



Annual Report

2017

Grupo Média 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

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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 2017. 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.

On this date, the Board of Directors also presented, separately from the Management Report and under the terms of article 508-B of the Portuguese Companies Code, consolidated non-financial information.

SOLE MANAGEMENT REPORT OF THE BOARD OF DIRECTORS 2017 ACCOUNTS

INTRODUCTION

The company Grupo Média Capital, SGPS, S.A. (“Company” or “Society” or “MÉDIA 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 note 4 of the Notes to the Consolidated Financial Statements on December 31, 2017.

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.

GROUP 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-holdings.

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

After a 2.9% growth in the first half of 2017, the latest major indicators of the Portuguese economy indicate a slight deceleration during the second half of the year, registering a 2.5% increase in the third quarter. This deceleration, mostly due to a slowdown in public investment and to the negative contribution of external demand, was partially offset by domestic demand (due to an acceleration of private consumption). In the fourth quarter, the economic climate index calculated by the National Statistics Office had a small deterioration against the previous quarter.

In this context, Banco de Portugal expects a 2.6% increase in GDP indicator (vs 1.5% in 2016), mainly lead by public investment and net exports. In 2017, unemployment rate reached 8.9% (vs 11.1% in 2016) whilst the inflation rate increased 1pp to 1.6%.

Advertising market performance

Following the recovery that begun in the last third of 2013, the Portuguese agencies advertising market (before rebates discounts) registered a 3% increase in 2017 (10% in 2014, 3% in 2015 and 5% in 2016).

Regarding the segments in which the Group is present, the Television segment improved by 1% (- 1% in FTA (Free-to-Air) and +10% in pay TV), while Digital (once again) significantly improved by 15% (21% in 2016) and Radio increased 5% (8% in 2016).

As for other segments, Press registered a decrease in 2017 (-19%), while Cinema decreased 8% and Outdoor recorded a 10% increase.

Taking into consideration the recent economic favourable context, advertising market is expected to experience a new (but moderated) growth in 2018, albeit the extent and impact of this tendency is still unknown.

MAIN FACTS IN 2017

- In 2017, net income increased by 4% to € 19.8 million.
- Consolidated EBITDA reached € 40.1 million, decreasing 3% YoY, although the cost cutting effort (-5%).
- Advertising revenues were down 2% for the full year vs 2016, although there was a 3% recovery in Q4.
- TVI kept the leadership in TV audience share, achieving an average of 21.0% and 24.7% in all day and prime time, respectively. The gap over the second most watched channel was 3.9pp in all day and 3.1pp in prime time. TVI's leadership in audiences was also maintained when analysing by groups of channels (TVI, TVI24, TVI Ficção and TVI Reality, in the case of TVI), with 23.8% in all day and 27.2% in prime time, i.e., respectively 3.1pp and 2.5pp above the second most watched group of channels (although TVI has a lower number of channels than its main competitor).
- The Television segment registered a 2% decrease in EBITDA to € 33.0 million but showed an improvement in EBITDA margin, from 23.6% to 24.2%.
- The Radio segment achieved an EBITDA of € 6.5 million, with a margin of 35.1%, and was up 21% vs last year's figure. Throughout 2017, Media Capital's radios had their best performance ever in terms of average share (36.4%, thus 1.5pp better than 2016), with the fourth audience reading (out of five) providing a new record, with a 38.6% share.
- Following the closing of 2017, there were no subsequent events with material relevance, other than those in line with the normal evolution of the Group's operating activity.

BRIEF OVERVIEW OF THE CONSOLIDATED RESULTS

In 2017, operating revenues decreased 5%, reaching € 165.5 million. Opex, excluding amortization and depreciation, was down 5%, from € 132.5 million to € 125.4 million.

Consolidated EBITDA declined 3%, from € 41.5 million to € 40.1 million and EBIT stood 3% below last year's comparable figure, reaching € 32.2 million. Net income improved by 4%, reaching € 19.8 million. Net income improved by 4%, reaching € 19.8 million.

During 2017, the group recorded an investment in tangible and intangible fixed assets of € 4.0 million (vs € 6.3 million in 2016).

BRIEF OVERVIEW OF THE INDIVIDUAL RESULTS

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

In terms of the full income statement, operational result was € 25.5 thousand (€ - 187.2 thousand in 2016), once the reduction in operational income (essentially composed by services rendered to the Group's companies), was offset by the reduction in operating expenses (€ 5,833.9 thousand in 2016 to € 5,566.6 thousand), which occurred due to lower expenses with human resources. Financial results improved € 23.9 thousand.

In turn, gains in subsidiaries, which correspond to dividends from is participated company Meglo, rose to € 18,032.1 thousand in 2017 from € 16,398.9 thousand in 2016.

It is worth mentioning that during 2017 Grupo Média Capital, SGPS, S.A. distributed dividends amounting to € 17,747.8 thousand (€ 16,057.5 thousand in 2016), which corresponded to a dividend per share of € 0.21.

Taxes had a positive impact in 2017 (above the impact registered in 2016), reaching € 436.0 thousand (vs € 269.1 thousand).

The 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 Group.

EXPECTED EVOLUTION IN ACTIVITY FOR 2018

Banco de Portugal expects economic improvements for the Portuguese economy in 2018, although less pronounced than in 2017. The GDP indicator is expected to grow 2.3% in 2018, 1.9% in 2019 and 1.7% in 2020.

During the course of 2018, Portugal should continue to benefit from a favourable external environment, as the cycle of economic expansion in most of the main trading partners within and outside the euro zone is expected to continue.

On the other hand, monetary policy in the main economic areas (and in particular in the euro zone) should also remain prycyclical, although an increase in key interest rates is likely to be expected.

Private consumption is expected to grow at a slower pace than GDP, after a period of recovery / implementation of expenditures that had been postponed with the outbreak of the crisis. Nonetheless,

further reductions in the unemployment rate are expected, while inflation, following a strong acceleration in 2017, should remain slightly below in 2018.

However, due to the strong and abrupt decrease in the advertising market until 2013, advertising is expected to continue to grow in 2018, although the extent and consistency of this movement is unknown, as was the case in 2017. Such uncertainty is reinforced by the expectation of a deceleration of private consumption.

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 concentrating the production centres, technical resources, scenarios and cost structure, the goals for 2018 include improvements in quality, production time and activity expansion to new contents, namely entertainment. The Group will maintain its commitment to be the reference producer in drama contents in Portuguese language and to expand know how in critical contents.

2017 was again a record-breaking year for the MCR radios, with a very positive performance versus the whole radio market, leading to an improvement in both revenues and profitability. The main goal in 2018 is to reinforce the several brands and content portfolio. 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 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 clouded context at macroeconomic level as well as the structural changes taking place in the media industry make projections more uncertain.



Television



INTRODUCTION

The Television segment includes only TVI since the beginning of 2016. Aside from the FTA TV channel TVI, the company also owns the thematic channels TVI24, TVI Internacional, TVI Ficção, TVI África and TVI Reality.

In 2017, TVI was FTA audience leader in Portugal for the 13th consecutive year. TVI leads FTA audiences in Portugal in all day since 2005 and in prime time since 2001.

TVI's group of channels led audiences in 2017, in all day (23.8% share), prime time and in the commercial target Adults.

Along 2017, TVI's channels reached a daily average audience of 4.419 million viewers (3.099 million in prime time).

“Apanha se Puderés”, “Pesadelo na Cozinha”, “Ouro Verde”, “A Herdeira”, “Jogo Duplo” and “Jornal das 8” are some of the contents that consolidated TVI's leadership.

ACTIVITY EVOLUTION IN 2017

In what regards financial performance, operating revenues in the TV segment decreased 4% in 2017, with advertising revenues dropping 3%, affected by the market.

Other revenues, which encompass, among other, retransmission fees and multimedia services, were down 8%.

Opex was down 5% YoY. Hence, EBITDA in 2017 was € 33.0 million (-2% YoY), with a margin of 24.2%.

2017 - LEADER FOR THE THIRTEENTH CONSECUTIVE YEAR

The absolute and undisputed leadership of TVI covers the period between 10 a.m. and midnight, with a large difference to the more direct competitor both in all day (+3.9pp) and prime-time (+3.1pp).

According to GfK (audience provider), TVI registered a 21.0% share in all day and 24.7% in prime time. TVI also led in the commercial target Adults, with shares of 21.8% and 25.3% in all day and in prime time, respectively and was also leader in the main commercial target, with an audience share of 20.7% in prime time.



Regarding News, “Jornal das 8” led audiences during 322 days in 2017, with an average audience of 1.018 million viewers and 23.7% share.

The journalistic investigation program “Reporter TVI” continued to impact Portuguese viewers and reached an average audience of 1.215 million viewers and 26.9% share. “Raríssimas” and “Segredo dos Deuses” were two of the most prominent programs, with the latter having registered an average audience of 1.410 million viewers and a 30.3% share.

Broadcasted on Sunday nights, “Pesadelo na Cozinha” was the most watched programme of the year (aside from sports programmes) and reached an average audience of over 1.500 million viewers.



The entertainment program “Apanha se Puderés” is one of the major highlights in 2017, as it conquered the important access to prime-time slot, which was historically led by a competitor.

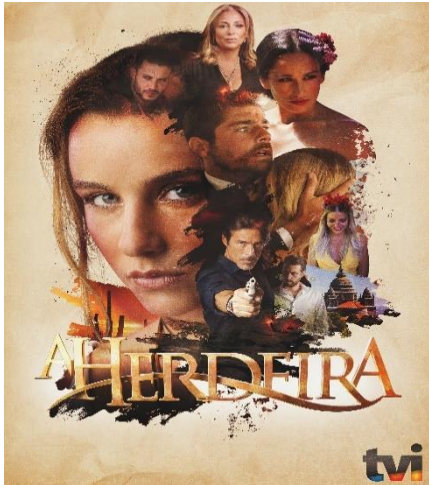
PROGRAMMING

In 2017 TVI once again led audiences in relevant contents like local drama, entertainment and news.

Local Drama

Following the huge success of “A Única Mulher”, TVI succeeded on maintaining its local drama contents (produced by Plural) on the top of the preferences of Portuguese viewers, as the four soap operas broadcasted in 2017 led on their respective timeslots.

Premiered on January, “Ouro Verde” reached 28.4% share (1.316 million viewers) and conquered the audience with a plot of mystery, love and revenge, and the beautiful landscapes of Brazil and Portugal.



Shot in Portugal and in Mexico, “A Herdeira” (with a plot that tackles important social issues) reached a share of 30% and 1.382 million viewers. This novela stars some of the most recognized actors in Portugal: Alexandra Lencastre, Rita Pereira, Kelly Bailey, Lourenço Ortigão, Pedro Barroso and Paulo Pires.

These two productions distinguished themselves from the competition, by their narratives’ dynamic and by the originality of their stories.

In the end of 2017, TVI premiered “Jogo Duplo”, which comfortably led audiences from start, with an average of 926 thousand viewers and a 26.2% share.

“A Impostora”, one of the major productions of 2016, came to an end during 2017, also leading its time slot.



Regarding TVI’s bet on other drama contents in Portuguese language, it is also worth mentioning the TV series “Inspector Max” as well as the miniseries and movie “Jacinta”.

The movie “Jacinta”, co-produced by TVI, was the most seen Portuguese movie in cinemas in Portugal in 2017.

Entertainment

There are two major milestones in what concerns entertainment in 2017.



Presented by Cristina Ferreira and Pedro Teixeira, the game show “Apanha se Puderés” conquered a comfortable leadership on its important time slot since its premiere.

Also “Pesadelo na Cozinha” (an adaptation of the successful reality show “Kitchen Nightmares”), led audiences since it came on air and reached an average audience of over 1.500 million viewers.

Regarding entertainment, it is also worth mentioning:

“MasterChef Celebidades” – produced for the first time in Portugal, became a huge success and registered a leading average audience of over 930 thousand viewers;

“Masterchef Junior” – TVI premiered the second season of this reality contest in 2017, maintaining the success of the first season and leading audiences on Sunday nights.



Aside from adapting large international formats, TVI also created its own successful formats, such as “Let’s Dance”, a dance talent show and “The Biggest Deal”, a reality show with celebrities and with solidarity and entrepreneurial goals.

On Sunday afternoons, “Somos Portugal” – broadcasted live from different parts of the country – led on its time slot with 696 thousand viewers (+4% vs 2016) and a share of 22.1%.

Premiered on Saturday afternoons, the contest “Nunca Digas Nunca” registered an average audience of 581 thousand viewers and 18.5%.

“A Tua Cara não me é Estranha” returned to TVI’s programming during 2017 and confirmed itself as one of its strongest brands.

TVI’s contents led throughout the day. The morning show “Você na TV” continues to lead on its timeslot with a share of 26.6% and an average of 381 thousand viewers. Also on weekday’s afternoons, talk show “A Tarde é Sua” obtained a leading share of 17.6% (366 thousand viewers).

News

2017 was the best year in TVI’s history in what regards prime-time news programs. “Jornal das 8” led 322 days along the year, and is audience leader for the 5th consecutive year. With more than 1 million viewers daily (23.7% share), it registered a 4% growth vs 2016 and achieved 94 positions on the top 100 most viewed news programs throughout the year.

“Jornal da Uma” led audiences on its timeslot 75% of the year.



TVI’s investigative journalism confirmed itself as the most influential in Portugal. Complying with its purpose to inform, report and alert, “Repórter TVI” was once again a reference in investigative journalism, reaching an average audience of 1.215 million individuals and a share of 26.9%. It is worth highlighting, at the end of 2017, “Raríssimas” and “O Segredo dos Deuses”, having the latter achieved an average audience of 1.410 million viewers and 30.3% share.

Following the fires of June and October, TVI mobilized its newsroom and conducted several news programs from the affected territories, in an effort to help rehabilitate tourist activity on those regions.

The best journalistic work and the best TV hosts worked side-by-side when Pope Francisco visited Portugal, in a special TVI's broadcast.

Solidarity contents in 2017

In 2017, TVI carried out several awareness-raising and social support initiatives, whether for the victims of the fires of June and October, or for other causes. Main highlights:

Juntos por Todos (Together for All) – held in MEO Arena, this show joined the 3 generalist television channels in Portugal in support of the victims of the fires. The amount raised in ticket office was delivered to the União das Misericórdias Portuguesas;

Broadcast (together with the other two generalist channels) of the solidarity football matches of the Portuguese team. The amount raised in ticket office was intended to help the victims of the fires;

Special broadcasts of “Apanha se Puderdes”. The values raised reverted to Social Solidarity Institutions.

Awards in 2017

Along 2017, TVI was awarded with several prizes, such as:

Corporate excellence award for its reputational sustainability, awarded by OnStrategy;

Marketeer Award, in the Media-TV category;

Television Awards – TVI and Plural won 17 of a total of 25 awards;

Meios & Publicidade – Creativity in Autopromotions Awards, TVI won 5 golden prizes, 4 silver prizes and 5 bronze prizes;

Efficacy Awards - TVI won the bronze prize in Distribution and Food Court with the youth series “Massa Fresca” and “Telepizza”.

Also, Media Capital was distinguished with three Communication Awards by Meios & Publicidade, in the following categories:

Honorable Mention – attributed to MCD, for the creation of Prémios Blogs do Ano (Blog of the Year)

Media Capital Digital Patrocínio L'Oréal Portugal;

Honorable Mention in Corporate Social Responsibility – attributed to TVI, for the advertising campaign TVI/APAV;

Institutional Advertising Award – attributed to TVI for its rebranding.

International Drama

During 2017, TVI maintained its bet on quality series and blockbuster cinema, broadcasting quality series, such as “Castle”, “Suits”, “Chicago Fire”, “Hawaii Five-O” and “Modern Family”. As for miniseries, TVI broadcasted “The Hollow Crown” and “American Odyssey”.

Regarding movies, “The Son of God”, “GI Joe”, “Oblivion”, “Snow White and the Huntsman” or “Transformers: Revenge of the Fallen”, all registered significant shares on Saturday afternoons,

tvi24

In 2017, TVI24 lead, for the second year in a row, audiences in prime-time among all news channels and was the 9th most seen channel in 2017, with an average audience of 70 thousand viewers (1.500 million contacts a day).

TVI24 has 21 programs on the top 25 of news channels’ programs, along 2017. Also, “21ª Hora” consolidated its position as the main news programme in pay TV, with 9 editions in the top 20.

It is worth mentioning the special programs about illegal adoptions by IURD, one of which being the most watched content (other than sports) in news channels.



LA VUELTA

As for sports, TVI24 broadcasted, among others, La Vuelta, futsal matches, football matches, and hockey matches, all with excellent results.

TVI24 is also present in Angola, Mozambique and Cape Verde.

Programming

In the channels' grid, the programs "Prolongamento", "Governo Sombra", "Mais Bastidores", "Mais Transferências" all obtained good performances on their timeslots.

TVI24 maintained its bet on the best news services, as well as its political and economic debate programs.

Also worth mentioning, the partnerships that showed entrepreneurship and innovation in Portugal, through programs such as "Ajuste de Contas", in which TVI24 interviewed the leaders who mobilize teams, innovate, take risks and build companies in the global market.

In the digital arena, the value proposal by TVI24 also had positive developments, by assuming itself as the country's main multimedia screen. For instance, in the Municipal Elections, the detailed results were available online and in real time on tvi24.pt and TVI24 App.

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.



During 2017, TVI Internacional entered for the first time in a German platform, being the first Portuguese commercial channel broadcasted on that country. TVI Internacional is now available to more than 200 thousand Portuguese (and Portuguese descendant) in Germany.

The channel also reinforced its presence in Europe, entering in two new platforms in France and two platforms in Switzerland. TVI Internacional expanded to new geographies in 2017, as is now present in the French Caribbean (Martinique, Guadeloupe, Saint Martin, Saint Barthélemy and Guiana).

With a programming grid based in live contents broadcasted simultaneously with TVI and TVI24 – especially news, entertainment, reality show and talent show – and in local drama produced by Plural, TVI Internacional is now present in more than 30 cable, satellite and TDT platforms and in 21 territories. Through TVI Internacional, the best contents in Portuguese are available to million Portuguese speaking viewers around the globe.



TVI Ficção houses the best of TVI's local drama (produced by Plural). Available exclusively in MEO (pay-tv operator), it offers exclusive contents to MEO subscribers, such as anticipated visioning of episodes.

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.

Guided tours to the backstage of TVI's productions and exclusive interviews area some of the features of "Câmara Exclusiva", one of TVI Ficção's programs. In the programming grid, it is also worth mentioning the second season of the series "Inspector Max" and the novelas "Beijo do Escorpião", "Belmonte" and "Flor do Mar".

The channel obtained in 2017 0.8% share among pay tv channels.

TVI Ficção has once again expanded its international presence. In 2017 it started broadcasting to Switzerland, entered new platforms in France and Monaco and premiered in Martinique, Guadalupe, Saint Martin, Saint Barthelemy and French Guiana. It is now currently available in 14 territories: Andorra, Angola, Cape Verde, France, French Guiana, Guadalupe, Luxembourg, Martinique, Monaco, Mozambique, Saint Martin, Saint Barthelemy, Switzerland and United Kingdom.

tviáfrica

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 on the African Portuguese speaking markets.

"Palopiando", a talk show with African celebrities, presented by Ana Sofia Martins and "TOP K" (the best of Kizomba), presented by Mónica Jardim, are two of the key programs in the channel's grid,



TVI África programming offers exclusive contents and the best of TVI's programming, including *reality shows*, local drama, large entertainment formats and news, from the audience leader in Portugal.

tvireality

TVI Reality is "the house" of TVI's reality shows since October 2015. Broadcasted exclusively in the NOS platform, TVI Reality can be seen from everywhere in the world, through its app, available in Android and iOS.

In 2017, Portuguese viewers could follow the lives of the participants of "Let's Dance - Vamos Dançar", "Love on Top" and "Biggest Deal", 24hrs/day through TVI Reality.



“Love on Top”, an interactive reality, was specially conceived by TVI and Endemol, exclusively for TVI.

Also interactive and produced by TVI, “Biggest Deal” was a celebrity reality where the participants had to raise money for charities.



In 2017, TVI Player became the first Portuguese OTT with an app especially developed to a cable/satellite operator: Vodafone. At the end of the year, TVI's OTT registered an increase of 200.000 registered users.

More contents, more views

The offer of exclusive contents was reinforced with live music from the Summer Festivals NOS Primavera Sound and Vodafone Paredes de Coura, as well as items of the digital entertainment magazine SELFIE.

In 2017, TVI Player also broadcasted TVI Ficção and TVI Reality to viewers worldwide through its subscription plan. Also during the year in review, and following Media Capital's strong bet on digital contents, the subscribers could access first hand and in HD a daily episode of the novela “A Impostora”.

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 developed by TVI and IOL Negocios' teams. It is an optimized platform for video and is available for free in apps for web, iPad, iPhone and Android, as well on Vodafone TV.

In 2017, TVI Player reinforced its offer with new exclusive contents, independent productions and several partnerships, and registered monthly averages of 1 million unique users and over 7.5 million views.

The platform 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.

DIGITAL – Other projects

TVI has never been so present in Digital as in 2017.

TVI's contents had a special treatment in the brand's apps, TVI Player and social networks. The digital format "novela num minuto" (premiered with "Ouro Verde") is an adapted version to mobile, resuming each daily episode in one minute. Also, in the premier of "A Herdeira", a 50 minute episode was condensed in 50 seconds.

Also, the presentation of the actors and characters of "Jogo Duplo" had exclusive coverage in TVI's website, Facebook and Instagram.

Regarding reality shows, it is worth mentioning the website and interactive app of "Biggest Deal", mobile voting mechanisms and interactivity for "Love on Top", second screen app and interactivity for the original format "Let's Dance".

In the local elections, the users had access to results in real time and were able to explore in detail the data of each parish.

In 2017, TVI's apps reached 3 million downloads.

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 by:

- a) Retransmission fees of TVI, TVI24, TVI Internacional, TVI Ficção, TVI África and TVI Reality on other platforms, such as cable, IPTV, satellite, TDT and mobile, in Portugal and in the rest of the world;
- b) Sale of contents to distributors in Portugal and abroad, thus confirming the quality of TVI and Plural's contents;
- c) Interactive and multimedia services related to TVI's contents.

Content Sales

In 2017, content sales had a positive performance, strongly supported by the success of “A Única Mulher”, which was present in sixty four countries at the end of the year.

The miniseries “Jacinta”, produced by Coral Europa, was sold to cinema, television and DVD, to several countries such as Italy, Chile, Hong Kong, Poland, Mexico, Panama, Czech Republic, Slovakia and USA.

As for the youth series “Morangos com Açúcar” and the novela “Ouro Verde”, both were strong contributors to the growth of TVI and Plural’s contents.

Interactivity

TVI maintained its bet on interactive initiatives during 2017, namely through new interactive solutions, whether included or not in its’ programs.

New strategic areas were developed, supporting new models of interaction, as the launch of “Vai € Volta”, an exclusive discount platform, which was well received by the public.

The results obtained are fruit of the contribution of several areas of TVI, as well as the relation with television producers, telecom operators and other partners.

INNOVATION AND TECHNOLOGY

Technology performs a key role in the value chain of modern media groups and Media Capital follows that evolution by allowing users to choose the content they want, where and when they want.

Digital age is here. It’s present. And Media Capital wants to continue to project the future of this digital era.

The Group is continually investing in the development of its technological systems, assuring on one hand, a permanent system update and, on the other hand, the concretization of new innovative technology-based projects, that can improve the consumer’s experience when contacting with its contents.

With optimized operations and specialized teams, the Group is in conditions to anticipate consumers’ needs, thus reinventing the way contents are treated, distributed and monetized.

The permanent bet on innovative and disruptive solutions is, and will continue to be, one of the great assets of Media Capital’s technology department, especially for TVI and MCD.



Audiovisual Production



INTRODUCTION

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

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

Asides from the local drama contents, in 2017 Plural produced the entertainment show “Apanha se Puderés”, which became audience leader on its timeslot.

In 2017, Plural was once again awarded Best Audiovisual Producer, by the Meios & Publicidade Awards.

ACTIVITY EVOLUTION IN 2017

The Audiovisual Production segment had total operating revenues of € 31.9 million, which corresponded to a 21% decrease, despite the substantial increase in activity (22%) in the last quarter of the year.

In Portugal, accumulated revenues were down 16% YoY, mostly as a result of lower content production activity.

In Spain, the activity is reduced to residual levels, with a slim and flexible structure, the necessary one to address attractive commercial opportunities.

Operating expenditures decreased 17% YoY.

Hence, EBITDA reached a negative figure of € 0.3 million, down € 1.8 million versus 2016, due to the lower activity in Portugal and Spain, although the latter was more significant on both absolute and relative terms.

PLURAL ENTERTAINMENT

In 2017, Plural Entertainment maintained its position as the major audiovisual producer in Portugal, being a reference in local drama and producing over 545 hours of contents in Portuguese.

The integration of all the production processes, along with a strong team work among all the intervenients, has been strategic and determinant to the success of Plural's products.

AUDIOVISUAL PRODUCTION

Local Drama Contents

During 2017, the recording of the novela "Ouro Verde" and the series "Elisa" came to an end. Broadcasted on TVI's prime time, "Ouro Verde" registered leading audiences throughout its emissions.

At the beginning of the year, Plural began the production of the novela "A Herdeira", recorded in Viana do Castelo (north of Portugal), Mexico and Galiza. The plot, which tackles important social issues, captivated Portuguese audiences since the beginning of its broadcast. In the third quarter of the year, "Jogo Duplo", another large production by Plural for TVI, initiated its production in Portugal and Macau.

Entertainment Contents

In 2017 Plural embraced the production of entertainment formats, in Portuguese language, with the adaptation of a large entertainment format, "Apanha se Puderem", which was an immediate success on its time slot and leads audiences since its premiere.

Advertising Contents

Advertising production was once again a strategic area for Plural. The commitment to this business segment, reinforced by the integration of this area with the soft sponsoring of TVI, allowed taking advantage of strong synergies both in the production of advertising content, as in the acquisition of new clients and the creation of new 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 2017, EMAV kept providing technical resources for Plural's productions, and succeeded on reinforcing its presence in Portugal, namely with other broadcasters.

The company maintained important service contracts with major broadcasters such as SportTV, Coral, TVI, Telefonica, besides Plural, which allowed a more effective optimization of resources and equipments and a better use of the company's structure.

As part of the services provided to the leading audience channel in Portugal, it is worth mentioning the production of "Somos Portugal", outdoor news and the Sunday masses. Also the productions for Plural – "A Herdeira" and "Jogo Duplo" – required demanding operations regarding equipment and technology, in Portugal, Mexico and Macau.

Sports events are also a strength of EMAV's productions. In 2017 the main highlights were football matches of the Portuguese League, Portugal Rally, rugby tournaments and bull races.

In 2017 continued to assure the management and maintenance of TVI's transmission equipments, by satellite.

EPC – EMPRESA PORTUGUESA DE CENÁRIOS

EPC continued to be the main supplier of scenarios for entertainment programs and shows, drama productions and newsrooms for the three generalist Portuguese channels. It also reinforced its partnerships with relevant producers such as Shine Iberia or Endemol.



EPC also worked in the film industry through scenarios for the film "Parque Mayer".

INNOVATION AND TECHNOLOGY

Concerning graphic design work for Brand Design, Plural has made visual effects for drama contents and graphic packages for several external clients, visual effects 2d and 3D for events, products, internal productions (extension of scenarios, explosions, composition of chroma videos for breaks and vehicles) in a clear path of technological innovation and state-of-the-art digital solutions for video and audio.

In 2017, with the implementation of the new Nexis AVID editing system, which enabled the workflow of audiovisual post-production, new advertising works were developed.

Such as in previous years, Plural maintained its bet on the modernization and optimization of the production process, based on a software tool aimed to centralize the information in a more robust and accessible way. The resulting process optimization, allowed for important savings, gave the company more flexibility in responding to market's needs and lead to a greater management of cost control in real time.

Plural has won once again the award for best producer, awarded in the 2017 Meios & Publicidade Awards.



Radio



INTRODUCTION

During 2017, Rádio Comercial maintained its market leadership in the morning time slot. On the other side, M80 conquered the 3rd position as the most listened radio in Portugal, an unprecedented feat, since M80 is not a national coverage radio.

Along the year, Media Capital Rádios (MCR) brands got even closer to listeners, with the intensification of the support of social causes and the promotion of free shows around the country.

MCR was present in the most relevant events, promoting solidarity initiatives on air or through its social networks.

ACTIVITY EVOLUTION IN 2017

On financial grounds, advertising revenues improved 5% YoY, while other operating revenues dropped 5% to € 0.8 million, mostly related to events.

Operating expenditures decreased 3% YoY.

As a result, EBITDA increased 21% to € 6.5 million. The related margin reached an annual all-time high of 35.1% in 2017.

AUDIENCE

The audience data continues to underline the outstanding performance of the formats explored by MCR.

In fact, the average audience share of MCR's group of radios in 2017 was 36.4%, which corresponds to a 1.5pp improvement. In the last measurement of the year, MCR's group of radios achieved its best audience share ever, 38.6%.

Rádio Comercial improved its average share from 23.5% to 23.7%.



In turn, M80 registered a record average share of 8.5% (vs 6.9% YoY), having obtained along the year two historical share records, of 9.7%. It is now the third most listened radio in Portugal, despite not having a national coverage network.

As for other formats, Cidade obtained an average share of 2.8% (vs 3% in 2016).

Rádio Comercial was, for the fifth consecutive year, awarded Best Radio, by Meios & Publicidade. It also won the Marketeer award in the Media-radio category and was considered the most reputable brand in media, in the Corporate Excellency Awards.

DIVERSIFIED AND INNOVATIVE PORTFOLIO



Rádio Comercial once again strengthened its positioning and captured new listeners in 2017, while sustaining its investment on humour contents and on its morning show.

Continuing its strategy of proximity to the listener Rádio Comercial was, more than ever, closer to its listeners. From Wonderland Lisboa to major music festivals, such as NOS Alive or MEO Mares Vivas, Rádio Comercial was present, broadcasting live and interacting with its audience.

Along the year, the station's team toured the country collecting the Portuguese's opinion about radio. These testimonies were heard on air and are now available on Rádio Comercial's website and Facebook.

Moving beyond its on air confines, the radio station registered relevant results on the digital arena and organizing successful events, such as the two already well known shows Christmas in the Night, which sold out both in Lisbon and Oporto.



At the end of the year, it is worth highlighting Radio Comercial's Christmas song, which generated over 1.400 million views and 40 thousand shares on social networks.

The 38th anniversary of Radio Comercial was celebrated with seven free shows all over the country. In addition, a new motto – “The Best Music, Ever” – and a new website were released.

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 a reference station for the younger target audience with a single musical positioning of Current Hits. With more interactivity, new contents and new entertainers, Cidade once again invested strongly in promoting or organising events.

As for SmoothFM, the station gained new audience and kept its positioning, as a jazz and soul radio station, with a wide variety of playlists and renowned artists. SmoothFM also sponsored EDP Cool Jazz, an event dedicated to this type of music.

VodafoneFM also increased its on-place presence and maintained its positioning targeting the younger audience. The radio was media partner of Vodafone Mexe Fest, a music festival that occurs in several music halls in the center of Lisbon.

Online

In 2017, MCR brand's registered a monthly average of over 76 million pageviews, corresponding to an increase of 10% (69% in 2016). This performance is mainly due to Rádio Comercial which contributed with an average of over 50 million pageviews.

Average visit time in the MCR's network of sites increased 9% to 195 minutes. This is especially relevant as this number includes average listening time online. On this indicator, M80 stands out with an expressive number of 262 minutes.

Regarding apps, MCR's radios achieved a monthly average of 70 thousand users and 500 thousand visits. Rádio Comercial's app was the most visited, with 318 thousand a month, which represents a YoY increase of 11%.

All MCR's radios were very active on social networks. Rádio Comercial stands out with over 1.9 million followers on Facebook, more than 300 thousand on Instagram and over 270 thousand YouTube subscribers



Others



INTRODUCTION

This segment includes Digital, as well as the holding and shared services.

ACTIVITY EVOLUTION IN 2017

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 2017, pageviews increased 31% while video impressions grew 81% (with a particularly strong contribution from TVI Player).

Advertising revenues were down 11% YoY, whereas other revenues were at the same level of 2016.

The EBITDA of the segment improved from € 0.2 million in 2016 to € 0.4 million.

MEDIA CAPITAL DIGITAL (MCD)

6 million followers on social networks

9 million users

180 monthly visits

12 million downloads

	5.650.000 followers
	660.000 followers
	480.000 seguidores

In 2017, MCD reinforced its position in the media digital arena and consolidated its position among its audience, reaching over 2.5 million monthly users and 30 million monthly visits on its network of sites (3 corporate websites and 14 brand sites).

Keeping a clear advantage against its most direct competitors, TVI's websites maintained leadership and was number four on Netaudience ranking, reaching almost 20% of the population. Media Capital's network of sites keeps its position on the top 3 of the strongest groups in the digital arena in Portugal, with over 170.000 new registered users.

Video contents were once again one of the strongest areas of MCD's offer, following the success of the launch of TVI Player and clearly anticipating the market, once video became the preferred form of communication especially among the younger audience (millennials and generation Z) and as an advertising format.

Regarding news, two realities can be highlighted: (i) growth in the generalist channels, with TVI24 in line with that, with a 14% increase in visits; (ii) a 7% decrease in sports' audience. Despite that, MaisFutebol grew 11% in visits, which was mostly due to its new mobile apps.

In 2017, MCD increased its content offer, with more media partnerships and social influencers on various areas, as a result of the organization of the second edition of the awards "Blogs of the Year", which registered a significant growth in the participation of bloggers, youtubbers and instagrammers.

Another content booster during this year was the launch of SELFIE, a digital magazine that centralized all contents related to Media Capital's brands, programs and entertainers, assuming itself both as a lifestyle magazine and as a digital hub where users know first hand what happens in the group's TVs, Digital and Radios.

TVI PLAYER ON VODAFONE

On its second year, TVI Player broadened its presence to a new platform, set-top boxes, and became the first OTT of a Portuguese television channel to be distributed by a pay tv operator.

Among the special contents supplied by TV Player were live broadcasts of sports events and exclusive broadcast of music festivals.

In what concerns local drama, entertainment and reality shows, TVI Player expanded its offer, mainly in short formats. Best moments, back stages or special editions edited for mobile, are some of the examples of the special treatment and effort to adapt contents to the new and differentiated ways of digital consumption.

TVI Player's international reach is considerable, representing 35% of the app's visits.

Furthermore, in 2017, new formats of TVI Ficção and TVI reality were launched, allowing viewers all over the world to access these channels' contents through several platforms, by subscription.

Last but not least, it was also on TVI Player that Portuguese viewers could see first hand and in HD the last season of the novela “A Impostora”.

The mobile app closed and year of excellent performance with almost 200 million views.

DIGITAL VIDEO, SOCIAL VIDEO

Technological infrastructure reinforcements and redesign in creative production were also relevant in 2017, 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 almost reached 200 million videos seen in 2017.

TV

Keeping a clear advantage against its most direct competitors, TVI’s websites achieved in 2017 a market share of 50%, maintaining leadership for the 4th consecutive year. This is a result, among others, of faster mobile and apps downloads (mostly on TVI Player) and improvements in content distribution to other platforms, such as Instant Articles or Google Amp pages.

STRATEGIC AXES

Contents

- Launch of a partnership Media Capital / The Weather Channel – Media Capital assures project management regarding website, social networks and appmobile contents, as well as the commercialization in national territory;
- New digital format “Novela num Minuto” – Special edition targeting mobile, where full daily episodes are condensed in one minute;
- Micro content – format stories, especially fitted for Instagram and Facebook, that helped make TVI the television channel with more followers on Instagram;
- New internal solutions of digital video, especially useful in live simultaneous broadcasts, which allowed for a more diversified offer and greater mixing of contents among TVI / TVI24.



The fight against pirate contents continued in 2017, having MCD worked closely with specialized operators, resulting in a clear advance in what regards the combat against the abuse of redistributed content without licensing. Besides, efforts were made, side by side with other operators, to raise the awareness against piracy among the population and to increase protocols with technological companies in order to accelerate the process of identification and punishment of illegal websites.

Participation

In 2017, MCD (i) made a new bet on voting mechanisms and interactivity for the reality show Love on Top, broadcasted on TVI and TVI Reality; (ii) created second screen app and interactive solutions of the contest Let's Dance; (iii) made new partnerships with RealFevr and Playstation for a virtual football league; (iv) provided results in realtime on tvi24.pt and App TVI24 during the elections night; launched a new website and mobile app for the program Biggest Deal.

Context

Mobile-first, video adaptation for mobile and micro access, as opposed to more sporadic and time consuming access, were trends in 2017.

Also, there was an increase on consumption over set-top boxes, as a result of an augment of non-linear consumption. Thus, Media Capital's offer was incremented, not only with the launch of TVI Player's app on Vodafone, but also with the reinforcement of new contents in the app TVI Ficção (on MEO) and app TVI Reality (on NOS).

Regarding payments, MCD was the first company in Portugal to launch an app in line with most mobile payments, allowing to vote and pay through MB, PayPal, credit card, carrier billing or premium sms, during the interaction with the programs Let's Dance and Biggest Deal.

Data

Reinforcement on this area was achieved with the consolidation of Bi Vision tool, which allows exploring data from several digital inputs – from video to infrastructure, access or contents, using the classic indicators visits and pageviews – in a more dynamic and centralized way.

MCD was also one of the media groups that integrated project “Nónio”, with PMP – Plataforma de Media Privados. In 2017, two phases of this project – that was presented to Google DNI Project – were concluded. Users can now register on more than 75 websites of the six major content providers in Portugal with a single-sign-on.

Influence



The second edition of “Blogs do Ano” was an important landmark for MCD in 2017. The number of applications duplicated, new categories were created, more video content was available and “Vlog do Ano” surged. With so many new talents emerging from this competition, it became clear that this event is already a reference for this sector in Portugal.

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

Finally, MCD consolidated its network of key partnerships: Lux and New in Town.

REVENUES

Commercial offer integrating TV and digital was amplified in terms of advertising space, videos, creativity and tailor made solutions. Currently, MCD's network of sites combines campaign coverage and frequency with effectiveness, taking advantage of the strong video offering, the huge network of channels in social networks, faces with strong presence and influence and, last but not least, commercial creativity, providing each situation with tailor-made solutions. Multiscreen and second-screen solutions were also amplified.

eCommerce remained as one the innovation and development axis, in a sector traditionally marked by a business model based exclusively on advertising. The new payment methods implemented through mobile, allowed for an increase in revenues, especially from contents with large interactivity, such as Let's Dance and Biggest Deal. Subscription of the channels TVI Reality (outside of Portugal) and TVI Ficção (in app TVI Player) and of the websites Love On Top and Secret Story 6, were also contributors to MCD's revenues in this area.

B2B

IOL Negocios was on the frontline of this area in 2017. With over 115 activity sectors represented in its client portfolio, transformation occurred by reinforcing technologic solutions and by using a strategy of differentiation, through the services provided to its clients.

Regarding this point, Media Capital stands out of its competitors by offering unique and distinctive content services, as well as market strategies for its clients to stand out in the digital arena.

IOL Negocios website was redesigned and is now more in line with the new browsing paradigm and mobile-first.


PROJECTS IN 2017

During 2017, and in addition to those already mentioned, MCD launched various initiatives, including the following highlights:

IOL – new blogs

- Blog “Dicas da Bá”
- Blog “La La Lander”, by Iva Domingues
- Blog “deve ser de mim”, by Patrícia Matos
- Blog “The Coolunista”
- Blog “UpToKids”

Maisfutebol

- “Liga Fantástica Maisfutebol”, a partnership with RealFevr + 
- Virtual football league, with Playstation
- Partnership with Sportinveste, to supply MCD videos of the Portuguese Football League
- Online vote for the best Portuguese and international football teams
- Launch of a daily newsletter
- New presence on Instagram and Youtube
- Redesign of notification services and “goal on time” on app Maisfutebol

Local Drama

- Launch of “Novela num minuto”, condensing 50 minutes episodes in 50 seconds
- Presentation event of the actors and characters of the novela “Jogo Duplo”, exclusively online, on Facebook and Instagram

Entertainment

- Launch of the website and mobile app for Biggest Deal

TVI Player

- Video contents of SELFIE, also available on TVI Player

Others

- Christmas event Wonderland, com reinforcement of digital activation, content production and branded content for several platforms (social networks, websites and apps)

Autoportal

- Launch of a new website, in responsive design and with improved features, such as content share, video and improved loading speed

IOL Negocios

- Digital and television advertising campaign, to promote new services
- New products and business solutions, namely eContent, video and 360 photo



Social Responsibility

PRINCIPLES AND VALUES

In 2017, Grupo Media Capital kept its strong commitment in supporting projects towards the sustained development of the community it integrates.

The Group aims to promote gender equality in all companies, whether in management bodies or other positions.

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, Grupo Media Capital 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 fifth 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 2017. 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.

The course, based on the concept of network journalism, is based on a logic of innovative teaching, which includes the creation of a permanent newsroom during the school term, classes with the participation of journalists and professionals from Grupo Media Capital together with ISCTE-IUL, seminars with experts in journalism and national and foreign opinion leaders, as well as curricular internships at Grupo Media Capital.

Coordination is assured by José Alberto Carvalho (TVI) and Gustavo Cardoso (ISCTE-IUL).

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.

In this context, investigative journalism developed by journalists Ana Leal and Alexandra Borges on the theme "Raríssimas" and "IURD / illegal adoptions" respectively, are examples of how Grupo Media Capital and TVI in particular exercise their influence and their social responsibility.

During 2017, TVI joined several initiatives aimed at raising funds for the victims of the fires:

Juntos por Todos (Together for All) – held in MEO Arena, the amount raised in ticket office was delivered to the União das Misericórdias Portuguesas;

Portuguese Football League matches – the amount raised in ticket office was intended to help the victims of the fires;

Biggest Deal and Apanha se Puderem – funds raised on these two programs, were designated to PPL (crowdfunding platform in Portugal) and solidarity institutions.

In addition, along the year, both TVI and MCR contributed pro bono to the communication campaigns of several institutions: APAV, Liga Portuguesa contra o Cancro, Liga Portuguesa contra a SIDA, Cáritas, CAIS, Movimento ECO Prevenção de Incêndios, Corrida Terry Fox, Maio Mês do Coração, Banco Alimentar and Aldeias SOS.

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 2017, specifically in what concerns programming supported by sign language and/or audio description, and programming in Portuguese with additional subtitling.
- Upon payment of the required legal view rate, TVI has contributed financially to the public policies for the promotion of cinema and audiovisual.
- TVI also fulfilled its obligation to invest in national independent creative works, through the financing of the production of the series "Inspector MAX".
- During 2017, TVI co-financed the film adaptation of the mini-series Jacinta and co-financed the documentary "Voices of Fado" which received financial support from the Film and Audiovisual Institute.
- Also in 2017 TVI once again contributed to the promotion of Portuguese independent film production, by providing communication space for Instituto do Cinema e Audiovisual (the Audiovisual and Cinema Institute) promoting 12 cinematic works,
- With productions in various regions of mainland Portugal and the islands, and tackling issues that represent social minorities, 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) have been recorded on those countries, creating plots that merge these cultures with the Portuguese one, with excellent results on both sides and, thus, allowing for viewers on those countries a greater knowledge of the Portuguese culture.
- TVI strongly committed in the promotion of numerous traditional and significant events around the country, registering high acceptance levels by its viewers. Broadcasted live every Sunday afternoon, "Somos Portugal" gives voice to numerous regions north to south, promoting local gastronomy, music, culture, traditions, architecture, among others.
- 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.
- Regarding the promotion of art and culture, Grupo Media Capital holds a special statute as a founder patron of Fundação de Serralves, maintaining an annual contribution of € 15.000 destined to the cultural promotion of the foundation. Media Capital's contribution translates into a credit in advertising services of its media organs.

Media Capital was distinguished with three Communication Awards by Meios & Publicidade, in the following categories:

- Honorable Mention – attributed to MCD, for the creation of Prémios Blogs do Ano (Blog of the Year) Media Capital Digital Patrocínio L'Oréal Portugal;
- Honorable Mention in Corporate Social Responsibility – attributed to TVI, for the advertising campaign TVI/APAV;
- Institutional Advertising Award – attributed to TVI for its rebranding.

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.

Along the year, 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.

In 2016 Media Capital joined the Forum IGEN - Business Forum for Equality. The agreement was signed in December 2016 to take effect in 2017 and was renewed again to 2018. The institutional presence of the GMC in this Forum and in the respective initiatives, expresses the Group's strategic orientation towards promoting gender equality in all companies. Hence, some measures were implemented in Media Capital, of which we highlight:

- Recruitment and Selection - Ensuring non-discrimination of gender or race in recruitment processes;
- Disclose parental leave shared by the father - reconciliation of professional and personal life, promoting equal opportunities for men and women;
- Implementation of the day for gender equality - equal employment opportunities for men and women;
- Implementation of teleworking - equal professional opportunities for men and women - reconciling professional and personal life;
- Ensure no pay gap between men and women - equal pay for gender

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.

During 2017, Grupo Media Capital participated in the definition of government, legislative and regulatory policies and measures that impact its sector of activity, namely through its contribution to public positions and responding to public consultations triggered by regulators and the government itself.

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 programs 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 programs, with the exception of news programs, are internally classified and have an on-screen indication about the recommended age groups. News programs 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 programs. 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 Grupo Media Capital 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.

Meeting Point

Keeping with its commitment to create synergies and take advantage of the best resources available, Media Capital has in its facilities a space for sharing knowledge, training, culture and social interaction among all employees.

Located in Queluz, Meeting Point is an area of encounter, debate, training and cultural exhibition, directed and opened to all employees, partners and other entities that wish to use it as a meeting place. It is composed by a large auditorium, meeting and training rooms, as well as a supporting structure.

Since its opening in 2014, several team meetings, meetings with Group's partners, film screenings, in-house training and various moments of socialization have already occurred in the various Meeting Point spaces.

Intranet

During 2012, Media Capital implemented and launched its intranet, a portal aiming at improving communication between the company and the workers and also, among all of Media Capital's collaborators, while promoting a better Group culture and the information regarding each business unit.

Since then, Media Capital's intranet launched a yearly average of over 800 news - from information on new projects, announcements from the Group companies, audiences, programming highlights of the various media, hobbies, raffles, leisure suggestions, solidarity initiatives, awards and nominations, among others - and registered over 2300 posts in 2017

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, as a privileged, complete and dynamic interface for any exchange of communication and information with the department, from practical information related to the contractual relationship of the employee, to training actions, benefits, information on legislation and internal procedures.

Throughout 2017, useful information was provided from health insurance procedures, professional training offer, protocols or operational tools in various areas.

Public

Regarding final consumers – listeners, viewers and users – Group companies essentially use telephone and online channels. In 2017, TVI received a total of 5437 telephone contacts and 1411 e-mail messages, containing compliments, suggestions and some critics.

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' programs (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 Grupo Media Capital 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 programs, 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 2017, Media Capital's employees benefited from 3764 hours of 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, Grupo Media Capital hosted, in 2017, 196 trainees, for internships in the various Business Units, coming from the following teaching institutions:

Edurumos, EPI, Escola Profissional de Vale do rio, Escola Superior de Comunicação Social, Escola Superior de Educação de Coimbra, Escola Superior de Educação de Faro, Escola Superior de Educação de Portalegre, Escola Superior de Educação de Viseu, Escola Superior de Música, Escola Superior de Teatro e Cinema, Escola Superior de Tecnologia Abrantes, ETIC, Faculdade de Ciências e Tecnologias, Faculdade de Letras Universidade Porto, Instituto de Emprego e Formação Profissional, Instituto Politécnico da Guarda, Instituto Politécnico de Beja, Instituto Politécnico de Castelo Branco, Instituto Politécnico de Leiria, Instituto Politécnico de Santarém, Instituto Politécnico de Setúbal, Instituto Superior de Ciências sociais e Políticas, ISCTE, ISMAI, Magestil, Middlesex University, Restart, The London School of Economics, Universidade Autónoma de Lisboa, Universidade Católica Portuguesa, Universidade da Beira Interior, Universidade Lusíada, Universidade Lusófona, Universidade Nova de Lisboa – FCSH, World Academy.

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.

In 2017, the Group maintained its commitment to implement a set of measures, transversal to all business units, aiming to reduce its impact on the environment and the community in which it operates. It is worth highlighting are the recycling of paper, paperboard, plastic, glass, wood and computer consumables (with recycling rates between 85% and 100% of waste in the case of woods, paper, card, consumables and lighting) - and measures to save and reduce energy consumption.

The sum of the waste generated at Media Capital's premises is annually registered in SIRAPA (Integrated Registration System of the Portuguese Environment Agency), an entity that is available through an internet portal reserved for users who are representatives of Organizations, or responsible for Establishments / Facilities with legal obligations in the Environment.

With regard to the most significant measures taken to reduce energy consumption at the premises of Media Capital in 2017, we highlight:

Electrical area:

1. Changing the most powerful lighting fixtures with more hours of daily operation for LED technology lighting fixtures;
2. Installation of home automation system in the lighting of large Open Space;
3. Elimination of the reactive energy to "cost 0".

AVAC Area:

1. Extending GTC management to more systems, with optimization of schedules and use of the cheapest energy cycles;
2. Change of older systems, by systems of higher energy class;
3. Installation of electric blinds.



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 2017 there were no acquisitions or sales of own shares, and hence on 31 December 2017 the Company held no own shares.

List of Qualified Holdings (as of 31 December 2017)

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 2017:

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 2017.

Members of the Board of Directors

	Shares	Nº os shares 31-12-17	Transactions in 2017			
			Acquisitions	Alienations	Unit price (€)	Date
Miguel Pais do Amaral		55.683*				
Rosa Cullell		0				
Agnés Noguera Borel		0				
António Pires de Lima		0				
Manuel Mirat		0				
Manuel Polanco		0				
Maria del Pilar del Rio		0				

*For the purposes of article 447º n.2 (d) of the Commercial Companies Code, the shares owned by the company AHS Investimentos, SGPS, SA, which is owned directly by Mr. Miguel Pais do Amaral, a company of which he is also Chairman of the Board of Directors, according to a notice sent to the market on November 3, 2017.

Statutory Auditor

	Shares	N° of shares 31-12-17	Transactions in 2017			
			Acquisitions	Alienations	Unit price (€)	Date
Deloitte & Asociados, SROC, SA		0				

With reference to December 31, 2017, 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° of shares 31-12-17	Transactions in 2017			
			Acquisitions	Alienations	Unit price (€)	Date
Miguel Pais do Amaral		0				
Rosa Cullell		0				
Agnés Noguera Borel		0				
António Pires de Lima		0				
Manuel Mirat		0				
Manuel Polanco		0				
Maria del Pilar del Rio		0				

Statutory Auditor

	Shares	N° of shares 31-12-17	Transactions in 2017			
			Acquisitions	Alienations	Unit price (€)	Date
Deloitte & Asociados, SROC, SA		0				

Business of the members of the Board of Directors with the Company

During the year 2017, no authorizations were granted to the members of the Board of Directors to conduct business with the Company.

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 2017, as prepared according to IFRS accounting standards adopted by the European Union, was of Euro 18.555.431,15 and the net consolidated result was Euro 19.787.029,34.

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 27.771,56;
- b) The remaining net result to be transferred to Free Reserves.

The net result application proposal is set out to provide Grupo Media Capital with the adequate liquidity considering the current economic environment, technological investment needs and the financial commitments in 2018.

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.

The Board of Directors,



Corporate Governance Report

INTRODUCTION

Grupo Media Capital, SGPS, S.A. (hereinafter referred to as “MÉDIA CAPITAL” or “Company”) has prepared this report, fully dedicated to Corporate Governance, as an annex to the 2017 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 2017.

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 2017 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, 2017

Shareholder	Nr of shares owned	Percentage of share capital	Percentage of voting capital
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) Vertex SGPS, S.A. is 100% owned by Promotora de Informaciones, S.A., a company governed by Spanish Law.

(b) Formerly owned by ABANCA Corporacion Bancaria, SA and formerly referred to as NCG Banco, SA, as disclosed to the market on December 22, 2015.

There are no shareholders holding special rights.

On July 14, 2017, Grupo Média Capital, SGPS, SA disclosed to the market the notice received from Promotora de Informaciones, SA (PRISA), regarding the acceptance of the binding offer submitted by MEO - Serviços de Telecomunicações e Multimédia, SA on the purchase of the entire stake held by PRISA in the share capital of Media Capital. In addition, a general and mandatory public offering for the acquisition of shares representing share capital of Grupo Média Capital, SGPS, SA was announced on the same date. The terms and conditions of the general and mandatory public offer can be found in the preliminary announcement at www.cmvm.pt.

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

As at 31 December 2017, the following shares were owned by members of the Board of Directors and Audit Committee:

Members of the Board of Directors

	No. of Shares 31-12-17	Transactions in 2017			
		Purchased	Sold	Unit Price (€)	Date
Miguel Pais do Amaral	55.683*				
Rosa Cullell	0				
Agnés Noguera Borel	0				
António Pires de Lima	0				
Manuel Mirat	0				
Manuel Polanco	0				
Maria del Pilar del Rio	0				

Statutory Auditor

	No. of Shares 31-12-17	Transactions in 2017			
		Purchased	Sold	Unit Price (€)	Date
Deloitte & Asociados, SROC, S.A.	0				

*For the purposes of article 447° n.2 (d) of the Commercial Companies Code, the shares owned by the company AHS Investimentos, SGPS, SA, which is owned directly by Mr. Miguel Pais do Amaral, a company of which he is also Chairman of the Board of Directors, according to a notice sent to the market on November 3, 2017.

With reference to December 31, 2017, 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° of shares 31-12-17	Transactions in 2017			
			Acquisitions	Alienations	Unit price (€)	Date
Miguel Pais do Amaral		0				
Rosa Cullell		0				
Agnés Noguera Borel		0				
António Pires de Lima		0				

Manuel Mirat	0
Manuel Polanco	0
Maria del Pilar del Rio	0

Statutory Auditor

	Shares	N° of shares 31-12-17	Transactions in 2017			Date
			Acquisitions	Alienations	Unit price (€)	
Deloitte & Asociados, SROC, SA		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 2017, 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 800.000 in 2017.

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. According to the information published by Prisa in the Spanish Securities Market Commission (CNMV) in Spain, on January 22, 2018, the conditions applicable to the various contracts aimed at regulating the extension of the refinancing process between PRISA and a syndicate composed of a group of banking and financial institutions, came into force.

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 2017, 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 2017 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.

The Memorandum of Association do not provide for a special regime for the amendment of the Company's by-laws so that the provisions of the Companies Code apply.

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.

For the current term of 2016/2019, no substitute members have been appointed to the Board of Directors, so that the referred members exercise their functions effectively.

The Board of Directors for 2016-2019 and as at 31 December 2017 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
Manuel Mirat*	Non Executive		19-10-2017	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

*Mr. José Luis Sáinz Díaz resigned as a member of the Board of Directors and Audit Committee by letter dated October 19, 2017, and Mr. Manuel Mirat was appointed on the same date by co-optation for the positions mentioned, to the current mandate of 2016/2019,

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 Média 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 six occasions during 2017. All members attended or were represented at all meetings, thus ensuring effective Group management.

In 2017, the CEO of Media Capital provided all information required by the remaining members of the Board of Directors or the Supervisory Board, 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 the 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).

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, 2017 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
Manuel Mirat*	Non Executive		19-10-2017	31-12-2019

* Mr. Manuel Mirat was appointed by the Board of Directors of the Company to the Corporate Governance and Remuneration Committee of the Executive Boards following the resignation presented by the member of the Board of Directors Mr. José Luis Sáinz Díaz, by letter dated October 19, 2017.

During 2017, the Committee adopted two unanimous deliberations 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 regarding the proposal for appointment of members to the governing bodies.

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 2017, the Audit Committee was composed of the following members of the Board of Directors:

	Status	Independence	Date of 1st appointment	End of term
<i>President:</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
Manuel Mirat*	Non Executive		19-10-2017	31-12-2019

*Mr. José Luis Sáinz Díaz resigned as a member of the Board of Directors and Audit Committee by letter dated October 19, 2017, and Mr. Manuel Mirat was appointed on the same date by co-optation for the positions mentioned, to the current mandate of 2016/2019,

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 2017 to discuss issues related to its duties; all members attended or were represented at all meetings.

36. Availability of the Members of the Audit Committee, the Supervisory Board, the General Board or the Financial Matters Committee

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 2017 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 2017, 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 23º and 31º 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, 2017, 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 & Associados, SROC, SA, a company registered with the Chartered Accountants Association, under number 43, and with the CMVM auditors register, under number 231, represented by Nuno Miguel Cabaço da Silva (Chartered Accountant number 1462).

40. Number of mandates of the Company's supervisor

The current structure of the supervisory body that contemplates the existence of an Audit Committee and a Statutory Auditor was adopted by the Company following the legislative changes at the General Meeting held in September 2006. Deloitte & Associados, SROC, SA is the Company Supervisor since then, 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).

The Audit Committee approved the maintenance of Deloitte & Associados, SROC S.A. for the mandate 2016/2019.

41. Other services of the Audit Supervisor

In addition to the legal certification services, Deloitte & Associados, SROC, SA also provided the Company and its subsidiaries, on a residual basis, other assurance services.

V. EXTERNAL AUDITOR

42. Identification of the external auditor

Deloitte & Associados, 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 the Company and its subsidiaries reliability assurance services and other related 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 uses outsourced services because it does not have the necessary internal resources to do so, while safeguarding its independence.

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 2017, Grupo Media Capital paid Deloitte the total amount of 322,484.00 euros, which comprises:

Statutory audits: 282,201.00 euros / 87.5% *;

Other services: 25,333.00 euros / 7.9%.

Reliability assurance services: 11,950.00 euros / 3.7%;

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 15,961.00 euros.

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;
- Update of 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 programs, 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, 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.

The interest rate risks are essentially related to the interest incurred on the contracting by the Group of a bond loan, commercial paper programs and variable interest rate credit lines.

Nevertheless, interest rate risk is not addressed by the risk management policy, since the Company considered that exposure to this risk would not lead to a materially significant impact, as disclosed in the notes to the consolidated 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 programs/rights in foreign currencies.

Risk factors likely to affect the Group include the exchange rate risk associated with agreements concerning the purchase of broadcasting rights, for which no hedging instruments have been contracted, as well as contents and transmission right of TVI's channels.

The exchange rate risk associated with these contracts is small, given the reduced payment and receipt terms.

- **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 of the Treadway Commission) – 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, 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 completed by the correct design and effectiveness of 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 order to prepare 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 and to the competences of the persons involved.

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 new operations and thus ensuring their appropriate treatment.

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. 25 information requests were received in 2017, all answered in a timely manner.

V. Website

59. Web address

<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;
- Official announcements to the market;
- Quarterly and half-year results;
- Notices of General Meetings and background information;
- Annual Report.

63. Financial information

Financial information concerning the previous five 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:

- a) Presenting appointment proposals concerning members of the Board of Directors, the Audit Committee and the General Meeting Board;
- b) Approving remuneration levels for each member of the aforementioned governing bodies; and
- c) 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 2017, were appointed during the 2016 Annual General Meeting, held on 7 April 2016. As at 31 December 2017, the Committee is composed of the following members:

Chairman: Ignacio Polanco Moreno;
- António García-Mon Marañés;
- Gregório 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.

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 by the competent commission 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. The nature of the economic indicators and their weigh for the purpose of calculating the performance formula, ensure that the interests of the executive members are aligned with the interests of the Company, with a portion being indexed to the effective performance of the Company, discouraging excessive risk-taking.

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 members's remuneration does not depend on the Company's performance.

Non-independent non-executive Directors resigned the remuneration allocated to them in 2017.

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 Company sets the maximum potential amount of the variable remuneration component, the latter only applicable to the executive members of the Board of Directors.

The criteria and the circumstances under which these maximum amounts may be due, which are indexed to the performance, based on objective economic criteria defined by application of a professional performance formula defined by the Nominating and Compensation Committee of the Corporate Bodies.

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 2017, totalled 887,974.84 euros.

The CEO is paid by Media Capital Group companies. The following amounts were paid in 2017:

CEO	Fixed remuneration (€)	Variable remuneration (€)
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Rosa Cullell	Euro 375.000,00	Euro 242.975,00
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The following amounts were paid to non-executive Directors in 2017 (corresponding exclusively to fixed salaries):

Miguel Pais do Amaral	Euro 149.999,96
Agnés Noguera Borel	Euro 39.999,96
António Pires de Lima	Euro 39.999,96
Jose Luis Sáinz * (1)	_____
Manuel Mirat *	_____
Manuel Polanco*	_____
Maria Del Pilar Del Rio	Euro 39.999,96
<i>Total</i>	Euro 269.999,84

* Non paid Directors

(1) Ceased functions on October 19, 2017

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

78. Amounts paid by other companies

The executive member of the Board of Directors is fully paid by the Company and its subsidiaries.

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 2017 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 2017, the members of the General Meeting Board were remunerated for their attendance and participation in the General Meeting of Media Capital, which took place on April 6, 2017. The

members of the General Meeting Board and the Vice-President of 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.

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 2017 the Audit Committee evaluated all transactions celebrated with stakeholders and relevant shareholders, and determined the relevant criteria according to the applicable regulation (art 23º and 31º of the regulation).

91. Procedures regarding the intervention of the audit committee

In line with the recommendations regarding the good governance of listed companies, the Audit Committee established the economic criteria as essential criteria for defining the relevant level of significance of the business with shareholders holding qualified participation. The Audit Committee therefore evaluates all transactions with significant shareholders and related parties, in compliance with the provisions of the Regulations of the Board of Directors, reserving for itself the issuance of an opinion prior to the conclusion of significant business.

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 29 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.

Promotora de Informaciones, SA ("PRISA"), which, through its subsidiary Vertix, SGPS, SA, currently holds more than 90% (ninety percent) of the share capital of Media Capital, issued during 2010 "American Depositary Shares", which were listed on the New York Stock Exchange and whose withdrawal from trading occurred in the second half of 2014.

Regarding matters specifically related to Corporate Governance, in order to fully comply with those applicable legal and regulatory provisions, the internal practices and procedures adopted were reviewed and harmonized.

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 the possibility of 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 delegate daily company management on an appointed CEO, in which case delegated powers should be listed in the Corporate Governance Report.	Complies	Part I, Section B II. a) Composition
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)	Complies	Part I, Section B II. a) Composition

Recommendation / Section	Compliance	Report Information
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>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>	Not applicable given the Corporate Governance model adopted by the Company.	
<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>	Complies	<p>Part I, Section B</p> <p>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>	Complies	<p>Part I, Section C</p> <p>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>	Complies	<p>Part I, Section B</p> <p>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 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</p>	Complies	<p>Part I, Section B</p> <p>II. a) Composition</p>

Recommendation / Section	Compliance	Report Information
<p>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 provision agreement to the competent body, whenever justified.</p>	Complies	Part I, Section B V. External Auditor
<p>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.</p>	Complies	Part I, Section B III. c) Competences and Duties

Recommendation / Section	Compliance	Report Information
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	Part I, Section D VI. Share Allocation Plans and/or Stock Options
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		

Recommendation / Section	Compliance	Report Information
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.	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	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 or 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 mechanisms and report any deficiencies to the Audit Committee.	Complies	Part I, Section B V. External Auditor
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	Complies	Part I, Section B V. External Auditor

Recommendation / Section	Compliance	Report Information
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.		
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
COMPANHIA DAS QUINTAS SGPS, SA	CHAIRMAN
COURICAL HOLDING, S.A.	SOLE 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
GLB EDITORIAL, LDA	MANAGER
GLBR SGPS, SA	CHAIRMAN
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
LEYA GLOBAL SA	CHAIRMAN

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
QIH SA	CHAIRMAN
QUIFEL NATURAL RESOURCES SA	CHAIRMAN
QUIFEL NATURAL RESOURCES SGPS SA	DIRECTOR
QUINTA DA FRONTEIRA SA	CHAIRMAN
QUINTA DE PANCAS VINHOS SA	CHAIRMAN
SITUAVOX , LDA.	MANAGER
SOCIEDADE AGRO-FLORESTAL SERRA DA Pousada LDA.	MANAGER
TOPBUILDING - INVESTIMENTOS IMOBILIÁRIOS SA	CHAIRMAN
UKSA PORTUGAL, S.A.	CHAIRMAN

On 31 December 2017, 55.683 shares and voting rights in Grupo Media Capital SGPS, SA are attributable, by virtue of the ownership of the company AHS Investimentos, SGPS, S.A. which is owned directly by Mr. Eng. Miguel Pais do Amaral, a company of which he is also Chairman of the Board of Directors.

Rosa Maria Cullell Muniesa

CEO of Grupo Media Capital

With a degree in Information Sciences by Universidade Autonoma 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 Corporacion Catalana de Medios Audiovisuales (TV3). Was member of the board of directors of Panrico, Carrefour, Hidroelectrica de Cantabrico, Telefonica de Catalunya, Telefonica de Sao Paulo e Fecsa-Endesa. She is a member of the editorial committee of El País. In 2011, wrote the romance "El major lugar del mundo". 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 RADIODIFUSÃO, SA	CHAIRMAN

RÁDIO XXI, LDA.	CHAIRMAN
RÁDIO LITORAL CENTRO - EMPRESA DE RADIODIFUSÃO, LDA.	MANAGER
RÁDIO NACIONAL - EMISSÕES DE RADIODIFUSÃO, UNIPessoal, LDA.	MANAGER
FLOR DO ÉTER - RADIODIFUSÃO, 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 ESPANA, 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 - RADIODIFUSÃO E PUBLICIDADE, LDA.	MANAGER
RÁDIO MANTEIGAS - RADIODIFUSÃO, LDA.	MANAGER
PENALVA DO CASTELHO FM - RADIODIFUSÃO E PUBLICIDADE, LD ^a	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
CÔCO - 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 RADIODIFUSÃO, LDA.	MANAGER
NOT PART OF GRUPO MEDIA CAPITAL	
VERTIX, SGPS, SA	DIRECTOR

On 31 December 2017, 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 2017, 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 NUTRINVESTE / 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 2017, he held no shares or voting rights in Grupo Media Capital SGPS, SA.

Manuel Mirat Santiago

member of the Board of Directors. Graduated in Law and has two degrees obtained at IESE, the Senior Management Program (PADE) and the Management Development Program (PDD). Mr. Mirat began his professional career at Arthur Andersen and in 1997 he was hired by PRISA, where he occupied various positions, including chief financial officer. In 2004, he was appointed executive director of PRISACOM to lead the digital development of the Group, leading the transformation projects of different brands: El País, Cadena SER, 40 Principales, As e Cinco Días. In March 2009, he was appointed General Director of Operations of Sogecable and, in December of that same year, he was nominated General Director of CANAL +, being in charge of sales and marketing, as well as the development of new businesses. In 2014, he was appointed executive director of EL PAÍS and PRISA Notícias. He has been Director of PRISA since June 2017 and is, since September 2017, its CEO. He was elected by co-optation in October 19, 2017, for the 2016/2019 mandate.

He is also part of the following companies:

NOT PART OF GRUPO MEDIA CAPITAL	
PROMOTORA DE INFORMACIONES, SA	CEO
AGRUPACION DE SERVICIOS DE INTERNET Y PRENSA, SLU.	REPRESENTS EL PAIS AS ITS DIRECTOR
DIARIO EL PAIS SLU	CEO
EDICIONES EL PAIS SL	REPRESENTS EL PAIS AS ITS DIRECTOR
PRISA EVENTOS, S.L	REPRESENTS PRISA NOTICIAS SLU AS ITS DIRECTOR
PRISA NOTICIAS, S.L U.	CHAIRMAN

NOTICIAS AS MEXICO, S.A. DE C.V.	DIRECTOR
DIARIO AS, S.L.	CHAIRMAN AND CEO
ESPACIO DIGITAL EDITORIAL, S.L. SOCIEDADE UNIPERSONAL	REPRESENTS PRISA NOTICIAS SLU AS ITS DIRECTOR
ESTRUCTURA GRUPO DE ESTUDIOS ECONOMICOS, S.A.	REPRESENTS GRUPO DE MEDIOS IMPRESOS Y DIGITALES, S.L. SOCIEDAD UNIPERSONAL AS ITS DIRECTOR
DIARIO AS COLOMBIA, S.A.S.	DIRECTOR
GRUPO DE MEDIOS IMPRESOS Y DIGITALES, S.L. SOCIEDAD UNIPERSONAL	REPRESENTS PRISA NOTICIAS S.L.U. AS ITS SOLE DIRECTOR
MERISTATION MAGAZINE, SL	REPRESENTS PROMOTORA GENERAL DE REVISTAS, SA AS ITS SOLE DIRECTOR
PROMOTORA GENERAL DE REVISTAS, SA	REPRESENTS GRUPO DE MEDIOS IMPRESOS Y DIGITALES, S.L. SOCIEDAD UNIPERSONAL AS ITS SOLE DIRECTOR
PRISA PRODUCCIONES DE VIDEO, S.L U.	REPRESENTS PRISA AUDIOVISUAL SA AS ITS SOLE DIRECTOR
PRISA TECNOLOGIA, S.L U.	REPRESENTS PROMOTORA DE INFORMACIONES SA AS ITS SOLE DIRECTOR
BIDASOA PRESS, S.L. SOCIEDAD UNIPERSONAL	REPRESENTS PRISAPRINT, S.L. UNIPERSONAL AS ITS SOLE DIRECTOR
DISTRIBUICIONES ALIADAS, S.A. SOCIEDAD UNIPERSONAL	REPRESENTS PRISAPRINT, S.L. UNIPERSONAL AS ITS SOLE DIRECTOR
NORPRENSA S.A. SOCIEDAD UNIPERSONAL	REPRESENTS PRISAPRINT, S.L. UNIPERSONAL AS ITS SOLE DIRECTOR
PRISAPRINT, S.L. UNIPERSONAL	REPRESENTS PROMOTORA DE INFORMACIONES SA AS ITS DIRECTOR
AUDIOVISUAL SPORT, S.L.	REPRESENTS PROMOTORA DE INFORMACIONES SA AS ITS SOLE DIRECTOR
PRISA AUDIOVISUAL, SLU	DIRECTOR
PRISA DIVISION INTERNACIONAL, SLU	DIRECTOR
PRISA PARTICIPADAS, SLU	DIRECTOR
PRISA RADIO, S.A.	DIRECTOR
SOCIEDAD ESPAÑOLA DE RADIODIFUSION	DIRECTOR
GRUPO SANTILLANA EDUCACION GLOBAL, S.L.	REPRESENTS PROMOTORA DE INFORMACIONES SA AS ITS DIRECTOR

On 31 December 2017, 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 Universidad 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 ESPAÑA, SLU	DIRECTOR
PLURAL ENTERTAINMENT CANARIAS, SLU	DIRECTOR
SOCIEDAD CANARIA DE TELEVISION REGIONAL, SA	CEO
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 AND MEMBER OF THE BOARD
RUCANDIO, SA.	CEO
TIMÓN, SA.	CHAIRMAN
RUCANDIO INVERSIONES SICAV	DIRECTOR
PRISA AUDIOVISUAL, S.L	CHAIRMAN
TROPICAL HOTELES, S.A.	DIRECTOR
QUALITAS VENTURE CAPITAL, S.A.S.C.R.	DIRECTOR

On 31 December 2017, he held no shares or voting rights in Grupo Media Capital SGPS, SA.

Maria del Pilar del Rio 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 2017, 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 2017 AND 2016

(Amounts stated in Euros)

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

	Notes	2017	2016
<u>OPERATING REVENUE:</u>			
Services rendered	6 and 7	126,910,992	132,188,051
Sales	6 and 7	-	98,592
Other operating revenue	6 and 7	38,551,901	41,740,060
Total operating revenue		165,462,893	174,026,703
<u>OPERATING COSTS:</u>			
Cost of broadcasted programs and goods sold	6 and 8	(19,443,210)	(16,697,050)
Supplies and services	6 and 9	(63,788,651)	(70,189,013)
Personnel costs	6 and 10	(41,678,235)	(44,112,835)
Amortisation and depreciation	6 and 16	(7,902,649)	(8,231,802)
Provisions and impairment losses	6 and 25	(394,805)	(882,975)
Other operating expenses	6	(81,288)	(627,856)
Total operating costs		(133,288,838)	(140,741,531)
Operating profit		32,174,055	33,285,172
<u>NET FINANCIAL EXPENSES</u>			
Financial expense	11	(4,576,069)	(4,773,058)
Financial income	11	93,650	138,808
Finance costs, net		(4,482,419)	(4,634,250)
Gain on associated companies, net	17	(3)	(531,937)
Profit before tax		27,691,633	28,118,985
Income tax expense	12	(7,904,604)	(9,018,123)
Consolidated net profit for the year on continuing operations		19,787,029	19,100,862
Attributable to:			
Equity holders of the parent		19,787,029	19,100,862
Earnings per share on continuing operations:			
Basic	13	0.2341	0.2260
Diluted	13	0.2341	0.2260

The accompanying notes form an integral part of the consolidated statement of profit and loss
for the year ended 31 December 2017.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

GRUPO MEDIA CAPITAL, SGPS, S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF 31 DECEMBER 2017 AND 2016

(Amounts stated in Euros)

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

<u>ASSETS</u>	<u>Notes</u>	<u>2017</u>	<u>2016</u>
NON-CURRENT ASSETS:			
Goodwill	14	149,374,120	149,717,601
Intangible assets	15	10,662,722	13,097,933
Tangible fixed assets	16	15,165,550	16,608,851
Investments in associates	17	-	6
Available-for-sale assets		4,988	4,988
Television program broadcasting rights	18	50,971,104	54,473,263
Other non-current assets	19	3,937,479	5,523,697
Deferred tax assets	12	2,387,821	2,645,528
		<u>232,503,784</u>	<u>242,071,867</u>
CURRENT ASSETS:			
Television program broadcasting rights	18	30,219,194	28,616,253
Trade and other receivables	20	33,628,754	38,019,915
Current tax assets	12	340,290	384,474
Other current assets	21	4,258,008	4,751,626
Cash and cash equivalents	22	294,327	1,234,906
		<u>68,740,573</u>	<u>73,007,174</u>
TOTAL ASSETS		<u><u>301,244,357</u></u>	<u><u>315,079,041</u></u>
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	23	89,583,971	89,583,971
Reserves	23	32,070,736	30,259,377
Consolidated net profit for the year		19,787,029	19,100,862
Equity attributable to shareholders of the parent company		<u>141,441,736</u>	<u>138,944,210</u>
TOTAL EQUITY		<u><u>141,441,736</u></u>	<u><u>138,944,210</u></u>
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Borrowings	24	61,232,930	77,590,362
Provisions	25	5,798,032	6,898,032
Deferred tax liabilities	12	1,158,750	1,226,250
		<u>68,189,712</u>	<u>85,714,644</u>
CURRENT LIABILITIES:			
Borrowings	24	34,323,833	21,738,434
Trade and other payables	26	31,369,898	40,273,085
Current tax liabilities	12	5,254	9,212
Other current liabilities	27	25,913,924	28,399,456
		<u>91,612,909</u>	<u>90,420,187</u>
TOTAL LIABILITIES		<u><u>159,802,621</u></u>	<u><u>176,134,831</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>301,244,357</u></u>	<u><u>315,079,041</u></u>

The accompanying notes form an integral part of the consolidated statement of financial position as of 31 December 2017.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

GRUPO MEDIA CAPITAL, SGPS, S.A.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts stated in Euros)

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

	<u>2017</u>	<u>2016</u>
Consolidated net profit for the year	19,787,029	19,100,862
Items that can subsequently be reclassified to profits and losses:		
Effect of translation of operations headquartered abroad (Note 36)	458,265	(133,232)
Total consolidated comprehensive income	<u>20,245,294</u>	<u>18,967,630</u>
Attributable to:		
Equity holders of the parent company	<u>20,245,294</u>	<u>18,967,630</u>

The accompanying notes form an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2017.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

GRUPO MEDIA CAPITAL, SGPS, S.A.

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts stated in Euros)

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

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>OPERATING ACTIVITIES:</u>			
Cash receipts from customers		221,464,605	233,380,177
Cash paid to suppliers		(108,926,404)	(111,212,280)
Cash paid to employees		(40,764,504)	(41,839,773)
Net cash from operating activities		<u>71,773,697</u>	<u>80,328,124</u>
Recovery/(payment) of income tax	12	308,932	(67,369)
Other cash paid relating to operating activities		(42,563,564)	(42,042,028)
Net cash from operating activities (1)		<u><u>29,519,065</u></u>	<u><u>38,218,727</u></u>
<u>INVESTING ACTIVITIES:</u>			
Cash received relating to:			
Sale of investments held in associates	17	1,286,003	700,000
Sale of tangible fixed assets and intangible assets		8,422	2,209,524
Dividends	17	-	62,640
Interest and similar income		-	226
		<u>1,294,425</u>	<u>2,972,390</u>
Cash paid relating to:			
Business combinations and liquidation of associates	5	-	(612,398)
Acquisition of tangible fixed assets		(5,854,046)	(4,890,802)
Acquisition of intangible assets		(564,222)	(540,363)
		<u>(6,418,268)</u>	<u>(6,043,563)</u>
Net cash used in investing activities (2)		<u><u>(5,123,843)</u></u>	<u><u>(3,071,173)</u></u>
<u>FINANCING ACTIVITIES:</u>			
Cash received relating to:			
Borrowings	24	<u>137,765,231</u>	<u>158,147,195</u>
Cash paid relating to:			
Borrowings	24	(141,400,074)	(176,971,270)
Payment of principal on finance lease contracts	24	(398,053)	(689,634)
Interest and other similar expenses		(3,397,168)	(3,723,588)
Dividends	23	(17,747,768)	(16,057,504)
Other financial expenses		(155,285)	(162,326)
		<u>(163,098,348)</u>	<u>(197,604,322)</u>
Net cash used in financing activities (3)		<u><u>(25,333,117)</u></u>	<u><u>(39,457,127)</u></u>
Cash and cash equivalents at the beginning of the year	22	1,234,906	5,545,356
Net increase/(decrease) in cash and cash equivalents (4) = (1) + (2) + (3)		(937,895)	(4,309,573)
Effect of exchange differences		(2,684)	(877)
Cash and cash equivalents at the end of the year	22	294,327	1,234,906

The accompanying notes form an integral part of the consolidated cash flow statement
for the year ended 31 December 2017.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

GRUPO MEDIA CAPITAL, SGPS, S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts stated in Euros)

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

	<u>Capital (Note 23)</u>	<u>Reserves (Note 23)</u>	<u>Consolidated net profit for the year</u>	<u>Total equity</u>
Balance at 31 December 2015	89,583,971	29,150,098	17,300,015	136,034,084
Appropriation of net profit for the year:				
Appropriation to reserves (Note 23)	-	1,242,511	(1,242,511)	-
Distribution of dividends (Note 23)	-	-	(16,057,504)	(16,057,504)
Exchange rate differences	-	(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>
Appropriation of net profit for the year:				
Appropriation to reserves (Note 23)	-	1,353,094	(1,353,094)	-
Distribution of dividends (Note 23)	-	-	(17,747,768)	(17,747,768)
Exchange rate differences	-	458,265	-	458,265
Consolidated net profit for the year	-	-	19,787,029	19,787,029
Balance at 31 December 2017	<u>89,583,971</u>	<u>32,070,736</u>	<u>19,787,029</u>	<u>141,441,736</u>

The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2017.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

1. INTRODUCTORY NOTE

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

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

The accompanying financial statements were approved by the Board of Directors on 27 February 2018 and will be subject to approval by the Shareholders’ General Meeting on a date to be convened in accordance with the law and the statutes.

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

The Group operates essentially in the media sector in Portugal, Spain and 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 TV operators, TVI broadcasts the generalist channel, the channels TVI 24, TVI Ficção, TVI Internacional, TVI Reality and TVI África. Also, TVI sells fiction TV contents 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. Its operations consist in the creation, production, realization and exploitation of television contents, as well as in the support of production of contents and events.

In addition, MCP owns Plural Entertainment España, S.A. (“Plural España”), which operates in the Spanish and 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 licenses 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 advertising.

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

CLMC – Multimédia, S.A. (“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”).

2. MAIN ACCOUNTING POLICIES

2.1 Bases of presentation

The consolidated financial statements have been prepared on a 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 financial, commercial and other natures, including all known subsequent events occurred after the consolidated financial statement's reference date. As a result of the evaluation made (Note 36), the Board of Directors concluded that the Group has adequate resources to maintain its activities and fully comply with its obligations, with no intention to terminate them in the short term, and considered 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.

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 initially recognized at cost of acquisition and 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.

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.

2.4 Intangible assets

Intangible assets are recorded at cost less accumulated amortization 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 - 20
Machinery and equipment	6 - 15
Transport equipment	4
Administrative equipment	3 - 8
Other tangible fixed assets	3 - 10

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 to contracts or agreements entered with third parties for the exhibition of films, series and other television programs and include rights acquired and costs incurred with the Group's production of soap operas and other programs. The cost of broadcasted programs is recognized in the statement of profit or loss in the moment that programs are broadcasted, considering the estimated number of exhibitions on the generalist channel explored by the Group and the estimated benefits of each exhibition expected 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 the expiration date of the acquired rights, the number of exhibitions considered, the expected exhibition strategy, the ageing and adequacy of the content to the Group's commercial objectives and the expected pattern of future economic benefits, being the corresponding impairment losses recognized, when applicable.

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

Previously to its recording in the consolidated statement 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 30.

2.8 Inventories

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

2.9 Classification in the statement of financial position

Assets realizable 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 realized 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.

2.10 Financial instruments

Financial instruments (financial assets and financial liabilities) are recognized when the Group becomes a contractual party of the respective instrument that gives the Group the right or obligation to receive or pay a certain amount to a third party.

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 of the period, in which such constitution occurs.

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 initially at fair value and subsequently measured 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 amortized 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 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 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 and sport events, advertising commercials and other contents, which are recognized when the services are rendered, with reference to their stage of completion.

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

Revenue from granting 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 rendering of this service on each financial reporting date.

Revenue from the sale of 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 fully 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 in accordance with the best estimate of the amount necessary to pay to extinguish the present obligation, taking into account the risks and uncertainties being measured 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 evaluated as 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 immediately 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 2017 and 2016 VERTIX was the dominant entity for consolidated corporation income tax purposes (RETGS).

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 “Reserves” related to 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) Historical exchange rate for the conversion of equity captions;
- (d) 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.

The shareholder Prisa occasionally has a plan for the attribution of shares of the company Prisa - Incentivo a Largo Plazo - which has as beneficiaries some Directors, 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 2017, during 2017 neither there were changes in accounting policies in relation to those used to prepare the financial information for 2016, in accordance with the requirements of the IFRS, nor material errors were corrected in respect to prior years.

Amendments to IFRS of mandatory application in 2017

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 2017:

Standard / Interpretation	Applicable in the European Union in the years starting on or after	
Amendment to IAS 12 - Recognition of Deferred Tax Assets for Unrealised losses	1-Jan-17	This amendment clarifies the conditions for recognition and measurement of tax assets resulting from unrealised losses.
Amendments to IAS 7 - Disclosures	1-Jan-17	This amendment introduces additional disclosures related to the cash flows from financing activities.

With regard to the Amendment to IAS 12, its application had no impact on the consolidated financial statements since the Group already assessed the sufficiency of future taxable income in a manner consistent with this Amendment.

In what concerns to the Amendment to IAS 7, a reconciliation between the opening and closing balances of the Group's borrowings was presented in Note 24. Consistent with the provisions of this Amendment, the Group did not present comparative information for the previous period. In addition to the disclosure in Note 24, the application of this Amendment did not result in additional impacts on the consolidated financial statements.

Relevant estimates in the preparation of the consolidated financial statements

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 2017, 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.

New IFRS or revised IFRS adopted with mandatory application in future years

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

Standard / Interpretation	Applicable in the European Union in the years starting on or after	
IFRS 9 - Financial Instruments	1-Jan-18	This standard is included in the draft revision of IAS 39 and establishes the new requirements regarding the classification and measurement of financial assets and liabilities, the methodology for estimating impairment and the application of hedge accounting rules.
IFRS 15 - Revenue from Contracts with Customers	1-Jan-18	This standard introduces a revenue recognition framework based on a model to be applied to all contracts settled with clients, replacing IAS 18 - Revenue, IAS 11 - Construction contracts; IFRIC 13 - Loyalty programs; IFRIC 15 - Agreements for the construction of real estate; IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Direct exchange transactions involving advertising services.
IFRS 16 – Lease	1-Jan-19	This standard introduces the principles of recognition and measurement of leases, replacing IAS 17 - Leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1-Jan-18	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 4: Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	1-Jan-18	This amendment provides guidance on the application of IFRS 4 in combination with IFRS 9. IFRS 4 will be replaced with the implementation of IFRS 17.

IFRS 9 – Financial instruments

Based on an analysis of the Group's financial assets and liabilities at 31 December 2017 and on the facts and circumstances that were known at that date, the Group's Board of Directors evaluated the impact of IFRS 9 on the consolidated financial statements as follows:

Classification and measurement

All financial assets and liabilities (Note 36) will continue to be measured on the same basis as currently under IAS 39. In this context, accounts receivable and payable from and to third parties and borrowings will continue to be subsequently measured at amortized cost under IFRS 9.

Impairments

Financial assets measured at amortized cost, as presented in Note 36, will be subject to impairments under the context of IFRS 9.

The Group expects to apply the simplified approach to recognize expected credit losses in the economic life of trade accounts receivable as required or permitted by IFRS 9.

For other accounts receivable, mainly from related parties (Note 29), the Board of Directors considers that these have a low credit risk considering the credit risk profile of those entities, expecting to evaluate the impairment losses expected for the 12-month period on those amounts.

Generally, the Board of Directors anticipates that the application of the expected credit losses model will result in the early recognition of credit losses for the respective assets and that will increase the value of the respective accumulated impairment losses recognized.

IFRS 15 – Contracts with customers

As mentioned in Note 2.11, the Group recognizes revenues from different businesses.

The Board of Directors made the following preliminary assessments:

- Advertising and Multimedia Services: The business of selling advertising on television, radio or digital media incorporates a single performance obligation that is fulfilled at the time of the exhibition or diffusion of the advertiser's campaigns, similar to the IAS 18 current criteria. The same applies to multimedia services, which, in return for the call made, the Group grants access to the interactive contests to which the interactive service relates. It is expected that the timing of recognition of the single performance obligation of each of those services occurs at a specific point in time, also consistent with the current practice, when control of the services provided is transferred to the customer.

- Signal delivery of television channels: For the agreements with operators to grant the signal of the Group's channels, it is understood that there are separate performance obligations when such agreements provide, apart from the transfer of the signal, other commitments such as the sale of advertising or additional remuneration for agreed compensations. In this way, the Group understands that these obligations are satisfied at a certain point in time, with the exception of the transfer of the signal that is satisfied during the period of its transmission by the operator. These criteria are already considered by the Group in the recognition of its income under IAS 18.

- Production services: For content production services and audiovisual support, the Group understands that the obligation to perform the delivery of the production service, depending on its nature, takes place over time, as the product is produced and delivered. It is understood that there is no significant difference between the delivery of the respective contents and the moment in which the Group incurs in costs of production.

- Sale of broadcasting rights: With respect to the sale of content produced by the Group to other markets, the Group assessed that its performance obligation is fulfilled when is transferred control of the contents sold (episodes in perfect conditions of display by part of the buyer) at the time of delivery, and there are no other significant performance obligations to be fulfilled thereafter. In this way, it is expected that the recognition of the respective revenue will occur at a moment of time, after the delivery of the contents, similar to what the Group is currently doing in the context of IAS 18.

At this date, the Board of Directors is still evaluating the method of transition to IFRS 15 - retrospective total or retrospective at the transition date - that the Group will adopt in the preparation of the consolidated financial statements for 2018.

Apart of the disclosure of more information regarding to the Group's recognized revenues that are expected to be included in the consolidated financial statements and of any changes in the presentation of revenues of some business lines that are being preliminarily evaluated, Board of Directors does not anticipate that the application of IFRS 15 will have a material impact on the Group's consolidated financial position or consolidated financial performance.

IFRS 16 – Leases

In 31 December 2017, the Group has non-cancelable commitments related to operating leases in the amount of approximately € 10,693,000 (Note 31). IAS 17 does not require the recognition of any right of use or liability for future payments relating to these leases. Instead, certain disclosures are made in the accompanying notes.

A preliminary assessment indicates that those commitments will meet the requirements of the definition of leases under IFRS 16 and, as a consequence, the Group will recognize a right of use asset and the corresponding liability in respect of those contracts, except in those cases where the same qualify as low-value or short-term (less than 1 year) within the scope of IFRS 16.

It is expected that the new recognition requirement of a right of use asset and its liability will have a significant impact on the amounts recognized in the Group's consolidated financial statements and the Board of Directors is currently assessing its potential impact. At this date, it is considered impracticable to provide a reasonable estimate of such effect until such assessment can be completed.

Other standards

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

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

Standard / Interpretation	Applicable in the European Union in the years starting on or after	
IFRS 17 - Insurance Contracts	1-Jan-21	This standard establishes, for insurance contracts within its scope, the principles for their recognition, measurement, presentation and disclosure. This standard replaces IFRS 4 - Insurance Contracts.
Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions	1-Jan-18	This amendment introduces 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 offsetting features.
Amendments to IAS 40: Transfers of Investment Property	1-Jan-18	This amendment clarifies 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.
Annual Improvements to IFRS Standards 2014–2016 Cycle	1-Jan-18 with exception of amendments to IFRS 12, which applicable date is 1-Jan-17	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.
Annual Improvements to IFRS Standards 2015–2017 Cycle	1-Jan-19	These improvements involve the clarification of some aspects related to: IFRS 3 - Concentration of business activities: when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business; IFRS 11 - Joint ventures: clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business; IAS 12 - Income Tax: clarify that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises; IAS 23 - Borrowing costs: clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 38)

Amendments to IFRS 9: Prepayment Features with Negative Compensation	1-Jan-19	This amendment allows financial assets with contractual conditions which, in their early amortization, allow the payment of a considerable amount by the creditor, can be measured at amortized cost or at fair value for reserves (depending on the business model), since that: (i) on the date of the initial recognition of the asset, the fair value of the early amortization component is insignificant; and (ii) the possibility of negative compensation in the early amortization is the only reason for the asset in question to be not considered as an instrument that only includes payments of principal and interest.
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1-Jan-19	This amendment clarifies that IFRS 9 should be applied (including related impairment requirements) to investments in associates and joint ventures when the equity method is not applied in their measurement.
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	1-Jan-18	This interpretation establishes the date of the initial recognition of the prepayment asset or deferred income as the date of the transaction for the purpose of determining the exchange rate of recognition of revenue.
IFRIC 23 - Uncertainty over Income Tax Treatments	1-Jan-19	This interpretation provides guidance on the determination of taxable income, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the treatment of income tax.

These standards have not yet been endorsed by the European Union and as such were not applied by the Group in the year ended 31 December 2017.

For these standards and interpretations, issued by the IASB but not yet endorsed by the European Union, the Board of Directors does not consider that significant impacts on the consolidated financial statements will arise from their future adoption.

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 2017 and 2016 are as follows:

Company	Head office	Consolidation method	Effective participation percentage held	
			2017	2016
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
CLMC – Multimedia, Unipessoal, Lda. ("CLMC")	Barcarena	Global	100	100
MCR II - Media Capital Rádios, S.A. ("MCR II")	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
BEIRAS FM - Radiodifusão e Publicidade, Unipessoal, Lda. ("BEIRAS FM") (a)	Lisboa	Global	100	100
Rádio Sabugal - Radiodifusão e Publicidade, Lda. ("Rádio Sabugal") (a)	Lisboa	Global	-	100
Rádio Manteigas - Radiodifusão e Publicidade, Lda. ("Rádio Manteigas") (a)	Lisboa	Global	-	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")	Lisboa	Global	100	100
R.C. - Empresa de Radiodifusão, Unipessoal, Lda. ("RC")	Lisboa	Global	100	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
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 Inc. ("PLURAL Entertainment")	Miami (EUA)	Global	100	100
TESELA Producciones Audiovisuales, S.L. ("TESELA")	Madrid (ESP)	Global	100	100

(a) The entities Rádio Sabugal and Rádio Manteigas were merged into BEIRAS FM (formerly Penalva do Castelo FM - Radiodifusão e Publicidade, Lda.), with accounting and tax effects reported as of 1 January 2017.

5. CHANGES IN THE CONSOLIDATION PERIMETER

During year ended on 31 December 2017, there were no changes in the Group's consolidation perimeter.

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

Acquisitions:

<u>Company</u>	<u>Main activity</u>	<u>Date of acquisition of control</u>	<u>Percentage acquired</u>	<u>Cost of acquisition</u>
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.

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

NON-CURRENT ASSETS:

Intangible assets (Note 15)	537,420
Tangible fixed assets	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	(22,433)
Assets and liabilities acquired	<u>550,000</u>

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 17).

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

RC	550,000
Plural Brasil (Note 17)	72,829
	<u>622,829</u>
Asset acquired - Cash and cash equivalents	(10,431)
	<u><u>612,398</u></u>

6. 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.

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 38)

Contribution of the main business segments to the consolidated results for the years ended 31 December 2017 and 2016 was as follows:

	2017						
	Television	Production	Radio	Others	Total	Eliminations	Consolidated
Operating revenue:							
External Services rendered	98,061,451	6,196,342	18,228,469	4,424,730	126,910,992	-	126,910,992
Internal services rendered	131,579	25,615,146	97,103	10,817,449	36,661,277	(36,661,277)	-
Other external operating revenue	37,865,735	122,667	116,826	446,673	38,551,901	-	38,551,901
Other internal operating revenue	139,072	6,715	99,300	290,899	535,986	(535,986)	-
Total operating revenue	136,197,837	31,940,870	18,541,698	15,979,751	202,660,156	(37,197,263)	165,462,893
Operating costs:							
Cost of programs issued and goods sold	(43,537,704)	-	-	(1)	(43,537,705)	24,094,495	(19,443,210)
Supplies and services	(39,310,472)	(23,177,939)	(6,164,787)	(8,709,939)	(77,363,137)	13,574,486	(63,788,651)
Personnel costs	(20,423,425)	(8,918,017)	(5,865,733)	(6,471,060)	(41,678,235)	-	(41,678,235)
Amortization and depreciation	(2,877,374)	(3,374,657)	(1,075,269)	(575,349)	(7,902,649)	-	(7,902,649)
Provision for impairment losses	(175,255)	(32,005)	83,455	(271,000)	(394,805)	-	(394,805)
Other operating costs	211,282	(133,362)	(80,540)	(78,668)	(81,288)	-	(81,288)
Total operating costs	(106,112,948)	(35,635,980)	(13,102,874)	(16,106,017)	(170,957,819)	37,668,981	(133,288,838)
Operating results	30,084,889	(3,695,110)	5,438,824	(126,266)	31,702,337	471,718	32,174,055
Net finance costs							(4,482,422)
Profit before income tax							27,691,633
Income tax							(7,904,604)
Consolidated net profit from continuing operations							19,787,029

	2016						
	Television	Production	Radio	Others	Total	Eliminations	Consolidated
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)	-
Vendas de mercadorias e produtos	-	-	-	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

Additional significant segment reporting information is as follows:

	2017						
	Television	Production	Radio	Others (a)	Total	Eliminations	Consolidated
Net assets	199,102,477	86,397,133	30,302,491	120,306,686	436,108,787	(134,864,430)	301,244,357
Liabilities	57,133,101	81,466,941	32,877,341	25,777,608	197,254,991	(37,452,370)	159,802,621
Other information:							
Investment in the year in tangible fixed assets (Note 16)	1,522,912	1,779,610	336,497	105,516	3,744,535	-	3,744,535
Investment in the year in intangible assets (Note 15)	153,902	37,438	4,989	99,153	295,482	-	295,482
Indemnities - included in "personnel costs" (Note 10)	175,425	454,629	316,063	104,625	1,050,742	-	1,050,742
Increase in provisions (Note 25)	1,250	36,163	-	-	37,413	-	37,413
Reversal of provisions (Note 25)	(135,750)	(10,000)	-	(40,500)	(186,250)	-	(186,250)
Impairment losses (Note 25)	353,771	33,259	34,194	360,846	782,070	-	782,070
Reversal of impairment losses (Note 25)	(44,015)	(27,417)	(117,649)	(49,347)	(238,428)	-	(238,428)

	2016						
	Television	Production	Radio	Others (a)	Total	Eliminations	Consolidated
Net assets	208,227,256	93,049,453	30,176,580	114,397,370	445,850,659	(130,771,618)	315,079,041
Liabilities	65,976,321	83,341,315	35,959,836	24,564,682	209,842,154	(33,707,323)	176,134,831
Other information:							
Investment in the year in tangible fixed assets (Note 16)	3,091,137	2,053,542	384,684	320,191	5,849,554	-	5,849,554
Investment in the year in intangible assets (Note 15)	275,367	96,607	-	89,036	461,010	-	461,010
Investment in associates (Note 17)	-	6	-	-	6	-	6
Indemnities - included in "personnel costs" (Note 10)	385,348	257,652	15,869	161,424	820,293	-	820,293
Increase in provisions (Note 25)	-	72,829	-	300,000	372,829	-	372,829
Reversal of provisions (Note 25)	(26,570)	(52,135)	-	(5,000)	(83,705)	-	(83,705)
Impairment losses (Note 25)	713,364	36,983	24,267	46,184	820,798	-	820,798
Reversal of impairment losses (Note 25)	(10,923)	(30,766)	(17,828)	(94,601)	(154,118)	-	(154,118)

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- (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 2017 and 2016 is as follows:

	2017		
	Portugal	Other countries	Consolidated
Operating revenue	164,833,978	628,915	165,462,893
Operating costs	(131,302,882)	(1,985,956)	(133,288,838)
Net profit from continuing operations	21,283,950	(1,496,921)	19,787,029
Non-current assets	231,051,128	1,452,656	232,503,784
Current assets	65,876,996	2,863,577	68,740,573
Liabilities	158,712,776	1,089,845	159,802,621
Investment in the year in tangible fixed assets (Note 16)	3,744,535	-	3,744,535
Investment in the year in intangible assets (Note 15)	295,482	-	295,482

	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 16)	5,849,554	-	5,849,554
Investment in the year in intangible assets (Note 15)	461,010	-	461,010

The revenue presented above in 2017 includes, approximately, 18,000,000 Euros resulting from services rendered and transactions with the Group's largest customer.

The Group considers that there isn't any other 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.

7. OPERATING REVENUE

Consolidated operating revenue for the years ended 31 December 2017 and 2016 is made up as follows:

	<u>2017</u>	<u>2016</u>
<u>Services rendered:</u>		
Television advertising	98,061,451	100,859,613
Radio advertising	17,723,147	16,973,962
Advertising in other media	3,161,054	3,569,314
Audiovisual production and complementary services	6,196,342	8,819,075
Others	<u>1,768,998</u>	<u>1,966,087</u>
	<u>126,910,992</u>	<u>132,188,051</u>
<u>Sales:</u>		
CD's	<u>-</u>	<u>98,592</u>
<u>Other operating revenue:</u>		
Multimedia services (a)	14,570,716	16,080,566
Transmission, and exhibition rights and the sale of images (b)	21,610,913	23,547,906
Other supplementary revenue	<u>2,370,272</u>	<u>2,111,588</u>
	<u>38,551,901</u>	<u>41,740,060</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.

8. COST OF BROADCASTED PROGRAMS AND GOODS SOLD

This caption for the years ended 31 December 2017 and 2016 is made up as follows:

	<u>2017</u>	<u>2016</u>
Programs exhibited	19,443,210	16,690,484
Goods sold	<u>-</u>	<u>6,566</u>
	<u>19,443,210</u>	<u>16,697,050</u>

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

9. SUPPLIES AND SERVICES

The caption supplies and services for the years ended 31 December 2017 and 2016 is made up as follows:

	<u>2017</u>	<u>2016</u>
Specialized services	27,756,712	28,916,751
Publicity and competition prizes	9,157,702	9,065,488
Fees	5,432,485	7,115,854
Communication	4,154,192	4,695,963
Rent	3,535,154	3,845,328
Royalties and rights	3,361,178	3,474,299
Materials	2,487,710	3,053,118
Energy and fluids	2,331,832	2,461,963
Maintenance and repairs	1,902,981	1,812,631
Travel and lodging	1,662,904	2,296,552
Others	2,005,801	3,451,066
	<u>63,788,651</u>	<u>70,189,013</u>

10. PERSONNEL COSTS

The caption personnel costs for the years ended 31 December 2017 and 2016 is made up as follows:

	<u>2017</u>	<u>2016</u>
Wages and salaries	30,401,341	31,917,373
Charges on wages and salaries	6,945,117	7,237,866
Performance bonus	787,224	1,525,046
Indemnities (Note 6)	1,050,742	820,293
Labour accident insurance and others	573,662	520,394
Others	1,920,149	2,091,863
	<u>41,678,235</u>	<u>44,112,835</u>

The average number of employees, per segment, of the companies included in the consolidation in the years ended 31 December 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Television	466	474
Production	288	358
Radio	149	156
Others	133	139
	<u>1,036</u>	<u>1,127</u>

As of 31 December 2016, Prisa had an approved employee benefits plan which had as beneficiaries some Directors, based on shares of Prisa ("Program"). The employees' eligibility for the mentioned plan was determined by its shareholder and in accordance with the fulfillment of the objectives established until 2016 and the permanence of the mentioned Directors in the Group.

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.

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The amount of the incentive, to be paid on 31 December 2016, was fully paid in 2017, and there was no plan in force, as of 31 December 2017, that included Group's Directors.

11. FINANCIAL EXPENSE AND INCOME

The caption financial expense and income for the years ended 31 December 2017 and 2016 is made up as follows:

	<u>2017</u>	<u>2016</u>
<u>Financial expense:</u>		
Interest expense (a)	3,587,387	4,162,164
Other financial costs (b)	<u>988,682</u>	<u>610,894</u>
	<u>4,576,069</u>	<u>4,773,058</u>
<u>Financial income:</u>		
Interest income	-	957
Other financial income (c)	<u>93,650</u>	<u>137,851</u>
	<u>93,650</u>	<u>138,808</u>
	<u>4,482,419</u>	<u>4,634,250</u>

- (a) In 2017 and 2016 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 reimbursement made in 2017 as explained in Note 24.
- (b) In the year ended 31 December 2017, this heading relates essentially to the exchange variation of foreign currency financing balances.
- (c) In the year ended 31 December 2017, "Other financial expenses" also includes expenses related to the financial updating of assets receivable, in the amount of 93,650 Euros (Note 17).

12. DIFFERENCE BETWEEN ACCOUNTING AND TAX RESULTS

The Grupo Media Capital companies, except for NBP Ibérica – Producciones Audiovisuales, 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 2017 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% (9% from 2018 onwards) for taxable profit exceeding 35,000,000 Euros.

In addition, net financial costs for 2017 and following years are deductible for determining annual taxable income up to the limit each year 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 2017 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 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 between 2014 and 2016 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 for losses generated incurred between 2012 and 2013 and from 2017). At 31 December 2017 tax losses carried forward amounted to approximately 7,521 Euros, and its deadline for use is 2018.

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 2014 to 2017, 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.

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Following is a reconciliation of the tax rate for the years ended 31 December 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Profit before tax	27,691,633	28,118,985
Nominal income tax rate	<u>21.00%</u>	<u>21.00%</u>
Estimated tax charge	5,815,243	5,904,987
Permanent differences (i)	293,655	397,716
Adjustment to income tax due (ii)	724,208	849,441
Surcharge	1,881,885	1,972,576
Others	<u>(810,387)</u>	<u>(106,597)</u>
	<u>7,904,604</u>	<u>9,018,123</u>
Current tax (iii)	7,714,397	8,899,568
Deferred tax for the year	<u>190,207</u>	<u>118,555</u>
	<u>7,904,604</u>	<u>9,018,123</u>
Effective tax rate	<u>28.55%</u>	<u>32.07%</u>

(i) These amounts for the years ended 31 December 2017 and 2016 are made up as follows:

	<u>2017</u>	<u>2016</u>
Non tax deductible amortization and depreciation	651,875	1,033,284
Goodwill Impairment (Notes 14 and 25)	343,481	553,366
Net gains/(losses) in associated companies (Note 17)	3	(21,429)
Others, net	<u>402,998</u>	<u>309,074</u>
	1,398,357	1,893,886
	<u>21.00%</u>	<u>21.00%</u>
	<u>293,655</u>	<u>397,716</u>

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

(iii) This amount at 31 December 2017 and 2016 is made up as follows:

	<u>2017</u>	<u>2016</u>
Estimated current tax on income for the year	8,709,320	8,718,584
Tax/ (Tax credit) for income of foreign subsidiaries (Note 29)	(150,374)	282,753
Others (a)	<u>(844,549)</u>	<u>(101,769)</u>
	<u>7,714,397</u>	<u>8,899,568</u>

(a) This caption includes the net effect of the excess of estimated income tax for 2017 and 2016, and of income resulted from the positive outcome of tax processes.

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Temporary differences – changes in deferred taxes:

	2017		
	Beginning balances	Increase/ reversals	Ending balances
<u>Deferred tax assets:</u>			
Provision and impairment losses	174,310	(77,630)	96,680
Inter group company margins not recognised	2,309,897	(192,722)	2,117,175
Other credits	161,321	12,645	173,966
	<u>2,645,528</u>	<u>(257,707)</u>	<u>2,387,821</u>
<u>Deferred tax liabilities:</u>			
Brands acquired in business combinations	1,226,250	(67,500)	1,158,750
	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

As of 31 December 2017 and 2016, current tax liabilities amounted to 5,254 Euros and 9,212 Euros, respectively, and essentially relate to the estimated tax related to the activity of the company acquired in 2016, which do not belong to RETGS.

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:

	2017	2016
Estimated current tax payable	7,714,397	8,899,568
Payments on account and special payments on account made by the Group to VERTIX	(6,757,494)	(5,320,659)
Others	1,040,938	208,818
Account payable to Vertex (Note 29)	<u>1,997,841</u>	<u>3,787,727</u>

At 31 December 2017 and 2016, the amounts payable related to current tax assets amounting to 340,290 Euros and 384,474 Euros, respectively, relate essentially to IRC to be recovered and to special payments on account.

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Cash flows:

For the year ended 31 December 2017 and 2016, the receipts referring to the refund of excess tax paid and the payments related to income tax for the year were as follows:

	<u>2017</u>	<u>2016</u>
Receipts referring to the refund of excess tax paid	437,631	80,830
Payments relating to income tax for the year	<u>(128,699)</u>	<u>(148,199)</u>
	<u>308,932</u>	<u>(67,369)</u>

13. EARNINGS PER SHARE

Earnings per share for the years ended 31 December 2017 and 2016 were calculated considering the following amounts:

	<u>2017</u>	<u>2016</u>
<u>Earnings:</u>		
Profit for purposes of calculating earnings per share of continuing operations	<u>19,787,029</u>	<u>19,100,862</u>
<u>Number of shares:</u>		
Average number of shares for purposes of calculating basic and diluted earnings per share (Note 23)	<u>84,513,180</u>	<u>84,513,180</u>
Basic and diluted earnings per share of continuing operations	<u>0.2341</u>	<u>0.2260</u>

There were no diluting effects in the years ended 31 December 2017 and 2016 and so the basic and diluted earnings per share are the same.

14. GOODWILL

The changes in goodwill in the years ended 31 December 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
<u>Cost:</u>		
Balance at the beginning of the year	166,280,254	169,740,254
Derecognition for disposal - SOCATER (Note 17)	-	(3,460,000)
Balance at the end of the year	<u>166,280,254</u>	<u>166,280,254</u>
<u>Accumulated impairment losses:</u>		
Balance at the beginning of the year	(16,562,653)	(16,562,653)
Impairment losses recognized in the period (Notes 12, 17 and 25) (a) (b)	(343,481)	(553,366)
Derecognition for disposal - SOCATER (Note 17)	-	553,366
Balance at the end of the year	<u>(16,906,134)</u>	<u>(16,562,653)</u>
<u>Net book value:</u>		
Balance at the beginning of the year	<u>149,717,601</u>	<u>153,177,601</u>
Balance at the end of the year	<u>149,374,120</u>	<u>149,717,601</u>

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- (a) The impairment loss recognized in goodwill in the amount of 343,481 Euros in the year ended 31 December 2017 (Note 25) is essentially due to a decline of the activity of one of the group's cash generating units in the group's Entertainment segment in 2017, despite the rationalization of costs that the group continued to pursue. At that date, there was no goodwill allocated to that cash generating unit.
- (b) The impairment loss recognized in goodwill in the amount of 553,366 Euros in the year ended 31 December 2016 (Note 17) is due to the evolution of the production activity in Spain, developed by SOCATER. This company was sold on 28 November 2016 (Note 17).

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>2017</u>	<u>2016</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	<u>439,129</u>	<u>782,610</u>
	<u>149,374,120</u>	<u>149,717,601</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.

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 for purposes on the impairment tests was as follows:

Television:

Television operations, with the broadcasting of television programs through a general channel, TVI, and under distribution contracts signed with operators broadcasting 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 2022 reaching amounts still below those for 2010;
- 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 what is already in force since periods previous to 2017.

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 as a Group of Radios;
- Stabilization of audiences;
- Continuation of the cost control strategy.

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 audiovisual production market, in particular in the supply of production support services – technical means, human resources and scenario building.

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

- Focus on the exploitation of technical means and the preparation of scenarios market;
- Profitability of content already produced through its commercialization;
- Decrease in the structure of fixed costs.

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.

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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.

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 and the publishing activity.

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 2016). The discount rate used for all the cash generating units was 8.2% (9.0% in 2016), 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.

The annual compound growth rate of the operating segments under review for the period of the projections (using 2016 as the base) was 4% 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.

15. INTANGIBLE ASSETS

The changes in intangible assets and related accumulated amortization and impairment losses in the years ended 31 December 2017 and 2016 were as follows:

	Audiovisual production rights	Brands (a)	Radio broadcasting permits (b)	Radio broadcasting rights	Computer programs	Others	Total
<u>Gross:</u>							
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 5)	-	-	537,420	(550,000)	-	-	(12,580)
Acquisitions (Note 6)	-	-	-	-	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
Acquisitions (Note 6)	-	-	-	-	295,482	-	295,482
Exchange translation	(60,684)	-	-	-	-	(1,757)	(62,441)
Sales and write-offs	-	-	-	-	(49,732)	-	(49,732)
Balance at 31 December 2017	5,550,042	6,269,000	17,781,373	-	8,015,986	583,868	38,200,269

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	Audiovisual production rights	Brands (a)	Radio broadcasting permits (b)	Radio broadcasting rights	Computer programs	Others	Total
<u>Accumulated amortization:</u>							
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 16)	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
Increases (Note 16)	1,399,326	300,000	537,128	-	494,208	-	2,730,662
Exchange translation	(60,684)	-	-	-	-	(1,757)	(62,441)
Sales and write-offs	-	-	-	-	(49,701)	-	(49,701)
Balance at 31 December 2017	5,550,042	1,119,000	13,108,642	-	7,175,995	583,868	27,537,547
	Audiovisual production rights	Brands (a)	Radio broadcasting permits (b)	Radio broadcasting rights	Computer programs	Others	Total
<u>Net:</u>							
Net balance at 31 December 2016	1,399,326	5,450,000	5,209,859	-	1,038,748	-	13,097,933
Net balance at 31 December 2017	-	5,150,000	4,672,731	-	839,991	-	10,662,722

(a) This caption includes essentially the PLURAL brand.

(b) The most significant radio broadcasting permit included in this caption in the net amount of 2,132,319 Euros and has a remaining operating period of eight years.

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

16. TANGIBLE FIXED ASSETS

The changes in tangible fixed assets and corresponding accumulated depreciation and impairment losses in the years ended 31 December 2017 and 2016 were as follows:

	Land, buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Other tangible fixed assets	Fixed assets in progress	Total
<u>Gross:</u>							
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 5)	1,247	43,713	-	-	-	-	44,960
Acquisitions (Note 6)	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 (Note 15)	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
Acquisitions (Note 6)	370,487	2,655,753	2,944	265,683	150,685	298,983	3,744,535
Sales and write-offs	-	(2,334,440)	(40,977)	(589,861)	(16,451)	(15,732)	(2,997,461)
Transfers	(136,120)	659,170	-	24,569	33,159	(580,778)	-
Balance at 31 December 2017	10,678,125	111,927,120	1,670,044	8,806,115	9,170,606	79,496	142,331,506
	Land, buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Other tangible fixed assets	Fixed assets in progress	Total
<u>Accumulated depreciation and impairment losses:</u>							
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	-	42,731	-	-	-	-	42,731
Increases	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)
Transferências	(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
Increases	959,592	3,304,365	28,187	599,288	280,555	-	5,171,987
Sales and write-offs	-	(2,334,440)	(40,977)	(589,750)	(16,445)	-	(2,981,612)
Transferências	(136,120)	136,129	-	(9)	-	-	-
Balance at 31 December 2017	7,200,937	102,355,372	1,654,111	7,809,653	8,145,883	-	127,165,956

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	Land, buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Other tangible fixed assets	Fixed assets in progress	Total
<u>Net:</u>							
Net balance at 31 December 2016	<u>4,066,293</u>	<u>9,697,319</u>	<u>41,176</u>	<u>1,305,600</u>	<u>1,121,440</u>	<u>377,023</u>	<u>16,608,851</u>
Net balance at 31 December 2017	<u>3,477,188</u>	<u>9,571,748</u>	<u>15,933</u>	<u>996,462</u>	<u>1,024,723</u>	<u>79,496</u>	<u>15,165,550</u>

Amortization and depreciation recognized in the statements of profit and loss for 2017 and 2016 are made up as follows:

	<u>2017</u>	<u>2016</u>
Tangible fixed assets	<u>5,171,987</u>	<u>4,757,294</u>
Intangible assets (Note 15)	<u>2,730,662</u>	<u>3,474,508</u>
	<u>7,902,649</u>	<u>8,231,802</u>

At 31 December 2017 there were no restrictions on the ownership of tangible fixed assets given in guarantee of liabilities. All guarantees requested in favor of third parties and given by the Group, susceptible of disclosure, are listed in Notes 24 and 34.

17. INVESTMENT IN ASSOCIATES

The changes in investments in associates in the years ended on 31 December 2017 and 2016 were as follows:

	<u>Investments in associates</u>
Balance at 31 December 2015	1,596,457
Dividends	(62,640)
Disposals of associated companies	(1,628,069)
Gains on associated companies	<u>94,258</u>
Balance at 31 December 2016	6
Disposals of associated companies	<u>(6)</u>
Balance at 31 December 2017	<u>-</u>

On 28 November 2016, as described in Note 5, the Group sold the entire financial investment held in a group of subsidiaries as follows:

<u>Company</u>	<u>Head office</u>	<u>Effective participation percentage held</u>
Sociedad Canaria de Televisión Regional, S.A. ("SOCATER")	Tenerife (Spain)	40
Productora Canaria de Programas, S.A. ("PCP")	San Andrés (Spain)	40
Factoría Plural, S.L. ("Factoría")	Zaragoza (Spain)	15
Chip Audiovisual, S.A. ("CHIP")	Zaragoza (Spain)	7.5
Isla Audiovisual, S.L.	Zaragoza (Spain)	7.2

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The result of this sale was as follows:

	SOCATER	PCP	Factoria	Total Associated	PLURAL Canarias (Note 5)	Total
Book value of investments on the date of disposal:						
Investment in associated companies as of 31 December 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	-	-	(62,640)	(62,640)	-	(62,640)
Net assets sold	-	-	-	-	23,252	23,252
	<u>737,627</u>	<u>564,137</u>	<u>326,305</u>	<u>1,628,069</u>	<u>23,252</u>	<u>1,651,321</u>
Goodwill (Note 14)	3,460,000	-	-	3,460,000	-	3,460,000
Accumulated impairment losses (Note 14)	(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
	<u>3,644,000</u>	<u>564,000</u>	<u>327,000</u>	<u>4,535,000</u>	<u>23,000</u>	<u>4,558,000</u>
Amount of sale						
Amount received in 2016						(700,000)
Amount received in 2017						(1,286,000)
Financial update (a)						(36,241)
Amount receivable from the sale on 31 December 2017 (Note 29)						<u>2,535,759</u>

(a) The cumulative effect of the financial update was as follows:

Other financial income (Note 11) in 2017	93,650
Other financial expenses in 2016	(129,891)
	<u>(36,241)</u>

The amount receivable in 2017 and 2016 resulting from said transaction (Note 29) will be received in accordance with the contractual terms established between the parties, as follows:

	2017	2016
Until 31 December 2017	-	1,223,702
Until 31 January 2018	1,283,339	1,223,702
Until 31 January 2019	1,252,420	1,280,705
	<u>2,535,759</u>	<u>3,728,109</u>

As a result of the application of the equity method, in the years ended 31 December 2017 and 2016, on associates up to the date of their disposal, the following movements were recorded under "Gains / (losses) in associated companies":

	2017	2016
Net gains on associated companies	-	94,258
Losses on associated companies (Notes 5 and 25)	-	(72,829)
Impairment losses (Note 14)	-	(553,366)
Disposal	(3)	-
	<u>(3)</u>	<u>(531,937)</u>

The associated companies were included in the consolidated financial statements by the equity method, as indicated in Note 2.2 b).

In the year ended 31 December 2016, prior to said sale, the Group recorded and received dividends in the amount of 62,640 Euros, related to the investment held in Factoria Plural, SL..

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18. TELEVISION PROGRAM BROADCASTING RIGHTS

Television program broadcasting rights at 31 December 2017 and 2016 are made up as follows:

Nature	2017	2016
Soap operas and fiction contents	60,800,020	62,611,900
Films	10,588,387	12,668,813
Series	7,333,840	6,105,954
Entertainment	2,104,964	1,418,721
Others	363,087	284,128
	<u>81,190,298</u>	<u>83,089,516</u>
Non-current assets	50,971,104	54,473,263
Current assets	30,219,194	28,616,253
	<u>81,190,298</u>	<u>83,089,516</u>

19. OTHER NON-CURRENT ASSETS

This caption was made up as follows at 31 December 2017 and 2016:

	2017	2016
Access to the Digital Television network (Televisão Digital Terrestre - "TDT") (a)	2,676,471	2,944,118
Receivables from related parties (Note 29)	1,252,420	2,504,407
Customers and other accounts receivable	-	60,000
State and other public entities	8,588	15,172
	<u>3,937,479</u>	<u>5,523,697</u>

(a) This amount corresponds to costs incurred for access to the TDT network, which is expensed over the contracted utilization period of the network.

20. TRADE AND OTHER RECEIVABLES

This caption was made up as follows at 31 December 2017 and 2016:

	2017			2016		
	Gross	Accumulated impairment loss (Note 25)	Net	Gross	Accumulated impairment loss (Note 25)	Net
Trade receivables	31,796,267	(3,965,653)	27,830,614	35,777,601	(5,088,376)	30,689,225
Receivables from related parties (Note 29)	131,569	-	131,569	627,727	-	627,727
Invoices to be issued (a)	5,666,571	-	5,666,571	6,702,963	-	6,702,963
	<u>37,594,407</u>	<u>(3,965,653)</u>	<u>33,628,754</u>	<u>43,108,291</u>	<u>(5,088,376)</u>	<u>38,019,915</u>

(a) This caption includes, essentially, amounts related to invoices to be issued to the operators for the activity of interactive and multimedia services.

21. OTHER CURRENT ASSETS

This caption was made up as follows at 31 December 2017 and 2016:

	2017			2016		
	Gross	Accumulated impairment loss (Note 25)	Net	Gross	Accumulated impairment loss (Note 25)	Net
State and other public entities (Note 28)	561,059	-	561,059	997,123	-	997,123
Other debtors	269,575	(26,106)	243,469	616,656	(525,975)	90,681
Receivables from related parties (Note 29)	1,433,713	-	1,433,713	1,234,767	-	1,234,767
Prepayments	2,019,767	-	2,019,767	2,429,055	-	2,429,055
	<u>4,284,114</u>	<u>(26,106)</u>	<u>4,258,008</u>	<u>5,277,601</u>	<u>(525,975)</u>	<u>4,751,626</u>

22. CASH AND CASH EQUIVALENTS

This caption was made up as follows at 31 December 2017 and 2016:

	2017	2016
Bank deposits repayable on demand	133,783	1,080,324
Cash	160,544	154,582
	<u>294,327</u>	<u>1,234,906</u>

In the year ended 31 December 2017, 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 24, in the amount of, approximately, 286,000 Euros (733,000 Euros in 2016);
- The Group sold investents in associate companies in 2016, as mentioned in Note 17, for the amount of 4,558,000 Euros, of which 2,536,000 Euros had not been received at the date of the financial position (3,728,000 Euros in 2016) (Note 29);
- The Group acquired fixed assets which were not yet been settled at the date of the financial position in the amount of approximately 1,100,000 Euros (2,800,000 Euros in 2016).

23. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The Company's fully subscribed for and paid up capital at 31 December 2017 and 2016 was made up of 84,513,180 shares (Note 13), with nominal value of one Euro and six cents each, which total is 89,583,971 Euros.

At 31 December 2017 and 2016 the Group's capital was held by the following shareholders:

	2017		2016	
	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>

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At 31 December 2017 and 2016 the caption “Reserves” was made up as follows:

	2017	2016
Free reserves	25,115,624	24,588,459
Legal reserve	7,282,063	6,456,134
Exchange translation differences	(326,951)	(785,216)
	<u>32,070,736</u>	<u>30,259,377</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. This 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 after covering the negative currency translation differences, despite the restrictions mentioned in Note 24.

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 0.190 Euros.

At the Shareholders' General Meeting held on 6 April 2017, the application of the results for the year ended 31 December 2016 was approved, providing for a legal reserve increase of 825,929 Euros, reinforcement of free reserves by 527,165 Euros and distribution of dividends in the amount of 17,747,768 Euros. The aforementioned distribution of dividends, the corresponding payment of which occurred on 8 May 2017, corresponds to a gross dividend per share of 0.210 Euros.

As disclosed in the Director's Report, the Board of Directors did not propose the distribution of dividends to its shareholders in the application of the results for the year ended 31 December 2017.

24. BORROWINGS

This caption was made up as follows at 31 December 2017 and 2016:

	2017				2016			
	Book value		Nominal value		Book value		Nominal value	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Bonds (a)	25,677,185	35,200,708	24,750,000	35,250,000	16,149,498	59,815,698	15,000,000	60,000,000
Other bank borrowing (b)	8,349,203	25,300,000	8,372,830	25,300,000	5,297,296	17,000,000	5,307,673	17,000,000
Finance lease liability (c)	247,365	544,464	247,365	544,464	291,640	536,826	291,640	536,826
Other borrowings (d)	50,080	187,758	50,080	187,758	-	237,838	-	237,838
	<u>34,323,833</u>	<u>61,232,930</u>	<u>33,420,275</u>	<u>61,282,222</u>	<u>21,738,434</u>	<u>77,590,362</u>	<u>20,599,313</u>	<u>77,774,664</u>

(a) Bonds:

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 substantially from its book value.

In the year ended 31 December 2017 was refunded, from that bond loan, the amount of 15,000,000 Euros, in accordance with the reimbursement plan.

(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, having renegotiated its financial conditions on 27 October 2017 through a supplement.

On 4 August 2015 the Group signed commercial paper contracts totaling 35,000,000 Euros with two financial institutions. On 26 October 2017, amendments were made to change the financial conditions and respective amortization periods.

The contracts are in force until 2020 and 2022, respectively, and have an annual interest rate corresponding to the Euribor rate for the period of issuance plus an average spread of 1.13%.

During the year ended 31 December 2017 occurred net amortizations in the amount due, in the total amount of 2,500,000 Euros. The total amount contracted on 31 December 2017 amounted to 47,500,000 Euros, of which 33,300,000 Euros were used on 31 December 2017 (17,000,000 Euros on 31 December 2016).

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 1.55%. As of 31 December 2017, these contracts were used for a total amount of 372,830 Euros (5,307,673 Euros on 31 December 2016).

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 2017.

On the 14th of July, Grupo Media Capital, SGPS, S.A. announced to the market a communication received from Prisa, informing on the acceptance of the binding offer launched by Altice N.V. relative to the acquisition of the full amount of shares of Media Capital owned by Prisa. In the same date, it was also communicated to the market a preliminary announcement of a general and mandatory tender offer for the shares representing the share capital of Grupo Media Capital, SGPS, S.A.. The mentioned operation is subject, among other conditions, to the non-opposition of the Competition Authority and to the approval by the competent regulatory authorities, which, as of the date of approval of these consolidated financial statements, has not yet occurred. As mentioned above, the Group's financing agreements provide for an anticipated reimbursement in case Prisa loses the control of the Group, which may occur in case of approval of the operation by the relevant regulatory entities.

Reasonable changes in these financial performance measures, measured by the relationship between the Company's indebtedness and EBITDA (which in general consists of the operating results plus Depreciation and amortization and Provisions and Impairment losses), namely a variation of 5% EBITDA, continue to ensure compliance with these requirements.

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At 31 December 2017 and 2016 the nominal amount used, amount contracted and repayment plan were as follows:

	2017		2016	
	Amount used	Total contracted	Amount used	Total contracted
Bonds	60,000,000	60,000,000	75,000,000	75,000,000
Commercial paper	33,300,000	47,500,000	17,000,000	47,500,000
Short term credit lines	372,830	15,000,000	5,307,673	15,000,000
	<u>93,672,830</u>	<u>122,500,000</u>	<u>97,307,673</u>	<u>137,500,000</u>

The repayment plan of the amount used in the period ended 31 December 2017 is as follows:

2018	33,122,830
2019	42,250,000
2020	12,500,000
2022	5,800,000
	<u>93,672,830</u>

(c) At 31 December 2017 and 2016, Grupo Media Capital had the following assets under finance lease:

	2017		
	Aquisition cost	Accumulated depreciation	Net value
Basic equipment	<u>1,017,934</u>	<u>(158,151)</u>	<u>859,783</u>

	2016		
	Aquisition cost	Accumulated depreciation	Net value
Buildings and other constructions	98,125	-	98,125
Basic equipment	<u>2,519,854</u>	<u>(1,944,366)</u>	<u>575,488</u>
	<u>2,617,979</u>	<u>(1,944,366)</u>	<u>673,613</u>

The net value increase recorded in 2017 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 286,000 Euros (Note 22).

The finance lease contracts at 31 December 2017 and 2016 are repayable as follows:

	2017	2016
2017	-	291,640
2018	<u>247,365</u>	-
	<u>247,365</u>	<u>291,640</u>
2018	-	536,826
2019 and following	<u>544,464</u>	-
	<u>544,464</u>	<u>536,826</u>

At 31 December 2017 blank promissory notes had been given in guarantee of some of the loans from the financial institutions.

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(d) The Group obtained a refundable allowance under the QREN program.

The reimbursement of these amounts will be, according to the incentive agreement, made up as follows:

2018	50,080
2019	87,674
2020	100,084
	<u>237,838</u>

Reconciliation of liabilities arising from financing activities:

The table below details changes in Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	01-01-2017	Financing cash flows (i)	New finance leases (not related to cash)	Other changes (ii)	31-12-2017
Bonds	75,965,196	(15,000,000)	-	(87,303)	60,877,893
Other bank borrowing	22,297,296	11,365,157	-	(13,250)	33,649,203
Finance lease liability	828,466	(398,053)	285,659	75,757	791,829
Other borrowings	237,838	-	-	-	237,838
	<u>99,328,796</u>	<u>(4,032,896)</u>	<u>285,659</u>	<u>(24,796)</u>	<u>95,556,763</u>

(i) Cash flows from bank loans, leasing creditors and other financing make up the net amount of proceeds from borrowing and repayments of borrowings in the consolidated statement of cash flows.

(ii) Other changes include interest accruals and payments and Value added tax on repayments to creditors by finance lease.

25. ACCUMULATED PROVISIONS AND IMPAIRMENT LOSSES

The changes in the caption Provisions and impairment losses in the years ended 31 December 2017 and 2016 were as follows:

	Taxes	Legal processes in progress	Loss on associated companies (Note 17)	Total
Balance at 31 December 2015	5,319,102	1,367,431	421,674	7,108,207
Increases (Notes 6 and 17)	-	300,000	72,829	372,829
Decreases (Note 6)	-	(83,705)	-	(83,705)
Utilisations	-	(4,796)	(494,503)	(499,299)
Balance at 31 December 2016	5,319,102	1,578,930	-	6,898,032
Increases (Note 6)	-	37,413	-	37,413
Decreases (Note 6)	-	(186,250)	-	(186,250)
Utilisations	-	(501,163)	-	(501,163)
Transferências to other current liabilities	-	(450,000)	-	(450,000)
Balance at 31 December 2017	<u>5,319,102</u>	<u>478,930</u>	<u>-</u>	<u>5,798,032</u>

Provision for taxes

The provision for taxes at 31 December 2017 and 2016 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

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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 the outstanding shares, excluding the proceeding with the GDA, amounts to approximately 2,134,000 Euros, the Group's lawyers estimated their liabilities based on the arguments presented in the history of resolution of this type of processes and in the estimated timing of the payment of these liabilities.

The reductions and uses recorded under "Legal proceedings in progress" during the years ended 31 December 2017 and 2016 relate to the resolution of certain legal proceedings that were in the process of litigation.

In 2016, Plural Entertainment Brasil – Produção de Vídeo, Ltda. ("Plural Brasil") was liquidated. As a result, the Group used the amount of 494,503 Euros, which was recognized in the caption "Losses in associated companies".

The changes in impairment losses in the years ended 31 December 2017 and 2016 were as follows:

	Inventories	Trade and other receivables (Note 20)	Other current assets (Note 21)	Total
Balance at 31 December 2015	400,000	5,271,689	525,975	6,197,664
Increases (Note 6)	-	820,798	-	820,798
Decreases (Note 6)	-	(154,118)	-	(154,118)
Utilisations	-	(849,993)	-	(849,993)
Balance at 31 December 2016	400,000	5,088,376	525,975	6,014,351
Increases (Note 6)	-	438,589	-	438,589
Decreases (Note 6)	-	(228,219)	(10,209)	(238,428)
Utilisations	-	(1,333,093)	(489,660)	(1,822,753)
Balance at 31 December 2017	400,000	3,965,653	26,106	4,391,759

At 31 December 2017 and 2016, the Inventories had no net book value, with a gross value of 400,000 Euros fully provisioned.

In the year ended on 31 December 2016 the Company used impairment losses for trade and other receivables as they were considered uncollectable.

The provision for impairment losses (increases/(reversals)) recognized in the years ended 31 December 2017 and 2016 were as follows:

	2017	2016
Legal processes in progress	(148,837)	216,295
Trade and other receivables and other current assets	200,161	666,680
	51,324	882,975
Goodwill impairment (Notes 6, 12 and 14)	343,481	-
	394,805	882,975

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26. TRADE AND OTHER PAYABLES

This caption was made up as follows at 31 December 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Current suppliers	13,397,992	19,481,874
Accounts payable to related parties (Note 29)	68,009	93,599
Accrued costs:		
Accrued trade discounts	11,045,880	14,383,918
Authors' rights and royalties	2,693,137	2,204,246
Other supplies and services	1,387,253	1,669,009
Sales returns	-	680
Others	<u>2,777,627</u>	<u>2,439,759</u>
	<u><u>31,369,898</u></u>	<u><u>40,273,085</u></u>

27. OTHER CURRENT LIABILITIES

This caption was made up as follows at 31 December 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Suppliers of fixed assets	1,424,327	3,691,102
Several creditors:		
Personnel remuneration	6,847,870	7,470,200
Others	1,621,621	1,030,447
State and other public entities (Note 28)	9,911,093	9,166,224
Accounts payable to related parties (Note 29)	2,046,155	4,128,679
Deferred revenue	<u>4,062,858</u>	<u>2,912,804</u>
	<u><u>25,913,924</u></u>	<u><u>28,399,456</u></u>

28. STATE AND OTHER PUBLIC ENTITIES

This caption was made up as follows at 31 December 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	Receivable balances (Note 21)	Payable balances (Note 27)	Receivable balances (Note 21)	Payable balances (Note 27)
Value Added Tax	561,059	6,316,493	997,123	5,655,268
Social Security contributions	-	1,266,825	-	1,237,105
Personal Income Tax	-	983,124	-	1,015,718
Portuguese Institute of Cinematographic and Audiovisual Art / Cinemateca Portuguesa "Instituto Português de Arte Cinematográfica e Audiovisual/ Cinemateca Portuguesa"	-	989,562	-	957,795
Others	<u>-</u>	<u>355,089</u>	<u>-</u>	<u>300,338</u>
	<u><u>561,059</u></u>	<u><u>9,911,093</u></u>	<u><u>997,123</u></u>	<u><u>9,166,224</u></u>

29. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

The balances at 31 December 2017 and 2016 and transactions for the years then ended with related companies excluded from the consolidation were as follows:

	2017				
	Other non-current assets (Note 19)	Trade and other receivables (Note 20)	Other current assets (Note 21)	Trade and other payables (Note 26)	Other current liabilities (Note 37)
Top parent company:					
Promotora de Informaciones, S.A. (a) (b)	-	-	150,374	50,330	-
Parent company:					
VERTIX (c)	-	25,476	-	-	2,023,033
	-	25,476	150,374	50,330	2,023,033
Other companies:					
Prisa Audiovisual, S.L. (d)	1,252,420	-	1,283,339	-	-
Prisa Producciones de Vídeo, S.L.	-	72,818	-	-	-
Santillana Editores, S.A.	-	23,311	-	-	-
Prisa Brand Solutions, S.L.U.	-	6,007	-	12,966	-
Prisa Tecnología, S.L.	-	3,957	-	4,611	-
Prisa Gestión de Servicios, SL	-	-	-	102	-
PLURAL Canarias	-	-	-	-	23,122
	1,252,420	106,093	1,283,339	17,679	23,122
	1,252,420	131,569	1,433,713	68,009	2,046,155

	2017			
	Services rendered	Other operating revenue	Supplies and services	Financial costs
Top parent company:				
Promotora de Informaciones, S.A.	-	-	826,798	-
Parent company:				
VERTIX	36,620	9,000	-	25,192
	36,620	9,000	826,798	25,192
Other companies:				
Prisa Brand Solutions, S.L.U.	226,471	-	64,713	-
Santillana Editores, S.A.	97,499	976	-	-
Prisa Producciones de Vídeo, S.L.	38,105	-	-	-
SOCATER	29,000	-	-	-
Prisa Tecnología, S.L.	19,615	-	27,479	-
Promotora General de Revistas, S.A.	-	-	23,905	-
Prisa Gestión de Servicios, SL	-	-	338	-
	410,690	976	116,435	-
	447,310	9,976	943,233	25,192

The more significant balances with related parties at 31 December 2017 refers to:

Promotora de Informaciones, S.A.

- (a) Accounts receivable registered in the caption “Other current assets” 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 150,374 Euros (Note 12).
- (b) The accounts payable correspond to management fees.

VERTIX

- (c) The accounts payable of 1,997,841 Euros correspond essentially to estimated income tax of the Group’s subsidiaries included in the tax consolidation for the year ended 31 December 2017 (Note 12).

Prisa Audiovisual, S.L.

- (d) Current and non-current accounts receivables which total is 2,535,759 Euros relate to the sale of a group of associated companies and PLURAL Canarias occurred in 2016 (Note 17).

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	2016				
	Other non-current assets (Note 19)	Trade and other receivables (Note 20)	Other current assets (Note 21)	Trade and other payables (Note 26)	Other current liabilities (Note 37)
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
	-	93,013	11,064	74,062	4,105,426
Other companies:					
Prisa Audiovisual, S.L. (d)	2,504,407	-	1,223,702	-	-
Prisa Producciones de Video, S.L.	-	426,493	1	-	-
Prisa Brand Solutions, S.L.U.	-	55,439	-	19,537	-
Santillana Editores, S.A.	-	23,971	-	-	-
SOCATER	-	20,000	-	-	-
SOGEABLE MÚSICA, S.L.	-	8,712	-	-	-
PLURAL Canarias	-	99	-	-	23,253
	2,504,407	534,714	1,223,703	19,537	23,253
	2,504,407	627,727	1,234,767	93,599	4,128,679

	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
	62,115	9,000	885,545	34,946
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	-
SOGEABLE 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	-
	457,110	1,301	199,531	-
	519,225	10,301	1,085,076	34,946

The more significant balances with related parties at 31 December 2016 refers to:

Promotora de Informaciones, S.A.

- (a) Accounts receivable registered in the caption "Other current assets" 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 12).
- (b) The accounts receivables and other accounts payable correspond essentially to the Company's operations and management fees.

VERTIX

- (c) 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 12).

Prisa Audiovisual, S.L.

- (d) Short and medium and long-term receivables which total is 3,728,109 Euros relate to the sale of a group of associated companies and PLURAL Canarias occurred in 2016 (Note 17).

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 38)

In addition, in the years ended 31 December 2017 and 2016 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.

30. FINANCIAL COMMITMENTS ASSUMED AND NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

At 31 December 2017 and 2016 the Company had contracts and agreements with third parties to purchase rights, broadcast films and other programs in the amounts of 10,044,216 Euros and 14,901,396 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 2017

Nature	2018	2019	2020	2021 and following years	Total
Entertainment	5,909,596	12,300	-	-	5,921,896
Series	553,113	-	156,949	-	710,062
Sport	484,825	180,000	180,000	-	844,825
Films	-	1,118,184	1,406,632	39,617	2,564,433
Others	-	3,000	-	-	3,000
	6,947,534	1,313,484	1,743,581	39,617	10,044,216

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
	12,543,495	457,325	1,325,638	574,938	14,901,396

31. OPERATING LEASES

At 31 December 2017 and 2016 the Company had liabilities not reflected on the statement of financial position which total is 10,692,543 Euros and 9,312,545 Euros, respectively, under operating lease contracts.

The liabilities are as follows:

- (a) Lease contract of the Group's building facilities in Queluz de Baixo ending on 31 December 2022, with a preferential right of renewal.

Amounts recognised as cost:

	2017	2016
Minimum operating lease payments - Installations	981,250	975,638

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 38)

The liabilities assumed under this operating lease contract, not included in the statement of financial position, at 31 December 2017 and 2016 were as follows:

<u>Liabilities assumed:</u>	<u>2017</u>	<u>2016</u>
2017	-	981,152
2018	992,472	990,964
2019	1,006,366	1,000,874
2020	1,020,455	-
2021	1,034,742	-
2022	1,049,228	-
	<u>5,103,263</u>	<u>2,972,990</u>

The increase of the liabilities assumed with this contract refers to the renegotiation of the deadline.

- (b) Vehicle lease contract for 4 to 5 years.

<u>Amounts recognised as cost:</u>	<u>2017</u>	<u>2016</u>
Minimum vehicle lease payments	<u>780,647</u>	<u>768,482</u>

The liabilities assumed under these vehicle lease contracts at 31 December 2017 and 2016 were payable as follows:

<u>Liabilities assumed:</u>	<u>2017</u>	<u>2016</u>
2017	-	758,003
2018	701,050	541,414
2019	536,540	383,790
2020	352,168	197,048
2021	226,291	83,084
2022	28,920	-
	<u>1,844,969</u>	<u>1,963,339</u>

- (c) Lease contracts for the studio and warehouse installations.

<u>Amounts recognised as cost:</u>	<u>2017</u>	<u>2016</u>
Minimum studio and warehouse lease payments	<u>852,711</u>	<u>849,134</u>

The liabilities assumed under these lease contracts at 31 December 2017 and 2016 are payable as follows:

<u>Liabilities assumed:</u>	<u>2017</u>	<u>2016</u>
2017	-	857,625
2018	864,650	866,202
2019	876,754	874,863
2020	889,029	779,194
2021	558,078	447,000
2022 and following years	555,800	551,332
	<u>3,744,311</u>	<u>4,376,216</u>

32. 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 2017 and 2016:

	<u>2017</u>	<u>2016</u>
US dollar	1.199	1.054
British pound	0.887	0.856

In addition, at 31 December 2017 and 2016 the following exchange rates were used to translate the US Dollar financial statements of Group companies to Euros:

	<u>2017</u>	<u>2016</u>
Exchange rate in force at the statement of financial position date	1.199	1.054
Average exchange rate for the year	1.184	1.055

In addition, there are fixed assets that were translated at the historical rates of 1.2405 and 0.9190.

33. CONTINGENT LIABILITIES

The Group received additional corporation income tax assessments in the years 2009 to 2017, resulting from tax inspections of the years 2006 to 2013 in the amount of approximately 2,193,000 Euros. In 31 December 2017, 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.

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. At this date, the judgment is under way, having started in September 2017. In 2017, the GDA requested extension of the process to the years 2015 and 2016, a situation that led to an increase in the value of the mentioned request for approximately 19.6 million Euros.

Additionally, in addition to the opinions referred to in Note 25, the Group is involved in several lawsuits related essentially to defamation, freedom of the press, civil liability and regulatory actions, which amount to approximately 3,591,000 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.

34. GUARANTEES GIVEN TO THIRD PARTIES

At 31 December 2017, the Group had the following bank guarantees and other guarantees given to third parties, were as follows:

Fiscal and other processes (a)	2,770,838
Competition prizes	1,761,468
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.

Media Capital, taking into account the indirect ownership relationship between Prisa and this Company, joined as "obligor" to the agreement entered under the scope of the financial restructuring of Prisa, thus extending the deadline and conditions of previous contracts signed by Media Capital on 26 December 2011. According to the information published by Prisa in the "Comisión Nacional del Mercado de Valores" (CNMV) in Spain, the conditions applicable to the various contracts aimed at regulating the extension of the refinancing process between the Prisa and a syndicate composed of a group of banking and financial institutions came into force on 22 January 2018.

35. 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 2017 amounted to 2,469,856 Euros (2,969,501 Euros in 2016).

Remuneration for the year ended 31 December 2017 is divided between fixed remuneration of 1,444,005 Euros and variable remuneration of 1,025,851 Euros (1,433,425 Euros and 1,536,076 Euros in 2016).

Remuneration of the above mentioned key members is determined by the Company's Remuneration Commission considering the parameters relating to individual performance.

36. FINANCIAL INSTRUMENTS

At 31 December 2017 and 2016 the main assets and liabilities financial instruments, recorded at amortized cost, were as follows:

	<u>2017</u>	<u>2016</u>
<u>Financial assets:</u>		
Available-for-sale financial assets	4,988	4,988
Trade and other receivables	37,468,293	43,306,539
Cash and cash equivalents (Note 22)	<u>294,327</u>	<u>1,234,906</u>
	<u>37,767,608</u>	<u>44,546,433</u>
<u>Financial liabilities:</u>		
Borrowings (Note 24)	95,556,763	99,328,796
Trade and other payables	<u>53,226,218</u>	<u>65,768,949</u>
	<u>148,782,981</u>	<u>165,097,745</u>

At 31 December 2017 and 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 2017. However, borrowings were renegotiated during the years 2017 and 2016, 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.

The mentioned evaluation did not consider the transaction on approval by the regulatory entities mentioned in Note 24 because the Board of Directors considers that will only affect it after and if it is approved.

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 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 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 2017 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 2017 and 2016 net profit for these years would have increased or decreased by approximately 494,000 Euros and 533,000 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.

At 31 December 2017, the exposure to PLURAL Entertainment amounted to net assets of 364,186 USD (303,666 Euros) and total liabilities of 4,423,311 USD (3,688,244 Euros).

In addition, exchange rate risk at 31 December 2017 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.

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 38)

The foreign currency balances of the Group in Euros, translated at the exchange rates as of 31 December 2017 and 2016 are as follows:

Balances due	2017	2016
US dollar (USD)	4,319	270,204
British pound (GBP)	5,291	2,661
	9,610	272,865

If the exchange rates had been 0.5% higher or lower in the years ended 31 December 2017 and 2016, the amount of those commitments would have increased or decreased by approximately 48 Euros and 1,300 Euros, respectively.

The Group is also subject to exchange rate risk on future transmission rights contracts to be entered into, for which hedging instruments have not been contracted.

Exchange rate risk is also related to contracts for the sale of signal and contents to foreign customers. As of 31 December 2017 and 2016, there are contracts, denominated in foreign currency, for the sale of transmission rights and formats, in the amounts of 183,649 Euros and 733,178 Euros, respectively.

The foreign currency balances of the Group in Euros, translated at the exchange rates as of 31 December 2017 and 2016 are as follows:

Balances due	2017	2016
US dollar (USD)	2,038,234	1,077,340
Canadian Dollar (CAD)	45,148	-
Swiss Franc (CHF)	5,215	11,148
British pound (GBP)	141	56
	2,088,738	1,077,340

(b) Credit risk

Credit risk relates essentially to accounts receivable resulting from the Group's operations (Notes 20 and 21), which the Group endeavors 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;
- analyzing 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 25.

The Board of Directors believes that the estimated impairment losses at 31 December 2017 are adequately reflected in the consolidated financial statements. The Company believes that there is no need to increase the impairments for accounts receivable more than the amounts shown in Note 25. 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.

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 38)

At 31 December 2017 and 2016, 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	2017	2016
Up to 90 days	4,871,574	7,647,349
From 90 to 180 days	960,720	974,570
More than 180 days	2,107,162	1,044,570
	7,939,456	9,666,489

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 are not sufficient to 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 2017 and 2016 the amount of cash and cash equivalents and the unused amount credit lines contracted totaled 29,121,497 Euros and 41,427,233 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.

Financial liabilities at 31 December 2017 and 2016 mature as follows:

Financial liabilities	2017			Total
	Up to 1 year	1 to 2 years	+ 2 years	
<u>Remunerated:</u>				
Borrowings	34,323,833	42,539,166	18,693,764	95,556,763
<u>Not remunerated:</u>				
Current tax liability	5,254	-	-	5,254
Other current liabilities	21,851,066	-	-	21,851,066
Trade and other payables	31,369,898	-	-	31,369,898
	87,550,051	42,539,166	18,693,764	148,782,981
Financial liabilities	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
	87,507,383	25,152,604	52,437,758	165,097,745

37. THE STATUTORY AUDITOR'S FEES

The total fees for the year ended 31 December 2017 and 2016 by the Statutory Auditor amounted to 322,484 Euros (340,367 Euros in 2016), made up as follows:

Nature of the services	2017	2016
Legal audit of the accounts (a)	282,201	277,710
Other reliability assurance services (b)	11,950	15,490
Review of financial ratios of annual accounts	3,000	3,000
Audit of the internal control	-	17,500
Other services	<u>25,333</u>	<u>26,667</u>
	<u>322,484</u>	<u>340,367</u>

(a) This item, in 2017, include amounts of 15,961 Euros (15,710 Euros in 2016), related to other entities of the Statutory Auditor's Network, associated with audit works of the Group companies based in Spain.

(b) The amount of this item in 2017 refers exclusively to the work of obtaining certification as a Statutory Auditor for regularization of Value Added Tax on bad debts of clients.

38. 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 ACCOUNTANT

THE BOARD OF DIRECTORS

GRUPO MEDIA CAPITAL, SGPS, S.A.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts stated in Euros)

(Translation of financial statements originally issued in Portuguese - Note 26)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>OPERATING REVENUE:</u>			
Services rendered	4 and 20	5,305,963	5,365,991
Other operating revenue	4 and 20	286,079	280,664
Total operating revenue		<u>5,592,042</u>	<u>5,646,655</u>
<u>OPERATING COSTS:</u>			
Supplies and services	5	(3,142,623)	(3,098,292)
Personnel costs	6	(2,333,018)	(2,675,903)
Amortization and depreciation	10	(37,380)	(25,637)
Other operating expenses		(53,547)	(34,067)
Total operating cost		<u>(5,566,568)</u>	<u>(5,833,899)</u>
Operating profit		<u>25,474</u>	<u>(187,244)</u>
<u>NET FINANCIAL ITEMS:</u>			
Financial expenses	7	(2,829,072)	(3,246,176)
Financial income	7	2,890,883	3,284,042
		61,811	37,866
Gains on subsidiaries	11	18,032,108	16,398,895
		<u>18,093,919</u>	<u>16,436,761</u>
Profit before tax		18,119,393	16,249,517
Income tax	8	436,038	269,074
Net profit for the year		<u>18,555,431</u>	<u>16,518,591</u>
Comprehensive income for the year		<u>18,555,431</u>	<u>16,518,591</u>

The accompanying notes form an integral part of the statement of comprehensive income for the year ended 31 December 2017.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

GRUPO MEDIA CAPITAL, SGPS, S.A.

STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2017 AND 2016

(Amounts stated in Euros)

(Translation of financial statements originally issued in Portuguese - Note 26)

<u>ASSETS</u>	<u>Notes</u>	<u>2017</u>	<u>2016</u>
NON-CURRENT ASSETS:			
Intangible assets	9	55,818	53,809
Tangible fixed assets	10	12,155	20,670
Investments in subsidiaries	11	174,413,138	174,413,138
		<u>174,481,111</u>	<u>174,487,617</u>
CURRENT ASSETS:			
Trade and other receivables	12	115,029	654,850
Current deferred tax asset	8	267,163	34,694
Other current assets	13	64,766,472	79,671,216
Cash and cash equivalents	14	3,222	14,788
		<u>65,151,886</u>	<u>80,375,548</u>
TOTAL ASSETS		<u><u>239,632,997</u></u>	<u><u>254,863,165</u></u>
<u>EQUITY AND LIABILITIES</u>			
EQUITY:			
Capital	15	89,583,971	89,583,971
Reserves	15	45,638,527	46,867,704
Retained earnings	15	23,535,520	23,535,520
Net profit for the year		18,555,431	16,518,591
Total equity		<u>177,313,449</u>	<u>176,505,786</u>
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Borrowings	16	35,200,708	59,815,698
CURRENT LIABILITIES:			
Borrowings	16	25,677,185	16,149,498
Trade and other payables	17	478,594	588,792
Other current liabilities	18	963,061	1,803,391
		<u>27,118,840</u>	<u>18,541,681</u>
Total liabilities		<u>62,319,548</u>	<u>78,357,379</u>
TOTAL EQUITY AND LIABILITIES		<u><u>239,632,997</u></u>	<u><u>254,863,165</u></u>

The accompanying notes form an integral part of the statement of financial position as of 31 December 2017.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

GRUPO MEDIA CAPITAL, SGPS, S.A.

CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts expressed in Euros)

(Translation of financial statements originally issued in Portuguese - Note 26)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>OPERATING ACTIVITIES:</u>			
Cash receipts from customers		7,719,419	7,997,781
Cash paid to suppliers		(4,421,349)	(4,681,665)
Cash paid to employees		(2,638,782)	(2,189,014)
Flows (used in)/generated by operations		<u>659,288</u>	<u>1,127,102</u>
Receipts related to income tax		85,694	57,074
Other payments related to operating activities		(889,417)	(743,200)
Net cash (used in)/from operating activities (1)		<u>(144,435)</u>	<u>440,976</u>
<u>INVESTING ACTIVITIES:</u>			
Cash received relating to:			
Interest and similar income	7	3,284,042	3,477,622
Dividends	11	18,032,108	16,398,895
Sale of tangible fixed assets		-	5
Repayment of loans to participated companies	20	40,591,497	19,217,230
		<u>61,907,647</u>	<u>39,093,752</u>
Cash paid relating to:			
Loans granted to participated companies	20	(26,085,400)	(20,334,650)
Acquisition of tangible fixed assets		(22,489)	(6,112)
Acquisition of intangible assets		(3,783)	(30,599)
		<u>(26,111,672)</u>	<u>(20,371,361)</u>
Net cash from/(used in) investing activities (2)		<u>35,795,975</u>	<u>18,722,391</u>
<u>FINANCING ACTIVITIES:</u>			
Cash received relating to:			
Borrowings from the parent company	20	4,605,700	4,979,650
Cash paid relating to:			
Repayment of loans obtained	16	(15,000,000)	-
Repayment of loans obtained from the parent company	20	(4,605,700)	(4,979,650)
Dividends	15	(17,747,768)	(16,057,504)
Interest and similar costs		(2,915,338)	(3,128,160)
		<u>(40,268,806)</u>	<u>(24,165,314)</u>
Net cash (used in)/from used in financing activities (3)		<u>(35,663,106)</u>	<u>(19,185,664)</u>
Net increase/(decrease) in cash and cash equivalents (4) = (1) + (2) + (3)		(11,566)	(22,297)
Cash and cash equivalents at the beginning of the year	14	14,788	37,085
Cash and cash equivalents at the end of the year	14	3,222	14,788

The accompanying notes form an integral part of the cash flow statement
for the year ended 31 December 2017.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

GRUPO MEDIA CAPITAL, SGPS, S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts expressed in Euros)

(Translation of financial statements 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 2015	89,583,971	47,455,189	23,535,520	15,470,019	176,044,699
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>89,583,971</u>	<u>46,867,704</u>	<u>23,535,520</u>	<u>16,518,591</u>	<u>176,505,786</u>
Appropriation of net profit for the year:					
Transfer to reserves (Note 15)	-	825,929	-	(825,929)	-
Distribution of free reserves (Note 15)	-	(2,055,106)	-	-	(2,055,106)
Distribution of dividends (Note 15)	-	-	-	(15,692,662)	(15,692,662)
Net profit for the year	-	-	-	18,555,431	18,555,431
Balance at 31 December 2017	<u>89,583,971</u>	<u>45,638,527</u>	<u>23,535,520</u>	<u>18,555,431</u>	<u>177,313,449</u>

The accompanying notes form an integral part of the statement of changes in equity for the year ended 31 December 2017.

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, having as main activity the management of investments in other companies as an indirect form of developing an economic activity. The Company’s head office is in Portugal in Rua Mário Castelhana, nº 40, Barcarena, and it is registered in Commercial Registry Office of Cascais under the corporate entity number 502 816 481. Through its subsidiaries 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, in the production and broadcasting of radio programs and in the production and exploitation of cinema and video sectors.

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

The accompanying financial statements were approved by the Board of Directors on 27 February 2018 and will be subject to approval by the Shareholders’ General Meeting on a date to be convened in accordance with the law and the statutes.

The Company’s shares are listed at Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A. stock exchange.

These non-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”), for approval and publication under the terms of current legislation. As referred in Note 2.5, 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 included 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 61,611,360 Euros, 97,483,073 Euros, 159,870,851 Euros and 1,231,598 Euros, respectively and decrease equity by 35,871,713 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 financial, commercial and other natures, including all known subsequent events occurred after the financial statement’s reference date. 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 and fully comply with its obligations, with no intention to terminate them in the short term, and considered appropriate to use the assumption of continuity of operations in the 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)

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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, when applicable, impairment losses.

Dividends received from subsidiaries are recorded as financial income when they are attributed.

2.6 Financial instruments

Financial instruments (financial assets and financial liabilities) are recognized when the Company becomes a contractual party of the respective instrument that gives the Company the right or obligation to receive or pay a certain amount to a third party.

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 of the period in which such constitution occurs.

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.

(Amounts stated in Euros)

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2.6.3 Trade and other payables and other current liabilities

Accounts payable are recorded initially at fair value and are subsequently measured at amortized cost, discounted from any interest calculated and recognized in accordance with the effective interest rate method.

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 statement of financial position data.

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 immediately as an operating cost for the year in the statement of profit and loss.

The recoverable amount 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.

(Amounts stated in Euros)

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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 recognized 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.

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 occasionally has a plan for the attribution of shares of the company Prisa - Incentivo a Largo Plazo - which has as beneficiaries some Directors, 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)

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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 2017, during 2017 neither there were changes in accounting policies in relation to those used to prepare the financial information for 2016, in accordance with the requirements of the IFRS, nor material errors were corrected in respect to prior years.

Amendments to IFRS for mandatory application in 2017

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 2017:

Standard / Interpretation	Applicable in the European Union in the years starting on or after	
Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses	1-Jan-17	This amendment clarifies the conditions for recognition and measurement of tax assets resulting from unrealised losses.
Amendments to IAS 7 - Disclosure Initiative	1-Jan-17	This amendment introduces additional disclosures related to the cash flows from financing activities.

With regard to the Amendment to IAS 12, its application had no impact on the consolidated financial statements since the Company already assessed the sufficiency of future taxable income in a manner consistent with this Amendment.

In what concerns to the Amendment to IAS 7, a reconciliation between the opening and closing balances of the Company's borrowings was presented in Note 16. Consistent with the provisions of this Amendment, the Company did not present comparative information for the previous period. In addition to the disclosure in Note 16, the application of this Amendment did not result in additional impacts on the consolidated financial statements.

Relevant estimates in the preparation of the consolidated financial statements

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 financial statements for the year ended 31 December 2017, 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, 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.

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New IFRS or revised IFRS adopted with mandatory application in future years

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

Standard / Interpretation	Applicable in the European Union in the years starting on or after	
IFRS 9 - Financial Instruments	1-Jan-18	This standard is included in the draft revision of IAS 39 and establishes the new requirements regarding the classification and measurement of financial assets and liabilities, the methodology for estimating impairment and the application of hedge accounting rules.
IFRS 15 - Revenue from Contracts with Customers	1-Jan-18	This standard introduces a revenue recognition framework based on a model to be applied to all contracts settled with clients, replacing IAS 18 - Revenue, IAS 11 - Construction contracts; IFRIC 13 - Loyalty programs; IFRIC 15 - Agreements for the construction of real estate; IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Direct exchange transactions involving advertising services.
IFRS 16 – Lease	1-Jan-19	This standard introduces the principles of recognition and measurement of leases, replacing IAS 17 - Leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1-Jan-18	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 4: Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	1-Jan-18	This amendment provides guidance on the application of IFRS 4 in combination with IFRS 9. IFRS 4 will be replaced with the implementation of IFRS 17.

(Amounts stated in Euros)

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IFRS 9 – Financial instruments

Based on an analysis of the Company's financial assets and liabilities at 31 December 2017 and on the facts and circumstances that were known at that date, the Company's Board of Directors evaluated the impact of IFRS 9 on the financial statements as follows:

Classification and measurement

All financial assets and liabilities (Note 22) will continue to be measured on the same basis as currently under IAS 39. In this context, accounts receivable and payable from and to third parties and borrowings will continue to be subsequently measured at amortized cost under IFRS 9.

Impairments

Financial assets measured at amortized cost, as presented in Note 22, will be subject to impairments under the context of IFRS 9.

The Company expects to apply the simplified approach to recognize expected credit losses in the economic life of trade accounts receivable as required or permitted by IFRS 9.

For other accounts receivable, mainly from related parties (Note 20), the Board of Directors considers that these have a low credit risk considering the credit risk profile of those entities, expecting to evaluate the impairment losses expected for the 12-month period on those amounts.

Other standards

At this date, the Board of Directors does not consider significant impacts from the adoption of the other standards, in the light of the criteria and policies currently applied by the Company.

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

Standard / Interpretation	Applicable in the European Union in the years starting on or after	
IFRS 17 - Insurance Contracts	1-Jan-21	This standard establishes, for insurance contracts within its scope, the principles for their recognition, measurement, presentation and disclosure. This standard replaces IFRS 4 - Insurance Contracts.
Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions	1-Jan-18	This amendment introduces 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 offsetting features.
Amendments to IAS 40: Transfers of Investment Property	1-Jan-18	This amendment clarifies 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.

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Annual Improvements to IFRS Standards 2014–2016 Cycle	1-Jan-18 with exception of amendments to IFRS 12, which applicable date is 1-Jan-17	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.
Annual Improvements to IFRS Standards 2015–2017 Cycle	1-Jan-19	These improvements involve the clarification of some aspects related to: IFRS 3 - Concentration of business activities: when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business; IFRS 11 - Joint ventures: clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business; IAS 12 - Income Tax: clarify that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises; IAS 23 - Borrowing costs: clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.
Amendments to IFRS 9: Prepayment Features with Negative Compensation	1-Jan-19	This amendment allows financial assets with contractual conditions which, in their early amortization, allow the payment of a considerable amount by the creditor, can be measured at amortized cost or at fair value for reserves (depending on the business model), since that: (i) on the date of the initial recognition of the asset, the fair value of the early amortization component is insignificant; and (ii) the possibility of negative compensation in the early amortization is the only reason for the asset in question to be not considered as an instrument that only includes payments of principal and interest.
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1-Jan-19	This amendment clarifies that IFRS 9 should be applied (including related impairment requirements) to investments in associates and joint arrangements when the equity method is not applied in their measurement.
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	1-Jan-18	This interpretation establishes the date of the initial recognition of the prepayment asset or deferred income as the date of the transaction for the purpose of determining the exchange rate of recognition of revenue.

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IFRIC 23 - Uncertainty over Income Tax Treatments	1-Jan-19	This interpretation provides guidance on the determination of taxable income, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the treatment of income tax.
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These standards have not yet been endorsed by the European Union and as such were not applied by the Company in the year ended 31 December 2017.

For these standards and interpretations, issued by the IASB but not yet endorsed by the European Union, the Board of Directors does not consider that significant impacts on financial statements will arise from their future adoption.

4. OPERATING REVENUE

Operating revenue for 2017 and 2016 consists essentially of management services rendered to Group companies (Note 20).

5. SUPPLIES AND SERVICES

Supplies and services for the years ended 31 December 2017 and 2016 are made up as follows:

	<u>2017</u>	<u>2016</u>
Specialized services rendered by related parties (Note 20)	2,058,259	2,160,992
Specialized services	646,050	570,374
Rent and lease	171,844	175,011
Insurance	61,667	8,505
Travel and lodging	50,002	44,872
Representation expenses	8,485	10,895
Others	146,316	127,643
	<u><u>3,142,623</u></u>	<u><u>3,098,292</u></u>

6. PERSONNEL COSTS

Personnel costs for the years ended 31 December 2017 and 2016 are made up as follows:

	<u>2017</u>	<u>2016</u>
Remuneration	1,673,384	1,711,676
Charges on remuneration	310,542	302,284
Performance bonus	195,922	520,042
Compensation for contractual terminations	42,193	-
Labour accident insurance and related costs	30,586	13,174
Other	80,391	128,727
	<u><u>2,333,018</u></u>	<u><u>2,675,903</u></u>

The average number of employees of the Company in the years ended 31 December 2017 and 2016 was 23.

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As of 31 December 2016, Prisa had an approved employee benefits plan which had as beneficiaries some Directors, based on shares of Prisa ("Program"). The employees' eligibility for the mentioned plan was determined by its shareholder and in accordance with the fulfillment of the objectives established until 2016 and the permanence of the mentioned Directors in the Group.

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.

The amount of the incentive, to be paid on 31 December 2016, was fully paid in 2017, and there was no plan in force on 31 December 2017, which included Group's Directors.

7. NET FINANCIAL ITEMS

Net financial items for the years ended 31 December 2017 and 2016 are made up as follows:

	<u>2017</u>	<u>2016</u>
<u>Financial cost:</u>		
Interest cost (a)	<u>2,829,072</u>	<u>3,246,176</u>
<u>Financial income:</u>		
Interest obtained from related parties (Note 20)	<u>2,890,883</u>	<u>3,284,042</u>
	<u>61,811</u>	<u>37,866</u>

- (a) Interest incurred in 2017 and 2016 relates to bonds issued on 14 July 2014 (Note 16). Interest relating to related entities for the years ended 31 December 2017 and 2016 amounted to 25,192 Euros and 34,946 Euros, respectively (Note 20).

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, in 2017, taxable profit 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% (9% starting in 2018) for taxable profit exceeding 35,000,000 Euros.

In addition, net financial costs for 2017 and following years are deductible for determining annual taxable income of each company 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 between 2014 and 2016 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 (four years for losses incurred between 2010 and 2012 and five years for losses generated between 2013 and 2014 and from 2017). At 31 December 2017 the Company did not have any tax losses carried forward.

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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 2014 to 2017 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.

Reconciliation of the tax rate for the years ended 31 December 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Profit before tax	18,119,393	16,249,517
Nominal income tax rate	<u>21.0%</u>	<u>21.0%</u>
Estimated tax charge	3,805,073	3,412,399
Permanent differences (i)	(3,789,396)	(3,448,888)
Adjustment to income tax due (ii)	114,025	92,014
Excess estimated corporate income tax of prior years	<u>(565,740)</u>	<u>(324,599)</u>
	<u>(436,038)</u>	<u>(269,074)</u>
Current tax	<u>(436,038)</u>	<u>(269,074)</u>
Effective tax rate	<u>-2.41%</u>	<u>-1.66%</u>

(i) These amounts for the years ended 31 December 2017 and 2016 are made up as follows:

	<u>2017</u>	<u>2016</u>
Dividends attributed (Note 11)	(18,032,108)	(16,398,895)
Others, net	<u>(12,634)</u>	<u>(24,381)</u>
	(18,044,742)	(16,423,276)
	<u>21.0%</u>	<u>21.0%</u>
	<u>(3,789,396)</u>	<u>(3,448,888)</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 2017 and 2016 were recorded as accounts payable to VERTIX.

As of 31 December 2017, the debtor balance related to current tax assets in the amount of 267,163 Euros (34,694 Euros in 2016), relates to IRC to be recovered.

(Amounts stated in Euros)

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9. INTANGIBLE ASSETS

Intangible assets at 31 December 2017 and 2016 amounted to 55,818 Euros and 53,809 Euros, respectively, and corresponded entirely to computer programs.

Amortization for the years ended 31 December 2017 and 2016 amounted to 25,021 Euros and 11,995 Euros, respectively (Note 10).

10. TANGIBLE FIXED ASSETS

The changes in tangible fixed assets and corresponding accumulated depreciation and impairment losses in the years ended 31 December 2017 and 2016 were as follows:

	<u>Buildings and other constructions</u>	<u>Administrative equipment</u>	<u>Other tangible fixed assets</u>	<u>Total</u>
<u>Gross:</u>				
Balance at 31 December 2015	74,850	143,934	861,917	1,080,701
Acquisitions	-	2,216	-	2,216
Balance at 31 December 2016	74,850	146,150	861,917	1,082,917
Acquisitions	-	3,844	-	3,844
Sales and write-offs	-	(24,151)	(6,202)	(30,353)
Balance at 31 December 2017	74,850	125,843	855,715	1,056,408
	<u>Buildings and other constructions</u>	<u>Administrative equipment</u>	<u>Other tangible fixed assets</u>	<u>Total</u>
<u>Accumulated depreciation and impairment losses:</u>				
Balance at 31 December 2015	54,266	133,094	861,245	1,048,605
Increase	7,485	6,020	137	13,642
Balance at 31 December 2016	61,751	139,114	861,382	1,062,247
Increase	7,485	4,737	137	12,359
Sales and write-offs	-	(24,151)	(6,202)	(30,353)
Balance at 31 December 2017	69,236	119,700	855,317	1,044,253
	<u>Buildings and other constructions</u>	<u>Administrative equipment</u>	<u>Other tangible fixed assets</u>	<u>Total</u>
Net amount at 31 December 2016	13,099	7,036	535	20,670
Net amount at 31 December 2017	5,614	6,143	398	12,155

Amortization and depreciation recognized in the statement of profit and loss for the years ended 31 December 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Tangible fixed assets	12,359	13,642
Intangible assets (Note 9)	25,021	11,995
	<u>37,380</u>	<u>25,637</u>

(Amounts stated in Euros)

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11. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries at 31 December 2017 and 2016 correspond to the investment in Meglo - Media Global, S.G.P.S., S.A. (“Meglo”), whose head office, assets, equity, total income and net profit for the year were as follows:

		2017					
Company	Head office	Assets	Equity	Total revenue	Resultado Net profit for the year	Participation percentage	Book value
Meglo	Barcarena	216,965,882	73,125,694	19,099,281	19,263,706	100%	174,413,138

		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

In the years ended 31 December 2017 and 2016 Meglo - Media Global, SGPS, S.A. (“Meglo”) distributed dividends of 18,032,108 Euros and 16,398,895 Euros (Note 8), respectively, as decided by the Shareholders’ General Meetings held on 8 May 2017 and 26 April 2016, 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 Company.

The assessment was made based on business plans / financial projections of the various operating segments, prepared and approved by management, which use an explicit period of five years, being considered, subsequently, 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, and under distribution contracts signed with operators broadcasting TVI 24, TVI Ficção, TVI Internacional, TVI África and TVI *Reality*.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

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 2022 reaching amounts still below those for 2010;
- 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 what is already in force since periods previous to 2017.

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 as a Group of Radios;
- Stabilization of audiences;
- Continuation of the cost control strategy.

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 audiovisual production market, in particular in the supply of production support services – technical means, human resources and scenario building.

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

- Focus on the exploitation of technical means and the preparation of scenarios market;
- Profitability of content already produced through its commercialization;
- Decrease in the structure of fixed costs.

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.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

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 and the publishing activity.

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 2016). The discount rate used was 8.2% (9.0% in 2016), 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.

The annual compound growth rate of the operating segments under review for the period of the projections (using 2016 as the base) was 4% 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 the investment in Meglo, considering a 0.5% variation in the nominal growth rate used in the perpetuity or the discount rate.

12. TRADE AND OTHER RECEIVABLES

This caption was made up as follows at 31 December 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Trade receivables	160	4,448
Receivables from related parties (Note 20)	<u>114,869</u>	<u>650,402</u>
	<u><u>115,029</u></u>	<u><u>654,850</u></u>

13. OTHER CURRENT ASSETS

This caption was made up as follows at 31 December 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Receivables of related parties (Note 20)	64,729,730	79,640,061
State and other public entities (Note 19)	18,962	-
Others	<u>17,780</u>	<u>31,155</u>
	<u><u>64,766,472</u></u>	<u><u>79,671,216</u></u>

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

14. CASH AND CASH EQUIVALENTS

This caption was made up as follows at 31 December 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Bank deposits repayable on demand	347	12,213
Cash	<u>2,875</u>	<u>2,575</u>
	<u><u>3,222</u></u>	<u><u>14,788</u></u>

15. EQUITY

The Company's fully subscribed for and paid up capital at 31 December 2017 and 2016 was made up of 84,513,180 shares of one Euro and six cents each, totalling 89,583,971 Euros.

At 31 December 2017 and 2016 Media Capital's capital was held by the following shareholders:

	<u>2017</u>		<u>2016</u>	
	<u>Shares</u>	<u>Percentage</u>	<u>Shares</u>	<u>Percentage</u>
VERTIX	80,027,607	94.69	80,027,607	94.69
Others, less than 10% of capital	<u>4,485,573</u>	<u>5.31</u>	<u>4,485,573</u>	<u>5.31</u>
	<u><u>84,513,180</u></u>	<u><u>100.00</u></u>	<u><u>84,513,180</u></u>	<u><u>100.00</u></u>

At 31 December 2017 and 2016 the caption "Reserves" was made up as follows:

	<u>2017</u>	<u>2016</u>
Free reserves	38,356,464	40,411,570
Legal reserve	<u>7,282,063</u>	<u>6,456,134</u>
	<u><u>45,638,527</u></u>	<u><u>46,867,704</u></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.

Retained earnings at 31 December 2017 and 2016 amounted to 23.535.520 Euros, which corresponds to freely available profits earned in preceding years, subject to the restrictions set forth in Note 16.

The Shareholders' Annual General Meetings held on 6 April 2017 and 7 April 2016 approved the appropriation of results for the years ended 31 December 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Legal reserve	825,929	773,501
Distribution of dividends	<u>15,692,662</u>	<u>14,696,518</u>
	<u><u>16,518,591</u></u>	<u><u>15,470,019</u></u>

In addition, in accordance with a decision of the Shareholders' General Meeting held on 6 April 2017 and 7 April 2016, it was decided to distribute free reserves under the form of dividends in the amount of 2,055,106 Euros and 1,360,986 Euros, respectively.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

The total dividend amounts distributed at those meetings correspond to a gross dividend of 0.210 Euros per share and 0.190 Euros per share, respectively.

As disclosed in the Director's Report, the Board of Directors did not propose the distribution of dividends to shareholders in the application of the results for the year ended 31 December 2017.

16. BORROWINGS

This caption was made up as follows at 31 December 2017 and 2016:

	2017				2016			
	Book value		Nominal value		Book value		Nominal value	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Bonds	<u>25,677,185</u>	<u>35,200,708</u>	<u>24,750,000</u>	<u>35,250,000</u>	<u>16,149,498</u>	<u>59,815,698</u>	<u>15,000,000</u>	<u>60,000,000</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.

During the year ended 31 December 2017, the amount of 15,000,000 Euros was reimbursed, in compliance with the reimbursement plan

The nominal amount contracted is fully used and is repayable as follows:

2018	24,750,000
2019	<u>35,250,000</u>
	<u>60,000,000</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 2017.

On the 14th of July, Grupo Media Capital, SGPS, S.A. announced to the market a communication received from Prisa, with the latter informing on the acceptance of the binding offer launched by Altice N.V. relative to the acquisition of the full amount of shares of Media Capital owned by Prisa. In the same date, it was also communicated to the market a preliminary announcement of a general and mandatory tender offer for the shares representing the share capital of Grupo Media Capital, SGPS, S.A.. The mentioned operation is subject, among other conditions, to the non-opposition of the Competition Authority and to the approval by the competent regulatory authorities, which, as of the date of approval of these consolidated financial statements, has not yet occurred. As mentioned above, the Group's financing agreements provide for the anticipated maturity of the Group's loss of control of Prisa, which may occur in case of approval of the operation by the relevant regulatory entities.

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)

Reconciliation of liabilities arising from financing activities:

The table below details changes in Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities:

	<u>01/01/2017</u>	<u>Cash flows from financing (i)</u>	<u>Other changes (ii)</u>	<u>31/12/2017</u>
Bonds	<u>75,965,196</u>	<u>(15,000,000)</u>	<u>(87,303)</u>	<u>60,877,893</u>

(i) Cash flows from bank loans, leasing creditors and other financing make up the net amount of proceeds from borrowing and repayments of borrowings in the consolidated statement of cash flows.

(ii) Other changes include interest accruals and payments.

Financing obtained from the parent company in 2017 and 2016 were constituted and reimbursed in each financial year.

17. TRADE AND OTHER PAYABLES

This caption was made up as follows at 31 December 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Accounts payable to related parties (Note 20)	213,861	271,645
Current suppliers	167,322	253,510
Accrued costs:		
Other supplies and services	97,411	63,637
	<u>478,594</u>	<u>588,792</u>

18. OTHER CURRENT LIABILITIES

This caption was made up as follows at 31 December 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Accounts payable to related parties (Note 20)	199,177	562,071
Accrued remuneration	543,784	958,680
State and other public entities (Note 19)	188,650	262,893
Suppliers of fixed assets	31,450	19,747
	<u>963,061</u>	<u>1,803,391</u>

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

19. STATE AND OTHER PUBLIC ENTITIES

This caption was made up as follows at 31 December 2017 and 2016:

	2017		2016
	Debt balances (Note 13)	Credit balances (Note 18)	Credit balances (Note 18)
Value Added Tax	18,962	75,119	150,285
Personal income tax	-	61,698	62,593
Social security contributions	-	51,816	50,006
Others	-	17	9
	<u>18,962</u>	<u>188,650</u>	<u>262,893</u>

20. RELATED PARTIES

The balances at 31 December 2017 and 2016 and transactions in the years then ended with related parties (Prisa Group companies) were as follows:

Balances with related companies:

	2017			
	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	-	-	50,330	-
Parent company:				
VERTIX	923	-	-	154,894
	<u>923</u>	<u>-</u>	<u>50,330</u>	<u>154,894</u>
Participated companies:				
TVI – Televisão Independente, S.A. ("TVI")	48,802	-	30,677	30,505
MEDIA CAPITAL - Serviços de Consultoria e Gestão, S.A. ("MC SERVIÇOS")	37,851	1,294	119,296	-
RÁDIO COMERCIAL, S.A. ("COMERCIAL")	11,183	-	-	3,811
PLURAL Entertainment Portugal, S.A. ("PLURAL")	10,809	-	-	8,140
MEDIA CAPITAL DIGITAL, S.A. ("DIGITAL")	1,636	-	-	966
FAROL MÚSICA – Sociedade de Produção e Edição Audiovisual, Lda. ("FAROL")	1,323	-	-	160
IOL NEGÓCIOS - Serviços de Internet, S.A. ("IOL Negócios")	1,264	-	1,169	-
PLURAL Entertainment España, S.L. ("PLURAL España")	532	-	4,721	701
EPC – Empresa Portuguesa de Cenários, Lda. ("EPC")	306	-	-	-
EMAV – Empresa de Meios Audiovisuais, Lda. ("EMAV")	160	-	-	-
RÁDIO REGIONAL DE LISBOA – Emissões de Radiodifusão, S.A. ("REGIONAL")	80	-	-	-
Meglo	-	64,728,436	7,012	-
Prisa Tecnologias, S.L.	-	-	656	-
	<u>113,946</u>	<u>64,729,730</u>	<u>163,531</u>	<u>44,283</u>
	<u>114,869</u>	<u>64,729,730</u>	<u>213,861</u>	<u>199,177</u>

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

	2016			
	Trade and other receivables (Note 12)	Other current assets (Note 13)	Trade and other payables (Note 17)	Other current liabilities (Note 18)
Empresa-mãe de topo:				
Prisa	-	11,064	74,062	-
Empresa-mãe:				
VERTIX	923	-	-	196,031
	<u>923</u>	<u>11,064</u>	<u>74,062</u>	<u>196,031</u>
Empresas participadas:				
TVI	427,902	-	37,127	248,496
PLURAL	116,411	-	4,292	68,866
COMERCIAL	63,826	-	-	33,016
DIGITAL	13,363	-	-	7,323
MC SERVIÇOS	12,961	1,305	121,110	-
PLURAL Espanha	9,014	-	4,721	6,686
FAROL	4,027	-	-	1,653
IOL Negócios	1,264	-	1,169	-
RC - Empresa de Radiodifusão, S.A. ("RC")	391	-	-	-
COCO	296	-	-	-
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>

Accounts receivable recorded in the caption "Trade and other receivables" at 31 December 2017 and 2016 result from management fees invoiced by the Company in its capacity as renderer of services and management of investments.

The accounts receivable from Meglo at 31 December 2017 and 2016 result from financial support to the subsidiaries' activities and mature in the short term and which bear interest at normal market rates for similar transactions.

Receipts and payments to related parties at 31 December 2017 in the amounts of 40,591,497 Euros (19,217,230 Euros in 2016) and 26,085,400 Euros (20,334,650 Euros in 2016), respectively, correspond essentially to short term financing granted by the Company to these companies, which bear interest at normal market rates for similar transactions.

In addition, in 2017 receipts and payments of 4,605,700 Euros (4,979,650 Euros in 2016) correspond to short term financing provided by VERTIX which was repaid during the year. This financing bears interest at normal market rates for similar transactions.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

Transactions with related companies:

	2017				
	Services rendered (Note 4)	Other revenue (Note 4)	Financial income (Note 7)	Supplies and services (Note 5)	Financial expense (Note 7)
Top parent company:					
Prisa	-	-	-	826,798	-
Parent company:					
VERTIX	-	9,000	-	-	25,192
	-	9,000	-	826,798	25,192
Participated companies:					
TVI	3,653,790	134,400	-	-	-
PLURAL	976,015	25,080	-	1,108	-
COMERCIAL	457,148	70,932	-	-	-
DIGITAL	115,428	4,032	-	-	-
PLURAL España	84,336	-	-	56,657	-
FAROL	19,246	11,472	-	-	-
IOL Negócios	-	12,336	-	11,400	-
Santillana Editores, S.A.	-	976	-	-	-
Prisa Tecnologias, S.L.	-	-	-	7,864	-
Meglo	-	-	2,890,883	-	-
MC SERVIÇOS	-	-	-	1,154,432	-
	5,305,963	259,228	2,890,883	1,231,461	-
	5,305,963	268,228	2,890,883	2,058,259	25,192
	2016				
	Prestações de serviços (Nota 4)	Outros Rendimentos operacionais (Nota 4)	Rendimentos financeiros (Nota 7)	Fornecimentos e serviços externos (Nota 5)	Gastos financeiros (Nota 7)
Empresa-mãe de topo:					
Prisa	-	-	-	885,358	-
Empresa-mãe:					
VERTIX	-	9,000	-	-	34,946
	-	9,000	-	885,358	34,946
Empresas participadas:					
TVI	3,643,119	136,224	-	-	-
PLURAL	1,009,268	24,072	-	3,489	-
COMERCIAL	483,885	70,932	-	525	-
DIGITAL	107,296	4,032	-	-	-
PLURAL España	98,128	-	-	56,657	-
FAROL	24,295	11,976	-	-	-
IOL Negócios	-	12,336	-	11,400	-
Santillana Editores, S.A.	-	1,301	-	-	-
Meglo	-	-	3,284,042	-	-
MC SERVIÇOS	-	-	-	1,203,499	-
EMAV	-	-	-	64	-
	5,365,991	260,873	3,284,042	1,275,634	-
	5,365,991	269,873	3,284,042	2,160,992	34,946

21. REMUNERATION OF THE KEY MEMBERS OF THE COMPANY

The remuneration for the year ended 31 December 2017 of the key members of the Company was 1,064,680 Euros (1,222,788 Euros in 2016).

Remuneration for the year ended 31 December 2017 was divided between fixed remuneration of 501,877 Euros (501,756 Euros in 2016) and variable remuneration of 562,803 Euros (721,032 Euros in 2016).

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 26)

22. FINANCIAL INSTRUMENTS

Financial instruments at 31 December 2017 and 2016 were made up as follows:

	<u>2017</u>	<u>2016</u>
<u>Financial assets:</u>		
Receivables (Notes 8, 12 and 13)	65,136,240	80,322,120
Cash and cash equivalents (Note 14)	3,222	14,788
	<u>65,139,462</u>	<u>80,336,908</u>
<u>Financial liabilities:</u>		
Borrowings (Note 16)	60,877,893	75,965,196
Payables (Notes 17 e 18)	1,441,655	2,392,183
	<u>62,319,548</u>	<u>78,357,379</u>

At 31 December 2017 and 2016, the Company only has financial assets and liabilities measured at amortized cost, which, as mentioned above, refer to third party accounts receivable, cash and cash equivalents, loans and accounts payable to third parties.

With regard to current accounts receivable, current accounts payable and cash and cash equivalents, the Company considers, in view of the specific characteristics of these financial instruments, that the fair value does not differ significantly from its book value and is therefore not necessary, in accordance with IFRS 13, present its fair value by measurement levels.

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/EBITDA 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 2017 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 2017 and 2016 net profit for these years would have increased or decreased by approximately 339,863 Euros and 375,000 Euros, respectively.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

(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.

(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.

The Company believes that it will be able to settle all short-term liabilities, namely financial debt that will mature in 2018 (Note 16), taking into consideration the cash that is expected to be generated by its subsidiaries as well as the additional financing capacity held on 31 December 2017, which will allow it to realize the receivables from its direct subsidiary, classified under current assets.

23. GUARANTEES GIVEN TO THIRD PARTIES

At 31 December 2017 and 2016, the Company had bank guarantees presented in relation to tax processes in progress in the amount of 553,720 Euros.

Media Capital, taking into account the indirect ownership relationship between Prisa and this Company, joined as "obligor" to the agreement entered under the scope of the financial restructuring of Prisa, thus extending the deadline and conditions of previous contracts signed by Media Capital on 26 December 2011. According to the information published by Prisa in the "Comisión Nacional del Mercado de Valores" (CNMV) in Spain, the conditions applicable to the various contracts aimed at regulating the extension of the refinancing process between the Prisa and a syndicate composed of a group of banking and financial institutions came into force on 22 January 2018.

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 2017, 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 208,000 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.

(Amounts stated in Euros)

(Translation of notes originally issued in Portuguese – Note 26)

25. STATUTORY AUDITOR'S FEES

Fees invoiced by the statutory auditor for the years ended 31 December 2017 and 2016 amounted to 43,450 Euros and 60,490 Euros, respectively, made up as follows:

	<u>2017</u>	<u>2016</u>
Statutory audit	28,500	28,500
Other reliability assurance services (a)	11,950	11,490
Review of financial ratios of annual accounts	3,000	3,000
Audit of the internal control	-	17,500
	<u>43,450</u>	<u>60,490</u>

(a) The amount of this item in 2017 relates exclusively to the work of obtaining certification as a Statutory Auditor for regularization of Value Added Tax.

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 2017 (que evidencia um total de 301.244.357 Euros e um total de capital próprio de 141.441.736 Euros, incluindo um resultado líquido consolidado de 19.787.029 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 2017 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

Síntese da resposta dada aos 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 2017 ascende a 149.374.120 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 14 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 2017.

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 14.

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 atribuídos 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 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 concluímos 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 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 consolidadas e as verificações previstas nos números 4 e 5 do artigo 451.º do Código das Sociedades Comerciais, bem como a verificação de que a informação não financeira consolidada foi apresentada.

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 a informação não financeira consolidada prevista no artigo 508º-B do Código das Sociedades Comerciais

Dando cumprimento ao artigo 451.º, n.º 6, do Código das Sociedades Comerciais, informamos que a Entidade preparou um relatório separado do relatório de gestão que inclui a informação não financeira consolidada, conforme previsto no artigo 508º-B do Código das Sociedades Comerciais tendo o mesmo sido publicado juntamente com o relatório de gestão.

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 2 de março de 2018.
- 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, 2 de março de 2018

Deloitte & Associados, SROC S.A.
Representada por Nuno Miguel Cabaço da Silva, ROC

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 2017 (que evidencia um total de 239.632.997 Euros e um total de capital próprio de 177.313.449 Euros, incluindo um resultado líquido de 18.555.431 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 2017 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 2017 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 2017.</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, bem como a verificação de que a informação não financeira consolidada foi apresentada.

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 a informação não financeira consolidada prevista no artigo 508º-B do Código das Sociedades Comerciais

Dando cumprimento ao artigo 451.º, n.º 6, do Código das Sociedades Comerciais, informamos que a Entidade preparou um relatório separado do relatório de gestão que inclui a informação não financeira consolidada, conforme previsto no artigo 508º-B do Código das Sociedades Comerciais tendo o mesmo sido publicado juntamente com o relatório de gestão.

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 2 de março de 2018.
- 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, 2 de março de 2018

Deloitte & Associados, SROC S.A.
Representada por Nuno Miguel Cabaço da Silva, ROC

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 Acionistas 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 2017 bem como sobre as propostas apresentadas pelo Conselho de Administração da sociedade à Assembleia Geral.

2 Fiscalização da Sociedade

Durante o exercício de 2017, a Comissão de Auditoria acompanhou a evolução da atividade das sociedades integradas no Grupo Média Capital, tendo zelado pela observância da lei e do respetivo contrato de sociedade, a exatidão 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 2017 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 diretamente a atividade 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 detetado qualquer facto digno de relevo no âmbito da atividade das referidas sociedades.

A Comissão de Auditoria, no âmbito da sua atividade de fiscalização, não se deparou com quaisquer constrangimentos ao exercício da sua atividade.

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 quatro vezes.

Durante o ano de 2017, 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 acionistas 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. Não ocorreram negócios com relevância significativa que carecessem de apreciação da Comissão de Auditoria.



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. 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 ativo 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 Acionistas, o Relatório de Gestão individual e consolidado e as demonstrações individuais e consolidadas do exercício findo em 31 de Dezembro de 2017, 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 respetivos 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 o Relatório sobre o Governo da Sociedade relativo ao exercício de 2017 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 2017, 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 Acionistas.

Queluz de Baixo, 27 de fevereiro de 2018

A Comissão de Auditoria,

António Pires de Lima (Presidente)

Agnés Noguera (Vogal)

Manuel Mirat (Vogal)