e Participações, S.A. (a)	€ 299,064	-	R\$ 1,101,715	R\$ 152,541
Mercados Globais – Publicação de Conteúdos, Lda. (c)	€ 72,000	-	(c)	(c)

(a) – Provisional financial information

(b) – Investment held by the subsidiary Destak Brasil – Empreendimentos e Participações, S.A.

(c) – Non-available financial information

As of 31 December 2011 and 2010 the caption “Investments in associated companies” can be detailed as follows:

	31.12.2011	31.12.2010
Investment		
VASP – Sociedade de Transportes e Distribuições, Lda.	3,244,498	3,193,500
Destak Brasil – Empreendimentos e Participações, S.A.	299,064	299,064
Mercados Globais - Publicação de Conteúdos, Lda.	72,000	72,000
	<u>3,615,562</u>	<u>3,564,564</u>
Accumulated impairment losses on investments in associates (Note 22)	(371,064)	(371,064)
Loans to associated companies		
Gross amount	193,845	290,746
Accumulated impairment losses (Note 22)	-	(90,847)
	<u>3,438,343</u>	<u>3,393,399</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)Investments available for sale

As of 31 December 2011 and 2010 the Group has available for sale investments corresponding to non-controlling investments in unlisted companies. The Group has recorded impairment losses to face differences to the realisable amount, presenting this caption a net book value of 8,570 and 5,000 Euro, respectively. As of 31 December 2011 and 2010 the total value of investments for which adjustments were made in the same value, amount to 1,064,044 Euro (Note 22).

5. CHANGES IN THE CONSOLIDATION PERIMETER

No changes in the consolidation perimeter occurred during the year ended as of 31 December 2011.

The triggering events of changes in the consolidation perimeter of Cofina Group during the year ended as of 31 December 2010 are as follows:

- I. As of 31 December 2010, the Cofina Group, through its subsidiary Cofina Media, SGPS, SA acquired an additional stake in the share capital of Adcom Media - Anúncios e Publicidade S.A., thus holding 94.05% of the equity of this entity. The Group thus holds control of this subsidiary and, as such, it was included in the consolidation using the full consolidation method with reference to that date.

The fair value of the assets and liabilities as of the entry date of this subsidiary (31 December 2010), as well as the computation of the resulting goodwill, are as follows:

	<u>Adcom Media</u>
<u>Assets</u>	
Intangible Assets (Note 8)	3,517
Tangible Fixed Assets (Note 7)	28,984
Accounts Receivable	957,630
Cash and cash equivalents	17,872
Other Assets	12,356
<u>Liabilities</u>	
Provisions (Note 22)	(772,218)
Suppliers	(175,154)
Group companies	(1,283,941)
Current Liabilities	<u>(1,349,630)</u>
Net Assets	<u>(2,560,584)</u>
Percentage Acquired	76.04%
Value of equity acquired	<u>(1,947,068)</u>
Acquisition value	459,149
Acquired non-controlling interests	613,516
Acquisition cost	<u>1,072,665</u>
Consolidation Differences in acquisitions (Note 6)	3,019,733
Net cash flows attributable to changes in perimeter	
Payments (a)	259,149
Cash and cash equivalent	17,872
	<u>277,021</u>

(a) - payment plan includes deferred payments (259,149 Euro in 2010; 100,000 Euro until June 2011 and 100,000 Euro until June 2012).

The Adcom Media goodwill resulting from the acquisition was determined based on the financial statements of the acquired company as of 31 December 2010. When allocating the fair value of the acquired assets and liabilities, no differences were identified towards the book value, so the difference between these and the participation cost was recorded as Goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
 (Amounts expressed in Euro)

If this acquisition had been reported with effects as of 1 January 2010, the Group income would have increased by, approximately, 3,087,000 Euro and the net profit would have increased by, approximately, 314,000 Euro.

During 2010, the computation of the goodwill of Transjornal and Webworks was concluded, thus being reduced by 24,504 Euro (Note 6) in relation to the latter company.

Additionally, during 2010 the subsidiary Holdimédia was dissolved.

6. GOODWILL

The movement occurred in goodwill and related impairment losses during the years ended as of 31 December 2011 and 2010 was as follows:

	31.12.2011	31.12.2010
Balance as of 1 January	94,992,223	91,996,994
Increases (Note 5)	-	3,019,733
Corrections (Note 5)	-	(24,504)
Impairment losses (Note 22)	(1,050,000)	-
Exchange rate variaton (Note 5)	(242,614)	-
Balance as of 31 December	<u>93,699,609</u>	<u>94,992,223</u>

During the year ended as of 31 December 2011 the variation occurred in the caption "Goodwill" is due exclusively to (i) the exchange rate variation in the year ended as of that date in the computed goodwill of the subsidiary Adcom Media and to (ii) impairment losses recorded in three subsidiaries' goodwill.

As of 31 December 2011 and 2010, the Goodwill by company was as follows:

	31.12.2011	31.12.2010
Presselivre – Imprensa Livre, S.A.	79,146,285	79,146,285
Edirevistas – Sociedade Editorial, S.A.	6,097,606	6,297,606
Adcom Media – Anúncios e Publicidade S.A. (Note 5)	2,777,119	3,019,733
Grafedisport – Imprensa e Artes Gráficas, S.A.	1,906,459	1,906,459
Metronews – Publicações, S.A.	1,703,373	1,703,373
Web Works – Desenvolvimento de Aplicações para Internet, S.A.	1,020,460	1,520,460
Transjornal – Edição de Publicações, S.A.	1,048,307	1,398,307
	<u>93,699,609</u>	<u>94,992,223</u>

Goodwill is tested for impairment on an annual basis and whenever events or changes in circumstances indicate that the amount by which the asset is recorded may not be recovered. When the amount by which the asset is recorded is greater than its recoverable amount, an impairment loss is recorded. The recoverable amount is the higher of the net selling price and the value of use. During the year ended as of 31 December 2011 impairment losses were recorded in the subsidiaries Edirevistas, Web Works and Transjornal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)

During the fiscal year 2011, the methods and assumptions used for the impairment tests of goodwill, which according to the Board of Directors understanding most suit the current economic environment, in the assessment of the existence, or not, of impairment for the main goodwill amounts, are as follows:

Method	Free discounted cash flows
Basis	Business plan
Explicit projection period	5 years
Weighted average cost of capital (WACC) during valuation period	11%
Weighted average cost of capital (WACC) during perpetuity	11%
Growth in perpetuity	1.5%

If the Group had considered a raise of 0.25 p.p. in the weighted average cost of capital, the referred impairment loss would increase by, approximately, 300,000 Euro.

Subsidiary companies were valued using the methodology of discounted free cash flows, based on business plans, covering a period of 5 years, developed by the companies' Directors and approved by the Group's Board of Directors.

As result of the impairment tests of goodwill performed, based in the methodologies and assumptions above referred, the Group concluded that there were no impairment losses left to recognize. It is the Board of Directors' conviction that the effect of eventual deviations that might occur in the main assumptions in which cash-generating units recoverable value was based, will not imply, in all relevant material aspects, the impairment of the respective goodwill.

7. TANGIBLE FIXED ASSETS

The movement occurred in tangible assets and in its accumulated depreciation and impairment losses during the years ended as of 31 December 2011 and 2010 was as follows:

	2011							
	Gross Assets						Total	
	Land	Buildings and other constructions	Machinery and equipment	Transport equipment	Office Equipment	Other Tangible Assets		Work in progress
Opening Balance	165,970	467,570	22,659,857	892,997	10,912,449	1,436,815	2,070,841	38,606,499
Additions	-	827,536	260,389	67,200	491,187	-	20,918	1,667,230
Disposals	-	-	(15,000)	(113,999)	-	-	-	(128,999)
Transfers and write-offs	-	2,115,552	(7,002)	4,222	(63,806)	(92,447)	(2,070,841)	(114,322)
Exchange rate variation	-	(36)	-	-	(10,046)	-	-	(10,082)
Closing Balance	165,970	3,410,622	22,898,244	850,420	11,329,784	1,344,368	20,918	40,020,326

	2011							
	Accumulated depreciation and impairment losses						Total	
	Land	Buildings and other constructions	Machinery and equipment	Transport equipment	Office Equipment	Other Tangible Assets		Work in progress
Opening Balance	-	257,671	15,544,505	687,928	10,404,345	956,135	-	27,850,584
Additions	-	313,085	1,970,567	110,055	326,567	113,265	-	2,833,539
Disposals	-	-	(15,990)	(100,138)	-	-	-	(116,128)
Transfers and write-offs	-	60,389	(101,897)	4,220	34,902	(99,482)	-	(101,868)
Exchange rate variation	-	(17)	-	-	(7,516)	-	-	(7,533)
Closing Balance	-	631,128	17,397,185	702,065	10,758,298	969,918	-	30,458,594
	165,970	2,779,494	5,501,059	148,355	571,486	374,450	20,918	9,561,732

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)

(Amounts expressed in Euro)

	2010								
	Gross Assets								
	Land	Buildings and other constructions	Machinery and equipment	Transport equipment	Tools and utensils	Office Equipment	Other Intangible Assets	Work in progress	Total
Opening Balance	165,970	467,120	21,834,335	833,795	102,553	10,634,631	1,067,733	5,440	35,111,577
Additions	-	-	825,522	168,867	-	179,257	268,621	2,069,744	3,512,011
Changes in consolidation perimeter (Note 5)	-	450	-	-	-	117,850	-	-	118,300
Disposals	-	-	-	(109,665)	-	(19,289)	-	-	(128,954)
Transfers and write-offs	-	-	-	-	(102,553)	-	100,461	(4,343)	(6,435)
Closing Balance	165,970	467,570	22,659,857	892,397	-	10,912,449	1,436,815	2,070,841	38,606,499

	2010								
	Accumulated depreciation and impairment losses								
	Land	Buildings and other constructions	Machinery and equipment	Transport equipment	Tools and utensils	Office Equipment	Other Intangible Assets	Work in progress	Total
Opening Balance	-	245,265	13,397,865	684,694	99,481	10,137,831	619,284	-	25,184,420
Additions	-	12,200	1,976,967	111,879	-	345,724	114,607	-	2,561,377
Changes in consolidation perimeter (Note 5)	-	206	-	-	-	89,110	-	-	89,316
Disposals	-	-	-	(108,645)	-	(11,728)	-	-	(120,373)
Transfers and write-offs	-	-	169,673	-	(99,481)	(156,592)	222,244	-	135,844
Closing Balance	-	257,671	15,544,505	687,928	-	10,404,345	956,135	-	27,850,584
	165,970	209,899	7,115,352	205,069	-	508,104	480,680	2,070,841	10,755,915

As of 31 December 2010, the amount recorded under the caption "Work in progress" referred, mainly, to adaptation works of the new Cofina Group's headquarters, in Lisbon, which entered in operation in the end of 2011.

As of 31 December 2011 and 2010, the net value of tangible fixed assets acquired under leasing can be detailed as follows:

	31.12.2011			31.12.2010		
	Gross Assets	Accumulated depreciation and impairment losses	Net Assets	Gross Assets	Accumulated depreciation and impairment losses	Net Assets
Machinery and equipment	12,198,666	7,535,976	4,662,690	12,197,082	6,112,483	6,084,599
Office Equipment	234,494	97,863	136,631	96,922	19,384	77,538
Transport equipment	92,888	79,733	13,155	92,888	56,511	36,377
	<u>12,526,048</u>	<u>7,713,572</u>	<u>4,812,476</u>	<u>12,386,892</u>	<u>6,188,378</u>	<u>6,198,514</u>

As of 31 December 2011 and 2010 there were no tangible assets pledged as guarantee for loans, nor were capitalized any interest to fixed assets.

8. INTANGIBLE ASSETS

During the year ended as of 31 December 2011 and 2010, the movement in intangible assets, as well as in the corresponding accumulated depreciation and impairment losses, was as follows:

	2011					
	Gross Assets					
	Research and Development Expenses	Patents, royalties and other rights	Other Intangible assets	Software	Work in progress	Total
Opening Balance	25,800	760,559	25,200	2,780,685	-	3,592,244
Additions	-	-	-	456,462	100,000	556,462
Transfers and write-offs	(25,800)	-	317,524	(227,918)	-	63,806
Exchange rate variation	-	-	-	(64)	-	(64)
Closing Balance	-	760,559	342,724	3,009,165	100,000	4,212,448

	2011					
	Accumulated depreciation and impairment losses					
	Research and Development Expenses	Patents, royalties and other rights	Other Intangible assets	Software	Work in progress	Total
Opening Balance	25,800	760,559	25,200	2,267,997	-	3,079,556
Additions	-	-	90,661	438,587	-	529,248
Transfers and write-offs	(25,800)	-	223,698	(131,374)	-	66,524
Exchange rate variation	-	-	-	-	-	-
Closing Balance	-	760,559	339,559	2,575,210	-	3,675,328
	-	-	3,165	433,955	100,000	537,120

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)

	2010				
	Gross Assets				
	Research and Development Expenses	Patents, royalties and other rights	Other Intangible assets	Software	Total
Opening Balance	25,800	760,559	25,200	1,913,636	2,725,195
Additions	-	-	-	1,036,259	1,036,259
Changes in consolidation perimeter (Note 5)	-	-	-	7,861	7,861
Transfers and write-offs	-	-	-	(177,071)	(177,071)
Closing Balance	25,800	760,559	25,200	2,780,685	3,592,244

	2010				
	Accumulated depreciation and impairment losses				
	Research and Development Expenses	Patents, royalties and other rights	Other Intangible assets	Software	Total
Opening Balance	25,800	686,737	16,800	1,468,820	2,198,157
Additions	-	73,822	8,400	975,267	1,057,489
Changes in consolidation perimeter (Note 5)	-	-	-	4,344	4,344
Transfers and write-offs	-	-	-	(180,434)	(180,434)
Closing Balance	25,800	760,559	25,200	2,267,997	3,079,556
	-	-	-	512,688	512,688

9. CLASSES OF FINANCIAL INSTRUMENTS

The financial instruments in accordance with the policies described in Note 2, were classified as follows:

Financial assets

	Loans and Accounts Receivable	Assets recorded at fair value through profits and losses	Sub-total	Assets not covered by IFRS 7	Total
31 December 2011					
Current Assets					
Customers	9,184,783	-	9,184,783	-	9,184,783
State and other public bodies	-	-	-	135,820	135,820
Other current debtors	304,429	-	304,429	-	304,429
Other current assets	-	-	-	6,452,603	6,452,603
Investments measured at fair value through profits and losses	-	8,583	8,583	-	8,583
Cash and cash equivalents	39,167,961	-	39,167,961	-	39,167,961
	48,657,173	8,583	48,665,756	6,588,423	55,254,179
31 December 2010					
Current Assets					
Customers	12,596,832	-	12,596,832	-	12,596,832
State and other public bodies	-	-	-	283,439	283,439
Other current debtors	1,574,833	-	1,574,833	-	1,574,833
Other current assets	-	-	-	6,181,610	6,181,610
Investments measured at fair value through profits and losses	-	51,501,598	51,501,598	-	51,501,598
Cash and cash equivalents	25,179,147	-	25,179,147	-	25,179,147
	39,350,812	51,501,598	90,852,410	6,465,049	97,317,459

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)Financial liabilities

<u>31 December 2011</u>	Derivatives	Other financial liabilities	Sub-total	Liabilities not covered by IFRS 7	Total
Non-current liabilities					
Other loans	-	-	-	-	-
Other non current creditors	-	1,273,064	1,273,064	-	1,273,064
	<u>-</u>	<u>1,273,064</u>	<u>1,273,064</u>	<u>-</u>	<u>1,273,064</u>
Current Liabilities					
Bank loans	-	26,964,828	26,964,828	-	26,964,828
Other loans - short term	-	92,086,702	92,086,702	-	92,086,702
Derivative Financial Instruments	1,001,831	-	1,001,831	-	1,001,831
Suppliers	-	9,440,522	9,440,522	-	9,440,522
State and other public bodies	-	-	-	4,549,322	4,549,322
Other current creditors	-	8,699,403	8,699,403	-	8,699,403
Other current liabilities	-	-	-	11,889,485	11,889,485
	<u>1,001,831</u>	<u>137,191,455</u>	<u>138,193,286</u>	<u>16,438,807</u>	<u>154,632,093</u>
	<u>1,001,831</u>	<u>138,464,519</u>	<u>139,466,350</u>	<u>16,438,807</u>	<u>155,905,157</u>
<u>31 December 2010</u>	Derivatives	Other financial liabilities	Sub-total	Liabilities not covered by IFRS 7	Total
Non-current liabilities					
Other loans	-	19,985,593	19,985,593	-	19,985,593
Other non current creditors	-	2,456,506	2,456,506	-	2,456,506
	<u>-</u>	<u>22,442,099</u>	<u>22,442,099</u>	<u>-</u>	<u>22,442,099</u>
Current Liabilities					
Bank loans	-	21,309,474	21,309,474	-	21,309,474
Other loans - short term	-	123,996,995	123,996,995	-	123,996,995
Derivative Financial Instruments	930,601	-	930,601	-	930,601
Suppliers	-	11,523,113	11,523,113	-	11,523,113
State and other public bodies	-	-	-	3,677,939	3,677,939
Other current creditors	-	9,746,715	9,746,715	-	9,746,715
Other current liabilities	-	-	-	14,944,513	14,944,513
	<u>930,601</u>	<u>166,576,297</u>	<u>167,506,898</u>	<u>18,622,452</u>	<u>186,129,350</u>
	<u>930,601</u>	<u>189,018,396</u>	<u>189,948,997</u>	<u>18,622,452</u>	<u>208,571,449</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)Financial instruments recognized at fair value

The table below details the financial instruments measured at fair value after initial recognition, grouped into three levels according to the possibility of observing its fair market value:

Level 1: fair value is determined based on current active market prices;

Level 2: fair value is determined based on valuation techniques. The main inputs of the valuation models are observable in the market;

Level 3: fair value is determined based on valuation models, whose main inputs are not observable in the market.

	31.12.2011			31.12.2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Investments measured at fair value through profits and losses (Note 16)	8,583	-	-	51,501,598	-	-
Financial liabilities measured at fair value						
Derivative financial instruments (Note 23)	-	1,001,831	-	-	930,601	-

10. CURRENT AND DEFERRED INCOME TAXES

In accordance with the current legislation, the tax returns are subject to review and correction by the tax authorities over a period of four years (five years for Social Security), except when tax losses have occurred, tax benefits have been granted, or tax inspections, complaints or disputes are in progress. In these cases, depending on the circumstances, the deadlines can be extended or suspended. Therefore, the tax returns of Cofina, its subsidiaries and associated companies for the years 2008 to 2011 may still be subject to review.

The Board of Directors of Cofina believes that any potential corrections resulting from reviews/inspections of these tax returns by the tax authorities will not have a significant effect on the consolidated financial statements as of 31 December 2011 and 2010.

Cofina, S.G.P.S. is the dominant society of the group of companies that are subject to the special regime of taxation of groups of companies ("Regime Especial de Tributação de Grupos de Sociedades - RETGS").

The movement occurred in deferred tax assets and liabilities in the years ended as of 31 December 2011 and 2010 was as follows:

	Deferred tax assets	
	2011	2010
Opening Balance	8,782,149	3,723,053
Effects on the income statement:		
Increase/(Decrease) in tax losses carried forward	(162,654)	(1,612,767)
Increase/(Decrease) in provisions not accepted for tax purposes	444,146	318,978
Prior year tax correction	(1,542,829)	6,171,317
Effects on equity:		
Fair value of derivative financial instruments:	(8,804)	181,568
Closing Balance	7,512,008	8,782,149

As of 31 December 2011 and 2010, there are no deferred tax liabilities' generating situations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)

The detail of the deferred tax assets and liabilities as of 31 December 2011 and 2010, in accordance with the nature of timing differences that generated them, is as follow:

	31.12.2011	31.12.2010
Temporary differences between the accounting value and the taxable value	777	777
Fair value of derivative financial instruments	237,805	246,609
Provision and impairment losses not accepted for tax purposes	2,632,168	2,188,022
Prior year tax correction	4,628,488	6,171,317
Tax losses carried forward	12,770	175,424
	<u>7,512,008</u>	<u>8,782,149</u>

During the year ended as of 31 December 2010, due to changes in tax legislation, deferred tax assets were recorded: 6,171,317 Euro (gross amount of 7,714,146 Euro net of the year effect of 1,542,829 Euro) relating to the change in the accounting policy of the individual accounts (from the cost model to the fair value model) regarding the valuation of financial instruments recorded at fair value through profit and loss. These amounts can be recognized on a straight line and continuous basis for five years and the amount used in the year ended as of 31 December 2011 amounted to 1,542,829 Euros.

In accordance with the tax returns of the companies that record deferred tax assets related with tax losses carried forward, as of 31 December 2011 these may be detailed as follows:

	Tax losses	Deferred tax assets	Expiry date
Generated in 2011	51,080	12,770	2015

Current taxes

Income taxes recorded in the income statement during the years ended as of 31 December 2011 and 2010 are detailed as follows:

	31.12.2011	31.12.2010
Current Tax		
Income tax for the year	4,060,855	1,287,693
(Excess)/Insufficiency of prior years income tax	(404,794)	(52,455)
Additional payment of tax	-	1,503,512
Provision for tax processes (Note 22)	3,500,000	-
Deferred taxes	1,261,337	(4,877,528)
	<u>8,417,398</u>	<u>(2,138,778)</u>

The reconciliation of profit/loss before income tax and the income tax for the years ended as of 31 December 2011 and 2010 is as follows:

	31.12.2011	31.12.2010
Profit/loss before income tax	13,367,452	3,111,569
Income tax rate (including the maximum tax and municipal income tax)	26.50%	26.50%
	<u>3,542,375</u>	<u>824,566</u>
Financial costs not accepted for tax purposes	893,692	923,348
Prior year tax correction	-	(7,714,146)
Losses in financial instruments not accepted for tax purposes	-	1,800,015
Correction of previous years income tax estimates	(404,794)	(52,455)
Additional payment of tax	-	1,503,512
Provision for tax processes (Note 22)	3,500,000	-
State taxation	350,515	454,112
Autonomous taxation	403,782	311,001
Other effects	131,829	(188,730)
Income tax	<u>8,417,398</u>	<u>(2,138,778)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)

As of 31 December 2011, a dispute with the Portuguese tax authorities (“Direcção Geral de Contribuições e Impostos”) was still in progress, following a Corporate Income Tax inspection regarding year 2007, with an amount of, approximately, 12 million Euro being challenged by the tax authorities.

As of 31 December 2010 the amount recorded in the caption "Additional payment of Tax" refers to a correction to the tax basis of the Income Tax for the year ended as of 31 December 2006.

11. INVENTORIES

As of 31 December 2011 and 2010 the caption “Inventories” was made up as follows:

	31.12.2011	31.12.2010
Raw, Subsidiary and consumable material	4,195,634	4,222,985
Impairment losses in inventories (Note 22)	(102,282)	(239,283)
	<u>4,093,352</u>	<u>3,983,702</u>

The cost of sales for the years ended as of 31 December 2011 and 2010 can be detailed as follows:

	31.12.2011	31.12.2010
Opening balance	4,222,985	3,377,843
Purchases	19,533,538	19,541,370
Closing balance	(4,195,634)	(4,222,985)
	<u>19,560,889</u>	<u>18,696,228</u>

12. CUSTOMERS

As of 31 December 2011 and 2010 this caption can be detailed as follows:

	31.12.2011	31.12.2010
Customers, current accounts	9,184,783	12,596,832
Customers, doubtful accounts	5,608,574	6,777,090
	<u>14,793,357</u>	<u>19,373,922</u>
Accumulated impairment losses (Note 22)	(5,608,574)	(6,777,090)
	<u>9,184,783</u>	<u>12,596,832</u>

The Group's exposure to credit risk is mainly attributable to the accounts receivable resulting from the Group's operating activity. The amounts presented in the face of the statement of financial position are presented net of accumulated impairment losses, which were estimated by the Group in accordance with its experience and based on an economic environment evaluation. The Group records impairment losses for customer balances due over 180 days. The Board of Directors believes that the net carrying amount of accounts receivable from customers is close to its fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)

As of 31 December 2011 and 2010, the customers ageing of balances can be detailed (by business segment) as follows:

	Customers					
	31.12.2011			31.12.2010		
	Newspapers	Magazines	Total	Newspapers	Magazines	Total
Not due	1,969,525	2,043,118	4,012,643	4,384,808	1,626,396	6,011,204
Due with no impairment recorded						
0 - 90 days	3,345,976	780,136	4,126,112	3,648,123	1,186,157	4,834,280
90 - 180 days	482,811	195,526	678,337	1,183,406	161,578	1,344,984
180 - 360 days	7,300	-	7,300	183,128	-	183,128
+ 360 days	-	-	-	17,908	-	17,908
	<u>3,836,087</u>	<u>975,662</u>	<u>4,811,749</u>	<u>5,032,565</u>	<u>1,347,735</u>	<u>6,380,300</u>
Swap Accounts receivable						
No impairment	283,175	77,216	360,391	201,920	3,408	205,328
Total	<u>6,088,787</u>	<u>3,095,996</u>	<u>9,184,783</u>	<u>9,619,293</u>	<u>2,977,539</u>	<u>12,596,832</u>

The amounts recorded as "Swap accounts receivable" relate to balances receivable from exchange (swap) operations (amounts arising from the sale of advertising space in exchange for other goods and services provided by the counterparty), for which there are also accounts payable under the caption "Suppliers" (Note 24).

For the overdue amounts for which there is no impairment loss recorded, the Group considers that there has been no loss in the credit quality of the counterparty, and therefore there is no credit risk.

The average credit period granted to customers depends on the type of sale/service. In accordance with procedure agreed with the distribution company, the amounts related to sale of publications are collected in the day the invoice is issued. In relation to services rendered (mainly the sale of advertising space), the Company grants a credit period between 15 to 60 days (the same period as in 2010). The Group charges no interests for not due invoices. After that period, the Company charges the interests defined contractually, and in accordance with the applicable legislation, which usually only occurs under extreme conditions.

13. STATE AND OTHER PUBLIC ENTITIES

As of 31 December 2011 and 2010 these assets and liabilities had the following composition:

<u>Debtor balances:</u>	<u>31.12.2011</u>	<u>31.12.2010</u>
Corporate income tax	96,608	176,412
Value added tax	32,986	100,801
Other	6,226	6,226
	<u>135,820</u>	<u>283,439</u>
<u>Creditor balances:</u>	<u>31.12.2011</u>	<u>31.12.2010</u>
Corporate income tax	1,797,190	75,063
Value added tax	1,413,750	1,949,592
Personal income tax	577,966	814,177
Social security contributions	734,254	685,268
Other	26,162	153,839
	<u>4,549,322</u>	<u>3,677,939</u>

The assets caption "Corporate income tax" includes payments on account and withholdings performed by third parties, net of the estimated income tax for the period (Note 10).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)14. OTHER DEBTORS

As of 31 December 2011 and 2010 this caption can be detailed as follows:

	<u>31.12.2011</u>	<u>31.12.2010</u>
Advances to trade creditors	84,877	599,205
Other debtors	299,669	1,220,745
	<u>384,546</u>	<u>1,819,950</u>
Accumulated impairment losses in other debtors (Note 22)	(80,117)	(245,117)
	<u><u>304,429</u></u>	<u><u>1,574,833</u></u>

As of 31 December 2011 and 2010, the ageing of balances of "Other debtors" can be detailed as follows:

	<u>31.12.2011</u>			<u>31.12.2010</u>		
	<u>Advances to trade creditors</u>	<u>Other debtors</u>	<u>Total</u>	<u>Advances to trade creditors</u>	<u>Other debtors</u>	<u>Total</u>
Not due	84,877	219,552	304,429	599,205	975,628	1,574,833
Due with no impairment recorded						
0 - 90 days	-	-	-	-	-	-
90 - 180 days	-	-	-	-	-	-
180 - 360 days	-	-	-	-	-	-
+ 360 days	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>84,877</u></u>	<u><u>219,552</u></u>	<u><u>304,429</u></u>	<u><u>599,205</u></u>	<u><u>975,628</u></u>	<u><u>1,574,833</u></u>

The amounts presented are net of accumulated impairment losses estimated by the Group, in accordance with its experience and based on an economic environment evaluation. The Group records impairment losses for other debtors' balances due over 180 days.

15. OTHER CURRENT ASSETS

As of 31 December 2011 and 2010 this caption can be detailed as follows:

	<u>31.12.2011</u>	<u>31.12.2010</u>
Accrued Income:		
Newspapers and magazines to invoice	5,283,317	5,315,091
Interests receivable	153,930	14,433
Rappel	192,967	9,376
Other	55,535	94,101
Deferred costs:		
Charges related to subsequent year editions	152,527	376,772
Operating expenses paid in advance	216,454	135,354
Insurances	39,833	60,870
Other	358,040	175,613
	<u><u>6,452,603</u></u>	<u><u>6,181,610</u></u>

Sales of magazines and newspapers are recorded in the period in which the publications are distributed. The newspapers are distributed on a daily basis and the magazines are distributed on a weekly, monthly or bimonthly basis. Those not yet charged are included in the caption "Newspapers and magazines to invoice".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)

16. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS

The amounts included in the caption “Investments measured at fair value through profit and loss” as of 31 December 2011 and 2010 relate to shares traded and not traded in stock markets, which, in the applicable situations, are recorded at their market value as of those dates.

At the date of its initial recognition, this financial instrument was classified as measured at fair value through profit and loss, once the analysis of its performance and corresponding investment strategy was based in the respective fair value. The investment decision was made with the perspective of maximizing the financial return, through both the dividends obtained and the changes in the shares quotation. The information provided to the Board of Directors regarding the performance of this shares is done based on the respective fair value as of the date of the analysis and the decision and investment strategy defined by the Board of Directors over these shares is made on that basis.

As of 31 December 2011 and 2010 the caption “Investments measured at fair value through profit and loss” can be detailed as follows:

	31.12.2011	31.12.2010
ZON Multimédia shares	-	51,494,100
Other	8,583	7,498
	<u>8,583</u>	<u>51,501,598</u>

During the year ended as of 31 December 2011 the Goup disposed all of the shares held in ZON Multimédia. The movement associated to this share in the years ended as of 31 December 2011 and 2010 was as follows:

31.12.2011					
Description	Date	Quantity	Price	Amount	Impact
Opening balance	31/12/2010	15,190,000	3.39	51,494,100	
Sale	Abr/11	(5,900,000)	3.65	(21,535,000)	1,534,000
Sale	Jun/11	(5,292,000)	3.42	(18,098,640)	158,760
Sale	Jul/11	(3,998,000)	3.00	(11,994,000)	(1,559,220)
Closing balance	31/12/2011	-	-	-	-
Total (Note 28)					<u>133,540</u>
Dividends received ZON Multimédia 2011 (Note 28)					1,486,400
Gains and losses in other investments					<u>1,619,940</u>
Collections with the disposal of shares (Note 17)					<u>51,627,640</u>
31.12.2010					
Description	Date	Quantity	Price	Amount	Impact
Opening balance	31/12/2009	15,190,000	4.338	65,894,220	
Closing balance	31/12/2010	15,190,000	3.390	51,494,100	(14,400,120)
Total (Note 28)					<u>(14,400,120)</u>
Dividends received ZON Multimédia 2010 (Note 28)					2,430,400
Gains and losses in other investments					<u>(11,969,720)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)17. CASH AND CASH EQUIVALENTS

As of 31 December 2011 and 2010, the caption “Cash and cash equivalents” can be detailed as follows:

	<u>31.12.2011</u>	<u>31.12.2010</u>
Cash	76,977	90,289
Bank deposits repayable on demand	23,720,922	7,438,858
Bank deposits repayable in less than 3 months	<u>15,370,062</u>	<u>17,650,000</u>
	<u>39,167,961</u>	<u>25,179,147</u>
Bank overdrafts	(26,964,828)	(21,309,474)
Cash and cash equivalents in accordance with the balance sheet	<u>12,203,133</u>	<u>3,869,673</u>

During the year ended as of 31 December 2011 the payments and collections relating to financial investments were as follows:

<u>Acquisitions</u>	<u>Transaction amount</u>	<u>Amount paid</u>
Presselivre – Imprensa Livre, S.A.	60,000	60,000
Adcom Media – Anúncios e Publicidade S.A. (*)	300,000	100,000
	<u>360,000</u>	<u>160,000</u>
	<u>Transaction amount</u>	<u>Amount received</u>
<u>Disposals</u>		
ZON Multimédia	51,627,640	51,627,640

(*) acquired in previous years

During the year ended as of 31 December 2010 the payments relating to financial investments were as follows:

<u>Acquisitions</u>	<u>Transaction amount</u>	<u>Amount paid</u>
Adcom Media – Anúncios e Publicidade S.A.	300,000	100,000
Visapress – Gestão de Conteúdos dos Media, CRL	5,000	5,000
Mercados Globais – Publicação de Conteúdos, Lda. (*)	72,000	20,000
	<u>377,000</u>	<u>125,000</u>

(*) acquired in previous years

18. SHARE CAPITAL AND RESERVESShare capital

As of 31 December 2011, the Company's fully subscribed and paid up capital consisted of 102,565,836 shares with a nominal value of 25 cents of a Euro each. As of that date, Cofina and the Group companies did not hold own shares.

Reserves*Share issue premiums*

Share issue premiums are related with premiums obtained with share capital issuance or share capital increases. In accordance with the Portuguese commercial legislation, the amounts included in this caption follow the same regime as the “Legal reserve”, i.e., the amounts are not distributable, unless in situations of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)

insolvency, but can be used to absorb losses after the other reserves have been used, and for inclusion in the share capital.

Legal Reserve

The Portuguese commercial legislation provides that at least 5% of the annual net profit must be used to reinforce the "Legal reserve" until this caption represents at least 20% of the share capital. This reserve is not distributable but can be used to absorb losses after every other reserves have been used, and for inclusion in the share capital.

Under Portuguese legislation, the amount of distributable reserves is determined based on the non-consolidated financial statements of the Company, prepared in accordance with the International Financial Reporting Standards (IAS/IFRS), as adopted by the European Union.

19. BANK AND OTHER LOANS

As of 31 December 2011 and 2010, the caption "Bank loans" was made up as follows:

	31.12.2011				31.12.2010			
	Book value		Nominal value		Book value		Nominal value	
	Current	Non Current						
Bank overdrafts (Note 17)	26,964,828	-	26,964,828	-	21,309,474	-	21,309,474	-
	<u>26,964,828</u>	<u>-</u>	<u>26,964,828</u>	<u>-</u>	<u>21,309,474</u>	<u>-</u>	<u>21,309,474</u>	<u>-</u>

As of 31 December 2011 and 2010, the caption "Other loans" was made up as follows:

	31.12.2011				31.12.2010			
	Book value		Nominal value		Book value		Nominal value	
	Current	Non Current	Current	Non Current	Current	Non Current	Current	Non Current
Bond loans	50,026,158	-	50,000,000	-	49,601,908	-	50,000,000	-
Commercial paper	42,060,544	-	42,000,000	-	74,395,087	19,985,593	75,000,000	20,000,000
	<u>92,086,702</u>	<u>-</u>	<u>92,000,000</u>	<u>-</u>	<u>123,996,995</u>	<u>19,985,593</u>	<u>125,000,000</u>	<u>20,000,000</u>

Bond loans

As of 31 December 2011, the current liability caption "Bond Loans" refers to a bond loan denominated "Obrigações Cofina SGPS – 2007/2015", amounting to 50,000,000 Euro, issued by Cofina SGPS, S.A. stated in accordance with the effective interest rate method, with a book value of 50,026,158 Euro. This loan has its final redemption on 28 September 2015. However, in accordance with the initial contract, the bond holders may request, without any penalty, the anticipated repayment. Thus, although the Board of Directors believes the bond holders will not demand for an anticipated repayment and the redemption date will remain the same (28 September 2015), the Company had to consider this loan as current, in accordance with the applicable accounting standards. Furthermore, the ability for an early redemption is exclusive of the bond holders and the issuer does not control it.

The most relevant characteristics of the bond loan are:

ii) Cofina, SGPS, S.A.:

- Issuer – Cofina, SGPS, S.A.;
- Nominal value – 50,000,000 Euro;
- Final redemption – 28 September 2015;
- Interests – in arrears, corresponding to Euribor to 6 months plus a spread of 0.875%.

On 16 August 2010, the loan issued by Cofina BV reached its maturity. As of the reimbursement date, the nominal value of this loan amounted to 44,000,000 Euro (net of 6,000,000 bonds subscribed by the Group company Cofina Media SGPS. With the full reimbursement of this bond loan, the "call warrants" that granted the bond holders the right to subscribe shares of Cofina SGPS, became extinct.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
 (Amounts expressed in Euro)

Commercial Paper

The liability caption “Commercial Paper” relates to two commercial paper programs. The first, with guaranteed subscription by the bank responsible for its placement, amounting to 20,000,000 Euro, will be reimbursed until October 2012. This loan bears interests at Euribor 6M plus a spread of 0.85%.

The second commercial paper program, amounting to 22.000.000 Euro had reached its maturity in January 2012. This loan bears interests at Euribor 6M plus a spread of 4%. At the date of these financial statements’ approval the commercial paper program which reached its maturity on January 5, 2012 was extended for six more months until July 5, 2012 (with an option of a renewal, after that date, through an agreement between the two parties, with maturity to be defined).

As of 31 December 2011, the credit facilities used by the Group and the corresponding maximum amounts authorized were as follows:

Nature	Maturity	Authorized amount	Used amount	Available amount
Cash pooling/Overdraft	n/a	41,000,000	26,618,412	14,381,588
Pledged account	n/a	5,500,000	346,416	5,153,584
Authorized overdraft	n/a	8,000,000	-	8,000,000
Commercial paper	05/01/2012	22,000,000	22,000,000	-
Commercial paper	15/10/2012	20,000,000	20,000,000	-
Bond loan 2007/2015	28/09/2015	50,000,000	50,000,000	-
		<u>146,500,000</u>	<u>118,964,828</u>	<u>27,535,172</u>

Regarding the commercial paper program with maturity as of 15 October 2012, and as of the date of these consolidated financial statements approval, negotiations towards a renewal of its maturity were taking place. It’s conviction of the Board of Directors that this renewal will be approved.

During the year ended as of 31 December 2011, these loans borne interest indexed to Euribor, plus spreads ranging between 0.85% and 6%, depending on the nature and term of the credit obtained.

The nominal value of the bond loans (capital and interests) is repayable in accordance with the following plan:

Year	Principal	Interest
2012	-	1,246,000
2013	-	1,246,000
2014	-	1,246,000
2015	50,000,000	1,246,000
Total	<u>50,000,000</u>	<u>4,984,000</u>

As mentioned above, the loan with estimated maturity in 2015 may be repaid earlier by initiative of the bond holders. Therefore, the Group has classified this loan as current in the accompanying consolidated statement of financial position.

During the years ended as of 31 December 2011 and 2010 the Group did not enter into any loan default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)Sensitivity analysis to interest rate changes

In the years ended as of 31 December 2011 and 2010 the Group's sensitivity to changes in the interest rate of plus or minus 1 percentage point, measured as the change in financial results, can be analyzed as follows:

	31.12.2011		31.12.2010	
	Without the hedging derivative financial instruments effect	With the hedging derivative financial instruments effect	Without the hedging derivative financial instruments effect	With the hedging derivative financial instruments effect
Interest (Note 28)	4,462,081	4,462,081	4,642,364	4,642,364
Decrease of 1 p.p. interest rate applied to the entire indebtedness	(1,189,648)	(645,195)	(1,663,095)	(736,040)
Increase of 1 p.p. interest rate applied to the entire indebtedness	1,189,648	634,458	1,663,095	742,533

The sensitivity analysis above was calculated based on the exposure to the interest rate existing as of the statement of financial position date. This analysis considered as a basic assumption that the structure of financing (remunerated assets and liabilities) has remained stable throughout the year and similar to that presented as of 31 December 2011.

20. PENSION LIABILITIES

Based on labour legislation interpretations, responsibilities related to retirement pensions granted to some of its employees were recorded. In accordance with actuarial calculations performed by an expert and independent entity, the present value of the Company's responsibilities, as of 31 December 2011, amounted to 443,646 Euro (701,190 Euro as of 31 December 2010). These responsibilities were fully provided for and were computed using the "Projected Unit Credit" method, based in the GRF 80 mortality tables and EKV-80 handicapped tables. In addition to the technical parameters referred to above, the valuation was performed assuming real long term profitability of 2.0% when compared with salary increases, 3.0% regarding pension increases and a discount rate of 5.0%. The variation in the responsibilities in the year ended as of 31 December 2011 was recorded in the income statement caption "Payroll Expenses" and amounted to -257,544 Euro (9,833 Euro in 2010).

21. LEASING

As of 31 December 2011 and 2010, the amounts payable to fixed asset suppliers in relation to financial lease contracts were classified in the captions "Other non-current creditors" and "Other current creditors" and had the following reimbursement plan:

	31.12.2011	31.12.2010
2012	-	1,112,573
2013	838,114	749,853
2014	396,404	455,102
2015	9,889	9,776
2016	9,889	9,776
2017 and following years	18,768	19,426
	<u>1,273,064</u>	<u>2,356,506</u>
Short term (Note 25)	1,195,743	1,497,881
	<u><u>2,468,807</u></u>	<u><u>3,854,387</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)22. MOVEMENTS IN PROVISIONS AND IMPAIRMENT LOSSES

The movements occurred in provisions and impairment losses for the years ended as of 31 December 2011 and 2010 may be detailed as follows:

	31.12.2011			
	Provisions	Impairment losses in investments (Note 4)	Impairment losses in inventories (Note 11)	Impairment losses in accounts receivable (Note 12 and 14)
Opening balance	2,547,778	2,162,732	239,283	7,022,207
Increases	5,485,186	-	-	370,392
Reversals	(54,999)	(90,847)	(137,001)	(161,467)
Utilisations	(2,117,405)	(636,777)	-	(1,542,441)
Closing balance	<u>5,860,560</u>	<u>1,435,108</u>	<u>102,282</u>	<u>5,688,691</u>

	31.12.2010			
	Provisions	Impairment losses in investments (Note 4)	Impairment losses in inventories (Note 11)	Impairment losses in accounts receivable (Note 12 and 14)
Opening balance	1,076,423	4,130,379	248,185	7,580,412
Increases	700,000	34,084	-	372,608
Changes in perimeter (Note 5)	772,218	(2,001,731)	-	123,387
Reversals	-	-	(8,902)	(393,024)
Utilisations	(863)	-	-	(661,176)
Closing balance	<u>2,547,778</u>	<u>2,162,732</u>	<u>239,283</u>	<u>7,022,207</u>

As of 31 December 2011 and 2010 the caption "Provisions and impairment losses" in the income statement can be detailed as follow:

	31.12.2011	31.12.2010
Increase/(decrease) in impairment losses in account receivables (Notes 12 and 14)	208,925	(20,416)
Increase/(decrease) in impairment losses in inventories (Note 11)	(137,001)	(8,902)
Increase/(decrease) of provisions	1,930,187	700,000
Goodwill impairment losses (Note 6)	1,050,000	-
	<u>3,052,111</u>	<u>670,682</u>

Additionally, the liability's caption "Provisions" includes the constitution of a provision for future taxes in the amount of 3,500,000 Euro, recorded against the income statement "Income Tax" (Note 10), which corresponds to the best estimate made by the Board of Directors, supported by their legal and tax consultants, of the impact that might outcome from the ongoing tax processes.

At last, the decrease of the asset's caption "Impairment losses in investments" (90,847 Euro) refers to the reversion of the impairment losses in loans granted to associated companies (Note 28).

The utilization of impairment losses in accounts receivable relates to the write-off of amounts that were fully provided for.

The amount recorded in the caption "Provisions" as of 31 December 2011 relates to the Board of Directors' best estimate to cover possible losses arising from legal actions in progress. The provision's utilizations mainly respect to indemnities paid to workers.

23. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments recorded in the financial statements as of 31 December 2011 correspond to interest rate swaps related with loans to finance the Group. Since these derivative instruments comply with the requirements set by IAS 39 - Financial Instruments: Recognition and Measurement, to be classified as hedging instruments, the respective fair value was recorded under the equity caption "Other reserves", net of deferred taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)

The movement in these derivative instruments for the years ended as of 31 December 2011 and 2010 can be presented as follows:

	31.12.2011				
	"Market-to-market"	Accrued interest	"Market-to-market", net of accrued interest	Deferred tax assets	Net amount
Opening balance	1,129,176	(198,575)	930,601	246,609	683,992
Increases / (decreases)	(127,345)	N/A	(33,223)	(8,804)	(24,419)
Closing balance	1,001,831	(104,453)	897,378	237,805	659,573
	31.12.2010				
	"Market-to-market"	Accrued interest	"Market-to-market", net of accrued interest	Deferred tax assets	Net amount
Opening balance	245,439	-	245,439	65,041	180,398
Increases / (decreases)	883,737	N/A	685,162	181,568	503,594
Closing balance	1,129,176	(198,575)	930,601	246,609	683,992

As of 31 December 2011 the Company had engaged in financial instruments contracts for hedging interest rates whose fair value, calculated by the discounted future cash flows method, was as follows:

Company	Funding covered	End date	Floating rate	Notional amount	Financial instruments' fair value
Cofina SGPS, S.A.	Bond	28/03/2012	Euribor 6M	10,000,000	(29,633)
Cofina SGPS, S.A.	Bond	29/09/2014	Euribor 6M	20,000,000	(870,510)
Cofina SGPS, S.A.	Bond	28/09/2012	Euribor 6M	10,000,000	(101,688)
				40,000,000	(1,001,831)

During the year ended as of 31 December 2011 the amount of 534,647 Euro (385.235 Euro as of 31 December 2010) related with accrued interests that result from the difference between the hedged fixed interest rate and the index base engaged were recorded under the caption "Results related with derivative instruments".

24. SUPPLIERS

As of 31 December 2011 and 2010 this caption could be presented, taking into consideration its maturity, as follows:

	31.12.2011	No deadline (a)	Payable in		
			Less than 3 months	3 to 6 months	More than 6 months
Trade creditors and other commercial liabilities - current account					
Newspapers segment	7,930,525	497,893	7,432,632	-	-
Magazines segment	1,509,997	19,242	1,490,755	-	-
	9,440,522	517,135	8,923,387	-	-
	31.12.2010	No deadline (a)	Payable in		
			Less than 3 months	3 to 6 months	More than 6 months
Trade creditors and other commercial liabilities - current account					
Newspapers segment	8,904,117	630,655	8,273,462	-	-
Magazines segment	2,618,996	62,636	2,556,360	-	-
	11,523,113	693,291	10,829,822	-	-

(a) – amounts included in the column "No deadline" relate to exchange transactions with entities that are also customers (Note 12). As such, there is no pre-determined settlement date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)25. OTHER CURRENT AND NON CURRENT CREDITORS

As of 31 December 2011 and 2010 this caption was made up as follows:

<u>Other non-current creditors</u>	<u>31.12.2011</u>	<u>31.12.2010</u>
Investments Suppliers (Note 21)	1,273,064	2,356,506
Creditors for acquisitions of financial investments	-	100,000
	<u>1,273,064</u>	<u>2,456,506</u>
<u>Other current creditors</u>	<u>31.12.2011</u>	<u>31.12.2010</u>
Creditors by leasing responsibilities (Note 21)	1,195,743	1,497,881
Other creditors:		
Creditors for acquisitions of financial investments	100,000	100,000
Payroll	108,596	97,603
Exchanges with public entities	262,661	289,735
Subscriptions	347,465	439,249
Loans from related entities (Note 29)	1,030,602	1,176,630
Others	5,654,336	6,145,617
	<u>8,699,403</u>	<u>9,746,715</u>

With the exception of the amounts related with leasing responsibilities, whose reimbursement plan is presented in Note 21, the remaining amounts under the caption "Other current creditors" as of 31 December 2011 and 2010 have its maturity in less than 6 months. The amount included in the caption "Loans from related entities" refers to a loan from Destak Brasil – Empreendimentos e Participações S.A. to Adcom Media – Anúncios e Publicidade, S.A..

The amount of the caption "Creditors for acquisitions of financial investments" refers to an outstanding amount related to the acquisition of Adcom Media – Anúncios e Publicidade, S.A. (Note 5).

26. OTHER CURRENT LIABILITIES

As of 31 December 2011 and 2010, this caption was made up as follows:

	<u>31.12.2011</u>	<u>31.12.2010</u>
Accrued costs:		
Accrued payroll	4,651,776	6,391,406
Commissions payable	1,704,832	2,288,027
Quantity discount bonus	1,494,459	1,688,675
Supplies and external services	861,597	857,376
Interests payable	76,139	647,715
Other	2,812,590	2,597,168
Deferred income:		
Deferred income from alternative marketing	256,604	255,039
Other	31,488	219,107
	<u>11,889,485</u>	<u>14,944,513</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSAS OF 31 DECEMBER 2011(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)**27. SALES, SERVICES RENDERED AND OTHER OPERATING INCOME**

“Sales” for the years ended as of 31 December 2011 and 2010 are mainly related to newspaper and magazines sales, including a small portion of income related to the sale of printing paper.

The caption “Services rendered” relates to sales of advertising space in the Group’s publications, net of the discounts granted.

The amounts arising from alternative marketing products sold with the Group’s publications are recorded in the caption “Other income”.

28. FINANCIAL RESULTS

The financial income and expenses for the years ended as of 31 December 2011 and 2010 are made up as follows:

	<u>31.12.2011</u>	<u>31.12.2010</u>
<u>Financial expenses</u>		
Interest paid (Note 19)	4,462,081	4,642,364
Commissions	822,309	750,333
Financial loans' exchange rate variations	314,618	-
Other financial expenses	45,942	41,878
	<u>5,644,950</u>	<u>5,434,575</u>
<u>Financial income</u>		
Interest received	1,391,334	1,347,414
Other financial income	1,160	-
	<u>1,392,494</u>	<u>1,347,414</u>

The caption “Gains and losses in associated companies” as of 31 December 2011 and 2010 is made up as follow:

	<u>31.12.2011</u>	<u>31.12.2010</u>
Gains/(losses) arising from the application of the equity method	50,999	98,770
Reversions/impairment losses in associated companies' financial loans (Note 22)	90,847	(34,084)
	<u>141,846</u>	<u>64,686</u>

The caption “Gains and losses in other investments” as of 31 December 2011 and 2010 can be detailed as follows:

	<u>31.12.2011</u>	<u>31.12.2010</u>
Gains/(losses) in the sale of other financial investments	5,024	-
Gains in investments measured at fair value through profit and loss (Note 16)	133,540	(14,400,120)
Dividends (Note 16)	1,486,400	2,430,400
	<u>1,624,964</u>	<u>(11,969,720)</u>

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)

There are no:

- Plans or incentive systems related with the attribution of shares to Board of Directors members;
- Compensations paid or payable to former Directors in relation to the termination of duties during the year;
- Supplementary pension regime or early retirement for Directors;
- Non-cash benefits considered as remuneration.

Related parties

Apart from the companies included in consolidation (Note 4), the entities considered to be related companies as of 31 December 2011, can be presented as follows:

- Altri, SGPS, S.A.
- Alteria, SGPS, S.A.
- Altri - Energias Renováveis, SGPS, S.A.
- Altri, Participaciones Y Trading, S.L.
- Altri Sales, S.A.
- Storax - Equipements, S.A.
- Caderno Azul, SGPS, S.A.
- Caima Energia – Empresa de Gestão e Exploração de Energia, S.A.
- Caima Indústria de Celulose, S.A.
- Caminho Aberto, SGPS, S.A.
- Captaraíz Unipessoal, Lda.
- Celbi – Celulose da Beira Industrial, S.A.
- Celbinave – Tráfego e Estiva SGPS, Unipessoal, Lda.
- Celtejo – Empresa de Celulose do Tejo, S.A.
- Celulose do Caima, SGPS, S.A.
- Cofihold, SGPS, S.A.
- Elege Valor, SGPS, S.A.
- F. Ramada – Aços e Indústrias, S.A.
- F. Ramada Investimentos, SGPS, S.A.
- F. Ramada – Produção e Comercialização de Estruturas Metálicas de Armazenagem, S.A.
- F. Ramada II, Imobiliária, S.A.
- F. Ramada, Serviços de Gestão, Lda.
- Inflora – Sociedade de Investimentos Florestais, S.A.
- Invescaima – Investimentos e Participações, SGPS, S.A.
- Livre Fluxo, SGPS, S.A.
- Malva – Gestão Imobiliária, S.A.
- Pedro Frutícola, Sociedade Frutícola, Lda.
- Prestimo – Prestígio Imobiliário, S.A.
- Altri Florestal, S.A.
- Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A.
- Storax Benelux
- Storax Racking Systems, Ltd.
- Torres da Luz – Investimentos imobiliários, S.A.
- Universal Afir – Aços, Máquinas e Ferramentas, S.A.
- Valor Autêntico, SGPS, S.A.
- Viveiros do Furadouro Unipessoal, Lda.

Board of Directors

Cofina SGPS, S.A. Board of Directors was composed as follows as of 31 December 2011:

Paulo Jorge dos Santos Fernandes
João Manuel Matos Borges de Oliveira
Pedro Macedo Pinto de Mendonça
Domingos José Vieira de Matos
Ana Rebelo Mendonça Fernandes
Pedro Miguel Matos Borges de Oliveira

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSAS OF 31 DECEMBER 2011(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)**30. RESPONSIBILITIES FOR GUARANTEES PROVIDED**

As of 31 December 2011, Cofina had provided guarantees as follows:

- a) Pledge over 88,883,450 shares of Cofina Media, SGPS, S.A. as a guarantee for an authorized overdraft conceded by Banco BPI, S.A., to the maximum amount of 8,000,000 Euro, which, as of 31 December 2011, was not being used;
- b) Pledge with irrevocable power of an attorney over 88,883,450 shares of Cofina Media, SGPS, S.A. as a guarantee for a Commercial Paper Program structured by Banco BPI, S.A., amounting to 22,000,000 Euro as of 31 December 2011 (Note 19);
- c) Pledge of 100,000 shares of Edisport – Sociedade de Publicações, S.A. in favour of the Portuguese Tax Authority (“Autoridade Tributária”) as a guarantee for the ongoing IRC tax process of 2007 (Note 10).

As of 31 December 2011 Cofina Media group companies had assumed responsibilities for guarantees granted amounting to 1,600,000 Euro in relation to advertising contests. These companies had also given promissory notes to guarantee credit facilities amounting to 41,000,000 Euro.

31. EARNINGS PER SHARE

Earnings per share for the years ended as of 31 December 2011 and 2010 were calculated as follows:

	<u>31.12.2011</u>	<u>31.12.2010</u>
Net profit considered for the computation of basic and diluted earning	4,812,155	5,018,193
Weighted average number of shares used to compute the basic earnings per share	102,565,836	102,565,836
Earnings per share		
Basic	0.05	0.05
Diluted	0.05	0.05

32. DIVIDENDS

In the year 2011 the Company distributed dividends amounting to 1,025,659 Euro relating to the year ended as of 31 December 2010.

In relation to year 2011, the Board of Directors proposes to pay a gross dividend of 0.01 Euro per share. This dividend is subject to shareholder’s approval in the General Shareholders Meeting.

33. SEGMENT INFORMATION

The net operating income, indicating those related to transactions with other segments and those resulting from transactions with external entities may be presented as follows:

31.12.2011	<u>Newspapers</u>	<u>Magazines</u>	<u>Total</u>
Net operating income			
Resulting from operations with external customers	96,681,413	29,995,788	126,677,201
Resulting from operations with other segments	4,875,588	(4,875,588)	-
31.12.2010	<u>Newspapers</u>	<u>Magazines</u>	<u>Total</u>
Net operating income			
Resulting from operations with external customers	101,485,204	34,828,800	136,314,004
Resulting from operations with other segments	2,613,066	(2,613,066)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)

The amounts related to operating cash-flow, amortisation and depreciation and income before taxes and financial results by segment, may be presented as follows:

31.12.2011	<u>Newspapers</u>	<u>Magazines</u>	<u>Total</u>
Operating Cash-flow - EBITDA (a)	19,723,658	26,874	19,750,532
Amortisation and depreciation	3,290,911	71,876	3,362,787
Operating profit	16,432,747	(45,002)	16,387,745

(a) - Operating profit + amortisation and depreciation

31.12.2010	<u>Newspapers</u>	<u>Magazines</u>	<u>Total</u>
Operating Cash-flow - EBITDA (a)	22,604,254	503,611	23,107,865
Amortisation and depreciation	3,446,472	172,394	3,618,866
Operating profit	19,157,782	331,217	19,488,999

(a) - Operating profit + amortisation and depreciation

The total assets and total liabilities, the investment performed during the year in tangible and intangible assets and the gains in associated companies may be presented, by segment, as follows:

31.12.2011	<u>Newspapers</u>	<u>Magazines</u>	<u>Holdings and others</u>	<u>Eliminations and consolidations adjustments</u>	<u>Total</u>
Total assets	63,557,116	11,191,243	429,886,895	(330,530,341)	174,104,913
Total liabilities	40,834,003	6,223,710	148,622,211	(33,470,561)	162,209,363
Investments for the year (a)	2,121,480	59,660	42,552	-	2,223,692
Gains / (losses) in associated companies	50,999	-	90,847	-	141,846

(a) - increases in tangible and intangible assets

31.12.2010	<u>Newspapers</u>	<u>Magazines</u>	<u>Holdings and others</u>	<u>Eliminations and consolidations adjustments</u>	<u>Total</u>
Total assets	83,366,973	13,712,531	558,979,722	(436,316,691)	219,742,535
Total liabilities	51,769,647	8,673,281	220,809,750	(69,432,261)	211,820,417
Investments for the year (a)	4,078,982	109,496	63,016	-	4,251,494
Gains / (losses) in associated companies	64,686	-	-	-	64,686

(a) - increases in tangible and intangible assets

Given the reduced importance of Cofina Groups' activity in foreign markets (Brazil), no geographical segments are reported.

34. NUMBER OF PERSONNEL

During the years ended as of 31 December 2011 and 2010, the average number of employees of the companies included in the consolidated financial statements by the full consolidation method was of 872 and 900, respectively.

35. FINANCIAL STATEMENTS APPROVAL

The financial statements were approved by the Board of Directors and authorized for issuance on 15 March 2012. Its final approval is dependent on the agreement of the General Shareholders' Meeting.

COFINA, S.G.P.S., S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese – Note 36)
(Amounts expressed in Euro)

36. EXPLANATION ADDED FOR TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IFRS/IAS) as adopted by the European Union, some of which may not conform or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

The Chartered Accountant

The Board of Directors

STATUTORY AUDIT AND AUDITOR'S REPORT

(This is a translation of a report originally issued in Portuguese – Note 36)

Introduction

1. In compliance with the article 245º of the Portuguese Securities Market Code (“*Código dos Valores Mobiliários*”) we hereby present our Statutory Audit and Auditor’s Report on the consolidated and individual financial information contained in the Board of Directors’ Report and on the accompanying consolidated and individual financial statements as of 31 December 2011 of Cofina, S.G.P.S., S.A. (“Company”), which comprise the Consolidated and Individual Statements of Financial Position as of 31 December 2011 (that presents total net assets of 174,104,913 Euro and 209,456,302 Euro, respectively, and consolidated and individual equity of 11,895,550 Euro and 98,219,780 Euro, respectively, including a consolidated net profit of 4,812,155 Euro and an individual net loss of 16,644,304 Euro, respectively), the Consolidated and Individual Statements of Profit and Loss, of Comprehensive Income, of Changes in Equity and of Cash-flows for the year then ended and the corresponding Notes.

Responsibilities

2. The Company’s Board of Directors is responsible for: (i) the preparation of consolidated and individual financial statements that present a true and fair view of the financial position of the Company and the group of companies included in the consolidation, the consolidated and individual results of their operations, comprehensive income, changes in equity and their consolidated and individual cash-flows; (ii) the preparation of historical financial information in accordance with the International Financial Reporting Standards as adopted by the European Union and that is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of appropriate systems of internal control; and (iv) informing on any significant facts that have influenced the operations of the Company and of the group of companies included in the consolidation, their financial position or their results and comprehensive income.
3. Our responsibility is to examine the individual and consolidated financial information contained in the documents referred to above, including verifying that, in all material respects, the information is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code, and to issue a professional and independent report based on our examination.

Scope

4. Our examination was performed in accordance with the Technical/Audit Standards (“*Normas Técnicas e as Diretrizes de Revisão/Auditoria*”) issued by the Portuguese Institute of Statutory Auditors (“*Ordem dos Revisores Oficiais de Contas*”), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated and individual financial statements are free of material misstatement. Such an examination includes verifying, on a sample basis, evidence supporting the amounts and disclosures in the consolidated and individual financial statements and assessing the estimates, based on judgments and criteria defined by the Board of Directors, used in their preparation. Such an examination also includes verifying the consolidation procedures, the application of the equity method and that the financial statements of the companies included in the consolidation have been appropriately examined, assessing the adequacy of the accounting principles used and their uniform application and disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, verifying the adequacy of the overall presentation of the consolidated and individual financial statements and assessing that, in all material respects, the consolidated financial information is complete, true, up-to-date, clear, objective and licit. Our examination also comprised verifying that the financial information contained in the Board of Directors’ Report is in accordance with the consolidated and individual financial statements, as well as the verifications established in numbers 4 and 5 of the article 451º of the Portuguese Company Law (“*Código das Sociedades Comerciais*”). We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated and individual financial statements referred to in paragraph 1 above, present fairly in all material respects, the consolidated and individual financial position of Cofina, S.G.P.S., S.A. and its subsidiaries as of 31 December 2011, the consolidated and individual results of their operations, the consolidated and individual comprehensive income, the changes in consolidated and individual equity and their consolidated and individual cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union and the information contained therein is, in terms of the definitions included in the technical and audit standards referred to in paragraph 4 above, complete, true, up-to-date, clear, objective and licit.

Report on other legal requirements

6. It is also our opinion that the financial information included in the Board of Directors' Report is in accordance with the consolidated and individual financial statements of the year and that the Corporate Governance Report includes the information required to the Company, as established by article 245º- A of the Securities Market Code.

Porto, 15 March 2012

Deloitte & Associados, SROC S.A.
Represented by António Manuel Martins Amaral

REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

(Translation of a report originally issued in Portuguese – Note 36)

**To the Shareholders of
Cofina, S.G.P.S., S.A.**

1. Report

In compliance with the applicable legislation and our mandate, we hereby submit our Report and Opinion, which covers the Board of Director's Report and individual and consolidated Financial Statements of Cofina, S.G.P.S., S.A. ("Company") for the year ended 31 December 2011, which are the responsibility of the Company's Board of Directors.

During the year under analysis, the Statutory Audit Board accompanied the operations of the Company and its affiliates, the regularity of the accounting records, the compliance with statutory and legal requirements and the effectiveness and integrity of the risk management and internal control systems, having held meetings with the periodicity and length considered appropriate and having always obtained, from the Board of Directors and Company's and its affiliates personnel, all the information and explanations required.

As part of its duties, the Statutory Audit Board examined the individual and consolidated statement of financial position as of 31 December 2011, the individual and consolidated statements of profit and loss, of comprehensive income, of cash flows, and of changes in Equity for the year then ended, and the corresponding notes. Additionally, the Statutory Audit Board examined the Board of Directors' Report for the year 2011, and fulfilled its duties concerning the review of the qualifications, independence and work of the Statutory and External Auditor, and reviewed the Statutory Audit and Auditor's Report and was in agreement with its content.

2. Opinion

Considering the above, it is the Statutory Audit Board's opinion, that the Board of Director's Report and the individual and consolidated Financial Statements are in accordance with the accounting, legal and statutory requirements and, consequently, may be approved by the General Shareholders' Meeting.

3. Statement of Responsibility

In accordance with paragraph a), number 1 of article 8 of the Regulation of CMVM 5/2008, the members of the Statutory Audit Board declare that, to their knowledge, the information contained in the Board of Directors' Report and the individual and consolidated financial statements were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, as well as the remaining documents of presentation of accounts required by law or regulation giving a true and fair view, in all material aspects, of the assets and liabilities, financial position and the individual and consolidated statement of profit and loss of the Company as of 31 December 2011 and that the Board of Directors' Report faithfully describes the business evolution, performance and financial position of Cofina, SGPS, S.A. and of the companies included in the consolidation perimeter, and contains a description of the major risks and uncertainties that they face.

We wish to manifest our esteem to the Company's Board of Directors and to the departments of the Company and its affiliates for the assistance provided to us.

Porto, 15 March 2012

The Statutory Audit Board

João da Silva Natária
President of the Statutory Audit Board

Manuel Tiago Alves Baldaque de Marinho Fernandes
Member of the Statutory Audit Board

Cristina Isabel Linhares Fernandes
Member of the Statutory Audit Board