



COFINA, SGPS, S.A.
Public Company

Head Office: Rua Manuel Pinto de Azevedo, 818 – Porto
Fiscal Number 502 293 225
Share Capital: 25,641,459 Euro

Financial Information – 3rd Quarter of 2019
(unaudited)

This document is a translation of a document originally issued in Portuguese, prepared using accounting policies consistent with the International Financial Reporting Standards, 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 financial information was prepared in accordance with the International Financial Reporting Standards as adopted in EU (IFRS-EU). Since January 1, 2019, IFRS 16 was adopted, and in accordance with this standard, 2018 information was not restated.

(thousand Euro)	3Q 2019	3Q 2018 restated	Var (%) 3Q19/3Q18
Operational revenues	22,359	22,127	1.0%
Circulation	11,088	11,668	-5.0%
Advertising	6,866	6,721	2.2%
Alternative marketing products and others	4,405	3,738	17.8%
Revenues per Segment	22,359	22,127	1.0%
Press	18,715	19,039	-1.7%
TV	3,644	3,088	18.0%
Operational costs (a)	18,365	18,428	-0.3%
Consolidated EBITDA (b)	3,994	3,699	8.0%
EBITDA Margin	17.9%	16.7%	+1.1 p.p.
Press	2,788	2,685	3.8%
EBITDA Margin Press	14.9%	14.1%	+0.8 p.p.
TV	1,206	1,014	18.9%
EBITDA Margin TV	33.1%	32.8%	+0.3 p.p.
Current Amortizations (-)	910	418	117.7%
EBIT	3,084	3,281	-6.0%
EBIT Margin	13.8%	14.8%	-1.0 p.p.
Net financial income / (loss)	(764)	(617)	23.8%
Earnings before Interests and Minority	2,320	2,664	-12.9%
Income taxes	1,079	1,243	-13.2%
Consolidated net profit from continuing operations	1,241	1,421	-12.7%
Net profit of discontinued operations	0	-372	-
Consolidated net profit	1,241	1,049	18.3%

(a) Operational costs excluding amortizations

(b) EBITDA = earnings before interests, taxes, depreciations and amortizations

Revenues increase 1% during the third quarter

The third quarter of 2019 was characterized by an increase in total revenues (+1%), which is related to a 2.2% increase in revenues from advertising and a 18% increase in revenues from marketing alternative products and others. Revenues from circulation recorded a 5% decrease.

In detailed terms, it is possible to verify that the TV segment recorded a 18% increase in total revenues, already representing around 16% of revenues, which more than compensated the 1.7% decrease verified in revenues from the press segment.

Consolidated EBITDA achieved approximately 4 million Euro, which reflects an 8% increase over EBITDA recorded in the same period of 2018. EBIT reached 3.1 million Euro, which corresponds to a 6% decrease.

Net profit of discontinued operations, in 2018, results from the restatement of 2018 figures, in order to reflect the sale occurred at the end of 2018, of the operation that Cofina held in Brazil, through its subsidiary AdCommedia and its associated Destak Brazil. The profit and loss statement of the third quarter of 2018 was restated in order to segregate into a separate line the profit attributable to those discontinuing units.

Consolidated net profit reached 1.2 million Euro, a 18% increase when compared with the same period of the previous year.

TV Segment – advertising increases 35% during the quarter

Cofina's TV segment consists on CMTV channel, the only generalist channel operating exclusively in cable.

(thousaund Euro)	3Q 2019	3Q 2018 restated	Var (%) 3Q19/3Q18
Operational revenues	3,645	3,088	18.0%
Advertising	1,432	1,063	34.7%
Transmission fees and others	2,213	2,025	9.3%
Operational costs (a)	2,439	2,074	17.6%
EBITDA (b)	1,206	1,014	18.9%
EBITDA Margin	33.1%	32.8%	+0.3 p.p.

(a) Operational costs excluding amortizations

(b) EBITDA = earnings before interests, taxes, depreciations and amortizations

CMTV total revenues reached to approximately 3.6 million Euro, which represents a 18% increase. Advertising revenues reached 1.4 million Euro (+35%) and revenues from “transmission fees and others” achieved 2.2 million Euro (+9%).

EBITDA recorded was around 1.2 million Euro, which represents a 19% increase over EBITDA recorded in the same period of the previous year.

EBITDA Margin of this segment achieved 33.1%.

Press Segment

(thousaund Euro)	3Q 2019	3Q 2018 restated	Var (%) 3Q19/3Q18
Operational revenues	18,714	19,039	-1.7%
Circulation	11,088	11,668	-5.0%
Advertising	5,434	5,658	-4.0%
Alternative marketing products and others	2,192	1,713	28.0%
Operational costs (a)	15,926	16,354	-2.6%
EBITDA (b)	2,788	2,685	3.8%
EBITDA Margin	14.9%	14.1%	+0.8 p.p.

(a) Operational costs excluding amortizations

(b) EBITDA = earnings before interests, taxes, depreciations and amortizations

Press segment contains all paper titles owned by Cofina and digital market revenues. Hence, during the third quarter of 2019, the total revenues of 18.7 million Euro represents a 1.7% decrease over the same period of the previous year. Advertising revenues recorded a 4% decrease, achieving 5.4 million Euro, and circulation revenues recorded a 5% decrease, reaching 11.1 million Euro. Revenues from “alternative marketing products and others” recorded a 28% increase, reaching 2.2 million Euro.

Operational costs recorded a decrease around 3%. Therefore, EBITDA of this segment amounted to 2.8 million Euro, a 4% increase when compared to the same period of the previous year. EBITDA Margin achieved 14.9%. It should be noted that Brazil operations were previously included in this segment, therefore, the amounts for 2018 were restated.

Net profit 9M2019: net profit increases 15% reaching around 4.3 M€

(thousand Euro)	9M 2019	9M 2018 restated	Var (%) 9M19/9M18
Operational revenues	65,055	66,532	-2.2%
Circulation	32,036	32,902	-2.6%
Advertising	19,711	19,814	-0.5%
Alternative marketing products and others	13,308	13,816	-3.7%
Operational costs (a)	53,320	55,962	-4.7%
Consolidated EBITDA (b)	11,735	10,570	11.0%
EBITDA Margin	18.0%	15.9%	+2.2 p.p.
Current Amortizations (-)	2,721	1,257	116.5%
EBIT	9,014	9,313	-3.2%
EBIT Margin	13.9%	14.0%	-0.1 p.p.
Net financial income / (loss)	(1,941)	(1,978)	-1.9%
Earnings before Interests and Minority	7,073	7,335	-3.6%
Income taxes	2,817	3,017	-6.6%
Consolidated net profit from continuing operations	4,256	4,318	-1.4%
Net profit of discontinued operations	0	-626	-
Consolidated net profit	4,256	3,692	15.3%

(a) Operational costs excluding amortizations

(b) EBITDA = earnings before interests, taxes, depreciations and amortizations

Cofina's consolidated net profit for the first nine months of 2019 amounted to 65.1 million Euro, which corresponds to a 2% decrease over the same period of 2018.

Consolidated EBITDA achieved approximately 11.7 million Euro, which reflects a 11% increase over the EBITDA recorded in the same period of 2018. EBIT reached around 9.0 million Euro, which corresponds to a 3% decrease.

Consolidated net profit amounted around 4.3 million Euro, which represents a 15% increase when compared to the homologous period of the previous year.

As of 30 September 2019, Cofina's nominal net debt was 49.3 million Euro, which corresponds to an increase of 9.6 million Euro comparatively to the nominal net debt recorded in the end of 2018 and a 7.1 million Euro increase over the net debt recorded in the end of the second quarter of 2019.

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 39.3 million Euro, which corresponds to a 2.9 million Euro decrease over the nominal net debt recorded in the end of the second quarter of 2019.



Signature of Média Capital purchase agreement

On the 20th of September 2019, Cofina celebrated with Promotora de Informaciones, S.A. (“Prisa”) a purchase and sale agreement of 100% of share capital and voting rights of Vertix, SGPS, S.A. (“Vertix”), which detains 94.69% of the share capital and voting rights of Grupo Média Capital, SGPS, S.A. (“Média Capital”). As a consequence of the contract celebration, Cofina published, on the 21st of September, a preliminary announcement regarding the public offer of acquisition of the remaining Média Capital shares.

The conclusion of the acquisition process of Vertix – and, indirectly, of 94.69% of the share capital and voting rights of Média Capital – is subjected to the verification of a set of suspensive conditions, namely the non-opposition of Portuguese Competition Authority. In this scope, it was already given, on October 31st, a favourable opinion from Portuguese Regulatory Authority for the Media (ERC - Entidade Reguladora para a Comunicação Social) and from Autoridade Nacional de Comunicações (ANACOM) for the acquisition of Média Capital by Cofina.

Impacts of IFRS 16

As of January 1, 2019, Cofina financial statements reflect the adoption of IFRS 16. The Group did not restate the comparative information regarding 2018, according to the possibility stated in this standard. The main impacts of the standard in the period under analysis are as follows:

- EBITDA: increase of 1.85 million Euro;
- Amortizations: increase of 1.38 million Euro;
- Financial expenses: increase of 0.69 million Euro;
- Assets ("Right of Use"): increase of 10.9 million Euro;
- Liability ("Lease liability"): increase of 13.1 million Euro;
- Equity: decrease of 1.9 million Euro (net of deferred taxes).

The nominal remunerated net debt of 49.3 million Euro, above mentioned, does not include the lease liability.

Oporto, November 7, 2019

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

REPORT AND ACCOUNTS 3Q2019

Condensed consolidated financial statements and notes

(amounts expressed in Euro)

COFINA, SGPS, S.A.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2019 AND 31 DECEMBER 2018

(Translation of financial statements originally issued in Portuguese - Note 17)

(Amounts expressed in Euro)

ASSETS	Notes	30.09.2019	31.12.2018
NON CURRENT ASSETS			
Tangible assets		2,863,603	2,747,887
Goodwill	5	83,977,180	83,977,180
Intangible assets		143,745	299,531
Right of use	3	10,859,545	-
Investments in associated companies	4	3,529,540	3,434,890
Other financial investments	4	10,005,510	5,510
Other non current assets		64,240	51,919
Deferred tax assets	3	1,188,918	595,271
Total non current assets		112,632,281	91,112,188
CURRENT ASSETS			
Inventories		1,334,677	1,349,795
Customers		6,574,546	5,820,863
Contract assets		3,995,920	4,149,321
State and other public entities		1,993,252	1,000
Other current debtors		2,446,760	375,912
Other current assets		391,346	2,954,688
Cash and cash equivalents	7	2,881,760	6,624,512
Total current assets		19,618,261	21,276,091
TOTAL ASSETS		132,250,542	112,388,279
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	25,641,459	25,641,459
Share premium account	8	15,874,835	15,874,835
Legal reserve	8	5,409,144	5,409,144
Other reserves	3	(10,802,272)	(15,577,084)
Consolidated net profit / (loss) for the period attributable to the parent company		4,256,024	6,653,405
Total equity attributable to equity holders of the parent company		40,379,190	38,001,759
Non-controlling interests		-	-
TOTAL EQUITY		40,379,190	38,001,759
LIABILITIES			
NON CURRENT LIABILITIES			
Lease liability	3	10,417,049	-
Other non current creditors		25,771	25,771
Provisions	6	4,105,000	4,535,000
Total non current liabilities		14,547,820	4,560,771
CURRENT LIABILITIES			
Bank loans	7 and 9	189,402	177,809
Other loans	9	51,947,843	46,120,428
Suppliers		8,919,446	10,718,928
Contract liabilities		3,995,920	3,027,856
Lease liability	3	2,654,888	-
Income tax		2,732,092	2,079,371
State and other public entities		2,047,851	1,645,859
Other current creditors		1,038,080	1,424,497
Other current liabilities		3,798,010	4,631,001
Total current liabilities		77,323,532	69,825,749
TOTAL LIABILITIES		91,871,352	74,386,520
TOTAL EQUITY AND LIABILITIES		132,250,542	112,388,279

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

The Chartered Accountant

The Board of Directors

REPORT AND ACCOUNTS 3Q2019

Condensed consolidated financial statements and notes

(amounts expressed in Euro)

COFINA, SGPS, S.A.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS BY NATURE FOR THE NINE AND THREE MONTHS PERIODS ENDED 30 SEPTEMBER 2019 AND 2018

(Translation of financial statements originally issued in Portuguese - Note 17)
(Amounts expressed in Euro)

	Notes	Period ended at		Quarter ended at	
		30.09.2019	30.09.2018 restated *	30.09.2019	30.09.2018 restated *
Sales	13	32,036,258	32,902,696	11,087,796	11,668,944
Services rendered	13	19,710,955	19,814,180	6,865,474	6,720,766
Other operating income	13	13,307,576	13,815,161	4,404,733	3,737,147
Cost of sales		(7,403,331)	(7,342,585)	(2,444,317)	(2,554,459)
External supplies and services	3	(26,199,731)	(28,059,012)	(9,521,067)	(8,817,319)
Payroll expenses		(19,724,784)	(20,142,755)	(6,648,907)	(6,882,211)
Amortisation and depreciation	3	(2,721,421)	(1,256,889)	(910,368)	(418,646)
Provisions and impairment losses		233,329	(257,019)	394,016	(89,735)
Other operating expenses		(224,768)	(161,149)	(144,150)	(84,896)
Gains / (losses) in associated companies	10	94,649	(554,617)	119,031	(140,515)
Financial expenses	3 and 10	(2,041,355)	(1,443,810)	(887,848)	(484,970)
Financial income	10	5,766	20,441	5,196	9,466
Profit before income tax from continuing operations		7,073,143	7,334,642	2,319,587	2,663,572
Income tax	6	(2,817,119)	(3,016,822)	(1,079,034)	(1,242,689)
Net consolidated profit from continuing operations		4,256,024	4,317,820	1,240,553	1,420,883
Net profit / (loss) from discontinued operations		-	(625,598)	-	(372,303)
Net consolidated profit for the period		4,256,024	3,692,222	1,240,553	1,048,580
Attributable to:					
Shareholders of the parent company		4,256,024	3,692,222	1,240,553	1,048,580
Continuing operations		4,256,024	4,317,820	1,240,553	1,420,883
Discontinued operations		-	(625,598)	-	(372,303)
Earnings per share:					
From continuing operations					
Basic	12	0.04	0.04	0.01	0.01
Diluted	12	0.04	0.04	0.01	0.01

* According to IFRS 5

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

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(amounts expressed in Euro)

COFINA, SGPS, S.A.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE NINE AND THREE MONTHS PERIODS ENDED 30 SEPTEMBER 2019 AND 2018

(Translation of financial statements originally issued in Portuguese - Note 17)
(Amounts expressed in Euro)

	<u>Period ended at</u>		<u>Quarter ended at</u>	
	<u>30.09.2019</u>	<u>30.09.2018</u>	<u>30.09.2019</u>	<u>30.09.2018</u>
Profit / (loss) for the period	4,256,024	3,692,222	1,240,553	1,048,580
Other comprehensive income:				
Items that may be reclassified to profit and loss in subsequent periods:				
Exchange differences on translation of foreign operations	-	(79,564)	-	(32,440)
Total comprehensive income for the period	<u>4,256,024</u>	<u>3,612,658</u>	<u>1,240,553</u>	<u>1,016,140</u>
Attributable to:				
Shareholders of the parent company	4,256,024	3,612,658	1,240,553	1,016,140
Non-controlling interests	-	-	-	-

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Condensed consolidated financial statements and notes (amounts expressed in Euro)

COFINA SGPS, S.A.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIODS ENDED AS OF 30 SEPTEMBER 2019 AND 2018 (Translation of financial statements originally issued in Portuguese - Note 17) (Amounts expressed in Euro)

	Attributable to equity holders of the parent company						Non-controlling interests	Total equity
	Share capital	Share premium account	Legal reserve	Exchange conversion rate	Other reserves	Net profit / (loss)		
Balance as of 1 January 2018	25,641,459	15,874,835	5,409,144	(757,263)	(20,330,538)	5,067,102	-	30,904,739
Appropriation of consolidated net result for 2017:								
Transfer to legal reserve and retained earnings	-	-	-	-	5,067,102	(5,067,102)	-	-
Changes in reserves and non-controlling interests								
Other changes	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(79,564)	-	3,692,222	-	3,612,658
Balance as of 30 September 2018	<u>25,641,459</u>	<u>15,874,835</u>	<u>5,409,144</u>	<u>(836,827)</u>	<u>(15,263,436)</u>	<u>3,692,222</u>	<u>-</u>	<u>34,517,397</u>
Balance as of 1 January 2019	25,641,459	15,874,835	5,409,144	-	(15,577,084)	6,653,405	-	38,001,759
IFRS 16 adoption effect	-	-	-	-	(1,878,572)	-	-	(1,878,572)
Balance as of 1 January 2019 restated	<u>25,641,459</u>	<u>15,874,835</u>	<u>5,409,144</u>	<u>-</u>	<u>(17,455,656)</u>	<u>6,653,405</u>	<u>-</u>	<u>36,123,187</u>
Appropriation of consolidated net result for 2018:								
Transfer to legal reserve and retained earnings	-	-	-	-	6,653,405	(6,653,405)	-	-
Changes in reserves and non-controlling interests								
Other changes	-	-	-	-	(21)	-	-	(21)
Total comprehensive income for the period	-	-	-	-	-	4,256,024	-	4,256,024
Balance as of 30 September 2019	<u>25,641,459</u>	<u>15,874,835</u>	<u>5,409,144</u>	<u>-</u>	<u>(10,802,272)</u>	<u>4,256,024</u>	<u>-</u>	<u>40,379,190</u>

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

The Chartered Accountant

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REPORT AND ACCOUNTS 3Q2019

Condensed consolidated financial statements and notes

(amounts expressed in Euro)

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH-FLOWS FOR THE NINE AND THREE MONTHS PERIODS ENDED 30 SEPTEMBER 2019 AND 2018

(Translation of financial statements originally issued in Portuguese - Note 17)

(Amounts expressed in Euro)

	Notes	Period ended at		Quarter ended at	
		30.09.2019	30.09.2018	30.09.2019	30.09.2018
Operating activities:					
Cash flow from operating activities (1)		6,757,346	8,634,006	4,200,261	5,190,974
Investment activities:					
Collections relating to:					
Interest and similar income		79,692	70,813	79,692	21,258
Dividends		-	-	-	-
Tangible assets		70,000	7,500	70,000	7,500
Loans granted		-	50,000	-	-
Financial investments		-	81,175	-	-
Payments relating to:					
Financial investments	7	(10,000,000)	(550,000)	(10,000,000)	(250,000)
Tangible assets		(1,268,012)	(606,139)	(118,701)	(418,150)
Intangible assets		(383,288)	(355,114)	(257,368)	(197,669)
Loans granted		(1,000,000)	(270,000)	-	(200,000)
Cash flow from investment activities (2)		(12,501,608)	(1,571,765)	(10,226,377)	(1,037,061)
Financing activities:					
Collections relating to:					
Loans obtained		81,980,907	30,000,000	46,980,907	9,500,000
Payments relating to:					
Interest and similar costs		(1,079,902)	(1,498,072)	(581,278)	(683,386)
Lease contracts amortizations		(2,744,421)	(61,174)	(419,078)	(20,391)
Loans obtained		(76,166,667)	(37,172,803)	(46,666,667)	(16,668,687)
Cash flow from investment activities (3)		1,989,917	(8,732,049)	(686,116)	(7,872,464)
Cash and cash equivalents at the beginning of the period	7	6,446,703	3,449,463	9,404,590	5,497,336
Effect of currency exchange differences		-	(967)	-	(97)
Variations of cash and cash equivalents: (1)+(2)+(3)		(3,754,345)	(1,669,808)	(6,712,232)	(3,718,551)
Cash and cash equivalents at the end of the period	7	2,692,358	1,778,688	2,692,358	1,778,688

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

The Chartered Accountant

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REPORT AND ACCOUNTS 3Q2019

Condensed consolidated financial statements and notes

(amounts expressed in Euro)

1. INTRODUCTION

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

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

During the semester ended as of 30 September 2019, the Group developed its activity only in Portugal.

Cofina's condensed consolidated financial statements are expressed in Euro (rounded to the nearest unit). This is the currency used by the Group in its operations and as such, considered the functional currency. The operations of the foreign group companies whose functional currency is not the Euro are translated to Euro using the exchange rates in force at the balance sheet date. Income and expenses and cash flows are converted to Euro using the average exchange rate for the period. The exchange rate differences originated are recorded in equity captions.

The accompanying condensed consolidated financial statements have been prepared on a going concern basis.

2. MAIN ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The accounting policies used in the preparation of the condensed consolidated financial statements of Cofina are consistent with those used in the comparative periods, except for IFRS 16 adoption (Note 3).

The accompanying condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU"). These correspond to the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the IFRS Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), as adopted by the European Union as from the consolidated financial statements issuance date.

The interim condensed consolidated financial statements are presented quarterly and in accordance with the International Accounting Standard and International Accounting Standard 34 – Interim Financial Reporting and includes the statement of financial position, the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows as well as the selected explanatory notes.

The accompanying condensed consolidated financial statements have been prepared from the books and accounting records of the company and subsidiaries, adjusted in the consolidation process, on a going concern basis and under the historical cost convention.

3. CHANGES IN ACCOUNTING POLICIES AND COMPARABILITY OF THE CONSOLIDATED FINANCIAL STATEMENTS

During the period there were no changes in accounting policies, neither were identified any material mistakes related to previous years.

REPORT AND ACCOUNTS 3Q2019

Condensed consolidated financial statements and notes
(amounts expressed in Euro)

New accounting standards and their impact in these condensed consolidated financial statements:

Up to the date of approval of these consolidated financial statements, the European Union endorsed the following standards, interpretations, amendments and revisions some of which become mandatory during 2019:

With mandatory application during 2019	Effective date (for financial year beginning on or after)
Annual Improvements to IFRS standards (cycle 2015-2017)	01 Jan 2019
IAS 19 (amendment) – Employee benefits (Plan amendment, curtailment or settlement)	01 Jan 2019
IAS 28 (amendment) – Long-term interests in Associates and Joint ventures	01 Jan 2019
IFRIC 23 – Uncertainty over income tax treatments	01 Jan 2019
IFRS 9 (amendment) – Prepayment features with negative compensation	01 Jan 2019
IFRS 16 – Leases - (recognition and measurement principles)	01 Jan 2019

The Group made an analysis of the changes made by the adoption of IFRS 16.

IFRS 16 impact adoption

Cofina Group opted for the modified retrospective model foreseen in paragraphs 16.C5(b) and C7 of IFRS 16. Consequently, it determined the discount rate based on the incremental borrowing rate using the currency, maturity and cash flows inherent to the lease and to the credit risk of the Group.

Concerning to the measurement of assets “Right of Use”, was analysed, lease by lease, the measurement method of them, being adopted the measurement defined in paragraph 16.C8 (b).ii) except relatively to Cofina Media’s building lease which was measured having in consideration paragraph 16.C8 (b).i). The Group elected to use the exemption foreseen in IFRS 16 the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application.

Recognition

The Group present assets “Right of use” and “Lease liability” in captions properly segregated in the financial position statement.

The Group recognizes a right of use of an asset and a lease liability on the start date of the lease. The right of use of the asset is initially measured at the cost, comprising the initial value of the lease liability adjusted for any lease payments made on or before the start date, in addition to any initial direct costs incurred, as well as an estimate of the dismantling costs and removal of the underlying asset (if applicable), deducted from any incentive granted.

The liabilities recorded as “Lease liability” correspond to the actual value, as of 1 January 2019, of the remaining lease payments from contracts previously classified as operational leases, as stated at IAS 17, and do not correspond to short-term leases, accordingly to IFRS 16.

Cofina uses its incremental interest rate as the discount rate to be applied. Lease payments included in the measurement of lease liabilities include fixed payments, deducted from any incentives already received.

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The lease liability is measured at amortized 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 the possible modifications of lease agreements.

When the liability is remeasured, the value of the right of use is also adjusted, or if the carrying amount of the asset of the right of use was already reduced to zero, a profit or loss is recorded in the income statement.

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

The greater impact of IFRS 16 adoption is related to the Cofina Media's building lease.

If this standard had not been adopted, the main changes in the condensed consolidated financial statements as of 30 September 2019 would be as follows:

ASSETS		30.09.2019	IFRS 16 effect	30.09.2019 without IFRS 16 effect
NON CURRENT ASSETS				
Right of use		10,859,545	10,859,545	-
Deferred tax assets		1,188,918	593,647	595,271
Total non current assets		112,632,281	11,453,192	595,271
CURRENT ASSETS				
Other assets		391,346	(426,040)	817,386
Total current assets		19,618,261	(426,040)	20,044,301
TOTAL ASSETS		132,250,542	11,027,152	121,223,390
EQUITY AND LIABILITIES				
EQUITY				
Other reserves		(10,802,272)	(1,878,572)	(8,923,700)
Consolidated net profit / (loss)		4,256,024	(166,213)	4,422,237
Total equity attributable to the equity holders of the parent company		40,379,190	(2,044,785)	42,423,975
TOTAL EQUITY		40,379,190	(2,044,785)	42,423,975
LIABILITIES				
NON CURRENT LIABILITIES				
Lease liability		10,417,049	10,417,049	-
Total non current liabilities		14,547,820	10,417,049	4,130,771
CURRENT LIABILITIES				
Lease liability		2,654,888	2,654,888	-
Total current liabilities		77,323,532	2,654,888	74,668,644
TOTAL LIABILITIES		91,871,352	13,071,937	78,799,415
TOTAL EQUITY AND LIABILITIES		132,250,542	11,027,152	121,223,390

	30.09.2019	IFRS 16 effect	30.09.2019 without IFRS 16 effect
External supplies and services	(26,199,731)	1,847,764	(28,047,495)
Amortisation and depreciation	(2,721,421)	(1,381,029)	(1,340,392)
Other expenses	(224,768)	6,618	(231,386)
Financial expenses	(2,041,355)	(687,821)	(1,353,534)
Profit before income tax from continuing operations	7,073,143	(214,468)	7,287,611
Income tax	(2,817,119)	48,255	(2,865,374)
Consolidated net profit for the period from continuing operations	4,256,024	(166,213)	4,422,237

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4. INVESTMENTS

Consolidation perimeter

The companies included in the consolidated financial statements by the full consolidation method, their headquarters, percentage of participation held and activity developed as of 30 September 2019 and 31 December 2018 are as follows:

Designation	Headquarters	Percentage participation held	Activity
<u>Parent company:</u>			
Cofina, SGPS, S.A.	Porto		Investment management
<u>Cofina Media Group</u>			
Cofina Media, S.A. ("Cofina Media")	Lisboa	100%	Newspapers and magazines publication, television broadcast, production and creation of websites for online business development, events promotion and organization
Grafedisport – Impressão e Artes Gráficas, S.A. ("Grafedisport")	Queluz	100%	Newspapers print

All the above companies were included in the consolidated financial statements in accordance with the full consolidation method.

The associated companies, their headquarters, percentage of participation held and activity developed as of 30 September 2019 are as follows:

Designation	Headquarters	Percentage participation held		Activity
		Direct	Indirect	
VASP – Sociedade de Transportes e Distribuições, Lda.	Lisboa	33.33%	-	Publications distribution
A Nossa Aposta – Jogos e Apostas On-line, S.A. ("A Nossa Aposta").	Lisboa	40%	-	Online gambling and betting activity
Mercados Globais – Publicação de Conteúdos, Lda.	V.N. Gaia	50%	-	Management services and promotion of a financial forum on the internet

Associated companies were included in the consolidation financial statements in accordance with the equity method.

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Investments in associated companies

The acquisition cost of the associated companies and their book value as of 30 September 2019 are as follows:

Designation	Acquisition Cost	Book Value
VASP – Sociedade de Transportes e Distribuições, Lda.	€ 6,234	€ 3,008,009
A Nossa Aposta – Jogos e Apostas On-line, S.A.	€ 2,000,000	€ 515,516
Mercados Globais – Publicação de Conteúdos, Lda.	€ 72,000	€ 6,015

As of 30 September 2019 and 31 December 2018 the caption “Investments in associated companies” can be detailed as follows:

	30.09.2019	31.12.2018
Financial Investment (a)		
VASP – Sociedade de Transportes e Distribuições, Lda.	3,008,009	3,023,740
A Nossa Aposta - Jogos e Apostas Online, S.A.	515,516	405,135
Mercados Globais - Publicação de Conteúdos, Lda.	6,015	6,015
	<u>3,529,540</u>	<u>3,434,890</u>

(a) - includes supplementary contributions

Other financial investments

As of 30 September 2019 and 31 December 2018 the Group has other financial investments corresponding to non-controlling investments in unlisted companies. The Group has recorded impairment losses to face differences to the net realizable amount, presenting this caption, as of those dates, a net book value of 5,510 Euro. As of 30 September 2019 and as of 31 December 2018 the total investments for which impairment losses were recorded amount to 171,754 Euro.

As of 30 September 2019 this caption presented 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.).

5. GOODWILL

During the nine months periods ended 30 September 2019 and 31 December 2018 there were no changes in the caption “Goodwill”.

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6. INCOME TAX

Income taxes recognized in the income statement as of 30 September 2019 and 2018 refer mainly to the income tax estimate for the year.

As of 30 September 2019 and 31 December 2018, disputes with the Portuguese tax authorities (“Autoridade Tributária e Aduaneira”) were still in progress following a Corporate Income Tax inspection with an amount of, approximately, 17,900,000 Euro being challenged by the tax authorities. This amount results from two corrections performed by the tax authorities: one related with the non-acceptance of a capital loss generated by a disposal of a subsidiary; and another related with the nonacceptance of deductibility of part of the dividends distributed by a subsidiary.

Under the Tax and Social Security Debts’ Regularization Exceptional Regime, approved by the Decree-Law 151-A/2013, of October 31 (“RERD”), the Group paid voluntarily, during the year ended as of 31 December 2013, an amount of 2,000,000 Euro, with the corresponding exemption of default and penalty interests and other costs of the tax process. Under that same regime, the Group requested to the Tax Authorities the offset of part of the amounts challenged related with that inspection, with credits that the Group had over the Tax Authorities (regarding Income Tax administrative and judicial appeals), having obtained, in the year ended as of 31 December 2014, the approval of the requirement in the amount of, approximately, 5,700,000 Euro.

Under the State Indebtedness Reduction Special Plan, approved by the Decree-Law 67/2016, of November 3 (“PERES”), the Group paid voluntarily, during the year ended as of 31 December 2016, an amount of 3,614,561 Euro, with the corresponding exemption of default and penalty interests and other costs of the tax process.

Consequently, the amount of the unresolved contingency/tax assessment, as of 30 September 2019 and 2018, amounts to, approximately, 13,500,000 Euro, from which 3 million Euro refers to the correction of the capital loss above referred and the remaining amount (10.5 million Euro) is related to the dividends’ correction.

The Board of Directors, supported by its legal and tax advisors, and under the process of its tax contingencies revaluation, evaluated as probable a: (i) favourable decision in the case of the dividends and (ii) an unfavourable decision in the case of the capital loss, reason why a provision in the amount of, approximately, 3,000,000 Euro was allocated to that component of the process.

Nevertheless, the Group is still in litigation with the Portuguese tax authorities regarding these two situations.

In order to cope with these disputes, the Group recorded provisions, which correspond to the best estimate made by the Board of Directors, supported by their legal and tax advisors, of the impact that might result from the ongoing tax claims.

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7. CASH AND CASH EQUIVALENTS

As of 30 September 2019, 31 December 2018 and 30 September 2018, the caption "Cash and cash equivalents" can be detailed as follows:

	30.09.2019	31.12.2018	30.09.2018
Cash	83,934	64,733	65,015
Bank deposits repayable on demand	2,797,826	6,559,779	3,084,949
Cash and cash equivalents within balance sheet	2,881,760	6,624,512	3,149,964
Bank overdrafts (note 9)	(189,402)	(177,809)	(1,371,276)
Cash and cash equivalents	2,692,358	6,446,703	1,778,688

As of 30 September 2019, payments related to financial investments refer to the 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.) (Note 4). Payments related to financial investments in the period ended September 30, 2018 refer to supplementary capital contributions granted to the associated company A Nossa Aposta.

8. SHARE CAPITAL

As of 30 September 2019 and 31 December 2018, the Company's fully subscribed and paid up capital consisted of 102,565,836 shares without nominal value. As of that date, Cofina and the Group companies did not hold own shares.

9. BANK AND OTHER LOANS

The caption "Bank loans" as of 30 September 2019 and 31 December 2018 refers to bank overdrafts (Note 7).

As of 30 September 2019 and 31 December 2018, the caption "Other loans" was made up as follows:

	30.09.2019			
	Book value		Nominal value	
	Current	Non current	Current	Non current
Commercial paper	51,947,843	-	52,000,000	-
	<u>51,947,843</u>	<u>-</u>	<u>52,000,000</u>	<u>-</u>
31.12.2018				
	Book value		Nominal value	
	Current	Non current	Current	Non current
Bond loan	16,617,753	-	16,666,667	-
Commercial paper	29,502,675	-	29,500,000	-
	<u>46,120,428</u>	<u>-</u>	<u>46,166,667</u>	<u>-</u>

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Bond loan

As of 30 September 2019, the bond loan denominated “Obrigações Cofina SGPS – 2013/2019”, whose face value amounted to 16,666,667 Euro, issued by Cofina SGPS, S.A. is totally amortised.

Commercial paper

The liability caption “Commercial Paper” relates to six commercial paper programs, with guaranteed subscription by the banks, in the maximum amounts of 15,000,000 Euro, 15,000,000 Euro, 7,000,000 Euro, 5,000,000 Euro, 5,000,000 Euro and 5,000,000 Euro, which bear interests at market rates. These commercial paper programs mature in September 2021, July 2022, April 2020, November 2021, September 2022 and September 2024, respectively.

10. FINANCIAL RESULTS

Financial results for the nine months' periods ended as of 30 September 2019 and 2018 are made up as follows:

	30.09.2019	30.09.2018 restated
<u>Financial expenses</u>		
Interest paid	1,632,940	1,066,035
Commissions	390,274	356,150
Other financial expenses	18,141	21,625
<u>Losses in associated companies</u>		
Application of the equity method	-	554,617
	<u>2,041,355</u>	<u>1,998,427</u>
<u>Financial income</u>		
Interest received	5,766	20,441
<u>Profit in associated companies</u>		
Application of the equity method	94,649	-
	<u>100,415</u>	<u>20,441</u>

11. GUARANTEES

As of 30 September 2019, Cofina had provided guarantees as follows:

- Pledge of 20,000,000 shares of Cofina Media, S.A., in favour of the Portuguese Tax Authority (“Autoridade Tributária e Aduaneira”) as a guarantee of the ongoing income tax claims.

As of 30 September 2019, Cofina Media group companies had assumed responsibilities for guarantees granted amounting to 222,064 Euro related to its advertising activities and ongoing tax and civil proceedings.

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12. EARNINGS PER SHARE

Earnings per share for the nine months periods ended as of 30 September 2019 and 2018 were determined taking into consideration the following amounts:

	30.09.2019	30.09.2018 restated
Net profit / (loss) considered for the computation of basic and diluted earnings	4,256,024	3,692,222
Weighted average number for shares used to be compute the basic earnings per share	102,565,836	102,565,836
Earnings per share:		
Basic	0.04	0.04
Diluted	0.04	0.04

13. SEGMENT INFORMATION

According to the source and nature of the income generated by the Group, the following segments were considered:

- Press
- Television

Since the Group only operates in the domestic market, geographic segments are not reported.

The information for the nine months periods ended as of 30 September 2019 and 2018 is detailed as follows:

	Press	Television	Consolidation adjustments and elimination	Total
30.09.2019				
Net operating income	54,260,411	10,794,378	-	65,054,789
Operating cash-flows - EBITDA (a)	8,892,464	2,843,040	-	11,735,504
Amortisation and depreciation	(2,390,408)	(331,013)	-	(2,721,421)
Operating profit (EBIT)	6,502,056	2,512,027	-	9,014,083
			Consolidation adjustments and elimination	
30.09.2018 re-expresso				
Net operating income	57,823,073	8,708,964	-	66,532,037
Operating cash-flows - EBITDA (a)	8,471,593	2,097,924	-	10,569,517
Amortisation and depreciation	(993,810)	(263,079)	-	(1,256,889)
Operating profit (EBIT)	7,477,783	1,834,845	-	9,312,628

(a) – EBITDA: Earnings before interest, taxes, depreciation and amortisation

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14. NET PROFIT APPROPRIATION

Regarding the 2018 financial year, the Board of Directors proposed in its annual report that the individual net profit of Cofina, SGPS, S.A. amounting to 1,966,504.21 Euro would be transferred to Free Reserves. That proposal was approved in the Annual Shareholders' General Meeting held on May 28, 2019.

15. INTERIM FINANCIAL STATEMENTS APPROVAL

The interim financial statements as of 30 September 2019 were approved by the Board of Directors for issuance on November 7, 2019.

16. SUBSEQUENT EVENTS

In a press release issued on August 14, 2019, Cofina disclosed the existence of negotiations with Promotora de Informaciones, S.A. ("Prisa"), on an exclusive basis, with a view to the acquisition of its participation in Grupo Média Capital, SGPS, S.A..

On September 20, 2019, a share purchase agreement was signed with Prisa for the acquisition of shares representing 100% of the share capital of Vertex, SGPS, S.A. ("Vertex"), which holds shares representing 94.69% (ninety-four point sixty-nine per cent) of the voting rights of Grupo Média Capital, SGPS, S.A..

The share purchase agreement is subject to the following suspensive conditions:

- i. non-opposition by the Competition Authority ("Autoridade da Concorrência");
- ii. authorization from the Portuguese Regulatory Authority for the Media ("Entidade Reguladora para a Comunicação Social – ERC");
- iii. approval by Prisa's General Meeting of the transaction provided in the Share Purchase Agreement;
- iv. approval of the transaction provided in the share purchase and agreement, to be provided by Prisa's lenders, in accordance with the terms and conditions of financing to which Prisa and Vertex are parties;
- v. approval and execution of one or more increases of Cofina's share capital by new cash inflows, in the amount required to, together with the bank financing portion to be contracted by Cofina, to finance the acquisition of Prisa's stake in Vertex, and subsequent registration of the capital increase at the Commercial Registry Office.

Following the execution of this agreement, Cofina made public, on 21 September 2019, the decision to launch a general and voluntary public tender offer for the acquisition of all the shares representing the share capital of Grupo Média Capital, SGPS, S.A.

17. EXPLANATION ADDED FOR TRANSLATION

This document is a translation of a document originally issued in Portuguese, prepared using accounting policies consistent with the International Financial Reporting Standards and in accordance with the International Accounting Standard 34 – Interim Financial Reporting, some of which may not conform or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.



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