



Annual Report

2016

Grupo Media Capital, SGPS, S.A.

NOTE:

Free translation for information purposes only. In the event of discrepancies, the Portuguese language version prevails

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ANNEX

Statutory Audit

Report of The Audit Committee

GRUPO MEDIA CAPITAL, SGPS, S.A.

Dear Shareholders,

The Board of Directors of the Grupo Media Capital, SGPS, S.A. in compliance with the legal and statutory precepts instituted, presents the Management Report and Statutory Consolidated Accounts for the year of 2016. Under the terms of number 6 of article 508 – C of the Portuguese Companies Code, the Board of Directors has decided to present a sole Management Report, in which all the required legal precepts are fulfilled.

SOLE MANAGEMENT REPORT OF THE BOARD OF DIRECTORS 2016 ACCOUNTS

INTRODUCTION

The company Grupo Media Capital, SGPS, S. A. (“Company” or “Society” or “Media Capital” or “Grupo Media Capital” or “Group” or “GMC”) has as its only investment, a 100% share of MEGLO – Media Global, SGPS, S.A. (“MEGLO”). Through this investment the Company holds, indirectly, participations in the companies mentioned in notes 4 and 5 of the Notes to the Consolidated Financial Statements on December 31, 2016.

The complete designations of the companies included in this report have the due correspondence in the aforementioned notes to the financial statements, which are an integral part of the Management Report and Consolidated Financial Statements of the Company.

GRUP STRUCTURE

Grupo Media Capital is currently the leading media group in Portugal in terms of EBITDA and Net Income, with a strong presence in most of the segments in the media sector and in the production of audiovisual contents. Its operational structure reflects this broad business scope and is horizontal, organized into five different business units and a Shared Services Unit that centralizes all the administrative functions and serves the other Group companies in areas such as payroll, accounting, financial management, treasury, purchases and information systems, including the Group’s Holding and sub-hodings.

The Group’s strategy is founded on basis of quality, independence and credibility, and on a commitment to develop information, culture and entertainment in Portugal, permanently guided by the interests and preferences of viewers, listeners, customers and advertisers.

In terms of financial reporting, the structure adopted by Media Capital comprises three reporting segments: Television, Audiovisual Production and Radio. The remaining companies and business units– including Digital – are grouped in a separate reportable segment called Other. The purpose of this structure is to simplify the evaluation and visibility of the different business units where the company operates, taking into account the dimension and the existing relations and synergies between the companies of each business reportable segment.



ECONOMIC ENVIRONMENT

Global economic activity slightly improved in the second half of 2016, leading FMI to expect a global growth of 3.1%.

The major indicators indicate a deceleration of the Portuguese economic recovery in 2016, with Banco de Portugal expecting a 1.2% increase in PIB indicator (vs 1.6% in 2015), mostly due to a relevant decrease in public investment.

Advertising market performance

Following the general economic tendency, the Portuguese agencies advertising market (before rappel discounts) registered a 5% increase in 2016 (10% in 2014 and 3# in 2015).

Regarding the segments in which the Group is present, the Television segment improved by 4% - 3% in FTA and 13% in pay TV – while Digital (once again) significantly improved by 21% (30% in 2015) and Radio increased 8% (-1% in 2015). As for other segments, Press registered a new decrease in 2016 (-18%) and both Cinema and Outdoor segments increased by 28% and 8%, respectively

Taking into consideration the recent economic favourable context, advertising market is expected to experience a new (but moderated) growth in 2017, albeit the extent and impact of this tendency is still unknown.

MAIN FACTS IN 2016

- Media Capital's net income increased by 10% to € 19.1 million
- In 2016, Media Capital's EBITDA improved by 3% YoY, reaching € 41.5 million, with operating revenues broadly stable, whilst operating expenses decreased by 1%. In the same period, net income was up 10% to € 19.1 million.
- In what regards advertising, in 2016 there was a YoY improvement of 4%.
- TVI kept the leadership in TV audiences, with an average share of 21.5% and 25.2% in all day and prime time, respectively. The positive gap over the second most watched channel was 3.9pp in all day and 3.1pp in prime time, in both cases improving vs 2015 (by 0.1pp and 0.2pp respectively). TVI leadership was also maintained when analysing groups of channels, with 25.0% in all day and 28.2% in prime time, i.e. respectively 3.7pp and 2.9pp above the second most watched group of channels.
- On financial grounds, the TV segment posted an EBITDA of € 33.6 million, improving 6% over 2015, and with a margin of 23.6%.
- In turn, the Audiovisual Production segment had a positive EBITDA contribution (€ 1.5 million), improving € 0.4 million vs 2015.
- The EBITDA of the Radio segment was € 5.4 million, corresponding to a margin of 30.4%. Taking into consideration the average audience share in 2016, Media Capital's aggregate group of radios had an audience share of 34.9%. Rádio Comercial continues to rank #1, with an average share of 23.5%. In turn, m80 - which registered the strongest improvement in Portugal (+1.0pp) - reached an average share of 6.9%, becoming the 4th most listened to radio station in the country.
- In Digital, advertising improved by 14% YoY in 2016.
- In terms of operating cash flow, there was a YoY improvement of 31%, to € 38.2 million, while net debt decreased by € 14.1 million, notwithstanding the amount of € 16.1 million of dividends paid out.

BRIEF OVERVIEW OF THE CONSOLIDATED RESULTS

In 2016, operating revenues were stable vs 2015, reaching € 174.0 million. In 4Q16, revenues fell 7% to € 49.7 million. Opex was down 1%, from € 134.3 million to € 132.5 million.

Consolidated EBITDA improved 3% from € 40.1 million to € 41.5 million and EBIT stood 8% above last year's comparable figure. Net income improved by 10%, reaching € 19.1 million.

BRIEF OVERVIEW OF THE INDIVIDUAL RESULTS

Grupo Media Capital SGPS, S.A. accounts are mainly a reflexion of the operational activity of its subsidiaries and participated companies, as well as the dividend received and distributed to its shareholders.

Thus, in terms of the full income statement, operational result was @ -187.2 thousand (€ - 44.4 thousand in 2015), due to a reduction in operational income (essentially composed by management fees) which was not sufficiently offset by the reduction in operating expenses (€ 5,937.2 thousand in 2015 to € 5,833.9 thousand), which occurred due to lower expenses with supplies and external services. Financial results were in line with 2015.

In turn, gains in subsidiaries, which correspond to dividends from is participated company Meglo, rose to € 16,398.9 thousand in 2016 and to € 15,418.2 thousand in 2015.

Taxes had a positive impact in 2016 (above the impact registered in 2015), essentially due to excess of IRC estimations from previous years.

It is worth mentioning that during 2016 Grupo Media Capital, SGPS, S.A. distributed dividends amounting to € 16,057.5 thousand (€ 15,820.9 thousand in 2015), which corresponded to a dividend per share of € 0.19.

Future activity of the Company will be influenced by the operations of its direct and indirect subsidiaries, being all the legally required information already described in this Management Report for each of the operations leaded by the Grupo.

EXPECTED EVOLUTION IN ACTIVITY FOR 2017

Banco de Portugal expects economic improvements in the Portuguese economy in 2017, with the PIB indicator increasing 1.4% (which compares to 1.2% in 2016). Nevertheless, both the unfavourable internal conditions and international context, ad extra uncertainty to this prediction.

However, attending the strong decrease in the advertising market until 2013, it is expected to continue to grow 2017, though not as visible and consistent as in the previous years.

In this environment, and as in previous years, TVI will continue to protect the most profitable time slots and contents, maintaining as well, a tight cost control on both programming and structure. The pursuit of revenues from non-traditional advertising sources will continue to be critical aiming to achieve leadership in quality, innovation and profitability. A special attention will continued to be paid regarding non-linear offer and interactivity as a means for monetization and consumers' loyalty. Event production will also be an activity in which TVI will be engaged.

In the Audiovisual Production segment, after the effort made by gathering (near Lisboa) the production centres, technical resources, scenarios foresees and cost structure, quality, production time and activity expansion to new contents are goals for 2017. The Group will maintain its commitment in being the reference producer in drama contents in Portuguese language.

2016 was again a record-breaking year for the MCR radios, with a very positive performance vs the whole radio market, leading to an improvement in both operational efficiency and profitability. The main goal in 2017 is to maintain the leadership obtained by Radio Comercial and to reinforce the other radio formats. MCR also intends to continue to invest in the creation of new business opportunities and market solutions, by reinforcing its radios' digital presence as well as their presence at the most significant events and music festivals.

In Media Capital Digital's operating segment, the estimates are that the Group will continue to improve its relative presence in digital when compared to other media. In this sense, and taking in consideration the growing weight of content consumption in multiple platforms, interfaces and means (linear, non-linear, mobile, simultaneous media), it is a strategic decision for the Group to be in the forefront of these developments and to capitalize its already proven ability to innovate.

It is nevertheless important to mention that the level of uncertainty at macroeconomic level as well as certain structural changes taking place in the media industry is making projections extremely difficult.



Television

INTRODUCTION

Aside from the FTA TV channel TVI, the company also owns the Pay TV channels TVI24, TVI Ficção, TVI Internacional, TVI África and TVI Reality. TVI's group of channels led audiences in 2016 with a share of 25.40% (the second and third positions registered shares of 21.3% and 17.0%, respectively) in all day. In prime time, TVI lead with a share of 28.0%.

Along 2016, TVI's channels reached a daily average audience of 4.620 million viewers (3.230 million in prime time).

ACTIVITY EVOLUTION IN 2016

In what regards financial performance, operating revenues in the TV segment rose slightly in 2016 to € 142.2 million.

Advertising revenues improved by 4%.

Other revenues, which encompass, among other, retransmission fees, sale of contents and multimedia services, were down 7%, mainly due to lower revenues in multimedia and sale of contents, as these were not completely offset by the positive impact of the better performance in retransmission fees.

Opex was down 1% YoY on a Ytd basis. Hence, EBITDA in 2016 was € 33.6 million (+6% YoY), with a margin of 23.6%.

During 2016, television segment registered an investment in tangible and intangible fixed assets of € 3.4 million (€ 3.0 million in 2015).

2016 - LEADER FOR THE TWELFTH CONSECUTIVE YEAR

According to GfK, TVI continued to lead FTA audience shares in Portugal, registering an average audience of 21.5% throughout 2016. The second and third positions among generalist channels obtained shares of 17.6% and 13.7%.

TVI also lead audiences in prime time, with a 25.2% share driven by its entertainment, local drama and news offers. The second position registered 22.0% share and the third position obtained 14.2% share. TVI also lead in the main commercial target, with shares of 22.1% and 25.5% in all day and in prime time, respectively.

Thematic cable channels obtained 36.4% and 30.1% shares, in all day and in prime time.

Sundays were the best day of the week for TVI during 2016, with major entertainment formats, football matches, drama productions and the 8pm news programme, with the journalistic investigation program “Repórter TVI”.

PROGRAMMING

In 2016 TVI once again met consumer’s preferences offering relevant, actual and quality contents in local and international drama, news, sports and large international entertainment formats adapted to Portuguese reality.

Local Drama

Local Drama, mainly produced by Plural, maintained its status as one of TVI’s programming pillars, with leading audiences in prime time, reaching multiple targets.

In the first quarter of the year, TVI premiered the second season of “Santa Bárbara”, which ended in September leading with a share of 29.4% (over 1 million viewers). The third season of “A Única Mulher” maintained the novela’s leading audiences since season one, reaching an average of 1.226 million viewers and a share of 28.7%.

TVI premiered “A Impostora” in September, a major production recorded in Mozambique, Chile and Portugal, which immediately captured the viewers and reached 27% share, with an average of 1.219 million viewers.

TV series continued to be a Strong bet in TVI’s programming. The youth series “Massa Fresca” obtained excellent results, reaching 532 thousand viewers and 17.6% share, and the sitcom “A Casa É Minha” obtained 16.7% in the late night. Premiered in December, the success series “Inspector Max” obtained 32% and over 1 million viewers.

It is also worth mentioning, the second runs of “Deixa que te Leve” and “Mundo Meu”, which obtained shares of 21.3% and 24.4%, respectively.

News and Sports

As in the previous year, both “Jornal da Uma” (at lunch time) and “Jornal das 8” (8pm) achieved leading shares of 25.6% and 22.3% respectively. That corresponds to 640 thousand viewers for “Jornal da Uma” and 976 thousand viewers for “Jornal das 8”.

“Repórter TVI” was once again a reference in investigative journalism. Its 30 transmissions recorded during the year reached an average audience of 1.145 million individuals and a share of 24.4%.

Regarding Sports, TVI broadcasted the matches of the “Taça CTT” which obtained an audience share of 30.0%, corresponding to more than 1.3 million viewers. As for other competitions, the final match of “Taça de Portugal Placard” registered an average of 2.011 million viewers and 57.2% share and the “Supertaça Candido de Oliveira” reached an average of 1.438 million viewers (37% share). The preparation games of the Portuguese Football Team for Euro 2016 broadcasted by TVI obtained a share of 45.0%.

As for the Euro 2016 Futsal matches, these achieved an average audience of 70 thousand viewers and a share of 20%.

Entertainment

In Entertainment, TVI maintained a strong adherence from the viewers, offering not only its regular daily programs that guaranteed high loyalty levels from Monday to Friday, but also diversified contents that assured leadership peaks, namely during the weekends.

TVI's contents lead throughout the day. The morning show “Você na TV” continues to lead on its timeslot with a share of 28.5% and an average of 413 thousand viewers. Also on weekday's afternoons, talk show “A Tarde é Sua” obtained a leading share of 17% (359 thousand viewers).

On weekends, “Somos Portugal” – broadcasted live from different parts of the country – lead on its timeslot with 673 thousand viewers and a share of 21%.

Premiered in January, the reality show “A Quinta – Desafio Final” lead comfortably on Sunday nights, registering an average of 1,405 thousand viewers and a share of 31.1%. The new and innovative reality show “Love on Top”, which was premiered on February, registered the preference of thousands of viewers on Saturday nights, reaching an average of 682 thousand viewers and 24% share. In the last quarter of the year, the sixth edition of “Secret Story” lead on Sunday nights with an average of 1,148 thousand viewers and 34.3% share.

Talent shows were also on the spotlight in 2016, leading consistently throughout their emissions. Premiered in April, the new season of “Pequenos Gigantes” was audience leader on Sunday nights with an average of 1,200 thousand viewers and 27.1% shares. Also, “MasterChef Junior” was an indisputable leader on Sunday nights, reaching an average of 1,285 thousand viewers and 30.6% share. The known success program “A Tua Cara Não me É Estranha” return to TVI's antenna in October and lead with excellent results (1,173 thousand viewers and 28.9% share).

Among the large entertainment show produced and broadcasted by TVI, it is worth mentioning the celebration of the channel's 23rd anniversary in February, which registered 35% share and 1,312 thousand viewers, as well as the “Gala das Estrelas” (in December) which obtained 1,275 thousand viewers and a leading share of 34.9% in prime time.

Internacional Drama

During 2016, TVI maintained its bet on quality series and blockbuster cinema, broadcasting quality series, such as “Energia Negra”, “O Canto do Passaro” and “Hawai Five-0”, all with shares greater than 15%.

TVI24

In 2016, TVI24 (which presented a new image in the beginning of the year) grew 22%, from an average audience of 30 thousand viewers to 36 thousand. The news channel, lead audiences in prime time along the year, with 1.8% and registered a share of 1.9% in all day, standing in the 8th position of the ranking, thus assuring its position as a reference news channel.

TVI24’s share among news channels was of 39.0% in all day and of 42.1% in prime time. The channel’s programs were regularly on the top 10 of the most viewed among news channels.

TVI24 maintained its bet on the best news services, as well as its political and economic debate programs (e.g., “Prova dos Nove” and “Olhos nos Olhos”). It is also worth mentioning, the channel’s investment on sports contents, such as the Portuguese preparation matches for Euro 2016, Taça CTT, American Soccer Cup, Portuguese Futsal League and cycling (La Vuelta). The sports programs “Prolongamento”, “Mais Transferências” and “Maisfutebol” registered shares of 3.2% and 2.9% and 2.8%, respectively.

In the digital arena, the value proposal by TVI24 also had positive developments, by assuming itself as the country’s main multimedia screen. On top of having the site tvi24.pt registering record audience figures, its video contents and apps for several platforms and devices also posted unmatched record figures.

TVI INTERNACIONAL

TVI International’s programming offers a wide variety of the best local drama, entertainment and information contents, not forgetting the special programming customised for each market / country in their area of coverage.

During 2016, TVI Internacional reinforced its presence in Europe, entering new platforms in United Kingdom and Andorra. Throughout the year, the channel was available in 15 countries and territories through more than 30 different cable platforms. The channel is present Angola, Mozambique, Spain, France, Andorra, Monaco, Luxembourg, Switzerland, United Kingdom, Venezuela, USA, Australia, New Zealand, Porto Rico and Cape Verde, taking the best of TVI and TVI24’s contents to Portuguese speaking communities around the world.

TVI FICÇÃO

TVI Ficção combines the best of local drama (produced by Plural) with the new interactive tools available in MEO (pay-tv operator), in order to increase interaction with the audience and offer exclusive contents to MEO subscribers, such as anticipated visioning of episodes, possibility to choose the end of a novela that is being transmitted in TVI, bios, exclusive interviews, talk shows or backstage videos. TVI Ficção's programming grid allows viewers to view (and review) the most successful local drama contents and to get a better knowledge of those who are part of the everyday life of Portuguese viewers.

The channel, which launched a new graphic line in April'16, is distributed exclusively in the platform MEO and obtained in 2016 0.8% share.

TVI Ficção has once again reinforced its international presence in United Kingdom as is currently available in Angola, Mozambique, France, Luxembourg, Andorra, Monaco, United Kingdom and Cape Verde.

TVI ÁFRICA

Premiered in October 2015 in partnership with Multichoice África Group, TVI África broadcasts for Angola and Mozambique, through the DStv platform. This is the first Portuguese generalist channel exclusively developed for other countries, which reflects TVI's bet of the Portuguese speaking markets.

TVI África programming offers the best premium contents of TVI, including *reality shows*, local drama, large entertainment formats and news.

TVI REALITY

Broadcasted exclusively in the NOS platform, TVI Reality replaced is the "home" for TVI's reality shows, broadcasting 24hrs a day of these contents. Since May, TVI Reality can be seen from everywhere in the world, through its app, available in Android and iOS.

The channel reached a share of 1.2% among cable channels and occupied the top 13 of the most watched channels (pay TV).

TVI Player

Available for free online and through its own apps for several platforms and devices (iPad, iPhone, smartphone tablet and android), TVI Player's launch confirms TVI's quality, innovative and bold profile, that characterizes the company's strong performance, regarding content production and distribution.

TVI Player is available for TVI's universe of channels, both in FTA and cable, featuring several interactive and innovative solutions. Besides allowing the viewers to watch their favourite programs live or VOD, TVI Player introduces new features, such as the programs' highlights or backstage, as well as exclusive contents.

With a sustained growth since its launch in June 2015, TVI Player reached in 2016 1 million users per month and a monthly average of 7.5 million videos watched.

TVI NO DIGITAL – Other projects

TVI invested in evolving its systems in 2016, to turn them into integrated solutions for planning, production and broadcasting of multi-platform innovative content, also creating new and interactive forms to contact with its audience through the development of new apps to several supports and devices and broadening the reach of its cable channels.

Successful examples of these innovations, in nonlinear contents, are the interactive programs "Love on Top" in TVI Direct, which accounted for new interactive features, new voting options through Facebook and new contents.

TVI's and TVI24's apps, strongly supported on video contents, registered excellent results, reaching #1 various times and totalling over 3 million downloads. The investment in smartphones and tablets, making TVI's information available to a wider audience, had strong positive effect abroad, mainly in countries with larger Portuguese communities. TVI's network of sites consolidated its #1 position with shares of 45.9% in visits and of 43.2% in pageviews.

OTHER REVENUE STREAMS

Among Other Revenues obtained by the channel, revenue streams were generated from interactive and multimedia services related to TVI's contents and by allowing TVI, TVI24, TVI Internacional, TVI Ficção, TVI Direct, TVI África and TVI Direct feeds on other TV distribution platforms, such as cable, IPTV, satellite and mobile. These agreements allow TVI to strengthen not only its production capacity and high-end and innovative content development, but also to invest in new interaction with viewers, ensuring access to content anywhere, any time. It is also worth mentioning international sales of TVI/Plural's contents.

Interactivity

In order to diversify its revenue portfolio, TVI maintained its bet on interactive initiatives during 2015. Among these initiatives were the renewal of the TV call show in the afternoon and the reality shows, as well as other special events along the year.



Audiovisual Production

INTRODUCTION

Plural Entertainment maintained its position as one of the major audiovisual producers in Iberia, producing essentially drama in Portuguese language and entertainment, in Spanish language.

Plural is the largest audiovisual production company in Portugal, with strong operations in production services and scenarios.

In Spain, Plural Entertainment includes in its client roster the most important private TV chains in Spain (Cuatro, Antena 3 and Telecinco) and autonomic channels, producing programmes for all audiovisual genres, such as talk-shows, reality shows, drama, competitions, magazines, documentaries, debates, public service programming, sports events, galas, news programmes and light entertainment.

2016 was negatively marked by the disappearance of Nicolau Breyner, one of the greater Portuguese actors and founder of NBP, a reference company in Audiovisual Production and the mail school of actors in Portugal, which was in the origin of Plural, after Media Capital acquisition in 2001.

ACTIVITY EVOLUTION IN 2016

The Audiovisual Production segment had total operating revenues of € 40.5 million in 2016 (-3%).

In Portugal, operating revenues were down 3% YoY, due to a lower level of activity in content production as well as to the positive impact in 4Q15 resulting from the sale of non-core fixed assets.

As for the activity in Spain, there was also a decrease in activity (-13%) for the year as a whole, whereas in the quarter the variation was more significant (-60%). This lower level of activity in Spain is due to the fact that Plural is concentrating its activity in a niche market, by exploring and maximizing the profitability of its technical services area, rather than in the production of contents.

Opex was down 4%, as a result of lower activity in both Portugal and Spain. EBITDA reached a positive figure of € 1.5 million, improving € 0.4 million vs 2015.

Along 2016, Audiovisual Production segment registered Recorded an investment in tangible and intangible fixed assets of € 2.2 million (€ 1.7 in 2015).

PLURAL ENTERTAINMENT

In 2015, Plural Entertainment maintained its position as the major audiovisual producer in Portugal, being a reference in local drama and producing over 560 hours of contents in Portuguese.

Plural's work was again both nationally and internationally recognized.

AUDIOVISUAL PRODUCTION

Local Drama Contents

During 2016, the novelas "A Única Mulher" and "Santa Barbara" came to an end. Both lead on their timeslots, in TVI's prime time.

At the beginning of 2016, Plural began the production of the novela "A Impostora" in Chile. The novela, also recorded in Mozambique and Portugal, reached audience leadership since its launch on TVI. In the last quarter of the year, the novela "Ouro Verde" started recording in Brazil and Portugal.

As for tv series, Plural produced the suspense series "Onde Está Elisa?" and the youth series "Massa Fresca". The latter was an audience success, and originated a CD and a book.

Advertising Contents

Advertising production was once again a strategic area for Plural. In 2015, the business was reinforced with the incorporation of the soft sponsoring business, which allowed for relevant synergies in content production, acquisition of new clients and communication solutions.

Plural's versatility is visible in the variety of advertising solutions offered, ranging from music themes, to spots, content integration, institutional films, among others.

EMAV – EMPRESA DE MEIOS AUDIOVISUAIS

In 2016, EMAV kept assuring technical resources for Plural's productions, and succeeded on reinforcing its presence in Portugal and Spain, affirming itself as a major player in this area and differentiating from the competition through the quality of its services and equipment.

This performance was due to two main factors. On one hand, Plural maintained important service contracts with major broadcasters such as SportTV, Coral, TVI or Canal+. On the other hand, EMAV conquered new clients and assured the image capture of relevant and large events, mainly in Spain.

EPC – EMPRESA PORTUGUESA DE CENÁRIOS

EPC maintained its successful bet in conquering new clients both in Portugal and Spain, while assuring its leading position in scenario construction in Portugal. The development of EPC's activity was on one side due to the work developed for the three generalist Portuguese channels (TVI, SIC and RTP) and, on the other side, to the consolidation of its partnerships with relevant market producers. EPC also augmented its portfolio of clients in Spain.



Radio

INTRODUCTION

During 2016, Radio Comercial assured market leadership (achieved in Q2'12), which also contributed for the positive financial performance obtained by Media Capital Radios.

MCR maintained its diversified commercial offering, with solutions aimed at answering the needs of advertisers, allowing contact and interaction with the public in various platforms and occasions. Whether through the creativity of radio communication proposals, the Group's strong online presence, its association with the country's key musical events, the organisation of concerts or the key festivals, the MCR brands aimed to open new opportunities and contact moments with the fans..

ACTIVITY EVOLUTION IN 2016

MCR's advertising revenues were up 6% YoY, while other operating revenues decreased 72% YoY, as a result of the change in perimeter concluded in 4Q15.

Opex was 5% above the comparable period. Hence, EBITDA reached € 5.4 million (-23% YoY).

Along 2016, Audiovisual Production segment registered Recorded an investment in tangible and intangible fixed assets of € 0.4 million (€ 2.7 in 2015).

AUDIENCE

The audience data continues to underline the outstanding performance of the formats explored by MCR. The average audience share of MCR's group of radios in 2016 was 34.9%.

Rádio Comercial continues to lead, with an average share of 23.5%, whereas m80 beat its audience record and was the Portuguese radio that improved the most in 2016 (+1.0%pp to 6.9%). It is now the fourth biggest radio in terms of audience share. Cidade also posted a positive evolution, gaining 0.1pp to 3.0% and Smooth FM registered 1% share.

DIVERSIFIED AND INNOVATIVE PORTFOLIO

Maintaining its Adult Contemporary Music format, Rádio Comercial has once again strengthened its positioning and captures new listeners, while sustaining its investment on humour contents and on its morning show. Moving beyond its on air confines, the radio station registered relevant results on the digital arena and organizing successful events.

Rádio Comercial's presence at key musical events throughout 2015 was also constant fixture, which linked the brand to well-known festivals, like NOS Alive, Sudoeste, Marés Vivas or Cool Jazz Fest, and concerts of famous national and international artists.

Continuing its strategy of proximity to the listener and a strong investment in promoting Portuguese artists, as well as promoting countless concerts and tours throughout the year, Rádio Comercial organized several "Smallest Concerts in the World" in various parts of the country, featuring recognized Portuguese artists.

Radio Comercial's commitment towards the society, with "Eu Ajudo!", had a Strong repercussion in 2016, with the donation of almost € 30 thousand to eleven non-profit organizations and institutions, working in Portugal.

Also, m80 kept its investment in proximity to its listeners, sponsoring various musical, artistic or sports events and organizing highly successful parties throughout the country. Cidade reinforced its positioning as the benchmark station for the younger target audience with a single musical positioning of Current Hits. With more interactivity and new contents, Cidade once again invested strongly in on place events, both by promoting or organising events for its target audience around the country.

With distinctive and unique positioning, and directed to a market niche, SmoothFM (jazz music) reinforced its proximity to its audience, whilst VodafoneFM also increased its on place presence and maintained its positioning targeting the younger audience.

Online

In 2016, MCR brand's registered a monthly average of over 69 million pageviews, corresponding to a new increase, of 11% (66% in 2015). This performance is mainly due to Radio Comercial and m80's results.

As for social networks, Radio Comercial ended 2016 with over 1.8 million followers. It is also worth mentioning that, at the end of 2016, the station surpassed 70 million videos and 500 thousand app downloads.



Others



ACTIVITY EVOLUTION IN 2016

This segment includes the following areas: Digital, Music, as well as the holding and shared services.

Despite the strong competitive environment, MCD managed to continue to improve the quality and audiences of its network of sites, with positive impact on several KPI's. In fact, in 2016, pageviews increased 31% while video impressions grew 81% (with a particularly strong contribution from TVI Player).

Advertising revenues were up 14% YoY, whereas other revenues were down 05% Ytd. The EBITDA of the segment was € 0.2 million, which compares with € -0.2 million in 2015.

MEDIA CAPITAL DIGITAL (MCD)

In 2016, MCD consolidated its position in the media digital arena, growing (according to Netscope indicators) 21% in visits and 31% in pageviews, whilst the market registered increases of 8% and 13% in these indicators. MCD also achieved 82% growth in videos. These positive variations are chiefly due to the success of TVI Player, the augment of IOL's partnerships and the launch, for the first time in Portugal, of the awards Blogs do Ano.

1 YEAR OF TVI PLAYER

Released in June 2015, TVI Player celebrated its first year with excellent results and the consolidation of the brand, both nationally and internationally. In addition to traffic, in 2016 TVI Player strengthened its contents, with the offer of TVI Reality. Moreover, in June 2016 a new platform where any author and producer can submit their programs to be broadcasted on ITV Player, was launched. Since then, several programs of national producers were emitted. Closing a year of outstanding performance, the mobile application registered close to 1 million downloads.

DIGITAL VIDEO, SOCIAL VIDEO

Technological infrastructure reinforcements and redesign in creative production were also relevant in 2016, especially for the entertainment, local drama, news and reality shows formats. These improvements made it possible to increase the production and reach of video contents, having MCD exceeded 150 million videos seen for the first time in one year.

Specific design was also created for better interaction and content visualization of social media platforms like Facebook, Instagram, YouTube and Snapchat.

TV

Keeping a clear advantage against its most direct competitors, TVI's websites achieved in 2016 a share of 49.7% in visits and 59.4% on page views. Considering MCD's network of sites, the group positions itself in the Top5 in visits in the ranking. Video visualizations exceeded 150 million. TVI website was redesigned in order to better accommodate the increase in channels and programs, as well as a faster download, a critical aspect in mobile environments.

STRATEGIC AXES

Contents

Content is King and in 2016 this was not exception for MCD, which maintained a strong focus on video production and offer on its various websites and supports.

Regarding news, special highlight to the presidential election, which was monitored in conjunction with TVI and TVI24 newsrooms, with content being processed and digitally transmitted in real time. In sports, the couverture of both Euro 2016 and the Olympic Games was a priority to MCD, with a proximity coverage of the events and athletes, which was complemented with special statistics, key moments outside the stadium, reports and celebrations. Also, MaisFutebol was redesigned in order to become more responsive.

The fight against pirate contents continued in 2016, having MCD worked closely with specialized operators.

Participation

Participation of users a viewers was a priority again in 2016. Thus, MCD reinforced and widened its offer of interaction solutions through mobile apps and second screen options.

The app "Eu Vi" was relaunched inside the mobile app of TVI24, allowing citizens to assume a "journalistic role", sending videos and photos in a more effective and agile way. Also, TVI's reality show "Love on Top" presented new chat and interactive figures (eg, casting for new participants in the show).

Regarding local drama, the youth series "Massa Fresca" originated a set of original digital initiatives, with youtubers "jumping" from the digital screen to the TV.

Social networks were another priority of MCD in 2016, having social care activities been a constant along the year.

Context

Mobile represented an average of 60% of the MCD's websites' visits, resulting in a wider distribution of accesses along the day and a representative increase in iOS and Android apps, especially for MaisFutebol, TVI24 and TVI Player. This led to the already referred redesign of the respective apps.

In 2016 two new distribution forms emerged – Instant Articles in Facebook and AMP in Google. MCD grabbed these opportunities since day one, integrating both in its information systems. As for pay TV platforms, the TVI Ficção app was totally redesigned, featuring new contents. Also, TVI reality's app was made available to a new set of costumers and new features were added.

Data

Concerning data management, MCD implemented its own Data Management Platform, which allows to collect more data on web navigation and content consumption patterns, thus improving recommendations, increasing loyalty and advertising tailoring.

MCD joined PMP – Plataforma de Media Privados in the project “Nónio”, which received a sponsorship from Google DNI. “Nónio” aims at the creation of an information platform directed to improve advertiser's decision processes and targeting campaigns with the objective of avoiding unnecessary expenses and making more effective ads and campaigns.

Influence

Audience participation in Media Capital's projects was once again strong in 2016. ESuport and Social Media areas were reinforced in order to obtain and redirect the most relevant feedback.

This was also a relevant year in what regards social influencers, having IOL's network of bloggers and websites increased, bringing new and influent contents to the Group.

Finally, MCD was once again innovative and audacious with the launch of the initiative Blogs do Ano.

REVENUES

Commercial offer integrating TV and digital was amplified in terms of advertising space, vídeos, creativity and tailor made solutions. Multiscreen and second-screen solutions were also amplified.

As for eCommerce, new payment methods were implemented through mobile, ATM, paypal and credit card. The possibility to subscribe the channel TVI Reality became a reality, in what was a totally innovative step towards content distribution in Media Capital. MCD also launched the youth series “Massa Fresca” on future tv on MEO platform.

B2B

In 2016, this business area augmented its client base, mainly in the premium segment, and serves now 115 activity sectors. It also expanded its service offer with search optimization, social media and classified ads. Thus, IOL Negócios continues to be a strategic partner in the digital arena, of the Portuguese companies.

Regarding the group buying site Planeo, new solutions were developed in order to maximize revenues in a decreasing market.

PROJECTS IN 2016

During 2016, MCD launched various initiatives, including the following highlights:

- 1 year of TVI Player – reinforcement of content offer, both from TVI and exclusive contents;
- 26.º Congress of the Portuguese Association for the Development of Communications – support in the preparation of a study on the Media sector;
- “Massa Fresca” – Strong promotion with YouTubbers and on Twitter and YouTube;
- “A Única Mulher” – digital contents along three seasons;
- “Love on Top” – new interactive features and unique digital offer;
- “Secret Story 6” – second screen solutions, new interactive vote, in real time;
- TVI – website renewal for a most responsive format;
- TVI24 – better content personalization;
- MaisFutebol in Euro 2016 – strong news coverage, real time game information and results, push notifications;
- LIVE Mentions – new live dynamics, through Facebook and Snapchat;
- Live coverage of “Wonderland Lisboa”;
- Blogs do Ano – innovative initiative that recognized and awarded the best Portuguese blogs and bloggers;
- Partnerships – reinforcement of existing partnerships and establishment of new ones, with content producers and platform owners;
- International partnerships – reinforcement with Google, Facebook and Twitter.



Social Responsibility

PRINCIPLES AND VALUES

In 2016, Grupo Media Capital kept its strong commitment in supporting projects towards the sustained development of the community it integrates.

Aware of its impact on Portuguese society and benefiting from its media companies' vast audiences, Grupo Media Capital aims to contribute towards an increased awareness of the Portuguese regarding specific social causes, thus contributing not only in terms of fundraising but also in increasing the credibility and visibility of selected social projects.

PROJECTS

Grupo Media Capital has been developing, implementing and supporting different projects and initiatives within the scope of its Social Responsibility Policies:

- Solidarity and social support projects
- Promotion of culture, art, education and valuation of patrimony
- Promotion of employee's volunteer support to social causes

Additionally to the use of advertising space with special commercial conditions, Media Capital Group often has a very active role in helping the solidarity and social projects, by promoting the participation of popular personalities known to the public in the events, through editorial contents on the themes or simply by using its resources to help raising funds.

Assuming its role in the promotion of Portuguese talents and arts, Media Capital uses Meeting Point - an area of encounter, debate, training and cultural exhibition, directed and opened to all collaborators, partners and other entities that wish to use it as a meeting place to exhibit art works from students of the Lisbon College of Fine Arts.

Post Graduation

The fourth edition of the Post Graduation in Journalism, developed by Media Capital in partnership with ISCTE, one of the main business schools in Portugal, initiated in 2016. This course was inspired by the "Escuela de Periodismo" de El País and aims to prepare the journalists for the future and the challenges the profession faces.

Solidarity, Projects and News

As a leading, benchmark TV station, TVI continues methodically and systematically to pay particular attention to its social responsibility policy, working for society by developing and collaborating on social/charitable projects with partners, clients and staff members, and at the same time providing information on social and humanitarian problems, to contribute to a better understanding of these situations, approaching this both through its news or entertainment programming, or advertising, as well as through various initiatives that run throughout the year.

Regarding news, TVI is maintaining its investment into in-depth and serious journalism that goes beyond fact-reporting, providing context, analysis and insights into current social problems, with work recognised in Portugal and abroad for its merit.

Also, entertainment programmes, particularly “Você na TV” and “A Tarde é Sua”, once again supported and gave a platform to various Portuguese institutions and families throughout the year.

During 2016, MCR maintained some of its previous initiatives and new ad formats and campaigns were developed to achieve the goals set for each project, generally involving the MCR’s brands’ most famous faces to increase their visibility and impact, registering good acceptance levels from their listeners.

Promotion of culture, art, education and heritage

Media Capital Group has supported some of the most important institutions and initiatives held in Portugal as a sponsor or through its subsidiary companies, above all helping with publicity among the general public.

- Maintaining its strong tradition in Portuguese language, and defending national culture and values, TVI assured more than 90% of its broadcast in Portuguese.
- As part of its Public Service agreement, signed in September 2003 between the Government, RTP, SIC and TVI, TVI again met its obligations in 2016, specifically in providing communication space for Instituto do Cinema e Audiovisual (the Audiovisual and Cinema Institute), programming supported by sign language and programming in Portuguese with additional subtitling.
- With productions in various regions of mainland Portugal and the islands, Plural continues to give a huge contribution to the promotion of culture, encouraging a greater understanding of the country and local populations.
- Maintaining its strategy in targeting the Portuguese spoken markets, some of the most recent productions of Plural (broadcasted by TVI) were recorded in Brazil, Angola and Mozambique.
- TVI strongly committed in the promotion of numerous traditional and significant events around the country, registering high acceptance levels by its viewers.

- Training and educational components are also referred to in novelas and series produced by Plural and transmitted by TVI, registering good acceptance levels from its audiences and focusing on relevant, actual and useful matters to the Portuguese society.

VOLUNTARY INITIATIVES WITHIN THE GROUP

Every year, the Media Capital Group promotes internal blood and bone marrow donation campaigns, always with extremely positive results in terms of employee participation.

During 2016, supporting initiatives to other entities promoted and strengthened the charitable, giving spirit within Grupo Media Capital, strengthening its commitment to the community.

GOOD PRACTICES

More than limiting itself to the strict fulfilment of the existing regulation applicable to the media activities in Portugal, the Grupo Media Capital has been proactively promoting the adoption of the best international practices in the sector.

Within a context of social responsibility and protection of underage children and sensitive targets, TVI has maintained and improved, from an internal point of view, a common programme age rating policy, defined for the three TV free-to-air channels, facilitating in this way, for most of its viewers, the communication of the programming viewing restrictions.

Concerning self-commercial regulation, TVI has stood out by its initiative capacity regarding new audiovisual commercial techniques, such as sponsoring references, product placement and/or supports to production and has in preparation two new agreements related to institutional communication and to advertising and sponsorship in split screen.

The respect towards the industry legislation and constant improvement of the respective accomplishment levels, as well as a good relationship attitude with the regulators have been a characteristic sign of TVI's performance in the market, fairly recognized by those authorities and, in general, by other operators in the same market.

TVI

Public Service Protocol

In September 2003, the Portuguese Government, the Public Service Broadcaster (RTP) and the two Private Televisions (SIC and TVI) signed a Public Service Protocol in order to ensure the implementation of certain public service obligations applied to the private channels, such as:

- i. Advertising support to the projects from the “Instituto do Cinema e Audiovisual”;
- ii. Providing minimum investments in independent production;
- iii. Transmitting adaptations of Portuguese literary fiction;
- iv. Transmitting cultural programmes targeted to minorities;
- v. Using sign language and subtitles for the hearing impaired.

The three channels committed to send bimonthly reports to the participants, who will be reviewed twice a year by an independent and credible person, appointed by the government.

Programme age rating policy

Within a context of Social Responsibility and minor and sensitive targets protection, TVI initiated in October 2005 its own Age Rating Policy Programme with 5 age limits combined with parental advice. Programme rating is defined by an internal multi-disciplinary Commission, based on the objective analysis of eight different criteria.

All of TVI's programmes, with the exception of news programmes, are internally classified and have an on-screen indication about the recommended age groups. News programmes are preceded by a warning directed at parents and other adults responsible for the education of children about the possibility of contents of a violent nature.

Based on this experience, acknowledged as positive by the main television players, this self-regulatory project was reinforced through the signature, in September 2006, of an agreement between the three generalist Portuguese TV stations (TVI, RTP and SIC) which provided a common programme age rating policy for the three channels. This policy is very similar to TVI's, and defines 4 age brackets, based on the analysis of the abovementioned 8 criteria. TVI has maintained and improved, from an internal point of view, a common programme age rating policy, defined for the three operators, facilitating in this way the perception of the programming restrictions for the majority of viewers.

Editorial Statute

This document states the mission of TVI, defining it as an independent media company, with the purpose of informing, and providing entertainment for all genres and ages, guided by the highest quality standards. It also states the deep links with Portuguese culture, notwithstanding its aim of contributing towards a mutual multicultural understanding of the world. From a humanist perspective,

it strives for freedom, solidarity and peace, whilst valuing above all honesty, fairness and respect towards the viewer.

Television Law

According to the Portuguese Television Law (in compliance with EC Directives), TVI is obliged to broadcast minimum time percentages of European production, European independent production, Portuguese language and original Portuguese language programmes. These obligations are now controlled by the independent Regulatory Body ERC (Entidade Reguladora da Comunicação Social). TVI has accomplished all its obligations so far, namely due to its bet on national drama and to the procurement of national independent producers.

Self-regulation

Aside from the age classification already referred to, TVI has been an active promoter of various initiatives concerning self-regulation of the television sector in Portugal, namely in what concerns commercial audiovisual communication and defence of the spectator. TVI is signatory to various instruments of this type, such as the self-regulation agreement in product placement and support to promotion and/or prizes celebrated on February 6, 2009, the agreement on emission signage and the agreement regarding IVR, dated from 2014 and altered in 2015. TVI had a relevant role in the promotion or configuration many of these initiatives.

During 2016 a self-regulatory agreement on the definition of significant commercial value was made, in order to distinguish among support to production and product placement. This agreement was ratified by ERC on September 6th, 2016 and was subscribed by 14 entities representing the majority of the television program services under the Portuguese law.

MCR

Editorial Statute

Programming is based on open, regular and participative meetings between the programme director and its staff. Journalistic independence and editorial statutes are defined in the Journalist Statute, regulated by law. Furthermore, an internal regulation defines further aspects such as incompatibility with other functions, conflicts of interest, respect, privacy and dignity towards the persons interviewed and information sources.

Radio Law

The Portuguese radio market is regulated by law, which imposes rules regarding the attribution of broadcasting frequencies and the type of content broadcasted (local content for local radios), amount

of Portuguese music and restricts the amount of minutes of advertising. These obligations are followed by MCR and controlled by the Media Regulator (ERC).

DIALOGUE WITH STAKEHOLDERS

It is a constant concern of Media Capital Group companies to ensure regular contact with stakeholders, from shareholders to final consumers. In this sense, contacts are specialised and directed by target, according to the business area of each company and the Group.

In accordance with good practices of corporate governance observed in Grupo Media Capital and by inherence of the application of the SOX process implemented by Grupo Prisa, Media Capital has a conduct code that is mandatory and applies to all employees.

It is also available a whistle blowing channel, allowing any public or private entity related to the Group to directly and confidentially transmit to auditing committees any miss practice or irregularity that might have occurred within the Group. Both the conduct code and the whistle blowing channel were widely communicated to all employees and were made available in Media Capital's website.

Communication with shareholders and investors is permanently ensured, within legal parameters, through the corporate site and the CMVM site.

Intranet

Since its launch in the end of 2012, Media Capital's intranet launched a yearly average of over 800 news and registered over 4500 post in 2016.

The group's intranet has been registering good acceptance levels since its launch, being a reference daily source of information. It is also a fundamental contact point between workers and the Human Resources Department.

Public

Regarding final consumers – listeners, viewers and users – Group companies essentially use telephone and online channels.

Telephone

TVI has a call service integrated in its external relations department, available from 7:30 to 00:00, for receiving comments, suggestions and complaints from the audience. MCR also has a permanent call service, available all day, which is also used for participation of listeners in the radios' programmes (in addition to the objectives specified for TVI).

Online

Regular newsletters and brand sites seek to inform, promote and encourage interaction with target audiences.

Together with media agencies, online channels – especially the Media Capital Group site – constitute a privileged means of contact for divulgation of information regarding new product launches and programme schedules (for TVI and radio stations), as well as corporate information.

Other

Visits to premises and organisation of meetings for communication of relevant information are other models used in contact with the media.

Daily information is provided to Media Capital Group advertisers – mainly in the case of TVI, but this daily contact extends to all business units –, as well as regular feedback on their campaigns, by telephone, e-mail or in person.

Relations with the community, Institutions or Associations

The Grupo Media Capital's Companies are actively involved with the main entities that represent and regulate the market, thus guaranteeing a close and regular participation in all their activities and in the most relevant decision processes that impact the media sector.

PROMOTION OF HUMANITARIAN PRINCIPLES

- In Grupo Media Capital there is a strict non-discrimination policy and a guarantee of equitable social and work conditions in connection with human resources admissions. Selection criteria are based exclusively on personal merit.
- Promotions follow internal norms and policies and are based on participation and merit, taking into consideration a structured and transparent evaluation process.
- The Grupo Media Capital's companies strictly comply with the laws and regulations regarding privacy and confidentiality, namely concerning security issues such as monitored areas.
- In TVI there are detailed guidelines on respect for Human Dignity and privacy on news programmes, according to the principles established by the Editorial Statutes and Programmatic Bases of the Common Platform of News Contents of the Media.
- The internal rules in this field are equally applied throughout the group in the selection of subcontractors or suppliers.

EMPLOYEES

Professional training and other benefits

In 2016, Media Capital's employees benefited from vocational, technical, linguistic and computer training. Additionally, Plural is a major contributor to the generation of new professionals in the audiovisual sector in Portugal, through vocational and technical training and general improvement in areas such as production, directing and fiction editing.

Grupo Media Capital provides a health insurance plan for its employees and respective families. In addition, all employees benefit from regular and preventive check-ups and analyses, on a preventive and regular basis and have access to the Group's medical centre, available 8 hours a week. The Group's employees may also benefit from several protocols established with all kinds of institutions such as banks, gymnasiums, pharmacies, specialist clinics and language schools, among others that provide special conditions for them.

Assuming its paper in the education of future professionals in the media sector, TVI opened 65 vacancies for trainees in 2016, in the News, Programming, Marketing, Public Relations Multimedia and Production departments. TVI received students from Universidade Católica Portuguesa, Universidade Nova, Universidade Fernando Pessoa (Porto), Universidade do Algarve, Escola Superior de Coimbra, ISCEM and Vale do Rio, among others.

Performance Evaluation

The current performance evaluation model in place at Grupo Media Capital falls within the continuous improvement process based on quality and excellence goals that all business units pursue. It is composed by four dimensions:

- i. Key competence evaluation (basic competences, management, specific technical skills)
- ii. Objectives evaluation (corporate, business, department)
- iii. Definition of individual development plans
- iv. Identifying potential

This system interacts with career management and remuneration/benefits, allowing a global HR management aligned with the mission, vision and values of Grupo Media Capital.

ENVIRONMENT

By definition, the activities of the Grupo Media Capital have a reduced ecological impact. However, the Group has continued to implement a number of measures, common to all business units, ranging from paper, card, glass and plastic recycling to power consumption reduction, aiming to further reduce its environmental impact as well as the impact on the community.



Legal Provisions

LEGAL PROVISIONS

Own Shares

In accordance with Articles 66.º and 324.º of the Portuguese Companies Code, please be informed that during 2016 there were no acquisitions or sales of own shares, and hence on 31 December 2016 the Company held no own shares.

Supplement set forth in Article 448 of the Portuguese Companies Code

With regard to the above mentioned Article, please note that the number of shares held, on 31 December 2016, by the shareholders who provided information in this regard, amounting to at least, a tenth, a third or half of the share capital are:

- Vertex SGPS, S.A.: 80.027.607 shares, representing 94.69% of the share capital.

List of Qualified Holdings (as of 31 December 2016)

For the terms and effects of paragraph e) of No. 1 of Article 8.º of CMVM's Regulation 5/2008, please find below the list of qualified holdings as of 31 December 2016:

Shareholder	Nº of owned shares	Percentage of share capital	Percentage of voting rights
Vertex SGPS, S.A. (a)	80.027.607	94.69%	94.69%
ABANCA Corporacion Bancaria, SA (b)	4.269.869	5,05%	5,05%

a) Vertex SGPS, SA is 100% owned by Promotora de Informaciones, S.A., company under Spanish law.

b) Previously owned by ABANCA Corporación Bancaria, S.A. (formerly known as NCG Banco SA), as informed to the market on December 22, 2015.

Securities issued by the company and held by members of the corporate bodies

In the terms and for the effects of Article 447.º of the Portuguese Companies Code, we hereby inform you of the shares held by the members of the Corporate Bodies of the Company, as of 31 December 2016.

Members of the Board of Directors

	Shares	N° os shares 31-12-16	Transactions in 2016			
			Acquisitions	Alienations	Unit price (€)	Date
Miguel Pais do Amaral		0				
Rosa Cullell		0				
Agnés Noguera Borel		0				
António Pires de Lima		0				
Jose Luis Sainz		0				
Manuel Polanco		0				

Statutory Auditor

	Shares	N° of shares 31-12-15	Transactions in 2016			
			Acquisitions	Alienations	Unit price (€)	Date
Deloitte & Associados, SROC, SA		0				

With reference to December 31, 2016, the obligations held or transactions carried out by the members of the Company's management and supervisory bodies are as follows:

Members of the Board of Directors

	Shares	N° os shares 31-12-16	Transactions in 2016			
			Acquisitions	Alienations	Unit price (€)	Date
Miguel Pais do Amaral		0				
Rosa Cullell		0				
Agnés Noguera Borel		0				
António Pires de Lima		0				
Jose Luis Sainz		0				
Manuel Polanco		0				

Statutory Auditor

	Shares	N° of shares 31-12-15	Transactions in 2016			
			Acquisitions	Alienations	Unit price (€)	Date
Deloitte & Associados, SROC, SA		0				

Corporate Governance Report

Please find in the separate annex the Company's Corporate Governance Report.

Proposal of application of results

The individual net result for the year ended on 31 December 2016, as prepared according to IFRS accounting standards adopted by the European Union, was of Euro 16.518.591,00 and the net consolidated result was Euro 19.100.862,37.

The Board of Directors proposes the following:

- a) In accordance with the applicable law and Company's Articles of Association, 5% of the net results to be transferred to Legal Reserves, meaning a total amount of Euro 825.929,55;
- b) Distribution of dividends amounting Euro 17.747.767,80 Euros, corresponding to approximately 92.92% of the consolidated net result. The distribution of dividends corresponds to a gross dividend per share of Euro 0.21;
- c) The remaining net consolidated result to be transferred to Free Reserves.

The dividend payout proposal is set out to meet the expectations of investors and shareholders, without however disregarding the need to provide Grupo Media Capital with the adequate liquidity considering the current economic environment.

Declaration of Responsibility

In accordance with article 245.º, no. 1 paragraph c) of the Portuguese Securities Code, the members of the Board of Directors hereby declare that, as to their knowledge, the information contained in the management report has been prepared according to the applicable accounting principles, and give a true and appropriate vision of the assets and liabilities, of the financial status and Company's results and all companies included in the consolidation perimeter. Furthermore declare that the management report explains the business performances of the Company as well as of all companies included in the consolidation perimeter, and contains a description of its main risks. The main risks and uncertainties the business units face, is express on the Corporate Government Report, annex to the present document.

Acknowledgments

We would like to end this report by thanking all employees who have, be it directly or indirectly, given their contribution to the development of this Group, to our partners and suppliers for their services, to our shareholders for their constant support, to our viewers, listeners and users for their preference along the year and to our advertisers, for the trust placed in us.

22 February, 2017

The Board of Directors,

Miguel Pais do Amaral (Chairman)

Rosa Maria Cullell Muniesa (CEO)

Agnés Noguera

António Pires de Lima

José Luiz Sainz

Manuel Polanco Moreno

Pilar Del Rio



Corporate Governance Report

INTRODUCTION

Grupo Media Capital, SGPS, S.A. (hereinafter referred to as “Media Capital” or “Company”) has prepared this report, fully dedicated to Corporate Governance, as an annex to the 2016 Annual Report, under the terms of articles 70 of the Commercial Companies Code and 245-A of the Portuguese Securities Code, as well as CMVM (Portuguese Securities Market Commission) Regulations 4/2013 on Corporate Governance.

PART I – SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. SHAREHOLDER STRUCTURE

I. Capital Structure

1. Capital structure (share capital, shares, shares per shareholder, etc) including non-negotiable shares, different categories of shares and the respective right, and equity percentage represented by each category (Art. 245.º-A, n.º 1, al. a)).

Media Capital is a listed company, according to the Portuguese Securities Code, with fully paid-up capital of 89,583,970.80 euros, consisting of 84,513,180 registered nominative shares, with nominal value of 1.06 euros per share. All shares are registered and held in accounts opened with financial intermediaries authorised by the CMVM, which act as custodians and are part of the Centralised Securities System (“*Central de Valores Mobiliários*”) managed by Interbolsa, S.A.

Media Capital shares are traded on the NYSE Euronext Lisbon, a regulated stock exchange. All shares issued are classed in the same category. Media Capital has not issued any special shares or granted any special rights. Accordingly, all shareholders benefit from equal rights.

2. Restrictions concerning the transfer of shares such as consent clauses for their disposal or ownership (Art. 245.º-A, n.º 1, al. b)).

No statutory restrictions exist concerning the transfer and ownership of Media Capital shares.

3. Number of own shares, corresponding equity and percentage of the voting rights (Art. 245.º-A, n.º 1, al. a)).

The Company has not subscribed any own shares; no purchases or sales took place in 2016.

4. Significant agreements involving the Company, which will come into effect, be altered or cease in case of control as a result of a takeover bid, as well as the respective effects, unless its disclosure is prejudicial to the company, with the exception of the society’s obligation to disclosure that same information for legal imperatives (art. 245.º-A, n.º 1, al. j)).

To the knowledge of the Board of Directors, the Company has not signed any significant agreements that will come into effect, be altered or cease to apply in case of a change of control as a result of a

takeover bid. Early, non-automatic repayment of loans given to the Group by Portuguese financial institutions is foreseen in case of a significant change of control, under the usual terms and conditions established by the banking sector.

5. Protective measures, statutory or of any other nature, adopted with a view to setting limits concerning the number of votes held or exercised by a single shareholder, individually or in association with others.

No protective measures, statutory or of any other nature, exist neither have been adopted with a view to setting limits concerning the number of votes held or exercised by a single shareholder, individually or in association with others.

No measures which might have an impact on share transfers or the independent evaluation of the Board of Directors' performance by shareholders, have been adopted.

6. Shareholders' agreement that may include restrictions concerning the transfer of securities of voting rights (art. 245.º-A, n.º 1, al. g)

As at 31 December 2016 and to the Company's knowledge, no shareholders' agreements currently in effect include any restrictions concerning the transfer of securities of voting rights.

II. Shareholdings and Bond Holdings

7. List of Shareholders with Qualifying Holdings as at 31 December, 2016

Acionista	Nº de ações detidas	Percentagem capital social	do	Percentagem de capital com direitos de voto
Vertex SGPS, S.A. (a)	80.027.607	94,69%		94,69%
ABANCA Corporacion Industrial y Empresarial S.L Unipersonal (b)	4.269.869	5,05%		5,05%

(a) A Vertex SGPS, S.A. é detida a 100% pela sociedade Promotora de Informaciones, S.A., sociedade de direito espanhol.

(b) Anteriormente detidas pela ABANCA Corporacion Bancaria, SA, anteriormente denominada NCG Banco, SA., conforme informação recebida e divulgada ao mercado em 22 de dezembro de 2015.

8. Information regarding shares held by the members of the Board of Directors and Audit Committee

As at 31 December 2016, the following shares were owned by members of the Board of Directors and Audit Committee:

Members of the Board of Directors

	No. of Shares 31-12-16	Transactions 2016			
		Purchased	Sold	Unit Price (€)	Date
		Miguel Pais do Amaral	0		
Rosa Cullell	0				
Agnés Noguera Borel	0				
António Pires de Lima	0				
Jose Luis Sáinz	0				
Manuel Polanco	0				
Maria del Pilar del Rio	0				

Statutory Auditor

	No. of Shares 31-12-16	Transactions in 2016			
		Purchased	Sold	Unit Price (€)	Date
		Deloitte & Asociados, SROC, S.A.	0		

9. Special powers of the Board of Directors, particularly regarding capital increase deliberations

Under the terms of Memorandum of Association, 2006 version, and following the favourable opinion of the Audit Committee, the Board of Directors is authorised to increase the company's share capital, on one or more occasions, up to a limit of 15,000,000.00. The Board of Directors shall be responsible for establishing the terms and conditions applicable to each capital increase, as well as the corresponding share subscription and deadlines. Up to 31 December 2016, the Board of Directors had not decided to increase the company's share capital, under the terms defined in the Memorandum of Association.

10. Information regarding business operations and transactions between Media Capital and holders of qualifying shares

The following operations took place under normal market conditions:

- A management service provision agreement was signed with Promotora de Informaciones, S.A., which resulted in revenues of approximately 812,122 in 2016.
- Purchase and sale agreement of participations owned by Plural Entertainment España S.L. as well as asset transference in favour of Prisa Audiovisual S.L. and Prisa Vídeo, S.L., companies owned by Promotora de Informaciones SA, amounting 558,000 euros.

The conditions applicable to the agreements signed for the purpose of regulating the extension of the refinancing process between Promotora de Informaciones S.A. ("PRISA") and a union of financial and banking institutions came into effect on 11 December 2013. Given PRISA's controlling interest in Media Capital, the latter assumed the role of obligor in the financial restructuring of PRISA. Accordingly, this resulted in an extension to the deadlines and conditions applicable to the agreements signed by Media Capital on 26 December 2011.

B. GOVERNING BODIES AND COMMITTEES

I. General Meeting

a) General Meeting Board

11. Members of the Meeting Board

The current members of the General Meeting Board were elected for 2016-2019 during the General Meeting held on 7 April 2016. As at 31 December 2015, the General Meeting Board consisted of the following members:

CHAIRMAN: Nuno de Deus Vieira Paisana Salvador Pinheiro, Attorney, born in Lisbon, with address at Rua Castilho, nº 59, Lisboa.

VICE-CHAIRMAN: Marta Horta e Costa Leitão Pinto Barbosa, Attorney, born in Lisboa, with address at domicílio na Rua Castilho, nº. 59, Lisboa.

During the 2012-2015 mandate, the member of the General Meeting Board were Mr. Pedro Canastra de Azevedo Maia (Chairman) and Tiago Antunes da Cunha Ferreira de Lemos (Vice-Chairman).

The members of the General Meeting Board are assisted by the Company Secretary, Mr. Hermes Pato.

b) Exercising of Voting Rights

12. Restrictions on voting rights

Under the terms of the Media Capital Memorandum of Association, each group of 100 (one hundred) shares with nominal value of 1.06 (one euro and six cents) entitles the corresponding holder to 1 (one) vote. Shareholders owing less than 100 (one hundred) shares shall only be allowed to attend and participate in General Meetings if they group the corresponding shares in order to attain the required minimum, in which case they shall designate a representative. Holders of bonds and non-voting shares shall not be allowed to attend or participate in General Meetings.

The company considers that the ability of shareholders to attend and participate in General Meetings has been duly guaranteed, considering the low nominal value of Media Capital shares

and the possibility of shareholders forming groups in order to meet voting requirements (as established in article 11 of the Memorandum of Association).

The General Meeting of Shareholders consists of all shareholders able to prove their ownership of at least 100 (one hundred) Media Capital shares, registered in their name and held in an account opened with a financial intermediary, at least five business days before the scheduled date of the meeting. Proof of ownership, which must be presented to the Chairman of the General Meeting Board, shall consist of a declaration issued by the financial intermediary where the latter shall be required to state that the shares in question are held in the corresponding securities account and registered in the shareholder's name, in addition to being required to state that this has been the case for at least five business days before the scheduled date of the meeting.

Article 11 of the Memorandum of Association of Media Capital establishes that shareholders shall be allowed to vote by mail, with no restriction. The Memorandum of Association of Media Capital does not prohibit the carrying out of General Meetings through videoconferencing, as the Company is able to ensure statement authenticity and communications security. Online voting was not implemented during the 2016 General Meetings, as the Company considers that all shareholders are effectively able to exercise their voting rights, by all other means available.

The Company has not defined any mechanisms that will lead to imbalances between voting rights and the right to receive dividends or subscribe new securities.

13. Limits concerning the number of votes by a single shareholder

In addition to the aforementioned statutory provisions, the Company has not set any limits concerning the number of votes held or exercised by a single shareholder, individually or in association with others. Moreover, the Memorandum of Association does not establish any upper limit when counting votes cast by a single shareholder. Accordingly, the Company does not consider it necessary to subject the maintenance or elimination of this statutory provision to vote by the General Meeting every five years.

14. Shareholders deliberations

Under the terms of article 15 of the Memorandum of Association, the General Meeting shall be allowed to deliberate upon first call, provided that the number of shareholders present or duly represented hold at least one third of voting rights. According to the existing applicable legislation, General Meeting decisions shall be approved if voted by the majority. Unless stipulated by law, qualified majorities are not required.

II. Management and Supervision

a) Composition

15. Model of Governance

Media Capital adopts the Anglo-Saxon model in what concerns its managing and supervisory structure (according to paragraph b) of point 1 of article 278 of the Commercial Companies Code).

Accordingly, the Company relies on a managing and supervisory structure consisting of a Board of Directors, an Audit Committee and a Statutory Auditor.

16. Statutory rules on requirements governing the appointment and replacement of Board members, Executive Board of Directors and the General and Supervisory Board

The Board of Directors is appointed and replaced as defined in the Commercial Companies Code. Concerning the appointment of the Board of Directors, any group of shareholders owning more than 10% and less than 20% of the Company's share capital shall be allowed to submit a proposal for the election of a Director, who will act as a minority representative, to the General Meeting, according to points 2 to 5 of Article 392 of the Commercial Companies Code and as defined in article 19 of the Memorandum of Association.

Appointment proposals submitted by the Board of Directors to the General Meeting, as well as the appointment of Directors by the Board, must, according to the Regulations issued by the Board of Directors, be preceded by the corresponding report, issued by the Corporate Governance and Managing Staff Remuneration Committee. If independent Directors are involved, the corresponding appointment must be proposed by the Corporate Governance and Managing Staff Remuneration Committee (composed of non-executive members of the Board of Directors). The Governing Body Appointment and Remuneration Committee is also allowed to submit proposals concerning the appointment of Directors to the General Meeting.

Article 19 of the Memorandum of Association foresees the possibility of replacing a Director, according to the applicable legislation, if the latter fails to attend more than 3 (three) meetings of the Board of Directors in a given year without presenting a suitable justification, provided that the Board of Directors confirms the permanent absence of the Director in question. According to the Regulations issued by the Board of Directors, the duties of individual Directors shall cease at the end of the corresponding term or when this is required by the General Meeting, in compliance with the corresponding legal or statutory rights. Directors shall be required to place their positions at the disposal of the Board of Directors and formalise their resignation, if this is deemed convenient by the latter, in the situations specified in the aforementioned Regulations (namely, in case of incompatibility or prohibition defined by law, dismissal due to a serious offence and setting of a date for the corresponding hearing (as defined in the Penal Code), accusation and/or indictment for a crime punishable with imprisonment for longer than 5 years, if the circumstances under which they were appointed have come to an end and, particularly, when an independent Director loses this status). The Board of Directors is not allowed to propose the dismissal of an independent member before the end of the corresponding term, except when justified, following careful consideration by the Board of Directors, based on the opinion of the Corporate Governance and Managing Staff Remuneration Committee.

17. Board members, Executive Board of Directors and the General and Supervisory Board

The Memorandum of Association of Media Capital establishes that the Board of Directors must be composed of 7 (seven) to 11 (eleven) members, elected by the General Meeting every 4 (four) years. Directors can be re-elected one or more times.

The current members of the Board of Directors were elected for 2016-2019 at the General Meeting of Shareholders held on 7 April 2016.

No substitute members were appointed of the Board of Directors.

The Board of Directors for 2016-2019 and as at 31 December 2016 is composed of the following members:

	Status	Independence	1st appointment	End of term
<i>President:</i>				
Miguel Pais do Amaral	Non Executive		16-03-2011	31-12-2019
Rosa Cullell	Executive		13-07-2011	31-12-2019
Agnés Noguera Borel	Non Executive	Independent	07-04-2016	31-12-2019
António Pires de Lima	Non Executive	Independent	07-04-2016	31-12-2019
Jose Luis Sáinz	Non Executive		21-10-2015	31-12-2019
Manuel Polanco	Non Executive		15-11-2005	31-12-2019
Maria del Pilar del Rio	Non Executive	Independent	07-04-2016	31-12-2019

18. Executive and non-executive member of the Board of Directors.

The Board of Directors is composed of one executive member and a group of six non-executive members, in which the Chairman is included. Three Directors qualify as independent, according to CMVM Regulations 4/2013. The Company considers that the required proportion of independent Directors has been reached, considering the governance model adopted and the Company's capital structure and free float.

19. Professional qualifications of Board members.

The professional qualifications, CVs and other relevant information concerning each member of the Board of Directors, are included in an Annex to this Report.

20. Business relationships of Board members with Group companies.

The professional and/or business relationships of Board members with Group companies and holders of qualifying shares representing over 2% of voting rights, are included in an Annex to this Report.

21. Delegation of Powers.

Concerning delegation of powers, the Board of Directors approved the maintenance of the delegation of daily company management on Rosa Maria Cullell Muniesa, on 7 April 2016, under the terms of article 22 of the Memorandum of Association and the Regulations issued by the Board of Directors.

The powers delegated on the Chief Executive Officer by the Board of Directors are those allowed by law and established in compliance with the Operating Regulations approved by the Board of Directors. Accordingly, such powers include daily company management, namely the following: (i) signature, introduction of changes to and cancellation of service provision, licensing, cooperation,

mandate, exchange, rent, leasing, factoring and franchising agreements, as well as lending and/or mutual agreements concerning any rights, services, products or movable property, subject or not to registration, and real estate renting or subletting agreements, limited to the amount of 4,000,000.00 (four million) euros; (ii) acceptance or refusal of guarantees provided by third parties; (iii) ensuring debt recovery; (iv) issuing of invoices and signature of receipts; (v) exercising of regulatory, governing and disciplinary powers concerning employees; (vi) signature of correspondence and general routine documents; (vii) representing the Company before public and private institutions; (viii) declaration and payment of taxes, fees and contributions; and (ix) representing the Company in or out of court, actively or passively, with powers to present proposals, monitor proceedings, confess, withdraw, appeal or reach agreements in any kind of lawsuits and proceedings.

Under the terms of article 5 of the Regulations issued by the Board of Directors, the powers delegated on the CEO do not include the following: (i) definition of Company strategies and general policies; (ii) definition of the Group's business structure; (iii) reaching strategic decisions for which the Board of Directors as a whole should be responsible, owing to the amounts, risks or special characteristics involved.

Under the terms of article 407 of the Commercial Companies Code, the Board of Directors holds the ultimate authority to decide on delegated matters, albeit having delegated some of its powers on the CEO. In fact, the Board of Directors officially approves all actions undertaken by the CEO, as a standard practice.

Regarding its organisation, the Media Capital Group is divided into business areas, which correspond to the media markets in which it operates – Television, Audiovisual Production, Radio – and Other, which includes Music, Digital, the holding and shared services.

As the Group's holding, Grupo Media Capital, SGPS, S.A. is responsible for its strategic development, namely regarding its expansion process, and global management of all business areas, playing a leading role in the decision-making process.

Media Capital maintains a Strategic Committee, including the managers of all businesses. The Strategic Committee meets weekly, to support the CEO's strategic decisions. Media Capital also maintains a Business Committee that meets periodically and a Purchasing Committee that analyses the outsourcing of products and services to the group.

Each business area is managed independently, according to criteria and guidelines defined according to the annual budgets set for each area, which are reviewed and approved by area managers and the Board of Directors on an annual basis. Strategic, business and investment guidelines concerning the various business areas are defined during these reviews, in a participative and interactive manner. Operations and budget spending are continuously monitored by a management control system implemented by the holding.

In order to ensure the correct undertaking of its business, the Media Capital Group has created a series of operational structures, in the Company itself and its subsidiaries, which are grouped under Media Capital – Serviços de Consultoria e Gestão, S.A. (a company 100% held by Media Capital). These structures not only aim to provide the holding with suitable tools to support operational decisions, but also to provide management and consulting services to the entire Group and the corresponding business areas, concerning administrative and financial issues, as well as matters

related to human resources, planning and control, purchases, general services and information systems.

b) Operation

22. Regulations on the operations of the Board of Directors.

The Board of Directors approved a series of Regulations on 12 March 2009, which were amended as a result of a decision reached by the Board of Directors on 11 February 2010 and, lately, on 14 July 2014. These Regulations are available on the company website.

23. Number of Meetings

The Board of Directors of the Media Capital Group met on five occasions during 2016. All members attended or were represented at all meetings, thus ensuring effective Group management; one unanimous decision was reached in writing.

In 2016, the CEO of Media Capital provided all information required by the remaining members of the Board of Directors, in a timely manner.

24. Bodies responsible for the evaluation of the performance of executive Directors

The Board of Directors includes six non-executive members, in order to ensure the effective monitoring and evaluation of the activities undertaken by the remaining members. The performance of executive Director is evaluated by the Governing Body Appointment and Remuneration Committee, which sets performance evaluation criteria on an annual basis.

25. Pre-determined criteria for the evaluation of the performance of executive Directors.

The performance of executive Director is evaluated based on defined criteria, using a professional performance formula defined by the Remuneration and Nomination Committee on an annual basis. The Committee establishes maximum values for the variable remuneration and the circumstances under which that value might be applied. These values are established taking into consideration the Company's annual performance.

26. Availability of the Executive Directors

The CEO works for the Company and the Media Capital Group on a full-time basis. The remaining members of the Board of Directors, all of them non-executive Directors, work for the group on a part-time basis, at the companies mentioned in an Annex to this Report.

c) Governing and Supervisory Committees

27. Committees created by the Board of Directors, the General Supervisory Board and the Executive Board of Directors

The Corporate Governance and Managing Staff Remuneration Committee was created and appointed by the Board of Directors, as outlined in article 23 of the Memorandum of Association. The Corporate Governance and Managing Staff Remuneration Committee is governed by the

Regulations issued by the Board of Directors and was created as a result of a decision reached by the Board of Directors on 12 March 2009 (replacing the Directors' Appointment and Remuneration Committee).

In addition, an Audit Committee was created within the Board of Directors. It is described below in Chapter III Supervision.

28. Members of the Executive Commission and the CEO

The Company has not created an Executive Committee, having chosen to delegate executive management powers on Rosa Maria Cullell Muniesa, under the terms of article 22 of the Memorandum of Association and the Regulations issued by the Board of Directors, as described in greater detail above.

29. Competences and activities developed by the Corporate Governance and managing Staff Remuneration Committee

The Corporate Governance and Managing Staff Remuneration Committee has the following responsibilities: (i) to provide information on proposals concerning the appointment of Directors and to propose the appointment of independent Directors; (ii) to provide information on proposals concerning the appointment of the Board Secretary; (iii) to submit proposals concerning the general remuneration policy applicable to managing and executive staff, as well as the remaining employment contract conditions, to the Board of Directors; (iv) to ensure compliance with the remuneration policy established by the company; (v) to provide information on proposals concerning the appointment of members of other Committees of the Board of Directors; (vi) to present draft Annual Corporate Governance Reports to the Board of Directors; (vii) to present evaluation reports on the composition and activities of the Board of Directors to the latter; and (viii) to monitor compliance with internal Regulations.

The Corporate Governance and Managing Staff Remuneration Committee will meet whenever the Board of Directors, its Chairman or the Chief Executive Officer requests the issuing of a report or the approval of proposals within the scope of its competences, or whenever this is deemed convenient by its members, for the correct performing of its duties.

The Corporate Governance and Managing Staff Remuneration Committee is composed of three to five non-executive members of the Board of Directors. Its composition, for the mandate 2016-2019, in December 31, 2016 is as follows:

	Status	Independence	Date of 1st appointment	End of term
Agnés Noguera Borel	Non Executive	Independent	07-04-2016	31-12-2019
Manuel Polanco	Non Executive		15-11-2005	31-12-2019
José Luis Sainz	Non Executive		31-10-2015	31-12-2019

During 2016, the Committee adopted one unanimous deliberation on the remuneration of the directors and executive staff, the Annual Report and the compliance with the obligations foreseen on the Regulation of the Board of Directors.

With regard to the Audit Committee, see Chapter III.

III. SUPERVISION

a) Composition

30. Identification of the supervisory structure

Media Capital adopts the Anglo-Saxon model in what concerns its managing and supervisory structure. Accordingly, the latter comprises a Board of Directors, an Audit Committee and a Statutory Auditor. The Audit Committee is responsible for supervising company business, together with the Statutory Auditor.

31. Structure of the Audit Committee and the Supervisory Board

The Audit Committee is composed of non-executive members of the Board of Directors, most of whom qualify as independent, under the terms and for the purposes of article 414 of the Commercial Companies Code, applicable according to article 423-B of the Commercial Companies Code. All members are required to observe the regulations defined in article 414-A of the Commercial Companies Code. The Audit Committee is composed of three to five members of the Board of Directors.

32. Members of the Audit Committee

Audit Committee members for 2016-2019 were appointed jointly with the remaining members of the Board of Directors, during the Annual General Meeting of Media Capital, held on 7 April 2016. As at 31 December 2016, the Audit Committee was composed of the following members of the Board of Directors:

	Status	Independence	Date of 1st appointment	End of term
<i>Presidente:</i> António Pires de Lima	Non Executive	Independent	07-04-2016	31-12-2019
Agnés Noguera Borel	Non Executive	Independent	07-04-2016	31-12-2019
Jose Luis Sainz	Non Executive		21-10-2015	31-12-2019

33. Qualifications of the members of the Audit Committee and the Supervisory Board

The professional qualifications, CVs and other relevant information concerning each member of the Audit Committee are included in an Annex to this Report.

b) Operation

34. Availability of the regulations

The Board of Directors approved a series of Regulations on 12 March 2009, which were amended as a result of a decision reached by the Board of Directors on 11 February 2010 and, latter, on

July 14, 2014. These Regulations, which are available on the company website, also apply to the Audit Committee, as the latter is formed by members of the Board of Directors.

35. Meetings and attendance of the Audit Committee and the Supervisory Board

Under the terms of the Commercial Companies Code, the Audit Committee participated in all meetings of the Board of Directors. The Audit Committee met on four occasions in 2016 to discuss issues related to its duties and adopted one unanimous written decision; all members attended or were represented at all meetings.

36. Availability of the Members of the Audit Committee and the Supervisory Board

The members of the Audit Committee are non-Executive members of the Company, hence developing their functions on a part-time basis, working in other companies outside Grupo Media Capital, as mentioned in an Annex to this Report.

c) Competences and duties

37. Procedures and criteria applicable to the intervention of the Audit Committee with the external auditor

The Audit Committee represents the Company before the statutory auditor. The Audit Committee is also responsible for the monitoring of independence, in particular as regards the provision of additional services. In addition to the auditing services provided by the Company's Statutory Auditor and the companies included in the Group, additional services were also provided which were subject to review by the Audit Committee in order to ensure its independence.

38. Other competences of the supervisory bodies

The Audit Committee met regularly during 2016 to analyse and monitor corporate accounts.

The Audit Committee is the recipient of all audit reports produced. Within this scope, the Audit Committee meets regularly with the Statutory Auditor, in order to monitor audit results and conclusions, as well as supervise the activities undertaken by the latter, with a view to ensuring their independence, namely in connection with the provision of additional services.

The Audit Committee monitors the internal audit departments of all Media Capital Group companies. In this sense, internal audit departments submit audit reports and conclusions to the Audit Committee every two months.

The Company's internal audit departments, jointly with the Audit Committee, ensure the implementation of internal control and risk management systems, in addition to proposing any necessary adjustments or changes. The Audit Committee did not propose any adjustments or changes to the systems implemented in 2016, as it considered that the control and risk management systems currently in place are suited to the risks identified.

The Audit Committee supervises the transactions of the Company with significant shareholders and in what relates to relevant transactions (articles 23° and 31° of the Company's Regulation), according to the Company's Regulation, approved in July 14, 2014. The Audit Committee established the procedures and necessary criteria regarding the definition of the significance level of the operations between the Company and shareholders with qualified participation.

The Audit Committee prepares a report of its activities on an annual basis, in addition to issuing an opinion on the reporting documents presented by the Board of Directors and the Statutory Auditor. The Audit Committee Report is issued and its contents disclosed to shareholders together with the Annual Report.

According to the policies implemented internationally by Promotora de Informaciones, SA on Compliance, on July 4, 2016, a Media Capital Compliance Committee was created, which is dependent on the Audit Committee, which is part of the committees established by Prisa. Its competences, among others, include the implementation of new procedures that promote ethical behaviour of its employees.

IV. STATUTORY AUDITOR

39. Company Supervision

The Company Supervisor designated by the General Shareholders Meeting for the mandate 2016-2019 is Deloitte & Asociados, SROC, SA, a company registered with the Chartered Accountants Association, under number 43, and with the CMVM auditors register, under number 20161389, represented by Nuno Miguel Cabaço da Silva (Chartered Accountant number 1462).

40. Number of mandates of the Company's supervisor

Deloitte & Asociados, SROC, SA is the Company Supervisor since the mandate 2004/2007, represented first by Carlos Manuel Pereira Freire, who was in 2007 replaced by João Luís Falua Costa da Silva. Deloitte & Asociados, SROC S.A. was designated for the mandates 2008/2011 and 2012/2015, being represented by João Luís Falua Costa da Silva, who was replaced in 2014 by Pedro Miguel Argente de Freitas e Matos Gomes and, in November 2015, by Nuno Miguel Cabaço da Silva (ROC n.º 1462). The Audit Committee approved the maintenance of Deloitte & Asociados, SROC S.A. for the mandate 2016/2019.

41. Other services of the Audit Supervisor

Deloitte & Asociados, SROC, SA also provided the Company and its subsidiaries consulting (including tax consulting) and internal audit control services, within the transitional period applicable.

V. EXTERNAL AUDITOR

42. Identification of the external auditor

Deloitte & Asociados, SROC, SA, a company registered with the Chartered Accountants Association, under number 43, and with the CMVM auditors register, under number 20161389, represented by Nuno Miguel Cabaço da Silva (Chartered Accountant number 1462) is the external and Statutory Auditor for the mandate 2016-2019.

43. Duration of the External Auditors functions

Deloitte & Associados, SROC, SA is the Company Supervisor since the mandate 2004/2007, represented first by Carlos Manuel Pereira Freire, who was in 2007 replaced by João Luís Falua Costa da Silva. Deloitte & Associados, SROC S.A. was designated for the mandates 2008/2011 and 2012/2015, being represented by João Luís Falua Costa da Silva, who was replaced in 2014 by Pedro Miguel Argente de Freitas e Matos Gomes and, in November 2015, by Nuno Miguel Cabaço da Silva (ROC n.º 1462).

44. Rotation of the External Auditor

Up until the present date, the Company has not deemed necessary to replace the external auditor on a regular basis, despite ensuring that the Statutory Auditor is represented by a different partner during each term, as established in the Statutory Auditors Regulation. Keeping the auditors beyond two consecutive four-year terms was the subject of an express opinion by the Audit Committee, after considering the conditions of independence and advantages or disadvantages of their replacement.

45. Proposal concerning the appointment of the External Auditor

The Audit Committee is responsible for evaluating the performance of the external auditor and ascertaining their independence, on an annual basis, jointly with the Financial Direction of Media Capital. The Audit Committee approved the services provided by the external auditor and the corresponding fees.

46. Other tasks conducted by the external auditor for the Company and/or its subsidiaries and internal procedures for the approval and justification of these works

Aside from the certification services, the Statutory Auditor also provided internal audit control and consultancy services, which include monitoring the application of the remuneration systems of the governing bodies and the risk control system. The Statutory Auditor reports all irregularities to the audit Committee.

The Company hires the referred external services as it does not have the necessary internal resources to do so. The Audit Committee monitors and supervises the Statutory Auditor work, intermediates the contacts with the Company's and delimits the Statutory Auditors' fees and scope of work, thus assuring its independence.

47. Annual payment

In 2016, Grupo Media Capital paid Deloitte the total amount of 340,367.00 euros, which comprises:

Statutory audits: 277,710.00 euros / 81.6% *;

Other services: 26,667.00 euros / 7.8%.

Tax consultancy: 15,490.00 euros / 4.6%;

Review of the financial ratios of the annual accounts: 3.000 euros / 0.9%

*Include all services to Grupo Media Capital's spanish subsidiaries, audited by Deloitte S.L. (Deloitte Espanha), that amounted to 15,710.00 euros.

**Service initiated in 2015.

Grupo Media Capital also required Deloitte SL internal audit services, which totalled 17,500.00 euros / 5.1%.

C. INTERNAL ORGANIZATION

I. Articles of Association

48. Restrictions concerning changes to the Company's Articles of Association

The Memorandum of Association does not establish any restrictions concerning changes to the Company's Articles of Association. By law, any amendments to the Articles of Association must be approved by a qualified majority in a General Meeting, according to article 386 of the Commercial Companies Code.

II. Whistleblowing

49. Whistleblowing policy

Media Capital has implemented a whistleblowing policy for reporting irregularities allegedly occurred in the Company. In this sense, Media Capital has implemented a system that allows any individual or entity related to the Group (including clients, suppliers, employees, shareholders and other stakeholders) to report any accounting, financial or management irregularities that might have occurred within the Group, or any other illicit activities or wrongdoings, directly to the Audit Committee, in strict confidence, according to management transparency principles and Good Corporate Governance Practice, and observing CMVM recommendations. This system allows early detection of irregularities that, if practised, might cause major damages to Media Capital Group companies and their stakeholders.

Irregularities are reported through the Company's website (<http://www.mediacapital.pt>), by filling the corresponding form, which is automatically sent to praticasindevidas@mediacapital.pt. Eventual reports are received by the Audit Committee of Media Capital. Confidentiality and anonymity are ensured if requested by the individual or entity reporting the occurrence.

III. Internal Control and Risk Management

50. Responsibilities for internal audit and internal control systems

The Board of Directors and the Audit Committee are responsible for implementing, evaluating and monitoring internal control systems, with a view to ensuring that the level of internal control is suited to the risks identified.

The Board of Directors considers that the risk control systems implemented are suited to the risks to which Media Capital is exposed, and that detection of potential risks has been ensured, as well as effective action in case of their occurrence.

51. Hierarchical dependence in relation to other bodies or committees

Given its responsibility for defining the Company's general strategic principles, particularly strategic and business plans, management goals, budgets and financial projections, the Board of Directors monitors the internal information and risk control system on a regular basis, ensuring

that risks are suitably identified and managed jointly with the business units involved, as described in this Report.

The Board of Directors coordinates its monitoring efforts with the Audit Committee, which is responsible for evaluating the internal control and risk management system currently in place and suggest changes, according to the Company's requirements.

The monitoring of risk and opportunity assessment and management systems are assured by the Audit Committee. The ultimate goal of this monitoring, which is based on an integrated management model, is to ensure compliance with Good Corporate Governance Practice and transparency in all communications to the market and shareholders.

In response to market challenges and in order to assure adequate and effective control mechanisms, Grupo Media Capital has an Internal Audit department. The Strategic Committee of Media Capital, analyses and monitors both financial and operational risks and is responsible for the following:

- Management of materially relevant risks;
- Implementation and monitoring of the required procedures to ensuring adequate risk control;
- Assessment and quantification of residual risks to which companies are exposed;
- Identification of critical areas and proposing of mitigation measures;
- Provision of new inputs to the Risk Management Model, in order to alert the Company to emerging risks and/or control system deficiencies.

52. Other risk control areas

Aside of the above mentioned, there are no other departments or areas in the Company with competences in risk control.

53. Types of risks associated with the Company's business

Media Capital is exposed to three different types of risks associated with its business: regulatory, financial and operational risks.

i) Regulatory

Risk

As any other operator in the Portuguese media industry, the Media Capital Group is required to comply with a series of laws, regulations and directives that restrict the Group's operations. The granting, renewal and ownership of television and radio broadcasting licences, as well as the timing and contents of television and radio programmes, advertising time within a given period and advertising contents, amongst other aspects, are governed by current legislation, regulations and directives.

Risk Control

The Portuguese Media Authority (Entidade Reguladora para a Comunicação Social – ERC, hereinafter referred to as ERC) is responsible for granting and renewing television broadcasting licences, as well as to grant the necessary authorizations for the operation of program services which do not need to be licensed. All existing free-to-air television broadcasting licences were granted in 1992, for 15-year periods, were renewed in 2006 and 2007 and may be renewed for a further 15 years, upon request by the corresponding holders, provided certain conditions are met.

On 20 June 2006, the ERC issued Decision 1-L2006 on the renewal of the television broadcasting licences granted to SIC and TVI, for 15 years, concerning the generalist channels. Following the special administrative lawsuit filed with a view to annulling the obligations arising in connection with these licences, the ERC issued Decision 2/LIC-TV/2007, on 20 December 2007, whereby Decision 1-L2006 was reiterated, although a few specific aspects were changed.

Radio broadcasting licences are currently valid for a 15-year period, being renewed for a further 15 years, upon request by the corresponding holders, under the terms of Law 54/2010, of 24 December, which approves Radio Regulations, provided certain conditions are met. All licences granted by the ERC have been renewed. A new renewal process will begin in 2023 in order to assure the compliance with the required legal notice and it will last until 2028. Media Capital considers that the risk associated with this process is extremely limited, since renewal requests are unlikely to be refused if all requirements are met, as is the case. In fact, Media Capital radio stations have never received any notifications from the ERC as a result of failure to comply with licensing conditions. Media Capital Group managers and operating units are responsible for monitoring licensing requirements and the relationship between the Group and regulatory authorities.

ii) Financial

Media Capital Group business units are responsible for managing financial risk, under the supervision of the Strategic Committee. Risk management is based on the general identification and subsequent prioritising of risk factors, with a view to defining strategies aimed at minimising exposure to critical risk factors and implementing internal control systems and procedures aimed at reducing risk to acceptable levels.

Media Capital Group business is also influenced by a series of somewhat uncontrollable risk factors. Faced with this threat, the Company has developed a series of internal control procedures, namely in the financial area, with a view to managing and monitoring the following risk factors, in a proactive manner:

- **Market risk**

Market risk is associated with changes in interest and exchange rates.

(i) Interest rate risk

The Company regularly controls its financial ratios and other metrics in order to control its debt.

Market risk is associated with changes in interest and exchange rates.

(i) Interest rate risk

Interest rate risk essentially results from a bond loan and from the variable interest rate payable on the contracted commercial paper programme.

Nevertheless, interest rate risk is not addressed by the risk management policy, since the Company has considered that the impact of exposure to this risk would not be significant, as shown in the annex to the financial statements.

(ii) Exchange rate risk

Exchange rate risk is essentially associated with the investment in Plural Entertainment Inc., in currencies other than the Euro, the Group's reporting currency, as well as to the buying and selling of programmes/rights in foreign currencies.

Risk factors likely to affect the Group include the exchange rate risk associated with agreements concerning broadcasting rights, for which no hedging instruments have been contracted.

- **Credit Risk**

Credit risk is essentially associated with accounts receivable, as a result of the Group’s operations. The Group endeavours to reduce this risk through its discount policy, which rewards early repayment and full payment in cash. This risk is regularly monitored by each of the Group’s business areas, in order to:

- limit the amount of credit granted to clients, considering the corresponding profiles and the period over which amounts have been due;
- monitoring granted credit;
- analysing debt recovery efforts on a regular basis.

Impairment losses on accounts receivable are calculated based on the following:

- the period over which each amount has been due;
- the risk profile of the client;
- the financial condition of the client.

The Board of Directors considers that impairment losses on accounts receivable have been suitably estimated in financial statements. Media Capital believes that impairment losses on accounts receivable do not need to be increased, as the values calculated as described above are deemed adequate. It should also be stressed that the financial discounts offered in case of early repayment or full payment in cash contribute to reducing credit risk in all business areas..

- **Liquidity risk**

The Group may be exposed to liquidity risk if funding sources, such as operating cash flow, divestment, credit lines and cash flows from financing operations are not sufficient to meet financing needs, such as cash payments for operations and financing, investments, shareholder remuneration and debt repayment.

In order to mitigate liquidity risk, the Group has endeavoured to maintain a liquid position and ensure that average debt maturities allow the corresponding repayment on the due dates.

iii) Operational risk

The Media Capital Group is exposed to several operational risk factors, namely related to company operations, human resources, IT systems and strategies adopted. The following risk factors have been identified as the most relevant:

Economic environment	Technological evolution	Talent retention
Loss of audience	Piracy	Legal and fiscal
Consumer trends	Systems integrity	Fraud

As already mentioned, the Media Capital Group has implemented an official risk identification and mitigation structure based on an internal control system. This system was developed according to an international model – COSO 2013 (Committee of Sponsorship Organizations) – that includes three levels:

- *Effectiveness and efficiency of operations;*

- *Reliability of financial information;*
- *Compliance with applicable laws and regulations.*

The internal control system, which is based on procedures and internal control manuals, aims to document and standardise procedures across all operating areas and to ensure that all processes and procedures followed by Media Capital Group companies are continuously updated, with a view to ensuring that internal control is effectively achieved and suited to the Group's needs.

The Media Capital Group has defined controls for each cycle and transaction implemented, which are described in the aforementioned manuals. Control manuals are periodically reviewed, in order to ensure that controls are always up to date, considering the constant changes in Group transactions, which contributes to ensuring that change is adequately managed. The corresponding effectiveness is tested and evaluated by an independent entity, on an annual basis. Controls are structured as follows:

Entity Level Controls:

- Internal control environment;
- Risk assessment;
- Information and communications;
- Monitoring;
- Control activities.

Information Technology Controls:

- Access and event control;
- Information system development controls.

Process Level Controls:

- Revenue management;
- Rights management;
- Human resources management;
- Fixed asset management;
- Tax management;
- Balance sheet management;
- Liquidity management;
- Management of accounts receivable;
- Management of accounts payable;
- Consolidation and reporting management;
- Litigation and contingency management.

The Strategic Committee sets a series of specific goals, under the supervision of the Audit Committee, with a view to supporting the Board of Directors. These goals include the following:

- Assisting Media Capital in identifying fragile areas and/or areas lacking suitable internal control procedures;
- Proposing and contributing to the implementation of the best procedures;
- Monitoring and optimising business performance;
- Minimising errors, fraud or undue use of company assets;

- Ensuring the accuracy of the financial and operational information communicated to the Board of Directors of the Media Capital Group;
- Standardising criteria, policies and operational and accounting procedures..

54. Risk control, evaluation, identification and management process.

Media Capital Group has ensured the implementation of mechanism that allow to (i) identify the risks the Company faces; (ii) measure its financial and economic value impact; (iii) compare the risk value with risk coverage costs, when available; (iv) monitor risk and coverage mechanisms evolution.

Grupo Media Capital implemented internal control procedures in order to minimize the impact of the challenges associated with operational diversity and ensure the effectiveness and suitability of internal control procedures and mechanisms.

The risk management methodology adopted by the Media Capital Group follows the international approach adopted by COSO 2013 (Committee of Sponsorship Organizations of the Treadway Commission), as defined by the Committee of Sponsorship Organizations. Within this scope, the methodology adopted consists of the following process:

- Internal and external risks likely to have a significant impact on the Group's strategic goals are identified and prioritised;
- Risk Managers responsible for assessing relevant risks are identified and approved;
- Meetings with the operations managers responsible for managing each risk are held in order to identify risk factors and events likely to affect the operations and business of Media Capital, as well as identify control processes and mechanisms;
- Additionally, the impact and likelihood of occurrence of each risk factor are measured and the need for a response (avoid, control, accept or transfer) determined according to the level of exposure or residual risk;
- The risk mitigation measures defined in the previous stage are monitored, as well as exposure to critical risks. New risk factors are also identified. This stage includes the implementation of internal information and communication mechanisms for the various system components and risk alerts;
- The results and information generated by the Risk Management System are used to communicate information to the market and shareholders on the critical risk factors that might affect Media Capital's business.

55. Key elements of the internal control and risk management systems, in relation to the financial reporting process

Financial reporting is monitored by the Board of Directors and the Audit Committee, as exposed in the Regulation of the Board of Directors. The documents are prepared based on the information available by the business units and corporate services and approved by the Board of Directors and the Audit Committee before submission to the supervisory board.

The process of closing accounts and disclosing financial information considers the risk assessment carried out by the company, being adequately implemented through the mechanisms designed and implemented by the internal control system associated with this cycle, namely with respect to deadlines, requirements and financial reporting obligations. Tasks, responsibilities and events are also defined and communicated among the persons involved in the process of

preparing all the documentation. The approval of this report includes the adequate review of accounting policies, considering relevant or unusual transactions, always identifying which disclosures are necessary to include in the financial statements, in addition to documentation for transactions that require judgment or estimates, by discriminating the method Calculations, assumptions and other information considered there. The levels of approval of all operations are defined and documented according to their materiality, to the competences of the persons involved and the delegation of powers, approved by the Board of Directors.

Additionally, the Board of Directors supervises this whole process, monitoring the recommendations made by internal or external audits, as well as compliance with all relevant external regulations. In addition to these procedures, it ensures that periodic reconciliations and reviews of transactions are carried out by the parties involved in the Group's various areas of activity, in order to identify all possible new operations and ensure their appropriate treatment in the financial information.

IV. Investor Relations

56. Investor Relations

The Company ensures the existence of an Investor Relations Department whose goals are to streamline and optimise communications with financial markets in general, and with investors (current and potential) and financial analysts in particular.

Under the terms and for the purposes of point 4 of article 233 of the Portuguese Securities Code, Media Capital has appointed Mafalda Ordonhas Pais to the position of Investor Relations Officer. In this sense, Mafalda Ordonhas Pais is responsible for relations with the market and the Portuguese Securities Market Commission. Contact details for the Investor Relations Officer are as follows:

Address: Rua Mário Castelhana, 40, Queluz de Baixo, 2734-502 Barcarena

Telephone: + (351) 21 434 76 03

Fax: + (351) 21 434 59 01

E-mail: ir@mediacapital.pt

The Board of Directors of Media Capital and the Investor Relations Department are available to participate in sector and regional conferences, as well as conference calls, in addition to welcoming visits from investors and financial analysts, with a view to assisting finance brokers in interpreting the Company's financial and strategic information.

57. Market relations

Media Capital has appointed Mafalda Ordonhas Pais to the position of Market Relations Officer.

58. Information requests

Media Capital strives to ensure that all information requests received are answered shortly. Approximately 25 information requests were received in 2016.

V. Website

59. Webaddress

<http://www.mediacapital.pt>.

60. Information about the Company

Media Capital provides relevant institutional information, in Portuguese and English, on its website, at <http://www.mediacapital.pt>.

61. Bylaws and regulations

Media Capital maintains all relevant information on its website:

<http://www.mediacapital.pt/en/p/601/bylaws-and-regulations/>

62. Management, corporate bodies, market relations, investor relations

The following information is also available on the Media Capital website, in the Investors area:

- News highlights;
- Events calendar;
- Mandatory announcements;
- Quarterly and half-year results;
- Notices of General Meetings and background information;
- Annual Report.

63. Financial information

Financial information concerning previous years are available on the Company website (<http://www.mediacapital.pt>).

64. General meeting notice

Information on General Meetings, namely concerning the corresponding agendas, proposals presented, decisions and voting results, are also available on the Company website (<http://www.mediacapital.pt>).

65. General shareholders meeting

<http://www.mediacapital.pt/p/544/assembleia-geral-de-acionistas/>.

D. REMUNERATION

I. Competent Committees

66. Governing Bodies appointment and Remuneration Committee

Under the terms of the Commercial Companies Code and article 17 of the Memorandum of Association, the General Meeting has appointed a Governing Body Appointment and Remuneration Committee, whose main responsibilities are as follows:

- Presenting appointment proposals concerning members of the Board of Directors, the Audit Committee and the General Meeting Board;
- Approving remuneration levels for each member of the aforementioned governing bodies; and
- Reviewing the remuneration policy applicable to the aforementioned governing bodies, on an annual basis.

The Governing Body Appointment and Remuneration Committee is also responsible for evaluating the performance of the members of the Board of Directors.

The remuneration policy applicable to managing staff is defined by the Corporate Governance and Managing Staff Remuneration Committee, which is appointed by the Board of Directors and composed of members of the latter, as described in greater detail in section c) of point II. Management and Supervision, in Section B, above. Amongst other duties, the Corporate Governance and Managing Staff Remuneration Committee is responsible for submitting proposals concerning the general remuneration policy applicable to managing and executive staff, as well as the remaining employment contract conditions, to the Board of Directors.

II. Governing Body Appointment and Remuneration Committee

67. Members of the Governing Bodies appointment and remuneration committee

The Governing Body Appointment and Remuneration Committee is composed of three to five members, elected by the General Meeting.

The current members of the Governing Body Appointment and Remuneration Committee, who carried out the corresponding duties in 2016, were appointed during the 2016 Annual General Meeting, held on 7 April 2016. As at 31 December 2016, the Committee is composed of the following members:

Chairman: Ignacio Polanco Moreno;
- António García-Mon Marañés;
- Gregorio Marañón y Bertrán de Lis.

68. Experience and knowledge of the members of the Governing Body appointment and remuneration committee

The members of the Governing Body Appointment and Remuneration Committee are senior executives with recognised experience in the market in which they carry out their professional duties, having previously assumed similar roles on other remuneration committees. The Governing Body Appointment and Remuneration Committee consists mostly of non-independent members. However, it is considered that this status does not affect their ability to exercise independent judgement.

The Governing Body Appointment and Remuneration Committee has not engaged the services of any entities in order to assist them with their functions, nor does any of its members have any relationship with the Company's consultant.

III. Remuneration Policy

69. Remuneration policy of the members of the Board of Directors and Audit Committee

The Board of Directors, the Governing Body Appointment and Remuneration Committee and the Corporate Governance and Managing Staff Remuneration Committee presented the main guidelines of a proposed remuneration policy to the shareholders during the General Meeting. This policy, to be applicable to the members of the Board of Directors and Audit Committee, as well as company managers, as understood according to point 3 of article 248-B of the Portuguese Securities Code, establishes a distinction between executive and non-executive Directors.

The remuneration and compensation policy is revised on an annual basis and submitted to the Board of Directors' approval. This policy aims to assure the commitment between the members of the Board and the Company's interests and the existence of a relationship based on trust, competence, effort and commitment, considered essential to Company performance.

The remuneration and compensation policy applicable to members of the Board of Directors and other company managers was designed having into consideration:

- a) To attract and motivate the members;
- b) To adequately remunerate both the work and results achieved;
- c) To award value creation.

The remuneration and compensation policy applicable to members of the Board of Directors and other company managers take into account data and criteria disclosed by other Portuguese companies and groups in the same sector, considering the current crisis and economic outlook.

70. Information on the remuneration policy

The remuneration and compensation policy applicable to the executive members of the Board of Directors is based on a combination of fixed and variable amounts. The remuneration policy essentially intends to reward commitment and involvement in daily business, thus increasing motivation and aligning itself with long-term business goals.

In this sense, the amounts paid to the executive members of the Board of Directors of Grupo Media Capital, SGPS, S.A. include fixed and variable amounts (i) a fixed salary, set according to individual responsibilities and comprising a gross base annual salary; (ii) a variable amount, consisting of a performance bonus paid in the following year, based on specific criteria and calculated according to a professional performance formula defined for the year in question.

Annually, the commission establishes a maximum amount for the variable remuneration, fixing and identifying the criteria and circumstances that determine the amounts. Executive Directors also benefit from non-cash benefits, namely health and life insurance, also available for all Company employees.

Non-executive Independent Directors earn a fixed and regular salary. The remuneration of the President of the Board of Directors differs from the rest, according to the position and market practices.

Remuneration policy of non-executive members of the board does not include variable amounts since their functions in the Board of Directors are based on their wide professional experience and valuable know-how. These member's remuneration does not depend on the Company's performance.

The salaries of the members of the Board of Directors are paid on a monthly basis, in equal and successive payments, and are described in the Corporate Governance report.

AUDIT COMMITTEE AND STATUTORY AUDITOR

Once the Audit Committee is composed by non-executive members of the Board of Directors, and these members are remunerated according to their position in the Company, there is no extra payment regarding their function in the Audit Committee.

The fees paid to the Statutory Auditor are set based on market information concerning similar services. Fees are negotiated annually and supervised by the Audit Committee.

MANAGERS

According to point 3 of article 248-B of the Portuguese Securities Code, managers are all employees who have regular access to privileged information and participate in decision-making processes concerning Company management and business strategies, such as the members of the Committees.

The Corporate Governance and Managing Staff Remuneration Committee reviews the remuneration policy applicable to managers on an annual basis.

The amounts paid to managers include a fixed salary and a variable amount. The variable amount consists of a performance bonus paid in the following year, based on specific criteria, which are defined and reviewed annually, and calculated according to a professional performance formula defined for the year in question by the Corporate Governance and Managing Staff Remuneration Committee, after results for the previous year have been calculated.

The remuneration is aligned with economic context.

71. Variable amounts

Annually, the Corporate Governance and Managing Staff Remuneration Committee establishes a maximum amount for the variable remuneration, fixing and identifying the criteria and circumstances that determine the amounts. Variable remuneration is only due to the Executive members of the Board of Directors.

72. Deferred payment of variable amounts

Variable amount consists of a performance bonus paid in the following year.

73. Share allocation plan

The Company has not implemented any share allocation plans to members of the Board of Directors or the Audit Committee, or to other Company managers.

74. Stock option plans

The Company has not implemented any stock option plans to members of the Board of Directors or the Audit Committee, or to other Company managers.

75. Non-cash benefit systems

The Company has not implemented any non-cash benefit systems for the members of the Board of Directors.

76. Pension or early retirement schemes

Additionally, the Company has not implemented any pension schemes or early retirement schemes aimed at Directors.

IV. Remuneration Disclosure

77. Amounts paid to the members of the Board of Directors

The amounts paid to the members of the Board of Directors of the Media Capital Group, both executive and non-executive, over the year ending on 31 December 2016, totalled 783,413.28 euros.

The CEO is paid by Media Capital Group companies. The following amounts were paid in 2016:

	CEO	Fixed remuneration (€)	Variable remuneration (€)
Rosa Cullell		Euro 375.000,00	Euro 120.067,00

The following amounts were paid to non-executive Directors in 2016 (corresponding exclusively to fixed salaries):

Miguel Pais do Amaral	Euro 166.090,88
Agnés Noguera Borel	Euro 29.090,88
António Pires de Lima	Euro 29.090,88
Jose Luis Sáinz *	_____
Manuel Polanco *	_____
Maria Del Pilar Del Rio	Euro 29.090,88
Tirso Olazábal **	Euro 11.218,65
Jaime D'Almeida **	Euro 11.218,65
Miguel Gil **	Euro 11.218,65
<i>Total</i>	Euro 663.334,28

* Non paid Director

** Until 2016

The remuneration of the non-executive members is paid by the Company.

78. Amounts paid by other companies

Executive members of the Board of Directors are fully paid by the Company and its subsidiaries. The Company does not maintain stock allocation plans and/or stock options. However, the shareholder PRISA has a plan for the attribution of shares of the company "Promotora de Informaciones, SA (Prisa)" - Incentivo a Largo Plazo - which is based exclusively on Prisa, a company listed in Spain and whose terms are included in the financial information disclosed by PRISA. This plan has, as beneficiaries, among others, the CEO of Media Capital.

79. Dividends or other bonuses

No dividends and/or bonuses other than those included in the aforementioned variable amounts were paid by the Company.

80. Compensations

No compensation amounts were paid in 2016 to former Directors upon cessation of their functions.

81. Amounts paid to the members of the Audit Committee and Statutory Auditor

Audit Committee members are paid as members of the Board of Directors.

The fees paid to the Statutory Auditor are set based on market information concerning similar services. Fees are negotiated annually and supervised by the Audit Committee. The amounts paid are described in point 47 of the present Report.

82. Amount paid to the President of the General Meeting Board

The members of the General Meeting Board earn fixed amounts. In 2016, the members of the General Meeting Board for the mandate 2012-2015 were remunerated for their attendance and participation in the General Meeting of Media Capital, which took place on April 7, 2016. The ceasing members, Chairman and Vice-Chairman of the General Meeting Board were paid 1.500.00 and 750.00 euros, respectively.

V. Compensation Agreements

83. Compensation payments upon dismissal of any member of the Board of Directors

No compensation payments are foreseen, irrespective of their nature, upon dismissal of any member of the Board of Directors during their term, except in case of unfair dismissal of the CEO, in accordance with the agreements signed within the scope of the corresponding professional relationship with the Media Capital Group.

84. Compensation payments in case of resignation or unfair dismissal following a change of control

No agreements have been signed between the Company and Directors and/or managers whose clauses determine the payment of any compensation in case of resignation or unfair dismissal following a change of control, except for the case of termination of duties of its CEO following a change of control of the Company. None of the members of the Board has celebrated any agreement intending to mitigate risks affecting the respective remuneration fixed by the Company.

VI. Share Allocation Plans and/or Stock Options

85. Identification of the plan

The Company has not implemented any share allocation plans, nor has it granted stock options or paid any bonuses based on share price variation to members of the Board of Directors or the Audit Committee, or to other Company managers, since 2007. Moreover, the Company has not implemented any pension schemes applicable to members of the Board of Directors or Audit

Committee, or to other Company managers; accordingly, these issues were not discussed at the General Meeting.

The shareholder PRISA has a plan for the attribution of shares of the company "Promotora de Informaciones, SA (Prisa)" - Incentivo a Largo Plazo - which is exclusively based on Prisa, a company listed in Spain and whose terms are included in the financial information disclosed by PRISA. This plan has as beneficiaries, among others, Media Capital's CEO.

86. Characterization of the plan

Not applicable.

87. Stock options

Not applicable.

88. Employee share schemes

Media Capital has not implemented any employee share schemes. Accordingly, no control policies concerning this issue are required.

E. TRANSACTIONS WITH STAKEHOLDERS

I. Control Mechanisms and Procedures

89. Control mechanisms in transactions with stakeholders

According to the Regulations issued by the Board of Directors, transactions with stakeholders shall be subject to prior approval by the Board of Directors. Approval shall be based on the opinion of the Audit Committee, which shall be responsible for evaluating the transaction in question, considering current market conditions.

90. Control mechanisms concerning transactions

In 2016 the Audit Committee evaluated all transactions celebrated with stakeholders and relevant shareholders, and determined the relevant criteria according to the applicable regulation (art 23° and 31° of the regulation).

91. Procedures regarding the intervention of the audit committee

The Audit Committee used economic criteria to establish relevant benchmark levels to analyse business with relevant shareholders, issuing a preliminary opinion to the celebration of significant transactions.

II. Transaction Information

92. Information on transactions with stakeholders

Information on transactions with stakeholders, produced according to the requirements of the IAS 24, is included in Note 32 of the Annex to consolidated financial statements.

PART II - CORPORATE GOVERNANCE EVALUATION

As a listed company governed by Portuguese law and issuer of shares traded on NYSE Euronext Lisbon, a regulated stock exchange, Media Capital follows the recommendations issued by the CMVM in its 2013 Corporate Governance Code, available on the CMVM website.

Media Capital also follows a Conduct Code since 2011, which establishes a series of regulations aimed at ensuring transparency and compliance with Good Corporate Governance Practice, which must be observed by all Prisa Group companies, including the Media Capital Group.

Recommendation / Section	Compliance	Report Information
I. VOTING AND COMPANY CONTROL		
I.1. Companies should encourage their shareholders to participate and vote in General Meetings, namely by ensuring that the number of shares corresponding to one vote is not excessively high and by implementing the required means to allow mail and online voting.	Complies Partly The Company adopted all the necessary means to implement electronic vote	Part I, Section B I. General Meeting b) Exercising of Voting Rights
I.2 Companies should not adopt mechanisms likely to hinder the reaching of decisions by their shareholders, namely the setting of stricter quorum requirements than those defined by law.	Complies	Part I, Section B I. General Meeting b) Exercising of Voting Rights
I.3. Companies should not implement mechanisms that will lead to imbalances between voting rights and the right to receive dividends or subscribe new securities, unless such mechanisms are deemed to serve the interests of shareholders in the long run.	Complies	Part I, Section B I. General Meeting b) Exercising of Voting Rights
I.4 When the articles of association of a company determine the imposition of limits concerning the number of votes held or exercised by a single shareholder, individually or in association with others, the same articles of association should stipulate that the maintenance or elimination of this statutory provision should be subject to vote by the General Meeting at least every five years – without stricter quorum requirements than those defined by law – and that all votes cast for this purpose must be counted, without considering any such limits.	Not applicable	Part I, Section B I. General Meeting b) Exercising of Voting Rights
I.5 No measures aimed at demanding payments or the assuming of any obligations by the Company in case of change of control or changes to the composition of the Board of Directors, which might have an impact on share transfers or the independent evaluation of the Board of Directors' performance by shareholders, should be adopted.	Does not comply The Company celebrated financial agreements that demand anticipated payment in case of change of control	Part I, Section A I. Capital Structure
II. MANAGEMENT AND SUPERVISION		
II.1 Management and Supervision		
II.1.1. Within the limits defined by law and unless this is not feasible due to company size, the Board of Directors should	Complies	Part I, Section B

Recommendation / Section	Compliance	Report Information
<p>delegate daily company management on an appointed CEO, in which case delegated powers should be listed in the Corporate Governance Report.</p>		<p>II. a) Composition</p>
<p>II.1.2. The Board of Directors should ensure that company business is undertaken according to its goals, namely by ensuring that the following powers are not delegated: (i) definition of company strategies and general policies; (ii) definition of the group's business structure; (iii) reaching strategic decisions for which the Board of Directors as a whole should be responsible, owing to the amounts, risks or special characteristics involved.</p>	<p>Complies</p>	<p>Part I, Section B II. a) Composition</p>
<p>II.1.3. In addition to company supervision, the General and Supervisory Board should assume full responsibility in all matters related to company management. Accordingly, it should be ensured, by means of statutory or equivalent provisions, that this Board participates in the definition of company strategies and general policies, definition of the group's business structure and reaching of decisions deemed strategic, owing to the amounts, risks or special characteristics involved. Additionally, this Board should also evaluate compliance with the company's strategic plan and main policies.</p>	<p>Not applicable given the Corporate Governance model adopted by the Company.</p>	
<p>II.1.4. Unless this is not feasible due to company size, the Board of Directors and the General and Supervisory Board, depending on the model adopted, should create all required committees to ensuring the following:</p> <p>a) Ensuring that the performance of executive directors, as well as its own global performance and that of the various committees, are evaluated in a competent and independent manner;</p> <p>b) Ensuring suitable reflection on the governance structure and practices adopted, by monitoring their effectiveness and proposing suitable improvement measures to the competent bodies.</p>	<p>Complies</p>	<p>Part I, Section B II. c) Governing and Supervisory Committees</p>
<p>II.1.5. The Board of Directors or the General and Supervisory Board, depending on the model adopted, should set goals concerning assumed risks and create risk control systems, in order to ensure that the risks to which the company is effectively exposed are in line with the goals defined.</p>	<p>Complies</p>	<p>Part I, Section C III. Internal Control and Risk Management</p>
<p>II.1.6. The number of non-executive members of the Board of Directors should be sufficient to ensure the effective monitoring, supervision and evaluation of the activities undertaken by the remaining members.</p>	<p>Complies</p>	<p>Part I, Section B II. b) Operation</p>
<p>II.1.7. Independent directors should represent an adequate percentage of non-executive directors, considering the governance model adopted, company size, the shareholding structure and the corresponding free float.</p> <p>The independence of General and Supervisory Board and Audit Committee members is ascertained based on the applicable legislation. Concerning the remaining members of the Board of Directors, a director qualifies as independent when not associated with any specific group</p>	<p>Complies</p>	<p>Part I, Section B II. a) Composition</p>

Recommendation / Section	Compliance	Report Information
<p>within the company and when their exercise of independent judgment is not likely to be compromised by any particular circumstances, namely the following:</p> <p>a. To have been a company employee, or an employee of a controlling or group company, within the last three years;</p> <p>b. To have provided services or established a significant business relationship with the company, or with a controlling or group company, either directly or as a partner, director or manager;</p> <p>c. To receive any remuneration from the company, or from any controlling or group company, other than the due remuneration for the corresponding functions as a director;</p> <p>d. To be the spouse, common-law partner or a relative, down to the third degree and including collateral lines, of any director or any individual who directly or indirectly holds a qualifying share;</p> <p>e. To hold or represent a holder of a qualifying share.</p>		
<p>II.1.8. Executive directors shall be required to provide all information required by the remaining members of the governing bodies, in a timely manner.</p>	Complies	Part I, Section B II. b) Operation
<p>II.1.9. The Chairman of the Executive Board or Executive Committee shall be required to send the notices and minutes of all meetings to the Chairman of the Board of Directors, the Chairman of the Supervisory Board, the Chairman of the Audit Committee, the Chairman of the General and Supervisory Board and the Chairman of the Financial Committee, as applicable.</p>	Not applicable given the Corporate Governance model adopted by the Company.	
<p>II.1.10. Should the Chairman of the Board of Directors carry out executive duties, the Board of Directors shall be required to appoint an independent director, selected amongst its members, to ensure coordination with non-executive directors and establish the required conditions for the latter to reach decisions in an independent and informed manner, or to implement an equivalent mechanism to ensure the aforementioned coordination.</p>	Not applicable The Chairman of the Board of Directors does not carry out executive duties.	Part I, Section B II. a) Composition
<p>II.2 Supervision</p>		
<p>II.2.1. The Chairman of the Audit Board, Audit Committee or Financial Committee, depending on the model adopted, should be independent, according to the applicable legislation, and possess the necessary skills to carry out the corresponding duties.</p>	Complies	Part I, Section B III. c) Competences and Duties
<p>II.2.2. The Audit Committee shall be required to liaise with the external auditor and to be the primary recipient of all reports produced by the latter, in addition to being responsible for proposing the corresponding remuneration and ensuring that the necessary conditions for the provision of audit services are provided by the Company.</p>	Complies	Part I, Section B III. c) Competences and Duties
<p>II.2.3. The Audit Committee shall be required to evaluate the external auditor on an annual basis and to propose their dismissal or termination of the corresponding service</p>	Complies	Part I, Section B V. External Auditor

Recommendation / Section	Compliance	Report Information
provision agreement to the competent body, whenever justified.		
II.2.4. The Audit Committee shall be required to evaluate the effectiveness of internal control and risk management systems and suggest changes, if required.	Complies	Part I, Section B III. c) Competences and Duties
II.2.5. The Audit Committee, the General and Supervisory Board and the Audit Board shall be required to voice their opinion concerning audit plans and resources allocated to internal audit and compliance services, and shall be the recipients of reports produced by these services, at least when accounts, resolution of conflicts of interest or actions flagged as potentially illicit are involved.	Complies	Part I, Section B III. c) Competences and Duties
II.3 Remuneration Policy		
II.3.1. All members of the Remuneration Committee, or an equivalent body, should qualify as independent with regard to executive directors. Additionally, the Remuneration Committee must include at least one member with experience and knowledge of remuneration issues.	Complies partly The Remuneration Committee is mostly composed of non-independent members. The Company considers that this situation does not affect their exemption.	Part I, Section D II. Governing Body Appointment and Remuneration Committee
II.3.2. No individual or company that provides or has provided services to the Board of Directors or any corporate body controlled by the latter within the last three years, or that currently has a relationship with the company or a company consultant, should be appointed to assist the Remuneration Committee in the carrying out of its duties. This recommendation also applies to any individual or company related to the aforementioned parties through an employment contract or service provision agreement.	Complies	Part I, Section D II. Governing Body Appointment and Remuneration Committee
II.3.3. The declaration on the remuneration policy applicable to the Board of Directors and Audit Committee to which article 2 of Law 28/2009, of 19 June, refers, should also include the following information: a) Identification and explanation of the criteria used to determine the amounts paid to members of governing bodies; b) Information on the maximum amounts payable to members of governing bodies, individually and globally, and identification of the circumstances under which such amounts might be paid; d) Information concerning whether or not compensation payments upon resignation or dismissal are required.	Complies partly	Part I, Section D III. Remuneration Policy
II.3.4. Proposals concerning share allocation plans and/or stock options based on share price variation, aimed at members of governing bodies, must be submitted to the General Meeting. Proposals must include all required information for suitable evaluation.	Not applicable The Company has not implemented any share allocation plans of Media Capital Group.	Part I, Section D VI. Share Allocation Plans and/or Stock Options

Recommendation / Section	Compliance	Report Information
II.3.5. Proposals concerning pension schemes applicable to members of governing bodies must be submitted to the General Meeting. Proposals must include all required information for suitable evaluation.	Not applicable The Company has not implemented any pension schemes.	Part I, Section D III. Remuneration Policy
III. REMUNERATION		
III.1. The amounts paid to executive members of the Board of Directors should be based on effective performance; assuming of excessive levels of risk should be discouraged.	Complies	Part I, Section D III. Remuneration Policy
III.2. The amounts paid to non-executive members of the Board of Directors and members of the Audit Committee should not include any component based on company performance or value.	Complies	Part I, Section D III. Remuneration Policy
III.3. Variable remuneration should be reasonable with regard to fixed salaries and upper limits should be set for all amounts paid.	Complies	Part I, Section D III. Remuneration Policy
III.4. Payment of a significant part of variable amounts should be deferred for at least three years and depend on the good performance of the company over that period.	Does not comply Variable amounts are paid in the year following that to which they refer.	Part I, Section D III. Remuneration Policy
III.5. The members of the Board of Directors must not sign any agreements with the company or any third parties for the purpose of mitigating the risks associated with variable remuneration, as set by the company.	Complies	Part I, Section D V. Compensation Agreements
III.6. Executive Directors shall be required to hold company shares received as a result of variable remuneration plans until the end of their term, up to a limit corresponding to twice their total annual remuneration, except when selling is required in order to pay tax on income from the shares in question.	Not applicable The Company has not implemented any share allocation plans of Media Capital Group.	Part I, Section D VI. Share Allocation Plans and/or Stock Options
III.7. When variable remuneration includes stock options, the exercise period should be deferred for at least three years.	Not applicable The Company has not implemented any share allocation plans of Media Capital Group.	Part I, Section D VI. Share Allocation Plans and/or Stock Options
III.8. The company should ensure the existence of suitable legal instruments so that no compensation amounts greater than those defined by law can be demanded whenever a Director is dismissed as a result of inadequate performance, even if no serious breach of duty or inability to carry out their duties is at stake.	Complies	Part I, Section D. V. Compensation Agreements
IV. AUDIT		
IV.1. The external auditor shall be required, within the scope of the corresponding competences, to monitor the remuneration policy and plans applicable to governing bodies, evaluate the effectiveness of internal control	Complies	Part I, Section B V. External Auditor

Recommendation / Section	Compliance	Report Information
mechanisms and report any deficiencies to the Audit Committee.		
IV.2. Audit services should be the only services provided to the company, or to any controlling company, by the external auditor or any other company in the same group or network. If a valid reason exists for contracting out any other services – which must be approved by the Audit Committee and described in the Annual Corporate Governance Report –, the value of the latter must not represent more than 30% of the total value of services provided to the Company.	Complies	Part I, Section B V. External Auditor
IV.3. Companies should replace the external auditor after two to three terms, depending on whether each term corresponds to four or three years, respectively. Any decision to maintain the external auditor beyond this period must be based on a specific opinion issued by the Audit Committee, resulting from careful consideration of the advantages and costs of their replacement and analysis of their independence.	Complies	Part I, Section B V. External Auditor
V. TRANSACTIONS WITH STAKEHOLDERS		
V.1. Transactions with holders of qualifying shares or related entities, as defined in article 20 of the Portuguese Securities Code, must be performed under normal market conditions.	Complies	Part I, Section E I. Control Mechanisms and Procedures
V.2. The Audit Committee shall be required to establish the required procedures and criteria to identify significant transactions with holders of qualifying shares – or related entities, as defined in point 1 of article 20 of the Portuguese Securities Code –, whose carrying out will depend on their prior approval.	Complies	Part I, Section E I. Control Mechanisms and Procedures
VI. INFORMATION		
VI.1. Companies shall be required to provide information on their business and current economic, financial and governance situation, in Portuguese and English, on their websites.	Complies	Part I, Section C V. Website
VI.2. Companies should strive to maintain permanent contact with the market through an Investor Relations Department able to respond to requests from investors in a timely manner. A record of requests and their processing should be kept.	Complies	Part I, Section C IV. Investor Relations

ANNEX

Curricula

Miguel Maria De Sá Pais Do Amaral

President of the Board of Directors of Media Capital Group.

Miguel Pais do Amaral studied engineering at Instituto Superior Técnico in Lisbon and a got a MBA degree by INSEAD. Between 1991 and 1998 he was Chairman of SOCI, SA, Manager of Euroknights, Director of Compagnie Generale des Eaux and Chairman of Diana SA. In 1995, Miguel Pais do Amaral founded the Media Capital group, which became the leading media company in Portugal, involved in television broadcasting and production, outdoors, internet, radio, musical production and film production. From 2007 onwards, he has invested in different business sectors such as book publishing and education, information technologies, natural resources and renewable energies, finance and real estate. President of the Media Capital Board of Directors since 16 March 2011, he was re-elected for the mandate 2016/2019.

He is also part of the following companies:

NOT PART OF GRUPO MEDIA CAPITAL	
AHS INVESTIMENTOS. SGPS SA	CHAIRMAN
AGEIRIDGE - COMPRA E VENDA DE IMÓVEIS, LDA	MANAGER
AGEIRON - COMPRA E VENDA DE IMÓVEIS, LDA	MANAGER
ALFACOMPETIÇÃO - AUTOMÓVEIS E CAVALOS DE COMPETIÇÃO, SA	CHAIRMAN
ASK4GREEN, LDA.	MANAGER
BIOBRAX - ENERGIAS RENOVÁVEIS PORTUGAL, LDA.	CHAIRMAN
BRIO - PRODUTOS DE AGRICULTURA BIOLÓGICA, LDA	MANAGER
COMPANHIA DAS QUINTAS SGPS, SA	CHAIRMAN
COURICAL HOLDINGS, SGPS, S.A.	DIRECTOR
DIANA - SOCIEDADE DE PROMOÇÃO E INVESTIMENTOS IMOBILIARIOS, LDA.	MANAGER
DREAMS CORNER, LDA.	MANAGER
EDGE BROKERS, LDA	MANAGER
EDGE CAPITAL SGPS, S.A.	CHAIRMAN
EDGE INTERNATIONAL HOLDINGS – SGPS, SA	CHAIRMAN
EDGE PROPERTIES SGPS, SA	CHAIRMAN
EDGE RM, LDA	MANAGER
EDGE SVCS, LDA	MANAGER
EDGE VS PRESTAÇÃO DE SERVIÇOS, LDA	MANAGER
GLOBAL PUBLISHING GROUP BV	DIRECTOR
GREYPART SGPS, SA	DIRECTOR
HEMERA ENERGÍAS RENOVABLES ESPAÑA, SLU	CHAIRMAN
HENERGY - ENERGIAS RENOVÁVEIS, LDA.	MANAGER
IXILU - COMPRA E VENDA DE IMÓVEIS, LDA.	MANAGER
LANIFOS - SOCIEDADE DE FINANCIAMENTOS, LDA.	MANAGER
NEUTRIPROMO - COMPRA E VENDA DE IMÓVEIS, LDA	MANAGER
PARTBLEU SGPS, SA	DIRECTOR

PHILLIPS PARK INVESTMENT CORPORATION	DIRECTOR
PHILLIPS PARK LLC	DIRECTOR
POLISTOCK - SOCIEDADE AGRO-PECUÁRIA UNIPessoal LDA.	MANAGER
QUARTZTOWN LDA	MANAGER
QUIFEL NATURAL RESOURCES SA	CHAIRMAN
QUIFEL NATURAL RESOURCES SGPS SA	DIRECTOR
QUINTA DA FRONTEIRA SA	CHAIRMAN
QUINTA DE PANCAS VINHOS SA	CHAIRMAN
REDITUS SGPS SA	DIRECTOR
SITUAVOX , LDA.	MANAGER
SOCIEDADE AGRO-FLORESTAL SERRA DA Pousada LDA.	MANAGER
TOPBUILDING - INVESTIMENTOS IMOBILIÁRIOS SA	CHAIRMAN
UKSA PORTUGAL, S.A.	CHAIRMAN

On 31 December 2016, he held no shares or voting rights in Grupo Media Capital SGPS, SA.

Rosa Maria Cullell Muniesa

CEO of Grupo Media Capital

With a degree in Information Sciences by Universidade Autònoma de Barcelona and a diploma in Top Management by IESE Business School, initiated her career as a journalist in Mundo Diário. Was correspondent for a newspaper in London, where she worked to BBC (external services). She was then coordinator of multicultural contents and emigrant support in Perth (Western Australia), working for the Ministry of Immigration. When returning to Spain, she joined TVE-Catalunya and became economy journalist in El País, first in Barcelona, then in Madrid. From 1989 to 2002 she was part of the La Caixa directive team, becoming also member of the board. She was also CEO of Editora Grup 62 a participated company of La Caixa. In February 2005 she was appointed general manager of Gran Teatre de Liceu and between 2008 and 2010 she became general manager of Corporación Catalana de Medios Audiovisuales (TV3). Was member of the board of directors of Panrico, Carrefour, Hidroeléctrica de Cantabrico, Telefonica de Catalunya, Telefonica de Sao Paulo e Fecsa-Endesa. She was appointed CEO of Media Capital on July 13 2011, for the mandate 2008/2011 and was re-elected for the mandate 2016/2019.

She is also part of the following companies:

GRUPO MEDIA CAPITAL	
MEGLO - MEDIA GLOBAL, SGPS, SA	CHAIRMAN
MEDIA CAPITAL - SERVIÇOS DE CONSULTORIA E GESTÃO, SA	CHAIRMAN
MEDIA CAPITAL DIGITAL, SA	CHAIRMAN
IOL NEGÓCIOS - SERVIÇOS DE INTERNET, SA	CHAIRMAN
MCR II - MEDIA CAPITAL RÁDIOS, SA	CHAIRMAN
RÁDIO COMERCIAL, SA	CHAIRMAN
R. CIDADE - PRODUÇÕES AUDIOVISUAIS, SA	CHAIRMAN
RÁDIO REGIONAL DE LISBOA - EMISSÕES DE RÁDIO DIFUSÃO, SA	CHAIRMAN
RÁDIO XXI, LDA.	CHAIRMAN
RÁDIO LITORAL CENTRO - EMPRESA DE RÁDIO DIFUSÃO, LDA.	MANAGER
RÁDIO NACIONAL - EMISSÕES DE RÁDIO DIFUSÃO, UNIPessoal, LDA.	MANAGER
FLOR DO ÉTER - RÁDIO DIFUSÃO, LDA.	MANAGER

DRUMS - COMUNICAÇÕES SONORAS, UNIPessoal, LDA.	MANAGER
RÁDIO VOZ DE ALCANENA (RVA), LDA.	MANAGER
MCME – MÉDIA CAPITAL MÚSICA E ENTRETENIMENTO, SA	MANAGER
MEDIA CAPITAL ENTERTAINMENT – PRODUÇÃO DE EVENTOS, LDA.	CHAIRMAN
FAROL MÚSICA – SOCIEDADE DE PRODUÇÃO E EDIÇÃO AUDIOVISUAL, LDA.	MANAGER
CLMC – MULTIMEDIA, UNIPessoal, LDA	CHAIRMAN
TVI – TELEVISÃO INDEPENDENTE, SA	CHAIRMAN
MCP – MEDIA CAPITAL PRODUÇÕES, SA	CEO
PLURAL ENTERTAINMENT PORTUGAL, SA	DIRECTOR
PLURAL ENTERTAINMENT ESPAÑA, LDA	DIRECTOR
TESELA PRODUCCIONES AUDIOVISUALES, LDA	DIRECTOR
EMAV – EMPRESA DE MEIOS AUDIOVISUAIS, LDA.	DIRECTOR
EPC – EMPRESA PORTUGUESA DE CENÁRIOS, LDA.	MANAGER
CASA DA CRIAÇÃO – ARGUMENTOS PARA AUDIOVISUAL, LDA.	MANAGER
RÁDIO SABUGAL – RÁDIODIFUSÃO E PUBLICIDADE, LDA.	MANAGER
RÁDIO MANTEIGAS – RÁDIODIFUSÃO, LDA.	MANAGER
PENALVA DO CASTELHO FM – RÁDIODIFUSÃO E PUBLICIDADE, LDª	MANAGER
MOLICEIRO – COMUNICAÇÃO SOCIAL, UNIPessoal, LDA.	MANAGER
NOTIMAIA – PUBLICAÇÕES E COMUNICAÇÃO, UNIPessoal, LDA.	MANAGER
RÁDIO CONCELHO DE CANTANHEDE, UNIPessoal, LDA.	MANAGER
SIRPA – SOCIEDADE DE IMPRENSA RÁDIO PARALELO, LDA.	MANAGER
CÓCO – COMPANHIA DE COMUNICAÇÃO, UNIPessoal, LDA	CHAIRMAN
PRC – PRODUÇÕES RADIOFÓNICAS DE COIMBRA, LDA.	MANAGER
POLIMEDIA – PUBLICIDADES E PUBLICAÇÕES, LDA.	MANAGER
R2000 – COMUNICAÇÃO SOCIAL, LDA.	MANAGER
LEIRIMEDIA – PRODUÇÕES E PUBLICIDADE, LDA.	MANAGER
R.C. – EMPRESA DE RÁDIODIFUSÃO, LDA.	MANAGER
NOT PART OF GRUPO MEDIA CAPITAL	
VERTIX, SGPS, SA	DIRECTOR

On 31 December 2016, she held no shares or voting rights in Grupo Media Capital SGPS, SA.

Agnés Noguera Borel

Member of the Board of Directors. Graduated in Law and History of Art from the University of Valencia-Estudi General and in Gemology from the University of Barcelona. She is a Financial Analyst (member of the Spanish Institute of Financial Analysts). Throughout her professional career she held positions in numerous companies of different sectors. She has been CEO of Libertas 7, SA since 2004 and is a member of the Board of Directors of Adolfo Domínguez (representing Luxury Liberty). She was appointed as member of the Board of Directors on April 7, 2016, for the 2016/2019 mandate.

She is also part of the following companies:

NOT PART OF GRUPO MEDIA CAPITAL	
LIBERTAS7, S.A.	CEO
ADOLFO DOMINGUEZ	DIRECTOR

On 31 December 2016, she held no shares or voting rights in Grupo Media Capital SGPS, SA.

António de Magalhães Pires de Lima

Member of the Board of Directors. Graduated in Economics from Universidade Católica Portuguesa in 1984, he completed an MBA in 1986 at IESE (Barcelona) and holds an AMP from INSEAD - Fontainebleau. Former Minister of Economy of the XIX Government of Portugal, he has had a consolidated career since 1986, including, among other positions, Executive Chairman of UNICER Bebidas de Portugal SA from 2006 to 2013, Executive President of NUTRINVEST / COMPAL from 1993 to 2005 and President Of EPIS-Entrepreneurs for Social Inclusion from 2009 to 2019, among other national and international companies. Was appointed as member of the Board of Directors on April 7, 2016, for the 2016/2019 mandate.

He is also part of the following companies:

NOT PART OF GRUPO MEDIA CAPITAL	
SERRALVES FUNDAÇÃO	DIRECTOR
BEST ANCHOR CAPITAL E SERVIÇOS, LDA	MANAGER

On 31 December 2016, he held no shares or voting rights in Grupo Media Capital SGPS, SA.

José Luiz Sáinz

Member of the Board of Directors, CEO of Prisa and member of the Board of Directors of Prisa and El País. He holds a degree in Law and in Business by Universidad Autonoma de Madrid. He started his career in Arthur Andersen in 1985 in consultancy and media. Joined El País in 1989, having occupied distinctive responsibility functions. In 1997 he became Deputy General Director of Prisa, with direct responsibility over the commercial department. Was nominated general Manager of Cadena SER and Prisa Radio, and was CEO of Prisacom until he was appointed CEO of Pretesa and Plural Entertainment. He became General Manager of Group Vocento in 2008 until his return to Prisa in 2011, as Executive Chairman of Prisa Noticias and CEO of El País. In October 2012 he was appointed CEO of Prisa Radio and SER, while maintaining his functions in Prisa Noticias. He became CEO of Prisa in 2014. He was elected by co-optation as a non executive member of the Board of Directors of Media Capital in October 21, 2015, for the 2012/2015 mandate and re-elected for the 2016/2019 mandate.

He is also part of the following companies:

NOT PART OF GRUPO MEDIA CAPITAL	
PROMOTORA DE INFORMACIONES, SA	CEO

On 31 December 2016, he held no shares or voting rights in Grupo Media Capital SGPS, SA.

Manuel Polanco Moreno

Member of the Board of Directors. Chairman of Prisa Audiovisual and Vice-Chairman of Promotora de Informaciones, S.A. (Prisa).

Mr Polanco obtained a BS in Business Management and Economics with a major in International Finances from the Universidade Autónoma de Madrid in Spain. In 1991 he was appointed CEO of Santillana editing company in Chile and in Peru, in 1994 Managing Director of the Mexican daily newspaper La Prensa and also in charge of the launch of the edition of the daily newspaper El País in México. In 1996, Mr. Polanco moved to Miami where he became the Head of the international business of Grupo Santillana, overseeing the business of its 21 companies in Latin America and US. He came back to Spain in 1999 as CEO of GDM. A little later he also became CEO of GMI. In 2005 he was appointed CEO of Media Capital Group, where he was until the beginning of 2009,

when he was appointed Director of Prisa. Was Vice-Chairman of Prisa TV and DTS and is a member of the Board of Directors and member of the Executive Committee of Prisa. He was appointed as member of the Board of Directors of Media Capital on 15 November 2005.

He is also part of the following companies:

GRUPO MEDIA CAPITAL	
TVI - TELEVISÃO INDEPENDENTE, S.A.	CHAIRMAN
PLURAL ENTERTAINMENT PORTUGAL, S.A.	CHAIRMAN
MEDIA CAPITAL PRODUÇÕES - INVESTIMENTOS, SGPS, SA	CHAIRMAN
PLURAL ENTERTAINMENT ESPANA, SLU	DIRECTOR
TESELA PRODUCCIONES AUDIOVISUALES, SL	DIRECTOR
PLURAL ENTERTAINMENT CANÁRIAS, SLU	DIRECTOR
SOCIEDAD CANARIA DE TELEVISIÓN REGIONAL, SA	DIRECTOR
PRODUCTORA CANARIA DE PROGRAMAS, SA	DIRECTOR
CANAL CLUB DE DISTRIBUCIÓN DE OCIO Y CULTURA, S.A.	DIRECTOR
FORA DO GRUPO MEDIA CAPITAL	
VERTIX, SGPS, SA.	VICE-CHAIRMAN AND MEMBER OF THE EXECUTIVE COMMITTEE
PROMOTORA DE INFORMACIONES, SA	CHAIRMAN
RUCANDIO, SA.	VICE-CHAIRMAN
TIMÓN, SA.	CHAIRMAN

On 31 December 2016, he held no shares or voting rights in Grupo Media Capital SGPS, SA.

Maria del Pilar del Río Sanches Saramago

Member of the Board of Directors. Pilar del Río (Sevilla, 1950) is a journalist and translator of Portuguese into Spanish. She developed her professional activity in Radio Nacional de España, TVE and Cadena SER. She collaborated with the press in Spain and Portugal. Activist of Human Rights and Duties, presides over the José Saramago Foundation, which seeks, starting from social intervention, a fairer and cleaner environment in which to read in peace. She is a widow and has a son. Was appointed as member of the Board of Directors on April 7, 2016, for the 2016/2019 mandate.

She is also part of the following companies:

NOT PART OF GRUPO MEDIA CAPITAL	
FUNDAÇÃO JOSÉ SARAMAGO	CHAIRMAN
BALSA DE PIEDRA, SL	DIRECTOR

On 31 December 2016, she held no shares or voting rights in Grupo Media Capital SGPS, SA.

GRUPO MEDIA CAPITAL, SGPS, S.A.

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts stated in Euros)

(Translation of consolidated statements of profit and loss originally issued in Portuguese - Note 41)

	Notas	2016	2015
<u>OPERATING REVENUE:</u>			
Services rendered	7 and 8	132,188,051	125,954,762
Sales	7 and 8	98,592	146,884
Other operating revenue	7 and 8	41,740,060	48,284,590
Total operating revenue		174,026,703	174,386,236
<u>OPERATING COSTS:</u>			
Cost of programs issued and goods sold	7 and 9	(16,697,050)	(17,519,775)
Supplies and services	7 and 10	(70,189,013)	(70,092,606)
Personnel costs	7 and 11	(44,112,835)	(43,447,937)
Amortisation and depreciation	7 and 17	(8,231,802)	(9,176,447)
Provisions and impairment losses	7 and 28	(882,975)	(1,082,880)
Other operating expenses	7	(627,856)	(2,109,267)
Total operating costs		(140,741,531)	(143,428,912)
Operating profit		33,285,172	30,957,324
<u>NET FINANCIAL EXPENSES</u>			
Financial expense	12	(4,773,058)	(6,082,207)
Financial income	12	138,808	406,079
Finance costs, net		(4,634,250)	(5,676,128)
Gain on associated companies, net	18	(531,937)	(229,974)
		(5,166,187)	(5,906,102)
Profit before tax		28,118,985	25,051,222
Income tax expense	13	(9,018,123)	(7,751,207)
Consolidated net profit for the year on continuing operations		19,100,862	17,300,015
Attributable to:			
Equity holders of the parent		19,100,862	17,300,015
Earnings per share on continuing operations:			
Basic	14	0,2260	0,2047
Diluted	14	0,2260	0,2047

The accompanying notes form an integral part of the consolidated statement of profit and loss for the year ended 31 December 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

GRUPO MEDIA CAPITAL, SGPS, S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2016 AND 2015

(Amounts stated in Euros)

(Translation of consolidated statements of financial position originally issued in Portuguese - Note 41)

ATIVO	Notas	2016	2015
NON-CURRENT ASSETS:			
Goodwill	15	149,717,601	153,177,601
Intangible assets	16	13,097,933	15,167,438
Tangible fixed assets	17	16,608,851	15,476,389
Investments in associates	18	6	1,596,457
Available-for-sale assets	26 e 39	4,988	4,988
Transmission rights and television programs	19	54,473,263	53,890,762
Other non-current assets	20	5,523,697	3,229,292
Deferred tax assets	13	2,645,528	2,831,583
		<u>242,071,867</u>	<u>245,374,510</u>
CURRENT ASSETS:			
Transmission rights and television programs	19	28,616,253	29,099,282
Inventories	21	-	13,244
Trade and other receivables	22	38,019,915	39,791,295
Current tax assets	13	384,474	128,866
Other current assets	23	4,751,626	8,048,036
Cash and cash equivalents	24	1,234,906	5,545,356
		<u>73,007,174</u>	<u>82,626,079</u>
TOTAL ASSETS		<u><u>315,079,041</u></u>	<u><u>328,000,589</u></u>
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	25	89,583,971	89,583,971
Reserves	25	30,259,377	29,150,098
Consolidated net profit for the year		19,100,862	17,300,015
Equity attributable to shareholders of the parent company		<u>138,944,210</u>	<u>136,034,084</u>
TOTAL EQUITY		<u><u>138,944,210</u></u>	<u><u>136,034,084</u></u>
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Borrowings	27	77,590,362	112,196,528
Provisions	28	6,898,032	7,108,207
Deferred tax liabilities	13	1,226,250	1,293,750
		<u>85,714,644</u>	<u>120,598,485</u>
CURRENT LIABILITIES:			
Borrowings	27	21,738,434	5,571,858
Trade and other payables	29	40,273,085	38,746,106
Current tax liabilities	13	9,212	29,701
Other current liabilities	30	28,399,456	27,020,355
		<u>90,420,187</u>	<u>71,368,020</u>
TOTAL LIABILITIES		<u><u>176,134,831</u></u>	<u><u>191,966,505</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>315,079,041</u></u>	<u><u>328,000,589</u></u>

The accompanying notes form an integral part of the consolidated statement of financial position as of 31 December 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

GRUPO MEDIA CAPITAL, SGPS, S.A.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts stated in Euros)

(Translation of consolidated statements of recognised income
originally issued in Portuguese - Note 41)

	<u>2016</u>	<u>2015</u>
Consolidated net profit for the year	19,100,862	17,300,015
Items that can subsequently be reclassified to the statement of profit and loss:		
Effect of translation of operations realized abroad	(133,232)	(332,865)
Total consolidated profit	<u>18,967,630</u>	<u>16,967,150</u>
Attributable to:		
Equity holders of the parent company	<u>18,967,630</u>	<u>16,967,150</u>

The accompanying notes form an integral part of the consolidated statement of recognised
income for the year ended 31 December 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

GRUPO MEDIA CAPITAL, SGPS, S.A.

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts stated in Euros)

(Translation of cash flow statements originally issued in Portuguese - Note 41)

	<u>Notas</u>	<u>2016</u>	<u>2015</u>
<u>OPERATING ACTIVITIES:</u>			
Cash receipts from customers		233,380,177	225,392,260
Cash paid to suppliers		(111,212,280)	(116,871,092)
Cash paid to employees		(41,839,773)	(41,944,050)
Net cash from operating activities		<u>80,328,124</u>	<u>66,577,119</u>
Recovery/(payment) of income tax	13	(67,369)	176,234
Other cash paid relating to operating activities		(42,042,028)	(37,637,285)
Net cash from operating activities (1)		<u><u>38,218,727</u></u>	<u><u>29,116,068</u></u>
<u>INVESTING ACTIVITIES:</u>			
Cash received relating to:			
Sale of subsidiaries	18	700,000	52,205
Sale of tangible fixed assets and intangible assets		2,209,524	8,947,957
Assets available for sale	26	-	8,857
Dividends	18	62,640	111,886
Interest and similar income		226	53,477
Repayment of loans granted	32	-	3,323,339
		<u>2,972,390</u>	<u>12,497,721</u>
Cash paid relating to:			
Acquisition of assets	6	(612,398)	(8,923,728)
Acquisition of tangible fixed assets		(4,890,802)	(7,316,346)
Acquisition of intangible assets		(540,363)	(294,983)
Loans granted	32	-	(58,355)
		<u>(6,043,563)</u>	<u>(16,593,412)</u>
Net cash (used in) investing activities (2)		<u><u>(3,071,173)</u></u>	<u><u>(4,095,691)</u></u>
<u>FINANCING ACTIVITIES:</u>			
Cash received relating to:			
Borrowings		<u>158,147,195</u>	<u>139,298,429</u>
Cash paid relating to:			
Borrowings		(176,971,270)	(139,984,500)
Payment of principal on finance lease contracts		(689,634)	(1,143,431)
Interest and other similar expenses		(3,723,588)	(4,324,729)
Dividends	25	(16,057,504)	(15,820,867)
Other financial expenses		(162,326)	(498,597)
		<u>(197,604,322)</u>	<u>(161,772,124)</u>
Net cash (used in) financing activities (3)		<u><u>(39,457,127)</u></u>	<u><u>(22,473,695)</u></u>
Cash and cash equivalents at the beginning of the year	24	5,545,356	2,995,587
Net increase/(decrease) in cash and cash equivalents (4) = (1) + (2) + (3)		(4,309,573)	2,546,682
Effect of exchange differences		(877)	3,087
Cash and cash equivalents at the end of the year	24	1,234,906	5,545,356

The accompanying notes form an integral part of the cash flow statement
for the year ended 31 December 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

GRUPO MEDIA CAPITAL, SGPS, S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts stated in Euros)

(Translation of consolidated statements of changes in equity originally issued in Portuguese - Note 41)

	<u>Equity attributable to the equity holders of the parent</u>			<u>Total equity</u>
	<u>Capital (Note 25)</u>	<u>Reserves (Note 25)</u>	<u>Consolidated net profit for the year</u>	
Balance at 31 December 2014	89,583,971	28,829,028	16,474,805	134,887,804
Appropriation of net profit for the year:				
Appropriation to reserves (Note 25)	-	653,935	(653,935)	-
Distribution of dividends (Note 25)	-	-	(15,820,870)	(15,820,870)
Exchange translation difference	-	(332,865)	-	(332,865)
Consolidated net profit for the year	-	-	17,300,015	17,300,015
Balance at 31 December 2015	<u>89,583,971</u>	<u>29,150,098</u>	<u>17,300,015</u>	<u>136,034,084</u>
Appropriation of net profit for the year:				
Appropriation to reserves (Note 25)	-	1,242,511	(1,242,511)	-
Distribution of dividends (Note 25)	-	-	(16,057,504)	(16,057,504)
Exchange translation difference	-	(133,232)	-	(133,232)
Consolidated net profit for the year	-	-	19,100,862	19,100,862
Balance at 31 December 2016	<u>89,583,971</u>	<u>30,259,377</u>	<u>19,100,862</u>	<u>138,944,210</u>

The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

1. INTRODUCTORY NOTE

Grupo Media Capital, SGPS, S.A. (“Media Capital” or “the Company”) is a corporation, it was founded in 1992, has its head office in Portugal in Rua Mário Castelhanos, nº 40, Barcarena. It is registered in the Commercial Registry Office of Cascais under corporate entity number 502 816 481 and, through its subsidiary and associated companies (“the Group” or “Grupo Media Capital”), operates in the sectors of broadcasting and the production of television programs and other media business, the realisation, production and broadcasting of radio programs and the production and exploitation of the cinema and video sectors.

The Company’s main shareholder is Vertex, SGPS, S.A. (“VERTIX”), which has its head office in Barcarena, the Group’s consolidated financial statements being included in the consolidated financial statements of Promotora de Informaciones, S.A. (“Prisa”), the parent company of VERTIX, with head office in Madrid, the shares of which are listed in Spain.

The accompanying financial statements were approved by the Board of Directors on 22 February 2017 and will be subject to approval by the Shareholders’ General Meeting on a date to be convened.

Media Capital’s shares are listed on the Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A. stock exchange.

The Group operates essentially in the media sector in Portugal, Spain and Latin America.

Under its television operating licence, TVI – Televisão Independente, S.A. (“TVI”) broadcasts television programs through a generalist broadcasting channel. In addition, through distribution contracts signed with operators, TVI broadcasts the generalist channel, channels TVI 24, TVI Ficção, TVI Internacional and TVI Reality and TVI África. In addition, TVI sells fictional content produced by the Group.

MCP – Media Capital Produções, S.A. (“MCP”) is the Group Company that operates in the audiovisual production business through Plural Entertainment Portugal, S.A. (“PLURAL”) in the Portuguese market, the operations of which consist of the creation, production, realization and exploitation of television contents, as well as support to the production of contents and events.

In addition, MCP owns Plural Entertainment España, S.A. (“PLURAL España”), which operates in the Spanish and Latin American markets. Its operations in this area are the production, production support services and the realization and development of television contents, cinema and audiovisual works, as well as other related services.

MCR II – Media Capital Rádios, S.A. (“MCR II”) is the Group company that operates in the radio business. Its subsidiaries have permits to operate in the radio broadcasting business in Portugal, among others, through “Rádio Comercial”, “M80” and “Cidade”, among others.

Media Capital Digital, S.A. (“Digital”) is the company that operates in the Internet business, which is supported by the www.iol.pt portal which has an extensive network of own contents, an extensive directory of classified information and online publicity.

MCME – Media Capital Música e Entretenimento, S.A. (“MCME”) is the company that operates in the music business, its subsidiaries operating in the production of phonograms, audiovisual and multimedia production, the purchase and sale of records and similar items, the production of events and agency of artists.

CLMC – Multimédia, Unipessoal, Lda. (“CLMC”) operates in the acquisition and distribution of cinematographic rights, essentially in areas such as cinema and television.

Grupo Media Capital’s consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) as endorsed by the European Union, with the interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”).

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

2. MAIN ACCOUNTING POLICIES

2.1 Bases of presentation

The consolidated financial statements have been prepared on going concern basis from the books and accounting records of the companies included in the consolidation (Note 4).

The Board of Directors evaluated the Group's ability to operate on a continuous basis, based on all relevant information, facts and circumstances of a financial, commercial and other nature, including events subsequent to the consolidated financial statement reference date of consolidated financial statement, available on the future. As a result of the evaluation made (Note 39), the Board of Directors concluded that the Group has adequate resources to maintain its activities, with no intention to terminate them in the short term, and considered it appropriate to use the assumption of continuity of operations in the preparation of the consolidated financial statements.

The foreign currency financial statements of the consolidated companies were translated to Euros as explained in Note 2.15.

2.2 Consolidation principles

The consolidation methods used by the Group were as follows:

a) Controlled companies

Investments in controlled companies, defined as companies in which the Group (i) directly or indirectly holds more than 50% of the voting rights at Shareholders' General Meetings, or has the power to control their financial and operating policies (control definition adopted by the Group); (ii) is exposed to or has variable rates of return on its involvement in the operations of the subsidiary; or (iii) has the ability to use its voting rights to affect its return, were included in the consolidated financial statements by the full consolidation method. Equity and net profit or loss of these companies corresponding to third party participation in them, if applicable, are reflected separately in the consolidated statements of financial position and consolidated statements of profit and loss in the caption "Non-controlling interest". The companies included in the consolidation are listed in Note 4.

Assets, liabilities and contingent liabilities of controlled companies acquired as from 1 January 2004 are recorded at fair value as of the acquisition date. Any excess of cost over the fair value of the net assets acquired is recognized as goodwill (Note 2.3.). If the difference between cost and the fair value of the net assets acquired is negative, it is recognized in results for the year. Non-controlling interests are recognized in proportion to the fair value of the identified assets and liabilities.

The results of subsidiaries acquired or sold during the period are included in the consolidated statement of profit and loss as from the date of their acquisition, or up to the date of loss of control.

Whenever necessary, adjustments are made to the financial statements of subsidiaries for them to conform to the Group's accounting policies. Transactions, balances and dividends distributed between Group companies are eliminated in the consolidation process.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

b) Associated companies

Investments in associated companies (those in which the Group has significant influence but does not have direct or joint control – generally investments representing participations of between 20% and 50% or in which it has the right to appoint members of the respective management boards) are recorded in accordance with the equity method of accounting.

In accordance with the equity method, investments are adjusted periodically by the amount corresponding to the participation in the net profit or loss of associated companies, by corresponding entry to financial gain or loss on investments, and by other changes in the assets and liabilities acquired. In addition, participations can be adjusted to recognize impairment losses.

Losses in associated companies exceeding the investment in them are not recognized, except where the Group has assumed commitments to such companies or to its creditors.

Periodic valuations are made of investments in associated companies to determine if there are impairment losses. Such impairment losses are recognized as cost in the period in which they occur.

Gains or losses on the sale or settlement of investments held in associates resulting from the difference between the fair value of the financial investment (sale price) and its net book value determined by the equity method are recorded in the statement of income as of the date of transfer Risks and benefits associated with their ownership.

Investments in associated companies are listed in Note 5.

c) Investments in other companies

Equity investments in which the Group does not have significant influence and for which there are no market references, are stated at the lower of cost or estimated realizable value and recognized in the caption "Available-for-sale financial assets".

2.3 Goodwill

Goodwill represents the excess of cost over the Group's interest in the fair value of the identifiable assets and liabilities of controlled companies as of the date of acquisition, in accordance with IFRS 3 – Business Combinations. Due to exemption provided by IFRS 1, the Group applied the disposals of IFRS 3 only for acquisitions after 1 January 2004. Goodwill on acquisitions prior to 1 January 2004 has been maintained rather than being recalculated in accordance with IFRS 3 and is subject to annual impairment tests as from that date.

In compliance with IFRS 3, goodwill is not amortised, but is subject to annual impairment tests or whenever there is evidence of impairment. Impairment losses are recorded in the statement of profit and loss for the year. Such impairment losses cannot be reversed.

For purposes of determining impairment losses, goodwill is allocated to the cash-generating units (or Group of cash generating units, with the limited on the operating segment based on IFRS 8 – Operating segments) that are expected to benefit from the synergies resulting from the acquisition of the investments or from the combination of business activities. Impairment tests of each operating segment are carried out annually or whenever the need is identified. If the recoverable amount of the operating segment is less than its book value, the impairment loss is allocated first to goodwill and then to the book value of the assets of the segment in proportion to their value.

Goodwill is included in determining the gain or loss on the sale of investments in controlled and associated companies.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

2.4 Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and, where applicable, impairment losses. Intangible assets are only recognized when it is probable that they will generate future financial benefits, they are controllable and their value can be reasonably determined.

Intangible assets of defined useful life are amortized on a straight line basis as from the date they are available for use, in accordance with the estimated period of useful life in which the intangible assets generate future economic benefits, which are as follows:

	<u>Years</u>
Broadcasting rights	3
Radio broadcasting permits, licenses and trademarks	3 - 20
Computer programs	3 - 4
Others	3 - 5

Intangible assets acquired as a result of business combinations are recognized separately from goodwill and initially measured at fair value as of the date of their acquisition (which is considered its cost of acquisition). Intangible assets acquired or transactions that do not consist of business concentrations as they do not consist of a business are recorded at cost in accordance with IFRS 3.

2.5 Tangible fixed assets

Tangible fixed assets are recorded at cost less accumulated depreciation and, where applicable, impairment losses.

Cost includes the purchase price, plus any related purchase costs. Additionally, where applicable, purchase price includes the financing costs directly attributable to the acquisition, construction or production of assets that require a substantial period of time to be available for use.

Estimated losses resulting from the replacement of equipment before the end of their useful life, due to technological obsolescence, are expensed in the period they occur.

Maintenance and repair costs of a current nature are expensed as incurred. Significant costs incurred to renew or improve tangible fixed assets, are capitalised and depreciated over the estimated period to recover such costs, when it is probable that future financial benefits which can be reliably measured will be generated by the asset.

Tangible fixed assets in progress are recorded at cost and start being depreciated when the assets are ready for their intended use. Gains or losses arising on the sale of tangible fixed assets, which are determined by the difference between the sales proceeds and the book value of the assets, are recognized in the statement of profit and loss captions "Other operating revenue" or "Other operating expenses", respectively.

The cost of such assets, less their residual value where this can be estimated reliably, is depreciated on a straight-line basis over their estimated useful lives, defined based on their expected use, as from the month they are available for use.

The depreciation rates used correspond to the following average periods of useful life:

	<u>Years</u>
Buildings and other constructions	10 - 50
Machinery and equipment	6 - 15
Transport equipment	4
Administrative equipment	3 - 8
Other tangible fixed assets	3 - 10

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

2.6 Leases

(a) Finance leases

Fixed assets acquired under lease contracts are recognized as assets under finance lease where substantially all the risks and benefits of their ownership are transferred. Such assets are recorded at the lower of the present value of the future lease instalments or the market value of the asset as of the date of the contract, by corresponding entry to the liability caption "Borrowings". Such assets are depreciated over their estimated periods of useful life, the principal of the lease instalments paid is recognized as a decrease in the liability and the interest is recognized in the statement of profit and loss for the period to which it corresponds.

(b) Operating leases

Where lease contracts are classified as operating leases, the lease instalments due are expensed on a straight-line basis over the period of the lease contract.

2.7 Television program broadcasting rights

Television program broadcasting rights correspond essentially to contracts or agreements with third parties for the exhibition of films, series and other television programs and include rights acquired and costs incurred with the production of programs. The cost of programs broadcast is recognized in the statement of profit or loss at the time the programs are exhibited, considering the estimated number of exhibitions on generalist channel explored by the Group and estimated benefits of each exhibition, on the moment of initial recognition.

Such assets are subject to annual impairment tests and whenever changes or situations occur that indicate that their book value exceeds their recoverable amount, in accordance with term of the contracted rights, the number of views taken into account: the grid strategy aimed at seniority and the adequacy of the content and objectives of the Group and the expected pattern of benefits, the corresponding impairment losses being recognized.

Transmission rights acquired from third parties are recorded as assets at cost of acquisition, when the Group controls the rights to them and the cost of each content is known or reasonably estimated, and the content is available for display, and Group has assumed the risks and benefits relating to their content. These rights are split between current and non-current assets on the Statements of financial position, based on their contractual period and estimated date of exhibition.

Previously to its recorded at consolidated statements of financial position, the television program broadcasting rights are classified as programs not yet available to exhibition, and disclosed as Financial Commitments assumed and not yet included in the statement of financial position. Information regarding financial commitments assumed for the acquisition of these rights, not included in the Group's consolidated statement of financial position, is presented in Note 33.

2.8 Inventories

Inventories are stated at the lower of cost determined on an average basis and net realisable value. Where cost exceeds net realisable value an impairment loss is recognized.

2.9 Classification in the statement of financial position

Assets realisable and liabilities payable, for which the Company does not have the unconditional right to defer payment for more than twelve months as from the date of the statement of financial position, that are expected to be realised in the normal course of operations, or are held with the intention of being traded, are classified as current assets and liabilities. All other assets and liabilities are classified as non-current.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

2.10 Financial instruments

2.10.1 Trade and other receivables and other current assets

Trade and other receivables and other current assets are recognized at amortized cost, using the effective interest rate, or at its nominal value, which is understood to correspond to the amortized cost, to the extent that it is expected to be received in the short term and that it does not materially differ from its fair value at the date of the engagement, less any impairment losses. Impairment losses are recognized when there is objective evidence that all the amounts due will not be collected in accordance with the terms originally established to settle the receivables. The amount of the loss corresponds to the difference between the amount recorded and the estimated amount recoverable. The loss is recognized in the statement of profit and loss for the period.

2.10.2 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand and term deposits and other treasury applications that are readily convertible to cash with an insignificant risk of change in value.

2.10.3 Trade and other payables and other current liabilities

Accounts payable are recognized at amortized cost, discounted for possible interest calculated and recognized in accordance with the effective interest rate method.

2.10.4 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. In subsequent periods borrowings are recognized at amortised cost, any difference between the amounts received (net of transaction costs) and the amounts payable being recognized in the statement of profit and loss over the period of the borrowings, using the effective interest rate method.

Borrowings are classified as current liabilities, unless there is an unconditional right to defer settlement of the liability for more than twelve months as from the statement of financial position date.

2.10.5 Available-for-sale financial assets

Available-for-sale financial assets are initially recorded at cost, which corresponds to the fair value of the price paid including transaction costs and are considered as non-current assets.

After initial recognition, available-for-sale financial assets are restated to fair value by reference to their market value as of the statement of financial position date. Where such assets correspond to equity instruments not listed on regulated markets and where it is not possible to reliably estimate their fair value, they are maintained at cost less any impairment losses.

2.11 Revenue recognition and accruals basis

Sales comprise mainly the sale of CD's and are recognized in the statement of profit and loss when the risks and rewards of ownership of the assets are transferred to the buyer and the amount of revenue can be reasonably quantified. Returns of goods sold are recorded as reductions in sales in the period to which they relate.

Services rendered include mainly the sale of advertising space and are recognized when the advertising is issued, in their respective communication channels, namely television, radio and digital media. The advertising revenue resulting from television advertising campaigns depends on the measurement and profile of the audiences verified and the conditions agreed for the respective commercial targets, as well as the quantity and bonus discounts attributed due to the advertising investment made by the clients. Quantity discounts allowed and bonuses granted are recorded as reductions in revenue for the period to which they relate.

Production business services rendered correspond essentially to production services and support to the production of television series, publicity announcements and other contents, which are recognized when the services are rendered.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

Revenue from multimedia services corresponds essentially revenue from interactive services and multimedia relating to competitions carried out on television and is recognized in the period to which it relates.

Revenue from ceding the Group's television channel signals to the various operators is recognized during the period to which it relates, by reference to the respective degree of completion and expenses incurred directly related to the provision of this service on each financial reporting date.

Revenue from ceding broadcasting rights to other markets is recognized when the respective contents are made available to the entity that acquired them.

Costs and revenue are recognized in the period to which they relate, regardless of the date they are paid for or received. Estimates of costs and revenue are made when these are not known.

2.12 Provisions, contingent liabilities and contingent assets

Provisions are recognized when there is a present obligation resulting from past events, it is probable that the Group has to spend resources to settle the obligation and the amount of the obligation can be reliably estimated.

The amount is recognized at discounted value using the effective interest rate method, considering the estimated time of settling the liability, determined in accordance with the information available at the date of the financial statements.

The amount of provisions is reviewed and adjusted at each statement of financial position date to reflect the best estimate at the time. When any of the above mentioned conditions are not met, the provision is not recorded and a contingent liability is disclosed, unless an outflow of funds affecting future financial benefits is remote, in which case no disclosure is made.

Contingent assets are not recognized in the consolidated financial statements, being disclosed when it is probable that there will be a future financial inflow of resources.

2.13 Impairment of non-current assets, except goodwill

Impairment analyses are made at each statement of financial position date and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered.

Whenever the book value of an asset exceeds its recoverable amount an impairment loss is recognized in the statement of profit and loss

The recoverable amount is the higher of the net selling price and the value in use. Net selling price is the amount that would be obtained from selling the asset in a transaction between independent knowledgeable parties, less the costs directly attributable to the sale. Value in use is the present value of the estimated future cash flows resulting from continued use of the asset and its sale at the end of its useful life. The recoverable amount is estimated for each asset individually or, where this is not possible, for the cash generating unit to which the asset belongs.

Impairment losses recognized in prior periods are reversed when it is concluded that such losses no longer exist or have decreased. This review is made whenever there are indications that the impairment recognized earlier no longer exists. Impairment losses are reversed by corresponding entry to the statement of profit or loss.

2.14 Income tax

Income tax for the period consists of current tax and deferred tax.

The Group estimates income tax in accordance with the Special Regime for Taxation of Groups of Companies (Regime Especial de Tributação de Grupos de Sociedades ("RETGS")), which covers all the companies in which the dominating company has a direct or indirect participation of at least 75% and have the necessary conditions to be included in this regime. Such conditions include being resident in Portugal and being subject to the general corporation income tax regime (Imposto sobre o Rendimento das Pessoas Coletivas ("IRC")), as well as the existence or not of tax losses carried forward from periods prior to inclusion in the regime. In the years ended 31 December 2016 and 2015 VERTIX was the dominant entity for consolidated corporation income tax purposes (RETGS).

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

Deferred taxes are calculated based on timing differences between the amount of assets and liabilities for accounting and for tax purposes and tax losses carried forward. Deferred tax assets and liabilities are calculated and assessed periodically at the tax rates in force or announced to be in force on the dates the timing differences are expected to reverse.

Deferred tax assets are only recognized when there is a high degree of expectation that there will be sufficient future taxable profits to use them or in situations in which there are taxable timing differences that offset deductible timing differences in the period they reverse. At each statement of financial position date a review is made of such deferred taxes, these being reduced whenever their future use is no longer probable.

Deferred taxes are recorded as cost or income for the year, except when they result from amounts recorded directly in equity, in which case the deferred taxes are also recognized in equity.

2.15 Foreign currency balances and transactions

Foreign currency transactions are translated to Euros at the exchange rates as of the dates of the transactions. At each statement of financial position date assets and liabilities are adjusted using the exchange rates in force as of those dates. The resulting exchange differences are recognized in the statement of profit and loss for the period to which they relate.

The foreign currency financial statements of subsidiaries are translated to Euros at the following rates of exchange, the resulting exchange differences being recognized in the equity account "Exchange differences", and are recognized in the statement of profit and loss when such companies are sold:

- (a) Rate of exchange as of the statement of financial position date, for the translation of monetary assets and liabilities;
- (b) Average exchange rate for the year for the translation of the profit and loss statement captions;
- (c) Average exchange rate for the year for the translation of the cash flow statement captions;

Exchange gains and losses arising from differences between the exchange rates prevailing on the dates of the transactions and those in force on the dates of collection, payment or on the date of the statement of financial position are recorded in the consolidated statement of profit and loss for the period.

2.16 Subsequent events

Events occurring after the statement of financial position date that provide additional information on conditions that existed as of that date, are reflected in the consolidated financial statements. Events occurring after the statement of financial position date that provide additional information on the conditions that existed after that date, if material, are disclosed in the notes to the consolidated financial statements.

2.17 Financial costs

The net cost of financing attributable to the acquisition, construction or production of assets that qualify that require a substantial period of time to become available for use are recorded as part of their cost up to that date. The remaining financial costs are recognized in the statement of profit and loss when they occur.

2.18 Share-base Compensation

Benefits granted to employees under share allocation incentive plans are recognized in accordance with the provisions of IFRS 2 - Share-based payments.

The benefits to be settled based on shares are measured at fair value at the date of attribution and the respective expense is recognized during the year in which the right is acquired by the beneficiaries taking into account the probability of being acquired.

In this way, the benefits attributed by Prisa, based on Prisa shares, are recognized as expenses during the year in which the services are rendered and their counterpart is recognized in liabilities.

Since 2007, the Company has not individually maintained plans to allocate shares or stock options, or based on stock price variations, to members of the management and supervisory bodies and other officers. In addition, the Company does not have a system of retirement benefits for members of the management, supervisory and other management bodies, so that no resolution was submitted to the General Meeting.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

The shareholder Prisa has a plan for the attribution of shares of the company "Promotora de Informaciones, SA (Prisa)" - Incentivo a Largo Plazo - which has as beneficiaries, among others, Media Capital's Managing Director, which is exclusively based Shares of Prisa, a company listed in Spain and whose terms are included in the financial information disclosed by Prisa.

3. CHANGES IN ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

Except for the effect of the adoption of the new standards and interpretations or of the changes that came into effect in years starting on 1 January 2016, there were no changes in accounting policies in relation to those used to prepare the financial information for 2015, in accordance with the requirements of IFRS, and no significant prior year errors were recognized.

The following standards, interpretations, amendments and revisions endorsed by the European Union are of mandatory application for the first time in the year ended 31 December 2016:

Standard / Interpretation	Applicable in the European Union in the years starting on or after	
Amendment to IAS 19 - Employee Benefits - Employee contributions	1-Feb-15	Clarifies under what circumstances employee contributions to post-employment benefit plans constitute a reduction in cost with short-term benefits.
Improvements to international financial reporting standards (2010-2012 cycle)	1-Feb-15	These improvements involve the clarification of some aspects related to: IFRS 2 - Share-based Payment: definition of vesting condition; IFRS 3 - Business Combinations: accounting for contingent payments; IFRS 8 - Operating segments: disclosures related to the judgment applied in relation to segment aggregation and clarification on the need to reconcile total assets by segment with the value of assets in the financial statements; IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible assets: need for proportional revaluation of accumulated amortization in the case of revaluation of fixed assets; and IAS 24 - Related Party Disclosures: defines that an entity providing management services to the Company or its parent is considered a related party; And IFRS 13 - Fair Value Measurement: clarifications regarding the measurement of short-term accounts receivable or payable.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

Improvements to international financial reporting standards (2012-2014 cycle)	1-Jan-16	These improvements involve the clarification of certain aspects related to: IFRS 5 — Non-current Assets Held for Sale and Discontinued Operations: introduces guidelines on how to proceed in case of changes in the expected realization method (sale or distribution to shareholders); IFRS 7 - Financial Instruments: Disclosures: clarifies the impacts of asset tracking contracts in the scope of disclosures associated with the continued involvement of derecognized assets, and exempts the interim financial statements from the required disclosures regarding the offsetting of financial assets and liabilities; IAS 19 - Employee benefits: defines that the rate to be used for defined benefit discount purposes shall be determined by reference to the high quality corporate bonds that have been issued in the currency in which the benefits will be liquidated; and IAS 34 - Interim Financial Reporting: clarification on the procedures to be adopted when the information is available in other documents issued together with the interim financial statements.
Amendment to IFRS 11 - Joint Arrangements – Recording of acquisitions of interests in joint arrangements	1-Jan-16	This amendment relates to the acquisition of interests in joint operations. It establishes the mandatory application of IFRS 3 when the joint operation acquired constitutes a business activity in accordance with IFRS 3. When the joint transaction in question is not a business activity, the transaction should be recorded as an asset acquisition. This amendment has prospective application for new acquisitions of interests.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

Amendment to IAS 1 – Presentation of Financial Statements - “Disclosure initiative”	1-Jan-16	<p>This amendment clarifies some aspects relating to disclosure initiatives, namely: (i) the entity must not make it difficult to understand the financial statements by the aggregation of significant items with insignificant items or the aggregation of significant items of different nature; (ii) the disclosures specifically required by the IFRS need only to be provided if the information in question is significant; (iii) the lines in the financial statements specified by IAS 1 can be aggregated or segregated in accordance with what is significant in relation to the objectives of the financial statement; (iv) the part of other recognized income resulting from the application of the equity method in associates and joint agreements must be presented separately from the remaining elements of other recognized income, also segregating the items that can be reclassified to the statement of profit and loss from those that will not be reclassified; (v) the structure of the notes must be flexible, and should follow the following order:</p> <ul style="list-style-type: none"> • a declaration of compliance with the IFRS’s in the first section of the notes; • a description of the significant accounting policies in the second section; • supporting information for the items on the financial statements in the third section; and • other information in the fourth section.
Amendment to IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets – Acceptable depreciation and amortization methods	1-Jan-16	<p>This amendment establishes the presumption (that can be refuted) that income is not an appropriate basis for amortizing an intangible asset and forbids the use of income as a basis for depreciating tangible fixed assets. The presumption established for amortizing intangible assets can only be refuted when the intangible asset is expressed based on the income generated or when utilization of the financial benefits is significantly related to the income generated.</p>
Amendment to IAS 16 – Tangible fixed assets and IAS 41 – Agriculture – Production plants	1-Jan-16	<p>This amendment excludes plants that produce fruits or other components used for harvesting and/or removal under the application of IAS 41, becoming covered by IAS 16.</p>

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

Amendment to IAS 27 – Application of the equity method on separate financial statements	1-Jan-16	This amendment introduces the possibility of measuring interests in subsidiaries, joint agreements and associates in separate financial statements in accordance with the equity method, in addition to the measurement methods presently existing. This change applies retrospectively.
Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosures of interests on Other Entities and IAS 28 – Investments in Associates and Jointly Controlled Entities	1-Jan-16	These amendments clarify several aspects relating to the application of the consolidation exception by investment entities.

No significant effects were recorded in the Company's consolidated financial statements for the year ended 31 December 2016, resulting from the adoption of the standards, interpretations and amendments referred to above.

In preparing the consolidated financial statements, the Board of Directors was based on the knowledge and experience of past and/or current events and assumptions relating to future events to determine the accounting estimates.

The most significant accounting estimates, reflected in the consolidated financial statements for the year ended 31 December 2016, included:

- Useful lives of tangible fixed assets and intangible assets;
- Analysis of impairment of goodwill and other non-current assets;
- Recognition of provisions;
- Estimate of quantity discounts and bonuses to be granted relating to advertising; and
- Recognition of spending on transmission rights, related to own production.

These estimates were determined based on the best information available at the date of preparation of the consolidated financial statements. However, and given the number of qualitative factors involved, events may occur in subsequent periods that, due to their timing, were not considered in these estimates. Significant changes to these estimates that occur after the date of the consolidated financial statements are recorded in profit or loss prospectively in accordance with IAS 8.

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

Standard / Interpretation	Applicable in the European Union in the years starting on or after	
IFRS 9 – Financial Instruments (2009) and subsequent amendments	1-Jan-18	This standard is part of the revision of IAS 39 and establishes the new requirements for the classification and measurement of financial assets and liabilities to the methodology for the calculation of impairment and for the application of hedge accounting rules.
IFRS 15 – Revenue from Contracts with customers	1-Jan-18	This standard introduces a structure for recognizing revenue based on principles and a model to be applied to all contracts entered into with clients, substituting IAS 18 – Revenue, IAS 11 – Construction contracts; IFRIC 13 – Fidelity programs; IFRIC 15 – Agreements to construct real estate; IFRIC 18 – Transfer of assets from customers and SIC 31 – Revenue – Direct exchange contracts involving services and publicity.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

At this date, the Board of Directors does not consider significant impacts of the adoption of these standards in relation to the criteria and policies currently applied by the Group.

In addition, the following standards, amendments and revisions applicable to future years have not been endorsed by the European Union up to the date of approval of these financial statements on 31 December 2016:

Standard / Interpretation	
IFRS 14 – Regulated assets	This standard establishes the financial statement requirements of entities that adopt for the first time IFRS standards applicable to regulated assets.
IFRS 16 - Leases	This standard introduces the principles of recognition and measurement of leases, replacing IAS 17 - Leases. The standard defines a single accounting model for lease contracts that results in the lessee's recognition of assets and liabilities for all lease contracts, except for leases with a period of less than 12 months or for leases that relate to assets of value reduced. Lessors will continue to classify operating or financial leases, and IFRS 16 will not entail substantial changes to such entities as defined in IAS 17.
Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Jointly Controlled Entities	These amendments eliminate the conflict existing between these standards, relating to the sale or the contribution of assets between the investor and the associate or between the investor and the jointly arrangement.
Amendments to IAS 12 - Income Tax	These amendments clarify the conditions for recognition and measurement of tax assets resulting from unrealized losses.
Amendments to IAS 7 - Statement of cash flows	These amendments introduce additional disclosures related to the cash flows from financing activities.
Amendments to IFRS 15 - Revenue from Contracts with Customers	These amendments introduce a number of clarifications in the standard in order to eliminate the possibility of divergent interpretations of various topics.
Amendments to IFRS 2 - Share-based Payment	These amendments introduce various clarifications in the standard related to: (i) recording cash-settled share-based payment transactions; (ii) recording changes in share-based payment transactions (from cash settled to settled with equity instruments); (iii) the classification of transactions with cleared securities.
Amendments to IFRS 4 - Insurance Contracts	These amendments provide guidance on the application of IFRS 4 together with IFRS 9.
Amendments to IAS - 40 Investment Property	These amendments clarify that the change in classification of or for investment property should only be made when there is evidence of a change in the use of the asset.

(Amounts stated in Euros)

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Improvements to international financial reporting standards (2014-2016 cycle)	These improvements involve the clarification of some aspects related to: IFRS 1 - First-time adoption of international financial reporting standards: eliminates some short-term exemptions; IFRS 12 - Disclosure of interests in other entities: clarifies the scope of the standard for its application to interests classified as held for sale or held for distribution under IFRS 5; IAS 28 - Investments in associates and joint ventures: introduces clarifications on the fair value measurement by results of investments in associates or joint ventures held by venture capital companies or by investment funds.
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	This interpretation establishes the date of the initial recognition of the advance or deferred income as the date of the transaction for the purpose of determining the exchange rate of the recognition of the revenue.

The adoption of IFRS 16 above will result in changes in the recognition and measurement of operating lease agreements entered into by the Group as lessee, as well as in its presentation in the consolidated financial statements. The quantification of the impact of the application of IFRS 16 is being evaluated by the Group, taking into account the characteristics, nature and complexity of each of these contracts.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

4. COMPANIES INCLUDED IN THE CONSOLIDATION

The companies included in the consolidation by the full consolidation method, their head offices and the proportion of capital effectively held in them at 31 December 2016 and 2015 are as follows:

Company	Head office	Consolidation method	Effective participation percentage held	
			2016	2015
Grupo Media Capital, SGPS, S.A.	Barcarena	Global	Mãe	Mãe
MEGLO - Media Global, SGPS, S.A. ("MEGLO")	Barcarena	Global	100	100
MEDIA CAPITAL - Serviços de Consultoria e Gestão, S.A. ("MC SERVIÇOS")	Barcarena	Global	100	100
Publipartner - Projectos de Media e Publicidade, Unipessoal, Lda. ("Publipartner") (a)	Barcarena	Global	-	100
CLMC – Multimedia, Unipessoal, Lda. ("CLMC") (b)	Barcarena	Global	100	100
MCR II - Media Capital Rádios, S.A. ("MCRII")	Barcarena	Global	100	100
R. CIDADE – Produções Audiovisuais, S.A. ("CIDADE")	Lisboa	Global	100	100
Flor do Éter Radiodifusão, Lda. ("Flor do Éter")	Lisboa	Global	100	100
Drums Comunicações Sonoras, S.A. ("Drums")	Lisboa	Global	100	100
RVA - Rádio Voz de Alcanena, Lda. ("Rádio Voz de Alcanena")	Lisboa	Global	100	100
R2000 Comunicação Social, Lda. ("R2000")	Lisboa	Global	100	100
RÁDIO REGIONAL DE LISBOA – Emissões de Radiodifusão, S.A. ("REGIONAL")	Lisboa	Global	100	100
Rádio Litoral Centro - Empresa de Radiodifusão, Lda. ("Rádio Litoral Centro")	Lisboa	Global	100	100
Leirimédia Produções e Publicidade, Lda. ("Leirimédia")	Lisboa	Global	100	100
Rádio Sabugal - Radiodifusão e Publicidade, Lda. ("Rádio Sabugal")	Lisboa	Global	100	100
Penalva do Castelo FM - Radiodifusão e Publicidade, Lda. ("Penalva do Castelo")	Lisboa	Global	100	100
Rádio Manteigas - Radiodifusão e Publicidade, Lda. ("Rádio Manteigas")	Lisboa	Global	100	100
P.R.C. - Produções Radiofónicas de Coimbra, Lda. ("P.R.C.")	Lisboa	Global	100	100
Polimedia - Publicidade e Publicações, Lda. ("Polimedia")	Lisboa	Global	100	100
Moliceiro - Comunicação Social, Lda. ("Moliceiro")	Lisboa	Global	100	100
Notimaia-Publicações e Comunicações, Unipessoal, Lda. ("Notimaia")	Lisboa	Global	100	100
RÁDIO COMERCIAL, S.A. ("COMERCIAL")	Lisboa	Global	100	100
Rádio XXI, Lda. ("XXI")	Lisboa	Global	100	100
Rádio Nacional - Emissões de Radiodifusão, Unipessoal, Lda. ("Rádio Nacional")	Lisboa	Global	100	100
Rádio do Concelho de Cantanhede, Lda. ("Rádio Concelho de Cantanhede")	Lisboa	Global	100	100
Sirpa - Sociedade de Imprensa Rádio Paralelo, Lda. ("Sirpa")	Lisboa	Global	100	100
COCO - Companhia de Comunicação, Unipessoal, Lda. ("COCO") (c)	Lisboa	Global	100	100
R.C. - Empresa de Radiodifusão, Unipessoal, Lda. ("RC") (d)	Lisboa	Global	100	-
MCME - Media Capital Música e Entretenimento, S.A. ("MCME")	Barcarena	Global	100	100
FAROL MÚSICA – Sociedade de Produção e Edição Audiovisual, Lda. ("FAROL")	Barcarena	Global	100	100
MEDIA CAPITAL ENTERTAINMENT - Produção de Eventos, Lda. ("ENTERTAINMENT")	Barcarena	Global	100	100
TVI – Televisão Independente, S.A. ("TVI")	Barcarena	Global	100	100
MEDIA CAPITAL DIGITAL, S.A. ("DIGITAL")	Barcarena	Global	100	100
IOL NEGÓCIOS - Serviços de Internet, S.A. ("IOL Negócios")	Barcarena	Global	100	100
MCP - MÉDIA CAPITAL PRODUÇÕES, S.A. ("MCP")	Barcarena	Global	100	100
MEDIA CAPITAL PRODUÇÕES INVESTIMENTOS - SGPS, S.A. ("MCP INVESTIMENTOS") (e)	Barcarena	Global	-	100
PLURAL Entertainment Portugal, S.A. ("PLURAL")	Barcarena	Global	100	100
NBP – Ibérica - Producciones Audiovisuales, S.A.	Madrid (ESP)	Global	100	100
CASA DA CRIAÇÃO – Argumentos para Audiovisual, Lda. ("CASA DA CRIAÇÃO")	Barcarena	Global	100	100
EMAV – Empresa de Meios Audiovisuais, Lda. ("EMAV")	Barcarena	Global	100	100
EPC – Empresa Portuguesa de Cenários, Unipessoal, Lda. ("EPC")	Barcarena	Global	100	100
PLURAL Entertainment España, S.L. ("PLURAL España")	Madrid (ESP)	Global	100	100
PLURAL Entertainment Canarias, S.L. ("PLURAL Canarias") (f)	Tenerife (ESP)	Global	-	100
PLURAL Entertainment Inc. ("PLURAL Entertainment")	Miami (EUA)	Global	100	100
TESELA Producciones Audiovisuales, S.L. ("TESELA")	Madrid (ESP)	Global	100	100

- (a) Publipartner was merged into MC SERVIÇOS, with accounting and tax effects reported as of January 1, 2016.
- (b) On 9 May 2016, CLMC Multimédia, S.A. was transformed into a private limited company, becoming CLMC Multimédia, Unipessoal, Lda..
- (c) On 19 December 2016, the public company COCO - Companhia de Comunicação, S.A., was transformed into a private limited company, being renamed COCO - Companhia de Comunicação, Unipessoal, Lda..
- (d) The Group acquired this company during the 2016 fiscal year and took over its control since 1 September 2016 (Note 6). Until 11 November 2016 was called RC - Empresa de Radiodifusão, S.A..

(Amounts stated in Euros)

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(e) MCP INVESTIMENTOS was merged into MCP, with accounting and tax effects reported as of 1 January 2016.

(f) PLURAL Canarias was sold during the 2016 financial year (Notes 6 and 18).

5. ASSOCIATED COMPANIES

Companies in which significant influence is maintained are considered to be associated companies, their head offices and proportion of capital effectively held in them at 31 December 2016 and 2015 were as follows:

Company	Head office	Effective participation percentage held	
		2016	2015
Sociedad Canaria de Televisión Regional, S.A. ("SOCATER") (a)	Tenerife (ESP)	-	40
Productora Canaria de Programas, S.A. ("PCP") (a)	Tenerife (ESP)	-	40
Factoría Plural, S.L. ("Factoría") (a) (b)	Zaragoza (ESP)	-	15
Chip Audiovisual, S.A. ("CHIP") (a) (b)	Zaragoza (ESP)	-	7.5
Isla Audiovisual, S.L. (a) (b)	Zaragoza (ESP)	-	7.2
Plural Entertainment Brasil - Produção de Vídeo, Ltda. ("Plural Brasil") (c)	São Paulo	-	49

(a) On 28 November 2016, the Group sold the holdings previously held in these companies, resulting in an added value of 1,297 Euros, resulting from the agreed sale price of 4,535,000 Euros (Note 18).

(b) The Group had significant influence in these companies since it had the right to appoint an administrator based on its Management Board, which allowed it to influence the decision on its financial and operational policies until its disposal in 28 November 2016.

(c) In 2016, this company was liquidated. As a result of this liquidation, the Group used the amount of 494,503 Euros, which was recognized under "Provisions" (Note 28).

The associated companies were included in the consolidation financial statement in accordance with the equity method as explained in Note 2.2.b).

6. CHANGES IN THE CONSOLIDATION PERIMETER

The changes in the Group's consolidation perimeter on 31 December 2016 were as follows:

Acquisitions:

Company	Main activity	Date of acquisition of control	Percentage acquired	Cost of acquisition
RC	Radio broadcasting operations	01/09/2016	100%	550,000

Acquisition of the capital of the above entities is part of the Group's strategy for the development of the radio broadcasting business, having resulted from the intention of acquiring the related assets.

These companies have permits that enable the Group to operate in the radio broadcasting business, an intangible asset having been recognized in the "Radio permit" caption, which is to be amortized over the estimated period of utilization of the permits.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

The assets and liabilities acquired, as well as their cost are as follows:

NON-CURRENT ASSETS:

Intangible assets (Note 16)	537,420
Tangible fixed assets (Note 17)	2,229
	<u>539,649</u>

CURRENT ASSETS:

Trade and other receivables	15,375
Other current assets	6,978
Cash and cash equivalents	10,431
	<u>32,784</u>

CURRENT LIABILITIES:

Trade and other payables	<u>(22,433)</u>
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Assets and liabilities acquired	<u><u>550,000</u></u>
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Disposals:

On 28 November 2016, the Group sold its subsidiary Plural Canarias, having obtained a loss of 252 Euros, resulting from the agreed sale value of Euro 23,000 (Note 18).

During the year ended 31 December 2015, the changes in the Group's consolidation perimeter were as follows:

<u>Company</u>	<u>Main activity</u>	<u>Date of acquisition of control</u>	<u>Percentage acquired</u>	<u>Cost of acquisition</u>
COCO	Radio broadcasting operations	01/12/2015	100%	5,731,606
Notimaia	Radio broadcasting operations	01/12/2015	100%	3,219,500
				<u>8,951,106</u>

Acquisition of the capital of the above entities is part of the Group's strategy relating to the development of the radio broadcasting business, having resulted from the intention of acquiring the related assets.

These companies have permits that enable the Group to operate in the radio broadcasting business, an intangible asset having been recognized in the "Radio permit" caption, which is to be amortized over the estimated period of utilization of the permits (Note 16).

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The assets and liabilities acquired, as well as the cost of their acquisition was as follows:

	<u>COCO</u>	<u>Notimaia</u>	<u>Total</u>
<u>NON-CURRENT ASSETS:</u>			
Intangible assets (Note 16)	7,841,266	2,738,819	10,580,085
Tangible fixed assets (Note 17)	<u>2,281</u>	<u>1,563</u>	<u>3,844</u>
	<u>7,843,547</u>	<u>2,740,382</u>	<u>10,583,929</u>
<u>CURRENT ASSETS:</u>			
Trade and other receivables	125,075	96,863	221,938
Other current assets	13,035	449,662	462,697
Cash and cash equivalents	<u>32,450</u>	<u>2,410</u>	<u>34,860</u>
	<u>170,560</u>	<u>548,935</u>	<u>719,495</u>
<u>CURRENT LIABILITIES:</u>			
Trade and other payables	(205,034)	(53,545)	(258,579)
Other current liabilities	<u>(2,077,467)</u>	<u>(16,272)</u>	<u>(2,093,739)</u>
	<u>(2,282,501)</u>	<u>(69,817)</u>	<u>(2,352,318)</u>
Assets and liabilities acquired	<u>5,731,606</u>	<u>3,219,500</u>	<u>8,951,106</u>

Payments related to acquisitions of assets and settlement of associates in the years ended 31 December 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
RC	550,000	-
Plural Brasil (Note 5)	72,829	-
COCO	-	5,731,606
Notimaia	-	3,219,500
Rádio Concelho de Cantanhede (a)	<u>-</u>	<u>7,482</u>
	622,829	8,958,588
Assets acquired - cash	<u>(10,431)</u>	<u>(34,860)</u>
	<u>612,398</u>	<u>8,923,728</u>

(a) This amount relates to the acquisition of 25% of the Rádio Concelho de Cantanhede, which occurred in the year ended December 31, 2015.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

7. SEGMENT REPORTING

The Group identifies its reporting segments based essentially on the combination of the differences in the nature of the production processes, type of client and management of the resources available and is consistent with the manner in which the Board of Directors manages and controls the business.

Therefore, the Group has the following reporting segments:

a) Television

The television segment involves fundamentally broadcasting by one generalist TV channel (TVI) and the broadcasting of by cable of theme channels, as well as results of the programs exhibited, interactive services related to competitions made on television and commercialization of fictional content produced by the Group.

b) Production

The Production segment refers to the production, realization and audiovisual distribution and the production of programs / series and television programs, made and/or broadcast in Portugal and Spain.

This reportable segment results from the aggregation of the operating segments related to the production of content in Portugal ("Produções Portugal") and to the production of content in Spain ("Produções Espanha"), which were aggregated under IFRS 8 – Operating segments, in terms of the characteristics of the services provided in the production process, in particular as regards the nature of the services provided in its production process, as well as the type of customers and methods of direct delivery of the contents to final customers.

c) Radio

The radio segment involves the broadcasting of radio programs, through own antennas.

d) Others

The segment others includes essentially the internet business ("DIGITAL"), the production and sale of music CD's, the agency of artists and promotion of events ("ENTERTAINMENT"), which were aggregated in result they did not individually meet the quantitative limits established in IFRS 8 - Operating segments, as well as the parent company activity and the Group's shared services, which includes the assets and liabilities not allocated to the segments as they are not monitored by Management for purposes of measuring performance.

Contribution of the main business segments to the consolidated results for the years ended 31 December 2016 and 2015 was as follows:

	2016					Eliminations	Consolidated
	Television	Production	Radio	Others	Total		
Operating revenue:							
External Services rendered	100,914,039	8,819,075	17,416,325	5,038,612	132,188,051	-	132,188,051
Internal services rendered	175,051	31,275,419	190,525	10,671,443	42,312,438	(42,312,438)	-
Sale of goods and products	-	-	-	98,592	98,592	-	98,592
Other external operating revenue	40,956,201	410,218	55,304	318,337	41,740,060	-	41,740,060
Other internal operating revenue	190,642	445	102,300	231,228	524,615	(524,615)	-
Total operating revenue	142,235,933	40,505,157	17,764,454	16,358,212	216,863,756	(42,837,053)	174,026,703
Operating costs:							
Cost of programs issued and goods sold	(46,867,017)	-	-	(6,565)	(46,873,582)	30,176,532	(16,697,050)
Supplies and services	(39,592,423)	(28,877,747)	(6,618,707)	(8,566,565)	(83,655,442)	13,466,429	(70,189,013)
Personnel costs	(21,095,862)	(10,066,934)	(5,687,900)	(7,262,139)	(44,112,835)	-	(44,112,835)
Amortization and depreciation	(2,742,131)	(3,261,567)	(1,791,643)	(436,461)	(8,231,802)	-	(8,231,802)
Provision for impairment losses	(675,871)	45,919	(6,439)	(246,584)	(882,975)	-	(882,975)
Other operating costs	(380,995)	(122,589)	(59,284)	(64,988)	(627,856)	-	(627,856)
Total operating costs	(111,354,299)	(42,282,918)	(14,163,973)	(16,583,302)	(184,384,492)	43,642,961	(140,741,531)
Operating results	30,881,634	(1,777,761)	3,600,481	(225,090)	32,479,264	805,908	33,285,172
Net finance costs							(5,166,187)
Profit before income tax							28,118,985
Income tax							(9,018,123)
Consolidated net profit from continuing operations							19,100,862

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

	2015						
	Television	Production	Radio	Others	Total	Eliminations	Consolidated
Operating revenue:							
External Services rendered	97,387,251	7,242,915	16,572,019	4,752,577	125,954,762	-	125,954,762
Internal services rendered	168,312	32,488,359	111,196	11,115,136	43,883,003	(43,883,003)	-
Sale of goods and products	-	-	-	146,884	146,884	-	146,884
Other external operating revenue	44,035,021	1,881,602	2,026,621	341,346	48,284,590	-	48,284,590
Other internal operating revenue	70,593	8,058	115,050	231,229	424,930	(424,930)	-
Total operating revenue	141,661,177	41,620,934	18,824,886	16,587,172	218,694,169	(44,307,933)	174,386,236
Operating costs:							
Cost of programs issued and goods sold	(48,289,890)	(103,392)	-	(29,565)	(48,422,847)	30,903,072	(17,519,775)
Supplies and services	(39,902,190)	(28,660,232)	(6,565,434)	(9,026,477)	(84,154,333)	14,061,727	(70,092,606)
Personnel costs	(20,774,345)	(10,370,976)	(5,095,336)	(7,207,280)	(43,447,937)	-	(43,447,937)
Amortization and depreciation	(2,743,728)	(3,165,939)	(2,898,332)	(368,448)	(9,176,447)	-	(9,176,447)
Provision for impairment losses	18,415	(751,796)	(7,052)	(342,447)	(1,082,880)	-	(1,082,880)
Other operating costs	(1,126,758)	(638,037)	(169,412)	(175,060)	(2,109,267)	-	(2,109,267)
Total operating costs	(112,818,496)	(43,690,372)	(14,735,566)	(17,149,277)	(188,393,711)	44,964,799	(143,428,912)
Operating results	28,842,681	(2,069,438)	4,089,320	(562,105)	30,300,458	656,866	30,957,324
Net finance costs	-	-	-	-	-	-	(5,906,102)
Profit before income tax	-	-	-	-	-	-	25,051,222
Income tax	-	-	-	-	-	-	(7,751,207)
Consolidated net profit from continuing operations	-	-	-	-	-	-	17,300,015

Additional significant segment reporting information is as follows:

	2016						
	Television	Production	Radio	Others (a)	Total	Eliminations	Consolidated
Net assets	208,227,256	93,049,453	30,177,012	114,618,622	446,072,343	(130,993,302)	315,079,041
Liabilities	65,976,321	83,341,315	35,960,268	24,785,934	210,063,838	(33,929,007)	176,134,831
Other information:							
Investment in the year in tangible fixed assets (Note 17)	3,091,137	2,053,542	384,684	320,191	5,849,554	-	5,849,554
Investment in the year in intangible assets (Note 16)	275,367	96,607	-	89,036	461,010	-	461,010
Investment in associates (Note 18)	-	6	-	-	6	-	6
Indemnities - included in "personnel costs" (Note 11)	385,348	257,652	15,869	161,424	820,293	-	820,293
Increase in provisions (Note 28)	-	72,829	-	300,000	372,829	-	372,829
Reversal of provisions (Note 28)	(26,570)	(52,135)	-	(5,000)	(83,705)	-	(83,705)
Impairment losses (Note 28)	713,364	36,983	24,267	46,184	820,798	-	820,798
Reversal of impairment losses (Note 28)	(10,923)	(30,766)	(17,828)	(94,601)	(154,118)	-	(154,118)

	2015						
	Television	Production	Radio	Others (a)	Total	Eliminations	Consolidated
Net assets	214,287,765	92,386,153	31,413,636	127,651,997	465,739,551	(137,738,962)	328,000,589
Liabilities	73,778,659	78,092,243	38,563,657	19,967,684	210,402,243	(18,435,738)	191,966,505
Other information:							
Investment in the year in tangible fixed assets (Note 17)	2,618,818	1,614,872	362,515	183,298	4,779,503	-	4,779,503
Investment in the year in intangible assets (Note 16)	405,548	76,220	-	235,195	716,963	-	716,963
Investment in associates (Note 18)	-	1,596,457	-	-	1,596,457	-	1,596,457
Indemnities - included in "personnel costs" (Note 11)	286,555	264,844	5,400	222,087	778,886	-	778,886
Increase in provisions (Note 28)	-	735,774	-	60,500	796,274	-	796,274
Reversal of provisions (Note 28)	(100,767)	(494,893)	-	(18,499)	(614,159)	-	(614,159)
Impairment losses (Note 28)	82,352	508,015	63,541	435,260	1,089,168	-	1,089,168
Reversal of impairment losses (Note 28)	-	(154,451)	(56,489)	(134,814)	(345,754)	-	(345,754)

- (a) "Others" includes assets and liabilities not allocated to the operating segments as they are not monitored by Management for measuring their performance. The assets and liabilities correspond essentially to intergroup loans granted by the parent company to its subsidiaries, which were fully eliminated in the Group's consolidation process.

Information by geographic market for the years ended 31 December 2016 and 2015 is as follows:

	2016		
	Portugal	Other countries	Consolidated
Operating revenue	171,260,296	2,766,407	174,026,703
Operating costs	(137,471,959)	(3,269,572)	(140,741,531)
Net profit from continuing operations	20,090,906	(990,044)	19,100,862
Non-current assets	237,947,202	4,124,665	242,071,867
Current assets	71,069,231	1,937,943	73,007,174
Liabilities	174,116,456	2,018,375	176,134,831
Investment in the year in tangible fixed assets (Note 17)	5,849,554	-	5,849,554
Investment in the year in intangible assets (Note 16)	461,010	-	461,010

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

	2015		
	Portugal	Other countries	Consolidated
Operating revenue	170,972,161	3,414,075	174,386,236
Operating costs	(138,289,845)	(5,139,067)	(143,428,912)
Net profit from continuing operations	18,762,947	(1,462,932)	17,300,015
Non-current assets	238,235,702	7,138,808	245,374,510
Current assets	77,321,999	5,304,080	82,626,079
Liabilities	189,797,433	2,169,072	191,966,505
Investment in the year in tangible fixed assets (Note 17)	4,779,503	-	4,779,503
Investment in the year in intangible assets (Note 16)	716,963	-	716,963

The Group considers that it does not depend on an advertiser who is responsible for more than 10% of its revenues, taking into account in this evaluation the business model of advertising commercialized in the various entities of the group, which is based on the centralization of the issuance of invoices to media agencies, which intervene in the management of the negotiations and ensure payment of the amounts owed, and are remunerated according to the size of their investment portfolio and advertisers.

8. OPERATING REVENUE BY NATURE

Consolidated operating revenue for the years ended 31 December 2016 and 2015 is made up as follows:

	2016	2015
<u>Services rendered:</u>		
Television advertising	100,859,613	97,387,251
Radio advertising	16,973,962	16,044,679
Advertising in other media	3,569,314	3,142,433
Audiovisual production and complementary services	8,819,075	7,282,515
Others	1,966,087	2,097,884
	<u>132,188,051</u>	<u>125,954,762</u>
<u>Sales:</u>		
CD's	<u>98,592</u>	<u>146,884</u>
<u>Other operating revenue:</u>		
Multimedia services (a)	16,080,566	20,613,815
Transmission, and exhibition rights and the sale of images (b)	23,547,906	21,067,668
Other supplementary revenue (c)	2,111,588	6,603,107
	<u>41,740,060</u>	<u>48,284,590</u>

- (a) The caption "Multimedia services" corresponds essentially to income from interactive services and multimedia relating to competitions and programs included in the television programming grid broadcast by the Group.
- (b) The caption "Transmission and exhibition rights and the sale of images" includes essentially income relating to the ceding of generalist channel signals and theme channels, issued by the Group.
- (c) For the year ended 31 December 2015, the caption "Other supplementary income" includes the income associated with the sale of a property in the amount of approximately 1,600,000 Euros.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

9. COST OF PROGRAMS BROADCAST AND GOODS SOLD

This caption for the years ended 31 December 2016 and 2015 is made up as follows:

	<u>2016</u>	<u>2015</u>
Programs exhibited	16,690,484	17,490,210
Goods sold	<u>6,566</u>	<u>29,565</u>
	<u><u>16,697,050</u></u>	<u><u>17,519,775</u></u>

The cost of production of own programs is recognized in the consolidated statement of profit and loss in accordance with its nature.

10. SUPPLIES AND SERVICES

The caption supplies and services for the years ended 31 December 2016 and 2015 is made up as follows:

	<u>2016</u>	<u>2015</u>
Specialized services	28,916,751	28,176,970
Publicity and competition prizes	9,065,488	9,832,289
Fees	7,115,854	7,395,733
Communication	4,695,963	4,956,947
Rent	3,845,328	3,859,298
Royalties and rights	3,474,299	4,131,388
Materials	3,053,118	2,661,117
Energy and fluids	2,461,963	2,367,563
Travel and lodging	2,296,552	2,158,185
Maintenance and repairs	1,812,631	1,880,531
Others	<u>3,451,066</u>	<u>2,672,585</u>
	<u><u>70,189,013</u></u>	<u><u>70,092,606</u></u>

11. PERSONNEL COSTS

The caption personnel costs for the years ended 31 December 2016 and 2015 is made up as follows:

	<u>2016</u>	<u>2015</u>
Wages and salaries	31,917,373	32,613,474
Charges on wages and salaries	7,237,866	7,371,971
Performance bonus	1,525,046	501,432
Severance payments (Note 7)	820,293	778,886
Labour accident insurance and others	520,394	551,018
Others	<u>2,091,863</u>	<u>1,631,156</u>
	<u><u>44,112,835</u></u>	<u><u>43,447,937</u></u>

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

The average number of employees, per segment, of the companies included in the consolidation in the years ended 31 December 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Television	474	478
Production	358	334
Radio	156	125
Others	139	151
	<u>1,127</u>	<u>1,088</u>

As of 31 December 2016, Prisa had an approved employee benefits plan based on shares of Prisa ("Program"). The employees' eligibility for said plan is determined by its shareholder.

The amount of the incentive to be settled in 2017, and supported by Group, is determined by the fulfillment of the targets set for 2016.

In order to be entitled to receive such incentive, participants must have remained in the Prisa Group until 31 December 2016, and must have achieved the stated targets.

The attribution of the corresponding shares to the amount stated above will be made directly by Prisa for the participants of the Program. The total charges of the Program are supported by Group.

During the year ended on 31 December 2016, the cost recognized with the described program amounted to 97,177 Euros.

As of 31 December 2016, the Group has recorded in the caption "Other current liabilities" the amount of 672,001 Euros to cover expenses to be incurred with the attributed benefits (Note 30).

12. FINANCIAL EXPENSE AND INCOME

The caption financial expense and income for the years ended 31 December 2016 and 2015 is made up as follows:

	<u>2016</u>	<u>2015</u>
<u>Financial expense:</u>		
Interest expense (a)	4,162,164	5,587,317
Other financial costs (b)	610,894	494,890
	<u>4,773,058</u>	<u>6,082,207</u>
<u>Financial income:</u>		
Interest income	957	31,444
Other financial income (c)	137,851	374,635
	<u>138,808</u>	<u>406,079</u>
	<u>4,634,250</u>	<u>5,676,128</u>

(a) In 2016 and 2015 the Group did not incur financial costs on assets that qualify that could be capitalized, the costs being recognized in profit and loss when incurred. The decrease in interest expense is due essentially to the changes of the Group's funding as explained in Note 27.

(b) In the year ended 31 December 2016, "Other financial expenses" also includes expenses related to the financial updating of assets receivable, in the amount of 129,891 Euros (Note 18).

(b) This heading relates essentially to the exchange variation of foreign currency financing balances.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

13. DIFFERENCE BETWEEN ACCOUNTING AND TAX RESULTS

The Grupo Media Capital companies, except for NBP Ibérica – Produções Audiovisuais, S.A. and PLURAL España and its subsidiaries, are subject to corporation income tax at the rate of 21% in accordance with article 87 of the Corporation Income Tax Code which can be increased by a municipal surcharge of up to the maximum rate of 1.5% of taxable profit, resulting in a total maximum rate of 22.5%. In addition, accordance with article 87-A of the Corporation Income Tax Code, in 2016 taxable profit exceeding 1,500,000 Euros is subject to a State surcharge, at the following rates:

- 3% for taxable profit between 1,500,000 Euros and 7,500,000 Euros;
- 5% for taxable profit between 7,500,000 Euros and 35,000,000 Euros;
- 7% for taxable profit exceeding 35,000,000 Euros.

In addition, net financial costs for 2016 and following years are deductible for determining annual taxable income up to the limit each year progressively up to 2017 to the greater of the following limits:

- 1,000,000 Euros;
- 30% of the profit before amortization and depreciation, net financial costs and taxes.

In accordance with article 88 of the Corporation Income Tax Code the Group is subject to autonomous taxation of certain charges at the rates established in the article.

The Group estimated income tax for 2016 of the companies in which VERTIX participates directly or indirectly by at least 75%, considering the requirements of article 63 of the Corporation Income Tax Code, in accordance with the RETGS, headed up VERTIX. All the Group companies with head office in Portugal were covered by that regime, except for the companies acquired in 2015 and 2016, which are taxed individually.

PLURAL España and its subsidiaries are subject to income tax in accordance with Spanish legislation, at a normal rate of around 25%, being included in the Regime for the Taxation of Groups of Companies applicable to companies with head office in Spain under the parent Prisa.

There are tax losses carried forward that result in deferred tax assets as shown in the following tables, calculated in accordance with the tax rules currently applicable to Grupo Media Capital, which are based on the existence of adequate support for their recovery, namely business plans prepared with prudent assumptions in line with evolution of the business. However, the Group has not recognized the full amount of deferred tax assets, as they were generated before the effective date the companies entered into the RETGS, and the ability of the Group to use them is remote.

In accordance with current legislation tax losses generated can be carried forward during a period of twelve years, limited to 70% of the Group's taxable profit determined in accordance with the special regime for the taxation of groups of companies (six years for losses prior to 2010, four years for losses incurred between 2010 and 2011 and five years between 2012 e 2013, limited to 75% of taxable profit of the Group, for losses generated after 1 January 2014 onwards). At 31 December 2016 tax losses carried forward amounted to approximately 97,107 Euros, and its deadline for use, was as follows:

2017	61,046
2018	22,576
2026	13,485
	<u>97,107</u>

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

In accordance with 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 are tax losses, tax benefits have been granted, tax inspections are in progress or there are claims or appeals, in which case the period can be extended or suspended, depending on the circumstances. Consequently, the tax returns of the Group companies for the years from 2013 to 2016, inclusive, are still subject to review and correction. The Board of Directors believes that any corrections to the taxable income declared that might result from examinations carried out by the tax authorities will not have a significant effect on the consolidated financial statements.

In addition, in accordance with tax legislation in Spain tax returns of companies included in the tax consolidation of Prisa are also subject to revision and correction by the tax authorities for a period of four years, there possibly being some exceptions which are not applicable to the companies included in the Group's consolidated financial statements.

Following is a reconciliation of the tax rate for the years ended 31 December 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Profit before tax	28,118,985	25,051,222
Nominal income tax rate	21.00%	21.00%
Estimated tax charge	<u>5,904,987</u>	<u>5,260,757</u>
Permanent differences (i)	397,716	218,952
Adjustment to income tax due (ii)	849,441	1,026,461
Surcharge	1,972,576	1,742,379
Others	<u>(106,597)</u>	<u>(497,341)</u>
	<u>9,018,123</u>	<u>7,751,207</u>
Current tax (iii)	8,899,568	7,144,364
Deferred tax for the year	<u>118,555</u>	<u>606,843</u>
	<u>9,018,123</u>	<u>7,751,207</u>
Effective tax rate	<u>32.07%</u>	<u>30.94%</u>

(i) These amounts for the years ended 31 December 2016 and 2015 are made up as follows:

	<u>2016</u>	<u>2015</u>
Non tax deductible amortisation and depreciation	1,033,284	2,008,524
Goodwill Impairment (Notes 15 and 28)	553,366	390,000
Net gains in associated companies (Note 18)	(21,429)	229,974
Fines and other penalties	29,227	19,217
Accounting and tax gains	(9,636)	(1,351,535)
Others, net	<u>309,074</u>	<u>(253,558)</u>
	1,893,886	1,042,622
	21.00%	21.00%
	<u>397,716</u>	<u>218,952</u>

(ii) This amount represents the autonomous taxation of certain expenses.

(Amounts stated in Euros)

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(iii) This amount at 31 December 2016 and 2015 is made up as follows:

	2016	2015
Estimated current tax on income for the year	8,718,584	7,896,958
Tax/ (Tax credit) for income of foreign subsidiaries (Note 32)	282,753	(394,068)
Others (a)	(101,769)	(358,526)
	<u>8,899,568</u>	<u>7,144,364</u>

(a) This caption includes the net effect of the excess of estimated income tax for 2016 and 2015, of recoveries resulting from the outcome of tax processes, and the recognition of the estimated liability resulting from the additional corporation income tax assessments explained in Note 28.

Temporary differences – changes in deferred taxes:

	2016		
	Beginning balances	Increase/ reversals	Ending balances
<u>Deferred tax assets:</u>			
Provision and impairment losses	64,700	109,610	174,310
Inter group company margins not recognised	2,594,522	(284,625)	2,309,897
Other credits	172,361	(11,040)	161,321
	<u>2,831,583</u>	<u>(186,055)</u>	<u>2,645,528</u>
<u>Deferred tax liabilities:</u>			
Brands acquired in business combinations	1,293,750	(67,500)	1,226,250

	2015			
	Beginning balances	Increase/ reversals	Transfers	Ending balances
<u>Deferred tax assets:</u>				
Provision and impairment losses	122,574	(57,874)	-	64,700
Inter group company margins not recognised	2,827,660	(233,138)	-	2,594,522
Other credits	586,112	(380,310)	(33,441)	172,361
	<u>3,536,346</u>	<u>(671,322)</u>	<u>(33,441)</u>	<u>2,831,583</u>
<u>Deferred tax liabilities:</u>				
Brands acquired in business combinations	1,350,000	(56,250)	-	1,293,750
Revaluations	8,229	(8,229)	-	-
	<u>1,358,229</u>	<u>(64,479)</u>	<u>-</u>	<u>1,293,750</u>

As of 31 December 2016 and 2015, current tax liabilities amounted to 9,212 Euros and 29,701 Euros, respectively, and essentially relate to the estimated tax related to the activity of companies acquired in 2016 and 2015, which do not belong to RETGS.

(Amounts stated in Euros)

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As a result of the Group's RETGS being headed by VERTIX, the estimated current tax payable under this scheme, net of payments on account and withholdings, results in an account payable to VERTIX, which is as follows:

	<u>2016</u>
Estimated current tax payable	8,899,568
Payments on account and special payments on account made by the Group to VERTIX	(5,320,659)
Others	208,818
Account payable to Vertix (Note 32)	<u><u>3,787,727</u></u>

At 31 December 2016 and 2015, the amounts payable related to current tax assets amounting to 384,474 Euros and 128,866 Euros, respectively, relate essentially to IRC to be recovered and to special payments on account.

Cash flow:

For the year ended 31 December 2016 and 2015, the receipts referring to the refund of excess tax paid and the payments related to income tax for the year were as follows:

	<u>2016</u>	<u>2015</u>
Receipts referring to the refund of excess tax paid	80,830	299,509
Payments relating to income tax for the year	(148,199)	(123,275)
	<u><u>(67,369)</u></u>	<u><u>176,234</u></u>

14. EARNINGS PER SHARE

Earnings per share for the years ended 31 December 2016 and 2015 were calculated considering the following amounts:

	<u>2016</u>	<u>2015</u>
<u>Earnings:</u>		
Profit for purposes of calculating earnings per share of continuing operations	<u><u>19,100,862</u></u>	<u><u>17,300,015</u></u>
<u>Number of shares:</u>		
Average number of shares for purposes of calculating basic and diluted earnings per share (Note 25)	<u><u>84,513,180</u></u>	<u><u>84,513,180</u></u>
Basic and diluted earnings per share of continuing operations	<u><u>0.2260</u></u>	<u><u>0.2047</u></u>

There were no diluting effects in the years ended 31 December 2016 and 2015 and so the basic and diluted earnings per share are the same.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

15. GOODWILL

The changes in goodwill in the years ended 31 December 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
<u>Cost:</u>		
Balance at the beginning of the year	169,740,254	169,740,254
Derecognition for disposal - SOCATER (Note 18)	<u>(3,460,000)</u>	-
Balance at the end of the year	<u>166,280,254</u>	<u>169,740,254</u>
<u>Accumulated impairment losses:</u>		
Balance at the beginning of the year	(16,562,653)	(16,172,653)
Impairment losses recognized in the period (Notes 13, 18 and 28) (a)	(553,366)	(390,000)
Derecognition for disposal - SOCATER (Note 18)	<u>553,366</u>	-
Balance at the end of the year	<u>(16,562,653)</u>	<u>(16,562,653)</u>
<u>Net book value:</u>		
Balance at the beginning of the year	<u>153,177,601</u>	<u>153,177,601</u>
Balance at the end of the year	<u>149,717,601</u>	<u>153,177,601</u>

- (a) The impairment loss recognized in goodwill in the amount of 553,366 Euros in the year ended 31 December 2016 (Note 18) is due to the evolution of the production activity in Spain, developed by SOCATER. This company was sold in the year ended 31 December 2016, on 28 November 2016 (Note 18).

The goodwill impairment loss amounting to 390,000 Euros recognized in the year ended 31 December 2015 (Note 28) was mainly due to the drop in the Group's production activity in 2015, despite the rationalization of costs that the Group continued to pursue

For purposes of impairment tests, goodwill was distributed by the Operating segments (together cash generating units) considering the benefits generated by the synergies resulting from the business combinations which resulted in them, as follows:

	<u>2016</u>	<u>2015</u>
Television	125,761,826	125,761,826
Radio	18,643,989	18,643,989
Audiovisual production Portugal	3,021,058	3,021,058
Digital	1,508,118	1,508,118
Entertainment	782,610	782,610
Audiovisual production Spain (Note 18)	-	3,460,000
	<u>149,717,601</u>	<u>153,177,601</u>

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:

- That engages in its business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;
- For which discrete financial information is available.

For purposes of assessing impairment, the investment was valued by the Board of Directors based on the business plan/financial projections of the cash generating units controlled by the Group.

The assessment was made based on business plans / financial projections of the various operating segments, prepared and approved by management, which cover a five year period, and is subsequently considered a perpetuity.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

For this purpose market data obtained from external entities was used, which was compared to internal market intelligence and the Group's past experience, complemented by the estimated market effect of the business strategies adopted for each operational segment, which are considered in the preparation of budgets approved by the Board of Directors and which are the basis of said analysis. Following are some of the main variables considered by the Board of Directors:

- Projected growth in revenue from:
 - Evolution of advertising investment in the main markets where the Group operates;
 - Audience share;
 - Market share;
- Operating costs;
- Synergies and rationalization of production costs.

The main information on the activities and assumptions considered for the operating segments identified, to which has been affected goodwill, for purposes on the impairment tests, were as follows:

Television:

Television operations, with the broadcasting of television programs through a general channel, TVI, TVI 24, TVI Ficção, TVI Internacional, TVI África and TVI Reality.

The main assumptions relating to the operations considered in the projections were as follows:

- Moderate recovery of publicity income in 2017 and gradual increase, in 2021 reaching amounts still below those for 2011;
- Contained increase in other income relating to the diversification of the activities of the various channels, including signal rights;
- Maintenance of a cost containment policy, in accordance with that which is already in force;

Audiovisual production in Portugal:

Production of contents, various activities in support of the television channels, through PLURAL which is responsible for audiovisual creation, realization and production, as well as the exploitation of technical means and the preparation of scenarios.

The main operating assumptions considered in the projections were as follows:

- Maintenance of the cost containment policy in accordance with that which is already in force;
- Focus on internal production of national contents.
- Continued growth of the business of leasing technical means and production of events, increasing its presence in other markets.

Audiovisual production in Spain:

Operations in the Spanish and Latin American markets relating to the production of audiovisual contents, production support services, realization and exploitation of television contents, cinema and audiovisual works, as well as other related services for these markets.

The main operating assumptions considered in the projections were as follows:

- Focus on the exploitation of technical means and the preparation of scenarios market;
- Decrease in the structure of fixed costs.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

Entertainment:

Operations include the music business, production of videograms, phonograms, audiovisual and multimedia production, the purchase and sale of records and equivalent items, the production of events and agency of artists.

The main operating assumptions considered in the projections were as follows:

- Decrease in the physical sale of CD's due to the tendency to migrate to the digital area;
- Focus on improving the profitability and volume indicators through the realization of events.

Radio:

Radio operations, with sound broadcasting of radio programs in Portugal by the following radio stations: "Rádio Comercial", "m80", "Cidade", "Smooth FM" and "Vodafone FM".

The main operating assumptions considered in the projections were as follows:

- Increase in the contents of Rádio Comercial and the other radio stations so as to maintain the leadership position achieved in 2012;
- Stabilization of audiences;
- Continuation of the cost control strategy.

Digital:

Digital operations supported by the portal www.iol.pt, which has a vast network of own contents, an extensive online directory of classified and publicity information, responsible for the majority of the Group's sites, as well as the production of mobile contents. They also include the rendering of internet and multimedia services to companies outside the Group.

The main operating assumptions considered in the projections were as follows:

- Improvement of the publicity market;
- Regular launching of new projects such as apps and other mobile services;
- Maintenance of variable and fixed operating costs control, related with operation.

The discounted cash flow method was used, cash flow projections having been prepared for five years and a perpetuity considered after that. The nominal growth rate used for the perpetuity was 2.5% (2.5% in 2015). The discount rate used for all the cash generating units, excluding Plural España, was 9.0% (9.6% in 2015), as it was considered that they all operate directly or indirectly in the media market, the commercial activity, the clients and the publicity market being seen transversally by the Group. In the case of Plural España the discount rate used was 8.1% (9.1% in 2015). A different rate was used in this case in relation to the other operating segments due to the lower country risk of Spain.

The annual compound growth rate of the operating segments under review for the period of the projections (using 2015 as the base) was 7% for EBITDA. The Company believes that the estimates are reasonable, considering the abnormally penalizing market for the years up to close to the end of 2014 both as regards the initiatives in progress in terms of organic growth and implemented decrease in operating costs.

The Board of Directors believes that any reasonably possible change in any of the above mentioned key assumptions used in the impairment tests would not result in a significant impairment of Goodwill, considering a 0.5% variation in the nominal growth rate used in the perpetuity or the discount rate.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

16. INTANGIBLE ASSETS

The changes in intangible assets and related accumulated amortization and impairment losses in the years ended 31 December 2016 and 2015 were as follows:

	Audiovisual production rights	Brands (a)	Radio broadcasting permits (b)	Radio broadcasting rights	Computer programs	Others	Total
Gross:							
Balance at 31 December 2014	1,915,345	6,269,000	6,563,868	9,157,084	6,635,788	517,432	31,058,517
Changes in consolidation perimeter (Note 6)	-	-	10,580,085	(8,439,500)	-	-	2,140,585
Acquisitions (Note 7)	-	-	-	-	716,865	98	716,963
Exchange translation	(51,126)	-	-	-	-	-	(51,126)
Sales and write-offs	(63,715)	-	-	-	-	-	(63,715)
Transfers (c)	2,697,977	-	100,000	(167,584)	-	67,584	2,697,977
Balance at 31 December 2015	4,498,481	6,269,000	17,243,953	550,000	7,352,653	585,114	36,499,201
Changes in consolidation perimeter (Note 6)	-	-	537,420	(550,000)	-	-	(12,580)
Acquisitions (Note 7)	-	-	-	-	461,010	-	461,010
Exchange translation	112,245	-	-	-	-	511	112,756
Sales and write-offs	-	-	-	-	(17,427)	-	(17,427)
Transfers (c)	1,000,000	-	-	-	(26,000)	-	974,000
Balance at 31 December 2016	5,610,726	6,269,000	17,781,373	-	7,770,236	585,625	38,016,960
Accumulated amortization:							
Balance at 31 December 2014	1,851,630	264,518	3,858,568	5,124,942	5,612,396	517,432	17,229,486
Increases (Note 17)	899,326	254,482	2,336,115	38,853	624,529	1,598	4,154,903
Transfers	-	-	4,779,326	(4,846,910)	-	67,584	-
Exchange translation	(51,126)	-	-	-	-	-	(51,126)
Sales and write-offs	-	-	-	-	-	(1,500)	(1,500)
Balance at 31 December 2015	2,699,830	519,000	10,974,009	316,885	6,236,925	585,114	21,331,763
Increases (Note 17)	1,399,325	300,000	1,280,620	-	494,563	-	3,474,508
Transfers	-	-	316,885	(316,885)	-	-	-
Exchange translation	112,245	-	-	-	-	511	112,756
Balance at 31 December 2016	4,211,400	819,000	12,571,514	-	6,731,488	585,625	24,919,027
Net:							
Net balance at 31 December 2015	1,798,651	5,750,000	6,269,944	233,115	1,115,728	-	15,167,438
Net balance at 31 December 2016	1,399,326	5,450,000	5,209,859	-	1,038,748	-	13,097,933

(a) This caption includes essentially the PLURAL brand in the net amount of 5,450,000 Euros.

(b) The most significant radio broadcasting permit included in this caption in the net amount of 2,398,859 Euros and has a remaining operating period of nine years.

(c) The transfer in 2016 and 2015 corresponds essentially to cinema co-production which operating period ends in 2017.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

17. TANGIBLE FIXED ASSETS

The changes in tangible fixed assets and corresponding accumulated depreciation and impairment losses in the years ended 31 December 2016 and 2015 were as follows:

	Land, buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Other tangible fixed assets	Fixed assets in progress	Total
Gross:							
Balance at 31 December 2014	13,537,644	107,953,233	2,000,933	10,041,654	8,777,065	880,852	143,191,381
Changes in consolidation perimeter (Note 6)	-	152,482	7,500	140	2,312	-	162,434
Acquisitions (Note 7)	170,262	1,755,641	26,659	530,722	158,249	2,137,970	4,779,503
Sales and write-offs	(4,361,030)	(2,238,784)	(135,499)	(186,301)	(160,684)	(13,715)	(7,096,013)
Transfers	-	2,022,534	-	39,877	30,150	(2,092,561)	-
Balance at 31 December 2015	9,346,876	109,645,106	1,899,593	10,426,092	8,807,092	912,546	141,037,305
Changes in consolidation perimeter (Note 6)	1,247	43,713	-	-	-	-	44,960
Acquisitions (Note 7)	1,021,780	3,423,830	-	460,574	313,545	629,825	5,849,554
Sales and write-offs	(31,659)	(2,881,653)	(191,516)	(2,008,916)	(255,113)	(4,530)	(5,373,387)
Transfers	105,514	715,641	-	227,974	137,689	(1,160,818)	26,000
Balance at 31 December 2016	10,443,758	110,946,637	1,708,077	9,105,724	9,003,213	377,023	141,584,432
Accumulated depreciation and impairment losses:							
Balance at 31 December 2014	8,986,025	99,339,373	1,738,982	9,054,970	7,816,697	-	126,936,047
Changes in consolidation perimeter (Note 6)	-	150,200	5,938	140	2,312	-	158,590
Increases	656,840	3,543,596	162,905	425,476	232,727	-	5,021,544
Sales and write-offs	(3,834,375)	(2,238,785)	(135,499)	(185,920)	(160,686)	-	(6,555,265)
Balance at 31 December 2015	5,808,490	100,794,384	1,772,326	9,294,666	7,891,050	-	125,560,916
Changes in consolidation perimeter (Note 6)	-	42,731	-	-	-	-	42,731
Acquisitions (Note 7)	664,125	3,230,244	86,091	530,995	245,839	-	4,757,294
Sales and write-offs	(31,659)	(2,881,541)	(191,516)	(2,025,537)	(255,116)	-	(5,385,369)
Transfers	(63,491)	63,500	-	-	-	-	9
Balance at 31 December 2016	6,377,465	101,249,318	1,666,901	7,800,124	7,881,773	-	124,975,581
Net:							
Net balance at 31 December 2015	3,538,386	8,850,722	127,267	1,131,426	916,042	912,546	15,476,389
Net balance at 31 December 2016	4,066,293	9,697,319	41,176	1,305,600	1,121,440	377,023	16,608,851

The acquisitions in 31 December 2016 and 2015 correspond essentially to the acquisition of audiovisual equipment (Notes 24 and 27).

Amortization and depreciation recognized in the statements of profit and loss for 2016 and 2015 are made up as follows:

	2016	2015
Tangible fixed assets	4,757,294	5,021,544
Intangible assets (Note 16)	3,474,508	4,154,903
	8,231,802	9,176,447

At 31 December 2016 there were no restrictions on the ownership of tangible fixed assets given in guarantee of liabilities, all guarantees requested in favour of third parties and given by Grupo Media Capital, susceptible of disclosure, being listed in Note 27 and 37.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

18. INVESTMENT IN ASSOCIATES

The changes in investments in associates in the years ended on 31 December 2016 and 2015 were as follows:

	Investments in associates
Balance at 31 December 2014	1,684,796
Dividends	(41,778)
Disposals of associated companies (a)	(49,236)
Gains on associated companies	2,675
Balance at 31 December 2015	1,596,457
Dividends	(62,640)
Gains on associated companies	94,258
Disposals of associated companies	(1,628,069)
Balance at 31 December 2016	6

- (a) On 8 January 2015, the Group sold its previously held holding in Plural - Jempsa, S.L., having obtained an added value of 2,969 Euros resulting from the agreed sale amount of 52,205 Euros and which was fully received in 2015. This sale led to a reduction of 49,236 Euros in the caption "Investments in associates".

In the years ended 31 December 2016 and 2015, the Group recorded and received dividends in the amount of 62,640 Euros and 41,778 Euros, respectively, referring to the investment held in Factoría.

Dividends for the years ended 31 December 2015 and 2014, amounting to 111,886 Euros, were fully received during the year ended on 31 December 2015.

On 28 November 2016, as described in Notes 5 and 6, the Group sold the entire financial investment held in a group of subsidiaries. The result of this sale was as follows:

	SOCATER	PCP	Factoría	Total Associated (Note 5)	PLURAL Canarias (Note 6)	Total
Book value of investments on the date of disposal:						
Investment in associated companies as of December 31, 2015	742,453	562,332	291,666	1,596,451	-	1,596,451
Gains / (losses) on associated companies	(4,826)	1,805	97,279	94,258	-	94,258
Dividends received (Note 6)	-	-	(62,640)	(62,640)	-	(62,640)
Net assets sold	-	-	-	-	23,252	23,252
	737,627	564,137	326,305	1,628,069	23,252	1,651,321
Goodwill (Note 15)	3,460,000	-	-	3,460,000	-	3,460,000
Accumulated impairment losses (Note 15)	(553,366)	-	-	(553,366)	-	(553,366)
Net assets sold	3,644,261	564,137	326,305	4,534,703	23,252	4,557,955
Expenses associated with disposal	(1,000)	-	-	(1,000)	-	(1,000)
Gains/ (losses) on disposal	739	(137)	695	1,297	(252)	1,045
Amount of sale	3,644,000	564,000	327,000	4,535,000	23,000	4,558,000
Amount received in the year						(700,000)
Financial update (Note 12)						(129,891)
Amount receivable from the sale on 31 December 2016 (Note 32)						3,728,109

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

The amount receivable as of 31 December 2016 resulting from said transaction (Note 32) will be received in accordance with the contractual terms established between the parties, as follows:

Until 31 December 2017	<u>1,223,702</u>
Until 31 January 2018	1,223,702
Until 31 January 2019	<u>1,280,705</u>
	<u>2,504,407</u>
	<u>3,728,109</u>

As a result of the application of the equity method, in the years ended 31 December 2016 and 2015, on associates (in 2016 up to the date of their disposal), the following movements were recorded under "Gains / (losses) in associated companies:

Company	Investments in associated companies		Gain /(loss) on associated companies (Note 13)	
	2016	2015	2016	2015
SOCATER	-	742,453	(4,826)	(415)
PCP	-	562,332	1,805	7,148
Factoría	-	291,666	97,279	(4,058)
Others	6	6	-	-
	6	1,596,457	94,258	2,675
Plural Brasil (Note 28)	-	-	(72,829)	(232,649)
	<u>6</u>	<u>1,596,457</u>	<u>21,429</u>	<u>(229,974)</u>

On 31 December 2016 and 2015, the following movements were recorded under "Gains / (losses) on associated companies, net":

	<u>2016</u>	<u>2015</u>
Net gains on associated companies	94,258	2,675
Losses on associated companies (Note 5)	(72,829)	(232,649)
Impairment losses (Note 15)	(553,366)	-
	<u>(531,937)</u>	<u>(229,974)</u>

At 31 December 2015, the main financial information related to the Group's associated companies, fully disposal in 2016, was as follows:

		2015				
	Head office	Participation held	Assets	Equity	Total revenue	Net result
SOCATER	Tenerife (ESP)	40%	2,141,492	1,856,133	187,455	(1,038)
PCP	Tenerife (ESP)	40%	1,589,233	1,405,830	300,000	17,870
Plural Brasil	São Paulo (BRA)	49%	15,113	(416,892)	-	(109,548)
Factoría	Zaragoza (ESP)	15%	6,824,787	1,944,440	11,952,657	301,410

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

19. TELEVISION PROGRAM BROADCASTING RIGHTS

Television program broadcasting rights at 31 December 2016 and 2015 are made up as follows:

Nature	2016	2015
Novels	64,894,767	63,243,153
Films	11,047,711	12,629,820
Series	5,444,189	4,536,473
Entertainment	1,418,721	2,131,480
Sports	-	150,000
Others	284,128	299,118
	83,089,516	82,990,044
Non-current assets	54,473,263	53,890,762
Current assets	28,616,253	29,099,282
	83,089,516	82,990,044

20. OTHER NON-CURRENT ASSETS

This caption was made up as follows at 31 December 2016 and 2015:

	2016	2015
Access to the Digital Land Television network (Televisão Digital Terrestre - "TDT") (a)	2,944,118	3,211,765
Receivables from related parties (Note 32)	2,504,407	17,527
Customers and other accounts receivable	60,000	-
State and other public entities	15,172	-
	5,523,697	3,229,292

(a) This amount corresponds to costs incurred for access to the TDT network, which is expensed over the contracted utilization period of the network.

21. INVENTORIES

This caption was made up as follows at 31 December 2016 and 2015:

	2016			2015		
	Gross	Accumulated impairment loss (Note 28)	Net	Gross	Accumulated impairment loss (Note 28)	Net
Goods	400,000	(400,000)	-	413,244	(400,000)	13,244

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

22. TRADE AND OTHER RECEIVABLES

This caption was made up as follows at 31 December 2016 and 2015:

	2016			2015		
	Gross	Accumulated impairment loss (Note 28)	Net	Gross	Accumulated impairment loss (Note 28)	Net
Trade receivables	35,777,601	(5,088,376)	30,689,225	36,648,999	(5,271,689)	31,377,310
Receivables from related parties (Note 32)	627,727	-	627,727	451,711	-	451,711
Invoices to be issued	6,702,963	-	6,702,963	7,962,274	-	7,962,274
	<u>43,108,291</u>	<u>(5,088,376)</u>	<u>38,019,915</u>	<u>45,062,984</u>	<u>(5,271,689)</u>	<u>39,791,295</u>

23. OTHER CURRENT ASSETS

This caption was made up as follows at 31 December 2016 and 2015:

	2016			2015		
	Gross	Accumulated impairment loss (Note 28)	Net	Gross	Accumulated impairment loss (Note 28)	Net
State and other public entities (Note 31)	997,123	-	997,123	407,067	-	407,067
Other debtors	616,656	(525,975)	90,681	3,369,045	(525,975)	2,843,070
Receivables from related parties (Note 32)	1,234,767	-	1,234,767	1,987,763	-	1,987,763
Prepayments	2,429,055	-	2,429,055	2,810,136	-	2,810,136
	<u>5,277,601</u>	<u>(525,975)</u>	<u>4,751,626</u>	<u>8,574,011</u>	<u>(525,975)</u>	<u>8,048,036</u>

24. CASH AND CASH EQUIVALENTS

This caption was made up as follows at 31 December 2016 and 2015:

	2016	2015
Bank deposits repayable on demand	1,080,324	5,335,288
Cash	<u>154,582</u>	<u>210,068</u>
	<u>1,234,906</u>	<u>5,545,356</u>

In the year ended 31 December 2016, the Group recorded the following non-monetary investment and financing transactions that are not reflected in the consolidated statement of cash flows:

- The Group acquired basic equipment through lease contracts, as disclosed in Note 27, in the amount of, approximately, 733,000 Euros;
- The Group sold a number of financial holdings in November 2016, as mentioned in Note 18, for the amount of 4,558,000 Euros, of which 3,858,000 Euros had not been received at the date of the financial position (Note 32).
- The Group acquired fixed assets which had not yet been settled at the date of the financial position in the amount of approximately 2,800,000 Euros.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

25. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The Company's fully subscribed for and paid up capital at 31 December 2016 and 2015 was made up of 84,513,180 shares (Note 14), with the nominal value of one Euro and six cents each, totaling 89,583,971 Euros.

At 31 December 2016 and 2015 the Group's capital was held by the following shareholders:

	2016		2015	
	Shares	Percentage	Shares	Percentage
VERTIX	80,027,607	94.69	80,027,607	94.69
Others, less than 10% of the capital	4,485,573	5.31	4,485,573	5.31
	<u>84,513,180</u>	<u>100.00</u>	<u>84,513,180</u>	<u>100.00</u>

At 31 December 2016 and 2015 the caption "Reserves" was made up as follows:

	2016	2015
Free reserves	24,588,459	24,119,449
Legal reserve	6,456,134	5,682,633
Exchange translation differences	(785,216)	(651,984)
	<u>30,259,377</u>	<u>29,150,098</u>

In accordance with current legislation the Company must transfer at least 5% of its annual net profit to a legal reserve until the reserve reaches at least 20% of share capital. The reserve cannot be distributed, except upon liquidation of the company, but may be used to absorb losses after all the other reserves have been used up or to increase capital.

The free reserves are available for distribution to the Company's shareholders.

The Shareholders' Annual General Meeting held on 18 March 2015 approved the appropriation of the profit for the year ended 31 December 2014, with the appropriation of 646,397 Euros to the legal reserve, 7,538 Euros to free reserves and 15,820,870 Euros for dividends distribution.

The distribution of the above dividend, which corresponds to a gross dividend per share of 0.1872 Euros, was paid on 30 March 2015.

At the Shareholders' General Meeting held on 7 April 2016, the application of the results for the year ended 31 December 2015 was approved, providing for a legal reserve increase of 773,501 Euros, reinforcement of Free reserves by 469,010 Euros and distribution of dividends in the amount of 16,057,504 Euros. The aforementioned distribution of dividends, the corresponding payment of which occurred on 9 May 2016, corresponds to a gross dividend per share of 0.1900 Euros.

As approved by the Board of Directors on this date and mentioned in the Directors' Report, a proposal was made to distribute dividends of 17,747,768 Euros related to net profit of 2016, which corresponds to a gross dividend of 0.2100 Euros per share.

26. AVAILABLE-FOR-SALE FINANCIAL ASSETS

On 27 July 2007, TVI subscribed participating units corresponding to 12.05% of a special cinema and audiovisual fund ("FICA"), founded in accordance with Ministerial Order 277/2007.

During the year ended on 31 December 2015, the amount of 8,857 Euros was paid in final liquidation of the amount due, which formally happen on 7 January 2015.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

27. BORROWINGS

This caption was made up as follows at 31 December 2016 and 2015:

	2016				2015			
	Book value		Nominal value		Book value		Nominal value	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Bonds (a)	16,149,498	59,815,698	15,000,000	60,000,000	1,205,206	74,608,240	-	75,000,000
Other bank borrowing (b)	5,297,296	17,000,000	5,307,673	17,000,000	3,873,836	37,250,000	3,897,000	37,250,000
Finance lease liability (c)	291,640	536,826	291,640	536,826	492,816	115,701	492,816	115,701
Other borrowings (d)	-	237,838	-	237,838	-	222,587	-	222,587
	<u>21,738,434</u>	<u>77,590,362</u>	<u>20,599,313</u>	<u>77,774,664</u>	<u>5,571,858</u>	<u>112,196,528</u>	<u>4,389,816</u>	<u>112,588,288</u>

(a) Bond:

On 14 July 2014 the Company issued 7,500 bonds called Media Capital 2014-2019, by private subscription in the total amount of 75,000,000 Euros for a maximum period of 5 years (15,000,000 Euros in 2017, 24,750,000 Euros in 2018 and 35,250,000 Euros in 2019) at an annual interest rate corresponding to the six month Euribor rate plus a spread of 4%, the market value of that bond do not differ significantly from its book value.

(b) Other borrowings:**Commercial paper:**

On 30 January 2015 the Group substituted a 10,000,000 Euros credit line by a commercial paper contract, having renegotiated its conditions, rising to the maximum aggregate amount of 15,000,000 Euros.

On 4 August 2015 the Group signed commercial paper contracts totalling 35,000,000 Euros with two financial. The contracts are for maximum periods of 5 and 4 years, respectively, and have an annual interest rate corresponding to the Euribor rate for the period of issuance plus an average spread of 1.433%.

Of the total amount of 47,500,000 Euros, at 31 December 2016, 17,000,000 Euros were used.

Short term credit lines:

On 6 August 2015, the Group entered into contracts for access to three credit lines for short-term treasury support, in the total amount of 15,000,000 Euros. On 2 May 2016, it replaced 10,000,000 Euros of these credit lines with a cash pooling overdraft agreement. The aforementioned authorized credit and overdraft facilities bear interest at an annual rate corresponding respectively to Euribor 1M, Euribor 3M and Euribor at 12M plus an average spread of 1.65%. As of 31 December 2016, these contracts were used for a total amount of 5,307,673 Euros.

The contract establishes early repayment in the event of non-compliance with the contractual obligations relating, among others, to ownership of the principal in situations implying loss of control by the Prisa Group and the financial performance of the Group and the distribution of results or reserves in excess of the Group's consolidated results for the year preceding the distribution which had not occurred at 31 December 2016.

In addition, reasonable changes in the above financial performance measures, measured based on the relationship between the Company's indebtedness and EBITDA (which in overall terms consists in the operating results plus amortization and depreciation, provisions and impairment losses), namely a 5% variation in EBITDA continues to comply with the above requirements.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

At 31 December 2016 and 2015 the nominal amount used, amount contracted and repayment plan were as follows:

	31.12.2016		31.12.2015	
	Amount used	Total contracted	Amount used	Total contracted
Bonds	75,000,000	75,000,000	75,000,000	75,000,000
Commercial paper	17,000,000	47,500,000	39,750,000	50,000,000
Short term credit lines	5,307,673	15,000,000	1,397,000	15,000,000
	<u>97,307,673</u>	<u>137,500,000</u>	<u>116,147,000</u>	<u>140,000,000</u>

The repayment plan of the amount used in the period ended 31 December 2016 is as follows:

2017	20,307,673
2018	24,750,000
2019	36,450,000
2020	15,800,000
	<u>97,307,673</u>

(c) At 31 December 2016 and 2015, Grupo Media Capital had the following assets under finance lease:

	2016		
	Aquisition cost	Accumulated depreciation	Net value
Buildings and other constructions	98,125	-	98,125
Basic equipment	2,519,854	(1,944,366)	575,488
	<u>2,617,979</u>	<u>(1,944,366)</u>	<u>673,613</u>
	2015		
	Aquisition cost	Accumulated depreciation	Net value
Basic equipment	7,225,852	(7,054,320)	171,532
Transport equipment	582,919	(527,586)	55,333
Other tangible fixed assets	185,930	(185,930)	-
	<u>7,994,701</u>	<u>(7,767,836)</u>	<u>226,865</u>

The increase recorded in the year refers to new leasing agreements entered into for the acquisition of studio equipment to be used in the Company's business, in the amount of approximately 733,000 Euros (Note 24).

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

The finance lease contracts at 31 December 2016 and 2015 are repayable as follows:

	<u>2016</u>	<u>2015</u>
2016	-	492,816
2017	<u>291,640</u>	<u>-</u>
	<u>291,640</u>	<u>492,816</u>
2017	-	115,701
2018 and following year	<u>536,826</u>	<u>-</u>
	<u>536,826</u>	<u>115,701</u>

At 31 December 2016 blank promissory notes had been given in guarantee of some of the loans from the financial institutions.

- (d) The Group obtained a refundable allowance under the QREN program, received in four tranches of 110,135 Euros, 124,195 Euros, 42,733 Euros and 15,252 Euros, respectively.

The reimbursement of these amounts will be, according to the incentive agreement, made up as follows:

2018	50,080
2019	87,674
2020	<u>100,084</u>
	<u>237,838</u>

28. ACCUMULATED PROVISIONS AND IMPAIRMENT LOSSES

The changes in the caption Provisions and impairment losses in the years ended 31 December 2016 and 2015 were as follows:

	<u>Taxes</u>	<u>Legal processes in progress</u>	<u>Loss on associated companies (Note 18)</u>	<u>Total</u>
Balance at 31 December 2014	5,360,020	1,392,045	189,025	6,941,090
Increases (Notes 7)	-	563,625	232,649	796,274
Decreases (Note 7)	-	(614,159)	-	(614,159)
Utilisations	-	(14,998)	-	(14,998)
Transfers	<u>(40,918)</u>	<u>40,918</u>	-	-
Balance at 31 December 2015	5,319,102	1,367,431	421,674	7,108,207
Increases (Notes 7 and 5)	-	300,000	72,829	372,829
Decreases (Note 7)	-	(83,705)	-	(83,705)
Utilisations (Note 5)	-	(4,796)	(494,503)	(499,299)
Balance at 31 December 2016	<u>5,319,102</u>	<u>1,578,930</u>	<u>-</u>	<u>6,898,032</u>

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

Provision for taxes

The provision for taxes at 31 December 2016 and 2015 in the amount of 5,319,102 Euros is to cover, essentially, the estimated liability relating to additional assessments of corporation income tax of 5,400,000 Euros.

At that date, taking into account the uncertainties inherent in this type of proceeding, the current liability resulting from these settlements was estimated based on the opinions of the Group's lawyers and based on the arguments presented by the Group in their respective claims for their discounted value, considering the time value of money, attentive to the timing estimated by them for the occurrence of the payment of this responsibility, which depends on the judicial evolution of the respective process.

Provision for legal processes in progress

The provision for legal processes in progress at 31 December 2016 is to cover litigation essentially relating to labour processes, defamation, abuse of press freedom and regulations, resulting from the Group's normal operations. Considering the uncertainties of such types of process, the amount of which totals approximately 3,084,000 Euros, the Group's lawyers estimated the amount of the liability based on the arguments presented, historical experience of the resolution of such types of process and the estimated time to pay the liability.

Following the sentence issued on 24 May 2013, and as a result of the dispute between TVI subsidiary and GDA – Cooperativa de Gestão dos Direitos dos Artistas Intérpretes ou Executantes ("GDA") concerning the establishment of equitable remuneration for the rights relating to the performance of artists, interpreters or executors, legally protected, the Court was requested to determine the annual remuneration to be paid by TVI. During the year ended December 31, 2015, TVI filed a notice of opposition to the settlement incident presented by GDA in the amount of approximately € 17.3 million, based on assumptions and criteria to which the Group strongly opposes and disagrees, based on the entity's lack of judicial capacity to exercise the rights claimed, and on the inadequacy of the methodology used to support the claimed amount. Accordingly, the Group considers that the settlement presented is unfounded, having deduced the corresponding opposition and presented technical arguments from independent legal experts in the context of that opposition, requesting that the case be examined in the Intellectual Property Court in order to establish a Equitable remuneration of the rights relating to the performance of legally protected artists, interpreters or executors. On May 20, 2016, and as a result of that opposition, and according to the Group's claim, the decision of the Cascais Court was ruled that the Court was not competent to adjudicate the case, and it was decided to refer the case to Intellectual Property Court.

The decreases and utilization of the "Legal processes in progress" in the year ended 31 December 2016 and 2015 result from the resolution of some legal processes that were in litigation.

The increase and utilization in the caption "Loss on investments" in the year ended 31 December 2016, relates to Plural Brasil (Notes 5 and 18).

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

The changes in impairment losses in the years ended 31 December 2016 and 2015 were as follows:

	Inventories (Note 21)	Trade and other receivables (Note 22)	Other current assets (Note 23)	Total
Balance at 31 December 2014	533,154	5,789,709	525,975	6,848,838
Increases (Note 7)	24,368	1,064,800	-	1,089,168
Decreases (Note 7)	-	(345,754)	-	(345,754)
Direct utilisation	(157,522)	(1,237,066)	-	(1,394,588)
Balance at 31 December 2015	400,000	5,271,689	525,975	6,197,664
Increases (Note 7)	-	820,798	-	820,798
Decreases (Note 7)	-	(154,118)	-	(154,118)
Direct utilisation	-	(849,993)	-	(849,993)
Balance at 31 December 2016	400,000	5,088,376	525,975	6,014,351

In the year ended on 31 December 2016 the Company used impairment losses for trade and other receivables as it considered unreceivable.

The provision for impairment losses (increases/reversals) recognized in the years ended 31 December 2016 and 2015 (Note 7) were as follows:

	2016	2015
Legal processes in progress	216,295	(50,534)
Trade and other receivables	666,680	719,046
Inventories	-	24,368
	882,975	692,880
Goodwill impairment (Note 15)	-	390,000
	882,975	1,082,880

29. TRADE AND OTHER PAYABLES

This caption was made up as follows at 31 December 2016 and 2015:

	2016	2015
Current suppliers	19,481,874	18,807,723
Accounts payable to related parties (Note 32)	93,599	542,333
Accrued costs:		
Accrued trade discounts	14,383,918	12,200,026
Authors' rights and royalties	2,204,246	2,071,314
Other supplies and services	1,669,009	2,163,255
Sales returns	680	50,619
Others	2,439,759	2,910,836
	40,273,085	38,746,106

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

30. OTHER CURRENT LIABILITIES

This caption was made up as follows at 31 December 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Suppliers of fixed assets	3,691,102	1,734,202
Several creditors:		
Personnel remuneration	7,470,200	6,758,800
Others	1,030,447	1,325,397
State and other public entities (Note 31)	9,166,224	9,804,796
Accounts payable to related parties (Note 32)	4,128,679	4,121,876
Deferred revenue	<u>2,912,804</u>	<u>3,275,284</u>
	<u><u>28,399,456</u></u>	<u><u>27,020,355</u></u>

31. STATE AND OTHER PUBLIC ENTITIES

This caption was made up as follows at 31 December 2016 and 2015:

	<u>2016</u>		<u>2015</u>	
	Receivable balances (Note 23)	Payable balances (Note 30)	Receivable balances (Note 23)	Payable balances (Note 30)
Value Added Tax	997,123	5,655,268	407,067	5,987,482
Social Security contributions	-	1,237,105	-	1,323,354
Personal Income Tax	-	1,015,718	-	1,145,658
Portuguese Institute of Cinematographic and Audiovisual Art / Cinemateca Portuguesa "Instituto Português de Arte Cinematográfica e Audiovisual/ Cinemateca Portuguesa"	-	957,795	-	934,020
Others	-	300,338	-	414,282
	<u>997,123</u>	<u>9,166,224</u>	<u>407,067</u>	<u>9,804,796</u>

32. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

The balances at 31 December 2016 and 2015 and transactions for the years then ended with related companies excluded from the consolidation were as follows:

	<u>2016</u>				
	Other non-current assets (Note 20)	Trade and other receivables (Note 22)	Other current assets (Note 23)	Trade and other payables (Note 29)	Other current liabilities (Note 30)
Top parent company:					
Promotora de Informaciones, S.A. (a) (b)	-	28,048	11,064	74,062	282,753
Parent company:					
VERTIX (c)	-	64,965	-	-	3,822,673
	<u>-</u>	<u>93,013</u>	<u>11,064</u>	<u>74,062</u>	<u>4,105,426</u>
Other companies:					
Prisa Audiovisual, S.L. (d)	2,504,407	-	1,223,702	-	-
Prisa Producciones de Vídeo, S.L.	-	426,493	1	-	-
Prisa Brand Solutions, S.L.U.	-	55,439	-	19,537	-
Santillana Editores, S.A.	-	23,971	-	-	-
SOCATER	-	20,000	-	-	-
SOGECABLE MÚSICA, S.L.	-	8,712	-	-	-
PLURAL Canarias	-	99	-	-	23,253
	<u>2,504,407</u>	<u>534,714</u>	<u>1,223,703</u>	<u>19,537</u>	<u>23,253</u>
	<u><u>2,504,407</u></u>	<u><u>627,727</u></u>	<u><u>1,234,767</u></u>	<u><u>93,599</u></u>	<u><u>4,128,679</u></u>

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

	2016			
	Services rendered	Other operating revenue	Supplies and services	Financial costs
Top parent company:				
Promotora de Informaciones, S.A.	34,650	-	885,545	-
Parent company:				
VERTIX	27,465	9,000	-	34,946
	<u>62,115</u>	<u>9,000</u>	<u>885,545</u>	<u>34,946</u>
Other companies:				
Prisa Brand Solutions, S.L.U.	128,552	-	121,218	-
Prisa Producciones de Video, S.L.	111,935	-	-	-
Santillana Editores, S.A.	100,982	1,301	493	-
SOSECABLE MÚSICA, S.L.	50,442	-	-	-
Factoría	26,622	-	-	-
SOCATER	20,000	-	-	-
CHIP	11,377	-	-	-
Gestión de Marcas Audiovisuales, S.A.	7,200	-	-	-
Promotora General de Revistas, S.A.	-	-	77,820	-
	<u>457,110</u>	<u>1,301</u>	<u>199,531</u>	<u>-</u>
	<u>519,225</u>	<u>10,301</u>	<u>1,085,076</u>	<u>34,946</u>

The more significant balances with related parties at 31 December 2016 refers to:

Promotora de Informaciones, S.A.

- Accounts payable registered in the caption "Other current liabilities" correspond essentially income tax for the year receivable from the companies PLURAL España and Tesela, under the tax consolidation of Prisa in the amount of 282,753 Euros (Note 13).
- The accounts receivables and other accounts payable correspond essentially to the Company's operations and management fees.

VERTIX

- The accounts payable of 3,787,727 Euros correspond essentially to estimated income tax of the Group's subsidiaries included in the tax consolidation for the year ended 31 December 2016 (Note 13).

Prisa Audiovisual, S.L.

- Short and medium and long-term receivables totaling 3,728,109 Euros relate to the sale of a group of associated companies and PLURAL Canarias occurred in 2016 (Note 18).

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

	2015				
	Other non-current assets (Note 20)	Trade and other receivables (Note 22)	Other current assets (Note 23)	Trade and other payables (Note 29)	Other current liabilities (Note 30)
Top parent company:					
Promotora de Informaciones, S.A. (a) (b)	17,527	16,886	469,652	463,419	8,686
Parent company:					
VERTIX (c) (d)	-	133,807	1,319,914	(1,836)	4,113,190
	17,527	150,693	1,789,566	461,583	4,121,876
Associated companies:					
Plural Brasil	-	223,479	198,197	-	-
Factoría	-	6,443	-	-	-
	-	229,922	198,197	-	-
Other companies:					
SOGECABLE MÚSICA, S.L.	-	60,500	-	-	-
Santillana Editores, S.A.	-	10,351	-	-	-
Promotora General de Revistas, S.A.	-	245	-	49,192	-
Prisa Brand Solutions, S.L.U.	-	-	-	31,558	-
	-	71,096	-	80,750	-
	17,527	451,711	1,987,763	542,333	4,121,876

	2015				
	Services rendered	Other operating revenue	Financial income	Supplies and services	Financial costs
Top parent company:					
Promotora de Informaciones, S.A.	12,775	-	23,156	1,225,037	-
Parent company:					
VERTIX	18,310	9,000	-	-	79,472
	31,085	9,000	23,156	1,225,037	79,472
Associated companies:					
Factoría	27,425	-	-	-	-
Plural Brasil	-	-	6,708	-	-
	27,425	-	6,708	-	-
Other companies:					
Compañía Independiente de Televisión, S.L.	276,030	-	-	-	-
DTS - Distribuidora de Televisión Digital, S.A.	266,792	-	-	9,706	-
Santillana Editores, S.A.	100,271	846	-	190	-
SOGECABLE MÚSICA, S.L.	65,948	-	-	-	-
Promotora General de Revistas, S.A.	125	-	-	49,192	-
Diario El País, S.L.	(12,512)	-	-	-	-
Prisa Digital, S.L.	(2,100)	-	-	-	-
Prisa Brand Solutions, S.L.U.	-	-	-	104,823	-
	694,554	846	-	163,911	-
	753,064	9,846	29,864	1,388,948	79,472

The more significant balances with related parties at 31 December 2015 refers to:

Promotora de Informaciones, S.A.

- (a) The medium and long term accounts receivable correspond essentially income tax for the year receivable from the companies PLURAL España and Tesela, under the tax consolidation of Prisa in the amount of 402,754 Euros (Note 13).

In addition, the accounts receivable include 101,186 Euros relating to the Company's operations and 125 Euros relating to interest receivable.

- (b) The accounts payable correspond, essentially, to the Company's operations and management fees.

In addition, this caption includes 8,686 Euros (Note 13) relating to income tax for the year payable by the companies PLURAL España, PLURAL Canarias and Tesela under the tax consolidation of Prisa.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

VERTIX

- (c) The accounts payable of 4,033,718 Euros correspond essentially to estimated income tax of the Group's subsidiaries included in the tax consolidation for the year ended 31 December 2015 and 79,472 Euros relating to interest payable.
- (d) The accounts receivable correspond to estimated income tax of the Group's subsidiaries included in the tax consolidation for the year ended 31 December 2015 in the amount of 1,319,914 Euros and 133,807 Euros relating to balances resulting from ceding credit.

The receipts and payments relating to loans granted to related companies in the year ended 31 December 2015 were as follows:

Receipts relating to:

Repayment of loans granted:

Prisa	3,060,544
Plural Jempsa, S.L.	247,795
Plural Brasil	15,000
	<u>3,323,339</u>

Payments relating to:

Loans granted:

Prisa	29,605
Plural Brasil	28,750
	<u>58,355</u>

In addition, in the years ended 31 December 2016 and 2015 the companies included in the consolidation carried out transactions between themselves at market prices, relating essentially to the following:

- Purchase of television and audiovisual contents;
- Purchase of cinema rights;
- Treasury loans and related interest; and
- Rendering of administrative and accounting services.

33. FINANCIAL COMMITMENTS ASSUMED AND NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

At 31 December 2016 and 2015 the Company had contracts and agreements with third parties to purchase rights, broadcast films and other programs in the amounts of 14,901,396 Euros and 3,919,825 Euros, respectively. The estimated dates in which the films and programs will be available for broadcasting and the related payment are as follows:

31 December 2016:

Nature	2017	2018	2019	2020 and following years	Total
Entertainment	10,500,374	-	-	22,500	10,522,874
Series	1,062,884	-	578,944	-	1,641,828
Sport	980,237	457,325	-	-	1,437,562
Films	-	-	746,694	552,438	1,299,132
Others	-	-	-	-	-
	<u>12,543,495</u>	<u>457,325</u>	<u>1,325,638</u>	<u>574,938</u>	<u>14,901,396</u>

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

31 December 2015:

Nature	2016	2018	2019 and following years	Total
Sport	751,500	-	-	751,500
Films	-	1,011,096	1,480,171	2,491,267
Series	-	484,725	-	484,725
Entertainment	-	-	52,819	52,819
Others	117,014	-	22,500	139,514
	868,514	1,495,821	1,555,490	3,919,825

34. OPERATING LEASES

At 31 December 2016 and 2015 the Company had liabilities not reflected on the statement of financial position totaling 9,312,545 Euros and 10,140,183 Euros, respectively, under operating lease contracts.

The liabilities are as follows:

- (a) Lease contract of the Company's installations ending on 31 December 2019, with a preferential right of renewal.

<u>Amounts recognised as cost:</u>	2016	2015
Minimum operating lease payments - Installations	975,638	973,512

The liabilities assumed under the operating lease contract, not included in the statement of financial position, at 31 December 2016 and 2015 were as follows:

<u>Liabilities assumed:</u>	2016	2015
2016	-	983,247
2017	981,152	993,080
2018	990,964	1,003,010
2019	1,000,874	1,013,040
	2,972,990	3,992,377

- (b) Vehicle lease contract for 4 to 5 years.

<u>Amounts recognised as cost:</u>	2016	2015
Minimum vehicle lease payments	768,482	867,674

The liabilities assumed under these vehicle lease contracts at 31 December 2016 and 2015 were payable as follows:

<u>Liability assumed:</u>	2016	2015
2016	-	760,038
2017	758,003	521,863
2018	541,414	351,720
2019	383,790	193,000
2020	197,048	28,106
2021	83,084	-
	1,963,339	1,854,727

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

(c) Lease contracts for the studio and warehouse installations.

<u>Amounts recognised as cost:</u>	<u>2016</u>	<u>2015</u>
Minimum studio and warehouse lease payments	<u>849,134</u>	<u>746,494</u>

The liabilities assumed under these lease contracts at 31 December 2016 and 2015 are payable as follows:

<u>Liability assumed:</u>	<u>2016</u>	<u>2015</u>
2016	-	752,967
2017	857,625	760,497
2018	866,202	768,102
2019	874,863	775,783
2020	779,194	783,541
2021	447,000	452,189
2022 and following years	551,332	-
	<u>4,376,216</u>	<u>4,293,079</u>

35. RATES USED TO TRANSLATE FOREIGN CURRENCY BALANCES

The following rates of exchange were used to translate foreign currency assets and liabilities to Euros at 31 December 2016 and 2015:

	<u>2016</u>	<u>2015</u>
US dollar	1.0541	1.0887
British pound	0.8562	0.7340

In addition, at 31 December 2016 and 2015 the following exchange rates were used to translate the US Dollar financial statements of Group companies to Euros:

	<u>2016</u>	<u>2015</u>
Exchange rate in force at the statement of financial position date	1.054	1.093
Average exchange rate for the year	1.055	1.094

In addition, there are fixed assets that were translated at the historical rates of 1.2405 and 0.9190.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

36. CONTINGENT LIABILITIES

The Group received additional corporation income tax assessments in the years 2009 to 2016, resulting from tax inspections of the years 2006 to 2013 in the amount of approximately 2,876,000 Euros. In 31 December 2016, given the nature of the processes the Group disagrees with the additional assessments and, based on the opinion of its lawyers, believes that there are solid arguments to contest the position of the tax authorities and so it did not make any provision for them in the consolidated financial statements. Given the nature of the processes, the timing of their resolution depends on the various phases that they will undergo.

Additionally, in addition to the opinions referred to in Note 28, the Group is involved in several lawsuits related essentially to defamation, freedom of the press, civil liability and regulatory actions, which amount to approximately 2,517,000 Euros. Based on the opinions of the Group's lawyers, no liability is assumed as a result of the outcome of these proceedings. Given their nature, the timing of their resolution depends on judicial resolution.

37. GUARANTEES GIVEN TO THIRD PARTIES

At 31 December 2016, the Group had the following bank guarantees and other guarantees given to third parties, were as follows:

Competition prizes	3,025,296
Fiscal and other processes (a)	2,770,838
Legal and other processes (a)	621,727
Financial incentive under Operational Program Competitiveness	
Factors ("Programa Operacional Fatores de Competitividade")	59,460
Contracts to provide services and equipment acquisition	32,000

(a) The responsibility associated to this process are provisioned in accordance of the graduation of risk based on the opinions of the Group's lawyers and consultants.

38. REMUNERATION OF THE KEY MEMBERS OF THE COMPANY

Remuneration of the key members of the Company and its subsidiaries in the year ended 31 December 2016 amounted to 2,969,501 Euros.

Remuneration for the year ended 31 December 2016 is divided between fixed remuneration of 1,433,425 Euros and variable remuneration of 1,536,076 Euros.

Remuneration of the above mentioned key members is determined by the Company's Remuneration Commission considering the parameters relating to individual performance.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

39. FINANCIAL INSTRUMENTS

At 31 December 2016 and 2015 the main assets and liabilities financial instruments, recorded at amortized cost, were as follows:

	<u>2016</u>	<u>2015</u>
<u>Financial assets:</u>		
Available-for-sale financial assets	4,988	4,988
Trade and other receivables	43,306,539	45,175,588
Cash and cash equivalents (Note 24)	<u>1,234,906</u>	<u>5,545,356</u>
	<u>44,546,433</u>	<u>50,725,932</u>
<u>Financial liabilities:</u>		
Borrowings (Note 27)	99,328,796	117,768,386
Trade and other payables	<u>65,768,949</u>	<u>62,520,878</u>
	<u>165,097,745</u>	<u>180,289,264</u>

At 31 December 2016 the Group only had financial assets and liabilities measured at amortized cost which, as shown above, correspond to available-for-sale financial assets, receivables, cash and cash equivalents, borrowings and payables.

As regards available-for-sale financial assets, current accounts receivable and accounts payable and cash and cash equivalents, the Group considers, in view of the specific characteristics of these financial instruments, that the fair value does not differ significantly from its book value, therefore it is not necessary, under the terms of IFRS 13, to present its fair value by measurement levels.

As regards borrowings, the Group believes that their fair value depends significantly on the level of risk attributed by the financial entities and the conditions that Grupo Media Capital will be able to obtain on the date of the statement of financial position, if it went to the market to contract borrowings of the same amount and terms as those existing at 31 December 2016. However, borrowings were renegotiated during the years 2016 and 2015, so their conditions were adjusted considering the current conditions of the financial markets and the level of risk attributed by the banks to the Group, and so the Group's Board of Directors believes that the book value of the loans does not differ significantly from their fair value, therefore it is not necessary, under the terms of IFRS 13, to present its fair value by measurement levels.

Grupo Media Capital in its business is exposed to a series of financial risks which could affect its value, which, by nature, are as follows:

- Market risk, based essentially on interest rate risk and exchange rate risk;
- Credit risk; and
- Liquidity risk.

Therefore, management is focussed on two fundamental principles:

- Whenever possible decrease profit and cash flow fluctuations subject to risk;
- Limit variations in relation to projected results, through careful financial planning, based on multiannual budgets.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

(a) Market risk

Market risk relates to changes in interest rates and exchange rates.

(i) Interest rate

In order to monitor this risk the Group regularly controls the financial autonomy and Net Debt/EBITA ratios, as well as other measures that attest the balance of its indebtedness structure.

Interest rate risk relates essentially to interest cost resulting from bonds issued and the commercial paper program at variable interest rates.

At 31 December 2016 the full amount of the loan contracted was exposed to changes in the market interest rate.

If the market interest rates were 0.5% higher or lower during the years ended 31 December 2016 and 2015 net profit for these years would have increased or decreased by approximately 533,000 Euros and 587,000 Euros, respectively.

(ii) Exchange rate

Exchange rate risk relates essentially to exposure to the investment in Plural Entertainment Inc. (participated in by PLURAL España, with head office in Miami) as well as to debts in currencies other than the Euro, the Group's functional currency.

The exposure in Plural Entertainment Inc. at 31 December 2016 relates to net assets of the subsidiary totalling 362,337 USD (343,741 Euros).

In addition, exchange rate risk at 31 December 2016 relates to:

- Television program broadcasting rights contracts entered into with several foreign producers;
- Cinema and video program broadcasting rights contracts with independent producers.

The exchange rate risk relating to these contracts is small considering their short payment terms.

If the exchange rates had been 0.5% higher or lower in the years ended 31 December 2016 and 2015, net profit for these years would have increased or decreased by approximately 1,600 Euros and 1,500 Euros, respectively. In addition, the negative effect of the translation of the operations realized abroad recorded in equity would be approximately 133,232 Euros for 2016 (332,865 Euros for 2015).

The foreign currency balances of the Company is stated in Euros, translated at the exchange rates in force at 31 December 2016 and 2015, are as follows:

Balances due	2016	2015
US dollar (USD)	270,204	1,038,458
British pound (GBP)	2,661	-
	272,865	1,038,458

As of 31 December 2016 and 2015, there are contracts, denominated in foreign currency, for the sale of transmission rights and formats, in the amounts of 733,178 Euros and 918,032 Euros, respectively.

Additionally, on 31 December 2015, there were contracts and agreements, denominated in foreign currency, to purchase rights, display films and other programs in the amounts of 69,194 Euros.

If the rates of exchange at 31 December 2016 and 2015 were 0.5% higher or lower the amount of the commitments would have increased or decreased by approximately 1,300 Euros and 5,100 Euros, respectively.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

The Company is also subject to exchange rate risk on future transmission rights contracts to be entered into, for which hedging instruments have not been contracted.

(b) Credit risk

Credit risk relates essentially to accounts receivable resulting from the Group's operations (Notes 22 and 23), which the Group endeavours to reduce through its policy of financial discounts for early payment or payment on demand. This risk is monitored on a regular basis for each of the Group's businesses with the objective of:

- limiting credit granted to customers considering their profiles and age of the receivable;
- monitoring evolution of the credit level granted;
- analysing the recoverability of amounts receivable on a regular basis.

Accounts receivable impairment losses are calculated considering:

- an analysis of the age of accounts receivable;
- the client's risk profile;
- the client's financial condition.

Changes in impairment loss on accounts receivable are shown in Note 28.

The Board of Directors believes that the estimated impairment losses at 31 December 2016 are adequately reflected in the consolidated financial statements. The Company believes that there is no need to increase the adjustments to accounts receivable more than the amounts shown in Note 28. In addition, the financial discount allowed for early payment or payment on demand is used as a measure to reduce the credit risk of the Group's several businesses.

At 31 December 2016 and 2015, accounts receivable include overdue balances as detailed below, for which no impairment loss was recognized as the Board of Directors considers the balances are realizable:

Overdue balances	2016	2015
Up to 90 days	7,647,349	9,345,804
From 90 to 180 days	974,570	486,803
More than 180 days	1,044,570	60,458
	9,666,489	9,893,065

Balances overdue more than 180 days result from the Group's expansion into other markets with longer average repayment terms.

(c) Liquidity risk

Liquidity risk can occur if the funding sources, such as operating cash flow, divestment, credit lines and cash flows obtained from financing operations do not meet the financing needs, such as cash payments for operations and financing, investments, shareholder remuneration and repayment of debt.

In order to mitigate this risk, the Group looks for maintaining a liquid position and average debt maturities that enable it to repay debt on adequate terms. At 31 December 2016 and 2015 the amount of cash and cash equivalents and the unused amount credit lines contracted totaled 41,427,233 Euros and 29,596,678 Euros, respectively.

The Company believes that these amounts, together with the operating cash flow and the Company's ability to renew the credit lines available, namely commercial paper and overdraft facilities, are sufficient to cover its short term financial liabilities.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 41)

Financial liabilities at 31 December 2016 and 2015 mature as follows:

<u>Financial liabilities</u>	2016			Total
	Up to 1 year	1 to 2 years	+ 2 years	
<u>Remunerated:</u>				
Borrowings	21,738,434	25,152,604	52,437,758	99,328,796
<u>Not remunerated:</u>				
Current tax liability	9,212	-	-	9,212
Other current liabilities	25,486,652	-	-	25,486,652
Trade and other payables	40,273,085	-	-	40,273,085
	<u>87,507,383</u>	<u>25,152,604</u>	<u>52,437,758</u>	<u>165,097,745</u>
<u>Financial liabilities</u>	2015			Total
	Up to 1 year	1 to 2 years	+ 2 years	
<u>Remunerated:</u>				
Borrowings	5,571,858	18,158,243	94,038,285	117,768,386
<u>Not remunerated:</u>				
Current tax liability	29,701	-	-	29,701
Other current liabilities	23,745,071	-	-	23,745,071
Trade and other payables	38,746,106	-	-	38,746,106
	<u>68,092,736</u>	<u>18,158,243</u>	<u>94,038,285</u>	<u>180,289,264</u>

40. THE STATUTORY AUDITOR'S FEES

The total fees for the year ended 31 December 2016 and 2015 by the Statutory Auditor amounted to 340,367 Euros (426,710 Euros in 2015), made up as follows:

<u>Nature of the services</u>	2016	2015
Legal audit of the accounts (a)	277,710	283,210
Audit of the internal control (a)	17,500	17,500
Tax consultancy (b)	15,490	100,000
Review of financial ratios of annual accounts	3,000	-
Other services	26,667	26,000
	<u>340,367</u>	<u>426,710</u>

(a) These items include amounts of 15,710 Euros and 17,500 Euros, respectively, relating to other entities of the Statutory Auditor's Network, in connection with auditing of the Group companies based in Spain and auditing of internal control.

(b) The amount of this item in 2016 relates exclusively to the continuation of services awarded and started in 2015.

41. NOTE ADDED FOR TRANSLATION

The accompanying consolidated financial statements are a translation of consolidated financial statements originally issued in Portuguese, in accordance with IFRS. In the event of discrepancies, the Portuguese language version prevails.

THE ACCOUNTANTTHE BOARD OF DIRECTORS

GRUPO MEDIA CAPITAL, SGPS, S.A.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts stated in Euros)

(Translation of statements of comprehensive income
originally issued in Portuguese - Note 26)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<u>OPERATING REVENUE:</u>			
Services rendered	4 and 20	5,365,991	5,617,139
Other operating revenue	4 and 20	280,664	275,599
Total operating revenue		<u>5,646,655</u>	<u>5,892,738</u>
<u>OPERATING COSTS:</u>			
Supplies and services	5	(3,098,292)	(3,500,847)
Personnel costs	6	(2,675,903)	(2,340,959)
Amortization and depreciation	10	(25,637)	(45,344)
Other operating expenses		<u>(34,067)</u>	<u>(50,034)</u>
Total operating cost		<u>(5,833,899)</u>	<u>(5,937,184)</u>
Operating loss		<u>(187,244)</u>	<u>(44,446)</u>
<u>NET FINANCIAL ITEMS:</u>			
Financial expense, net	7	(3,246,176)	(3,457,323)
Financial income	7	<u>3,284,042</u>	<u>3,478,523</u>
		37,866	21,200
Gain on subsidiaries	11	<u>16,398,895</u>	<u>15,418,240</u>
		<u>16,436,761</u>	<u>15,439,440</u>
Profit before tax		<u>16,249,517</u>	<u>15,394,994</u>
Income tax	8	<u>269,074</u>	<u>75,025</u>
Net profit for the year		<u>16,518,591</u>	<u>15,470,019</u>
Comprehensive income for the year		<u>16,518,591</u>	<u>15,470,019</u>

The accompanying notes form an integral part of the statement of comprehensive income
for the year ended 31 December 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

GRUPO MEDIA CAPITAL, SGPS, S.A.

STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2016 AND 2015

(Amounts stated in Euros)

(Translation of statements of financial position originally issued in Portuguese - Note 26)

<u>ASSETS</u>	<u>Notes</u>	<u>2016</u>	<u>2015</u>
NON-CURRENT ASSETS:			
Intangible assets	9	53,809	17,889
Tangible fixed assets	10	20,670	32,096
Investments in subsidiaries	11	174,413,138	174,413,138
		<u>174,487,617</u>	<u>174,463,123</u>
CURRENT ASSETS:			
Trade and other receivables	12	654,850	624,961
Current deferred tax asset	8	34,694	-
Other current assets	13	79,671,216	78,816,795
Cash and cash equivalents	14	14,788	37,085
		<u>80,375,548</u>	<u>79,478,841</u>
TOTAL ASSETS		<u><u>254,863,165</u></u>	<u><u>253,941,964</u></u>
<u>EQUITY AND LIABILITIES</u>			
EQUITY:			
Capital	15	89,583,971	89,583,971
Reserves	15	46,867,704	47,455,189
Retained earnings	15	23,535,520	23,535,520
Net profit for the year		16,518,591	15,470,019
Total equity		<u>176,505,786</u>	<u>176,044,699</u>
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Borrowings	16	59,815,698	74,608,240
CURRENT LIABILITIES:			
Borrowings	16	16,149,498	1,205,206
Trade and other payables	17	588,792	1,135,270
Other current liabilities	18	1,803,391	948,549
		<u>18,541,681</u>	<u>3,289,025</u>
Total liabilities		<u>78,357,379</u>	<u>77,897,265</u>
TOTAL EQUITY AND LIABILITIES		<u><u>254,863,165</u></u>	<u><u>253,941,964</u></u>

The accompanying notes form an integral part of the statement of financial position as of 31 December 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

GRUPO MEDIA CAPITAL, SGPS, S.A.

CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in Euros)

(Translation of cash flow statements originally issued in Portuguese - Note 26)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<u>OPERATING ACTIVITIES:</u>			
Cash receipts from customers		7,997,781	7,663,216
Cash paid to suppliers		(4,681,665)	(8,111,741)
Cash paid to employees		<u>(2,189,014)</u>	<u>(2,499,157)</u>
Flows (used in)/generated by operations		1,127,102	(2,947,682)
(Payments)/receipts relating to income tax		57,074	(27,429)
Other receipts from operating activities		<u>(743,200)</u>	<u>(1,097,630)</u>
Net cash (used in)/from operating activities (1)		<u><u>440,976</u></u>	<u><u>(4,072,741)</u></u>
<u>INVESTING ACTIVITIES:</u>			
Cash received relating to:			
Interest and similar income		3,477,622	1,865,466
Dividends	11	16,398,895	15,418,240
Sale of tangible fixed assets		5	-
Repayment of loans to participated companies	20	<u>19,217,230</u>	<u>25,118,000</u>
		<u><u>39,093,752</u></u>	<u><u>42,401,706</u></u>
Cash paid relating to:			
Loans to participated companies	20	(20,334,650)	(19,209,000)
Acquisition of tangible fixed assets		(6,112)	(37,289)
Acquisition of intangible assets		<u>(30,599)</u>	<u>-</u>
		<u><u>(20,371,361)</u></u>	<u><u>(19,246,289)</u></u>
Net cash from/(used in) investing activities (2)		<u><u>18,722,391</u></u>	<u><u>23,155,417</u></u>
<u>FINANCING ACTIVITIES:</u>			
Cash received relating to:			
Borrowings from the parent company	20	4,979,650	4,901,000
Interest and similar income		-	901
		<u><u>4,979,650</u></u>	<u><u>4,901,901</u></u>
Cash paid relating to:			
Repayment of loans obtained from the parent company	20	(4,979,650)	(4,901,000)
Dividends paid	15	(16,057,504)	(15,820,867)
Interest and similar costs		<u>(3,128,160)</u>	<u>(3,255,938)</u>
		<u><u>(24,165,314)</u></u>	<u><u>(23,977,805)</u></u>
Net cash (used in)/from used in financing activities (3)		<u><u>(19,185,664)</u></u>	<u><u>(19,075,904)</u></u>
Net increase/(decrease) in cash and cash equivalents (4) = (1) + (2) + (3)		(22,297)	6,772
Cash and cash equivalents at the beginning of the year	14	37,085	30,313
Cash and cash equivalents at the end of the year	14	14,788	37,085

The accompanying notes form an integral part of the cash flow statement
for the year ended 31 December 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

GRUPO MEDIA CAPITAL, SGPS, S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in Euros)

(Translation of statements of changes in equity originally issued in Portuguese - Note 26)

	<u>Capital (Note 15)</u>	<u>Reserves (Note 15)</u>	<u>Retained earnings (Note 15)</u>	<u>Net profit for the year</u>	<u>Total equity</u>
Balance at 31 December 2014	89,583,971	50,348,121	23,535,520	12,927,935	176,395,547
Appropriation of net profit for the year:					
Transfer to reserves (Note 15)	-	646,397	-	(646,397)	-
Distribution of dividends (Note 15)	-	(3,539,329)	-	(12,281,538)	(15,820,867)
Net profit for the year	-	-	-	15,470,019	15,470,019
Balance at 31 December 2015	<u>89,583,971</u>	<u>47,455,189</u>	<u>23,535,520</u>	<u>15,470,019</u>	<u>176,044,699</u>
Appropriation of net profit for the year:					
Transfer to reserves (Note 15)	-	773,501	-	(773,501)	-
Distribution of free reserves (Note 15)	-	(1,360,986)	-	-	(1,360,986)
Distribution of dividends (Note 15)	-	-	-	(14,696,518)	(14,696,518)
Net profit for the year	-	-	-	16,518,591	16,518,591
Balance at 31 December 2016	<u><u>89,583,971</u></u>	<u><u>46,867,704</u></u>	<u><u>23,535,520</u></u>	<u><u>16,518,591</u></u>	<u><u>176,505,786</u></u>

The accompanying notes form an integral part of the statement of changes in equity for the year ended 31 December 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

1. INTRODUCTORY NOTE

Grupo Media Capital, SGPS, S.A. (“the Company”) was founded in 1992, its principal activity being to manage participations in other companies as an indirect form of exercising economic activity. The Company’s head office is in Portugal in Rua Mário Castelhana, nº 40, Barcarena, it is registered in Commercial Registry Office of Cascais under corporate entity number 502 816 481 and, through its subsidiary and associated companies (“the Group” or “Grupo Media Capital”), it operates in the sectors of broadcasting and production of television programs and other media business, the realisation, production and broadcasting of radio programs and the production and exploitation of the cinema and video sectors.

The Company’s main shareholder is Vertix, SGPS, S.A. (“VERTIX”), which has its head office in Barcarena, the financial statements of the Group being included in the consolidated financial statements of Promotora de Informaciones, S.A. (“Prisa”), the parent company of VERTIX, the shares of which are listed in Spain.

The accompanying financial statements were approved by the Board of Directors on 22 February 2017 and will be subject to approval by the Shareholders’ General Meeting on a date to be convened.

The Company’s shares are listed on the Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A. stock exchange.

These non-consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), as endorsed by the European Union, with the interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”), for approval and publication under the terms of current legislation. As required under IFRS, investments are recorded at cost. Consequently, the accompanying financial statements do not include the effect of the consolidation of assets, liabilities, revenue and costs, which will be done in consolidated financial statements to be approved and published separately. The effect of such a consolidation is to increase assets, liabilities, operating revenue and net profit by 60,215,876 Euros, 97,777,452 Euros, 168,380,048 Euros and 2,582,271 Euros, respectively and decrease equity by 37,561,576 Euros.

2. MAIN ACCOUNTING POLICIES

2.1 Bases of presentation

The financial statements were prepared on a going concern basis, under which assets must be realized and liabilities settled in the normal course of business, based on the Company’s accounting records.

The Board of Directors evaluated the Company’s ability to operate on a continuous basis, based on all relevant information, facts and circumstances, of a financial, commercial and other nature, including events subsequent to the reference date of the financial statements, available on the future. As a result of the evaluation carried out (Note 22), the Board of Directors concluded that the Company has adequate resources to maintain its activities, with no intention to terminate them in the short term, and considered it appropriate to use the assumption of continuity of operations in Preparation of the financial statements.

2.2 Intangible assets

Intangible assets are recorded at cost less accumulated amortization and any impairment losses. Intangible assets are only recognized when it is probable that they will bring future financial benefits, they are controllable and their value can be reasonably determined.

Amortization of intangible assets with defined useful lives, which correspond to computer programs, is calculated on a straight-line basis as from when they are available for use, over the estimated period of useful life in which the intangible assets generate future financial benefits, which is three years.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

2.3 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and, where applicable, impairment losses. Cost includes the purchase price plus any costs necessary to place the asset in the location and in condition necessary to work.

Tangible fixed assets are depreciated as from the time the assets are available for use. The cost of such assets, less their residual value, where this can be estimated, is depreciated on a straight-line basis over their estimated useful lives.

The depreciation rates used correspond to the following average periods of useful life:

	<u>Years</u>
Buildings and other constructions	10
Administrative equipment	4
Other tangible fixed assets	3 – 10

2.4 Classification in the statement of financial position

Assets realisable and liabilities which the Company does not have the unconditional right to defer payment for more than twelve months from the date of the statement of financial position, that are expected to be realised in the normal course of operations, or held with the intention of being traded, are classified as current assets and liabilities, respectively. All other assets and liabilities are classified as non-current.

2.5 Investments in subsidiaries

Equity investments in subsidiaries are recorded at cost less, where applicable, impairment losses.

Dividends received from subsidiaries are recorded as financial income when they are attributed.

2.6 Financial instruments

2.6.1 Trade and other receivables and other current assets

Trade and other receivables and other current assets are recognized at amortized cost, using the effective interest rate, or at its nominal value, which is understood to correspond to the amortized cost, to the extent that it is expected to be received in the short term and that it does not materially differ from its fair value at the date of the engagement, less any impairment losses. Impairment losses are recognized when there is objective evidence that all the amounts due will not be collected in accordance with the terms originally established to settle the receivables. The amount of the loss corresponds to the difference between the amount recorded and the estimated amount recoverable. The loss is recognized in the statement of profit and loss for the period.

2.6.2 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits and other treasury applications that are readily convertible to cash with an insignificant risk of change in value.

2.6.3 Trade and other payables and other current liabilities

Accounts payable are recognised at amortized cost calculated in accordance with the effective interest rate method.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

2.6.4 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. In subsequent periods borrowings are recorded at amortized cost, any difference between the amount received (net of transaction costs) and the amount payable is recognized in the statement of profit and loss over the period of the borrowings, using the effective interest rate method.

Borrowings are classified as current liabilities unless there is an unconditional right to defer payment of the liability for more than twelve months as from the date of the statement of financial position.

2.7 Impairment of non-current assets

Impairment tests are made at each statement of financial position date and whenever an event or change in circumstances is noted that indicates that the book value of an asset is not recoverable.

Whenever the book value of an asset exceeds its recoverable value an impairment loss is recognised as an operating cost for the year in the statement of profit and loss.

The amount recoverable is the higher of the net selling price and value in use. The net selling price is the amount that would be obtained from selling the asset in a transaction between independent knowledgeable parties, less costs directly attributable to the sale. Value in use is the present value of the estimated future cash flows resulting from continued use of the asset and its sale at the end of its useful life. The recoverable amount is estimated for each asset individually or, where this is not possible, for the cash generating unit to which the asset belongs.

2.8 Income tax

Income tax for the year consists of current tax and deferred tax.

The Company is covered by the special regime for the Taxation of Groups of Companies, which covers all the companies in which VERTIX, the Company's parent company has a direct or indirect participation of at least 75% and have the necessary conditions to be included in this regime. Such conditions include being resident in Portugal and being subject to the general corporation income tax regime, as well as the existence or not of tax losses carried forward from periods prior to inclusion in the regime.

Deferred taxes are calculated based on temporary differences between the amount of assets and liabilities for accounting and for tax purposes and tax losses carried forward. Deferred tax assets and liabilities are calculated and assessed periodically at the tax rates in force or announced to be in force on the dates the timing differences are expected to reverse.

Deferred tax assets are only recognised when there is a high degree of probability that there will be sufficient future taxable profits to use them or in situations in which there are taxable timing differences that offset deductible timing differences in the period they reverse. At each statement of financial position date a review is made of such deferred taxes, these being reduced whenever their future use is no longer probable.

Deferred taxes are recorded as cost or income for the year, except when they result from amounts recorded directly in equity, in which case the deferred taxes are also recognised in equity.

2.9 Revenue and accruals basis

Revenue from services rendered corresponds essentially to management services and is recognized in the statement of profit and loss when the services are rendered.

Costs and revenue are recognised in the period to which they relate, regardless of the date they are paid or received. The amount of costs and revenue is estimated where the actual amount is unknown.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

2.10 Subsequent events

Events occurring after the statement of financial position date that provide additional information on conditions that existed on that date, are reflected in the financial statements. Events occurring after the statement of financial position date that provide additional information on the conditions that existed after that date, if material and result in a material effect on the financial statements, are disclosed in the notes to the financial statements.

2.11 Share-base Compensation

Benefits granted to employees under share allocation incentive plans are recognized in accordance with the provisions of IFRS 2 - Share-based payments.

The benefits to be settled based on shares are measured at fair value at the date of attribution and the respective expense is recognized during the year in which the right is acquired by the beneficiaries taking into account the probability of being acquired.

In this way, the benefits attributed by Prisa, based on Prisa shares, are recognized as expenses during the year in which the services are rendered and their counterpart is recognized in liabilities.

Since 2007, the Company has not individually maintained plans to allocate shares or stock options, or based on stock price variations, to members of the management and supervisory bodies and other officers. In addition, the Company does not have a system of retirement benefits for members of the management, supervisory and other management bodies, so that no resolution was submitted to the General Meeting.

The shareholder Prisa has a plan for the attribution of shares of the company "Promotora de Informaciones, SA (Prisa)" - Incentivo a Largo Plazo - which has as beneficiaries, among others, Media Capital's Managing Director, which is exclusively based Shares of Prisa, a company listed in Spain and whose terms are included in the financial information disclosed by Prisa.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

3. CHANGES IN ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND CORRECTIONS OF FUNDAMENTAL ERRORS

Except for the effect of the adoption of the new standards and interpretations or of the changes that came into effect in years starting on 1 January 2016, there were no changes in accounting policies in relation to those used to prepare the financial information for 2015, in accordance with the requirements of IFRS, and no significant prior year errors were recognized.

The following standards, interpretations, amendments and revisions endorsed by the European Union are of mandatory application for the first time in the year ended 31 December 2016:

Standard / Interpretation	Applicable in the European Union in the years starting on or after	
Amendment to IAS 19 - Employee Benefits - Employee contributions	1-Feb-15	Clarifies under what circumstances employee contributions to post-employment benefit plans constitute a reduction in cost with short-term benefits.
Improvements to international financial reporting standards (2010-2012 cycle)	1-Feb-15	These improvements involve the clarification of some aspects related to: IFRS 2 - Share-based Payment: definition of vesting condition; IFRS - 3 Business Combinations: accounting for contingent payments; IFRS 8 - Operating segments: disclosures related to the judgment applied in relation to segment aggregation and clarification on the need to reconcile total assets by segment with the value of assets in the financial statements; IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible assets: need for proportional revaluation of accumulated amortization in the case of revaluation of fixed assets; and IAS 24 - Related Party Disclosures: defines that an entity providing management services to the Company or its parent is considered a related party; And IFRS 13 - Fair Value Measurement: clarifications regarding the measurement of short-term accounts receivable or payable.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

Improvements to international financial reporting standards (2012-2014 cycle)	1-Jan-16	These improvements involve the clarification of certain aspects related to: IFRS 5 — Non-current Assets Held for Sale and Discontinued Operations: introduces guidelines on how to proceed in case of changes in the expected realization method (sale or distribution to shareholders); IFRS 7 - Financial Instruments: Disclosures: clarifies the impacts of asset tracking contracts in the scope of disclosures associated with the continued involvement of derecognized assets, and exempts the interim financial statements from the required disclosures regarding the offsetting of financial assets and liabilities; IAS 19 - Employee benefits: defines that the rate to be used for defined benefit discount purposes shall be determined by reference to the high quality corporate bonds that have been issued in the currency in which the benefits will be liquidated; and IAS 34 - Interim Financial Reporting: clarification on the procedures to be adopted when the information is available in other documents issued together with the interim financial statements.
Amendment to IFRS 11 - Joint Arrangements – Recording of acquisitions of interests in joint arrangements	1-Jan-16	This amendment relates to the acquisition of interests in joint operations. It establishes the mandatory application of IFRS 3 when the joint operation acquired constitutes a business activity in accordance with IFRS 3. When the joint transaction in question is not a business activity, the transaction should be recorded as an asset acquisition. This amendment has prospective application for new acquisitions of interests.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

Amendment to IAS 1 – Presentation of Financial Statements - “Disclosure initiative”	1-Jan-16	<p>This amendment clarifies some aspects relating to disclosure initiatives, namely: (i) the entity must not make it difficult to understand the financial statements by the aggregation of significant items with insignificant items or the aggregation of significant items of different nature; (ii) the disclosures specifically required by the IFRS need only to be provided if the information in question is significant; (iii) the lines in the financial statements specified by IAS 1 can be aggregated or segregated in accordance with what is significant in relation to the objectives of the financial statement; (iv) the part of other recognized income resulting from the application of the equity method in associates and joint agreements must be presented separately from the remaining elements of other recognized income, also segregating the items that can be reclassified to the statement of profit and loss from those that will not be reclassified; (v) the structure of the notes must be flexible, and should follow the following order:</p> <ul style="list-style-type: none"> • a declaration of compliance with the IFRS’s in the first section of the notes; • a description of the significant accounting policies in the second section; • supporting information for the items on the financial statements in the third section; and • other information in the fourth section.
Amendment to IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets – Acceptable depreciation and amortization methods	1-Jan-16	<p>This amendment establishes the presumption (that can be refuted) that income is not an appropriate basis for amortizing an intangible asset and forbids the use of income as a basis for depreciating tangible fixed assets. The presumption established for amortizing intangible assets can only be refuted when the intangible asset is expressed based on the income generated or when utilization of the financial benefits is significantly related to the income generated.</p>
Amendment to IAS 16 – Tangible fixed assets and IAS 41 – Agriculture – Production plants	1-Jan-16	<p>This amendment excludes plants that produce fruits or other components used for harvesting and/or removal under the application of IAS 41, becoming covered by IAS 16.</p>
Amendment to IAS 27 – Application of the equity method on separate financial statements	1-Jan-16	<p>This amendment introduces the possibility of measuring interests in subsidiaries, joint agreements and associates in separate financial statements in accordance with the equity method, in addition to the measurement methods presently existing. This change applies retrospectively.</p>
Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosures of interests on Other Entities and IAS 28 – Investments in Associates and Jointly Controlled Entities	1-Jan-16	<p>These amendments clarify several aspects relating to the application of the consolidation exception by investment entities.</p>

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

No significant effects were recorded in the Company's financial statements for the year ended 31 December 2016, resulting from the adoption of the standards, interpretations and amendments referred to above.

In preparing the financial statements, the Board of Directors was based on the knowledge and experience of past and/or current events and assumptions relating to future events to determine the accounting estimates.

The most significant accounting estimates, reflected in the financial statements for the year ended 31 December 2016, refer to impairment analyses of financial investments and other current assets.

These estimates were determined based on the best information available at the date of preparation of the consolidated financial statements. However, events may occur in subsequent periods that, due to their timing, were not considered in these estimates. Significant changes to these estimates that occur after the date of the financial statements are recorded in profit or loss prospectively in accordance with IAS 8.

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

Standard / Interpretation	Applicable in the European Union in the years starting on or after	
IFRS 9 – Financial Instruments (2009) and subsequent amendments	1-Jan-18	This standard is part of the revision of IAS 39 and establishes the new requirements for the classification and measurement of financial assets and liabilities to the methodology for the calculation of impairment and for the application of hedge accounting rules.
IFRS 15 – Revenue from Contracts with customers	1-Jan-18	This standard introduces a structure for recognizing revenue based on principles and a model to be applied to all contracts entered into with clients, substituting IAS 18 – Revenue, IAS 11 – Construction contracts; IFRIC 13 – Fidelity programs; IFRIC 15 – Agreements to construct real estate; IFRIC 18 – Transfer of assets from customers and SIC 31 – Revenue – Direct exchange contracts involving services and publicity.

At this date, the Board of Directors does not consider significant impacts of the adoption of these standards in relation to the criteria and policies currently applied by the Company.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

In addition, the following standards, amendments and revisions applicable to future years have not been endorsed by the European Union up to the date of approval of these financial statements:

Standard / Interpretation	
IFRS 14 – Regulated assets	This standard establishes the financial statement requirements of entities that adopt for the first time IFRS standards applicable to regulated assets.
IFRS 16 - Leases	This standard introduces the principles of recognition and measurement of leases, replacing IAS 17 - Leases. The standard defines a single accounting model for lease contracts that results in the lessee's recognition of assets and liabilities for all lease contracts, except for leases with a period of less than 12 months or for leases that relate to assets of value reduced. Lessors will continue to classify operating or financial leases, and IFRS 16 will not entail substantial changes to such entities as defined in IAS 17.
Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Jointly Controlled Entities	These amendments eliminate the conflict existing between these standards, relating to the sale or the contribution of assets between the investor and the associate or between the investor and the jointly arrangement.
Amendments to IAS 12 - Income Tax	These amendments clarify the conditions for recognition and measurement of tax assets resulting from unrealized losses.
Amendments to IAS 7 - Statement of cash flows	These amendments introduce additional disclosures related to the cash flows from financing activities.
Amendments to IFRS 15 - Revenue from Contracts with Customers	These amendments introduce a number of clarifications in the standard in order to eliminate the possibility of divergent interpretations of various topics.
Amendments to IFRS 2 - Share-based Payment	These amendments introduce various clarifications in the standard related to: (i) recording cash-settled share-based payment transactions; (ii) recording changes in share-based payment transactions (from cash settled to settled with equity instruments); (iii) the classification of transactions with cleared securities.
Amendments to IFRS 4 - Insurance Contracts	These amendments provide guidance on the application of IFRS 4 together with IFRS 9.
Amendments to IAS - 40 Investment Property	These amendments clarify that the change in classification of or for investment property should only be made when there is evidence of a change in the use of the asset.
Improvements to international financial reporting standards (2014-2016 cycle)	These improvements involve the clarification of some aspects related to: IFRS 1 - First-time adoption of international financial reporting standards: eliminates some short-term exemptions; IFRS 12 - Disclosure of interests in other entities: clarifies the scope of the standard for its application to interests classified as held for sale or held for distribution under IFRS 5; IAS 28 - Investments in associates and joint ventures: introduces clarifications on the fair value measurement by results of investments in associates or joint ventures held by venture capital companies or by investment funds.
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	This interpretation establishes the date of the initial recognition of the advance or deferred income as the date of the transaction for the purpose of determining the exchange rate of the recognition of the revenue.

These standards have not yet been endorsed by the European Union and so have not been applied by the Company in the year ended 31 December 2016.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

4. OPERATING REVENUE

Operating revenue for 2016 and 2015 consists essentially of management services rendered to Group companies (Note 20).

5. SUPPLIES AND SERVICES

Supplies and services for the years ended 31 December 2016 and 2015 are made up as follows:

	<u>2016</u>	<u>2015</u>
Specialized services rendered by related parties (Note 20)	2,160,992	2,439,663
Specialized services	570,374	559,593
Rent and lease	175,011	171,336
Travel and lodging	44,872	71,377
Representation expenses	10,895	25,735
Insurance	8,505	49,342
Others	<u>127,643</u>	<u>183,801</u>
	<u><u>3,098,292</u></u>	<u><u>3,500,847</u></u>

6. PERSONNEL COSTS

Personnel costs for the years ended 31 December 2016 and 2015 are made up as follows:

	<u>2016</u>	<u>2015</u>
Remuneration	1,711,676	1,807,228
Charges on remuneration	302,284	300,970
Performance bonus	520,042	94,089
Labour accident insurance and related costs	13,174	27,041
Other	<u>128,727</u>	<u>111,631</u>
	<u><u>2,675,903</u></u>	<u><u>2,340,959</u></u>

The average number of employees of the Company in the years ended 31 December 2016 and 2015 was 23 and 24, respectively.

As of 31 December 2016, Prisa had an approved employee benefits plan based on shares of Prisa ("Program"). The employees' eligibility for said plan is determined by its shareholder.

The amount of the incentive to be settled in 2017, and supported by Group, is determined by the fulfilment of the targets set for 2016.

In order to be entitled to receive such incentive, participants must have remained in the Prisa Group until 31 December 2016, and must have achieved the stated targets.

The attribution of the corresponding shares to the amount stated above will be made directly by Prisa for the participants of the Program. The total charges of the Program are supported by Group

During the year ended 31 December 2016, the cost recognized with the described program amounted to 49,834 Euros. As of 31 December 2016, the Group has recorded in the caption "Other current liabilities" or 364,001 Euros to cover expenses to be incurred with the attributed benefits.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

7. NET FINANCIAL ITEMS

Net financial items for the years ended 31 December 2016 and 2015 are made up as follows:

	<u>2016</u>	<u>2015</u>
<u>Financial cost:</u>		
Interest cost (a)	<u>3,246,176</u>	<u>3,457,323</u>
<u>Financial income:</u>		
Interest obtained from related parties (Note 20)	3,284,042	3,477,622
Other	-	901
	<u>3,284,042</u>	<u>3,478,523</u>
	<u>37,866</u>	<u>21,200</u>

(a) Interest relating to related entities for the years ended 31 December 2016 and 2015 amounted to 34.946 Euros and 79.472 Euros, respectively (Note 20).

Interest incurred in 2016 and 2015 relates to bonds issued on 14 July 2014 (Note 16).

8. DIFFERENCE BETWEEN ACCOUNTING AND TAX RESULTS

The Company is subject to corporation income tax at the normal rate of 21% in accordance with article 87 of the Corporation Income Tax Code, which can be increased by a Municipal Surcharge of up to a maximum of 1.5% of taxable income, resulting in a total maximum rate of 22.5%. In addition, taxable profit for 2015 exceeding 1,500,000 Euros is subject to a State Surcharge in accordance with article 87-A of the Corporation Income Tax Code at the following rates:

- 3% for taxable profit from 1,500,000 Euros to 7,500,000 Euros;
- 5% for taxable profit from 7,500,000 Euros to 35,000,000 Euros;
- 7% for taxable profit exceeding 35,000,000 Euros.

In addition, net financial costs for 2016 and following years are deductible for determining annual taxable income of each company progressively up to 2017 at the greater of the following limits:

- 1,000,000 Euros;
- 30% of the profit before amortization and depreciation, net financial costs and taxes.

In accordance with article 88 of the Corporation Income Tax Code the Company is subject to autonomous taxation of certain charges at the rates established in the article.

The Company estimates income tax in accordance with the Special Regime for the Taxation of Groups of Companies (Regime Especial de Tributação dos Grupos de Sociedades ("RETGS")), which has VERTIX as its head.

In accordance with current legislation tax losses generated can be carried forward during a period of twelve years, limited to 70% of the Group's taxable profit determined in accordance with the special regime for the taxation of groups of companies (six years for losses prior to 2010, four years for losses incurred between 2010 and 2012 and five years, limited to 75% of taxable profit of the Group, for losses generated from 2014 onwards). At 31 December 2016 the Company did not have any tax losses carried forward.

In accordance with current Portuguese 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 are tax losses, tax benefits have been granted, tax inspections are in progress or there are claims or appeals, in which case the period can be extended or suspended, depending on the circumstances. Consequently, the Company's tax returns for the years from 2013 to 2016 are still subject to review and correction. The Board of Directors believes that any corrections to the tax returns that might result from reviews carried out by the tax authorities will not have a significant effect on the financial statements.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

Reconciliation of the tax rate for the years ended 31 December 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Profit before tax	16,249,517	15,394,994
Nominal income tax rate	<u>21.0%</u>	<u>21.0%</u>
Estimated tax charge	3,412,399	3,232,949
Permanent differences (i)	(3,448,888)	(3,238,234)
Adjustment to income tax due (ii)	92,014	111,070
Excess estimated corporate income tax of prior years	<u>(324,599)</u>	<u>(180,810)</u>
	<u>(269,074)</u>	<u>(75,025)</u>
Current tax	<u>(269,074)</u>	<u>(75,025)</u>
Effective tax rate	<u>-1.66%</u>	<u>-0.49%</u>

(i) These amounts for the years ended 31 December 2016 and 2015 are made up as follows:

	<u>2016</u>	<u>2015</u>
Dividends attributed (Note 11)	(16,398,895)	(15,418,240)
Others, net	<u>(24,381)</u>	<u>(1,920)</u>
	(16,423,276)	(15,420,160)
	<u>21.0%</u>	<u>21.0%</u>
	<u>(3,448,888)</u>	<u>(3,238,234)</u>

(ii) This amount represents autonomous taxation of certain expenses.

The amounts of the Company's current income tax for the years ended 31 December 2016 and 2015 were recorded as accounts payable to VERTIX.

As of 31 December 2016, the debtor balance related to current tax assets in the amount of 34,694 Euros, relates to IRC and other expenses to be recovered.

9. INTANGIBLE ASSETS

Intangible assets at 31 December 2016 and 2015 amounted to 53,809 Euros and 17,889 Euros, respectively, and corresponded entirely to computer programs.

Amortization for the years ended 31 December 2016 and 2015 amounted to 11,995 Euros and 31,517 Euros, respectively (Note 10).

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

10. TANGIBLE FIXED ASSETS

The changes in tangible fixed assets and corresponding accumulated depreciation and impairment losses in the years ended 31 December 2016 and 2015 were as follows:

	Buildings and other constructions	Administrative equipment	Other tangible fixed assets	Total
<u>Gross:</u>				
Balance at 31 December 2014	74,850	141,680	861,917	1,078,447
Acquisitions	-	4,481	-	4,481
Sales and write-offs	-	(2,227)	-	(2,227)
Balance at 31 December 2015	74,850	143,934	861,917	1,080,701
Acquisitions	-	2,216	-	2,216
Sales and write-offs	-	-	-	-
Balance at 31 December 2016	74,850	146,150	861,917	1,082,917
<u>Accumulated depreciation and impairment losses:</u>				
Balance at 31 December 2014	46,781	129,117	861,107	1,037,005
Increase	7,485	6,204	138	13,827
Sales and write-offs	-	(2,227)	-	(2,227)
Balance at 31 December 2015	54,266	133,094	861,245	1,048,605
Increase	7,485	6,020	137	13,642
Sales and write-offs	-	-	-	-
Balance at 31 December 2016	61,751	139,114	861,382	1,062,247
<u>Net amount:</u>				
Net amount at 31 December 2015	20,584	10,840	672	32,096
Net amount at 31 December 2016	13,099	7,036	535	20,670

Amortization and depreciation recognized in the statement of profit and loss for the years ended 31 December 2016 and 2015 were as follows:

	2016	2015
Tangible fixed assets	13,642	13,827
Intangible assets (Note 9)	11,995	31,517
	<u>25,637</u>	<u>45,344</u>

11. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries at 31 December 2016 and 2015 correspond to the investment in Meglo - Media Global, S.G.P.S., S.A. ("Meglo"), the head office, assets, equity, total income and net profit for the year were as follows:

		2016					
Company	Head office	Assets	Equity	Total revenue	Resultado Net profit for the year	Participation percentage	Book value
Meglo	Barcarena	210,452,532	71,435,831	19,036,460	18,981,166	100%	174,413,138
		2015					
Company	Head office	Assets	Equity	Total revenue	Net profit for the year	Participation percentage	Book value
Meglo	Barcarena	223,803,045	68,986,792	16,975,181	17,248,236	100%	174,413,138

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

In the years ended 31 December 2016 and 2015 Meglo - Media Global, SGPS, S.A. (“Meglo”) distributed dividends of 16,398,895 Euros and 15,418,240 Euros (Note 8), respectively, as decided by the Shareholders’ General Meetings held on 26 April 2016 and 19 February 2015, respectively. These amounts were recorded in the statements of comprehensive income caption “Gain on subsidiaries”.

For purposes of assessing impairment, the investment was valued by the Board of Directors based on the business plan/financial projections of the cash generating units controlled by the Group.

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:

- That engages in its business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are reviewed regularly by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;
- For which discrete financial information is available.

The assessment was made based on financial projections of discounted cash flows, for the various operating segments, prepared and approved by management, which cover a five year period, and is subsequently considered a perpetuity.

For this purpose market data obtained from external entities was used, which was compared to internal market intelligence and the Group’s past experience, complemented by the estimated market effect of the business strategies adopted for each cash generating unit. Following are some of the main variables considered:

- Projected growth in revenue from:
 - Evolution of advertising investment in the main markets where the Group operates;
 - Audience share;
 - Market share;
- Operating costs;
- Synergies and rationalization of production costs.

The main information on the activities and assumptions considered for the operating segments identified for purposes on the impairment tests was as follows:

Television:

Television operations, with the broadcasting of television programs through a general channel, TVI, TVI 24, TVI Ficção, TVI Internacional, TVI África and TVI *Reality*.

The main assumptions relating to the operations considered in the projections were as follows:

- Moderate recovery of publicity income in 2017 and gradual increase, in 2021 reaching amounts still below those for 2011;
- Contained increase in other income relating to the diversification of the activities of the various channels, including signal rights;
- Maintenance of a cost containment policy, in accordance with that which is already in force.

Audiovisual production in Portugal:

Production of contents, various activities in support of the television channels, through PLURAL which is responsible for audiovisual creation, realization and production, as well as the exploitation of technical means and the preparation of scenarios.

The main operating assumptions considered in the projections were as follows:

- Maintenance of the cost containment policy in accordance with that which is already in force;
- Greater concentration on internal production of national contents.
- Continued growth of the business of leasing technical means and production of events, increasing its presence in other markets.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

Audiovisual production in Spain:

Operations in the Spanish and Latin American markets relating to the production of audiovisual contents, production support services, realization and exploitation of television contents, cinema and audiovisual works, as well as other related services for these markets.

The main operating assumptions considered in the projections were as follows:

- Focus on the exploitation of technical means and the preparation of scenarios market;
- Decrease in the structure of fixed costs.

Entertainment:

Operations include the music business, production of videograms, phonograms, audiovisual and multimedia production, the purchase and sale of records and equivalent items, the production of events and agency of artists.

The main operating assumptions considered in the projections were as follows:

- Decrease in the physical sale of CD's due to the tendency to migrate to the digital area;
- Focus on improving the profitability and volume indicators through the realization of events.

Radio:

Radio operations, with sound broadcasting of radio programs in Portugal by the following radio stations: "Rádio Comercial", "m80", "Cidade", "Smooth FM" and "Vodafone FM".

The main operating assumptions considered in the projections were as follows:

- Increase in the contents of Rádio Comercial and the other radio stations so as to maintain the leadership position achieved in 2012;
- Stabilization of audiences;
- Continuation of the cost control strategy.

Digital:

Digital operations supported by the portal www.iol.pt, which has a vast network of own contents, an extensive online directory of classified and publicity information, responsible for the majority of the Group's sites, as well as the production of mobile contents. They also include the rendering of internet and multimedia services to companies outside the Group.

The main operating assumptions considered in the projections were as follows:

- Improvement of the publicity market;
- Regular launching of new projects such as apps and other mobile services;
- Maintenance of variable and fixed operating costs control related with operation.

The discounted cash flow method was used, cash flow projections having been prepared for five years and a perpetuity considered after that. The nominal growth rate used for the perpetuity was 2.5% (2.5% in 2015). The discount rate used for all the cash generating units, excluding PLURAL España, was 9.0% (9.6% in 2015), as it was considered that they all operate directly or indirectly in the media market, the commercial activity, the clients and the publicity market being seen transversally by the Group. In the case of PLURAL España the discount rate used was 8.1% (9.1% in 2015). A different rate was used in this case in relation to the other operating segments due to the lower country risk of Spain.

The annual compound growth rate of the operating segments under review for the period of the projections (using 2015 as the base) was 7% for EBITDA. The Company believes that the estimates are reasonable, considering the abnormally penalizing market for the years up to close to the end of 2014 both as regards the initiatives in progress in terms of organic growth and implemented decrease in operating costs.

The Board of Directors believes that any reasonably possible change in any of the above mentioned key assumptions used in the impairment tests would not result in a significant impairment of investments in subsidiaries, considering a 0.5% variation in the nominal growth rate used in the perpetuity or the discount rate.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

12. TRADE AND OTHER RECEIVABLES

This caption was made up as follows at 31 December 2016 and 2015:

	2016			2015		
	Gross	Accumulated impairment loss	Net	Gross	Accumulated impairment loss	Net
Trade receivables	4,448	-	4,448	2,674	(2,073)	601
Receivables from related parties (Note 20)	650,402	-	650,402	624,360	-	624,360
	<u>654,850</u>	<u>-</u>	<u>654,850</u>	<u>627,034</u>	<u>(2,073)</u>	<u>624,961</u>

13. OTHER CURRENT ASSETS

This caption was made up as follows at 31 December 2016 and 2015:

	2016	2015
Receivables of related parties (Note 20)	79,640,061	78,789,386
Others	31,155	27,409
	<u>79,671,216</u>	<u>78,816,795</u>

14. CASH AND CASH EQUIVALENTS

This caption was made up as follows at 31 December 2016 and 2015:

	2016	2015
Bank deposits repayable on demand	12,213	34,510
Cash	2,575	2,575
	<u>14,788</u>	<u>37,085</u>

15. EQUITY

The Company's fully subscribed for and paid up capital at 31 December 2016 and 2015 was made up of 84,513,180 shares of one Euro and six cents each, totalling 89,583,971 Euros.

At 31 December 2016 and 2015 MEDIA CAPITAL's capital was held by the following shareholders:

	2016		2015	
	Shares	Percentage	Shares	Percentage
VERTIX	80,027,607	94.69	80,027,607	94.69
Others, less than 10% of capital	4,485,573	5.31	4,485,573	5.31
	<u>84,513,180</u>	<u>100.00</u>	<u>84,513,180</u>	<u>100.00</u>

At 31 December 2016 and 2015 the caption "Reserves" was made up as follows:

	2016	2015
Free reserves	40,411,570	41,772,556
Legal reserve	6,456,134	5,682,633
	<u>46,867,704</u>	<u>47,455,189</u>

In accordance with current legislation the Company must transfer at least 5% of its annual net profit to a legal reserve until the reserve reaches at least 20% of share capital. The reserve cannot be distributed, except upon liquidation of the company, but may be used to absorb losses after all the other reserves have been used up or to increase capital.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

Retained earnings at 31 December 2016 and 2015 amounted to 23,535,520 Euros, which corresponds to freely available profits earned in preceding years.

The Shareholders' Annual General Meetings held on 7 April 2016 and 18 March 2015 approved the appropriation of results for the years ended 31 December 2015 and 2014 as follows:

	2015	2014
Legal reserve	773,501	646,397
Distribution of dividends	14,696,518	12,281,538
	<u>15,470,019</u>	<u>12,927,935</u>

In addition, in accordance with a decision of the Shareholders' General Meeting held on 7 April 2016 and 18 March 2015, it was decided to distribute free reserves under the form of dividends in the amount of 1,360,986 Euros and 3,539,329 Euros, respectively.

The total dividend amounts distributed at those meetings correspond to a gross dividend of 0.1900 Euros per share and 0.1872 Euros per share, respectively.

As approved by the Board of Directors on this date and mentioned in the Directors' Report, a proposal was made to distribute dividends of 17,747,768 Euros related to net profit of 2016, which corresponds to a gross dividend of 0.2100 Euros per share.

16. BORROWINGS

This caption was made up as follows at 31 December 2016 and 2015:

	2016				2015			
	Book value		Nominal value		Book value		Nominal value	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Bank loans	<u>16,149,498</u>	<u>59,815,698</u>	<u>15,000,000</u>	<u>60,000,000</u>	<u>1,205,206</u>	<u>74,608,240</u>	<u>-</u>	<u>75,000,000</u>

On 14 July 2014 the Company issued 7.500 bonds called Media Capital 2014-2019, for private subscription in the total amount of 75,000,000 Euros for a maximum period of 5 years (15,000,000 Euros in 2017, 24,750,000 Euros in 2018 and 35,250,000 Euros in 2019) with an annual interest rate corresponding to the six month EURIBOR rate plus a spread of 4%. The market value of these obligations does not differ significantly from their book value.

The nominal amount contracted is fully used and is repayable as follows:

2017	15,000,000
2018	24,750,000
2019	<u>35,250,000</u>
	<u>75,000,000</u>

The contract establishes early repayment in the event of non-compliance with the contractual obligations relating, among others, to ownership of the principal in situations implying loss of control by the Prisa Group and the financial performance of the Group and the distribution of results or reserves in excess of the Group's consolidated results for the year preceding the distribution which had not occurred at 31 December 2016. In addition, reasonable changes in the above financial performance measures, measured based on the relationship between the Group's indebtedness and EBITDA (which globally consists of the consolidated operating result plus amortization, depreciation and provisions and impairment losses), namely a 5% variation in consolidated EBITDA continues to ensure compliance with the above requirements.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

17. TRADE AND OTHER PAYABLES

This caption was made up as follows at 31 December 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Accounts payable to related parties (Note 20)	271,645	828,867
Current suppliers	253,510	272,689
Accrued costs:		
Other supplies and services	63,637	29,991
Others	-	3,723
	<u>588,792</u>	<u>1,135,270</u>

18. OTHER CURRENT LIABILITIES

This caption was made up as follows at 31 December 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Accounts payable to related parties (Note 20)	562,071	185,031
Accrued remuneration	958,680	552,610
State and other public entities (Note 19)	262,893	210,615
Suppliers of fixed assets	19,747	94
Others	-	199
	<u>1,803,391</u>	<u>948,549</u>

19. STATE AND OTHER PUBLIC ENTITIES

This caption was made up as follows at 31 December 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Value Added Tax	150,285	92,537
Personal income tax	62,593	68,846
Social security contributions	50,006	49,232
Others	9	-
	<u>262,893</u>	<u>210,615</u>

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

20. RELATED PARTIES

The balances at 31 December 2016 and 2015 and transactions in the years then ended with related parties (Prisa Group companies) were as follows:

Balances with related companies:

	2016			
	Trade and other receivables (Note 12)	Other current assets (Note 13)	Trade and other payables (Note 17)	Other current liabilities (Note 18)
Top parent company:				
Prisa	-	11,064	74,062	-
Parent company:				
VERTIX	923	-	-	196,031
	<u>923</u>	<u>11,064</u>	<u>74,062</u>	<u>196,031</u>
Participated companies:				
TVI – Televisão Independente, S.A. ("TVI")	427,902	-	37,127	248,496
PLURAL Entertainment Portugal, S.A. ("PLURAL")	116,411	-	4,292	68,866
RÁDIO COMERCIAL, S.A. ("COMERCIAL")	63,826	-	-	33,016
MEDIA CAPITAL DIGITAL, S.A. ("DIGITAL")	13,363	-	-	7,323
MEDIA CAPITAL - Serviços de Consultoria e Gestão, S.A. ("MC SERVIÇOS")	12,961	1,305	121,110	-
PLURAL Entertainment España, S.L. ("PLURAL España")	9,014	-	4,721	6,686
FAROL MÚSICA – Sociedade de Produção e Edição Audiovisual, Lda. ("FAROL")	4,027	-	-	1,653
IOL NEGÓCIOS - Serviços de Internet, S.A. ("IOL Negócios")	1,264	-	1,169	-
RC - Empresa de Radiodifusão, S.A. ("RC")	391	-	-	-
COCO - Companhia de Comunicação, S.A. ("COCO")	296	-	-	-
MEDIA CAPITAL ENTERTAINMENT - Produção de Eventos, Lda. ("ENTERTAINMENT")	24	-	-	-
Meglo	-	79,627,692	29,164	-
	<u>649,479</u>	<u>79,628,997</u>	<u>197,583</u>	<u>366,040</u>
	<u>650,402</u>	<u>79,640,061</u>	<u>271,645</u>	<u>562,071</u>

	2015			
	Trade and other receivables (Note 12)	Other current assets (Note 13)	Trade and other payables (Note 17)	Other current liabilities (Note 18)
Top parent company:				
Prisa	-	84,300	463,419	-
Parent company:				
VERTIX	923	-	(1,836)	185,031
	<u>923</u>	<u>84,300</u>	<u>461,583</u>	<u>185,031</u>
Participated companies:				
TVI	433,829	-	21,290	-
PLURAL	103,551	-	-	-
PLURAL España	67,378	-	4,512	-
COMERCIAL	50,894	-	-	-
DIGITAL	12,408	-	-	-
MC SERVIÇOS	11,797	1,234	325,956	-
FAROL	6,596	-	-	-
IOL Negócios	1,264	-	1,169	-
MCP - MÍDIA CAPITAL PRODUÇÕES, S.A. ("MCP")	(64,280)	-	-	-
Meglo	-	78,703,852	14,357	-
	<u>623,437</u>	<u>78,705,086</u>	<u>367,284</u>	<u>-</u>
	<u>624,360</u>	<u>78,789,386</u>	<u>828,867</u>	<u>185,031</u>

Accounts receivable recorded in the caption "Trade and other receivables" at 31 December 2016 and 2015 result from management fees invoiced by the Company in its capacity as renderer of services and management of investments.

The decrease in the amounts reflected in the caption "Trade and other payables" results essentially from settlement of the current account with Prisa and MC SERVIÇOS.

The accounts receivable from Meglo at 31 December 2016 and 2015 result from financial support to the subsidiaries' activities and mature in the short term.

Receipts and payments to related parties at 31 December 2016 in the amounts of 19,217,230 Euros (25,118,000 Euros in 2015) and 20,334,650 Euros (19,209,000 Euros in 2015), respectively, correspond essentially to short term financing granted by the Company to these companies, which bear interest at normal market rates for similar transactions.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

22. FINANCIAL INSTRUMENTS

Financial instruments at 31 December 2016 and 2015 were made up as follows:

	<u>2016</u>	<u>2015</u>
<u>Financial assets:</u>		
Receivables (Notes 8, 12 and 13)	80,360,760	79,441,756
Cash and cash equivalents (Note 14)	14,788	37,085
	<u>80,375,548</u>	<u>79,478,841</u>
<u>Financial liabilities:</u>		
Borrowings (Note 16)	75,965,196	75,813,446
Payables (Notes 17 e 18)	2,392,181	2,083,819
	<u>78,357,377</u>	<u>77,897,265</u>

The Company in carrying out its business is exposed to several financial risks liable to change its net value which, by nature, are as follows:

- Market risk, essentially relating to interest rate risk;
- Credit risk; and
- Liquidity risk.

Therefore, management is focused on two fundamental principles:

- Whenever possible decrease profit and cash flow fluctuations subject to risk;
- Limit variations in relation to projected results, through careful financial planning, based on multiannual budgets.

(a) Market risk

Market risk relates to changes in interest rates.

(i) Interest rate

In order to monitor this risk the Group regularly controls the financial autonomy and Net Debt/EBITA ratios, as well as other measures that attest the balance of its indebtedness structure.

Interest rate risk relates essentially to interest cost resulting from the commercial paper program at variable interest rates.

At 31 December 2016 the full amount of the loan contracted was exposed to changes in the market interest rate.

If the market interest rates were 0.5% higher or lower during the years ended 31 December 2016 and 2015 net profit for these years would have increased or decreased by approximately 375,000 Euros and 390,000 Euros, respectively.

(b) Credit risk

Credit risk relates essentially to accounts receivable resulting from the Group's operations relating to the management of the amounts invoiced to the various group companies and financing granted. This risk is monitored by the Company on a regular basis with the objective of:

- Ensuring compliance with the defined payments policy;
- Analysing the financial condition of the related parties on a regular basis.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

(c) Liquidity risk

Liquidity risk can occur if the funding sources, such as operating cash flow, divestment, credit lines and cash flows obtained from financing operations do not meet the financing needs, such as cash payments for operations and financing, investments, shareholder remuneration and repayment of debt.

In order to mitigate this risk, the Company endeavours to maintain a liquid position and average debt maturities that enable it to repay debt on adequate terms.

23. GUARANTEES GIVEN TO THIRD PARTIES

At 31 December 2016 the Company had bank guarantees presented in relation to tax processes in progress in the amount of 553,720 Euros.

24. CONTINGENT LIABILITIES

The Company received additional corporation income tax assessments in 2016, resulting from a tax inspection in the amount of approximately 436,000 Euros. As of 31 December 2016, given the nature of the process the Company disagreed with the additional assessment and, based on the opinion of its lawyers, believes that there are solid arguments to contest the position of the tax authorities and so it did not make any provision for them in the financial statements. Given the nature of the processes, the timing of their resolution depends on the various phases that they will undergo.

In addition, in the course of its operations the Company is involved in a legal process in the amount of approximately 53,000 Euros. Based on the opinions of the Company's lawyers no liability has been estimated resulting from the outcome of the process. Given the nature of the process, the timing of its resolution depends on its legal resolution.

25. STATUTORY AUDITOR'S FEES

Fees invoiced by the statutory auditor for the years ended 31 December 2016 and 2015 amounted to 60,490 Euros and 139,000 Euros, respectively, made up as follows:

	<u>2016</u>	<u>2015</u>
Statutory audit	28,500	21,500
Audit of the internal control (a)	17,500	17,500
Tax consultancy (b)	11,490	100,000
Review of financial ratios of annual accounts	3,000	-
	<u>60,490</u>	<u>139,000</u>

(a) This amount was included due to other entities of the Statutory Auditor's Network for audit work on internal control.

(b) The amount of this item in 2016 relates exclusively to the continuation of services awarded and started in 2015.

26. NOTE ADDED FOR TRANSLATION

The accompanying financial statements are a translation of financial statements originally issued in Portuguese, in accordance with IFRS. In the event of discrepancies, the Portuguese language version prevails.

THE ACCOUNTANTTHE BOARD OF DIRECTORS

CERTIFICAÇÃO LEGAL DAS CONTAS E RELATÓRIO DE AUDITORIA

RELATO SOBRE A AUDITORIA DAS DEMONSTRAÇÕES FINANCEIRAS CONSOLIDADAS

Opinião

Auditámos as demonstrações financeiras consolidadas anexas da Grupo Media Capital, SGPS, S.A. (a Entidade) e suas subsidiárias (o Grupo), que compreendem a demonstração consolidada da posição financeira em 31 de dezembro de 2016 (que evidencia um total de 315.079.041 Euros e um total de capital próprio de 138.944.210 Euros, incluindo um resultado líquido consolidado de 19.100.862 Euros), a demonstração consolidada dos resultados, a demonstração consolidada dos rendimentos integrais, a demonstração consolidada das alterações no capital próprio e a demonstração consolidada dos fluxos de caixa relativas ao ano findo naquela data, e as notas anexas às demonstrações financeiras consolidadas que incluem um resumo das políticas contabilísticas significativas.

Em nossa opinião, as demonstrações financeiras consolidadas anexas apresentam de forma verdadeira e apropriada, em todos os aspetos materiais, a posição financeira consolidada da Grupo Media Capital, SGPS, S.A. em 31 de dezembro de 2016 e o seu desempenho financeiro e fluxos de caixa consolidados relativos ao ano findo naquela data de acordo com as Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia.

Bases para a opinião

A nossa auditoria foi efetuada de acordo com as Normas Internacionais de Auditoria (ISA) e demais normas e orientações técnicas e éticas da Ordem dos Revisores Oficiais de Contas. As nossas responsabilidades nos termos dessas normas estão descritas na secção "Responsabilidades do auditor pela auditoria das demonstrações financeiras consolidadas" abaixo. Somos independentes das entidades que compõem o Grupo nos termos da lei e cumprimos os demais requisitos éticos nos termos do código de ética da Ordem dos Revisores Oficiais de Contas.

Estamos convictos que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião.

Matérias relevantes de auditoria

As matérias relevantes de auditoria são as que, no nosso julgamento profissional, tiveram maior importância na auditoria das demonstrações financeiras consolidadas do ano corrente. Essas matérias foram consideradas no contexto da auditoria das demonstrações financeiras consolidadas como um todo, e na formação da opinião, e não emitimos uma opinião separada sobre essas matérias.

Descrição dos riscos de distorção material mais significativos identificados

Imparidade do goodwill

O *goodwill* do Grupo apresentado na demonstração consolidada da posição financeira em 31 de dezembro de 2016 ascende a 149.717.601 Euros, sendo avaliada anualmente a imparidade do mesmo para efeitos do reporte financeiro ou sempre que se verifiquem indícios de imparidade. Conforme referido na nota 15 das notas anexas às demonstrações financeiras consolidadas, esta avaliação é efetuada pelo órgão de gestão, sendo baseada em projeções financeiras de fluxos de caixa descontados, que incorporam determinados pressupostos definidos pelo órgão de gestão, nomeadamente, o crescimento projetado das receitas resultante da evolução do investimento publicitário nos principais mercados onde o Grupo opera, o *share* de audiência e a quota de mercado, sinergias e racionalização de gastos de produção e correspondentes gastos operacionais, bem como as taxas de desconto e de crescimento nominal utilizada na perpetuidade. Face à relevância do saldo da rubrica de *goodwill* e à subjetividade e complexidade dos julgamentos necessários para a definição dos pressupostos acima referidos, concluímos que a análise de imparidade do *goodwill* é uma matéria relevante para a auditoria às demonstrações financeiras consolidadas do Grupo em 31 de dezembro de 2016.

Síntese da resposta dada aos riscos de distorção material mais significativos identificados

Os nossos procedimentos para mitigar este risco incluíram:

- Testes aos controlos considerados relevantes, implementados no Grupo relativos à análise de imparidade do *goodwill* efetuada pelo órgão de gestão;
- Aferição da fiabilidade das estimativas efetuadas pelo órgão de gestão, por referência à comparação do desempenho atual com estimativas efetuadas em períodos anteriores;
- Comparação de pressupostos chave utilizados na análise de imparidade do *goodwill* pelo órgão de gestão com informação externa, quando tal se demonstrou aplicável;
- Comparação de informação relevante considerada nas projeções financeiras de fluxos de caixa descontados utilizados com os orçamentos aprovados pelo órgão de gestão;
- Teste à correção aritmética das projeções financeiras de fluxos de caixa descontados utilizadas pelo órgão de gestão;
- Teste à adequação das divulgações efetuadas nas notas 2.3 e 15.

Reconhecimento dos gastos com direitos de transmissão de programas de televisão

O reconhecimento dos gastos com direitos de transmissão de programas de televisão requer julgamento conforme divulgado nas notas 2.7 e 3 das notas anexas às demonstrações financeiras consolidadas, existindo o risco da política contabilística definida e adotada pelo Grupo não ser adequada para o correto reconhecimento do gasto dos referidos direitos de acordo com os benefícios económicos esperados decorrentes da sua utilização. O perfil de reconhecimento do gasto com direitos de transmissão de programas de televisão relativos a produção própria requer mais julgamento do que os restantes direitos de transmissão, dado o número de fatores qualitativos envolvidos na determinação do respetivo padrão de benefícios esperados.

Analisámos o método de reconhecimento do gasto com direitos de transmissão, considerando os diferentes tipos de programas, o padrão das respetivas audiências e as práticas utilizadas na indústria de operadores de televisão.

Os nossos procedimentos incluíram:

- Testes aos controlos considerados relevantes, implementados no Grupo relativos ao reconhecimento dos gastos com direitos de transmissão de programas de televisão;
- Avaliação da consistência da aplicação da política contabilística adotada e sua comparação com as práticas utilizadas na indústria;
- Comparação do perfil de gasto reconhecido com o padrão de retorno resultante das audiências verificadas;

- Para uma amostra de programas reconhecidos como gasto, verificação da sua inclusão na grelha de emissão do exercício, e validação do respetivo gasto reconhecido atentos os critérios de reconhecimento estabelecidos;
- Para uma amostra dos direitos adquiridos ou dos programas produzidos pelo Grupo no exercício, verificação de evidência apropriada do critério de reconhecimento estabelecido.

Reconhecimento da receita de publicidade em televisão

A receita de publicidade resultante das campanhas publicitárias efetuadas pelos clientes em televisão depende das respetivas audiências e condições acordadas. Conforme referido na nota 2.11 das notas anexas às demonstrações financeiras consolidadas, a mensuração da referida receita depende da medição e perfil das respetivas audiências, dos descontos e bónus a atribuir em função do investimento publicitário efetuado pelos clientes e das restantes condições acordadas. Assim, dada a complexidade e julgamento do seu reconhecimento, existe o risco da receita resultante das referidas campanhas ser incorretamente registada, atenta a efetiva medição das audiências e a aplicação dos descontos a conceder que se encontrem negociados e das restantes condições acordadas.

Avaliámos a política de reconhecimento da receita de publicidade adotada pelo Grupo por referência às normas contabilísticas aplicáveis.

Os nossos procedimentos incluíram:

- Entendimento do processo de apuramento da receita de publicidade pelos sistemas relevantes de suporte à faturação e avaliação dos mecanismos de controlo interno considerados relevantes no apuramento e registo da receita de publicidade;
- Para uma amostra de campanhas publicitárias reconhecidas, procedemos ao recálculo da receita apurada por referência às condições comerciais acordadas e respetiva audiência atingida na faixa horária da sua exibição;
- Comparação da responsabilidade estimada e registada pelo Grupo relativa a descontos de quantidade e bónus concedidos a clientes, com o valor apurado resultante do respetivo investimento publicitário realizado e das condições comerciais estabelecidas entre o Grupo e aquelas entidades;
- Aferição da fiabilidade das estimativas efetuadas pelo órgão de gestão, por referência à comparação dos descontos efetivamente concedidos no período com as estimativas registadas em períodos anteriores.

Responsabilidades do órgão de gestão e do órgão de fiscalização pelas demonstrações financeiras consolidadas

O órgão de gestão é responsável pela:

- preparação de demonstrações financeiras consolidadas que apresentem de forma verdadeira e apropriada a posição financeira, o desempenho financeiro e os fluxos de caixa do Grupo de acordo com as Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia;
- elaboração do relatório de gestão, incluindo o relatório de governo societário, nos termos legais e regulamentares aplicáveis;

- criação e manutenção de um sistema de controlo interno apropriado para permitir a preparação de demonstrações financeiras isentas de distorção material devido a fraude ou erro;
- adoção de políticas e critérios contabilísticos adequados nas circunstâncias; e
- avaliação da capacidade do Grupo de se manter em continuidade, divulgando, quando aplicável, as matérias que possam suscitar dúvidas significativas sobre a continuidade das atividades.

O órgão de fiscalização é responsável pela supervisão do processo de preparação e divulgação da informação financeira do Grupo.

Responsabilidades do auditor pela auditoria das demonstrações financeiras consolidadas

A nossa responsabilidade consiste em obter segurança razoável sobre se as demonstrações financeiras consolidadas como um todo estão isentas de distorções materiais devido a fraude ou erro, e emitir um relatório onde conste a nossa opinião. Segurança razoável é um nível elevado de segurança mas não é uma garantia de que uma auditoria executada de acordo com as ISA detetará sempre uma distorção material quando exista. As distorções podem ter origem em fraude ou erro e são consideradas materiais se, isoladas ou conjuntamente, se possa razoavelmente esperar que influenciem decisões económicas dos utilizadores tomadas com base nessas demonstrações financeiras.

Como parte de uma auditoria de acordo com as ISA, fazemos julgamentos profissionais e mantemos ceticismo profissional durante a auditoria e também:

- identificamos e avaliamos os riscos de distorção material das demonstrações financeiras consolidadas, devido a fraude ou a erro, concebemos e executamos procedimentos de auditoria que respondam a esses riscos, e obtemos prova de auditoria que seja suficiente e apropriada para proporcionar uma base para a nossa opinião. O risco de não detetar uma distorção material devido a fraude é maior do que o risco de não detetar uma distorção material devido a erro, dado que a fraude pode envolver conluio, falsificação, omissões intencionais, falsas declarações ou sobreposição ao controlo interno;
- obtemos uma compreensão do controlo interno relevante para a auditoria com o objetivo de conceber procedimentos de auditoria que sejam apropriados nas circunstâncias, mas não para expressar uma opinião sobre a eficácia do controlo interno do Grupo;
- avaliamos a adequação das políticas contabilísticas usadas e a razoabilidade das estimativas contabilísticas e respetivas divulgações feitas pelo órgão de gestão;
- concluímos sobre a apropriação do uso, pelo órgão de gestão, do pressuposto da continuidade e, com base na prova de auditoria obtida, se existe qualquer incerteza material relacionada com acontecimentos ou condições que possam suscitar dúvidas significativas sobre a capacidade do Grupo para dar continuidade às suas atividades. Se concluirmos que existe uma incerteza material, devemos chamar a atenção no nosso relatório para as divulgações relacionadas incluídas nas demonstrações financeiras ou, caso essas divulgações não sejam adequadas, modificar a nossa opinião. As nossas conclusões são baseadas na prova de auditoria obtida até à data do nosso relatório. Porém, acontecimentos ou condições futuras podem levar a que o Grupo descontinue as suas atividades;
- avaliamos a apresentação, estrutura e conteúdo global das demonstrações financeiras consolidadas, incluindo as divulgações, e se essas demonstrações financeiras representam as transações e acontecimentos subjacentes de forma a atingir uma apresentação apropriada;

- obtemos prova de auditoria suficiente e apropriada relativa à informação financeira das entidades ou atividades dentro do Grupo para expressar uma opinião sobre as demonstrações financeiras consolidadas. Somos responsáveis pela orientação, supervisão e desempenho da auditoria do Grupo e somos os responsáveis finais pela nossa opinião de auditoria;
- comunicamos com os encarregados da governação, incluindo o órgão de fiscalização, entre outros assuntos, o âmbito e o calendário planeado da auditoria, e as conclusões significativas da auditoria incluindo qualquer deficiência significativa de controlo interno identificado durante a auditoria;
- das matérias que comunicamos aos encarregados da governação, incluindo o órgão de fiscalização, determinamos as que foram as mais importantes na auditoria das demonstrações financeiras consolidadas do ano corrente e que são as matérias relevantes de auditoria. Descrevemos essas matérias no nosso relatório, exceto quando a lei ou regulamento proibir a sua divulgação pública;
- declaramos ao órgão de fiscalização que cumprimos os requisitos éticos relevantes relativos à independência e comunicamos todos os relacionamentos e outras matérias que possam ser percebidas como ameaças à nossa independência e, quando aplicável, as respetivas salvaguardas.

A nossa responsabilidade inclui ainda a verificação da concordância da informação constante do relatório de gestão com as demonstrações financeiras consolidadas e as verificações previstas nos números 4 e 5 do artigo 451.º do Código das Sociedades Comerciais.

RELATO SOBRE OUTROS REQUISITOS LEGAIS E REGULAMENTARES

Sobre o relatório de gestão

Dando cumprimento ao artigo 451.º, n.º 3, al. e) do Código das Sociedades Comerciais, somos de parecer que o relatório de gestão foi preparado de acordo com os requisitos legais e regulamentares aplicáveis em vigor, a informação nele constante é concordante com as demonstrações financeiras consolidadas auditadas e, tendo em conta o conhecimento e apreciação sobre o Grupo, não identificámos incorreções materiais.

Sobre o relatório de governo societário

Dando cumprimento ao artigo 451.º, n.º 4, do Código das Sociedades Comerciais, somos de parecer que o relatório de governo societário inclui os elementos exigíveis à Entidade nos termos do artigo 245.º-A do Código dos Valores Mobiliários, não tendo sido identificadas incorreções materiais na informação divulgada no mesmo, cumprindo o disposto nas alíneas c), d), f), h), i) e m) do referido artigo.

Sobre os elementos adicionais previstos no artigo 10º do Regulamento (UE) n.º 537/2014

Dando cumprimento ao artigo 10.º do Regulamento (UE) n.º 537/2014 do Parlamento Europeu e do Conselho, de 16 de abril de 2014, e para além das matérias relevantes de auditoria acima indicadas, relatamos ainda o seguinte:

- Fomos nomeados auditores da Grupo Media Capital, SGPS, S.A., enquanto Entidade de Interesse Público, pela primeira vez na assembleia geral de acionistas realizada em 2005 para um mandato de quatro anos que se encontrava em curso e que foi sucessivamente renovado. Fomos nomeados em assembleia geral de acionistas realizada em 2015 para o mandato em curso que decorre até 2019.

- O órgão de gestão confirmou-nos que não tem conhecimento da ocorrência de qualquer fraude ou suspeita de fraude com efeito material nas demonstrações financeiras. No planeamento e execução da nossa auditoria de acordo com as ISA mantivemos o ceticismo profissional e concebemos procedimentos de auditoria para responder à possibilidade de distorção material das demonstrações financeiras consolidadas devido a fraude. Em resultado do nosso trabalho não identificámos qualquer distorção material nas demonstrações financeiras consolidadas devido a fraude.
- Confirmamos que a opinião de auditoria que emitimos é consistente com o relatório adicional que preparámos e entregámos ao órgão de fiscalização do Grupo em 23 de fevereiro de 2017.
- Declaramos que não prestámos quaisquer serviços proibidos nos termos do artigo 77.º, número 8, do Estatuto da Ordem dos Revisores Oficiais de Contas e que mantivemos a nossa independência face ao Grupo durante a realização da auditoria.

Lisboa, 23 de fevereiro de 2017

Deloitte & Associados, SROC S.A.
Representada por Nuno Miguel Cabaço da Silva

CERTIFICAÇÃO LEGAL DAS CONTAS E RELATÓRIO DE AUDITORIA

RELATO SOBRE A AUDITORIA DAS DEMONSTRAÇÕES FINANCEIRAS

Opinião

Auditámos as demonstrações financeiras anexas da Grupo Media Capital, SGPS, S.A. ("Entidade"), que compreendem a demonstração da posição financeira em 31 de dezembro de 2016 (que evidencia um total de 254.863.165 Euros e um total de capital próprio de 176.505.786 Euros, incluindo um resultado líquido de 16.518.591 Euros), a demonstração dos rendimentos integrais, a demonstração das alterações no capital próprio e a demonstração dos fluxos de caixa relativas ao ano findo naquela data, e as notas anexas às demonstrações financeiras que incluem um resumo das políticas contabilísticas significativas.

Em nossa opinião, as demonstrações financeiras anexas apresentam de forma verdadeira e apropriada, em todos os aspetos materiais, a posição financeira da Grupo Media Capital, SGPS, S.A. em 31 de dezembro de 2016 e o seu desempenho financeiro e fluxos de caixa relativos ao ano findo naquela data de acordo com as Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia.

Bases para a opinião

A nossa auditoria foi efetuada de acordo com as Normas Internacionais de Auditoria (ISA) e demais normas e orientações técnicas e éticas da Ordem dos Revisores Oficiais de Contas. As nossas responsabilidades nos termos dessas normas estão descritas na secção "Responsabilidades do auditor pela auditoria das demonstrações financeiras" abaixo. Somos independentes da Entidade nos termos da lei e cumprimos os demais requisitos éticos nos termos do código de ética da Ordem dos Revisores Oficiais de Contas.

Estamos convictos de que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião.

Matérias relevantes de auditoria

As matérias relevantes de auditoria são as que, no nosso julgamento profissional, tiveram maior importância na auditoria das demonstrações financeiras do ano corrente. Essas matérias foram consideradas no contexto da auditoria das demonstrações financeiras como um todo, e na formação da opinião, e não emitimos uma opinião separada sobre essas matérias.

Descrição dos riscos de distorção material mais significativos identificados	Síntese da resposta dada aos riscos de distorção material mais significativos identificados
<p>Imparidade dos investimentos em subsidiárias</p> <p>Os investimentos em subsidiárias da Entidade apresentados na demonstração da posição financeira em 31 de dezembro de 2016 ascendem a 174.413.138 Euros. Conforme referido na nota 11 das notas anexas às demonstrações financeiras, a avaliação da imparidade dos referidos investimentos é efetuada pelo órgão de gestão, sendo baseada em projeções financeiras de fluxos de caixa descontados, que incorporam determinados pressupostos definidos pelo órgão de gestão, nomeadamente, o crescimento projetado das receitas resultante da evolução do investimento publicitário nos principais mercados onde as participadas da Entidade operam, o <i>share</i> de audiência e a quota de mercado, sinergias e racionalização de gastos de produção e correspondentes gastos operacionais, bem como as taxas de desconto e de crescimento nominal utilizada na perpetuidade. Face à relevância do saldo da rubrica de investimentos em subsidiárias e à subjetividade e complexidade dos julgamentos necessários para a definição dos pressupostos acima referidos, concluímos que a análise de imparidade dos referidos investimentos é uma matéria relevante para a auditoria às demonstrações financeiras da Entidade em 31 de dezembro de 2016.</p>	<p>Os nossos procedimentos para mitigar este risco incluíram:</p> <ul style="list-style-type: none">▪ Testes aos controlos considerados relevantes, implementados na Entidade relativos à análise de imparidade dos investimentos em subsidiárias efetuada pelo órgão de gestão;▪ Aferição da fiabilidade das estimativas efetuadas pelo órgão de gestão, por referência à comparação do desempenho atual com estimativas efetuadas em períodos anteriores;▪ Comparação de pressupostos chave utilizados na análise de imparidade dos investimentos em subsidiárias pelo órgão de gestão com informação externa, quando tal se demonstrou aplicável;▪ Comparação de informação relevante considerada nas projeções financeiras de fluxos de caixa descontados utilizados com os orçamentos aprovados pelo órgão de gestão;▪ Teste à correção aritmética das projeções financeiras de fluxos de caixa descontados utilizadas pelo órgão de gestão;▪ Teste à adequação das divulgações efetuadas nas notas 2.5 e 11.

Outras matérias

Conforme referido na nota introdutória das notas anexas, as demonstrações financeiras acima referidas referem-se à atividade da Entidade a nível individual e foram preparadas para aprovação e publicação nos termos da legislação em vigor. Conforme previsto nos IFRS e indicado na Nota 2.5, os investimentos financeiros em empresas do grupo são apresentados ao custo de aquisição deduzido de perdas por imparidade, quando estas se verificarem. Assim, as demonstrações financeiras anexas não incluem o efeito da consolidação de ativos, passivos, capital próprio, rendimentos e gastos totais das empresas participadas direta ou indiretamente pela Entidade, o que será efetuado em demonstrações financeiras consolidadas a elaborar e aprovar em separado.

Responsabilidades do órgão de gestão e do órgão de fiscalização pelas demonstrações financeiras

O órgão de gestão é responsável pela:

- preparação de demonstrações financeiras que apresentem de forma verdadeira e apropriada a posição financeira, o desempenho financeiro e os fluxos de caixa da Entidade de acordo com as Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia;
- elaboração do relatório de gestão, incluindo o relatório de governo societário, nos termos legais e regulamentares aplicáveis;
- criação e manutenção de um sistema de controlo interno apropriado para permitir a preparação de demonstrações financeiras isentas de distorção material devido a fraude ou erro;
- adoção de políticas e critérios contabilísticos adequados nas circunstâncias; e
- avaliação da capacidade da Entidade de se manter em continuidade, divulgando, quando aplicável, as matérias que possam suscitar dúvidas significativas sobre a continuidade das atividades.

O órgão de fiscalização é responsável pela supervisão do processo de preparação e divulgação da informação financeira da Entidade.

Responsabilidades do auditor pela auditoria das demonstrações financeiras

A nossa responsabilidade consiste em obter segurança razoável sobre se as demonstrações financeiras como um todo estão isentas de distorções materiais devido a fraude ou erro, e emitir um relatório onde conste a nossa opinião. Segurança razoável é um nível elevado de segurança mas não é uma garantia de que uma auditoria executada de acordo com as ISA detetará sempre uma distorção material quando exista. As distorções podem ter origem em fraude ou erro e são consideradas materiais se, isoladas ou conjuntamente, se possa razoavelmente esperar que influenciem decisões económicas dos utilizadores tomadas com base nessas demonstrações financeiras.

Como parte de uma auditoria de acordo com as ISA, fazemos julgamentos profissionais e mantemos ceticismo profissional durante a auditoria e também:

- identificamos e avaliamos os riscos de distorção material das demonstrações financeiras, devido a fraude ou a erro, concebemos e executamos procedimentos de auditoria que respondam a esses riscos, e obtemos prova de auditoria que seja suficiente e apropriada para proporcionar uma base para a nossa opinião. O risco de não detetar uma distorção material devido a fraude é maior do que o risco de não detetar uma distorção material devido a erro, dado que a fraude pode envolver conluio, falsificação, omissões intencionais, falsas declarações ou sobreposição ao controlo interno;
- obtemos uma compreensão do controlo interno relevante para a auditoria com o objetivo de conceber procedimentos de auditoria que sejam apropriados nas circunstâncias, mas não para expressar uma opinião sobre a eficácia do controlo interno da Entidade;
- avaliamos a adequação das políticas contabilísticas usadas e a razoabilidade das estimativas contabilísticas e respetivas divulgações feitas pelo órgão de gestão;

- concluímos sobre a apropriação do uso, pelo órgão de gestão, do pressuposto da continuidade e, com base na prova de auditoria obtida, se existe qualquer incerteza material relacionada com acontecimentos ou condições que possam suscitar dúvidas significativas sobre a capacidade da Entidade para dar continuidade às suas atividades. Se concluirmos que existe uma incerteza material, devemos chamar a atenção no nosso relatório para as divulgações relacionadas incluídas nas demonstrações financeiras ou, caso essas divulgações não sejam adequadas, modificar a nossa opinião. As nossas conclusões são baseadas na prova de auditoria obtida até à data do nosso relatório. Porém, acontecimentos ou condições futuras podem levar a que a Entidade descontinue as suas atividades;
- avaliamos a apresentação, estrutura e conteúdo global das demonstrações financeiras, incluindo as divulgações, e se essas demonstrações financeiras representam as transações e acontecimentos subjacentes de forma a atingir uma apresentação apropriada;
- comunicamos com os encarregados da governação, incluindo o órgão de fiscalização, entre outros assuntos, o âmbito e o calendário planeado da auditoria, e as conclusões significativas da auditoria incluindo qualquer deficiência significativa de controlo interno identificado durante a auditoria;
- das matérias que comunicamos aos encarregados da governação, incluindo o órgão de fiscalização, determinamos as que foram as mais importantes na auditoria das demonstrações financeiras do ano corrente e que são as matérias relevantes de auditoria. Descrevemos essas matérias no nosso relatório, exceto quando a lei ou regulamento proibir a sua divulgação pública;
- declaramos ao órgão de fiscalização que cumprimos os requisitos éticos relevantes relativos à independência e comunicamos todos os relacionamentos e outras matérias que possam ser percecionadas como ameaças à nossa independência e, quando aplicável, as respetivas salvaguardas.

A nossa responsabilidade inclui ainda a verificação da concordância da informação constante do relatório de gestão com as demonstrações financeiras, e as verificações previstas nos números 4 e 5 do artigo 451.º do Código das Sociedades Comerciais.

RELATO SOBRE OUTROS REQUISITOS LEGAIS E REGULAMENTARES

Sobre o relatório de gestão

Dando cumprimento ao artigo 451.º, n.º 3, al. e) do Código das Sociedades Comerciais, somos de parecer que o relatório de gestão foi preparado de acordo com os requisitos legais e regulamentares aplicáveis em vigor, a informação nele constante é concordante com as demonstrações financeiras auditadas e, tendo em conta o conhecimento e apreciação sobre a Entidade, não identificámos incorreções materiais.

Sobre o relatório de governo societário

Dando cumprimento ao artigo 451.º, n.º 4, do Código das Sociedades Comerciais, somos de parecer que o relatório de governo societário inclui os elementos exigíveis à Entidade nos termos do artigo 245.º-A do Código dos Valores Mobiliários, não tendo sido identificadas incorreções materiais na informação divulgada no mesmo, cumprindo o disposto nas alíneas c), d), f), h), i) e m) do referido artigo.

Sobre os elementos adicionais previstos no artigo 10º do Regulamento (UE) n.º 537/2014

Dando cumprimento ao artigo 10.º do Regulamento (UE) n.º 537/2014 do Parlamento Europeu e do Conselho, de 16 de abril de 2014, e para além das matérias relevantes de auditoria acima indicadas, relatamos ainda o seguinte:

- Fomos nomeados auditores da Grupo Media Capital, SGPS, S.A., enquanto Entidade de Interesse Público, pela primeira vez na assembleia geral de acionistas realizada em 2005 para um mandato de quatro anos que se encontrava em curso e que foi sucessivamente renovado. Fomos nomeados em assembleia geral de acionistas realizada em 2015 para o mandato em curso que decorre até 2019.
- O órgão de gestão confirmou-nos que não tem conhecimento da ocorrência de qualquer fraude ou suspeita de fraude com efeito material nas demonstrações financeiras. No planeamento e execução da nossa auditoria de acordo com as ISA mantivemos o ceticismo profissional e concebemos procedimentos de auditoria para responder à possibilidade de distorção material das demonstrações financeiras devido a fraude. Em resultado do nosso trabalho não identificámos qualquer distorção material nas demonstrações financeiras devido a fraude.
- Confirmamos que a opinião de auditoria que emitimos é consistente com o relatório adicional que preparámos e entregámos ao órgão de fiscalização da Entidade em 23 de fevereiro de 2017.
- Declaramos que não prestámos quaisquer serviços proibidos nos termos do artigo 77.º, número 8, do Estatuto da Ordem dos Revisores Oficiais de Contas e que mantivemos a nossa independência face à Entidade durante a realização da auditoria.

Lisboa, 23 de fevereiro de 2017

Deloitte & Associados, SROC S.A.
Representada por Nuno Miguel Cabaço da Silva

RELATÓRIO E PARECER DA COMISSÃO DE AUDITORIA

1 Introdução

Nos termos e para os efeitos do disposto na alínea g) do artigo 423.º-F do Código das Sociedades Comerciais, a Comissão de Auditoria da sociedade Grupo Média Capital, SGPS, S.A. vem pelo presente apresentar aos Senhores Accionistas o relatório sobre a atividade fiscalizadora e, bem assim, dar o seu parecer sobre o Relatório e Contas individuais e consolidadas do exercício findo em 31 de Dezembro de 2016 bem como sobre as propostas apresentadas pelo Conselho de Administração da sociedade à Assembleia Geral.

2 Fiscalização da Sociedade

Durante o exercício de 2016, a Comissão de Auditoria acompanhou a evolução da actividade das sociedades integradas no Grupo Média Capital, tendo zelado pela observância da lei e do respectivo contrato de sociedade, a exactidão dos documentos de prestação de contas, verificado a regularidade dos registos contabilísticos, as políticas contabilísticas adoptadas, fiscalizando o processo de preparação e divulgação da informação financeira bem como a informação periódica que foi divulgada ao mercado.

A Comissão de Auditoria analisou e avaliou durante o ano de 2016 a eficácia dos sistemas de gestão de risco e do sistema de controlo interno, conforme implementados pelo Conselho de Administração da Sociedade, em salvaguarda do seu valor e em benefício da transparência do governo societário.

Por considerar que os sistemas de controlo interno e de gestão de riscos tal como implementados na Sociedade são os adequados aos riscos identificados e a que a Sociedade se encontra exposta, a Comissão de Auditoria não considerou necessário propor ajustamentos ou alterações aos sistemas já implementados.

A Comissão de Auditoria acompanhou directamente a actividade desenvolvida pelos serviços de auditoria interna das sociedades integradas no Grupo Média Capital tendo recebido com periodicidade bimensal o reporte da informação e das conclusões alcançadas pelos serviços de auditoria interna no âmbito dos trabalhos realizados, cujo plano foi agendado e delimitado conjuntamente com a Comissão de Auditoria. Não foi detectado qualquer facto digno de relevo no âmbito da actividade das referidas sociedades.

A Comissão de Auditoria, no âmbito da sua actividade de fiscalização, não se deparou com quaisquer constrangimentos ao exercício da sua actividade.

Para efeitos do desempenho das suas competências, nos termos da lei e do contrato de sociedade, os membros da Comissão de Auditoria participaram em todas as reuniões do Conselho de Administração. Durante o exercício, a Comissão de Auditoria reuniu cinco vezes e adotou ainda uma deliberação unânime por escrito.

Durante o ano de 2016, e em linha com as recomendações relativas ao bom governo das sociedades cotadas, a Comissão de Auditoria procedeu à avaliação de todas as operações realizadas com accionistas significativos e com partes relacionadas, em cumprimento do disposto no Regulamento do Conselho de Administração, tendo-se reservado para emissão de parecer prévio a celebração de negócios com relevância significativa. Todos os negócios com relevância significativa que foram submetidos à apreciação da Comissão mereceram o seu parecer favorável.



No âmbito das suas competências, e enquanto principal interlocutor da empresa junto do Auditor, a Comissão de Auditoria acompanhou os trabalhos de auditoria desenvolvidos pelo Revisor Oficial de Contas que dão origem à emissão da certificação legal de contas, tendo ainda acompanhado os trabalhos e as conclusões atingidas no âmbito dos trabalhos desenvolvidos. No exercício de 2016, a Comissão de Auditoria procedeu à avaliação do desempenho do Revisor Oficial de Contas tendo verificado a independência e a competência com que foram desempenhadas as funções do Revisor Oficial de Contas.

3 Declaração de responsabilidade

De acordo com o disposto no artigo 245.º n.º 1, c) aplicável por força do disposto no artigo 8.º n.º 1, alínea a) do Regulamento da CMVM n.º 5/2008 (Deveres de Informação), os membros da Comissão de Auditoria declaram que, tanto quanto é do seu conhecimento, a informação constante do Relatório de Gestão e dos demais documentos de prestação de contas foi elaborada em conformidade com as normas contabilísticas aplicáveis, dando uma imagem verdadeira e apropriada do activo e do passivo, da situação financeira e dos resultados e dos fluxos de caixa da Sociedade e das empresas incluídas no perímetro da consolidação. Mais entendem que o Relatório de Gestão expõe fielmente a evolução dos negócios, do desempenho e da posição da Sociedade e das empresas incluídas no perímetro da consolidação, contém uma descrição dos principais riscos e incertezas com que se defrontam.

4 Parecer sobre os relatórios e contas e propostas apresentados pelo Conselho de Administração

A Comissão de Auditoria examinou as propostas do Conselho de Administração, a apresentar ao Senhores Accionistas, o Relatório de Gestão individual e consolidado e as demonstrações individuais e consolidadas do exercício findo em 31 de Dezembro de 2016, os quais incluem as demonstrações da posição financeira individual e consolidada, a demonstração consolidada dos resultados, as demonstrações individuais e consolidadas dos rendimentos integrais, dos fluxos de caixa e das alterações no capital próprio e respectivos anexos, do exercício findo àquela data, elaborados de acordo com as Normas Internacionais de Relato Financeiro, tal como adoptadas pela União Europeia.

Adicionalmente, analisou as Certificações Legais de Contas e Relatórios de Auditoria sobre as referidas demonstrações financeiras individuais e consolidadas, elaborados pelo Revisor Oficial de Contas.

A Comissão de Auditoria concorda com as Certificações Legais das Contas individuais e consolidadas elaboradas pelo Revisor Oficial de Contas.

A Comissão de Auditoria analisou ainda o Relatório sobre o Governo da Sociedade relativo ao exercício de 2016 preparado pelo Conselho de Administração, o qual se encontra em anexo ao Relatório de Gestão, verificando que foi preparado em cumprimento do disposto no Regulamento da CMVM n.º 4/2013 (Governo das Sociedades) conforme emanado pela Comissão do Mercado de Valores Mobiliários e inclui, entre outros, os elementos constantes do artigo 245.º-A do Código dos Valores Mobiliários.

Em face do exposto, a Comissão de Auditoria é de opinião que as demonstrações financeiras individuais e consolidadas, o Relatório de Gestão individual e consolidado em 31 de Dezembro de 2016, bem como a proposta de aplicação dos resultados expressa no Relatório de Gestão estão de

acordo com as disposições contabilísticas, legais e estatutárias aplicáveis pelo que recomenda a sua aprovação pelos Accionistas.

Queluz de Baixo, 22 de fevereiro de 2017

A Comissão de Auditoria,

António Pires de Lima (Presidente)

Agnés Noguera (Vogal)

José Luiz Sainz (Vogal)