

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

DIRECTORS'  
REPORT

December 31, 2013

## DIRECTORS' REPORT 2013

*(This is a translation of a report originally issued in Portuguese.  
In the event of discrepancies, the Portuguese language version prevails – Note 35)*

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## DIRECTORS' REPORT 2013

### 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 2013. According to number 6 of article 508 - C of the Commercial Companies Code, the Board of Directors decided to submit a single Board of Directors' Report, fulfilling all legal requirements.

### INTRODUCTION

In 2013, the media segment continued to face an adverse conjuncture due to the macroeconomic recession, with reductions in disposable income, which lead to significant falls in advertising investment and circulation revenues.

Group's revenues have fallen as a result of the continued reduction in the consumers' acquisitive capacity and in the advertisement investment. Nevertheless, Cofina managed to maintain and, in some cases, reinforce market leadership in its main publications.

## DIRECTORS' REPORT 2013

### MACROECONOMIC BACKGROUND

During 2013, the global economy continued to face high levels of uncertainty and the economic recovery occurred only in certain regions. In particular, the Eurozone continued to suffer the impact of lack of dynamism in economic activity, especially felt in the countries of southern Europe, since the additional policies and tax measures had strong consequences on the level of private consumption, especially in the category of durable products. In the northern countries of Europe there was a different environment, having begun to show some signs of the much desired recovery.

According to the latest estimates from leading institutions for 2013, real growth of GDP should have been situated at -0.4 % in 2013 (-0.7% in 2012) for Eurozone, reflecting a slowdown of recession that characterized the last years. Projections for 2014 already reflect a scenario of reversal, with projected growth of +1% assuming more modest contributions of the economies of southern Europe, which will have a longer path to recovery. The weight of the debt crisis, both public and private, continues to constrain the political and financial options (in the way of austerity), necessarily impacting the levels of domestic demand. In this scenario, exports are expected to take a leading role in the effort to recover the economies of the Eurozone. Uncertainties related to the performance of the Eurozone, in particular with regard to the sustainability of reforms and the governance model in place, remain dormant and extremely critical in any projection model. In the Eurozone, inflation is expected to remain at low levels throughout 2014 (about 1.5% according to the IMF's Autumn World Economic Outlook) and the average unemployment should be around 12% (according to the same source) reflecting very different realities by country and rates ranging from 5% to 27%.

The deleveraging process of the banking sector is set to continue in the upcoming years involving the maintenance of restrictions on access to credit. Levels of interbank interest rates are at historically low levels, not foreseeing that there is a reversal of this trend in the short term. Achieving a gradual recovery may cause slight shortening of the gap of the lending interest rates of banks compared to the reference rate (currently at 0.25%).

The performance of the Portuguese economy in 2013 necessarily reflects the impact of implementation of the measures in the economic and financial adjustment program (EFAP). As more recent estimates included in the Winter Bulletin of the Bank of Portugal, GDP showed a decline of 1.4% in 2013, compared to a decrease of 3.2% in 2012, which envisaged a recovery to positive territory in 2014 (+0.8%).

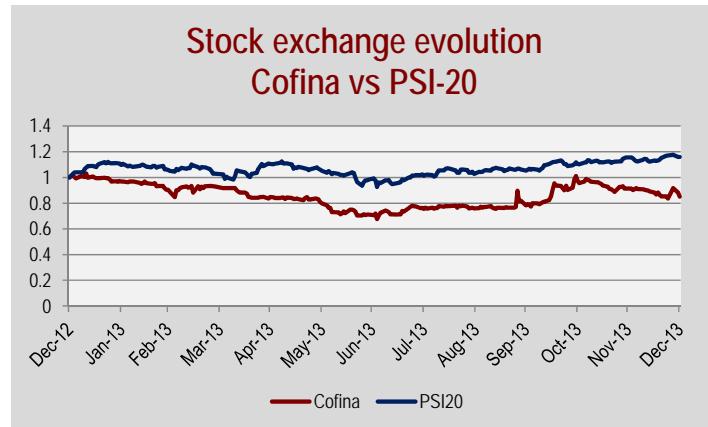
Like the Eurozone, the projected performance of the Portuguese economy is based on a fall in domestic demand (-2.7% in 2013 versus -6.9% in 2012) partially offset by an increase in net exports (1.1% in 2013 and 3.7% in 2012). In the last quarter of 2013 it will have already occurred over the same period of last year, a homologous increase of around 1.6% with a positive contribution of domestic demand, a situation that didn't occur since the 4th quarter of 2010. In cumulative terms, the decline in domestic demand in the 2009-2013 period will have been around 17 percent. Inflation should be of 0.5% in 2013 (2.8% in 2012), and the unemployment rate should have remained high, closing the year at 15.3% (16.5% in 2012).

Projections for 2014 point to a recovery in economic growth, though tenuous, of about 0.8% of GDP - continuing the trend of the last quarters of 2013 (+0.3% variation in chain in the 3rd quarter and +0.5% in the 4th quarter).

## DIRECTORS' REPORT 2013

## STOCK EXCHANGE EVOLUTION

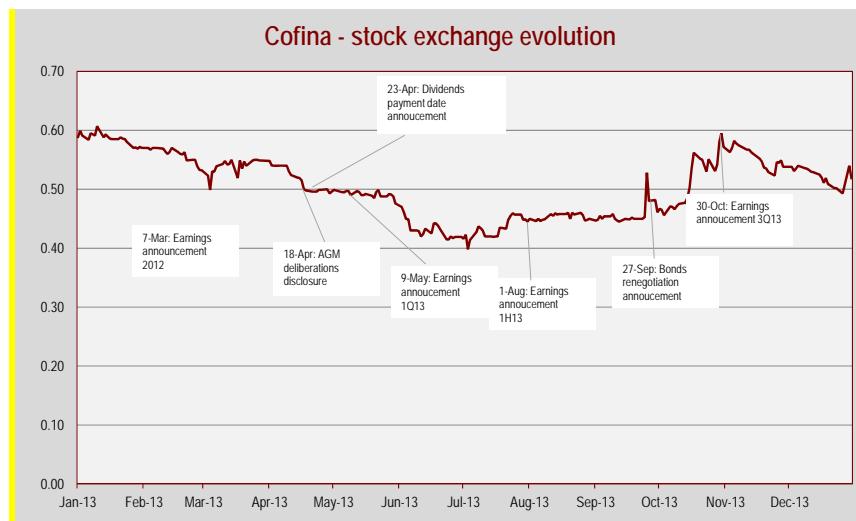
The year 2013 was marked by a strong performance of stock exchange markets but without a linear trend. The Portuguese market grew by about 16%, but this positive evolution was obtained in the second half of the year since the index had a negative trend until July.



At the end of 2013, Cofina's price declined over 15% against the closing price of the last year, while the main index of the Portuguese stock market (PSI 20) showed a recovery of 16% in the same period. The market capitalization at the end of 2013 amounted to 51 million Euro.

In 2013, Cofina's shares were traded at a maximum price of 0.607 Euro per share and at a minimum of 0.398 Euro per share. In total, 86,403,650 shares were traded in 2013, which corresponds to 84% of the issued shares.

The main events that marked Cofina's stock exchange evolution during 2013 can be described as follows:



- In the announcement regarding the Group's performance in the financial year 2012, released in 7 March 2013, Cofina reported a consolidated net profit of 4 million Euro. Operating income decreased approximately 10.5% reaching 113.3 million Euro and EBITDA (earnings before interest, taxes, depreciation and amortization) decreased 16.3% in comparison to 2011.

## DIRECTORS' REPORT 2013

- In the announcement made in 18 April Cofina informed the market about the decisions of the Shareholders' Annual General Meeting. On this meeting, amongst other decisions, the proposal for the distribution of 0.01 Euro per share as dividends was approved.
- On April 23, 2013 the Company informed the market that the dividends regarding 2012 would be paid as from 8 May onwards.
- In the announcement of the financial statements of the first quarter of 2013, made in 9 May, Cofina SGPS, S.A. announced operating income reaching 24.6 million Euro and EBITDA decreased 6.7% compared to the same period last year, while the net profit reached 0.3 million Euro.
- In August, 1, Cofina informed the market about the results of the first half of 2013. EBITDA amounted to 5.7 million Euro and EBITDA margin reached 11.3%. Net profit amounted to half million Euro and net debt reached 74.5 million Euro.
- On September 27, 2013, the Group announced to the market the issuance of a bond loan in the amount of 50,000,000 Euro, with a six year term, having amortized the previous bond loan with the purpose of extending its debt maturity profile.
- In the announcement of October 30, 2013, the Group presented its financial statements of the third quarter of 2013. In this period there it was already felt a slowdown of the decrease rates in the advertisement investment. Accumulated EBITDA reached 9.7 million Euro and the accumulated net profit reached 1.6 million Euro.

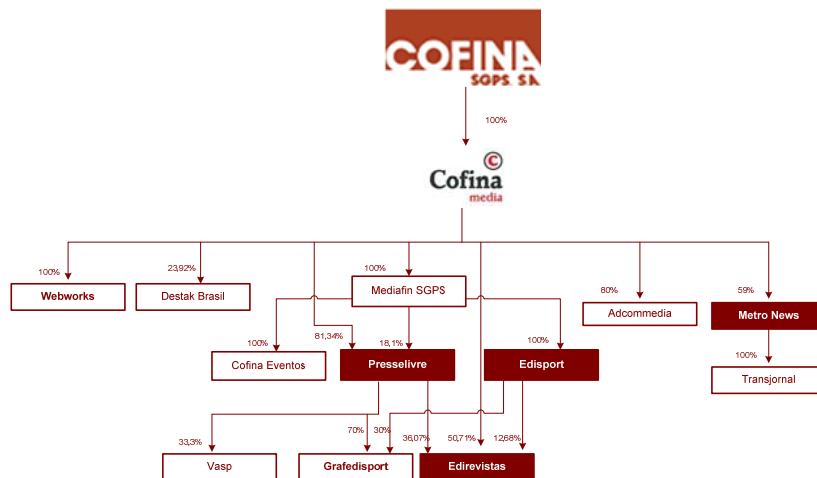
## DIRECTORS' REPORT 2013

## GROUP'S ACTIVITY

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

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 should be highlighted the daily newspaper "Correio da Manhā", the daily sports newspaper "Record", the daily economic newspaper "Jornal de Negócios", the free newspapers "Destak" and "Metro" and the weekly newsmagazine "Sábado", as well as other headings, such as "Máxima"; "Tv Guia", "Flash!", "Vogue" and "GQ".

Cofina Group's complete structure of participations as of 31 December 2013 is as follows:



According to the data provided by APCT for 2013, "Correio da Manhā" is the most sold newspaper in Portugal, with an average of more than 118 thousand copies sold daily. According to the data provided by this certifying entity, "Correio da Manhā" has a market share of 45.8% (regarding the daily paid generic newspapers segment). It should be noticed that in 2012, "Correio da Manhā" had a market share of 44.5% and that, in 2013, despite the adverse market conditions, the newspaper reinforced its leadership.

## DIRECTORS' REPORT 2013

## FINANCIAL REVIEW

The consolidated financial information of Cofina for the year 2013 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)	2013	2012	Var (%) 2013/2012
<b>Consolidated operating Revenue</b>	<b>107,659</b>	<b>113,327</b>	<b>-5.0%</b>
Circulation	56,559	60,076	-5.9%
Advertising	34,833	39,556	-11.9%
Alternative marketing products and others	16,267	13,695	18.8%
<b>Operating Expenses (a)</b>	<b>91,431</b>	<b>96,789</b>	<b>-5.5%</b>
<b>Consolidated EBITDA (b)</b>	<b>16,228</b>	<b>16,538</b>	<b>-1.9%</b>
EBITDA margin	15.1%	14.6%	+ 0.5p.p.
Amortisation and depreciation (-)	3,873	3,172	22.1%
<b>EBIT</b>	<b>12,355</b>	<b>13,366</b>	<b>-7.6%</b>
EBIT Margin	11.5%	11.8%	- 0.3 pp
Net financial income / (loss)	(3,263)	(3,464)	-
<b>Income before taxes and minority interests</b>	<b>9,092</b>	<b>9,902</b>	<b>-8.2%</b>
Income taxes (-)	4,290	5,655	-24.1%
Minority Interests (-)	121	260	-53.5%
<b>Net consolidated profit / (loss) (c)</b>	<b>4,681</b>	<b>3,987</b>	<b>17.4%</b>

(a) Operating expenses excluding amortisation

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

(c) Net Profit/ (Loss) attributable to the parent company shareholders

In 2013 total operating revenue reached approximately 107.7 million Euro, corresponding to a decrease of nearly 5% when comparing with previous year. EBITDA reached 16.2 million Euro (-2%), while net profit amounted to 4.7 million Euro, recording an increase of 17%.

In the fourth quarter of 2013 the reduction trend on the decrease rate of advertising investment sharpened up, which started verifying since the third quarter of the year and led to the slowdown of falls in advertising revenue when comparing with past periods.

EBITDA performance reflects, unequivocally, the strong operational leverage motivated by the operating efficiency reinforcement measures that Cofina has been implementing from several quarters ago.

As of December 31, 2013, Cofina's net debt amounted to 73.4 million Euro.

Some indicators of the main business segments are presented below.

## DIRECTORS' REPORT 2013

Newspapers:

(amounts in thousand Euro)	2013	2012
<b>Operating revenue</b>	<b>86,100</b>	<b>87,908</b>
Circulation	43,975	46,018
Advertising	28,060	30,932
Alternative marketing products and others	12,052	10,958
<b>Operating expenses (a)</b>	<b>67,752</b>	<b>71,479</b>
<b>EBITDA (b)</b>	<b>16,335</b>	<b>16,429</b>
EBITDA margin	19.4%	18.7%

(a) Operating expenses excluding amortisation

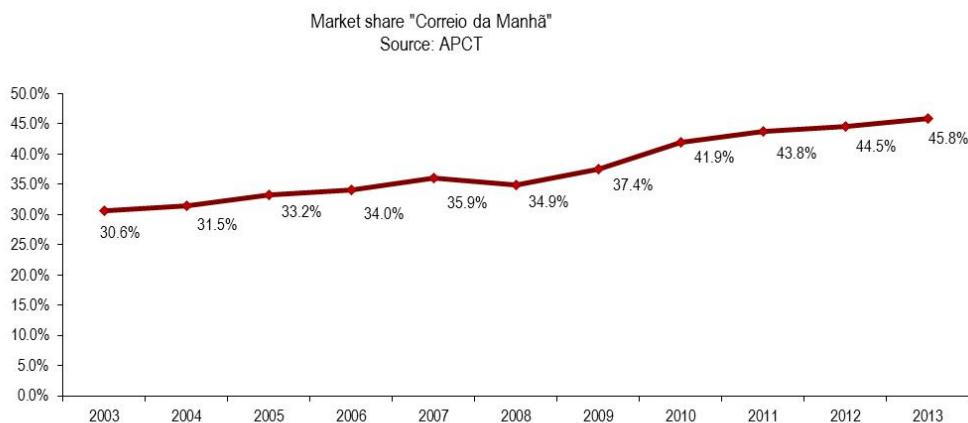
(b) EBITDA = earnings before interest, taxes, amortisation and depreciation

Revenues arising from advertising recorded a decrease of 9.3%, to 28 million Euro as circulation revenues fell about 4%, having reached 44 million Euro.

Therefore newspapers' segment EBITDA's recorded in the year amounted to 16.3 million Euro, at the same level with the previous year. EBITDA margin reached 19.4%.

During 2013, newspapers' segment includes the results of the cable TV channel "Correio da Manhã TV", that was launched on March 17, 2013. On its first broadcasting year the channel recorded a very positive performance, recording systematically, in the last months, audiences in Meo platform of 3%. The negative impact of CMTV in 2013 was superior to 1 million Euro.

Regarding the portfolio of publications in this segment, according to the data provided by APCT for 2013, "Correio da Manhã" is the most sold newspaper in Portugal, with an average of more than 118 thousand copies sold daily.



## DIRECTORS' REPORT 2013

Magazines:

(amounts in thousand Euro)	2013	2012	Var (%) 2013/2012
<b>Operating revenue</b>	21,559	25,419	-15.2%
Circulation	12,584	14,058	-10.5%
Advertising	6,773	8,624	-21.5%
Alternative marketing products and others	2,202	2,737	-19.5%
<b>Operating expenses (a)</b>	21,666	25,310	-14.4%
<b>EBITDA (b)</b>	-107	109	-
EBITDA margin	-0.5%	0.4%	-

(a) Operating expenses excluding amortisation

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

On magazines segment, during 2013 total operating revenues fell 15%; advertising decreased more than 21% and circulation income approximately 11%. This segment's EBITDA was negative in approximately 107 thousand Euro.

## DIRECTORS' REPORT 2013

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

During 2013, 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 directors.

During 2013, similar, to previous years, 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 key operating and financial staff of the group companies. In the year 2013, and during the Board of Directors' meetings, the executive members provided all the information required by the non-executive members of the Board of Directors.

## DIRECTORS' REPORT 2013

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### 2014 OUTLOOK

The year 2014 might be characterized by a slight improvement in the economical conjuncture, although the rhythm of recovery remains undefined. In this sense, the advertisement investment, after years of systematic falls, reveals a trend difficult to identify. On the other hand, the year 2014 will be the first full year of *Correio da Manhã* TV broadcasting.

During 2013, as in previous years, Cofina implemented a cost-reduction program, which went through the rationalization of the internal structure, the optimization of the publications portfolio with a focus on the products' profitability and the adaptation of the publications to the market conditions.

It is the conviction of the Board of Directors that these reduction costs' projects, coupled with the ability to quickly adapt to market conditions showed by Cofina and to an efficient publications portfolio, will provide Cofina a strong operational leverage.

## DIRECTORS' REPORT 2013

### PROPOSALS 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, has recorded in its individual financial statements, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, free reserves of 84,870,941.17 Euro and negative retained earnings of 59,166,073.38 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 offset through those free reserves.

Additionally, 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 profit of 5,093,237.89 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 the following application:

Free reserves	4,067,579.53
Dividend distribution	1,025,658.36
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	5,093,237.89
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## CORPORATE GOVERNANCE

### PART I – INFORMATION ON SHAREHOLDER, ORGANISATION AND CORPORATE GOVERNANCE

#### A. SHAREHOLDER STRUCTURE

##### I. CAPITAL STRUCTURE

###### *1. The capital structure*

On 31 December 2013, 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, all entitled to dividends.

###### *2. Restrictions on the transfer and ownership of shares*

The Company's shares have no restrictions on its transfer or ownership.

###### *3. Own shares*

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 2013.

###### *4. Important agreements to which the company is a party and that come into effect amend or terminated in cases such as a change in the control of the company after a takeover bid, and the respective effects*

There are no significant agreements concluded by Cofina that include any clauses of control change (including following a takeover bid), that is, which come into effect, amend or terminated, well as its respective 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.

###### *5. System that is subject to the renewal or withdrawal of countermeasures, particularly those that provide for a restriction on the number of votes capable of being held or exercised by only one shareholder individually or together with other shareholders*

Cofina didn't adopt any countermeasures.

###### *6. Shareholders' agreements that the company is aware of and that may result in restrictions on the transfer of securities or voting rights*

To the best knowledge of Cofina, there are no agreements regarding the exercise of social rights or the transfer of shares and there are, to the best of its knowledge, no agreements to ensure or frustrate the success of takeover bids.

## DIRECTORS' REPORT 2013

## II. SHAREHOLDINGS AND BONDS HELD

## 7. Qualifying holdings

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 qualifying holdings exceeding 2%, 5%, 10%, 20%, 33% and 50% of the voting rights, are as follows:

Exceeding 2% of the voting rights	Shares held	Direct % of the voting rights
Credit Suisse Group AG	5,039,060	4.91%
Paulo Jorge dos Santos Fernandes (a)	3,345,746	3.26%
Santander Asset Management (b)	2,177,423	2.12%

- (a) There are also considered attributable to Paulo Jorge dos Santos Fernandes, 9,540,586 shares of COFINA – SGPS, S.A. held by ACTIUM CAPITAL – SGPS, S.A., of which he is dominant shareholder and director.
- (b) The 2,177,423 shares correspond to total COFINA – SGPS, S.A.'s shares held by investment funds managed by Santander Asset Management (107,964 shares held by Fundo Santander PPA and 2,069,459 shares held by Fundo Santander Acções Portugal).

Exceeding 5% of the voting rights	Shares held	Direct % of the voting rights
ACTIUM CAPITAL – SGPS, S.A. (a)	9,540,586	9.30%
Pedro Miguel Matos Borges de Oliveira	5,628,291	5.49%

- (a) The 9,540,586 shares of COFINA – SGPS, S.A. held by ACTIUM CAPITAL – SGPS, S.A. are considered attributable to Paulo Jorge dos Santos Fernandes, its dominant shareholder and director.

Exceeding 10% of the voting rights	Shares held	Direct % of the voting rights
INDAZ S.A. (a)	14,784,857	14.41%
Newshold, SGPS, S.A.	12,519,683	12.21%
LIVREFLUOX – SGPS, S.A. (b)	12,292,927	11.99%

- (a) The 14,784,857 shares correspond to the total of COFINA – SGPS, S.A.'s shares held by INDAZ S.A., of which the director João Manuel Matos Borges de Oliveira is also director.
- (b) The 12,292,927 shares of COFINA – SGPS, S.A. held by LIVREFLUOX – SGPS, S.A., are considered attributable to Domingos José Vieira de Matos, its dominant shareholder and director.

Exceeding 15% of the voting rights	Shares held	Direct % of the voting rights
PROMENDO – SGPS, S.A. (a)	20,488,760	19.98%

- (a) The 20,488,760 shares of COFINA – SGPS, S.A. held by PROMENDO – SGPS, S.A., are considered attributable to Ana Rebelo de Carvalho Menéres de Mendonça, its dominant shareholder and director.

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

## DIRECTORS' REPORT 2013

*8. Number of shares and bonds held by members of the management and supervisory boards, under the terms of 447/5 of the Portuguese Companies Act*

Pursuant to the requirements of article 447 of the Commercial Companies' Code, the Directors inform that, as of 31 December 2013, they held the following shares:

Paulo Jorge dos Santos Fernandes <sup>(a)</sup>	12,886,332
Pedro Macedo Pinto de Mendonça	854,500
Domingos José Vieira de Matos <sup>(b)</sup>	12,292,927
João Manuel Matos Borges de Oliveira <sup>(c)</sup>	14,784,857
Ana Rebelo de Carvalho Menéres de Mendonça <sup>(d)</sup>	20,488,760
Pedro Miguel Matos Borges de Oliveira	5,628,291

- (a) There are also considered attributable to Paulo Jorge dos Santos Fernandes, apart from the 3,345,746 shares of Cofina held on a personal basis, 9,540,586 shares of Cofina held by ACTIUM CAPITAL – SGPS, S.A., of which he is the dominant shareholder and director. Therefore, in legal terms, a total of 12,886,332 shares are considered attributable to Paulo Jorge dos Santos Fernandes, representing 12.56% of capital and voting right of Cofina.
- (b) The 12,292,927 shares of COFINA – SGPS, S.A. held by LIVREFLUXO – SGPS, S.A., are considered attributable to Domingos José Vieira de Matos, its dominant shareholder and director.
- (c) The 14,784,857 shares correspond to the total COFINA – SGPS, S.A.'s shares held by INDAZ S.A., of which the director João Manuel Matos Borges de Oliveira is also director.
- (d) The 20,488,760 shares of COFINA – SGPS, S.A. held by PROMENDO – SGPS, S.A., are considered attributable to Ana Rebelo de Carvalho Menéres de Mendonça, its dominant shareholder and director.

As of 31 December 2013, the Statutory Auditor, the members of the Supervisory Board and the members of the Board of the General Shareholders' Meeting held no shares of the Company.

*9. Special powers of the Board of Directors, especially as regards resolutions on the capital increase*

Cofina's articles of association assign to the Board of Directors wide powers for the management and representation of the Company and to carry out all operations related to its corporate purposes including, among others, the possibility of that board to decide, with the prior opinion of the of the company's Supervisory Board, the increase of the share capital, once or more, up to 35 million Euro in cash.

*10. Significant business relationships between the holders of qualifying holdings and the Company*

There were no businesses or significant transactions between the Company and owners of qualifying holdings except those that, as part of normal activity, were performed in normal market conditions for similar transactions. The amounts involved are immaterial.

**B. CORPORATE BOARDS AND COMMITTEES****I. GENERAL MEETING**

- a) Composition of the Presiding Board of the General Meeting

11. *Details and position of the members of the Presiding Board of the General Meeting and respective term of office*

The Chairman of the Shareholders' General Meeting is Pedro Nuno Fernandes de Sá Pessanha da Costa and the secretary is Fernando Eugénio Cerqueira Magro Ferreira. The current Cofina's Shareholder's General Meeting members were elected on May 26, 2011 for the period 2011/2013.

- b) Exercising the right to vote

## DIRECTORS' REPORT 2013

### *12. Restrictions on voting rights*

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

There aren't 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 with each other.

Individual shareholders with voting rights and companies who are shareholders of the Company may be represented by the person they designate for that purpose. The representation should be communicated to the President of the General Meeting, in writing, until the end of the third working day prior to the day scheduled for 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 power of attorney form.

A shareholder may appoint different representatives for the shares owned in different securities accounts, without prejudice of the principle of unity of vote and of vote in different directions allowed to shareholders acting as professionals.

Shareholders can exercise of voting rights via postal voting on all matters subject to the General Board. According to the articles of association, the declaration of intent to cast postal votes and the supporting document proving the quality of shareholder must be delivered in the Company's headquarters, until the end of the third working day prior to the day assigned for the meeting, with identification of the sender, addressed to the Chairman of the General Shareholders' Meeting. It isn't provided the possibility to exercise voting rights by the electronic means.

### *13. Maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are in any relationship as set out in Article 20/1*

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

There aren't 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 together with other related shareholders.

### *14. Shareholders' resolutions that, imposed by the articles of association, may only be taken with a qualified majority*

Cofina's articles of association do not include any quorum for convening or deciding greater than the one established by law.

## II. MANAGEMENT AND SUPERVISION

### a) Composition

#### *15. Identification of corporate governance model adopted*

The structure of the Company's Corporate Governance is based on the reinforced Latin model and is composed by the Board of Directors, Supervisory Board and by the Statutory Auditor, all appointed by the Shareholders' General Meeting.

#### *16. Articles of association rules on the procedural requirements governing the appointment and replacement of members of the Board of Directors, the Executive Board and the General and Supervisory Board, where applicable*

## DIRECTORS' REPORT 2013

The Members of the Board of Directors of the Company are appointed by the Shareholder's General 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 Shareholder's General Meeting. At the General Shareholders' Meeting elections, one, two or three Directors shall be elected individually among the candidates proposed on the lists endorsed by groups of shareholders, depending on whether the total number of Directors is three or four, five or six, seven or more than seven, provided that none of the said groups own shares representing over 20 % or less than 10 % of the share capital. Each of referred lists shall propose at least two candidates eligible for each one of the available posts, one of them being nominated as substitute. None of the shareholders may endorse more than one list.

The General Shareholders' Meeting may not proceed to the election of any further Directors until one, two or three have been elected, as per the dispositions above, unless the above mentioned lists have not been presented. In the case of there being no elected Director, his/her respective substitute shall be called, in accordance with the above mentioned. In the case of there being no substitute, a new election shall be called, in which the dispositions described above shall be applied with the necessary adaptations.

### *17. Composition of the Board of Directors*

The Board of Directors is composed for three to nine members, shareholders or not, elected by the Shareholder's General Meeting. Company's Board of Directors' Members are elected by the Shareholder's General Meeting for three years mandates' and can be re-elected one or more times.

The Board of Directors is currently made up of 6 members who are responsible for carrying out all the management functions to implement the operations inherent in its corporate goals, acting in the best interests of the Company, its shareholders and other stakeholders. On December 31, 2013 this corporate board 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 – Member (non executive)

All Board of Director's members were appointed by the Shareholder's General Meeting held in May 26, 2011 for the period 2011/2013.

NAME	FIRST APPOINTEMENT	END OF MANDATE
Paulo Jorge dos Santos Fernandes	1990	31 December 2013
João Manuel Matos Borges de Oliveira	1990	31 December 2013
Domingos José Vieira de Matos	1990	31 December 2013
Pedro Macedo Pinto de Mendonça	1990	31 December 2013
Pedro Miguel Matos Borges de Oliveira	May 2009	31 December 2013
Ana Rebelo Carvalho Menéres Mendonça	May 2009	31 December 2013

### *18. Distinction to be drawn between executive and non-executive directors and, as regards non-executive members, details of members that may be considered independent*

As of December 31, 2013, the Board of Directors included four non executive members: Domingos José Vieira de Matos, Pedro Macedo Pinto de Mendonça, Pedro Miguel Matos Borges de Oliveira and Ana Rebelo Carvalho Menéres Mendonça.

## DIRECTORS' REPORT 2013

The Board Directors does not include any member that satisfies the standard of independence referred in recommendation II.1.7 of Corporate Governance Code issued by the Portuguese Securities Regulator (CMVM) since the non-executive director Pedro Mendonça is father of Ana Rebelo Carvalho Mendonça, holder of a qualifying holding and the remaining three non-executive directors are holders of qualifying holdings in the Company's share capital.

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

- Notices of meetings of the Board of Directors sent to all directors include the agenda, even tentatively, of the meeting, and are accompanied by all the relevant information and documentation; and
- The non – executive directors have wide powers to obtain information on any aspect of the Company, to examine its books, records, documents and other antecedents of the Company's operations. They can request relevant information directly to the key operating and financial staff of group companies, without requiring any intervention of the executive directors in this process.

Additionally, it is company's practice the presence of the non-executive directors in the Board meetings.

The Directors' report includes in its chapter "Activity developed by the non-executive members of the Board of Directors" a description of the activity of the non-executive directors' activities during 2013.

Given the Corporate model adopted, the composition of the governing boards and the way they operate, namely the Independence of the Supervisory Board and of the Statutory Auditor, without the existence of any delegation of powers between them, the Group believes that the appointment of additional non-executive directors and independent directors to perform duties on the Board would not bring significant gains for the proper functioning of the adopted model which has been deemed appropriate and efficient.

*19. Professional qualifications and other relevant curricular information of each member of the Board of Directors*

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

*20. Customary and meaningful family, professional or business relationships of members of the Board of Directors with shareholders that are assigned qualifying holdings that are greater than 2% of the voting rights*

The director José Domingos Vieira de Matos is a director and dominant shareholder of LIVREFLUXO - SGPS, SA which owns 11.99 % in the share capital of Cofina, SGPS, S.A.

The director Paulo Jorge dos Santos Fernandes is a director and dominant shareholder of ACTIUM CAPITAL – SGPS, S.A. which owns 9.30 % in the share capital of Cofina, SGPS, S.A.

The director João Manuel Matos Borges de Oliveira is director of INDAZ, S.A., which owns of 14.41 % in the share capital of Cofina, SGPS, S.A.. Additionally that director is brother of the non-executive director Pedro Miguel Matos Borges de Oliveira who, by its turn, owns 5.49% of the share capital of Cofina, SGPS, S.A.

The company Promendo SGPS, S.A., owner of 19.98 % of share capital of Cofina, SGPS, S.A. has as its director and dominant shareholder Ana Rebelo de Carvalho Menéres Mendonça, non-executive director of Cofina and daughter of the non-executive director Pedro Macedo Pinto Mendonça.

## DIRECTORS' REPORT 2013

*21. Organisational charts or flowcharts concerning the allocation of powers between the various corporate boards, committees and/or departments within the company, including information on delegating powers, particularly as regards the delegation of the company's daily management*

The Board of Directors, appointed 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.

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

Cofina's corporate governance structure and practice didn't reveal any constraints to the normal operations of the Board of Directors or of any of its committees, nor did this board become aware of the existence of constraints on the operation of other corporate boards.

Due to the fact that Cofina is an open capital company, there is, by the Board of Directors and its employees, a special attention in the fulfillment of the confidentiality requirements in third party relationships, preserving Cofina's position in conflict of interest's situations.

There is no limit to the maximum number of positions that the Board members can accumulate in the management of other companies. The members of Cofina's Board of Directors are part of the board of directors of the most significant group companies, as to enhance their activities to be more closely monitored.

In what refers to internal control, operating companies of Cofina Group have their own management control boards preparing monthly reports to each Board of Directors.

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
Domingos Matos	Non-executive member
Pedro Borges de Oliveira	Non-executive member
Ana Rebelo Mendonça	Non-executive member

Cofina SGPS directors focus their activities, essentially, in managing the Group's investments and holdings and defining its strategic development. Cofina didn't appoint an Executive Committee of the Board, being the strategic decisions adopted by the Board composed of all its members, executive and non-executive, in the normal prosecution of their duties.

The daily management of each operating company is a responsibility of their own Board of Directors, which includes some of Cofina's directors but also some other members with defined functions.

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

<b>Cofina SGPS</b> <i>Board of Directors:</i> Paulo Fernandes João Borges de Oliveira Pedro Mendonça Domingos Matos Pedro Borges de Oliveira Ana Mendonça
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<b>Cofina Media</b> <i>Board of Directors:</i> Paulo Fernandes João Borges de Oliveira Pedro Pinto Mendonça Luis Santana Alda Delgado Pedro Araújo e Sá
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## b) Functioning

### 22. Availability and place where rules on the functioning of the Board of Directors may be viewed

The Board of Directors and the Supervisory Board approved their regulations, which are available on the website of Cofina.

### 23. The number of meetings held and the attendance report for each member of the Board of Directors

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

The meetings of the Board are scheduled and prepared in advance, and documentation relating to the matters contained in its agenda is timely provided, to ensure all members of the Board the conditions for the informed exercise of their functions. Similarly, minutes of meetings, once approved, and their notices of meeting are forwarded to the President of the Supervisory Board.

The Board of Directors meets regularly, and their deliberations are only valid if the majority of members is present. During 2013 the Board of Directors met 13 times being the corresponding minutes recorded in the minute book of the Board of Directors.

### 24. Details of competent corporate boards undertaking the performance appraisal of executive directors

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

### 25. Predefined criteria for assessing executive directors' performance

The remuneration of executive members of the Board of Directors includes a medium term variable component (2011 to 2013) calculated based on total shareholders return, the sum of net income for that period and on the evolution of the company's business.

### 26. Availability of each member of the Board of Directors and details of the positions held at the same time in other companies within and outside the group, and other relevant activities undertaken by members of these boards throughout the financial year

The professional activity of the current members of Cofina's Board of Directors, with indication of other Companies where they have directors' functions and other relevant activities exercised is presented in Appendix I. The members of the Board of Directors showed availability in the exercise of their duties being present and participated in all meetings of the Board.

## DIRECTORS' REPORT 2013

### c) Committees within the Board of Directors

#### *27. Details of the committees created within the Board of Directors and the place where the rules on the functioning thereof is available*

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

Cofina, SGPS, SA 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

The Company is currently in the revision of the functioning rules of the Board of Directors which will also include the rules establishing the functioning of the Remuneration Committee.

#### *28. Composition, if applicable, of the executive board and/or identification of board delegates*

Cofina did not appoint an Executive Committee of the Board of Directors; the decisions regarding strategic matters are adopted by the Board of Directors as a collegial board composed of all its members, executive and non-executive, in the normal prosecution of their duties.

#### *29. Description of the powers of each of the committees established and a summary of activities undertaken in exercising said powers*

The Board of Directors believes that the only specialized committee required to satisfy the needs of the Company, considering its dimension, is the Remuneration Committee.

According with the articles of association the board members shall have the remuneration fixed by the Remuneration Committee and approved in the Shareholders' General Meeting.

The performance assessment of executive directors 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 the value added by each one of the directors and the knowledge and experience accumulated on the function.

## III. SUPERVISION

### a) Composition

#### *30. Details of the Supervisory Board representing the model adopted*

The structure of the company's corporate governance is based on the reinforced Latin model and is composed by the Board of Directors, Supervisory Board and Statutory Auditor, all appointed by the Shareholders' General Meeting.

#### *31. Composition of the Supervisory Board with details of the articles of association's minimum and maximum number of members, duration of term of office, number of effective members, date of first appointment, date of end of the term of office for each member*

Supervisory Board is appointed by the Shareholders' General Meeting, for a three year mandate, for which they can be reelected once or more, and it is composed of three members and one or two substitutes, being responsible for the supervision of the company and the appointment of the Statutory Auditor. In the period 2011/2013 this corporate board was composed by the following members:

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

## DIRECTORS' REPORT 2013

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

*32. Details of the members of the Supervisory Board which are considered to be independent pursuant to Article 414/5 of Portuguese Companies Act*

As a collegiate board, 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. All the members that compose the Supervisory Board comply with the rules of incompatibility and independence identified above.

*33. Professional qualifications of Supervisory Board members' and other relevant curriculum information*

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

**b) Functioning**

*34. Availability and place where the rules on the functioning of the Supervisory Board may be viewed*

Supervisory Board rules of functioning are available for consultation on the website of the Company ([www.Cofina.pt](http://www.Cofina.pt)).

*35. Number of meetings held and the attendance report for each member of the Supervisory Board*

During 2013 the Supervisory Board of the Company met 4 times, and the corresponding minutes are recorded in the book of minutes of the Supervisory Board.

*36. The availability of each member of the Supervisory Board indicating the positions held simultaneously in other companies inside and outside the group, and other relevant activities undertaken by members of this Board throughout the financial year*

The members of Supervisory Board showed availability in the exercise of their duties having been present and participated in all meetings of the Board. The information regarding other exercised positions, qualifications and professional experience of the Supervisory Board members are detailed in Appendix I.

**c) Powers and duties**

*37. Description of the procedures and criteria applicable to the supervisory body for the purposes of hiring additional services from the external auditor.*

Supervisory Board analyses and approves the nature of other non-audit services evaluating if the independence of the External Auditor is ensured.

The Supervisory Board, exercising its functions, carries out an annual evaluation of independence of the External Auditor, particularly about the non-audit services prior referred. Additionally, the Supervisory Board receives, annually, the declaration of independence of the auditor where it describes the services rendered by them and by other entities of the same network, their fees, possible threats to their independence and safeguard measures. All threats to the independence of the External Auditor are evaluated and discussed with them as well as the respective safeguard measures.

The Board of Directors, at the request of projects to the External Auditor, ensures, before its adjudication, that no services are hired which, in accordance with the recommendation of the European Commission no. C (2002) 1873 of 16 May, would threaten their independence.

*38. Other duties of the supervisory board*

The supervision of the Company is competence of the Supervisory Board and of the Statutory Auditor.

## DIRECTORS' REPORT 2013

The Supervisory Board also represents the company next to the External Auditor and Statutory Auditor and is responsible for proposing the provider for these services, their remuneration and to ensure that they are guaranteed, within the group, suitable conditions for them to provide their services. The Supervisory Board, together with the Board of Directors, is the first recipient of the reports issued by the External Auditor as well as the group's representative in the relationship with that entity.

The Supervisory Board is responsible for preparing an annual report on its activity and for giving an opinion on the annual report and proposals presented by the Board of Directors as well as monitor the effectiveness of risk management and internal control.

The Board of Directors, together with the Supervisory Board, regularly reviews and oversees the preparation and disclosure of financial information in order to prevent access, improper and untimely of third parties to relevant information.

Additionally, the Supervisory Board issues an opinion on transactions between the directors of Cofina and the company or between Cofina and companies in a group or domain relationship with the one in which the interested part is director, regardless of the amount, under article 397 of Portuguese Companies Act.

The External Auditor, within the annual audit, analyses the functioning of the internal control mechanisms and reports deficiencies identified; verifies that the key elements of internal control systems and risk management implemented in the company in relation to the process of financial reporting are presented and disclosed in the annual Corporate Governance Report and issues a legal certification of accounts and audit report, which certifies whether that report disclosed about the structure and practices of corporate governance includes the elements referred to in Article 245 -A of Securities Code.

During 2013, the Statutory Auditor monitored the development of company's activity and carried out the tests and inspections deemed necessary to the review and legal certification of the accounts, in interaction with the Supervisory Board and with full cooperation of the Board of Directors.

In addition, the Statutory Auditor pronounced itself on the work it developed in 2013 in its annual audit report subject to the assessment of the Shareholders' Annual General Meeting.

### IV. STATUTORY AUDITOR

*39. Details of the statutory auditor and the partner that represents same*

The Statutory Auditor of the Company for the period 2011/2013 is Deloitte & Associados, SROC S.A., represented by António Manuel Martins Amaral.

*40. Number of years that the statutory auditor consecutively carries out duties with the company and/or group.*  
Deloitte & Associados, SROC, represented by Antonio Manuel Martins Amaral since 2007, is responsible for the functions of the Statutory Auditor since 2002.

*41. Description of other services that the statutory auditor provides to the company*

The Statutory Auditor is simultaneous the External Auditor of the company as detailed in sections below.

**V. EXTERNAL AUDITOR**

*42. Details of the external auditor appointed in accordance with Article 8 and the partner that represents same in carrying out these duties, and the respective registration number at the CMVM*

The External Auditor of the company is Deloitte & Associados, SROC appointed in accordance with article 8 of CVM, registered under the number 231 in the Portuguese Securities Regulator (CMVM), represented by António Manuel Martins Amaral.

*43. State the number of years that the external auditor and respective partner that represents same in carrying out these duties consecutively carries out duties with the company and/or group*

The External Auditor was elected for the first time in 2002 and the partner that represents it is the same since 2007.

*44. Rotation policy and schedule of the external auditor and the respective partner that represents said auditor in carrying out such duties*

As regards the period of rotation of the External Auditor, Cofina has not set a fixed policy of rotation of the External Auditor. The Company adopted in 2007 the current model of governance of companies in which the Statutory Auditor is not part of the Supervisory Board. According to this model, the election for each mandate of Statutory Auditor / External Auditor is made in the Shareholders General Meeting upon the proposal of the Supervisory Board. Additionally, the Supervisory 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 are fulfilled.

*45. Details of the Board responsible for assessing the external auditor and the regular intervals when said assessment is carried out*

The Supervisory Board, in the fulfillment of its functions, annually assesses the External Auditor independence- Additionally, the Supervisory Board promotes whenever necessary or appropriate in light of developments in the Company's business or the evolution of the market, a reflection on the adequacy of the External Auditor to carry out its duties.

*46. Details of services, other than auditing, carried out by the external auditor for the company and/or companies in a control relationship and an indication of the internal procedures for approving the recruitment of such services and a statement on the reasons for said recruitment*

Non-audit services rendered by the External Auditor in 2013 included, essentially, monitoring of tax claims.

Non-audit services are rendered by different technicians from those involved in the audit process; therefore it is considered that the auditor's independence is ensured.

The Supervisory Board reviewed and approved the scope of those services and concluded that they did not threaten the independence of the External Auditor. In this particular aspect, the hiring of Deloitte proved to be the most appropriate due to its solid experience and expertise in the field of taxation and fiscal incentives. Moreover, the actions of Deloitte are often articulated with technicians and experts independent from its network, namely consultants.

In 2013, the fees charged by Deloitte to Cofina's 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 risk of loss of independence or conflicts of interest with Cofina.

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47. Details of the annual remuneration paid by the company and/or legal entities in a control or group relationship to the auditor and other natural or legal persons pertaining to the same network and the percentage breakdown relating to the following services:

By the Company	2013	%	2012	%
Audit and statutory audit services (€)	4,000	2.1%	4,000	1.8%
Other attest services (€)	-	0.0%	-	0.0%
Tax consulting services (€)	14,500	7.7%	18,762	8.4%
Other services (€)	-	0.0%	-	0.0%
<u>By group companies</u>				
Audit and statutory audit services (€)	169,000	90.1%	176,500	79.4%
Other attest services (€)	-	0.0%	-	0.0%
Tax consulting services (€)	-	0.0%	23,000	10.3%
Other services (€)	-	0.0%	-	0.0%
	<u>187,500</u>	<u>100.00%</u>	<u>222,262</u>	<u>100.00%</u>

## C. INTERNAL ORGANISATION

## I. ARTICLES OF ASSOCIATION

48. Rules governing amendment to the articles of association

There are no statutory rules relating to amendment of the articles of association being applicable, in this matter, the framework established under the Commercial Companies Code.

## II. REPORTING OF IRREGULARITIES

49. Reporting means and policy on the reporting of irregularities in the company

Cofina does not have a formal policy for reporting of internal irregularities. However, considering the proximity of the members of the Board of Directors to the activities of the several Group companies and the respective employees, Cofina considers that such proximity 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. Regarding the competences in the evaluation of ethical issues and the corporate governance structure, such functions are performed directly by the Board of Directors, which maintains a constant debate over this matter.

## III. INTERNAL CONTROL AND RISK MANAGEMENT

50. Individuals, boards or committees responsible for the internal audit and/or implementation of the internal control systems

Cofina has no autonomous internal audit and compliance services. 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 acceptable levels.

51. Detail of hierarchical and/or functional dependency in relation to other boards or committees of the company

This is not applicable because the Group has not autonomous services of internal audit and/or autonomous services responsible for the implementation of systems for internal control.

52. Other functional areas responsible for risk control

Risk management is ensured by various Cofina's operating units. The methodology of risk management includes several steps:

## DIRECTORS' REPORT 2013

- 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; and
- The risk mitigation actions are monitored and the level of exposure to critical factors is constantly monitored.

The Board of Directors is responsible for the definition of the Group's general strategic policies, being fully supported by the management teams of subsidiaries to ensure an effective risk control.

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

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

- 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; and
- Ensure that the risk management process is adequate and that it maintains a close monitoring of those risks with higher probability of occurrence and higher impact in the group's operations.

The subsidiaries manage their own risks, within the established criteria and delegations set by the Board of Directors.

### *53. Details and description 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 regarding 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

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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 interests 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 with fixed 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 based on external valuations performed by independent entities.

### Liquidity Risk

Liquidity risk can occur if the sources of financing, such as operating cash flows, disinvestment cash flows, credit lines and cash flows from financing operations obtained do not meet the financing needs, such as cash outflows for operating activities and financing, investment, return on shareholders and reimbursement of debt. As a mean 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 clients and of environment, employees' rights and the maintenance of an open and competitive market. Thus, Cofina is naturally exposed to the risk of regulatory changes, which may affect the way the business is managed and, consequently, harm or prevent the achievement of strategic goals.

The Company's attitude 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 competitors actions and invests in new products and formats in order to always offer 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 demands a continuous adaptation and supply improvement. In order to anticipate the market and consumer trends, the Group regularly analyzes the information regarding the readers' behavior, based on market and opinion studies made by independent entities with high reputation in the market.

#### *54. Description of the procedure for identification, assessment, monitoring, control and risk management*

The Board of Directors identifies as essential the implementation of a system that allows:

- Identify the risks that the Group faces;
- Measure the impact on financial performance and the value of the Group;
- Compare the value in 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 boards, shareholders and other stakeholders;
- Systems and control procedures and policies are established in accordance with all applicable laws and regulations;

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- 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; and
- The shareholder value is maximized and operational management takes the necessary measures to correct issues reported.

The methodology of risk management includes several steps:

- 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.

### *55. Core details on the internal control and risk management systems implemented in the company regarding the procedure for reporting financial information*

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 are 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 a goal and commitment of the Board of Directors, looking to identify and improve the most relevant processes in terms of preparation and disclosure of financial information, with the purposes 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.

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 on the following key elements:

- The use of accounting principles, detailed throughout the notes to financial statements, is one of the bases of the control system;
- Plans, procedures and records of the Company and its subsidiaries provide reasonable assurance that transactions are recorded only properly authorized and that such transactions are recorded in accordance with generally accepted accounting principles;
- Financial information is analysed in a systematic and regular basis for the management of operational units, ensuring a permanent monitoring and control its budget;
- During the process of preparing and reviewing financial information, is previously established a timetable for closure of accounts and shared with the different areas involved, and all documents are reviewed in depth;
- At the level of individual financial statements of the various group companies, the accounting records and preparing financial statements are provided by administrative and accounting services. The financial statements are prepared by official chartered of accounts and reviewed by the financial management of each subsidiary;

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- The consolidated financial statements are prepared quarterly by the consolidation team. 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 check balances and transactions between group companies;
- The consolidated financial statements are prepared under the supervision of the CFO. The annual report is sent for review and approval by the Board of Directors. After the approval, the documents are sent to the External Auditor, which issues the Statutory Audit and Auditor's Report; and
- The process of preparing the financial information and consolidated directors' report is monitored by the Supervisory Board and by the Board of Directors. Each quarter, these corporate boards meet and analyse the individual and consolidated financial statements of the Company.

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 and/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.

The Board of Directors, together with the Supervisory Board, regularly review and monitor the preparation and disclosure of financial information in order to prevent access, improper and untimely, of other persons to relevant information.

**IV. INVESTOR ASSISTANCE**

*56. Department responsible for investor assistance, composition, functions, the information made available by said department and contact details*

The Company has an investor assistance department which includes the group's the market liaison officer and the investor relations.

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

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](http://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 financial reports for the past recent years. The majority of the information is available in the website both in Portuguese and in English.

*57. Market Liaison Officer*

The functions of group's market liaison officer are performed by Laurentina da Silva Martins and the functions of investor relations by Ricardo Mendes Ferreira.

*58. Data on the extent and deadline for replying to the requests for information received throughout the year or pending from preceding years*

Whenever necessary, the market liaison officer provides all relevant information regarding the events, facts considered relevant, disclosure of quarterly results and answers to any requests for clarification by the

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investors or the general public on public financial information. All requested information from investors are analyzed and addressed in a maximum of five days.

### V. WEBSITE

*59. Adress(es)*

Cofina's has available a web site with information about the Company and the Group. The address is:  
[www.cofina.pt](http://www.cofina.pt).

*60. Place where information on the firm, public company status, headquarters and other details referred to in Article 171 of the Commercial Companies Code is available*

[www.cofina.pt](http://www.cofina.pt) \ about cofina \ company profile

*61. Place where the articles of association and regulations on the functioning of the boards and/or committees are available*

[www.cofina.pt](http://www.cofina.pt) \ investors \ articles of association  
[www.cofina.pt](http://www.cofina.pt) \ acerca da cofina \ governo da sociedade\ arquivo

*62. Place where information is available on the names of the corporate boards' members, the Market Liaison Officer, the Investor Assistance Office or comparable structure, respective functions and contact details*

[www.cofina.pt](http://www.cofina.pt) \ about cofina \ corporate governance \ archive  
[www.cofina.pt](http://www.cofina.pt) \ investors \ ir contacts  
[www.cofina.pt](http://www.cofina.pt) \ investors \ investor support office

*63. Place where the documents are available and relate to financial accounts reporting, which should be accessible for at least five years and the half-yearly calendar on company events that is published at the beginning of every six months, including, *inter alia*, general meetings, disclosure of annual, half-yearly and where applicable, quarterly financial statements*

[www.cofina.pt](http://www.cofina.pt) \ investors \ reports  
[www.cofina.pt](http://www.cofina.pt) \ investors \ financial calendar

*64. Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed*

[www.cofina.pt](http://www.cofina.pt) \ investors \ annual meetings

*65. Place where the historical archive on the resolutions passed at the company's General Meetings, share capital and voting results relating to the preceding three years are available*

[www.cofina.pt](http://www.cofina.pt) \ investors \ annual meetings

### D. REMUNERATION

### I. POWER TO ESTABLISH

*66. Details of the powers for establishing the remuneration of corporate boards, members of the executive committee or chief executive and directors of the company*

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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 remunerations policy is reviewed annually and is submitted for approval in the Company's Shareholders General Meeting where it is present, at least, one representative of the remuneration committee.

### II. REMUNERATION COMMITTEE

*67. Composition of the remuneration committee, including details of individuals or legal persons recruited to provide services to said committee and a statement on the independence of each member and advisor*

Cofina, SGPS, SA 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

All members of the Remuneration Committee are independent from the members of the Board of Directors. Additionally, in 2013 no persons or entities were hired to assist Remuneration Committee members.

*68. Knowledge and experience in remuneration policy issues by members of the Remuneration Committee*

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, 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.

### III. REMMUNERATION STRUCTURE

*69. Description of the remuneration policy of the Board of Directors and Supervisory Boards as set out in Article 2 of Law No. 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 held on 18 April 2013, respects the following principles:

#### 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.

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The global fixed remuneration for all the members of the Board of Directors, including the remuneration that the subsidiaries pay to the members that integrate the Board of Directors, cannot exceed 1.25 million Euro per year.

### 1. Executive directors

- *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 2011, 2012 and 2013, based on:

- Total shareholder return (shares appreciation plus dividend distributed)
- Sum of the net results of three years (2011, 2012 and 2013)
- Company' business evolution

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

### 2. Non-executive directors

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

### SUPERVISORY BOARD

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

### GENERAL SHAREHOLDERS MEETING

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

### STATUTORY AUDITOR

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

### COMPENSATION FOR TERMINATION OF FUNCTIONS BEFORE ON OR TERM OF MANDATE

The remuneration policy maintains the principle of not covering the granting of any compensation to directors or other governing bodies, concerning their termination of functions, either early or at the scheduled end of their duties, subject to compliance with the legal provisions in force.

### SCOPE OF PRINCIPLES

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

*70. Information on how remuneration is structured so as to enable the aligning of the interests of the members of the board of directors with the company's long-term interests and how it is based on the performance assessment and how it discourages excessive risk taking.*

The remuneration policy for executive directors aims to ensure a proper and thorough compensation for the performance and contribution of each director for the success of the organization, aligning the interests of the

## DIRECTORS' REPORT 2013

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.

The proposal for remuneration of executive directors are drawn up taking into account the functions performed in Cofina, SGPS, SA and in its subsidiaries, the responsibility and added value by individual performance, the knowledge and the 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. Regarding the latter point, the Remuneration Committee takes into account all national companies of equivalent size, particularly listed on NYSE Euronext Lisbon, and also companies in international markets with characteristics similar to Cofina.

*71. Reference, where applicable, to there being a variable remuneration component and information on any impact of the performance appraisal on this component*

According to the Company's articles of association, corporate boards' 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 18 April 2013, the remuneration policy as detailed in paragraph 69 above was approved, which provides a variable component depending on performance during the period between 2011 and 2013.

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. The Company did not celebrate any agreements with members of the Board of Directors that have the effect of mitigate the risk associated to variability of the remuneration or has become aware of any identical contracts celebrated with third parties.

*72. The deferred payment of the remuneration's variable component and specify the relevant deferral period*  
There is currently no variable compensation which payment was deferred in time.

*73. The criteria whereon the allocation of variable remuneration on shares is based*

Cofina has not in place nor intends to have any form of compensation that may include shares or any other equity based compensation system.

*74. The criteria whereon the allocation of variable remuneration on options is based*  
Cofina does not have in place any form of compensation that includes stock options.

*75. The key factors and grounds for any annual bonus scheme and any additional non-financial benefits;*  
Cofina hasn't any annual bonus scheme nor any other non-financial benefits.

*76. Key characteristics of the supplementary pensions or early retirement schemes for directors and state date when said schemes were approved at the general meeting, on an individual basis*

Cofina S.G.P.S., S.A. has no supplementary pension or early retirement schemes for corporate boards or key staff.

IV. REMUNERATION DISCLOSURE

*77. Details on the amount relating to the annual remuneration paid as a whole and individually to members of the company's board of directors, including fixed and variable remuneration and as regards the latter, reference to the different components that gave rise to same.*

The compensation received by the non-executive members of the Board of Directors of Cofina during 2013, in the exercise of their functions, include only fixed remuneration, were paid directly by Cofina SGPS, S.A. and amounted to 137,445 Euro allocated as follows: Domingos Matos – 45,815 Euro; Ana Mendonça – 45,815 Euro; Pedro Borges de Oliveira – 45,815 Euro. The non-executive director Pedro Mendonça did not receive any compensation in 2013.

## DIRECTORS' REPORT 2013

*78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or are subject to a common control*

The compensation received by the two executive members of Cofina's Board of Directors, included only fixed remuneration, were fully paid by subsidiaries of the Group where they exercise management functions and amounted to Euro 422,136 allocated as follows: Paulo Fernandes – Euro 211,068 and João Borges de Oliveira – Euro 211,068.

*79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded*

During the year, there weren't any remuneration in the form of profit sharing or bonuses.

*80. Compensation paid or owed to former executive directors concerning contract termination during the financial year*

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

*81. Details of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory board*

The remuneration of the Supervisory Board is composed of a fixed annual amount based on the Cofina's situation and on the current market practices. In the year ended 31 December 2013, the remuneration of Supervisory Board members amounted to Euro 32,970 distributed as follows: João Natária – Euro 16,350; Cristina Linhares – Euro 8,310; Manuel Tiago Fernandes – Euro 8,310.

The remuneration of the Statutory Auditor is described in paragraph 47 above.

*82. Details of the remuneration in said year of the Chairman of the Presiding Board to the General Meeting*

The remuneration of the Chairman of the Shareholders' General Meeting in the year ended in 31 December 2013 was Euro 5,000.

## V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

*83. The envisaged contractual restraints for compensation payable for the unfair dismissal of directors and the relevance thereof to the remunerations' variable component*

The remuneration policy maintains the principle of not including the granting of any compensation to directors or other governing boards, concerning the termination of their functions, either early or at the scheduled end of their terms of office, subject to compliance with the legal provisions in force.

*84. Reference to the existence and description, with details of the sums involved, of agreements between the company and members of the board of directors and managers, pursuant to Article 248-B/3 of the Securities Code that envisages compensation in the event of resignation or unfair dismissal or termination of employment following a takeover bid*

There are no agreements between the Company and members of the board of directors or other key staff, pursuant to paragraph 3 of Article 248-B of the Securities Code, which provide compensations in case of resignation, unfair dismissal or termination of employment contract following a takeover bid. There aren't also planned agreements with directors to ensure any compensation in case of non-renewal of their terms of office.

## VI. SHARE-ALLOCATION AND/OR STOCK OPTION PLANS

*85. Details of the plan and the number of persons included therein*

Cofina, SGPS, SA has no plan to grant shares or stock options to the Board of Directors nor to its employees.

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*86. Characteristics of the plan*

Cofina, SGPS, SA does not have any plan to grant shares or stock options.

*87. Stock option plans for the company employees and staff*

There are no stock options granted for the acquisition of shares which benefit company employees and staff.

*88. Control mechanisms for a possible employee-shareholder system inasmuch as the voting rights are not directly exercised by said employees*

Not applicable as explained above.

## E. RELATED PARTY TRANSACTIONS

## I. CONTROL MECHANISMS AND PROCEDURES

*89. Mechanisms implemented by the Company for the purpose of controlling transactions with related parties*

Currently, there are no established procedures or criteria for defining the relevant significance level of business between the Company and holders of qualifying holdings, or entities in any relationship or group with those shareholders, from which the intervention of the Supervisory Board is required.

*90. Details of transactions that were subject to control in the referred year*

The only relevant transaction occurred in 2013 was the lease contract celebrated between the subsidiary Presselivre – Imprensa Livre, S.A. and Torres da Luz – Investimentos Imobiliários S.A., a company with a common director with Cofina SGPS, S.A.. This transaction was performed in normal market conditions and has been properly analyzed and approved by the Supervisory Board under article 397 of the Commercial Companies Code.

There weren't performed other businesses or significant transactions between the Company and members of its governing boards (both management and supervision), the holders of qualified shareholdings, except those that part of the current activity of the group and which were carried out under normal market conditions for similar transactions.

There weren't any business or transactions with the members of the Supervisory Board.

The non-audit services provided by the Statutory Auditor were approved by the Supervisory Board and are detailed in paragraph 47 above.

*91. 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 holders of qualifying holdings or entity-relationships with the former*

Transactions with Cofina directors or companies that are in a group or control relationship with one in which the intervener is a director, regardless of amount, are subject to the prior authorization of the Board of Directors with a favorable opinion the Supervisory Board pursuant to Article 397 of the Commercial Companies Code. In 2013, as mentioned on paragraph 90 above, the Supervisory Board analysed the celebration of a lease contract.

## II. DATA ON BUSINESS DEALS

*92. Details of the place where the financial statements including information on business dealings with related parties are available*

Information on related parties is disclosed in note 28 of the notes to consolidated financial statements and note 22 of the notes to the individual financial statements of the company.

## PART II – CORPORATE GOVERNANCE AVALIATION

### 1. Identification of the Corporate Governance Code adopted

This report was prepared in accordance with the CMVM Regulation nr. 4/2013 of 1 August and with the Code of Corporate Governance ("Código de Governo das Sociedades"), both available at [www.cmvm.pt](http://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 other stakeholders. The reporting model adopted by the Company is defined in Article 1, nr. 4 of that Regulation and detailed in its Appendix I.

The report complies with the standards of Article 245-A of the Portuguese Securities Code and discloses in accordance with the comply or explain principle, the degree of compliance with the CMVM recommendations incorporated in 2013 CMVM Corporate Governance Code.

There are also fulfilled the duties of disclosure required by Law 28/2009 of 19 June, Articles 447 and 448 of the Portuguese Companies Act and CMVM Regulation Nr. 5 / 2008, of 2 October 2008.

### 2. Analysis of compliance with the Code of Corporate Governance adopted

Cofina, S.G.P.S., S.A. complies with the majority of recommendations on corporate governance issued by the Securities Market Commission (CMVM) as follows:

RECOMENDATION	COMPLIES	REMISION
<b>I. VOTING AND CONTROL OF THE COMPANY</b>		
I.1. Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically.	Adopted	Part I / B / I. / b) / 12, 13 and 14
I.2. Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law.	Adopted	Part I / B / I. / b) / 13 and 14
I.3. Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.	Adopted	Part I / B / I. / b) / 12 and 13
I.4. The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the general assembly (five year intervals), on whether that statutory provision is to be amended or prevails - without superquorum requirements as to the one legally in force - and that in said resolution, all votes issued be counted, without applying said restriction.	Adopted	Part I / B / I. / b) / 13 and 14
I.5. Measures that require payment or assumption of fees by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members, shall not be adopted.	Adopted	Part I / A / I. / 2, 4, 5 and 6
<b>II. SUPERVISION, MANAGEMENT AND OVERSIGHT</b>		
<b>II.1 SUPERVISION AND MANAGEMENT</b>		
II.1.1. Within the limits established by law, and except for the small size of the company, the board of directors shall delegate the daily management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.	Non adopted	Part II / 2 and Part I / B / II. / a) / 21
II.1.2. The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its responsibilities as regards the following: i) define the strategy and general policies of the company; ii) define business structure of the group; iii) decisions considered strategic due to the amount, risk and particular characteristics involved.	Adopted	Part I / B / II. / a) / 21
II.1.3. The General and Audit Committee, in addition to its supervisory duties supervision, shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall enshrine the requirement for this body to decide on the strategy and major policies of the company, the definition of the corporate structure of the group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the company.	Non applicable	
II.1.4. Except for small-sized companies, the Board of Directors and the General and Audit Committee, depending on the model adopted, shall create the necessary committees in order to: a) Ensure a competent and independent assessment of the performance of executive directors and its own overall performance, as well as of other committees; b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies, measures to be implemented with a view to their improvement.	Non Adopted	Part II / 2 and Part I / B / II. / c) / 29
II.1.5. The Board of Directors or the General and Audit Committee, depending on the applicable model, should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	Non adopted	Part II / 2 and Part I / C / III. / 52, 54 and 55
II.1.6. The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the board.	Adopted	Part II / B / II. / a) / 18

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RECOMENDATION	COMPLIES	REMISION
II.1.7. Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed as per the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to: a. Having been an employee at the company or at a company holding a controlling or group relationship within the last three years; b. Having, in the past three years, provided services or established commercial relationship with the company or company with which it is in a control or group relationship, either directly or as a partner, board member, manager or director of a legal person; c. Being paid by the company or by a company with which it is in a control or group relationship besides the remuneration arising from the exercise of the functions of a board member; d. Living with a partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings; e. Being a qualifying shareholder or representative of a qualifying shareholder.	Non adopted	Part II / 2 and Part I / B / II. / a) / 18
II.1.8. When board members that carry out executive duties are requested by other board members, said shall provide the information requested, in a timely and appropriate manner to the request.	Adopted	Part I / B / II. / a) / 18
II.1.9. The Chair of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chair of the Board of Directors, the Chair of the Supervisory Board, the Chair of the Audit Committee, the Chair of the General and Supervisory Board and the Chairman of the Financial Matters Board, the convening notices and minutes of the relevant meetings.	Adopted	Part I / B / II. / a) / 18 and Part I / B / II. / b) / 23
II.1.10. If the chair of the board of directors carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that these members can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.	Non adopted	Part II / 2 and Part I / B / II. / a) / 18
<b>II.2. SUPERVISION</b>		
II.2.1. Depending on the applicable model, the Chair of the Supervisory Board, the Audit Committee or the Financial Matters Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.	Adopted	Part I / B / III. / a) / 32
II.2.2. The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, <i>inter alia</i> , for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	Adopted	Part I / B / III. / c) / 38
II.2.3. The Audit Committee shall evaluate the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal.	Adopted	Part I / B / V. / 45
II.2.4. The Audit Committee shall evaluate the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	Adopted	Part I / B / III. / c) / 38
II.2.5. The Audit Committee, the General and Supervisory Board and the Audit Committee decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential improprieties.	Non applicable	Part I / C / III. / 50
<b>II.3. REMUNERATION SETTING</b>		
II.3.1. All members of the Remuneration Committee or equivalent should be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.	Adopted	Part I / D / II. / 67 and 68
II.3.2. Any natural or legal person that provides or has provided services in the past three years, to any structure under the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall not be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.	Adopted	Part I / D / II. / 67
II.3.3. A statement on the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall also contain the following: a) Identification and details of the criteria for determining the remuneration paid to the members of the governing bodies; b) Information regarding the maximum potential, in individual terms, and the maximum potential, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances whereby these maximum amounts may be payable; c) Information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.	Adopted	Part I / D / III. / 69
II.3.4. Approval of plans for the allotment of shares and/or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly evaluate said plan.	Non applicable	Part I / D / III. / 73 e 74
II.3.5. Approval of any retirement benefit scheme established for members of corporate members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly evaluate said system.	Non applicable	Part I / D / III. / 76

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RECOMENDATION	COMPLIES	REMISSION
<b>III. REMUNERATION</b>		
III.1. The remuneration of the executive members of the board shall be based on actual performance and shall discourage taking on excessive risk-taking.	Adopted	Part I / D / III. / 70
III.2. The remuneration of non-executive board members and the remuneration of the members of the Audit Committee shall not include any component whose value depends on the performance of the company or of its value.	Adopted	Part I / D / III. / 69 and Part I / D / IV. / 78, 81 and 82
III.3. The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and maximum limits should be set for all components.	Adopted	Part I / D / III. / 69
III.4. A significant part of the variable remuneration should be deferred for a period not less than three years, and the right of way payment shall depend on the continued positive performance of the company during that period.	Adopted	Part I / D / III. / 69
III.5. Members of the Board of Directors shall not enter into contracts with the company or with third parties which intend to mitigate the risk inherent to remuneration variability set by the company.	Adopted	Part I / D / III. / 71
III.6. Executive board members shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on the gains of said shares, until the end of their mandate.	Non applicable	Part I / D / III. / 73 e 74
III.7. When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period not less than three years.	Non applicable	Part I / D / III. / 74
III.8. When the removal of board member is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is yet due on inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable.	Adopted	Part I / D / III. / 69 and Part I / D / V. / 83
<b>IV. AUDITING</b>		
IV.1. The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems of the corporate bodies as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the company.	Adopted	Part I / B / III. / c) / 38
IV.2. The company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that incorporates the same network, for services other than audit services. If there are reasons for hiring such services - which must be approved by the Audit Committee and explained in its Annual Report on Corporate Governance - said should not exceed more than 30% of the total value of services rendered to the company.	Adopted	Part I / D / IV. / 41 and Part I / D / V. / 47
IV.3. Companies shall support auditor rotation after two or three terms whether four or three years, respectively. Its continuance beyond this period must be based on a specific opinion of the Audit Committee that explicitly considers the conditions of auditor's independence and the benefits and costs of its replacement.	Adopted	Part I / D / V. / 44
<b>V. CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS</b>		
V.1. The company's business with holders of qualifying holdings or entities with which they are in any type of relationship pursuant to article 20 of the Portuguese Securities Code, shall be conducted during normal market conditions.	Adopted	Part I / E / I. / 90
V.2. The supervisory or oversight board shall lay down procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings - or entities with which they are in any of the relationships described in article 20.1 of the Portuguese Securities Code - thus significant relevant business is dependent upon prior opinion of that body.	Non adopted	Part II / 2 and Part I / E / I. / 91
<b>VI. INFORMATION</b>		
VI.1. Companies shall provide, via their websites in both the Portuguese and English languages access to information on their progress as regards the economic, financial and governance state of play.	Adopted	Part I / C / V. / 59 to 65
VI.2. Companies shall ensure the existence of an investor support and market liaison office, which responds to requests from investors in a timely fashion and a record of the submitted requests and their processing, shall be kept.	Adopted	Part I / C / IV. / 56 to 58

The recommendations II.1.1., II.1.4., II.1.5., II.1.7., II.1.10. and V.2 are not completely adopted by Cofina, as explained below.

- **Recommendation II.1.1.:** Cofina S.G.P.S., S.A. directors focus their activity 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 the Board of Directors as a collective board composed by all its members, executive and non-executive in the normal performance of their duties. Additionally, some of the directors of Cofina SGPS, SA integrate the Board of Directors of the various operating units of the Group and therefore the recommendation is not fully adopted.
- **Recommendation II.1.4:** Cofina considers that, taking into account its size, the only committee essential to meet the needs of the Company is the Remuneration Committee. The Company does not have any committee specifically designed to identify candidates to directors and to reflect about the corporate governance model adopted, so this recommendation cannot be considered adopted.
- **Recommendation II.1.5.:** In the present report there are described the most important aspects of risk management implemented by the Group. However, Cofina does not have an internal control and risk management system formalized that encompasses all of the components provided for that type of system so the recommendation is not fully adopted.
- **Recommendations II.1.7. and II.1.10.:** The Board of Directors does not include any member who meets the criteria for independence mentioned in that recommendation as the non-executive director

Pedro Mendonça is the father of Ana Rebelo Carvalho Mendonça, holder of a qualifying holding and the other three non-executive directors hold, direct or indirectly, qualifying holdings on the company's share capital. Therefore recommendation II.1.10. is also not fulfilled. Given the corporate model adopted and the composition and mode of operation of its governing boards, including the independence of the supervisory boards, without delegation of powers among them, the Group considers that the designation of independent directors to the Board would not yield significant improvements for the proper functioning of the corporate governance model, which has revealed itself proper and efficient.

- **Recommendation V.2:** Currently, there aren't established procedures or criteria 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 from the Statutory Board is required. However, transactions with Cofina's directors or with companies that are in a group or dominance relationship with them, 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 397 of the Commercial Companies' Code ("Código das Sociedades Comerciais").

### 3. Other informations

Cofina considers that, notwithstanding the non-fulfill compliment with the CMVM recommendations, as explained above, the degree of adoption of the recommendations is quite broad and complete.

## DIRECTORS' REPORT 2013

## 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 2013 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 2013, they held the following shares:

Paulo Jorge dos Santos Fernandes <sup>(a)</sup>	12,886,332
João Manuel Matos Borges de Oliveira <sup>(b)</sup>	14,784,857
Domingos José Vieira de Matos <sup>(c)</sup>	12,292,927
Pedro Macedo Pinto de Mendonça	854,500
Pedro Miguel Matos Borges de Oliveira	5,628,291
Ana Rebelo de Carvalho Menéres de Mendonça <sup>(d)</sup>	20,488,760

<sup>(a)</sup> – There also considered attributable to Paulo Jorge dos Santos Fernandes, apart from the 3,345,746 shares of Cofina held on a personal basis, 9,540,586 shares of Cofina held by ACTIUM CAPITAL – SGPS, S.A., of which he is dominant shareholder and director. Therefore, in legal terms, a total of 12,886,332 shares are considered attributable to Paulo Jorge dos Santos Fernandes, representing 12.56% of capital and voting rights of Cofina.

<sup>(b)</sup> – The 14,784,857 shares correspond to the total COFINA – SGPS, S.A.'s shares held by INDAZ S.A., of which the director João Manuel Matos Borges de Oliveira is also director.

<sup>(c)</sup> – The 12,292,927 shares of COFINA – SGPS, S.A. held by LIVREFLUXO – SGPS, S.A., are considered attributable to Domingos José Vieira de Matos, its dominant shareholder and director.

<sup>(d)</sup> – The 20,488,760 shares of COFINA – SGPS, S.A. held by PROMENDO – SGPS, S.A., are considered attributable to Ana Rebelo de Carvalho Menéres de Mendonça, its dominant shareholder and director.

As of 31 December 2013, the Statutory Auditor, the members of the Supervisory Board and the members of the Board of the General Shareholders' Meeting held no shares of the Company.

## Qualifying holdings

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 qualifying holdings exceeding 2%, 5%, 10%, 20%, 33% and 50% of the voting rights, are as follows:

Exceeding 2% of the voting rights	Shares held	Direct % of the voting rights
Credit Suisse Group AG	5,039,060	4.91%
Paulo Jorge dos Santos Fernandes <sup>(a)</sup>	3,345,746	3.26%
Santander Asset Management <sup>(b)</sup>	2,177,423	2.12%

<sup>(c)</sup> There are also considered attributable to Paulo Jorge dos Santos Fernandes, 9,540,586 shares of COFINA – SGPS, S.A. held by ACTIUM CAPITAL – SGPS, S.A., of which he is dominant shareholder and director.

<sup>(d)</sup> The 2,177,423 shares correspond to total COFINA – SGPS, S.A.'s shares held by investment funds managed by Santander Asset Management (107,964 shares held by Fundo Santander PPA and 2,069,459 shares held by Fundo Santander Acções Portugal).

## DIRECTORS' REPORT 2013

Exceeding 5% of the voting rights	Shares held	Direct % of the voting rights
ACTIUM CAPITAL – SGPS, S.A. (a)	9,540,586	9.30%
Pedro Miguel Matos Borges de Oliveira	5,628,291	5.49%

(a) The 9,540,586 shares of COFINA – SGPS, S.A. held by ACTIUM CAPITAL – SGPS, S.A. are considered attributable to Paulo Jorge dos Santos Fernandes, its dominant shareholder and director.

Exceeding 10% of the voting rights	Shares held	Direct % of the voting rights
INDAZ S.A. (a)	14,784,857	14.41%
Newshold, SGPS, S.A.	12,519,683	12.21%
LIVREFLUOX – SGPS, S.A. (b)	12,292,927	11.99%

(a) The 14,784,857 shares correspond to the total of COFINA – SGPS, S.A.'s shares held by INDAZ S.A., of which the director João Manuel Matos Borges de Oliveira is also director.  
 (b) The 12,292,927 shares of COFINA – SGPS, S.A. held by LIVREFLUOX – SGPS, S.A., are considered attributable to Domingos José Vieira de Matos, its dominant shareholder and director.

Exceeding 15% of the voting rights	Shares held	Direct % of the voting rights
PROMENDO – SGPS, S.A. (a)	20,488,760	19.98%

(a) The 20,488,760 shares of COFINA – SGPS, S.A. held by PROMENDO – SGPS, S.A., are considered attributable to Ana Rebelo de Carvalho Menéres de Mendonça, its dominant shareholder and director.

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

## DIRECTORS' REPORT 2013

### STATEMENT UNDER THE TERMS OF ARTICLE 245, PARAGRAPH 1, C) OF THE SECURITIES CODE

The signatories individually declare that, to the best of their knowledge, the Board of Directors' Report, the Individual and Consolidated Financial Statements and the other accounting documents required by law or regulation were prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union. These documents give a truthful 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 contain a description of the major risks and uncertainties that they face.

### 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 our suppliers, financial institutions and other partners of the group for their trust in our organization. We would also like to thank the External Auditor for the assistance provided during 2013 and the Supervisory Board for the continued monitoring of our operations.

Oporto, 27 March 2014

**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 de Carvalho Menéres de Mendonça

## DIRECTORS' REPORT 2013

## 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 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 management functions 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 ALCOBACA, S.A.
1997	Director at Group Vista Alegre, S.A.
1997	Chairman of the Board of Directors at ATLANTIS - Cristais de Alcobaça, 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
Since 2005	Member of Superior Board at the MBA Former Student's Association
2013/2016	President of the Supervisory Board of BCSD
Since 2006	Member of Advisory Board at Engineering and Management of IST

The other companies where he carries out management functions as of 31 December 2013, are as follows:

- Alteria, S.G.P.S., S.A. (a)
- Actium Capital S.G.P.S., S.A. (a)
- Altri, S.G.P.S., S.A. (a)
- Altri Participaciones Y Trading, S.L. (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.
- Edirevistas – Sociedade Editorial, S.A.
- Edisport – Soc. de Publicações, S.A.
- Efe Erre Participações, S.G.P.S., S.A. (a)
- Elege Valor, S.G.P.S., S.A. (a)
- F. Ramada Investimentos, S.G.P.S., S.A. (a)

## DIRECTORS' REPORT 2013

- 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)
- Jardins de França – Empreendimentos Imobiliários, 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 2013 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. He 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.
Since 2008	President of the Supervisory Board of Porto Business School
1998/1999	Non-executive director of ZON Multimédia, SGPS, S.A.
1998/1999	Member of ISCTE-IUL CFO Advisory Form

The other companies where he carries out management functions as of 31 December 2013 are as follows:

- Alteria, S.G.P.S., S.A. (a)
- Altri, S.G.P.S., S.A. (a)
- Altri Participaciones Y Trading, S.L. (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.

## DIRECTORS' REPORT 2013

- 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)
- Gрафedisport – Impressão e Artes Gráficas, S.A.
- Indaz S.A. (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 2013 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 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 2013 are:

- Alteria, S.G.P.S., S.A. (a)
- Altri, S.G.P.S., S.A. (a)
- Altri Participaciones Y Trading, S.L. (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.

## DIRECTORS' REPORT 2013

- 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)
- Jardins de França – Empreendimentos Imobiliários, 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 2013 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. He 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 2013 are as follows:

- Alteria, S.G.P.S., S.A. (a)
- Altri, S.G.P.S., S.A. (a)
- Altri Participaciones Y Trading, S.L. (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)
- Livrefluxo, S.G.P.S., S.A. (a)
- Malva – Gestão Imobiliária, S.A. (a)

## DIRECTORS' REPORT 2013

- 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 2013 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 Executive MBA at 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.
1992	Director of Bemel, Lda.
1997/2000	Assistant manager of GALAN, Lda.
1999/2000	Assessor of the direction of the saws and tools department of F.Ramada, Aços e Indústrias, S.A.
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 2013 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)
- Jardins de França – Empreendimentos Imobiliários, 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 2013 cannot be considered to be part of Cofina, S.G.P.S., S.A. Group.

## DIRECTORS' REPORT 2013

### Ana Rebelo de Carvalho Menéres de Mendonça

This director 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.
2009	Director at PROMENDO, SGPS, S.A.

The other companies where she carries out management functions as of 31 December 2013 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)
- Jardins de França – Empreendimentos Imobiliários, S.A. (a)
- Promendo, SGPS, S.A. (a)
- Prestimo – Prestígio Imobiliário, S.A. (a)

(a) – Companies that, as of 31 December 2013 cannot be considered to be part of Cofina, S.G.P.S., S.A. Group.

## 2. Supervisory Board

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

### **João da Silva Natária**

Academic curriculum:

Degree in Law by the University of Lisbon

Professional Experience:

1979	General Manager at Luanda / Viana branch of F. Ramada, appointed jointly by the Board of Directors and by 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 Supervisory Board of Altri SGPS, S.A. (a)  
President of the Supervisory Board of F. Ramada Investimentos, SGPS, 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 2013, 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	Statutory Auditor nr. 1262 certified by the Portuguese Institute of Statutory 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	Statutory Auditor and consultant

## DIRECTORS' REPORT 2013

### Other positions:

- Member of the Supervisory Board of Altri SGPS, S.A. (a)
- Member of the Supervisory Board of F. Ramada Investimentos, SGPS, S.A. (a)
- Statutory Auditor of Sociedade Comercial de Plásticos Chemieuro Unipessoal Lda. (a)
- Statutory Auditor of Stemmatters – Biotecnologia e Medicina Regenerativa, S.A. (a)
- Statutory Auditor of IM3DICAL, S.A. (a)
- Statutory Auditor of Tecvinhais SGPS, S.A. (a)
- Statutory Auditor of Tecignum, S.A. (a)
- Statutory Auditor of Creativesystems – Sistemas e Serviços de Consultoria, S.A. (a)

(a) - companies that, as of 31 December 2013, cannot be considered as part of the group Cofina, SGPS, S.A.

### Other past positions:

- Member of the Supervisory 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 Services Management, taught 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

### Other positions:

- Member of the Supervisory Board of Altri SGPS, S.A. (a)
- Member of the Supervisory Board of F. Ramada Investimentos, SGPS, S.A. (a)

(a) - companies that, as of 31 December 2013, cannot be considered as part of the group Cofina, SGPS, S.A.

### Other positions:

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

## APPENDIX 2013

**Article 447 of the Commercial Companies Code and Article 14, paragraph 7 of Portuguese Securities Regulator (CMVM) Regulation nr. 5/2008**

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.

Members of the Board of Directors	Shares held at 31-Dez-			Others	Shares held at 31-Dez-
	2012	Acquisitions	Disposals		
Paulo Jorge dos Santos Fernandes	3,785,746	-	(440,000)	-	3,345,746
Paulo Jorge dos Santos Fernandes (imputation trough ACTIUM CAPITAL - SGPS, S.A.)	5,415,836	4,124,750	-	-	9,540,586
João Manuel Matos Borges de Oliveira (imputation trough CADERNO AZUL - SGPS, S.A.)	14,784,857	-	(14,784,857)	-	-
João Manuel Matos Borges de Oliveira (imputation trough INDAZ, S.A.)	-	14,784,857	-	-	14,784,857
Domingos José Vieira de Matos	7,381,112	-	(7,381,112)	-	-
Domingos José Vieira de Matos (imputation trough LIVREFLUXO - SGPS, S.A.)	-	12,292,927	-	-	12,292,927
Pedro Miguel Matos Borges de Oliveira	5,628,291	-	-	-	5,628,291
Ana Rebelo Mendonça	6,377,840	-	-	(6,377,840)	-
Ana Rebelo Mendonça (imputation trough PROMENDO - SGPS, S.A.)	9,007,436	5,103,484	-	6,377,840	20,488,760
Pedro Macedo Pinto de Mendonça	854,500	-	-	-	854,500

**Paulo Jorge dos Santos Fernandes**

Date	Type	Volume	Price (€)	Local	Nr of Shares
31/Dez/2012	-	-	-	-	3,785,746
16/Out/2013	Sell	(440,000)	0.516000	NYSE Euronext Lisbon	3,345,746
31/Dez/2013	-	-	-	-	3,345,746

**Paulo Jorge dos Santos Fernandes (imputation trough ACTIUM CAPITAL - SGPS, S.A.)**

Date	Type	Volume	Price (€)	Local	Nr of Shares
31/Dez/2012	-	-	-	-	5,415,836
5/Abr/2013	Buy	1,700,000	0.540000	NYSE Euronext Lisbon	7,115,836
16/Out/2013	Buy	440,000	0.516000	NYSE Euronext Lisbon	7,555,836
24/Out/2013	Buy	1,984,750	0.545500	NYSE Euronext Lisbon	9,540,586
31/Dez/2013	-	-	-	-	9,540,586

**Pedro Macedo Pinto de Mendonça**

Date	Type	Volume	Price (€)	Local	Nr of Shares
31/Dez/2012	-	-	-	-	854,500
31/Dez/2013	-	-	-	-	854,500

**João Manuel Matos Borges de Oliveira (imputation trough CADERNO AZUL - SGPS, S.A.)**

Date	Type	Volume	Price (€)	Local	Nr of Shares
31/Dez/2012	-	-	-	-	14,784,857
17/Jul/2013	Sell	(14,784,857)	0.420000	NYSE Euronext Lisbon	-
31/Dez/2013	-	-	-	-	-

**João Manuel Matos Borges de Oliveira (imputation trough INDAZ, S.A.)**

Date	Type	Volume	Price (€)	Local	Nr of Shares
31/Dez/2012	-	-	-	-	-
17/Jul/2013	Buy	14,784,857	0.420000	NYSE Euronext Lisbon	14,784,857
31/Dez/2013	-	-	-	-	14,784,857

**Pedro Miguel Matos Borges de Oliveira**

Date	Type	Volume	Price (€)	Local	Nr of Shares
31/Dez/2012	-	-	-	-	5,628,291
31/Dez/2013	-	-	-	-	5,628,291

## APPENDIX 2013

### Domingos José Vieira de Matos

Date	Type	Volume	Price (€)	Local	Nr of Shares
31/Dez/2012	-	-	-	-	7,381,112
18/Fev/2013	Sell	7,381,112	0.560000	NYSE Euronext Lisbon	-
31/Dez/2013	-	-	-	-	-

### Domingos José Vieira de Matos (imputation trough LIVREFLUOXO - SGPS, S.A.)

Date	Type	Volume	Price (€)	Local	Nr of Shares
31/Dez/2012	-	-	-	-	-
18/Fev/2013	Buy	7,381,112	0.560000	NYSE Euronext Lisbon	7,381,112
30/Abr/2013	Buy	250,000	0.494657	NYSE Euronext Lisbon	7,631,112
2/Mai/2013	Buy	150,000	0.495000	NYSE Euronext Lisbon	7,781,112
3/Mai/2013	Buy	200,000	0.495000	NYSE Euronext Lisbon	7,981,112
13/Mai/2013	Buy	300,000	0.494973	NYSE Euronext Lisbon	8,281,112
14/Mai/2013	Buy	450,000	0.494444	NYSE Euronext Lisbon	8,731,112
17/Mai/2013	Buy	98,161	0.492453	NYSE Euronext Lisbon	8,829,273
20/Mai/2013	Buy	100,000	0.485000	NYSE Euronext Lisbon	8,929,273
21/Mai/2013	Buy	190,000	0.495000	NYSE Euronext Lisbon	9,119,273
22/Mai/2013	Buy	200,000	0.499000	NYSE Euronext Lisbon	9,319,273
23/Mai/2013	Buy	441,925	0.487377	NYSE Euronext Lisbon	9,761,198
24/Mai/2013	Buy	213,717	0.487679	NYSE Euronext Lisbon	9,974,915
27/Mai/2013	Buy	285,000	0.491789	NYSE Euronext Lisbon	10,259,915
28/Mai/2013	Buy	2,200	0.491455	NYSE Euronext Lisbon	10,262,115
14/Out/2013	Buy	1,000,000	0.485000	NYSE Euronext Lisbon	11,262,115
16/Out/2013	Buy	1,030,812	0.500000	NYSE Euronext Lisbon	12,292,927
31/Dez/2013	-	-	-	-	12,292,927

### Ana Rebelo Mendonça

Date	Type	Volume	Price (€)	Local	Nr of Shares
31/Dez/2012	-	-	-	-	6,377,840
9/Abr/2013	Imputation alteration	6,377,840	-----	-----	-
31/Dez/2013	-	-	-	-	-

### Ana Rebelo Mendonça (imputation trough PROMENDO - SGPS, S.A.)

Date	Type	Volume	Price (€)	Local	Nr of Shares
31/Dez/2012	-	-	-	-	9,007,436
9/Abr/2013	Imputation alteration	6,377,840	-----	-----	15,385,276
1/Out/2013	Buy	200,000	0.460620	NYSE Euronext Lisbon	15,585,276
2/Out/2013	Buy	255,000	0.463000	NYSE Euronext Lisbon	15,840,276
3/Out/2013	Buy	145,000	0.463117	NYSE Euronext Lisbon	15,985,276
4/Out/2013	Buy	263,000	0.461900	NYSE Euronext Lisbon	16,248,276
7/Out/2013	Buy	137,000	0.465958	NYSE Euronext Lisbon	16,385,276
7/Out/2013	Buy	96,000	0.468944	NYSE Euronext Lisbon	16,481,276
8/Out/2013	Buy	144,000	0.467939	NYSE Euronext Lisbon	16,625,276
8/Out/2013	Buy	129,000	0.468000	NYSE Euronext Lisbon	16,754,276
9/Out/2013	Buy	131,000	0.468886	NYSE Euronext Lisbon	16,885,276
9/Out/2013	Buy	159,000	0.478000	NYSE Euronext Lisbon	17,044,276
10/Out/2013	Buy	127,000	0.477378	NYSE Euronext Lisbon	17,171,276
10/Out/2013	Buy	154,000	0.481000	NYSE Euronext Lisbon	17,325,276
10/Out/2013	Buy	73,484	0.481249	NYSE Euronext Lisbon	17,398,760
15/Out/2013	Buy	100,000	0.498000	NYSE Euronext Lisbon	17,498,760
15/Out/2013	Buy	50,000	0.500000	NYSE Euronext Lisbon	17,548,760
16/Out/2013	Buy	100,000	0.514000	NYSE Euronext Lisbon	17,648,760
16/Out/2013	Buy	200,000	0.518000	NYSE Euronext Lisbon	17,848,760
17/Out/2013	Buy	200,000	0.548000	NYSE Euronext Lisbon	18,048,760
18/Out/2013	Buy	200,000	0.579000	NYSE Euronext Lisbon	18,248,760
21/Out/2013	Buy	112,085	0.550000	NYSE Euronext Lisbon	18,360,845
22/Out/2013	Buy	59,666	0.537000	NYSE Euronext Lisbon	18,420,511
23/Out/2013	Buy	240,334	0.532000	NYSE Euronext Lisbon	18,660,845
23/Out/2013	Buy	87,915	0.533000	NYSE Euronext Lisbon	18,748,760
24/Out/2013	Buy	200,000	0.545000	NYSE Euronext Lisbon	18,948,760
28/Out/2013	Buy	103,210	0.540000	NYSE Euronext Lisbon	19,051,970
31/Out/2013	Buy	146,790	0.577000	NYSE Euronext Lisbon	19,198,760
31/Out/2013	Buy	200,000	0.575000	NYSE Euronext Lisbon	19,398,760
4/Nov/2013	Buy	160,000	0.572000	NYSE Euronext Lisbon	19,558,760
5/Nov/2013	Buy	150,000	0.579000	NYSE Euronext Lisbon	19,708,760
6/Nov/2013	Buy	90,000	0.583000	NYSE Euronext Lisbon	19,798,760
6/Nov/2013	Buy	100,000	0.583000	NYSE Euronext Lisbon	19,998,760
7/Nov/2013	Buy	100,000	0.579000	NYSE Euronext Lisbon	19,998,760
7/Nov/2013	Buy	100,000	0.582000	NYSE Euronext Lisbon	20,098,760
8/Nov/2013	Buy	90,000	0.570000	NYSE Euronext Lisbon	20,188,760
8/Nov/2013	Buy	100,000	0.570000	NYSE Euronext Lisbon	20,288,760
11/Nov/2013	Buy	100,000	0.570000	NYSE Euronext Lisbon	20,388,760
12/Nov/2013	Buy	100,000	0.570000	NYSE Euronext Lisbon	20,488,760
31/Dez/2013	-	-	-	-	20,488,760

**COFINA, SGPS, S.A.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2013 AND 2012**

(Translation of financial statements originally issued in Portuguese - Note 35)

(Amounts expressed in Euro)

<b>ASSETS</b>	<b>Notes</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
<b>NON CURRENT ASSETS:</b>			
Tangible fixed assets	7	7,177,531	8,176,586
Goodwill	6	90,952,056	93,404,086
Intangible assets	8	634,187	482,911
Investments in associated companies	4	3,798,159	3,426,665
Investments available for sale	4	8,570	8,570
Investments measured at fair value through profit and loss	9	271	-
Other non current debtors	9 and 14	350,000	-
Deferred tax assets	10	4,697,703	5,588,538
<b>Total non current assets</b>		<b>107,618,477</b>	<b>111,087,356</b>
<b>CURRENT ASSETS:</b>			
Inventories	11	2,251,126	2,076,687
Customers	9 and 12	9,410,134	7,104,462
State and other public entities	9 and 13	1,249,509	329,043
Other current debtors	9 and 14	513,568	387,951
Other current assets	9 and 15	5,831,472	5,681,196
Investments measured at fair value through profit and loss	9	-	9,066
Cash and cash equivalents	9 and 16	10,316,267	15,741,207
<b>Total current assets</b>		<b>29,572,076</b>	<b>31,329,612</b>
<b>TOTAL ASSETS</b>		<b>137,190,553</b>	<b>142,416,968</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS:</b>			
Share capital	17	25,641,459	25,641,459
Share premium	17	15,874,835	15,874,835
Legal reserve	17	5,409,144	5,409,144
Other reserves		(34,335,639)	(36,913,812)
Consolidated net profit for the year attributable to equity holder of the parent company		4,681,002	3,986,740
Equity attributable to equity holder of the parent company		<b>17,270,801</b>	<b>13,998,366</b>
Non-controlling interests		767,940	739,995
<b>TOTAL EQUITY</b>		<b>18,038,741</b>	<b>14,738,361</b>
<b>LIABILITIES:</b>			
<b>NON CURRENT LIABILITIES:</b>			
Bank loans	9 and 18	9,000,000	13,000,000
Other long-term loans	9 and 18	49,041,611	-
Pension liabilities	19	459,894	434,562
Other non current creditors	9, 20 and 24	35,756	483,843
Provisions	21	8,502,480	6,429,560
<b>Total non current liabilities</b>		<b>67,039,741</b>	<b>20,347,965</b>
<b>CURRENT LIABILITIES:</b>			
Bank loans	9, 16 and 18	7,007,465	9,855,532
Other short-term loans	9 and 18	17,900,832	66,033,119
Derivative financial instruments	9 and 22	495,474	992,890
Suppliers	9 and 23	8,302,428	8,716,589
State and other public entities	9 and 13	2,546,957	2,637,194
Other current creditors	9, 20 and 24	5,360,647	8,025,213
Other current liabilities	9 and 25	10,498,268	11,070,105
<b>Total current liabilities</b>		<b>52,112,071</b>	<b>107,330,642</b>
<b>TOTAL LIABILITIES</b>		<b>119,151,812</b>	<b>127,678,607</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>137,190,553</b>	<b>142,416,968</b>

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

**COFINA, SGPS, S.A.**

**CONSOLIDATED STATEMENTS OF PROFIT AND LOSS BY NATURE**  
**FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012**

(Translation of financial statements originally issued in Portuguese - Note 35)  
 (Amounts expressed in Euro)

	<b>Notes</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Sales	26 and 28	56,559,002	60,076,304
Services rendered	26 and 28	34,833,079	39,555,564
Other income	26	16,266,989	13,695,439
Cost of sales	11	(15,444,816)	(17,818,716)
External supplies and services		(42,166,788)	(45,354,176)
Payroll expenses		(32,373,541)	(33,210,187)
Amortisation and depreciation	7 and 8	(3,872,455)	(3,172,003)
Provisions and impairment losses	21	(1,401,768)	(99,342)
Other expenses		(44,579)	(307,130)
Financial expenses	27	(3,845,833)	(4,802,131)
Financial income	27	582,761	1,338,065
Profit before income tax		9,092,051	9,901,687
Income tax	10	(4,290,533)	(5,654,732)
Net profit for the year		4,801,518	4,246,955
Attributable to:			
Shareholders' of the Parent Company		4,681,002	3,986,740
Non-controlling interests		120,516	260,215
Earnings per share			
Basic	30	0.05	0.04
Diluted	30	0.05	0.04

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 COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012**

(Translation of financial statements originally issued in Portuguese - Note 35)  
(Amounts expressed in Euro)

	<b>Notes</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Net consolidated profit for the year		4,801,518	4,246,955
Other comprehensive income:			
Items that will be reclassified to net income:			
Exchange differences on translation of foreign operations		(478,248)	(243,438)
Variation in fair value of cash flow hedge derivative instruments	10 and 22	359,410	23,052
Total comprehensive income for the year		<b>4,682,680</b>	<b>4,026,569</b>
Attributable to:			
Shareholders' of the Parent Company		4,562,164	3,766,354
Non-controlling interests		<b>120,516</b>	<b>260,215</b>

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 CHANGES IN EQUITY**  
**FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012**

(Translation of financial statements originally issued in Portuguese - Note 35)  
 (Amounts expressed in Euro)

Notes	Attributable to equity holders of the Parent Company						Non-controlling interests	Total Equity	
	Share capital	Share premium	Legal reserve	Other reserves	Net profit/loss	Total			
Balance as of 1 January 2012	25,641,459	15,874,835	5,409,144	(40,629,854)	4,812,155	11,107,739	787,811	11,895,550	
Appropriation of consolidated net profit for 2011:									
Transfer to legal reserve and retained earnings	-	-	-	3,786,496	(3,786,496)	-	-	-	
Dividend distribution	-	-	-	-	(1,025,659)	(1,025,659)	(57,750)	(1,083,409)	
Change in reserves and non-controlling interests:									
Acquisitions and business entries	-	-	-	150,361	-	150,361	(250,361)	(100,000)	
Other changes	-	-	-	(429)	-	(429)	80	(349)	
Total comprehensive income for the year	-	-	-	(220,386)	3,986,740	3,766,354	260,215	4,026,569	
Balance as of 31 December 2012	<u>25,641,459</u>	<u>15,874,835</u>	<u>5,409,144</u>	<u>(36,913,812)</u>	<u>3,986,740</u>	<u>13,998,366</u>	<u>739,995</u>	<u>14,738,361</u>	
Balance as of 1 January 2013	25,641,459	15,874,835	5,409,144	(36,913,812)	3,986,740	13,998,366	739,995	14,738,361	
Appropriation of consolidated net profit for 2012:									
Transfer to legal reserve and retained earnings	-	-	-	2,961,082	(2,961,082)	-	-	-	
Dividend distribution	31	-	-	-	-	(1,025,658)	(1,025,658)	(39,376)	(1,065,034)
Change in reserves and non-controlling interests:									
Acquisitions and business entries	4	-	-	-	(264,073)	-	(264,073)	(55,927)	(320,000)
Other changes	-	-	-	2	-	2	2,732	2,734	
Total comprehensive income for the year	-	-	-	(118,838)	4,681,002	4,562,164	120,516	4,682,680	
Balance as of 31 December 2013	<u>25,641,459</u>	<u>15,874,835</u>	<u>5,409,144</u>	<u>(34,335,639)</u>	<u>4,681,002</u>	<u>17,270,801</u>	<u>767,940</u>	<u>18,038,741</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 2013 AND 2012**

(Translation of financial statements originally issued in Portuguese - Note 35)  
(Amounts expressed in Euro)

	<b>Notes</b>	<b>2013</b>		<b>2012</b>
<b>Operating activities:</b>				
Collections from customers		109,301,097		135,401,832
Payments to suppliers		(61,953,275)		(78,978,214)
Payments to personnel		(34,598,705)		(36,675,702)
Other collections/payments relating to operating activities		(1,494,918)		(1,750,477)
Corporate Income Tax		(1,782,114)	9,472,085	(4,206,392)
<i>Cash flow from operating activities (1)</i>			9,472,085	13,791,047
<b>Investment activities:</b>				
Collections relating to:				
Loans granted		327,319		197,400
Tangible fixed assets		379,797		-
Interest and similar income		172,534		1,552,735
Dividends	16	100,000	979,650	-
Payments relating to:				1,750,135
Financial investments	16	(270,000)		(100,000)
Intangible assets		(819,371)		(507,323)
Tangible fixed assets		(3,213,147)	(4,302,518)	(1,625,203)
<i>Cash flow from investment activities (2)</i>			(3,322,868)	(2,232,526)
				(482,391)
<b>Financing activities:</b>				
Collections relating to:				
Loans obtained		55,000,000	55,000,000	20,000,000
Payments relating to:				20,000,000
Lease contracts amortization		(925,973)		(1,269,586)
Interest and similar costs		(4,503,731)		(4,742,905)
Dividends	31	(1,025,658)		(1,025,659)
Loans obtained		(56,250,000)	(62,705,362)	(29,471,339)
<i>Cash flow from financing activities (3)</i>			(7,705,362)	(36,509,489)
Cash and cash equivalents at the beginning of the year			9,002,300	12,203,133
Cash and cash equivalents variation: (1)+(2)+(3)			(1,556,145)	(3,200,833)
Cash and cash equivalents at the end of the year	16		7,446,155	9,002,300

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 35)  
(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 ("NYSE Euronext Lisbon"). 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).

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", "TV Guia", "Flash!" and "GQ", among others.

During the year ended as of 31 December 2013, 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).

**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 2013. 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".

The following standards, interpretations, amendments and revisions were endorsed by the European Union and have mandatory application for the first time in the financial year ended 31 December, 2013:

Standard	Effective date (annual periods beginning on or after)	
IFRS 1 (Amendment) - First time adoption of IFRS	1-Jan-13	This amendment exempts entities adopting IFRS for the first time the retrospective application of the provisions of IAS 39 and paragraph 10A of IAS 20 relating to government loans.
IFRS 7 - (Amendment) - Disclosures of Financial Instruments	1-Jan-13	The amendments require additional disclosures regarding financial instruments, particularly, information about those subject to compensation agreements and similars.
IAS 1 (Amendment) -Presentation of financial statements (Other comprehensive income)	1-Jul-12	This amendment comprises the following modifications: (i) it is required that entities present separately the items accounted for as Other comprehensive income, depending on whether they

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		can be reclassified subsequently to profit or loss from those that cannot be reclassified subsequently to profit or loss.
		(ii) The Statements of Comprehensive Income shall also be termed Statements of Profit and Loss and Other Comprehensive Income.
IFRS 9 (Revision) - Employee Benefits	1-Jan-13	<p>The revision of this standard included the following alterations:</p> <p>(i) Actuarial gains and losses arising from differences between the assumptions used in determining liability and the expect return plan assets and the effective amounts, as well as those resulting from change of actuarial and financial assumptions during the year are to be recognized immediately and only in "Other comprehensive income":</p> <p>(ii) it shall be applied to a single interest rate in determining the present value of liabilities and the expected return on plans assets;</p> <p>(iii) The costs recorded in results correspond only to the current services and costs with net interests;</p> <p>(iv) New disclosures are required;</p>
IFRS 13 (New) – Fair value: measurement and disclosure	1-Jan-13	This standard establishes a single source of guidance for fair value measurements and disclosures about fair value measurement. IFRS 13 applies when another IFRS requires or permits measurements or disclosure of fair value.
IFRIC 20 (New) – Discovery costs in the production phase of an open cast mine	1-Jan-13	This interpretation clarifies the recording of certain costs during the production phase of a surface mine.
Improvements to International Financial Reporting Standards (cycle 2009-2011)	1-Jan-13	These standards involve the review of several standards, including IFRS 1 (repeated application of the standard), IAS 1 (comparative information), IAS 16 (classification of servicing equipment), IAS 32 (tax effect of equity distributions) and IAS 34 (segment information).

The effect in the consolidated financial statements of the Group for the year ended as of 31 December 2013, due to the adoption of the standards, interpretations, amendments and revisions mentioned above has not been significant.

The following standards, interpretations, amendments and revisions, with mandatory application in future years, were, until the approval date of the accompanying financial statements, endorsed by the European Union:

Standard	Effective date (annual periods beginning on or after)	
IFRS 10 – Consolidated Financial Statements	1-Jan-14	This standard is to establish requirements for the presentation of consolidated financial statements by the parent company, replacing, in these respects, IAS 27 - Consolidated and Separate Financial Statements and SIC 12 - Consolidation - Special Purpose Entities. This standard also introduces new rules concerning the definition of control and the determination of the scope of consolidation.
IFRS 11 – Joint Arrangements	1-Jan-14	This standard replaces IAS 31 - Joint Ventures and SIC 13 - Jointly Controlled Entities - Non-Monetary Contributions by Venturers and eliminates the

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		possibility of using the proportional consolidation method in accounting for interests in joint ventures.
IFRS 12 – Disclosures on Interests in Other Entities	1-Jan-14	This standard establishes a new set of disclosures relating to investments in subsidiaries, joint arrangements, associates and unconsolidated entities.
IFRS 13 – Fair Value Measurement	1-Jan-13	This standard replaces the existing guidance in various IFRS on the measurement of fair value. This rule applies when another IFRS requires or permits measurements or disclosures of fair value.
IAS 27 – Separate Financial Statements (2011)	1-Jan-14	This amendment restricts the scope of IAS 27 to the separate financial statements.
IAS 28 – Investments in Associates and Joint Ventures (2011)	1-Jan-14	This amendment is to ensure consistency between IAS 28 - Investments in associates and new standards adopted, in particular IFRS 11 - Joint Arrangements.
Amendment to the following standards: <ul style="list-style-type: none"><li>• IFRS 10 - Consolidated Financial Statements;</li><li>• IFRS 12 - Disclosure of Interests in other entities</li></ul>	1-Jan-14	This amendment introduces an exemption from consolidation for certain entities that meet the definition of investment entity. It also determines rules for measurement of investments held by these investment entities.
IAS 32 – Amendments (Financial assets and liabilities)	1-Jan-14	This amendment clarifies certain aspects of the standard due to the diversity of requirements in applying for compensation.
IAS 36 (Amendment) – Impairment (Recoverable Amount Disclosures for Non-Financial Assets)	1-Jan-14	This amendment eliminates the disclosure requirements of the recoverable amount of a cash-generating unit like goodwill or intangible assets with indefinite useful lives allocated to periods where it was not recorded any impairment loss or reversal of impairment. Introduces additional disclosure requirements for assets for which it was recorded an impairment loss or reversal of impairment and the recoverable amount of these has been determined based on fair value less costs to sell.
IAS 39 (Amendment) – Financial Instruments: Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting)	1-Jan-14	This amendment allows, the continuation of hedge accounting when a derivative designated as a hedging instrument is overhauled.

The Group didn't early adopt any of these standards to the Financial Statements of the year ended 31 December, 2013.

There aren't expected any material impacts in the consolidated financial statements arising from its adoption.

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The following standards, interpretations, amendments and revisions with mandatory application in future years, have not yet been endorsed by the European Union at the date of approval of these financial statements:

Standard	
IFRS 9 – Financial Instruments (2009) and subsequent amendments	This standard is inserted in the IAS 39 revision project and establishes the requirements for classifying and measuring financial assets.
Amendments to the standards:	
• IFRS 9 – Financial instruments (2013);	
• IFRS 7 – Financial instruments - Disclosures	The amendment to IFRS 9 is inserted in the IAS 39 revision project and establishes the requirements to the application of the hedging accounting rules. IFRS 7 was also revised following this amendment.
Amendment to IAS 19 – Employees benefits	This amendment clarifies in what circumstances the employees' contributions to retirement benefit plans constitute a reduction of the cost with short-term benefits.
Improvements to International Financial Reporting Standards (cycle 2010-2012)	These improvements involve the revision of several standards.
Improvements to International Financial Reporting Standards (cycle 2011-2013)	These improvements involve the revision of several standards.
IFRIC 21 – Levies	This amendment establishes the conditions of the timing of recognition of a liability related with a levy imposed by a government in result of determined event (for example the participation in certain market) in cases that payment has, as counterpart goods or services.

These standards have not yet been approved ("endorsed") by the European Union and, as such, were not adopted by the Group for the year ended December 31, 2013.

The accounting policies and measurement criteria adopted by the Group as of 31 December 2013 are consistent with those used in the preparation of the consolidated financial statements as of 31 December 2012.

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 the Group in the preparation of the 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 and 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

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financial statements by the full consolidation method. Equity and net profit attributable to minority shareholders are shown separately, under the caption "Non-controlling interests", in the consolidated balance sheet 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 subsidiaries acquired or disposed during the period are included in the consolidated statement of profit and loss from the effective date of acquisition or up to the effective date of disposal, respectively.

Adjustments to the financial statements of Group companies 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 held in those entities, these are consolidated by the full consolidation method. As at 31 December 2013 these type of entities did not exist in the consolidated financial statements.

**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.

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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-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 derecognized, 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

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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 2013		31 December 2012	
	Year end	Year average	Year end	Year average
	Brazilian Real	0.3070	0.3513	0.3699

### **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 amortization 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.

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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
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.

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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.

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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.

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) 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 69 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 television transmission rights are recorded in the period the service is provided.

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".

(Translation of a report originally issued in Portuguese – Note 35)

(Amounts expressed in Euro)

**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 32.

**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;
- 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.

(Translation of a report originally issued in Portuguese – Note 35)

(Amounts expressed in Euro)

(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. and in Adcom Media-Anúncios e Publicidade, S.A.. 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).

(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.

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.

(Translation of a report originally issued in Portuguese – Note 35)  
 (Amounts expressed in Euro)

#### 4. INVESTMENTS

##### Consolidation perimeter

The companies included in consolidation by the full consolidation method, their headquarters, percentage of participation held and activity as of 31 December 2013, are as follows:

Designation	Headquarters	Percentage of participation held	Activity
<b>Parent Company:</b> Cofina, SGPS, S.A.	Porto		Holding
Efe Erre Participações, SGPS, S.A. ("FR")	Porto	100%	Holding
<b>Cofina Media Group</b>			
Cofina Media, SGPS, S.A. ("Cofina Media")	Lisbon	100%	Holding
Presselivre – Imprensa Livre, S.A. ("Presselivre")	Lisbon	99.44%	Newspapers and magazine publication
Edisport – Sociedade de Publicações, S.A. ("Edisport")	Lisbon	100%	Newspapers publication
Edirevistas – Sociedade Editorial, S.A. ("Edirevistas")	Lisbon	99.46%	Magazines publication
Mediafin, SGPS, S.A. ("Mediafin")	Lisbon	100%	Holding
Metronews – Publicações, S.A. ("Metronews")	Lisbon	59%	Newspapers publication
Grafedisport – Impressão e Artes Gráficas, S.A. ("Grafedisport")	Lisbon	100%	Newspapers print
Web Works – Desenvolvimento de Aplicações-para Internet, S.A. ("Web Works")	Lisbon	100%	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") (a)	Lisbon	100%	Events promotion and organization
Adcom Media – Anúncios e Publicidade S.A. ("Adcom Media")	São Paulo, Brazil	80%	Communication and advertising services

(a) – During the year ended December 31, 2013, the Group acquired an additional participation of 30% on Cofina Eventos share capital.

During the year ended December 31, 2013, the subsidiary Cofina B.V., with headquarters in Netherlands, was liquidated. This operation had no impact in Group consolidated financial statements in this year.

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, their headquarters, the percentage participation held, and activity as of 31 December 2013 are as follows:

Designation	Headquarters	Percentage of Participation held		Activity
		Direct	Indirect	
VASP – Sociedade de Transportes e Distribuições, Lda.	Lisbon	33.33%	-	Publications distribution
Destak Brasil – Empreendimentos e Participações, S.A. (a)	São Paulo, Brazil	23.92%	-	Holding
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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF 31 DECEMBER 2013**

(Translation of a report originally issued in Portuguese – Note 35)

(Amounts expressed in Euro)

**Investments in associated companies**

The acquisition cost of the associated companies, their book value, equity and net result, as of 31 December 2013, are as follows:

Designation	Acquisition cost	Book value	Equity	Net result
VASP – Sociedade de Transportes e Distribuições, Lda. (a)	€ 6,234	€ 3,797,659	€ 11,392,976	€ 1,204,798
Destak Brasil – Editora, S.A. (a) (b)	-	-	R\$ 322,854	R\$ 2,091,029
Destak Brasil – Empreendimentos e Participações, S.A. (a)	€ 299,064	-	R\$ 1,895,452	R\$ 2,002,255
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) – Financial information non-available

As of 31 December 2013 and 2012 the caption “Investments in associated companies” can be detailed as follows:

	31.12.2013	31.12.2012
Investment		
VASP – Sociedade de Transportes e Distribuições, Lda.	3,797,659	3,426,165
Destak Brasil – Empreendimentos e Participações, S.A.	154,535	154,535
Mercados Globais - Publicação de Conteúdos, Lda.	72,000	72,000
	4,024,194	3,652,700
Accumulated impairment losses on investments in associates (Note 21)	(226,035)	(226,035)
	3,798,159	3,426,665

**Investments available for sale**

As of 31 December 2013 and 2012 the Group has investments available for sale corresponding to non-controlling investments in unlisted companies. The Group has recorded impairment losses to face differences to their net realisable amount (Note 21), presenting this caption a net book value of 8,570 Euro. As of 31 December 2013 and 2012 the total value of investments for which adjustments were made in the same value, amount to 877,942 Euro (Note 21).

**5. CHANGES IN THE CONSOLIDATION PERIMETER**

No changes in the consolidation perimeter occurred during the years ended as of 31 December 2013 and 2012.

**6. GOODWILL**

The movement occurred in goodwill and related impairment losses during the years ended as of 31 December 2013 and 2012 was as follows:

	31.12.2013	31.12.2012
Balance as of 1 January	93,404,086	93,699,609
Impairment losses (Note 21)	(2,030,000)	-
Exchange rate variation	(422,030)	(295,523)
Balance as of 31 December	90,952,056	93,404,086

(Translation of a report originally issued in Portuguese – Note 35)  
 (Amounts expressed in Euro)

During the year ended as of 31 December 2013 the variation occurred in the caption "Goodwill" is due to (i) the exchange rate variation in the year ended as of that date in the goodwill of the subsidiary Adcom Media and to (ii) impairment losses recorded in three subsidiaries' goodwill.

During the year ended as of 31 December 2012 the variation occurred in the caption "Goodwill" is due exclusively to the exchange rate variation in the year ended as of that date in the goodwill of the subsidiary Adcom Media.

As of 31 December 2013 and 2012, the Goodwill by company was as follows:

	31.12.2013	31.12.2012
Presselivre – Imprensa Livre, S.A.	79,146,285	79,146,285
Edirevistas – Sociedade Editorial, S.A.	4,357,606	6,097,606
Adcom Media – Anúncios e Publicidade S.A.	2,059,566	2,481,596
Grafedisport – Impressão e Artes Gráficas, S.A.	1,906,459	1,906,459
Metronews – Publicações, S.A.	1,573,373	1,703,373
Web Works – Desenvolvimento de Aplicações para Internet, S.A.	1,020,460	1,020,460
Transjornal – Edição de Publicações, S.A.	888,307	1,048,307
	90,952,056	93,404,086

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 2013 impairment losses were recorded in goodwill of the subsidiaries Edirevistas, Metronews and Transjornal.

During 2013, the methods and assumptions used for the impairment tests of goodwill which, according to the Board of Directors understanding, are the most adequate to 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	10.4%
Weighted average cost of capital (WACC) during perpetuity	10.4%
Growth in perpetuity	1.5%

If the Group had considered a raise of 0.25 b.p. in the weighted average cost of capital there would be an additional impairment loss of 300,000 Euro. The Group considers that a growth rate in perpetuity of 1.5% corresponds to the management's expectations and it's adequate to the activity developed by these companies.

Subsidiaries 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 a 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' belief that the effect of eventual deviations that might occur in the main assumptions in which cash-generating units recoverable value was based, will not cause, in all relevant material aspects, the impairment of the respective goodwill.

(Translation of a report originally issued in Portuguese – Note 35)  
 (Amounts expressed in Euro)

## 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 2013 and 2012 was as follows:

2013							
	Gross Assets						
	Land	Buildings and other constructions	Machinery and equipment	Transport equipment	Office Equipment	Other Tangible Assets	Work in progress
Opening Balance	165,970	3,573,364	20,431,856	851,058	7,749,325	1,395,112	589,921
Additions	-	315,476	106,043	23,318	49,597	-	2,118,157
Disposals and write-offs	(116,976)	(350,927)	(28,431)	(38,502)	(154,829)	(2,819)	-
Transfers	-	623,457	1,640,933	17,640	426,048	-	(2,708,078)
Exchange rate variation	-	(63)	-	-	(17,559)	-	-
Closing Balance	48,994	4,161,307	22,150,401	853,514	8,052,582	1,392,293	-
							36,659,091

2013							
	Accumulated depreciation and impairment losses						
	Land	Buildings and other constructions	Machinery and equipment	Transport equipment	Office Equipment	Other Tangible Assets	Work in progress
Opening Balance	-	960,543	16,496,750	754,712	7,292,406	1,075,609	-
Additions	-	428,802	2,340,847	73,513	415,842	98,633	-
Disposals and write-offs	-	(220,038)	(28,431)	(33,882)	(154,550)	(2,819)	-
Transfers	-	-	-	-	-	-	-
Exchange rate variation	-	(41)	-	-	(16,336)	-	-
Closing Balance	-	1,169,266	18,809,166	794,343	7,537,362	1,171,423	-
		48,994	2,992,041	3,341,235	59,171	515,220	220,870
							-
							7,177,531

2012							
	Gross Assets						
	Land	Buildings and other constructions	Machinery and equipment	Transport equipment	Office Equipment	Other Tangible Assets	Work in progress
Opening Balance	165,970	3,410,622	22,898,244	850,420	11,329,784	1,344,368	20,918
Additions	-	159,641	365,513	33,534	119,283	50,744	593,066
Disposals and write-offs	-	-	(2,831,901)	(32,896)	(3,708,371)	-	-
Transfers	-	3,145	-	-	20,918	-	(24,063)
Exchange rate variation	-	(44)	-	-	(12,289)	-	-
Closing Balance	165,970	3,573,364	20,431,856	851,058	7,749,325	1,395,112	589,921
							34,756,606

2012							
	Accumulated depreciation and impairment losses						
	Land	Buildings and other constructions	Machinery and equipment	Transport equipment	Office Equipment	Other Tangible Assets	Work in progress
Opening Balance	-	631,128	17,397,185	702,065	10,758,298	969,918	-
Additions	-	329,440	1,931,466	85,543	253,156	105,691	-
Disposals and write-offs	-	-	(2,831,901)	(32,896)	(3,707,519)	-	-
Transfers	-	-	-	-	-	-	-
Exchange rate variation	-	(25)	-	-	(11,529)	-	-
Closing Balance	-	960,543	16,496,750	754,712	7,292,406	1,075,609	-
		165,970	2,612,821	3,935,106	96,346	456,919	319,503
							-
							26,580,020
							8,176,586

As of 31 December 2013 and 2012, the net value of tangible fixed assets acquired under leasing can be detailed as follows:

	31.12.2013			31.12.2012			
	Gross Assets	Accumulated depreciation and impairment losses		Net Assets	Gross Assets	Accumulated depreciation and impairment losses	
							Net Assets
Machinery and equipment	12,198,666	10,458,508	1,740,158	12,198,666	8,991,182	3,207,484	
Office equipment	409,636	221,061	188,575	409,636	159,462	250,174	
Transport equipment	99,706	99,706	-	92,888	86,310	6,578	
	12,708,008	10,779,275	1,928,733	12,701,190	9,236,954	3,464,236	

As of 31 December 2013 and 2012 there were no tangible assets pledged as guarantee for loans, nor were there any interest capitalized to fixed assets.

During the year ended as of December 31, 2013, the Group carried to the necessary investments for the conclusion of the equipment's acquisition and installment regarding "CMTV", having these equipment's been transferred to firm fixed assets and began their depreciation.

(Translation of a report originally issued in Portuguese – Note 35)  
 (Amounts expressed in Euro)

#### 8. INTANGIBLE ASSETS

During the year ended as of 31 December 2013 and 2012, the movement in intangible assets, as well as in the corresponding accumulated depreciation and impairment losses, was as follows:

	2013			
	Gross Assets			
	Patents, royalties and other rights	Other Intangible assets	Software	Work in progress
Opening Balance	760,559	356,324	3,275,342	232,693
Additions	-	83	10,115	655,958
Transfers and write-offs	-	-	888,651	(888,651)
Exchange rate variation	-	-	(112)	-
Closing Balance	760,559	356,407	4,173,996	-
				5,290,962

	2013			
	Accumulated depreciation and impairment losses			
	Patents, royalties and other rights	Other Intangible assets	Software	Work in progress
Opening Balance	760,559	342,724	3,038,724	-
Additions	-	-	514,818	-
Transfers and write-offs	-	-	-	-
Exchange rate variation	-	-	(50)	-
Closing Balance	760,559	342,724	3,553,492	-
		13,683	620,504	-
				634,187

	2012			
	Gross Assets			
	Patents, royalties and other rights	Other Intangible assets	Software	Work in progress
Opening Balance	760,559	342,724	3,009,165	100,000
Additions	-	13,600	266,321	132,693
Transfers and write-offs	-	-	-	-
Exchange rate variation	-	-	(144)	-
Closing Balance	760,559	356,324	3,275,342	232,693
				4,624,918

	2012			
	Accumulated depreciation and impairment losses			
	Patents, royalties and other rights	Other Intangible assets	Software	Work in progress
Opening Balance	760,559	339,559	2,575,210	-
Additions	-	3,165	463,542	-
Transfers and write-offs	-	-	-	-
Exchange rate variation	-	-	(28)	-
Closing Balance	760,559	342,724	3,038,724	-
		13,600	236,618	232,693
				482,911

(Translation of a report originally issued in Portuguese – Note 35)  
 (Amounts expressed in Euro)

## 9. CLASSES OF FINANCIAL INSTRUMENTS

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

### Financial assets

<u>31 December 2013</u>	<u>Loans and Accounts Receivable</u>	<u>Assets recorded at fair value through profits and losses</u>	<u>Sub-total</u>	<u>Assets not covered by IFRS 7</u>	<u>Total</u>
<b>Non-current assets</b>					
Investments measured at fair value through profits and losses	-	271	271	-	271
		271	271	-	271
<b>Current Assets</b>					
Customers	9,410,134	-	9,410,134	-	9,410,134
State and other public bodies	-	-	-	1,249,509	1,249,509
Other current debtors	513,568	-	513,568	-	513,568
Other current assets	-	-	-	5,831,472	5,831,472
Investments measured at fair value through profits and losses	-	-	-	-	-
Cash and cash equivalents	10,316,267	-	10,316,267	-	10,316,267
	20,239,969	-	20,239,969	7,080,981	27,320,950
	20,239,969	271	20,240,240	7,080,981	27,321,221
<u>31 December 2012</u>					
<b>Current Assets</b>					
Customers	7,104,462	-	7,104,462	-	7,104,462
State and other public bodies	-	-	-	329,043	329,043
Other current debtors	387,951	-	387,951	-	387,951
Other current assets	-	-	-	5,681,196	5,681,196
Investments measured at fair value through profits and losses	-	9,066	9,066	-	9,066
Cash and cash equivalents	15,741,207	-	15,741,207	-	15,741,207
	23,233,620	9,066	23,242,686	6,010,239	29,252,925

### Financial liabilities

<u>31 December 2013</u>	<u>Derivatives</u>	<u>Other financial liabilities</u>	<u>Sub-total</u>	<u>Liabilities not covered by IFRS 7</u>	<u>Total</u>
<b>Non-current liabilities</b>					
Bank loans	-	9,000,000	9,000,000	-	9,000,000
Other loans	-	49,041,611	49,041,611	-	49,041,611
Other non current creditors	-	35,756	35,756	-	35,756
	-	58,077,367	58,077,367	-	58,077,367
<b>Current Liabilities</b>					
Bank loans	-	7,007,465	7,007,465	-	7,007,465
Other loans - short term	-	17,900,832	17,900,832	-	17,900,832
Derivative financial instruments	495,474	-	495,474	-	495,474
Suppliers	-	8,302,428	8,302,428	-	8,302,428
State and other public bodies	-	-	-	2,546,957	2,546,957
Other current creditors	-	5,360,647	5,360,647	-	5,360,647
Other current liabilities	-	-	-	10,498,268	10,498,268
	495,474	38,571,372	39,066,846	13,045,225	52,112,071
	495,474	96,648,739	97,144,213	13,045,225	110,189,438
<u>31 December 2012</u>					
<b>Non-current liabilities</b>					
Bank loans	-	13,000,000	13,000,000	-	13,000,000
Other non current creditors	-	483,843	483,843	-	483,843
	-	13,483,843	13,483,843	-	13,483,843
<b>Current Liabilities</b>					
Bank loans	-	9,855,532	9,855,532	-	9,855,532
Other loans - short term	-	66,033,119	66,033,119	-	66,033,119
Derivative financial instruments	992,890	-	992,890	-	992,890
Suppliers	-	8,716,589	8,716,589	-	8,716,589
State and other public bodies	-	-	-	2,637,194	2,637,194
Other current creditors	-	8,025,213	8,025,213	-	8,025,213
Other current liabilities	-	-	-	11,070,105	11,070,105
	992,890	92,630,453	93,623,343	13,707,299	107,330,642
	992,890	106,114,296	107,107,186	13,707,299	120,814,485

(Translation of a report originally issued in Portuguese – Note 35)  
 (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.

	31.12.2013			31.12.2012		
	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	271	-	-	9,066	-	-
Financial liabilities measured at fair value						
Derivative financial instruments (Note 22)	-	495,474	-	-	992,890	-

As of 31 December 2013 investments measured at fair value through profit and loss refer to the group's contributions for the labor compensation fund ("Fundo de compensação do trabalho").

**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 2010 to 2013 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 2013 and 2012.

Cofina is the dominant company 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 movements occurred in deferred tax assets and liabilities in the years ended as of 31 December 2013 and 2012 were as follows:

	Deferred tax assets	
	2013	2012
Opening balance	5,588,538	7,512,008
Effects on the income statement:		
Increase/(Decrease) in tax losses carried forward	875,021	79,272
Grant/(Utilization) of tax credits	146,063	-
Increase/(Decrease) in provisions not accepted for tax purposes	(1,268,024)	(451,601)
Tax effect of the IFRS transition adjustments	(504,325)	(1,542,829)
Effects on equity:		
Fair value of derivative financial instruments:	(139,570)	(8,312)
Closing balance	4,697,703	5,588,538

As of 31 December 2013 and 2012, there are no situations generating deferred tax liabilities.

(Translation of a report originally issued in Portuguese – Note 35)  
 (Amounts expressed in Euro)

The detail of the deferred tax assets as of 31 December 2013 and 2012, in accordance with the nature of timing differences that generated them, is as follows:

	31.12.2013	31.12.2012
Temporary differences between the accounting value and the taxable value of assets and liabilities	777	777
Fair value of derivative financial instruments	89,923	229,493
Provision and impairment losses not accepted for tax purposes	912,543	2,180,567
Tax effect of the IFRS transition adjustments	2,581,334	3,085,659
Tax losses carried forward	967,063	92,042
Tax credits	146,063	-
	<b>4,697,703</b>	<b>5,588,538</b>

During the year ended as of 31 December 2010, due to changes in tax legislation, were recognized deferred tax assets relating to the change in the accounting standards of the standalone 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 2013 amounted to 2,805,799 Euro.

During the year ended as of December 31, 2013, the Company appealed to the Administrative Arbitrage Center (CAAD) a legal action in order to have recognized the right to the full deduction, for tax purposes, of the fair value losses cleared regarding financial instruments recorded at fair value through profit and loss. The decision was favorable to the Company which led to the recognition of deferred tax assets superior to those initially recognized which originated to the following effects:

<u>Tax effect of the IFRS transition adjustments</u>	
Balance as of December 31, 2012	3,085,659
Increase due to CAAD decision	2,525,938
2013 utilization	(2,805,799)
Tax rate change effect	(224,464)
<b>Balance as of December 31, 2013</b>	<b>2,581,334</b>

In accordance with the tax returns of the companies that record deferred tax assets related with tax losses carried forward, as of 31 December 2013 these may be detailed as follows:

	Tax losses	Deferred tax assets	Expiry date
Generated in 2013	4,204,622	967,063	2018
	<b>4,204,622</b>	<b>967,063</b>	

#### Extraordinary Investment Tax Credit (CFEI)

The tax credits cleared in the year regard to Extraordinary Investment Tax Credit (CFEI) and its expiry date is also in 2018.

Following the approval of the Extraordinary Investment Tax Credit (CFEI) by Decree-law 29/2013 of July 16, the Group benefited from a tax credit which corresponds to a deduction to the taxable income in the amount of 20% of the investment expenses in assets allocated to exploitation incurred between June 1, 2013 and December 31, 2013. The deduction recorded in the income tax computation of the year 2013, until the limit of 70% of this tax collection, amounted to 146,063 Euro. Since the taxable income computed at group level was negative this credit was recorded as a deferred tax asset, and can be used in the next five years.

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Current taxes

Income taxes recorded in the income statement during the years ended as of 31 December 2013 and 2012 are detailed as follows:

	31.12.2013	31.12.2012
<b>Current Tax</b>		
Income tax for the year	1,325,104	2,110,804
(Excess)/Insufficiency of prior years income tax	106,216	(171,230)
Restitution of income tax unduly collected in previous years	(2,407,052)	-
Provision for tax claims (Note 21)	4,515,000	1,800,000
<b>Deferred taxes</b>	<b>751,265</b>	<b>1,915,158</b>
Tax effect of the IFRS transition adjustments	504,325	1,542,829
Increase/(Decrease) in provisions not accepted for tax purposes	1,268,024	451,601
Increase/(Decrease) in tax losses carried forward	(875,021)	(79,272)
Concession/(Utilization) of tax credits	(146,063)	-
	<b>4,290,533</b>	<b>5,654,732</b>

The reconciliation of profit before income tax and the income tax for the years ended as of 31 December 2013 and 2012 is as follows:

	31.12.2013	31.12.2012
Profit before income tax	9,092,051	9,901,687
Income tax rate (including the maximum municipal income tax rate)	26.50%	26.50%
	<b>2,409,394</b>	<b>2,623,947</b>
Recognition of additional deferred tax assets arising from CAAD decision	(2,525,938)	-
Restitution of income tax unduly paid in previous years	(2,407,052)	-
Financial costs not accepted for tax purposes	822,607	830,816
Correction of income tax estimates of previous years	103,257	(171,230)
Provision for tax claims (Note 21)	4,515,000	1,800,000
Municipal income tax	196,402	255,082
Autonomous taxation	394,155	312,104
Income tax rate change effect	303,816	-
Other effects	478,893	4,013
Income tax	<b>4,290,533</b>	<b>5,654,732</b>

As of 31 December 2013, disputes with the Portuguese tax authorities ("Autoridade Tributária e Aduaneira") were still in progress following a Corporate Income Tax inspection with an amount of, approximately, 13 million Euro being challenged by the tax authorities. In order to cope with this dispute, the Group recorded provisions in the amount of 9,815,000 Euro (4,515,000 Euro in 2013), which correspond to the best estimate made by the Board of Directors, supported by their legal and tax advisers, of the impact that might outcome from the ongoing tax claims.

**11. INVENTORIES**

As of 31 December 2013 and 2012 the caption "Inventories" was made up as follows:

	31.12.2013	31.12.2012
Raw, Subsidiary and consumable material	2,299,164	2,178,969
Impairment losses in inventories (Note 21)	(48,038)	(102,282)
	<b>2,251,126</b>	<b>2,076,687</b>

Inventories include essentially paper used for printing newspapers and magazines.

(Translation of a report originally issued in Portuguese – Note 35)

(Amounts expressed in Euro)

The cost of sales for the years ended as of 31 December 2013 and 2012 can be detailed as follows:

	31.12.2013	31.12.2012
Opening balance	2,178,969	4,195,634
Purchases	15,565,011	15,802,051
Closing balance	<u>(2,299,164)</u>	<u>(2,178,969)</u>
	<u>15,444,816</u>	<u>17,818,716</u>

## 12. CUSTOMERS

As of 31 December 2013 and 2012 this caption can be detailed as follows:

	31.12.2013	31.12.2012
Customers, current accounts	9,410,134	7,104,462
Customers, doubtful accounts	3,056,344	4,814,510
	<u>12,466,478</u>	<u>11,918,972</u>
Accumulated impairment losses (Note 21)	<u>(3,056,344)</u>	<u>(4,814,510)</u>
	<u>9,410,134</u>	<u>7,104,462</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.

As of 31 December 2013 and 2012, the customers ageing of balances can be detailed (by business segment) as follows:

	Customers					
	31.12.2013			31.12.2012		
	Newspapers	Magazines	Total	Newspapers	Magazines	Total
Not due	3,972,200	1,535,103	5,507,303	2,393,269	851,847	3,245,116
Due with no impairment recorded						
0 - 90 days	2,057,650	811,537	2,869,187	1,825,780	1,336,040	3,161,820
90 - 180 days	224,821	66,340	291,161	300,199	109,473	409,672
180 - 360 days	133,818	97,097	230,915	-	-	-
+ 360 days	-	-	-	-	-	-
	<u>2,416,289</u>	<u>974,974</u>	<u>3,391,263</u>	<u>2,125,979</u>	<u>1,445,513</u>	<u>3,571,492</u>
Swap accounts receivable						
No impairment	376,790	134,778	511,568	226,901	60,954	287,855
Total	<u>6,765,279</u>	<u>2,644,855</u>	<u>9,410,134</u>	<u>4,746,148</u>	<u>2,358,314</u>	<u>7,104,462</u>

The amounts recorded as "Swap accounts receivable" relate to balances receivable from exchange (swap) operations (amounts arising from the sale of advertising in exchange for other goods and services provided by the counterparty), for which there are also accounts payable under the caption "Suppliers" (Note 23).

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), the Company grants a credit period between 15 to 60 days (the same period as in 2012). The Group charges no interests for undue invoices. After the due date, the Company charges interests defined contractually, and in accordance with the applicable legislation, which usually only occurs under extreme conditions.

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### 13. STATE AND OTHER PUBLIC ENTITIES

As of 31 December 2013 and 2012 these assets and liabilities had the following composition:

	31.12.2013	31.12.2012
<b>Debtor balances:</b>		
Corporate income tax	1,184,719	228,276
Value added tax	58,564	92,540
Other	6,226	8,227
	<b><u>1,249,509</u></b>	<b><u>329,043</u></b>
 <b>Creditor balances:</b>		
Corporate income tax	208,407	251,421
Value added tax	1,090,716	1,138,246
Personal income tax	573,732	492,825
Social security contributions	627,406	696,486
Other	46,696	58,216
	<b><u>2,546,957</u></b>	<b><u>2,637,194</u></b>

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

### 14. OTHER DEBTORS

As of 31 December 2013 and 2012 this caption can be detailed as follows:

	31.12.2013		31.12.2012
	Current	Non-current	Current
Advances to trade creditors	150,706	350,000	251,604
Other debtors	807,948	-	578,915
	<b><u>958,654</u></b>	<b><u>350,000</u></b>	<b><u>830,519</u></b>
Accumulated impairment losses in other debtors (Note 21)	<b><u>(445,086)</u></b>	-	<b><u>(442,568)</u></b>
	<b><u>513,568</u></b>	<b><u>350,000</u></b>	<b><u>387,951</u></b>

The non-current caption "Advances to trade creditors" refers to advance payments of printing services which will be rendered in future years and which reimbursement plan extends until 2022.

As of 31 December 2013 and 2012, the ageing of balances of "Other debtors" can be detailed as follows:

	31.12.2013			31.12.2012		
	Advances to trade creditors	Other debtors	Total	Advances to trade creditors	Other debtors	Total
Not due	500,706	362,862	863,568	251,604	136,347	387,951
Due with no impairment recorded						
0 - 90 days	-	-	-	-	-	-
90 - 180 days	-	-	-	-	-	-
180 - 360 days	-	-	-	-	-	-
+ 360 days	-	-	-	-	-	-
	<b><u>500,706</u></b>	<b><u>362,862</u></b>	<b><u>863,568</u></b>	<b><u>251,604</u></b>	<b><u>136,347</u></b>	<b><u>387,951</u></b>

The amounts presented in the consolidated statement of financial position 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.

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## 15. OTHER CURRENT ASSETS

As of 31 December 2013 and 2012 this caption can be detailed as follows:

	31.12.2013	31.12.2012
Accrued Income:		
Newspapers and magazines to invoice	4,670,953	4,755,727
Rappel	268,867	184,805
Interests receivable	9,286	54,643
Other	292,035	136,608
Deferred costs:		
Operating expenses paid in advance	324,340	242,876
Charges related to subsequent year editions	185,757	201,271
Insurances	16,397	50,128
Other	63,837	55,138
	<hr/> <u>5,831,472</u>	<hr/> <u>5,681,196</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 amounts not yet invoiced are included in the caption "Newspapers and magazines to invoice".

## 16. CASH AND CASH EQUIVALENTS

As of 31 December 2013 and 2012, the caption "Cash and cash equivalents" can be detailed as follows:

	31.12.2013	31.12.2012
Cash	57,960	70,108
Bank deposits repayable on demand	7,258,307	13,910,726
Bank deposits repayable in less than 3 months	<u>3,000,000</u>	<u>1,760,373</u>
	<hr/> <u>10,316,267</u>	<hr/> <u>15,741,207</u>
Bank overdrafts (Note 18)	(2,870,112)	(6,738,907)
Cash and cash equivalents in accordance with the balance sheet	<hr/> <u>7,446,155</u>	<hr/> <u>9,002,300</u>

During the year ended as of 31 December 2013 the payments relating to financial investments were as follows:

<u>Acquisitions</u>	Transaction amount	Amount paid
Cofina - Eventos e Comunicação S.A. (*)	320,000	270,000
	<hr/> <u>320,000</u>	<hr/> <u>270,000</u>

(\*) acquisition of an additional percentage of 30% of the share capital

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During the year ended as of 31 December 2012 the payments relating to financial investments were as follows:

<u>Acquisitions</u>	<u>Transaction amount</u>	<u>Amount paid</u>
Web Works	100,000	100,000
	<u>100,000</u>	<u>100,000</u>

As of December 31, 2013 the dividends received refer to the associated company VASP – Sociedade de Transportes e Distribuições, Lda.

## 17. SHARE CAPITAL AND RESERVES

### Share capital

As of 31 December 2013, 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 SGPS, S.A. and the Group companies did not hold own shares.

### Reserves

#### *Share premium*

Share premium 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 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.

## 18. BANK AND OTHER LOANS

As of 31 December 2013 and 2012, the caption "Bank loans" was made up as follows:

	31.12.2013				31.12.2012			
	Book value		Nominal value		Book value		Nominal value	
	Current	Non Current	Current	Non Current	Current	Non Current	Current	Non Current
Bank overdrafts (Note 16)	2,870,112	-	2,870,112	-	6,738,907	-	6,738,907	-
Bank Loans	4,137,353	9,000,000	4,000,000	9,000,000	3,116,625	13,000,000	3,000,000	13,000,000
	<u>7,007,465</u>	<u>9,000,000</u>	<u>6,870,112</u>	<u>9,000,000</u>	<u>9,855,532</u>	<u>13,000,000</u>	<u>9,738,907</u>	<u>13,000,000</u>

As of 31 December 2013 and 2012, the caption "Other loans" was made up as follows:

	31.12.2013				31.12.2012			
	Book value		Nominal value		Book value		Nominal value	
	Current	Non Current	Current	Non Current	Current	Non Current	Current	Non Current
Bond loans	-	49,041,611	-	50,000,000	49,947,225	-	50,000,000	-
Commercial paper	17,900,832	-	17,850,000	-	16,085,894	-	16,100,000	-
	<u>17,900,832</u>	<u>49,041,611</u>	<u>17,850,000</u>	<u>50,000,000</u>	<u>66,033,119</u>	<u>-</u>	<u>66,100,000</u>	<u>-</u>

### Bond loans

As of 31 December 2013 this caption was made up of a loan called "Bonds Cofina - 2013/2019", whose nominal value amounts to 50 million Euro, issued by Cofina SGPS, SA and which book value, valued in accordance with

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

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the effective interest rate method, amounts to 49,041,611 Euro. This loan, according to its terms, matures on September 28, 2019.

The main features of this loan are as follows:

- Issuer – Cofina, SGPS, S.A.;
- Nominal value – 50,000,000 Euro;
- Subscription date – September 27, 2013;
- Maturity – September 28, 2019;
- Reimbursement – at par, on interest payment dates, in three equal instalments, as of 28 September 2017, 28 September 2018 and 28 September 2019.
- Interest – postponed, corresponding to 6 month Euribor plus a spread of 3.8%.

Additionally, as of 27 September 2013, Cofina SGPS acquired, all bonds representing the bond loan denominated "OBRIGAÇÕES COFINA SGPS – 2007/2015", in the amount of 50 million Euro, having proceeded to its early repayment. This operation is intended to expand the debt maturity profile.

**Commercial paper**

The liability caption "Commercial paper" relates to two commercial paper programs, in the maximum amounts of 16,000,000 Euro and 5,000,000 Euro, with guaranteed subscription by the banks. These commercial paper programs mature in January 2014 (having been renewed, meanwhile, until July 2014) and September 2016, respectively, and bear interest at market rates.

Regarding the second commercial paper program, with maturity as of September 25, 2016, as it can be terminated by any of the parts, in each annual term date of the program, it was classified as current.

**Bank loans**

The liability caption "Bank loans" corresponds to a loan agreement celebrated in March 2012 which bears interest quarterly at market rates and has its maturity on 15 October 2016.

The reimbursement of the nominal value of the bank loan is as follows:

	<u>31.12.2013</u>
2015	4,000,000
2016	5,000,000
	<u>9,000,000</u>
Short term portion	4,000,000
	<u>13,000,000</u>

As of 31 December 2013, 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	45,500,000	860,762	44,639,238
Current account facility	n/a	8,000,000	2,009,350	5,990,650
Commercial paper	07/01/2014	16,000,000	12,850,000	3,150,000
Commercial paper	25/09/2016	5,000,000	5,000,000	-
Bank loans	15/10/2016	13,000,000	13,000,000	-
Bond loan 2013/2019	28/09/2019	50,000,000	50,000,000	-
		<u>137,500,000</u>	<u>83,720,112</u>	<u>53,779,888</u>

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During the year ended as of 31 December 2013, these loans borne interest indexed to Euribor, plus spreads ranging between 3.8% and 7%, 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
2014	-	2,094,500
2015	-	2,094,500
2016	-	2,094,500
2017	16,666,667	1,919,958
2018	16,666,667	1,221,792
2019	16,666,666	523,625
Total	<u>50,000,000</u>	<u>9,948,875</u>

During the years ended as of 31 December 2013 and 2012 the Group did not enter into any loan default.

Sensitivity analysis to interest rate changes

In the years ended as of 31 December 2013 and 2012 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:

	31.12.2013		31.12.2012	
	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 27)	2,578,680	2,578,680	(3,790,753)	(3,790,753)
Decrease of 1 p.p. interest rate applied to the entire indebtedness	(837,201)	(733,954)	(849,701)	(540,577)
Increase of 1 p.p. interest rate applied to the entire indebtedness	837,201	733,951	849,701	540,574

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 2013.

19. 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 2013, amounted to 459,894 Euro (434,562 Euro as of 31 December 2012). 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 1.5% when compared with salary increases, 2.5 % regarding pension increases and a discount rate of 4%. The variation in the responsibilities was recorded in the income statement caption "Payroll Expenses" and amounted to 25,332 Euro (-9,084 Euro as of 31 December 2012) (Note 21).

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 (Amounts expressed in Euro)

## 20. LEASING

As of 31 December 2013 and 2012, 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:

	31.12.2013	31.12.2012
2014	-	446,079
2015	24,842	10,294
2016	10,914	22,993
2017	-	4,477
	<hr/> 35,756	<hr/> 483,843
Short term (Note 24)	452,993	914,240
	<hr/> 488,749	<hr/> 1,398,083

## 21. MOVEMENTS IN PROVISIONS AND IMPAIRMENT LOSSES

The movements occurred in provisions and impairment losses for the years ended as of 31 December 2013 and 2012 may be detailed as follows:

	31.12.2013				
	Provisions	Pension liabilities (Note 19)	Impairment losses in investments (Note 4)	Impairment losses in inventories (Note 11)	Impairment losses in accounts receivable (Notes 12 and 14)
Opening balance	6,429,560	434,562	1,103,977	102,282	5,257,078
Increases	4,515,000	25,332	-	-	213,985
Reversals	(249,448)	-	-	(54,244)	(538,525)
Utilisations	(2,192,632)	-	-	-	(1,431,108)
Closing balance	<hr/> 8,502,480	<hr/> 459,894	<hr/> 1,103,977	<hr/> 48,038	<hr/> 3,501,430

	31.12.2012				
	Provisions	Pension liabilities (Note 19)	Impairment losses in investments (Note 4)	Impairment losses in inventories (Note 11)	Impairment losses in accounts receivable (Notes 12 and 14)
Opening balance	5,860,560	443,646	1,435,108	102,282	5,688,691
Increases	2,856,480	-	-	-	490,940
Reversals	-	(9,084)	-	-	(367,732)
Utilisations	(2,287,480)	-	(331,131)	-	(554,821)
Closing balance	<hr/> 6,429,560	<hr/> 434,562	<hr/> 1,103,977	<hr/> 102,282	<hr/> 5,257,078

(Translation of a report originally issued in Portuguese – Note 35)  
 (Amounts expressed in Euro)

As of 31 December 2013 and 2012 the caption "Provisions and impairment losses" in the income statement can be detailed as follows:

	31.12.2013	31.12.2012
<b>Provisions and impairment losses</b>		
Increase/(decrease) in impairment losses in account receivables (Notes 12 and 14)	(324,540)	123,208
Increase/(decrease) in impairment losses in inventories (Note 11)	(54,244)	-
Increase/(decrease) of provisions	(249,448)	(23,866)
Goodwill impairment losses (Note 6)	2,030,000	-
	<u>1,401,768</u>	<u>99,342</u>
<b>Payroll expenses</b>		
Post-employment benefits (Note 19)	25,332	(9,084)
Indemnities	-	1,080,346
	<u>25,332</u>	<u>1,071,262</u>
<b>Income tax</b>		
Provision for future taxes (Note 10)	4,515,000	1,800,000
	<u>5,942,100</u>	<u>2,970,604</u>

The liability's caption "Provisions" includes a provision for future taxes in the amount of 4,515,000 Euro (1,800,000 Euro as of 31 December, 2012), 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 advisers, of the impact that might outcome from the ongoing tax claims.

The amount recorded in the caption "Provisions" as of 31 December 2013 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 payments to Portuguese tax authorities ("Autoridade Tributária e Aduaneira") in the scope of Debt Regularization Exceptional Regime (RERD) and indemnities paid to workers.

## 22. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments recorded in the financial statements as of 31 December 2013 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.

The movement in these derivative instruments for the years ended as of 31 December 2013 and 2012 can be presented as follows:

	31.12.2013				
	"Market-to-market"	Accrued interest	"Market-to-market", net of accrued interest	Deferred tax assets	Net amount
Opening balance	992,890	(126,878)	866,012	229,493	636,521
Increases / (decreases)	(497,416)	N/A	(498,980)	(139,570)	(359,410)
Closing balance	<u>495,474</u>	<u>(128,442)</u>	<u>367,032</u>	<u>89,923</u>	<u>277,111</u>
31.12.2012					
	"Market-to-market"	Accrued interest	"Market-to-market", net of accrued interest	Deferred tax assets	Net amount
Opening balance	1,001,831	(104,453)	897,378	237,805	659,573
Increases / (decreases)	(8,941)	N/A	(31,366)	(8,312)	(23,052)
Closing balance	<u>992,890</u>	<u>(126,878)</u>	<u>866,012</u>	<u>229,493</u>	<u>636,521</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF 31 DECEMBER 2013**

(Translation of a report originally issued in Portuguese – Note 35)  
(Amounts expressed in Euro)

As of 31 December 2013 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	Loan	Start date	End date	Floating rate	Notional amount	Financial instruments' fair value
Cofina SGPS, S.A.	Bond	28/09/2010	29/09/2014	Euribor 6M	20,000,000	(495,474)
					20,000,000	(495,474)

During the year ended as of 31 December 2013 the amount of 502,977 Euro (487,046 Euro as of 31 December 2012) 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 “interests related with derivatives”.

**23. SUPPLIERS**

As of 31 December 2013 and 2012 this caption could be presented, taking into consideration its maturity, as follows:

	31.12.2013	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	7,092,552	632,334	6,460,218	-	-
Magazines segment	1,209,876	29,640	1,180,236	-	-
	<u>8,302,428</u>	<u>661,974</u>	<u>7,640,454</u>	<u>-</u>	<u>-</u>

	31.12.2012	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	6,840,521	555,367	6,285,154	-	-
Magazines segment	1,876,068	14,232	1,861,836	-	-
	<u>8,716,589</u>	<u>569,599</u>	<u>8,146,990</u>	<u>-</u>	<u>-</u>

(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.

(Translation of a report originally issued in Portuguese – Note 35)  
 (Amounts expressed in Euro)

#### 24. OTHER CURRENT AND NON CURRENT CREDITORS

As of 31 December 2013 and 2012 this caption was made up as follows:

<u>Other non-current creditors</u>	31.12.2013	31.12.2012
Creditors by leasing responsibilities (Note 20)	35,756	483,843
	<u>35,756</u>	<u>483,843</u>
<u>Other current creditors</u>	31.12.2013	31.12.2012
Creditors by leasing responsibilities (Note 20)	452,993	914,240
Other creditors:		
Payroll	181,201	125,255
Exchanges with public entities	256,687	258,364
Subscriptions	223,202	296,869
Loans from related entities (Note 28)	483,774	641,336
Others	3,762,790	5,789,149
	<u>5,360,647</u>	<u>8,025,213</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 2013 and 2012 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..

#### 25. OTHER CURRENT LIABILITIES

As of 31 December 2013 and 2012, this caption was made up as follows:

	31.12.2013	31.12.2012
Accrued costs:		
Accrued payroll	4,186,211	3,784,126
Commissions payable	940,480	1,061,958
Rappel	1,729,681	1,003,930
Supplies and external services	964,043	837,127
Interests payable	9,622	17,247
Other	2,056,145	2,558,328
Deferred income:		
Deferred income from alternative marketing	543,734	232,409
Deferred income from advertising	-	1,500,000
Other	68,352	74,980
	<u>10,498,268</u>	<u>11,070,105</u>

#### 26. SALES, SERVICES RENDERED AND OTHER OPERATING INCOME

"Sales" for the years ended as of 31 December 2013 and 2012 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 in the Group's publications, net of the discounts granted.

The amounts arising from alternative marketing products sold with the Group's publications and television transmission rights of CMTV are recorded in the caption "Other income".

(Translation of a report originally issued in Portuguese – Note 35)  
 (Amounts expressed in Euro)

## 27. FINANCIAL RESULTS

The financial income and expenses for the years ended as of 31 December 2013 and 2012 are made up as follows:

<u>Financial expenses</u>	<u>31.12.2013</u>	<u>31.12.2012</u>
Interest paid (Note 18)	(2,578,680)	(3,790,753)
Interest related with derivatives	(502,977)	(487,046)
Commissions	(696,311)	(445,107)
Other financial expenses	(67,865)	(79,225)
	<u>(3,845,833)</u>	<u>(4,802,131)</u>

<u>Financial income</u>	<u>31.12.2013</u>	<u>31.12.2012</u>
<u>Interest and similar income</u>		
Interest received	111,267	1,010,094
Other financial income	-	145,820
	<u>111,267</u>	<u>1,155,914</u>
<u>Gains and losses in associated companies</u>		
Gains/(losses) arising from the application of the equity method	471,494	181,667
	<u>471,494</u>	<u>181,667</u>
<u>Gains and losses in other investments</u>		
Gains in investments measured at fair value through profit and loss	-	484
	<u>-</u>	<u>484</u>
	<u>582,761</u>	<u>1,338,065</u>

## 28. RELATED PARTIES

### Commercial transactions

The Group companies have relations with each other that are qualified as transactions with related parties. All of these transactions are made at market prices.

During the consolidating procedures, these transactions are eliminated, since the consolidated financial statements disclose information regarding the holding company and its subsidiaries as one single company.

The main balances with related parties as of 31 December 2013 and 2012 and the main transactions with related entities during the years then ended may be detailed as follows:

<u>Transactions</u>	<u>31.12.2013</u>		
	<u>Sales and other income</u>	<u>Services rendered</u>	<u>Acquisition of goods and services</u>
VASP – Sociedade de Transportes e Distribuições, Lda.	58,929,359	-	641,992
Destak Brasil Editora, S.A.	-	3,451,232	-
	<u>58,929,359</u>	<u>3,451,232</u>	<u>641,992</u>

<u>Balances</u>	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	<u>Sales to invoice</u>
VASP – Sociedade de Transportes e Distribuições, Lda.	80,160	120,356	4,670,953
Destak Brasil Editora, S.A.	722,880	-	-
Destak Brasil - Empreendimentos e Participações, S.A.	-	483,774	-
	<u>803,040</u>	<u>604,130</u>	<u>4,670,953</u>

(Translation of a report originally issued in Portuguese – Note 35)  
 (Amounts expressed in Euro)

	31.12.2012		
	Sales and other income	Services rendered	Acquisition of goods and services
<b>Transactions</b>			
VASP – Sociedade de Transportes e Distribuições, Lda.	65,429,667	-	844,605
Destak Brasil Editora, S.A.	-	3,251,003	-
	<b>65,429,667</b>	<b>3,251,003</b>	<b>844,605</b>
<b>Balances</b>			
	Accounts Receivable	Accounts Payable	Sales to invoice
VASP – Sociedade de Transportes e Distribuições, Lda.	97,225	145,983	4,755,727
Destak Brasil Editora, S.A.	660,051	-	-
Destak Brasil - Empreendimentos e Participações, S.A.	-	641,336	-
	<b>757,276</b>	<b>787,319</b>	<b>4,755,727</b>

Sales and other income carried out with associated companies during the years ended as of 31 December 2013 and 2012 relate to sales of publications (newspapers and magazines) and marketing alternative products to VASP (Note 4), which handles the corresponding distribution to the points of sale. These transactions are carried out under the normal activity of the Group.

Services rendered to associated companies during the year ended as of 31 December 2013 relate to sales of advertising of the subsidiary Adcom Media (Note 4).

#### Board of Directors remuneration

Compensations paid to members of Cofina SGPS, S.A. Board of Directors during the year ended as of 31 December 2013 by the companies included in the consolidation by the full method, include only fixed remunerations and amount to 559,582 Euro.

Under article 3 of Law No. 28/2009, of June 19, the non-executive Directors Domingos José Vieira de Matos, Pedro Miguel Matos Borges de Oliveira and Ana Rebelo Mendonça received, during the year 2013, 45,815 Euro, each, as a fixed compensation paid directly by Cofina SGPS, S.A..

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 2013, can be presented as follows:

- Alteria, SGPS, S.A.
- Actium Capital, SGPS, S.A.
- Altri Florestal, S.A.
- Altri, SGPS, S.A.
- Altri - Energias Renováveis, SGPS, S.A.
- Altri, Participaciones Y Trading, S.L.
- Altri Sales, S.A.
- Caderno Azul, SGPS, S.A.
- Caima Energia – Empresa de Gestão e Exploração de Energia, S.A.
- Caima Indústria de Celulose, 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.

(Translation of a report originally issued in Portuguese – Note 35)

(Amounts expressed in Euro)

- 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.
- Jardins de França, S.A.
- Livrefluxo, SGPS, S.A.
- Malva – Gestão Imobiliária, S.A.
- Pedro Frutícola, Sociedade Frutícola, S.A.
- Prestimo – Prestígio Imobiliário, S.A.
- Promendo, SGPS, S.A.
- Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A.
- Storax Benelux
- Storax - Equipements, S.A.
- 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 2013:

Paulo Jorge dos Santos Fernandes  
João Manuel Matos Borges de Oliveira  
Pedro Macedo Pinto de Mendonça  
Domingos José Vieira de Matos  
Ana Rebelo de Carvalho Menéres de Mendonça  
Pedro Miguel Matos Borges de Oliveira

**29. RESPONSIBILITIES FOR GUARANTEES PROVIDED**

As of 31 December 2013, Cofina Group 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 granted by Banco BPI, S.A., to the maximum amount of 8,000,000 Euro, which outstanding balance as of 31 December 2013 amounted to 2,009,350 Euro;
- b) Pledge with irrevocable power of 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 12,850,000 Euro granted by Banco BPI, S.A. (Note 18);
- c) Pledge of 25,350 shares of Edisport – Sociedade de Publicações, S.A. in favour of the Portuguese Tax Authority (“Autoridade Tributária”) as a guarantee for the ongoing income tax claims (Note 10).

As of 31 December 2013 Cofina Media group companies had assumed responsibilities for guarantees granted amounting to, 800,000 Euro in relation to advertising contests. These companies had also given promissory notes to guarantee credit facilities amounting to 25,500,000 Euro.

(Translation of a report originally issued in Portuguese – Note 35)

(Amounts expressed in Euro)

**30. EARNINGS PER SHARE**

Earnings per share for the years ended as of 31 December 2013 and 2012 were calculated as follows:

	31.12.2013	31.12.2012
Net profit considered for the computation of basic and diluted earnings per share	4,681,002	3,986,740
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	0.04
Diluted	0.05	0.04

**31. DIVIDENDS**

In the year 2013 the Company distributed dividends amounting to 1,025,659 Euro relating to the year ended as of 31 December 2012.

In relation to year 2013, 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.

**32. 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:

31.12.2013	Newspapers	Magazines	Total
Net operating income			
Resulting from operations with external customers	86,099,644	21,559,426	107,659,070
Resulting from operations with other segments	5,158,890	(5,158,890)	-
31.12.2012	Newspapers	Magazines	Total
Net operating income			
Resulting from operations with external customers	87,908,352	25,418,955	113,327,307
Resulting from operations with other segments	4,795,616	(4,795,616)	-

The amounts related to operating cash-flow, amortization and depreciation and income before taxes and interests by segment, may be presented as follows:

31.12.2013	Newspapers	Magazines	Total
Operating Cash-flow - EBITDA (a)	16,334,859	(107,281)	16,227,578
Amortisation and depreciation	3,854,902	17,553	3,872,455
Earnings before interest and taxes	12,479,957	(124,834)	12,355,123

(a) - Earnings before interest, taxes, depreciation and amortisation

31.12.2012	Newspapers	Magazines	Total
Operating Cash-flow - EBITDA (a)	16,429,209	108,547	16,537,756
Amortisation and depreciation	3,112,108	59,895	3,172,003
Earnings before interest and taxes	13,317,101	48,652	13,365,753

(a) - Earnings before interest, taxes, depreciation and amortisation

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:

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF 31 DECEMBER 2013**

(Translation of a report originally issued in Portuguese – Note 35)

(Amounts expressed in Euro)

<b>31.12.2013</b>	<b>Newspapers</b>	<b>Magazines</b>	<b>Holdings and others</b>	<b>Eliminations and consolidations adjustments</b>	<b>Total</b>
Total assets	50,367,648	10,790,320	323,290,352	(247,257,767)	137,190,553
Total liabilities	28,937,912	5,998,018	103,782,923	(138,718,853)	-
Investments for the year (a)	3,266,032	12,715	-	-	3,278,747
Gains / (losses) in associated companies	181,667	-	-	-	181,667

(a) - increases in tangible and intangible assets

<b>31.12.2012</b>	<b>Newspapers</b>	<b>Magazines</b>	<b>Holdings and others</b>	<b>Eliminations and consolidations adjustments</b>	<b>Total</b>
Total assets	52,583,031	10,491,715	390,237,801	(310,895,579)	142,416,968
Total liabilities	32,520,253	5,326,197	108,069,456	(18,237,299)	127,678,607
Investments for the year (a)	1,660,307	65,159	8,929	-	1,734,395
Gains / (losses) in associated companies	181,667	-	-	-	181,667

(a) - increases in tangible and intangible assets

Given the reduced importance of Cofina Groups' activity in foreign markets (Brazil), no geographical segments are reported.

**33. NUMBER OF PERSONNEL**

During the years ended as of 31 December 2013 and 2012, the average number of employees of the companies included in the consolidated financial statements by the full consolidation method was of 883 and 849, respectively.

**34. FINANCIAL STATEMENTS APPROVAL**

The financial statements were approved by the Board of Directors and authorized for issuance on 27 March 2014. Its final approval is dependent on the agreement of the General Shareholders' Meeting.

**35. 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 35)*

### **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 2013 of Cofina, S.G.P.S., S.A. (“Company”), which comprise the Consolidated and Individual Statements of Financial Position as of 31 December 2013 (that presents total net assets of 137,190,553 Euro and 171,257,967 Euro, respectively, and a consolidated and individual equity of 18,038,741 Euro and 77,723,544 Euro, respectively, including a consolidated net profit of 4,681,002 Euro and an individual net profit of 5,093,238 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, includind 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 Directrizes 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 2013, 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.

Oporto, 27 March 2014

## REPORT AND OPINION OF THE SUPERVISORY BOARD

(Translation of a report originally issued in Portuguese – Note 35)

### **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 2013, 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 2013, 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 2013, 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 2013 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 express our regard to the Company's Board of Directors and to the services and staff of the Company and its affiliates for the assistance provided to us.

Oporto, 27 March 2014

The Supervisory Board

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João da Silva Natária  
President of the Supervisory Board

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Manuel Tiago Alves Baldaque de Marinho Fernandes  
Member of the Supervisory Board

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Cristina Isabel Linhares Fernandes  
Member of the Supervisory Board