



ANNUAL REPORT

31 December 2018



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DIRECTORS' REPORT

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I. Directors' Report

To the Shareholders

The Board of Directors of Cofina, SGPS, S.A., in accordance with the legal and statutory requirements, hereby submits the 2018 Report and Accounts. In accordance with Article 508 – C(6) of the Portuguese Companies Act, the Board of Directors decided to submit a single Board of Directors' Report, in compliance with all the legal requirements.

INTRODUCTION

Although below Government and Statistics Portugal forecasts, the Portuguese economy grew 2.1% in 2018, a performance better than most economies in the Eurozone. In the media segment, especially in the media printed segment, we continued to see a drop in product sales and in advertising investment.

The change in consumer reading habits, increasingly choosing information with less criteria, along with the perception that everything on the internet should be free and the threat from Google and Facebook, which have been in a very disruptive way earning a large slice of advertising revenue available in the market, continue to affect profoundly affect the media and the press segment in particular.

Despite the adverse context that characterises the media sector in terms of market share, Cofina Media continued to maintain its leadership in the various segments where its main products are included.

MACROECONOMIC BACKGROUND

Economic growth in Europe peaked in 2017, when it was at its fastest pace for a decade. By 2018, the pace should have been more moderated due to the less favourable international outlook. According to the European Commission's latest report, the EU economy experienced its sixth year of uninterrupted growth, with all member countries growing throughout 2018.

European Commission researches estimate that the economy grew by 1.9% in 2018 and will decelerate to 1.3% in 2019. On the other hand, the IMF's position is relatively more optimistic, given that in its last report in November 2018, it predicted a slowdown in GDP growth from 2.4% in 2017 to 2.0% in 2018 and 1.9% in 2019.

The Commission expects Eurozone inflation to have settled at 1.7% in 2018 and to fall to 1.4% this year. The IMF, in its half-yearly report published in October which covers all countries, forecasts an acceleration of inflation in 2018 (+1.7%) compared to 2017 (+1.5%), and expects it to remain unchanged in 2019 at 1.7%. With regard to the unemployment rate, the European Commission indicated that it stood at 7.9% in December, the lowest figure since October 2008, and is expected to remain unchanged in 2019.

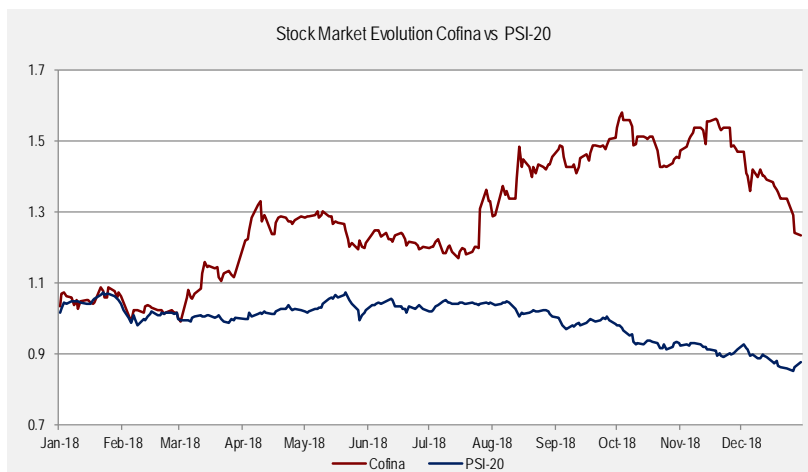
With regard to Portugal, Statistics Portugal informed that the economy grew by 2.1% in 2018, two-tenths lower than the forecast issued by the State Budget for 2019 in October 2018. It should be noted that in November and December, respectively, the IMF and the Bank of Portugal forecasted a growth of 1.8% for this year, while the OECD (+2.1%) and the Government were much more optimistic for the national economy. The European Commission, in its recent report, estimated that the national economy should slow down to 1.7% in 2019 and 2020. Average inflation in Portugal was 1%, below the forecasts at the beginning of the year and well below the European average of 1.9%.

The economic recovery in Brazil, which was taking shape in the second quarter of 2017, ended up becoming almost completely paralysed as a result of deteriorating business and household confidence. However, the recent political stability seems to be indicating signs of recovery in economic activity. Growth is expected to rise during 2019 (+2.1%) and 2020 (+2.4%) as inflation falls, wage increases and unemployment drops support stronger private consumption, and the progress of reforms stimulates investment.

STOCK EXCHANGE EVOLUTION

(Note: The PSI-20 was considered as an index with an initial value identical to that of the securities under analysis, in order to allow for better comparison of the variations in prices).

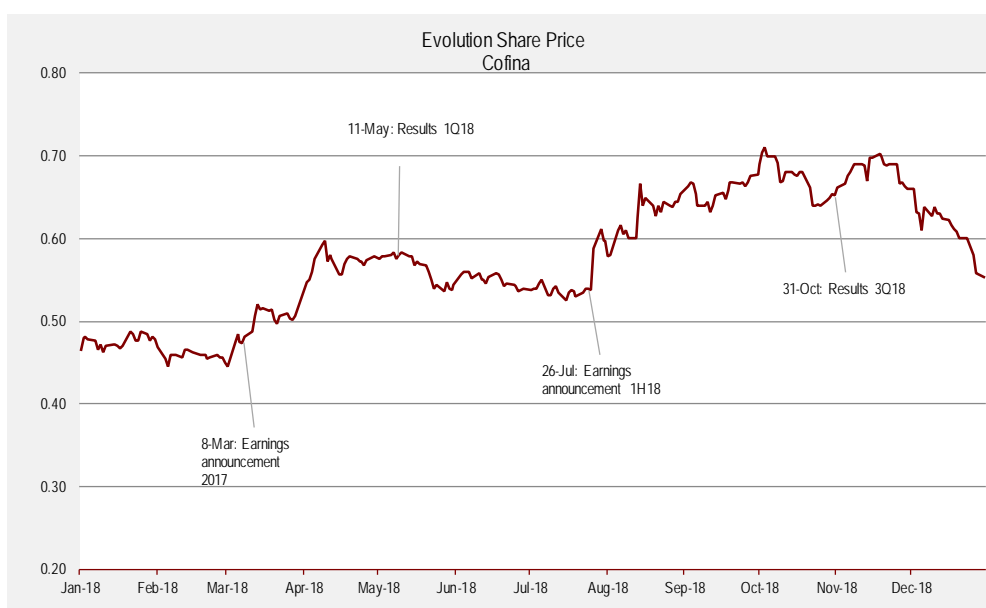
During 2018, Cofina shares increased by 23.4% compared to the end of 2017, while the national stock market index (PSI-20) decreased by around 12.2%.



At the end of 2018, Cofina shares closed at 0.554 euro/share and the corresponding market capitalisation was 56.8 million Euro.

In 2018, Cofina's shares were traded at a maximum price of 0.710 Euro and at a minimum price of 0.445 Euro. In total, approximately 46.6 million shares were traded, equivalent to 45.41% of the issued capital.

The main events that marked the evolution of Cofina's share price during 2018 can be described as follows:



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- In the announcement of the Group's performance in 2017, disclosed on March 8, 2018, Cofina informed about a consolidated net profit of 5.1 million Euro. Operating revenue came to 91.1 million Euro, while EBITDA stood at 13.6 million Euro. On that day, the shares closed at 0.474 Euro per share;
- On 11 May 2018, in the announcement regarding the presentation of the financial statements for the first quarter of 2018, Cofina, SGPS, S.A. informed about operating revenue of 21.0 million Euro, with EBITDA reaching 2.4 million Euro, while the net profit stood at 748,000 Euro.
- On 26 July, the Group reported the results of the first half of 2018 to the market, having recorded EBITDA of 7.0 million Euro and an EBITDA margin of 15.6%. Net income stood at 2.6 million Euro and net debt at 47.3 million Euro.
- In the statement of 31 October, the Group informed about its results for the third quarter of 2018. In the first nine months, operating revenue amounted to 67.2 million Euro, while EBITDA reached 10.7 million Euro. Net income stood at 3.7 million Euro.

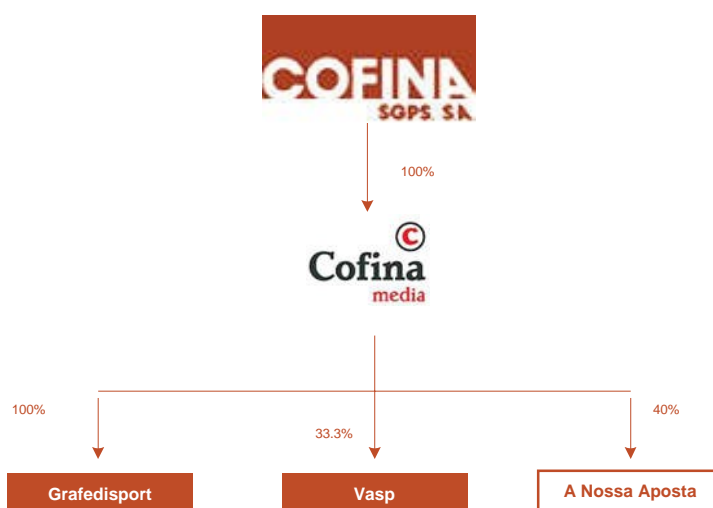
GROUP'S ACTIVITY

The Cofina Group operates mainly in the area of media and content.

Its key subsidiary in this business area is Cofina Media, S.A.

Cofina Media publishes/operates the following products: daily newspaper "Correio da Manhã", daily sports newspaper "Record", economic newspaper "Jornal de Negócios", free newspaper "Destak", free newspaper "Mundo Universitário", weekly magazine "Sábado", weekly television magazine "TV Guia", monthly fashion magazine "Máxima", television channel distributed on all cable platforms "Correio da Manhã TV" (CMTV), organisation and management of events and operation of various products on digital platforms.

As of 31 December 2018, the organisation chart of Cofina Group's holdings was as follows:



At the end of 2018, Cofina sold the business it held in Brazil through its subsidiary AdCommedia and the associate Destak Brasil, and is now operating only in Portugal.

In the press sector segment, 2018 continued to be characterised by the generalised drop in sales of printed media products (circulation), which presented a drop of 5.8% compared to the same period in 2017. On the other hand, revenue from advertising and sale of TV rights also showed an increase of 4.5% compared to the previous year. This growth was due to the fact that in 2018, CMTV started to be present on all cable distribution platforms in Portugal and to the consequent increase in advertising revenue.

Despite the adverse context that characterises the press sector in terms of market share, Cofina continued to maintain its leadership in the various segments where its main products are included.

According to data provided by the Portuguese Association for Circulation and Print Control (APCT) for 2018, "Correio da Manhã" is the best-selling daily newspaper in Portugal, with an average daily paid circulation of around 80,000 copies. According to the data provided by this certifying entity, "Correio da Manhã" has a market share of 48%, total sales (segment of paid daily newspaper). It should be noted that "Correio da Manhã" has been maintaining its leadership, year after year, in spite of the generalised drops in paid circulation in the several titles in its segment.

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It should be highlighted that the performance of the "Correio da Manhã TV" which, in 2018, recorded an average share of 3.61% (2.41% in 2017), making it the channel with the highest audience on cable TV and the fourth largest Portuguese channel, behind Free to Air (TVI, SIC and RTP 1). After having managed to impose itself in terms of audiences between the pay-TV channels, in early 2019, "Correio da Manhã TV" aired its first Portuguese production in the fiction area, the soap opera "Alguém Perdeu", which is produced by SP Televisão and is shown at prime time.

The total revenue of the online platforms has been increasing, with Cofina being the media group with the largest share in this market.

Cofina will continue to broaden and stimulate investment in growth areas with potential for synergies with existing businesses. In March 2018, the online gaming platform www.nossaaposta.pt, 40% owned by Cofina, was licensed to operate sports odd-bets, where players play against the explorer entity. In February 2019, Blackjack became available on the website.

These licences are valid for an initial period of three years and may be renewed under the terms and conditions of the Legal Framework for Online Gambling and Betting (RJO).

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I. Directors' Report

FINANCIAL REVIEW

Cofina's consolidated financial information for 2018, prepared in accordance with recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union, can be summarised as follows:

(thousands of Euro)	2018	2017 (restated)	Var (%) 2018/2017
Operating revenue	89,293	89,715	-0.5%
Circulation	43,059	45,844	-6.1%
Advertising	28,115	29,674	-5.3%
Alternative marketing products and others	18,119	14,197	27.6%
Operating costs (a)	74,366	76,412	-2.7%
Consolidated EBITDA (b)	14,927	13,303	12.2%
EBITDA Margin	16.7%	14.8%	+1.9 p.p.
Restructuring costs	-	(2,450)	-
Impairment of goodwill	(800)	-	-
Adjusted consolidated EBITDA	14,127	10,853	30.2%
Depreciation and amortisation	1,288	1,511	-14.8%
EBIT (c)	12,839	9,342	37.4%
EBIT Margin	14.4%	10.4%	+4.0 pp
Financial results	(2,726)	(3,072)	-11.3%
Profit before tax from continued operations	10,113	6,270	61.3%
Income taxes	3,914	1,448	170.3%
Profit after tax from continued operations	6,199	4,822	28.6%
Income from discontinued operations	454	246	84.6%
Consolidated net profit (d)	6,653	5,068	31.3%

(a) Operating costs excluding depreciation and amortisation

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

(c) EBIT = earnings before tax and financial results

(d) Net profit attributable to equity holders of the parent company

At the end of 2018, the Cofina Group sold the investments it held in Brazil (through its subsidiary AdCommedia and the associate Destak Brasil). Therefore, the income statement for 2017 was restated in order to separate the results attributable to the discontinuing units on a different line.

"Income from discontinued operations" in 2018 refers to the impact of the sale of that operation.

The total consolidated revenue of Cofina in 2018 amounted to 89.3 million Euro, which corresponds to a decrease of about 1% compared to 2017. This evolution was due to decreases in circulation (-6%) and advertising (-5%). Revenue from "alternative marketing and other products", including revenue from the presence of the "Correio da Manhã TV" channel (CMTV) on cable platforms, grew by 28%.

In terms of product portfolio, in September 2017, the monthly fashion magazine "Vogue" ceased being part of Cofina's portfolio, which affects the comparability with 2018.

In 2018, Cofina registered an impairment loss of 0.8 million Euro related to the goodwill associated with the magazine portfolio held by the Group.

Therefore, consolidated EBITDA, excluding impairment losses, amounted to around 14.9 million Euro, which reflects a growth of around 12% compared to the EBITDA registered in 2017 (excluding restructuring costs). Considering impairment losses in 2018 and restructuring costs in 2017, the growth in EBITDA amounted to about 30%.

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Thus, the consolidated net income reached 6.6 million Euro, an increase of 31% compared to the previous year.

As of December 31, 2018, Cofina's nominal net debt was of 39.7 million Euro which corresponds to a decrease of 9.7 million Euro compared to the nominal net debt of 49.4 million Euro recorded at the end of 2017.

In terms of the availability of information by segments, in order to reflect the economic and financial performance, as a result of the success of audiences of the CMTV channel, Cofina will present indicators referring to the television and press segments.

Some indicators of the main business segments are presented below:

Television:

(thousands of Euro)	2018	2017	Var (%) 2018/2017
Operating revenue	12,367	8,656	42.9%
Advertising	4,066	2,797	45.4%
Alternative marketing products and others	8,301	5,859	41.7%
Operating costs (a)	9,315	7,804	19.4%
EBITDA (b)	3,052	852	258.2%
EBITDA Margin	24.7%	9.8%	+14.9 p.p.

(a) Operating costs excluding depreciation and amortisation

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

The generalist cable channel CMTV has performed very well and has systematically broken audience records. Thus, during 2018, CMTV recorded an average annual share of 3.61% (2.41% in 2017), as the channel with the highest audience on cable and the fourth largest Portuguese channel, behind Free to Air.

CMTV's total revenue amounted to around 12.4 million Euro, a growth of 43%. Advertising revenue reached 4 million Euro (+45%) and revenue from presence and other fees reached 8.3 million Euro (+42%).

The EBITDA achieved was around 3.1 million Euro, an increase of 258% compared to the EBITDA of 0.9 million Euro registered the previous year.

The EBITDA Margin for the segment reached 24.7%.

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Press:

(thousands of Euro)	2018	2017 (restated)	Var (%) 2018/2017
Operating revenue	76,926	81,059	-5.1%
Circulation	43,059	45,844	-6.1%
Advertising	24,049	26,877	-10.5%
Alternative marketing products and others	9,818	8,338	17.8%
Operating costs (a)	65,051	68,608	-5.2%
EBITDA (b)	11,875	12,451	-4.6%
EBITDA Margin	15.5%	15.4%	+0.1 p.p.

(a) Operating costs excluding depreciation and amortisation

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

The press segment comprises the printed publications owned by Cofina and the revenue from the digital market. Thus, in 2018 total revenue was around 77 million Euro, a decrease of 5% compared to the previous year. Revenue from circulation registered a decrease of about 6%, to 43 million Euro, and advertising revenue registered a decrease of 11%, having reached about 24 million Euro. Revenue associated with alternative marketing and others registered growth of about 18%, reaching 10 million Euro.

Operating costs registered a contraction of about 5%. Thus, the EBITDA for this segment reached to 11.9 million Euro, a decrease of about 5% compared to the previous year. The EBITDA margin reached 15.5%. It should be noted that the Brazilian operation was included in this segment, so the amounts for 2017 were restated.

The total revenue of the online segment has been increasing, with Cofina being the media group with the largest share in this market.

DUTIES CARRIED OUT BY NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

During the 2018 financial year, the Company's non-executive directors acted effectively in the duties of accompanying and monitoring the activity of the executive members.

In 2018, as in previous years, the non-executive members of the Board of Directors participated actively and regularly in the meetings of the Board of Directors, discussing the matters under analysis and expressing their position on the strategic guidelines of the Group and the business areas. Whenever necessary, those members maintained close and direct contact with the Group's operations and financial managers. In the 2018 financial year, and during the course of the meetings of the Board of Directors, the executive directors provided all the information that was required by the non-executive members of the Board of Directors.

OUTLOOK FOR 2019

For 2019, we expect continued investment in areas with higher growth capacity, such as television, digital and gambling, and the search for investments in business areas with potential growth and synergies with existing businesses.

For the press segment, the downward trend that has been seen in recent years is expected to continue. In 2019, Cofina will continue its plan to cut costs and reconvert resources to growth areas, continuing to strengthen operational efficiency, thus responding to the extremely adverse market environment in this area.

PROPOSAL BY THE BOARD OF DIRECTORS OF THE APPROPRIATION OF THE FINANCIAL YEAR NET RESULT

Cofina, SGPS, S.A., as holding company of the Group, has registered in its individual accounts, prepared in accordance with the recognition and measurement principles of the International Financial Reporting Standards as adopted by the European Union, a net profit of 1,966,504.21 Euro, for which, under the legal and statutory terms, the Board of Directors proposes to the General Meeting the following distribution:

Free Reserves	1,966,504.21
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CORPORATE GOVERNANCE REPORT

31 December 2018



CORPORATE GOVERNANCE

COFINA, SGPS, SA. (hereinafter referred to as "COFINA" or "the Company") hereby presents to its Shareholders, customers, suppliers and other stakeholders and the society in general the Corporate Governance Report ("Report").

The Report template is set forth in Regulation No. 4/2013 of the Portuguese Securities Market Commission ("CMVM"), and the information contained therein complies with all applicable legal requirements, including, but not limited to, Article 245-A of the Portuguese Securities Code (CVM).

During the 2018 financial year, COFINA started the process of adapting its structure to comply with the Corporate Governance Code of the Portuguese Institute of Corporate Governance ("IPCG") ("**2018 IPCG Corporate Governance Code**").

COFINA's management model is in accordance with this Code and the Company is proud to have presented a high level of compliance with its recommendations from the very outset.

COFINA permanently provides high levels of training to its teams, in order to ensure that decisions are made on the basis of sustainability criteria and that the work carried out by them is focused on achieving the objectives.

COFINA believes that the evolution of the results it has been demonstrating in a business area with demanding and often adverse market conditions reflects the suitability and achievement of the objectives that have been defined.

COFINA's commitment to its Shareholders and the market in general is, therefore, unequivocal: to constantly improve on the work it does and to deliver outstanding results.

**PART I – INFORMATION ON SHAREHOLDER STRUCTURE,
ORGANISATION AND CORPORATE GOVERNANCE**

A. SHAREHOLDER STRUCTURE

I. Share Capital Structure

1. Share Capital Structure

The share capital of COFINA is € 25,641,459.00, fully subscribed and paid up, and is represented by 102,565,836 shares, without par value. The Company's share capital is represented by registered and book-entry shares.

Of the total voting rights issued, 78.01% are, to the best of the Company's knowledge, as at December 31, 2018, allocated to the holders of qualifying holdings listed under II.7.

All shares representing the share capital are admitted for trading on the Euronext Lisbon regulated market, managed by Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A..

2. Restrictions on the transfer and ownership of shares

There are no restrictions on the transfer or ownership of Company's shares, nor are there any shareholders with special rights. Accordingly, COFINA's shares are freely transferable according to the applicable legal rules.

3. Own Shares

The Company does not hold any own shares in its portfolio, as of 31 December 2018.

4. Significant agreements in which the company is a party and which come into force, are amended or terminated in the event of a change in control of the company following a public take-over bid, as well as their effects

There are no significant agreements entered into by COFINA that include any change of control clauses (including following a public take-over bid), , i.e., which will come into force, are amended, determine payments, assume charges or terminate in such circumstances or in the event of a change in the composition of the management body, and there are no specific conditions that limit the exercise of voting rights by the Company's shareholders which may interfere with the success of public take-over bids.

Some financing contracts of COFINA's subsidiaries, and only of these subsidiaries, contain normal early repayment clauses in the event of a change in shareholder control of the subsidiaries.

5. Rules regarding the renewal or revocation of defensive measures, in particular those that limit the number of votes that may be held or exercised by a single shareholder individually or in concert with other shareholders.

COFINA did not adopt any defensive measures.

6. Shareholder agreements known to the company that may lead to restrictions on the transfer of securities or voting rights.

The existence of any shareholder agreements with regard to the Company is unknown.

II. Shareholdings and Bonds

7. Qualified shareholdings

As of 31 December 2018, relying on the notices received by the Company, under the terms and for the purposes of the provisions of Articles 16, 20 and 248-B of the Portuguese Securities Code and Article 448 of the Portuguese Companies Act ("CSC"), it is hereby declared that the companies and/or individuals that have a qualifying holding that exceeds 2%, 5%, 10%, 20%, 33% and 50% of the voting rights are as follows:

	No. of shares held as at 31-Dec-2018	% share capital with voting rights
Santander Asset Management		
Through Fundo Santander Ações Portugal	2,069,459	2.02%
Through Fundo Santander PPA	107,964	0.11%
Total attributable	2,177,423	2.12%

	No. of shares held as at 31-Dec-2018	% share capital with voting rights
Credit Suisse Group AG		
Directly	5,039,060	4.91%
Total attributable	5,039,060	4.91%

	No. of shares held as at 31-Dec-2018	% share capital with voting rights
Pedro Miguel Matos Borges de Oliveira		
Through the company Valor Autêntico, S.A. (of which he is the dominant shareholder and director)	10,277,248	10.02%
Total attributable	10,277,248	10.02%

	No. of shares held as at 31-Dec-2018	% share capital with voting rights
Domingos José Vieira de Matos		
Through the company Livrefluxo, S.A. (of which he is the dominant shareholder and director)	12,395,257	12.09%
Total attributable	12,395,257	12.09%

	No. of shares held as at 31-Dec-2018	% share capital with voting rights
Paulo Jorge dos Santos Fernandes		
Through the company Actium Capital, S.A. (of which he is the dominant shareholder and director)	14,235,474	13.88%
Total attributable	14,235,474	13.88%

	No. of shares held as at 31-Dec-2018	% share capital with voting rights
João Manuel Matos Borges de Oliveira		
Through the company Caderno Azul, S.A. (of which he is the shareholder and director)	15,400,000	15.01%
Total attributable	15,400,000	15.01%

	No. of shares held as at 31-Dec-2018	% share capital with voting rights
Ana Rebelo Carvalho Menéres de Mendonça		
Through the company Promendo Investimentos, S.A. (of which she is the dominant shareholder and director)	20,488,760	19.98%
Total attributable	20,488,760	19.98%

This information is also disclosed in the Annual Management Report.

Updated information regarding qualified shareholdings is available at
http://www.cofina.pt/investors/shareholder-structure.aspx?sc_lang=pt-PT

8. Number of shares and bonds held by members of the statutory management and supervisory bodies, pursuant to paragraph 5 of article 447 of the Portuguese Companies Act (CSC)

The shares and bonds held by members of the management and supervisory bodies in the Company and in companies in a control or group relationship with the Company, directly or through related persons, are disclosed in an annex to the Annual Management Report as required by article 447 of the CSC and article 14 of CMVM Regulation 5/2008.

9. Powers of the Board of Directors on share capital increases

The Board of Directors does not have any special powers, and is vested with the competences and powers conferred on it by the CSC and the Company's Articles of Association.

By resolution of the General Meeting held on 24 April 2014, the Board of Directors was given the power to increase the share capital, one or more times, up to a limit of 51,282,918 Euro, through new contributions in cash, provided that the resolution is approved with the favourable vote of all its members and after obtaining the prior opinion of the Company's supervisory body.

This power attributed to the Board of Directors expired at the end of 2016.

10. Relevant business relationship between owners of qualified shareholdings and the Company

There are no relevant business relationships between the Company and owners of qualified shareholdings notified to the Company.

Information on business between the Company and related parties can be found in Note 30 of the Notes to the Consolidated Accounts and Note 18 of the Notes to the Individual Accounts of the Company relating to transactions with related parties.

B. GOVERNING BODIES AND COMMITTEES

<h3>I. SHAREHOLDERS' GENERAL MEETING</h3>
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a) Composition of the Board of the Shareholders' General Meeting

11. Identification and positions of the members of the Board of the of the Shareholders' General Meeting and their term of office

The Board of the of the Shareholders' General Meeting of COFINA is made up, in compliance with the provisions of Article 11 of the Company's Articles of Association and Article 374 of the CSC, of a Chairman and a Secretary elected at the General Meeting, by the Company's shareholders, for each term of office corresponding to three years, coinciding with the term of office of the governing bodies.

As at 31 December 2018, the Board of the General Meeting was composed of the following members for the first term of office:

Chairman: Manuel Eugénio Pimentel Cavaleiro Brandão
Secretary: Maria Conceição Henriques Fernandes Cabaços

The current mandate corresponds to the three-year period that began in 2017 and will end in 2019.

b) Exercise of voting rights

12. Possible restrictions on voting rights

At COFINA, there are no statutory restrictions on the exercise of voting rights.

The Company's share capital is fully represented by a single category of shares, each share corresponding to one vote, and there are therefore no statutory restrictions on the number of votes that may be held or exercised by any shareholder.

The Company has not issued any non-voting preferred shares.

Shareholder participation in the General Meeting depends on the proof of their status of shareholder by reference to the "Registration Date" under the applicable legal terms and defined in the Notice of Meeting, and the Company does not establish any requirements additional to the requirements established by law.

It should also be noted that, in line with the provisions of Article 23-C(2) of the Portuguese Securities Code, the exercise of participation and voting rights in the General Meeting is not hindered by the transfer of shares after the registration date, nor does it depend on their being blocked between that date and the date of the General Meeting.

Individual shareholders and legal entities may be represented by whomsoever they appoint for this purpose by means of a written representation document addressed to the Chairman of the Board of the General Meeting, by letter delivered to the registered office by the end of the third business day prior to the date of the General Meeting.

Also, under the applicable legal terms, a shareholder may designate different representatives in respect of the shares held in different securities accounts, without prejudice to the principle of voting unity and to voting differently, as established by law for shareholders on a professional basis.

The Company's shareholders may vote by correspondence in relation to all matters subject to the appreciation of the General Meeting, by written statement, with the identification of the shareholder, when an individual, by sending a certified copy of his/her identity card/citizen's card or passport, which is requested in compliance with Article 5(2) of Law No. 7/2007, of 5 February, as amended by Law No. 32/2017, of 1 June, and, when a company, by his/her duly recognised signature, under the applicable legal terms.

In accordance with the Company's Articles of Association, the declaration of intention to vote by correspondence must be delivered to the registered office by the end of the third business day prior to the day set for the meeting, with identification of the sender, addressed to the Chairman of the Board of the General Meeting.

The Chairman of the Board of the General Meeting is responsible for verifying the conformity of postal voting declarations, and votes corresponding to declarations that are not accepted shall be deemed not to have been cast.

Without prejudice to the permanent monitoring of the suitability of its model and the immediate response to any request addressed to it in a different sense, COFINA has been promoting the physical participation of its shareholders, directly or through representatives, at its General Meetings, as it considers that these are excellent opportunities for contact between its Shareholders and the management team, taking advantage of the presence of the members of the other governing bodies, particularly the Supervisory Board and the Statutory Auditor, as well as the members of the Remuneration Committee. This iteration has proved fruitful within the Company.

In this sense, the Company has not yet triggered the necessary mechanisms for the exercise of voting rights by electronic means, nor for the participation of shareholders in the meeting by telematic means. These types of voting and participation have never been requested from the Company by any Shareholder, so it is considered that the absence of such forms of voting and participation does not constitute any constraint or restriction on the exercise of the right to vote and to participate in the General Meeting.

It should also be noted that the Company discloses, within the applicable legal deadlines, and in all places required by law, the convening of General Meetings, which contains information on how to enable shareholders to participate and exercise their right to vote, as well as on the procedures to be adopted for voting by correspondence or for appointing a representative.

The Company also discloses, in accordance with applicable law, the proposals for resolutions, the preparatory information required by law, the minutes of representation letters and ballot papers for the exercise of postal voting, all in order to ensure, promote and encourage the participation of shareholders, either by themselves or by representatives appointed by them, at General Meetings.

In this context, the Company firmly believes that the current model promotes and encourages, in the terms fully described in this Report, the participation of Shareholders at General Meetings

13. Maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are related to the latter as set forth in Article 20(1) of the Portuguese Securities Code

There is no limit to the number of votes that may be held or exercised by a single shareholder or group of shareholders.

14. Shareholder decisions which, by statutory imposition, can only be taken with a qualified majority

In accordance with the Company's Articles of Association, corporate resolutions are passed by a majority of votes cast, irrespective of the percentage of share capital represented at the meeting, except when a different majority is required by law.

At second call, the General Meeting may make decisions irrespective of the number of shareholders present and of the share capital they represent.

The deliberative quorum for the General Meeting is in accordance with the provisions of the CSC.

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Identification of the governance model adopted

COFINA uses what is called a monist governance model, which includes a Board of Directors and a Supervisory Board, as provided for in Article 278(1)(a) of the CSC, and a Statutory Auditor, in compliance with Article 413(2)(a) of the CSC, by reference to Article 278(3).

The Board of Directors is therefore the body responsible for managing the Company's business in pursuit of its corporate purpose, determining its strategic orientation, without prejudice to the monitoring and evaluation of this by the Supervisory Board, within the scope of its powers.

The Company continuously monitors the adequacy of the model adopted, which has proved to be perfectly suited to the size and structure of the Company, and an essential basis for the good performance of the Group.

In terms of diversity policy, it should be noted that this is not a new issue for the COFINA Group.

In fact, and taking into account the activities engaged in by the Group's companies, the Company has, from an early stage, promoted the assumption of senior positions by women, as exemplified by the 2009 election of Ana Rebelo de Carvalho Menéres de Mendonça, on a board composed of five members.

At a time when there were no legal requirements, COFINA was already following a path of increasing evolution, having gender representation considered significant in its organisation.

This is because COFINA's culture is based on criteria of true meritocracy.

In the absence of a formally established diversity policy, precisely because it is considered that diversity, including, in particular, gender, should be the maximum expression of excellent performance in rising to senior positions, COFINA will continue its activities in strict compliance with legal requirements, particularly when electing new members to join the governing bodies, with a view to the beginning of a new mandate, which will take place in 2020.

However, it is important to mention that the members of the Board of Directors who are in office have revealed and have already proven themselves to have the individual characteristics (namely competence, independence, integrity, availability and experience, as mentioned above) for the full and complete exercise of the functions assigned to them in a manner aligned with the interests of the Company and its Shareholders, primarily due to their seniority and experience.

On the other hand, but no less relevant, COFINA considers that the gender balance within its management body, which preceded the entry into force of the Law, demonstrates that the policy of diversity is nothing new to the Group which, faithful to the principles of true meritocracy, has been attributing senior management positions to women for many years.

16. Statutory rules on procedural and material requirements applicable to the appointment and replacement of members of the Board of Directors

The election of members to sit on the Company's Board of Directors is the responsibility of the Shareholders, by resolution taken at the General Meeting. Members are elected for three-year terms and they may be re-elected one or more times.

The Board of Directors consists of three to nine members, shareholders or not, elected at the General Meeting.

The market positioning that the Group has been achieving and the results presented to the market prove that the Company's management team has performed its duties with rigour and competence.

Also with regard to the election of members to the Board of Directors, it is important to refer to the statutory rule set out in Article 15 of the Articles of Association, according to which, at the Electoral General Meeting, there will be an isolated election of one, two or three directors, depending on whether the total number is three or four, five or six, seven or more than seven, among persons proposed in lists subscribed by groups of shareholders, provided that none of these groups holds shares representing more than twenty per cent or less than ten per cent of the share capital. Each of the lists referred to above shall propose at least two eligible persons for each of the positions to be filled, one of whom shall be designated as alternate. No shareholder may subscribe to more than one such list. If there is more than one list, the vote shall be taken on all of them.

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The General Meeting may not elect any other directors until one, two or three directors have been elected, in accordance with the above, unless such lists are not presented. In the absence of an elected director, under the terms above, the alternate will be called and, in the absence of one, a new election will be held, to which the rules described above will be applied, with the necessary adaptations.

17. Composition of the Board of Directors

The Board of Directors, currently made up of five members, is the body responsible for managing the Company's business in pursuit of its corporate purpose, determining its strategic orientation, always acting in the manner it considers best to defend the interests of the Company, in the constant creation of value for its shareholders and other stakeholders.

As at 31 December 2018, this body was composed of the following members:

- Paulo Jorge dos Santos Fernandes – Chairman
- João Manuel Matos Borges de Oliveira – Member of the Board
- Domingos José Vieira de Matos – Member of the Board (non-executive)
- Pedro Miguel Matos Borges de Oliveira – Member of the Board (non-executive)
- Ana Rebelo de Carvalho Menéres de Mendonça – Member of the Board (non-executive)

All members of the Board of Directors were elected at the General Meeting held on 26 April 2017 for the 2017/2019 three-year period.

NAME	FIRST APPOINTMENT	END OF MANDATE
Paulo Jorge dos Santos Fernandes	1990	31 December 2019
João Manuel Matos Borges de Oliveira	1990	31 December 2019
Domingos José Vieira de Matos	1990	31 December 2019
Pedro Miguel Matos Borges de Oliveira	May 2009	31 December 2019
Ana Rebelo de Carvalho Menéres de Mendonça	May 2009	31 December 2019

18. Distinction between executive and non-executive members of the Board of Directors and, in relation to non-executive members, identification of the members who may be considered independent

On 31 December 2018, the Board of Directors included three non-executive members: Domingos José Vieira de Matos, Pedro Miguel Matos Borges de Oliveira, and Ana Rebelo de Carvalho Menéres de Mendonça.

The Board of Directors does not have any member who complies with the independence criteria referred to in Recommendation III.4. of the 2018 IPCG Corporate Governance Code, as the three non-executive directors have qualifying holdings in the Company's capital.

Notwithstanding this circumstance, the Company has developed mechanisms to allow the non-executive directors to make independent and informed decisions, such as:

Availability of executive directors to provide non-executive directors with all additional information deemed relevant or necessary, as well as for carrying out further studies and analyses in relation to all matters that are the subject of deliberation or that are in any way under consideration in the Company;

- Prior and timely notification to all members of the Board of Directors of meetings of that body, including the agenda, even if provisional, of the meeting, accompanied by other relevant information and documentation;
- Availability of the minutes books, records, documents and other information on operations carried out in the Company or its subsidiaries, for examination, as well as the availability and promotion of a direct channel for obtaining information from the directors and operations and financial managers of the various companies in the group, without requiring any intervention by executive directors in this process.

The Company weighed and reflected on this circumstance considering, on the one hand, the corporate model adopted and, on the other hand, the composition and operation of its governing bodies as a whole, (namely the Board of Directors as a collegiate body, the Supervisory Board and the Statutory Auditor, with their inherent independence) having concluded that the possible appointment, for merely formal reasons, of independent directors would not bring significant benefits to the performance of the Company, or to (possible) better functioning of the adopted model, considering that both this one and the other one have proven to be positive, relevant, adequate and efficient.

It should be added that the management report includes, in the chapter *"Activities carried out by non-executive members of the Board of Directors"*, a description of the activity carried out by non-executive directors during the 2018 financial year.

19. Professional qualifications and curricular references of the members of the Board of Directors

The curricular information on the members of the Board of Directors is presented in Annex I to this Report.

20. Significant family, business and commercial relationships between members of the Board of Directors and shareholders having qualified holding with more than 2% of the voting rights

As at 31 December 2018, the Chairman of the Board of Directors, Paulo Jorge dos Santos Fernandes, is a director and dominant shareholder of ACTIUM CAPITAL, S.A., a company with a 13.88% stake in COFINA's capital.

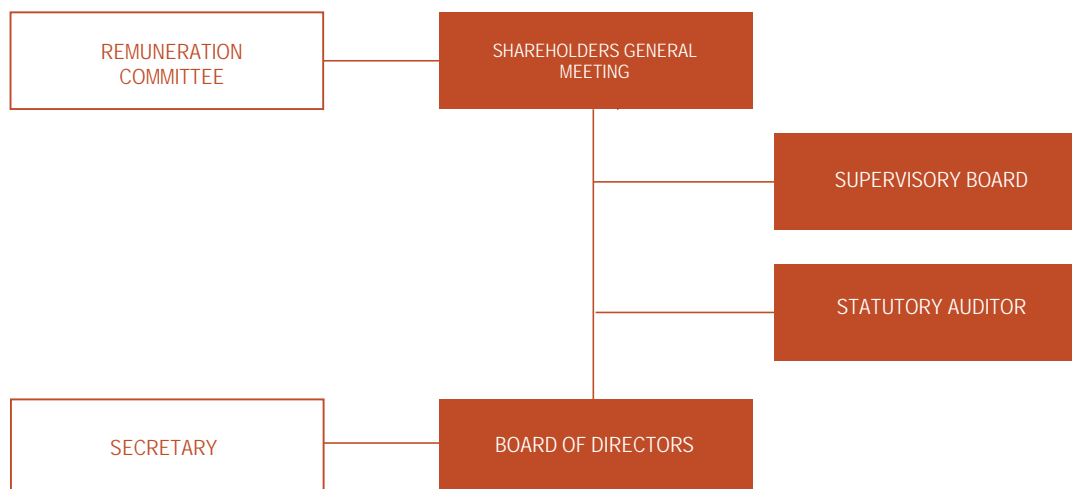
Director João Manuel Matos Borges de Oliveira is a director and shareholder of CADERNO AZUL, S.A., a company that holds a 15.01% stake in the capital of COFINA.

Director Pedro Miguel Matos Borges de Oliveira is a director and dominant shareholder of VALOR AUTÊNTICO, S.A., which holds a 10.02% stake in COFINA and is the brother of director João Manuel Matos Borges de Oliveira.

Director Domingos José Vieira de Matos is a director and dominant shareholder of LIVREFLUXO, S.A., a company that holds a 12.09% stake in the capital of COFINA.

Director Ana Rebelo de Carvalho Menéres de Mendonça is a director and dominant shareholder of Promendo Investimentos, S.A., which holds a 19.98% stake in COFINA.

21. Organisation charts or functional charts relating to the division of powers among the various governing bodies, committees and/or departments of the Company, including information on the delegation of powers, particularly with regard to the delegation of Company's daily management



In accordance with the current corporate governance structure, the Board of Directors, currently made up of five members, is the body responsible for managing the Company's business in pursuit of its corporate purpose, determining its strategic orientation, always acting in the way it considers best to defend the interests of the Company, in the permanent creation of value for its shareholders and other stakeholders. The Board of Directors currently consists of five members, elected by the General Meeting, one chairman and four board members, three of whom are non-executive members.

The Board of Directors, in the pursuit of its duties, establishes permanent iteration with the Supervisory Board and the Statutory Auditor, cooperating with the supervisory body in a transparent and rigorous manner, in compliance with their operating regulations and the best corporate governance practices.

There is no limit to the maximum number of positions that may be held by the directors in the management bodies of other companies. Therefore, the members of the Board of Directors of COFINA, in the majority of cases, belong to the management bodies of the most relevant subsidiaries of the group, ensuring close and permanent monitoring of their activities.

COFINA's Board of Directors encourages all departments and operational areas to create multidisciplinary teams, with a view to developing projects of relevance to the Group, which makes it possible to ensure the identification of issues and the analysis of ways of resolving them from different perspectives, ensuring a more transversal view of the issues under analysis. COFINA believes that the establishment of agile and efficient communication channels between the Company's departments, between these and the operational areas, and between all of these and the boards of directors of each subsidiary and the Company itself, is a way to better implement projects, identify the associated risks, develop the mechanisms necessary to mitigate these, from a truly comprehensive perspective and analysis from different points of view.

COFINA believes that an effective flow of information within the organisation is the only way to ensure an equally adequate flow of information from the multidisciplinary teams to the governing bodies and, consequently, from these to shareholders, investors, other stakeholders, financial analysts and the market in general.

In compliance with this Group policy, which is perfectly aligned with Recommendation I.1.1. of the 2018 IPCG Corporate Governance Code, COFINA has ensured strict and timely disclosure of information to the market, through the CMVM's Information Disclosure System (CMVM's SDI), guaranteeing access to that information, to its shareholders, other stakeholders and the market in general, at the same time and with the same level of detail.

In line with the above, COFINA presents the Company's Committees and/or departments and their competences and duties below:

Remuneration Committee

The Board of Directors considers that, given its organisational structure and the size and complexity of the Company (as explained in detail in section 28 below), the only specialised committee required is the Remuneration Committee.

The Remuneration Committee is the body responsible for assessing the performance and approving the remuneration of the members of the Board of Directors and other governing bodies. It is up to this committee, in compliance with the provisions of Article 2(1) of Law No. 28/2009, of 19 June, and Recommendation V.2.3 of the 2018 IPCG Corporate Governance Code, to prepare the Declaration on the Remuneration and Compensation Policy for Governing Bodies as well as, through the preparation of a proposal for approval, to submit it for scrutiny by the deliberative body par excellence for this matter, which is the General Meeting.

As the Remuneration and Compensation Policy for Governing Bodies deserves the approval of the Shareholders at the General Meeting, it is up to this committee to fight for its application, monitoring its permanent adequacy to the reality of the Company.

In terms of corporate management, COFINA highlights the following areas:

Corporate Finance Area

COFINA's Corporate Finance area, given its integrated and transversal vision of all group companies, is responsible, on the one hand, for setting financial management strategies and policies and, on the other, for ensuring the interface with the capital, debt and banking markets. It is also responsible for developing the necessary mechanisms to implement the financial management strategies and policies outlined.

Management Planning and Control Area

COFINA's management planning and control area provides support in the implementation of the corporate and/or business strategies followed by the group. This area prepares and analyses management information for all group companies, as well as at a consolidated level, whether monthly, quarterly, half-yearly or annually, monitoring deviations from the budget and proposing the necessary corrective measures. It also assumes responsibility for the construction of business plans, integrating the multidisciplinary work teams created for this purpose, activities that it develops while at the same time carrying out technical and benchmarking studies on existing businesses, in order to monitor COFINA's performance, taking into account its strategic position in the market.

Legal & Compliance Area

COFINA's legal department provides legal support in all of the group's areas of activity, monitoring and guaranteeing, on the one hand, the legality of the activities carried out and, on the other hand, assuring relations with Euronext Lisbon, with CMVM and with the shareholders whenever legal issues are at stake. This area is also responsible for monitoring the corporate governance policy in order to comply with best practices in this area. It is also responsible for the preparation and/or analysis of contracts that maximise security and reduce legal risks and potential costs, the management of aspects related to the intellectual and industrial property used by the group, such as trademarks and patents, logos, domains and copyrights, also exercising the duties of corporate secretariat and constantly monitoring legal compliance, providing support to the Board of Directors in the implementation of its strategies.

Investor Relations Area

COFINA's investor relations area establishes the relationship between the group and the financial community, constantly disclosing relevant and up-to-date information on its activities. It is also responsible for assisting the Board of Directors in providing updated information on the capital markets, as well as supporting the management of COFINA's institutional relations, establishing permanent contact with institutional investors, shareholders and analysts and representing the group in associations, forums or events (national or international).

Management Control Area at Subsidiary Level

In addition, the COFINA Group's operating companies have their own management control bodies that carry out their activities at all levels of the subsidiaries, preparing monthly reports periodically sent to their Boards of Directors.

COFINA's directors focus their activity essentially on managing the Group's shareholdings and defining its strategic lines. Decisions related to matters of structure for the Group's activity are made by the Board of Directors as a collegiate body composed of all its members, executive and non-executive, in the normal performance of their duties.

The day-to-day management of the operating companies is carried out by the management of each of the subsidiaries, which also include, as a rule, some of the directors of COFINA, in addition to other directors with specifically defined competences and areas of responsibility.

It should be noted that the exercise of management positions by the Company's directors in the subsidiary companies is reflected in an in-depth knowledge of the business, close to the operations and people, which means that the decisions made by the group's holding company, COFINA, are thus even more aware and informed.

COFINA believes that the more the Company's directors know about the specificities and subtleties of the business, the more correct their decisions regarding the strategic lines are and, consequently, the success of the decisions made at senior management level.

In this way, and taking into account the development of the activities of the members of the Board of Directors, both in COFINA and in its subsidiaries, the functional organisation chart can be presented as follows:

COFINA, SGPS, SA. Paulo Fernandes João Borges de Oliveira Domingos Matos Pedro Borges de Oliveira Ana Mendonça	
COFINA MEDIA Paulo Fernandes João Borges de Oliveira Luís Santana Alda Delgado	GRAFEDISPORT Luís Santana Alda Delgado

b) Procedure

22. Existence of procedural rules for the Board of Directors and place where they can be consulted

The procedural rules for the Board of Directors are available for consultation on the Company's website (www.cofina.pt) ("About Cofina" tab, "Corporate Governance" section).

23. Number of meetings held and attendance level of each member of the Board of Directors

Article 17 of the Company's Articles of Association provides that the Board of Directors shall meet whenever convened by its Chairman, on his/her own initiative or at the request of any other director, and at least once a month.

The quorum required to hold any meeting of the Board of Directors is deemed to be constituted provided that the majority of its members are present or duly represented.

In 2018, the Board of Directors met twelve times, with an attendance rate of 100% at all meetings.

The meetings of the Board of Directors are scheduled and prepared in advance, and documentation is made available in relation to the matters on its agenda in good time, in order to ensure that all the members have the necessary conditions to carry out their duties and adopt resolutions in a fully informed manner.

Likewise, the convening notices and, subsequently, the minutes of the meetings are sent to the Chairman of the Supervisory Board.

24. Indication of the governing bodies competent to assess the performance of the executive directors

In line with point 21 above, the Remuneration Committee is the body responsible for assessing the performance and approving the remuneration of the members of the Board of Directors and other governing bodies.

It is up to this committee, in compliance with the provisions of Article 2(1) of Law No. 28/2009, of 19 June, and Recommendation V.2.3 of the 2018 IPCG Corporate Governance Code, to prepare the Declaration on the Remuneration and Compensation Policy for Governing Bodies as well as, through the preparation of a proposal for approval, to submit it to scrutiny by the deliberative body par excellence for this matter, which is the General Meeting.

At least one member of the Remuneration Committee must be present at the Annual General Meetings where the Declaration on the Remuneration and Compensation Policy for Governing Bodies is deliberated on, in order to ensure the clarification of any issues that may arise. At the Annual General Meeting held in 2018, one of the members of that committee was present, namely Pedro Pessanha.

As the Remuneration and Compensation Policy for Governing Bodies, as set out in that Declaration, deserves the approval of the Shareholders at the General Meeting, it is up to this committee to fight for its application, monitoring its permanent adequacy to the reality of the Company.

25. Predetermined criteria for assessing the performance of the executive directors

The performance assessment for executive directors is based on predetermined criteria, based on performance indicators objectively established for each mandate, which are aligned with the medium/long-term strategy of the Company's performance and business growth.

The remuneration of the executive members of the Board of Directors includes a medium-term variable component (from 2011 to 2019, corresponding to three terms of office) calculated on the basis of objective and predetermined criteria, namely: (i) total return to the shareholder (share remuneration plus dividend paid); (ii) sum of the consolidated net income for the 9 years and; (iii) evolution of the Company's business.

26. Availability of each member of the Board of Directors, indicating the positions held simultaneously in other companies, inside and outside the Group, and other relevant activities carried out by the members of those bodies during the year

The commitment of COFINA's directors to the nature and requirements of the duties they have undertaken is total. In this sense, the Group's senior management is management that is present, close to the people and to the business.

Their professional activities, the indication of other companies where they perform management duties and the indication of other relevant activities performed by them are detailed in Annex I to this Report.

c) Committees within the management or supervisory body and delegated administrators

27. Identification of the Committees established within the Board of Directors and the place where the procedural rules can be consulted

The Board of Directors considers that, given its organisational structure and the size and complexity of the Company (as explained in detail in section 28 below), the only specialised committee required is the Remuneration Committee.

COFINA thus has a formally constituted Remuneration Committee, elected by the General Meeting for the 2017/2019 three-year term of office, as follows:

- João da Silva Natária – Chairman
- André Seabra Ferreira Pinto – Member of the Board
- Pedro Nuno Fernandes de Sá Pessanha da Costa – Member of the Board

The Remuneration Committee has a valid operating regulation for the current term of office, approved at the meeting of that same committee, which is available for consultation on the Company's website (www.cofina.pt) ("About Cofina" tab, "Corporate Governance" section).

28. Composition, if applicable, of the executive committee and/or identification of the chief executive(s)

As already mentioned throughout this Report, COFINA continuously monitors the adequacy of the current model. In this sense, this permanent monitoring has resulted in the conclusion that, due to its organisational structure, given the small size of the Board of Directors, which is composed of five members, it is unnecessary to formally appoint an Executive Committee within the Board of Directors.

The Board of Directors, which is composed of five members, does not require the formal appointment of an Executive Committee within it.

However, as mentioned in point 18 of this Report, of the five members of the Board of Directors, two perform executive functions – more practical or operational – according to the following:

- (i) prior and timely notification to all members of the Board of Directors of meetings of that body, including the agenda, even if provisional, of the meeting, accompanied by other relevant information and documentation;
- (ii) availability of executive directors to provide non-executive directors with all additional information deemed relevant or necessary, as well as for carrying out further studies and analyses in relation to all matters that are the subject of deliberation or that are in any way under consideration in the Company, as well as
- (iii) availability of the minutes books, records, documents and other information on operations carried out in the Company or its subsidiaries, for examination, as well as the availability and promotion of a direct channel for obtaining information from the directors and operations and financial managers of the subsidiaries in the group, without requiring any intervention by executive directors in this process.

As decisions of the Board of Directors are made by all its members, executive and non-executive, in the normal course of their duties, as a collegiate body, in an enlightened and informed manner, the Company considers that the necessary conditions are guaranteed for decisions on strategic matters to be fully focused on the creation of value for shareholders.

Nevertheless, and as mentioned above, the Board of Directors has regularly reflected on the adequacy of its organisational structure, and these reflections have always resulted in the conclusion that this structure is in compliance with the best corporate governance practices, which has been reflected in the positive performance of the Company.

29. Indication of the powers of each of the committees created and a summary of the activities carried out in the exercise of those powers

In line with points 21 and 24 above, the Remuneration Committee is the body responsible for assessing the performance and approving the remuneration of the members of the Board of Directors and other governing bodies.

It is up to this committee, in compliance with the provisions of Article 2(1) of Law No. 28/2009, of 19 June, and Recommendation V.2.3 of the 2018 IPCG Corporate Governance Code, to prepare the Declaration on the Remuneration and Compensation Policy for Governing Bodies as well as, through the preparation of a proposal for approval, to submit it for scrutiny by the deliberative body par excellence for this matter, which is the General Meeting.

As the Remuneration and Compensation Policy for Governing Bodies deserves the approval of the Shareholders at the General Meeting, it is up to this committee to fight for its application, monitoring its permanent adequacy to the reality of the Company.

Company Secretary

The Company Secretary has the following responsibilities:

- (i) To support the Chairman of the Board of the General Meeting in convening General Meetings, ensuring the receipt of information that, for purposes of participation and voting at the meeting, is sent to the Company in the person of the Chairman of the Board;

- (ii) To ensure the minutes and attendance list of the General Meetings of Shareholders;
- (iii) To supporting and supervise the preparation of supporting documents for General Meetings;
- (iv) To prepare the documentation necessary for convening the meetings of the Board of Directors, supervising their timely dispatch and their effective reception by all directors;
- (v) To support the flow of information between the Board of Directors and the Supervisory Body;
- (vi) To prepare responses to shareholders in accordance with the law and in matters for which it is competent or to obtain internal responses, from relevant areas, to ensure the provision of information to Shareholders; and
- (vii) To ensure timely registration of corporate resolutions with the Companies Registration Office.

The Company's secretarial duties were performed on a regular basis during 2018.

III. SUPERVISION

a) Composition

30. Identification of the supervisory body corresponding to the adopted model

The Supervisory Board and the Statutory Auditor are the supervisory bodies of the Company, according to the governance model adopted.

31. Composition of the Supervisory Board, indicating the minimum and maximum statutory number of members, duration of term of office, number of effective members, date of first appointment, and date of end of term of office of each member.

The Supervisory Board is appointed by the General Meeting of Shareholders for terms of three years and may be re-elected one or more times. It is composed of three members and one or two alternates, fully assuming the duties assigned to it by law, including the proposal for the appointment of the Statutory Auditor or Statutory Audit Firm, in compliance with the provisions of Article 413(1)(b) of the CSC, as well as Article 420(2)(b) of the CSC.

As at 31 December 2018, this body was composed of the following members:

- Pedro Nuno Fernandes de Sá Pessanha da Costa – Chairman
- António Luís Isidro de Pinho – Member of the Board
- Guilherme Paulo Aires da Mota Correia Monteiro – Member of the Board
- André Seabra Ferreira Pinto – Substitute Member of the Board

The members of the Supervisory Board, Pedro Nuno Fernandes de Sá Pessanha da Costa and André Seabra Ferreira Pinto were elected for the first time in April 2014, while members António Luís Isidro de Pinho and Guilherme Paulo Aires da Mota Correia Monteiro were elected for the first time in April 2017.

32. Identification of the members of the Supervisory Board who are considered independent under the terms of article 414(5) of the CSC

As a collegiate body, the assessment of the independence of the Supervisory Board is carried out on all its members, assessing the independence of each one of them in accordance with the definition given in Article 414(5) and incompatibility in accordance with the definition in Article 414-A(1), both of the CSC.

All the members of the Company's Supervisory Board thus comply with the rules of incompatibility and independence identified above, and are not in any of the situations of incompatibility laid down by law. This compliance is declared by the members in a statement that they individually signs and submit to the Company.

33. Professional qualifications and curricular references of each member of the Supervisory Board and other relevant curricular elements

All the members of COFINA's Supervisory Board have the training, skills and experience necessary to carry out their functions in full, in line with the provisions of Article 414(4) of the CSC and Article 3(2) of Law 148/2015 of 9 September. The Chairman of this body is adequately supported by the other members of the Supervisory Board.

Annex I to this Report presents the professional qualifications and other activities carried out by the members of the Supervisory Board.

b) Procedure

34. Existence of procedural rules for the Supervisory Board and place where they can be consulted

The procedural rules for the Supervisory Board are available for consultation on the Company's website, (www.cofina.pt) "About Cofina" tab, "Corporate Governance" section.

35. Number of meetings held and meeting attendance by each member of the Supervisory Board

During 2018, the Company's Supervisory Board met five times and there were no absences. The corresponding minutes are recorded in the book of minutes of the Supervisory Board.

36. 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 carried out

The members of the Supervisory Board have made a commitment to the Company, which they have scrupulously complied with and which is reflected in a level of availability that is fully in line with the interests of the Company.

Information on other positions held, qualifications and professional experience of the members of the Supervisory Board is detailed in Annex I.

c) Powers and duties

37. Description of the procedures and criteria applicable to the intervention of the Supervisory Body for the purpose of contracting additional services from the external auditor

It is the responsibility of the Supervisory Board to previously approve the provision of services other than audit services to be contracted from the External Auditor.

As a preliminary note, it should be mentioned that the Board of Directors, when considering the possibility of contracting additional services from the External Auditor or the Statutory Auditor, ensures, before communicating its decision to the Supervisory Board, that no services shall be contracted from those Auditors or Entities that are part of their network which, according to European Commission Recommendation No. C (2002) 1873, of 16 May, could jeopardise its independence.

Upon conclusion by the Board of Directors that the conditions are in place to submit the matter to the Supervisory Board, the latter will analyse, in advance and in depth, the scope of such additional services to be provided by the External Auditor and by the Statutory Auditor, taking a favourable decision if the analysis carried out indicates that: **(i)** the contracting of additional services does not jeopardise the independence of the External Auditor; **(ii)** a healthy balance is maintained between the normal audit services and the additional services whose performance is being analysed and **(iii)** the additional services whose provision is proposed do not constitute services whose provision was prohibited under Article 77(8) of Law No. 140/2015, of 9 September. In this analysis, the Supervisory Board also analyses if **(iv)** if the additional services will be provided in compliance with the quality levels in force in the Group, always bearing in mind that the objective of these services, should this occur, should not undermine the independence that is required when carrying out auditing duties.

In this regard, it should be noted that Ernst & Young Audit & Asociados – SROC, S.A., before accepting the award of the services, also carries out a rigorous internal assessment to ensure that the services it proposes to provide do not affect, under any circumstances, the independence criteria that it proposed to comply with when accepting the election to perform these duties.

The Company therefore considers that a triple degree of control is ensured, in the verification that the independence criteria are not compromised, when deciding to contract additional services from the External Auditor.

It should be added that the Supervisory Board also receives, on an annual basis, a declaration of independence from the External Auditor and the Statutory Auditor, which describes the services provided by the External Auditor and by other entities in the same network, the fees paid, any threats to their independence and measures for safeguarding against these.

All potential threats to the independence of the External Auditor, if any, as well as the safeguard measures, are evaluated and discussed, openly and transparently, by the Supervisory Board and the External Auditor.

38. Other duties of the supervisory bodies

The supervision of the Company is incumbent upon the Supervisory Board, which exercises these responsibilities in COFINA, as provided for in Article 420 of the CSC and its Regulations.

The Supervisory Board, in the performance of its statutory and legally assigned duties, has the following duties in particular:

- a) Supervising the Company's management;
- b) Ensuring compliance with the law and the memorandum of association;
- c) Annually preparing a report on its supervisory action and giving an opinion on the report and accounts and proposals submitted by the Management;
- d) Convening the General Meeting of Shareholders, when this is not, and should be, done by the chairman of the meeting board;
- e) Monitoring the effectiveness of the risk management system, the internal control system and the internal audit system;
- f) Receiving reports of irregularities, submitted by shareholders, employees of the Company or others;
- g) Contracting the provision of expert services to assist one or more of its members in the performance of their duties. The hiring and remuneration of experts shall take into account the importance of the matters entrusted to them and the economic situation of the company;
- h) Complying with the other duties contained in the law or the memorandum of association;
- i) Supervising the process of preparation and disclosure of financial information;
- j) Proposing the appointment of the Statutory Auditor to the General Meeting of Shareholders;

- k) Supervising the audit of the company's accounts and financial statements;
- l) Supervising the independence of the Statutory Auditor, particularly regarding the provision of additional services;

For the performance of the duties mentioned above, the Supervisory Board:

- a) Obtains from the Board, the information necessary for the exercise of its activities, in particular the operational and financial evolution of the company, changes in the composition of its portfolio, the terms of the operations performed and content of the decisions made;
- b) Monitors the risk management and internal control system, drawing up an annual appraisal report and recommendations for the Board of Directors if there are issues that justify this;
- c) Receives, at least five days before the date of its meeting, the consolidated and individual financial statements and the administration reports, analysing in particular the main changes, the relevant transactions and the corresponding accounting procedures, and clarifications obtained from Management, namely through the Board of Directors and the external auditor, and issues its assessments and decisions;
- d) Notifies the Management of the checks, inspections and procedures it has carried out and of the results thereof;
- e) Attends the General Meetings, as well as the meetings of the Board of Directors it is invited to or at which the accounts for the financial year are to be examined;
- f) Performs an annual self-assessment of its activities and performance, including a review of the regulations, with a view to developing and implementing improvements in its operation;
- g) Carries out the other duties of supervision that are required by law.

The Supervisory Board also represents the Company before the External Auditor and the Statutory Auditor, and is responsible for proposing the provider of these services and their remuneration, also ensuring that adequate conditions for the provision of these services are ensured within the group.

The Supervisory Board is the first recipient of the reports issued by the External Auditor and the Statutory Auditor, as well as the Group's interlocutor in the relationship with these bodies. It is also responsible for giving its opinion on relevant projects and work plans and on the adequacy of the resources allocated to the implementation of such projects.

The Supervisory Board is, therefore, responsible for drawing up an annual report on its supervisory action and issuing an opinion on the annual financial statements and proposals presented by the management and for supervising the effectiveness of the risk management and internal control system.

The Supervisory Board, in conjunction with the Board of Directors, regularly analyses and supervises the preparation and disclosure of the financial information, providing all the necessary support and expressly undertaking the commitment that there will be no undue or untimely access to the relevant information by third parties.

In addition, the supervisory body is called upon to intervene in order to issue an opinion whenever there are transactions between directors of COFINA and the Company itself or between COFINA and companies in a control or group relationship in which the intervening party is a director, in accordance with Article 397 of the CSC. This intervention by the Supervisory Board will be requested regardless of the degree of materiality of the operation in question.

The External Auditor, in turn, and as part of the Company's supervisory body, within the scope of the annual audit process, analyses *(i)* the operation of internal control mechanisms and reports any deficiencies identified; *(ii)* verifies whether the main elements of the internal control and risk management systems implemented in the Company in relation to the financial information disclosure process are presented and disclosed in the annual report on Corporate Governance and *(iii)* issues legal certification of the accounts and an Audit Report, in which it attests that the report disclosed on the corporate governance structure and practices includes the information referred to in article 66-B of the CSC in its current wording or, if not

included, ensures that such information is contained in a separate report also made available to shareholders, complies with the provisions of article 245-A of the Portuguese Securities Code, complies with the structure of CMVM Regulation No. 4/2013 and the information contained therein also includes a statement on compliance with the 2018 IPCG Corporate Governance Code.

During 2018, the Statutory Auditor monitored the development of the Company's activities and carried out the inspections and checks deemed necessary for the review and legal certification of the accounts, in conjunction with the Supervisory Board, which was always able to count on the full, speedy and expeditious cooperation of the Board of Directors in providing access to the information requested.

In line with the above, the Statutory Auditor has issued an opinion on the activities carried out by him in the 2018 financial year, which was included in the annual audit report that will be voted on by the Shareholders at the Annual General Meeting.

The supervisory body monitors and ensures compliance by COFINA and its subsidiaries with the legislation applicable at all times, in order to assess the Group's compliance levels in this area, which has been classified as high and aligned with the interests of the Company and its Shareholders.

Additionally, the Statutory Auditor gave his opinion of the activities undertaken in 2018 in his annual audit report, which is subject to the evaluation of the Annual General Meeting of Shareholders.

IV. STATUTORY AUDITOR

39. Identification of the statutory audit firm and the statutory auditor that represents it

The Company's statutory auditor for the 2017/2019 three-year period is Ernst & Young Audit & Associados, SROC S.A., represented by Rui Manuel da Cunha Vieira or Rui Abel Serra Martins.

40. Indication of the number of consecutive years in which the statutory auditor has performed duties for the company and/or group

Ernst & Young Audit & Associados, SROC S.A. conducted the statutory audit of the Company and its group companies for the first time in 2017, having been appointed for a first term of office, following a proposal by the Supervisory Board, at the General Meeting of Shareholders held on 26 April 2017.

41. Description of other services provided by the Statutory Auditor to the company

The Statutory Auditor is also the External Auditor of the Company, as detailed in the points below.

V. EXTERNAL AUDITOR

42. Identification of the external auditor appointed for the purposes of Article 8 and of the partner that represents it in the performance of these duties, as well as its CMVM registration number

The Company's External Auditor, appointed for the purposes of Article 8 of the Portuguese Securities Code, is Ernst & Young Audit & Associados, SROC S.A., registered with the CMVM under No. 2016480, represented by Rui Manuel da Cunha Vieira or Rui Abel Serra Martins.

43. Indication of the number of consecutive years in which the external auditor, and the statutory auditor partner representing the external auditor in the performance of its duties, have performed duties with the company and/or the group.

The External Auditor was elected for the first time in 2017 and is in the second year of its first mandate, as are the partners who represent it.

44. Policy and frequency of rotation of the external auditor and the statutory auditor partner representing it

With regard to the rotation of the External Auditor, the Company had not established, by the date of entry into force of the new Statutory Auditors Regulations, approved by Law No. 140/2015, of 7 September, a policy for the rotation of the External Auditor. This policy is based on a predetermined number of mandates, taking into account, in particular, the fact that such a rotation policy does not constitute a common or usual practice and that the Company, by constantly monitoring the adequacy and fairness of the current model, has never identified situations of loss of independence or any other situations that might recommend the adoption of a formal policy that would require such rotation.

The entry into force of the new Statutory Auditors Regulations, on 1 January 2016, established a new system applicable to the rotation of statutory auditors for companies whose shares are admitted to trading on a regulated market, as is the case of the Company. Therefore, during 2016, the Supervisory Board began a selection process for the election of a new statutory auditor who, meeting all legal requirements in terms of technical skills and independence, could be proposed at the Annual General Meeting, which took place at the 2017 Annual Meeting of Shareholders.

In this sense, the Company does not have a formal, internal policy that provides for the rotation of the External Auditor, considering it unnecessary, as it complies with the legal requirements in this matter, to the fullest extent.

45. Indication of the body responsible for assessing the external auditor and the frequency at which this assessment is carried out

Throughout the year, the Supervisory Board, in the performance of its duties, monitors the performance of the External Auditor and carries out an annual assessment of its independence. In addition, the Supervisory Board promotes, whenever necessary or appropriate in light of developments in the Company's activity or legal or market requirements, reflection on the suitability of the External Auditor at the level required for the performance of its duties.

46. Identification of work, other than audit work, carried out by the external auditor, as well as an indication of the internal procedures for the purpose of approving the contracting of such services and an indication of the reasons for contracting them

In 2018, the External Auditor did not provide any services other than audit services.

47. Indication of the amount of annual remuneration paid to the auditor and other natural or legal persons belonging to the same network and a breakdown of the percentage related to the following services:

<u>By the Company</u>	<u>2018</u>	<u>%</u>	<u>2017</u>	<u>%</u>
Price of audit services (€)	1,000	1.69%	1,000	1.72%
Price of reliability assurance services (€)	-	0.00%	-	0.00%
Price of tax consultancy services (€)	-	0.00%	-	0.00%
Price of other services (€)	-	0.00%	-	0.00%
<u>By entities that are part of the group</u>				
Price of audit services (€)	58,160	98.31%	57,000	98.28%
Price of reliability assurance services (€)	-	0.00%	-	0.00%
Price of tax consultancy services (€)	-	0.00%	-	0.00%
Price of other services (€)	-	0.00%	-	0.00%
<u>Total</u>				
Price of audit services (€)	59,160	100.00%	58,000	100.00%
Price of reliability assurance services (€)	-	0.00%	-	0.00%
Subtotal for audit services	59,160	100.00%	58,000	100.00%
Price of tax consultancy services (€)	-	0.00%	-	0.00%
Price of other services (€)	-	0.00%	-	0.00%
	59,160	100.00%	58,000	100.00%

C. INTERNAL ORGANISATION

I. Articles of Association

48. Rules applicable to the amendment of the company's articles of association

Amendments to the articles of association follow the relevant legal terms, in particular those of the CSC, which require a two-thirds majority of the votes cast for the approval of that decision.

II. Reporting irregularities

49. Means and policy for communicating irregularities occurring in the company

Any reports of irregularities from any employee, partner, supplier or any other stakeholder must be sent to the Supervisory Board.

The COFINA Group has a specific mechanism for reporting irregularities that constitute violations of an ethical or legal nature with a significant impact on the fields of accounting, combating corruption and banking or financial crime (whistleblowing), which safeguards the confidentiality of the information reported and the identity of the reporting party whenever requested.

If the Board of Directors receives any requests for clarification or expressions of concern related to whistleblowing, it shall immediately refer the matter to the Supervisory Board.

Reports of any irregularity or indication of irregularity to the Supervisory Board shall be made by letter in a sealed envelope with reference to its confidentiality and sent to the following address: Rua Manuel Pinto de Azevedo, No. 818, 4100-320 Porto. Anonymous complaints will only exceptionally be accepted and processed.

It should be noted that during the 2018 financial year, no reports of irregularities were reported to the Company's Supervisory Board.

III. Internal control and risk management

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

Risk management, as a cornerstone of the principles of good corporate governance, is an area considered fundamental in COFINA, which promotes the constant awareness of all its employees at different levels of the organisation, instilling this responsibility into them in all decision-making processes.

Risk management is carried out with a view to creating value, with clear identification of the circumstances that constitute a threat likely to affect the business goals.

Environmental management, based on sustainability criteria, and Social Responsibility play an increasingly decisive role within the organisation, and risk management is also monitored in these areas, with increasing accuracy.

Although there is no formally established department, the COFINA Group ensures that each department is sufficiently aware of the need to identify and quantify the risk associated with all decisions, with well-defined criteria which allow them to judge independently and in each individual case, whether the risk can be assumed by the Board or whether the decision to take it, based on criteria of materiality or exposure of the Group, should be submitted to the Board of the company in question, whether it is COFINA or any of its subsidiaries. Therefore, the Group's operational teams act based on clear criteria of *(i)* levels of risk assumption and who should make the decision to take them or not and *(ii)* the identification of ways to mitigate them.

Risk management is thus ensured by all COFINA departments, based on the following methodology, which includes several stages:

- Initially, internal and external risks which may materially affect the pursuit of the Group's strategic objectives are identified and prioritised;
- The operations managers of the Group's various departments identify the risk factors and events that may affect the operations and activities of COFINA, as well as any processes and control mechanisms;
- Additionally, the impact and probability of occurrence of each risk factor are weighted and, depending on the level of exposure, the need for a response to the risk is assessed; and
- Risk mitigation actions are monitored and the level of exposure to critical factors is constantly monitored.

It is up to the Board of Directors, at all times, to decide the level of exposure of the Group in its different activities and, without prejudice to the delegation of duties and responsibilities, to define overall risk limits and ensure that the risk management policies and procedures are complied with.

In monitoring the risk management process, the Board of Directors, as the body responsible for COFINA's strategy, has the following table of goals and responsibilities:

- To know the most significant risks affecting the Group;
- To ensure the existence within the Group of appropriate levels of knowledge of the risks affecting operations and how to manage them;
- To ensure the dissemination of the risk management strategy at all hierarchical levels;
- To ensure that the Group has the capacity to minimise the probability of occurrence and the impact of business risks;

- To ensure that the risk management process is adequate and that rigorous monitoring of the risks with the greatest probability of occurring and impact on the Group's operations is carried out; and
- To ensure permanent communication with the Supervisory Board, making it aware of the level of risk exposure taken on and requesting, whenever necessary, the opinions of this body that it deems necessary for conscious and informed decision-making, ensuring that the risks identified and the policies defined are analysed from the multidisciplinary perspectives that guide the Group's operations.

The subsidiaries manage the risks within the established criteria and delegations.

The Supervisory Board continuously monitors and supervises the performance of the group in this area.

Based on this methodology, COFINA has been able to conclude that it has succeeded in ensuring greater awareness in decision-making at all levels of the organisation, given the inherent responsibility of each internal player, which contributes to people feeling empowered, truly involved and participating actively in the performance of the Company.

COFINA, as has been said several times throughout this Report, continuously monitors the appropriateness of its model in the area of risk management and has concluded, to date, that this model has proved to be totally appropriate in view of its organisational structure.

51. Explanation of the hierarchical and/or functional dependency relationships with other company bodies or committees

The Supervisory Board is responsible for assessing the operation of risk management mechanisms, and it is to this body that the control procedures considered appropriate for the respective mitigation are reported. It is therefore the responsibility of this body to supervise the actions taken by the Company in these matters and to periodically check that the risks effectively incurred by the Company are consistent with those laid down by the Board of Directors.

The External Auditor, in the exercise of its duties, verifies the appropriateness of the mechanisms and procedures in question, ensuring the reporting of its conclusions to the Supervisory Board.

The Board of Directors is responsible for monitoring such mechanisms and procedures.

52. Existence of other functional areas with risk control competencies

In COFINA, risk management is ensured by all departments and operational units, as described in point 51 above. COFINA, as has also been said several times throughout this Report, continuously monitors the appropriateness of its model in this area of risk management and has concluded, to date, that this model has proved to be totally appropriate in view of the Company's organisational structure.

53. Identification and description of the main types of risks (economic, financial and legal) to which the company is exposed in the performance of its activities

The Board of Directors considers that the Group is exposed to normal risks arising from its activities, particularly in its operational units. The following risk factors stand out:

Credit Risk

As with any activity involving a commercial component, Credit Risk is an important factor taken into consideration by the Management in the operational units.

In a first approach, credit risk is managed through continuous analysis of the credit rating of each customer, prior to its acceptance, and secondly, through the adequacy of the terms granted for payment.

The assessment of credit risk is carried out on a regular basis, taking into consideration the current economic conditions and the specific credit situation of each of the companies, and corrective procedures are adopted whenever necessary.

Credit risk is essentially related to accounts receivable resulting from the operations of Group companies. This risk should be reduced through the policy in place of offering financial discounts for advance or prompt payment. This risk is monitored on a regular basis by each of the COFINA Group companies with the aim of:

- Limiting the credit granted to clients, taking the profile and age of the accounts receivable into consideration;
- Monitoring the evolution of the level of credit granted;
- Analysing the recoverability of receivables on a regular basis.

Interest Rate Risk

Considering the indebtedness to which the Group is exposed, possible fluctuations in interest rates may have an undesirable impact on results. In this sense, the Group tries to optimise the balance between the cost of debt and the exposure to the variability of interest rates by managing interest rate risk appropriately. Therefore, when the desired limit of exposure to interest rate risk is considered to have been exceeded, interest rate swaps are contracted that cover the Group's exposure to risk and that mitigate the volatility of its results.

Interest rate risk is essentially related to the interest incurred with the contracting of commercial paper programmes and bond loans at a variable interest rate. In order to reduce the level of risk to which the Group is exposed, in the past, COFINA has contracted risk hedging products where it sets the interest rate. As at 31 December 2018, the Group has not contracted any interest rate hedging products.

The Group's sensitivity to changes in interest rates is limited by contracting hedging products as referred to above, which are recorded at their market value determined by reference to external valuations performed by independent bodies.

Liquidity risk

These risks may occur if the sources of financing, such as operating cash flows, disinvestment, credit lines and cash flows obtained through financing operations, do not meet financing needs, such as cash outflows for operating and financing activities, investments, shareholder remuneration and debt repayment.

In order to mitigate this risk, the Group seeks to maintain a net position and an average maturity of the debt that allows it to be amortised at appropriate periods.

Legal, Tax and Regulatory Risks

COFINA, as well as its business, has permanent legal, tax and regulatory advice, which works in conjunction with the business areas, preventively ensuring the protection of the Group's interests in scrupulous compliance with the legal provisions applicable to the Company's business areas.

This advice is also supported at national and international level by external service providers that COFINA contracts from among firms of recognised reputation and in accordance with high standards of competence, rigour and professionalism.

However, COFINA and its subsidiaries may be affected by legal changes in Portugal and in the European Union or in other countries where it operates. Naturally, COFINA does not control such changes, which, if they occur, could have an adverse impact on the Group's business and could, consequently, hinder or impede the achievement of its strategic objectives.

The Group's attitude is one of permanent cooperation with the authorities in respect and observance of the legal provisions.

Market Risk

Competition

Risk related to the entry of new competitors or the repositioning of current competitors and the actions they may take to gain market shares (introduction of new products, services, etc.). The inability to compete in areas such as price, range of products, quality and service can have very adverse effects on the Group's financial results. In order to minimise this risk, COFINA carries out constant benchmarking of its competitors' actions and invests in new formats and products, in order to offer its clients proposals that are always innovative.

Clients

A key risk factor in the media sector is the propensity of consumers for varying their consumption patterns, depending mainly on social and economic factors.

Consumers frequently change their preferences and expectations, which requires continuous adaptation and optimisation of the product offer. In order to anticipate market and consumer trends, the Group regularly analyses information on reader behaviour, based on market research and the opinion of independent bodies with a good reputation in the market.

54. Description of the process of risk identification, evaluation, monitoring, control and management

As described in Point 52, the Board of Directors is the body responsible for defining the Group's general strategic policies, including the risk management policy, and is duly supported by the management teams of the subsidiaries, which ensure not only permanent monitoring, but also the reporting to the Board of Directors of COFINA, of the situations detected, in order to ensure permanent and effective risk control.

The operation of the process for identifying and assessing, monitoring, controlling and managing risks in COFINA is as follows:

The risks that the Group faces in the normal course of its business are identified. For all risks identified as material, the impact on the Group's financial performance and value is measured. Subsequently, a comparative study is made of the value at risk with the costs of the hedging instruments, if available, and, consequently, the evolution of the risks identified and the hedging instruments is monitored. This process is, more or less, according to the following methodology:

Initially, internal and external risks which may materially affect the pursuit of the Group's strategic objectives are identified and prioritised;

- The operations managers of the Group's various operational units identify the risk factors and events that may affect the operations and activities of COFINA, as well as any processes and control mechanisms;
- Additionally, the impact and probability of occurrence of each risk factor are weighted and, depending on the level of exposure, the need to respond to the risk is assessed; and
- Risk mitigation actions are monitored and the level of exposure to critical factors is constantly monitored.

The Company has been implementing additional risk management strategies aimed at ensuring, essentially, that the control systems and procedures and the policies in place allow it to meet the expectations of management bodies, shareholders and other stakeholders.

Among these strategies, the following stand out:

- The control systems and procedures and the policies in place are in accordance with all applicable laws and regulations and are effectively applied;
- Financial and operational information is complete, reliable, safe and reported periodically and in a timely manner;
- COFINA's resources are used efficiently and rationally; and
- Shareholder value is maximised and operational management takes the necessary measures to correct aspects reported.

Once this process has been completed, the Board of Directors, in its capacity as executive body, is responsible for deciding on this matter, acting in accordance with the terms it believes best serve the interests of the Company and its Shareholders at all times.

55. Main elements of the internal control and risk management systems implemented in the company with regard to the financial information disclosure process

Regarding risk control in the financial information disclosure process, only a very restricted number of COFINA employees are involved in this process.

All those involved in the Company's financial analysis process are deemed to have access to privileged information and, in particular, they are kept informed of their obligations, as well as the penalties arising from the misuse of this information;

The internal rules applicable to the disclosure of financial information aim to ensure its timely disclosure and prevent asymmetric access to information by the market.

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

- The use of accounting principles, which are detailed in the notes to the financial statements, is one of the bases of the control system;
- The plans, procedures and records of the Company and its subsidiaries provide reasonable assurance that only duly authorised transactions are recorded and that these transactions are recorded in accordance with the generally accepted accounting principles;
- The financial information is examined by the operational unit managers on a systematic and regular basis, thus providing for constant monitoring and budget control;
- During the process of preparing and reviewing the financial information, a schedule is first drawn up and shared with the different areas involved and all the documents are carefully reviewed;
- With regard to the individual financial statements of the various group companies, the accounting records and the preparation of the financial statements are ensured by the administrative and accounting services. The financial statements are prepared by the chartered accountants and reviewed by each subsidiary's financial management board;
- The consolidated financial reports are prepared quarterly by the consolidation team. This process constitutes an additional element of control of the reliability of financial information, particularly by ensuring the uniform application of accounting principles and operation cut-off procedures, as well as the verification of balances and transactions between group companies;

- The consolidated financial statements are prepared under the supervision of the financial management board. The documents comprising the annual report are sent to the Board of Directors for review and approval. Following approval, the documents are sent to the External Auditor, who issues the Statutory Audit Certificate and the External Audit Report;
- The process of preparation of the individual and consolidated financial information and the Management Report is managed by the Board of Directors and supervised by the Supervisory Board. Quarterly, these bodies analyse the Company's consolidated financial statements.

With regard to the risk factors that may materially affect the accounting and financial reporting, we highlight the use of accounting estimates that are based on the best information available at the date of preparation of the financial statements, as well as knowledge and experience of past and/or present events. Also of note are the balances and transactions with related parties: in the COFINA Group, balances and transactions with related parties refer essentially to the current operating activities of the group companies, as well as to the granting and obtaining of loans at market rates.

The Board of Directors, together with the Supervisory Board, regularly analyses and supervises the preparation and disclosure of financial information, in order to prevent undue or untimely access by third parties to relevant information.

IV. Investor Support

56. Service responsible for investor support, composition, duties, information made available by this service and contact information

In compliance with the applicable legal provisions, as well as the CMVM regulations on this matter, COFINA ensures, always at first hand, the disclosure to its shareholders and to the market in general of all the information related to the business of group companies that falls under the scope of privileged information.

In this way, COFINA has been able to ensure, on a permanent and timely basis, the disclosure of information to its shareholders and to the market in general, at the precise moment when it takes on the nature of privileged information.

The Company has an Investor Relations Office which includes the Group's Market Liaison Officer and the Investor Relations.

Investors may obtain information through the following channels:

Rua Manuel Pinto de Azevedo, 818
4100-320 Porto
Tel: + 351 22 834 65 00
Fax no.: + 351 22 834 65 09
E-mail: sede@cofina.pt

Through its official website (www.cofina.pt), COFINA provides financial information on its individual and consolidated activities and those of its subsidiaries. This website is also used by the company for issuing press releases with an indication of any facts relevant to company life, which are always subject to prior disclosure in the CMVM Information Disclosure System. This page also contains the Group's financial statements for the last few years. Most of the information is available on the Company's website in Portuguese and English.

57. Market Liaison Officer

The position of Market Liaison Officer is held by Miguel Valente and the position of Investor Relations by Ricardo Mendes Ferreira.

58. Information on the proportion and the deadline for replying to information requests received during the year or pending from previous years.

Whenever necessary, the Market Liaison Officer ensures the provision of all relevant information regarding significant events, facts considered to be relevant, quarterly disclosure of results and responses to any requests for clarification by investors or the general public on public financial information. All information requests from investors are analysed and answered within a maximum period of five business days.

V. Website

59. Address(es):

COFINA has a website with information on the Company and the Group. The address is www.cofina.pt.

60. Place where information on the company's name, public company status, registered office and other information referred to in Article 171 of the Portuguese Companies Act is available

www.cofina.pt \ investors \ company profile

61. Place where the articles of association and the procedural rules of the company bodies and/or committees are available

www.cofina.pt \ investors \ articles of association
www.cofina.pt \ about cofina \ corporate governance \ archive

62. Place where information on the identity of members of the governing bodies, the market relations representative and the Investor Support Office, or its equivalent, their duties and means of access are available

www.cofina.pt \ about cofina \ corporate governance \ archive
www.cofina.pt \ investors \ ir contacts
www.cofina.pt \ investors \ investor support office

63. Place where the financial statements are made available, which must be accessible for at least five years, as well as the half-yearly calendar of company events, disclosed at the beginning of each half year, including general meetings, disclosure of annual, half-yearly and, if applicable, quarterly accounts

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

64. Place where the notice for the General Meeting of Shareholders and all related preparatory and subsequent information are disclosed

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

65. Place where the records of all the decisions made at Company General Meetings, the share capital represented and the voting results for the 3 previous years are available

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

D. REMUNERATION

I. Decision-making powers

66. Indication of the powers for determining the remuneration of the governing bodies

The Remuneration Committee is the body responsible for approving the remuneration of the members of the Board of Directors and other governing bodies, in representation of the shareholders and in accordance with the remuneration policy approved by the Shareholders at the General Meeting.

II. Remuneration committee

67. Composition of the Remuneration Committee, including the identification of individuals or companies contracted to provide support and a declaration on the independence of each member and consultant

COFINA currently has a Remuneration Committee, elected at the General Meeting of Shareholders to serve a three-year term, starting in 2017 and ending in 2019, and whose composition is as follows:

- João da Silva Natária – Chairman
- André Seabra Ferreira Pinto – Member of the Board
- Pedro Nuno Fernandes de Sá Pessanha da Costa – Member of the Board

All members of the Remuneration Committee are independent of the members of the Board of Directors and of any other interest group.

With regard to the identification of natural or legal persons contracted to provide support to this Committee, it should be noted that its duties include the freedom to contract, at the Company's expense and in compliance with reasonable criteria in this regard, external service providers who may carry out independent evaluations, studies and prepare reports that may assist that committee in the full and complete exercise of its duties, as further explained in Point 68 below.

This committee should draw on benchmarking studies on remuneration policies, ensuring that the Declaration on the Remuneration and Compensation Policy for Governing Bodies is in line with the best practices in use in companies of equal importance and size.

In 2018, this committee did not consider it necessary to contract any persons or entities to support their decision making.

68. Knowledge and experience of the members of the remuneration committee with regard to the remuneration policy

The professional experience and qualifications of the members of the Remuneration Committee can be consulted in their background records available on the Company's website at www.cofina.pt, "Investors" tab, "General Meetings/2017/Background Records" section.

COFINA considers that the professional experience and career of the members of the Remuneration Committee are fully adequate for the performance of the duties assigned to them, allowing these members to perform them with the rigour and efficiency required. Without prejudice to the qualifications of the other members, it makes sense to single out João da Silva Natária, for his high level of experience and specific knowledge in evaluation and remuneration policy matters.

Furthermore, and in addition to what has already been mentioned in Point 67 above, whenever necessary, the committee uses specialised internal or external resources to support its deliberations.

In such cases, the Remuneration Committee freely decides, for COFINA, on the contracting of the consultancy services deemed necessary or appropriate, taking care to ensure that the services are provided independently and that the providers are not contracted to provide any other services to COFINA or its subsidiaries without the express authorisation of the Remuneration Committee.

III. Remuneration structure

69. Description of the remuneration policy for the management and supervisory bodies referred to in Article 2 of Law No. 28/2009, of 19 June

As stipulated in Law No. 28/2009, of 19 June, a declaration on the remuneration policy of the management and supervisory bodies is submitted annually to the General Meeting for approval.

The remuneration and compensation policy for the governing bodies of COFINA, approved at the General Meeting of 4 May 2018, complies with the following principles:

BOARD OF DIRECTORS:

When establishing the value of the individual remuneration of each director, the following will be taken into account:

- The duties performed in the Company and in the different subsidiaries;
- Responsibility and added value for individual performance;
- The knowledge and experience accumulated in the performance of their duties;
- The economic situation of the Group;
- The remuneration earned in companies in the same sector and other companies listed on Euronext Lisbon.

The overall fixed remuneration of the Board of Directors, including the remuneration paid by subsidiaries to members of the Board of Directors, may not exceed €1,250,000.00 per year.

1. Executive administration

- Fixed component, amount paid monthly.
- Medium-term variable component: intended to more closely align the interests of executive directors with those of the shareholders. It will be calculated for a period of three mandates, corresponding to the period between 2011 and 2019, based on:
 - Total shareholder return (appreciation of the share plus dividend paid);
 - Sum of the net income for 9 years (2011 to 2019)
 - Evolution of the Group's businessThe total value of the medium-term variable component may not exceed 50% of the fixed remuneration earned during the 9-year period.

2. Non-executive administration

The individual remuneration of any non-executive director may not exceed 100,000 Euro/year, and is in the form of fixed remuneration only.

SUPERVISORY BOARD

The remuneration of the members of the Supervisory Board shall be based on fixed annual amounts, at levels considered adequate for similar duties

GENERAL MEETING

The remuneration of the board of the General Meeting shall be in the form of fixed remuneration only and shall follow market practices.

STATUTORY AUDITOR

The Statutory Auditor will receive fixed remuneration appropriate to the performance of his duties and in accordance with market practices, under the supervision of the Supervisory Board.

COMPENSATION PAYMENTS FOR TERMINATION OF DUTIES BEFORE OR AT THE END OF THE TERM OF OFFICE

The remuneration policy maintains the principle of not including the payment of compensation to directors, or members of other governing bodies, associated with the early termination of their duties or at the end of their mandates, without prejudice to compliance by the Company with the legal provisions in force in this area.

It should be added that, in 2018, there was no payment of any compensation to former directors.

SCOPE OF PRINCIPLES

The principles of the remuneration and compensation policies set out in this declaration cover not only all the remuneration paid by COFINA, but also the remuneration paid to the members of the Board of Directors by companies directly or indirectly controlled by it.

70. Information on how remuneration is structured in such a way as to align the interests of the members of the Board of Directors with the long-term interests of the company, as well as on how it is based on performance evaluation and how it discourages excessive risk-taking

The remuneration policy for executive directors aims to ensure adequate a rigorous compensation for the performance and contribution of each director to the success of the organisation, aligning the interests of the executive directors with those of the Shareholders and the Company. In addition, the remuneration policy provides for a medium-term variable component, indexed to the Company's performance, aimed at aligning the interests of executive directors more closely with those of shareholders and with the long-term interests of the Company.

The proposals for the remuneration of the executive directors are drawn up taking into account: *(i)* the duties performed in COFINA and in the different subsidiaries; *(ii)* responsibility and added value for individual performance; *(iii)* the knowledge and experience accumulated in the performance of their duties; *(iv)* the economic situation of the Company; *(v)* the remuneration earned in companies in the same sector and other companies listed on Euronext Lisbon. In relation to the last point, the Remuneration Committee takes into account, within the limits of the information available, all national companies of equivalent size, particularly those listed on Euronext Lisbon, and also companies in other international markets with characteristics equivalent to those of COFINA.

71. Reference to the existence of a variable component of the remuneration and information on the possible impact of the performance assessment on this component

At the General Meeting of 4 May 2018, the remuneration policy was approved as detailed in Point 69 above, which provides for a variable component depending on performance in the period between 2011 and 2019.

There are no mechanisms to prevent executive directors from entering into contracts that call into question the *raison d'être* of variable remuneration. However, the Remuneration Committee takes these factors into account in the criteria for determining the variable remuneration.

The Company has not entered into any contracts with members of the Board of the Board of Directors that have the effect of mitigating the risk inherent to the variability of remuneration, nor is it aware of any identical contracts entered into with third parties.

72. Deferred payment of the variable component of remuneration, mentioning the deferral period

There is currently no variable remuneration whose payment has been deferred over time.

73. Criteria for attribution of the variable remuneration in shares

COFINA does not have any form of remuneration in force under which shares or any other share-based incentive system are granted, nor have any such forms of remuneration been contemplated.

74. Criteria for attribution of the variable remuneration in options

COFINA does not have any form of remuneration in force in which the granting of rights over options takes place, nor have any such forms of remuneration been contemplated.

75. Main parameters and grounds for any annual bonus scheme and other non-cash benefits

COFINA does not have any system of annual bonuses or other non-cash benefits additional to the variable remuneration, as described above.

76. Main characteristics of the supplementary pension or early retirement schemes for the directors and date of their individual approval at the general meeting

COFINA has no supplementary pension or early retirement schemes in place for the members of management and supervisory bodies.

IV. Remuneration disclosure

77. Indication, on an aggregated and individual basis, of the annual amount of the remuneration received by the members of the company's management bodies, including fixed and variable remuneration and with reference to the different components giving rise to the variable remuneration

The remuneration earned by the members of the Board of Directors of COFINA during 2018, for the performance of their duties, included only fixed remuneration and was paid directly by COFINA and not by any of its subsidiaries. The total amounted to 122,000 Euro, broken down as follows: Paulo Fernandes – 40,000 Euro; João Borges de Oliveira – 40,000 Euro; Domingos Matos – 14,000 Euro; Pedro Borges de Oliveira – 14,000 Euro; Ana Mendonça – 14,000 Euro.

78. Any amounts paid by controlled or group companies or those under shared control

The remuneration of the members of the Board of Directors was fully paid by COFINA and, as at 31 December 2018, there were no directors receiving remuneration from other Group companies.

79. Remuneration paid in the form of profit-sharing and/or payment of bonuses and the reasons for granting such bonuses and/or profit-sharing

During the financial year, no remuneration was paid as profit sharing or in the form of bonuses.

80. Payments made or owed to former executive directors as a result of Loss of Office during the financial year

During the financial year, no amounts were paid or are owed in respect of compensation to directors whose duties have ceased.

81. Indication, on an aggregated and individual basis, of the annual amount of the remuneration received by the members of the Company's supervisory bodies

The remuneration of the members of the Supervisory Board is composed of a fixed annual amount based on COFINA's situation and current market practices in a company of equal importance and size. In the year ending on 31 December 2018, the remuneration of the members of the Supervisory Board amounted to 28,620 Euro, distributed as follows: Pedro Pessanha – 12,000 Euro; António Pinho – 8,310 Euro; Guilherme Monteiro – 8,310 Euro.

The remuneration received by the Statutory Auditor is detailed in point 47 above.

82. Indication of the remuneration of the chairman of the general meeting of shareholders in the year under review

The remuneration of the Chairman of the Board of the General Meeting of Shareholders for the year ending on 31 December 2018 amounted to 3,500 Euro and the remuneration of the secretary of the board of the general meeting amounted to 1,500 Euro.

V. Agreements with remuneration implications

83. Contractual restrictions on compensation payable for unfair removal of a director and its relationship with the variable component of the remuneration

The remuneration policy maintains the principle of not including the granting of compensation to directors, or members of other governing bodies, associated with the early termination of their duties or at the end of their mandates, without prejudice to compliance by the Company with the legal provisions in force in this area.

84. Reference to the existence and description, with an indication of the amounts involved, of agreements between the company and the members of the board of directors and managers, under article 248-B(3) of the Portuguese Securities Code, which provide for compensation in the event of resignation, unfair dismissal or termination of the employment relationship, following a change in the control of the company

There are no agreements between the Company and the members of the board of directors or managers of COFINA, under article 248-B(3) of the Portuguese Securities Code, which provide for compensation in case of resignation, unfair dismissal or termination of the employment relationship, following a change in the control of the Company. Nor are there any agreements with the directors to ensure any compensation in case of non-renewal of the mandate.

VI. Plans for attribution of shares or stock options

85. Identification of the plan and those it applies to

COFINA does not have any plan to attribute shares or stock options to members of the governing bodies or their employees.

86. Description of the plan

COFINA does not have any plan to attribute shares or stock options.

87. Stock option rights attributed to company employees

No stock option rights are attributed to company employees

88. Control mechanisms included in any employee share scheme where the voting rights are not exercised directly by the employees

Not applicable as stated above.

E. TRANSACTIONS WITH RELATED PARTIES

I. Control mechanisms and procedures

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

Transactions with related parties, when they exist, and when they are materially relevant, comply with all legal requirements, including obtaining a prior favourable opinion from the Company's supervisory body.

The Company's supervisory body has access to the terms of the potential operation to be carried out, with a rigorous level of detail, and may also request any clarification and additional information it considers appropriate or necessary.

Its opinion is, naturally, binding.

On the other hand, the Company bases its performance, in all areas and especially in this one, on criteria of rigour and transparency.

For this reason, the Company has considered, to date, that it has not been necessary to adopt a formal policy that establishes materiality criteria insofar as potential transactions that take on this materiality are subject to close scrutiny under the terms laid down by law.

It should also be noted that the Company provides the Supervisory Board with all the information that it requests, at least quarterly, including, in particular, the reporting of transactions with related parties, and that there has never been a question of any transaction that could jeopardise the rigour and transparency of the Company's operations, without the procedure for requesting a prior opinion from the Supervisory Board having been followed.

90. Indication of the transactions subject to control in the year under review

In 2018, no other significant business or commercial transactions were carried out between the Company and the holders of qualifying holdings or reported to the Company.

It should also be noted that no deals or transactions were made with members of the Supervisory Board.

The transactions carried out by the Company with companies in a control or Group relationship do not assume materiality worthy of note, but were carried out under normal market conditions. All of these are within the scope of the Company's current activity and do not need to be disclosed separately.

91. Description of the procedures and criteria applicable to the intervention of the supervisory body for the purpose of conducting a prior assessment of the transactions to be concluded between the company and holders of qualified holding or entities with whom they are in a relationship

Transactions with directors of COFINA or with companies that are in a group or control relationship with the company that party is a director of, regardless of the amount, are always subject to prior authorisation from the Board of Directors, on the assumption that a favourable opinion has been issued by the supervisory body, under the terms laid down by Article 397 of the CSC.

Transactions with related parties, when they exist, and when they are materially relevant, comply with all legal requirements, including obtaining a prior favourable opinion from the Company's supervisory body.

In 2018, it was not necessary for the Supervisory Board to issue any opinion given that there were no transactions that could be subject to assessment by that body.

II. Elements related to businesses

92. Indication of the place where the information on the accounting documents of related party business relationships is available

Information on business with related parties can be found in Note 28 of the Notes to the consolidated financial statements and Note 19 of the Notes to the individual financial statements of the Company.

PART II – ASSESSMENT OF CORPORATE GOVERNANCE

1. Identification of the corporate governance code adopted

This corporate governance report presents a description of the corporate governance structure in force at COFINA, as well as the policies and practices whose adoption under this model is necessary and appropriate to ensure governance in line with the best practices in this area.

The assessment performed complies with the legal requirements of Article 245-A of the Portuguese Securities Code and also discloses, in light of the comply or explain principle, the degree of compliance with the IPCG Recommendations included in the 2018 IPCG Corporate Governance Code, as this is the Corporate Governance Code adopted by the Company.

The information obligations required by Law No. 28/2009, of 19 June, as well as by articles 447 and 448 of the CSC and by CMVM Regulation No. 5/2008, of 2 October 2008, are also complied with.

All the legal provisions mentioned in this Report and the Recommendations contained in the 2018 IPCG Corporate Governance Code may be consulted at www.cmvm.pt and <https://cgov.pt/images/ficheiros/2018/codigo-pt-2018-ebook.pdf>, respectively.

2. Analysis of compliance with the Corporate Governance Code adopted

COFINA has been encouraging and promoting all actions aimed at the adoption of best Corporate Governance practices, basing its policy on high ethical standards and social and environmental responsibility and with decisions increasingly based on sustainability criteria.

The integrated and effective management of the group is the aim of COFINA's Board of Directors which, by stimulating transparency in the relationship with investors and the market, has been guided by the constant search for the creation of value and the promotion of the legitimate interests of shareholders, the Company's employees and other stakeholders.

For the purposes of compliance with the provisions of Article 245-A(1)(o) of the Portuguese Securities Code, the following are the Recommendations contained in the 2018 IPCG Corporate Governance Code which the Company proposes to comply with.

RECOMMENDATIONS	COMPLIANCE	REMARKS
CHAPTER I – GENERAL PROVISIONS		
General principle: <i>Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of investors, employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of the companies.</i>		
I.1. COMPANY'S RELATIONSHIP WITH INVESTORS AND DISCLOSURE		
PRINCIPLE: <i>Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information.</i>		

RECOMMENDATIONS:		
I.1.1. The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other <i>stakeholders</i> , financial analysts, and to the markets in general.	ADOPTED	PART 1, POINTS 21, 22, 38, 59 and 65
I.2. DIVERSITY IN THE COMPOSITION AND FUNCTIONING OF THE COMPANY'S GOVERNING BODIES		
PRINCIPLE:		
<i>I.2.A. Companies ensure diversity in the composition of its governing bodies, and the adoption of requirements based on individual merit, in the appointment procedures that are exclusively within the powers of the shareholders.</i>		
<i>I.2.B. Companies should be provided with clear and transparent decision structures and ensure a maximum effectiveness of the functioning of their governing bodies and commissions.</i>		
RECOMMENDATIONS:		
I.2.1. Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	ADOPTED	PART 1, POINTS 16, 19, 26, 33 and 36
I.2.2. The company's managing and supervisory boards, as well as their committees, should have internal regulations – namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members –, and detailed minutes of the meetings of each of these bodies should be carried out.	ADOPTED	PART 1, POINTS 22, 27, 29 and 34
I.2.3. The internal regulations of the governing bodies – the managing body, the supervisory body and their respective committees – should be disclosed, in full, on the company's website.	ADOPTED	PART 1, POINTS 22, 27, 34 and 61

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I.2.4. The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	ADOPTED	PART 1, POINT 62
I.2.5. The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (<i>whistleblowing</i>) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.	ADOPTED	PART 1, POINTS 38 and 49
I.3. RELATIONSHIPS BETWEEN THE COMPANY BODIES		
PRINCIPLE: <i>Members of the company's boards, especially directors, should create, considering the duties of each of the boards, the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.</i>		
RECOMMENDATIONS:		
I.3.1. The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	ADOPTED	PART 1, POINTS 18, 38 and 61
I.3.2. Each of the company's boards and committees should ensure the timely and suitable	ADOPTED	PART 1, POINTS 18, 23, 28 and 38

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flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.		
I.4. CONFLICTS OF INTEREST		
PRINCIPLE: <i>The existence of current or potential conflicts of interest, between members of the company's boards or committees and the company, should be prevented. The non-interference of the conflicted member in the decision process should be guaranteed.</i>		
RECOMMENDATIONS:		
I.4.1. The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.	ADOPTED	PART 1, POINT 20
I.4.2. Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	ADOPTED	PART 1, POINT 20
I.5. RELATED PARTY TRANSACTIONS		
PRINCIPLE: <i>Due to the potential risks that they may hold, transactions with related parties should be justified by the interest of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.</i>		
RECOMMENDATIONS:		
I.5.1. The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.	NOT ADOPTED	CLARIFICATION ON RECOMMENDATION NOT ADOPTED BELOW
I.5.2. The managing body should report all the transactions contained in Recommendation 1.5.1.	ADOPTED	PART 1, POINT 89

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to the supervisory body, at least every six months		
CHAPTER II – SHAREHOLDERS AND GENERAL MEETINGS		
PRINCIPLES:		
<i>II.A. As an instrument for the efficient functioning of the company and the fulfilment of the corporate purpose of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.</i>		
<i>II.B. The company should stimulate the personal participation of shareholders in general meetings, which is a space for communication by the shareholders with the company's boards and committees and also of reflection about the company itself.</i>		
<i>II.C. The company should also allow the participation of its shareholders in the general meeting through digital means, postal votes and, especially, electronic votes, unless this is deemed to be disproportionate, namely taking into account the associated costs.</i>		
RECOMMENDATIONS:		
II.1. The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	ADOPTED	PART 1, POINT 12
II.2. The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	ADOPTED	PART 1, POINT 14
II.3. The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.	PARTIALLY ADOPTED	PART 1, POINT 12 CLARIFICATION ON RECOMMENDATION PARTIALLY ADOPTED BELOW
II.4. The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.	PARTIALLY ADOPTED	PART 1, POINT 12 CLARIFICATION ON RECOMMENDATION PARTIALLY ADOPTED BELOW
II.5. The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.	RECOMMENDATION NOT APPLICABLE	CLARIFICATION ON RECOMMENDATION NOT APPLICABLE BELOW

II.6. The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.	ADOPTED	PART 1, POINTS 4 and 84
CHAPTER III – NON-EXECUTIVE MANAGEMENT, MONITORING AND SUPERVISION		
PRINCIPLES:		
<i>III.A. The members of governing bodies who possess non-executive management duties or monitoring and supervisory duties should, in an effective and judicious manner, carry out monitoring duties and incentivise executive management for the full accomplishment of the corporate purpose, and such performance should be complemented by committees for areas that are central to corporate governance.</i>		
<i>III.B. The composition of the supervisory body and the non-executive directors should provide the company with a balanced and suitable diversity of skills, knowledge, and professional experience.</i>		
<i>III.C. The supervisory body should carry out a permanent oversight of the company's managing body, also in a preventive perspective, following the company's activity and, in particular, the decisions of fundamental importance.</i>		
RECOMMENDATIONS:		
III.1. Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (<i>lead independent director</i>), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.	RECOMMENDATION NOT APPLICABLE	CLARIFICATION ON RECOMMENDATION NOT APPLICABLE BELOW
III.2. The number of non-executive members in the managing body, as well as the number	ADOPTED	PART 1, POINT 18

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of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.		
III.3. In any case, the number of non-executive directors should be higher than the number of executive directors.	ADOPTED	PART 1, POINTS 17 and 18
<p>III.4. Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to:</p> <ul style="list-style-type: none"> i. having carried out functions in any of the company's bodies for more than 9 years, either on a consecutive or non-consecutive basis; ii. having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii. having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; iv. having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v. having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or- vi. having been a qualified holder or representative of a shareholder of qualifying holding. 	NOT ADOPTED	CLARIFICATION ON RECOMMENDATION NOT ADOPTED BELOW

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III.5. The provisions of (i) of recommendation III.4. does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (<i>cooling-off period</i>).	RECOMMENDATION NOT APPLICABLE	CLARIFICATION ON RECOMMENDATION NOT APPLICABLE BELOW
III.6. Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	ADOPTED	PART 1, POINT 21
III.7. The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	RECOMMENDATION NOT APPLICABLE	CLARIFICATION ON RECOMMENDATION NOT APPLICABLE BELOW
III.8. The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.	ADOPTED	PART 1, POINTS 15 and 38
III.9. Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.	ADOPTED	PART 1, POINTS 27 and 29
III.10. Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.	ADOPTED	PART 1, POINTS 50 to 55
III.11. The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.	ADOPTED	PART 1, POINTS 27, 29, 38 and 50

III.12. The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (<i>compliance</i> services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.	ADOPTED	PART 1, POINTS 37, 38 and 50
CHAPTER IV – EXECUTIVE MANAGEMENT		
PRINCIPLES:		
<i>IV.A. As way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the company's objectives and aiming to contribute towards the company's sustainable development.</i>		
<i>IV.B. In determining the number of executive directors, it should be taken into account, besides the costs and the desirable agility in the functioning of the executive board, the size of the company, the complexity of its activity, and its geographical spread.</i>		
RECOMMENDATIONS:		
IV.1. The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.	RECOMMENDATION NOT APPLICABLE	CLARIFICATION ON RECOMMENDATION NOT APPLICABLE BELOW
IV.2. The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: i. the definition of the strategy and main policies of the company; ii. the organisation and coordination of the business structure; iii. matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	ADOPTED	PART 1, POINTS 21 and 28
IV.3. In matters of risk assumption, the managing body should set objectives and look after their accomplishment.	ADOPTED	PART 1, POINT 50 CLARIFICATION ON RECOMMENDATION ADOPTED BELOW

IV.4. The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.	ADOPTED	PART 1, POINT 51 CLARIFICATION ON RECOMMENDATION NOT ADOPTED BELOW
CHAPTER V – EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENT		
V.1 ANNUAL EVALUATION OF PERFORMANCE		
PRINCIPLE:		
<i>The company should promote the assessment of performance of the executive board and of its members individually, and also the assessment of the overall performance of the managing body and its specialized committees.</i>		
RECOMMENDATIONS:		
V.1.1. The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	ADOPTED	CLARIFICATION ON RECOMMENDATION NOT ADOPTED BELOW
V.1.2. The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	ADOPTED	PART 1, POINTS 24, 25 and 38
V.2. REMUNERATION		
PRINCIPLE:		
<i>The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member's interests with those of the company's shareholders – taking into account the wealth effectively created by the company, its financial situation and the market's – and constitute a factor of development of a culture of professionalization, promotion of merit and transparency within the company.</i>		
RECOMMENDATIONS:		

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V.2.1. The remuneration should be set by a committee, the composition of which should ensure its independence from management.	ADOPTED	PART 1, POINTS 66, 67 and 68
V.2.2. The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.	ADOPTED	PART 1, POINTS 69 to 75
<p>V.2.3. The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19th June, should additionally contain the following:</p> <ul style="list-style-type: none"> i. the total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied; ii. remunerations from companies that belong to the same group as the company; iii. the number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date; iv. information on the possibility to request the reimbursement of variable remuneration; v. information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation. 	ADOPTED	CLARIFICATION ON RECOMMENDATION NOT ADOPTED BELOW

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v. information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.		
V.2.4. For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.	RECOMMENDATION NOT APPLICABLE	CLARIFICATION ON RECOMMENDATION NOT APPLICABLE BELOW
V.2.5. In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	ADOPTED	PART 1, POINT 24
V.2.6. Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.	ADOPTED	PART 1, POINT 67
<u>V.3 DIRECTOR REMUNERATION</u>		
PRINCIPLE:		
<i>Directors should receive compensation:</i>		
<i>i) that suitably remunerates the responsibility taken, the availability and the competences placed at the disposal of the company;</i> <i>ii) that guarantees a performance aligned with the long-term interests of the shareholders, as well as others expressly defined by them; and</i> <i>iii) that rewards performance.</i>		
RECOMMENDATIONS:		
V.3.1. Taking into account the alignment of interests between the company and the executive	ADOPTED	PART 1, POINTS 69 to 76

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directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.		
V.3.2. A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	NOT ADOPTED	CLARIFICATION ON RECOMMENDATION NOT ADOPTED BELOW
V.3.4. When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.	RECOMMENDATION NOT APPLICABLE	CLARIFICATION ON RECOMMENDATION NOT APPLICABLE BELOW
V.3.5. The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.	ADOPTED	CLARIFICATION ON RECOMMENDATION NOT ADOPTED BELOW
V.3.6. The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.	ADOPTED	PART 1, POINT 83
<u>V.4. APPOINTMENTS</u>		
<u>PRINCIPLE:</u>		
<i>Regardless of the manner of appointment, the profile, the knowledge, and the curriculum of the members of the company's governing bodies, and of the executive staff, should be suited to the functions carried out...</i>		
<u>RECOMMENDATIONS:</u>		
V.4.1. The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.	ADOPTED	PART 1, POINTS 16, 19, 22, 29, 31, and 33

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V.4.2. The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.	RECOMMENDATION NOT APPLICABLE	CLARIFICATION ON RECOMMENDATION NOT APPLICABLE BELOW
V.4.3. This nomination committee includes a majority of nonexecutive, independent members.	RECOMMENDATION NOT APPLICABLE	CLARIFICATION ON RECOMMENDATION NOT APPLICABLE BELOW
V.4.4. The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.	RECOMMENDATION NOT APPLICABLE	CLARIFICATION ON RECOMMENDATION NOT APPLICABLE BELOW
CHAPTER VI — RISK MANAGEMENT		
PRINCIPLE:		
<i>Based on its mid and long-term strategies, the company should establish a system of risk management and control, and of internal audit, which allow for the anticipation and minimization of risks inherent to the company's activity.</i>		
RECOMMENDATIONS:		
VI.1. The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.	ADOPTED	PART 1, POINTS 21 and 51 to 54
VI.2. Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.	ADOPTED	PART 1, POINTS 50 to 55
VI.3. The company should annually evaluate the level of internal compliance and the performance	ADOPTED	PART 1, POINTS 38 and 50 to 55

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of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.		
CHAPTER VII – FINANCIAL STATEMENTS AND ACCOUNTING		
VII.1. FINANCIAL INFORMATION		
PRINCIPLES:		
<i>VII.A. The supervisory body should, with independence and in a diligent manner, ensure that the managing body complies with its duties when choosing appropriate accounting policies and standards for the company, and when establishing suitable systems of financial reporting, risk management, internal control, and internal audit.</i>		
<i>VII.B. The supervisory body should promote an adequate coordination between the internal audit and the statutory audit of accounts.</i>		
RECOMMENDATIONS:		
VII.1.1. The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	ADOPTED	PART 1, POINTS 34 and 38
VII.2 STATUTORY AUDIT OF ACCOUNTS AND SUPERVISION		
PRINCIPLE:		
<i>The supervisory body should establish and monitor clear and transparent formal procedures on the form of selection of the company's statutory auditor and on their relationship with the company, as well as on the supervision of compliance, by the auditor, with rules regarding independence imposed by law and professional regulations.</i>		
RECOMMENDATIONS:		
VII.2.1. Through the use of internal regulations, the supervisory body should define:	ADOPTED	PART 1, POINTS 34, 37, 38, 42 and 47
<ul style="list-style-type: none"> i. the criteria and the process of selection of the statutory auditor; ii. the methodology of communication between the company and the statutory auditor; iii. the monitoring procedures destined to ensure the independence of the statutory auditor; iv. the services, besides those of accounting, which may not be provided by the statutory auditor. 		

VII.2.2. The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	ADOPTED	PART 1, POINTS 37 and 38
VII.2.3. The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	ADOPTED	PART 1, POINTS 37 and 38
VII.2.4. The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.	ADOPTED	PART 1, POINT 38
VII.2.5. The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties.	ADOPTED	PART 1, POINTS 37 and 38

➤ **Recommendation I.5.1.** *The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.*

Transactions with directors of COFINA or with companies that are in a control or group relationship with the company that party is a director of, regardless of the amount, are always subject, by law, to prior authorisation from the Board of Directors, after obtaining a favourable opinion from the supervisory body, as provided for in Article 397 of the CSC.

Thus, transactions with related parties, if any, always, but especially when they are of material relevance, comply with all legal requirements, namely obtaining a prior favourable opinion from the Company's supervisory body.

The Company's supervisory body has access to the terms of the potential operation to be carried out, with a rigorous level of detail, and may also request any clarification and additional information it considers appropriate or necessary.

Its opinion is, naturally, binding.

On the other hand, the Company bases its performance, in all areas and especially in this one, on criteria of rigour and transparency.

For this reason, the Company has considered that, to date, it has not been necessary to adopt a formal policy that establishes materiality criteria insofar as potential transactions are subject to close scrutiny under the terms laid down by law.

Additionally, it should also be noted that the Company provides the Supervisory Board with all the information that it requests, at least quarterly, and that there has never been a question of any transaction that could jeopardise the rigour and transparency of the Company's operations, without the procedure for requesting a prior opinion from the Supervisory Board having been followed.

Thus, in view of the above-mentioned legal requirement (Article 397 of the CSC), and considering in particular the legal requirements contained therein, to disclose the occurrence of these situations in the board of directors' annual report, which COFINA always fully complies with, not only are all the legal requirements safeguarded, but also all the duties to disclose information to shareholders and the market in a complete and transparent manner.

➤ **Recommendation II.3.** *The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.*

As mentioned in Point 12 of Part 1 of this Report, the Company has implemented the necessary means to ensure the right to vote by correspondence.

With regard to electronic voting, the Company has not yet implemented the necessary mechanisms for its implementation *(i)* because this method has never been requested by any shareholder and *(ii)* because it considers that such circumstance does not constitute any constraint or restriction on the exercise of voting rights by shareholders, which the Company promotes and encourages.

COFINA has been promoting the physical participation of its shareholders, directly or through representatives, at its General Meetings, as it considers that these are excellent opportunities for contact between its Shareholders and the management team, taking advantage of the presence of the members of the other governing bodies, particularly the Supervisory Board and the Statutory Auditor, as well as the members of the Remuneration Committee. This iteration has proved fruitful within the Company.

➤ **Recommendation II.4.** *The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.*

As mentioned in Point 12 of Part 1 of this Report, the Company has implemented the necessary means to ensure the right to vote by correspondence.

With regard to the possibility of holding the General Meeting by telematic means, the Company has not yet set in motion the mechanisms necessary for its implementation because *(i)* this facility

has never been requested by any shareholder, **(ii)** the costs of implementing telematic means are high and **(iii)** such circumstance does not constitute any constraint or restriction on the exercise of voting rights by shareholders, an exercise which the Company promotes and encourages.

Referring to and reinforcing what has just been said in the previous point, COFINA has been promoting the physical participation of its shareholders, directly or through representatives, at its general meetings, as it considers that these are excellent opportunities for contact between its Shareholders and the management team, taking advantage of the presence of the members of the other governing bodies, particularly the Supervisory Board and the Statutory Auditor, as well as the members of the Remuneration Committee. This iteration has proved fruitful within the Company.

In this way, it is understood that all the necessary and appropriate means to ensure participation in the General Meeting are already in place.

➤ **Recommendation II.5.** *The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.*

The Articles of Association do not provide for any limit to the number of votes that may be held or exercised by a single shareholder, individually or in concert with other shareholders.

➤ **Recommendation III.1.** *Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.*

Given the size and structure of the Company, especially taking into account the concentration of its equity structure and the total number of directors that make up the Board, which is only five, and also taking into account the performance of the current Chairman of the Board, which has proven to be perfectly adequate and aligned with the interests of the Company and its shareholders, COFINA considers that the appointment of a Lead Independent Director solely for the purpose of complying with a merely formal criterion would not add relevant value.

➤ **Recommendation III.4.** *Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to:*

- i. having carried out functions in any of the company's bodies for more than 9 years, either on a consecutive or non-consecutive basis;
- ii. having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years;
- iii. having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person;
- iv. having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties;

- v. having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or
- vi. having been a qualified holder or representative of a shareholder of qualifying holding.

The Board of Directors does not include any member who complies with the independence criteria referred to in Recommendation III.4. of the 2018 IPCG Corporate Governance Code, as the three non-executive directors directly or indirectly have qualifying holdings in the Company's capital.

Notwithstanding this circumstance, the Company has developed mechanisms to allow the non-executive directors to make independent and informed decisions, such as:

- Prior and timely notification to all members of the Board of Directors of meetings of that body, including the agenda, even if provisional, of the meeting, accompanied by other relevant information and documentation;
- Availability of executive directors to provide non-executive directors with all additional information deemed relevant or necessary, as well as for carrying out further studies and analyses in relation to all matters that are the subject of deliberation or that are in any way under consideration in the Company;
- Availability of the minutes books, records, documents and other information on operations carried out in the Company or its subsidiaries, for examination, as well as the availability and promotion of a direct channel for obtaining information from the directors and operations and financial managers of the various companies in the group, without requiring any intervention by executive directors in this process.

The Company weighed and reflected on this circumstance considering, on the one hand, the corporate model adopted and, on the other hand, the composition and operation of its governing bodies as a whole, (namely the Board of Directors as a collegiate body, the Supervisory Board and the Statutory Auditor, with their inherent independence) having concluded that the possible appointment, for merely formal reasons, of independent directors would not bring significant benefits to the performance of the Company, or to (possible) better functioning of the adopted model, considering that both this one and the other one have proven to be positive, relevant, adequate and efficient.

It should be added that the management report includes, in the chapter "*Activities carried out by non-executive members of the Board of Directors*", a description of the activity carried out by non-executive directors during the 2018 financial year.

➤ **Recommendation III.5.** *The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).*

The Company does not have any director in the circumstances described.

➤ **Recommendation III.7.** *The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.*

The governance model adopted, pursuant to Article 278(1) of the CSC, does not include the General and

Supervisory Board.

➤ **Recommendation IV.1.** *The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.*

Given its organisational structure and the small size of the Board of Directors, which is composed of five members, COFINA considers it unnecessary to formally appoint an Executive Committee within the Board of Directors.

However, as mentioned in point 28 of this Report, of the five members of the Board of Directors, two perform executive functions – more practical or operational -
– according to the following:

- (i) prior and timely notification to all members of the Board of Directors of meetings of that body, including the agenda, even if provisional, of the meeting, accompanied by other relevant information and documentation;
- (ii) availability of executive directors to provide non-executive directors with all additional information deemed relevant or necessary, as well as for carrying out further studies and analyses in relation to all matters that are the subject of deliberation or that are in any way under consideration in the Company, as well as
- (iii) availability of the minutes books, records, documents and other information on operations carried out in the Company or its subsidiaries, for examination, as well as the availability and promotion of a direct channel for obtaining information from the directors and operations and financial managers of the subsidiaries in the group, without requiring any intervention by executive directors in this process.

As decisions of the Board of Directors are made by all its members, executive and non-executive, in the normal course of their duties, as a collegiate body, in an enlightened and informed manner, the Company considers that the necessary conditions are guaranteed for decisions on strategic matters to be fully focused on the creation of value for shareholders.

➤ **Recommendation IV.3.** *In matters of risk assumption, the managing body should set objectives and look after their accomplishment.*

The Board of Directors is responsible for approving the Company's main policies, in particular the risk policy.

➤ **Recommendation IV.4.** *The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.*

The Executive Committee is responsible for assessing the effectiveness of the risk management system, the internal control system and the internal audit system, proposing the improvement measures it deems appropriate and stating its views in its annual report and opinion, made available together with the financial statements.

➤ **Recommendation V.1.1.** *The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.*

The assessment of the performance of the Board of Directors is submitted to the General Meeting of Shareholders in accordance with the law, with reference to compliance with the Company's strategic plan and budget, its risk management, internal operation and its relations with the other bodies in the Company. The Board of Directors does not choose a time to formally carry out this self-assessment in a documented manner, but it is carried out regularly, by a body that meets at least 12 times a year, and that carries out such close and regular monitoring of the company's activity that it reflects the fairness and adequacy of the performance of the body.

In addition, and as provided for in the CSC (Article 376), the General Meeting of Shareholders conducts an annual general appraisal of the management of the Company.

➤ **Recommendation V.2.3.** *The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19th June, should additionally contain the following:*

- i. *the total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied;*
- ii. *remunerations from companies that belong to the same group as the company;*
- iii. *the number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date;*
- iv. *information on the possibility to request the reimbursement of variable remuneration;*
- v. *information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation;*
- vi. *information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.*

The remuneration and compensation policy for COFINA's governing bodies, approved by the General Meeting of 4 May 2018, includes all the elements defined in the applicable legislation and the provisions of Point vi) of this Recommendation.

The information set out in points (i) to (v) of this Recommendation is detailed in the Corporate Governance Report and in the Management Report for 2018, documents which are also submitted to the Company's shareholders for approval.

➤ **Recommendation V.2.4.** *For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.*

The Company has no supplementary pension or early retirement schemes in place for members of management and supervisory bodies. The approved remuneration policy does not establish any scheme of retirement benefits or payment of compensation.

➤ **Recommendation V.3.2.** *A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.*

The Company's Remuneration Committee has not defined any variable remuneration whose payment has been deferred over time.

- **Recommendation V.3.4.** *When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.*

The variable component of the Company's remuneration does not include the allocation of options or other instruments directly or indirectly dependent on the value of the shares.

- **Recommendation V.3.5.** *The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.*

The remuneration policy approved by the General Meeting following a proposal from the Remuneration Committee establishes that the individual remuneration of any non-executive director is exclusively fixed in nature.

- **Recommendation V.4.2.** *The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.*

The Company does not have a nomination committee, for the reasons listed in points 27, 29 and 67 of Part I of this Report.

- **Recommendation V.4.3.** *This nomination committee includes a majority of nonexecutive, independent members.*

The Company does not have a nomination committee, for the reasons listed in points 27, 29 and 67 of Part I of this Report.

- **Recommendation V.4.4.** *The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.*

The Company does not have a nomination committee, for the reasons listed in points 27, 29 and 67 of Part I of this Report.

3. Other information

In line with the above, COFINA would like to point out that, of the sixty recommendations contained in the 2018 IPCG Corporate Governance Code, ten are not applicable to it for the reasons explained above, and the failure to fully adopt only three and the partial adoption of two of the recommendations is also fully explained and justified above.

COFINA therefore considers that, given its full compliance with forty-five of these fifty recommendations (excluding the ten that are not applicable), the Company's has almost fully adopted the recommendations of the 2018 IPCG Corporate Governance Code, which can be seen in its diligent and careful management, absolutely focused on the creation of value for the Company and, consequently, for the shareholders.

Diversity Policy – Article 245-A(1)(r) of the Portuguese Securities Code

Diversity is not a new topic within the Cofina group. In fact, not only on the Board of Directors, but also in senior and middle management positions, the Group has been defining and implementing policies that have been translating into greater gender parity for several years now.

It should be noted that the Board of Directors of Cofina, elected in April 2017 for the 2017/2019 term of office (and therefore even before the entry into force of Law 89/2017, of 28 July), is composed of five members, including four men and one woman, representing 20% of the composition of that body. This composition is similar to that of the previous mandate, corresponding to the 2014/2017 three-year period.

The Board of Directors promotes diversity policies at various levels, without losing sight of meritocracy. These include:

- Instructions to the human resources areas of the various operating companies so that:
 - (i) policies for career progression, performance evaluation and salary reviews are defined based on diversity promotion;
 - (ii) seeking to promote this diversity in their recruitment processes, always presenting lists of potential employees to be recruited who are sufficiently representative of both genders.
- Instructions to the operational areas so that the multidisciplinary teams formed within the scope of the most varied projects are always based on the concern for balanced representation;

At Cofina, there is a conviction that a healthy gender balance contributes decisively to making the teams more eclectic, self-challenging and proactive, so the promotion of this diversity is a goal of the Group.

This matter is dealt with in Point 15 of the Corporate Governance Report.

NON-FINANCIAL INFORMATION REPORT

SOCIAL AND ENVIRONMENTAL REPORT

This chapter aims to meet the requirements for providing information on non-financial matters as required by Directive 2014/95/EU, transposed to national law by Decree-Law No. 89/2017, thus providing an overview of the environmental and socioeconomic dimension of the Cofina Group's activities.

It is believed that the information presented here is a balanced reflection of the reality of the Group in these areas, given the main impacts and risks of the activities carried out, and that it provides stakeholders with a more comprehensive view of the activities and performance.

To this end, and to assess the content of this chapter, the reporting requirements of the aforementioned directive were analysed, in line with the recommendations of the associated guide, focusing here on those considered most important, following an analysis that took sustainability references into consideration, with particular emphasis on sustainability standards, peer reporting and relevant internal reflections based on the level of impact. The information needs of investors and other interested parties were indirectly considered by this analysis through the sources consulted.

Along with the results of the above analysis, several indicators are also presented that reflect the performance of the Cofina Group in these areas.

Business

The Cofina Group operates mainly in the area of media and content.

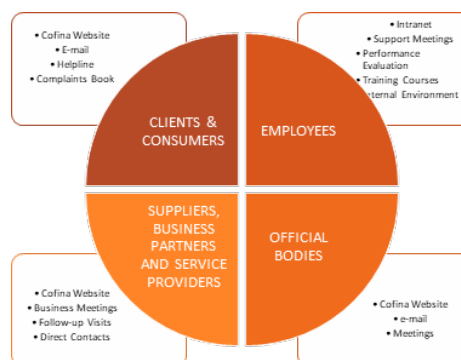
The Products and Services, as well as the Group's Strategy, can be seen in detail in the "Group Activities" chapter and "Prospects for 2019" of this Annual Report.

The rapid pace and the present need to respond to the evolution and challenges of the media means that new production, distribution and consumption systems are constantly being updated. However, this need brings with it new social and environmental responsibility concerns, which will be mentioned throughout this chapter.

RELATIONSHIP WITH KEY STAKEHOLDERS

Communicating and listening to interested parties, including employees, customers, suppliers and other stakeholders who may affect Cofina's business, or who may be affected by it, is very important to help the group understand their points of view, as well as to convey its message and objectives.

In this way, indispensable communication channels have been developed with its key stakeholders, namely, its Clients, Consumers and Employees, as well as Suppliers, Partners and Service Providers and Official Bodies.



CUSTOMERS SATISFACTION

With the aim of customer satisfaction, Cofina not only seeks to solve problems, but also to anticipate market and consumer trends, through the analysis of readers' behaviour, based on market studies and the opinion of independent bodies.

Customer complaint processes are a way of detecting problems and/or dissatisfaction with the products and services that make up Cofina's portfolio. Customers should request the complaints book and clearly and completely describe the facts that motivating their complaint and their identification details. After the complaint has been filled in, it will be forwarded to the competent market control entity or to the sector's regulatory authority, and a response will be given within no more than 10 business days.

In 2018, 2 formal complaint processes were registered and both of them were closed within the maximum period stipulated by law.

Management of Environmental Aspects

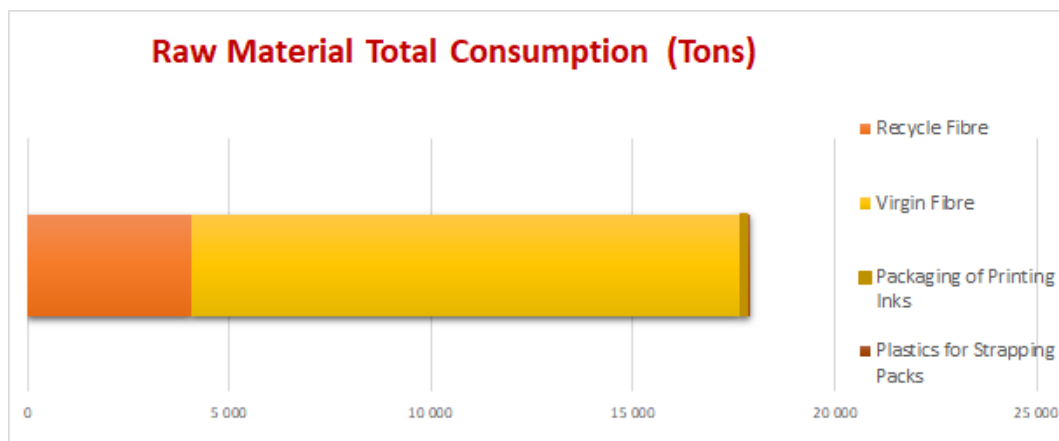
The Cofina Group recognises that companies play an important role in protecting the environment, however, it also considers that the activity it carries out is not aggressive in environmental terms compared to other sectors.

Among the activities engaged in, the one that represents the greatest direct environmental impact is printing newspapers, assured within the group. The variables with the greatest environmental impact are the consumption of electricity, paper and waste produced. Waste inherent to returned copies is also relevant to the distribution of publications.

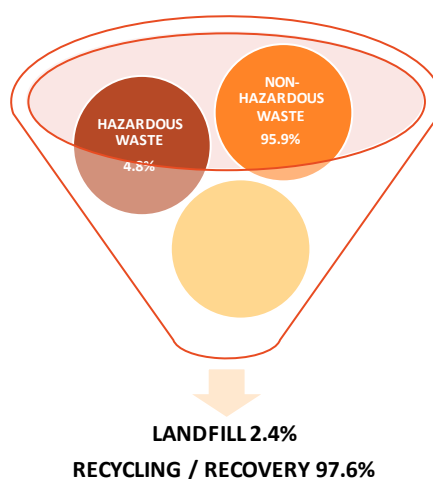
The results achieved in 2018 in the environmental indicators relating to production, distribution and consumption processes reflect the group's commitment to seeking solutions and measures for savings combined with compliance with legal obligations. Cofina does not have a formally defined environmental policy, but its practices are adequate for safeguarding against environmental compliance risks.

Electricity consumption totalled 3,515,000 kWh, equivalent to 12,654 GJ, corresponding to 440,000 Euro. This is the only relevant source of energy within the Cofina Group companies.

This year, around 17.854 million tonnes of raw material consumption were recorded, of which 17.656 was related to paper, 191.7 tonnes of packaging for printing inks and 6.5 tonnes of plastic used in bundle strapping. The practice of incorporating recycled materials was maintained, with paper consumption currently representing 23% recycled fibre (4,061 tonnes) and 77% virgin fibre (13,595 tonnes). Recycled paper fibre is currently losing ground to another type of more environmentally responsible alternative, certified paper fibre. Precisely because of this, Cofina has been replacing it with 100% virgin FSC and PEFC certified fibre, which comes from forests that are managed responsibly both from an ecological and a social point of view.



Cofina undertakes internal management practices and final disposal of waste to the most appropriate destination, with preference for recycling/recovery of waste rather than sending it to landfill or other final destination solutions. The overall waste recycling/recovery in 2018 was 97.6%, with special emphasis on the recycling/recovery of approximately 3,622 tonnes of paper from printed publications collected from points of sale.



Although this sector of activity is not considered to be a major consumer of water, there are some stages/phases in the printing process that may present some expressive consumption, such as the offset printing cleaning process. There is also water consumption for other purposes, such as the use of water for sanitary purposes. In 2018, total water consumption was 5.962 million cubic metres, corresponding to around 28,000 Euro.

The replacement of conventional lighting with LED (Light Emitting Diode) lamps has been a priority when refurbishing/renewing infrastructures, contributing to significant improvements in electricity consumption, and also in the working conditions of employees. These actions have been carried out gradually, not only in 2018, but over the past few years.

Another significant improvement in terms of paper consumption and energy consumption in the administrative and editorial area has been the improvement of printing, through personalised authorisation, which removes unnecessary waste and reprints.

The power to influence a positive internal environment

The operational efficiency reflected in the optimisation of the use of resources is enhanced by correct usage patterns. In order to remind employees of the importance of reducing consumption in the Cofina Group, break rooms are used for posting warning messages and good environmental practices, such as the simple gesture of turning off the lights or turning off the tap when they are not needed, as well as waste sorting.

The power to influence an external positive environment

The Cofina Group recognises that the greatest impact that media companies can have in environmental terms is to influence society through the production and dissemination of educational content that can raise awareness, mobilise and increase the population's awareness of these matters.

Management of Socioeconomic Aspects

EMPLOYEES AND LABOUR MANAGEMENT

Cofina's human resources management model is oriented towards a corporate culture that promotes the motivation and involvement of employees, as well as their orientation towards obtaining results. A formal human resources management policy is not defined, which does not mean that management priorities are not well defined. In 2018, human resources management maintained its priority in investing in its human assets, either through the development of training plans adjusted to individual and team needs, such as the design of a Performance Evaluation Model with the purpose of putting it into practice in 2019, always bearing in mind the need to respond to the evolution and challenges of the media.

The human resources department oversees a human resources management practice in which safeguarding the risks of compliance with labour law is a basic premise and reconciling the challenges of an intellectually and emotionally demanding sector with the harmony of each employee and the team are safeguarded by various initiatives aimed at team spirit and motivation.

The application of Portuguese labour law ensures a practice aligned with the conventions of the International Labour Organisation (ILO).

The Cofina Group is made up of 735 employees (58.5% men and 41.5% women), mainly aged between 30 and 50 (62%), 16% of whom are between 18 and 29 years old and 21% between 50 and 65 years old. These figures include full-time staff and contracted workers, which translates into a rate of 13.2% of new admissions (53.6% men and 46.4% women). The majority of employees are full-time, with a turnover rate of 21% (17% men and 26% women).

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III. Non-financial Information Report

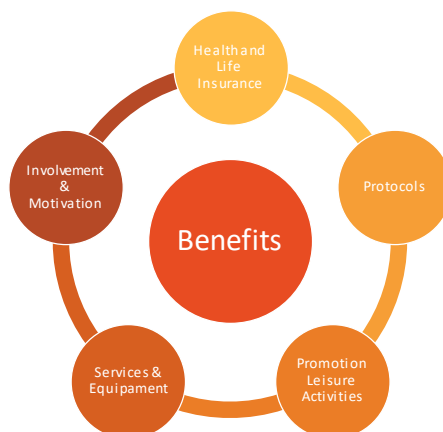
The “Characterisation of Human Resources” chart reflects the diversity and equality of opportunities in Cofina Group. The existence of female employees is visible in Management Positions (25%), on the Board (23.4%) and Specialised Staff (49.7%). In addition, it is important to note that around 50% of female employees have higher education (Bachelor or Master’s degrees). The Corporate Governance report can be consulted for more information on this matter.

Human Resources Framework Overview

		MEN		WOMEN	
	TOTAL	No.	%	No.	%
LABOUR INDICATORS					
NUMBER OF EMPLOYEES	735	430	58.5%	305	41.5%
TYPE OF CONTRACT					
PERMANENT STAFF (OPEN-ENDED CONTRACT)	719	422	58.7%	297	41.3%
FIXED-TERM CONTRACT	9	3	33.3%	6	66.7%
TEMPORARY CONTRACTS SUBSTITUTING STAFF ON MEDICAL LEAVE	7	5	71.4%	2	28.6%
ADMISSIONS AND DISMISSALS					
TURNOVER RATE	21%	-	17%	-	26%
ADMISSIONS	109	53	53.6%	56	46.4%
DISMISSALS/RESIGNATIONS	129	64	46.9%	65	53.1%
AGE GROUP					
<30 YEARS OLD	121	67	55.4%	54	44.6%
30 TO 50 YEARS OLD	456	191	41.9%	265	58.1%
>50 YEARS OLD	158	98	62.0%	60	38.0%
PROFESSIONAL CATEGORY					
ADMINISTRATION	4	3	75.0%	1	25.0%
MANAGEMENT POSITION	47	36	76.6%	11	23.4%
SPECIALISED STAFF	191	96	50.3%	95	49.7%
GRAPHICS WORKER	36	36	100.0%	0	0.0%
JOURNALISTS	287	180	62.7%	107	37.3%
TECHNICAL AND OPERATIONAL POSITION	171	80	46.8%	91	53.2%
PRIMARY EDUCATION	66	41	62.1%	25	37.9%
SECONDARY SCHOOL	240	174	72.5%	66	27.5%
BACHELOR'S DEGREE	47	24	51.1%	23	48.9%
UNIVERSITY DEGREE	350	179	51.1%	171	48.9%
MASTER'S DEGREE	32	12	37.5%	20	62.5%

PAYMENT AND BENEFITS

As a key element to retaining the best professionals, Cofina has implemented a set of payment and benefits policies in the areas of health, education and leisure/welfare.



HEALTH AND LIFE INSURANCE

Active employees have a health plan enabling them to access medical services in health establishments of the contracted network; at the same time, the company has a doctor's office on its premises in Lisbon which, in addition to allowing for legally provided occupational health consultations, is also used for therapeutic doctor's appointments. The benefits of health insurance may be extended to direct relatives of the employees, as well as medical assistance at home. The Group provides all employees with life insurance that covers death and total and permanent disability risks.

PROTOCOL

Cofina has partnerships and protocols signed with various institutions that allow access to special conditions for employees and their families, including Galp Frota Business, dental clinics, health clubs, banking institutions and insurance.

PROMOTION OF LEISURE ACTIVITIES

Cofina promotes initiatives that include individual or group sporting activities aimed at encouraging taking part in sports and promoting leisure, health and well-being activities among its employees.

In 2015, the "Cofina Runners" racing group came into being, sharing motivation, experience or achievement and showing that running in a group can be more rewarding and fun than doing it alone. In addition to the promotion of sports and health care, this group has another goal, cohesion, the promotion of team spirit and awareness among colleagues. The group's motto is "Run... Challenge yourself... and Discipline yourself. Right now!"



EQUIPMENT AND SERVICES

Cofina's facilities include break rooms where employees can prepare full or light meals. These break rooms have refrigerators, microwaves, vending machines with different products, coffee/tea machine, and others, for their own use. In 2017, one of the canteens underwent extension and renovation, in order to provide better facilities to users.

In 2018, we established a partnership with a catering company, providing employees with healthy, home-made food, seeking to offer a new alternative to the solutions offered internally and around the head office building.

ENGAGEMENT AND MOTIVATION

In addition to all the practices and initiatives aimed at promoting compliance with the Group's objectives and strategies, there are also practices and actions aimed at improving the balance between employees' work and personal lives. This led to the following initiatives being created:

- **WORKSHOP “+Cofina”** – A Workshop entitled “+Cofina Project” was promoted in 2018. This project, which will be looked at in more detail on subsequent pages, is aimed at defining a skills management model with the involvement of everyone, where the core skills that all Cofina employees should have were defined. In addition to a work session, it was also a moment of interaction, of sharing and even of knowledge.
- **CELEBRATION OF THE ANNIVERSARIES OF THE PUBLICATIONS** – To celebrate and help promote team spirit and the success of the Cofina Group, whenever the publications celebrate another year of life, the Group meets to celebrate with a birthday cake that is shared in the newsroom that same day.
- **CELEBRATION OF INTERNATIONAL WOMAN'S DAY** – International Women's Day is celebrated annually on March 8, and in order to honour the women who represent the Cofina Group, a small gift is offered. In 2017, the gift was a flower representing the day, in 2018 it was a biscuit allusive to the day.
- **EYE SCREENING** – All employees were offered the possibility of having their eyes tested at the Cofina facilities, without needing to resort to outside services.
- **EASTER CELEBRATION** – Each employee is given a bag of almonds, a chocolate egg or other product allusive to Easter.
- **SÃO MARTINHO AT COFINA** – on this day it is “mandatory” to take a break and taste the chestnuts available in the hall of each floor for all employees of Cofina.
- **CELEBRATION OF EMPLOYEES' BIRTHDAYS** – All the employees have leave of absence on their birthday, without this being deducted from their holidays.
- **CHRISTMAS AT COFINA** – Christmas is always a special season, especially for children, and in order to celebrate this festive season, Cofina has offered events that mark the Christmas season, together with the offer of a “Bolo Rei” (King's Cake), and gifts for employees' children up to 12 years of age, along with some entertaining activities for children, e.g. theatre, cinema or circus.

WORK SAFETY

The concern with safety in its employees' activities is a privileged theme in the group's policy. The Cofina Group counts on the support of a company that provides Hygiene, Safety and Occupational Health Services to ensure the correct management of the risks associated with the main activities developed. This service includes awareness-raising sessions and provides for the holding of evacuation drills in the places where the employees usually carry out their duties. In addition to this partnership, Cofina maintains a group of qualified first responders, trained to provide basic life support in emergency situations. This team of first aiders consists of Cofina's internal employees, who receive regular training in this area of intervention. At the same time, regular meetings are held in order to share experiences of intervention in the field, as well as to discuss new ideas, report on less correct situations and plan various campaigns.

The company monitors and evaluates occupational accidents annually and develops corrective measures; an example of this was the placement of non-slip flooring along the entire entrance to the building, to prevent falls, as incidents had occurred there on rainy days. As for this result, a total of 19 accidents were recorded, totalling 110 lost days, reflecting a low frequency and severity index.

Occupational Accident Table

	TOTAL NO. Of ACCIDENTS	NO. OF DAYS LOST	FREQUENCY INDEX	SEVERITY INDEX
TOTAL	19	110	12	0.07

PERFORMANCE ASSESSMENT

The performance assessment of the employees is carried out by the area Directors when they become full-time staff or are in the contract renewal phase.

In 2018, the process of building a new Performance Assessment Model at Cofina began, with the objective of making the process simpler, more equitable and promoting the consolidation of Cofina's culture.

In addition to performance assessment, we also consider the existence of a second objective, the identification of individual improvement plans, thus creating conditions for more efficient human resources management.

This new model will certainly be reflected in the absenteeism rate. In 2018, the absenteeism rate was 3.9%, corresponding to 50,545 hours not worked.

TRAINING

One of the priorities of the Cofina Group is continuous investment in the training and qualification of its employees.

Cofina invests in internal and external training for general and technical components (newspaper reports, television rights), but also in management and leadership behavioural skills. The Group also has a partnership with UNIVERSIDADE AUTÓNOMA DE LISBOA to hold a Post-Graduate course in Television and Multi-platform Journalism, creating conditions to receive paid internships for the best students on this course.

These training courses are scheduled in the Training Plan, through the survey of training needs carried out for each Director of the group's area/department and in accordance with the budget approved for this purpose.

The breakdown of training by gender shows very similar dispersion, with 48.5% for women and 51.5% for men.

Average Number of Training Hours

		MEN		WOMEN	
		No.	%	No.	%
INTERNAL AND EXTERNAL TRAINING					
NUMBER OF TRAINEES	369	188	50.9%	181	49.1%
NUMBER OF TRAINING HOURS	1671	861	51.5%	810	48.5%
AVERAGE NUMBER OF TRAINING HOURS	7.53	4.58	-	4.48	-

TALENT RETENTION

With the aim of supporting the decision regarding career options, giving young people the opportunity to get in touch with the day-to-day reality of this professional activity, Cofina provides continuity to protocols with institutions (Polytechnics, Professional Schools, and others) through curricular internships. These internships have been standing out not only for the considerable increase in applications, but also for the interest and availability of the various areas of Cofina in welcoming young talent. It should be noted that these curricular internships are a source of external recruitment for the Cofina Group.

Human rights, ethical conduct and combating corruption and bribery

Human rights contribute directly to the country's most inclusive and sustainable economic growth.

National legislation is inherent to the safeguarding of fundamental human rights. From the point of view of internal management, the Cofina Group's actions are guided by the safeguarding of legislation, and there is no policy or concrete monitoring measure implemented except with regard to the code of good conduct for the prevention and combating of harassment, which was developed during 2017 and applied to new contracts. This code will also be extended to contracts pre-dating its entry into force.

Taking into account the national legal framework and the type of activity, where gross violations of human rights are not expected to occur, there are no generic risks that are considered to be high in terms of internal human resources management, except in the event of an employee moving to areas at risk of violation of these rights, which has not been the case.

However, there are some particularities inherent to the activity and its relationship with society that are related to ethical conduct and respect for human rights and that are linked to aspects such as safeguarding editorial independence, objectivity, freedom of expression, privacy and protection of sources, representation of interests and protection of minority and vulnerable groups in content management, protection and promotion of cultural diversity, which are fundamental in the promotion and defence of rights and therefore, the Cofina Group recognises and has been dealing with these concerns. Here too, the Cofina Group ensures compliance with the legal obligations that are incumbent on it for rights such as these and that is inherent to the national legal framework and the guarantee of compliance with it.

All the content and all the communications of Correio da Manhã (CM) and CMTV privilege notions of equality, regardless of religious beliefs, races and social strata. We highlight some of the Group's initiatives, namely the translation into sign language of a certain number of hours per week, which meets the directives of the Regulatory Authority for Communication (ERC) and pursues the aim of guaranteeing the rights of all viewers and their accessibility to content, as well as campaigns that defend causes such as the promotion and support of births in municipalities with fewer births in the country ("Live life" initiative), as well as the "Safe Sea" initiative, which aims, throughout the year, to help create an effective safety culture, and which predominantly targets the fishing community.

Corruption and bribery are a risk inherent to any economic activity, and ethical conduct is a presupposition that the Group projects on each and every employee, but it does not have any specific mechanism for monitoring or safeguarding this aspect.

Interaction with the community

Cofina supports social solidarity initiatives and helps groups at risk.

We highlight below some of the social and environmental investment initiatives implemented throughout 2018:

COMMUNITY SUPPORT CAMPAIGNS



"LIVE LIFE" INITIATIVE

The initiative "Live Life", is an alert to the low birth rate in Portugal that counts with the High Sponsorship of His Excellency the President of the Portuguese Republic.

Weekly supplements are published with photographs of all babies born in the municipalities where less than 33 babies are born/year, as well as the difficulties and opportunities they face. Correio da Manhã offers these babies a "Birth Basket".

This is an annual event and is broadcast live by CMTV with the presence of artists.

This initiative had a total investment of 69,959€ slightly higher than 2017 (68,998€).



WALK FOR AUTISM

On April 2 - World Autism Awareness Day, two Cofina employees participated in the walk/marathon in order to support the Autism support movement.



DONATE BLOOD INITIATIVE

Cofina, in collaboration with the Portuguese Institute of Blood and Transplantation, frequently promotes blood collection campaigns in its facilities.



IRS CONSIGNMENT

As a result of a partnership with Associação Salvador, employees are encouraged to contribute 0.5% of their IRS to this institution.

CAMPAIGNS AT SCHOOLS / COMPANIES AND OTHERS



STUDY VISITS TO THE COMPANY PREMISES

Within the scope of the School/Company relationship, Cofina provides young people from different schools and universities with their professional growth and development through study visits to the facilities/areas of the Cofina Group, seen as a high moment to make known their strategy, development and training and with the objective of assisting in their professional choices.



SPECIAL CONDITIONS FOR ADVERTISEMENTS

As in previous years, the Cofina Group supports and finances advertisements through free insertion in the press (pages in weekly magazines), in CMTV (2 spots up to 20 seconds a day over a week) and in digital format (200,000 prints) with the aim of supporting and disseminating various areas/activities of a social nature. The "Make a wish" campaign, the "APAV - Associação Portuguesa de Apoio à Vítima", the "Liga Portuguesa Contra o Cancro", the "Amnesty International - Forum da Coragem", among others, stand out for their importance in the community.

LEGAL MATTERS

Own Shares

Under the terms and for the purposes of Article 66 of the Portuguese Companies Code, it is hereby declared that, as at 31 December 2018, Cofina did not hold own shares, not having acquired or sold own shares during the year.

Shares held by the governing bodies of Cofina

Under the terms and for the purposes of the provisions of Article 447 of the Portuguese Companies Code, it is hereby declared that, as at 31 December 2018, the Company's directors held the following shares:

Paulo Jorge dos Santos Fernandes ^(a)	14,235,474
João Manuel Matos Borges de Oliveira ^(b)	15,400,000
Domingos José Vieira de Matos ^(c)	12,395,257
Pedro Miguel Matos Borges de Oliveira ^(d)	10,277,248
Ana Rebelo de Carvalho Menéres de Mendonça ^(e)	20,488,760

(a) – The 14,235,474 shares correspond to the total shares of COFINA – SGPS, S.A. held by ACTIUM CAPITAL, S.A., of which the director, Paulo Jorge dos Santos Fernandes, is a director and a controlling shareholder.

(b) – The 15,400,000 shares correspond to the total shares of COFINA – SGPS, S.A. held by CADERNO AZUL, S.A., of which the director, João Manuel Matos Borges de Oliveira, is also director

(c) – The 12,395,257 shares correspond to the total shares of COFINA – SGPS, S.A. held by LIVREFLUXO, S.A., of which the director, Domingos José Vieira de Matos, is a director and a controlling shareholder.

(d) – The 10,277,248 shares correspond to the total shares of COFINA – SGPS, S.A. held by VALOR AUTÉNTICO, S.A., of which the director, Pedro Miguel Borges de Oliveira, is a director and a controlling shareholder.

(e) – The 20,488,760 shares correspond to the total shares of COFINA – SGPS, S.A. held by PROMENDO INVESTIMENTOS, S.A., of which the director, Ana Rebelo de Carvalho Menéres de Mendonça, is a director and a controlling shareholder.

As at 31 December 2018, the Statutory Auditor, the members of the Supervisory Board and the Board of the General Meeting did not hold shares representing the share capital of Cofina.

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IV. Legal matters

Participation in the company's share capital

Under the terms and for the purposes of the provisions of Articles 16 and 20 of the Securities Code and Article 448 of the Portuguese Companies Act ("CSC"), it is hereby declared that the companies and/or individuals that have a qualifying holding that exceeds 2%, 5%, 10%, 20%, 33% and 50% of the voting rights, according to the notifications received at the company head office by 31 December 2018, are as follows:

	No. of shares held as at 31-Dec-2018	% share capital with voting rights
Santander Asset Management		
Through Fundo Santander Acções Portugal	2,069,459	2.02%
Through Fundo Santander PPA	107,964	0.11%
Total attributable	2,177,423	2.12%

	No. of shares held as at 31-Dec-2018	% share capital with voting rights
Credit Suisse Group AG		
Directly	5,039,060	4.91%
Total attributable	5,039,060	4.91%

	No. of shares held as at 31-Dec-2018	% share capital with voting rights
Pedro Miguel Matos Borges de Oliveira		
Through the company Valor Autêntico, S.A. (of which he is the dominant shareholder and director)	10,277,248	10.02%
Total attributable	10,277,248	10.02%

	No. of shares held as at 31-Dec-2018	% share capital with voting rights
Domingos José Vieira de Matos		
Through the company Livrefluxo, S.A. (of which he is the dominant shareholder and director)	12,395,257	12.09%
Total attributable	12,395,257	12.09%

	No. of shares held as at 31-Dec-2018	% share capital with voting rights
Paulo Jorge dos Santos Fernandes		
Through the company Actium Capital, S.A. (of which he is the dominant shareholder and director)	14,235,474	13.88%
Total attributable	14,235,474	13.88%

	No. of shares held as at 31-Dec-2018	% share capital with voting rights
João Manuel Matos Borges de Oliveira		
Through the company Caderno Azul, S.A. (of which he is the shareholder and director)	15,400,000	15.01%
Total attributable	15,400,000	15.01%

	No. of shares held as at 31-Dec-2018	% share capital with voting rights
Ana Rebelo Carvalho Menéres de Mendonça		
Through the company Promendo Investimentos, S.A. (of which she is the dominant shareholder and director)	20,488,760	19.98%
Total attributable	20,488,760	19.98%

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

CLOSING REMARKS

We do not want to conclude without thanking our partners and employees for their trust in our organisation. We would also like to thank the External Auditor for the cooperation provided in 2018 and the Supervisory Board for its continued monitoring of our operations.

Porto, 9 April 2019

The Board of Directors

Paulo Jorge dos Santos Fernandes – Chairman

João Manuel Matos Borges de Oliveira

Domingos José Vieira de Matos

Pedro Miguel Matos Borges de Oliveira

Ana Rebelo de Carvalho Menéres de Mendonça

ANNEXES TO THE DIRECTORS' REPORT

31 December 2018



STATEMENT UNDER THE TERMS OF ARTICLE 245(1) (C) OF THE SECURITIES CODE

The signatories individually declare that, to the best of their knowledge, the Management Report, the Consolidated and Individual Financial Statements and other accounting documents required by law or regulation were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, giving a true and fair view of the assets and liabilities, the financial position and the consolidated and individual results of Cofina, SGPS, S.A. and of the companies included in the consolidation perimeter, and that the Management Report faithfully describes the evolution of the business, performance and financial position of Cofina, SGPS, S.A. and of the companies included in the consolidation perimeter, and contains a description of the main risks and uncertainties that they face.

DECLARATION OF RESPONSIBILITY

The members of the Board of Directors of Cofina, SGPS, S.A. declare that they assume responsibility for this information and ensure that the information contained herein is true and that there are no omissions of which they are aware.

In accordance with Article 210 of the Code of Contributory Schemes of the Social Security System (approved by Law No. 110/2009, of 16 September), it is hereby declared that there are no overdue debts to the State, particularly to Social Security.

ANNEX 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 inception. He has a degree in Electronic Engineering from the University of Porto and later completed an MBA at Lisbon's Universidade Nova.

He has been a Company shareholder since 1990 and was also appointed a director at that time.

He is active in the media, internet and pulp and paper industries. He is currently CEO of Cofina, CO-CEO of Altri, SGPS, S.A., of which he is founder, shareholder, member of the Board of Directors and Chairman.

He is also a member of the Board of Directors of Ramada Investimentos e Indústria, S.A.

In addition to the companies where he currently holds management positions, his professional experience includes:

1982/1984	Assistant Head of Production at CORTAL
1986/1989	General Manager of CORTAL
1989/1994	Chief Executive Officer of CORTAL
1995	Director of CRISAL – CRISTAIS DE ALCobaça, SA
1997	Director of Grupo Vista Alegre, SA
1997	Chairman of the Board of Directors of ATLANTIS – Cristais de Alcobaça, SA
2000/2001	Director of SIC

Throughout his career, he has also held positions in a number of associations:

- 1989/1994 Chairman of FEMB (European Federation of Office Furniture) for Portugal 1989/1990
- Chairman of the General Meeting of Assoc. Industr. Águeda
- 1991/1993 Member of the Advisory Board of Assoc. Ind. Portuense
- Since 2005, Member of the Senior Board of the Association of Former MBA Students
- 2013/2016 Chairman of the Board of the Supervisory Board of BCSD
- Since 2006, Member of the Advisory Board in Engineering and Management at IST
- Since 2016 Member of the Board of CELPA – Associação da Indústria Papeleira

As at 31 December 2018, the other companies where he holds management positions are:

- A Nossa Aposta – Jogos e Apostas On-Line, S.A.
- Actium Capital, S.A. (a)
- Altri Abastecimento de Madeira, S.A. (a)
- Altri Participações Y Trading, S.L. (a)
- Altri, SGPS, S.A. (a)
- Articulado – Actividades Imobiliárias, S.A. (a)
- Caima – Indústria de Celulose, S.A. (a)
- Caima Energia – Emp. Gestão e Exploração de Energia, S.A. (a)
- Celulose Beira Industrial (Celbi), S.A. (a)

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V. Annexes to the Directors' Report

- Celtejo – Empresa de Celulose do Tejo, S.A. (a)
- Cofihold, S.A. (a)
- Cofihold II, S.A. (a)
- Cofina Media, S.A.
- Elege Valor Lda. (a)
- F. Ramada II Imobiliária, S.A. (a)
- Préstimo – Prestígio Imobiliário, S.A. (a)
- Ramada Aços, S.A. (a)
- Ramada Investimentos e Indústria, S.A. (a)
- Santos Fernandes & Vieira Matos, Lda. (a)
- Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A. (a)

(a) – companies that, as at 31 December 2018, cannot be considered to be part of the Cofina, SGPS, S.A. group.

João Manuel Matos Borges de Oliveira

He was one of the founders of Cofina, and has worked in the Company's administration since its incorporation. He has a degree in Chemical Engineering from the University of Porto and later completed an MBA at INSEAD. He carries out duties in the areas of media and industry, as well as in the strategic definition of the Group. He has been a Company shareholder since 1990 and was also appointed a director at that time.

In addition to the companies where he currently holds management positions, his professional experience includes:

1982/1983	Assistant Head of Production at CORTAL
1984/1985	Head of Production at CORTAL
1987/1989	Marketing Director of CORTAL
1989/1994	General Manager of CORTAL
1989/1995	Vice-Chairman of the Board of Directors of CORTAL
1989/1994	Director of Seldex
1996/2000	Non-Executive Director of Atlantis, S.A.
1997/2000	Non-Executive Director of Vista Alegre, S.A.
1998/1999	Director of Efacec Capital, SGPS, S.A.
2008/2011	Non-Executive Director of Zon Multimédia, SGPS, S.A.
2008/2015	Chairman of the Supervisory Board of Porto Business School
2011/2013	Member of the ISCTE-IUL CFO Advisory Forum

As at 31 December 2018, the other companies where he holds management positions are:

- Altri Abastecimento de Madeira, S.A. (a)
- Altri Participaciones Y Trading, S.L. (a)
- Altri, SGPS, S.A. (a)
- Caderno Azul, S.A. (a)
- Caima – Indústria de Celulose, S.A. (a)
- Caima Energia – Emp. Gestão e Exploração de Energia, S.A. (a)
- Captaraiz – Unipessoal, Lda. (a)
- Celulose Beira Industrial (Celbi), S.A. (a)
- Celtejo – Empresa de Celulose do Tejo, S.A. (a)
- Cofina Media, S.A.
- Cofihold, S.A. (a)
- Cofihold II, S.A. (a)
- Elege Valor, Lda. (a)
- F. Ramada II Imobiliária, S.A. (a)
- Indaz, S.A. (a)
- Préstimo – Prestígio Imobiliário, S.A. (a)
- Ramada Aços, S.A. (a)
- Ramada Investimentos e Indústria, S.A. (a)
- Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A. (a)
- Universal – Afir, S.A. (a)

a) – companies that, as at 31 December 2018, cannot be considered to be part of the Cofina, SGPS, 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 inception. He has a degree in Economics from the University of Porto Faculty of Economics, having begun his management activities in 1978. He has been a Company shareholder since 1990 and was also appointed a director at that time.

In addition to the companies where he currently holds management positions, his professional experience includes:

1978/1994	Director of Cortal, S.A.
1983	Founding Partner of Promede – Produtos Médicos, S.A.
1998/2000	Director of Electro Cerâmica, S.A.

As at 31 December 2018, the other companies where he holds management positions are:

- Altri Florestal, S.A. (a)
- Altri, SGPS, S.A. (a)
- Caima – Indústria de Celulose, S.A. (a)
- Celulose Beira Industrial (Celbi), S.A. (a)
- Cofihold, S.A. (a)
- Cofihold II, S.A. (a)
- Elege Valor Lda. (a)
- F. Ramada II Imobiliária, S.A. (a)
- Livrefluxo, S.A. (a)
- Préstimo – Prestígio Imobiliário, S.A. (a)
- Ramada Aços, S.A. (a)
- Ramada Investimentos e Indústria, S.A. (a)
- Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A. (a)
- Universal- Afir, S.A. (a)

(a) – companies that, as at 31 December 2018, cannot be considered to be part of the Cofina, SGPS, S.A. group.

Pedro Miguel Matos Borges de Oliveira

He has a degree in Financial Management from the Porto Higher Institute of Administration and Management. In 2000 he completed his Executive MBA at the Porto Business Institute in partnership with ESADE – Business School of Barcelona, currently the Catholic University of Porto Business School. In 2009 he completed the Business Evaluation Course at EGE – School of Business Management. He has been a director of the Company since May 2009.

In addition to the companies where he currently holds management positions, his professional experience includes:

1986/2000	Management Advisor at FERÁGUEDA, Lda.
1992	Director of Bemel, Lda.
1997/1999	Assistant Director of GALAN, Lda.
1999/2000	Assistant Manager of the Saws and Tools Department at Ramada Aços, S.A.
2000	Director of the Saws and Tools Department at Ramada Aços, S.A.
2006	Director of Universal Air, S.A.
2009	Director of F. Ramada Investimentos, SGPS, S.A.
2014	Director of Altri, SGPS, S.A.

As at 31 December 2018, the other companies where he holds management positions are:

- Altri Florestal, S.A. (a)
- Altri, SGPS, S.A. (a)
- Celulose Beira Industrial (Celbi), S.A. (a)
- Cofihold, S.A. (a)
- Cofihold II, S.A. (a)
- F. Ramada II Imobiliária, S.A. (a)
- Préstimo – Prestígio Imobiliário, S.A. (a)
- Ramada Aços, S.A. (a)
- Ramada Investimentos e Indústria, S.A. (a)
- Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A. (a)
- Universal- Afir, S.A. (a)
- Valor Autêntico, S.A. (a)
- 1 Thing, Investments, S.A. (a)

(a) – companies that, as at 31 December 2018, cannot be considered to be part of the Cofina, SGPS, S.A. group.

Ana Rebelo de Carvalho Menéres de Mendonça

She has a degree in Economics from the Portuguese Catholic University in Lisbon and was appointed director of the company in May 2009.

In addition to the companies where he currently holds management positions, his professional experience includes:

1995	Journalist in the economics area at the <i>Semanário Económico</i> newspaper
1996	Citibank Commercial Department
1996	Director of Promendo, S.A.
2009	Director of PROMENDO, SGPS, S.A. (current Promendo Investimentos, S.A.)

As at 31 December 2018, the other companies where he holds management positions are:

- Altri, SGPS, S.A. (a)
- Cofihold, S.A. (a)
- Cofihold II, S.A. (a)
- F. Ramada II Imobiliária, S.A. (a)
- Promendo Investimentos, S.A. (a)
- Préstimo – Prestígio Imobiliário, S.A. (a)
- Ramada Aços, S.A. (a)
- Ramada Investimentos e Indústria, S.A. (a)

(a) – companies that, as at 31 December 2018, cannot be considered to be part of the Cofina, SGPS, S.A. group.

2. Supervisory Board

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

Pedro Nuno Fernandes de Sá Pessanha da Costa

Qualifications: Degree in Law from the University of Coimbra Faculty of Law in 1981 Complementary training in management and financial and economic analysis of companies at the Portuguese Catholic University – Porto School of Law in 1982 and 1983.

Work experience: Member of the Portuguese Bar Association since 1983
Chairman of the General and Supervisory Board of a public company, from 1996 to 2010
Chairman of the Board of the General Meeting of several listed and non-listed companies
Continuous practice of law since 1983, with special emphasis on commercial and corporate law, mergers and acquisitions, foreign investment and international contracts.
Co-author of the chapter on Portugal in "Handbuch der Europäischen Aktien-Gesellschaft" – Societas Europaea – by Jannot / Frodermann, published by C.F. Müller Verlag

Other positions held:

Chairman of the Banco Português de Investimento, S.A. Supervisory Board (a)
Chairman of the Altri, SGPS, S.A. Supervisory Board (a)
Chairman of the Ramada Investimentos e Indústria, S.A. Supervisory Board (a)
Chairman of the Supervisory Board of BPI Private Equity – Sociedade de Capital de Risco, S.A.
Member of the Altri, SGPS, S.A. Remuneration Committee (a)
Member of the Ramada Investimentos e Indústria, S.A. Remuneration Committee (a)
Chairman of the General Meeting of SOGRAPE, SGPS, S.A. (a)
Chairman of the SOGRAPE Vinhos, S.A. General Meeting (a)
Chairman of the SOGRAPE SGPS, S.A. Remuneration Committee (a)
Chairman of the Adriano Ramos Pinto, S.A. General Meeting (a)
Chairman of the General Meeting of Aquitex – Acabamentos Químicos Têxteis, S.A. (a)
Honorary Consul of Belgium in Porto (a)

(a) – companies that, as at 31 December 2018, cannot be considered to be part of the Cofina, SGPS, S.A. group.

António Luís Isidro de Pinho

Qualifications: Degree in Economics from the Higher School of Labour and Business Sciences (I.S.C.T.E.), (1973 – 1978).
Degree in Business Organisation and Administration from the Higher School of Labour and Business Sciences (I.S.C.T.E.), (1986 – 1989).
Chartered Accountant & Statutory Auditor, since 1987.
Member of the Portuguese Economists Association, of the Portuguese Chartered Accountants Association and of the Portuguese Association of Tax Consultants.

Work experience: His 35 years of professional experience have focused on the area of external and internal auditing and the financial management of various companies.
He began his professional career in 1976 at Lacticoop and then, as part of Gremetal's financial department, took part in the construction of the refinery in Sines, an activity that he interrupted to do his mandatory military service, which he completed in December 1981.
From January 1982 to December 1986, he worked at Arthur Andersen & Co. as Audit Manager.
From 1987 to 1991, he was part of the SOPORCEL group, where he worked as Internal Auditor, Financial Director of Emporsil and Head of the Land Acquisition Department.
From 1991 to 1996 he was a member of the Executive Board of SOCTIP, a leading printer in its market segment that employed around 200 workers, in charge of the company's financial area.
Since 1996, he has been a full-time Statutory Auditor, having worked for Moore Stephens, as a partner at A. Gonçalves Monteiro & Associados, SROC, between October 1997 and November 2008. That company gave way to Veiga, Pinho & Silva – SROC, which in 2015 became Kreston Associados.
He is a Statutory Auditor, member of the Supervisory Board and External Auditor of several companies of significant size and in different sectors. Currently, he is Managing Partner at Kreston & Associados-SROC, Lda. responsible for the legal auditing of the accounts of several industrial, commercial and service companies.
In addition to his technical duties as Auditor, he also holds the position of Head of Quality Control of the company and of Controller-Rapporteur of the Quality Control Committee of the Portuguese Association of Chartered Accountants.

Other positions held:
Member of the Altri, SGPS, S.A. Supervisory Board. (a)
Member of the Ramada Investimentos e Indústria, S.A. Supervisory Board. (a)

(a) – companies that, as at 31 December 2018, cannot be considered to be part of the Cofina, SGPS, S.A. group.

Guilherme Paulo Aires da Mota Correia Monteiro

Qualifications: Bachelor's degree in Economics from the University of Porto Faculty of Economics, Master's degree in General Company Management, IEDE.

Work experience: He began his professional career in 1991 at Deloitte in the area of Management Solutions. In 1999, he was promoted to Manager of the MS Porto Financial Services department. In 2007, he was promoted to Associate Partner of Deloitte's corporate finance department. From 2002 to 2013, he was responsible for the Corporate Finance Division in Porto, specialising in mergers and acquisitions, valuations, debt advisory and project finance. From 2014 to 2016, he was at Deloitte's Financial Advisory Services division in Lisbon, in the areas of M&A, Debt Advisory and Investment and Capital Projects. He has worked for companies in different sectors of activity, particularly in the tourism, real estate, private equity, banking, construction, health, automotive, metalworking, agri-food, textile, cork, furniture, chemical and TMT sectors. He has solid experience in mergers and acquisitions, MBO, MBI, valuations, strategic consulting, feasibility studies, investment projects, business plans, corporate recovery, private placements, project finance and debt advisory.

Other positions held:

Independent Consultant (a)
Member of the Altri, SGPS, S.A Supervisory Board. (a)
Member of the Ramada Investimentos e Indústria, S.A. Supervisory Board. (a)

(a) – companies that, as at 31 December 2018, cannot be considered to be part of the Cofina, SGPS, S.A. group.

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V. Annexes to the Directors' Report

André Seabra Ferreira Pinto

Qualifications: Bachelor's degree in Economics from Portugalense University Statutory Auditor (ROC No. 1.243)
Executive MBA – Porto School of Management – University of Porto Business School

Work experience: Between September 1999 and May 2008, working in the Audit Department of Deloitte & Associados, SROC, S.A. (initially as a staff member and as Manager since September 2004)

Between June 2008 and December 2010, Senior Manager of Corporate Finance – Transaction Services Department at Deloitte Consultores.

Between January 2011 and March 2013, Chief Financial Officer of WireCoWorldGroup companies in Portugal (a)

Since April 2013, CFO of Mecwide Group (a)

Director of MWIDE, SGPS, S.A., as well as of the other companies integrating the Mecwide Group (a)

Manager of Together We Change Investments, LDA, Virtusai, LDA. and Apparently Relevant, Lda. (a)

Other positions held:

Member of the Altri, SGPS, S.A. Remuneration Committee (a)

Member of the Ramada Investimentos e Indústria, S.A. Remuneration Committee (a)

Alternate for the Altri, S.G.P.S., S.A. Supervisory Board (a)

Alternate for the Ramada Investimentos e Indústria, S.A. Supervisory Board (a)

(a) – companies that, as at 31 December 2018, cannot be considered to be part of the Cofina, SGPS, S.A. group.

3. Remuneration Committee

Qualifications, experience and positions held in other companies by members of the Remuneration Committee:

João da Silva Natária

Qualifications: Bachelor's degree in Law from the University of Lisbon

Work experience:

1979	General Manager of the Luanda/Viana subsidiary of F. Ramada, by joint appointment of the Board and the Ministry of Industry of Angola
1983	Director of the Department of Polyester and Buttons at F. Ramada, Aços e Indústrias, S.A.
1984/2000	Human Resources Manager at F. Ramada, Aços e Indústrias, S.A.
1993/1995	Director of Universal – Aços, Máquinas e Ferramentas, S.A.
2000/2018	Lawyer specialising in Labour Law and Family Law

Other positions held:

- Chairman of the Celulose Beira Industrial (CELBI), S.A. Supervisory Board (a)
- Chairman of the Altri, S.G.P.S., S.A. Remuneration Committee (a)
- Chairman of the Ramada Investimentos e Indústria, S.A. Remuneration Committee (a)

(a) – companies that, as at 31 December 2018, cannot be considered to be part of the Cofina, SGPS, S.A. group.

Pedro Nuno Fernandes de Sá Pessanha da Costa

Qualifications: Degree in Law from the University of Coimbra Faculty of Law in 1981 Complementary training in management and financial and economic analysis of companies at the Portuguese Catholic University – Porto School of Law in 1982 and 1983.

Work experience: Member of the Portuguese Bar Association since 1983
Chairman of the General and Supervisory Board of a public company, from 1996 to 2010
Chairman of the Board of the General Meeting of several listed and non-listed companies
Continuous practice of law since 1983, with special emphasis on commercial and corporate law, mergers and acquisitions, foreign investment and international contracts.
Co-author of the chapter on Portugal in "Handbuch der Europäischen Aktien-Gesellschaft" – Societas Europaea – by Jannot / Frodermann, published by C.F. Müller Verlag

Other positions held:

Chairman of the Banco Português de Investimento, S.A. Supervisory Board (a)
Chairman of the Altri, SGPS, S.A. Supervisory Board (a)
Chairman of the Ramada Investimentos e Indústria, S.A. Supervisory Board (a)
Chairman of the Supervisory Board of BPI Private Equity – Sociedade de Capital de Risco, S.A.
Member of the Altri, SGPS, S.A. Remuneration Committee (a)
Member of the Ramada Investimentos e Indústria, S.A. Remuneration Committee (a)
Chairman of the General Meeting of SOGRAPE, SGPS, S.A. (a)
Chairman of the SOGRAPE Vinhos, S.A. General Meeting (a)
Chairman of the SOGRAPE SGPS, S.A. Remuneration Committee (a)
Chairman of the Adriano Ramos Pinto, S.A. General Meeting (a)
Chairman of the General Meeting of Aquitex – Acabamentos Químicos Têxteis, S.A. (a)
Honorary Consul of Belgium in Porto (a)

(a) – companies that, as at 31 December 2018, cannot be considered to be part of the Cofina, SGPS, S.A. group.

André Seabra Ferreira Pinto

Qualifications: Bachelor's degree in Economics from Portucalense University Statutory Auditor (ROC No. 1.243)
Executive MBA – Porto School of Management – University of Porto Business School

Work experience:

Between September 1999 and May 2008, working in the Audit Department of Deloitte & Associados, SROC, S.A. (initially as a staff member and as Manager since September 2004)

Between June 2008 and December 2010, Senior Manager of Corporate Finance – Transaction Services Department at Deloitte Consultores.

Between January 2011 and March 2013, Chief Financial Officer of WireCoWorldGroup companies in Portugal (a)

Since April 2013, CFO of Mecwide Group (a)

Director of MWIDE, SGPS, S.A., as well as of the other companies integrating the Mecwide Group (a)

Manager of Together We Change Investments, LDA, Virtusai, LDA. and Apparently Relevant, Lda. (a)

Other positions held:

Member of the Altri, SGPS, S.A. Remuneration Committee (a)
Member of the Ramada Investimentos e Indústria, S.A. Remuneration Committee (a)
Alternate for the Altri, S.G.P.S., S.A. Supervisory Board (a)
Alternate for the Ramada Investimentos e Indústria, S.A. Supervisory Board (a)

(a) – companies that, as at 31 December 2018, cannot be considered to be part of the Cofina, SGPS, S.A. group.

**Article 447 of the Portuguese Companies Act and Article 14(7) of CMVM Regulation
No. 05/2008**

Disclosure of shares and other securities held by members of the Board of Directors and by Managers, as well as by people who are closely related to them, in accordance with Article 248-B of the Portuguese Securities Code, and transactions carried out on these during the course of the year

Members of the Board of Directors	Shares held on 31-Dec-2017	Acquisitions	Disposals	Shares held on 31-Dec-2018
Paulo Jorge dos Santos Fernandes (imputation through ACTIUM CAPITAL, S.A.)	13,386,332	849,142	-	14,235,474
João Manuel Matos Borges de Oliveira (imputation through INDAZ, S.A.)	15,400,000	-	(15,400,000)	-
João Manuel Matos Borges de Oliveira (imputation through CADERNO AZUL, S.A.)	-	15,400,000	-	15,400,000
Domingos José Vieira de Matos (imputation through LIVREFLUXO, S.A.)	12,395,257	-	-	12,395,257
Pedro Miguel Matos Borges de Oliveira	-	139,715	(139,715)	-
Pedro Miguel Matos Borges de Oliveira (imputation through VALOR AUTÉNTICO, S.A.)	7,719,360	2,557,888	-	10,277,248
Ana Rebelo Mendonça (imputation through PROMENDO INVESTIMENTOS, S.A.)	20,488,760	-	-	20,488,760

Paulo Jorge dos Santos Fernandes (imputation through ACTIUM CAPITAL, S.A.)

Date	Nature	Volume	Price (€)	Place	No. Shares
31-Dec-17	-	-	-	-	13,386,332
27-Jul-18	Acquisition	1,000	0.554000	Euronext Lisbon	13,387,332
27-Jul-18	Acquisition	249,159	0.554000	Euronext Lisbon	13,636,491
27-Jul-18	Acquisition	12,500	0.554000	Euronext Lisbon	13,648,991
27-Jul-18	Acquisition	4,000	0.554000	Euronext Lisbon	13,652,991
27-Jul-18	Acquisition	25,341	0.554000	Euronext Lisbon	13,678,332
27-Jul-18	Acquisition	8,000	0.554000	Euronext Lisbon	13,686,332
27-Jul-18	Acquisition	12,500	0.554000	Euronext Lisbon	13,698,832
27-Jul-18	Acquisition	4,000	0.554000	Euronext Lisbon	13,702,832
27-Jul-18	Acquisition	79,500	0.554000	Euronext Lisbon	13,782,332
27-Jul-18	Acquisition	4,000	0.554000	Euronext Lisbon	13,786,332
27-Jul-18	Acquisition	12,500	0.554000	Euronext Lisbon	13,798,832
27-Jul-18	Acquisition	72,970	0.554000	Euronext Lisbon	13,871,802
27-Jul-18	Acquisition	151,000	0.556000	Euronext Lisbon	14,022,802
27-Jul-18	Acquisition	1,000	0.578000	Euronext Lisbon	14,023,802
27-Jul-18	Acquisition	211,672	0.578000	Euronext Lisbon	14,235,474
31-Dec-18	-	-	-	-	14,235,474

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

Date	Nature	Volume	Price (€)	Place	No. Shares
31-Dec-17	-	-	-	-	15,400,000
14-Aug-18	Disposal	15,400,000	0.600000	Euronext Lisbon	-
31-Dec-18	-	-	-	-	-

João Manuel Matos Borges de Oliveira (imputation through CADERNO AZUL, S.A.)

Date	Nature	Volume	Price (€)	Place	No. Shares
31-Dec-17	-	-	-	-	-
14-Aug-18	Acquisition	15,400,000	0.600000	Euronext Lisbon	15,400,000
31-Dec-18	-	-	-	-	15,400,000

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V. Annexes to the Directors' Report

Pedro Miguel Matos Borges de Oliveira

Date	Nature	Volume	Price (€)	Place	No. Shares
31-Dec-17	-	-	-	-	-
17-Sep-18	Acquisition	134,997	0.650000	Euronext Lisbon	134,997
18-Sep-18	Acquisition	4,718	0.650000	Euronext Lisbon	139,715
21-Nov-18	Disposal	139,715	0.690000	Off-exchange	-
31-Dec-18	-	-	-	-	-

Pedro Miguel Matos Borges de Oliveira (imputation through VALOR AUTÊNTICO, S.A.)

Date	Nature	Volume	Price (€)	Place	No. Shares
31-Dec-17	-	-	-	-	7,719,360
24-Aug-18	Acquisition	703	0.636000	Euronext Lisbon	7,720,063
24-Aug-18	Acquisition	37	0.636000	Euronext Lisbon	7,720,100
24-Aug-18	Acquisition	8,427	0.636000	Euronext Lisbon	7,728,527
24-Aug-18	Acquisition	25,000	0.638000	Euronext Lisbon	7,753,527
24-Aug-18	Acquisition	4,000	0.638000	Euronext Lisbon	7,757,527
24-Aug-18	Acquisition	7,836	0.638000	Euronext Lisbon	7,765,363
24-Aug-18	Acquisition	25,000	0.640000	Euronext Lisbon	7,790,363
24-Aug-18	Acquisition	102,666	0.640000	Euronext Lisbon	7,893,029
24-Aug-18	Acquisition	4,000	0.640000	Euronext Lisbon	7,897,029
24-Aug-18	Acquisition	1,500	0.640000	Euronext Lisbon	7,898,529
24-Aug-18	Acquisition	11,336	0.640000	Euronext Lisbon	7,909,865
24-Aug-18	Acquisition	3,000	0.640000	Euronext Lisbon	7,912,865
24-Aug-18	Acquisition	1,100	0.640000	Euronext Lisbon	7,913,965
24-Aug-18	Acquisition	4,000	0.640000	Euronext Lisbon	7,917,965
24-Aug-18	Acquisition	1,395	0.640000	Euronext Lisbon	7,919,360
24-Aug-18	Acquisition	4,000	0.640000	Euronext Lisbon	7,923,360
24-Aug-18	Acquisition	7,812	0.640000	Euronext Lisbon	7,931,172
24-Aug-18	Acquisition	18,188	0.640000	Euronext Lisbon	7,949,360
28-Aug-18	Acquisition	1,500	0.640000	Euronext Lisbon	7,950,860
28-Aug-18	Acquisition	95,049	0.640000	Euronext Lisbon	8,045,909
28-Aug-18	Acquisition	3,451	0.640000	Euronext Lisbon	8,049,360
28-Aug-18	Acquisition	2,500	0.630000	Euronext Lisbon	8,051,860
28-Aug-18	Acquisition	2,500	0.630000	Euronext Lisbon	8,054,360
28-Aug-18	Acquisition	7,500	0.630000	Euronext Lisbon	8,061,860
29-Aug-18	Acquisition	13,148	0.638000	Euronext Lisbon	8,075,008
29-Aug-18	Acquisition	7,836	0.638000	Euronext Lisbon	8,082,844
29-Aug-18	Acquisition	2,808	0.638000	Euronext Lisbon	8,085,652
29-Aug-18	Acquisition	5,227	0.640000	Euronext Lisbon	8,090,879
29-Aug-18	Acquisition	70,981	0.640000	Euronext Lisbon	8,161,860
31-Aug-18	Acquisition	2,746	0.644000	Euronext Lisbon	8,164,606
31-Aug-18	Acquisition	3,521	0.644000	Euronext Lisbon	8,168,127
31-Aug-18	Acquisition	8,721	0.644000	Euronext Lisbon	8,176,848
31-Aug-18	Acquisition	25,428	0.644000	Euronext Lisbon	8,202,276
31-Aug-18	Acquisition	6,000	0.646000	Euronext Lisbon	8,208,276
31-Aug-18	Acquisition	4,000	0.646000	Euronext Lisbon	8,212,276
31-Aug-18	Acquisition	10,000	0.648000	Euronext Lisbon	8,222,276
31-Aug-18	Acquisition	8,200	0.648000	Euronext Lisbon	8,230,476
31-Aug-18	Acquisition	2,000	0.648000	Euronext Lisbon	8,232,476
31-Aug-18	Acquisition	1,768	0.648000	Euronext Lisbon	8,234,244
31-Aug-18	Acquisition	22,000	0.650000	Euronext Lisbon	8,256,244
31-Aug-18	Acquisition	10,000	0.650000	Euronext Lisbon	8,266,244
31-Aug-18	Acquisition	77,000	0.650000	Euronext Lisbon	8,343,244
31-Aug-18	Acquisition	2,000	0.650000	Euronext Lisbon	8,345,244

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V. Annexes to the Directors' Report

Date	Nature	Volume	Price (€)	Place	No. Shares
31-Aug-18	Acquisition	200	0.650000	Euronext Lisbon	8,345,444
31-Aug-18	Acquisition	40	0.650000	Euronext Lisbon	8,345,484
31-Aug-18	Acquisition	3,000	0.650000	Euronext Lisbon	8,348,484
31-Aug-18	Acquisition	1,009	0.650000	Euronext Lisbon	8,349,493
31-Aug-18	Acquisition	1,000	0.650000	Euronext Lisbon	8,350,493
31-Aug-18	Acquisition	25,864	0.650000	Euronext Lisbon	8,376,357
31-Aug-18	Acquisition	924	0.650000	Euronext Lisbon	8,377,281
31-Aug-18	Acquisition	1,500	0.650000	Euronext Lisbon	8,378,781
10-Sep-18	Acquisition	4,761	0.630000	Euronext Lisbon	8,383,542
10-Sep-18	Acquisition	15,000	0.632000	Euronext Lisbon	8,398,542
10-Sep-18	Acquisition	6,100	0.632000	Euronext Lisbon	8,404,642
10-Sep-18	Acquisition	4,000	0.636000	Euronext Lisbon	8,408,642
10-Sep-18	Acquisition	4,336	0.638000	Euronext Lisbon	8,412,978
10-Sep-18	Acquisition	9,900	0.638000	Euronext Lisbon	8,422,878
10-Sep-18	Acquisition	396	0.628000	Euronext Lisbon	8,423,274
10-Sep-18	Acquisition	6,316	0.640000	Euronext Lisbon	8,429,590
10-Sep-18	Acquisition	13,671	0.640000	Euronext Lisbon	8,443,261
10-Sep-18	Acquisition	5,181	0.640000	Euronext Lisbon	8,448,442
10-Sep-18	Acquisition	4,000	0.640000	Euronext Lisbon	8,452,442
10-Sep-18	Acquisition	1,407	0.640000	Euronext Lisbon	8,453,849
10-Sep-18	Acquisition	8,000	0.642000	Euronext Lisbon	8,461,849
10-Sep-18	Acquisition	16,932	0.644000	Euronext Lisbon	8,478,781
10-Sep-18	Acquisition	1,000	0.630000	Euronext Lisbon	8,479,781
10-Sep-18	Acquisition	1,000	0.630000	Euronext Lisbon	8,480,781
10-Sep-18	Acquisition	1,188	0.630000	Euronext Lisbon	8,481,969
10-Sep-18	Acquisition	20,000	0.638000	Euronext Lisbon	8,501,969
10-Sep-18	Acquisition	812	0.640000	Euronext Lisbon	8,502,781
10-Sep-18	Acquisition	3,079	0.640000	Euronext Lisbon	8,505,860
13-Sep-18	Acquisition	8,750	0.634000	Euronext Lisbon	8,514,610
13-Sep-18	Acquisition	13,801	0.634000	Euronext Lisbon	8,528,411
13-Sep-18	Acquisition	3,000	0.636000	Euronext Lisbon	8,531,411
13-Sep-18	Acquisition	4,449	0.636000	Euronext Lisbon	8,535,860
13-Sep-18	Acquisition	7,836	0.638000	Euronext Lisbon	8,543,696
13-Sep-18	Acquisition	14,929	0.640000	Euronext Lisbon	8,558,625
13-Sep-18	Acquisition	3,502	0.640000	Euronext Lisbon	8,562,127
13-Sep-18	Acquisition	13,733	0.640000	Euronext Lisbon	8,575,860
13-Sep-18	Acquisition	4,677	0.636000	Euronext Lisbon	8,580,537
13-Sep-18	Acquisition	13,757	0.636000	Euronext Lisbon	8,594,294
13-Sep-18	Acquisition	1,566	0.638000	Euronext Lisbon	8,595,860
13-Sep-18	Acquisition	1,009	0.630000	Euronext Lisbon	8,596,869
13-Sep-18	Acquisition	3,434	0.638000	Euronext Lisbon	8,600,303
13-Sep-18	Acquisition	4,000	0.638000	Euronext Lisbon	8,604,303
13-Sep-18	Acquisition	1,557	0.640000	Euronext Lisbon	8,605,860
14-Sep-18	Acquisition	5,000	0.630000	Euronext Lisbon	8,610,860
14-Sep-18	Acquisition	21,501	0.630000	Euronext Lisbon	8,632,361
14-Sep-18	Acquisition	2,893	0.638000	Euronext Lisbon	8,635,254
14-Sep-18	Acquisition	7,836	0.638000	Euronext Lisbon	8,643,090
14-Sep-18	Acquisition	19,000	0.640000	Euronext Lisbon	8,662,090
14-Sep-18	Acquisition	5,271	0.640000	Euronext Lisbon	8,667,361
14-Sep-18	Acquisition	8,301	0.640000	Euronext Lisbon	8,675,662
14-Sep-18	Acquisition	1,919	0.640000	Euronext Lisbon	8,677,581
14-Sep-18	Acquisition	7,812	0.640000	Euronext Lisbon	8,685,393
14-Sep-18	Acquisition	1,968	0.642000	Euronext Lisbon	8,687,361
14-Sep-18	Acquisition	499	0.642000	Euronext Lisbon	8,687,860
14-Sep-18	Acquisition	17,251	0.640000	Euronext Lisbon	8,705,111
14-Sep-18	Acquisition	749	0.640000	Euronext Lisbon	8,705,860
14-Sep-18	Acquisition	11,251	0.640000	Euronext Lisbon	8,717,111

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V. Annexes to the Directors' Report

Date	Nature	Volume	Price (€)	Place	No. Shares
14-Sep-18	Acquisition	371	0.644000	Euronext Lisbon	8,717,482
14-Sep-18	Acquisition	6,436	0.644000	Euronext Lisbon	8,723,918
14-Sep-18	Acquisition	7,500	0.646000	Euronext Lisbon	8,731,418
14-Sep-18	Acquisition	12,878	0.648000	Euronext Lisbon	8,744,296
14-Sep-18	Acquisition	4,000	0.648000	Euronext Lisbon	8,748,296
14-Sep-18	Acquisition	43	0.650000	Euronext Lisbon	8,748,339
14-Sep-18	Acquisition	43	0.650000	Euronext Lisbon	8,748,382
14-Sep-18	Acquisition	43	0.650000	Euronext Lisbon	8,748,425
14-Sep-18	Acquisition	43	0.650000	Euronext Lisbon	8,748,468
14-Sep-18	Acquisition	29,772	0.650000	Euronext Lisbon	8,778,240
14-Sep-18	Acquisition	5,000	0.650000	Euronext Lisbon	8,783,240
14-Sep-18	Acquisition	1,216	0.650000	Euronext Lisbon	8,784,456
14-Sep-18	Acquisition	1,000	0.650000	Euronext Lisbon	8,785,456
14-Sep-18	Acquisition	5,404	0.648000	Euronext Lisbon	8,790,860
14-Sep-18	Acquisition	1,718	0.648000	Euronext Lisbon	8,792,578
14-Sep-18	Acquisition	13,282	0.650000	Euronext Lisbon	8,805,860
14-Sep-18	Acquisition	30,000	0.648000	Euronext Lisbon	8,835,860
14-Sep-18	Acquisition	2,369	0.648000	Euronext Lisbon	8,838,229
14-Sep-18	Acquisition	4,318	0.650000	Euronext Lisbon	8,842,547
14-Sep-18	Acquisition	13,313	0.650000	Euronext Lisbon	8,855,860
20-Sep-18	Acquisition	3,533	0.656000	Euronext Lisbon	8,859,393
20-Sep-18	Acquisition	8,554	0.658000	Euronext Lisbon	8,867,947
20-Sep-18	Acquisition	42	0.660000	Euronext Lisbon	8,867,989
20-Sep-18	Acquisition	43	0.660000	Euronext Lisbon	8,868,032
20-Sep-18	Acquisition	43	0.660000	Euronext Lisbon	8,868,075
20-Sep-18	Acquisition	2,616	0.660000	Euronext Lisbon	8,870,691
20-Sep-18	Acquisition	12,878	0.660000	Euronext Lisbon	8,883,569
20-Sep-18	Acquisition	2,291	0.660000	Euronext Lisbon	8,885,860
20-Sep-18	Acquisition	7,122	0.660000	Euronext Lisbon	8,892,982
20-Sep-18	Acquisition	4,000	0.660000	Euronext Lisbon	8,896,982
20-Sep-18	Acquisition	8,878	0.660000	Euronext Lisbon	8,905,860
20-Sep-18	Acquisition	101	0.660000	Euronext Lisbon	8,905,961
20-Sep-18	Acquisition	1,000	0.660000	Euronext Lisbon	8,906,961
20-Sep-18	Acquisition	3,899	0.660000	Euronext Lisbon	8,910,860
20-Sep-18	Acquisition	1,279	0.660000	Euronext Lisbon	8,912,139
20-Sep-18	Acquisition	3,721	0.660000	Euronext Lisbon	8,915,860
20-Sep-18	Acquisition	2,272	0.664000	Euronext Lisbon	8,918,132
20-Sep-18	Acquisition	4,000	0.664000	Euronext Lisbon	8,922,132
20-Sep-18	Acquisition	6,500	0.664000	Euronext Lisbon	8,928,632
20-Sep-18	Acquisition	6,000	0.666000	Euronext Lisbon	8,934,632
20-Sep-18	Acquisition	5,000	0.666000	Euronext Lisbon	8,939,632
20-Sep-18	Acquisition	3,728	0.666000	Euronext Lisbon	8,943,360
20-Sep-18	Acquisition	12,500	0.664000	Euronext Lisbon	8,955,860
20-Sep-18	Acquisition	500	0.666000	Euronext Lisbon	8,956,360
26-Sep-18	Acquisition	4,028	0.666000	Euronext Lisbon	8,960,388
26-Sep-18	Acquisition	43,000	0.668000	Euronext Lisbon	9,003,388
26-Sep-18	Acquisition	1,000	0.670000	Euronext Lisbon	9,004,388
26-Sep-18	Acquisition	4,000	0.670000	Euronext Lisbon	9,008,388
26-Sep-18	Acquisition	4,131	0.670000	Euronext Lisbon	9,012,519
26-Sep-18	Acquisition	75,406	0.670000	Euronext Lisbon	9,087,925
26-Sep-18	Acquisition	10,000	0.670000	Euronext Lisbon	9,097,925
26-Sep-18	Acquisition	435	0.670000	Euronext Lisbon	9,098,360
27-Sep-18	Acquisition	1,700	0.652000	Euronext Lisbon	9,100,060
27-Sep-18	Acquisition	10,764	0.652000	Euronext Lisbon	9,110,824
27-Sep-18	Acquisition	1,700	0.652000	Euronext Lisbon	9,112,524
27-Sep-18	Acquisition	17,872	0.652000	Euronext Lisbon	9,130,396

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V. Annexes to the Directors' Report

Date	Nature	Volume	Price (€)	Place	No. Shares
27-Sep-18	Acquisition	11,418	0.660000	Euronext Lisbon	9,141,814
27-Sep-18	Acquisition	7,582	0.660000	Euronext Lisbon	9,149,396
27-Sep-18	Acquisition	20,000	0.660000	Euronext Lisbon	9,169,396
27-Sep-18	Acquisition	1,000	0.660000	Euronext Lisbon	9,170,396
27-Sep-18	Acquisition	1,000	0.664000	Euronext Lisbon	9,171,396
27-Sep-18	Acquisition	4,000	0.664000	Euronext Lisbon	9,175,396
27-Sep-18	Acquisition	10,000	0.666000	Euronext Lisbon	9,185,396
27-Sep-18	Acquisition	4,000	0.668000	Euronext Lisbon	9,189,396
27-Sep-18	Acquisition	6,000	0.670000	Euronext Lisbon	9,195,396
27-Sep-18	Acquisition	4,000	0.668000	Euronext Lisbon	9,199,396
27-Sep-18	Acquisition	482	0.662000	Euronext Lisbon	9,199,878
28-Sep-18	Acquisition	21,973	0.668000	Euronext Lisbon	9,221,851
28-Sep-18	Acquisition	4,343	0.670000	Euronext Lisbon	9,226,194
28-Sep-18	Acquisition	4,000	0.670000	Euronext Lisbon	9,230,194
28-Sep-18	Acquisition	24,985	0.670000	Euronext Lisbon	9,255,179
28-Sep-18	Acquisition	30,000	0.670000	Euronext Lisbon	9,285,179
28-Sep-18	Acquisition	2,000	0.670000	Euronext Lisbon	9,287,179
1-Nov-18	Acquisition	14,256	0.636000	Euronext Lisbon	9,301,435
1-Nov-18	Acquisition	4,600	0.646000	Euronext Lisbon	9,306,035
1-Nov-18	Acquisition	6,000	0.648000	Euronext Lisbon	9,312,035
1-Nov-18	Acquisition	55,000	0.650000	Euronext Lisbon	9,367,035
1-Nov-18	Acquisition	15,000	0.648000	Euronext Lisbon	9,382,035
1-Nov-18	Acquisition	1,500	0.648000	Euronext Lisbon	9,383,535
1-Nov-18	Acquisition	9,748	0.648000	Euronext Lisbon	9,393,283
1-Nov-18	Acquisition	3,752	0.648000	Euronext Lisbon	9,397,035
1-Nov-18	Acquisition	11,248	0.648000	Euronext Lisbon	9,408,283
1-Nov-18	Acquisition	5	0.648000	Euronext Lisbon	9,408,288
1-Nov-18	Acquisition	2,000	0.648000	Euronext Lisbon	9,410,288
2-Nov-18	Acquisition	45,163	0.640000	Euronext Lisbon	9,455,451
2-Nov-18	Acquisition	6,500	0.646000	Euronext Lisbon	9,461,951
2-Nov-18	Acquisition	15,000	0.646000	Euronext Lisbon	9,476,951
2-Nov-18	Acquisition	25,148	0.646000	Euronext Lisbon	9,502,099
2-Nov-18	Acquisition	11,073	0.648000	Euronext Lisbon	9,513,172
2-Nov-18	Acquisition	4,000	0.652000	Euronext Lisbon	9,517,172
2-Nov-18	Acquisition	9,076	0.660000	Euronext Lisbon	9,526,248
2-Nov-18	Acquisition	7,716	0.660000	Euronext Lisbon	9,533,964
2-Nov-18	Acquisition	1,600	0.662000	Euronext Lisbon	9,535,564
2-Nov-18	Acquisition	12,000	0.662000	Euronext Lisbon	9,547,564
2-Nov-18	Acquisition	4,531	0.662000	Euronext Lisbon	9,552,095
2-Nov-18	Acquisition	4,647	0.662000	Euronext Lisbon	9,556,742
6-Nov-18	Acquisition	10,989	0.660000	Euronext Lisbon	9,567,731
6-Nov-18	Acquisition	1,000	0.660000	Euronext Lisbon	9,568,731
7-Nov-18	Acquisition	2,375	0.680000	Euronext Lisbon	9,571,106
7-Nov-18	Acquisition	2,500	0.682000	Euronext Lisbon	9,573,606
7-Nov-18	Acquisition	4,398	0.682000	Euronext Lisbon	9,578,004
7-Nov-18	Acquisition	42,958	0.684000	Euronext Lisbon	9,620,962
7-Nov-18	Acquisition	9,700	0.680000	Euronext Lisbon	9,630,662
7-Nov-18	Acquisition	200	0.680000	Euronext Lisbon	9,630,862
7-Nov-18	Acquisition	5,000	0.680000	Euronext Lisbon	9,635,862
7-Nov-18	Acquisition	700	0.686000	Euronext Lisbon	9,636,562
7-Nov-18	Acquisition	16,300	0.686000	Euronext Lisbon	9,652,862
7-Nov-18	Acquisition	10	0.686000	Euronext Lisbon	9,652,872
7-Nov-18	Acquisition	4,000	0.686000	Euronext Lisbon	9,656,872
7-Nov-18	Acquisition	1,500	0.686000	Euronext Lisbon	9,658,372
9-Nov-18	Acquisition	8,000	0.682000	Euronext Lisbon	9,666,372
9-Nov-18	Acquisition	5,000	0.682000	Euronext Lisbon	9,671,372

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V. Annexes to the Directors' Report

Date	Nature	Volume	Price (€)	Place	No. Shares
9-Nov-18	Acquisition	2,502	0.690000	Euronext Lisbon	9,673,874
9-Nov-18	Acquisition	14,960	0.690000	Euronext Lisbon	9,688,834
9-Nov-18	Acquisition	4,000	0.690000	Euronext Lisbon	9,692,834
9-Nov-18	Acquisition	4,000	0.690000	Euronext Lisbon	9,696,834
9-Nov-18	Acquisition	4,000	0.690000	Euronext Lisbon	9,700,834
9-Nov-18	Acquisition	4,000	0.690000	Euronext Lisbon	9,704,834
9-Nov-18	Acquisition	4,000	0.690000	Euronext Lisbon	9,708,834
9-Nov-18	Acquisition	4,000	0.690000	Euronext Lisbon	9,712,834
9-Nov-18	Acquisition	4,000	0.690000	Euronext Lisbon	9,716,834
9-Nov-18	Acquisition	4,000	0.690000	Euronext Lisbon	9,720,834
9-Nov-18	Acquisition	4,000	0.690000	Euronext Lisbon	9,724,834
9-Nov-18	Acquisition	4,000	0.690000	Euronext Lisbon	9,728,834
9-Nov-18	Acquisition	4,000	0.690000	Euronext Lisbon	9,732,834
9-Nov-18	Acquisition	4,000	0.690000	Euronext Lisbon	9,736,834
9-Nov-18	Acquisition	4,000	0.690000	Euronext Lisbon	9,740,834
9-Nov-18	Acquisition	4,000	0.690000	Euronext Lisbon	9,744,834
9-Nov-18	Acquisition	4,000	0.690000	Euronext Lisbon	9,748,834
9-Nov-18	Acquisition	16,000	0.690000	Euronext Lisbon	9,764,834
9-Nov-18	Acquisition	1,500	0.690000	Euronext Lisbon	9,766,334
9-Nov-18	Acquisition	5,208	0.690000	Euronext Lisbon	9,771,542
9-Nov-18	Acquisition	3,754	0.682000	Euronext Lisbon	9,775,296
9-Nov-18	Acquisition	4,000	0.690000	Euronext Lisbon	9,779,296
9-Nov-18	Acquisition	2,556	0.684000	Euronext Lisbon	9,781,852
9-Nov-18	Acquisition	17,444	0.684000	Euronext Lisbon	9,799,296
9-Nov-18	Acquisition	4,246	0.684000	Euronext Lisbon	9,803,542
9-Nov-18	Acquisition	7,940	0.684000	Euronext Lisbon	9,811,482
15-Nov-18	Acquisition	10,000	0.678000	Euronext Lisbon	9,821,482
15-Nov-18	Acquisition	4,000	0.680000	Euronext Lisbon	9,825,482
15-Nov-18	Acquisition	4,000	0.680000	Euronext Lisbon	9,829,482
15-Nov-18	Acquisition	2,000	0.680000	Euronext Lisbon	9,831,482
15-Nov-18	Acquisition	4,000	0.680000	Euronext Lisbon	9,835,482
15-Nov-18	Acquisition	2,000	0.680000	Euronext Lisbon	9,837,482
15-Nov-18	Acquisition	13,000	0.680000	Euronext Lisbon	9,850,482
15-Nov-18	Acquisition	694	0.682000	Euronext Lisbon	9,851,176
15-Nov-18	Acquisition	4,000	0.684000	Euronext Lisbon	9,855,176
15-Nov-18	Acquisition	10,000	0.686000	Euronext Lisbon	9,865,176
15-Nov-18	Acquisition	4,000	0.686000	Euronext Lisbon	9,869,176
15-Nov-18	Acquisition	4,000	0.686000	Euronext Lisbon	9,873,176
15-Nov-18	Acquisition	4,000	0.686000	Euronext Lisbon	9,877,176
15-Nov-18	Acquisition	6,695	0.688000	Euronext Lisbon	9,883,871
15-Nov-18	Acquisition	1,000	0.690000	Euronext Lisbon	9,884,871
15-Nov-18	Acquisition	12,500	0.690000	Euronext Lisbon	9,897,371
15-Nov-18	Acquisition	12,754	0.690000	Euronext Lisbon	9,910,125
15-Nov-18	Acquisition	4,000	0.690000	Euronext Lisbon	9,914,125
19-Nov-18	Acquisition	8,094	0.700000	Euronext Lisbon	9,922,219
19-Nov-18	Acquisition	10,000	0.700000	Euronext Lisbon	9,932,219
19-Nov-18	Acquisition	3,000	0.700000	Euronext Lisbon	9,935,219
19-Nov-18	Acquisition	20,000	0.700000	Euronext Lisbon	9,955,219
19-Nov-18	Acquisition	20,000	0.700000	Euronext Lisbon	9,975,219
19-Nov-18	Acquisition	20,000	0.700000	Euronext Lisbon	9,995,219
19-Nov-18	Acquisition	5,000	0.696000	Euronext Lisbon	10,000,219
20-Nov-18	Acquisition	30,000	0.692000	Euronext Lisbon	10,030,219
20-Nov-18	Acquisition	8,000	0.692000	Euronext Lisbon	10,038,219
20-Nov-18	Acquisition	33	0.692000	Euronext Lisbon	10,038,252
20-Nov-18	Acquisition	6,044	0.700000	Euronext Lisbon	10,044,296
20-Nov-18	Acquisition	8,670	0.700000	Euronext Lisbon	10,052,966
20-Nov-18	Acquisition	10,000	0.700000	Euronext Lisbon	10,062,966
20-Nov-18	Acquisition	3,000	0.700000	Euronext Lisbon	10,065,966
20-Nov-18	Acquisition	2,388	0.692000	Euronext Lisbon	10,068,354
20-Nov-18	Acquisition	10,000	0.692000	Euronext Lisbon	10,078,354
20-Nov-18	Acquisition	7,000	0.692000	Euronext Lisbon	10,085,354
20-Nov-18	Acquisition	2,579	0.692000	Euronext Lisbon	10,087,933
20-Nov-18	Acquisition	10,421	0.692000	Euronext Lisbon	10,098,354
20-Nov-18	Acquisition	4,579	0.692000	Euronext Lisbon	10,102,933
20-Nov-18	Acquisition	4,000	0.698000	Euronext Lisbon	10,106,933
20-Nov-18	Acquisition	10,600	0.700000	Euronext Lisbon	10,117,533
20-Nov-18	Acquisition	7,100	0.700000	Euronext Lisbon	10,124,633
20-Nov-18	Acquisition	12,900	0.702000	Euronext Lisbon	10,137,533
21-Nov-18	Acquisition	139,715	0.690000	Off-exchange	10,277,248
31-Dec-18	-	-	-	-	10,277,248

CONSOLIDATED FINANCIAL
STATEMENTS AND NOTES TO
THE CONSOLIDATED
FINANCIAL STATEMENTS

31 December 2018

ANNUAL REPORT 2018

VI. Consolidated Financial Statements and Notes to the Consolidated Financial Statements

(Translation of a report originally issued in Portuguese – Note 37)

(Amounts expressed in Euro)

COFINA, SGPS, S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2018 AND 2017

(Translation of financial statements originally issued in Portuguese - Note 37)

(Amounts expressed in Euro)

ASSETS	Notes	31.12.2018	31.12.2017
NON-CURRENT ASSETS:			
Property, plant and equipment	7	2,747,887	2,610,984
Goodwill	6	83,977,180	84,777,180
Intangible assets	8	299,531	146,564
Investment in associates	4	3,434,890	2,938,310
Other financial investments	4	5,510	-
Financial assets available for sale	4	-	5,510
Other non-current assets	9 and 16	51,919	42,707
Deferred tax assets	10	595,271	386,176
Total Non-Current Assets		91,112,188	90,907,431
CURRENT ASSETS:			
Inventories	11	1,349,795	1,298,454
Trade receivables	9 and 12	5,820,863	8,926,388
Contract assets	9 and 13	4,149,321	-
State and other public entities	9 and 14	1,000	3,562
Other accounts receivables	9 and 15	375,912	203,106
Other current assets	9 and 16	2,954,688	6,885,509
Cash and cash equivalents	9 and 17	6,624,512	5,164,622
Total Current Assets		21,276,091	22,481,641
TOTAL ASSETS		112,388,279	113,389,072
EQUITY AND LIABILITIES			
EQUITY:			
Issued capital	18	25,641,459	25,641,459
Share premium	18	15,874,835	15,874,835
Legal reserve	18	5,409,144	5,409,144
Foreign currency translation reserve		-	(757,263)
Other reserves	18	(15,577,084)	(20,330,538)
Consolidated net profit for the year attributable to equity holder of the parent company		6,653,405	5,067,102
Equity attributable to equity holder of the parent company		38,001,759	30,904,739
Non-controlling interests		-	-
TOTAL EQUITY		38,001,759	30,904,739
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Other long-term loans	9 and 19	-	16,666,667
Other non-current accounts payables	9 and 24	25,771	74,395
Provisions	21	4,535,000	5,809,206
Total Non-Current Liabilities		4,560,771	22,550,268
CURRENT LIABILITIES			
Bank loans	9, 17 and 19	177,809	1,715,159
Other loans	9 and 19	46,120,428	36,005,449
Trade payables	9 and 22	10,718,928	9,636,900
Contract liabilities	9 and 23	3,027,856	-
Income tax	9 and 14	2,079,371	901,368
State and other public entities	14	1,645,859	1,945,985
Other accounts payables	9 and 24	1,424,497	1,314,502
Other current liabilities	9 and 25	4,631,001	8,414,702
Total Current Liabilities		69,825,749	59,934,065
TOTAL LIABILITIES		74,386,520	82,484,333
TOTAL EQUITY AND LIABILITIES		112,388,279	113,389,072

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

The Chartered Accountant

The Board of Directors

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COFINA, SGPS, S.A.

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS BY NATURES

FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Translation of financial statements originally issued in Portuguese - Note 37)

(Amounts expressed in Euro)

	Notes	31.12.2018	31.12.2017 restated *
Sale of goods	26, 30 and 34	43,059,097	45,843,652
Services rendered	26, 30 and 34	28,115,533	29,673,351
Other income	26, 30 and 34	18,117,912	14,197,520
Cost of sales	11	(9,634,636)	(9,914,921)
External supplies and services	27	(37,683,404)	(37,619,391)
Payroll expenses	28	(27,599,669)	(31,551,429)
Amortisations and depreciations	7, 8 and 34	(1,288,309)	(1,511,193)
Provisions and impairment losses	21	(120,826)	592,145
Other expenses		(127,268)	(367,458)
Share of profit of associates and joint ventures	29	(653,420)	(647,995)
Financial expenses	29	(2,097,399)	(2,479,140)
Financial income	29	25,068	54,788
Profit before tax of the continued operations		10,112,679	6,269,929
Income tax	10	(3,913,523)	(1,448,322)
Consolidated net profit for the year of continued operations		6,199,156	4,821,607
Net profit for the year of discontinued operations	5	454,249	245,495
Consolidated net profit for the year		6,653,405	5,067,102
Attributable to:			
Equity holders of the Parent		6,653,405	5,067,102
Continued operations		6,199,156	4,821,607
Discontinued operations		454,249	245,495
Earnings per share:			
Of the continued operations:			
Basic	32	0.06	0.05
Diluted	32	0.06	0.05

*As per IFRS 5

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Translation of financial statements originally issued in Portuguese - Note 37)

(Amounts expressed in Euro)

	<u>Notes</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Net consolidated profit for the year	32	6,653,405	5,067,102
Other comprehensive income:			
Items to be reclassified to profit or loss in subsequent periods			
Exchange differences for the year on translation of discontinued operations	5	(104,517)	(163,019)
Exchange differences reserves on translation of discontinued operations	5	646,472	-
Other comprehensive income for the year		<u>541,955</u>	<u>(163,019)</u>
Total comprehensive income for the year		<u>7,195,360</u>	<u>4,904,083</u>
Attributable to:			
Equity holders of the Parent company		7,195,360	4,904,083

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Translation of financial statements originally issued in Portuguese - Note 37)

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Notes	Attributable to equity holders of the Parent Company							Non-controlling interests	Total Equity
	Issued capital	Share premium	Legal reserve	Foreign currency translation reserve	Other reserves	Net profit	Total		
As at 1 January 2017	25,641,459	15,874,835	5,409,144	(594,244)	(24,663,549)	4,333,011	26,000,656	-	26,000,656
Appropriation of consolidated net profit for 2016:									
Transfer to legal reserve and retained earnings	-	-	-	-	4,333,011	(4,333,011)	-	-	-
Total comprehensive income	-	-	-	(163,019)	-	5,067,102	4,904,083	-	4,904,083
At 31 December 2017	<u>25,641,459</u>	<u>15,874,835</u>	<u>5,409,144</u>	<u>(757,263)</u>	<u>(20,330,538)</u>	<u>5,067,102</u>	<u>30,904,739</u>	<u>-</u>	<u>30,904,739</u>
IFRS 9 adoption	2	-	-	-	(89,654)	-	(89,654)	-	(89,654)
As at 1 January 2018	<u>25,641,459</u>	<u>15,874,835</u>	<u>5,409,144</u>	<u>(757,263)</u>	<u>(20,420,192)</u>	<u>5,067,102</u>	<u>30,815,085</u>	<u>-</u>	<u>30,815,085</u>
Appropriation of consolidated net profit for 2017:									
Transfer to legal reserve and retained earnings	-	-	-	-	5,067,102	(5,067,102)	-	-	-
Variations in reserves and minority interests:									
Other variations	-	-	-	215,308	(223,994)	-	(8,686)	-	(8,686)
Total comprehensive income	5	-	-	541,955	-	6,653,405	7,195,360	-	7,195,360
At 31 December 2018	<u>25,641,459</u>	<u>15,874,835</u>	<u>5,409,144</u>	<u>-</u>	<u>(15,577,084)</u>	<u>6,653,405</u>	<u>38,001,759</u>	<u>-</u>	<u>38,001,759</u>

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Translation of financial statements originally issued in Portuguese - Note 37)
(Amounts expressed in Euro)

	Notes	2018	2017
Operational activities:			
Collections from clients		99,359,688	104,885,327
Payments to suppliers		(54,234,446)	(58,490,038)
Payments to personnel		(27,086,061)	(32,401,011)
Income tax		(508,520)	(407,546)
Other collections/payments relating to operating activities		(2,618,585)	(1,110,796)
<i>Cash-flow from operational activities (1)</i>		<u>14,912,076</u>	<u>12,475,936</u>
Investment activities:			
Proceeds relating to:			
Tangible assets		7,500	27,846
Interests and similar income		66,401	56,826
Dividend distribution	17	-	180,000
Payments arising from:			
Intangible assets		(457,330)	(333,584)
Tangible fixed assets		(1,484,428)	(858,580)
Loans granted	4 and 17	(470,000)	(415,000)
<i>Cash flow from investment activities (2)</i>		<u>(2,337,857)</u>	<u>(1,342,492)</u>
Financing activities			
Proceeds from:			
Loans obtained		50,000,000	2,500,000
Payments relating to:			
Lease contracts		(86,606)	(72,343)
Interest and similar costs		(1,673,577)	(2,334,840)
Supplementary installments	4 and 17	(1,150,000)	(500,000)
Loans obtained		(56,666,667)	(16,680,063)
<i>Cash-flows from financing activities (3)</i>		<u>(9,576,850)</u>	<u>(17,087,246)</u>
Cash and cash equivalents at the beginning of the year	17	3,449,463	9,403,739
Effect of exchange rate changes		-	(474)
Cash and cash equivalents of discontinued operations	5	(129)	-
Variation of cash and cash equivalents: (1)+(2)+(3)		<u>2,997,369</u>	<u>(5,953,802)</u>
Cash and cash equivalents at the end of the year	17	<u>6,446,703</u>	<u>3,449,463</u>

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

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1. INTRODUCTION

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

Cofina Group owns headings of reference in the respective segments, editing titles like newspapers "Correio da Manhã", "Record", "Jornal de Negócios", "Destak", as well as the magazines "Sábado", "TV Guia" and "Flash!", among others. Additionally, since 2013, Cofina Group has incorporated in its portfolio the broadcasting of the television channel "CMTV".

During the years ended as of 31 December of 2018 and 2017, 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). In the end of 2018 period, Cofina Group sold their financial investments in the associated companies in Brazil (Note 5).

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 accompanying consolidated financial statements have been prepared for appreciation and approval by the General Shareholders Meeting. The Group's Board of Directors, who approved the consolidated financial statements on 9 April 2019, believes that they will be approved in the General Shareholders Meeting without any changes.

2. MAIN ACCOUNTING POLICIES

The 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 Entity and its subsidiaries and associates, in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union for financial years started as from 1 January 2018. These standards correspond to the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and respective interpretations issued by the IFRS Interpretations Committee ("IFRS - IC") or by the Standing Interpretation Committee ("SIC"), that have been adopted by the European Union at the date of the financial statements publication.

The Board of Directors assessed the ability of the Company, its subsidiaries and associated companies to operate on a going concern basis, by using all the available relevant information, facts and circumstances, of financial, commercial nature or other, including subsequent events at the reference date of the financial statements, available for the future. In result of the evaluation performed, the Board of Directors concluded that adequate resources are available to maintain the activities, having no intention to cease its activities in the short term, by which it considered that the use of the going concern basis in the preparation of the financial statements is appropriate.

In Group's financial statements preparation according to IFRS, the Board of Directors uses judgments and estimates that affect the accounting policies and the reported amounts of assets and liabilities. The judgments and estimates used in Group's financial statements preparation are disclosed at Note 2.3.r).

The fair value measurement assumes that the asset or liability is exchanged in a transaction between market participants to sell the asset or transfer the liability, on the measurement date, under the current market conditions. The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability can take place:

- In the main market of the assets and liabilities; or
- In the absence of a main market, the transaction is assumed to occur in the most advantageous market. The most advantageous market is that which maximizes the amount that would be received upon the sale of the asset or that minimizes the amount that would be paid to transfer the liability, after considering transaction and transportation costs.

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Because different entities and different businesses within a single entity can have access to different markets, the main or most advantageous market for the asset or liability can vary from one entity to another, or even between businesses within the same entity, but they are assumed to be accessible to the Group. Fair value measurement relies on assumptions that market participants would use in pricing the asset or liability, assuming that market participants would use the asset to maximize its value and use.

The Group uses valuation techniques that are appropriate to the circumstances and for which there is enough data to measure the fair value, maximizing the use of relevant observable data, and minimizing the use of non-verifiable inputs.

All assets and liabilities measured at fair value or for which disclosure is mandatory are classified according to a fair value hierarchy, which classifies the data to be used in the fair value measurement into three levels, as detailed below.

Additionally, for financial reporting purposes, the fair value measurement is categorized in levels 1, 2 and 3, according to the level in which the used assumptions are observable and its significance, in what concerns to the fair value valuation, used in the measurement of assets/liabilities or its disclosure.

Level 1 – Fair value is determined based on active market prices for identical assets and liabilities;

Level 2 – The fair value is determined based on data other than market prices identified in level 1 but they are possible to be observable, and;

Level 3 – Fair value measurements derived from valuation techniques; whose main inputs are not based on observable market data.

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

1. Standards, interpretations, amendments and revisions which have mandatory application in the financial year ended

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 as of 31 December 2018:

Standard/Interpretation	Applicable in the European Union in the financial years starting on or after	
IFRS 9 – Financial instruments	1-jan-18	This standard is part of the revision of IAS 39 and establishes the new requirements for the classification and measurement of financial assets and liabilities to the methodology for the calculation of impairment and for the application of hedge accounting rules.
IFRS 15 – Revenue from contracts with customers	1-jan-18	IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services).
Amendments to IFRS 15 – Revenue from contracts with customers	1-jan-18	These amendments introduce several clarifications in the standard in order to eliminate the possibility of divergent interpretations of several topics
Amendments to IFRS 4: application of IFRS 9, Financial	1-jan-18	The amendments address concerns arising from implementing the new financial instruments standard,

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instruments, with IFRS 4, Insurance contracts		IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4.
Amendments to IFRS 2 – Share-based payments	1-jan-18	The IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas: (i) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction, (ii) The classification of a share-based payment transaction with net settlement features for withholding tax obligations), (iii) The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity settled.
Improvements to international financial reporting standards (cycle 2014-2016)	1-jan-18 except for changes to IFRS 12, which were applicable starting on 1-jan-17	These improvements include the clarification of some aspects related to: IFRS 1 – First time adoption of International Financial Reporting Standards: elimination of some short-term exemptions; IFRS 12 – Disclosure of interests in other entities: clarification of the scope of the standard for its application to interests classified as held for sale or held for distribution under IFRS 5; IAS 28 – Investments in associated and joint ventures: introduction of several clarifications about the measurement at fair value of results from investments in associates or joint ventures held by venture capital companies or investment funds.
IFRIC 22 – Foreign currency transactions and advance consideration	1-jan-18	The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.
Amendments to IAS 40 – Investment properties	1-jan-18	The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.
Amendments to IAS 12 – Income Taxes	1-jan-17	The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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Amendments to IAS 7 -
Disclosures

1-jan-17

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

IFRS 9 – Financial instruments

IFRS 9 was endorsed through the European Commission ordinance number 2067/2016 from 22 November 2016 with initial application for periods beginning on 1 January 2018 – early adoption is permitted. Except in what concerns hedge accounting, the retrospective application is mandatory, although restatement of comparative information is not mandatory. In what concerns hedge accounting, the requirements are usually applied prospectively, with some exceptions.

IFRS 9 brought changes in the classification and measurement of financial instruments, in the financial assets' impairment and in the designation of hedging relationships.

Cofina adopted this standard on the date of initial application and did not restate the comparative information, which is an option foreseen in the standard.

The Group has assessed the changes resulting from the adoption of IFRS 9 in its financial assets and liabilities in order to identify not only the quantitative but also the qualitative impacts of the adoption of the standard. Accordingly, the qualitative changes are disclosed in the accounting policies. From the analysis carried out, the Cofina Group identified an impact on retained earnings of 89,654 Euro (net of deferred tax assets).

IFRS 15 – Revenue from contracts with customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Group did not apply any of the other available optional practical expedients. The Group opted for the application of the standard to the contracts that were not concluded as of 1 January 2018.

From the analysis carried out by the Group, no quantitative impacts were identified from the adoption of IFRS 15 because the recognition criterion of the Group's revenue streams is the same as that foreseen in IAS 18 (Note 2.3.1)).

Regarding to the Financial Position, the reclassifications resulting from the adoption of IFRS 15 on the date of initial application (1 January 2018) are related to the presentation of the contract with costumers' assets and liabilities in in autonomous lines. As of 31 December 2017, those amounts were presented in the captions "Other assets" and "Other liabilities", respectively.

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2. Standards, interpretations, amendments and revisions with mandatory application in future years

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

Standard/Interpretation	Applicable in the European Union in the financial years starting on or after	
IFRS 16 – Leases	1-jan-19	IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).
Amendments to IFRS 9: Prepayment features with negative compensation	1-jan-19	<p>Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification.</p> <p>The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.</p>
IFRIC 23 – Uncertainty over income tax treatments	1-jan-19	This interpretation provides guidance on how an entity should measure various tax amounts depending on whether it is probable or not that the taxation authority will accept an uncertain tax treatment and how it should consider changes in facts and circumstances in respect of uncertain tax treatments.

Although these standards have been endorsed by the European Union, they were not adopted by the Group in the year ended as of 31 December 2018, as their application in the year was not mandatory. Except for IFRS 16 – Leasing, no significant impacts are expected to arise in the financial statements due to the adoption of these standards.

IFRS 16 - Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

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At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

Cofina plans to adopt IFRS 16 retrospectively to each prior reporting period presented. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

The Group opted for the modified retrospective model foreseen in paragraphs 16.C5 (b) and C7 of IFRS 16. Regarding the measurement of the right of use, the measurement method of those assets was analysed lease by lease, and the Group opted for the measurement foreseen in paragraph 16.C8 (b).ii), except for the contract lease of Cofina Media headquarter, which was measured according the foreseen in paragraph 16.C8 (b).i).

Consequently, the estimated impacts of the application of IFRS 16 on 1 January 2019 are an increase in the total assets of approximately 12 million Euro related to the "Right of use", an increase of total liabilities of approximately 14 million Euro regarding the "Lease Liability" and a decrease in total equity of approximately 2 million Euro. In what concerns the profit or loss statement of 2019, the Group expects a decrease of approximately 2.3 million Euro under "External services and supplies" and an increase of 0.9 million Euro and 1.7 million Euro under "Financial expenses" and "Amortization and depreciation", respectively.

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3. Standards, interpretations, amendments and revisions not endorsed by the European Union

The following standards, interpretations, amendments and revisions, with mandatory application to future financial years have not been endorsed by the European Union until the approval date of the accompanying financial statements:

Standard / Interpretation	Applicable in the European Union in the financial years starting on or after	
IFRS 17 – Insurance contracts	1-jan-21	This standard sets the recognition, measurement, presentation and disclosure principles for insurance contracts, replacing IFRS 4 – Insurance contracts.
Improvements to international financial reporting standards (cycle 2015-2017)	1-jan-19	These improvements clarify some aspects related to: IFRS 3 – business combinations: requires the re-measurement of previously held interests when an entity gains control over an affiliate with whom had joint control; IFRS 11 – Joint arrangements: clarifies that previously held interests should not be re-measured when an entity obtains joint control over a joint operation; IAS 12 – Income taxes: ensures that every fiscal consequence arisen from dividends must be recorded in the profit or loss account, irrespective of how the tax has surged; IAS 23 – Borrowing costs: Ensures that the part of the loan allocated to the construction/ purchase of an asset, owed upon the same has become ready for its desired use, is (for the purpose of calculating the rate of capitalization) considered an integral part of the entity's general funding.
Amendments to IAS 19 – Plan amendment, curtailment or settlement	1-jan-19	The proposed amendments specify the accounting treatment in case of existence of amendments, curtailments or settlements to a given plan.
Amendments to IFRS conceptual framework	1-jan-20	This amendment reviews the concepts defined in the IFRS conceptual framework. (IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 e SIC 32)
Amendments to IAS 28: Long-term interests in associates and joint ventures	1-jan-19	The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests).
Amendments to IFRS 3 – Definition of a business	1-jan-20	The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

These standards have not yet been endorsed by the European Union and therefore have not been applied by the Group in the year ended 31 December 2018.

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 based on its better existing knowledge, with reference to the date of approval of the financial statements, of the events and transactions in progress.

2.2 BASIS OF CONSOLIDATION

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

a) Investments in group companies

The companies where the Group has control, i.e., where it has, cumulatively: (i) power over the investee; (ii) is exposed to, or has the right over variable results by the relationship it has with the investee; and (iii) has the capability to use its power to affect the amount of the results of the investee, are included in the consolidated financial statements by the full consolidation method. The equity and net result of those investments attributable to non-controlling shareholders are presented separately, under the caption “Non-controlling interests”, in the consolidated statement of financial position and in the consolidated statement of profit and loss. Companies included in the consolidated financial statements by the full consolidation method are listed in Note 4.

Generally, it is assumed that there is control when the Group holds the majority of voting rights. In order to support this assumption and in cases where the Group does not hold the majority of voting rights in the investee, all relevant facts and circumstances are considered when determining the existence of power and control, such as:

- (a) Any contractual agreements with other holders of voting rights;
- (b) Any rights arising from other contractual agreements;
- (c) Existing and potential voting rights.

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 of 31 December 2018, these types of entities did not exist in the consolidated financial statements.

A change in the participating interest in a subsidiary that does not entail loss of control is recorded as a transaction between shareholders. If the Group loses control over the subsidiary, the corresponding assets (including goodwill), liabilities, non-controlling interests and other equity components are derecognized, and any gains or losses are recognised in the income statement.

Investments retained are recognised at fair value at the time of the loss of control. In situations where the Group has substantial control of entities created for a specific purpose, even if it has no direct shareholdings in these entities, they shall be consolidated using the full consolidation method.

Net assets of subsidiaries consolidated through the full consolidation method attributable to the equity stake or shares held by any third parties are recorded in the consolidated statement of financial position, in the line item Non-Controlling Interests.

Interests held by any third parties over the net income of subsidiaries are identified and adjusted by deduction from the equity attributable to the Group shareholders and recorded in the consolidated income statement, in the line item Non-Controlling Interests.

b) Investments in associated companies and joint ventures

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 issued capital) are accounted for in accordance with the equity method.

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

According to the equity method, the Investment in associated companies and joint ventures 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, dividends distributed by the associated companies 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.

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.

Unrealized 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. Unrealized losses are also eliminated, but only to the extent that there is no evidence of impairment of the transferred asset.

The accounting policies of associates/joint ventures are changed whenever necessary to ensure consistency with the policies adopted by the Group.

After the loss of significant influence or joint control, the Group initially recognizes the retained investment at fair value, and the difference between the carrying value and the fair value held plus the revenue from the sale, are recognised in the income statement.

The financial investment in associates and joint ventures are detailed in Note 4.

c) Business combinations and Goodwill

The acquisition method is the method used to recognize the entry of subsidiaries into the Group upon their acquisition.

In the acquisition method, the difference between: (i) the consideration transferred along with the non-controlling interests and the fair value of the equity interests previously held, and (ii) the net amount of identifiable assets acquired and liabilities assumed, is recognised, on the date of acquisition, as goodwill, if positive, or as a gain, if negative.

The consideration transferred is measured at fair value, calculated as the aggregate amount of fair values, on the date of acquisition, of assets transferred, liabilities incurred, and equity instruments issued by the Group. For the purpose of determining goodwill/gains resulting from the combination, the transferred consideration is removed from any part of the consideration that concerns another transaction (e.g. remuneration for the provision of future services or settlement of pre-existing relationships) whose margin is recognised separately in profit or loss.

Whenever a combination is not completed on the reporting date, the provisional amounts recognised on the date of acquisition shall be adjusted retrospectively, for a maximum period of one year counting from the date

of acquisition and any additional assets and liabilities shall be recognised if new information is obtained on facts and circumstances existing on the date of acquisition which would result in the recognition of such assets and liabilities, should it have been known on that date.

The transferred consideration includes the fair value, on the date of acquisition, of any contingent consideration. Subsequent changes in this value are recognised: (i) as equity if the contingent consideration is classified as equity, (ii) as an expense or income in profit or loss or as other comprehensive income if the contingent consideration is classified as a financial asset or liability under IAS 39 and (iii) as expenses, pursuant to IAS 37 or other applicable standards, in remaining cases; unless it occur during the measurement period (twelve month period after acquisition date) and it is related to facts and circumstances that existed as of the acquisition date.

Expenses related to the acquisition are not part of the transferred consideration, so they do not affect the determination of goodwill/gains resulting from the acquisition and are recognised as expenses in the year they occur.

On the date of acquisition, the classification and designation of all assets acquired, and liabilities transferred are reassessed in accordance with IFRS, except for lease and insurance contracts, which are classified and designated based on the contractual terms and conditions, on the commencement date.

Assets arising from contractual indemnities paid by the seller concerning the outcome of contingencies related, in whole or in part, to a specific liability of the combined entity, shall be recognised and measured using the same principles and assumptions of the related liabilities.

The determination of the fair value of assets acquired and liabilities assumed considers the fair value of contingent liabilities arising from a present obligation caused by a past event (if the fair value can be reliably measured), regardless of whether an outflow is expected or not.

For each acquisition, the Group can choose to measure “non-controlling interests” at their fair value or by their respective share in the assets and liabilities transferred from the acquired. The choice of a method influences the determination of the amount of goodwill to be recognised. When the business combination is achieved in stages, the fair value on the date of acquisition of the interests held is remeasured at fair value on the date when control is obtained, with the corresponding changes in income for the period in which control is achieved, thus affecting the calculation of goodwill.

Goodwill is considered to have an indefinite useful life and thus is not amortizable, being subject to annual impairment tests, regardless of whether or not there is any indication of impairment. For the purpose of impairment testing, goodwill is allocated, on the date of acquisition, to each of the cash-generating units expected to benefit from the business combination, regardless of the remaining assets and liabilities also associated with the cash-generating unit. When the operation, or part of it, associated with a cash-generating unit is disposed of, the allocated goodwill is also derecognized and included in the balance of gains/losses of the disposal, calculated as the base for its relative value. Goodwill related to investments in companies based abroad, acquired after 1 January 2005, is recorded in those companies' reporting currency and translated into Euro at the exchange rate in force on the balance sheet date.

Acquisitions made before 2010:

Compared to the treatment described above, applicable as of 1 January 2010, the main differences are the following:

- The cost of an acquisition would include costs directly attributable to such acquisition, thus affecting the calculation of goodwill;
- The acquired's “non-controlling interests” (formerly designated “minority interests”) were measured only by the acquired's share in the identifiable net assets, but would not influence the determination of goodwill/gains resulting from the combination;
- When the business combination was affected in stages, the fair value on the previous acquisition date of the interests held was not remeasured on the date when control was obtained, and the goodwill amount previously acknowledged remained unchanged;
- Any contingent acquisition value was only recognised if the Group had a present obligation, the outflow was likely, and the estimate was reliably determinable; subsequent changes in this value were recognized against goodwill.

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(Translation of a report originally issued in Portuguese – Note 37)

(Amounts expressed in Euro)

d) Translation of financial statements for entities in foreign currency

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

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

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

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

	31 December 2018		31 December 2017	
	Year end	Year average	Year end	Year average
Brazilian Real	0.2250	0.2321	0.2517	0.2774

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.

Amortization 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) Property, plant and equipment

Property, plant and equipment 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.

Property, plant and equipment 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 property, plant and equipment	3 to 10

Maintenance and repair costs related to property, plant and equipment 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.

Property, plant and equipment 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 property, plant and equipment 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

A lease is classified at the inception date as a finance lease or an operating lease. The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

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

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.

The analysis of transfers of risks and rewards of ownership of the asset considers several factors, including whether is contractually conditioned to assume ownership of the asset, the value of minimum future payments over the contract, the nature of the leased asset and the duration of the contract taking into consideration the possibility of renewal.

Property, plant and equipment 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 balance sheet. 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 or loss of the period to which they apply. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

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 amortization) had no impairment loss been recognised for that asset in prior years.

e) Borrowing costs

Borrowing costs (interests) related with obtained borrowings 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 realizable 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. As of 31 December 2018, and 2017 there are no commitments associated with pension complements to employees or former employees.

i) Financial assets and liabilities

I. Accounting policy adopted in 2018 regarding financial assets and financial liabilities (IFRS 9)

a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories: i) Financial assets at amortized cost (debt instruments); ii) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments); iii) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and iv) Financial assets at fair value through profit or loss.

1- Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes trade receivables and loan to related parties.

2- Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognised in OCI.

Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

As of 31 December 2018, and 2017, the Group didn't have any financial assets in this caption.

3- Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

As of 31 December 2018 and 2017, the Group's equity instruments at fair value through OCI includes financial assets amounting to 5,510 Euro.

4- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement in which the Group i) has no obligation to pay the amount to the final third party unless the Group receives equivalent amounts resulting from the original asset; ii) is prohibited under the terms of the transfer contract to sell or pawn the original asset other than warrant to the final third party by the obligation to pay them the cash flows; and iii) the Group has an obligation to forward any cash flow that receives on behalf of the final third party without any significant delays; and
- The Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Consequently, customer balances denominated in discounted and unpaid bills and the accounts to be receivable assigned in factoring at the date of each statement of financial position, except for the non-recourse factoring operations (and for which it is unequivocally that benefits inherent to these accounts receivable are transferred) are recognized in the Group's financial statements until it is received.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages: (i) for credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL); (ii) for those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs.

Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 120 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows

b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 19.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

d) Derivative financial instruments and hedge accounting.

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when the aim is hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognized firm commitment.
- Cash flows hedges when the aim is hedging the exposure to changes in the cash flows resulting from a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- (i) There is 'an economic relationship' between the hedged item and the hedging instrument;
- (ii) The effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- (iii) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognised immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in the financial statement of profit and loss.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a classification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Hedges of a net investment in a foreign operational

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges.

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

II. Accounting policy adopted in 2017 regarding financial assets and financial liabilities (IAS 39)

Investments

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

Financial instruments 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 analysed and defined by the Board of Directors based on the fair value of the financial asset. Derivatives are also classified as instruments held for trading, except if designated as an effective hedging instrument. Financial instruments in this category are classified as current assets if they are held for trading or if it is expected that they will be realized within twelve months of the balance sheet date.

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

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

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

Investments held 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 amortized 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.

Accounts receivables

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

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

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

The recognised impairment losses correspond to the difference between the carrying amount of the accounts receivable and the present value of estimated future cash flows, discounted at the original effective interest rate that, in the cases where a receipt is expected in time period shorter than one year, is considered null as the effect of the discount was considered immaterial.

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 costs 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 realize them on a net basis or realize the asset and simultaneously settle the liability.

Accounts payable

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

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; and
- 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 recognised 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 recognised 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 unrealized gains and losses recognised in the income statement.

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.

Treasury shares

Treasury 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".

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 income tax is determined based on the taxable results of the companies included in the consolidation, in accordance with tax regulations in force at the location of the head office of each Group company, considering the annual estimated income tax rate.

The companies based in Portugal 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.

The Group recognizes the gain from investment tax incentives under the form of discounts to the collection in accordance to the criteria established in "IAS 12 - Income Tax" for recognition of gains with tax credits. Accordingly, the gain is recognized when the right to use the credit is obtained and a "deferred tax asset" is recognized if it is not possible to use all of those tax credits in the year and it is expected that, in the future, the company will generate sufficient results to allow its use.

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 corresponding 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 and liabilities are measured:

- According to the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date; and
- Reflecting the tax impacts which follow, and the Company expects, as at the date of the balance sheet, to recover or settle the carrying amount for its assets and liabilities.

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 taxes for temporary differences associated with investments in associates and interests in joint ventures are not recognised, as it is considered that the following conditions are simultaneously fulfilled:

- The Group can control the timing of the reversal of the temporary difference; and
- It is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred tax assets and liabilities are recorded in the statement of profit or 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

I. Accounting policy adopted from 1 January 2018 (IFRS 15)

Revenue from contracts with customers is recorded when the control of goods and services is transferred to customers for an amount corresponding to the compensation that the Group expects to receive in exchange for such goods or services.

The Group generally acts as the "principal" in its agreements with customers, because Cofina typically controls the goods and services before transferring them to customers.

The Group recognizes revenue in accordance with IFRS 15, which establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The five steps are the following:

1. Identify the contracts with customers;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to performance obligations; and
5. Recognize revenue when (or as) performance obligations are satisfied.

Revenue is recognised net of discounts and taxes (such as commercial rebates and other quantity discounts) and reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer and in line with the main sources of revenue identified.

Sales of magazines, newspapers and sales of alternative marketing products include a single performance obligation that is fulfilled at the time the publications are made physically available to the costumers or on the digital platform. Therefore, IFRS 15 adoption didn't changed the accounting method used previously, due to the fact that foreseen in IAS 18, the revenue is recognized after the publication net of discounts, which is regularly checked and does not present large deviations to the real.

Revenue from magazines and newspapers subscriptions is deferred over the subscription period (usually one year or less). Accordingly, the IFRS 15 adoption didn't create changes in the accounting method previously used in the preparation of the financial statements where revenue was recognized during the period of the subscriptions, considering that the publications to which the subscriptions is entitled are issued periodically and linearly over the subscription period.

The services rendered relating to advertising in the Group's publications incorporates are considered as a single performance obligation that is fulfilled at the time of publication of the advertising, similar to the criteria used in the 2017 financial statements defined by IAS 18. Therefore, no changes have raised with IFRS 15 adoption.

The performance obligation related to the television broadcasts distribution rights (CMTV) is satisfied in the broadcast period by the operator, which was the criterion used in the 2017 financial statements defined by IAS 18. Therefore, no changes have raised with IFRS 15 adoption.

Finally, the performance obligation related to the graphic printing activity, carried out by one of the subsidiaries, is fulfilled in full at the time the service is provided, similar to the criteria previously used by IAS 18.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer.

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Right of return

Certain contracts, namely VASP contract, provide a customer with a right to return the goods within a specified period. Considering historical information, the Group estimates the amount of assets that will not be returned.

The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price.

Quantity discounts

Cofina provides retrospective discounts on volumes to some customers when a certain amount of purchases in a given period exceeds a certain limit established in the agreement. Discounts are recorded on the credit of the customer's account receivable. To estimate the variable remuneration associated with the expected value of quantity discounts granted, the Group is based on the client's history.

The requirements of IFRS 15 to restrict the amounts of estimated variable remuneration are also applicable, and the Group records a liability related to the amount to be granted for discounts.

(ii) Significant financing component

Using the practical expedient provided for in IFRS 15, the Group does not adjust the amount of the consideration for the financial effect when, it is initially expected, that the period between the transfer of the good or service to the customer and the time at which the customer pays the good or the service is less than a year.

The same happens when the Group receives short-term advances from its clients - in this case, the value of the compensation is not adjusted by the financial effect.

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If Group receives long-term advances from customers, the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

Contract assets and liabilities

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due (Note 12).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Assets and liabilities arising from rights of return

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

A refund liability is the obligation to refund some or all the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer.

The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

Cost to obtain a contract

The Group pays sales commission to its employees for each contract that they obtain for bundled sales of equipment and installation services. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under employee benefits and part of cost of sales) because the amortization period of the asset that the Group otherwise would have used is one year or less.

Dividends are recognized as income in the income statement for the period in which their attribution is decided.

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".

II. Accounting policy adopted until 31 December 2017 (IAS 18)

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. The sales of goods 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 daily, 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.

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

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

m) Balances and transactions expressed in foreign currencies

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

n) Subsequent events

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

o) Segment information

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

Information regarding the business segments identified is included in Note 34.

p) Cash flow 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 property, plant and equipment and investments. Financing activities cash flows include, essentially, payments and receipts of loans and borrowings, financial lease contracts and dividend payments.

q) Assets held for sale and discontinued operations

This category includes assets or groups of assets whose value is realizable through a sale transaction or, jointly as a group in a single transaction, and any liabilities directly associated with these assets that are transferred in the same transaction. Assets and liabilities in this situation are measured at either the respective carrying value or the fair value, whichever is lower, net of selling costs. For this situation to take place, the sale needs to be highly probable (expected to be realized within 12 months) and the asset must be available for immediate sale in its present condition, in addition to the Group's commitment in effecting the sale. The amortization of assets in these conditions ceases from the moment in which they are classified as held for sale and are recognised as current under asset, liability or equity line items.

A discontinued operation is a component (operational units and cash flows that can be clearly distinguished, in terms of operation and for purposes of financial reporting, from the rest of the entity) of an entity that has been sold or is classified as held for sale, and:

- a) represents a major line of business or separate geographical area of operations;
- b) is an integral part of a single coordinated plan to dispose of a major line of business or separate geographical area of operations; or
- c) is a subsidiary acquired exclusively with a view to resale.

The results of the discontinued operations are presented as a single amount in the income statement, which includes profit or loss after tax of the discontinued operations, plus the gains or losses after tax recognised in the measurement at fair value minus costs of sale or disposal of assets or group(s) for disposal comprised in the discontinued operation. Balances and transactions between continuing operations and discontinued operations are eliminated to the extent that they represent the operations that will no longer be carried out by the Group.

r) 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:

- a) Useful lives of the tangible and intangible fixed assets
The Group reviews the useful lives of its Property, plant and equipment and of its Intangible assets at each balance sheet date. The useful lives depend on several facts related with their use, the strategic decisions of the Group and with the economic environment of the subsidiary companies.
- b) Impairment tests of goodwill
Impairment tests require the determination of the fair value and/ or the value in use of the underlying assets or cash generating units. These tests involve significant judgement, particularly in what concerns the future cash flows estimation and the computation of an appropriate discount rate for the calculation of the net present value. The Group deemed appropriate the requirement to use the maximum quantity of directly or indirectly observable inputs that are significant for the computation of fair value. The Group has also defined monitoring procedures to assess the reasonableness of the assumptions used and of their coherence and consistence under similar circumstances.
- c) Recognition of impairment on account receivables
Impairment losses in accounts receivable are calculated as disclosed in Note 2.3.i). The case by case analysis involves the Group's judgement in the assessment of the economic and financial status of the third parties, as well in the determination of the guarantee value estimate, which impacts the future expected cash flows. On the other hand, the expected credit losses are computed taking into consideration historical information and assumptions, which may not represent the debtors' future capacity to settle their debts.

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d) Provisions

The outcome of ongoing judicial and tax proceedings and the requirement to recognize provisions, is based on the opinion of Group's legal advisors, which have the technical skills and detailed knowledge of the processes that enable them to cope the uncertainty inherent in the outcome of those legal and tax proceedings.

e) Measurement of recognition of deferred tax

Deferred tax assets are recognised for all recoverable losses to the extent to which it is probable that there will be taxable profits against which the losses can be used.

Additionally, deferred tax assets and liabilities are determined in accordance with the interpretation of the current legislation. Therefore, amendments on tax legislation or in its interpretation by fiscal authorities can have impact in the amount of deferred tax recognised. Additionally, the recoverability of the deferred tax assets depends of the performance of the various entities included in the consolidation perimeter, a circumstance not fully controlled by the Group. In order to mitigate the degree of uncertainty associated with those estimates, mainly with respect to the interpretation of the applicable tax legislation, the Group uses the services of specialized external tax advisors.

s) Risk management policy

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

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

(i) Market risk

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

a. Exchange rate

The impact in the Company's consolidated financial statements arising from changes in the exchange rates is reduced, given the fact that most of the operational cash flows are contracted in Euro. The Group is only exposed to the risk of exchange rate in transactions in Brazilian Real, in relation to the stake held in the associated company Destak Brasil - 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

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- 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, analysing the structure of such debt, the risks and the different options available in the market, particularly regarding the type of interest rate (fixed / variable).

In the years ended 31 December 2018 and 2017, the Group sensitivity to the change of the interest rate index of more or less 1 p.p., measured as variation on net financial losses, may be detailed as follows:

	31.12.2018	31.12.2017
Interest paid and bank commissions (Note 29)	2,076,128	2,455,010
Interest rate decrease by 1 p.p.	(463,445)	(545,485)
Interest rate increase by 1 p.p.	463,445	545,485

The sensitivity analysis above was calculated based on the exposure to the interest rate existing as of the date of the statement of financial position. This analysis considered as a basic assumption that the structure of financing (remunerated assets and liabilities) has remained stable throughout the year, similar to that presented at the end of each financial year and keeping every other variable constant.

(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; accounts receivable are distributed through a high number of customers.

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Until 31 December 2017 the Group assessed its receivables' impairments based on incurred losses. Starting January 2018, the Group prospectively assesses the expected impairment losses following IFRS 9 prescriptions. In IFRS 9 adoption, Group Cofina opted by the usage of the simplified model for the determination of the new impairment over its accounts receivable, because those account receivables don't include a relevant financial component. The analysis was carried out based on the historical losses occurred considering a turnover throughout a period of two years and the collection in the subsequent periods, assuming a period of 365 days, period from which the receivable is impaired. According to the analysis performed, it was calculated an impact of approximately 115,000 Euros, excluding deferred tax.

Additionally, the Group recorded impairment losses as a result of past events and based on a case by case analysis.

(iii) Liquidity risk

The aim of liquidity risk management is to assure that the Group can 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.

As of 31 December 2018, the consolidated financial statements show that current assets are lower than current liabilities in an amount of, approximately, 49 million Euro (37 million Euro on 31 December 2017). However, the Board of Directors believes that, taking into consideration the available credit lines (Note 19), in the amount of, approximately, 44 million Euro (47 million on 31 December 2017), as well as the projected operational cash-flow to be generated in the next year, this differential is adequately mitigated.

3. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS

In addition to the impact of the adoption of the new standards and interpretations or their amendments for fiscal years beginning on 1 January 2018, during the year 2018 there were no voluntary changes in accounting policies, compared to those considered in the preparation of consolidated financial statements for the year 2017, according to IFRS, and no material errors related with prior years occurred.

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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 2018 and 2017, are as follows:

Designation	Headquarters	Percentage of participation held		Activity
		2018	2017	
<u>Parent company:</u>				
Cofina, SGPS, S.A.	Porto			Holding
<u>Cofina Media Group:</u>				
Cofina Media, S.A. (“Cofina Media”)	Lisbon	100,00%	100,00%	Newspapers and magazine publication, television broadcast, Production and creation of websites for online business development, events promotion and organization
Grafedisport – Impressão e Artes Gráficas, S.A. (“Grafedisport”)	Lisbon	100,00%	100,00%	Newspaper printing
Adcom Media – Anúncios e Publicidade S.A. (“Adcom Media”) (a)	São Paulo, Brazil	----	100,00%	Communication and advertising Services

(a) – subsidiary disposed at 31 December 2018 (Note 5)

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)

Investment in associates and joint ventures

The associated companies, their headquarters, the percentage participation held, and activity as of 31 December 2018 and 2017 are as follows:

Designation	Headquarters	Percentage of participation held		Activity
		Direct	Indirect	
VASP – Sociedade de Transportes e Distribuições, Lda. ("VASP")	Lisbon	33,33%	-	Publications distribution
Destak Brasil – Empreendimentos e Participações, S.A. ("Destak Brasil") (a)	São Paulo, Brazil	-	-	Holding
Mercados Globais – Publicação de Conteúdos, Lda. ("Mercados Globais").	V.N. Gaia	50%	-	Management services and promotion of a financial forum on the internet
A Nossa Aposta – Jogos e Apostas On-line, S.A. ("A Nossa Aposta").	Lisbon	40%	-	On-line bets

(a) – associated company sold by 31 December 2018; as at 31 December 2017 the Group held a participation of 29,90% in that associated company.

The associated companies were included in the consolidated financial statements of Cofina Group by the equity method, as referred to in Note 2.2.b).

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As of 31 December 2018 and 2017, the financial information summarized from associated companies can be resumed as follows:

	31.12.2018		31.12.2017		
	VASP	A Nossa Aposta	VASP	Destak Brasil (Consolidated financial statements)	A Nossa Aposta
Non-current assets	14,190,635	374,863	13,963,152	1,615,489	440,774
Current assets	26,027,475	1,510,972	28,259,400	2,305,322	169,279
Non-current liabilities	209,482	-	508,540	1,841,368	-
Current liabilities	30,937,409	1,222,995	33,052,663	3,438,065	394,798
Equity attributable to equity holder of the parent company	9,071,219	662,840	8,661,349	(1,358,622)	215,255

	31.12.2018		31.12.2017		
	VASP	A Nossa Aposta	VASP	Destak Brasil (Consolidated financial statements)	A Nossa Aposta
Turnover	222,465,451	3,236,951	217,326,770	10,545,245	187,212
Other operational income	296,804	-	118,676	(52)	-
Operational expenses	(221,224,098)	(5,213,913)	(216,627,401)	(10,469,433)	(1,579,921)
Amortization and depreciation	(812,223)	(125,452)	(742,859)	(20,460)	(99,460)
Financial results	(83,152)	-	(85,145)	(304,451)	-
Income tax	(232,912)	-	(108,759)	33,788	1,164
Net income	409,870	(2,102,414)	(118,718)	(215,363)	(1,491,005)

As of 31 December 2018 and 2017, changes in value of investments in associates and joint ventures and in provisions for financial investments were as follows:

	31-12-2018				31-12-2017			
	VASP	Mercados Globais	A Nossa Aposta	Total	VASP	Destak Brasil Empreendimentos	A Nossa Aposta	Total
Investment in associated companies								
Balance as of 1 January	2,842,209	-	96,101	2,938,310	3,073,803	-	192,979	3,266,782
Supplementary installments/ financial loans	-	-	1,150,000	1,150,000	-	415,000	500,000	915,000
Impairment losses constitution/ (reversal) (Note 21)	-	-	-	-	-	(415,000)	-	(415,000)
Equity method								
Gains and losses in investments in associated companies (Note 29)	181,531	6,015	(840,966)	(653,420)	(51,594)	-	(596,402)	(647,996)
Capital reductions/ (dividends)	-	-	-	-	(180,000)	-	-	(180,000)
Other	-	-	-	-	-	-	(476)	(476)
Closing balance	3,023,740	6,015	405,135	3,434,890	2,842,209	-	96,101	2,938,310

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As of 31 December 2018 and 2017 the caption “Investment in associates and joint ventures” can be detailed as follows:

	31.12.2018	31.12.2017
Financial investment:		
VASP	3,023,740	2,842,209
Destak Empreendimentos	-	-
A Nossa Aposta	-	-
Mercados Globais - Publicação de Conteúdos, Lda.	6,015	-
	<u>3,029,755</u>	<u>2,842,209</u>
Supplementary capital contributions:		
A Nossa Aposta	1,900,000	750,000
Equity method	(1,494,865)	(653,899)
Loans:		
Destak Empreendimentos	-	815,000
Accumulated impairment losses on investments in associates (Note 21)	-	(815,000)
	<u>3,434,890</u>	<u>2,938,310</u>

Other financial investments

As of 31 December 2018 and 2017 the Group has investments held for sale corresponding to non-controlling investments in unlisted companies. The Group has recorded impairment losses to face differences to their net realizable amount (Note 21), presenting this caption a net book value of 5,510 Euro. As of 31 December 2018 and 2017 the total value of investments, for which adjustments were made in the same value, amounts to 171,754 Euro (Note 21). As of 31 December 2017, those financial investments were classified as Investments held for sale.

5. DISCONTINUED OPERATIONS

On 31 December 2018, the Group sold all its investments in subsidiaries and associated in Brazil (Adcom Media and Destak Brasil, respectively).

The impacts of the operation are as follows:

Net assets	Disposal date
Intangible assets	1,910
Goodwill (Notes 6 and 21)	-
Trade receivables	1,290,446
Cash and cash equivalents	129
Bank loans	(22,188)
Trade and other account payables	(305,999)
Other net liabilities	(44,628)
Total net assets	<u>919,670</u>
Foreign currency translation reserve	541,955
Investimento na Destak Brasil	(1,953,296)
	<u>(491,671)</u>
Amount collected from disposal	<u>1</u>
Income obtained in disposal operation	<u>491,672</u>

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The discontinued operations impact in the income statement are as follows:

	Disposal date
Net loss for the year of discontinued units at disposal date	(37,423)
Income obtained in disposal operation	491,672
	<u>454,249</u>

The income statement of the discontinued operations can be detailed as follows:

	Until disposal date	31-12-2017
Sale of goods and Services rendered	728,202	1,343,401
External supplies and services	(384,040)	(635,312)
Payroll expenses	(280,045)	(390,198)
Amortisations and depreciations	(380)	(409)
Share of profit of associates and joint ventures	-	125,143
Financial expenses	(19,903)	(23,759)
Financial income	3	174
Profit before tax	<u>43,837</u>	<u>419,039</u>
Income tax	(81,260)	(173,544)
Net loss for the year	<u>(37,423)</u>	<u>245,495</u>

6. GOODWILL

The movement occurred in goodwill and related impairment losses during the years ended as of 31 December 2018 and 2017 was as follows:

	31.12.2018	31.12.2017
Balance as of 1 January	84,777,180	84,777,180
Impairment losses (Note 21)	(800,000)	-
Changes in the consolidation perimeter (Note 5)	-	-
Balance as of 31 December	<u>83,977,180</u>	<u>84,777,180</u>

During the year ended as of 31 December 2018 the variation occurred in the caption "Goodwill" is due (i) to impairment losses recorded in the goodwill of the Magazines segment, amounting to 800,000 Euro (note 21) and (ii) disposal of Brazil subsidiaries, which had goodwill impairment losses recorded on previous years amounting to 1,955,752 Euro (Note 21).

In the period year-end 31 December 2014, and following an internal reorganization of Cofina Group which was finished in 2015, several subsidiaries were merged by incorporation into Cofina Media, S.A.. Thus, the allocation of goodwill has been presented in terms of cash generating segments instead of subsidiaries, since these were eliminated by the merger. These segments are the smallest identifiable groups of cash generating units and are largely independent of the cash inflows from other cash generating units. Therefore, goodwill is outlined in detail by segment as follows:

- i. Magazines: consisting essentially of the subsidiary merged in Cofina Media, S.A. – Edirevistas – Sociedade Editorial, S.A., whose main publications refer to "TV Guia", "Flash", "Vogue", and "Máxima".
- ii. Newspapers-Portugal: consisting essentially of the companies merged in Cofina Media, S.A. – Presselivre Imprensa Livre, S.A., Web Works – Desenvolvimento de Aplicações para Internet, S.A., Metronews – Publicações, S.A. and Transjornal – Edição de Publicações, S.A., whose main publications refer to newspapers "Correio da Manhã", "Destak", to the magazine "Sábado", and to the website "Empregos On-line".

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iii. Newspapers-Brazil: consisting essentially of Adcom Media – Anúncios e Publicidade, S.A. – entity whose activity is related to the free newspaper “Destak Brasil” published in Brazil. This goodwill (totally impaired as of 31 December 2018 and 2017) was unrecognized as of 31 December 2018 due to the disposal of Brazil subsidiaries (Nota 5).

iv. Graphic printing: consisting of “Grafedisport – Impressão e Artes Gráficas, S.A.”, providing graphic printing services to the “media” sector.

Therefore, as of 31 December 2018 and 2017, the caption “Goodwill” was as follows:

	31.12.2018	31.12.2017
Newspapers	82,875,916	82,875,916
Newspapers - Portugal	80,969,457	80,969,457
Graphic printing	1,906,459	1,906,459
Magazines	1,101,264	1,901,264
	83,977,180	84,777,180

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 2018, impairment losses were recognised in relation to Magazine segment, amounting to 800,000 Euro.

During the period year-end of 31 December 2017, impairment losses were recognised in any of the business segments.

Goodwill impairment tests are performed using the “discounted cash flow” method, based on the financial projections of cash flow covering a period of six years of each cash generating unit and considering a perpetuity as of the sixth year (since the Board of Directors understands it to be the most appropriate period due to the cyclical nature of the Group's operations).

The financial projections are prepared based on assumptions of evolution of the activity of the cash generating units, which the Board considers to be consistent with the history and the trend of markets, being reasonable and prudent and that reflect their vision. In addition, whenever possible, market data was obtained from external entities, which were compared with historical data, and the Group's experience.

The discount rates reflect Cofina's Group indebtedness level and debt capital cost of Cofina Group (given that it is common to the several segments) as well as the level of risk and profitability expected by the market. Moreover, in determining the discount rates, the component related to the interest rate of a risk-free asset has by reference the interest rate for Brazilian or Portuguese ten-year bonds, depending on the market. The discount rates include a market risk premium.

The perpetuity growth rate is estimated based on market potential analysis of each cash generating unit, based on the Board's expectations.

The main change in the assumptions used to determine the recoverable value of several cash-flow generating units was the decrease in the discount rate from 7.50% on 31 December 2017 to 6.20% on 31 December 2018. As to the activity assumptions, no significant changes occurred.

Impairment tests for the year ended as of 31 December 2018:

Newspaper - Portugal:

The recoverable amount of this cash generating unit was determined considering the financial projections of the newspapers sold in Portugal for a period of five years, a discount rate of 6.20% (7.50% on 31 December 2017) and a growth rate in perpetuity of 2.0% (as in 2017).

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The main activity assumptions considered were the following:

- Circulation: an average annual growth of circulation of newspapers of 4.8% was estimated, through the explicit projection period;
- Advertising market: a compound annual average negative growth rate over the projection period of 1.2%, was considered, through the explicit projection period;
- Portfolio: the maintenance of current publications was considered (Correio da Manhã, Sábado magazine, Destak).

The Group concluded that there is a comfortable margin, in comparison with its starting point on which this goodwill present impairment risk.

Graphic printing:

The recoverable amount of this cash generating unit was determined considering the financial projections of the newspapers sold in Portugal for a period of five years, a discount rate of 6.20% (7.50% on 31 December 2017) and a growth rate in perpetuity of 2.0% (as in 2017).

The main activity assumptions considered were the following:

- Turnover: an average annual growth rate of 1.2% was estimated;

The Group concluded that there is a comfortable margin, in comparison with its starting point on which this goodwill present impairment risk.

Magazines:

The recoverable amount of this cash generating unit was determined considering the financial projections of the magazines for a period of five years, a discount rate of 6.20% (7.50% on 31 December 2017) and a growth rate in perpetuity of 2.0% (as in 2017).

The main activity assumptions considered were as follows:

- Circulation: an average annual negative growth rate of circulation of magazines, in the projection period, of 1.4% was estimated;
- Advertising market: a compound annual average negative growth rate over the projection period of 2.1% was considered;
- Portfolio: the maintenance of current publications was considered (TV Guia, Máxima and Flash, taking into consideration that the last of these publications exists only on-line).

The company performed sensitivity analyses as follows:

- an increase of 0.2% in the discount rate's assumption over the projection years would imply the need to record an additional impairment loss of 50,000 Euro on 31 December 2018;
- a reduction of 0.2% in the growth rate in perpetuity's assumption would imply the need to record an additional impairment loss of 25,000 Euro on 31 December 2018.

The quantification of the above referred assumptions was undertaken based on historical data and the experience of the Board of Directors of the Group. However, such assumptions could be affected by phenomena of political, economic or legal nature which are currently unpredictable.

As a result of the impairment tests carried out based on the methodology, with the procedures and assumptions referred to above, the Board of Directors concluded that there are no additional impairment losses to be recognised. It is the Board of Directors conviction that the effect of any deviations that may occur in the main assumptions underlying the recoverable amount of the cash generating units, will not lead, in all material respects, to the impairment of its goodwill.

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7. PROPERTY, PLANT AND EQUIPMENT

The movement occurred in Property, plant and equipment and in its accumulated depreciation and impairment losses during the years ended as of 31 December 2018 and 2017 was as follows:

2018							
Gross Assets							
	Land	Buildings and other constructions	Machinery and equipment	Transport equipment	Office equipment	Other tangible assets	Work in progress
Opening balance	48,994	4,521,973	22,669,191	709,317	8,558,601	1,571,975	9,072
Additions	-	-	355,125	17,354	37,124	-	797,250
Changes in the consolidation perimeter (Note 5)	-	-	-	-	(1,597)	-	-
Disposals	-	-	(18,880)	(66,432)	(12,571)	-	-
Transfers and write-offs	-	59,819	-	-	-	774	(60,593)
Closing balance	48,994	4,581,792	23,005,436	660,239	8,581,557	1,572,749	745,729
Total							
38,089,123							
1,206,853							
(1,597)							
(97,883)							
-							
39,196,496							
2018							
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	-	2,948,919	21,997,587	696,292	8,375,034	1,460,307	-
Additions	-	475,293	441,518	20,375	88,983	43,294	-
Changes in the consolidation perimeter (Note 5)	-	-	-	-	(1,597)	-	-
Disposals	-	-	(18,880)	(66,432)	(12,571)	-	-
Transfers and write-offs	-	(11)	(42)	-	540	-	-
Closing balance	-	3,424,201	22,420,183	650,235	8,450,389	1,503,601	-
Total							
36,448,609							
2,747,887							
-							
2,747,887							
2017							
Gross Assets							
	Land	Buildings and other constructions	Machinery and equipment	Transport equipment	Office equipment	Other tangible assets	Work in progress
Opening balance	48,994	4,277,573	23,929,873	759,935	8,474,650	1,573,487	-
Additions	-	89,447	359,334	-	66,862	183	183,804
Disposals	-	-	(1,620,016)	(50,618)	(2,690)	(1,695)	-
Transfers and write-offs	-	154,953	-	-	19,779	-	(174,732)
Closing balance	48,994	4,521,973	22,669,191	709,317	8,558,601	1,571,975	9,072
Total							
38,089,123							
2017							
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	-	2,479,609	23,008,011	728,014	8,277,555	1,401,845	-
Additions	-	469,310	609,579	18,896	100,169	58,462	-
Disposals	-	-	(1,620,003)	(50,618)	(2,690)	-	-
Transfers and write-offs	-	-	-	-	-	-	-
Variação cambial	-	-	-	-	-	-	-
Closing balance	-	2,948,919	21,997,587	696,292	8,375,034	1,460,307	-
Total							
35,478,139							
2,610,984							
9,072							

The main investments occurred in 2018, are related to constructions performed in Cofina Media building, in which a new studio is being built. As of 31 December 2018, that construction was still in progress.

As of 31 December 2018 and 2017, the net value of tangible fixed assets acquired under leasing arrangements can be detailed as follows:

	31.12.2018			31.12.2017		
	Gross assets	Accumulated depreciation and impairment losses	Net assets	Gross assets	Accumulated depreciation and impairment losses	Net assets
Machinery and equipment	333,413	284,303	49,111	333,413	201,708	131,705
	333,413	284,303	49,111	333,413	201,708	131,705

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As of 31 December 2018 and 2017 there were no tangible assets pledged as guarantee for loans, nor were there any interest capitalized to fixed assets.

8. INTANGIBLE ASSETS

During the year ended as of 31 December 2018 and 2017, the movement in intangible assets, as well as in the corresponding accumulated depreciation and impairment losses, was as follows:

2018					
Gross assets					
	Patents, royalties and other rights	Other intangible assets	Software	Work in progress	Total
Opening balance	760,599	370,090	5,224,727	12,726	6,368,142
Additions	-	-	86,052	287,671	373,723
Changes in the consolidation perimeter (Note 5)	-	-	-	(1,910)	(1,910)
Transfers and write-offs	-	-	179,975	(179,975)	-
Closing Balance	760,599	370,090	5,490,754	118,512	6,739,955
2018					
Accumulated depreciation and impairment losses					
	Patents, royalties and other rights	Other intangible assets	Software	Work in progress	Total
Opening balance	760,599	370,090	5,090,889	-	6,221,578
Additions	-	-	218,846	-	218,846
Closing Balance	760,599	370,090	5,309,735	-	6,440,424
	-	-	181,019	118,512	299,531
2017					
Gross assets					
	Patents, royalties and other rights	Other intangible assets	Software	Work in progress	Total
Opening balance	760,599	370,090	4,947,595	18,652	6,096,936
Additions	-	-	157,615	113,591	271,206
Transfers and write-offs	-	-	119,517	(119,517)	-
Closing Balance	760,599	370,090	5,224,727	12,726	6,368,142
2017					
Accumulated depreciation and impairment losses					
	Patents, royalties and other rights	Other intangible assets	Software	Work in progress	Total
Opening balance	760,599	370,090	4,835,703	-	5,966,392
Additions	-	-	255,186	-	255,186
Closing Balance	760,599	370,090	5,090,889	-	6,221,578
	-	-	133,838	12,726	146,564

The main investments during the period ended as of 31 December 2018, are related to the new Web Application of Jornal Record and with the new SAP license.

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9. CLASSES OF FINANCIAL INSTRUMENTS

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

Financial assets

31 December 2018

	Financial assets recognised at amortised cost	Total
Non-current assets		
Other assets	51,919	51,919
	<u>51,919</u>	<u>51,919</u>
Current assets		
Trade receivables	5,820,863	5,820,863
Contract assets	4,149,321	4,149,321
State and public entities	1,000	1,000
Other receivables	375,912	375,912
Other assets	2,954,688	2,954,688
Cash and cash equivalents	6,624,512	6,624,512
	<u>19,926,296</u>	<u>19,926,296</u>
	<u>19,978,215</u>	<u>19,978,215</u>

-

31 December 2017

	Financial assets recognised at amortised cost	Total
Non-current assets		
Other assets	42,707	42,707
	<u>42,707</u>	<u>42,707</u>
Current assets		
Trade receivables	8,926,388	8,926,388
State and public entities	3,562	3,562
Other receivables	203,106	203,106
Other assets	6,885,509	6,885,509
Cash and cash equivalents	5,164,622	5,164,622
	<u>21,183,187</u>	<u>21,183,187</u>
	<u>21,225,894</u>	<u>21,225,894</u>

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Financial liabilities

31 December 2018

	Financial liabilities recognised at amortised cost	Total
Non-current liabilities		
Other loans	25,771	25,771
	<u>25,771</u>	<u>25,771</u>
Current liabilities		
Bank loans	177,809	177,809
Other loans	46,120,428	46,120,428
Trade payables	10,718,928	10,718,928
Contract liabilities	3,027,856	3,027,856
Income tax	2,079,371	2,079,371
State and public entities	1,645,859	1,645,859
Other accounts payables	1,424,497	1,424,497
Other liabilities	4,631,001	4,631,001
	<u>69,825,749</u>	<u>69,825,749</u>
	<u>69,851,520</u>	<u>69,851,520</u>

31 December 2017

	Financial liabilities recognised at amortised cost	Total
Non-current liabilities		
Other loans	16,666,667	16,666,667
Other accounts payables	74,395	74,395
	<u>16,741,062</u>	<u>16,741,062</u>
Current liabilities		
Bank loans	1,715,159	1,715,159
Other loans	36,005,449	36,005,449
Trade payables	9,636,900	9,636,900
Income tax	901,368	901,368
State and public entities	1,945,985	1,945,985
Other accounts payables	1,314,502	1,314,502
Other liabilities	8,414,702	8,414,702
	<u>59,934,065</u>	<u>59,934,065</u>
	<u>76,675,127</u>	<u>76,675,127</u>

10. CURRENT AND DEFERRED INCOME TAXES

In accordance with the current legislation, 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 year 2015 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 2018 and 2017.

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").

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According to the legislation, the Group uses a deferred tax rate of 22.5% that results of the sum of the rate approved for 2018 and subsequent years which amounts to 21% plus the municipal surtax whose rate is 1.5%, except for deferred tax assets that result from tax losses carried forward, for which a rate of 21%.

According to the Portuguese legislation for the year ended on 31 December 2018 and 2017 the income tax rate was 21%.

Additionally, according to the legislation, during the year ended on 31 December 2018, state surtax corresponds to the use of an additional tax of 3% on the portion of taxable income between 1.5 and 7.5 million Euro, of 5% on the portion of taxable income between 7.5 and 35 million Euro, and 9% on the portion of taxable income exceeding 35 million Euro.

Deferred income taxes

The movements occurred in deferred tax assets and liabilities in the years ended as of 31 December 2018 and 2017 were as follows:

	Deferred tax assets	
	2018	2017
Opening balance	386,176	547,120
Effects in profit and loss consolidated financial statements:		
Increase/(Decrease) in tax losses carried forward	-	(282,646)
Increase/(Decrease) in provisions not accepted for tax purposes	183,066	121,702
Effects in Equity:		
IFRS 9 adoption	26,029	-
Closing balance	595,271	386,176

As of 31 December 2018 and 2017, there were no situations generating deferred tax liabilities.

Current taxes

Income taxes recorded in the income statement during the years ended as of 31 December 2018 and 2017 are detailed as follows:

	31.12.2018	31.12.2017 (restated)
<u>Current tax:</u>		
Income tax for the year	3,438,493	1,582,351
(Excess)/Insufficiency of prior years income tax	358,096	(294,973)
Provision for tax claims (Note 21)	300,000	-
	4,096,589	1,287,378
<u>Deferred taxes:</u>		
Increase/(Decrease) in provisions not accepted for tax purposes	(183,066)	(121,702)
Increase/(Decrease) in tax losses carried forward	-	282,646
	(183,066)	160,944
	3,913,523	1,448,322

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The reconciliation of profit before corporate income tax and the corporate income tax for the years ended as of 31 December 2018 and 2017 is as follows:

	31.12.2018	31.12.2017 (restated)
Profit before income tax	10,112,679	6,269,929
Income tax rate (including maximum municipal income tax rate).	22.50%	22.50%
	<u>2,275,353</u>	<u>1,410,734</u>
Correction of income tax estimates of previous years	358,096	(294,973)
Provision for tax claims (Note 21)	300,000	-
Municipal income tax	469,072	185,138
Autonomous taxation	221,341	306,877
Application of the equity method/ impairment losses on financial investments	147,020	285,969
Goodwill impairment	180,000	-
Provisions' reversal	(83,141)	(194,612)
Other effects	45,782	(250,811)
Income tax	<u>3,913,523</u>	<u>1,448,322</u>

11. INVENTORIES

As of 31 December 2018 and 2017 the caption "Inventories" was made up as follows:

	31.12.2018	31.12.2017
Raw, subsidiary and consumable material	1,397,832	1,346,491
Impairment losses in inventories (Note 21)	(48,037)	(48,037)
	<u>1,349,795</u>	<u>1,298,454</u>

Inventories essentially include paper used for printing newspapers and magazines.

The cost of sales for the years ended as of 31 December 2018 and 2017 can be detailed as follows:

	31.12.2018	31.12.2017
Opening balance	1,346,491	1,856,965
Purchases	9,685,977	9,404,447
Closing balances	<u>(1,397,832)</u>	<u>(1,346,491)</u>
	<u>9,634,636</u>	<u>9,914,921</u>

12. TRADE RECEIVABLES

As of 31 December 2018 and 2017 this caption can be detailed as follows:

	31.12.2018	31.12.2017
Current account	5,936,546	8,926,388
Doubtful accounts	581,907	1,026,039
	<u>6,518,453</u>	<u>9,952,427</u>
Accumulated impairment losses (Note 21)	<u>(697,590)</u>	<u>(1,026,039)</u>
	<u>5,820,863</u>	<u>8,926,388</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.

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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 2018 and 2017, the customers ageing of balances can be detailed (by business segment) as follows:

	Clients					
	31.12.2018			31.12.2017		
	Newspapers	TV	Total	Newspapers	TV	Total
Not due	3,620,933	838,635	4,459,568	3,863,201	653,895	4,517,096
Due with no impairment recorded						
0 - 90 days	897,614	134,571	1,032,185	967,757	199,377	1,167,134
90 - 180 days	84,996	13,490	98,486	225,819	16,340	467,022
180 - 360 days	2,659	3,827	6,486	1,033,205	-	1,219,817
+ 360 days	7,181	-	7,181	1,024,967	-	1,024,967
	992,450	151,888	1,144,338	3,251,748	215,717	3,878,940
Barter trade receivables						
No impairment	212,279	4,678	216,957	493,812	36,540	530,352
Total	4,825,662	995,201	5,820,863	7,608,761	906,152	8,926,388

The amounts recorded as “barter trade receivables” 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 payables under the caption “Suppliers” (Note 22).

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.

As of 31 December 2018, and in what refers to customer balances with more than 180 days, a significant part of this balance, in the amount of, approximately 1.6 million Euro that corresponds to about 70% of the balance with such seniority, corresponds to receivables from the related party Destak Brasil – Editora, which was sold during 2018 period.

The average credit period granted to clients depends on the type of sale/service. In accordance with procedures 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 2017). 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.

13. CONTRACT ASSETS

As of 31 December 2018 this caption can be detailed as follows:

	31.12.2018
<u>Contract assets:</u>	
Newspapers and magazines to invoice	3,589,814
CMTV	559,507
	<u>4,149,321</u>

Sales of magazines and newspapers are recorded in the period in which the publications are distributed. The newspapers are distributed daily 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”.

CMTV’s caption relates to the amount to invoice regarding broadcast rights.

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14. STATE AND OTHER PUBLIC ENTITIES

As of 31 December 2018 and 2017 these assets and liabilities had the following composition:

	31.12.2018	31.12.2017
<u>Debtor balances:</u>		
Value added tax	-	2,418
Other	1,000	1,144
	<u>1,000</u>	<u>3,562</u>
	31.12.2018	31.12.2017
<u>Creditor balances</u>		
Value added tax	668,549	882,193
Personal income tax	410,467	440,639
Social security contributions	515,394	564,411
TV broadcast tax	45,082	27,343
Stamp tax	736	6,627
Other	5,631	24,772
	<u>1,645,859</u>	<u>1,945,985</u>

As of 31 December 2018 and 2017, the caption "Corporate income tax" amounts to 2,079,371 Euro and 901,368 Euro, respectively, and includes advance payments and withholdings performed by third parties, net of the estimated income tax for the period (Note 10).

15. OTHER ACCOUNTS RECEIVABLES

As of 31 December 2018 and 2017 this caption can be detailed as follows:

	31.12.2018		31.12.2017	
	Current	Non-current	Current	Non-current
Advances to trade payables	281,040	274,600	87,074	350,000
Other debtors	744,872	-	481,001	-
	<u>1,025,912</u>	<u>274,600</u>	<u>568,075</u>	<u>350,000</u>
Accumulated impairment losses in other debtors (Note 21)	(650,000)	(274,600)	(364,969)	(350,000)
	<u>375,912</u>	<u>-</u>	<u>203,106</u>	<u>-</u>

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. Given that the Board of directors considers there to be a recovery risk associated for that amount, in impairment loss was recorded in previous years for that same amount.

As of 31 December 2018 and 2017, the ageing of balances of "Other debtors" can be detailed as follows:

	31.12.2018			31.12.2017		
	Advances to trade creditors	Other debtors	Total	Advances to trade creditors	Other debtors	Total
Not due	281,040	94,872	375,912	87,074	116,032	203,106
Due with no impairment recorded						
0 - 90 days	-	-	-	-	-	-
90 - 180 days	-	-	-	-	-	-
180 - 360 days	-	-	-	-	-	-
+ 360 days	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>281,040</u>	<u>94,872</u>	<u>375,912</u>	<u>87,074</u>	<u>116,032</u>	<u>203,106</u>

The amounts presented in the consolidated statement of financial position are net of accumulated impairment losses estimated by the Group.

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16. OTHER CURRENT AND NON-CURRENT ASSETS

As of 31 December 2018 and 2017 this caption can be detailed as follows:

	31.12.2018	31.12.2017
<u>OTHER NON-CURRENT ASSETS</u>		
Other assets	51,919	42,707
	<u>51,919</u>	<u>42,707</u>
	31.12.2018	31.12.2017
<u>OTHER CURRENT ASSETS</u>		
Accrued income:		
Newspapers and magazines to invoice	-	3,866,444
Rappel	-	4,484
CMTV	-	260,632
Interests receivable	-	27,549
Other accrued income	18,484	14,496
Deferred costs:		
Operating expenses paid in advance	2,249,611	2,218,113
Charges related to subsequent year editions	573,484	481,733
Other deferred income	113,109	12,058
	<u>2,954,688</u>	<u>6,885,509</u>

Sales of magazines and newspapers are recorded in the period in which the publications are distributed. The newspapers are distributed daily 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". As of 31 December 2018 this caption is presented as "Contract assets" due to the adoption of IFRS 15 (Note 13).

CMTV's caption relates to the amount to invoice regarding broadcast rights for the years of 2018 and 2017. As of 31 December 2018, this caption is presented as "Contract assets" due to the adoption of IFRS 15 (Note 13).

On 31 December 2018 and 2017 the caption "Operating expenses paid in advance" relates, essentially, to real estate rents paid in advance.

17. CASH AND CASH EQUIVALENTS

As of 31 December 2018 and 2017, the caption "Cash and cash equivalents" can be detailed as follows:

	31.12.2018	31.12.2017
Cash	64,733	317,593
Bank deposits repayable on demand	6,559,779	4,847,029
Bank deposits repayable in less than 3 months	6,624,512	5,164,622
Bank overdrafts (Note 19)	(177,809)	(1,715,159)
Cash and cash equivalents	<u>6,446,703</u>	<u>3,449,463</u>

During 2018, the group conceded supplementary payments to "A Nossa Aposta" in the amount of 1,150,000 Euro (500,000 Euro in 2017).

During the year ended as of 31 December 2017, the associate VASP distributed dividends to Cofina Media in the amount of 180,000 Euro (200,000 Euro in 2016).

Moreover, during the year-ended 31 December 2018, the Group reinforced its loans to previous associated company Destak Brasil Empreendimentos in the amount of 470,000 Euro (415,000 in 2017).

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18. ISSUED CAPITAL AND RESERVES

Issued capital

As of 31 December 2018, the Company's fully subscribed and paid up capital consisted of 102,565,836 shares without nominal value. As of that date, Cofina SGPS, S.A. and the Group companies did not hold own shares.

Reserves

Share premium

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

19. BANK LOANS AND OTHER LOANS

On 31 December 2018 and 2017, "bank loans" and "other loans" were composed as follows:

	31.12.2018				31.12.2017			
	Book value		Nominal value		Book value		Nominal value	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Bond loans	16,617,753	-	16,666,667	-	16,505,927	16,666,667	16,666,667	16,666,667
Commercial paper	29,502,675	-	29,500,000	-	19,499,522	-	19,500,000	-
	<u>46,120,428</u>	<u>-</u>	<u>46,166,667</u>	<u>-</u>	<u>36,005,449</u>	<u>16,666,667</u>	<u>36,166,667</u>	<u>16,666,667</u>

	31.12.2018				31.12.2017			
	Book value		Nominal value		Book value		Nominal value	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Bank overdrafts (Note 17)	177,809	-	177,809	-	1,715,159	-	1,715,159	-
	<u>177,809</u>	<u>-</u>	<u>177,809</u>	<u>-</u>	<u>1,715,159</u>	<u>-</u>	<u>1,715,159</u>	<u>-</u>

19.1 Bond loan

As of 31 December 2018, this caption was made up of a loan denominated "Cofina SGPS - 2013/2019 Bonds", whose nominal value amounts to 16.666.667 Euro, issued by Cofina SGPS, S.A. and which book value, valued in accordance with the effective interest rate method, amounts to 16.617.753 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 Euros;
- Subscription date – 27 September 2013;
- Maturity – 28 September 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%.

This bond loan has some covenants, which were fully fulfilled as of 31 December 2018 and 2017.

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The bond loan face value (capital plus interest) is to be paid back according to the following plan:

Year	Capital	Interest
2019	16,666,667	449,890
Total	16,666,667	449,890

19.2 Commercial Paper

The liability caption “Commercial paper” relates to three commercial paper programs, in the maximum amounts of 15,000,000 Euro (two of them) and 7,000,000 Euro and 5,000,000 Euro, which bear interest at market rates, with guaranteed subscription by the banks. These commercial paper programs mature in July 2019, September 2021 and April 2020 and September 2022, respectively.

During the period year-end 31 December 2018, these loans paid interest valued at EURIBOR plus a spread between 1% and 1.5%, depending on the nature and maturity of the obtained credit.

As of 31 December 2018, 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	13,500,000	177,809	13,322,191
Current account facility	n/a	8,000,000	-	8,000,000
Commercial paper	07/07/2019	15,000,000	10,000,000	5,000,000
Commercial paper	30/09/2021	15,000,000	7,500,000	7,500,000
Commercial paper	31/07/2019	5,000,000	-	5,000,000
Commercial paper	30/04/2020	7,000,000	7,000,000	-
Commercial paper	30/11/2021	5,000,000	-	5,000,000
Commercial paper	03/09/2022	5,000,000	5,000,000	-
Bond loan 2013/2019	28/09/2019	16,666,667	16,666,667	-
		<u>90,166,667</u>	<u>46,344,476</u>	<u>43,822,191</u>

During the period year-end 31 December 2018 and 2017, the Group didn't enter into default with any of the obtained loans.

19.3 Trend of debt and maturity

As of 31 December 2018, the amounts were as follows:

	2018
Opening balance	52,672,116
Repayment of borrowings obtained	(56,666,667)
Proceeds from borrowings	50,000,000
Variations of loan issuance charges	114,979
Closing balance	<u>46,120,428</u>

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20. LEASING

Finance leases

As of 31 December 2018 and 2017, 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:

	31.12.2018	31.12.2017
2019	-	48,624
2020	25,771	25,771
	<u>25,771</u>	<u>74,395</u>
Short-term fraction (Note 24)	44,572	82,554
	<u>70,343</u>	<u>156,949</u>

Operating leases

In 2013, the Company celebrated a lease contract relating to the Group's new headquarters building in Lisbon. Under this contract, the annual amount of the rent amounts to approximately 1,700,000 Euros and has a minimum duration until 2028, automatically renewable for successive periods of 5 years. This contract may be cancelled as from the tenth year by the Company and by the lessor without any need for justification and with a minimum of 120 days and 2 years' notice, respectively.

21. MOVEMENTS IN PROVISIONS AND IMPAIRMENT LOSSES

The movements occurred in provisions and impairment losses for the years ended as of 31 December 2018 and 2017 may be detailed as follows:

	31.12.2018				
	Provisions	Impairment losses in investments (Note 4)	Impairment losses in goodwill (Note 6)	Impairment losses in inventories (Note 11)	Impairment losses in receivables (Notes 12 and 15)
Opening balance	5,809,206	1,058,754	9,151,072	48,037	1,741,008
Impact of IFRS 9 adoption	-	-	-	-	115,683
Reclassification	-	(72,000)	-	-	-
Changes in the consolidation perimeter (Note 5)	(1,952,995)	-	(1,955,762)	-	-
Additions	1,485,000	-	800,000	-	566,584
Reversals	(925,000)	-	-	-	(905,758)
Utilisations and transfers	118,789	(815,000)	-	-	104,672
Closing balance	<u>4,535,000</u>	<u>171,754</u>	<u>7,995,310</u>	<u>48,037</u>	<u>1,622,189</u>

	31.12.2017				
	Provisions	Impairment losses in investments (Note 4)	Impairment losses in goodwill (Note 6)	Impairment losses in inventories (Note 11)	Impairment losses in receivables (Notes 12 and 15)
Opening balance	7,790,467	716,439	9,151,072	48,037	2,463,987
Additions	991,519	415,000	-	-	60,491
Reversals	(1,859,298)	(72,685)	-	-	-
Utilisations	(1,113,482)	-	-	-	(783,470)
Closing balance	<u>5,809,206</u>	<u>1,058,754</u>	<u>9,151,072</u>	<u>48,037</u>	<u>1,741,008</u>

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As of 31 December 2018 and 2017 the reconciliation between the values recognised in the statement of financial position and profit and loss statement captions relating with provisions and impairment losses can be detailed as follows:

	31.12.2018					31.12.2017				
	Provisions	Financial investments	Account receivables	Goodwill	Total	Provisions	Financial investments	Account receivables	Total	
Provisions and impairment losses	(340,000)	-	(339,173)	800,000	120,827	(652,636)	-	60,491	(592,145)	
Personnel costs	600,000	-	-	-	600,000	325,000	-	-	325,000	
Results related to associated companies	-	-	-	-	-	(540,153)	342,315	-	(197,828)	
Income tax	300,000	-	-	-	300,000	-	-	-	-	
Results related to continued operations	560,000	-	(339,173)	800,000	1,020,827	(867,789)	342,315	60,491	(464,973)	
Results related to discontinued operations	1,952,995	-	-	1,955,762	3,908,757	-	-	-	-	
Total	2,512,995	-	(339,173)	2,755,762	4,929,584	(867,789)	342,315	60,491	(464,973)	

As of 31 December 2018 and 2017 the liability's caption "Provisions" can be detailed as follows:

	31.12.2018	31.12.2017
Provisions for IRC 2007 process	3,000,000	3,000,000
Provisions for other tax contingencies	300,000	-
Provisions for indemnities and legal proceedings	1,235,000	574,525
Equity method (Note 4)	-	2,234,681
	4,535,000	5,809,206

The liability's caption "Provisions" includes provisions for (i) taxes, recorded against the income statement "Corporate income tax" (Note 10) and for (ii) provisions for indemnities and legal proceedings against the Group for which the outcome is uncertain, which corresponds to the best estimate made by the Board of Directors, supported by their legal and tax advisors, of the impact that might result from the ongoing legal proceedings.

IRC 2007 process

As of 31 December 2018, the Company maintains disagreements with the Portuguese tax authorities as a sequence of an inspection made in relation to Corporate Income Tax of 2007, whose amount questioned by the tax authorities amounted to 17,900,000 Euro. This amount results from two corrections performed by the tax authorities: one related with the non-acceptance of a capital loss generated by a disposal of a subsidiary; and another related with the non-acceptance of deductibility of part of the dividends distributed by a subsidiary.

Under the Tax and Social Security Debts' Regularization Exceptional Regime, approved by the Decree-Law 151-A/2013, of October 31 ("RERD"), the Group paid voluntarily, during the year ended as of 31 December 2013, an amount of 2,000,000 Euro, with the corresponding exemption of default and penalty interests and other costs of the tax process. Under that same regime, the Group requested to the Tax Authorities the offset of part of the amounts challenged related with that inspection, with credits that the Group had over the Tax Authorities (regarding Income Tax administrative and judicial appeals), having obtained, in the year ended as of 31 December 2014, the approval of the requirement in the amount of, approximately, 5,700,000 Euro.

Under the State Indebtedness Reduction Special Plan, approved by the Decree-Law 67/2016, of November 3 ("PERES"), the Group paid voluntarily, during the year ended as of 31 December 2016, an amount of 3,614,561 Euro, with the corresponding exemption of default and penalty interests and other costs of the tax process.

Consequently, the amount of the unresolved contingency/tax assessment, as of 31 December 2018, amounts to, approximately, 13,500,000 Euro, from which 3 million Euro refers to the correction of the capital loss above referred and the remaining amount (10.5 million Euro) is related to the dividends' correction. The reconciliation between the initial and the present contingency can be resumed as follows:

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	IRC 2007 process
Initial contingency	17,878,819
Compensatory interests	3,670,237
Payments/ compensations	(7,961,456)
	13,587,600

The Board of Directors, supported by its legal and tax advisors, and under the process of its tax contingencies revaluation, evaluated as probable a: (i) favourable decision in the case of the dividends and (ii) an unfavourable decision in the case of the capital loss, reason why a provision in the amount of, approximately, 3,000,000 Euro was allocated to that component of the process.

Nevertheless, the Group is still in litigation with the Portuguese tax authorities regarding these two situations.

To cope with these disputes, the Group recorded provisions, which correspond to the best estimate made by the Board of Directors, supported by their legal and tax advisors, of the impact that might result from the ongoing tax claims.

22. TRADE PAYABLES

As of 31 December 2018 and 2017 this caption could be presented, taking into consideration its maturity, as follows:

		Payable in			
	31.12.2018	No due date (a)	Less than 3 months	Between 3 and 6 months	More than 6 months
Trade payables	10,718,928	439,286	10,279,642	-	-
	<u>10,718,928</u>	<u>439,286</u>	<u>10,279,642</u>	<u>-</u>	<u>-</u>

		Payable in			
	31.12.2017	No due date (a)	Less than 3 months	Between 3 and 6 months	More than 6 months
Trade payables	9,636,900	685,361	8,951,539	-	-
	<u>9,636,900</u>	<u>685,361</u>	<u>8,951,539</u>	<u>-</u>	<u>-</u>

(a) amounts included in the column “No due date” relate to exchange transactions with entities that are also customers (Note 12). As such, there is no pre-determined settlement date.

23. CONTRACT LIABILITIES

As of 31 December 2018, this caption was detailed as follows:

	31.12.2018	31.12.2017
<u>Contract liabilities:</u>		
Discounts granted	1,564,818	-
Commissions	767,569	-
Deferred income from advertising	695,469	-
	<u>3,027,856</u>	<u>-</u>

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24. OTHER CURRENT AND NON-CURRENT ACCOUNTS PAYABLES

As of 31 December 2018 and 2017 this caption was detailed as follows:

	31.12.2018	31.12.2017
<u>Other non-current creditors</u>		
Creditors by leasing responsibilities (Note 20)	25,771	74,395
	<u>25,771</u>	<u>74,395</u>
<u>Other current creditors</u>		
Creditors by leasing responsibilities (Note 20)	44,572	82,554
Other creditors		
Payroll	69,351	64,240
Exchange with public entities	252,907	252,907
Subscriptions	243,763	264,159
Loans from related entities (Note 30)	-	318,315
Other	813,904	332,327
	<u>1,424,497</u>	<u>1,276,520</u>

Except to the amounts related with financial leasing responsibilities, whose reimbursement plan is presented in Note 20, the remaining amounts under the caption "Other current creditors" as of 31 December 2018 and 2017 have its maturity in less than 6 months. The amount included in 2017 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 2018 and 2017, this caption was made up as follows:

	31.12.2018	31.12.2017
Expense accruals:		
Remunerations	3,640,804	3,759,110
Commissions	-	760,504
Discounts granted	-	1,165,112
Supplies and external services	671,841	1,142,705
Other expense accruals	125,589	216,957
Deferred income:		
Deferred income from alternative marketing	-	662,678
Deferred income from advertising	-	328,443
Other deferred income	192,767	379,193
	<u>4,631,001</u>	<u>8,414,702</u>

As of 31 December 2018 the captions "Discounts granted", "Deferred income from alternative marketing", "Deferred income from advertising" and "Commissions", are presented as "Contract liabilities" due to the adoption of IFRS 15 (Note 23).

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26. SALE OF GOODS, RENDERING OF SERVICES AND OTHER OPERATING INCOME

“Sale of goods” for the years ended as of 31 December 2018 and 2017 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 are sold with the Group’s publications and television broadcast rights of CMTV are recorded in the caption “Other income”.

27. EXTERNAL SUPPLIES AND SERVICES

As of 31 December 2018 and 2017, the caption “External supplies and services” can be described as below:

	31.12.2018	31.12.2017 (restated)
Advertising	13,203,650	11,878,670
Subcontracts	3,781,168	4,291,624
Specialized services	8,892,321	8,935,185
Travel and stay	2,010,321	1,449,312
Rent	2,809,500	3,456,761
Fuel	188,130	196,871
Communication	788,953	864,844
Fees	2,693,045	3,189,037
Royalties	682,288	697,167
Representation costs	348,256	380,010
Other	2,285,772	2,279,910
	<u>37,683,404</u>	<u>37,619,391</u>

28. PAYROLL EXPENSES

As of 31 December 2018 and 2017, this caption was made up as follows:

	31.12.2018	31.12.2017 (restated)
Remunerations	21,027,091	22,305,792
Indemnities	1,618,284	4,040,066
Charges on remuneration	4,496,657	4,671,147
Insurance	264,567	317,380
Social contributions	21,714	24,400
Other expenses	171,356	192,644
	<u>27,599,669</u>	<u>31,551,429</u>

During 2018 and 2017, the average number of personnel working in the companies included in consolidated statements by the fully consolidation method was 746 and 823, respectively.

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29. FINANCIAL RESULTS

The financial income and expenses, income from the associated companies, for the years ended as of 31 December 2018 and 2017 are made up as follows:

	31.12.2018	31.12.2017 (restated)
<u>Income from associated companies:</u>		
Equity method - VASP (Note 4)	181,531	(51,594)
Equity method - A Nossa Aposta (Note 4)	(840,966)	(596,402)
Equity method - Mecados Globais (Note 4)	6,015	-
Earnings from investments available for sale	-	1
	<u>(653,420)</u>	<u>(647,995)</u>
<u>Financial costs:</u>		
Interest	1,542,078	1,977,297
Bank commissions	534,050	477,713
Other expenses and financial losses	21,271	24,130
	<u>2,097,399</u>	<u>2,479,140</u>
<u>Financial income:</u>		
Interest	25,068	54,787
Other financial income	-	1
	<u>25,068</u>	<u>54,788</u>

30. TRANSACTIONS WITH RELATED PARTIES

Commercial transactions

The Group companies have relations with each other that are qualified as transactions with related parties. All these transactions are made on an arms-length basis.

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 2018 and 2017 and the main transactions with related entities during the years then ended may be detailed as follows:

Transactions:

	31.12.2018		
	Sales and other income (Note 26)	Services rendered (Note 26)	Acquisition of goods and services (Note 27)
VASP	47,925,193	-	522,951
A Nossa Aposta	1,139	9,800	-
	<u>47,926,332</u>	<u>9,800</u>	<u>522,951</u>
	31.12.2017 (restated)		
	Sales and other income (Note 26)	Services rendered (Note 26)	Acquisition of goods and services (Note 27)
VASP	49,920,201	-	355,551
A Nossa Aposta	-	199,535	-
	<u>49,920,201</u>	<u>199,535</u>	<u>355,551</u>

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Balances:

31.12.2018			
	Account receivables (Note 12)	Account payables (Note 22)	Contract assets (Note 13)
VASP	66,366	59,542	3,589,814
A Nossa Aposta	2,526	-	-
	<u>68,892</u>	<u>59,542</u>	<u>3,589,814</u>

31.12.2017			
	Account receivables (Note 12)	Accounts payable and other creditors (Notes 22 e 24)	Other current assets (Note 16)
VASP	94,875	44,799	3,866,444
Destak Brasil - Editora	1,557,177	318,314	-
	<u>1,652,052</u>	<u>363,113</u>	<u>3,866,444</u>

Sale of goods and other income carried out with associated companies during the years ended as of 31 December 2018 and 2017 relate to sales of publications (newspapers and magazines) and marketing alternative products to VASP, which handles the corresponding distribution to the points of sale. These transactions are carried out under the normal activity of the Group.

Remuneration of the Board of Directors

The compensations given to key management, which as per Group's policy are to the Board of Directors' members of Cofina, during 2018 amounts to 122,000 Euro, and are related exclusively to fixed compensations. Those compensations were paid entirely by Cofina SGPS.

According with article 3 of the law 28/2009, of 19 June, the compensations to the board of directors was as follows: Paulo Fernandes – 40,000 Euros; João Borges de Oliveira – 40,000 Euros; Domingos Matos – 14,000 Euros; Pedro Borges de Oliveira – 14,000 Euros; Ana Mendonça – 14,000 Euros.

During 2017, there were no remunerations for Cofina Board of Directors' members for the performance of their functions.

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 2018, can be presented as follows:

- Actium Capital, S.A.
- Altri Abastecimentos de Madeira, S.A.
- Altri Florestal, S.A.
- Altri Sales, S.A.
- Altri, Participaciones Y Trading, S.L.
- Altri, SGPS, S.A.
- Bioelétrica da Foz, S.A.
- Bioródão, S.A.

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- Caderno Azul, S.A.
- Caima Energia – Empresa de Gestão e Exploração de Energia, S.A.
- Caima Indústria de Celulose, S.A.
- Captaraíz Unipessoal, Lda.
- Celtejo – Empresa de Celulose do Tejo, S.A.
- Celulose da Beira Industrial (Celbi), S.A.
- Cofihold, S.A.
- Cofihold II, S.A.
- Elege Valor, Lda.
- Expeliarmus – Consultoria, S.A.
- F. Ramada II, Imobiliária, S.A.
- Inflora – Sociedade de Investimentos Florestais, S.A.
- Livrefluxo, S.A.
- Planfuro Global, S.A.
- Préstimo – Prestígio Imobiliário, S.A.
- Promendo Investimentos, S.A.
- Ramada – Aços, S.A.
- Ramada Investimentos e Indústria, S.A.
- Ródão Power - Energia e Biomassa do Ródão, S.A.
- Sociedade Bioelétrica do Mondego, S.A.
- Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A.
- Universal Afir, S.A.
- Valor Autêntico, S.A.
- Viveiros do Furadouro Unipessoal, Lda.
- 1Thing Investments, S.A.

Board of Directors

Cofina SGPS, S.A. Board of Directors was composed as follows as of 31 December 2018 and 2017:

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

31. RESPONSABILITIES FOR GUARANTEES PROVIDED

As of 31 December 2017, Cofina Group had provided guarantees related to the pledge of 20,000,000 shares of Cofina Media, S.A. in favour of the Portuguese Tax Authority (“Autoridade Tributária e Aduaneira”) as a guarantee for the ongoing income tax claims (Note 21).

As of 31 December 2018, Cofina Media group companies had assumed responsibilities for guarantees granted amounting to 210,000 Euro in relation to (i) advertising contests (17,000 Euro) and to ongoing tax processes (193,000 Euro).

32. EARNINGS PER SHARE

Earnings per share for the years ended as of 31 December 2018 and 2017 were calculated as follows:

	31.12.2018			31.12.2017 (restated)		
	Continued operations	Discontinued operations	Total	Continued operations	Discontinued operations	Total
Net profit considered for the computation of basic and diluted earning	6,199,156	454,249	6,653,405	4,821,607	245,495	5,067,102
Weighted average number of shares used to compute the basic earnings per share	102,565,836	102,565,836	102,565,836	102,565,836	102,565,836	102,565,836
Earnings per share:						
Basic	0.06	0.00	0.06	0.05	0.00	0.05
Diluted	0.06	0.00	0.06	0.05	0.00	0.05

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33. DIVIDEND DISTRIBUTION

For the period years 2018 and 2017, no dividends were distributed.

34. 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:

31.12.2018	<u>Newspapers</u>	<u>TV</u>	<u>Total</u>
Net operating income			
Resulting from operations with external customers	76,925,657	12,366,885	89,292,542
Resulting from operations with other segments	3,027,506	(3,027,506)	-
31.12.2017 (Restated)	<u>Newspapers</u>	<u>TV</u>	<u>Total</u>
Net operating income			
Resulting from operations with external customers	81,058,804	8,655,719	89,714,523
Resulting from operations with other segments	3,222,936	(3,222,936)	-

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

31.12.2018	<u>Newspapers</u>	<u>TV</u>	<u>Total</u>
Operational cash-flow - EBITDA (a)	11,074,737	3,052,002	14,126,739
Depreciations and amortizations	937,539	350,770	1,288,309
Earnings before interest and tax - EBIT	10,137,198	2,701,232	12,838,430
31.12.2017 (Restated)	<u>Newspapers</u>	<u>TV</u>	<u>Total</u>
Operational cash-flow - EBITDA (a)	10,000,886	852,583	10,853,469
Depreciations and amortizations	1,210,741	300,452	1,511,193
Earnings before interest and tax - EBIT	8,790,145	552,131	9,342,276
(a) Earnings before interest, tax, depreciation and amortization			

35. CONTINGENT ASSETS AND LIABILITIES

As of 31 December 2018 and 2017, no contingent assets existed.

As of 31 December 2018 and 2017, the main contingent liabilities were related to works in progress as described in Note 21 and guarantees provided described in Note 31.

36. AUDITORS' FEES

The total fees paid by the Cofina Group for services rendered by EY companies in 2018 and 2017 was 59,000 Euro and 58,000 Euro, respectively, and are exclusively related to the statutory audit.

37. 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.

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38. SUBSEQUENT EVENTS

No significant events occurred after 31 December 2018 that require disclosure.

The Chartered Accountant

Board of Directors

Paulo Jorge dos Santos Fernandes

João Manuel Matos Borges de Oliveira

Domingos José Vieira de Matos

Pedro Miguel Matos Borges de Oliveira

Ana Rebelo de Carvalho Menéres de Mendonça

STATUTORY AND AUDITOR'S REPORT

December 31, 2018



(Translation from the original Portuguese language. In case of doubt, the Portuguese version prevails.)

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Cofina, SGPS, S.A. (the Group), which comprise the Consolidated Statement of Financial Position as at 31 December 2018 (showing a total of 112.388.279 euros and a total equity of 38.001.759 euros, including a net profit for the year of 6.653.405 euros), and the Consolidated Statement of Profit and Loss by Nature, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Cofina, SGPS, S.A. as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. Goodwill impairment

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>As at 31 December 2018, Goodwill amounts to 83.977.180 euros (2017: 84.777.180 euros), representing 75% (2017: 75%) of the total Group assets and it is allocated to the segments: Newspapers and Magazines.</p> <p>The risk of Goodwill impairment was considered a key audit matter because the carrying amount of this asset is significant and because the impairment assessment process is complex, including the use of estimates and</p>	<p>Our approach have included the following procedures:</p> <ul style="list-style-type: none"> ▶ Obtaining and analyzing impairment tests, in applicable cases, including assessment of the reasonableness of the valuation models used, including its clerical and arithmetic accuracy, its consistency with previous years and we have tested its underlying assumptions, namely WACC and other information used by management, comparing the

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
assumptions, namely in what regards prospective market and economic conditions, trends and behaviors in relation to demand, and margins evolution. During 2018 year an impairment loss of 800.000 euros was recorded.	<p>assumptions related to the expected inflation rates and the market growth rate, with external sources;</p> <ul style="list-style-type: none"> ▶ Assessment on the determination of the cash generating units ("CGU's"), comparing them with the Company's managerial structure, and assessment of the cash flow projections that support the impairment analysis performed by the Board of Directors. We tested the basis of preparation taking into consideration the reliability of the previous projections and the historical information about the main assumptions; ▶ We have included in our audit internal EY specialists and conducted sensitivity analyzes focused on variations in the most critical variables such as revenues growth rate, discount rate and the perpetuity growth rate; and ▶ Analysis of the correspondence exchanged between the Entity and the Portuguese Regulator regarding the disclosures performed in previous year. <p>We also evaluate the adequacy of the applicable disclosures (IAS 36), included in Note 6 of the notes to the consolidated financial statements.</p>

2. Provisions and contingencies

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>As disclosed in Note 21 of the notes to the consolidated financial statements, the Group identified several tax and legal contingencies. Provisions are recorded or contingent liabilities disclosed in the financial statements according to tax and legal advisors' opinions and to the Board of Directors judgments regarding tax issues, discrepancies with the Tax Authority and lawsuits related to Group's activity, whenever is expected to be an unfavorable outcome, in accordance with IAS 37. The assessment of the likelihood of outcome is based on the opinion of legal and tax advisors.</p> <p>The carrying amount of the provisions related to tax issues and lawsuits, presented as Group's liabilities, is 3.935.000 euros (2017: 3.150.000 euros).</p> <p>We considered as a key audit matter, due to the complexity, relevant judgments and uncertainty on the outcomes related to tax matters, as well as the large number of lawsuits.</p>	<p>Our approach have included the following procedures:</p> <ul style="list-style-type: none"> ▶ We performed the understanding and assessment of the tax and legal contingencies monitoring process; ▶ In conjunction with our internal tax specialists, we assessed the estimates and judgments used by the Board of Directors in determining the amount of provisions related to tax matters. We reviewed the existing documentation and the correspondence with the tax authorities and obtained information and opinions from the external experts and others consultants engaged by the Group regarding the assumptions and arguments, as well as we reviewed the existing documentation; ▶ We obtained external confirmations from all the lawyers with whom the Group has relations and clarifying memorandums prepared by external and internal lawyers for the main ongoing lawsuits. As a result of the analysis of that information, we have carried out additional inquiries to the Group lawyers in order to obtain additional information and to follow up the ongoing proceedings until this date;

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
	<ul style="list-style-type: none"> ▶ We have read the Board of Directors minutes meetings of the several Group entities; ▶ We inquired the Board of Directors about the basis for their estimates and judgments to corroborate and evaluate the arguments used for the graduation of each contingency; ▶ In assessing the likelihood of outcome of legal lawsuits we considered the decisions and conclusions reached in similar events; and ▶ We evaluated the consistency of the assumptions used in 2018 comparatively to previous years. <p>We also evaluate the adequacy of the applicable disclosures (IAS 37), included in Note 21 of the notes to the consolidated financial statements.</p>

Responsibilities of management and the supervisory board for the consolidated financial statements

Management is responsible for:

- ▶ the preparation of consolidated financial statements that presents a true and fair view of the Group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as endorsed by the European Union;
- ▶ the preparation of the Management Report, including the Corporate Governance Report in accordance with the laws and regulations;
- ▶ designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ▶ the adoption of accounting policies and principles appropriate in the circumstances; and
- ▶ assessing the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion; and
- ▶ communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- ▶ from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- ▶ we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Management Report with the consolidated financial statements, and the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code, as well as the verification that the statement of non-financial information was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatement.

On the Statement of non-financial information set out in article 508-G of the Commercial Companies Code

Pursuant to article 451, nr. 6, of the Commercial Companies Code, we inform that the Group has included in its Consolidated Annual Report the statement of non-financial information as per article 508-G of the Commercial Companies Code.

On the Corporate Governance Report

Pursuant to article 451, nr. 4, of the Commercial Companies Code, in our opinion, the Corporate Governance Report includes the information required to the Group to provide as per article 245-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of the said article.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- ▶ We were appointed as auditors of the Cofina, SGPS, S.A. (Group's Parent Entity) for the first time in the shareholders' general meeting held on 26 April 2017 for a mandate from 2017 to 2019;
- ▶ Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work we have not identified any material misstatement to the consolidated financial statements due to fraud;
- ▶ We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Group as of today;
- ▶ We declare that we have not provided any prohibited services as described in article 77, nr. 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Group in conducting the audit.

Lisbon, 30 April 2019

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas (nº178)
Represented by:

(Signed)

Rui Manuel da Cunha Vieira (ROC nr. 1154)
Registered with the Portuguese Securities Market Commission under license nr. 20160766

REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

December 31, 2018



Report and Opinion of the Statutory Audit Board
(Translation of a Report and Opinion originally issued in Portuguese.
In case of discrepancy the Portuguese version prevails)

To the Shareholders of
Cofina, SGPS, S.A.

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 the individual and consolidated Financial Statements of Cofina, SGPS, S.A. ("Company") for the year ended 31 December 2018, which are the responsibility of the Company's Board of Directors.

1. Report over the developed activity

During the year under analysis, the Statutory Audit Board accompanied the operations of the Company and its affiliates, the timely writing up of accounting records, compliance with statutory and legal requirements and the effectiveness 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 personnel of the Company and its affiliates, all the information and explanations required.

As part of its duties, the Statutory Audit Board examined the separate and consolidated statement of financial position as of 31 December 2018, the separate and consolidated statements of profit and loss, comprehensive income, changes in equity and cash flows for the year then ended, and the corresponding notes.

In the exercise of its competences, the Statutory Audit Board held, regularly, meetings with Statutory and External Auditor's representatives in order to monitor the audit work carried out and take note of its conclusions, in addition to assessing its independence. In this area, the Statutory Audit Board analysed the proposals that were presented to it for non-audit services by the Statutory and External Auditor, having approved those that respected permitted services, did not affect the independence of the Statutory and External Auditor and fulfil the other legal requirements.

The Statutory Audit Board reviewed the Statutory and Auditor's Report regarding the separate and consolidated information for 2018 year, which comprises the Separate and Consolidated Statements of Financial Position for the year ended as of 31 December 2018, the Separate and Consolidated Statements of Profit and Loss by Nature, the Separate and Consolidated Statements of Comprehensive Income, the Separate and Consolidated Statements of Changes in Equity and the Separate and Consolidated Statements of Cash Flows for the year then ended, and the corresponding notes, documents which does not present any qualification.

The Statutory Audit Board also reviewed the Corporate Governance Report, having verified that it includes all the elements referred to in article 245^o-A of the Portuguese Securities Market Code.

Finally, the Statutory Audit Board also analysed the Additional Report to the Statutory Audit Board and other documentation issued by the representative of Ernst & Young Audit & Associados – SROC, S.A., Statutory and External Auditor of the Company.

2. Declaration of Responsibility

Within the scope of the powers of its competences, the Statutory Audit Board declares that, to their knowledge and conviction, the information contained in the separate and consolidated financial statements were prepared in accordance with applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position and the results of the Cofina, SGPS, S.A. and companies included in the consolidation. Also, it is their understanding 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. It is also declared that the Corporate Governance Report complies with article 245º-A of the Portuguese Securities Market Code.

3. Opinion

Accordingly, considering the diligences, opinions and information received from the Board of Directors, the Entity's services and the Statutory and External Auditor, the Statutory Audit Board is of the opinion that:

1. Nothing prevents the approval of the Director's Report for the 2018 year;
2. Nothing prevents the approval of the Separate and Consolidated Financial Statements for the 2018 year;
3. Nothing prevents the approval of the proposal for the net profit appropriation presented by the Board of Directors, which is duly substantiated.

We wish to express our appreciation to the Board of Directors and to the various services of the Company and of its subsidiaries for their collaboration.

Porto, 30 April 2019

The Statutory Audit Board

Pedro Pessanha
Statutory Audit Board President

António Pinho
Statutory Audit Board Member

Guilherme Monteiro
Statutory Audit Board Member



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