ANNUAL REPORT

31 December 2019

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MANAGEMENT REPORT

31 December 2019

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To the Shareholders

The Board of Directors of Cofina, SGPS, S.A., in accordance with the legal and statutory requirements, hereby submits the 2019 Report and Accounts. In accordance with Article 508(6)(C) of the Portuguese Companies Act, the Board of Directors decided to submit a single Management Report, in compliance with all the legal requirements that will enable a complete, practical and integrated analysis of the information made available therein.

INTRODUCTION

According to INE data, the Portuguese economy grew 2.2% in 2019, exceeding Government and Statistics Portugal forecast, namely from Organisation for Economic Co-operation and Development (OECD), from the International Monetary Fund (IMF) and from the Portuguese Public Finance Council (CFP). 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 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.

Due to the materialisation of the restructuring process done in the past, 2019 proved to be a revitalizing year for the Group, allowing not only to increase the press segment profitability, but also to develop the performance of the TV segment (CMTV), permitting it to achieve an excellent performance.

MACROECONOMIC BACKGROUND

The economic performance for the year of 2019 was seen as conservative by the governments and central banks, although there was no recession prediction by major international institutions. In fact, even though the worst-case scenarios did not materialise, the world economy grew at the lowest rate since the world financial crisis of 2008. The “Commercial War” between the USA and China had a major impact, which were felt on other economies, namely in the *Mercosur* and in European Union. The latter was also influenced by the decisions and measures adopted in favour of *Brexit*. All these divergences and uncertainties had an impact over the global economic situation, amplifying the cyclical and structural decelerations that were already being felt in previous periods.

Considering all those factors, the world economy will still have grown between 2.5 and 3%, thus avoiding the worst-case scenario. The IMF, OECD and the World Bank are consensuses, by predicting a moderated growth of the world economy for 2020.

The European economy registered its seventh consecutive year of growth in 2019. However, as in the previous year, the verified growth was moderated. There are some factors for this slower pace in the economic growth, such as the interest rate reduction strategies applied by several Central Banks, with the purpose of supporting the respective economies, in a time that the world economy balances close to recession. No significant improvement in the economic activity is expected for 2020, but the risk of recession is slim. Regarding the inflation of the Eurozone, the European Commission predicts 1.2% for 2019, an increase to 1.3% in 2020 and then to stabilize in 2021.

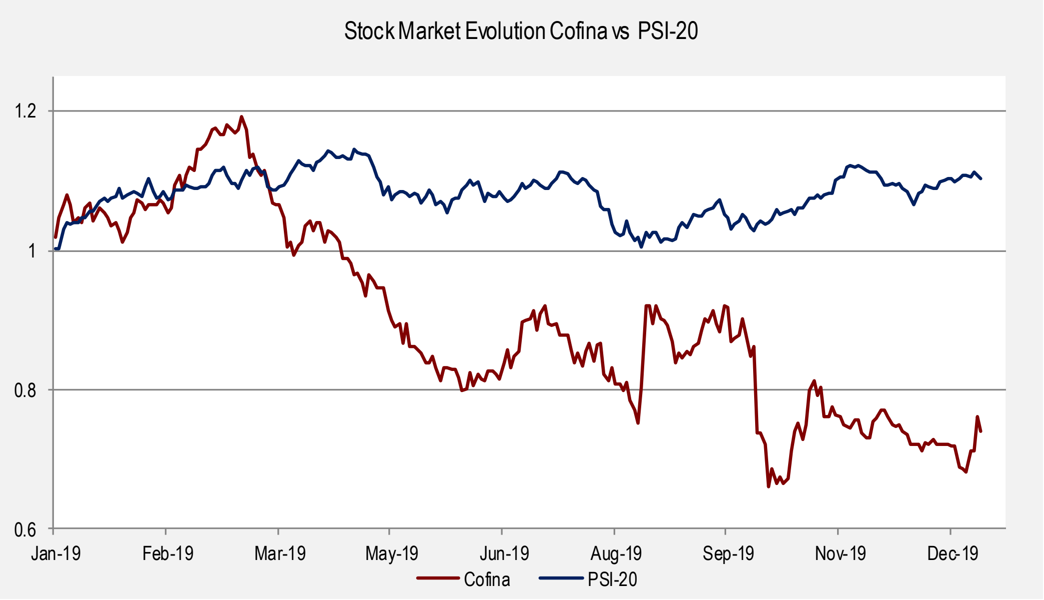
Regarding Portugal, economic growth is expected to slow down for the period between 2019 and 2022, considering the projections of institutions like the Bank of Portugal, the European Commission and the OECD. The deceleration in growth experienced in 2018 continued in 2019, as a consequence of not only the protectionist measures adopted by several economies, but also by the high level of political uncertainty, caused mainly by Brexit and USA-China tensions. Additionally, Portugal also felt the impact of the economic growth slowdown of some of its main trading partners, such as Spain and Germany. According to the Bank of Portugal, exports and the industrial sector also suffered slowdowns. However, the services sector remained relatively unaffected by these factors, which has contributed to the continuation of a favourable situation in the national labour market.

Source: IMF, Informação de Mercados Financeiros, 21 January 2020
Observations: all these projections may be naturaly affected due to the economic and social panorama currently experienced around the world

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).

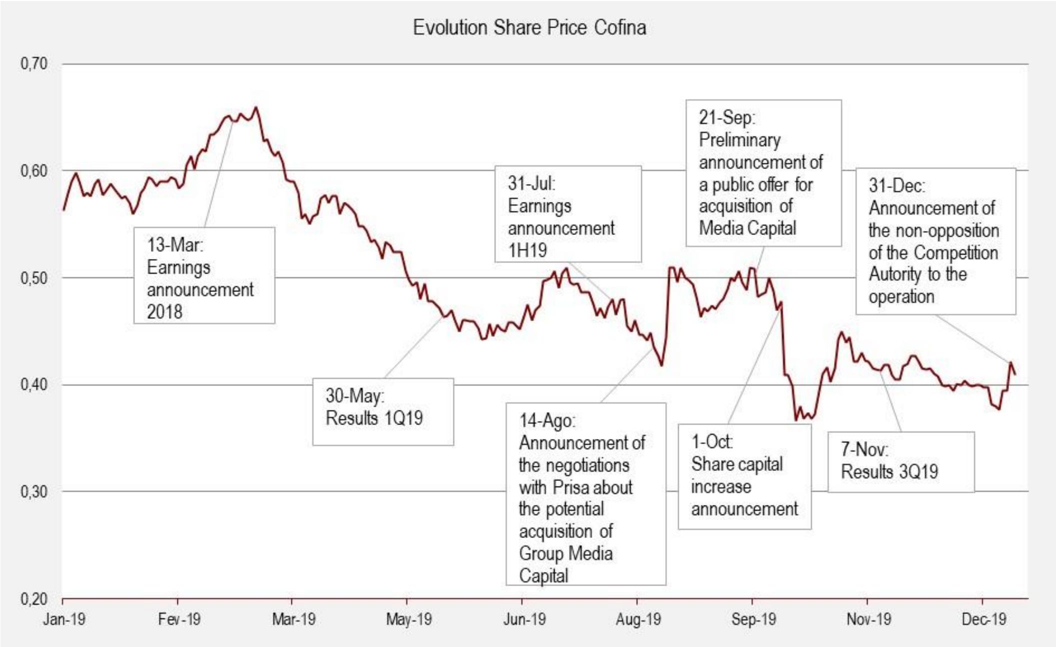
During 2019, Cofina shares decreased by 25.99% compared to the end of 2018, while the national stock market index (PSI-20) increased by around 10.20%.



At the end of 2019, Cofina shares closed at 0.41 Euro/share and the corresponding market capitalisation was 42.1 million Euro.

In 2019, Cofina's shares were traded at a maximum price of 0.660 Euro and at a minimum price of 0.366 Euro. In total, approximately 18 million shares were traded, equivalent to 17.50% of the issued capital.

The main events that marked the evolution of Cofina's share price during 2019 can be described as follows:



- In the announcement of the Group's performance in 2018, disclosed on March 13, 2019, Cofina informed about a consolidated net profit of 6.7 million Euro. Operating revenue[1] came to 89.3 million Euro, while EBITDA[2] stood at 14.9 million Euro. On that day, the shares closed at 0.660 Euro per share.
- On May 30 2019, in the announcement regarding the presentation of the financial statements for the first quarter of 2019, Cofina, SGPS, S.A. informed about operating revenue[1] of 20.2 million Euro, with EBITDA[2] reaching 3.1 million Euro, while the net profit stood at 871 thousand Euro.
- On July 31, the Group reported the results of the first half of 2019 to the market, having recorded EBITDA[2] of 7.7 million Euro and an EBITDA margin of 18.1%. Net income stood at 3.0 million Euro and nominal net debt[3] at 42.2 million Euro.
- On August 14, Cofina announced the negotiations with Promotora de Informaciones, S.A. ("Prisa"), on an exclusive basis, regarding the potential acquisition of Prisa's interest in Group Media Capital, SGPS, S.A. ("Media Capital").
- On September 21, Cofina announced the launch of a general and voluntary public offer for acquisition of shares representing the capital of Media Capital, mentioning that the Purchase and Sales Agreement was subject to a series of suspensive conditions, namely a Capital Increase and the non-opposition of the regulatory entities, such as the Competition Authority and the Media Regulatory Authority.
- On October 1, the Group announces that an increase in Cofina's share capital is expected.
- In the statement of November 7, the Group informed about its results for the third quarter of 2019. In the first nine months, operating revenue[1] amounted to 65.1 million Euro, while EBITDA[2] reached 11.7 million Euro. Net income stood at 4.3 million Euro.
- On December 31, 2019, the Group informed that the Portuguese Competition Authority gave a favourable opinion for the acquisition of the stake held by Prisa in Group Media Capital by Cofina, as well as the launch of the public offer of acquisition of the remaining shares of Media Capital announced on September 21, 2019.

[1] Operational revenues = Sales + Services rendered + Other income
[2] EBITDA = Earnings before income taxes from continuing operations – Results related to associates and joint ventures + Financial expenses – Financial income + Amortisations and depreciations
[3] Nominal net debt = Other loans (nominal values) + Bank loans (nominal values) – Cash and cash equivalents

GROUP'S ACTIVITY

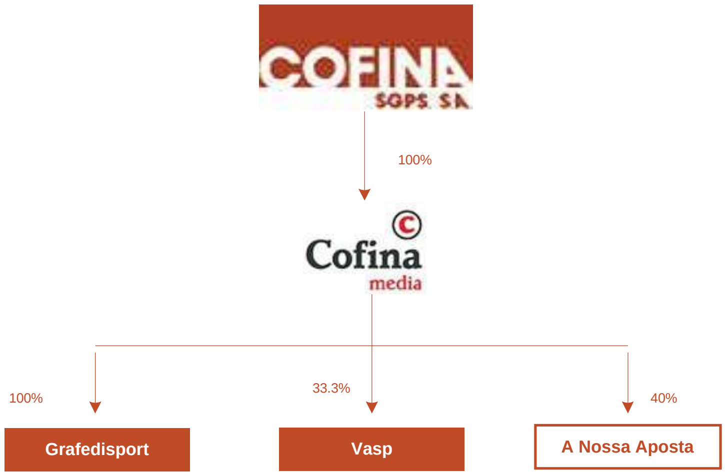
The Cofina Group operates mainly in the area of media and content.

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.

At Cofina Media, and in the television segment, CMTV consolidated and increased its leadership in cable television. In the written press there was a trend towards a reduction in the number of copies sold and in advertising investment. In the gaming area where Cofina Media is present through a 40% stake in "A Nossa Aposta", 2019 represented a turning point for positive results since starting its activity in 2016.

As of 31 December 2019, the organisation chart of Cofina Group's holdings was as follows:



According to data provided by the Portuguese Association for Circulation and Print Control (APCT) for 2019, "Correio da Manhã" continues to be the best-selling daily newspaper in Portugal, with an average daily paid circulation of around 73 thousand copies, reaching a market share of 56% in the segment of paid daily newspapers.

In 2019, TV Guia, a magazine in the television segment, maintained the number of copies sold at around 46 thousand per edition, having increased its share in the television magazine segment from 30% in 2018 to 34% in 2019.

Sábado magazine increased sales by around 500 copies per edition, reaching around 39 thousand copies per edition. Its share in the segment went from 49% in 2018 to 52% in 2019.

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.

It should be highlighted that the performance of the "Correio da Manhã TV" which, in 2019, recorded an average share of 4.1% (3.61% in 2018), making it the channel with the highest audience on cable TV and the fourth largest Portuguese channel, behind Free to Air (SIC, TVI and RTP 1).

Cofina will continue to broaden and stimulate investment in growth areas with potential for synergies with existing businesses. In February 2019, Blackjack became available on the online gaming platform www.nossaaposta.pt, 40% owned by Cofina Media. The 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).

FINANCIAL REVIEW

The financial information was prepared in accordance with the International Financial Reporting Standards as adopted in European Union (IFRS-EU). Since January 1, 2019, IFRS 16 was adopted, and in accordance with this standard, 2018 information was not restated.

(thousand Euro)	2019	2018	Var (%) 2019/2018
Operational revenues (a)	**88,024**	**89,293**	**-1.4%**
Circulation	41,969	43,059	-2.5%
Advertising	27,563	28,115	-2.0%
Alternative marketing products and others	18,492	18,119	2.1%
Operational costs (b)	**71,252**	**75,166**	**-5.2%**
EBITDA (c)	**16,772**	**14,127**	**18.7%**
EBITDA margin (d)	19.1%	15.8%	+3.3 p.p.
Restructuring costs	-	-	-
Goodwill impairment	-	(800)	-
EBITDA normalized (e)	**16,772**	**14,927**	12.4%
Amortizations and depreciations	(3,594)	(1,288)	179.0%
EBIT (f)	**13,178**	**12,839**	**2.6%**
EBIT margin (g)	15.0%	14.4%	+0.6 pp
Financial results **(h)**	(2,722)	(2,726)	-0.1%
Earnings before income taxes from continuing operations	**10,456**	**10,113**	3.4%
Income taxes	3,306	3,914	-15.5%
Consolidated net profit from continuing operations	**7,150**	**6,199**	**15.3%**
Net profit of discontinued operations	-	454	-
Consolidated net profit	**7,150**	**6,653**	**7.5%**

(a) Operational revenues = Sales + Services rendered + Other income
(b) Operational costs = Costs of sales + External supplies and services + Payroll expenses + Provisions and impairment losses + Other costs
(c) EBITDA = Earnings before income taxes from continuing operations - Results related to associates and joint ventures + Financial expenses - Financial income + Amortisations and depreciations
(d) EBITDA normalized = EBITDA + Restructuring costs + Impairment losses in goodwill
(e) EBIT = EBITDA + Amortisations and depreciations
(f) Financial results = Financial expenses – Financial income

Cofina’s consolidated operational revenues in 2019 amounted to 88 million Euro, which corresponds to a 1.4% decrease over the same period of 2018.

Consolidated EBITDA achieved approximately 16.8 million Euro, which reflects a 19% increase over the EBITDA recorded in the same period of 2018. EBIT reached around 13.2 million Euro, which corresponds to a 3% increase.

The net profit of discontinuing operations in 2018 refers to the impact of the sales operation that Cofina hold in Brazil, through its subsidiary AdCommedia and its associated Destak Brasil. Those investments were sold in the end of 2018.

Consolidated net income reached 7.2 million Euro, an increase of 7.5% compared to the previous year.

As of December 31, 2019, Cofina's nominal net debt (Other loans (nominal values) + Bank loans (nominal values) – Cash and cash equivalents) was of 44.9 million Euro which corresponds to an increase of 5.2 million Euro compared to the nominal net debt recorded at the end of 2018.

This increase is due to a 10 million Euro collateral related to the purchase and sale agreement celebrated, as of 20 September 2019, with Promotora de Informaciones, S.A. for the 100% acquisition of share capital and voting rights of Vertix, SGPS, S.A. (and, indirectly, 94.69% of the share capital and voting rights of Grupo Média Capital, SGPS, S.A.).

In terms merely operational (without considering the effect due to the transaction mentioned), Cofina’s nominal net debt would be 34.9 million Euro, which corresponds to a 4.8 million Euro decrease over the nominal net debt recorded in the end of 2018.

Some indicators of the main business segments are presented below:

Television:

(thousaund Euro)	2019	2018	Var (%) 2019/2018
Operational revenues (a)	**14,829**	**12,367**	**19.9%**
Advertising	5,846	4,066	43.8%
Transmission fees and others	8,983	8,301	8.2%
Operational costs (b)	**10,846**	**9,315**	**16.4%**
EBITDA (c)	**3,983**	**3,052**	**30.5%**
EBITDA margin (d)	26.9%	24.7%	+2.2 p.p.

(a) Operational revenues = Sales + Services rendered + Other income
(b) Operational costs = Costs of sales + External supplies and services + Payroll expenses + Provisions and impairment losses + Other costs
(c) EBITDA = Earnings before income taxes from continuing operations - Results related to associates and joint ventures + Financial expenses - Financial income + Amortisations and depreciations
(d) EBITDA margin = EBITDA / Operational revenues

CMTV's total revenue amounted to around 14.8 million Euro, a growth of 19.9%. Advertising revenue reached 5.8 million Euro (+43.8%) and revenue from transmission fees and others reached 8.9 million Euro (+8.2%).

The EBITDA achieved was around 4.0 million Euro, an increase of 30.5% compared to the EBITDA registered the previous year.

The EBITDA Margin for the segment reached 26.9%.

Press:

(thousaund Euro)	2019	2018	Var (%) 2019/2018
Operational revenues (a)	**73,195**	**76,926**	**-4.9%**
Circulation	41,969	43,059	-2.5%
Advertising	21,717	24,049	-9.7%
Alternative marketing products and others	9,509	9,818	-3.1%
Operational costs (b)	**60,407**	**65,051**	**-7.1%**
EBITDA (c)	**12,788**	**11,875**	**7.7%**
EBITDA margin (d)	17.5%	15.4%	+2.1 p.p.

(a) Operational revenues = Sales + Services rendered + Other income
(b) Operational costs = Costs of sales + External supplies and services + Payroll expenses + Provisions and impairment losses + Other costs
(c) EBITDA = Earnings before income taxes from continuing operations - Results related to associates and joint ventures + Financial expenses - Financial income + Amortisations and depreciations
(d) EBITDA margin = EBITDA / Operational revenues

The press segment comprises the printed publications owned by Cofina and the revenue from the digital market. Thus, in 2019 total revenue was around 73.2 million Euro, a decrease of 4.9% compared to the previous year. Revenue from circulation registered a decrease of about 2.5%, to 42.0 million Euro, and advertising revenue registered a decrease of 9.7%, having reached about 21.7 million Euro. Revenue associated with alternative marketing products and others registered a decrease of about 3.1%, reaching 9.5 million Euro.

Operating costs registered a contraction of about 7.1%. Thus, the EBITDA for this segment reached to 12.8 million Euro, an increase of about 7.7% compared to the previous year. The EBITDA margin reached 17.5%.

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

During the 2019 financial year, the Company's non-executive directors acted effectively in the duties of accompanying and monitoring the activity of the executive members.

In 2019, 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 2019 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.

RISK MANAGMENT

Risk management has a vital role in the management structure of the Group. It is our belief that risk management is an opportunity for value creation.

For a more detailed description of the risks related to the Group's activities please consult the Corporate Governance Report and the Financial Statements.

SUBSEQUENT EVENTS

On March 11, Cofina announced to the market that the number of shares subscribed did not reach the total number of shares that were object of the public offering. Specifically considering the recent and significant deterioration of the market conditions, Cofina Group understood that the conditions to issue a private offering over the remaining available shares were not reunited, and, accordingly, as mentioned in the prospectus issued, the condition for the full subscription of the capital increase was not verified, and hence the offer was without effect.

As a consequence of the not realization of the public offering, the capital increase was not subjected to commercial registration, and therefore it will not be verified the last suspensive condition from which the acquisition operation depends, by Cofina to Promotora de Informaciones, S.A., of shares representing 100% of the share capital and voting rights of Vertix, SGPS, S.A. ("Vertix"), which in turn holds shares representing 94.69% of the share capital and voting rights of Grupo Media Capital, SGPS , S.A., as established in the purchase and sale agreement entered into on September 20, 2019 and amended on December 23, 2019 ("Agreement").

On March 20, Cofina informed the market that, in the absence of any agreement regarding the modification of the purchase and sale agreement of shares representing 100% of the share capital and voting rights of Vertix, SGPS, S.A. ("Vertix "), signed on September 20, 2019, as amended in order to restore a balance of reciprocal benefits in accordance with the principles of good faith, the notice of termination of the Contract has taken effect. The resolution statement is based, among other things, on an unexpected and very significant deterioration in the financial situation and perspectives of Vertix and Media Capital, especially aggravated by the current emergency context caused by the Covid-19 pandemic, and in Prisa's behavior, which incurred in serious contractual violations and, lastly, expressed its intention to not comply with the Contract, which irrevocably affected the relationship of trust between the parties. Cofina also conveyed to Prisa the understanding that, even if the withdrawal statement in the future is seen as ineffective, the finalization of the acquisition would always depend on the final determination of the amount of compensation due to Cofina by virtue of the contractual violations, which, in general terms, should be discounted at the contractually estimated price.

On the 25th of March, Cofina informed the market that, in relation to the public offer of acquisition of shares representing the share capital of Grupo Media Capital, SGPS, S.A., it submitted a request to CMVM seeking the termination of the offer procedure due to the impossibility of verifying one of the conditions on which the respective launching depended and the revocation of such offer, due to changing circumstances, pursuant to article 128 of the Portuguese Securities Code ("Código dos Valores Mobiliários").

The Cofina Group is currently evaluating the possible impacts, if any, arising from the events presented above.

We would also like to address the considerations disclosed in Note 37.1 Subsequent Events of the Consolidated Financial Statements.

OUTLOOK FOR 2020

The first quarter of 2020 was marked by the global Covid-19 epidemic, considered by the World Health Organization as a pandemic on March 11, 2020. This pandemic is internationally disseminated and has already shown a strong impact on the world economy and financial markets, so it is essential to consider the impacts arising from Covid-19.

Cofina will remain alert and careful towards the risks that may appear for its business area, not only at an operational level, but also at investment and financial levels.

We are convinced that with prevention, serenity and with the joint effort of all our partners, clients, suppliers, employees and local communities we are prepared to face this challenge.

We would also like to address the considerations released in Note 37.2 Subsequent Events of the Consolidated Financial Statements.

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 4,299,529 Euro, for which, under the legal and statutory terms, the Board of Directors proposes to the General Meeting the following distribution:

Free Reserves	4,299,529
	=========

LEGAL MATTERS

Treasury 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 2019, Cofina did not hold treasury shares, not having acquired or sold treasury 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 2019, 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 AUTÊNTICO, 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 2019, 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.

Company's share capital participations

Pursuant to the requirements of articles 16 and 20 of the Securities Code and article 448 of the Portuguese Companies Act, the Company informs that the companies and/or individuals that have a qualifying holding that exceeds 2%, 5%, 10%, 15%, 20%, 25%, 33% and 50% of the voting rights, accordingly to the notifications receivedat the company head office by 31 December 2019, are as follows:

Santander Asset Management	No of shares held on 31-Dec-2019	% share capital with voting rights
Through Santander Acções Portugal Fund	2,069,459	2.02%
Through Santander PPA Fund	107,964	0.11%
Total attributable	**2,177,423**	**2.12%**

GNB - Sociedade Gestora de Fundos de Investimentos	No of shares held on 31-Dec-2019	% share capital with voting rights
Through Fundo NB - Portugal Ações	2,203,152	2.15%
Total attributable	**2,203,152**	**2.15%**

Credit Suisse Group AG	No of shares held on 31-Dec-2019	% share capital with voting rights
Directly	5,039,060	4.91%
Total attributable	**5,039,060**	**4.91%**

Pedro Miguel Matos Borges de Oliveira	No of shares held on 31-Dec-2019	% share capital with voting rights
Through Valor Autêntico, S.A. (of which he is dominant shareholder and director)	10,277,248	10.02%
Total attributable	**10,277,248**	**10.02%**

Domingos José Vieira de Matos	No of shares held on 31-Dec-2019	% share capital with voting rights
Through Livrefluxo, S.A. (of which he is dominant shareholder and director)	12,395,257	12.09%
Total attributable	**12,395,257**	**12.09%**

Paulo Jorge dos Santos Fernandes	No of shares held on 31-Dec-2019	% share capital with voting rights
Through Actium Capital, S.A. (of which he is dominant shareholder and director)	14,235,474	13.88%
Total attributable	**14,235,474**	**13.88%**

João Manuel Matos Borges de Oliveira	No of shares held on 31-Dec-2019	% share capital with voting rights
Through Caderno Azul, S.A. (of which he is shareholder and director)	15,400,000	15.01%
Total attributable	**15,400,000**	**15.01%**

Ana Rebelo Carvalho Menéres de Mendonça	No of shares held on 31-Dec-2019	% share capital with voting rights
Through Promendo Investimentos, S.A. (of which she is dominant shareholder and director)	20,488,760	19.98%
Total attributable	**20,488,760**	**19.98%**

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

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 No. 89/2017, of 28 July), is composed of five members, including four men and one woman, representing 20% of the composition of that body.

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

- Instructions to the human resources area 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.

Non-financial information

As required by Directive 2017/95/EU of the European Parliament and of the Council, transposed to national law by Decree-Law No. 89/2017 of 28 July, the Group must provide information on non-financial matters. This information should be sufficient for an understanding of the evolution, performance, position and impact of the Group's activities, referring to environmental, social and worker issues, gender equality, non-discrimination, respect for human rights, combating corruption and attempts at bribery.

The non-financial information required by Decree-Law No. 89/2017 is included on the non-financial information chapter regarding the year 2019.

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 Supervisory Board for its continued monitoring of our operations.

Porto, 31 March 2020

The Board of Directors

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Paulo Jorge dos Santos Fernandes – Chairman

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João Manuel Matos Borges de Oliveira

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Domingos José Vieira de Matos

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Pedro Miguel Matos Borges de Oliveira

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Ana Rebelo de Carvalho Menéres de Mendonça

APPENDIX OF MANAGEMENT REPORT

31 December 2019

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 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 2019, 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 Participaciones 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)

- 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)

As of 31st of December 2019, the other companies where he carries out supervision functions are as follows:

- Fisio Share - Gestão De Clínicas, S.A. (a)

(a) – companies that, as at 31 December 2019, 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 2019, 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)
- Captaraíz – 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 2019, 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 2019, 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)
- Florestsul, 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)
- Santos Fernandes & Vieira Matos, Lda. (a)
- Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A. (a)
- Universal- Afir, S.A. (a)

(a) – companies that, as at 31 December 2019, 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 F. Ramada, Aços e Indústrias, S.A.
2000	Director of the Saws and Tools Department at F. Ramada, Aços e Indústrias, S.A.
2006	Director of Universal Air, Aços Especiais e Ferragens, S.A.
2009	Director of F. Ramada - Investimentos, SGPS, S.A.
2014	Director of Altri, SGPS, S.A.

As at 31 December 2019, 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)
- Florestsul, 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 2019, 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 Semanário Económico newspaper
1996	Citibank Commercial Department
1996	Director of Promendo, S.A.
2009	Director of PROMENDO, SGPS, S.A.

As at 31 December 2019, 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 2019, 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 Fiscal Council of Banco Português de Investimento SA since 2016 and BPI Private Equity - Sociedade de Capital de Risco, S.A. from 2018 to August 2019, the date on which both companies were extinguished by merger into Banco BPI, S.A.
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 Altri, SGPS, S.A. Supervisory Board (a)
Chairman of the Ramada Investimentos e Indústria, S.A. Supervisory Board (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)
Chairman of the General Meeting of Storaxinter, S.A. (a)
Honorary Consul of Belgium in Porto (a)

(a) – companies that, as at 31 December 2019, 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, too 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 2019, 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)
Cinca – Companhia Industrial de Cerâmica (Member of the Supervisory board) (a)
Blue Garnet, Lda. (Member of Management) (a)

(a) – companies that, as at 31 December 2019, 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 2019, 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
	Retired

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 2019, 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 Fiscal Council of Banco Português de Investimento SA since 2016 and BPI Private Equity - Sociedade de Capital de Risco, S.A. from 2018 to August 2019, the date on which both companies were extinguished by merger into Banco BPI, S.A.
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 Altri, SGPS, S.A. Supervisory Board (a)
Chairman of the Ramada Investimentos e Indústria, S.A. Supervisory Board (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)
Chairman of the General Meeting of Storaxinter, S.A. (a)
Honorary Consul of Belgium in Porto (a)

(a) – companies that, as at 31 December 2019, 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 2019, cannot be considered to be part of the Cofina, SGPS, S.A. group.

Article 447 of the Portuguese Companies Act, Article 14(7) of the CMVM Regulation no. 05/2008 and Article 19 of Regulation (EU) no. 596/2014 of European Parliament and of the Council of 16 April 2014

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-2018	Acquisitions	Disposals	Shares held on 31-Dec-2019
Paulo Jorge dos Santos Fernandes (imputation through ACTIUM CAPITAL, S.A.)	14 235 474	-	-	14 235 474
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 (imputation through VALOR AUTÊNTICO, S.A.)	10 277 248	-	-	10 277 248
Ana Rebelo Mendonça (imputation through PROMENDO INVESTIMENTOS, S.A.)	20 488 760	-	-	20 488 760

CORPORATE GOVERNANCE REPORT

31 December 2019

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 2019 financial year, COFINA continued the process of adapting its structure to comply with the 2018 Corporate Governance Code of the Portuguese Institute of Corporate Governance (“**IPCG**”) of 2018 (“**IPCG Corporate Governance Code**”).

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, 80.16% are, to the best of the Company's knowledge, as at December 31, 2019, 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 2019.

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 2019, 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%, 15%, 20%, 33% and 50% of the voting rights are as follows:

Santander Asset Management	No of shares held on 31-Dec-2019	% share capital with voting rights
Through Santander Acções Portugal Fund	2,069,459	2.02%
Through Santander PPA Fund	107,964	0.11%
Total attributable	**2,177,423**	**2.12%**

GNB - Sociedade Gestora de Fundos de Investimentos	No of shares held on 31-Dec-2019	% share capital with voting rights
Through Fundo NB - Portugal Ações	2,203,152	2.15%
Total attributable	**2,203,152**	**2.15%**

Credit Suisse Group AG	No of shares held on 31-Dec-2019	% share capital with voting rights
Directly	5,039,060	4.91%
Total attributable	**5,039,060**	**4.91%**

Pedro Miguel Matos Borges de Oliveira	No of shares held on 31-Dec-2019	% share capital with voting rights
Through Valor Autêntico, S.A (of which he is dominant shareholder and director)	10,277,248	10.02%
Total attributable	**10,277,248**	**10.02%**

Domingos José Vieira de Matos	No of shares held on 31-Dec-2019	% share capital with voting rights
Through Livrefluxo, S.A (of which he is dominant shareholder and director)	12,395,257	12.09%
Total attributable	**12,395,257**	**12.09%**

Paulo Jorge dos Santos Fernandes	No of shares held on 31-Dec-2019	% share capital with voting rights
Through Actium Capital, S.A (of which he is dominant shareholder and director)	14,235,474	13.88%
Total attributable	**14,235,474**	**13.88%**

João Manuel Matos Borges de Oliveira	No of shares held on 31-Dec-2019	% share capital with voting rights
Through Caderno Azul, S.A (of which he is shareholder and director)	15,400,000	15.01%
Total attributable	**15,400,000**	**15.01%**

Ana Rebelo Carvalho Menéres de Mendonça	No of shares held on 31-Dec-2019	% share capital with voting rights
Through Promendo Investimentos, S.A (of which she is 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 31 of the Notes to the Consolidated Accounts and Note 20 of the Notes to the Individual Accounts of the Company relating to transactions with related parties.

B. GOVERNING BODIES AND COMMITTEES

I. SHAREHOLDERS' GENERAL MEETING

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 2019, 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 ended 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 citizen's card, 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 interaction 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.

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 2019, 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 2019, 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 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 2019 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 2019, 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.

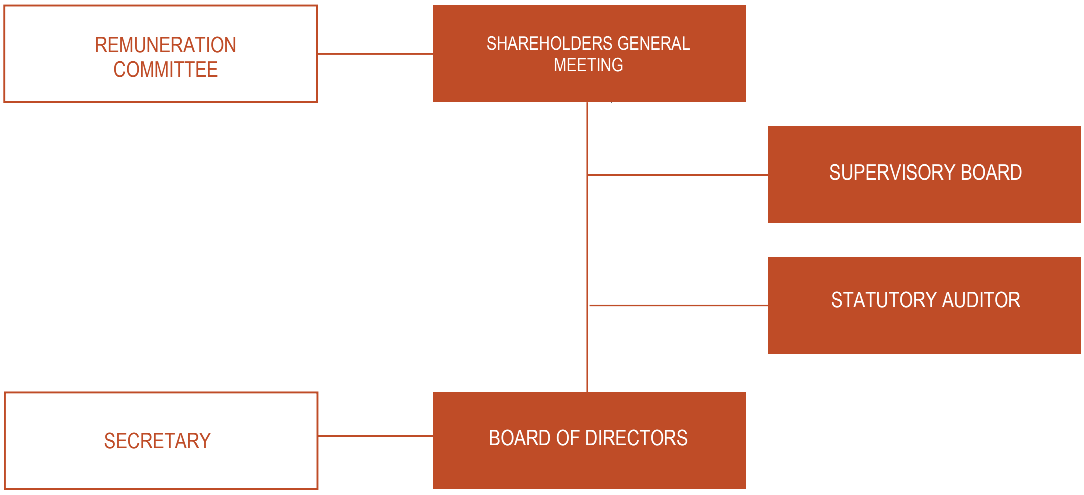
Director João Manuel Matos Borges de Oliveira is a director and shareholder of CADERNO AZUL, S.A., a company that holds a 15.01% stake in the capital of COFINA.

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 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 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.

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:

<table>
<tr><td colspan="2">COFINA, SGPS, SA.
Paulo Fernandes
João Borges de Oliveira
Domingos Matos
Pedro Borges de Oliveira
Ana Mendonça</td></tr>
<tr><td>COFINA MEDIA
Paulo Fernandes
João Borges de Oliveira
Luís Santana
Alda Delgado</td><td>GRAFEDISPORT
Luís Santana
Alda Delgado</td></tr>
</table>

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 2019, 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 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 2019, 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.

<u>c) Committees within the management or supervisory body and delegated administrators</u>

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 three-year term of office which began in 2017 and ended at 2019, 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 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 2019.

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 2019, 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 sign 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 2019, the Company's Supervisory Board met four 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 & Associados – 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 IPCG Corporate Governance Code.

During 2019, 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 2019 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 2019 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 accomplished in 2019 the third 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

Regarding 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 2019, the External Auditor did not provide any services other than audit services. However, already in 2020, the External Auditor provided assurance services related with the capital increase prospectus.

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:

	31.12.2019		31.12.2018	
Company				
Audit and statutory audit (€)	1,020	1.7%	1,000	1.7%
Group entities				
Audit and statutory audit (€)	59,020	98.3%	58,160	98.3%
Other assurance services (€)	-	0.0%	-	0.0%
Total				
Audit and statutory audit (€)	60,040	100.0%	59,160	100.0%
Other assurance services (€)	-	0.0%	-	0.0%
	60,040		59,160	

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 2019 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:

<u>Credit Risk</u>

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 2019, 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:
This process is roughly made 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;
- Regarding 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. Following approval, the documents are sent to the External Auditor, who issues the Statutory Audit Certificate;
- 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 annual 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. We also emphasize 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
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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

www.cofina.pt \ investors \ financial calendar

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

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

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 ended 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 2019, 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 28 May 2019, complies with the following principles:

<u>BOARD OF DIRECTORS:</u>

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 business

  The 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 2019, 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 28 May 2019, 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 2019, 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 244,000 Euro, broken down as follows: Paulo Fernandes – 80,000 Euro; João Borges de Oliveira – 80,000 Euro; Domingos Matos – 28,000 Euro; Pedro Borges de Oliveira – 28,000 Euro; Ana Mendonça – 28,000 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 2019, 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 2019, the remuneration of the members of the Supervisory Board amounted to 31,620 Euro, distributed as follows: Pedro Pessanha – 15,000 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 2019 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 of 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 2019, no other significant deals 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 2019, 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 31 of the Notes to the consolidated financial statements and Note 20 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 IPCG Corporate Governance Code, as this is the Corporate Governance Code adopted by the Company.

The information duties required by Law No. 28/2009, of 19 June, as well as by article 447 of the CSC, by CMVM Regulation No. 5/2008, of 2 October 2008, and by the Regulation (EU) no. 596/2014, of the European Parliament and of the Council, of 16 April, are fully complied with.

All the legal provisions mentioned in this Report and the Recommendations contained in the 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 IPCG Corporate Governance Code which the Company proposes to comply with.

RECOMMENDATIONS	COMPLIANCE	REMARKS
CHAPTER I – GENERAL PROVISIONS		
General principle: *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.1. COMPANY'S RELATIONSHIP WITH INVESTORS AND DISCLOSURE		
PRINCIPLE: *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.*		

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 *stakeholders*, 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.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.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.		
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

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 (*whistleblowing*) 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: *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.*		
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

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: *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.*		
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: *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.*		
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 RECOMMENDATIONS 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

to the supervisory body, at least every six months		
CHAPTER II – SHAREHOLDERS AND GENERAL MEETINGS		
PRINCIPLES:		
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.*		
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.*		
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.*		
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:		
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.*		
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.*		
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.*		
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 (*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.	**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

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
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.	**NOT ADOPTED**	CLARIFICATION ON RECOMMENDATION NOT ADOPTED BELOW

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*).	**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 (*compliance* 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:		
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.		
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.		
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:		
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.		
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:		
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.		
RECOMMENDATIONS:		

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
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.	**ADOPTED**	CLARIFICATION ON RECOMMENDATION NOT ADOPTED BELOW

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
V.3 DIRECTOR REMUNERATION		
PRINCIPLE:		
Directors should receive compensation: *i) that suitably remunerates the responsibility taken, the availability and the competences placed at the disposal of the company;* *ii) that guarantees a performance aligned with the long-term interests of the shareholders, as well as others expressly defined by them; and* *iii) that rewards performance.*		
RECOMMENDATIONS:		
V.3.1. Considering that the alignment of interests between the company and the executive	**ADOPTED**	PART 1, POINTS 69 to 76

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
V.4. APPOINTMENTS		
PRINCIPLE:		
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…		
RECOMMENDATIONS:		
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

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:		
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.		
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

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:		
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.*		
VII.B. *The supervisory body should promote an adequate coordination between the internal audit and the statutory audit of accounts.*		
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:		
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.		
RECOMMENDATIONS:		
VII.2.1. Through the use of internal regulations, the supervisory body should define: 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.	**ADOPTED**	PART 1, POINTS 34, 37, 38, 42 and 47

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 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 2019 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 28 May 2019, 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 2019, 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 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 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

31 December 2019

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 activity 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's Activity" chapter and "Outlook for 2020" 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 and Consumers, 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' and viewers' behavior, 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 obligatorily 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 2019, 2 formal complaint processes were registered, one that the client ended up cancelling and the other was closed within the maximum period stipulated by law.

MANAGEMENT OF ENVIRONMENTAL ASPECTS

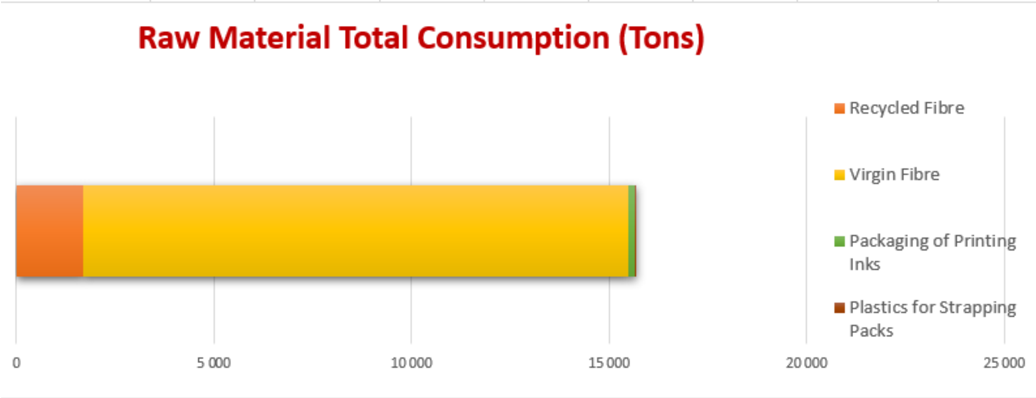
The Cofina Group recognises that companies play an important role in protecting the environment, however, it also considers that the activity it carries out is not aggressive in environmental terms compared to other sectors.

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.

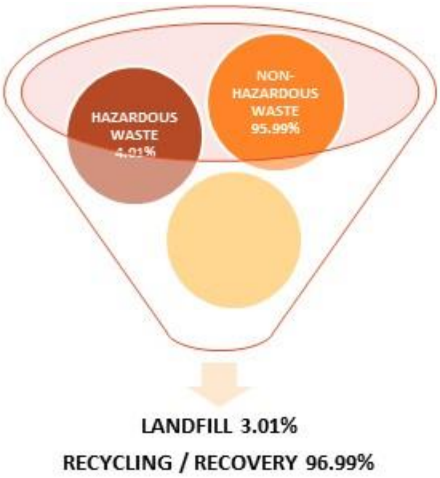
The results achieved in 2019 in the environmental indicators relating to production, distribution and consumption processes reflect the group's commitment to seeking solutions and measures for savings combined with compliance with legal obligations. Cofina does not have a formally defined environmental policy, but its practices are adequate for safeguarding against environmental compliance risks.

Electricity consumption totalled 3,355,000 kWh, equivalent to 12,077 GJ, corresponding to 380 thousand Euro. This is the only relevant source of energy within the Cofina Group companies.

This year, around 15,650 million tonnes of raw material consumption were recorded, of which 15,472 was related to paper, 171.1 tonnes of packaging for printing inks and 6.44 tonnes of plastic used in bundle strapping. The practice of incorporating recycled materials was maintained, with paper consumption currently representing 11% recycled fibre (1,702 tonnes) and 89% virgin fibre (13,770 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 2019 was 97.0%, with special emphasis on the recycling/recovery of approximately 3,672 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 2019, total water consumption was 6,419 million cubic metres, corresponding to around 37 thousand 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, as well as in the working conditions of Employees. These actions have been carried out gradually, not only in 2019, 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 2019, 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 conclusion of a Performance Evaluation Model with the purpose of putting it into practice in 2020, always bearing in mind the need to respond to the evolution and challenges of the media.

The application that will serve as the base for the Performance Evaluation Model of the Group was tested in 2019, both in its practical and application aspects, as well as its concepts, in a sample of the Group composed by professionals from all hierarchies.

This allowed the improvement of the application of the Performance Evaluation Model, as well as to correct gaps detected in this experimental application.

The Performance Evaluation Model developed and tested in 2019 will be applied throughout 2020 to all the professionals in the Group.

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 724 employees (57.9% men and 42.1% women), mainly aged between 30 and 50 (59.11%), 18.64% of whom are between 18 and 29 years old and 22.23% between 50 and 65 years old. These figures include full-time staff and contracted workers, which translates into a rate of new admissions of 44.6% for men and 55.4% for women. The majority of the Employees are full-time, with a turnover rate of 16% (8% men and 9% women).

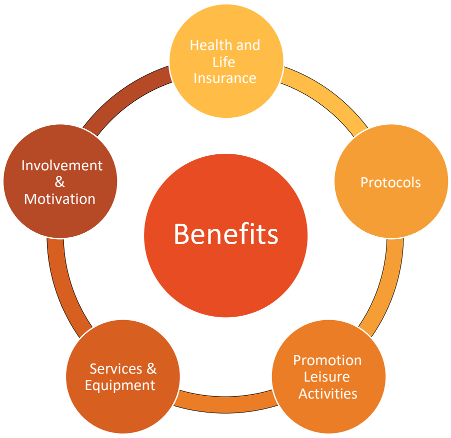
The “Characterisation of Human Resources” chart reflects the diversity and equality of opportunities in Cofina Group. The existence of female employees is visible in Management Positions (25%), on the Board (21.1%) and Specialised Staff (45.2%). In addition, it is important to note that around 50% of female Employees have higher education (Bachelor or Master's degrees). The Corporate Governance report can be consulted for more information on this matter.

Characterisation of Human Resources chart

		MEN		WOMEN	
	TOTAL	No.	%	No.	%
LABOUR INDICATORS					
NUMBER OF EMPLOYEES	724	419	57.9%	305	42.1%
TYPE OF CONTRACT					
PERMANENT STAFF (OPEN-ENDED CONTRACT)	713	413	57.9%	300	42.1%
FIXED-TERM CONTRACT	5	2	40.0%	3	60.0%
TEMPORARY CONTRACTS SUBSTITUTING STAFF ON MEDICAL LEAVE	6	4	66.7%	2	33.3%
ADMISSIONS AND DISMISSALS					
TURNOVER RATE	16%	-	8.0%	-	9.0%
ADMISSIONS	112	50	44.6%	62	55.4%
DISMISSALS/RESIGNATIONS	123	59	48.0%	64	52.0%
AGE GROUP					
<30 YEARS OLD	135	74	54.8%	61	45.2%
30 TO 50 YEARS OLD	428	248	57.9%	180	42.1%
>50 YEARS OLD	161	97	60.2%	64	39.8%
PROFESSIONAL CATEGORY					
ADMINISTRATION	4	3	75.0%	1	25.0%
MANAGEMENT POSITION	38	30	78.9%	8	21.1%
SPECIALISED STAFF	210	115	54.8%	95	45.2%
GRAPHICS WORKER	34	34	100.0%	0	0.0%
JOURNALISTS	263	161	61.2%	102	38.8%
TECHNICAL AND OPERATIONAL POSITION	175	77	44.0%	98	56.0%
EDUCATION LEVEL					
PRIMARY EDUCATION	67	41	61.2%	26	38.8%
SECONDARY SCHOOL	236	168	71.2%	68	28.8%
BACHELOR’S DEGREE	49	24	49.0%	25	51.0%
UNIVERSITY DEGREE	336	171	50.9%	165	49.1%
MASTER’S DEGREE	36	15	41.7%	21	58.3%

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.

NUTRITION CONSULTATIONS

Taking into consideration the well-being of our professionals, a partnership was established with a company specialized in the area of nutrition in order to establish nutritional plans and monitor a set of identified professionals.

In the short term, we plan to extend this follow-up to a wider range of professionals, possibly the entire organization.

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. Which led to the creation of the following initiatives:

- Project "+Cofina" – In 2018, the process aimed at building a Performance Assessment Model with the collaboration of all professionals with management responsibilities at Cofina was promoted. During 2019, the model that resulted from those contributions was explained to all employees of the Group.
- Between November and December 2019, a pilot test was carried out on the Performance Evaluation Model, where both the concepts and the application were tested, involving 80 professionals.
- This pilot resulted in contributions that made possible a substantial improvement to the model, which will enable its use by the entire Group in 2020.
- ***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 Woman'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 2019, the gift was a muffin 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. In 2019, an Easter cake ("Folar") was also gifted to each Employee.

- ***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.
- In 2019 we challenged all professionals with children to prepare a Christmas postcard, which was displayed at the Group's Christmas event.

IMAGES THAT SHOW THE PERMANENT INVOLVEMENT OF THE EMPLOYEES (AND FAMILIES) ON ORGANIZED EVENTS AND ACTIVITIES

Christmas Decoration, responsibility of the Human Resources team, and supported by volunteers involved in the activities.

Family involvement. In 2019 we asked the employees' children for a Christmas message that served as a decoration for our Events.

A contest, a team, the shared Prize.

Within the scope of the "+ Cofina" Project. A goal, teamwork, overcoming.

The birthdays celebrations, with a cake shared with the team, a speech of support, thanks and encouragement.

Sweet gifted on Woman's Day, accompanied by a PopUp on each person's computer to mark the date.

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. In 2019, monitoring and analysing the complaints of our professionals arising from their professional activity, we concluded that image reporters make an increased physical effort resulting from their activity. After analysing the situation, the Group acquired equipment to support the cameras, which will allow a better distribution of physical effort, preventing skeletal muscle injuries.

During 2019 a challenge to develop a new set of professionals who may constitute a new group of rescuers started, in order to ensure that, in an emergency, it is useful. The receptivity to this challenge was the best and in 2020 the Group will set up another training group for new rescuers.

Occupational Accident Tablet

	TOTAL NO. OF ACCIDENTS	NO. OF DAYS LOST	FREQUENCY INDEX	SEVERITY INDEX
TOTAL	14	149	11	0.12

Severity index = (No. of days lost / No. of hours of work) x 1,000

PERFORMANCE ASSESSMENT

In October 2018, the process of building a new Performance Assessment Model at Cofina began in a structured way. A workshop where professionals with management responsibilities were present was organized in order to build the Performance Evaluation Model for all the Organization's Employees, according to the Group's objectives and expectations.

The development of the model implied, in addition to the workshop, a set of meetings with the management elements whose objective was the contribution, involvement and sharing in the construction of a model adjusted to the reality of our organization, in order to identify the competences that would be evaluate by each Direction / Corporate Area.

Once the model was developed, it was explained to all the Group's professionals, including the professionals who are in the delegations. The Model was shared and the issues involved in a process of this nature were demystified. A pilot group was created, which from November to December 2019 tested the model and the software to support it, which allowed to identify and correct some aspects.

During 2020, the model will be applied, already with all the inputs meanwhile incorporated, to all Cofina professionals.

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 2019, the absenteeism rate was 4.6%, corresponding to 58,424 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 41% for women and 58.9% for men.

Average Number of Training Hours

		MEN		WOMEN	
	TOTAL	No.	%	No.	%
INTERNAL AND EXTERNAL TRAINING					
NUMBER OF TRAINEES	676	398	58.9%	278	41%
NUMBER OF TRAINING HOURS	3,032	1,388	45.8%	1,644	54.2%
AVERAGE NUMBER OF TRAINING HOURS	4.48	3.49	-	5.91	-

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 2019:

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".

The annual event is covered by news on all the Correio da Manhã platforms, namely on the website, in paper and on the project's television, CMTV.

This initiative had a total investment of 69,982€ in line with 2018 (69,959€).

PARTICIPATION IN SOLIDARY RACES

The selection of races for the athletes in the Cofina Runners Group has as its first selection criterion the support of solidary causes. In 2019, we highlight the participation in the “Saúde + Solidária” Race, APAV Solidarity Race, Women's Race and Montepio Race.

DONATE BLOOD INITIATIVE

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

SAFE SEA INITIATIVE

The “Mar Português” project alerted, disseminated and sensitized the fishing community, recreational fishermen, people who make the sea their place of work, and all who use the sea for leisure activities, for a culture of safety, respecting basic rules, inherent to those who walk in the sea, who use the coastline, through a differentiated and innovative communication model. This project was part of a set of initiatives that Correio da Manhã developed within the scope of the newspaper's 40th anniversary celebration. Correio da Manhã had the support of the Navy, the National Maritime Authority, including the Fishermen's Associations, and the local Municipalities, to carry this message to the communities that live and work on the coast, contributing to safety and a society with more and better information.

CAMERA OF COURAGE INITIATIVE

Correio da Manhã celebrated 40 years in 2019. 40 years of courage in a world where we all need it. Courage to ask, courage to answer, and even more courage to listen.

In the Camera of Courage initiative, the failures, gaps and obstacles that we face on a daily basis due to the malfunctioning of public services, both at a local and national level, were reported.

IRS CONSIGNMENT

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

RECORD CHALLENGE PARK

Inspired by the Olympic Games, the Record Challenge Park is a one-day event, free of charge, dedicated to amateur athletes of all ages and to outdoor sport. Composed by several sports activities, in a single location, it is a challenge for athletes to give everything in different modalities, in an environment of true competition and fair play. At the same time, presenting a poster of recreational activities of a sporting and non-sporting nature, in a perfect symbiosis between competition and animation that infects the whole family.

"HERÓIS CM" INITIATIVE

Social responsibility is a concept put into practice on a daily basis at CM and CMTV. The “Heróis CM” initiative aims to recognize and distinguish those who, in the exercise of their activity or in their day-to-day lives, have done good by helping others, with detachment and altruism. “Heróis CM” have two categories: Heroes with Uniforms, who recognize actions by elements of the security forces, armed forces or civil protection services such as firefighters; and Heroes without Uniforms, who recognize actions by civilians.

CAMPAIGNS AT SCHOOLS / COMPANIES AND OTHERS


CORREIO da manhã

TORRENSE VISITA REDACÇÃO DO CM

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 na week) and in digital format (200,000 prints) with the aim of supporting and disseminating various areas/activities of social nature. The "Make a wish" campaign, the "APAV - Associação Portuguesa de Apoio à Vitima", the "Liga Portuguesa Contra o Cancro", the "Amnesty International - Forum da Coragem", among others, stand out or their importance in the community.

CONSOLIDATED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

31 December 2019

COFINA, SGPS, S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 2018

(Translation of financial statements originally issued in Portuguese - Note 38)

(Amounts expressed in Euros)

ASSETS	Notes	31.12.2019	31.12.2018
NON-CURRENT ASSETS			
Property, plant and equipment	7	2,628,257	2,747,887
Goodwill	6	83,977,180	83,977,180
Intangible assets	9	294,027	299,531
Right of use assets	8	11,185,493	-
Investments in associated companies and joint ventures	4	3,226,471	3,434,890
Other investments	4	10,015,510	5,510
Other non-current assets		66,252	51,919
Deferred tax assets	11	763,981	595,271
Total non-current assets		112,157,171	91,112,188
CURRENT ASSETS			
Inventories	12	1,450,074	1,349,795
Trade receivables	13	6,294,057	5,820,863
Assets associated with contracts with customers	14	4,355,623	4,149,321
Other debts from third parties	15 and 16	435,153	376,912
Other current assets	17	1,223,963	2,954,688
Cash and cash equivalents	18	7,122,371	6,624,512
Total current assets		20,881,241	21,276,091
TOTAL ASSETS		133,038,412	112,388,279

EQUITY AND LIABILITIES	Notes	31.12.2019	31.12.2018
EQUITY			
Share capital	19	25,641,459	25,641,459
Share premiums	19	15,874,835	15,874,835
Legal reserve	19	5,409,144	5,409,144
Other reserves	19	(10,268,757)	(15,577,084)
Consolidated net profit/(loss) for the financial year		7,149,450	6,653,405
Total equity attributable to shareholders of the Parent Company		43,806,131	38,001,759
Non-controlling interests		-	-
TOTAL EQUITY		43,806,131	38,001,759
LIABILITIES			
NON-CURRENT LIABILITIES			
Lease liabilities	8	10,949,593	-
Other non-current creditors		-	25,771
Provisions	22	650,000	4,535,000
Total non-current liabilities		11,599,593	4,560,771
CURRENT LIABILITIES			
Bank loans	18 and 20	12,671	177,809
Other loans	20	52,074,236	46,120,428
Lease liabilities	8	2,130,774	-
Trade payables	23	8,336,586	10,718,928
Liabilities associated with contracts with customers	24	3,282,531	3,027,856
Income tax	11 and 15	3,656,326	2,079,371
Other debts to third parties	25	2,758,089	3,070,356
Other current liabilities	26	5,381,475	4,631,001
Total current liabilities		77,632,688	69,825,749
TOTAL LIABILITIES		89,232,281	74,386,520
TOTAL LIABILITIES AND EQUITY		133,038,412	112,388,279

The accompanying notes are an integral part of the consolidated financial statements.

The Chartered Accountant | The Board of Directors

COFINA, SGPS, S.A.

CONSOLIDATED INCOME STATEMENTS FOR THE PERIODS ENDED 31 DECEMBER 2019 AND 2018

(Translation of financial statements originally issued in Portuguese - Note 38)
(Amounts expressed in Euros)

	Notes	31.12.2019	31.12.2018
Sales	27, 31 and 34	41,969,042	43,059,097
Services rendered	27, 31 and 34	27,562,941	28,115,533
Other income	27, 31 and 34	18,491,991	18,117,912
Cost of sales	12	(9,469,504)	(9,634,636)
External supplies and services	28	(35,436,124)	(37,683,404)
Payroll expenses	29	(27,183,975)	(27,599,669)
Amortisation and depreciation	7, 8, 9 and 34	(3,594,048)	(1,288,309)
Provisions and impairment losses	22	1,110,237	(120,826)
Other expenses		(272,776)	(127,268)
Results related to associated companies and joint ventures	30	(208,419)	(653,420)
Financial expenses	30	(2,520,467)	(2,097,399)
Financial income	30	6,782	25,068
Profit /(Loss)before income tax		10,455,680	10,112,679
Income tax	11	(3,306,230)	(3,913,523)
Consolidated net profit from continuing operations		7,149,450	6,199,156
Net profit from discontinued operations	5	-	454,249
Consolidated net profit for the period		7,149,450	6,653,405
Attributable to:			
Holders of equity in the parent company		7,149,450	6,653,405
Continuing operations		7,149,450	6,199,156
Discontinued operations		-	454,249
Earnings per share:			
From continuing operations			
Basic	33	0.07	0.06
Diluted	33	0.07	0.06

The accompanying notes are an integral part of these consolidated financial statements.

The Chartered Accountant

The Board of Directors

COFINA, SGPS, S.A..

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 DECEMBER 2019 AND 2018

(Translation of financial statements originally issued in Portuguese - Note 38)
(Amounts expressed in Euros)

	Notes	31.12.2019	31.12.2018
Consolidated net profit/(loss) for the period	33	7,149,450	6,653,405
Other comprehensive income:			
Items reclassified to the income statement:			
Currency exchange differences for the period until date of disposal	5	-	(104,517)
Exchange differences related to discontinued operations	5	-	646,472
Other comprehensive income for the period		-	541,955
Total consolidated comprehensive income for the period		7,149,450	7,195,360
Attributable to:			
Shareholders in the Parent company		7,149,450	7,195,360
Non-controlling interests		-	-

The accompanying notes are an integral part of these consolidated financial statements.

The Chartered Accountant

The Board of Directors

COFINA, SGPS, S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED 31 DECEMBER 2019 AND 2018

(Translation of financial statements originally issued in Portuguese - Note 38)
(Amounts expressed in Euros)

	Notes	Attributable to Shareholders in the Parent Company								
		Share capital	Share premiums	Legal reserve	Currency translation reserves	Other reserves	Net profit(loss) for the period	Total equity attributable to shareholders of Parent Company	Non-controlling Interests	Total Equity
Balance as at 1 January 2018		25,641,459	15,874,835	5,409,144	(757,263)	(20,330,538)	5,067,102	30,904,739	-	30,904,739
IFRS 9 adoption	2	-	-	-	-	(89,654)	-	(89,654)	-	(89,654)
		25,641,459	15,874,835	5,409,144	(757,263)	(20,420,192)	5,067,102	30,815,085	-	30,815,085
Appropriation of the consolidated result from 2017:										
Transfer to retained earnings		-	-	-	-	5,067,102	(5,067,102)	-	-	-
Other changes		-	-	-	215,308	(223,994)	-	(8,686)	-	(8,686)
Comprehensive income for the period		-	-	-	541,955	-	6,653,405	7,195,360	-	7,195,360
Balance as at 31 December 2018		25,641,459	15,874,835	5,409,144	-	(15,577,084)	6,653,405	38,001,759	-	38,001,759
Balance as at 1 January 2019		25,641,459	15,874,835	5,409,144	-	(15,577,084)	6,653,405	38,001,759	-	38,001,759
Appropriation of the consolidated result from 2018:										
Transfer to legal reserve and retained earnings		-	-	-	-	6,653,405	(6,653,405)	-	-	-
IFRS 16 adoption effect		-	-	-	-	(1,345,078)	-	(1,345,078)	-	(1,345,078)
Other changes		-	-	-	-	-	-	-	-	-
Comprehensive income for the period	5	-	-	-	-	-	7,149,450	7,149,450	-	7,149,450
Balance as at 31 December 2019		25,641,459	15,874,835	5,409,144	-	(10,268,757)	7,149,450	43,806,131	-	43,806,131

The accompanying notes are an integral part of these consolidated financial statements.

The Chartered Accountant

The Board of Directors

COFINA, SGPS, S.A.
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED 31 DECEMBER 2019 AND 2018

(Translation of financial statements originally issued in Portuguese - Note 38)
(Amounts expressed in Euros)

	Notes	2019		2018	
Operating activities:					
Receipts from customers		96,405,069		99,359,688	
Payments to suppliers		(53,518,523)		(54,234,446)	
Payments to personnel		(26,928,248)		(27,086,061)	
Other receipts/payments relating to operating activities		(259,431)		(508,520)	
Income Tax (paid)/received		(4,998,222)	10,700,645	(2,618,585)	14,912,076
Cash flows generated by operating activities (1)			10,700,645		14,912,076
Investment activities:					
Receipts arising from:					
Property, plant and equipment		70,000		7,500	
Interest and similar income		8,617		66,401	
Supplementary installments		1,000,000	1,078,617	-	73,901
Payments relating to:					
Intangible assets		(466,282)		(457,330)	
Property, plant and equipment		(1,711,836)		(1,484,428)	
Investments		(10,010,000)		-	
Loans granted		-	(12,188,118)	(470,000)	(2,411,758)
Cash flows generated by investment activities (2)			(11,109,501)		(2,337,857)
Financing activities:					
Receipts arising from:					
Loans obtained:		101,973,097	101,973,097	50,000,000	50,000,000
Payments relating to:					
Lease contract amortisation				(86,606)	
Interest and similar expenses		(1,200,132)		(1,673,577)	
Lease liabilities	8	(2,534,445)		-	
Supplementary installments		(1,000,000)		(1,150,000)	
Loans obtained		(96,166,667)	(100,901,244)	(56,666,667)	(59,576,850)
Cash flows generated by financing activities (3)			1,071,853		(9,576,850)
Cash and cash equivalents at the beginning of the period	18		6,446,703		3,449,463
Cash and cash equivalents from discontinued operations	5		-		(129)
Cash and cash equivalents variation: (1)+(2)+(3)			662,997		2,997,369
Cash and cash equivalents at the end of the period	18		7,109,700		6,446,703

The accompanying notes form an integral part of these consolidated financial statements.

The Chartered Accountant   The Board of Directors

1. INTRODUCTORY NOTE

Cofina, SGPS, S.A. ("Cofina" or "the Company") is a public company, whose headquarters is located at Rua Manuel Pinto de Azevedo, 818, in Porto, and is the Parent company of a group of companies disclosed in Note 4, designated as Cofina Group, whose main activity is in the Media sector, mostly in the written press, and has its shares listed on the Stock Exchange ("Euronext Lisbon").

The Cofina Group owns headings of reference in their respective segments (namely written press and TV), editing newspapers like "Correio da Manhã", "Record", "Jornal de Negócios", "Destak", as well as the magazines "Sábado", "TV Guia" and "Flash", among others. Additionally, since the year 2013, the Cofina Group incorporated in its activity *portfolio* the television channel "CMTV".

During the periods ended 31 December 2019 and 2018, the Cofina Group developed its activity mostly in Portugal. At the end of the 2018 period, the Cofina Group disposed of its investments in Brazil.

The accompanying financial statements are expressed in Euro (rounded up to the nearest whole number), which is the currency used by the Group in its operations and is, therefore, considered its functional currency.

The financial statements were approved by the Board of Directors and authorised for reporting on 31 March 2020. Its final approval is still subject to agreement from the Shareholders' General Meeting. The Group and the Board of Directors expect the same to be approved with no significant changes.

2. MAIN ACCOUNTING POLICIES

The main accounting policies adopted when preparing the attached financial statements are described below. These policies were consistently applied to comparative periods, except for those resulting from the adoption of IFRS 16, which is mandatorily applied for periods beginning on or after 1 January 2019.

In addition, there were no significant changes to the main estimates used by the Group in preparing the consolidated financial statements.

21 BASIS OF PRESENTATION

The attached financial statements were prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union ("IFRS-EU") in force for the period ended beginning on 1 January 2019. These correspond to the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRS - IC") or by the former Standing Interpretations Committee ("SIC"), which have been adopted by the European Union on the reporting date.

The Board of Directors assessed the capacity of the Group, its subsidiaries, and associated companies to operate on a going concern basis, based on the entire relevant information, facts and circumstances, of a financial, commercial or other nature, including events subsequent, as disclosed in Note 37, to the financial statements' reference date, as available regarding the future. As a result of the assessment conducted, the Board of Directors concluded that it has adequate resources to keep up its operations, which it does not intend to cease in the short term. Therefore, it was considered appropriate to use the going concern basis in preparing the financial statements.

The attached consolidated financial statements were prepared from the accounting books and records of the company, its subsidiaries, and associated companies, adjusted in the consolidation process, in the assumption of going concern basis. When preparing the consolidated financial statements, the Group used historical cost as its basis, except for some financial assets, which were measured at fair value, as explained in the accounting policies below.

The preparation of financial statements under IFRS-EU requires the use of estimates, assumptions, and critical judgements in the process of determining accounting policies to be adopted by the Group, with significant impact on the book value of assets and liabilities, as well as on income and expenses for the period. Although these estimates are based on the best experience of the Board of Directors and on its best expectations regarding current and future events and actions, current and future results may differ from these estimates. Areas involving a higher degree of judgement or complexity, or areas with significant assumptions and estimates are disclosed in Note 2.4.

In addition, for financial reporting purposes, fair-value measurement is categorized in three levels (Level 1, 2 and 3), taking into account, among others, whether the data used are observable in an active market, as well as their meaning in terms of valuing assets / liabilities or disclosing them.

Fair value is the amount for which an asset can be exchanged or a liability can be settled, between knowledgeable and willing parties, in a transaction not involving a relationship between them, regardless whether this price can be directly observable or estimated, using other valuation techniques. When estimating the fair value of an asset or liability, the Group considers the features that market participants would also take into account when valuing the asset or liability on the measurement date.

Assets measured at fair value following initial recognition are grouped into 3 levels according to the possibility of observing their fair value in the market:

Level 1: fair value is determined based on active market prices for identical assets/liabilities;

Level 2: fair value is determined based on evaluation techniques. The assessment models' main inputs are observable in the market; and

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

(i) Adopting new standards and interpretations, amendments or reviews

Up to the approval date of these financial statements, the European Union endorsed the following accounting standards, interpretations, amendments and revisions, mandatorily applied to the period beginning on 1 January 2019:

Standard/Interpretation	Applicable in the European Union in the periods begun on or after	
IFRS 16 – Leases	1-Jan-19	This standard introduces the leasing recognition and measurement principles, replacing IAS 17 – Leases. The standard establishes a single accounting model in order to account for lease agreements resulting in the lessee asset and liability recognition for every lease agreement, except for leases for periods under 12 months or for leases involving low-value assets. Lessors will keep on categorising leases between operating or financial, as IFRS 16 does not entail substantial changes for such entities, given what is set forth under IAS 17.
Amendment to IFRS 9: prepayment features with negative compensation	1-Jan-19	With this amendment, financial assets whose contractual conditions provide, in its early amortisation, for payment of a considerable amount by the creditor, can be measured at amortised cost or at fair value for reserves (depending on the business model), provided: (i) on the asset's initial recognition, the fair value of the early amortisation component is insignificant; and (ii) the possibility of negative compensation in early amortisation is the sole reason for the asset in question not to be deemed an instrument that considers only principal and interest payments.

(Amounts expressed in euro)

IFRIC 23 - Uncertainties over income tax treatments	1-Jan-19	This interpretation provides guidelines on determining taxable income, tax bases, tax losses carried forward, tax credits to be used and tax rates in scenarios of uncertainty regarding income tax treatments.
Annual improvements to IFRS standards (2015-2017 cycle)	1-Jan-19	These improvements involve clarifying a few aspects related to: IFRS 3 – Business combination: requires remeasuring previously held interests when an entity obtains control over an investee company over which it previously held joint control; IFRS 11 – Joint ventures: clarifies that previously held interests should not be remeasured when an entity obtains joint control over a joint operation; IAS 12 – Income taxes: clarifies that every tax outcome for dividends is to be recorded under results, regardless of how the tax occurs; IAS 23 - Borrowing costs: clarifies that the part of the loan directly related to the purchase/construction of an asset, still outstanding after the corresponding asset has been ready for its intended use, is, for the purpose of determining capitalisation rate, deemed to be an integral part of the entity's general funding.
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1-Jan-19	If an amendment, cut or liquidation of the plan occurs, now it is mandatory for the current service cost and the interest paid during the period following remeasurement to be determined using the assumptions used for remeasurement. Moreover, changes were included in order to clarify the effect of a change, reduction, or deletion of the plan on requirements regarding the asset's maximum limit.
Amendment to IAS 28: Long-term interests in associated and Joint ventures	1-Jan-19	This amendment clarifies that IFRS 9 needs to be applied (including the corresponding requirements linked to impairment) to investments in associated companies and joint agreements when the equity method is not applied in measuring them.

From the application of these standards and interpretations there were not relevant impact for the Group's financial statements, except for IFRS 16 and IFRIC 23 (regarding presentation), whose impacts are described as follows:

IFRS 16 – Leases

In the period ended 31 December 2019, the Group applied IFRS 16 – Leases and related amendments that are in effect for periods begun on or after 1 January 2019.

(Amounts expressed in euro)

This standard introduced the lease recognition and measurement principles, replacing IAS 17 - Leases, IFRIC 4 - Determining whether an Agreement contains a Lease, SIC 15 - Operational Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets forth the principles for recognising, measuring, presenting, and disclosing leases, while calling for lessees to recognise most leases in the balance sheet in accordance with a single model.

The Cofina Group chose to adopt the modified retrospective approach provided for in paragraphs 16.C5(b) and C7 of IFRS 16. Concerning the measurement of assets under "Right of Use", their measurement method was analysed on a lease-by-lease basis, having adopted the measurement defined in paragraph 16.C8 (b) ii) except in relation to the lease of Cofina Media's building in Lisbon, which was measured taking into consideration paragraph 16.C8(b)(i).

Having consequently determined the discount rate based on the incremental interest rate considering the currency, maturity and *cash flow* profiles inherent to the lease and to the Group's own credit risk as at the date of the initial placement.

The Group decided to apply recognition exemptions for lease agreements that, on the start date, comprised a lease term for no more than 12 months and not containing a purchase option (short-term lease) and lease agreements for which the underlying asset is of low value (low-value assets).

Recognition

The Group presents right-of-use assets and lease liabilities under line items duly separated in the statement of financial position. The Group recognises a right-of-use asset and a lease liability on the agreement's start date.

The asset recorded under 'Right-of-use assets' is initially measured at cost, comprising the initial value of the lease liability adjusted for any lease payments made on or prior to the start date, on top of any initial direct costs incurred, as well as a cost estimate for dismantling and removing the underlying asset (as applicable), net of any incentive granted (as applicable).

The liability recorded under 'Lease liability' corresponds to the current value, on 1 January 2019, of remaining lease payments of agreements that had been classified as operating leases, under IAS 17, and which did not correspond to a short-term lease, as provided for under IFRS 16. Lease payments included in measuring lease liability include fixed payments, net of any incentives already received (where applicable) and variable payments associated with an index or rate. The lease liability is measured at amortised cost, using the effective interest method. It is remeasured when changes occur to future payments derived from a change to the rate or index, as well as possible modifications to the lease agreements. The Group uses its incremental interest rate as the applicable discount rate.

Variable payments not associated with any indices or rates are recognised as an expense during the period, in the period when the event or condition leading to the payment occurs.

When the lease liability is remeasured, the amount of the right-of-use asset is also adjusted, or a gain or loss is recorded in the income account, if the carrying amount of the right-of-use asset was already reduced to zero and an additional reduction occurs in the lease liability.

The right of use asset is depreciated using the straight-line depreciation method, based on the lease term. The Group does not hold relevant contractual positions as a lessor.

Reconciliation between liabilities with operating leases disclosed by the Group under Notes to the consolidated financial statements for the previous year and the lease liabilities recognised on the initial application date is as follows:

Liabilities with operating leases disclosed as at 31 December 2018	**€17,000,000**
(More) Service agreements remeasured as lease agreements	€1,735,081
Non-discounted lease liabilities recognised as at 1 January 2019	**€18,735,081**

(Amounts expressed in euro)

Incremental financing rate (weighted average of 6.24%)	€13,880,035
Liabilities with financial leases recognised as at 31 December 2018	€70,343
Lease liabilities recognised as at 1 January 2019	**€13,950,378**

Briefly, the main impacts resulting from adopting IFRS 16 on the initial application date (1 January 2019) are detailed as follows:

	01.01.2019
NON CURRENT ASSETS:	
Right-of-use assets	12,144,450
Deferred tax assets	390,507
Total assets	12,534,957
LIABILITIES:	
Lease liability	13,880,035
Other current liabilities	-
Total liabilities	13,880,035
EQUITY:	
Other reserves	(1,345,078)
Non-controlling interests	-
	(1,345,078)

IFRIC 23 - Uncertainty over income tax treatments

Following IFRIC 23 - Uncertainty over income tax treatments, the IFRS interpretation committee concluded that uncertain tax positions related to income tax should be presented as current income tax or deferred tax. Therefore, the Group reclassified the amounts previously presented in the Provisions item (Note 22) related to income tax contingencies to the Income tax item (Note 15).

(ii) Standards, interpretations, amendments and revisions that will have mandatory application in the future economic exercises.

On the approval date of these financial statements, the following accounting standards, and interpretations, to be mandatorily applied in future periods, were endorsed by the European Union:

Standard/Interpretation	Applicable in the European Union in the periods begun on or after	
Amendments to references to the Conceptual Framework in IFRS Standards	1-Jan-20	Corresponds to amendments in various standards (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, and SIC 32) in relation to references to the Conceptual Framework revised in March 2018. The revised Conceptual Framework includes revised outlines on an asset and a liability, as well as new measuring, derecognising, presentation, and disclosure guidelines.
Amendment to IAS 1 and IAS 8 – Definition of material	1-Jan-20	Corresponds to amendments in order to clarify the definition of material under IAS 1. The definition of material under IAS 8 now refers to IAS 1. The amendment changes the definition of material in other standards in order to ensure consistency. Information is material if, when omitted, misrepresented, or concealed, it is reasonably expected to influence decisions by primary users of financial statements, using financial statements as the basis.

(Amounts expressed in euro)

Amendments to standards IFRS 9, IAS 39 and IFRS 7 – interest rate benchmark reform (IBOR Reform)	1-Jan-20	Corresponds to amendments to standards IFRS 9, IAS 39 and IFRS 7 as related to the benchmark interest rate reform project (known as the 'IBOR reform'), in order to reduce the potential impact of changing benchmark interest rates on financial reporting, namely in hedge accounting.

Despite having been endorsed by the European Union, these amendments were not adopted by the Group in 2019, since their application is not yet mandatory. It is not believed that the future adoption of said amendments will entail significant impacts on financial statements.

(iii) New, amended or revised standards and interpretations not adopted by the European Union

The following accounting standards and interpretations were issued by IASB and are not yet endorsed by the European Union:

Standard/Interpretation	Applicable in the European Union in the periods begun on or after	
IFRS 17 - Insurance Contracts	1-Jan-21	For insurance contracts within its scope of application, this standard sets forth the principles for their recognition, measurement, presentation, and disclosure. This standard replaces standard IFRS 4 - Insurance Contracts.
Amendment to IFRS 3 – Business Combinations	1-Jan-20	Corresponds to amendments for outlining the business. The idea is to clarify identification of the acquisition of business or the acquisition of a group of assets. The revised outline further clarifies the definition of output of a business such as supplying goods or services to Receipts from customers. The amendments include examples for identifying acquisition of a business.

These standards have yet to be endorsed by the European Union. As such, they were not applied by the Group in the period ended 31 December 2019.

Regarding these standards and interpretations, as issued by the IASB but yet to be endorsed by the European Union, it is not believed that their future adoption will entail significant impacts on the attached financial statements.

22 CONSOLIDATION PRINCIPLES

The consolidation principles adopted by the Cofina Group in preparing its consolidated financial statements include the following:

a) Investments in subsidiaries

Companies controlled by the Group, i.e., in which it cumulatively fulfils the following conditions: i) has power over the investee; ii) is exposed to, or entitled to, variable results due to its relationship with the investee; and iii) has the ability to use its power over the investee to affect the amount of its results (control definition used by the Group), were included in the accompanying consolidated financial statements using the full consolidation method.

The equity and net profit of these companies corresponding to third-party shareholding therein are shown separately in the consolidated statement of financial position and in the consolidated income statement under line items 'Non-controlling interests.' The companies included in the financial statements using the full consolidation method are disclosed in Note 4.

The total comprehensive income is attributed to the owners of the parent company and of the interests they do not control, even if this results in a deficit balance in terms of the interests not controlled by them.

The results of the subsidiaries acquired or sold during the period are included in the income statements from the date when control was taken or until the date when control was loss.

Whenever necessary, adjustments are made to the financial statements of the subsidiaries in order to adapt their accounting policies to those used by the Group. Transactions, balances, cash flows and dividends distributed between Group companies, as well as unrealised gains on transactions between Group companies, are eliminated on the consolidation process. Unrealised losses are also eliminated unless the transaction shows evidence of impairment of a transferred asset.

b) Investments in associated companies and joint ventures

Financial investments in associated companies and joint ventures (understanding the Group to be companies where it wields significant influence thereupon by taking part in the company’s financial and operational decisions, but in which it does not hold control or joint control, generally with investments accounting for 20% to 50% of a company’s capital) are recorded using the equity method.

According to the equity method, financial investments in associated companies and joint ventures are initially accounted for at acquisition cost, which is increased or reduced by the amount corresponding to the proportion of the equity of these companies, reported on the date of acquisition or first application of the equity method. Investments in associated companies and joint ventures are subsequently adjusted annually in the amount corresponding to shareholding in net results of associated companies and joint ventures against gains or losses for the period. In addition, the dividends of these companies are recorded as a decrease in the investment amount, and the proportional part in changes to equity is recorded as a change in the Group’s equity.

Investments and loans granted to associated companies and joint ventures are evaluated when there is an indication that the asset might be impaired, with demonstrated impairment losses reported as financial expenses under the caption "Results related to associated companies and joint ventures". When impairment losses recognised in previous periods no longer exist, are reversed.

When the Group’s share in the associated company's accumulated losses exceeds the amount at which the investment is recorded, the carrying amount is reduced to zero, except when the Group has shouldered commitments towards the associated company. In such cases, a provision is recorded in order to fulfil those obligations.

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

The accounting policies of associated companies and joint ventures are changed whenever necessary, in order to make sure they are consistently applied by every Group company.

Investments in associated companies and joint ventures are disclosed in Note 4.

c) Business combinations and Goodwill

The differences between the acquisition price of investments in subsidiary companies, plus the value of non-controlling interests, and the amount attributed to fair value of identifiable assets and liabilities of those companies on their acquisition date, when positive, are recorded as 'Goodwill' and, when negative, following a revaluation of the determination, are recorded directly in the income statements.

The differences between the acquisition price of financial investments in associated companies and joint ventures, and the amount attributed to fair value of identifiable assets and liabilities of those companies on their acquisition date, when positive, are recorded under the line item 'Investments in associated companies and joint ventures' and, when negative, following a revaluation of the determination, are recorded directly in the income statements, under the line item 'Results related to investments in associated companies and joint ventures'.

The differences between the acquisition cost of investments in foreign subsidiaries and the fair value of identifiable assets and liabilities of those subsidiaries on their acquisition date are recorded in the reporting currency of those subsidiaries, and are converted to the Group's reporting currency (Euro) at the applicable exchange rate on the date of the statement of financial position. The currency exchange differences generated in that conversion are recorded under the line item 'Currency translation reserves included under the line item 'Other reserves.'

The Cofina Group, on a transaction-by-transaction basis (for each business combination), chooses to measure any non-controlling interest in the acquired company either at fair value or in the proportional part of non-controlling interests in the acquired company's identifiable net assets. Until 1 January 2010, non-controlling interests were valued solely in accordance with the fair-value proportion of acquired assets and liabilities.

The amount of future contingent payments is recognised as a liability when corporate combination occurs according to its fair value. Any change to the initially recognised amount is recorded against the amount of Goodwill, but only if this occurs within the measuring period (12 months after the acquisition date) and if this is related to facts and circumstances that existed on the acquisition date. Otherwise, it has to be recorded against the income statement, unless said contingent payment is categorised as equity, in which case it should not be remeasured, and only at the time of the settlement thereof will the impact on equity be recognised.

Transactions involving the purchase or sale of interests in entities already controlled, without this resulting in a loss of control, are treated as transactions between holders of capital affecting only the equity line items, without impacting the line item 'Goodwill' or the income statement.

When business is combined in stages, the fair value on the previous acquisition date of interests held is remeasured to fair value on the date when control is gained, against the results of the period when control is achieved, thus affecting the determining of Goodwill or purchase price allocation.

At the time when a sales transaction generates a loss of control, that entity’s assets and liabilities have to be derecognised, and any interest withheld at the disposed entity shall be remeasured at fair value, and any loss or gain resulting from this disposal is recorded in the income statement.

The Group annually tests for the existence of Goodwill impairment. The recoverable amounts of the cash flow-generating units are determined based on the calculation of values in use. These calculations call for the use of assumptions that are based on estimates of future circumstances whose occurrence could be different from the estimate. Goodwill impairment losses cannot be reversed.

d) Conversion of financial statements of subsidiaries expressed in foreign currencies

Assets and liabilities in the financial statements of foreign entities included in the consolidation are translated into Euros at the official exchange rate at the balance sheet date. Expenses and revenues, as well as cash flows, are translated at the average exchange rate of the period. The resulting currency exchange difference is recorded under the equity line item 'Currency translation reserves'.

The Goodwill amount and fair-value adjustments resulting from the acquisition of foreign entities are treated as assets and liabilities of that entity and translated into Euros according to the applicable exchange rate at the balance sheet date.

Whenever a share in a foreign entity is disposed of, the accumulated currency exchange difference is recognised in the income statement as a profit or loss in the disposal, if there is a loss of control, or transferred to non-controlling interests, if there is no loss of control.

The exchange rate used in translation of the subsidiary's accounts from foreign currency to Euro was as follows:

	31 December 2018	
	End of the period	Average of the period
Brazilian Real	0.2250	0.2321

As at 31 December 2019, the Group had no foreign entities in the consolidation.

23 MAIN RECOGNITION AND MEASUREMENT CRITERIA

The main recognition and measurement criteria used by the Cofina Group in preparing its consolidated financial statements are as follows:

a) Intangible assets

Intangible assets are recorded at acquisition cost, net of amortisation and accumulated impairment losses. Intangible assets are recognised only if they are likely to result in future economic benefits for the Group, if they can be controlled by the Group, and if their value can be reasonably measured.

Research costs incurred with new technical knowledge are recognised in the income account when incurred.

Development expenses for which the Group is shown as being able to complete its development and begin its sell and/or use and relative to which the created asset is likely to generate future economic benefits, are capitalised. Development expenses that do not meet these criteria are recorded as cost in the period when incurred.

Internal expenses associated with software maintenance and development are recorded as costs in the income statement when incurred, except when said costs are directly associated with projects for which future economic benefits are likely to be generated for the Group. In such situations, costs are capitalised as intangible assets.

After the assets are available for use, amortisation is calculated using the straight-line method in accordance with the estimated useful life period (generally 3 to 5 years).

b) Property, plant and equipment

Property, plant and equipment acquired until 1 January 2004 (date of transition to IFRS) are recorded at their 'deemed cost' which amounts to the acquisition cost, or revaluated acquisition cost in accordance with the accounting principles generally accepted in Portugal up to that date, net of accumulated amortisation and impairment losses.

Property, plant and equipment acquired after that date are recorded at acquisition cost, net of the corresponding depreciation as well as accumulated impairment losses.

After the date when the assets are available for use, amortisation is calculated using the straight-line method in accordance with the estimated useful life period for each group of assets.

Amortisation rates used correspond to the following estimated useful life periods:

	Years
Buildings and other edifications	10
Machinery and equipment	2 to 15
Vehicles	2 to 10
Office equipment	2 to 10
Other tangible assets	3 to 10

Maintenance and repair expenses that do not increase the assets' useful life or result in significant upgrades or improvements to components of tangible fixed assets are recorded as an expense in the period when they are incurred.

Property, plant and equipment in progress represent property, plant and equipment still under construction, and are recorded at acquisition cost net of any impairment losses. These assets are depreciated from the moment the underlying assets are ready to be used.

Gains or losses resulting from the sale or write-off of property, plant or equipment are calculated as the difference between the selling price and the asset's net book value at the disposal or write-off date, and are recorded in the income statement under "Other income" or "Other expenses".

c) Leases

Policy applicable as from 1 January 2019

At the start of every agreement, the Group assesses whether the agreement is, or contains, a lease. That is, whether the right of use of a specific asset or assets is being transferred for a certain period of time in exchange for a payment.

The Group as lessee

The Group applies the same recognition and measurement method to every lease, except for short-term leases and leases associated with low-value assets. The Group recognises a liability related to lease payments and an asset identified as a right of use of the underlying asset.

(i) Right of use assets

On the lease start date (i.e., the date from which the asset is available for use), the Group recognises an asset regarding the right of use. "Right of use assets" are measured at cost, net of depreciations and accumulated impairment losses, adjusted by remeasuring the lease liability. The cost comprises the initial value of the lease liability adjusted by any lease payments made on or prior to the start date, in addition to any initial direct costs incurred, as well as a cost estimate for dismantling and removing the underlying asset (if applicable), net of any incentive granted (if applicable).

The right of use asset is depreciated using the straight-line method, based on the lease term.

If ownership of the asset is transferred to the Group at the end of the lease period, or if the cost includes a purchase option, depreciation is calculated by taking into account the asset's estimated useful life.

Right of use assets are also subject to impairment losses.

(ii) Lease liabilities

On the lease start date, the Group recognises a liability measured at the present amount of the lease payments to be made throughout the agreement. Lease payments included in the measurement of lease liabilities include fixed payments, deducted from any incentives already received (if applicable) and variable payments associated with an index or rate. Where applicable, payments also include the cost of exercising a purchase option, which shall be exercised by the Group with reasonable certainty, and payments of penalties for ending the agreement, if the lease terms reflect the Group's exercising option.

The lease liability is measured at amortised cost, using the effective interest method, being remeasured when changes in future payments derived from a change in the rate or index are verified, as well as possible modifications of the lease agreements.

Variable payments not associated with any indexes or rates are recognised as expenses in the period when the event or condition leading to the payment occurs.

To calculate the present amount of future lease payments, the Group uses its incremental interest rate on the lease start date, since the interest rate implicit in the agreement cannot be readily determined. After that date, the lease liability amount is increased by adding interest and reduced by lease payments made. In addition, the amount is remeasured in the event of a change in the terms of the agreement, in lease amounts (e.g., changes in future payments caused by a change to an index or rate used in determining such payments) or a change in the assessment of a purchase option associated with the underlying asset.

(iii) Short-term leases and low value leases

The Group applies the recognition exemption to its assets' short-term leases (i.e., leases lasting up to 12 months and not containing a purchase option). The Group also applies the recognition exemption to leases of assets deemed to be of low value. Payments of short-term and low value leases are recognised as an expense in the fiscal year, throughout the lease period.

Policy applicable prior to 1 January 2019

Determining whether an agreement is or contains a lease is based on the substance of the agreement at its start, which is the earliest date between the agreement date and the date of the parties' commitment in relation to the main terms of the agreement, based on every fact and circumstance. The agreement is or contains a lease if the fulfilment of the agreement is contingent on the use of a specific asset or assets and the agreement transfers a right to use the asset, even if said asset is not explicitly identified in the agreement. The lease duration is the sum of the period during which the lease cannot be cancelled with an additional period providing for the lessee to have the option of maintaining the lease and, at the start of the agreement, the Group is reasonably certain that the lessee will exercise such option.

Leases are classified as financial or operational depending on the substance of the agreements in question and not on its form.

Lease agreements are classified as (i) financial leases if they substantially transfer all risks and benefits inherent to their possession, or as (ii) operational leases if they do not substantially transfer all risks and benefits inherent to their possession.

An analysis of the transfer of risks and benefits inherent to the possession of the asset considers various factors, namely, whether or not the possession is contractually contingent on assuming ownership of the asset, the minimum amounts payable under the agreement, the nature of the leased asset and the duration of the agreement considering that it can be renewed.

Financial leases are recorded at fair value in the asset or, if lower, at the current minimum lease payment amounts. Minimum lease payments are distributed between the financial charge and the reduction of the outstanding liability in order to produce a constant periodic interest rate on the liability's remaining balance. Financial expenses are recorded in the income statement as financial expenses. The leased asset is depreciated during its useful life (depreciations are recorded as expenses in the income statement for the corresponding period, as disclosed in Note 2.3. b). However, if there is no reasonable certainty that the lessee will own the asset at the end of the lease period, the asset is depreciated during the lease period or during its useful life, whichever is shorter.

In leases considered operational, outstanding leases pertaining to assets acquired under this scheme are recognised as expenses in the income statement for the period to which they relate.

d) Impairment of non-current assets, except Goodwill

The Group's asset impairment is assessed on the date of every statement of financial position and whenever there is an event or change in circumstances indicating that the amount for which the asset is recorded might not be recoverable.

Whenever the carrying amount for which the asset is recorded is higher than its recoverable amount, an impairment loss is recognised and recorded in the income statement under the line item 'Provisions and impairment losses.'

The recoverable amount is either the net sales price or the value in use, whichever is higher. The net sales price is the amount that would be obtained from the asset's disposal, in a transaction between independent knowledgeable entities, net of the costs directly attributable to the disposal. The use value is the present value of estimated future cash flows that are expected to arise from the continuous use of the asset and from its disposal at the end of its useful life. The recoverable amount is estimated for each asset individually or, if not possible, for the cash-generating unit to which the asset belongs.

When impairment losses recognised in previous fiscal years no longer exist, they undergo a reversal. The reversal of impairment losses is recognised in the income statement under "Provisions and impairment losses". This reversal is made to the extent that the new carrying amount does not exceed the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment charge had been recognised.

e) Borrowing costs

Financial expenses related to loans are generally recognised as an expense in the income statement on an accrual basis.

Financial expenses on loans directly related to the acquisition, construction or production of property, plant and equipment are capitalised as part of the asset's cost. The capitalisation of these expenses starts after the beginning of the preparation of the asset's construction or development activities and is interrupted when those assets are available for use, at the end of the asset's construction or when the project in question is suspended.

There were no financial expenses capitalised on 31 December 2019 and 2018.

f) Inventories

The goods and raw materials, subsidiary and consumable, are valued at average acquisition cost, net of quantity discounts granted by suppliers, which is lower than the corresponding market value.

Differences between the cost and the respective realisation value of the inventories, should it be lower than the cost, are recorded as expenses under "Provisions and impairment losses".

g) Provisions

Provisions are recognised when, and only when, the Group (i) has a present obligation (legal or implicit) obligation resulting from a past event, (ii) it is likely that, to resolve this obligation an outflow of resources occurs, and (iii) the obligation's amount might be reasonably estimated. Provisions are reviewed on the date of each statement of financial position and adjusted to reflect the best estimate on that date.

Provisions for restructuring costs are recognised by the Group whenever a formal and detailed restructuring plan exists and has been communicated to the parties involved.

When a provision is determined taking into consideration the cash flows required to settle such an obligation, it is recorded at its present value.

h) Financial assets and liabilities

Financial assets and liabilities are recognised in the Group's consolidated statement of financial position when it becomes part of the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at their fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and liabilities (which are not financial assets and liabilities measured at fair value through income statement) are added to or deducted from the fair value of the financial asset or liability, as appropriate, in the initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or liabilities recognised at fair value through income statement are recognised immediately in the consolidated income account.

Financial assets

All purchases and sales of financial assets are recognised at the signature date of the respective purchase and sale contracts, regardless of the settlement date thereof. All recognised financial assets are subsequently measured at amortised cost or at their fair value, depending on the business model adopted by the Group and the characteristics of its contractual cash flows.

Initially, assets are classified and subsequently measured at amortised cost, at fair value through other comprehensive income, and at fair value through profit or loss.

The initial classification of financial assets depends on the contractual characteristics of the cash flows and the business model adopted by the Group to manage them. Except for trade receivables that do not have a significant financial component and for which the Group adopts the practical expedient, the Group initially measures a financial asset at fair value plus transaction costs, if an asset is not classified at fair value through profit or loss.

Trade receivables that do not have a significant financial component and for which the Group adopts the practical expedient are measured at the transaction price calculated in accordance with IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or at fair value through other comprehensive income, it must provide cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding. This assessment, known as the "cash flows that are solely payments of principal and interest" test, is performed for each financial instrument.

The business model established for managing financial assets concerns the way financial assets are managed by the Group with a view to obtaining cash flows. The business model can be designed to obtain contractual cash flows, to dispose of financial assets or both.

Classification of financial assets

(i) Financial assets measured at amortised cost (debt instruments and receivables)

Fixed income debt instruments and receivables that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held taking into account a business model whose objective is to preserve it in order to receive its contractual cash flows; and
- the contractual terms of the financial asset generate, on specific dates, cash flows that are solely payments of principal and interest on the amount of principal outstanding.

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating the corresponding interest during its life.

For financial assets that are not acquired or originated with impairment (i.e. assets impaired on initial recognition), the effective interest rate is the one that accurately discounts estimated future cash flows (including fees and commissions paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the expected life of the instrument in its gross carrying amount at the date of its initial recognition.

The amortised cost of a financial asset is the amount by which it is measured on initial recognition net of principal repayments plus the accumulated amortisation, using the effective interest rate method, of any difference between that initial amount and the amount of its repayment, adjusted for any impairment losses.

Interest-related revenue is recognised in the consolidated income statement under the line item 'Financial income', using the effective interest rate method, for financial assets subsequently recorded at amortised cost or at fair value through income statement. Interest revenue is calculated by applying the effective interest rate to the financial asset's gross carrying amount.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recorded in the income account when the asset is derecognised, modified or becomes impaired.

(ii) Financial assets at fair value through other comprehensive income (debt instruments)

Debt instruments and receivables that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held taking into account a business model whose objective provides for both receiving its contractual cash flows and its disposal; and
- the contractual terms of the financial asset generate, on specific dates, cash flows that are solely payments of principal and interest on the amount of principal outstanding.

In the case of debt instruments measured at fair value through other comprehensive income, the interest earned, exchange rate differences and impairment losses and reversals are recorded in the income account and calculated in the same way as financial assets measured at amortised cost. The remaining changes in fair value are recorded in other comprehensive income.

Upon derecognition, changes in fair value accumulated under other comprehensive income are transferred (recycled) to profit or loss.

There were no financial assets in these conditions as at 31 December 2019 and 2018.

(iii) Financial assets at fair value through other comprehensive income (capital instruments)

In the initial recognition, the Group can make an irrevocable choice (on a financial-instrument-by- financial-instrument basis) to state certain investments under equity instruments (shares) at fair value through other comprehensive income when these fulfil the definition of capital provided for under IAS 32 Financial instruments: Presentation and not held for trading. Classification is determined on an instrument-by-instrument basis.

The fair-value designation through other comprehensive income is not permitted if the investment is held for trading purposes or when resulting from a contingent consideration recognised as part of a business combination.

A capital instrument is held for trading if:

- it is acquired chiefly for the purpose of short-term disposal;
- in the initial recognition, it is part of a portfolio of identified financial instruments that the Group jointly manages and which shows an actual recent pattern of obtaining short-term gains; or
- if it is a derivative financial instrument (except if attributed to a hedging transaction).

Investments in equity instruments recognised at fair value through other comprehensive income are initially measured at their fair value plus transaction expenses. Subsequently, they are measured at their fair value with gains and losses arising from their change, as recognised under other comprehensive income. At the time of its disposal, the accumulated gain or loss generated with these financial instruments is not reclassified to the consolidated income statement, but, rather, merely transferred to the line item 'Retained Earnings'.

Dividends associated with investments in equity instruments recognised at fair value through other comprehensive income are recognised in the consolidated income statement when they are attributed / resolved on, unless the same clearly represent a recovery on the part of the investment cost. Dividends are recorded in the consolidated income statement under the line item 'Financial income.'

In the first application of IFRS 9, the Group designated investments in equity instruments that were not held for trading as stated at fair value through profit or loss.

(iv) Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for being measured at amortised cost or at fair value through other comprehensive income are measured at fair value through the income statement. These financial assets include financial assets held for trading, financial assets designated at the time of initial recognition as measured at fair value through profit or loss, or financial assets that are mandatorily measured at fair value.

Financial assets recorded at fair value through the income statement are measured at fair value obtained at the end of each reporting period. The corresponding gains or losses are recognised in the consolidated income statement, except if they are part of a hedging relationship.

<u>Financial asset impairment</u>

The Group recognises an adjustment for expected credit losses for all debt instruments not measured at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due and all cash flows that the Group expects to receive, discounted at a rate close to that of the original effective interest rate. The expected cash flows include cash flows from the disposal of collateral held or any other credit guarantees that are an integral part of the contractual terms and conditions.

Expected cash losses are recognised in two stages: (i) for situations where there has not been a significant increase in credit risk since initial recognition, expected credit losses are those that could result from default events that may occur within the subsequent 12 months; (ii) for situations where there has been a significant increase in credit risk since initial recognition, an impairment loss is calculated for all expected credit losses throughout the asset's life, regardless of when default occurred.

For trade receivables and assets associated with contracts with customers, the Group applies a simplified approach when calculating expected credit losses.

The Group therefore does not monitor changes to credit risk, but instead recognises the impairment loss based on the expected credit loss throughout the asset's life, at each reporting date. The Group has established an impairment matrix based on the credits previously lost, adjusted for specific forward-looking factors specific to debtors and the economic environment.

The Group considers a financial asset to be in default when it is more than 180 days past due. In certain cases, the Group may also consider that a financial asset is in default when internal and external information indicates the Group is unlikely to receive the full amount it is owed without having to call its guarantees. A financial asset is derecognised when there is no reasonable expectation of recovering contractual cash flows.

<u>Derecognition of financial assets</u>

A financial asset (or, where applicable, a part of the financial asset or of a group of financial assets) is derecognised (i.e., removed from the Statement of Financial Position) when:

- The contractual rights to receive cash flows resulting from the financial asset expire; or
- The Group transferred its contractual rights to receive cash flows resulting from the financial asset or undertook an obligation to pay the cash flows received in full within a short period under an agreement in which the Group i) has no obligation to pay any amounts to final recipients unless it receives equivalent amounts resulting from the original asset; ii) is prohibited by the terms of the transfer agreement to sell or pledge the original asset other than as a guarantee to the final recipients due to the obligation to pay them cash flows; and iii) the Group has an obligation to remit any cash flow it receives on behalf of the final recipients without significant delays; and

- The Group substantially transferred all of the asset's risks and benefits, or the Group did not substantially transfer or retain all the assets and benefits of the asset but has transferred control over the asset.

When the Group transfers its rights to receive cash flows from an asset or is party to an agreement that may allow derecognition, it assesses whether, and to what extent, the risks and benefits associated with the ownership of the asset have been retained.

When substantially every risk and benefit arising from ownership of an asset is neither transferred nor retained, or control over the asset has not been transferred, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In this case, the Group also recognises the corresponding liability. The transferred asset and the corresponding liability are measured on a basis that reflects the rights and obligations retained by the Group.

If the Group's continuing involvement takes the form of a guarantee on the transferred asset, the measure of continuing involvement is the lowest between the asset's original book value and the maximum amount of consideration received that the Group might pay.

Subsequently, customer balances represented by discounted bills but not due and receivables transferred in factoring at the date of each statement of financial position, except for "factoring without recourse" transactions (and for which the risks and benefits inherent to these receivables are unequivocally transferred), are recognised in the Group's financial statements up to the time they are received.

(v) Financial liabilities and equity instruments

Classification as financial liability or as equity instrument

Financial liabilities and equity instruments are classified as liability or as equity according to the transaction's contractual substance.

Equity

The Group considered equity instruments to be those where the transaction's contractual support shows that the Group holds a residual interest in a set of assets after deducting a set of liabilities.

The equity instruments issued by the Group are recognised at the amount received, net of costs directly attributable to their issue.

The repurchase of equity instruments issued by the Group (own shares) is accounted for at its acquisition cost as a deduction from equity. Gains or losses inherent to disposal of own shares are recorded under the line item 'Other reserves.'

Financial liabilities

After initial recognition, every financial liability is subsequently measured at amortised cost or at fair value through income statement.

Financial liabilities are recorded at fair value through profit or loss when:
- the financial liability results from a contingent consideration arising from a business combination;
- when the liability is held for trading; or
- when the liability is designated to be recorded at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it is acquired chiefly for the purpose of short-term disposal; or

- in the initial recognition, it is part of a portfolio of identified financial instruments that the Group jointly manages and which shows an actual recent pattern of obtaining short-term gains; or
- if it is a derivative financial instrument (except if attributed to a hedging transaction).

Financial liabilities recorded at fair value through consolidated income statement are measured at their fair value with the corresponding gains or losses arising from their variation, as recognised in the consolidated income statement, except if assigned to hedging transactions.

Financial liabilities subsequently measured at amortised cost

Financial liabilities not designated for recording at fair value through income statement are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating the corresponding interest during its life.

The effective interest rate is the one that accurately discounts estimated future cash flows (including fees and commissions paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the expected life of the instrument in its gross carrying amount at the date of its initial recognition.

Types of financial liabilities

Loans in the form of commercial paper issues are categorised as non-current liabilities when they are guaranteed to be placed for at least one year, and the Group's Board of Directors intends to use this source of funding also for at least one year.

Following their initial recognition, loans are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recorded in the income account when liabilities are derecognised and through amortisation resulting from the effective interest method. The amortised cost is calculated taking into account any acquisition discount or premium and the fees and other costs that are an integral part of the effective interest rate. The effect of effective interest is recorded under financial costs in the income account.

Other financial liabilities basically refer to factoring transactions and lease liabilities, which are initially recorded at their fair value. Following their initial recognition, these financial liabilities are measured at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are settled, cancelled or have expired.

The difference between the derecognised financial liability's carrying amount and the consideration paid or payable is recognised in the consolidated income statement.

When the Group and a given creditor exchange a debt instrument for another containing substantially different terms, said exchange is accounted for as an extinction of the original financial liability and the recognition of a new financial liability.
Likewise, the Group accounts for substantial modifications to the terms of an existing liability, or to a part thereof, as an extinction of the original financial liability and the recognition of a new financial liability.

If the modification is not substantial, the difference between: (i) the liability's carrying amount prior to modification; and (ii) the present value of future cash flows after modification is recognised in the consolidated income statement as a modification gain or loss.

Derivative instruments

When deemed relevant, the Group uses financial derivative instruments, such as *forward* exchange rate contracts and interest rate *swaps* to hedge its foreign exchange and interest risks, respectively.

Such derivatives are initially recorded at fair value at the date they are contracted and are subsequently measured at fair value. Changes in the fair value of these instruments are recorded in equity under "Hedging reserves" and then recognised in the income account over the same period in which the hedged instrument affects profit or loss.

Derivatives are presented in assets when their fair value is positive, and in liabilities when their fair value is negative.

In terms of hedge accounting, hedges are classified as:
- Fair value hedge, when the purpose is to hedge exposure to changes in the fair value of a recorded asset or liability or an unrecorded Group commitment.
- Cash flow hedge, when the purpose is to hedge exposure to cash flow variability arising from a specific risk associated with a recorded asset or liability, in whole or in part, or a highly probable transaction or the foreign exchange risk associated with an unrecorded Group commitment.

At the beginning of the hedging relationship, the Group formally designates and documents the hedging relationship for which it intends to apply hedge accounting, as well as the managerial and strategic purpose of that hedge.

These documents include the identification of the hedging instrument, the hedged item or transaction, the nature of the risk to be hedged, and how the Group assesses whether the hedging relationship complies with the hedge accounting requirements (including an analysis of the sources of hedging ineffectiveness and how it determines the hedge rate). The hedging relationship is eligible for hedge accounting if it meets all of the following hedge effectiveness requirements:
(i) There is an economic relationship between the hedged item and the hedging instrument;
(ii) The credit risk effect does not dominate the changes in value that result from this economic relationship; and
(iii) The hedge ratio of the hedging relationship is the same as that resulting from the portion of the hedged item that an entity is actually hedging and the portion of the hedging instrument that the entity actually uses to hedge that portion of the hedged item.

Hedging relationships that meet the above eligibility criteria are accounted for as follows:

<u>Fair value hedge</u>

The change in the fair value of the hedging instrument is recorded in the income account. The change in the fair value of the hedged item attributable to the hedged risk is recorded as part of the book value of the hedged item and is also recorded in the income account.

To hedge the fair value of items measured at amortised cost, any adjustment to the book value is amortised in the income account over the remaining hedging period using the effective interest method. Amortisation using the effective interest method starts when there is an adjustment and never after the moment when the hedged item ceases to be adjusted by changes in fair value attributable to the risk that is being hedged.

If the hedged item is derecognised, the fair value to be amortised is immediately recorded in the income account.

When an unrecorded commitment is designated as a hedged item, subsequent accumulated changes in the fair value of the Group's commitment attributable to the hedged risk are recognised as an asset or liability and the corresponding gain or loss is recorded in the income account.

<u>Cash flow hedge</u>

The effective portion of the gain or loss on the hedging instrument is recognised as other comprehensive income in the cash flow hedge reserve, while the ineffective portion is recognised immediately in the income statement. The cash flow hedge reserve is adjusted to the lower of the values between the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item.

The Group uses *forward* exchange contracts to hedge exposure to foreign exchange risk in expected transactions and commitments undertaken. The ineffective portion related to exchange contracts is recognised in the income account.

The Group designates only the sight element of *forward* contracts as a hedging instrument. The *forward* element is recognised under other comprehensive income and accumulated in a separate equity component.

Cumulative amounts under other comprehensive income are accounted for based on the nature of the corresponding hedging relationship. If the hedging relationship subsequently results in the registration of a non-financial item, the cumulative amount is removed from the separate equity component and included in the initial cost or book value of the hedged asset or liability. This is not a reclassification adjustment and should not be recorded under other comprehensive income for the period. This also applies when an expected transaction covered by a non-financial asset or a non-financial liability becomes a Group commitment subject to hedge accounting.

For all other cash flow hedges, the cumulative amount under other comprehensive income is reclassified to the income account as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the income account.

If the cash flow hedge accounting is interrupted, the cumulative amount under other comprehensive income shall remain if hedged future cash flows are still expected to occur. Otherwise, the cumulative amount is immediately reclassified to the income account as a reclassification adjustment. After the interruption, as soon as the hedged cash flows occur, any cumulative amounts remaining under other comprehensive income should be accounted for in accordance with the nature of the underlying transaction as described above.

During the 2019 and 2018 periods, no derivative financial instruments were contracted to hedge interest rate or exchange rate risks.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the corresponding net amount is shown under the consolidated statement of financial position if there is a present right of mandatory fulfilment to offset the recognised amounts and with the intention of either settling on a net basis or realising the asset and simultaneously settling the liability.

i) Cash and cash equivalents

The amounts included under the line item 'Cash and cash equivalents' correspond to cash amounts, bank deposits, term deposits, and other treasury applications, maturing in less than three months, and are subject to insignificant risk of change in value.

In terms of statement of cash-flows, the line item 'Cash and cash equivalents' also comprises bank overdrafts included under the current liability line item 'Bank loans.'

j) Statement of cash flows

The statement of cash-flows is prepared according to IAS 7, using the direct method.

The statement of cash flows is categorised under operating (which include receipts from customers, payments to suppliers, payments to personnel and others related to operating activities), financing (which include payments and receipts related to borrowings, lease liabilities and dividend payments) and investment activities (which include acquisitions and disposals of investments in subsidiaries and receipts and payments arising from the purchase and sale of property, plant and equipment).

k) Contingent assets and liabilities

Contingent liabilities are defined by the Group as: (i) possible obligations arising from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not under full control of the Group, or (ii) present obligations arising from past events but that are not recognised because it is unlikely that a cash flow affecting economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the Group's financial statements and are disclosed unless the possibility of a cash outflow affecting future economic benefits is remote, in which case they are not disclosed at all.

Contingent assets are possible assets that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not fully under the control of the Group.

Contingent assets are not recognised in the Group's financial statements being disclosed only when a future economic benefit is likely to occur.

l) Income tax

Income tax for the period is calculated based on the taxable results of the companies included in the consolidation and considers deferred taxation.

Current income tax is calculated based on the taxable results of the companies included in the consolidation in accordance with the tax regulations in force.

Most of the subsidiaries included in the Cofina Group's scope of consolidation using the comprehensive method, and which are based in Portugal, are taxed under the special regime taxation scheme for groups of companies, pursuant to art. 69 of the Portuguese Corporate Income Tax Code. (“Código do Imposto sobre o Rendimento de Pessoas Coletivas”).

The Group recognises the gain with tax incentives to investment in the form of tax breaks in accordance with the criteria set forth under 'IAS 12 – Income tax' for recognising gains with tax credits. This way, the gain is recognised at the time when the right to its use is obtained, while recognising a 'deferred tax asset' if all of those tax credits cannot be used in the period and if, in the future, the company is expected to manage sufficient results to allow for their use.

Deferred taxes are calculated using the financial position statement liability method and reflect the temporary differences between the amount of assets and liabilities for accounting reporting purposes and the respective amounts for tax purposes. Deferred tax assets and liabilities are calculated and annually assessed using the tax rates in force or substantially in force at the expected date of reversal of temporary differences.

The measurement of deferred tax assets and liabilities:

- It is conducted in accordance with the expected rates to be applied in the period the asset is realised or the liability is settled, based on the tax rates approved on the date of the statement of financial position; and
- It reflects the tax consequences arising from the way the Group expects, on the date of the statement of financial position, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised only when there are reasonable expectations of sufficient future tax profits for their use, or in situations where there are taxable temporary differences that offset the temporary differences deductible in the period of their reversal. At the end of each period, a review is made of these deferred taxes, which are reduced whenever their future use is no longer likely.

Deferred taxes are not recognised in respect to temporary differences associated with investments in associated companies, since the following conditions are simultaneously considered to be met:

- The Group is able to control the timing of the temporary difference reversal; and
- It is likely that the temporary differences will not be reversed in the foreseeable future.

Deferred taxes are recorded as expenses or income for the period, except if they result from amounts recorded directly in equity, in which case the deferred tax is also recorded under the same line item.

m) Revenue

Revenue in the 2018 period started being measured in accordance with the retribution specified in the agreements established with customers and excludes any third party amount received. This way, the Group recognises revenue when it transfers control over a given asset or service to the customer.

The Group recognises revenue according to IFRS 15, which sets forth that an entity recognises revenue in order to reflect the transfer of goods and services contracted by customers, in the retribution amount to which the entity expects to be entitled to receive as consideration for delivery of said goods or services, based on the 5-step model below:
1. contract identification with a client;
2. performance obligation identification;
3. pricing of the transaction;
4. allocation of the transaction price to performance obligation; and
5. recognition of revenue when or as the entity meets a performance obligation.

Revenue is recognised net of bonuses, discounts and taxes (example: commercial discounts and quantity discounts) and refers to the consideration received or receivable of the goods and services sold in line with the Group's aforementioned types of business.

The sales of magazines and newspapers as well as of alternative marketing products incorporate a unique performance obligation that is fulfilled when publications are made available on newsstands or on the digital platform. Thus being, the adoption of IFRS 15 did not change the accounting method previously used, in the light of IAS 18, in which revenue is recognised after the availability of publications net of the estimated amount of returns, which is regularly measured and does not present large deviations from what was actually verified.

The revenue resulting from the subscription of magazines and newspapers is deferred over the subscription period (usually one year or less). Thus being, the adoption of IFRS 15 did not change the accounting method previously used in the preparation of the financial statements, in which revenue is recognised throughout the subscription period, considering that the publications included in the subscription are issued periodically and linearly throughout the subscription period.

The services rendered related to the sale of advertising space in the Group's publications incorporates a single performance obligation that is fulfilled at the time of publication of the advertisement, similar to that defined in IAS 18, therefore no changes were made to this revenue channel at recognition level resulting from the adoption of IFRS 15.

The performance obligation associated with television broadcasting rights is met in the broadcasting period by the operator, which is the criterion currently used by the Group to recognise the revenue.

Finally, the performance obligation associated with the graphic printing activity, exercised by one of the subsidiaries, is fully complied with at the time the service is provided, similarly to the criterion previously used by IAS 18.

For each contract, the Group assesses whether it contains other commitment that are separate performance obligations and to which a portion of the transaction price should be allocated (for example, guarantees and loyalty credits). When determining the transaction price, the Group takes into account possible variable remunerations, the existence or not of a significant financing component, non-monetary receivables and the possibility of there being remunerations payable to the customer.

(i) Variable remuneration

If the remuneration provided for in a contract includes a variable component, the Group estimates the amount that it considers to be entitled to receive in exchange for the transfer of the goods to the customer. The variable component is estimated at the beginning of the contract and is restricted in case of uncertainty until it is highly probable that a significant reversal of recognised revenue will not occur when the uncertainty associated with the variable remuneration component is finally resolved.

Right of return

Some contracts, namely the contract with the company VASP – Sociedade de Transportes e Distribuições, Lda., grant the customer the right to return the product within a certain period of time. Based on the historical information, the Group estimates the quantity of goods that will not be returned.

The requirements of IFRS 15 regarding the restriction of the estimated variable remuneration amounts are also applicable to determine the value of the returns to be considered in the transaction price.

Quantity discounts

The Group offers retrospective volume discounts to certain customers when a certain volume of advertisement investment made in a certain period of time exceeds a certain limit provided for in the contract. Discounts are recorded as credit in the customer's receivables. In order to estimate the variable remuneration associated with the expected amount of quantity discounts granted, the Group uses historical data relating to each customer.

IFRS 15 requirements regarding the restriction of the estimated variable remuneration amounts are also applicable, and the Group records a liability related to the amount of discounts to be granted.

(ii) Significant financial component

Using the practical expedient provided for in IFRS 15, the Group does not adjust the remuneration amount to the financial effect when it has the initial expectation that the period between the transfer of the good or service to the customer and the moment when the customer pays for that good or service is less than one year.

The same happens when the Group receives short-term advances from customers - in this case, the amount of the remuneration is also not adjusted to the financial effect.

In cases where the Group receives long-term advances from its customers, the transaction price of those contracts is discounted using a rate that reflects what would happen in the autonomous financing transaction between the Group and its customers at the beginning of the contract, in order to take into account the significant financial component.

Assets associated with contracts with customers

A customer agreement asset is a right to receive a remuneration in exchange for goods or services transferred to the customer. If the Group delivers the goods or provides the services to a customer before the customer pays the remuneration or prior to the remuneration falling due, the contractual asset corresponds to the conditional remuneration amount.

Trade receivables

A receivable represents the Group's unconditional right (i.e., it depends only on the passing of time until the remuneration falls due) to receive the remuneration.

Liabilities associated with contracts with customers

A customer agreement liability is the obligation to transfer goods or services for which the Group has received (or is entitled to receive) remuneration from a customer. If the customer pays the remuneration before the Group transfers the goods or services, a contractual liability is recorded when payment is made or when it falls due (whichever happens first). Contractual liabilities are recognised as revenue when the Group fulfils its contractual performance obligations.

Assets and liabilities related to rights of return

Assets related to the right to return correspond to the Group's right to recover the goods estimated to be returned by its customers. The asset is measured at its previous inventory cost, net of estimated costs to recover the assets, including potential losses in value of the returned assets. The Group regularly updates the measurement of assets in these circumstances, reviewing the estimated value of returns as well as additional devaluations of returned goods.

A liability related to the right to return is the obligation to fully or partially reimburse the remuneration received (or receivable) from the customer and is measured at the amount that the Group expects to reimburse the customer.

The Group updates the estimate of liabilities to be reimbursed (and the corresponding change in transaction prices) at the end of each reporting period - see considerations on variable remuneration above.

n) Accrual accounting basis

The remaining income and expenses are recorded on an accrual basis, whereby they are recognised as they are generated regardless of when they are received or paid. The differences between the amounts received and paid and the corresponding income and expenses generated are recorded under the line items 'Other current assets', 'Other current liabilities', 'Other non-current assets', and 'Other non-current liabilities.'.

o) Balances and transactions expressed in foreign currency

All assets and liabilities expressed in foreign currency were converted to Euros using official currency exchange rates in force on the date of the statement of financial position.

Favourable and unfavourable currency exchange differences originated by the differences between currency exchange rates applicable on the transaction date and those applicable on the collection date, payments or on the date of the statement of financial position, of those same transactions, are recorded as income and expenses in the consolidated income statement for the period, except those regarding non-monetary amounts whose change in fair value is recorded directly in equity.

p) Subsequent events

The events occurring after the date of the statement of financial position providing additional evidence or information regarding conditions that existed on the date of the statement of financial position (adjusting events) are reflected in the Group's financial statement. Events after the date of the statement of financial position that are indicative of the conditions that arose after the date of the statement of financial position (non-adjusting events), when material, are disclosed in the Notes to the financial statements.

q) Information by segments

Every period identifies reportable segments applicable and most appropriate to the Group, considering the business carried on. Operating segment is a group of assets and operations of the Group whose financial information is used in the decision-making process developed by Group management. Operating segments are shown in these Financial statements as they are shown internally in examining the evolution of the Group's business.

The report's accounting policies by segments are those consistently used within the Group. Intersegmental sales and service provisions are all shown at market prices, and all these are eliminated on the consolidation process.

The Cofina Group's activities currently focus on the Written Press and Television segments. Information on revenue from the identified business segments is disclosed in Note 34.

r) Assets held for sale and discontinued operations

This category includes assets or groups of assets whose corresponding value is realisable through a sale transaction or, jointly, as a group in a single transaction, and liabilities directly associated with these assets that are transferred in the same transaction. Assets and liabilities in this situation are measured at either the corresponding book value or the fair value net of selling costs, whichever is lower.

In order for this situation to occur, the sale needs to be highly likely (expected to be completed within 12 months), and the asset needs to be available for immediate sale under current conditions; moreover, the Group needs to have committed to said sale.

Amortization of assets under these conditions ceases from the moment when they are categorised as held for sale and are shown as current in appropriate lines for assets, liabilities and equity. A discontinued operating facility is a component (operating facilities and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, of the rest of the entity) of an entity that either was disposed of or is categorised as held for sale, and:

(i) represents a major business line or separate geographical area of operations;
(ii) it is an integral part of a single coordinated plan for disposing of an important business line or separate geographical area of operations; or
(iii) it is a subsidiary acquired solely for resale purposes.

The results of discontinued operating facilities are given as a single amount in the income statement, comprising gains or losses after taxes of the discontinued operating facilities, plus gains or losses after taxes recognised in the fair-value measurement net of selling costs or in the disposal of assets or of one or more group for disposal that constitute the discontinued operating facility.

Balances and transactions between continued operations and discontinued operations are eliminated to the extent they represent operations no longer to be carried out by the Group.

24 JUDGEMENTS AND ESTIMATES

In preparing the consolidated financial statements, in accordance with the accounting standards in force (Note 2.1), the Group's Board of Directors adopted certain assumptions and estimates affecting assets and liabilities, as well as income and expenses incurred in relation to the reported periods. All of the estimates and assumptions by the Board of Directors were carried out based on their existing best knowledge, on the date of approval of financial statements, events, and ongoing transactions.

The main value judgements and most significant estimates conducted and used in preparing consolidated financial statements include:

a) Useful life of property, plant and equipment and of intangible fixed assets
The Group revises the estimated useful lives of its tangible and intangible assets on each reporting date. Assets' useful lives depend on several factors related both to their use and to the Group's strategic decisions, and even to the economic environment of the various companies included in the scope of consolidation.

b) Impairment tests on Goodwill, property, plant and equipment and intangible fixed assets, as well as financial investments
Impairment analyses require determining fair value and / or the use value of the assets in question (or of some cash-generating units). This process calls for a high number of relevant judgements, namely estimating future cash flows associated with assets or with the corresponding cash-generating units and determining an appropriate discount rate for obtaining the present value of the aforementioned cash flows. In this regard, the Group once again established the requirement calling for use of the maximum possible amount of observable market data. It further established calculation monitoring mechanisms based on the critical challenge of reasonability of assumptions used, their coherence and consistency (in similar situations).

c) Determining impairment losses in receivables
Impairment losses in receivables are determined as shown under Note 2.3 h). This way, determining impairment through individual analysis amounts to the Group's judgement regarding the economic and financial situation of its customers and to its estimate on the value attributed to any existing guarantees, with the subsequent impact on expected future cash flows. On the other hand, expected impairment losses in credit granted are determined considering a set of historical information and assumptions, which might not be representative of the future uncollectability from the Group's debtors.

d) Provisions

The outcome of ongoing legal and tax proceedings, as well as the respective need to set up provisions, is estimated based on the opinion of the Group's lawyers/legal advisors. The Group's lawyers/legal advisors have the technical skills and detailed knowledge of the proceedings that allow them to deal with the uncertainty inherent to the outcome of proceedings of this nature.

Estimates were determined based on the best available information on the date when consolidated financial statements are prepared and based on the best knowledge and on experience with past and/or current events. However, there are situations that could occur in subsequent periods which, while not foreseeable on that date, were not considered in those estimates. Changes to those estimates, which occur subsequent to the date of the consolidated financial statements, will be corrected in the income statement on a prospective basis, as provided for under IAS 8 – Accounting Policies, Changes to Accounting Estimates and Errors.

25 FINANCIAL RISK MANAGEMENT

The Cofina Group is basically exposed to: (a) market risk; (b) liquidity risk; (c) credit risk; and (d) capital risk. The main objective of the Board of Directors in terms of risk management consists of reducing these risks to a level deemed acceptable for carrying on the Group's business. The risk management policy's guiding principles are outlined by Cofina's Board of Directors, which determines acceptable risk limits. The operational implementation of the risk management policy is carried out by the Board of Directors and by the Management at each participated company.

a) Market risk

Exchange rate risk and interest rate risk are of particular importance in market risk management.

a. Exchange rate

The impact of changes in exchange rates on the financial statements is reduced, as most of the operating flows are contracted in Euros. The Group was only exposed to exchange rate risk in transactions in Brazilian Real, related to its stake in the associated company Destak Brasil - Empreendimentos e Participações, S.A., registered under the equity method, and in Adcom Media - ADS e Publicidade S.A., a company consolidated through the comprehensive method, both disposed of at the end of 2018. Accordingly, the Group's Board of Directors believes that any changes in the exchange rate will not have a significant effect on the consolidated financial statements.

Occasionally and whenever necessary, the Group seeks to hedge its exposure to exchange rate variability by using derivative financial instruments, considering possible transactions with non-resident entities and established in a currency other than the Euro, in which exchange rate variations may have a relevant impact on the Group's performance, whenever applicable and considered necessary to reduce the volatility of its results.

No derivatives instruments were contracted to hedge exchange rate risks during the 2019 and 2018 periods.

b. Interest rate risk

Interest rate risk is essentially related to the Group's debt level indexed to variable rates, which could expose the cost of debt to a volatility risk.

The Group, whenever necessary, uses derivative instruments or similar transactions for the purpose of hedging interest rate risks deemed significant. Three principles are used in selecting and determining interest rate hedging instruments:

(Amounts expressed in euro)

- For every derivative or hedging instrument used for protecting against risk associated with a given financing, there was an overlap of the dates of interest flows paid in the hedged financing and the settlement dates under the hedging instruments;

- Perfect equivalence between the basic rates: the indexing used in the derivative or hedging instrument should be the same as that which applies to the financing/transaction being hedged; and

- Since the start of the transaction, the maximum indebtedness cost, resulting from the hedging operation performed, is known and limited, even in scenarios of extreme changes in market interest rates, so that the resulting interest rates are within the cost of the funds considered in the Group's business plan.

Since the Cofina Group's overall indebtedness is indexed at variable rates, interest rate swaps are used, when such is deemed necessary, as a way to protect against future cash flow changes associated with interest payments. The economic effect of the interest rate swaps put under contract consists of taking the corresponding loans associated with variable rates and converting them to fixed rates. Under these agreements, the Group agrees with third parties (Banks) on the exchange, in pre-set time periods, of the difference between the amount of interest calculated at the fixed rate under contract and at the variable rate of the reset time, in reference to the corresponding notional amounts agreed upon.

The hedging instrument counterparties are limited to credit institutions of high credit quality. It is the Group's policy to favour putting these instruments under contract with banking entities that are part of its financing operations. For the purpose of determining the counterparty in one-time operations, the Cofina Group asks for propositions and indicative prices to be submitted to a representative number of banks so as to ensure adequate competitiveness for these operations.

In determining fair value of hedging operations, the Cofina Group uses certain methods, such as option assessment models and future cash-flow updating models, while using certain assumptions based on the conditions of prevailing market interest rates on the date of the consolidated statement of financial position. Comparative quotes from financial institutions, for specific or similar instruments, are used as an assessment benchmark.

The Cofina Group's Board of Directors approves the terms and conditions of financing deemed material for the Group. As such, it examines the debt structure, the inherent risks and the different existing options in the market, namely regarding the type of interest rate (fixed/variable).

During the 2019 and 2018 periods, no derivatives were contracted to hedge interest rate or foreign exchange rate risks.

In the periods ended 31 December 2019 and 2018, the Group's sensitivity to changes in the interest rate benchmark of 1 percentage point more or less, measured as the change in the financial results, is detailed as follows:

	31.12.2019	31.12.2018
Interest expenses and bank commissions (Note 30)	1,375,877	2,076,128
A 1 p.p. decrease in the interest rate applied to the entire debt	(520,127)	(463,445)
A 1 p.p. increase in the interest rate applied to the entire debt	520,127	463,445

The sensitivity analysis above was calculated based on the exposure to the existing interest rate on the date ending each period. This analysis' basic assumption was that the financing structure (remunerated assets and liabilities) remained stable throughout the year and similar to that shown at the end of every period, with the rest remaining constant.

b) Liquidity Risk

The main objective of the liquidity risk management policy is to ensure that the Group has the capacity to settle or meet its responsibilities and to pursue the strategies outlined in compliance with all its commitments to third parties within the stipulated time frame.

The Group defines as an active policy (i) to maintain a sufficient level of free and immediately available resources to meet the necessary payments upon maturity, (ii) to limit the probability of default on the repayment of all its investments and loans by negotiating the extent of the contractual clauses, and (iii) to minimise the opportunity cost of holding excess liquidity in the short term.

The Group also seeks to make the due dates of assets and liabilities compatible, by streamlining the management of their maturities.

As at 31 December 2019, the consolidated financial statements show that current assets are approximately EUR 57 million lower than current liabilities (EUR 49 million as at 31 December 2018). However, the Group's Board of Directors believes that, based on the available credit lines (Note 20) in the amount of approximately EUR 22 million (EUR 44 million as at 31 December 2018), as well as on an expected release of operating cash flows in the next period, this imbalance is duly considered.

As at 31 December 2019, the Cofina Group had Commercial Paper Programmes with Guaranteed Underwriting classified as a current liability. However, the maturity of most of the contracts underlying them extends beyond 31 December 2020 and, as such, the Group may renew the subscriptions, as it has done in recent periods. Exception made only to a programme of EUR 7 million, which matures on 30 April 2020 and is currently being renewed.

c) Credit risk

The Group's exposure to credit risk is mostly associated with accounts receivable arising from its operating and treasury activity. Credit risk refers to the risk of a counterparty defaulting on its contractual obligations, resulting in a loss for the Group.

The credit risk assessment is carried out on a regular basis, taking into account the economic conditions at any given time and the specific credit position of each of the companies, adopting corrective procedures where appropriate.

The Group has no significant credit risk concentrated on any particular customer or group of customers or with similar characteristics, as accounts receivable are divided between a large number of customers.

Since January 2018, the Group started to prospectively assess expected impairment losses, in accordance with IFRS 9. Upon the adoption of IFRS 19, the Group adopted the simplified model for commercial accounts receivable since those do not include a relevant financing component. The analysis was performed considering the uncollectability history based on the turnover of two periods and the collectability in the subsequent periods, assuming a 365 days' time horizon, period after which the account receivable is found impaired.

Moreover, the Group maintains impairments recognised in previous periods as a result of specific past events and based on specific balances examined on a case-by-case basis.

d) Capital risk

Cofina Group's capital structure, determined by the proportion between equity and net debt, is managed so as to make sure its operating activities continue and it carries on its business, while maximising shareholder return and optimising financing expenses.

(Amounts expressed in euro)

The Group periodically monitors its capital structure, identifying risks, opportunities and necessary adjustment measures aimed at achieving the aforementioned goals.

As at 31 December 2019 and 2018, the Cofina Group presented a *gearing ratio* of 75% and 96%, respectively.

Gearing ratio = total equity / net debt, where net debt is the algebraic sum of the following items of the consolidated statement of financial position: other loans; bank loans; refundable incentives; lease liability and (-) Cash and cash equivalents.

3. CHANGES IN ACCOUNTING POLICIES AND ERROR CORRECTION

Regarding new standards, interpretations, amendments and revisions to IFRS, see Note 2.1.

During the period, there were no voluntary changes in accounting policies. Likewise, no material errors were recognised in relation to previous periods.

4. INVESTMENTS

4.1 INVESTMENTS IN SUBSIDIARIES

The companies included in the consolidation by the full consolidation method, respective registered offices, proportion of capital held and main activity as at 31 December 2019 and 2018 are detailed as follows:

Company	Registered office	Effective held percentage		Main activity
		2019	2018	
Parent company:				
Cofina, SGPS, S.A.	Porto			Investment management
Cofina Media Group				
Cofina Media, S.A. ("Cofina Media")	Lisbon	100.00%	100.00%	Newspapers and magazines publication, television broadcasting, production and creation of websites for online business development, event promotion and organisation.
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	----	----	Communication and advertising services

(a) – Subsidiary sold on 31 December 2018 (Note 5)

These subsidiary companies were included in Cofina Group's consolidated financial statements using the full consolidation method, as disclosed in Note 2.2 a)

4.2 INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

Associated companies and joint ventures, corresponding registered offices, proportion of capital held and business conducted as at 31 December 2019 and 2018 are detailed as follows:

Corporate name	Registered office	Effective shareholding percentage		Activity
		2019	2018	

VASP – Sociedade de Transportes e Distribuições, Lda. ("VASP")	Lisbon	33.33%	33.33%	Publications distribution
Destak Brasil – Empreendimentos e Participações, S.A. (Destak Brasil") [(a)]	São Paulo, Brazil	----	----	Investment management
Mercados Globais – Publicação de Conteúdos, Lda. ("Mercados Globais").	V.N. Gaia	50%	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%	40%	Online gambling and betting activity

(a) – Subsidiary sold on 31 December 2018 (Note 5)

Associated companies and joint ventures were included in Cofina Group's consolidated financial statements using the full consolidation method, as disclosed in Note 2.2 b).

As at 31 December 2019 and 2018, the summarised financial information of the Group's associated companies and joint ventures is detailed as follows:

	31.12.2019			31.12.2018		
	VASP	A Nossa Aposta	Mercados Globais	VASP	A Nossa Aposta	Mercados Globais
Non-current assets	14,333,884	260,939	-	14,190,635	374,863	-
Current assets	24,808,287	1,179,945	13,348	26,027,475	1,510,972	12,901
Non-current liabilities	154,330	-	-	209,482	-	-
Current liabilities	29,976,799	898,605	1,591	30,937,409	1,222,995	871
Equity	9,011,042	542,279	11,757	9,071,219	662,840	12,029

	31.12.2019			31.12.2018		
	VASP	A Nossa Aposta	Mercados Globais	VASP	A Nossa Aposta	Mercados Globais
Turnover	215,417,602	5,134,514	38,400	222,465,451	3,236,951	38,400
Other operating income	287,229	-	-	296,804	-	-
Operating expenses	(214,697,756)	(4,630,654)	(35,936)	(221,224,098)	(5,213,913)	(38,477)
Depreciation and amortisation expenses	(869,518)	(123,859)	-	(812,223)	(125,452)	-
Financial results	(93,422)	(562)	-	(83,152)	-	-
Income tax	(93,736)	-	-	(232,912)	-	-
Net income for the year	(49,601)	379,439	2,464	409,870	(2,102,414)	(77)

During the periods ended 31 December 2019 and 2018, operations in the amount of the investments in associated companies and joint ventures were as follows:

	31/12/2019				31/12/2018			
	VASP	A Nossa Aposta	Mercados Globais	Total	VASP	A Nossa Aposta	Mercados Globais	Total
Investments in associated companies								
Balance as at 01 January	3,023,740	405,135	6,015	3,434,890	2,842,209	96,101	-	2,938,310
Supplementary contributions	-	-	-	-	-	1,150,000	-	1,150,000
Equity method								
Effect on gains and losses regarding associated companies and joint ventures (Note 30)	(20,059)	(188,224)	(136)	(208,419)	181,531	(840,966)	6,015	(653,420)
Other	-	-	-	-	-	-	-	-
Closing balance	3,003,681	216,911	5,879	3,226,471	3,023,740	405,135	6,015	3,434,890

As at 31 December 2019 and 2018, the net book value of the Group's investment in associated companies and joint ventures is detailed as follows:

	31/12/2019			31/12/2018		
	VASP	A Nossa Aposta	Mercados Globais	VASP	A Nossa Aposta	Mercados Globais
Equity	9,011,042	542,279	11,757	9,071,219	662,840	12,029
Percentage of share capital held	33.33%	40.00%	50.00%	33.33%	40.00%	50.00%
Group's share in equity	3,003,681	216,911	5,879	3,023,740	265,135	6,015
Other	-	-	-	-	140,000	-
Goodwill included in the net book value of the investment	-	-	-	-	-	-
	3,003,681	216,911	5,879	3,023,740	405,135	6,015

(Amounts expressed in euro)

4.3 OTHER INVESTMENTS

As at 31 December 2019 and 2018, the Group had other financial investments corresponding to minority shareholdings in unlisted companies for which impairment losses were recorded on those dates, in the amount of EUR 5,510. As at 31 December 2019 and 2018, the total amount of financial investments for which impairment losses were recorded amounted to EUR 171,754 (Note 22).

As at 31 December 2019, "Other investments" also includes a guarantee in the amount of EUR 10 million relating to a purchase and sale contract entered into on 20 September 2019 with Promotora de Informaciones, S.A. for acquisition of 100% of the share capital and voting rights of Vertix, SGPS, S.A. and, indirectly, of 94.69% of the share capital and voting rights of Grupo Media Capital, SGPS, S.A. (Note 37.1). This escrow account is managed by a financial institution.

5. DISCONTINUED OPERATIONS

At the end of 2018, the Group sold all its investments in subsidiaries and associated companies in Brazil (Adcom Media and Destak Brasil, respectively).

The details of this operation are as follows:

Net assets	Date of disposal
Intangible assets	1,910
Goodwill (Notes 6 and 22)	-
Trade receivables	1,290,446
Cash and cash equivalents	129
Bank loans	(22,188)
Trade payables and other payables	(305,999)
Other net liabilities	(44,628)
Total net assets	919,670
Currency translation reserves	541,955
Investment in Destak Brasil	(1,953,296)
	(491,671)
Amount received	1
Operation gains	491,672

In the income statement, discontinued operations are detailed as follows:

	Date of disposal
Income from discontinued units on the date of disposal	(37,423)
Gain on disposal	491,672
	454,249

The income from discontinued units is detailed as follows:

(Amounts expressed in euro)

	Until date of disposal
Sales and services rendered	728,202
External supplies and services	(384,040)
Payroll expenses	(280,045)
Amortisation and depreciation	(380)
Results related to associated companies	-
Financial expenses	(19,903)
Financial income	3
Profit before income tax	43,837
Income tax	(81,260)
Net profit or loss	(37,423)

6. GOODWILL

During the periods ended 31 December 2019 and 2018, the movement that occurred in Goodwill and corresponding impairment losses were detailed as follows:

	31.12.2019	31.12.2018
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	1,101,264
	83,977,180	83,977,180

Since the period ended 31 December 2014, and following an internal reorganisation process of the Cofina Group, which culminated in the mergers concluded in the 2015 period, several subsidiaries were merged into Cofina Media, S.A. Goodwill is allocated to cash-generating units. These cash-generating units are the smallest identifiable group of cash inflow-generating assets and are largely independent of cash inflows from other assets or groups of assets.

Therefore, on 31 December 2019 and 2018, Goodwill is detailed as follows:

i. Magazines: constituted mainly by the subsidiary, meantime merged with Cofina Media, S.A. - Edirevistas – Sociedade Editorial, S.A. whose main publications refer to "TV Guia", "Flash" and "Máxima";

ii. Newspapers-Portugal: Constituted mainly by the companies, meantime merged with 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 the newspapers "Correio da Manhã", "Destak", the magazine "Sábado" and the website "Empregos On-line";

iii. Graphic printing: constituted by "Grafedisport – Impressão e Artes Gráficas, S.A.", which provides graphic printing services for the media sector.

This way, as at 31 December 2019 and 2018, the net value of the "Goodwill" caption was detailed as follows:

(Amounts expressed in euro)

	31.12.2019	31.12.2018
Gross Value:		
Opening balance	93,928,252	93,928,252
Closing balance	93,928,252	93,928,252
Accumulated impairment losses:		
Opening balance	9,951,072	9,151,072
Impairment losses (Note 22)	-	800,000
Closing balance	9,951,072	9,951,072
Net value	83,977,180	83,977,180

During the period ended 31 December 2018, the variation in "Goodwill" is due to the impairment loss recorded in the Magazines Goodwill, in the amount of EUR 800,000 (Note 22), and to the disposal of the subsidiary that the Group held in Brazil whose Goodwill had been impaired, in full, in previous periods, in the amount of EUR 1,955,752 (Note 22).

Goodwill impairment tests are performed annually and whenever an event or a change in circumstances is identified as showing that the amount at which the asset is recorded may not be recovered. Whenever the amount at which the asset is recorded is higher than its recoverable amount, an impairment loss is recognised. The recoverable amount is either the net sale price or the value in use, whichever is higher.

Goodwill impairment tests are performed using the discounted cash flow method, considering six-year financial cash flow projections for each cash-generating unit, including a year of perpetuity from the fifth year onward.

Financial projections are prepared based on cash-generating units' activity development assumptions which the Board of Directors believes to be consistent with historical data and market trends, reasonable and prudent, and reflect their outlook. When possible, market data from external entities was also taken into account and was compared with the Group's historical data and experience.

As disclosed in Note 2.4 b), the relevant assumption relates to determining the discount rate. The discount rate used reflects Cofina Group's level of indebtedness and cost of debt capital (considering that it is common), as well as the level of risk and profitability expected by the market. In determining the discount rate, it is also important to note that the interest rate for Portuguese 10-year bonds is used as a reference for the component relating to the interest rate of a risk-free asset. The discount rates used also include a market premium risk.

Inflation and perpetuity growth rates are estimated based on an analysis of the market potential of each cash-generating unit and on the Group's expectations for future price and business development.

The main change in the assumptions used in determining the recoverable value of the various cash-generating units is related to the discount rate, which went from 6.20% on 31 December 2018 to 7.04% on 31 December 2019. Regarding activity assumptions, there were no significant changes.

Impairment tests for the period ended 31 December 2019:

Newspapers - Portugal:

The recoverable value of this cash-generating unit was determined considering the financial projections of newspapers sold in Portugal for a period of five years, a discount rate of 7.04% (6.20 on 31 December 2018) and a perpetuity growth rate of 2.0% (as in 2018).

The main activity assumptions considered were:

- Circulation: a negative 5.2% compound growth rate in newspaper circulation was estimated;

- Sales: a negative 3.3% compound growth rate was considered;

- Services rendered of advertising and alternative marketing revenue: a negative 3.2% compound growth rate was considered;

- *Portfolio*: current newspaper publications (Correio da Manhã, Sábado magazine and Destak) are expected to be maintained.

According to the sensitivity analysis performed, (i) a 0.2 p.p. increase in the discount rate assumption throughout the years of the projections; (ii) a 0.2 p.p. reduction in the perpetuity growth rate assumption; and (iii) a 0.5 p.p. reduction in the sales compound growth rate, would imply the recording of an impairment loss.

Graphic printing:

The recoverable value of this cash-generating unit was determined considering the financial projections of newspapers sold in Portugal for a period of five years, a discount rate of 7.04% (6.20 on 31 December 2018) and a perpetuity growth rate of 2.0% (as in 2018).

The main activity assumptions considered were:

- Turnover: a 2.9% negative sales and service provision compound growth rate was estimated.

From the analysis performed, the Group concluded that there was a comfortable margin in relation to the point at which Goodwill would be at risk of impairment.

Magazines:

The recoverable value of this cash-generating unit was determined considering the financial projections of newspapers sold in Portugal for a period of five years, a discount rate of 7.04% (6.20 on 31 December 2018) and a perpetuity growth rate of 2.0% (as in 2018).

The main activity assumptions considered were:

- Circulation: a negative 2.5% compound growth rate in magazine circulation was estimated;

- Services rendered of advertising and alternative marketing revenue: a negative 0.1% compound growth rate was considered;

- *Portfolio*: current magazine publications (TV Guia, Máxima and Flash, the later currently only digital) are expected to be maintained.

From the analysis performed, the Group concluded that there was a comfortable margin in relation to the point at which Goodwill would be at risk of impairment.

The aforementioned assumptions were quantified based on historical data as well as on the experience of the Group's Board of Directors. However, unforeseeable political, economic or legal phenomena may impact these assumptions.

As a result of the impairment analysis carried out, based on the aforementioned methodologies and assumptions, the Board of Directors concluded that there are no impairment losses to be recognised. The Board of Directors believes that the effect of possible deviations that may occur in the main assumptions underlying the recoverable amount of cash-generating units will not, in all materially relevant aspects, lead to an impairment of the corresponding Goodwill.

7. PROPERTY, PLANT AND EQUIPMENT

During the periods ended 31 December 2019 and 2018, the movement occurred in the value of property, plant and equipment, as well as in the corresponding amortisation and accumulated impairment losses, are detailed as follows:

(Amounts expressed in euro)

	2019 Asset gross value							
	Land and natural resources	Buildings and other edifications	Machinery and equipment	Vehicles	Office equipment	Other tangible assets	Property, plant and equipment in progress	Total
Opening balance	48,994	4,581,792	23,005,436	660,239	8,581,557	1,572,749	745,729	39,196,496
Additions	-	6,800	171,147	54,381	22,936	14,614	974,787	1,244,665
Disposals	(16,962)	(50,886)	(8,102)	(37,696)	-	(88,218)	-	(201,864)
Transfers and write-offs	-	416,608	795,979	-	38,317	-	(1,584,317)	(333,413)
Closing balance	32,032	4,954,314	23,964,460	676,924	8,642,810	1,499,145	136,199	39,905,884

	2019 Accumulated amortisation and impairment losses							
	Land and natural resources	Buildings and other edifications	Machinery and equipment	Vehicles	Office equipment	Other tangible assets	Property, plant and equipment in progress	Total
Opening balance	-	3,424,201	22,420,183	650,235	8,450,389	1,503,601	-	36,448,609
Additions	-	458,557	696,320	17,934	64,618	35,557	-	1,272,986
Disposals	-	(28,496)	(8,102)	(37,696)	-	(85,372)	-	(159,666)
Transfers and write-offs	-	-	(284,302)	-	-	-	-	(284,302)
Closing balance	-	3,854,262	22,824,099	630,473	8,515,007	1,453,786	-	37,277,627
	32,032	1,100,052	1,140,361	46,451	127,803	45,359	136,199	2,628,257

	2018 Asset gross value							
	Land and natural resources	Buildings and other edifications	Machinery and equipment	Vehicles	Office equipment	Other tangible assets	Property, plant and equipment in progress	Total
Opening balance	48,994	4,521,973	22,669,191	709,317	8,558,601	1,571,975	9,072	38,089,123
Additions	-	-	355,125	17,354	37,124	-	797,250	1,206,853
Consolidation in perimeter	-	-	-	-	(1,597)	-	-	(1,597)
Disposals	-	-	(18,880)	(66,432)	(12,571)	-	-	(97,883)
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	39,196,496

	2018 Accumulated amortisation and impairment losses							
	Land and natural resources	Buildings and other edifications	Machinery and equipment	Vehicles	Office equipment	Other tangible assets	Property, plant and equipment in progress	Total
Opening balance	-	2,948,919	21,997,587	696,292	8,375,034	1,460,307	-	35,478,139
Additions	-	475,293	441,518	20,375	88,983	43,294	-	1,069,463
Consolidation in the perimeter	-	-	-	-	(1,597)	-	-	(1,597)
Disposals	-	-	(18,880)	(66,432)	(12,571)	-	-	(97,883)
Transfers and write-offs	-	(11)	(42)	-	540	-	-	487
Closing balance	-	3,424,201	22,420,183	650,235	8,450,389	1,503,601	-	36,448,609
	48,994	1,157,591	585,253	10,004	131,168	69,148	745,729	2,747,887

The main increases throughout the fiscal year ended 31 December 2019 and 2018 are due to works carried out in the Cofina Media building, where the CMTV studio is being built.

The "Transfers and write-offs" caption includes, as at 31 December, 2019, the reclassification to the "Right of use assets" caption of the net amount of EUR 49,111, which corresponds to the carrying amount of assets under financial lease agreements disclosed on 31 December 2018.

Equipment disposals in the period basically concern assets that were almost entirely depreciated.

There were no property, plant and equipment pledged as collateral for loans nor were there any capitalised financial expenses as at 31 December 2019 and 2018.

8. RIGHT OF USE ASSETS

During the period ended 31 December 2019, the movement that occurred in the amount of right of use assets, as well as the corresponding amortisation, was detailed as follows:

(Amounts expressed in euro)

	Asset gross value			
	Buildings and other edifications	Vehicles	Plant and Machinery	Total
Opening balance as at 1 January	12,721,972	573,797	-	13,295,769
Additions	139,118	193,492	551,873	884,483
Reclassifications	-	-	333,414	333,414
Reductions	-	(30,745)	-	(30,745)
Closing balance	12,861,090	736,544	885,287	14,482,921

	Accumulated amortisation			
	Buildings and other edifications	Vehicles	Plant and Machinery	Total
Opening balance as at 1 January	1,151,318	-	-	1,151,318
Additions	1,566,372	276,608	46,986	1,889,966
Reclassifications	-	-	284,303	284,303
Reductions	-	(28,159)	-	(28,159)
Closing balance	2,717,690	248,449	331,289	3,297,428
	10,143,400	488,095	553,998	11,185,493

The line item "Buildings and other edifications" basically concerns lease agreements for the head office building of Cofina Media, S.A., in Lisbon.

The line item "Vehicles" concerns vehicle lease agreements for periods ranging between 4 and 5 years.

During the period ended 31 December 2019, the movement that occurred in lease liabilities was detailed as follows:

	31.12.2019
Opening balance as at 1 January	13,880,035
Financial Leases	70,343
Additions	884,483
Accrued interest	779,951
Payments	(2,534,445)
Closing balance as at 31 December	13,080,367

In addition, the following amounts were recognised in 2019 as expenses related to right of use assets:

	2019
Depreciation of right-of-fuse assets	1,889,966
Interest expenses related to lease liabilities	779,951
Expenses related to short-term leases	109,170
Total amount recognised in the income account	**2,779,087**

The repayment term of the Lease Liabilities is detailed as follows:

	31/12/2019					
	2020	2021	2022	2023	>2023	Total (nominal value)
Lease Liabilities	2,130,774	1,780,534	1,541,749	1,369,890	6,257,420	13,080,367
	2,130,774	1,780,534	1,541,749	1,369,890	6,257,420	13,080,367

(Amounts expressed in euro)

9. INTANGIBLE ASSETS

During the periods ended 31 December 2019 and 2018, the movements that occurred in the value of intangible assets, as well as in the corresponding depreciation and accumulated impairment losses, were detailed as follows:

	2019				
	Asset gross value				
	Industrial property and other rights	Other intangible assets	Software	Intangible assets in progress	Total
Opening balance	760,599	370,090	5,490,754	118,512	6,739,955
Additions	-	-	247,371	178,221	425,592
Transfers and write-offs	-	-	217,338	(217,338)	-
Closing balance	760,599	370,090	5,955,463	79,395	7,165,547

	2019				
	Accumulated depreciation				
	Industrial property and other rights	Other intangible assets	Software	Intangible assets in progress	Total
Opening balance	760,599	370,090	5,309,735	-	6,440,424
Additions	-	-	431,096	-	431,096
Transfers and write-offs	-	-	-	-	-
Closing balance	760,599	370,090	5,740,831	-	6,871,520
	-	-	214,632	79,395	294,027

	2018				
	Asset gross value				
	Industrial property and other rights	Other intangible assets	Software	Intangible assets 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 scope (Note 5)	-	-	-	(1,910)	(1,910)
Closing balance	760,599	370,090	5,490,754	118,512	6,739,955

	2018				
	Accumulated depreciation				
	Industrial property and other rights	Other intangible assets	Software	Intangible assets in progress	Total
Opening balance	760,599	370,090	5,090,889	-	6,221,578
Additions	-	-	218,846	-	218,846
Transfers and write-offs	-	-	-	-	-
Closing balance	760,599	370,090	5,309,735	-	6,440,424
	-	-	181,019	118,512	299,531

The main investments made during the periods ended 31 December 2019 are related to SAP licences and other computer applications used by the Group.
As at 31 December 2019 and 2018, those were related with the new Record newspaper application and the new SAP licence.

10. CLASSES OF FINANCIAL INSTRUMENTS

In accordance with the policies disclosed in Note 2.3 h), financial instruments were detailed as follows:

Financial assets

(Amounts expressed in euro)

31 December 2019	Financial assets recorded at amortised cost	Total
Non-current assets		
Other non-current assets	66,252	66,252
	66,252	66,252
Current assets		
Trade receivables	6,294,057	6,294,057
Assets associated with contracts with customers	4,355,623	4,355,623
Other debts from third parties	146,497	146,497
Other current assets	50,604	50,604
Cash and cash equivalents	7,122,371	7,122,371
	17,969,152	17,969,152
	18,035,404	18,035,404

31 December 2018	Financial assets recorded at amortised cost	Total
Non-current assets		
Other assets	51,919	51,919
	51,919	51,919
Current assets		
Trade receivables	5,820,863	5,820,863
Assets associated with contracts with customers	4,149,321	4,149,321
Other debts from third parties	94,872	94,872
Other current assets	18,484	18,484
Cash and cash equivalents	6,624,512	6,624,512
	16,708,052	16,708,052
	16,759,971	16,759,971

Financial liabilities

31 December 2019	Financial liabilities recorded at amortised cost	Total
Non-current liabilities		
Lease liabilities	10,949,593	10,949,593
	10,949,593	10,949,593
Current liabilities		
Bank loans	12,671	12,671
Other loans	52,074,236	52,074,236
Lease liabilities	2,130,774	2,130,774
Trade payables	8,336,586	8,336,586
Liabilities associated with contracts with customers	3,282,531	3,282,531
Other debts to third parties	457,962	457,962
Other current liabilities	5,381,475	5,381,475
	71,676,235	71,676,235
	82,625,828	82,625,828

(Amounts expressed in euro)

31 December 2018	Financial liabilities recorded at amortised cost	Total
Non-current liabilities		
Other creditors	25,771	25,771
	25,771	25,771
Current liabilities		
Bank loans	177,809	177,809
Other loans	46,120,428	46,120,428
Trade payables	10,718,928	10,718,928
Liabilities associated with agreements with customers	3,027,856	3,027,856
Other debts to third parties	1,424,497	1,424,497
Other current liabilities	4,438,234	4,438,234
	65,907,752	65,907,752
	65,933,523	65,933,523

11. CURRENT AND DEFERRED TAXES

According to current legislation, tax returns are subject to review and correction by the tax authorities during a period of four years (five years for Social Security), except when there have been tax losses, tax benefits granted, or when inspections, complaints or challenges are in progress, in which cases, depending on the circumstances, the deadlines are extended or suspended. Thus, the Group's tax returns since 2016 may still be subject to review.

The Group's Board of Directors considers that any corrections resulting from reviews/inspections by the tax authorities to those tax returns will not have a material effect on the financial statements as at 31 December 2019 and 2018.

Cofina SGPS, S.A. is the dominant company of the special taxation scheme for group companies perimeter. These companies are taxed under the Special Taxation Scheme for Group Companies ("RETGS"), which include Cofina, Cofina Media and Grafedisport.

In accordance with the legislation in force, the Group uses a rate of 22.5% to calculate deferred taxes for Portuguese subsidiaries, resulting from the sum of the rate approved to be in force in 2019 and the following years, which amounts to 21% for Corporate Income Tax and municipal surtax at a 1.5% rate for the Cofina Group, except for deferred tax assets resulting from reportable tax losses, in which case a rate of 21% is used.

In accordance with the legislation in force in Portugal, for the periods ended 31 December 2019 and 2018 the base income tax rate in force was 21%.

Additionally, in accordance with the legislation in force in Portugal during the period ended 31 December 2019, the state surtax corresponded to the application of an additional 3% rate on taxable income between EUR 1.5 and 7.5 million, 5% on taxable income between EUR 7.5 and 35 million and 9% on taxable income above EUR 35 million.

Deferred taxes

The changes occurred in deferred tax assets and liabilities in the periods ended 31 December 2019 and 2018 were detailed as follows:

(Amounts expressed in euro)

	Deferred tax assets	
	2019	2018
Opening balance	595,271	386,176
Effects on the income statement:		
Increase/(Reduction) of provisions not accepted for tax purposes	(255,766)	183,066
Assets under right of use	33,969	-
Effects on equity:		
Adoption of IFRS 9	-	26,029
Adoption of IFRS 16	390,507	-
Closing balance	763,981	595,271

As at 31 December 2019 and 2018, there are no situations generating deferred tax liabilities.

Deferred tax assets as at 31 December 2019 and 2018, according to the temporary differences generating them, are detailed as follows:

	31.12.2019	31.12.2018
Provisions and impairment losses of assets not accepted for tax purposes	339,505	595,271
Right of use assets	424,476	-
	763,981	595,271

Current taxes

Income tax recognised in the income statement for the periods ended 31 December 2019 and 2018 are detailed as follows:

	31.12.2019	31.12.2018
Current tax	3,084,433	4,096,589
Deferred tax	221,797	(183,066)
	3,306,230	3,913,523

The reconciliation of the profit before income tax for the periods ended 31 December 2019 and 2018 is detailed as follows:

	31.12.2019	31.12.2018
Profit/(loss) before income tax	10,455,680	10,112,679
Tax rate (including maximum rate and surtax)	22.50%	22.50%
	2,352,528	2,275,353
Correction of tax estimates for previous periods	(102,228)	358,096
Provision for tax claims (Note 22)	200,000	300,000
State surtax	485,123	469,072
Autonomous taxation	210,690	221,341
Application of the Equity Method / Impairment losses in financial investments	46,894	147,020
Goodwill impairment	-	180,000
Provision constitution/reversal	(30,618)	(83,141)
Other effects	143,841	45,782
Income tax	3,306,230	3,913,523

12. INVENTORIES

As at 31 December 2019 and 2018, the amount recorded under the line item 'Inventories' is detailed as follows:

(Amounts expressed in euro)

	31.12.2019	31.12.2018
Raw materials, subsidiaries and consumables	1,498,111	1,397,832
Accumulated impairment losses in inventories (Note 22)	(48,037)	(48,037)
	1,450,074	1,349,795

Inventories correspond mostly to paper used for printing newspapers and magazines.

The cost of sales of the periods ended 31 December 2019 and 2018 is detailed as follows:

	31.12.2019	31.12.2018
Initial inventories	1,397,832	1,346,491
Purchases	9,569,783	9,685,977
Final inventories	(1,498,111)	(1,397,832)
	9,469,504	9,634,636

13. TRADE RECEIVABELS

As at 31 December 2019 and 2018, this line item was composed of the following:

	31.12.2019	31.12.2018
Trade receivables, current account	6,355,336	5,936,546
Trade receivables, bad debt	274,555	581,907
	6,629,891	6,518,453
Accumulated impairment losses (Note 22)	(335,834)	(697,590)
	6,294,057	5,820,863

The Group's exposure to credit risk is firstly attributable to accounts receivable from its operating activity. The amounts shown in the consolidated statement of financial position are net of the accumulated impairment losses for doubtful accounts that were estimated by the Group, in accordance with its experience and based on its assessment of the economic scenario and environment.

The Board of Directors believes that the book values receivable are close to their fair value, since these accounts' receivable do not pay interests and the discount effect is deemed immaterial.

As at 31 December 2019 and 2018, the age of the net trade receivables balance amount is detailed as follows:

	Receipts from customers					
	31.12.2019			31.12.2018		
	Written press	Television	Total	Written press	Television	Total
Not overdue	4,050,275	877,450	4,927,725	3,620,933	838,635	4,459,568
Overdue						
0 - 90 days	997,433	236,307	1,233,740	897,614	134,571	1,032,185
90 - 180 days	35,905	14,146	50,051	84,996	13,490	98,486
180 - 360 days	3,271	6,140	9,411	2,659	3,827	6,486
+ 360 days	-	-	-	7,181	-	7,181
	1,036,609	256,593	1,293,202	992,450	151,888	1,144,338
Exchanges balance						
Without impairment	72,950	180	73,130	212,279	4,678	216,957
Total	5,159,834	1,134,223	6,294,057	4,825,662	995,201	5,820,863

The "Exchanges balances" caption corresponds to amounts receivable under the exchange regime, for which there are also payables recorded in the "Trade payables" caption (Note 23).

The Board of Directors considers that overdue accounts receivable without impairment shall be realised in their entirety, considering the history of uncollectability and the characteristics of the counterparties.

(Amounts expressed in euro)

In addition, from 1 January 2018 on, with the adoption of IFRS 9, the Group started calculating expected impairment losses for its accounts receivable in accordance with the criteria disclosed in Note 2.3. h).

The average term of credit granted to customers varies according to the type of sale / service rendered. In accordance with the procedure agreed upon with the distribution company, amounts regarding the distribution of publications are collected upon the invoice date. Regarding the services rendered (mostly advertising) a credit period of between 15 and 60 days is granted (these terms remained unchanged when compared to the 2018 period). The Group does not charge any interest while set payment terms are being complied with. Upon expiry of said terms, contractually set interest is charged, in accordance with the legislation in force and as applicable to each situation. This will tend to occur only in extreme situations.

14. ASSETS ASSOCIATED WITH CONTRACTS WITH CUSTOMERS

This line item is detailed as follows as at 31 December 2019 and 2018:

	31.12.2019	31.12.2018
Assets associated with contracts with customers		
Publications (newspapers and magazines) to be invoiced	3,457,700	3,589,814
CMTV	897,923	559,507
	4,355,623	4,149,321

Sales of magazines and newspapers are recorded in the period in which the publications are distributed, newspapers being daily and magazines weekly, monthly or bimonthly. Amounts not yet invoiced are recorded under the "Publications (newspapers and magazines) to be invoiced" caption.

The "CMTV" caption regards the amount to be invoiced associated with broadcasting rights of the CMTV television channel.

15. STATE AND OTHER PUBLIC ENTITIES

Asset and liabilities balances with the State and Other Public Entities as at 31 December 2019 and 2018 are detailed as follows:

Debit balances:	31.12.2019	31.12.2018
Value Added Tax	-	-
Other Taxes	1,000	1,000
Total other taxes (Note 16)	1,000	1,000
Credit balances:		
Income tax	3,656,326	2,079,371
Total income tax	3,656,326	2,079,371
VAT - Value Added Tax	1,273,477	668,549
Personal income tax	449,372	410,467
Social security contributions	508,946	515,394
TV exhibition tax	58,560	45,082
Stamp duty	3,899	736
Other Taxes	5,873	5,631
Total other taxes (Note 25)	2,300,127	1,645,859

As at 31 December 2019 and 2018, the credit balances "Income tax" caption includes the estimated income tax (Note 11), net of payments on account and special payments on account made by the Group, as well as tax withholdings made by third parties in the amounts of EUR 156,326 and EUR 2,079,371, respectively.

As at 31 December 2019, and following the adoption of IFRIC 23, the "Income tax" caption also includes the reclassifications amount of EUR 3.5 million (Note 22).

2007 Corporate income tax proceedings

(Amounts expressed in euro)

As at 31 December 2019 and 2018, disputes were ongoing with the Portuguese Tax and Customs Authorities (AT) as a result of an inspection of the 2007 period concerning Corporate Income Tax, the amount of which initially disputed by the tax authorities was EUR 17.9 million. These amounts are the result of two corrections made by the AT: one concerning non-acceptance of a capital loss generated with the liquidation of a subsidiary, and another concerning non-acceptance of the deduction of part of the dividends paid out by a subsidiary.

Under the Special Arrangement for the Settlement of Tax and Social Security Debts ("RERD"), approved by Decree-Law 151-A/2013, of 31 October, in the period ended 31 December 2013 the Group voluntarily paid an amount of EUR 2 million with the corresponding waiver of interest on arrears, compensatory interest and legal costs associated with the tax enforcement proceedings. Under the same arrangement, the Group asked the Portuguese Tax and Customs Authorities to offset part of the enforced amounts relating to said audit with credits the AT owes to the Group (related to administrative claims and legal challenges associated with corporate income tax). During the 2014 period, this request was approved in the amount of approximately EUR 5.7 million, of which EUR 2,346,895 were allocated to said settlement.

As part of the acceptance of the Special Programme for Reducing Indebtedness to the State ("PERES"), approved by Decree-Law 67/2016 of 3 November, in the period ended 31 December 2016, the Group paid an additional amount of EUR 3,614,561 with the corresponding reduction of interest on arrears, compensatory interest and legal costs associated with tax enforcement proceedings.

Therefore, the contingency amount carried forward relating to the aforementioned tax enforcement proceedings, as at 31 December 2019 and 2018, is of approximately EUR 13.5 million, of which around EUR 3 million are related to the correction of the aforementioned capital loss and EUR 10.5 million are related to the correction of dividends paid. The reconciliation between the initial and current contingencies is detailed as follows:

	2007 Corporate income tax proceedings
Initial contingency	17,878,819
Compensatory interest/interest on arrears /legal costs	3,670,237
Payments/offset	(7,961,456)
	13,587,600

Within the scope of the reassessment of tax contingencies, the Board of Directors, advised by its legal and tax advisers, considers it likely that (i) a favourable decision will be taken on the "Dividends" component and (ii) the "Capital loss" component will be rejected. As such, a provision was recorded in the amount of approximately EUR 3 million for said component in the proceedings.

During the last quarter of the period ended 31 December 2019, the Group received notice from the Constitutional Court regarding the aforementioned capital loss generated from the liquidation of a subsidiary, informing it that the claim filed by the Group had been denied, confirming the court's decision against the Cofina Group. To date, the Group has not received notice from the Portuguese Tax and Customs Authorities to satisfy the judgement.

The Group is still in litigation with the Portuguese Tax and Customs Authorities concerning tax disputes related to the "Dividends" component.

16. OTHER DEBTS FROM THIRD PARTIES

As at 31 December 2019 and 2018, this line item is detailed as follows:

	31.12.2019		31.12.2018	
	Current	Non-Current	Current	Non-Current
Advances payments to suppliers	287,656	96,110	281,040	274,600
Receivables from the State and other public entities (Note 15)	1,000	-	1,000	-
Others	746,497	-	744,872	-
	1,035,153	96,110	1,026,912	274,600
Accumulated impairment losses (Note 22)	(600,000)	(96,110)	(650,000)	(274,600)
	435,153	-	376,912	-

The non-current amount recorded under the "Advances to suppliers" caption refers to advances on account of printing services to be provided in future periods, the repayment plan of which is extended until 2022. Since the Board of Directors considers that there is a risk of recovery of that amount, an impairment loss of that same amount was recorded in previous periods.

(Amounts expressed in euro)

As at 31 December 2019 and 2018, the ageing of "Other debts from third parties" balances net of impairment losses is detailed as follows:

	31.12.2019			31.12.2018		
	Advances to suppliers	Other debtors	Total	Advances to suppliers	Other debtors	Total
Not overdue	287,656	147,497	435,153	281,040	95,872	376,912
Overdue						
0 - 90 days	-	-	-	-	-	-
90 - 180 days	-	-	-	-	-	-
180 - 360 days	-	-	-	-	-	-
+ 360 days	-	-	-	-	-	-
	-	-	-	-	-	-
Total	287,656	147,497	435,153	281,040	95,872	376,912

The amounts presented in the consolidated statement of financial position are net of accumulated impairment losses estimated by the Group.

17. OTHER CURRENT ASSETS

As at 31 December 2019 and 2018, the line item "Other current assets" caption is detailed as follows:

	31.12.2019	31.12.2018
Accrued income:		
Other accrued income	50,604	18,484
Deferred costs:		
Operating expenses paid in advance	476,751	2,249,611
Charges related to subsequent year editions	686,603	573,484
Other deferred costs	10,005	113,109
	1,223,963	2,954,688

As at 31 December 2018, the caption "Operating expenses paid in advance" related mostly to real estate rents paid in advance.

18. CASH AND CASH EQUIVALENTS

As at 31 December 2019 and 2018, the line item "Cash and cash equivalents" was detailed as follows:

	31.12.2019	31.12.2018
Cash	91,509	64,733
Bank deposits	7,030,862	6,559,779
Funds available in the balance sheet	7,122,371	6,624,512
Bank overdrafts (Note 20)	(12,671)	(177,809)
Cash and cash equivalents	7,109,700	6,446,703

19. SHARE CAPITAL AND RESERVES

Share capital

As at 31 December 2019, the Group's share capital was fully subscribed and paid up and consisted of 102,565,836 shares without nominal value. As of that date, Cofina, SGPS, S.A. and the Group's companies did not hold own shares of Cofina SGPS, S.A.

(Amounts expressed in euro)

Share premiums

Share premiums correspond to amounts received from issuance or increases in capital. 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

Portuguese commercial legislation establishes that at least 5% of the annual net profit must be allocated to the 'Legal reserve' until it represents at least 20% of the share capital. This reserve may not be distributed among shareholders, except in the event of liquidation of the Group but can be used for absorbing losses after the other reserves have been exhausted, or incorporated in capital.

Pursuant to Portuguese legislation, the amount of distributable reserves is determined based on the non-consolidated financial statements of Cofina SGPS, S.A., prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union (IFRS-UE).

Other reserves

As at 31 December 2019 the "Other reserves" caption corresponds mainly to retained earnings from the Group's previous periods.

Appropriation of Net Profits

Regarding the 2019 period, the Board of Directors proposed, in its annual report, that the individual net profit of Cofina, SGPS, S.A., in the amount of EUR 4,299,529 be fully transferred to Free Reserves.

20. BANK LOANS AND OTHER LOANS

As at 31 December 2019 and 2018, the line item line "Bank loans" and "Other loans" is detailed as follows:

	31.12.2019				31.12.2018			
	Book value		Nominal value		Book value		Nominal value	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Bond loan	-	-	-	-	16,617,753	-	16,666,667	-
Commercial paper	52,074,236	-	52,000,000	-	29,502,675	-	29,500,000	-
	52,074,236	-	52,000,000	-	46,120,428	-	46,166,667	-

	31.12.2019				31.12.2018			
	Book value		Nominal value		Book value		Nominal value	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Bank overdrafts (Note 18)	12,671	-	12,671	-	177,809	-	177,809	-
	12,671	-	12,671	-	177,809	-	177,809	-

20.1 Bond loan

As at December 2019, the loan entitled "Cofina SGPS Bonds - 2013/2019" issued by Cofina SGPS, S.A. had been paid in full, the nominal value of which amounted to EUR 16,666,667.00.

20.2 Commercial paper

The liability caption "Commercial paper" corresponds to six commercial paper programmes with guaranteed subscription by the issuing banks, up to the maximum amounts of EUR 15,000,000, EUR 15.000.000, EUR 7,000,000, EUR 5,000,000, EUR 5,000,000, EUR 5,000,000 (three programmes), which bear interest at market rates. These programmes mature in September 2021, July 2022, April 2020, November 2021, September 2022 and September 2024, respectively.

(Amounts expressed in euro)

As at 31 December 2019, the Cofina Group had Commercial Paper Programmes with Guaranteed Underwriting classified as a current liability. However, the maturity of most of the contracts underlying them extends beyond 31 December 2020 and, as such, the Group may renew the subscriptions, as it has done in recent periods. Exception made only to a programme of EUR 7 million, which matures on 30 April 2020 and is currently being renewed.

During the period ended 31 December 2019, these loans paid interest at Euribor-indexed rates plus spreads ranging between 0.825% and 1,500%, according to the nature and maturity thereof.

As at 31 December 2019 and 2018, credit facilities used by the Group and the maximum amounts authorised were detailed as follows:

	31.12.2019			
Nature	Maturity	Balance authorised	Nominal balance used	Balance available
Cash pooling/Overdraft	n/a	13,500,000	12,671	13,487,329
Current account facility	n/a	8,000,000	-	8,000,000
Commercial paper	07/07/2022	15,000,000	15,000,000	-
Commercial paper	30/09/2021	15,000,000	15,000,000	-
Commercial paper	12/09/2024	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	-
		73,500,000	52,012,671	21,487,329

	31.12.2018			
Nature	Maturity	Balance authorised	Nominal balance used	Balance available
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	-
		90,166,667	46,344,476	43,822,191

During the periods ended 31 December 2019 and 2018, the Group did not enter into default with any of the obtained loans.

20.3 Change in indebtedness and maturities

As at 31 December 2019 and 2018, reconciliation of the change in gross debt with cash flows is detailed as follows:

(Amounts expressed in euro)

	31.12.2019	31.12.2018
Balance as at 1 January	46,120,428	52,672,116
Payments of loans obtained	(96,166,667)	(56,666,667)
Receipts of loans obtained	101,973,097	50,000,000
Changes of loan issuance expenses	147,378	114,979
Change in debt	5,953,808	(6,551,688)
Balance as at 31 December	52,074,236	46,120,428

21. LEASES

Disclosure required under IAS 17 (applicable only to 2018)

Financial leases

As at 31 December 2018, amounts payable to property, plant and equipment suppliers regarding financial lease contracts were classified in the captions "Other non-current creditors" and "Other debts to third parties", and had the following reimbursement plan:

	31.12.2018
2020	-
2021	25,771
	25,771
Short-term fraction (Note 25)	44,572
	70,343

Operating leases

In 2013, the Group celebrated a lease contract relating to Cofina Media's new headquarters building in Lisbon. Under this contract, the annual amount of the rent amounts to approximately EUR 1,700,000 and has a minimum duration until January 2028, automatically renewable for successive periods of 5 years. This contract may be cancelled as from the tenth year by Cofina Media or by the lessor without any need for justification and with a minimum of 120 days and 2 years notice, respectively.

22. PROVISIONS AND IMPAIRMENT LOSSES

The movements occurring under provisions and impairment losses during the periods ended 31 December 2019 and 2018 are detailed as follows:

	31.12.2019				
	Provisions	Impairment losses in investments (Note 4)	Impairment losses in Goodwill (Note 6)	Impairment losses in inventories (Note 12)	Impairment losses in debts from third parties (Notes 13 and 16)
Opening balance	4,535,000	171,754	7,995,310	48,037	1,622,189
Additions	400,000	-	-	-	328,024
Reversals	(785,000)	-	-	-	(653,261)
Reclassifications	(3,500,000)	-	-	-	-
Utilisations and transfers	-	-	-	-	(265,008)
Closing balance	650,000	171,754	7,995,310	48,037	1,031,944

(Amounts expressed in euro)

	31.12.2018				
	Provisions	Impairment losses in investments (Note 4)	Impairment losses in goodwill (Note 6)	Impairment losses in inventories (Note 12)	Impairment losses in debts from third parties (Notes 13 and 16)
Opening balance	5,809,206	1,058,754	9,151,072	48,037	1,741,008
Impact of IFRS 9 adoption	-	-	-		115,683
Reclassifications	-	(72,000)	-		-
Changes in the scope (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	4,535,000	171,754	7,995,310	48,037	1,622,189

Following the adoption of IFRIC 23, in the period ended 31 December 2019, the reclassifications movement corresponds to the reclassification of tax contingencies to Income Taxes (Note 15), in the amount of EUR 3.5 million.

As at 31 December 2019 and 2018, the reconciliation between the values recognised in the statement of financial position and in the income statement captions relating with provisions and impairment losses can be detailed as follows:

	31.12.2019			31.12.2018			
	Provisions	Account receivables	Total	Provisions	Account receivables	Goodwill	Total
Provisions and impairment losses	(785,000)	(325,237)	(1,110,237)	(340,000)	(339,174)	800,000	120,826
Payroll expenses	200,000	-	200,000	600,000	-	-	600,000
Income tax	200,000	-	200,000	300,000	-	-	300,000
Results related to continued operations	(385,000)	(325,237)	(710,237)	560,000	(339,174)	800,000	1,020,826
Results related to discontinued operations	-	-	-	1,952,995	-	(1,955,762)	3,908,757
Total	(385,000)	(325,237)	(710,237)	2,512,995	(339,174)	2,755,762	4,929,583

As at 31 December 2019 and 2018, the "Provisions" caption can be detailed as follows:

	31.12.2019	31.12.2018
Provisions for the 2007 corporate income tax proceedings	-	3,000,000
Provisions for tax contingencies	-	300,000
Provisions for indemnities and legal proceedings	650,000	1,235,000
	650,000	4,535,000

The "Provisions" caption includes provisions for indemnities and ongoing 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 its legal advisors, of the impacts that might result from the currently ongoing legal proceedings.

23. TRADE PAYABLES

As at 31 December 2019 and 2018, this caption could be presented, taking into account its maturity, as follows:

(Amounts expressed in euro)

			Payable in		
	31.12.2019	No due date (a)	Less than 3 months	Between 3 and 6 months	More than 6 months
Trade payables	8,336,586	353,672	7,982,914	-	-
	8,336,586	353,672	7,982,914	-	-

			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	-	-
	10,718,928	439,286	10,279,642	-	-

(a) - Amounts included in the caption "No due date" relate to exchange transactions with entities that are also customers (Note 13). As such, there is no pre-determined settlement date.

24. LIABILITIES ASSOCIATED WITH CONTRACTS WITH CUSTOMERS

As at December 2019 and 2018, this line item is detailed as follows:

	31.12.2019	31.12.2018
Liabilities associated with contracts with customers		
Discounts granted	1,983,561	1,564,818
Commissions	782,031	767,569
Deferred income from advertising	516,939	695,469
	3,282,531	3,027,856

25. OTHER DEBTS TO THIRD PARTIES

As at December 2019 and 2018, the line item 'Other debts to third parties' can be detailed as follows

	31.12.2019	31.12.2018
Creditors by leasing responsibilities (Note 21)	-	44,572
Payable to the State and other public entities (Note 15)	2,300,127	1,645,859
Other debts:		
Payroll	67,741	69,351
Exchanges with public entities	252,907	252,907
Other debts	137,314	1,057,667
	2,758,089	3,070,356

26. OTHER CURRENT LIABILITIES

As at December 2019 and 2018, the line item 'Other current liabilities' is detailed as follows

	31.12.2019	31.12.2018
Expense accruals:		
Wages and salaries payable	3,606,275	3,640,804
External suppliers and services	1,340,247	671,841
Other accrued expenses	434,953	125,589
Deferred income:		
Other deferred income	-	192,767
	5,381,475	4,631,001

27. SALES, SERVICES RENDERED AND OTHER INCOME

(Amounts expressed in euro)

For the periods ended 31 December 2019 and 2018, "Sales" correspond mainly to newspapers and magazines sales, also including a small portion of income related to the sale of printing paper.

The "Services rendered" corresponds basically to the sale of advertising spaces in the Group's publications, net of the discounts granted.

"Other income" refers mostly to the sale of alternative marketing products, which are sold with the publications of the Cofina Group and broadcasting rights of CMTV TV channel.

28. EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2019 and 2018 the line item "External supplies and services" is detailed as follows:

	31.12.2019	31.12.2018
Advertising	12,733,837	13,203,650
Subcontracts	3,998,170	3,781,168
Specialised services	10,195,791	8,892,321
Travel and accommodation	1,168,309	2,010,321
Rents and leases	541,105	2,809,500
Fuel	187,701	188,130
Communication	748,181	788,953
Fees	2,927,745	2,693,045
Royalties	557,549	682,288
Representation costs	303,005	348,256
Other costs	2,074,731	2,285,772
	35,436,124	37,683,404

As at 31 December 2019 the decrease in the "Rents and leases" caption is explained by the adoption of IFRS 16.

29. PAYROLL EXPENSES

As at 31 December 2019 and 2018, the line item "Payroll expenses" is detailed as follows:

	31.12.2019	31.12.2018
Remunerations	21,154,881	21,027,091
Indemnities	948,631	1,618,284
Payroll expenses	4,588,156	4,496,657
Insurance	306,531	264,567
Social security contributions	34,441	21,714
Other payroll expenses	151,335	171,356
	27,183,975	27,599,669

During the fiscal years ended 31 December 2019 and 2018, the average number of staff employed in the companies included in the consolidation using the full consolidation method was 736 and 746, respectively.

30. FINANCIAL RESULTS AND RESULTS REALTED TO ASSOCIATED COMPANIES AND JOINT VENTURES

The financial income and expenses and the results related to associated companies and joint ventures, for the periods ended 31 December 2019 and 2018are detailed as follows:

(Amounts expressed in euro)

	31.12.2019	31.12.2018
Results related to associated companies and joint ventures		
Application of the equity method - VASP (Note 4)	(20,059)	181,531
Application of the equity method - A Nossa Aposta (Note 4)	(188,224)	(840,966)
Application of the equity method - Mercados Globais (Note 4)	(136)	6,015
	(208,419)	(653,420)
Financial expenses		
Interest paid	888,814	1,542,078
Interest expenses related to lease liabilities	779,951	-
Bank commissions	487,063	534,050
Other financial expenses and losses	364,639	21,271
	2,520,467	2,097,399
Financial income		
Interest earned	6,782	25,068
	6,782	25,068

31. RELATED PARTIES TRANSACTIONS

Commercial transactions

Subsidiary companies have relations with each other that are qualified as transactions with related parties. All these transactions are carried out at market prices.

During consolidation 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 at 31 December 2019 and 2018 and the main transactions carried out during the periods ended at said date are detailed as follows:

Transactions:

	31.12.2019		
	Sales (Note 27)	Services rendered (Note 27)	External supplies and services (Note 28)
VASP	46,002,224	-	528,168
A Nossa Aposta	-	2,780	-
	46,002,224	2,780	528,168

	31.12.2018		
	Sales (Note 27)	Services rendered (Note 27)	External supplies and services (Note 28)
VASP	47,925,193	-	522,951
A Nossa Aposta	1,139	9,800	-
	47,926,332	9,800	522,951

Balances:

(Amounts expressed in euro)

	31.12.2019		
	Trade receivables (Note 13)	Trade payables (Note 23)	Assets associated with contracts with customers (Note 14)
VASP	48,050	138,462	3,457,700
A Nossa Aposta	4,995	-	-
	53,045	138,462	3,457,700

	31.12.2018		
	Trade receivables (Note 13)	Trade payables (Note 23)	Assets associated with contracts with customers (Note 14)
VASP	66,366	59,542	3,589,814
Destak Brasil - Editora	2,526	-	-
	68,892	59,542	3,589,814

Sales to VASP during the periods ended 31 December 2019 and 2018 correspond to sales of publications (newspapers and magazines) and alternative marketing products to that company, which handles the corresponding distribution to the points of sale. These transactions are carried throughout the normal activity of the Group.

During the periods ended 31 December 2019 and 2018, there were no transactions with Group Directors, nor were they granted loans.

Compensation of Key Management

The compensations given to key management, which, given the Group's governance model, corresponds to Cofina's Board of Directors members, during the periods ended 31 December 2019 and 2018 amount to EUR 244,000 and EUR 122,000 respectively, are related exclusively to fixed compensations. Remunerations in the 2019 and 2018 periods were fully paid by the Group.

Pursuant to article 3 of Law no. 28/2009, of 19 June, we hereby inform that remunerations to the members of the Board of Directors were distributed as follows: Paulo Fernandes - EUR 80,000 João Borges de Oliveira – EUR 80,000; Domingos Matos – EUR 28,000; Pedro Borges de Oliveira – EUR 28,000; Ana Mendonça – EUR 28,000.

As at 31 December 2019, there were no: (i) incentive plans or schemes with regard to granting shares to members of the Board of Directors; (ii) supplementary pension or early retirement schemes for directors; (iii) compensations paid or owed to former directors regarding the suspension of duties during the period; or (iv) non-monetary benefits considered remuneration.

Related parties

Apart from the companies included in the consolidation (Note 4), the entities considered to be related as at 31 December 2019 are detailed 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.
- 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.

(Amounts expressed in euro)

- Cofihold, S.A.
- Cofihold II, S.A.
- Elege Valor, Lda.
- Expeliarmus – Consultoria, Unipessoal, Lda.
- F. Ramada II, Imobiliária, S.A.
- Ramada Investimentos e Indústria, 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.
- 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

As at 31 of December 2019 and 2018, the Board of Directors of Cofina SGPS, S.A. was detailed as follows:

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

32. RESPONSIBILITIES FOR GUARANTEES PROVIDED

As at 31 December 2019 and 2018, the 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 guarantee for ongoing income tax claims (Note 22).

As at 31 December 2019 and 2018, the Group had assumed responsibilities for guarantees granted amounting to EUR 216,000, mostly related with its advertising activity (EUR 23,000) and with ongoing tax proceedings (EUR 193,000) (Note 22).

33. EARNINGS PER SHARE

Earnings per share for the periods ended 31 December 2019 and 2018 were calculated based on the following amounts:

		31.12.2018		
	31.12.2019	Continued operations	Discontinued operations	Total
Net income taken into account to determine basic and diluted earnings per share	7,149,450	6,199,156	454,249	6,653,405
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
Earnings per share:				
Basic	0.07	0.06	0.00	0.06
Diluted	0.07	0.06	0.00	0.06

34. INFORMATION BY SEGMENTS

The contribution of the main business segments to the consolidated income statement for the periods ended 31 December 2019 is detailed as follows:

	31.12.2019			31.12.2018		
	Written press	Television	Total	Written press	Television	Total
Operating Income:						
Sales	41,969,042	-	41,969,042	43,059,097	-	43,059,097
Sales - intersegmental	-	-	-	-	-	-
Services rendered	21,716,686	5,846,255	27,562,941	24,049,416	4,066,117	28,115,533
Services rendered - intersegmental	-	-	-	-	-	-
Other income	9,509,074	8,982,917	18,491,991	9,817,144	8,300,768	18,117,912
Other income - intersegmental	-	-	-	-	-	-
Total operating income	73,194,802	14,829,172	88,023,974	76,925,657	12,366,885	89,292,542
Operating Expenses:						
Cost of sales	(9,469,504)	-	(9,469,504)	(9,634,636)	-	(9,634,636)
External supplies and services	(28,225,514)	(7,210,610)	(35,436,124)	(31,670,475)	(6,012,929)	(37,683,404)
Payroll expenses	(23,547,939)	(3,636,036)	(27,183,975)	(24,298,005)	(3,301,664)	(27,599,669)
Amortisation and depreciation	(3,087,105)	(506,943)	(3,594,048)	(937,539)	(350,770)	(1,288,309)
Provisions and impairment losses	1,110,237	-	1,110,237	(120,826)	-	(120,826)
Other expenses	(272,776)	-	(272,776)	(127,268)	-	(127,268)
Total operating expenses	(63,492,601)	(11,353,589)	(74,846,190)	(66,788,749)	(9,665,363)	(76,454,112)
Operating results	**9,702,201**	**3,475,583**	**13,177,784**	**10,136,908**	**2,701,522**	**12,838,430**
Results pertaining to associated companies and joint ventures			(208,419)			(653,420)
Financial results			(2,513,685)			(2,072,331)
Profit/(loss) before income tax			**10,455,680**			**10,112,679**
Income tax			(3,306,230)			(3,913,523)
Net profit from continuing operations			7,149,450			6,199,156
Attributable to:						
Shareholders of the parent company			7,149,450			6,199,156
Non-controlling interests			-			-
			7,149,450			6,199,156

The total net investment of the business segments in the period ended 31 December 2019 is detailed as follows:

(thousand euros)	Written Press	TV	31.12.2019
Total net investment	99	1,571	1,670

(thousand euros)	Written Press	TV	31.12.2018
Total net investment	1,333	248	1,581

Total net investment – regards the acquisition of property, plant and equipment related with the Television and Written press segments in the period.

35. CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2019 and 2018 there were no contingent assets. As at 31 December 2019 and 2018, the main contingent liabilities were related to the ongoing proceedings disclosed in Note 22 and the guarantees provided as disclosed in Note 32.

36. STATUTARY FEES

The total fees paid by the Cofina Group for services rendered by EY companies in 2019 and 2018 amounted to EUR 60,020 and EUR 59,160 respectively and are exclusively related to statutory auditing services.

37. SUBSEQUENT EVENTS

37.1 Other investments

As disclosed in Note 4.3, the caption "Other investments" includes also a guarantee in the amount of EUR 10 million relating to a purchase and sale agreement entered into on 20 September 2019 with Promotora de Informaciones, S.A. for the acquisition of 100% of the share capital and voting rights of Vertix, SGPS, S.A. and, indirectly, of 94.69% of the share capital and voting rights of Grupo Media Capital, SGPS, S.A.
S.A.

On 11 March, Cofina informed the market that the number of shares subscribed did not reach all shares included in the public offering. Particularly considering the recent and considerable deteriorating market conditions, Cofina believed that conditions for the launch of a private placement of the remaining shares were not met. Therefore, as indicated in the prospectus filed, and since conditions for the subscription of the entire capital increase were not met, the offering was cancelled.

As the public offering was cancelled, the capital increase was not registered and the last suspensive condition for the transaction was not met for Cofina to acquire from Promotora de Informaciones, S.A. shares representing 100% of the share capital and voting rights of Vertix, SGPS, S.A. ("Vertix") which, in turn, holds shares representing 94.69% of the share capital and voting rights of Grupo Media Capital, SGPS, S.A., as agreed in the purchase and sale contract entered into on 20 September 2019 and amended on 23 December 2019 ("Contract").

On 20 March, Cofina informed the market that notice of withdrawal of the Contract had entered into effect, due to the absence of an agreement on an amendment to the purchase and sale contract for shares representing 100% of the share capital and voting rights of Vertix, SGPS, S.A. ("Vertix"), entered into on 20 September 2019, as amended (the "Contract") to restore a balance between reciprocal commitments according to the principles of good faith. The notice of withdrawal is, among other aspects, based on an unexpected and considerable deterioration of Vertix and Media Capital's financial situation and outlook, made worse by the current emergency caused by the COVID-19 pandemic, and on the serious breaches of contract by Prisa, which explicitly manifested its intent to not comply with the Contract, causing irreparable damage to the relationship of trust between the parties. Cofina also informed Prisa that it believed that, even if the notice of withdrawal is considered ineffective in the future, the acquisition under the Contract would also be reliant upon determination of compensation due to Cofina for said breaches of contract, which, in general terms, should be deducted from the agreed contract price.

With regard to the public offering for the acquisition of shares representing the share capital of Grupo Media Capital, SGPS, S.A. and pursuant to Article 128 of the Securities Market Code, on 25 March Cofina informed the market that it had submitted an application to the Portuguese Securities Market Commission (CMVM) requesting that it consider the public offering cancelled due to it being unable to fulfil one of the prerequisites for the launch thereof and, subsequently, the withdrawal of said offering, given the change in circumstances.

The Cofina Group is currently assessing the possible impacts, if any, of the events described above.

37.2 COVID-19 Pandemic

The first quarter of 2020 was marked by the emergence of a global epidemic called COVID-19, and on 11 March 2020 the World Health Organization declared it a pandemic. This pandemic, spread internationally, has a relevant impact on the world economy and financial markets, and it is therefore essential to consider the impacts arising from COVID-19.

The COVID-19 pandemic could end up having direct and indirect impact on our Customers, Suppliers, Employees, Local Communities, and other stakeholders in the value chain.

The magnitude, extent and durability of the current moment of uncertainty make assessing its direct and indirect impacts an arduous and uncertain task. Thus, to date, the Group has no available information to allow quantifying them. Still, the following aspects need to be pointed out:

Assessment of commercial impacts:

Written press segment:

- The year 2020 started with stability in this segment. According to the Group's prospects, the drop in circulation tended to be offset by the price increase effect;

- it is anticipated that as a result of the pandemic there will be a drop in circulation for the period that Government measures, aiming at social isolation, remain in force, namely by the resulting closure of points of sale of publications to the public, and the lack of sporting events. At this date, it is not possible, given the uncertainty underlying such an estimate, to quantify the impacts of this problem;

- in this segment, and until the date of these consolidated financial statements, there has been no deterioration in the capacity to collect from Receipts from customers;

TV Segment:

- the performance of the CMTV channel in terms of *share* between the years 2019 and 2018, showed a significant evolution measured by the increase of the average annual share from 3.61% in 2018 to 4.10% in 2019. As a result of this increase, the first two months of 2020 showed a positive performance in terms of advertising;

- it is foreseen that as a result of the pandemic there will be a possible drop in advertising associated with certain types of activity, which may be affected by this situation in a more pronounced way. At this date, it is not possible, given the uncertainty underlying such an estimate, to quantify the impacts of this problem;

- in this segment, and until the date of these consolidated financial statements, there has been no deterioration in the capacity to collect from Receipts from customers;

Assessment of impacts on the operation:

- we inform that the Cofina Group continues its activity in both segments;

- in recent years, the Cofina Group has been implementing a plan that aims to prepare the Group for the future reality, ensuring its sustainability and adequate profitability levels. We believe that these actions will consubstantiate a cost reduction and assist in the process of controlling the impacts on the activity resulting from the pandemic;

- the Cofina Group is currently in the process of internally and carefully reviewing and assessing the investments that had been planned for FY 2020, while reassessing cost-benefit of these projects in its portfolio, as well as their feasibility, considering the current reality;

- The Cofina Group believes that the financing contracts established, as well as the relevant activity history with the financial institutions with which it has a partnership relationship with no history of default, allow the Group to manage any additional needs for funds to maintain the activity in this period of uncertainty;

Employees:

- ensuring the permanent well-being of all our Employees, their families and of the community has always been and will be a priority for the Cofina Group;

- we have put in place a set of additional preventive measures to protect our Employees' health and safety, based on recommendations from the Portuguese Health Authority to address the pandemic. We feel that the preventive, control and surveillance measures put in place by our human resources department, which are continually adjusted as the pandemic evolves, is pivotal for the purpose of containing the pandemic's impacts among our Employees and within the Local Community.

- Telework is also being implemented for several administrative, financial and shared services employees.

- The Cofina Group hereby informs that, up to date, it is unaware of any of its employees testing positive for COVID-19. The Group is, however, prepared for this possibility.

The Cofina Group will remain alert and cautious in the face of the risks that may arise for its business area, whether in operational, investment or financial terms.
It is our conviction that through prevention, serenity and cooperation with our partners, namely customers, suppliers and local communities, we are ready to face this challenge.

From 31 December 2019 to the date of issue of this report, there were no other relevant facts that could materially affect the financial position and future results of the Cofina Group and its subsidiary and associated companies included in the consolidation.

38. TRANSLATION NOTE

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IFRS/IAS) as adopted by the European Union, some of which may not conform or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

The Chartered Accountant

The Board of Directors

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

SEPARATE FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

31 December 2019

Cofina SGPS, S.A.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 2018

(Translation of financial statements originally issued in Portuguese - Note 25)

(Amounts expressed in Euros)

ASSETS	Notes	31.12.2019	31.12.2018
NON-CURRENT ASSETS			
Property, plant and equipment	4	-	581
Intangible assets	5	-	-
Investments in subsidiaries	6	142,321,953	143,801,953
Other investments	6	10,010,510	510
Total non-current assets		152,332,463	143,803,044
CURRENT ASSETS			
Trade receivables	20	1,094,700	-
Other debts from third parties	10 and 20	339,965	297,867
Other current assets		159	103,190
Cash and cash equivalents	11	2,149,294	861,890
Total current assets		3,584,118	1,262,947
TOTAL ASSETS		155,916,581	145,065,991

EQUITY AND LIABILITIES	Notes	31.12.2019	31.12.2018
EQUITY			
Share capital	12	25,641,459	25,641,459
Share premiums	12	15,874,835	15,874,835
Legal reserve	12	5,409,144	5,409,144
Other reserves	12	44,206,390	42,239,887
Net profit/(loss) for the period		4,299,529	1,966,503
TOTAL EQUITY		95,431,357	91,131,828
LIABILITIES			
NON-CURRENT LIABILITIES			
Other loans	13	-	-
Total non-current liabilities		-	-
CURRENT LIABILITIES			
Other loans	13	52,074,237	46,120,428
Trade payables		42,214	2,851
Income tax	7 and 9	156,326	2,079,371
Other debts to third parties	14 and 20	7,821,919	5,698,370
Other current liabilities	15	390,528	33,143
Total current liabilities		60,485,224	53,934,163
TOTAL LIABILITIES		60,485,224	53,934,163
TOTAL LIABILITIES AND EQUITY		155,916,581	145,065,991

The accompanying notes are an integral part of the financial statements as at 31 December 2019.

The Chartered Accountant

The Board of Directors

Cofina SGPS, S.A.

INCOME STATEMENTS FOR THE PERIODS ENDED 31 DECEMBER 2019 AND 2018
(Translation of financial statements originally issued in Portuguese - Note 25)
(Amounts expressed in Euros)

	Notes	31.12.2019	31.12.2018
Services rendered	20	890,000	-
Other income		-	7,502
External supplies and services	17	(194,025)	(82,110)
Payroll expenses	18	(342,537)	(223,843)
Amortisation and depreciation	4 and 5	(581)	(2,639)
Provisions and impairment losses	6 and 16	(1,480,000)	(4,000,000)
Other expenses		(42,048)	(57,245)
Results related to investments	20	7,069,032	8,035,546
Financial expenses	19	(1,664,112)	(1,761,731)
Financial income	19	5,895	5,495
Profit/(Loss) before income tax		4,241,624	1,920,975
Income tax	7	57,905	45,528
Net profit/(loss) for the period		4,299,529	1,966,503
Earnings per share:			
Basic	23	0.04	0.02
Diluted	23	0.04	0.02

The accompanying notes are an integral part of the financial statements as at 31 December 2019.

The Chartered Accountant | The Board of Directors

Cofina SGPS, S.A.

STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED DECEMBER 31, 2019 AND 2018

(Translation of financial statements originally issued in Portuguese - Note 25)
(Amounts expressed in Euros)

	Notes	Share capital	Share premiums	Legal reserves	Other reserves	Net profit/(loss) for the period	Total Equity
Balance as at 1 January 2018		25,641,459	15,874,835	5,409,144	39,420,933	2,818,954	89,165,325
Appropriation of the net income for 2017:							
Transfer to other reserves	12	-	-	-	2,818,954	(2,818,954)	-
Total comprehensive income for the period		-	-	-	-	1,966,503	1,966,503
Balance as at December 2018		25,641,459	15,874,835	5,409,144	42,239,887	1,966,503	91,131,828
Balance as at 1 January 2019		25,641,459	15,874,835	5,409,144	42,239,887	1,966,503	91,131,828
Appropriation of the net income for 2018:							
Transfer to other reserves	12	-	-	-	1,966,503	(1,966,503)	-
Total comprehensive income for the period		-	-	-	-	4,299,529	4,299,529
Balance as at December 2019		25,641,459	15,874,835	5,409,144	44,206,390	4,299,529	95,431,357

The accompanying notes are an integral part of the financial statements as at 31 December 2019.

The Chartered Accountant

The Board of Directors

Cofina SGPS, S.A.

STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED DECEMBER 31, 2019 AND 2018

(Translation of financial statements originally issued in Portuguese - Note 25)

(Amounts expressed in Euros)

	31.12.2019	31.12.2018
Net profit/(loss) for the period	4,299,529	1,966,503
Total comprehensive income for the period	4,299,529	1,966,503

The accompanying notes are an integral part of the financial statements as at 31 December 2019.

The Chartered Accountant

The Board of Directors

Cofina SGPS, S.A.

STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED 31 DECEMBER 2019 AND 2018

(Translation of financial statements originally issued in Portuguese - Note 25)
(Amounts expressed in Euros)

	Notes	2019		2018	
Operating activities:					
Receipts from customers		-		-	
Payments to suppliers		(45,073)		(230,984)	
Payments to personnel		(335,077)		(193,646)	
Other receipts/payments relating to operating activities		(221,937)		(57,221)	
Income Tax (paid)/received		193,797	(408,291)	(290,454)	(772,305)
Cash flows generated by operating activities (1)			(408,291)		(772,305)
Investment activities:					
Receipts arising from:					
Property, plant and equipment		-		7,500	
Interest and similar income		5,895		5,495	
Dividends	18 and 20	7,069,032	7,074,928	8,035,546	8,048,541
Payments relating to:					
Investments	6	(10,010,000)	(10,010,000)	-	-
Cash flows generated by investing activities (2)			(2,935,072)		8,048,541
Financing activities:					
Receipts arising from:					
Loans obtained	13	101,973,097	101,973,097	50,000,000	50,000,000
Payments relating to:					
Interest and similar expenses		(1,175,662)		(1,649,900)	
Loans obtained	13	(96,166,667)	(97,342,329)	(56,666,666)	(58,316,566)
Cash flows generated by financing activities (3)			4,630,768		(8,316,566)
Cash and cash equivalents at the beginning of the period	11		861,890		1,902,220
Cash and cash equivalents variation: (1)+(2)+(3)			1,287,404		(1,040,330)
Cash and cash equivalents at the end of the period	11		2,149,294		861,890

The accompanying notes are an integral part of the financial statements as at 31 December 2019.

The Chartered Accountant

The Board of Directors

1. INTRODUCTORY NOTE

Cofina, SGPS, S.A. ("Cofina" or "the Company") is a public company, whose headquarters is located at Rua Manuel Pinto de Azevedo, 818, in Porto. Its main activity is the management of investments in the media sector, operating mainly through Cofina Media, S.A., a company wholly owned by Cofina (Note 6), and its share are listed on the Euronext Lisbon stock exchange.

The accompanying financial statements are expressed in Euro (rounded up to the nearest whole number), which is the currency used by the Company in its operations and is, therefore, considered its functional currency.

The financial statements were approved by the Board of Directors and authorised for reporting on 31 March 2020. Its final approval is still subject to agreement from the Shareholders' General Meeting. The Company and the Board of Directors expect the same to be approved with no significant changes.

2. MAIN ACCOUNTING POLICIES

The main accounting policies adopted when preparing the attached financial statements are described below. These policies were consistently applied to comparative periods.

In addition, there were no significant changes to the main estimates used by the Company in preparing the financial statements.

21 BASIS OF PRESENTATION

The attached financial statements were prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union ("IFRS-EU") in force for the period ended beginning on 1 January 2019. These correspond to the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRS - IC") or by the former Standing Interpretations Committee ("SIC"), which have been adopted by the European Union on the reporting date.

The Board of Directors assessed the capacity of the Company to operate on a going concern basis, based on the entire relevant information, facts and circumstances, of a financial, commercial or other nature, including events subsequent to the financial statements' reference date, as available regarding the future. As a result of the assessment conducted, the Board of Directors concluded that it has adequate resources to keep up its operations, which it does not intend to cease in the short term; therefore, it was considered appropriate to use the going concern basis in preparing the financial statements.

The attached financial statements were prepared from the accounting books and records of the company, in the assumption of going concern basis. The attached financial statements have been prepared on a historical cost basis.

The preparation of financial statements under IFRS-EU requires the use of estimates, assumptions and critical judgments in the process of determining the accounting policies to be adopted by the Company, with significant impact on the book value of assets and liabilities, as well as on income and expenses for the period. Although these estimates are based on the best experience of the Board of Directors and on its best expectations regarding current and future events and actions, current and future results may differ from these estimates. Areas involving a higher degree of judgement or complexity, or areas with significant assumptions and estimates are disclosed in Note 2.3.

In addition, for financial reporting purposes, fair-value measurement is categorised in three levels (Level 1, 2 and 3), taking into account, among others, whether the data used are observable in an active market, as well as their meaning in terms of valuing assets / liabilities or disclosing them.

Fair value is the amount for which an asset can be exchanged or a liability can be settled, between knowledgeable and willing parties, in a transaction not involving a relationship between them, regardless whether this price can be directly observable or estimated, using other valuation techniques. When estimating the fair value of an asset or liability, the Company considers the features that market participants would also take into account when valuing the asset or liability on the measurement date.

(Amounts expressed in euro)

Assets measured at fair value following initial recognition are grouped into 3 levels according to the possibility of observing their fair value in the market:

Level 1: fair value is determined based on active market prices for identical assets/liabilities;

Level 2: fair value is determined based on evaluation techniques. The assessment models' main inputs are observable in the market; and

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

(i) **Adopting new standards and interpretations, amendments or reviews**

Up to the approval date of these financial statements, the European Union endorsed the following accounting standards, interpretations, amendments and revisions, mandatorily applied to the period ended beginning on 1 January 2019:

Standard/Interpretation	Applicable in the European Union for periods beginning on or after	
IFRS 16 – Leases	1-Jan-19	This standard introduces the leasing recognition and measurement principles, replacing IAS 17 – Leases. The standard establishes a single accounting model in order to account for lease agreements resulting in the lessee asset and liability recognition for every lease agreement, except for leases for periods under 12 months or for leases involving low-value assets. Lessors will keep on classifying leases between operating or financial, as IFRS 16 does not entail substantial changes for such entities, given what is set forth under IAS 17.
Amendment to IFRS 9: prepayment features with negative compensation	1-Jan-19	With this amendment, financial assets whose contractual conditions provide, in its early amortisation, for payment of a considerable amount by the creditor, can be measured at amortised cost or at fair value for reserves (depending on the business model), provided: (i) on the asset's initial recognition, the fair value of the early amortisation component is insignificant; and (ii) the possibility of negative compensation in early amortisation is the sole reason for the asset in question not to be deemed an instrument that considers only principal and interest payments.
IFRIC 23 - Uncertainties over income tax treatments	1-Jan-19	This interpretation provides guidance on determining taxable income, tax bases, tax losses carried forward, tax credits to be used and tax rates in scenarios of uncertainty regarding income tax treatment.
Annual Improvements to IFRS (2015-2017 cycle)	1-Jan-19	These improvements involve clarifying a few aspects related to: IFRS 3 – Business combinations:

(Amounts expressed in euro)

		requires remeasuring previously held interests when an entity obtains control over an investee company over which it had previous joint control; IFRS 11 – Joint ventures: clarifies that previously held interests should not be remeasured when an entity obtains joint control over a joint operation; IAS 12 – Income taxes: clarifies that every tax outcome for dividends is to be recorded under results, regardless of how the tax occurs; IAS 23 - Borrowing costs: clarifies that the part of the loan directly related to the purchase/construction of an asset, still outstanding after the corresponding asset has been ready for its intended use, is, for the purpose of determining capitalisation rate, deemed to be an integral part of the entity's general funding.
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1-Jan-19	If an amendment, cut or liquidation of the plan occurs, now it is mandatory for the current service cost and the interest paid during the period following remeasurement to be determined using the assumptions used for remeasurement. Moreover, changes were included in order to clarify the effect of a change, reduction or deletion of the plan on requirements regarding the asset's maximum limit.
Amendment to IAS 28: Long-term interests in associated and joint ventures	1-Jan-19	This amendment clarifies that IFRS 9 needs to be applied (including the corresponding requirements linked to impairment) to investments in associated companies and joint agreements when the equity method is not applied in measuring them.

From the application of these standards and interpretations there were not relevant impact for the Company's financial statements.

(ii) **Standards, interpretations, amendments and revisions that will have mandatory application in future economic exercises**

On the approval date of these financial statements, the following accounting standards and interpretations, to be mandatorily applied in future periods, were endorsed by the European Union:

Standard/Interpretation	Applicable in the European Union in the periods begun on or after	
Amendments to references to the Conceptual Framework in IFRS Standards	1-Jan-20	Corresponds to amendments in various standards (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, and SIC 32) in relation to references to the Conceptual Framework revised in March 2018. The revised Conceptual Framework includes revised outlines on an asset and a liability, as well as new measuring, derecognising, presentation, and disclosure guidelines.

(Amounts expressed in euro)

Amendment to IAS 1 and IAS 8 – Definition of material	1-Jan-20	Corresponds to amendments in order to clarify the definition of material under IAS 1. The definition of material under IAS 8 now refers to IAS 1. The amendment changes the definition of material in other standards in order to ensure consistency. Information is material if, when omitted, misrepresented or concealed, it is reasonably expected to influence decisions by primary users of financial statements, using financial statements as the basis.
Amendments to standards IFRS 9, IAS 39 and IFRS 7 – Interest rate Benchmark reform (IBOR Reform)	1-Jan-20	Corresponds to amendments to standards IFRS 9, IAS 39 and IFRS 7 as related to the benchmark interest rate reform project (known as the "IBOR reform"), in order to reduce the potential impact of changing benchmark interest rates on financial reporting, namely in hedge accounting.

Despite having been endorsed by the European Union, these amendments were not adopted by the Company in 2019, since their application is not yet mandatory. It is not believed that the future adoption of said amendments will entail significant impacts on financial statements.

(iii) **New, amended or revised standards and interpretations not adopted by the European Union**

The following accounting standards and interpretations were issued by the IASB and were not yet endorsed by the European Union:

Standard/Interpretation	Applicable in the European Union in the periods begun on or after	
IFRS 17 - Insurance Contracts	1-Jan-21	For insurance contracts within its scope of application, this standard sets forth the principles for their recognition, measurement, presentation, and disclosure. This standard replaces standard IFRS 4 - Insurance Contracts
Amendment to IFRS 3 – Business Combinations	1-Jan-20	Corresponds to amendments for outlining the business. The idea is to clarify identification of the acquisition of business or the acquisition of a group of assets. The revised outline further clarifies the definition of output of a business such as supplying goods or services to Receipts from customers. The amendments include examples for identifying acquisition of a business.

These standards have yet to be endorsed by the European Union. As such, they were not applied by the Company in the fiscal year ended 31 December 2019.

Regarding these standards and interpretations, as issued by the IASB but yet to be endorsed by the European Union, it is not believed that their future adoption will entail significant impacts on the attached financial statements.

22 ACCOUNTING POLICIES

The Company used the following main accounting policies when preparing its financial statements:

a) Intangible assets

Intangible assets are recorded at acquisition cost, net of depreciation and accumulated impairment losses. Intangible assets are recognised only if they are likely to result in future economic benefits for the Company, if they can be controlled by the Company, and if their value can be reasonably measured.

Research expenses incurred with new technical knowledge are acknowledged in the income statement when incurred.

Development expenses for which the Company is shown as being able to complete its development and begin its sell and/or use and relative to which the created asset is likely to generate future economic benefits, are capitalised. Development expenses that do not meet these criteria are recorded as cost in the period when incurred.

Internal expenses associated with software maintenance and development are recorded as costs in the income statement when incurred, except when said costs are directly associated with projects for which future economic benefits are likely to be generated for the Company. In such situations, costs are capitalised as intangible assets.

After the assets are available for use, amortisation are calculated using the straight-line method in accordance with the estimated useful life period (generally 3 to 5 years).

b) Property, plant and equipment

Property, plant and equipment acquired until 1 January 2009 (date of the transition to International Financial Reporting Standards, as adopted by the European Union) are recorded at "*deemed cost*", which corresponds to the acquisition cost or the revaluated acquisition cost in accordance with the accounting principles generally accepted in Portugal until that date, net of accumulated amortisation and impairment losses.

Property, plant and equipment acquired after that date are recorded at acquisition cost, net of the corresponding accumulated amortisation and impairment losses.

Depreciation is calculated using the straight-line method from the date the assets start being used, in accordance with the expected useful life of each group of assets.

Amortisation rates used correspond to the following estimated useful life periods:

	Years
Vehicles	4
Office equipment	3 to 10
Other tangible assets	4 to 10

Maintenance and repair expenses that do not increase the assets' useful life or result in significant upgrades or improvements to components of property, plant and equipment are recorded as an expense in the period when they are incurred.

Property, Plant and Equipment in progress represent fixed assets still under construction and are recorded at acquisition cost net of any impairment losses. These fixed assets are depreciated from the moment the underlying assets are ready to be used.

Gains or losses resulting from the sale or write-off of property, plant and equipment are determined as the difference between the sales price and the net book value on the disposal or write-off date. They are recorded in the income statement under 'Other income' or 'Other expenses'.

c) Provisions

Provisions are recognised when, and only when, the Company (i) has a present obligation (legal or implicit) obligation resulting from a past event, (ii) it is likely that, to resolve this obligation an outflow of resources occurs, and (iii) the obligation's amount might be reasonably estimated. Provisions are reviewed on the date of each statement of financial position and adjusted to reflect the best estimate on that date.

Provisions for restructuring costs are recognised whenever a formal and detailed restructuring plan exists and has been communicated to the parties involved.

When a provision is determined taking into consideration the cash flows required to settle such an obligation, it is recorded at its present value.

d) Investments in subsidiaries

Investments in equity holdings in subsidiaries are measured in accordance with "IAS 27 - Separate Financial Statements", at acquisition cost, net of any impairment losses.

Cofina conducts impairment tests to financial investments in subsidiaries whenever events or changes in the surrounding conditions indicate that the amount for which they are recorded in the separate financial statements might not be recoverable.

The impairment analysis is based on the evaluation of the financial investments, using the 'discounted cash-flow' method, based on the financial projections of cash-flow at six years of each, including the year of perpetuity starting from the fifth year, deducted from the fair value of the liabilities of the subsidiaries.

The Board of Directors believes that the methodology described above leads to reliable results on the existence of any impairment of the investments under analysis, as they take into consideration the best information available at the time of preparation of the financial statements.

Dividends received from these investments are recorded as investment income, when attributed. Dividends are recorded in the income statement under 'Results related to investments'.

e) Financial instruments

Financial assets and liabilities are recognised in the Company's balance sheet when it becomes part of the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at their fair value. Transaction costs directly attributable to the acquisition or issuance of financial assets and liabilities (other than financial assets or liabilities measured at fair value through income statement) are added to or deducted from the fair value of the financial asset or liability, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or liabilities recognised at fair value through profit or loss are recognised immediately in the income statement.

Financial assets

All purchases and sales of financial assets are recognised on the date of signature of the respective purchase and sale contracts, regardless of the date of their financial settlement. All recognised financial assets are subsequently measured at amortised cost or at their fair value, depending on the business model adopted by the Company and the characteristics of its contractual cash flows.

Initially, assets are classified and subsequently measured at amortised cost, at fair value through other comprehensive income, and at fair value through profit or loss.

The initial classification of financial assets depends on the contractual characteristics of the cash flows and the business model adopted by the Company to manage them. Except for Trade receivables that do not have a significant financial component and for which the Company adopts the practical expedient, the Company initially measures a financial asset at fair value plus transaction costs if an asset is not classified at fair value through profit or loss.

Trade receivables that do not have a significant financial component and for which the Company adopts the practical expedient are measured at the transaction price calculated in accordance with IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or at fair value through other comprehensive income, it must provide cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding. This assessment, known as the "cash flows that are solely payments of principal and interest" test, is performed for each financial instrument.

The business model established for managing financial assets concerns the way financial assets are managed by the Company with a view to obtaining cash flows. The business model can be designed to obtain contractual cash flows, to dispose of financial assets or both.

Classification of financial assets

(i) Financial assets measured at amortised cost (debt instruments and receivables)

Fixed income debt instruments and receivables that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held taking into account a business model whose objective is to preserve it in order to receive its contractual cash flows; and
- the contractual terms of the financial asset generate, on specific dates, cash flows that are solely payments of principal and interest on the amount of principal outstanding.

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating the corresponding interest during its life.

For financial assets that are not acquired or originated with impairment (i.e. assets impaired on initial recognition), the effective interest rate is the one that accurately discounts estimated future cash flows (including *fees* and commissions paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the expected life of the instrument in its gross carrying amount at the date of its initial recognition.

The amortised cost of a financial asset is the amount by which it is measured on initial recognition net of principal repayments plus the accumulated amortisation, using the effective interest rate method, of any difference between that initial amount and the amount of its repayment, adjusted for any impairment losses.

Interest-related revenue is recognised in the income statement under the line item 'Financial income', using the effective interest rate method, for financial assets subsequently recorded at amortised cost or at fair value through the income statement. Interest revenue is calculated by applying the effective interest rate to the financial asset's gross carrying amount.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recorded in the income account when the asset is derecognised, modified or becomes impaired.

(ii) Financial assets at fair value through other comprehensive income (debt instruments)

Debt instruments and receivables that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held taking into account a business model whose objective provides for both receiving its contractual cash flows and its disposal; and

- the contractual terms of the financial asset generate, on specific dates, cash flows that are solely payments of principal and interest on the amount of principal outstanding.

In the case of debt instruments measured at fair value through other comprehensive income, the interest income, exchange rate differences and impairment losses and reversals are recorded in the income account and calculated in the same way as financial assets measured at amortised cost. The remaining changes in fair value are recorded in other comprehensive income.

Upon derecognition, changes in fair value accumulated under other comprehensive income are transferred (recycled) to profit or loss.

There were no financial instruments in these conditions as at 31 December 2019 and 2018.

(iii) Financial assets at fair value through other comprehensive income (capital instruments)

In the initial recognition, the Company can make an irrevocable choice (on a financial instrument by financial instrument basis) to state certain investments under equity instruments (shares) at fair value through other comprehensive income when these fulfil the definition of capital provided for under IAS 32 Financial Instruments: Presentation and not held for trading. Classification is determined on an instrument-by-instrument basis.

The fair-value designation through other comprehensive income is not permitted if the investment is held for trading purposes or when resulting from a contingent consideration recognised as part of a business combination.

A capital instrument is held for trading if:

- it is acquired primarily for the purpose of short-term disposal;
- in the initial recognition, it is part of a portfolio of identified financial instruments that the Company jointly manages and which shows an actual recent pattern of obtaining short-term gains; or
- if it is a derivative financial instrument (except if attributed to a hedging transaction).

Investments in equity instruments recognised at fair value through other comprehensive income are initially measured at their fair value plus transaction expenses. Subsequently, they are measured at their fair value with gains and losses arising from their change, as recognised under other comprehensive income. At the time of its disposal, the accumulated gain or loss generated with these financial instruments is not reclassified to the income statement, but, rather, merely transferred to the line item “Retained Earnings.”

Dividends associated with investments in equity instruments recognised at fair value through other comprehensive income are recognised in the income account when they are attributed/resolved on unless they clearly represent a recovery of part of the investment cost. Dividends are recorded in the income account under "Financial income".

In the first application of IFRS 9, the Company designated investments in equity instruments that were not held for trading as valued at fair value through profit or loss.

(iv) Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for being measured at amortised cost or at fair value through other comprehensive income are measured at fair value through the income statement. These financial assets include financial assets held for trading, financial assets designated at the time of initial recognition as measured at fair value through profit or loss, or financial assets that are mandatorily measured at fair value.

Financial assets recorded at fair value through profit or loss are measured at fair value obtained at the end of each reporting period. The corresponding gains or losses are recognised in the income statement, except if they are part of a hedging relationship.

<u>Financial assets impairment</u>

The Company recognises an adjustment for expected credit losses for all debt instruments not measured at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due and all cash flows that the Company expects to receive, discounted at a rate close to that of the original effective interest rate. The expected cash flows include cash flows from the disposal of collateral held or any other credit guarantees that are an integral part of the contractual terms and conditions.

Expected cash losses are recognised in two stages: (i) for situations where there has not been a significant increase in credit risk since initial recognition, expected credit losses are those that could result from default events that may occur within the subsequent 12 months; (ii) for situations where there has been a significant increase in credit risk since initial recognition, an impairment loss is calculated for all expected credit losses throughout the asset's life, regardless of when default occurred.

For trade receivables and assets associated with contracts with customers, the Company applies a simplified approach when calculating expected credit losses.

The Company therefore does not monitor changes to credit risk, but instead recognises the impairment loss based on the expected credit loss throughout the asset's life, at each reporting date. The Company has established an impairment matrix based on the credits previously lost, adjusted for specific forward-looking factors specific to debtors and the economic environment.

The Company considers a financial asset to be in default when it is more than 180 days past due. In certain cases, the Company may also consider that a financial asset is in default when internal and external information indicates the Company is unlikely to receive the full amount it is owed without having to call its guarantees. A financial asset is derecognised when there is no reasonable expectation of recovering contractual cash flows.

Derecognition of financial assets

A financial asset (or, where applicable, a part of the financial asset or of a group of financial assets) is derecognised (i.e., removed from the Statement of Financial Position) when:

- The contractual rights to receive cash flows resulting from the financial asset expire; or
- The Company transferred its contractual rights to receive cash flows resulting from the financial asset or undertook an obligation to pay the cash flows received in full within a short period under an agreement in which the Company i) has no obligation to pay any amounts to final recipients unless it receives equivalent amounts resulting from the original asset; ii) is prohibited by the terms of the transfer agreement to sell or pledge the original asset other than as a guarantee to the final recipients due to the obligation to pay them cash flows; and iii) the Company has an obligation to remit any cash flow it receives on behalf of the final recipients without significant delays; and
- The Company substantially transferred all of the asset's risks and benefits, or the Company did not substantially transfer or retain all the assets and benefits of the asset, but has transferred control over the asset.

When the Company transfers its rights to receive cash flows from an asset or is party to an agreement that may allow derecognition, it assesses whether, and to what extent, the risks and benefits associated with the ownership of the asset have been retained.

When substantially every risk and benefit arising from ownership of an asset is neither transferred nor retained, or control over the asset has not been transferred, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In this case, the Company also recognises the corresponding liability. The transferred asset and the corresponding liability are measured on a basis that reflects the rights and obligations retained by the Company.

If the Company's continuing involvement takes the form of a guarantee on the transferred asset, the measure of continuing involvement is the lowest between the asset's original book value and the maximum amount of consideration received that the Company might pay.

Subsequently, customer balances represented by discounted bills but not due and receivables transferred in factoring at the date of each statement of financial position, except for "factoring without recourse" transactions (and for which the risks and benefits inherent to these receivables are unequivocally transferred), are recognised in the Company's financial statements up to the time they are received.

(v) Financial liabilities and equity instruments

Classification as financial liability or as an equity instrument

Financial liabilities and equity instruments are classified as a liability or as equity according to the transaction's contractual substance.

Equity

The Company considered equity instruments to be those where the transaction's contractual support shows that the Company holds a residual interest in a set of assets after deducting a set of liabilities.

The equity instruments issued by the Company are recognised at the amount received, net of costs directly attributable to their issue.

The repurchase of equity instruments issued by the Company (own shares) is accounted for at its acquisition cost as a deduction from equity. Gains or losses inherent to disposal of own shares are recorded under the line item 'Other reserves.'

Financial liabilities

After initial recognition, every financial liability is subsequently measured at amortised cost or at fair value through income statement.

Financial liabilities are recorded at fair value through profit or loss when:

- the financial liability results from a contingent consideration arising from a business combination;
- when the liability is held for trading; or
- when the liability is designated to be recorded at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it is acquired primarily for the purpose of short-term disposal; or
- in the initial recognition, it is part of a portfolio of identified financial instruments that the Company jointly manages and which shows an actual recent pattern of obtaining short-term gains; or
- if it is a derivative financial instrument (except if attributed to a hedging transaction).

Financial liabilities recorded at fair value through income statement are measured at their fair value with the corresponding gains or losses arising from their change, as recognised in the income statement, except if assigned to hedging transactions.

Financial liabilities subsequently measured at amortised cost

Financial liabilities not designated for recording at fair value through income statement are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating the corresponding interest during its life.

The effective interest rate is the one that accurately discounts estimated future cash flows (including fees and commissions paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the expected life of the instrument in its gross carrying amount at the date of its initial recognition.

Types of financial liabilities

Loans in the form of commercial paper issues are classified as non-current liabilities when they are guaranteed to be placed for at least one year, and the Company's Board of Directors intends to use this source of funding also for at least one year.

Following their initial recognition, loans are subsequently measured at amortised cost using the effective interest method. Gains and losses are recorded in the income account when liabilities are derecognised and through amortisation resulting from the effective interest method. The amortised cost is calculated taking into account any acquisition discount or premium and the fees and other costs that are an integral part of the effective interest rate. The effect of effective interest is recorded under financial costs in the income account.

The other financial liabilities basically refer to factoring transactions and lease liabilities, which are initially recorded at their fair value. Following their initial recognition, these financial liabilities are measured at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are settled, cancelled or have expired.

The difference between the derecognised financial liability's carrying amount and the consideration paid or payable is recognised in the income statement.

When the Company and a given creditor exchange a debt instrument for another containing substantially different terms, said exchange is accounted for as an extinction of the original financial liability and the recognition of a new financial liability.
Likewise, the Company accounts for substantial modifications to the terms of an existing liability, or to a part thereof, as an extinction of the original financial liability and the recognition of a new financial liability.

If the modification is not substantial, the difference between: (i) the liability's carrying amount prior to modification; and (ii) the present value of future cash flows after modification is recognised in the income statement as a modification gain or loss.

Derivatives instruments

When deemed necessary, the Company uses derivatives, such as forward exchange contracts and currency *swap* contracts, to hedge risk and interest, respectively.

Such derivatives are initially recorded at fair value at the date they are contracted and are subsequently measured at fair value. Changes in the fair value of these instruments are recorded in equity under "Hedging reserves" and then recognised in the income account over the same period in which the hedged instrument affects profit or loss.

Derivatives are presented in assets when their fair value is positive, and in liabilities when their fair value is negative.

In terms of hedge accounting, hedges are classified as:

- Fair value hedge, when the purpose is to hedge exposure to changes in the fair value of a recorded asset or liability or an unrecorded Company commitment.
- Cash flow hedge, when the purpose is to hedge exposure to cash flow variability arising from a specific risk associated with a recorded asset or liability, in whole or in part, or a highly probable transaction or the foreign exchange risk associated with an unrecorded Company commitment.

At the beginning of the hedging relationship, the Company formally designates and documents the hedging relationship for which it intends to apply hedge accounting, as well as the managerial and strategic purpose of that hedge.

These documents include the identification of the hedging instrument, the hedged item or transaction, the nature of the risk to be hedged, and how the Company assesses whether the hedging relationship complies with the hedge accounting requirements (including an analysis of the sources of hedging ineffectiveness and how it determines the hedge rate). The hedging relationship is eligible for hedge accounting if it meets all of the following hedge effectiveness requirements:

(i) There is an economic relationship between the hedged item and the hedging instrument;
(ii) The credit risk effect does not dominate the changes in value that result from this economic relationship; and
(iii) The hedge ratio of the hedging relationship is the same as that resulting from the portion of the hedged item that an entity is actually hedging and the portion of the hedging instrument that the entity actually uses to hedge that portion of the hedged item.

Hedging relationships that meet the above eligibility criteria are accounted for as follows:

<u>Fair value hedge</u>

The change in the fair value of the hedging instrument is recorded in the income account. The change in the fair value of the hedged item attributable to the hedged risk is recorded as part of the book value of the hedged item and is also recorded in the income account.

To hedge the fair value of items measured at amortised cost, any adjustment to the book value is amortised in the income account over the remaining hedging period using the effective interest method. Amortisation using the effective interest method starts when there is an adjustment and never after the moment when the hedged item ceases to be adjusted by changes in fair value attributable to the risk that is being hedged.

If the hedged item is derecognised, the fair value to be amortised is immediately recorded in the income account.

When an unrecorded commitment is designated as a hedged item, subsequent accumulated changes in the fair value of the Company's commitment attributable to the hedged risk are recognised as an asset or liability and the corresponding gain or loss is recorded in the income account.

<u>Cash flow hedge</u>

The effective portion of the gain or loss on the hedging instrument is recognised as other comprehensive income in the cash flow hedge reserve, while the ineffective portion is recognised immediately in the income account. The cash flow hedge reserve is adjusted to the lower of the values between the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item.

The Company uses forward exchange contracts to hedge exposure to foreign exchange risk in expected transactions and commitments undertaken. The ineffective portion related to exchange contracts is recognised in the income account.

The Company designates only the sight element of *forward* contracts as a hedging instrument. The *forward* element is recognised under other comprehensive income and accumulated in a separate equity component.

Cumulative amounts under other comprehensive income are accounted for based on the nature of the corresponding hedging relationship. If the hedging relationship subsequently results in the registration of a non-financial item, the cumulative amount is removed from the separate equity component and included in the initial cost or book value of the hedged asset or liability. This is not a reclassification adjustment and should not be recorded under other comprehensive income for the period. This also applies when an expected transaction covered by a non-financial asset or a non-financial liability becomes a Company commitment subject to hedge accounting.

For all other cash flow hedges, the cumulative amount under other comprehensive income is reclassified to the income account as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the income account.

If the cash flow hedge accounting is interrupted, the cumulative amount under other comprehensive income shall remain if hedged future cash flows are still expected to occur. Otherwise, the cumulative amount is immediately reclassified to the income account as a reclassification adjustment. After the interruption, as soon as the hedged cash flows occur, any cumulative amounts remaining under other comprehensive income should be accounted for in accordance with the nature of the underlying transaction as described above.

During the 2019 and 2018 periods, no derivative financial instruments were contracted to hedge interest rate or exchange rate risks.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the corresponding net amount is shown under the balance sheet if there is a present right of mandatory fulfilment to offset the recognised amounts and with the intention of either settling on a net basis or realising the asset and simultaneously settling the liability.

f) Cash and cash equivalents

The amounts included under "Cash and cash equivalents" correspond to cash on hand, bank deposits, term deposits and other cash investments, maturing in less than three months and which can be immediately available without significant risk of change in value.

In the statement of cash flows, "Cash and cash equivalents" also comprises bank overdrafts included under the current liability item "Bank loans".

g) Statement of cash flows

The statement of cash flows is prepared according to IAS 7, using the direct method.

The statement of cash flows is categorised under operating activities (which include Receipts from customers, Payments to suppliers, Payments to personnel and other items related to operating activities), financing activities (which include cash receipts and payments related to loans, leasing contracts and dividend payments) and investment activities (which include the acquisition and disposal of investments in subsidiaries and cash receipts and payments resulting from the purchase and sale of property, plant and equipment).

h) Contingent assets and liabilities

Contingent liabilities are defined by the Company as (i) possible obligations arising from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not under full control of the Company, or (ii) present obligations arising from past events but that are not recognised because it is unlikely that a cash flow affecting economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the Company's financial statements and are actually disclosed unless the possibility of a cash outflow affecting future economic benefits is remote, in which case they are not disclosed at all.

Contingent assets are possible assets that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not fully under the control of the Company.

Contingent assets are not recognised in the Company's financial statements, being disclosed only when future economic benefits are likely to occur.

i) Income tax

Income tax for the period ended is calculated based on the taxable results of the Company in accordance with the tax regulations in force and considers deferred taxation.

The Company is taxed under the Special Regime for Group Taxation, according to article 69 of the Corporate Income Tax Code, being the dominant company in the Tax Group.

Deferred taxes are calculated using the statement of financial position liability method and reflect the temporary differences between the amount of assets and liabilities for accounting reporting purposes and the respective amounts for tax purposes. Deferred tax assets and liabilities are calculated and annually assessed using the tax rates in force or announced as coming into force at the expected date of reversal of temporary differences.

Deferred tax assets are recognised only when there are reasonable expectations of sufficient future tax profits for their use, or in situations where there are taxable temporary differences that offset the temporary differences deductible in the period of their reversal. At the end of each period a review is made of these deferred taxes, which are reduced whenever their future use is no longer likely.

Deferred taxes are not recognised in respect to temporary differences associated with investments in subsidiaries and associated companies, since the following conditions are simultaneously considered to be met:

- The Company is able to control the timing of the temporary reversal; and
- It is likely that the temporary differences will not be reversed in the foreseeable future.

Deferred taxes are recorded as expenses or income for the period ended, except if they result from amounts recorded directly in equity, in which case the deferred tax is also recorded under the same line item.

j) Revenue

Cofina recognises revenue in accordance with IFRS 15, which sets forth that an entity recognises revenue in order to reflect the transfer of goods and services contracted by customers, in the retribution amount to which the entity expects to be entitled to receive as consideration for delivery of said goods or services, based on the 5-step model below:

- contract identification with a client;
- performance obligation identification;
- pricing of the transaction;
- allocation of the transaction price to performance obligation; and
- recognition of revenue when or as the entity meets a performance obligation.

Cofina's revenue as at 31 December 2019 and 2019 refers to corporate services rendered to other Group companies.

Revenue is recognised net of bonuses, discounts and taxes (e.g.: trade discounts), and refers to the consideration received or receivable for services provided in line with the type of business identified.

Revenue is recognised in the amount of the performance obligation fulfilled. The transaction price is a fixed component.

The Company considers the facts and circumstances when analysing the terms of each contract with clients, applying the requirements that determine the recognition and measurement of revenue in a harmonised way, when dealing with contracts with similar characteristics and circumstances.

k) Accrual accounting basis

The remaining income and expenses are recorded on an accrual basis, whereby they are recognised as they are generated regardless of when they are received or paid. The differences between the amounts received and paid and the corresponding income and expenses generated are recorded under the line items 'Other current assets', 'Other current liabilities', 'Other non-current assets', and 'Other non-current liabilities.'

l) Subsequent events

The events occurring after the statement of financial position providing additional evidence or information regarding conditions that existed on the date of the statement of financial position (adjusting events) are reflected in the Company's financial statement. Events after the date of the statement of financial position that are indicative of the conditions that arose after the date of the statement of financial position (non-adjusting events), when material, are disclosed in the Notes to the financial statements.

23 JUDGEMENTS AND ESTIMATES

In preparing the financial statements, in accordance with the accounting standards in force (Note 2.1), the Company's Board of Directors adopted certain assumptions and estimates affecting assets and liabilities, as well as income and expenses incurred in relation to the reported periods. All of the estimates and assumptions by the Board of Directors were made based on the best information available, on the date of approval of financial statements, events and ongoing transactions.

The main value judgements and most significant estimates conducted and used in preparing financial statements include:

- Impairment tests of financial investments
  Impairment analyses require determining fair value and / or the use value of the assets in question (or of some cash-generating units). This process calls for a high number of relevant judgements, namely estimating future cash flows associated with assets or with the corresponding cash-generating units, and determining an appropriate discount rate for obtaining the present value of the aforementioned cash flows. In this regard, the Company once again established the requirement calling for use of the maximum possible amount of observable market data. It further established calculation monitoring mechanisms based on the critical challenge of reasonability of assumptions used, their coherence and consistency (in similar situations).

24 FINANCIAL RISK MANAGEMENT

The Company is basically exposed to (a) market risk, (b) credit risk, and (c) liquidity risk. The main purpose of risk management is to reduce these risks to a level considered acceptable.

The general principles of risk management are approved by the Board of Directors, and their implementation and monitoring are overseen by the administrators and directors.

(i) Market risk

Interest rate risk is of particular importance in market risk management.

a. Interest rate

Interest rate risk is essentially related to the Company's debt indexed to variable interest rates, which could expose the cost of debt to a volatility risk.

When deemed relevant, the Company uses derivatives or similar transactions to hedge significant interest rate risks. Three principles are used in selecting and determining interest rate hedging instruments:

- For each derivative or hedging instrument used to protect against the risk associated with a particular credit facility, the dates of interest paid on loans to be hedged and the settlement dates of the instruments under hedging match;

- Perfect correspondence between the basic rates: the indexing used for the derivative or hedging instrument should be the same as that which applies to the credit facility/transaction being hedged; and

(Amounts expressed in euro)

- Since the start of the transaction, the maximum cost of debt, resulting from the hedging transaction performed, is known and limited, even in scenarios of extreme changes in market interest rates, such that the resulting interest rates are within the cost of the funds considered in the Company's business plan.

Since Cofina's overall indebtedness is indexed to variable rates, interest rate *swaps* are used, when such is deemed necessary, as a way to protect against future cash flow changes associated with interest payments. The economic effect of the agreed interest rate *swaps* consists of taking the corresponding loans associated with variable rates and converting them to fixed rates. Under interest rate swap contracts, the Company agrees with third parties (Banks) on the exchange, in pre-set time periods, of the difference between the amount of interest calculated at the agreed fixed rate and at the variable rate of the reset time, with reference to the corresponding notional amounts agreed upon.

The hedging instrument counterparties are limited to credit institutions of high credit quality. It is the Company's policy to favour putting these instruments under contract with banking entities that are part of its financing operations. For the purpose of determining the counterparty in one-off transactions, Cofina asks a representative number of banks to submit proposals and indicative prices so as to ensure adequate competitiveness for these transactions.

In determining the fair value of hedging transactions, Cofina uses certain methods, such as option assessment models and future cash flow updating models, while using certain assumptions based on the conditions of prevailing market interest rates at the date of the statement of financial position. Comparative quotes from financial institutions, for specific or similar instruments, are used as an assessment benchmark.

The Board of Directors approves the terms and conditions of financing deemed material for the Company. As such, it examines the debt structure, the inherent risks and the different options available in the market, namely regarding the type of interest rate (fixed/variable).

During the 2019 and 2018 period, no derivatives were contracted to hedge interest rate or foreign exchange rate risks.

In the period ended 31 December 2019 and 2018, the Company's sensitivity to changes in the interest rate benchmark of approximately one percentage point, measured as the change in financial results, are detailed as follows:

	31.12.2019	31.12.2018
Interest expenses and banking commissions (Note 19)	1,664,112	1,761,731
A 1 p.p. decrease in the interest rate applied to the entire debt	(520,000)	(461,667)
A 1 p.p. increase in the interest rate applied to the entire debt	520,000	461,667

The sensitivity analysis above was calculated based on the exposure to the existing interest rate on the date ending each period. This analysis' basic assumption was that the financing structure (remunerated assets and liabilities) remained stable throughout the year and similar to that shown at the end of every period, with the rest remaining constant.

(ii) <u>Liquidity Risk</u>

The main objective of the liquidity risk management policy is to ensure that the Company has the capacity to liquidate or meet its responsibilities and to pursue the strategies outlined in compliance with all its commitments to third parties within the stipulated time frame.

The Company defines as an active policy (i) to maintain a sufficient level of free and immediately available resources to meet the necessary payments on maturity, (ii) to limit the probability of default on the repayment of all its investments and loans by negotiating the extent of the contractual clauses, and (iii) to minimise the opportunity cost of holding excess liquidity in the short term.

It also seeks to make the due dates of assets and liabilities compatible, through a streamlined management of their maturities.

As at 31 December 2019, the Company had commercial paper programmes with guaranteed subscription classified as a current liability. However, the maturity of most of the contracts underlying the programmes extends beyond 31 December 2020 and, as such, the Company may renew the subscriptions, as it has done in recent years. Exception made only to a programme of EUR 7 million, which matures on 30 April 2020 and is currently being renewed.

3. CHANGES IN ACCOUNTING POLICIES AND ERROR CORRECTION

Regarding new standards, interpretations, amendments and revisions to IFRS, see Note 2.1.

During the period ended, there were no voluntary changes in accounting policies. Likewise, no material errors were recognised in relation to previous periods.

4. PROPERTY, PLANT AND EQUIPMENT

During the period ended 31 December 2019 and 2018, the movement occurred in the value of property, plant and equipment, as well as in the corresponding amortisation and accumulated impairment losses, was detailed as follows:

(Amounts expressed in euro)

2019 – Asset gross value	Vehicles	Office equipment	Other tangible assets	Total
Opening balance	39,500	202,292	50,394	292,186
Disposals	-	-	-	-
Closing balance	39,500	202,292	50,394	292,186

2019 – Accumulated depreciation and impairment losses	Vehicles	Office equipment	Other tangible assets	Total
Opening balance	39,500	201,950	50,155	291,605
Additions Disposals	-	342	239	581
	-	-	-	-
Closing balance	39,500	202,292	50,394	292,186
	-	-	-	-

2018 – Asset gross value	Vehicles	Office equipment	Other tangible, assets	Total
Opening balance	54,748	202,292	50,394	307,434
Additions	(15,248)	-	-	(15,248)
Closing balance	39,500	202,292	50,394	292,186

2018 – Accumulated depreciation and impairment losses	Vehicles	Office equipment	Other tangible assets	Total
Opening balance	53,795	200,264	50,155	304,214
Additions	953	1,686	-	2,639
Disposals	(15,248)	-	-	(15,248)
Closing balance	39,500	201,950	50,155	291,605
	-	342	239	581

(Amounts expressed in euro)

5. INTANGIBLE ASSETS

During the period ended 31 December 2019 and 2018, there were no changes in the value of intangible assets, nor in the corresponding accumulated amortisation and impairment losses.

6. INVESTMENTS IN SUBSIDIARIES AND OTHER INVESTMENTS

6.1 Investments in subsidiaries

"Investments in subsidiaries" and the main financial indicators as at 31 December 2019 and 2018 are detailed as follows:

31 December 2019

Description	%	Acquisition cost	Impairment losses	Balance Sheet Amount	Total assets	Total Equity	Total revenue (a)	Net profit/(loss) for the year
Cofina Media, S.A. ("Cofina Media")	100%	222,091,213	79,769,260	142,321,953	117,408,698	76,462,399	86,709,543	8,543,913
		222,091,213	79,769,260	142,321,953				

31 December 2018

Description	%	Acquisition cost	Impairment losses	Balance Sheet Amount	Total assets	Total Equity	Total revenue (a)	Net profit/(loss) for the year
Cofina Media, S.A. ("Cofina Media")	100%	222,091,213	78,289,260	143,801,953	107,955,859	76,332,596	87,795,685	7,088,958
		222,091,213	78,289,260	143,801,953				

(a) Total income = sales, services rendered and other income

In the 2019 and 2018 period, the methods and assumptions used in the impairment analysis of investments in subsidiaries (Cofina Media), which the Board of Directors deemed appropriate in the current climate, are detailed as follows:

	31.12.2019	31.12.2018
Method used	Free cash flow Discounted cash flow	Free cash flow Discounted cash flow
Basis used	Business plan	Business plan
Explicit forecast period	5 years	5 years
Weighted average cost of capital		
Portugal	7.04%	6.20%
Perpetuity growth rate		
Portugal	2.00%	2.00%

Cofina Media, S.A. was assessed using discounted *cash flow* methods and based on five-year *business plans*, taking into account a perpetuity from the fifth year, prepared by those who manage the subsidiary and duly approved by the Board of Directors.

Financial projections are prepared based on the assumptions made of the development of the subsidiary's business activity (and its respective cash-generating units), which the Board of Directors believes are consistent with historical data and market trends, are reasonable and prudent, and reflect their outlook. When possible, market data from external entities were also taken into account, which were compared with the Company's historical data and experience.

The operating assumptions used generally follow those used for goodwill impairment tests, which are disclosed in the financial statements.

As disclosed in Note 2.3, the relevant assumption relates to determining the discount rate.
The discount rate used reflects the Cofina Group's level of indebtedness and cost of debt capital, as well as the level of risk and profitability expected by the market. In determining the discount rate, it is also important to note that the interest rate for Portuguese 10-year bonds is used as a reference for the component relating to the interest rate of a risk-free asset. The discount rates used also include a market premium risk.

Inflation and perpetuity growth rates are estimated based on an analysis of the market potential of each cash-generating unit and on the Company's expectations for price and business development.

The assumptions were quantified based on historical data and the Board's experience. However, unforeseeable political, economic or legal phenomena may impact these assumptions.

As a result of the impairment analysis carried out, based on the aforementioned assumptions and methods and taking into account the amount of dividends paid out by the subsidiary in the period ended 31 December 2019 and 2018, during said years Cofina recognised impairment losses in the amount of EUR 1,480,000 and EUR 4,000,000 (Note 16), respectively, related to its investment in Cofina Media.

The Board of Directors believes that the effect of possible deviations that may occur in the main assumptions underlying the recoverable amount of its investment will not, in all material aspects, lead to additional impairment on investments.

62 Other investments

As at 31 December 2019 and 2018, the Company had other financial investments corresponding to a minority interest in unlisted companies for which impairment losses were recorded at said dates in the amount of EUR 510. As at 31 December 2019 and 2018, the total amount of financial investments for which impairment losses were recorded amounted to EUR 156,400 (Note 16).

As at 31 December 2019, "Other investments" also includes a guarantee in the amount of EUR 10 million relating to a purchase and sale contract entered into on 20 September 2019 with Promotora de Informaciones, S.A. for acquisition of 100% of the share capital and voting rights of Vertix, SGPS, S.A. and, indirectly, of 94.69% of the share capital and voting rights of Grupo Media Capital, SGPS, S.A. (Note 24.1). This escrow account is managed by a financial institution.

7. CURRENT AND DEFERRED TAXES

The Company pays Corporate Tax (IRC) at a rate of 21%, plus a surtax of 1.5% on taxable profit. Cofina SGPS, S.A. is a controlling company under the Special Group Taxation Arrangement. Each of the companies encompassed by this arrangement records income tax in its separate financial statements under "Group Companies". Where subsidiaries contribute with losses, the tax amount corresponding to losses that will be offset by the profits of the other companies under this arrangement is recorded in the separate accounts.

According to current legislation, tax returns are subject to review and correction by the tax authorities during a period of four years (five years for Social Security), except when there have been tax losses, tax benefits granted, or when inspections, complaints or challenges are in progress, in which cases, depending on the circumstances, the deadlines are extended or suspended. Thus, the Company's tax returns since 2016 may still be subject to review.

The Company's Board of Directors considers that any corrections resulting from reviews/inspections by the tax authorities to those tax returns will not have a material effect on the financial statements as of 31 December 2019 and 2018.

Deferred taxes

As at 31 December 2019 and 2018, there are no situations where deferred tax liabilities are generated.

As at 31 December 2019 and 2018, and according to the Company's tax returns, no tax losses were carried forward.

(Amounts expressed in euro)

Current taxes

Income tax recognised in the income statement for the period ended 31 December 2019 and 2018 are detailed as follows:

	31.12.2019	31.12.2018
Current tax:		
Tax estimate for the year	(57,905)	(442,252)
Over/(under) tax estimate	-	396,724
	(57,905)	(45,528)

Reconciliation of pre-tax profit/(loss) with income tax is detailed as follows:

	31.12.2019	31.12.2018
Profit/(loss) before income tax	4,241,624	1,920,975
Tax rate	21.00%	21.00%
	890,741	403,405
Dividends received	(1,484,497)	(1,687,465)
Provisions and adjustments that cannot be deducted or exceeding legal limits	378,057	840,000
Over/(under) tax estimate	-	396,724
Autonomous taxation	1,500	2,500
Other effects	156,294	(692)
Income tax	(57,905)	(45,528)

8. CLASSES OF FINANCIAL INSTRUMENTS

In accordance with the accounting policies described under Note 2.2.h), financial instruments were detailed as follows:

Financial assets

31 December 2019	Financial assets recorded at amortised cost	Total
Current assets		
Trade receivables	1,094,700	1,094,700
Other debts from third parties	339,965	339,965
Other current assets	159	159
Cash and cash equivalents	2,149,294	2,149,294
	3,584,118	3,584,118

31 December 2018	Financial assets recorded at amortised cost	Total
Current assets		
Other debts from third parties	297,867	297,867
Other current assets	3,190	3,190
Cash and cash equivalents	861,890	861,890
	1,162,947	1,162,947

(Amounts expressed in euro)

Financial liabilities

31 December 2019	Financial liabilities recorded at amortised cost	Sub-total
Current liabilities		
Other loans	52,074,237	52,074,237
Trade payables	42,214	42,214
Other debts to third parties	7,788,225	7,788,225
Other current liabilities	390,528	390,528
	60,295,204	60,295,204

31 December 2018	Financial liabilities recorded at amortised cost	Sub-total
Current liabilities		
Other loans	46,120,428	46,120,428
Trade payables	2,851	2,851
Other debts to third parties	5,687,199	5,687,199
Other current liabilities	33,143	33,143
	51,843,621	51,843,621

9. STATE AND OTHER PUBLIC ENTITIES

As at December 2019 and 2018 these assets and liabilities were detailed as follows:

	31.12.2019	31.12.2018
Credit balances:		
Income tax	156,326	2,079,371
Total income tax	156,326	2,079,371
VAT - Value Added Tax	23,887	-
Personal income tax	2,911	3,493
Social security contributions	3,258	4,040
Other	3,638	3,638
Total other taxes (Note 14)	33,694	11,171

10. OTHER DEBTS FROM THIRD PARTIES

"Other debts from third parties" as at 31 December 2019 and 2018 is detailed as follows:

	31.12.2019	31.12.2018
Group Companies (Note 20)	339,965	297,867
	339,965	297,867

11. CASH AND CASH EQUIVALENTS

"Cash and cash equivalents" as at 31 December 2019 and 2018 is detailed as follows:

	31.12.2019	31.12.2018
Cash	486	193
Bank deposits	2,148,808	861,697
	2,149,294	861,890

(Amounts expressed in euro)

12. SHARE CAPITAL AND RESERVES

Share capital

As at December 2019, the Company's share capital was fully subscribed and paid up and consisted of 102,565,836 nominatives shares with no par value. At said date, Cofina, SGPS, S.A. and its subsidiaries did not hold own shares.

Share premiums

Share premiums correspond to amounts received from issuance or increases in capital. 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

Portuguese commercial legislation establishes that at least 5% of the annual net profit must be allocated to the 'legal reserve' until it represents at least 20% of the share capital. This reserve is not distributable, except in the event of liquidation of the Company, but may be used to absorb losses, after all other reserves have been exhausted, and for incorporation into capital.

With regard to the 2018 period ended, in its annual report, which was approved by the Shareholders' General Meeting on 28 May 2019, the Board of Directors proposed that Cofina, SGPS, S.A.'s individual net profit, in the amount of EUR 1,966,504.21 be transferred to Legal Reserves.

With regard to the 2017 period ended, in its annual report, which was approved by the Shareholders' General Meeting on 04 May 2018, the Board of Directors proposed that Cofina, SGPS, S.A.'s individual net profit, in the amount of EUR 2,818,954.40 be transferred to Legal Reserves.

Other reserves

As at 31 December 2019 and 2018, "Other reserves" corresponds to retained earnings from the Company's previous periods.

13. BANK LOANS AND OTHER LOANS

As at December 2019 and 2018, the detail of 'Other loans' was detailed as follows:

	31.12.2019				31.12.2018			
	Book value		Nominal value		Book value		Nominal value	
	Current	Non-current	Current	Non- current	Current	Non- current	Current	Non-current
Bond loan	-	-	-	-	16,617,753	-	16,666,667	-
Commercial paper	52,074,236	-	52,000,000	-	29,502,675	-	29,500,000	-
	52,074,236	-	52,000,000	-	46,120,428	-	46,166,667	-

Bond loans

As at December 2019, the loan entitled "Cofina SGPS Bonds - 2013/2019" issued by Cofina SGPS, S.A. had been paid in full, the nominal value of which amounted to EUR 16,666,667.00.

Commercial paper

"Commercial paper" corresponds to six commercial paper programmes with guaranteed subscription by the issuing banks, up to a maximum amount of EUR 15,000,000 (two programmes), EUR 7,000,000 and EUR 5,000,000 (three programmes), and which bear interest at market rates. These programmes mature in September 2021, July 2022, April 2020, November 2021, September 2022 and September 2024, respectively. As at 31 December 2019, the Company had commercial paper programmes with guaranteed subscription classified as a current liability. However, the maturity of most of the contracts underlying the programmes extends beyond 31 December 2020 and, as such, the Company may renew the subscriptions, as it has done in recent years. Exception made only to a programme of EUR 7 million, which matures on 30 April 2020 and is currently being renewed.

(Amounts expressed in euro)

During the period ended 31 December 2019, interest on these loans was paid at rates indexed to the Euribor, plus spreads ranging between 0.825% and 1.5%, based on the type and maturity thereof.

Credit facilities used by the Company and the maximum authorised amounts thereof as at 31 December 2019 are detailed as follows:

		31.12.2019		
Type	Maturity	Amount authorised	Amount used	Amount available
Cash pooling/Overdraft	n/a	3,000,000	-	3,000,000
Current account facility	n/a	200,000	-	200,000
Commercial paper	07/07/2022	15,000,000	15,000,000	-
Commercial paper	30/09/2021	15,000,000	15,000,000	-
Commercial paper	12/09/2024	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	-
		55,200,000	52,000,000	3,200,000

		31.12.2018		
Type	Maturity	Amount authorised	Amount used	Amount available
Cash pooling/Overdraft	n/a	3,000,000	-	3,000,000
Current account facility	n/a	200,000	-	200,000
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	-
		71,866,667	46,166,667	25,700,000

Reconciliation of the change in gross debt with cash flows as at 31 December 2019 is detailed as follows:

	31.12.2019	31.12.2018
Balance as at 1 January	46,120,428	52,672,116
Payment of loans obtained	(96,166,667)	(56,666,667)
Receipts of loans obtained	101,973,097	50,000,000
Changes of loan issuance expenses	147,378	114,979
Changes in debt	5,953,808	(6,551,688)
Balance as at 31 December	52,074,236	46,120,428

14. OTHER DEBTS FROM THIRD PARTIES

In the period ended December 31, 2019 and 2018 the line item 'Other debts from third parties' was detailed as follows:

(Amounts expressed in euro)

	31.12.2019	31.12.2018
Amounts payable to the State and other public entities (Note 9)	33,694	11,171
Group companies (Note 20)	7,788,225	5,687,199
	7,821,919	5,698,370

15. OTHER CURRENT LIABILITIES

As at December 2019 and 2018, the line item 'Other current liabilities' is detailed as follows:

	31.12.2019	31.12.2018
Accrued expenses:		
Remunerations to be settled	36,684	33,143
Other accrued expenses	353,844	-
	390,528	33,143

16. PROVISIONS AND IMPAIRMENT LOSSES

Changes in provisions and impairment losses on investments in subsidiaries during the period ended 31 December 2019 and 2018 are detailed as follows:

	31.12.2019	31.12.2018
Opening balance	78,445,660	74,445,660
Additions (Note 6)	1,480,000	4,000,000
Utilisations	-	-
Closing balance	79,925,660	78,445,660

17. EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2019 and 2018, the line item 'External supplies and services' is detailed as follows:

	31.12.2019	31.12.2018
Rents and leases	-	31,905
Fees	101,740	29,987
Fuel	745	5,081
Communication	1,676	4,495
Travel and accommodation	69	695
Other expenses	89,795	9,947
	194,025	82,110

18. PAYROLL EXPENSES

As at 31 December 2019 and 2018, the line item 'Payroll Expenses' is detailed as follows:

	31.12.2019	31.12.2018
Remuneration of corporate bodies	251,668	170,911
Wages and salaries	8,326	23,060
Payroll expenses	80,379	28,499
Other payroll expenses	2,164	1,373
	342,537	223,843

(Amounts expressed in euro)

During the period ended 31 December 2019 and 2018 there was an average of 1 person working for the Company.

19. FINANCIAL RESULTS

The financial expenses and income for the period ended 31 December 2019 and 2018 are detailed as follows:

	31.12.2019	31.12.2018
Interest expenses (Note 13)		
Bank interest	(870,306)	(1,265,921)
Financing fees	(765,410)	(466,125)
Stamp duty	(1,701)	(1,700)
Other financial costs	(26,695)	(27,985)
	(1,664,112)	(1,761,731)
Interest and similar income		
Bank interest	5,895	5,495
	5,895	5,495

20. RELATED PARTIES TRANSACTIONS

Cofina Group companies have relationships with each other that qualify as related party transactions. All these transactions are carried out at market prices.

The main balances with related parties as at 31 December 2019 and 2018 and the main transactions carried out during the period ended at said date are detailed as follows:

Transactions:

	31.12.2019		31.12.2018	
	Services rendered	Results related to investments	Services rendered	Results related to investments
Cofina Media, S.A.	875,000	7,069,032	-	8,035,546
Grafedisport - Impressão e Artes Gráficas, S.A.	15,000	-	-	-
	890,000	7,069,032	-	8,035,546

Balances:

	31.12.2019			31.12.2018	
	Trade receivables	Other debts from third parties	Other debts to third parties	Other debts from third parties	Other debts to third parties
Cofina Media, S.A.	1,076,250	297,897	7,788,225	297,867	5,666,189
Grafedisport - Impressão e Artes Gráficas, S.A.	18,450	42,068	-	-	21,010
	1,094,700	339,965	7,788,225	297,867	5,687,199

Compensation to Key Management

Remuneration paid to key managers who, based on the Group's governance model, were members of Cofina's Board of Directors during the period ended 31 December 2019 and 2018, amounted to EUR 244,000 and EUR 122,000, respectively, and only include the fixed pay component. Remuneration in the 2019 period was fully paid by the Company.

Pursuant to Article 3 of Law 28/2009, of 19 June, remuneration paid to members of the Board of Directors is detailed as follows: Paulo Fernandes - EUR 80,000 João Borges de Oliveira – EUR 80,000; Domingos Matos – EUR 28,000; Pedro Borges de Oliveira – EUR 28,000; Ana Mendonça – EUR 28,000.

(Amounts expressed in euro)

As at 31 December 2019, there were no: (i) incentive plans or schemes with regard to granting shares to members of the Board of Directors; (ii) supplementary pension or early retirement schemes for directors; (iii) compensations paid or owed to former directors regarding the suspension of duties during the period; or (iv) non-monetary benefits considered remuneration.

21. LIABILITIES FOR GUARANTEES PROVIDED AND OTHER CONTINGENCIES

As at 31 December 2019, guarantees provided by Cofina are detailed as follows:

a) Pledge of 20,000,000 Cofina Media, S.A. shares to the Portuguese Tax and Customs Authorities as a guarantee in tax enforcement proceedings.

As at 31 December 2019 and 2018, disputes were ongoing with the Portuguese Tax and Customs Authorities (AT) as a result of an inspection of the 2007 period concerning Corporate Income Tax, the amount of which initially disputed by the tax authorities was EUR 17.9 million. These amounts are the result of two corrections made by the AT: one concerning non-acceptance of a capital loss generated with the liquidation of a subsidiary, and another concerning non-acceptance of the deduction of part of the dividends paid out by a subsidiary.

Under the Special Arrangement for the Settlement of Tax and Social Security Debts ("RERD"), approved by Decree-Law 151-A/2013, of 31 October, in the period ended 31 December 2013 the Group voluntarily paid an amount of EUR 2 million with the corresponding waiver of interest on arrears, compensatory interest and legal costs associated with the tax enforcement proceedings. Under the same arrangement, the Group asked the Portuguese Tax and Customs Authorities to offset part of the enforced amounts relating to said audit with credits the AT owes to the Group (related to administrative claims and legal challenges associated with corporate income tax). During the 2014 period, this request was approved in the amount of approximately EUR 5.7 million, of which EUR 2,346,895 were allocated to said settlement.

As part of the acceptance of the Special Programme for Reducing Indebtedness to the State ("PERES"), approved by Decree-Law 67/2016 of 3 November, in the period ended 31 December 2016, the Group paid an additional amount of EUR 3,614,561 with the corresponding reduction of interest on arrears, compensatory interest and legal costs associated with tax enforcement proceedings.

Therefore, the contingency amount carried forward relating to the aforementioned tax enforcement proceedings, as at 31 December 2019 and 2018, is of approximately EUR 13.5 million, of which around EUR 3 million are related to the correction of the aforementioned capital loss and EUR 10.5 million are related to the correction of dividends paid. The reconciliation between the initial and current contingencies is detailed as follows:

	2007 Corporate income tax proceedings
Initial contingency	17,878,819
Compensatory interest/interest on arrears /legal costs	3,670,237
Payments/offset	(7,961,456)
	13,587,600

Within the scope of the reassessment of tax contingencies, the Board of Directors, advised by its legal and tax advisers, considers it likely that (i) a favourable decision will be taken on the "Dividends" component and (ii) the "Capital loss" component will be rejected. As such, a provision was recorded in the amount of approximately EUR 3 million for said component in the proceedings.

During the last quarter of the period ended 31 December 2019, the Group received notice from the Constitutional Court regarding the aforementioned capital loss generated from the liquidation of a subsidiary, informing it that the claim filed by the Group had been denied, confirming the court's decision against the Cofina Group. To date, the Group has not received notice from the Portuguese Tax and Customs Authorities to satisfy the judgement.

The Group is still in litigation with the Portuguese Tax and Customs Authorities concerning tax disputes related to the "Dividends" component.

22. CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2019 and 2018 there were no contingent assets.

(Amounts expressed in euro)

As at 31 December 2019 and 2018, the main contingent liabilities were related to ongoing proceedings and the guarantees provided as disclosed in Note 21.

23. EARNINGS PER SHARE

Earnings per share for the period ended 31 December 2019 and 2018 were detailed as follows:

	31.12.2019	31.12.2018
Net income taken into account to determine basic and diluted earnings per share	4,299,529	1,966,503
Weighted average number of shares to determine basic and diluted earnings per share	102,565,836	102,565,836
Earnings per share:		
Basic	0.04	0.02
Diluted	0.04	0.02

24. SUBSEQUENT EVENTS

24.1 Other investments

On 11 March, Cofina informed the market that the number of shares subscribed did not reach all shares included in the public offering. Considering, in particular, the recent and considerable deteriorating market conditions, Cofina believed that conditions for the launch of a private placement of the remaining shares were not met. Therefore, as indicated in the prospectus filed, and since conditions for the subscription of the entire capital increase were not met, the offering was cancelled.

As the public offering was cancelled, the capital increase was not registered and the last suspensive condition for the transaction was not met for Cofina to acquire from Promotora de Informaciones, S.A. shares representing 100% of the share capital and voting rights of Vertix, SGPS, S.A. ("Vertix") which, in turn, holds shares representing 94.69% of the share capital and voting rights of Grupo Media Capital, SGPS, S.A., as agreed in the purchase and sale contract entered into on 20 September 2019 and amended on 23 December 2019 ("Contract").

On 20 March, Cofina informed the market that notice of withdrawal of the Contract had entered into effect, due to the absence of an agreement on an amendment to the purchase and sale contract for shares representing 100% of the share capital and voting rights of Vertix, SGPS, S.A. ("Vertix"), entered into on 20 September 2019, as amended (the "Contract") to restore a balance between reciprocal commitments according to the principles of good faith. The notice of withdrawal is, among other aspects, based on an unexpected and considerable deterioration of Vertix and Media Capital's financial situation and outlook, made worse by the current emergency caused by the COVID-19 pandemic, and on the serious breaches of contract by Prisa, which explicitly manifested its intent to not comply with the Contract, causing irreparable damage to the relationship of trust between the parties. Cofina also informed Prisa that it believed that, even if the notice of withdrawal is considered ineffective in the future, the acquisition under the Contract would also be reliant upon determination of compensation due to Cofina for said breaches of contract, which, in general terms, should be deducted from the agreed contract price.

With regard to the public offering for the acquisition of shares representing the share capital of Grupo Media Capital, SGPS, S.A. and pursuant to Article 128 of the Securities Market Code, on 25 March Cofina informed the market that it had submitted an application to the Portuguese Securities Market Commission (CMVM) requesting that it consider the public offering cancelled due to it being unable to fulfil one of the prerequisites for the launch thereof and, subsequently, the withdrawal of said offering, given the change in circumstances.

The Cofina Group is currently assessing the possible impacts, if any, of the events described above.

24.2 COVID-19 Pandemic

The first quarter of 2020 was marked by the outbreak of a global epidemic called COVID-19, which the World Health Organization declared a pandemic on 11 March. This global pandemic has a relevant impact on the world economy and financial markets, and it is therefore essential to consider the impacts of COVID-19.

The Cofina Group will remain vigilant and cautious in the face of any risks posed to its business area, both with regard to operational and financial aspects, and investments.

We believe that through prevention, equanimity and cooperation with our partners, namely customers, suppliers and local communities, we will be ready to face this challenge.

We refer to the considerations disclosed in Note 37.2. Subsequent Events, in the notes to the consolidated financial statements.

25. TRANSLATION NOTE

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IFRS/IAS) as adopted by the European Union, some of which may not conform or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

The Chartered Accountant

The Board of Directors

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

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(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 2019 (showing a total of 133.038.412 euros and a total equity of 43.806.131 euros, including a net profit for the year attributable to the equity holders of the Group of 7.149.450 euros), the Consolidated Statement of Profit or Loss, 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 2019, 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.

Emphasis of matter relating to Covid-19

The recent developments surrounding the Covid-19 pandemic (Coronavirus) have a significant impact on the health of people and on our society as a whole increasing uncertainty around the operational and financial performance of organizations. The impacts and uncertainties resulting from the Covid-19 pandemic (Coronavirus) are disclosed in Note 37.2 of the notes to the financial statements and reflect the expectations of the Board of Directors of Cofina, S.G.P.S., S.A., based on the information available as at 31 March 2020. Our opinion has not been modified in relation to this matter.

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
As at 31 December 2019, Goodwill amounts to 83.977.180 euros (2018: 83.977.180 euros), representing 63% (2018: 75%) of the Group´s total assets and it is allocated to the segments: Newspapers and Magazines. 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 assumptions, namely in what regards prospective market and economic conditions, trends and behaviors in relation to demand, and margins evolution. During 2019, no impairment losses were recorded.	Our approach have included the following procedures: ► 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 assumptions related to the expected inflation rates and the market growth rate, with external sources; ► 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 We also evaluate the adequacy of the applicable disclosures (IAS 36), included in Note 6 of the notes to the consolidated financial statements.

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
As disclosed in Notes 15 and 22 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 more likely than not an unfavorable outcome, in accordance with IAS 37 and, in the case of contingencies related to income tax, in accordance with IFRIC 23. The assessment of the likelihood of outcome is based on the opinion of legal and tax advisors. As at 31 December 2019, the provisions presented in the consolidated financial statements amount to 650.000 euros (Note 22) and the balance in liabilities of fiscal contingencies related to income tax amount to 3.500.000 euros (Note 15).	Our approach have included the following procedures: ► 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

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
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.	information and to follow up the ongoing proceedings until this date; ► 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 ► Evaluating the consistency of the criteria utilized in comparison with the prior years, considering the provisions of IFRIC 23. We also considered the adequacy of the applicable disclosures (IAS 37), included in Notes 15 and 22 of the notes to the consolidated financial statements.

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;
- 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 covering the years 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 consolidated 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; and
- 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.

Oporto, 2 April 2020

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Rui Manuel da Cunha Vieira (ROC nr. 1154)
Registered with the Portuguese Securities Market Commission under license nr. 20160766

Building a better
working world

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(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 FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Cofina, SGPS, S.A. (the Entity), which comprise the Statement of Financial Position as at 31 December 2019 (showing a total of 155.916.581 euros and a total equity of 95.431.357 euros, including a net profit of 4.299.529 euros), the Statement of Profit or Loss, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of Cofina, SGPS, S.A. as at 31 December 2019, and of its financial performance and its 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 financial statements" section below. We are independent of the Entity 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.

Emphasis of matter relating to Covid-19

The recent developments surrounding the Covid-19 pandemic (Coronavirus) have a significant impact on the health of people and on our society as a whole, increasing uncertainty around the operational and financial performance of organizations. The impacts and uncertainties resulting from the Covid-19 pandemic (Coronavirus) are disclosed in Note 24.2 of the Notes to the financial statements and reflect the expectations of the Board of Directors of Cofina, S.G.P.S., S.A., based on the information available as at 31 March 2020. Our opinion has not been modified in relation to this matter.

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. **Measurement/impairment of financial investments in subsidiaries**

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As at 31 December 2019, Financial investments in subsidiaries amounts to 142.321.953 euros (2018: 143.801.953 euros) representing 91% (2018: 99%) of the total assets of the Entity.	Our audit approach included the following procedures: ► Assessment of the existence of any impairment indicators in the measurement of Financial investments in subsidiaries;

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The risk of impairment in the Financial investments in subsidiaries was considered a key audit matter due to the significance of the amount and due to the fact that the impairment assessment process is complex, including the use of estimates and assumptions, namely in what regards future economic forecasts, production capacity in the market, revenue and margin evolution. During 2019, an impairment loss of 1.480.000 euros was recorded.	► Review of the underlying assumptions used in the valuation models approved by management, namely the cash flow projections, the discount rate, the inflation rate, the perpetuity growth rate; ► Evaluation of the clerical and arithmetic accuracy of the models used; and ► Sensitivity analysis, focused on possible changes in the most significant variables, such as the sales price, the discount rate and the perpetuity growth rate. We verified the compliance with the applicable disclosure requirements, included in Note 6 of the Notes to the financial statements.

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

- the preparation of financial statements that presents a true and fair view of the Entity´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 Entity's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Entity´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 Entity'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 Entity'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 Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- 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 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 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 financial statements and, having regard to our knowledge and assessment over the Entity, we have not identified any material misstatement.

On the non-financial statement as required by article 66-B of the Commercial Companies Code

Pursuant to article 451, nr. 6, of the Commercial Companies Code, we inform that the Group has included the non-financial information in its Annual Report 2019, as required by article 66-B of Commercial Companies Code.

On the Corporate Governance Report

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 Entity for the first time in the shareholders' general meeting held on 26 April 2017 for a mandate covering the years 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 Entity as of today; and
- 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 Entity in conducting the audit.

Oporto, 2 April 2020

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Rui Manuel da Cunha Vieira - ROC nr. 1154
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REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

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 Management Report and the others documents in the individual and consolidated annual report of Cofina, SGPS, S.A. ("Company") for the year ended 31 December 2019, 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, in person or by telematic means, with the periodicity and length considered appropriate, namely, on 12 March 2019, 12 April 2019, 29 July 2019, 23 October 2019, 12 March 2020 and 25 March 2020, the latter related with the approval of the 2019 accounts, and having 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 Individual and Consolidated statement of financial position as of 31 December 2019, the Individual and Consolidated statements of profit or 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.

The Statutory Audit Board reviewed the Statutory and Auditor's Report regarding the Individual and Consolidated information for the year 2019, which comprises the Individual and Consolidated Statements of Financial Position for the year ended as of 31 December 2019, the Individual and Consolidated Statements of Profit or Loss, the Individual and Consolidated Statements of Comprehensive Income, the Individual and Consolidated Statements of Changes in Equity and the Individual and Consolidated Statements of Cash Flows for the year then ended, and the corresponding notes, documents which does not include a qualified opinion.

The Statutory Audit Board also reviewed the Corporate Governance Report, assuring that it includes all the elements referred to in article 245-A of the Portuguese Securities Market Code, which the Statutory Audit Board verified.

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 its knowledge and conviction, the documents of the annual report above mentioned, 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 Cofina, SGPS, S.A. and the companies included in the consolidation. And that the Management Report adequately describes the business, performance and financial position of the Group, containing an adequate description of the major risks and uncertainties it faces. It is also declared that the Corporate Governance Report complies with article 245-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 Management Report for the 2019 year;
2. Nothing prevents the approval of the Individual and Consolidated Financial Statements for the 2019 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.

Oporto, 2 April 2020

The Statutory Audit Board

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Pedro Pessanha
Statutory Audit Board President

____

António Pinho
Statutory Audit Board Member

____

Guilherme Monteiro
Statutory Audit Board Member

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