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## *ANNUAL REPORT*

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Annual Report 2008

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## CHAIRMAN LETTER



This is the second time that, as Chairman of the Board of Directors, I address through our Corporate Report to all shareholders, the board of directors and employees.

This year I intend to emphasize two ideas: the first one being that 2008 – although deeply influenced by the financial and economic crisis worldwide – had very positive results for our Company.

The second idea is that 2009 carries huge challenges to Grupo Media Capital, which we all have to surpass, in a globally adverse context.

These challenges are not only related to new projects – such as the news channel TVI24 – but also to the severe financial economic and financial crisis, which consequences (namely in the advertising market) are by now affecting the revenues and results of all media companies.

I have great confidence in the capacity of Media Capital's management team, to successfully deal with these exogenous risks.

The changes in the Board of Directors already known to the public – to be consecrated in the General Meeting Board on March 12<sup>th</sup> – will reinforce that competence and allow Grupo Media Capital to take new steps forward.

Being also known to the public that, by professional reasons, I will not continue to exert functions as Chairman of the Board of Directors of Grupo Media Capital, I express my gratitude to the CEO Mr. Manuel Polanco, to the Board members and Directors for all the cooperation they gave me along the last two years.

To all the employees of Media Capital, I want to reiterate the pleasure I feel for having been part of this team, and manifest my belief that you will continue the path of success that characterizes Media Capital's course.

Joaquim Pina Moura  
Queluz de Baixo, February, 2008

## CEO MESSAGE



Over the last twelve months, and more particularly in the second half of 2008, we have witnessed a process of historical acceleration. The perfect crisis, as some called it, ended - abruptly, radically and with unpredictable intensity - in a profound transformation of economic reality, as we had perceived it some decades ago.

What started out as a crisis geographically located in the USA, and sectorially connotated with the real estate market, ended up transforming itself, with extraordinary speed, into a global crisis, of yet undetermined reach, currently of unpredictable consequences, and laden with uncertainties.

In this context, a responsible and methodical management is the main factor of differentiation between those companies that, in a flight forward, do not raise objections to mortgaging their future, and those that, facing the difficulties of the present, do not renounce their obligations and endeavour to mobilise the adequate conditions to gain competitive positions for the future.

The creativity in the search for new business opportunities, which generate new revenues, combined with the consolidation of existing revenues and the sound practice of cost contention, are the essential premises for corporate planning that is intended to be both balanced and sound.

The former was the attitude we maintained at MEDIA CAPITAL, with results that correspond to the solidity and leadership that our company achieved in the contents and social communication sector in Portugal.

In addition to the sale of the outdoor advertising company, separate from our core business, at the end of the previous year, the 2008 financial year was the year of the construction and delimitation of our operating perimeter, with the acquisition of the audiovisual production company Plural Entertainment, and the sale of Media Capital Edições, which was our magazines company.

Based on this perimeter, the Grupo MEDIA CAPITAL affirms its nature and vocation as a group that generates multiplatform contents and focuses its business areas on television, audiovisual production, radio, music, cinema distribution and Internet.

A turnover of 287 million euros, up 29% in relation to the previous year, with an EBITDA of 52,7 million euros, up 14% in relation to the previous year, and an operating result of 38,5 million euros, with a 12% increase in 2008, enabled a net profit of 19,8 million euros to be achieved, up 53% in relation to the previous year. Excluding the results of discontinued operations, these figures reflect the excellent work undertaken and the solidity of the principles we depend on.

For TVI, the year of its fifteenth anniversary was a record year in commercial and audience terms. Fiction, entertainment, information and sport, combined with intelligence and practical sense, managed to conquer the esteem and preference of Portuguese spectators.

There were numerous successes over the last few months which are worthy of mention: the indisputable and continued success of soap operas, programmes such as *Uma Canção Para Ti*, transformed into social phenomena, the debut of new programmes and new formats in the information area and the excellent work developed surrounding the European Football Championship, among others, mark a year in which, once again, management and the entire TVI team provided evidence of their professionalism, dedication and work capability.

New projects in which one worked, such as the preparation of the launch of the TVI24 information channel, or the collaboration and assistance provided in the creation of the Zimbo TV station, the new private television channel in Angola, demonstrate the professional capability of some excellent work teams.

In audiovisual production, NBP, individually or in collaboration with others, demonstrated its maturity as the largest and most capable of Portuguese production companies, ready to take the necessary step to compete in international markets and be the engine of creation of an authentic audiovisual industry in Portugal. Nine hundred hours of production, seven productions running simultaneously, filming on four different continents, participation in projects with casts of more than one hundred actors and five thousand extras in one single production, are more than sufficient credentials to propose, with realism, much more ambitious objectives.

EQUADOR, the series produced by Plano 6, which included the participation of PLURAL and which debuted successfully at the end of December 2008, is the best business card in terms of the qualifications and talent that two Portuguese creators, artists and technicians can offer spectators in Portugal and other markets.

With the acquisition of the Spanish production company PLURAL ENTERTAINMENT in May, the production structure of MEDIA CAPITAL, at the same time as it significantly increased its economic capability, diversified its product lines, extended its portfolio of formats and opened up to new markets. Today PLURAL is the name of MEDIA CAPITAL's new production company, with a turnover of 109 million euros in 2008, equivalent to a third of the Grupo MEDIA CAPITAL's turnover, and with head offices in Portugal, Spain and the United States.

Quality, competitiveness and efficiency are the three fundamental variables for growth in the audiovisual production sector. It is in this context that the project involving the creation of the *Cidade da Imagem* must be interpreted, for which the first few steps were taken regarding its possible location in the municipality of Sintra, confident that during 2009 the necessary administrative procedures will be resolved to proceed with the integration of the production installations and infrastructures, currently dispersed.

FAROL, our music production and distribution company, transformed itself into the first discographic reference of Portuguese music. The inclusion in its catalogue of acknowledged artists, the support provided to others of immense potential and the planning of the careers of younger artists in training, all led to excellent results, including the incursion in the world of musical events and the management of the rights, image and career of artists, facts that constitute the best basis from which to foster a sector that needs to reformulate its business model and identify new distribution channels.

The catalogues of two of the main majors, Fox and Warner, and the focus on independent production, enabled our company CLMC to significantly increase its turnover and market share, in the cinema and DVD distribution business. The difficult and highly competitive environment in which this activity has developed made it necessary to resort to initiatives that encouraged the creation of alternatives to the traditional sales scheme, which gave rise to new business opportunities, likely to consolidate themselves in the next few months.

The radios of MEDIA CAPITAL ended the year with sales above the average of the sector, which registered a steep decline in the second half of the financial year, and whose accumulated results in terms of audiences registered an increase. With the most complete and diversified portfolio of musical formats, from Rádio Comercial to M80, including Cidade FM, Romântica or Best Rock, MEDIA CAPITAL RÁDIOS possesses the best conditions to gain presence and the preference among listeners and advertisers.

At the same time, Rádio Clube Português has continued to pave the way as a talk radio project, transforming the profile of its audience and earning respectability and credibility among the Portuguese. Changing listening habits requires talent and perseverance. Both qualities are present and closely linked in RCP.

Finally, last year, we reorganised our operations on the Internet, with a view to reinforcing the dimension of the offer of contents and services, boosting our editorial sites and paving the way to offer advice on and develop operations in combination with other business units. The more than one hundred million pages visited per month and the more than one million single users are the obvious demonstration of the interest and attraction of the contents offered and the possibilities created, as an excellent platform made available to consumers and advertisers.

In addition to the current economic difficulties and their expected deterioration during 2009, regarding which the media sector is extremely susceptible, it is necessary to add the weight of unfair competition exercised by the public television operator and promoted by the political power, as well as the obstacles and threats that, for reasons beyond the corporate sphere, will emerge over the next few months, more specifically the appearance of the first terrestrial digital television emissions, in an unfavourable climate for private television operators, and the invitation to tender for the licensing of a new Free-to-Air channel.

The Portuguese market has provided more than sufficient evidence of its rigidity and limitations regarding its dimension. To disregard this fact is, on the part of the public authorities, a very serious irresponsibility. To ignore it, from a corporate viewpoint, could be suicidal. The worst part is that the damage caused, translated into weakness and impoverishment of the sector, may be extremely difficult to repair.

It is not the political interventions or interventionist remedies that ensure the viability of such an important sector of activity as this one for democratic life, not even to maintain employment. The media sector needs free competition and clear rules to assume its own risks. In what concerns us, we shall continue to work towards that goal. The huge task undertaken by MEDIA CAPITAL during 2008 demonstrates, once again, the commitment and professionalism of all those who work in our different companies, whose generous dedication I would like to acknowledge here. And it is with them that, I am convinced, we will know how to appropriately respond to all the challenges that await us in 2009.

Manuel Polanco  
Queluz de Baixo, February, 2008

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Coherence Information Audiovisual  
Production Contents Quality Television  
Music Commitment Internet Independence  
Radio Culture Innovation Solidity*

## **MANAGEMENT REPORT**

*Results Entertainment Social  
Responsibility Coherence Information  
Audiovisual Production Contents  
Quality Television Music Commitment  
Internet Independence Radio Culture  
Innovation Solidity Results Entertainment  
Social Responsibility Coherence*

### INTRODUCTION

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

Consolidated Financial Statements on December 31, 2008.

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.

### RELEVANT INFORMATION

- In March 2008 Grupo Média Capital SGPS, SA (Media Capital), formed Media Capital Produções SGPS, SA, the holding company that holds the share capital of Plural Entertainment España, Plural Entertainment Portugal and of subsidiaries in the audiovisual content production business.

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- In May 2008, Media Capital acquired the total shares representing the share capital of Plural Entertainment España SL (Plural). Following this operation and given the relevance of both the assets & liabilities, and the total costs and income generated by Plural, and to be fully consolidated into Grupo Media Capital, from that date onwards, the Group has reviewed its reporting segments. As of the second quarter of 2008, a new business segment is reported, under the designation “Audiovisual Production”. This new business segment includes Plural Entertainment España and its subsidiaries, as well as the audiovisual contents production and related activities carried out by Plural Entertainment Portugal and other subsidiaries in the audiovisual content production business, which were previously included in the “Television” segment.

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- On December 19 2008, NBP – Produção em Vídeo, SA, changed its registered company name to Plural Entertainment Portugal, SA.

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- The activity of Publipartner – Projectos de Media e Publicidade, has as of the 4<sup>th</sup> quarter of 2008, been included under the Television segment. The decision to include this company’s activity under this segment derives from the fact that most of its activities result from trading with TVI and from the use of its advertising space.

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- In September 2008, Media Capital’s Board of Directors approved the sale of MCE – Média Capital Edições and Edições Expansão Económica Lda., companies that developed the group’s magazine editing and publishing business. For consolidation purposes, the sale of these companies took effect on 31 July.



## GROUP STRUCTURE

Grupo Media Capital is currently the leading media group in Portugal in terms of Revenues, 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 six different business units – which already excludes the press activity, following its sale – and an internal Shared Services Unit (named “One”) that centralizes all the administrative functions and serves the other

Group companies in areas such as human resources, accounting, financial management, treasury and purchases.

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.



Grupo Media Capital also owns Publipartner, a subsidiary whose purpose is to develop partnerships with companies outside the Group, using its marketing and media management skills to capture additional revenues for the Group. Its operation began in 2005, with the promotion of financial products under the Capital Mais brand name, with its activity being restructured and expanded in 2007, with the launch of the car insurance brand Sempre Seguros, a project carried out in association with a relevant multinational insurance company.

In terms of financial reporting, the structure adopted by Media Capital comprises four reporting

segments: Television (which includes TVI and Publipartner), Audiovisual Production, Entertainment (which includes the Group’s cinema and music activities) and Radio. The remaining companies and business units are grouped in a separate segment called Other. This reporting structure already reflects the corporate changes which took place in 2008 – namely the acquisition of Plural Entertainment España and of its subsidiaries. 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 segment.

## ECONOMIC ENVIRONMENT

The financial crisis, initiated in the summer of 2007, and its ramifications worsened throughout the year, with the financial markets showing highly unusual volatility indices, from share and bond prices, including the price of raw materials, to derivative and structured products.

At the same time, risk aversion rose sharply, which also motivated the devaluation of the majority of assets. The flight towards low risk assets and the intervention of some central banks, as well as the expectations of recession, also led to a very significant fall in long term interest rates.

The lack of visibility of the main economic agents in relation to the depth and extension of the crisis, dictated not only by the origins of the crisis but also by the way in which companies (financial or not) were exposed and how they would reflect that same exposure in their accounts, contributed in large part towards the mentioned unusual volatility and the increase in risk premiums.

In this climate of uncertainty and risk aversion, the financial sector's liquidity levels dried up and financing costs increased significantly, to the point where credit access was in some cases cut off.

As a means of lowering funding costs, increasing liquidity and avoiding deflation, the key monetary authorities lowered its key interest rate to historically unprecedented levels.

At the same time, and with greater focus on the last few months/weeks of 2008, the governments of the main worldwide economies acted decisively, by injecting capital into many companies (particularly in the financial sector, in some cases nationalising the entire share capital), direct fundings of debt and various types of support to several sectors of activity. In some cases, tax rates were also lowered.

This type of reaction, although likely to have a positive influence on economic activity in the short/medium term, may considerably curb economic growth in the long term, bearing in mind that government deficits are likely to in some cases rise significantly, which means more taxes and therefore greater constraints on domestic demand in the future. On the other hand, the issue of debt by States makes it difficult for private agents to obtain funding through such issues, which may lead to a contraction of private investment.

	2006		FMI 8-Out-08		Comissão Europeia 19-Jan-09			OCDE 16-Dez-08			Banco de Portugal 6-Jan-09			MFAP 19-Jan-09		
	2006	2007	2008	2009	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
<b>Actividade Económica (tvh em %)</b>																
PIB	1.4	1.9	0.6	0.1	0.2	-1.6	-0.2	0.5	-0.2	0.6	0.3	-0.8	0.3	0.3	-0.8	0.5
Consumo Privado	1.9	1.6	-	-	1.4	-0.2	0.1	1.2	-0.2	0.6	1.4	0.4	0.6	1.2	0.4	0.6
Consumo Público	-1.4	0.0	-	-	0.1	0.3	0.4	-0.2	0.2	0.5	0.2	-0.1	-0.2	-0.3	0.2	0.1
F. B. de Capital Fixo	-0.7	3.1	-	-	-0.8	-5.5	-3.8	0.7	-1.2	0.5	-0.8	-1.7	-0.3	-0.8	-0.9	-0.3
Exportações	8.7	7.5	-	-	0.3	-3.8	0.8	2.0	-0.5	1.6	0.6	-3.6	1.8	0.1	-4.4	1.9
Importações	5.1	5.6	-	-	2.3	-2.8	-0.4	2.4	-0.9	1.3	2.4	-1.0	1.5	1.0	-1.3	1.3
<b>Inflação e Desemprego (%)</b>																
Inflação (IHPC)	3.0	2.4	3.2	2.0	2.7	1.0	2.0	2.8	1.3	1.6	2.7	1.0	2.0	2.6	1.2	2.0
Taxa de Desemprego	7.7	8.0	7.6	7.8	7.8	8.8	9.1	7.6	8.5	8.8	-	-	-	7.7	8.5	8.2
<b>% do PIB</b>																
Saldo Global Adm. Públicas	-3.9	-2.6	-2.2	-2.3	-2.2	-4.6	-4.4	-2.2	-2.9	-3.1	-	-	-	-2.2	-3.9	-2.9
Dívida Pública	64.7	63.6	-	-	64.6	68.2	71.7	-	-	-	-	-	-	65.9	69.7	70.5
Nec. Financ. Externas	-9.3	-8.7	-	-	-10.2	-8.2	-8.7	-	-	-	-9.0	-7.9	-9.4	-10.5	-9.2	-8.4
Balança Corrente	-10.1	-10.0	-12.0	-12.7	-11.8	-9.7	-10.2	-10.9	-10.2	-10.1	-	-	-	-	-	-

Source: FMI, CE, OCDE, BdP, MFAP

In this difficult environment, the most recent estimates for the Portuguese economy in 2009, point out to a high probability of contraction, mostly motivated by a reduction in investment and

exportations. There is no significant recovery expected for 2010 and the current economic contraction might inclusively extend to next year.

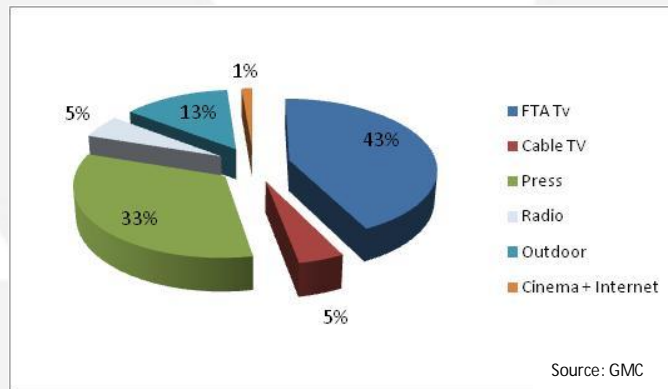
### Advertising Market

The unfavourable economic context led to the closure of the advertising market in Portugal with a negative sign, from -1 to -3%, not withstanding the fact that in the first six months of the year a 4% increase was registered in comparison with the same period in 2007 (GMC estimates).

fell between 1% and 3%, while pay-TV increased the volume of investment captured between 10% and 12%. Radio advertising fell in global terms about 8% to 9%, whereas the Internet sector increased its investment captured by more than 50%.

By breaking down this value by media - in the market segments where Grupo Media Capital operates - it is estimated that the Free-to-Air TV

The market shares of each media remained, however, practically unchanged:



The macroeconomic scenario that is expected for 2009, and probably continuing into 2010, does not bring any positive expectations for the advertising market. The 2009 financial year will be marked, according to the GMC estimates - by an even steeper decline than that registered in 2008, which is likely to be between -7,5% to -10%.

namely in the banking and telecom sectors. In this sense, generally speaking, the first quarter of 2009 will suffer the greatest impact in the first few months of the year, with an approximately 20% fall in all media in general being predicted.

The first quarter of 2009 is likely to be the period of greatest investment contraction, in both absolute (as a result of market contraction) and relative values, since the same period in 2008 registered a volume of advertising investment that was inflated by some product launches and the *rebranding* of acknowledged brands in the market,

The inversion of the declining trend in advertising investment and respective signs of recovery are only expected to occur in the last quarter of the year. However, if this happens, it will be more the result of the relative comparison of year-on-year values (since the last quarter of 2008 registered declines in some media of about 30%) rather than a real increase in absolute investment values.

With regards to the media, according to the GMC estimates, the Radio segment is likely to continue its negative trend which began at the end of 2008, with an expected decline of between 7.5% and 10%. The Free-to-Air TV is also expected to register a decline of less than 5% in terms of volume of investment captured, in contrast to pay-TV, which

is expected to continue its increasing trend of market share conquest, although its rate of increase is expected to slow down to 7%. The greatest increase, of approximately 25%, will once again take place in the Internet media which, as has been mentioned since 2007, will reach the same market share as the Radio segment.

### MAIN FACTS IN 2008

- Grupo Media Capital presents for the 2008 financial year an EBITDA of € 52,7 million, which corresponds to a 14% increase in relation to 2007.

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- In 2008 Media Capital reports consolidated operating revenues of € 287.4 million, a 29% increase over the comparable period.

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- Total advertising revenues were up 4% to € 172.3 million, with gains in all relevant segments: TV up 5%, Radio up 3%, and IOL's network of sites up 10%..

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- Operating Income (EBIT) improved 12% year on year to € 38.5 million.

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- For the fourth year in a row, TVI led both all day and prime time audiences in 2008, with FTA shares of 36.0% and 41.3% respectively.

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- Consolidated Net Profit added up to € 19.8 million. On a comparable basis excluding the impact of discontinued operations (sale of Outdoor advertising business in December 2007), net profit would have been up 53%.

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- Media Capital announced the acquisition of Plural Entertainment España SL in the month of May, for a total amount of € 50 million. With this operation Media Capital has taken a significant step towards its strategy of focusing in audiovisual content production and in developing its activities and revenue sources.

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- In September 2008, Media Capital announced the sale of its subsidiaries in the press business, for a total amount of € 8.75 million, to Progresas – Promotora General de Revistas, SA.

### BRIEF OVERVIEW OF THE CONSOLIDATED RESULTS

For the period ended December 31, 2008, Grupo Media Capital reports consolidated revenues of € 287.4 millions, an increase of 29% over the same period last year, and an EBITDA of € 52.7 million, up 14% year on year.

Operating income (EBIT) was up 12% to € 38.5 million, whereas net profit decreased 34%, impacted by the gain in the sale of the Outdoor advertising division late in 2007. On a comparable basis excluding the impact of discontinued operations, net profit would have been up 53%.

Under total consolidated revenues, advertising revenues gained 4% year on year, backed by increases of 5% in the TV segment and 3% in the Radio business. As for the Other segment, the 26% year on year reduction in advertising is directly related with the sale of the press business (which was consolidated until the end of July), as the internet activity continued its growth path, with a 10% improvement in the IOL sites network.

Consolidated Audiovisual Production revenues include for the most part, the revenues of Plural España and the impact of its consolidation as of May, as most of Plural Portugal's revenues are still intra-group (sales of local fiction to TVI). Total revenues presented in the Audiovisual Production reporting segment differ from those here presented as the former include all intra-group sales.

As for consolidated Other revenues, they were also up significantly to € 72.5 million, mostly due the impact of CLMC's (Video & Cinema) distribution business, consolidated as of September of 2007, although we point out that on a comparable basis (full year in both 2007 and

2008) revenues in this business activity were up 33%.

Consolidated Operating costs were up 33% over the previous year, also reflecting the impact of the activities consolidated in 2007 and 2008, CLMC and Plural España. The increase in costs also includes the rise in programming costs in TVI, mostly due to the broadcasting of the UEFA Euro 2008.

Net financial expenses decreased by 4% over the comparable period, reflecting lower interest costs. Costs with the interest rate swap contract were also down in 2008, despite the losses booked in the fourth quarter, given the steep decline in interest rates towards the end of the year.

Income Tax charges were down 27%, due to the 2007 year end reversal of deferred tax assets in the amount of € 2.8 million, along with an amount of € 1.0 million resulting from additional collections regarding costs incurred and booked in previous years.

As referred in previous quarters, the amount of €0.9 million, booked under profit from discontinued operations, corresponds to a final adjustment, booked in the 1st quarter of the year, to the total amount paid for the sale of the Outdoor advertising business, according to the terms and conditions set out in the Sale Agreement.

Consolidated Net Profit added up to € 19.8 million, down 34% year on year, with the performance in net profit from continued operations offset by the impact of discontinued operations, which included the gain with the sale of Outdoor advertising business.

### EXPECTED EVOLUTION IN ACTIVITY FOR 2009

The estimated year-on-year decline of the main GDP components in terms of domestic expenditure suggest another year of difficulties

regarding the evolution of the advertising market, such that it is likely to register a decline in 2009.

Taking this premise into account, TVI will continue to protect the time slots of highest profitability, maintaining at the same time a rigorous control over the programming and structure costs. Special emphasis will continue to be placed on boosting non-advertising revenues. TVI's strategy is not dependent on short term indicators but rather on a long term vision, which is why 2009 will be the year in which TVI will face the challenge of launching its first thematic channel - TVI24, dedicated to information. The objectives of this project are common to the other Group projects - leadership in quality and profitability.

The 2009 financial year will be a special year for Plural Entertainment's activity, based on its new international dimension. The Group intends to exploit the concept and market synergies between Plural Espanha and Plural Portugal, with the aim of expanding the business, by taking a thorough approach to profitability. The expansion in terms of distribution platforms and the proliferation of channels has allowed the expectations in terms of the demand for contents with the quality and differentiating characteristics produced by the Group to be sustained. The Group will continue committed to the thorough economic and financial analysis of the project "Cidade da Imagem".

With regards to Radios, the objectives for 2009 include consolidating and extending the existing formats, as well as continuing their expansion in terms of geographical coverage. This will be an important year for the consolidation of the RCP product, which although has become a reference and with impact in terms of public opinion, needs to enlarge its audience. The same objective, in terms of format consolidation and conquest of new listeners, applies to the other formats recently launched or renovated such as M80 or Romântica FM, which are now much stronger after

a year of remarkable success on the air. Rádio Comercial, a well known and well established format, as the radio with the largest number of listeners in our group, faces the challenge of continuing to progressively conquer territory from its most direct competition. Cidade FM, on the other hand, maintains the leadership among its target audience, the younger listeners, and has as objective for 2009 not only maintaining but increasing its auditorium among this age group.

In the CLMC (Cinema & Video) activity, we foresee the maintenance of the cinema market at 2008 levels and a decline in DVD sales. A slight increase in company activity is nevertheless expected, due to the fact that Fox has a stronger premiere plan for this year and the prospects of a greater number of independent production premieres.

In spite of the strength of Farol's repertoire (Music and Events), the recruitment of new artists, and a greater communication and promotion capability, the decline in the sales of recorded music is expected to be maintained in 2009, which is likely to affect the volume of CD and DVD sales once again. The editor's new revenue streams (*fees* by concert, *sponsoring*, and the associated rights in particular) should however enable the impact of that trend to be mitigated. Concerning the management of artists' rights, image and career, a strong year is expected, with the holding of elections stirring up the market. Production activity is also likely to register significant growth, both in volume and in the number of events held.

It is however important to mention that the recession that is predicted for 2009 shall correspond to a climate of great uncertainty for the entire media industry, which makes it difficult to make any type of projection.

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## **TELEVISION**

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## TELEVISION

### ACTIVITY EVOLUTION IN 2008

In addition to TVI, the Television segment incorporated Publipartner, a Group company with business in the marketing and partnership management area, with a view to creating revenue sources aimed at supplementing advertising revenues.

In terms of results, total segment revenues increased by 5% in 2008. Advertising revenues increased by 5% (a similar percentage would be obtained if Publipartner were excluded), to which advertising revenues resulting from European Football Championship broadcasting gave a significant contribution. This performance allowed TVI revenues to remain clearly above the values

observed for free-to-air television advertising, which decreased by approximately 1% in the period considered. Other Television segment revenues increased by 7% relatively to 2007.

Operating expenses increased by 7% in 2008, which was mostly due to acquisition of broadcasting rights to the UEFA Euro 2008 and associated programmes.

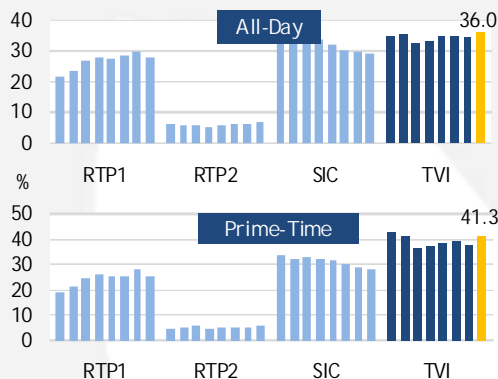
Consolidated annual EBITDA for this segment increased by 0.4% relatively to 2007, reaching €44.7 million, with an EBITDA margin of 26.6% (27.8% in 2007).

### AUDIENCE EVOLUTION

#### 2008 – The best year ever for TVI

In 2008, TVI celebrated its 15<sup>th</sup> Anniversary and had its best year ever, having achieved a daily average share of 36.0%, which secured its leading position and status of television channel preferred by the Portuguese, for the fourth consecutive year.

Analysis of this station's evolution throughout the year evidenced great audience stability, with leading audience results observed for all months and weeks of the year.



Fonte: Marktest; Evolução anual



## TELEVISION

In prime time, the station achieved a record 41.3% share, leading for the eight consecutive year, with a significant 9% increase relative to the previous year.

Global analysis of audience shares for free-to-air and encoded channels (which correspond to the entire Portuguese television market) reveals that TVI maintains a clear advantage, with a 30.5% share for the entire day (5.1% increase over the previous year) and a 35.8% prime-time share (8.5% increase). These channels distributed through cable and satellite networks achieved a 15.2% share in 2008. It should be highlighted that TVI achieved leading audience values over 323 days (278 in 2007), which corresponds to 88.5% of the year.

Observation of behaviours in representative population segments indicates that the female gender is very receptive to the TVI offer, representing 62% of the station audience. This station is also favoured by the middle class (54.9% of viewers) and people under 55 years of age (61.8% of viewers belong to this target group; approximately one quarter of viewers are people under 25).

In the year analysed, 6.3 million viewers watched TVI on a daily basis (from a universe of 9.5 million people); the number of prime-time viewers was 4.8 million.



## TELEVISION VIEWING

Global analysis of television viewing revealed that Television penetration remained within the usual values in 2008, with small variations relatively to the previous year. The average number of daily viewers in 2008 was 7.8 million, representing

82.3% of the viewer universe. In terms of average viewing time, a complementary indicator, each Portuguese viewer spent an average 215 minutes watching television (209 minutes in 2007).

### PROGRAMMING

In the period analysed, TVI maintained and strengthened its main lines of action, based on a varied offer, including all television genres: national and international fiction, entertainment, relevant sports events, regular news and news reports. Within the usual station positioning, priority was given to programmes in Portuguese and the diversity that usually characterises a generalist channel.

Analysis of television genres offered by TVI confirmed that Fiction (national and international) dominates programme schedules, representing

39.1% of broadcasting time and mostly corresponding to Portuguese productions. The second position is occupied by Entertainment, representing 21% of broadcasting time, closely followed by News, representing 19.9%. In the year of the Euro 2008, Sports programmes represented 3.2% of programme schedules.

Respecting the interests of Portuguese viewers, TVI ensures that Portuguese programmes correspond to approximately 70% of daily programme schedules.

#### *National and International Fiction*

In 2008, TVI maintained its strong focus on national production, consistent with its strategy, seeking to maintain the maximum quality and viewer satisfaction levels, as well as its innovative bet on relevant productions, on the same level as the best quality programmes shown in international television.



This was the case of television series *Equador*, the latest and eagerly awaited new national fiction series, whose first 2 episodes were shown in 2008. Based on a book of the same name by Miguel Sousa Tavares, the first 2 episodes of this 26-episode series were very well received by Portuguese viewers, with an average audience of

1.3 million viewers, corresponding to a leading share of 37.1%. It should be highlighted that this weekly series has been well received by the most varied population segments: a 40.2% share was achieved for ABC1 viewers aged between 25 and 54, for the same period.

In the year analysed, TVI innovated once more by broadcasting *Casos da Vida*, a weekly fiction series with approximate running time of 90 minutes per episode. This is an original Portuguese series where each episode portrays a life story, based on a real case; a leading share of 47.8% was achieved for the 35 episodes shown, with an average 2.6 million viewers per episode (50.1% share for the female target).

Regarding long-running fiction, the great success of the year was soap opera *A Outra*, by Tó Zé Martinho, whose broadcasting started in March, with an average 1.4 million viewers and a leading 51% prime-time share. Also in the first half of the year (June), TVI started broadcasting soap opera *Feitiço de Amor*, by Casa da Criação, which is still being shown with considerable success. A 47.9% share was achieved for this soap in 2008, with over 1.4 million regular viewers.

## TELEVISION

In the second half of the year, TVI started broadcasting *Olhos nos Olhos*, a soap opera written by a team led by Rui Vilhena. This intense drama is currently shown at the end of prime time, having achieved a daily 46.3% share in 2008. In November, Portuguese viewers saw *Flor do Mar* for the first time, a Portuguese original by Maria João Mira, António Barreira and André Ramalho, whose 2008 episodes achieved a 42.8% share.

Started and ended in 2008, soap operas *Fascinios* and *Deixa-me Amar* should also be highlighted; these soaps achieved leading audiences in their time slots, with average shares of 49.3% and 44.6%, respectively, considering all episodes.



Giving continuity to a strategy adopted in September 2003, TVI continued to daily broadcast juvenile series *Morangos com Açúcar*, at the end of the afternoon, a time-slot dedicated to young Portuguese viewers. 2008 saw the end of the 6<sup>th</sup> consecutive year of this series, with a global share of 36.4% and shares of 68.1% and 71.3% for the 4-14 and 15-24 segments, respectively. The special

### *News and Sports*

Regarding news, TVI continued to dedicate several hours to daily news programmes in 2008. Regular time slots are allocated to news, with *Diário da Manhã* in the morning, Monday to Friday, a programme combining current news with interviews on wider topics (23.4% share); *Jornal da Uma*, shown daily at lunch time (28.5% share), and main news programme *Jornal Nacional*, at 20:00, with one million daily viewers and an average 31.7% annual share.

summer season of this series achieved shares of 65.5% and 68.8% for these younger target groups (global share of 40.6%). The sixth season of this series started to be shown in September, with a global share of 35%.



Still within the scope of juvenile fiction, TVI started broadcasting *Campeões e Detectives – Objectivo Golo* in December. This series is adapted from “*Objectivo Golo*”, a series of books published by Editora Verbo, falling under the scope of the public service provision protocol signed between the Portuguese state and generalist channels. The two episodes shown in 2008 achieved an average 44.9% share in the 4-14 segment.

International Fiction continues to represent a significant part of the programme schedule, despite the station’s “national” positioning, within the scope of a strategy aimed at satisfying more diverse audiences and filling weekend afternoon and late evening slots. Approximately 300 films were broadcast over weekends, with an average share of 33.1%.

News programme *Jornal de 6ª* (shown by the first time on the 17<sup>th</sup> October), stands out from the remaining news offer for constituting an invitation to reflect upon news, as well as an opportunity to debate essential issues for the Portuguese society. The 18 editions of this news programme shown in 2008 were viewed by an average 1.1 million daily viewers, representing a 35.6% share.

## TELEVISION

In 2008, TVI reinforced its offer of high-quality news documentaries by broadcasting Especial Informação and Repórter TVI, which were very well received by viewers, with average shares of 42.4% and 39.4%, respectively. In the category of complementary news programmes, an interview programme was also produced, Cartas na Mesa, which included interviews with some of the most relevant political and social personalities in Portugal.



In the Sports area, TVI acquired the broadcasting rights to the UEFA Euro 2008, having dedicated a great number of broadcasting hours to this event, through a series of associated programmes. A total of 20 matches (over 43 broadcasting hours) were shown, with peak audiences having been observed for matches involving the Portugal team, always with over 2 million average viewers and shares of over 76%. In global terms, championship matches were watched by an average 1.5 million viewers, having achieved an average 56.7% share (these indicators include matches broadcast at 17:00).

Within the scope of this event, TVI also broadcast related programmes, which introduced or developed championship subjects, such as A Caminho do Euro, shown for the first time in February (36.8% average share), Operação Portugal, whose broadcasting started in May, with national team training, showing the most relevant events associated to the Portugal team, Diário do

Euro (44.6% average share) and a special series entitled Todos com Portugal, shown on the eve or day of each Portugal team match, dedicated to supporting these broadcasting events (37.4% average share).

It should be referred that the station had its best month ever during the Euro 2008, in June, with a leading share of 39.9%.

Still within the sports area, TVI secured the exclusive broadcasting rights to the Portugal Cup; the 4 matches broadcast were viewed by an average 1.8 million viewers, having achieved a 52.4% general share and a 62.1% share in the corresponding core target, male viewers.

Station efforts regarding this television genre were also materialised in the acquisition of the exclusive broadcasting rights to Portugal Team international championship matches, both for the main and the Under-21 teams. Within this scope, TVI showed four Under-21 team matches in 2008, including preparation and qualifying matches, which achieved an average global share of 32.1% (37.4% male viewer share). Four main team matches were also broadcast, viewed by over 1.9 million viewers, on average, with an average share of 56.7%.



Additionally, TVI showed a match of special interest to Portuguese viewers in November: the emotive Brazil vs. Portugal, viewed by over 900 thousand viewers, with a leading share of 68.2%.

### Entertainment

In the Entertainment area, some programmes and events stood out in 2008 for the differences introduced to Portuguese television.

In September, TVI broadcast the first National Fiction Gala, a tribute to all actors, actresses, technicians and authors who have contributed to create more and better Portuguese Television fiction within the last 10 years. This programme was viewed by a massive audience, having been watched by a total 4.7 million Portuguese viewers and achieved a 56.2% share, resulting from a stable audience of 1.2 million viewers per minute.

In August, TVI broadcast the third "Morangos com Açúcar" Summer Party, Morangomania, a live broadcast that gathered thousands of people in the Santo Amaro de Oeiras Beach, viewed by over 2 million Viewers all over the country.

October saw the first edition of *Caia Quem Caia*, a programme based on an international format, whose irreverence, humour and daring rapidly conquered the audience: 10 editions in 2008, an



average share of 39.4% and an average 900 thousand viewers.

In December, the Christmas Circus returned to TVI. Shown on the 20<sup>th</sup> December, at 14:00, this programme was watched by an average 537 thousand viewers, representing an average share of 40% for the corresponding time slot. Charitable event *Natal Feliz* also took place in December, including special editions of *Você na TV* and *As Tardes da Júlia* (with audience shares of 38.1% and 35.2%, respectively), *Há Festa no*

*Hospital D. Estefânia*, with a 43.6% share, and *Gala De Natal*, with a leading 53.8% share throughout three hours of live broadcast from the Estoril Casino.

Regarding daily entertainment programmes, *Você na TV* was confirmed at the end of the year as the new leading morning programme in Portuguese television, with an average 32.4% share in December (the average annual share for this programme is 30.8%). *As Tardes da Júlia* continues to be favoured by viewers, leading the afternoon slot, with an average 33.1% share in 2008.

### OTHER REVENUE SOURCES

Following a holistic brand marketing approach, TVI developed several projects within the licensing area. The year of 2008 was marked by the diversity and innovative character of the projects and partnerships presented. Allowing direct contact between viewers and the universe of brands usually shown on screen, the projects developed led simultaneously to generation of revenue and business for the station. Mostly supported on proprietary and national brands, strong communication ability and brand visibility, achieved through daily broadcasting, as well as on the sustained experience built over the last few years, the strong performance achieved in 2008

was once again marked by the excellent performance achieved by the *Morangos com Açúcar* brand and its associated brands, such as *Just Girls*, a brand which, simultaneously with the band's musical success, displayed unique dynamics, with pioneering nationwide projects, such as the *Play Station Portable Just Girls*, jointly developed with Sony Entertainment.

Between licensed products and image use to endorse big national and multinational brands, 2008 contributed decisively to accumulated values already exceeding 2 million products sold and 60 million brand viewings by target audiences.

## TELEVISION

Contribution of multimedia projects to station business was once again relevant, their objective being to simultaneously promote viewing and interactivity with viewers. In 2008, TVI consolidated business development, in its main aspects, through implementation of new interactive programmes, in addition to betting on new

interactive media based on multimedia platforms. Displaying strong programme and entertainment dynamics, the station bet on innovative technologies, with emphasis on projects using pioneering solutions. Within this scope, video and outbound calls were used for the first time in entertainment programmes.

## TECHNOLOGY AND INNOVATION

During the financial year of 2008, TVI invested in a wide range of Technology projects, allowing the station to continue pursuing modernisation goals, duly supported on experience and the objectives set by competent corporate bodies.

In the sense of providing the Station with the necessary resources to launch a new channel, with a view to increasing autonomy and efficiency, TVI embraced an ambitious building project for a new big production studio (571 m<sup>2</sup>) and control room, within the site where the TVI headquarters are located, equipped with all necessary technical resources and the most modern technologies available. Detailed architectural, sound, air conditioning and energy efficiency projects, elaborated by reputed entities in the areas involved, amongst others, were at the origin of this project. Regarding technical resources, the studio was equipped with high-definition video equipment and high-quality audio equipment, namely studio cameras able to capture full resolution high-definition images and an audio mixing table based on the most advanced digital technologies.

Still regarding innovation, TVI was the first Portuguese television station to provide high-definition images to the subscribers of an important paid-TV platform operator. In this sense, during regular broadcasting of the Euro 2008, TVI provided a parallel whereby all Euro 2008 programmes were available in the 1080i HD format. All football matches broadcast by TVI through the aforementioned platform were fully produced and directly broadcast in HD. The remaining programmes, originally produced in standard definition, were subject to resolution upscaling (using technologically advanced equipment) before broadcasting.

Within the scope of this initiative, TVI equipped its main exterior van with high-definition cameras, as well as equipping one of its satellite units with the necessary equipment for sending signals in this format.

Investments were also made in the Post-Production area, with a view to increasing productivity. Effectively, important work was performed within this sector, through an architectural project and the corresponding works, which allowed reorganisation of allocated resources, complemented by investment in new audio and video post-production equipment.



The Graphics and Computer Graphics area was also reorganised (in terms of area and technical resources); TVI invested substantially in advanced technologies aimed at promoting creativity and differentiation within this area, namely virtual set design systems associated to studio camera tracking solutions and graphics and computer graphics systems for regular and news broadcasting. Regarding the latter point, TVI has already adopted production process automation solutions able to be integrated with existing news production systems, allowing a reduction in associated costs.

## TELEVISION

In 2008, TVI continued to invest in the installation of news editing systems (from news reporting locations) in laptops and subsequent news piece sending through IP connectivity platforms. These systems also allow insertion of live broadcasts from reporting locations in news programmes, ensuring an excellent balance between image quality and the available “bandwidth” for this purpose.

Within the scope of information technologies, continuous technological update continued to be a priority in 2008. Continuity was given to migration of the server park to virtual servers, based on last-generation blades, with increased redundancy and performance gains and lower maintenance costs. Backup system updating (software and hardware), installation of a new SAN (Storage Area Networks), with a view to increasing Storage capacity, upgrading of LAN (Local Area Network) infrastructure core switches and installation of an

integrated Wireless solution (voice/data) should also be highlighted.

The new BRP (Broadcast Resource Planning) software underwent its implementation stage throughout 2008. This software will allow full integration of all TVI areas; a powerful reporting tool essential for timely decision-making by the company management is also being developed.

The information technology area also played a crucial role in the expansion of premises and building of the new studio and associated technical areas, equipping these areas with all necessary IT and communications equipment (computers, teleprompting systems, telephones, etc...). New equipment was acquired and upgrades to existing equipment were made, as well as all necessary adjustments to provide the station with sufficient capacity to launch new channels.

## SECTOR PROJECTS

In 2008, TVI participated in definition of policies, as well as government and regulatory measures, with impact on its business sector, namely through elaboration and signature of self-regulation agreements, as well as response to public tenders launched by independent regulation entities, the Government or the European Commission.

Regarding some of these, TVI collaborated actively with the Confederação Portuguesa de Meios de Comunicação Social (CPMCS) (Portuguese Media Confederation) and the Association of Commercial Television in Europe (ACT), of which the station is an associate. These associative entities are regularly heard previously to the adoption of any regulatory acts or public communications, representing the interests of the Portuguese media industry and European commercial television companies, respectively.

The ACT includes 28 television stations, active in 34 European countries; TVI participates in the most relevant Work Groups, organised according to the following themes:

- Intellectual Property;
- State Subsidies/Competition;
- Advertising/ Audiovisual Media Services Directive;
- Digital/ Television Broadcasting Platforms;
- Communication (Corporate).

On the 16<sup>th</sup> December 2008, TVI and the remaining generalist television stations finalised the terms of a self-regulation agreement regarding “product placement” and “production subsidies and/or bonuses”, aimed at defining the terms according to which references to products or services may be included in programmes, i.e., products or services may be part of programmes. This practice aims to correspond to the openness shown in European Directive 2007/65/EC of the Parliament and the Council, of 11 December, also known as the “Audiovisual Media Services” Directive, which amended Directive 89/552/EC of the Parliament and the Council, also known as the “Television Without Frontiers” Directive, as well as establish regulations for various commercial practices long acknowledged by the market as legal, following the example of the best European practices.

## TELEVISION

Despite still awaiting an official signature act by all television operators involved, this agreement has already been signed by the corresponding Commercial Divisions and communicated to the ICAP - Instituto Civil da Autodisciplina da Publicidade (Civil Institute of Self-Regulation in Advertising) and the ERC, a sector regulatory entity whose duty is to encourage adoption of self-regulation agreements and practices.

Two other agreements of this type are being prepared, one regarding teletext chat services, to be concluded in the beginning of 2009, and another regarding use of footer messages ("tickers") for self-advertising and programme information purposes. Both agreements aim to solve doubts raised by the ERC within the scope of its sector inspection and supervision activities, demonstrating TVI's commitment to presenting responsible regulation proposals, acceptable for all parties involved, namely considering public interests and the need not to restrict private initiative beyond what is strictly necessary to protect the aforementioned public interests.

In 2008, TVI participated in the public tender relative to renewal of Hertzian frequency licenses granted to Rádio e Televisão de Portugal S.A for analogue television business (ICP-ANACOM Deliberation of 03 January 2008), drawing attention to the absolute need to consider the

public operator status and associated obligations of this station, when compared to commercial operators, such as TVI, which also share some obligations in terms of Public Service, according to the Protocol signed by the various generalist television operators, approved by the Government on the 21<sup>st</sup> August 2003.

Through the ACT and the CPMCS, TVI also participated actively in the response to the public tender launched by the European Commission, aimed at reforming the corresponding 2001 Communication regarding State subsidies given to media companies, calling for increased discipline and transparency, especially regarding economic evaluation criteria used for evaluating the impact of these State subsidies on new media, as well as advertising and acquisition of television programmes, namely acquisition of broadcasting rights to sports events. TVI considers that reform of the 2001 European Commission Communication represents a unique opportunity to define guidelines to be followed by the European Commission in future evaluation of complaints filed by state television competitors, as well as include the most recent legislative and juridical aspects in these guidelines and prevent possible increases in the market power currently held by European state television stations, with a view to strengthening its position in new audiovisual markets.



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### INTRODUCTION

2008 was a year of great change for the Audiovisual Production area of the Media Capital Group. Following acquisition of the share capital of NBP, in October 2007, consolidation of this business area within the group took place in 2008, materialised through acquisition of the share capital of Prisa Group producing company Plural Entertainment España, SA, in May 2008, for €50 million.

The objective of this acquisition was to concentrate audiovisual production competences for the Group, simplifying and accelerating the process of rationalisation and internationalisation of this important business area, still undergoing significant international expansion, given the increasing product demand and the increasing number of distribution platforms, as well as increased penetration of the latter. In the sequence of this operation, Plural Entertainment Portugal, SA was created in December 2008, resulting from a change in the NBP brand name and image, within the scope of a “brand” unification strategy



involving all Media Capital producing companies.

The advantages resulting from the obvious geographical and language market similarities observed for Plural Entertainment España and Plural Entertainment Portugal (Plural Entertainment already has business premises in the USA – Miami – and Argentina – Buenos Aires, in addition to its premises in Spain and Portugal) are enhanced by the complementary genres produced by these companies, with Plural Ent. Portugal focusing on Fiction and Plural Ent. España focusing on Entertainment.

Having developed projects in several continents and achieved increasing recognition of the quality of its products in international markets, Plural Entertainment fulfils, through this merger, its ambition of real internationalisation of its products and the products it represents abroad, as well as internationalisation of its creative and production capacities, positioning itself as one of the largest international Portuguese and Spanish-language producers.

### ACTIVITY EVOLUTION IN 2008

As previously described, audiovisual production was solely developed through the NBP Group until May 2008; therefore, audiovisual production was consolidated with the Television segment up to the first quarter of 2008, since TVI represented the overwhelming majority of its revenue. After acquisition of Plural Entertainment España, the Audiovisual Production segment was separated from the Television segment, reporting separately from the second quarter of 2008 onwards.

Total revenue for the audiovisual production business in 2008 was €92.9 million, with an EBITDA of €8.8 million, corresponding to an EBITDA margin of 9.5%. These figures include Plural Entertainment España only from May onwards.

On a pro-forma basis (considering 100% of Plural in both years and excluding management fees), total revenue would have increased by 17% in 2008, evidencing strong business growth despite the macroeconomic environment. EBITDA would have increased by 10% in 2008.

### PLURAL ENTERTAINMENT PORTUGAL

Plural Portugal maintained its leading position, by a large margin, in audiovisual production in Portugal, with special emphasis on fiction.

Continuing on the successful path it has been following for several years, producing genuine Portuguese soap operas and series, with original scripts by Portuguese authors, both external and from Casa da Criação, and increasingly betting on the technical and artistic quality of its productions, Plural Portugal saw its programmes achieve leading audience positions in 2008, with prime-time programmes often reaching top positions in daily television charts.

Despite the demands of an increasingly competitive market, Plural Portugal managed to increase the number of minutes produced in 2008, having produced more than 78 thousand minutes (equivalent to over 1,300 hours), a new record within the last 5 years.



Following the investment policy adopted in 2007, not only regarding products but also other areas, such as directing, set design and costumes, Plural Portugal has sought to take safe steps towards the future, anticipating trends and diversifying its products. In this sense, a product research and development office was created, dedicated to research and analysis of all national and international market products and trends, as well as generation of new ideas and projects. This department is also responsible for collecting information on the most relevant technological innovations within the sector, developing internal

and external training programmes and establishing partnerships with external entities, namely universities and technology suppliers, in order to test new equipment, as well as new production and directing models.



In 2008, TVI continued to follow its policy of investing in audio, video, lighting and graphics equipment, with particular emphasis on digital HD technology, in order to compensate for some disinvestment observed in previous years and equip the company with the most advanced technology, within the standards used by the largest soap opera and series producers. The objective of this policy was to allow products produced by Plural Portugal to compete in international markets, in the same circumstances and with the same technical quality levels as their main competitors.

Results achieved throughout 2008 validate the main guidelines followed by Plural Portugal since 2007, when the company intently proceeded with restructuring. Gains resulting from internal process rationalisation, leading to more efficient use of human and technical resources, are already well visible.

Relaunch of product sales in international markets and establishment of partnerships for developing new co-production projects were a reality in 2008, with a view to responding to expansion demands in an increasingly competitive and global market.

## AUDIOVISUAL PRODUCTION

Contacts were made aimed at adapting some of the most successful products to other countries (with special emphasis on juvenile series *Morangos com Açúcar*). In this sense, the possibility of co-producing these products, entailing creation of joint teams operating in the countries in question, thus increasing the company's know-how and production capacity, is still open.

In Portugal, where Plural achieved a relevant position in TVI's programming schedules, through its own merit, the company decided to bet on original formats, different from soap operas, namely television films and series, having

produced 3 seasons of *Casos da Vida* and been vastly involved in the production of *Equador*, on various levels, although not as the main producer. These productions have been very well received by viewers and ensured high audience levels, having also received international praise.

Simultaneously with these new formats, Plural Portugal continued to broadcast and produce four soap opera slots in 2008, having finished soap operas *Deixa-me Amar* and *Fascínios*, as well as the fifth season of *Morangos com Açúcar*, and started broadcasting *A Outra*, *Feitiço do Amor*, *Olhos nos Olhos*, *Flor do Mar* and *Morangos com Açúcar*, season VI.

Productions ending in 2008	Episodes	Rating %	Share%
<i>Fascínios</i>	249	14.2	42.3
<i>Morangos com Açúcar V</i>	194	10.2	31.9
<i>Deixa-me Amar</i>	217	10.0	37.6

Productions premiered in 2008	Episodes	Rating %	Share%
<i>A Outra</i>	190	15.8	44.4
<i>Feitiço do Amor</i>	151	15.5	41.6
<i>Flor do Mar</i>	33	15.4	37.6
<i>Olhos nos Olhos</i>	56	10.4	37.7
<i>Morangos VI</i>	63	10.0	31.0
<i>Casos da Vida I e II</i>	37	9.4	39.1
<i>Morangos V – Verão</i>	67	8.7	35.4

Source: Markttest – Markdata Media Workstation / Mediamonitor

The sixth season of long-running juvenile series *Morangos com Açúcar*, including its special summer episodes, started to be shown. This series, targeted at a demanding young audience, has been continuously broadcast since August 2003, continuing to achieve high shares and audience ratings and leading by a very large margin in young target audiences, despite directly competing with products that started to be broadcast in 2008 by other free-to-air channels.

Television film series *Casos da Vida* was a pioneering project in terms of the ambition to produce a new television film format, with a small, strictly controlled budget. This series revealed to be an excellent product in terms of audience, as

well as an important study case in experimenting with new production models, which were subsequently used in other Plural Portugal productions, with significant efficiency gains.

In 2008, Plural also invested in advertising production. In a market greatly affected by the economic conditions, it became even more crucial to increase Group resource profitability; in this sense, the advertising production area represented a new opportunity. Plural's objectives for 2009 are to increase and diversify its client portfolio in this area, thus increasing the corresponding revenues.

## AUDIOVISUAL PRODUCTION

Finally, the Media Capital Group decided to proceed in 2008 with the study of construction project "Cidade da Imagem", which aims to join all Plural Portugal production infrastructures and supporting areas, currently spread over 8 different sites, in a single location, which should also include a new "exterior set" area.

Implementation of this project should lead to relevant efficiency gains, in addition to equipping the company with infrastructures leading to higher product quality levels.

Having already selected a plot with 40 ha, the Group is now performing viability analysis regarding construction at this location and proceeding with exhaustive elaboration of the main preliminary studies aimed at evaluating project feasibility. If implemented, this project will allow adoption of the best practices in this area, with a view to ensuring increased performance and gaining important competitive advantages. In 2009, a PIN (Project of National Interest) application will be filed for this project.



## PLURAL ENTERTAINMENT ESPANHA

Created within the Prisa Group nearly one decade ago, Plural Entertainment España is currently one of the most relevant audiovisual producers in the Spanish market. The company has business premises in Spain (Madrid, Zaragoza, the Canary Islands and Asturias), the USA (Miami) and Argentina (Buenos Aires).

Plural Entertainment España has a diversified client portfolio, including Spanish television stations with nationwide coverage (Antena 3, Cuatro, La Sexta), regional channels (Aragon, Asturias, the Canary Islands, Extremadura, Castilla-La Mancha) and local television networks (Localia,

esMadrid), in addition to other clients, such as advertising agencies and companies.

Plural Entertainment España has produced programmes of all audiovisual genres for these clients, such as: talk shows, reality shows, fiction, game shows, theme shows, debates, public service programmes, sports event repeats, galas, news and comedy programmes.

Some of these programmes are produced from original ideas contributed by the creative team, whereas others are adapted from international formats.

Over 6,500 hours were produced in 2008, of which the following projects should be highlighted:

- The following representative shows were produced for Cuatro, for the fourth consecutive season:
  - "Cuarto Milenio", a weekly programme on mystery and the unknown, is currently one of the main audience leaders for this channel.
  - Las Mañanas de Cuatro is a Cuatro morning show.

## AUDIOVISUAL PRODUCTION

- For the La Sexta prime time, the company produced “¡No te olvides de la canción!”, a musical game show adapted from North-American FOX television show “Don’t Forget the Lyrics”, a show with proven success in over twenty countries
- “El Gran Quiz”, a game show adapted from BBC One show “The National Lottery Peoples Quiz”, was another prime-time programme produced for Cuatro in 2008.
- Plural has been producing “Tal cual... lo contamos” since October, an afternoon show broadcast by Antena 3 TV that led to doubling of audience shares for this channel, for the corresponding time slot. This programme focuses on its own themes, as well as research, current news, exclusive news reports, in-depth reports and interviews with opinion leaders and popular figures.
- “El octavo mandamiento”, broadcast by Localia, was a news review programme with a humorous approach.
- In the USA, Plural worked with Univisión, the main Hispanic media group operating in this country, having produced Moda al rescate, an original coaching programme, broadcast by Galavisión, the largest cable network in Spanish, with over 7.4 million subscribers.
- From Miami, Plural produced a series for Colombian station Caracol that became this station’s biggest season hit: “El Cartel”, based on “El cartel de los sapos”, a book by Andrés López.
- North-American station Vme weekly broadcasts a news programme produced by Plural: Páginas del New York Times en español.
- Live broadcasting of Spanish League 2<sup>nd</sup> division matches, as well as the awards gala of Diario As.
- Plural produced once again the New Year’s musical gala in Aragon, a great success with the audience.
- In order to complete its documentary catalogue, Plural produced an ambitious project: the “Sex mundi: La aventura del sexo” series, a guided tour of sexual habits, practices, codes and trends all over the world. This series, composed of 15 45-minute episodes, was filmed in High Definition (HD) in 23 countries, over more than 6 months. Worldwide-recognised experts were enlisted to ensure information accuracy.
- In the end of 2008, Plural started filming “Hay alguien ahí”, the preliminary title of a new horror and mystery series whose broadcasting will start in mid-2009. This series, whose format is an original concept developed by Plural, is being filmed in High Definition.

## INTERNATIONAL DISTRIBUTION

In the beginning of 2007, Plural created an International Distribution area, which, in addition to marketing its products and those of other European producing companies, is allowing creation of a product capturing network and establishment of production agreements in Europe, Asia and Latin America. This area also encourages capturing of successful international formats.

Currently, Plural distributes a diversified product catalogue (documentaries, fiction, entertainment), from:

- Own programmes: documentaries, programmes created for other companies, co-productions (5 films with Televisa).
- Group Companies: TVI, Cuatro, Localia, Canal Viajar, Canal Caza y Pesca.
- Other Companies: Avatar, Microgénesis, Huckleberry Films, Filmanova, etc.

## AUDIOVISUAL PRODUCTION

In order to support commercial performance, Plural has been present in the main international markets, such as MIPTV, NATPE and L.A. Screenings, DISCOP, Sunny Side, Brazil TV Forum and MIPCOM. Negotiations are in course to represent European catalogues in Latin America and vice versa.

Following the integration of Plural in the Media Capital Group, the distribution department started

marketing its soap opera catalogue internationally. The first agreements signed were the following:

- Olhos de Água: TEVES (Venezuela)
- Ilha dos Amores: Antena 1 (Romania)
- Morangos com Açúcar: PJSC New Channel (Ukraine)
- Ninguém como tu: Localia (Spain)

An agreement has also been signed with a producing company (V6) to sell the Equador series worldwide.

## REGIONAL CHANNEL MANAGEMENT

Following a public tender launched in 2000, Socater, a company with headquarters in the Canary Islands, in which Plural holds a 40% share, was contracted to manage Televisão Autónoma das Canárias (Canary Islands Regional Television) until June 2008.

In Aragon, Plural manages this region's independent television station programmes since 2004, through Chip Audiovisual, where it has a 50% holding.

## CINEMA

Tesela, a film producer mostly held by Plural (80.8%), reinforced its investment on quality projects and launched two projects that achieved large success in terms of critics and ticket sales: 8 Citas and Una palabra tuya. Tesela also produced

another two films that will be released in 2009: After and Gordos. A 50-50 alliance with Argentinean partners was also established for production of Latin-American cinema, leading to the creation of Plural-Jempsa.

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***MUSIC AND ENTERTAINMENT***

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### INTRODUCTION

Media Capital Music and Entertainment (MCME) is the Media Capital Group sub-holding for the music business. MCME business areas include recording (on physical and digital supports), artist booking, concert production, publishing and artist management.

Record publishing is performed by Farol Música, Lda (Farol). In addition to its own catalogue, Farol is also the distributor in Portugal of the catalogue of major multinational publisher Warner Music International (Warner). Distribution of the Warner catalogue by Farol entails marketing, promotion and sales of Warner products in Portugal.

Artist booking is performed by Eventos Spot, Lda (Spot), a partnership between MCME and Agência Reunião, Lda.

Despite the continuous fall observed in the record market, record publishing continues to be the main revenue source for this Media Capital Group unit. As a result of the partnership with Agência Reunião, artist booking has been gaining increasing weight in turnover, currently representing the second largest revenue source, followed by publishing and concert revenues, despite their smaller relevance.

### ACTIVITY ENVOLUTION IN 2008

Following worldwide trends, record publishing in Portugal continued falling in 2008. Once again, the observed growth in digital sales (full track downloads, ringtones, etc., whose sales increased by 15%) was not sufficient to offset the decrease in physical support sales (CD and DVD sales fell by 14%), resulting in an estimated global decrease of 13%. This sustained trend originates from alteration in music consumption patterns, file sharing and illegal downloading, as well as illegal CD and DVD sales. The difficult macroeconomic environment would also have contributed to worsening of this situation. Despite an increase in its relative weight, the digital market represented only 7% of total publisher turnover. Changes in the digital market were also observed in 2008, with a decrease in ringtone sales and a significant increase in track sales.

The sales turnover of Farol reached approximately €11 million, 3% less than in 2007. This variation, inferior to the observed market fall, was allowed by a significant increase in record market share, as well as increases in new revenue sources, such as subsidiary rights and concerts. The observed growth in market share was reached through the Farol catalogue, whose share exceeded 18%. This leading position was even more significant within the Portuguese music market, where the Farol

share reached 25%. On its turn, the Warner catalogue achieved a market share of approximately 5%; together, both catalogues maintained their leading position within the Portuguese record market, for the fourth consecutive year.

Farol's leading position was based on 3 crucial pillars: development of music projects associated to Group products, expansion of the Portuguese artist catalogue and effective use of the Media Capital Group platform.



The main music projects associated to Group products developed in 2008 were the choreography DVD and the 2nd album by Just Girls, the third band launched by juvenile series "Morangos com Açúcar", as well as the 10th series soundtrack album. The 7th "Romântica FM" compilation should also be referred as an example of the success achieved by products developed in partnership with MCR. D'ZRT's farewell concert, produced by MCME, originated a DVD and was subsequently broadcast by TVI.



In addition to projects related to Group products, Farol has increasingly focused on Portuguese artists. 2008 was marked by signature of an agreement with Tony Carreira. The first album by this artist published by Farol, "O Homem que Sou", was the best-selling record in Portugal in 2008, having gone straight to the top in the national charts and remaining in that position for the entire Christmas season. New projects by André Sardet, Rita Guerra and Madredeus, as well as multiple artist project "Tributo a Carlos Paião" should also be highlighted.

Investment in Portuguese artists was significantly reflected on sales by genre, with Portuguese artists (including TVI bands) representing over 40% of sales (less than 30% in 2007) and compilations representing approximately 28% of sales (one third in 2007).

Decrease in compilation sales was also due to their small representation in the Farol catalogue. In fact, Farol's activity (most relevant activity started to be developed in 2003) is not always sufficient to allow development of its own projects; therefore, this publisher's business depends on product availability in other catalogues, namely those of major publishers, through partnerships and licensing agreements. Despite this situation, the "Kizomba Brasil" (African music), "O Melhor dos Anos 80" (80's hits), "Nº1" (2008 hits) and "Sasha Summer Sessions" (dance) compilations should be highlighted.

Regarding the Warner catalogue, 2008 was marked by a smaller number of launches by great artists and an investment in new artists of great potential, in the initial stage of their careers.



Despite this fact, the new albums by Madonna, Linkin Park, Seal and Josh Groban should be

highlighted. Amongst new artists, it is worth highlighting

singer Jason Mraz, who remained at the top of radio airplay charts for the last 8 weeks of the year.

In addition to its record publishing business, MCME continued implementing its strategy of diversification and participation in other aspects of



the music business value chain, in 2008, attempting to develop artist booking, publishing, production and management activities.

Regarding artist booking, 2008 was marked by the relevant Jorge Palma and Just Girls tours, which more than compensated for the smaller number of concerts given by Rui Veloso (by personal option). Revenue for this business area exceeded 25% in 2008.

In the publishing (copyright management) area, MCME's revenue increased by over 50%.

In terms of concert production, 2008 was marked by the D'ZRT farewell concert and the "Morangos Live" show, both performed in Pavilhão Atlântico, the largest concert hall in the country.

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## *CINEMA AND VIDEO*

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## INTRODUCTION

This business unit includes all activities related to film distribution to movie theatres (centred in CLMC Multimedia) and distribution and sales of films and television programmes on video and DVD (through Play Entertainment). This business unit

results from a partnership established between Filmes Castelo Lopes and the Media Capital Group in 2002; the Group currently controls 90% of the company.

## ACTIVITY EVOLUTION IN 2008

Film viewing decreased by approximately 2% in 2008, despite an estimated 1% growth in ticket sales. This was due to an average increase in ticket prices, to which the release of various 3D films, with higher ticket prices, contributed significantly, in addition to inflation.



DVD sales decreased by approximately 6% in 2008, in terms of value, despite having increased by 12% in terms of units sold, as opposed to 2007, where DVD sales increased by a significant 10%, which was largely due to release on DVD of several popular North-American television series broadcast in Portugal. The decrease observed in 2008 was mostly due to a fall in average prices, as well as a decrease in the weight of North-American series, whose popularity fell in 2008, following the huge increase observed in 2007, mostly resulting from the North-American scriptwriters strike, in the end of 2007 and beginning of 2008. Regarding DVD Rentals, the decreasing trend observed in the last few years appears to continue; however, no reliable information exists on total market values. Nevertheless, the corresponding fall is estimated as approximately 25%, influenced by the very

significant increase in video-on-demand services in Portugal, in 2008.

2008 was also marked by a preference for the High Definition Blu-Ray format over HDDVD, although this technological evolution eventually imposed on software and hardware producers has not yet led to increased adoption of High Definition formats.

Finally, as has been occurring in the last few years, large publishing groups continued to show great willingness to associate DVD sales and offers to their newspapers and magazines, this trend being confirmed as a business opportunity for DVD distributors, such as CLMC.

In 2008, CLMC released 25 films in cinemas, 2 more than in 2007, having achieved a revenue increase of approximately 29% and a market share of 14%, compared to 11% in 2007. This performance is exclusively due to release of a greater number of independent films, 11 in 2008, compared to 6 in the previous year. Amongst the independent films released in 2008, it is worth highlighting "Blindness", directed by Fernando Meirelles and adapted from a novel by José Saramago, "Burn After Reading", directed by the Cohen brothers, and "W", directed by Oliver Stone.



Regarding 20th Century Fox, revenues were in line with the previous year, with 14 films released, compared to 15 in the previous year, of which "Horton Hears a Who!", "Australia", directed by Baz Luhrmann, and "The X-Files: I Want to Believe", should be highlighted.



In the video segment, CLMC's revenue increased by 33% in 2008, relatively to the previous year, which was due to distribution of Warner catalogue products (one full year vs. 4 months in 2007) and DVD sales/offer with newspapers, in partnership with the Cofina group. Most sold titles include

"The Dark Knight" (Batman), "Horton Hears a Who!", "I Am Legend", "Alvin and the Chipmunks", "Beowulf" and the "Prison Break", "Tal Canal" and "Os Contemporâneos" series.

As a result of this business evolution, CLMC reinforced its position as the second largest operator in the market in 2008, having ended the year with a market share of approximately 21%, compared to 18% in 2007.

With a total turnover of over €22 million, CLMC's revenue increased by 32% relatively to 2007; operating results increased by 13% in the same period.



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## **RADIO**

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## ACTIVITY EVOLUTION IN 2008

Advertising revenues decreased in 2008 relatively to the previous year; within this business, radio continued to be one of the most heavily affected sectors, in terms of captured investment, having suffered, on a par with the press sector, one of the steepest falls (7 to 8%, according to estimates obtained from the various available sources) in invested amounts relatively to 2007, in a sector representing 5.5 % of total advertising in Portugal.



This performance is due to the fact radio continues to be essentially considered as a tactical complementary media in Portugal, thus being particularly dependent on large advertiser campaigns and consequently more vulnerable to significant variations in relevant sectors for advertising, such as banks, the automobile sector and telecommunications, which were severely affected by external factors in 2008, contributing to a decrease in advertising investment. Despite this rather bleak context, MCR attempted to pursue business opportunities in other advertiser sectors, having managed to increase its advertising revenues by 3.1%, thus increasing its market share relatively to 2007.

In terms of audience and despite the oscillations observed throughout the year, the radio sector displayed negative results in the end of 2008, relatively to the corresponding period of the previous year, with a 1.8 % decrease in AAV (absolute audience values accrued in the previous day), corresponding to 140,000 fewer listeners.

By betting on a wide portfolio, with stations enabling communication with vast audiences, albeit of a specific nature, MCR managed to improve all its indicators relatively to the previous year. The MCR audience share increased from 21.1% to 22.2%; AAV increased from 13.6% to 14.9%, which corresponds to approximately 100,000 more listeners in 2008.

In order to encourage growth of the radio sector in Portugal, MCR believes it is necessary to continue promoting the sector and presenting innovative products. The fact that the market share observed for radio, in terms of total advertising investment, is below 6% in Portugal, a value markedly below those observed in most European countries (8% to 9%), indicates a growth potential yet to exploit.

Rádio Comercial, with an “Adult contemporary music” format, reinforced its positioning as the “Most Cheerful” station, with the “Best Music”, showing positive results, with an average AAV increase from 6.8% to 7.3%.

In the last quarter of 2008, Rádio Comercial was the station with the most significant growth in terms of absolute audience values (AAV) relatively to the previous quarter, with a 1.2-point increase, to 7.6 points (in percentage, this corresponds to an 18.8% increase). When compared to the corresponding quarter of the previous year, this increase was only 0.7 points (+10.1%).

Following the process of change from a music station to a generalist talk station, an entirely new format for the audience, Rádio Clube has joined talents and stability in a project that is succeeding in conquering a credible presence in the Portuguese radio market.



## RADIO

Cidade FM continued to be the leading station within the younger target group, with an AAV of 30% for the audience between 15 and 17 years of age, with a unique "Current Hits" positioning. Despite a decrease in the last quarter of 2008, this station's results remained positive relatively to the previous year, with an average AAV increase from 4.3%, in 2007, to 4.6 %, in 2008.



Results were very positive for the two complementary formats launched in 2007. M80, which plays hits from the '70s, '80s and '90s, rapidly captured a stable audience, corresponding to 1.5 AAV points. The excellent performance of

this station in Lisbon should be highlighted, with AAV values above 4 points. Romântica FM, a station with a very specific positioning – exclusively playing songs in Portuguese – had a 25% growth relatively to the previous period, according to the last Bareme 2008 survey, having reached 0.5 AAV points.



Best Rock, a station with an "Urban Rock" format, achieved sustainable results, despite its small coverage, maintaining the 0.5% AAV observed in the corresponding quarter of the previous year.



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## ***INTERNET***

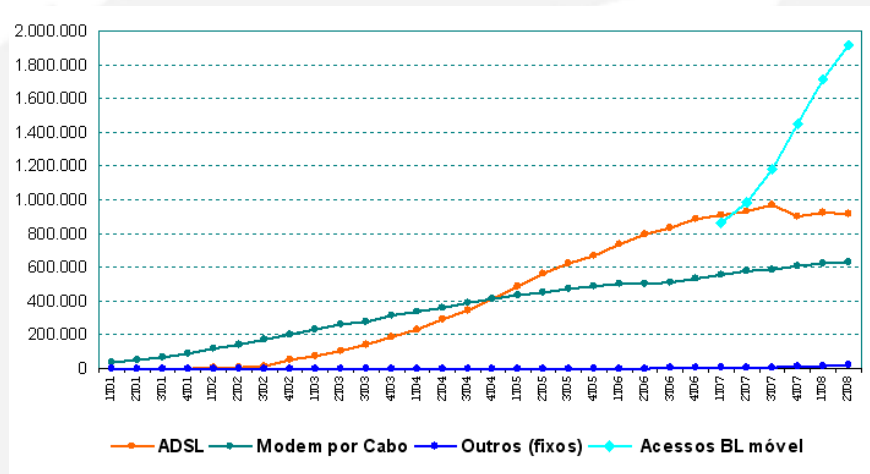
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## ACTIVITY EVOLUTION IN 2008

The evolution of the Internet sector in 2008 was marked by the increase in Internet penetration, mainly as a result of the significant growth of Internet access via Mobile Broadband, but it was

also marked by the gradual growth of the weight of the Internet segment in the Portuguese advertising market.

Evolution of broad band clients in Portugal



Source: Anacom

The activity of MCM and its affiliated companies may continue to be analysed around three specific business areas:

1. "Online editing", in which the companies MCM, MC Internet, Ludicodrome and TVI compete in the online advertising market with the main national content portals – Sapo and Clix – and also provide editorial services, i.e. the supply of contents to external entities;
2. "Consumer services", which includes MC Telecom and Unidivisa, companies that provide non-professional consumer services, namely electronic mail, blogs and video hosting; the sale of show tickets and the Valor credit card;
3. "Corporate services", provided by the company IOL Negócios, which by the end of 2008, and taking advantage of the high traffic existing on the IOL network, hosted sites of more than 2,300 companies, providing them with services in the areas of Cars and Real Estate Classifieds, Directory promotion and production of Internet sites.

Those three business areas shared a central resources pool, the majority of which was included within MCM's scope of activity (development of the business, management control and the services provided by the Grupo Media Capital), with the technical infrastructure and the respective maintenance team included within MC Telecom's scope of activity.

Online editing activity in 2008

In 2008, the presence in the Portuguese market of the multinational competitors intensified and a significant growth of the Social Networks was observed. In spite of this increase in competition, IOL registered rather significant growth in its online advertising sales activity.

Efforts to increase traffic and to improve the quality of the audiences in IOL's network of Internet sites were materialized through the launch of six new projects throughout 2008.

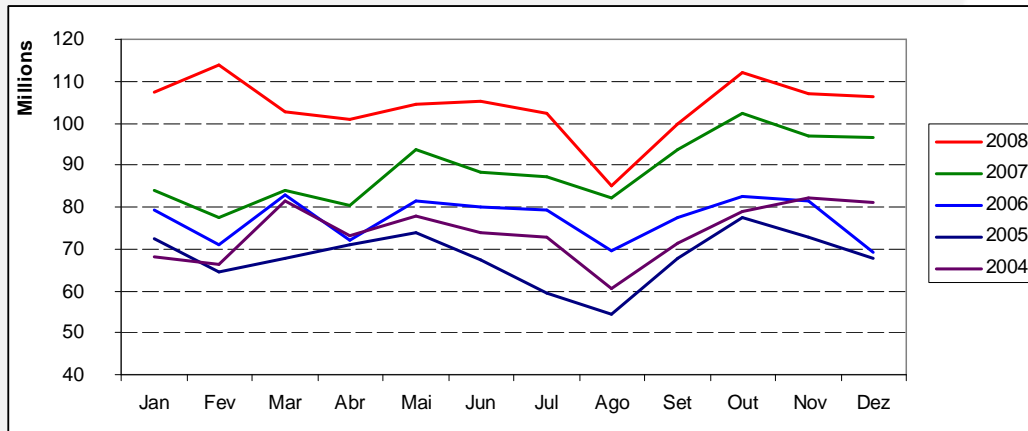
The combination of these launches and the drive of the editorial team enabled the network of sites

from IOL to show a significant traffic increase in 2007, up 17% vs. the previous year, from an average of 89 million *banner views* per month in 2007 to more than 106 million in 2008, and with an average close to the 108 million *banner views* per month mark in the last quarter of 2008. It is also worth highlighting the good performance of the editorial sites of MCM (Mais Futebol and Agência Financeira) that broke successive records of *unique users* and of *page views* during 2008 and that ended the year with both of them growing their audiences over 40% vs. 2007, opening good perspectives for the translation of those audiences into advertising revenues in 2009.

New Projects in 2008

March	IOL Mãe
April	IOL Fotos
June	Euro 2008
October	IOL Encontros
October	PetNet
November	Idade Maior

IOL banner views (monthly)



Consumer services activity in 2008

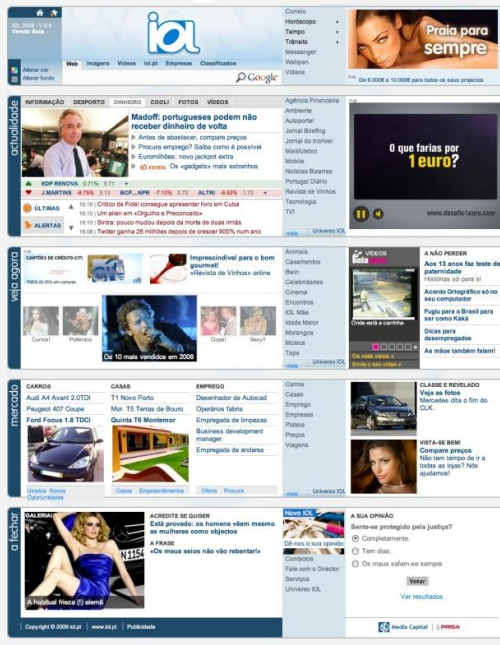
In 2008 consumer services maintained their declining trend witnessed in previous years, translating into a 22% loss of revenues vs. 2007. In response to the decline in revenues, it became necessary to reduce the fixed cost structure associated with this service, translating into the

closure of operations of the Cartão Valor on 1 December, when Unidivisa ceded its issue and management rights of the Valor credit card to BPI, which acquired them for the value of the margin that the business was expected to generate in 2009.

Corporate services activity in 2008

In 2008, this activity continued to see a significant increase in its client base, from 2.060 subscribers on 31 December 2007 to more than 2,300 subscribers on 31 December 2008, particularly in the General Directory, which represents more than half of the total client base.

In the advertising area, 2008 was marked by a high rate of innovation and creativity in the development of new formats, resulting in IOL being recognised as a reference in this area, both for advertisers and media agencies.



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## ***PUBLISHING***

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## ACTIVITY EVOLUTION IN 2008

On the 1<sup>st</sup> August 2008, the Media Capital Group sold its entire shareholdings in Press companies (which publish Lux, Lux Woman, Maxmen, Revista de Vinhos, Casas de Portugal and Briefing, also having business in the Corporate Publishing area) to Promotora General de Revistas, S.A. (“Progres”) for a total amount of €8,750,000.00. In this sense, Press business is only consolidated with Media Capital Group business for the first seven months of 2008.

Anticipation of the global economic crisis was the scenario experienced during this period, with the crisis situation becoming more evident by the end of the 3<sup>rd</sup> quarter of 2008. Given the specific Press



sector context – where negative evolution in advertising revenues and below-average performance of the advertising market were expected – the strategic guidelines defined for this business area in 2008 were

consolidation of the existing product portfolio (in terms of positioning and publishing quality), creation of alternative advertising revenue sources through resource to associated brand products and events organisation, operating cost structure optimisation and strong focus on revenue source diversification, by promoting Custom Publishing business for the Corporate segment, through the MC Factory.

Regarding its main publications, relevant facts for 2008 were the following:

Lux, a magazine specialised in celebrity news and gossip, maintained its number of special issues, continuing to expand its reader and advertiser base. Sales of associated products were abandoned, since this strategy stopped contributing effectively to increasing brand profitability. Regarding the Woman magazine, supplements dedicated to themes not usually approached in this type of publication were

included and special theme issues were launched, with a view to increasing the magazine’s advertiser base and providing a wider offer to its readers. Associated product sales were maintained, since they continued to be profitable. The relaunch strategy defined for the new Lux Woman magazine, initiated in 2007, continued to be followed.

Maxmen, a men’s magazine, remained in the leading position in its segment. This magazine bet on increasing brand visibility through events organisation and creation of new editorial contents for readers and advertisers. In this sense, it launched the Miss Maxmen competition and the “Picantes & Deliciosas” cartoon series, having also organised a series of Maxmen Parties. In publishing terms, the magazine focused on theme supplements and special extra issues, such as Maxmen Style.



Regarding niche publications, Revista de Vinhos increased its focus on sector-oriented events, sponsored by the brand, banking on the brand’s visibility and recognition within the wine market, with a view to attracting additional revenues. As an example, annual event “Os Melhores do Ano” attracted a considerably greater number of participants and significantly higher revenue than last year’s edition. Additionally, a new event concept was developed in Portugal, within the “Encontro com o Vinho” event, entitled “Gosto de Lisboa”. Despite starting to be developed in the beginning of 2008, impact of this new concept on results was only noticed in November. Product sales continued to be associated to the Casas de Portugal magazine; this magazine maintained its position within its segment, whereas Briefing reinforced its online presence, based on an increase in the number of subscribers of its daily newsletter.

Regarding the operating cost structure, main rationalisation efforts focused on industrial activities, through renegotiation of increased volumes with printing companies, development of the MC Factory, additional optimisation of press runs and supplement structures for the various magazines and changes in the paper types used for some magazines, which led to significant savings.

The main growth factor for MCE in 2008 was the business development observed for the MC Factory, which, taking advantage of the quality work performed in 2007, focused on reinforcing its market position by offering innovative and more modern products to its clients.

On the other hand, a bet was also made on identifying new sectors with potential for publishing of specific magazines, resulting in attempts to develop new projects. These efforts resulted in a portfolio with over thirty clients and revenues corresponding to nearly one fifth of the total press industry turnover, in the first seven months of 2008. Relevant clients included Fima Lever, El Corte Inglés, Modelo Continente, Zon TV Cabo, Peugeot, Santa Casa da Misericórdia and Deloitte, amongst others.



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## ***SOCIAL RESPONSIBILITY***

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### PRINCIPLES AND VALUES

In 2008, Grupo Media Capital kept its strong commitment in supporting projects towards the sustained development of the community it integrates.

Aware of its impact on Portuguese society and benefiting from its media companies' vast audiences, Grupo Media Capital aims to contribute towards an increased awareness of the Portuguese

regarding specific social causes, thus contributing not only in terms of fundraising but also in increasing the credibility and visibility of selected social projects.

The impact of the results was not only seen in Portugal, but also in some distant communities, namely the PALOP's (Portuguese Speaking African Countries).

### SOCIAL PROJECTS

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

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

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

#### *Solidarity and Social Projects*

In 2008 the activity was based on existing initiatives, as well as on the development of new formats and advertising campaigns in order to achieve the goals proposed for each project, usually also involving some of the Group's best known celebrities to maximize the visibility and impact of the initiatives.

- "Natal Feliz" – an original initiative, organised in partnership with Banco Santander Totta, aimed at supporting the *Instituto de Apoio à Criança* (IAC) (Children's Aid Institute). Fundraising for this entity was promoted through donations to a Charitable Account and calls to an Aid Line (added value calls), in defence of Children's Rights and with a view to sustaining daily Institute functioning. In order to raise awareness to this need, several current social problems (battered children, abused children, child labour, child prostitution, premature school leaving, vagrancy, missing children) were divulged, as well as the most representative social services performed by the IAC, such as "S.O.S. Criança"

and "Trabalho com Crianças de Rua", through direct appeals by TVI's public figures and special programmes, of which the TVI Christmas Gala should be highlighted.



- “Árvore Amiga” – a project promoted by TVI, developed in partnership with Zon, aimed at supporting ENTRAJUDA, a social institution aimed at supporting other institutions, with the objective of improving their performance and efficiency, to the benefit of disadvantaged people. Funds raised at BES branches and through ATM donations contributed to solve 4 difficult cases involving disadvantaged children.
- In the sequence of various requests, TVI collaborated with and gave its contribution to several projects related to Associação Terra dos Sonhos, a Private Charitable Institution whose ultimate goal is to turn the dreams of children and adolescents diagnosed with chronic and/or terminal illnesses into reality. Believing in the inspiring and transforming power of unique moments and their ability to improve the quality of life of these children, as well as that of relatives and friends who closely witness these problems, the JUST GIRLS band and television presenter Manuel Luis Goucha collaborated with this initiative on behalf of TVI, through the “Você na TV” programme.
- As well as other entertainment programmes, “Você na TV” and “As Tardes da Júlia” were a window to countless situations, having performed an important role in divulging, supporting and aiding various Portuguese institutions and families.
- In 2008, journalist Victor Bandarra received the “Victor Cunha Rego” Award, in the “journalism and communication” category, given by the Gaia Council. In the previous year, this award had been received by journalist Miguel Sousa Tavares.
- Within the scope of Great News Documentaries, it is worth highlighting the work developed by journalist Alexandra Borges, with images by Júlio Barulho, in Lake Volta, Ghana, denouncing child trafficking, broadcast with the title “Infância Traficada”. This news documentary won the 2008 AMADE AWARD for Human Rights, sponsored by the UNESCO, at the International Festival of Monaco. This TVI journalist received another two awards for her news reports “A Vida de Rita” (AMI Award) and “Pais Procuram-se” (“A Família na Comunicação Social” Award, given by the *Instituto de Comunicação Social*

(Media Institute) and the Ministry of Labour). Also in 2008, journalist Conceição Queirós received the Journalism, Human Rights and Integration Award, given by the UNESCO National Commission, for news documentary “O Mundo na Escola”. The subject of child trafficking was approached in a surprising manner, whereby TVI showed live images from Ghana, a country where children are still sold by their own parents, trafficked and forced to work 14 hours a day, 7 days a week, in the 21<sup>st</sup> century. Fundraising initiatives were also developed through publishing of “Filhos do Coração”, a book whose sales revenues revert partially to efforts directed at rescuing these children. Additionally, the “Filhos do Coração” CD was launched together with Farol; sales revenues also revert to the children of Ghana. This action represents an excellent example of how Media Capital Group companies mobilise efforts and jointly develop successful multidisciplinary projects, originated within the Group. As a result of this action, Farol donated part of revenues from book and CD sales and copyright revenues to the Luís Figo Foundation, which will hand these amounts to “Touch a Life Kids”, an NGO that will provide healthcare, education, affection and beds to these children.



- Several other socially responsible actions were supported throughout the year, in TVI programmes, through divulcation of problems such as multiple sclerosis, cancer, teenage pregnancy and bulimia. In these programmes, fictional characters were followed by specialists and competent entities, with a view to alerting people to the problems involved and divulging the correct attitudes and behaviours to adopt in these situations.

- TVI News continued to be recognised for its independence, irreverence and credibility, placing itself at the service of society by divulging social and humanitarian issues often unknown to the civil society, despite being intimately associated to its fabric. Within this scope, it is worth highlighting the excellent work undertaken by station journalists, whose merit has been recognised in Portugal and abroad.



- Rádio Comercial organised and divulged a fundraising campaign for rebuilding the “Aldeias de Crianças SOS” holiday camp. In addition to participating in the recuperation of this holiday camp, Rádio Comercial also donated station t-shirts and caps to children, providing a different summer experience to orphaned and abandoned children and children in high-risk families.
- “Mexe-te...” – The objective of this project developed by Rádio Cidade, inspired in the “Stand up to Cancer” movement, was to draw the attention of the population to the increasing problem represented by cancer, alerting people to the need for early diagnosis and promoting

lifestyle changes. In addition to information aired on radio programmes and divulged in the Rádio Cidade website, radio hosts surprised people the streets, allowing this action to have a very strong, extremely positive impact.

- Donations were also raised through offer of a day’s work (by radio station employees) at the premises of companies making donations. This Rádio Cidade initiative, involving companies from the most varied business sectors, allowed this radio station to give an important contribution to “Ajuda de Mãe”.
- Outside Portuguese borders, child sponsoring in Mozambique was also supported – both through divulgation and direct contribution (by sponsoring children) – by Rádio Clube Português.
- Media Capital Multimedia – IOL developed a fundraising campaign, together with “Ajuda de Berço”, aimed at helping this Institution shelter children at risk. As occurred in previous years, this campaign represented a relevant incentive to maintaining this project.
- Media Capital Edições supported promotion of various events and institutions, such as AMI, Acreditar and Laço.

### *Promotion of culture, art, education and heritage*

- The Media Capital Group has been supporting some of the most important institutions and initiatives in Portugal, as a sponsor or through some of its companies, especially by helping their divulgation to the public. Fundação de Serralves and Casa da Música no Porto are examples of these partnerships – the Media Capital Group is part of the Founders Council of these two institutions – as well as the Estoril Cinema Festival.
- Having broadcast approximately 1,000 hours of Portuguese fiction produced by Plural Portugal in 2008, TVI continued to play a fundamental role in the development of Portuguese audiovisual industry. All soap operas broadcast by TVI focus on current health and social

problems, as well as specific cultural issues, with informative and educational purposes.

- Regarding divulgation of Portuguese culture, the “Cartaz das Artes” programme continues to be a reference in Portuguese television, having received the “MAC - Movimento de Arte Contemporânea” Award for the best television culture show, for the fourth consecutive year. This Institution also gave awards to journalist João Paulo Sacadura (Best Presenter), António Lopes da Silva (Best Director) and Filipa Faria (Best Journalist), all in the area of television culture shows.



## SOCIAL RESPONSIBILITY

- Within the scope of the Public Service Protocol, signed in September 2003 between the Government, RTP, SIC and TVI, TVI not only complied but also exceeded all foreseen obligations in 2008, namely provision of time slots to the *Instituto de Cinema e Audiovisual* (Cinema and Audiovisual Institute) (promotion of 11 films), production of programmes with sign language display (582 broadcasting hours) and production of programmes in Portuguese with subtitles for people with hearing impairments, available through teletext (390 broadcasting hours).
- Also within the scope of this protocol, “Todos Iguais”, a weekly programme aimed at small population segments, continued to be broadcast. Culture shows maintained their own slots, with regular broadcasting of theatre plays and the awarded art and show programme “Cartaz das Artes”.
- In addition to providing free advertising space for divulgation of various cultural, educational and artistic initiatives, MCR radio stations actively participate in local and/or nationwide divulgation of relevant events and initiatives within these areas.

## 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.

The Christmas campaign – offer of Christmas presents to children – organised for the benefit of the Salvation Army, is another successful example

of effort mobilisation amongst Group employees to support a social cause. Throughout the year, Group employees are also called to participate and involve themselves in the various causes supported by the Group’s business units, initiatives that are always well received and attract significant levels of participation.

## RESPONSIBLE CONTENTS

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

Within a context of social responsibility and protection of underage children and sensitive

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

### TVI

#### *Public Service Protocol*

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

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

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

#### *Programme Age Rating Policy*

Within a context of Social Responsibility and minor and sensitive targets protection, TVI initiated in October 2005 its own Age Rating Policy Programme with 5 age limits combined with parental advice. Programme rating is defined by an internal multi-disciplinary Commission, based on the objective analysis of eight different criteria (general subject, violence, nudity, sex, language, dangerous behaviour, drugs/alcohol or fear inducement).

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

Based on this experience, acknowledged as positive by the main television players, this self-regulatory project was reinforced through the signature, in September 2006, of an agreement between the three generalist Portuguese TV stations (TVI, RTP and SIC) which provided a common programme age rating policy for the three channels. This policy is very similar to TVI’s previously defined policy, and defines 4 age brackets, based on the analysis of the abovementioned 8 criteria.

TVI has maintained and improved, from an internal point of view, a common programme age rating policy, defined for the three operators, facilitating in this way the perception of the programming restrictions for the majority of viewers.

#### *Editorial Statute*

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

#### *Television Law*

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

### 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. There is also a Journalist Council (Conselho de Redacção) that also works as a safeguard to ensure the compliance with these issues.

#### *Radio Law*

The Portuguese radio market is regulated by law, which imposes rules regarding the attribution of broadcasting frequencies and the type of content broadcasted (local content for local radios), amount of Portuguese music and restricts the amount of minutes of advertising. These obligations are followed by MCR and controlled by the Media Regulator (ERC).

## DIALOGUE WITH STAKEHOLDERS

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

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

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

#### Telephone

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

#### Online

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

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

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 – in the case of TVI –, as well as regular feedback on their campaigns, by telephone, e-mail or in person.

### *Relations with the community, institutions or associations*

The Grupo Media Capital's Companies are actively involved with the main entities that represent and regulate the market, thus guaranteeing a close and

regular participation in all their activities and in the most relevant decision processes that impact the media sector.

### PROMOTION OF HUMANITARIAN PRINCIPLES

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

### EMPLOYEES

#### *Professional training and other benefits*

In 2008, 436 employees of the Grupo Media Capital benefited from 5.621 hours of vocational 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 edition.

Grupo Media Capital provides a health insurance plan for its employees and respective families. In addition, all employees benefit from a free anti-flu

vaccination programme, as well as 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.

### *Performance evaluation*

The current performance evaluation model in place at Grupo Media Capital is common to all companies within the Group and considers three major competence evaluation areas: key competences, general technical competences and, for directors only, management and leadership skills.

There is also a fourth evaluation area (of specific technical competences), based on which the

appraisal results are compared to the specific needs of each function, professional area or business unit.

Thus, the specific technical competences evaluation must not be understood as a common but rather a specific evaluation tool for each business unit.

### *ENVIRONMENT*

By definition, the activities of the Grupo Media Capital have a reduced ecological impact. However, the Group has been implementing a number of measures ranging from paper, card,

glass and plastic recycling to power consumption reduction, aiming to further reduce its environmental impact.



*Entertainment Social Responsibility Coherence Information Audiovisual Production Contents Quality Television Music Commitment Internet Independence Radio Culture Innovation Solidity Results Entertainment Social Responsibility Coherence Information Audiovisual Production Contents Quality Television Music Commitment Internet Independence Radio Culture Innovation Solidity Results Entertainment*

## **LEGAL PROVISIONS**

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## 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 2008 there were no acquisitions or sales of own shares, and hence on 31 December 2008 the Company held no own shares.

#### *Supplement set forth in Article 448 of the Portuguese Companies Code*

With regard to the abovementioned Article, please note that the number of shares held, on 31 December 2008, by the shareholders who

provided information in this regard, amounting to at least, a tenth, a third or half of the share capital are: Vertix SGPS, S.A.: 80,027,607 shares representing 94.69% of the share capital.

#### *List of Qualified Holdings (as of 31 December 2007)*

For the terms and effects of paragraph b) 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 2008:

Shareholder	Nº of owned shares	Percentage of share capital	Percentage of voting rights
Vertix SGPS, S.A.	80.027.607	94,69%	94,69%
Vertix SGPS, S.A. is 100% owned by the company Promotora de Informaciones, SA.			
Caixa de Aforros de Vigo, Ourense e Pontevedra	4.269.869	5,05%	5,05%

#### *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 that there are no shares held by the

members of the Corporate Bodies of the Company, as of 31 December 2008.

#### Members of the Board of Directors

	Shares	Nº of shares 31-12-08	Transactions in 2008			
			Acquisitions	Alienations	Unit price €	Date
Joaquim Pina Moura		0				
Manuel Polanco Moreno		0				
Miguel Gil Peral		0				
Juan Herrero Abelló		0				
Juan Luis Cebrián Echarri		0				
Javier Díez Polanco		0				
Jaime Roque de Pinho d' Almeida		0				
Tirso Olazábal		0				
José Lemos		0				

#### Statutory Auditor

	Shares	Nº of shares 31-12-08	Transactions in 2008			
			Acquisitions	Alienations	Unit price €	Date
Deloitte & Associados, SROC		0				

### *Corporate Governance Report*

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

### *Proposal of Application of Results*

The individual consolidated net result for the year ended on 31 December 2008, as prepared according to IFRS accounting standards adopted by the European Union, registered a profit of Euro 33,036,542 (thirty three million, thirty six thousand, five hundred and forty two euros).

Considering the net result for the year of 2008, the Board of Directors proposes the following:

- a) In accordance with the applicable law and Company's Articles of Association, 5% of the net result to be transferred to Legal Reserves, meaning a total amount of Euro 1,651,827.10 (one million, six hundred and fifty one thousand, eight hundred and twenty seven euros and ten cents);
- b) The remaining net result amounting to Euro 31,384,714.90 (thirty one million, three hundred and eighty four thousand, seven hundred and fourteen euros and ninety cents), to be transferred to Free Reserves.
- c) To transfer dividends amounting to Euro 19,438,031.40 (nineteen million, four hundred and thirty eight thousand, thirty one euros and forty cents), recorded as reserves on the 31 December 2008 balance sheet. The distribution of dividends corresponds to a gross dividend per share of Euro 0.23 (twenty three cents).

The dividend payout proposal, is set out to meet the expectations of investors and shareholders, without however disregarding the need to provide Grupo Media Capital with the adequate liquidity for potential business opportunities and / or events concerning the current economic environment.

### *Declaration*

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.

### *Acknowledgements*

We would like to end this report by thanking all of those who have, be it direct or indirectly, given their contribution to the development of this Group.

Queluz de Baixo, February 12, 2009

The Board of Directors:

Joaquim Pina Moura (Chairman)  
Manuel Polanco Moreno (CEO)  
Miguel Gil Peral (Director)  
Juan Herrero Abelló (Director)  
Juan Luis Cebrián Echarri (Director)  
Javier Díez Polanco (Director)  
Jaime Roque de Pinho D'Almeida (Director)  
José Lemos (Director)  
Tirso Olazábal (Director)

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## ***CORPORATE GOVERNANCE***

*Solidity Results Entertainment Social Responsibility Coherence Information Audiovisual Production Contents Quality Television Music Commitment Internet Independence Radio Culture Innovation Solidity Results Entertai*

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

## INTRODUCTION

The company Grupo Média Capital SGPS SA (hereinafter referred as to “Media Capital” or “The Company”) has chosen to enclose a separate annex to the 2008 Annual Report and Accounts dedicated entirely to the Corporate Governance in

accordance with article 245º-A of the Portuguese Securities Code and CMVM Regulations nº 01/2007 on the Corporate Governance of listed companies.

## GUIDING PRINCIPLES

Media Capital recognizes the importance of good governance in establishing an open and fruitful relationship between the Company’s shareholders and its Management. Our principles of Corporate Governance are guided by accountability to shareholders, clear and transparent information to all shareholders, the role of non executive

independent board members and the management’s desire to meet its obligations to shareholders. Our mission as management is to enhance the value of the shareholders’ investment by carefully managing the risks inherent to the business.

## DECLARATION OF COMPLIANCE

Media Capital, as a listed company subject to the Portuguese personal law, which shares are admitted to negotiation in the regulated market Euronext Lisboa, is subject to the applicable legal disposals in the Portuguese legal system, in what it respects to the disposals regarding to the corporate governance, namely in what concerns to

article 245.º- A of the Portuguese Securities Code, and the Regulation of CMVM n.º 1/2007 on Corporate Governance. Media Capital still adopts the disposals of recommendatory nature consecrated in the called Code of the Corporate Governance as emanated by the CMVM in September of 2007.

Recommendation / Chapter	Compliance	Description in the Report
I. GENERAL MEETING		
I.1 General Meeting Board		
I.1.1 The Chair of the General Meeting Board shall be equipped with the necessary and adequate human resources and logistic support, taking the financial position of the company into consideration.	Complied	Chapter II.1
I.1.2 The remuneration of the Chair of the General Meeting Board shall be disclosed in the annual	Complied	Chapter II.1

## CORPORATE GOVERNANCE

Recommendation / Chapter	Compliance	Description in the Report
report on corporate governance.		
<b>I.2 Participation at the Meeting</b>		
I.2.1 The obligation to deposit or block shares before the General Meeting, contained in the articles of association, shall not exceed 5 working days.	Complied	Chapter II.2
I.2.2 Should the General Meeting be suspended, the company shall not compel share blocking during that period until the meeting is resumed and shall then follow the standard requirement of the first session.	Complied This matter is not regulated by the Articles of Association.	Chapter II.2
<b>I.3 Voting and Exercising Voting Rights</b>		
I.3.1 Companies may not impose any statutory restriction on postal voting.	Complied	Chapter II.2
I.3.2 The statutory deadline for receiving early voting ballots by mail shall not exceed 3 working days.	Complied	Chapter II.2
I.3.3 The company's articles of association shall provide for the one share-one vote principal.	Not complied In the 2008 exercise was approved the change of the article, to make 1 vote correspond to each 100 shares, instead of each 1000 shares, in the belief that the possibility of participation and intervention of the shareholders is duly warned, namely having in consideration the low nominal value of the shares and the possibility that the shareholders might group to fulfill a vote, foreseen in the article 11° of the Articles of Association.	Chapter II.2
<b>I.4 Quorum and Resolutions</b>		
I.4.1 Companies shall not set a constitutive or deliberating quorum that outnumbers that which is prescribed by Law.	Not complied The constituent quorum consecrated in the Articles of Association for the purpose of deliberation in first invocation corresponds to the legally established constituent quorum for the purpose of, among others, changes in the Articles of Association. The Company believes that the foreseen constituent quorum, although superior to legally established, doesn't difficult or blocks the normal functioning of the Company. During the 2008 exercise, the Company eliminated the statutory disposals that imposed deliberative quorum for specific type of deliberations, in compliance with the Recommendation of the CMVM.	Chapter II.2
<b>I.5 Attendees List, Minutes and Information on Resolutions Passed</b>		
I.5.1 The minutes of the General Meetings shall be made available to shareholders on the company's website within a 5 day period, irrespective of the fact that such information may not be legally classified as material information. The list of attendees, agenda items of the minutes and resolutions passed during such meetings shall be kept on file on the company's website for a 3 year period.	Not complied The Company makes the minutes of its General meetings available on its website, in the stated period of 5 days. However, due to technical reasons, the historical data of the 3 previous years (regarding documentation relative to the General meeting that is not privileged) is not available. The Company is improving its website in order to soon provide all the historical information.	Chapter II.2

## CORPORATE GOVERNANCE

Recommendation / Chapter	Compliance	Description in the Report
<b>I.6 Measures on Corporate Control</b>		
I.6.1 Measures aimed at preventing successful takeover bids, shall respect both the company's and the shareholders' interests.	Complied	Chapter II.3
I.6.2 In observance to the principle of the previous sub-paragraph, the company's articles of association that restrict/limit the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Meeting, (5 year intervals, at least) on whether that statutory provision is to prevail – without super quorum requirements as to the one legally in force – and that in said resolution, all votes issued be counted, without applying said restriction.	Complied	Chapter II.2
I.6.3. In cases such as change of control or changes to the composition of the Board of Directors, defensive measures should not be adopted that instigate an immediate and serious asset erosion in the company, and further disturb the free transmission of shares and voluntary assessment of the performance of the Board of Directors by the shareholders.	Complied	Chapter II.3
<b>II. MANAGEMENT AND SUPERVISORY BOARDS</b>		
<b>II.1. General Points</b>		
<b>II.1.1. Structure and Duties</b>		
II.1.1.1 The Board of Directors shall assess the adopted model in its governance report and pinpoint possible hold-ups to its functioning and shall propose measures that it deems fit for surpassing such obstacles.	Complied	Chapter III
II.1.1.2 Companies shall set up internal control systems in order to efficiently detect any risk to the company's activity by protecting its assets and keeping its corporate governance transparent.	Complied	Chapter III.7
II.1.1.3 The Management and Supervisory Boards shall establish internal regulations and shall have these disclosed on its website.	Not complied	Chapter III.6
<b>II.1.2 Governance Incompatibility and Independence</b>		
II.1.2.1 The Board of Directors shall include a number of non-executive members that ensure the efficient supervision, auditing and assessment of the executive members' activity.	Complied	Chapter III.1 and III.2
II.1.2.2 Non-executive members must include an adequate number of independent members. The size of the company and its shareholder structure must be taken into account when devising this number and may never be less than a fourth of the total number of Directors.	Complied	Chapter III.1
<b>II.1.3 Eligibility Criteria for Appointment</b>		
II.1.3.1 Depending on the applicable model, the Chair	Complied	Chapter III.2

## CORPORATE GOVERNANCE

Recommendation / Chapter	Compliance	Description in the Report
of the Audit Board, the Audit Committee or the Financial Matters Committees shall be independent and be adequately capable to carry out its duties.		
<b>II.1.4 Policy on the Reporting of Irregularities</b>		
II.1.4.1 The company shall adopt a policy whereby irregularities occurring within the company, are reported. Such reports should contain the following information: i) the means through which such irregularities may be reported internally, including the persons that are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should it be required by the reporter.	Not complied Until today, the Company did not formally adopt a policy of communication of irregularities. However it is making efforts in order to soon implement all the necessary procedures for the adoption of this policy.	Chapter IV.5
II.1.4.2 The general guidelines on this policy should be disclosed in the corporate governance report.	Not applicable Until today, the Company did not formally adopt a policy of communication of irregularities.	Chapter IV.5
<b>II.1.5 Remuneration</b>		
II.1.5.1 The remuneration of the members of the Board of Directors shall be aligned with the interests of the shareholders. Thus: i) The remuneration of Directors carrying out executive duties should be based on performance and a performance assessment shall be carried out periodically by the competent body or committee; ii) the level of remuneration shall be consistent with the maximization of the long term performance of the company, and shall be dependent on sustainability of the levels of the adopted performance; iii) when the remuneration of non-executive members of the Board of Directors is not legally imposed, a fixed amount should be set.	Complied	Chapter III.1 and III.5
II.1.5.2 The Remuneration Committee and the Board of Directors shall submit a statement on the remuneration policy to be presented at the Annual Shareholders General Meeting on the Management and Supervisory bodies and other directors as provided for in Article 248/3/b of the Securities Code. The shareholders shall be informed on the proposed criteria and main factors to be used in the assessment of the performance for determining the level (share bonuses; option on share acquisition, annual bonuses or other awards).	Complied The Board of Directors and the Remuneration Committee, will submit to the appreciation of the General Meeting the policy of remuneration of the management and supervisory bodies, as well as for the rest of the management members of the Company. This policy of remuneration is in use since the beginning of 2008.	Chapter III.5
II.1.5.3 At least one of the Remuneration Committee's representatives shall be present at the Annual Shareholders' General Meeting.	Complied	Chapter III.3
II.1.5.4 A proposal shall be submitted at the General Meeting on the approval of plans for the allotment of shares and/or options for share purchase or further yet on the variations in share prices, to members of the Management and Supervisory Boards and other Directors within the context of Article 248/3/B of the	Not applicable During the 2007 exercise, the Board of Directors of Media Capital Group, along with the Nomination and Remuneration Committee of the Board and the Nomination and Remuneration Committee of the Management, decided	Chapter IV.8



## CORPORATE GOVERNANCE

Recommendation / Chapter	Compliance	Description in the Report
Securities Code. The proposal shall mention all the necessary information for its correct assessment. The proposal shall contain the regulation plan or in its absence, the plan's general conditions. The main characteristics of the retirement benefit plans for members of the Management and Supervisory Boards and other Directors within the context of Article 248/3/B of the Securities Code, shall also be approved at the General Meeting.	to extinguish the Stock Option Plan, which had been approved in April 22nd 2005.	
II.1.5.5 The remuneration of the members of the Management and Supervisory Boards shall be individually and annually disclosed and, information on fixed and variable remuneration must be discriminated as well as any other remuneration received from other companies within the group of companies or companies controlled by shareholders of qualifying holdings.	Not complied The Company considers that the communication of the global remuneration in aggregated terms is sufficient, having in consideration that the responsibility of the Board is assumed collectively and that the earnings resulting from the communication of the remuneration in individual terms, are inferior to the existing interest of protecting the privacy and reserve rights of each Administrator.	Chapter III.1
<b>II.2. Board of Directors</b>		
II.2.1 Within the limits established by Law for each Management and Supervisory structure, and unless the company is of a reduced size, the Board of Directors shall delegate the day-to-day running and the delegated duties should be identified in the Annual Report on Corporate Governance.	Complied	Chapter III.1
II.2.2 The Board of Directors shall ensure that the company acts in accordance with its goals, and should not delegate its duties, namely in what concerns: i) definition of the company's strategy and general policies; ii) definition of the corporate structure of the group; iii) decisions taken that are considered to be strategic due to the amounts, risk and particular characteristics involved.	Complied	Chapter III.1
II.2.3 Should the Chair of the Board of Directors carry out executive duties, the Board of Directors shall set up efficient mechanisms for coordinating non-executive members that can ensure that these may decide upon, in an independent and informed manner, and furthermore shall explain these mechanisms to the shareholders in the corporate governance report.	Not applicable	Chapter III.1
II.2.4 The annual management report shall include a description of the activity carried out by the non-executive Board Members and shall mention any restraints encountered.	Complied	Chapter III.1
II.2.5. The management body should promote member replacement for financial matters at least after a 2 year mandate.	Complied The Company does not have a member on its Board exclusively responsible only for financial matters. The referred administrator did not accomplish two mandates.	

## CORPORATE GOVERNANCE

Recommendation / Chapter	Compliance	Description in the Report
<b>II.3 Chief Executive Officer (CEO), Executive Committee and Executive Board of Directors</b>		
II.3.1 When Directors that carry out executive duties are requested by other Board Members to supply information, the former shall do so in a timely manner and the information supplied must adequately suffice the request made.	Complied	Chapter III.1
II.3.2 The Chair of the Executive Committee shall send the convening notices and minutes of the meetings to the Chair of the Board of the Directors and, when applicable, to the Chair of the Supervisory Board or the Auditing Committee.	Not applicable The Company does not have an executive committee. The announcements and minutes of the Board of Directors and the Auditing Committee are sent to the respective members by each President.	Chapter III
II.3.3 The Chair of the Executive Board of Directors shall send the convening notices and minutes of the meetings to the Chair of the General and Supervisory Board and to the Chair of the Financial Matters Committee.	Not applicable The Company does not adopt the governance model that incorporates the general and supervisory board. The announcements and minutes of the meeting of the Board of Directors and the Auditing Committee are sent to the respective members by each President.	Chapter III
<b>II.4. General and Supervisory Board, Financial Matters Committee, Audit Committee and Audit Board</b>		
II.4.1 Besides fulfilling its supervisory duties, the General and Supervisory Board shall advise, follow-up and carry out on an on-going basis, the assessment on the management of the company by the Executive Board of Directors. Besides other subject matters, the General and Supervisory Board shall decide on: i) definition of the strategy and general policies of the company; ii) the corporate structure of the group; and iii) decisions taken that are considered to be strategic due to the amounts, risk and particular characteristics involved.	Not applicable The Company does not adopt the governance model that incorporates the general and supervisory board.	Chapter III
II.4.2 The annual reports and financial information on the activity carried out by the General and Supervisory Committee, the Financial Matters Committee, the Audit Committee and the Audit Board shall be disclosed on the company's website together with the financial statements.	Complied	Chapter III.2
II.4.3 The annual reports on the activity carried out by the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Audit Board shall include a description on the supervisory activity and shall mention any restraints that they may have come up against.	Complied	Chapter III.2
II.4.4 The Financial Matters Committee, the Audit Committee and the Audit Board (depending on the applicable model) shall represent the company for all purposes at the external auditor, and shall propose the services supplier, the respective remuneration, ensure that adequate conditions for the supply of	Complied	Chapter III.2

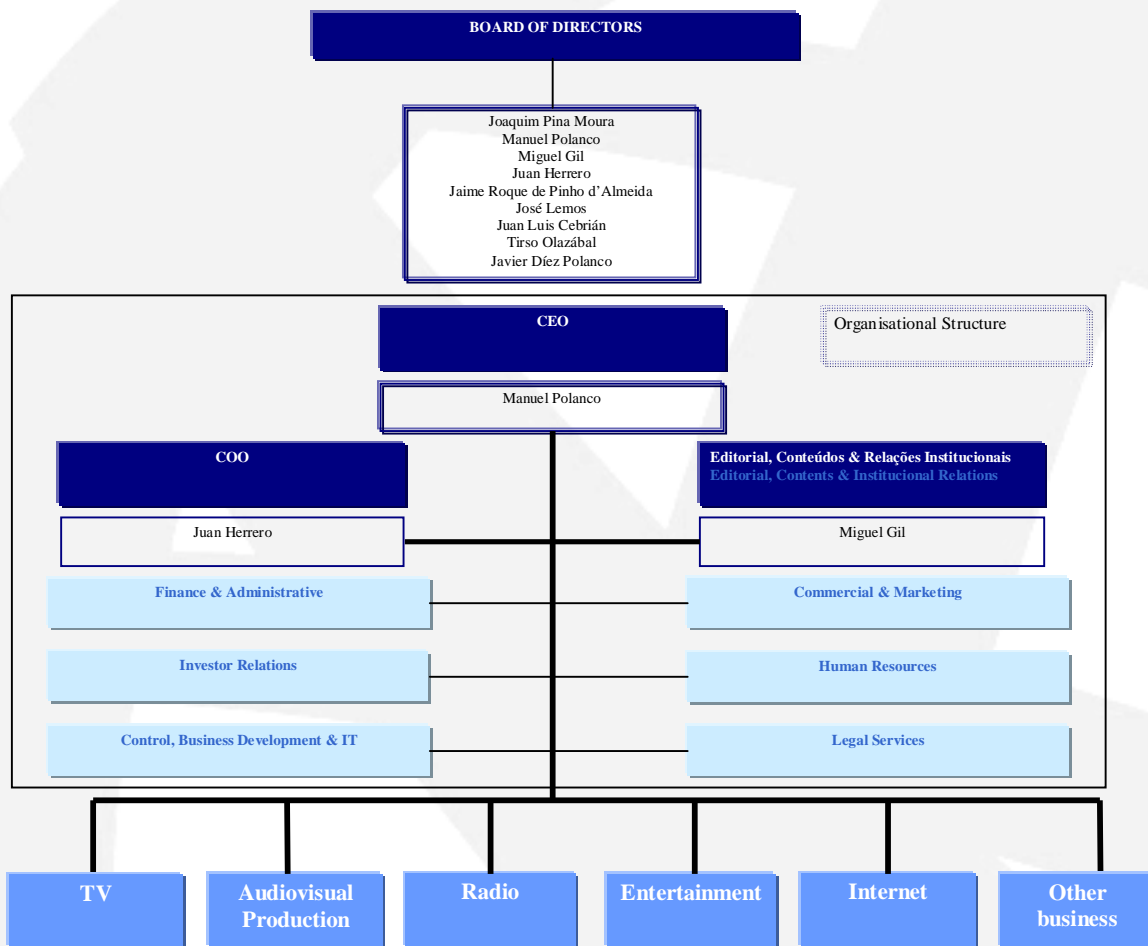
## CORPORATE GOVERNANCE

Recommendation / Chapter	Compliance	Description in the Report
these services are in place within the company, as well as being the liaison officer between the company and the first recipient of the reports.		
II.4.5 According to the applicable model, the Committees for Financial Matters, Audit Committee and the Audit Board, shall assess the external auditor on an annual basis and advise the General Meeting that he/she be discharged whenever justifiable grounds are present.	Complied	Chapter III.2
<b>II.5. Special Committees</b>		
II.5.1 Unless the company is of a reduced size and depending on the adopted model, the Board of Directors and the General and Supervisory Committees, shall set up the necessary Committees in order to: i) ensure that a competent and independent assessment of the Executive Directors' performance is carried out, as well as its own overall performance and further yet, the performance of all existing Committees; ii) study the adopted governance system and verify its efficiency and propose to the competent bodies, measures to be carried out with a view to its improvement.	Complied	Chapter III.3
II.5.2 Members of the Remuneration Committee or alike, shall be independent from the Members of the Board of Directors.	Not complied	Chapter III.3
II.5.3 All the Committees shall draw up minutes of the meetings held.	Complied	Chapter III.3 and III.4
<b>III. INFORMATION AND AUDITING</b>		
<b>III.1 General Disclosure Duties</b>		
III.1.2 Companies shall maintain permanent contact with the market thus upholding the principle of equality for shareholders and ensure that investors are able to access information in a uniform fashion. To this end, the company shall create an Investor Assistance Unit.	Complied	Chapter IV.10
III.1.3 The following information that is made available on the company's Internet website, shall be disclosed in the English language:  a) The company, public company status, headquarters and remaining data provided for in Article 171 of the Commercial Companies Code; b) Articles of Association; c) Credentials of the members of the Board of Directors and the Market Liaison Officer; d) Investor Assistance Unit – its functions and access tools; e) Accounts Reporting documents;	Complied	Chapter IV.10

## CORPORATE GOVERNANCE

Recommendation / Chapter	Compliance	Description in the Report
f) Half-Yearly Calendar on Company Events; g) Proposals sent through for discussion and voting during the General Meeting; h) Notices convening meetings.		

## CHAPTER I – ORGANIZATIONAL STRUCTURE



### *1.1 Own Shares*

As regards its organization, the Media Capital Group is structured in business areas, corresponding to the different media markets in which it operates – Television, Audiovisual Production, Radio, Entertainment, Internet and other businesses. Being the Group's holding, the company Grupo Média Capital, SGPS, S.A. is responsible for its strategic development, namely regarding its expansion process, as well as for the global management of all the different business areas, playing a leading role in the decision making process.

Each business area works in accordance with autonomous current management principles, according to the criteria and orientations that derive from each area's Annual Budget, reviewed and approved by the respective business areas and by Media Capital's Board of Directors, in which the strategic, operational and investment orientations of the various businesses are decided upon in a participative and interactive manner. The operational functioning is regulated within a management control system led by the holding, where the use of the budget is, permanently, under control.

### *1.2 Media Capital Holding*

In order to adequately exercise its functions, the Media Capital Group holds various functional structures that support the Group's management, which are grouped in Media Capital Serviços, S.A. (a company 100% held by Media Capital). The aim of these structures is not only to provide the holding with tools to support operational decisions, but

also to render management and consulting services to the whole Group and respective business areas, with regard to administration and financial services, commercial and marketing, human resources, planning and control and information systems areas.

## CHAPTER II – GENERAL MEETING

### *II.1 Composition*

The members of the General Meeting Board for the present mandate (2008/2011), in exercise during 2008, were designated on the Company's annual General Meeting, occurred on March 5<sup>th</sup> 2008. The members of the General Meeting Board are:

**PRESIDENT:** Mr. Dr. Pedro Canastra de Azevedo Maia, Master in Legal-Business Sciences, of Vila do Conde, domiciled in Alameda Infante D. Pedro, number 56, in Coimbra.

**VICE-PRESIDENT:** Mr. Dr. Tiago Antunes da Cunha Ferreira de Lemos, Attorney, of Lisbon, domiciled in Rua da Arrábida, 54, 2<sup>o</sup> Esq., in Lisbon.

The presiding board members of the General Meeting are secretariat by the Secretary of the Company, Dr. Francisco Sá Carneiro, appointed by the Annual General Meeting of Media Capital, held on 5th March 2008.

The remuneration of the members of the General Meeting Board is performed by a fixed amount, defined according to the market remuneration for similar duties. During 2008, the members of the General Meeting Board were remunerated by their participation and intervention in the Annual Meeting Board of Media Capital, held on 05<sup>th</sup> March 2008.

Considering the economical situation of the Company, the members of the General Meeting Board have the proper human and logistical support resources to their needs, using the support of the Secretary of the Company and the Company's in-house legal advice.

The Company also provides the essential technical advice through the development of software, with the purpose of vote counting and ballot during the Meeting Board.

### *11.2 Shareholder Participation*

#### *Voting and exercising of voting rights*

The Shareholders' General Meeting is composed of the shareholders that, five business days prior to the scheduled Shareholders' General Meeting, have at least one hundred (100) shares

representing the Company's share capital, registered on their name at the book-entry securities' account opened with a financial intermediary.

The proof of the ownership of the shares is performed upon sending a declaration issued by the financial intermediary of the sharing account register, to the attention of the President of the General Meeting Board, with an advance period of five days to the date of the meeting, and must include that the shares in question are registered in the respective account since at least the fifth working day, counting from the date of the meeting, and that the account locking of the shares was made until the meeting date.

The Memorandum of Association of Media Capital does not foresee a deadline to the account locking of the shares in cases of suspension of the Meeting Board.

Pursuant to Company's Articles of Association, each group of one hundred (100) shares, with a nominal value of Euro 1,06 (one euro and six cents) per share, is entitled to one vote. Shareholders holding less than one hundred shares representing the Company's share capital may only intervene and participate in the Shareholders' General Meeting if they group themselves in order to reach said minimum number of shares, in which case they will be represented by one of them.

However, the Company recognizes the application of the Recommendation number 1.2.2 of CMVM concerning the Code of Corporate Governance, that provides in case of suspension of the Meeting Board, the Company must not oblige the locking of the shares during the total period until the session is resumed, being sufficient the required ordinary locking advance in the first meeting .

In the 2008 exercise was approved the change in the article, to make 1 vote correspond to each 100 shares, instead of each 1000 shares, in the belief that the possibility of participation and intervention of the shareholders is duly warned, namely having in consideration the low nominal value of the shares and the possibility that the shareholders might group to fulfill a vote, foreseen in the article 11° of the Partnership Contract.

The Company does not foresee any limitation to the individual number of votes detained or exercised by only one shareholder or in conciliation with other shareholders.

#### *Vote by mail*

The article number 11 of the Memorandum of Association of Media Capital defines that the shareholders can exercise their vote by mail.

The vote by mail must be addressed to the Presiding Officer and delivered in person to the Company, or received with an advance of at least three working days before the date of the meeting. The vote by mail is confidential until the voting moment and will be considered as a negative vote, according to the proposals of the deliberation presented after the voting.

The exercise of the vote by mail must be performed by postal ballot paper, supplied on the Company's website (<http://www.mediacapital.pt>), and after duly filed and signed, must be inserted inside a sealed envelope, addressed to the head office of the Company, with a copy of the subscriber's identification document, and with a document certifying his authority.

### *Vote by telematic means*

The Company's Articles of Association does not forbid the participation on Shareholders' General Meeting by telematic means, as the Company is able to ensure their authenticity and the security of the communications. During 2008 the vote by telematic means to the annual Meeting Board was not implemented, as the Company has considered that the vote by mail ensured the access of all the shareholders to participate in the decisions under deliberation.

### *Quorum*

Concerning the article number 15 of the Memorandum of Association, the Meeting Board can deliberate upon the first call, in case of the presence or representation of shareholders with voting rights, holding at least one third of the social capital shares.

The Meeting Board deliberations will be taken by the majority of the votes confirmed in each meeting, without prejudice of the cases when the law requires a qualified majority, such as the case of the approved changes to the Memorandum of

Association, pursuant to the article number 386 of the Commercial Company Code.

During 2008, the Company has eliminated the statutory provisions that required a superior deliberating quorum to the legally required, which foresees a superior quorum for the impeachment purpose of the Management Board or its respective members without just cause. Such change in the terms of the Memorandum of Association was performed in order to adequate the deliberating quorum imposed statutorily to the required by law, fulfilling the Recommendations of CMVM related with the Code of Corporate Governance.

### *Minutes of the Meeting Board*

The minutes of the meetings of the Company's Meeting Board are available to the shareholders on the Company's website within 5 (five) days after its completion. The Company's website (<http://www.mediacapital.pt>) provides a file of the financial information of the Company concerning previous years.

Media Capital is actually developing its website, in order to spread its information concerning the General Meetings, namely the agenda, the proposals and the deliberations performed during such meetings, not only concerning the current financial year, but also concerning at least the 3 (three) previous years, fulfilling the Recommendations of CMVM concerning the Code of Corporate Governance.

## *11.3 Measures concerning the control of the Companies*

The Company has not adopted measures or rules in order to prevent the success of take-over bids, by the approval of any statutory provisions or any other measures adopted by the Company. In 2008 were not adopted any protecting measures in order to cause severe damages to the heritage of the Company, in case of the transition of the Company control, or in case of changes in the composition of the Board of Directors. As far as the

Management Board is aware, the Company did not make any significant agreements to become in force, to be changed or ceased in case of changes to the control of the Company, and did not make agreements with the holders and managers of the board of directors that foresee compensations in case of resignation, dismissal without just cause, or cession of the working relation after a change of the Company control.

## CHAPTER III - ADMINISTRATIVE AND SUPERVISING BODIES

Media Capital adopts the administration and supervision structure provided in the clause b) of the number 1 of the article number 278 of the Commercial Company Code, i.e., the administrative and supervising structure, composed by a Management Board, including the Auditing

Committee and the Statutory Auditor. Taking into account the development of the activity and its dimension, the Management Board considers that the adopted model is suitable to the Company operations and its members.

### *III.1 Board of Directors*

The Board of Directors is responsible for the management and representation of the company. Its main responsibilities are to define the company's strategic guidelines, monitor the implementation of such guidelines and supervise

the financial health of the company. The Managing Director and senior management are responsible for the day to day operations developed by the Media Capital Group.

#### *Composition*

The Memorandum of Association of Media Capital defines that the Board of Directors must be composed by a minimum of 7 (seven) members and a maximum of 11 (eleven) members, elected by the Meeting Board every 4 (four) years, and re-eligible one or more times.

In order to ensure a majority of independent members in the Auditing Committee, the Board of Directors included two or more independent members, and includes six non-executive members, in order to ensure the effective ability of the follow-up and evaluation of the executive members' activity.

The Board of Directors comprises an Auditing Committee and a Statutory Auditor that are responsible for the Company supervision.

The Board of Directors is appointed or replaced as provided in the Commercial Company Code. The article number 19 of the Memorandum of association provides the possibility to replace a Director under the law, and if the Board of Directors declares the definitive default of such Director, in case of unjustified absence to more

than 3 (three) meetings of the Board of Directors during a financial year.

Within the appointment of the Board of Directors, a group of shareholders with more than ten per cent of the shares and with less than twenty per cent of the Company's social capital may still propose to the Meeting Board the election of a Director as a representative of the minorities, according to the numbers 2 to 5 of the Article number 392 of the Commercial Company Code, and as provided in the article number 19 of the Memorandum of Association.

The president of the Board of Directors is designated by the General Meeting Board. In the absence of this designation by the General Meeting Board, the President can be elected by the Board of Directors.

The members of the Board of Directors for the present mandate (2008/2011), in exercise during 2008, were designated on the Company's annual General Meeting, occurred on March 5<sup>th</sup> 2008. The members of the General Meeting Board are:



## CORPORATE GOVERNANCE

### President:

Joaquim Pina Moura	Non-executive	Independent
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### Vogals:

Manuel Polanco	Executive	
Miguel Gil	Executive	
Juan Herrero	Executive	
Juan Luís Cebrián	Non-executive	
Javier Díez Polanco	Non-executive	
Jaime Roque de Pinho D'Almeida	Non-executive	Independent
Tirso Olazábal Cavero	Non-executive	Independent
José Lemos	Non-executive	Independent

The definition of the professional qualifications of the Board of Directors, their Professional activity, their share capital, the period in which they are exercising their duties in the Company and their

responsibilities in Companies other than Group Media Capital are listed in the separated annex to this report.

### *Delegation of powers*

Concerning the management of the delegation of powers, the Board of Directors has approved the delegation of powers to the Director Sr. Manuel Polanco Moreno, as the Chief Executive Officer of the Company, with conferred powers of day-to-day management of the Company, as provided in the article number 22 of the Memorandum of Association.

confess, to give up, to appeal or to compromise in every kind of lawsuits and proceedings.

Under the article number 407 of the Commercial Company Code, the delegation of powers to the Chief Executive Officer does not exclude the authority of the Board of Directors to decide on the subject matter in the scope of delegation, being normal practice of the Company Board of Directors to approve or to ratify the individual acts performed by the Chief Executive Officer.

The Board of Directors has delegated to the Chief Executive Officer the delegated powers pursuant to the law, including the day-to-day management powers of the Company, namely (i) to make, to change or to cancel service contracts, licensing, cooperation, mandate, exchange, rent, leasing, factoring, franchising, commodatum and/or mutual of or on any rights, services, products or personal property, subject or not to registry, real estate leasing and underleasing, (ii) to accept and to decline guarantees granted by third parties, (iii) to make any kind of debt recovery, (iv) to issue invoices, and to sign receipts or discharging documents, (v) to exercise the regulatory, governing and disciplinary power on workers, (vi) to sign correspondence and general routine documents, (vii) to represent the Company before public and private institutions, (viii) to declare and pay taxes, fees and contributions, (ix) to represent the Company in court or out of court, actively or passively, being able to propose, to follow, to

Without prejudice to the powers delegated to the Chief Executive Officer, the Board of Director is composed by two more responsible executive directors that make a direct follow-up to specific acting areas of the Group Media Capital, in order to optimize an effective management. Under the terms of the Chapter I of the present Report, the executive directors are responsible for advising the Chief Executive Officer in the performance of his duties.

The non-executive directors follow-up the activity developed by the Company and its Chief Executive Officer, guaranteeing the supervising, the inspection and the evaluation capability of the executive members, by the monthly meetings of the Board of Directors, without prejudice to the access of any information or documentation requested at any moment.

Media Capital did not appoint an Executive Board, and the decisions concerning the important and the strategic subjects adopted by the Board of directors while executive board in the performance of its duties, considering not necessary to implement such a commission to the smooth operation of the Company and to the protection of the shareholders' interests.

### *Operation*

The Board of Directors meets whenever called verbally or in writing by its President or two vocals, when and where the social interest requires, and at least once a quarter.

The call to the meetings of the Board of Directors shall be performed in writing, by letter, fax, telegram or e-mail, with a minimum advance of seven working days before the meeting date, and it must include the agenda. All the necessary and relevant information must be disclosed for the fulfillment of the Manager's duties before the Company for the meeting of the Board of directors in reasonable time, or according to the approved by the Board of directors.

If the circumstances such demand, the President or two Directors can call the Board of Directors' meeting by letter, fax, telegram or e-mail, without the need of fulfilling the notice period and the above requirements. These special Board of Directors' meetings must be called with a minimum pre-advise of 48 (forty eight) hours.

The Board of Directors may only legitimately deliberate since they are present or if they represent the majority of its members. Any Director disabled to attend the meeting may vote by mail or be represented by another Director, exercised or conferred by letter or any other written communication addressed to the President.

Any Director disabled to attend the meeting can request the authorization of the President to attend the meeting by phone or video-conferencing, which shall be authorized (i) if the Company is able to ensure the authenticity of the declarations and the safety of the communications, and (ii) according to the meeting's agenda. However, the Directors must exert its best efforts to attend the Board of Director's meetings in-

person. The deliberations of the Board of Directors are taken by the majority of the votes of the Directors in-person or represented and by the mail voting, having the President or his substitute a casting vote.

Any Director that intends to conclude a contract, a transaction or an agreement with the Company, must inform the nature of such matter during the Company Board of Directors' meeting, during which the celebration of such contract, transaction or agreement will be judged for the first time. The Director in question doesn't count for the necessary quorum or to the voting in such deliberation or related.

The minutes of the Board of Director's meetings are drawn up and registered in the respective Minute Book and sent to the approval of every members of the Board of Directors. The Board of Directors of Group Media Capital has met regularly 11 times during 2008, with the participation or representation of all the members, thus guaranteeing the effective management control of the Group.

During 2008, and as per the meetings of the Board of Directors, the Chief Executive Officers and other directors exercising executive authority disclosed all the information required by the other members of the Board of Directors.

### *Authorization to the increase of capital*

As per the provisions of the Memorandum of Association, the Board of Directors is authorized to increase the social capital in cash, once or more times, until the maximum limit of Euro 15.000.000,00. The Board of Directors will deliberate the terms and the conditions of each capital increase, and also the issuing and paying conditions.

### *Remuneration*

The fixed remunerations attributed to the members of the Board of Directors of Media Capital in 31st December 2008 were in the amount of Euro 1.673.123. The variable remunerations attributed to the members of the Board of Directors of Media Capital in the final of the financial year ended in 31<sup>st</sup> December 2008 have reached the amount of Euro 300.000.

From the remunerations realized in 2008, Euro 1.758.123 corresponded to the remuneration (fixed and variable) realized by the executive members of the Board of Directors of Media Capital and a total of Euro 215.000 to the remuneration realized by the non-executive

members (including the independent members) of board of directors.

In case of termination of service of the members of the Board of Directors during the mandate, the payment of any amounts is not foreseen, independent of its nature.

### III.2 Auditing Committee

The Auditing Committee is composed by non-executive members of the Board of Directors, being composed by a majority of independent members, under the terms of the article number 423-B of the Commercial Company Code. The Auditing Committee is composed by a minimum of three and a maximum of five members of the Board of Directors.

The members of the Auditing Committee for the mandate of 2008/2011, and on exercise during 2008, were appointed jointly with the other members of the Board of Directors in the annual Meeting Board of Media Capital, held on 5<sup>th</sup> March 2008. The Auditing Committee is composed by the following members of the Board of Directors:

President of the Auditing Committee:

Jaime Roque de Pinho D'Almeida	Non-executive	Independent
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Members of the Auditing Committee:

Juan Luis Cebrián	Non-executive	
Tirso Olazábal Cavero	Non-executive	Independent
José Lemos	Non-executive	Independent

The exercising members have the proper skills to the performance of their duties.

#### Skills

Under the law, the Auditing Committee is responsible of multiple functional duties, namely attending the meetings of the Auditing committee, the meetings of the Board of Directors, to keep the achieved facts and information strictly confidential on the basis of their duties. The skills of the Auditing Committee of Group Media Capital are the ones provided by law, namely under the article number 423-F of the Commercial Companies Code.

of the financial information. The Auditing Committee is the representative of the Company before the external auditor proposed to the annual Meeting Board. The Auditing Committee has met with the Official Auditor in order to follow-up his auditing work and conclusions, supervising the operations developed by the Official Auditor, in order to protect his independency, namely concerning the additional supply of services. The Auditing Committee has also proceeded to the evaluation of the performance of the external auditor.

During 2008, the Auditing Committee, within the exercise of its skills, has made the follow-up of the activity of the companies integrated in the Group Media Capital, ensuring the compliance with the law and with the respective Memorandum of Association, having controlled the regularity of the accounting records, the accuracy of the documents of reporting, the adopted accounting policies, supervising the process of preparing and releasing

Every year the Auditing Committee prepares a report concerning its activity and presents its opinion concerning the reported documents, as presented by the Board of Directors and by the Official Auditor.

The Report of the Auditing Committee is issued and released to the shareholders jointly with the reporting documents.

### *Operation*

The minutes of the meetings of the Auditing Committee are drawn up and registered in the

respective Minute Book and sent to all the members of the Auditing Committee. Under the terms of the Commercial Company Code, the Auditing Committee has attended all the meetings of the Board of Directors during 2008, has met 5 (five) times, in order to analyse all the financial information in detail, as well as the periodical information released to the market.

### *III.3 Commission of Appointment and Remuneration of the Board*

Under the Commercial Company Code and the article number 17 of the Memorandum of Association, the Meeting Board has designated the

- To present the proposals of the appointment of members for the Board of directors, for the Auditing Committee and for the General Meeting Board;
- To approve the remuneration of each member of the Company's Board mentioned in the previous item; and
- To analyze annually the remuneration politics of the Company's Board. The Commission of Appointment and Remuneration of the Board is still responsible for the evaluation of the performance of the Board of Directors' members.

The Commission of Appointment and Remuneration of the Board is composed of three to five members.

The exercising members of the Commission of Appointment and Remuneration of the Board during 2008 were jointly appointed in the same annual Meeting Board of Media Capital, held on 5<sup>th</sup>

Commission of Appointment and Remuneration of the Board, with the following key skills:

March 2008, and it is composed by the following members:

President: Mr. Ignacio Polanco Moreno, from Spain;

- Mr. Miguel Satrustegui Gil-Delgado, from Spain;

- Mr. Gregorio Marañón y Bertrán de Lis, from Spain.

The minutes of the meetings and the deliberations of the Commission of Appointment and Remuneration of the Board are drawn up and registered in the respective Minute Book and sent to all the members.

The members of the Commission of Appointment and Remuneration of the Board have attended all the meetings of Meeting Board during 2007. The current members were appointed in the last meeting of the Meeting Board, attended by its President.

### *III.4 Commission of Appointment and Managers' Remuneration*

The Commission of Appointment and Managers' Remuneration is a commission composed and appointed by the Board of directors, under the provisions of the article number 23 of the Memorandum of Association. The Commission is responsible for the implementation and revision of the material aspects of the politics of the Group Media Capital concerning the compensation to

senior managers, as well as to any performance bonuses that Media Capital intends to implement to encourage the productivity of the managing team. The Commission of Appointment and Managers' Remuneration is composed by four members of the Board of directors, being two of them considered independent administrators.

The current composition of this Commission is the following:

Manuel Polanco	Executive Administrator	
Juan Luís Cebrián	Non-Executive Administrator	
Jaime Roque de Pinho D'Almeida	Non-Executive Administrator	Independent
José Lemos	Non-Executive Administrator	Independent

The minutes of the meetings and the deliberations of the Commission of Appointment and Managers' Remuneration are drawn up and registered in the respective Minute Book and sent to all of its members.

### *III.5 Description of the Remuneration Politics*

Media Capital adopts the remuneration and compensation politics to the Board and to other managers, based in the presupposition that a trust relationship, the competence, the effort and the commitment are the essential requirements for a healthy performance of the Company business.

The Board of directors, the Commission of Appointment and Remuneration of the Board and the Commission of Appointment and Manager's Remuneration will submit the remuneration and the supervising politics of the Board of Directors and other managers of the Company to the approval of the Meeting Board. The remuneration and the supervising politics to be judged of the Board of Directors and other managers are in force since the beginning of 2008.

#### Executive Directors

The remuneration and compensation politics of the executive members of the Company's Board of directors follow a plan based in the conciliation of the fixed and variable branches of their remuneration. It was still defined a remuneration politics directed mainly to the encouraging goals, reflecting its daily involvement and the individual motivation.

Thus, the remuneration of the executive members of the Board of directors comprises (i) a fixed component, defined according to the level of responsibility of each executive member, revised annually, and that comprises the gross base remuneration paid concerning one year period, and of a set of non-cashed benefits, namely related with health care and life insurances, in similar terms as the attributed to other

collaborators of Group Media Capital; (ii) a variable component, paid in the following year, as a performance premium, considering the performance evolution, based on defined criteria and annually reviewed, by the applying of a professional performance formula concerning the current year and (iii) a variable multiannual component, named as Long Term Stock Option Plan ("ILP"), that mainly aims to the achievement of the motivation goals and the executives' retention, which is bind to the pursuit of the consolidated objectives of Group Media Capital, reflected in the strategic plan of 2008-2010, which will be analysed according to certain indicators.

#### Non-Executive Directors

The non-executive Directors (including the independent members) earn a fixed and regular remuneration, not set any model of variable remuneration, once their activity in the Board of directors is due to their professional background, representing to the Group a valuable support and knowledge source (know how). The above mentioned remunerations are settled to the respective administrator, in equal and successive benefits.

#### Official Auditor

The supervision of the Company is performed by Deloitte & Asociados, SROC, SA, remunerated according to the current level of fees of similar services, by reference to the market information, as annually negotiated under the supervision of the Auditing Committee.

### Managers

The Commission of Appointment and Manager's Remuneration revises annually the politics concerning the compensations to managers,

considered for that purpose the senior managers of the companies of the Group Media Capital.

The remuneration is composed by a fixed and by a variable component.

### *III.6 Regulation Procedures for Corporate Bodies*

Media Capital and its corporate bodies, namely the Board of Directors, have not approved, up to the present date, any internal rules or regulations' procedures, neither have adopted any regulations

nor rules relative to the incompatibility or limitations in what regards the maximum number of cumulative functions.

### *III.7 Internal Control and Risk Management*

Media Capital's Board of Directors believes that it is essential to implement systems that allow the Company to:

- Identify the risk it faces.
- Measure the impact on the financial performance and on the value of the Company.
- Compare the value at stake with the costs of the hedging instruments, if available.

- Control the evolution of the identified risks and the hedging instruments.

The risk control function intends to minimize the impact of the existing risks in Media Capital and in all its stakeholders. The Media Capital Group faces three types of operating risks, inherent to its businesses: regulatory, financial and operational.

### *Regulatory*

#### Risks

- Like other operators in the Portuguese media industry, the Media Capital Group is subject to a number of laws, regulations and directives that limit the manner in which Media Capital Group may conduct its operations. Current laws, regulations and directives govern, amongst others, the issuance, renewal, transfer and ownership of television and radio broadcasting licenses, the timing and content of television and radio programming, the timing and amount of commercial advertising that may be broadcasted in a given period and the content of advertising that may be broadcasted or displayed.

television broadcasting licenses. All existing free-to-air television broadcasting licenses were issued for 15 years in 1992 and may be renewed for additional 15-year period upon request by the relevant holder, provided that certain conditions are met. ERC issued, on June 20<sup>th</sup> 2006, its Deliberation 1-I2006, regarding the renewal of the SIC and TVI television broadcasting licenses, for a 15-year period, in what respects to the program' services known, respectively, as "SIC" and "TVI". ERC also used the opportunity to, on the referred Deliberation, notify those entities to adequate the program services to the Television law requirements, and to the first assumptions on the licensing process and its amendments, as approved by the regulator authority, all in terms that were considered not adequately provided by applicable law.

#### Risk Control

- The Regulatory Authority for the Media (Entidade Reguladora para a Comunicação Social, hereinafter referred to as the "ERC") is vested with the authority to issue and to renew

Broadcasters started a special administrative procedure in order to contest the binding obligations imposed by the regulator. The decision issued by the Sintra Tax and Administrative Court on July 12<sup>th</sup> 2007 considered that a formal error on ERC's Deliberation had occurred, once TVI had not been heard in prior hearing, and declare it void although the argument of non competency of ERC for changes of the terms and conditions of the program services on which the license was issued, did not proceed. Thus, TVI has appealed of the decision on Central Administrative Court. ERC emitted a new deliberation (2/LIC-TV/2007) on December 20<sup>th</sup> 2007, in which it reinforced the content of its 1-L2006 deliberation, but changing some of its specific aspects. TVI presented an impugnation request of the new deliberation.

- Currently, Radio licenses are issued for 10 years, except for those concerning operators at national level, which are issued for 15 years which may be renewed for additional 10-year period upon request by the relevant holder provided that certain conditions are met. Recently, the regional license for Radio XXI Lda and local license for Radio Cidade, SA were renewed. The requests for renewal were submitted to the ERC six months prior to the expiry of the term of the licenses. Media Capital considers that it is very unlikely that the renewal request will be rejected if the conditions for its awarding are complied with. The board of the Media Capital Group and the operating unit are responsible for monitoring the requirements for licenses and the dealings between the Media Capital Group and the regulatory authorities.

### Financial

The financial risk management is a responsibility of the Media Capital Group business units. The risk management is structured by identifying the general risks and a their prioritization, in order to develop the adequate measures and strategies to minimize the exposure to critical risks and to adopt procedures and internal risk control measures that are adequate to reduce the risk to levels that are considered, in the management board opinion, as acceptable.

Media Capital Group businesses are also influenced by a group of risks, with a higher or lower capacity of being monitored and minimized by the management control. Facing this reality, internal controls on financial area have been developed in order to manage and control the group of risk facts which are hereby described:

### Market risk

Market risks relate to changes in interest and exchange rates.

(i) Interest rate - Interest rate risk relates essentially to the variable interest rate to which the commercial paper program is subject. In order to reduce the level of risk to which the Group is exposed, Media Capital contracted a hedge which fixes the range of variation of the 1 month Euribor rate with a cap of 4.99% and a floor of 3.25%. Media Capital has a policy of covering around 50% of its interest rate risk through interest rate swaps. The Company's sensitivity to changes in interest rates is limited by the above hedging products, which are recorded at market value determined by reference to valuations made by independent entities.

(ii) Exchange rate - The exchange rate risks are essentially related to the investment in Plural Entertainment, as well as to the denominated debt in currencies other than Euro, the Group's reporting currency. The Company is also subject to exchange rate risk on future transmission rights contracts to be entered into, for which hedging instruments are not contracted

### Credit risk

Credit risk relates essentially to accounts receivable resulting from the Group's operations, which the Group endeavors to reduce through its policy of financial discounts for early or cash payment. 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.

Impairment loss on accounts receivable is determined considering:

- Aging analysis of accounts receivable;
- Risk profile of the customer;
- Financial condition of the customer.

The Board of Directors believes that the estimated impairment losses are adequately provided for in the financial statements. The Company believes that there is no need to increase the adjustments to accounts receivable more than the amounts shown. In addition, the financial discount allowed for early or cash payment serves as a measure to reduce the credit risk of the Group's various businesses.

### Liquidity risk

Liquidity risk can occur if the funding sources, such as operating cash flow, divestment, credit lines and cash flows obtained from financing operations do not meet the financing needs, such as cash payments for operations and financing, investments, shareholder remuneration and repayment of debt.

In order to mitigate this risk, the Group endeavors to maintain a liquid position and average debt maturities that enable it to repay debt on adequate terms.

### Operational

#### Risks

- TVI and various radio stations operated by the Media Capital Group depend, to some extent, on the continued presence of various well-known anchors, presenters, broadcasters and hosts.

- Fraud risk.

### Risk Management

- The Media Capital Group does not have "key man" insurance covering the loss of any of these employees and/or persons but is in the process of establishing an incentive compensation program designed to retain some of these employees. The Media Capital Group also works hard at training a second tier who would be ready to step in, should the need arise.

- Due to challenges the diverse operating business areas present, and in order to maintain effective and adequate internal control procedures of the different businesses, Media Capital Group established an Internal Auditing function, responsible for monitoring the financial and operational risks. Supporting the Board of Directors and coordinated by the Management Control Direction, the Internal Audit function aims at:

- Assist Media Capital and Media Capital Group in identifying risk areas that are fragile or lack internal control procedures;
- Propose and contribute to the implementation of best practices, in order to:
  - Monitor and optimize businesses performance;
  - Minimize error risks, fraud or inadequate use of the Company's assets;
  - Assure the reliability of the financial and operational information transmitted to the Board;
  - Creating consistent practices, politics and operational and accounting procedures.

## CHAPTER IV - INFORMATION

### IV.1 Capital Structure

Media Capital is an listed company, under the Portuguese Securities Code, with a fully subscribed and paid up capital of Euro 89.583.970,80, entirely subscribed, consisting of 84.513.180 dematerialized and registered nominative shares,

with nominal value of Euro 1,06 by share, having the same category all issued shares.



## CORPORATE GOVERNANCE

The shares are in a dematerialized form and held in accounts with financial intermediaries authorized by the CMVM who act as securities custodians and are integrated in the Securities Centralized System (“Central de Valores Mobiliários”) managed by Interbolsa, S.A.

All Media Capital shares are traded on the main securities market, Euronext Lisbon. Media Capital does not consider special rights to any category of shares, thus entitling all shareholders with the same benefits. There are no restrictions to the transmission of the Media Capital shares.

### IV.2 Qualified Shareholding

List of qualified shareholding at 31 December 2008:

Shareholder	Number of shares held	Percentage of the share capital	Percentage of voting rights
Vertex SGPS, SA	80.027.607	94,69%	94,69%
Caixa de Aforros de Vigo, Ourense e Pontevedra	4.269.869	5,05%	5,05%

### IV.3 Share price evolution



- (1) February 7<sup>th</sup> 2008 - Disclosure of full year 2007 results
- (1) April 14<sup>th</sup> 2008 - Disclosure of 1st quarter 2008 results
- (2) May 23<sup>rd</sup> 2008 – Media Capital announces the acquisition of Plural Entertainment España
- (3) July 15<sup>th</sup> 2008 - Disclosure of 1st semester 2008 results
- (4) October 15<sup>th</sup> 2008 – Disclosure of 3rd quarter 2008 results

### *IV.4 Para-social Agreements*

As far as the Company is concerned, it was not celebrated any para-social agreement between its

shareholders that may lead to restrictions on the transmission of securities or voting rights.

### *IV.5 Policy on the reporting of irregularities*

In view of the implications of the implementation of a policy of communication irregularities as recommend by CMVM, Media Capital is developing all the efforts to adopt a policy of communicating irregularities namely with regards to the ways of communicating the irregular

practices, the person capable of receiving these communications and the treatment to be given to them. The company considers that the current procedures satisfactorily guarantee the communication of irregularities at the level of the management of human resources.

### *IV.6 Employee participation in the share capital*

Media Capital does not have any type of employee participation program in the share capital; hence, the adoption of control policies is not necessary.

### *IV.7 Dividend distribution procedures*

Media Capital Board of Directors considers that its dividend distribution policy - based on a careful evaluation of new business or investment opportunities, as well as of the equity needs – should settle on a permanent evaluation of the opportunity costs of the capital, the investors' expectations and the creation of added value to shareholders. Being a responsibility of the board, the dividend distribution proposal is prepared attending the legal demands and to the Articles of Association, thus resulting that after accomplishing the legal disposals and approved, can be applied as follows:

(i) A percentage no smaller than 5% should be transferred to the legal reserve, until the reserve

reaches 20% of share capital; (ii) The remaining shall be transferred to free reserves, being distributed in total or partially to the shareholders through deliberation by simple majority by the board.

The Board of Directors will submit to the General meeting board a proposal of application of results, according to the applicable legal standards. In 2007 the amount of distributed dividends was approximately of Euro 61.000.000,00, from available reserves registered on the balance sheet in 31 December 2007. In 2006 and 2005 there was no dividend distribution.

### *IV.8 Stock options plans*

During 2008 there was no stock option plan or any other incentive system on shares. During 2007, the Media Capital Board of Directors, together with the Corporate Bodies Nomination and

Compensation Committee and the Management Nomination and Compensation Committee, have decided to extinguish the Stock Option Plan that had been approved on 22 April 2005.

### *IV.9 Transactions with corporate bodies and related parties*

In the course of the 2008 financial year, no operation or business performed outside the normal market conditions for that kind of operation or outside the scope of the normal activities of the Media Capital, which is the management of its financial holdings, took place between the Company and the members of its Board of Directors or auditing bodies. The following operations were performed between the Company and the holders of a qualified holding or companies in a group relationship:

- 18 March 2008, execution of a Commercial loan Agreement, under which TVI – Televisão Independente, S.A. borrowed Euro 20.000.000,00 (twenty million euros) to Promotora de Informaciones, S.A;
- 23 May 2008, Média Capital Produções, SGPS, S.A. acquired the total representative share capital of Plural Entertainment España, S.L., to Promotora de Informações S.A., by Euro 50.000.000;
- 1 August 2008, Meglo – Média Global, SGPS, S.A. sold to Promotora General de Revistas, S.A. the total representative share capital of MCE – Média Capital Edições, Lda. And Edições Expansão Económica, Lda., by Euro 8.750.000,00;
- 10 December 2008, execution of a Commercial loan Agreement, under which TVI – Televisão Independente, S.A. borrowed Euro 20.000.000,00 (twenty million euros) to Promotora de Informaciones, S.A.

### *IV.10 Investor Relations Department*

The Company assures the existence of a permanent contact with the market through an Investor Relations Department. The Investor Relations department aims to identify the necessities of the financial community that Media Capital, by means of rational use of the resources, tries to satisfy. Therefore, the purpose of Media Capital's Investor Relations department is to provide, periodically, relevant information to all stakeholders, to allow the market to value the company correctly at all times. Media Capital will provide, on its internet site (<http://www.mediacapital.pt>) the following disclosures and presentations:

- News alerts;
- Mandatory announcements;
- Monthly audience reports;
- Quarterly results releases and semester result releases;
- Specific company presentations;
- AGM announcements;
- Annual report.

Media Capital also provides on its internet site (<http://www.mediacapital.pt>) all the relevant institutional information, both in Portuguese and in English. Additionally, Media Capital's Board of Directors and the IR department are also available to participate in sector and regional conferences, conference calls and visits in Lisbon by investors and analysts upon request. In the terms and for the effects of section 4 of Article 233.º of the Portuguese Securities Code, Media Capital has appointed Mafalda Ordonhas Pais, as Investor Relations Officer to the market and to CMVM, to represent the company, with the following professional address:

Rua Mário Castelhana, n.º 40  
Queluz de Baixo, 2734 – 502 Barcarena  
Portugal  
Phone: + (351) 21 434 76 03  
Fax: + (351) 21 434 59 01  
E-mail: [ir@mediacapital.pt](mailto:ir@mediacapital.pt)

#### *IV.11 Auditors remuneration*

The supervision of the Company is executed by Deloitte & Associados, SROC S.A., for the present term (2008/2011) and represented by its partner João Luís Falua Costa da Silva. In 2007 the Media Capital Group had a total cost of Euro 925.459,33 with its auditors on a consolidated basis. The breakdown of these costs is as follows:

1. Audit fees: Euro 493.000,00 (53,27%) for the audit services of the Company and subsidiaries in connection with the standard procedures for the issue of an opinion on the consolidated and statutory accounts;
2. Tax fees: Euro 202.398,00 (21,87%);
3. Other services: Euro 230.061,33 (24,86%) for services of shared systems consultancy and auditing.

As disposed in the article 423.º-F of the Commercial Companies Code, the Audit Committee is responsible for the supervision and evaluation of the Statutory auditor's independence and for approving its service fees. The Audit Committee, together with the financial Direction of Media Capital, assure that the services provided do not jeopardize the auditors' independence.

Queluz-de-Baixo, February 12, 2009

The Board of Directors:

Joaquim Pina Moura (Chairman)  
Manuel Polanco Moreno (CEO)  
Miguel Gil Peral (Director)  
Juan Herrero Abelló (Director)  
Juan Luis Cebrián Echarri (Director)  
Javier Díez Polanco (Director)  
Jaime Roque de Pinho D'Almeida (Director)  
José Lemos (Director)  
Tirso Olazábal (Director)

## ANNEX

**Joaquim Augusto Nunes Pina Moura**

Chairman of Grupo Media Capital. Holds a degree in Economics and a Master of Science in Economic Science with a specialty in monetary economy at Instituto Superior de Economia e Gestão. Holds an Undergraduated studies in Mechanical Engineering from Oporto University. Is Head Professor of Public finance at Instituto Superior de Gestão. Was member of two Portuguese governments when was Deputy Secretary to the Prime Minister, Minister of Economy and Finance and Minister of Finance from October 1995 to July 2001. Member of the Portuguese Parliament since 2001 up to May 2007. He was appointed as Chairman of the Media Capital Board of Directors on 5 March 2008, for the term 2008/2011.

Mr. Joaquim Pina Moura is also part of the following companies:

Not part of Media Capital Group	
▪ Iberdrola Portugal – Electricidade e Gás, S.A	Chairman
▪ Iberdrola Participações, SGPS, S.A.	Chairman
▪ Iberdrola II – Comercialização de Energia, Lda.	Manager
▪ Neoenergia, S.A. (Brasil)	Director
▪ EEGSA Empresa Eléctrica da Guatemala, S.A. (Guatemala)	Director

On 31 December 2008, he held no shares or voting rights in Grupo Media Capital SGPS, SA.

**Manuel Polanco Moreno**

Chief Executive Officer of Grupo Media Capital. Mr. Polanco obtained a BS in Business Management and Economics with a major in International Finances from the Universidade Autónoma de Madrid in Spain. He developed his whole professional career at Grupo Prisa, mainly managing Prisa subsidiaries in the Latin América and in the US. In 1991 he was appointed CEO of Santillana editing company in Chile and in Peru, in 1993 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 (the first multimedia Sales platform in Spain) and also CEO of GMI (Grupo Prisa's sub-holding that includes its thematic press titles – including the sports daily AS, the financial newspaper Cinco Dias and several magazines – and regional press titles). In 2001, Mr. Polanco became part of the top management team that of Unidad de Medios España, overseeing Cadena SER rádio and the local TV network where Prisa is a key shareholder Localia TV. He is members of the Board of Directors of Grupo Prisa and of some group companies, including Sogecable, Pretesa (Localia TV), Antena 3 Radio, Diário. He was appointed as CEO of the Media Capital Board of Directors on 5 March 2008, for the term 2008/2011.

Mr. Manuel Polanco is also part of the following companies:

Media Capital Group	
▪ Meglo – Media Global SGPS S.A.	Chairman
▪ Media Capital - Serviços de Consultoria e Gestão, S.A.	Chairman
▪ Media Capital - Editora Multimédia, S.A.	Chairman
▪ Media Capital - Telecomunicações, S.A.	Chairman
▪ Media Capital Internet, S.A.	Chairman
▪ Unidivisa - Promoção de Projectos de Media, S.A.	Chairman
▪ Med Cap Technologies - Desenvolvimento e Comercialização de Sistemas de Comunicação, S.A.	Chairman
▪ MCE – Media Capital Edições, Lda.	Manager
▪ Media Capital Entertainment - Produção de Eventos, Lda.	Manager
▪ Farol Música – Sociedade de Produção e Edição Audiovisual, Lda.	Manager
▪ Kimberley Trading, S.A.	Chairman
▪ TVI - Televisão Independente, S.A.	Chairman

▪ RETI – Rede Teledifusora Independente, S.A.	Chairman
▪ Plural Entertainment Portugal, S.A.	Chairman
▪ Multicena – Equipamento de Som e Imagem, S.A.	Chairman
▪ Fealmar – Empresa de Teatro Estúdio de Lisboa, S.A.	Chairman
▪ CLMC – Multimédia, S.A.	Director
▪ MCP – Media Capital Produções, SA	Chairman
▪ Media Capital Produções – Investimentos, SGPS; SA	Chairman
▪ MCME – Media Capital Musica e Entretenimento, S.A.	Chairman
<b>Not part of Media Capital Group</b>	
▪ Promotora de Informaciones, SA	Director
▪ Sogecable, SA	Director
▪ Diário AS, SL.	Director
▪ Promotora de Publicaciones, SL	Director
▪ Timón, SA.	Vice Chairman
▪ Vertex, SGPS, SA.	Chairman
▪ Rucandio, SA.	Director

On 31 December 2008, he held no shares or voting rights in Grupo Media Capital SGPS, SA.

#### Luis Miguel Gil Peral

Member of the Board of Directors. Mr. Gil studied at the Facultad de Ciências de la Universidad Complutense de Madrid, and has worked as a journalist and editor for several publications in Spain. He works for Grupo Prisa since 1996 and, until recently, was Chief of Staff of Grupo Prisa's Chairman and CEO. Between 1982 and 1996 he worked for the Spanish Government, namely as Secretary of the Government Spokesman. Within Grupo Prisa, Mr. Gil was Director of Corporate Development and Strategy and Director of Corporate Relations. He is also a Board member of Iberbanda, GMI and GMP (companies from Grupo Prisa). Before, Mr. Gil was also Board member of Repsol, Cadena SER and two companies from the Nelson Taylor Sofres Group – Redecampos and Demoscopia. Additionally, Mr. Gil is since 2002 the Secretary of Foro Iberoamérica. He was appointed as member of the Board of Directors on 5 March 2008, for the term 2008/2011.

Mr. Luis Miguel Gil Peral is also part of the following companies:

<b>Media Capital Group</b>	
▪ Meglo – Media Global SGPS S.A.	Director
▪ Media Capital - Serviços de Consultoria e Gestão, S.A.	Director
▪ Media Capital-Editora Multimédia, S.A.	Director
▪ Unidivisa-Promoção de Projectos de Media, SA.	Director
▪ IOL Negócios – Serviços Internet, SA	Director
▪ Media Capital – Internet, SA	Director
▪ Media Capital Entertainment - Produção de Eventos, Lda.	Manager
▪ Kimberley Trading, SA.	Director
▪ TVI – Televisão Independente, S.A.	Director
▪ RETI – Rede Teledifusora Independente, S.A.	Director
▪ CLMC – Multimédia, S.A.	Director
▪ Publipartner – Projectos de Media e Publicidade, Lda.	Manager
▪ Lúdicodrome – Editora Unipessoal, Lda.	Manager
▪ Expansão Económica – Eventos Comércio e Projectos Especiais Audiovisuais, SA	Director
▪ Expolider – Feiras, Exposições e Congressos, SA	Director
▪ MCP – Media Capital Produções, SA	Director
▪ Media Capital Produções – Investimentos, SGPS; SA	Director
▪ MCME – Media Capital Musica e Entretenimento, S.A.	Director
<b>Not part of Media Capital Group</b>	
▪ Vertex, SGPS, SA.	Director

On 31 December 2008, he held no shares or voting rights in Grupo Media Capital SGPS, SA.

**Juan Herrero Abelló**

Member of the Board of Directors. He holds an MBA with a major in Finance from Emory University in Atlanta, Georgia, USA, a Master of Business Management from the Instituto de Empresa de Madrid and a degree in Economics from the Universidad Complutense de Madrid. Mr. Herrero started his career in the USA where he worked from 1984 to 1988 for The Citizens and Southern Bank in Atlanta, Georgia and at Conagra (Biotech-Biona) as Group Product Manager. He then moved to Spain where he worked primarily in the financial sector where he was the Director of Stock Exchange Management at Banco de Inversiones y Servicios Financieros in 1988 and 1989, became Director of Operations and Head of Customer Management at Dinver S.V.B. from 1989 to 1990, was Head of Operations for the Madrid Area at Caixabank from 1990 to 1994 and was Commercial Director for the Madrid Area at Sindibank from 1994 to 1997. Mr. Herrero was also C.E.O. of Arjil & Cie, Spain from 1997 to 2001 when he became the Director of Corporate Planning and Development of Grupo PRISA until 2005. He is Chief Operating Officer of Grupo Media Capital since 2005. He was appointed as member of the Board of Directors on 5 March 2008, for the term 2008/2011.

Mr. Juan Herrero is also part of the following companies:

Media Capital Group	
▪ Meglo – Media Global SGPS SA.	Director
▪ Media Capital - Serviços de Consultoria e Gestão, SA.	Director
▪ Publipartner – Projectos de Media e Publicidade, Ld <sup>a</sup>	Manager
▪ Media Capital - Editora Multimédia, SA.	Director
▪ Media Capital - Telecomunicações, SA.	Director
▪ Media Capital Internet, S.A.	Director
▪ Unidivisa - Promoção de Projectos de Media, SA.	Director
▪ Med Cap Technologies - Desenvolvimento e Comercialização de Sistemas de Comunicação, SA.	Director
▪ IOL Negócios – Serviços de Internet, SA	Chairman
▪ Media Capital Entertainment - Produção de Eventos, Lda.	Manager
▪ Farol Música – Sociedade de Produção e Edição Audiovisual, Lda.	Manager
▪ Eventos Spot – Agenciamento e Produção de Espectáculos, Unipessoal, Ld <sup>a</sup>	Manager
▪ Kimberley Trading, SA.	Director
▪ TVI - Televisão Independente, SA.	Director
▪ RETI – Rede Teledifusora Independente, S.A.	Director
▪ CLMC – Multimédia, S.A.	Director
▪ Plural Entertainment Portugal, SA	Director
▪ Multicena – Equipamento de Som e Imagem, SA.	Director
▪ Fealmar – Empresa de Teatro Estúdio de Lisboa, SA.	Director
▪ MCE – Media Capital Edições, Lda.	Manager
▪ Expansão Económica – Eventos Comércio e Projectos Especiais Audiovisuais, SA	Director
▪ Edições Expansão Económica, Lda.	Manager
▪ Expolider – Feiras, Exposições e Congressos, SA	Director
▪ Lúdicodrome – Editora Unipessoal, Lda.	Manager
▪ Transjornal – Edição de Publicações, S.A.	Director
▪ MCP – Media Capital Produções, SA	Director
▪ Media Capital Produções – Investimentos, SGPS; SA	Director
▪ MCME – Media Capital Musica e Entretenimento, S.A.	Director
▪ MCR II – Media Capital Rádios, S.A.	Director
▪ Rádio Comercial, S.A.	Director
▪ R. Cidade – Produções Audiovisuais, S.A.	Director
▪ Rádio Regional de Lisboa – Emissões Radiodifusão, S.A.	Director
▪ Rádio XXI, Lda.	Manager
Not part of Media Capital Group	
▪ Vertex, SGPS, SA.	Director

On 31 December 2008, he held no shares or voting rights in Grupo Media Capital SGPS, SA.

### Juan Luis Cebrián Echarrri

Member of the Board of Directors. Mr. Cebrián is the CEO of Grupo Prisa, a journalist, academic and writer with several essays and books edited. After studying Humanidades at the Universidad Complutense in Madrid, he obtained a BS from the Escuela Oficial de Periodismo in Spain in 1963. He founded in 1963 the magazine Cuadernos para el dialogo, and was also chief editor and sub-director of the Madrid newspapers Pueblo and Informaciones until 1975. In the meantime, he was also the head of News Programming of TVE – Televisión Española. Mr. Cebrián co-founded and was the chief-editor of the daily newspaper El País since its beginning in 1976. He was appointed to his current position in 1988 and continues to be CEO of El País, Vice President of Cadena SER and Sogecable – a company that he also managed as CEO since its launch in 1989 until 1999. Mr. Cebrián was also recently appointed as Board member of the Le Monde following the increase of Grupo Prisa shareholding position on the company that edits this French daily newspaper. Mr. Cebrián received several journalist awards in his career and he is member of the Real Academia Española de Lengua, Knight of Arts in France and Honorary Professor at the Universidade Iberoamericana in Santo Domingo. He was appointed as member of the Board of Directors on 5 March 2008, for the term 2008/2011.

Mr. Juan Luis Cebrián is also part of the following companies:

Not part of Media Capital Group	
▪ Promotora de Informaciones, SA	Managing Director and Chairman of the Executive Board
▪ Sociedad Española de Radiodifusión, SA.	Managing Director
▪ Diário El País, SL.	Managing Director
▪ Sociedad de Servicios Radiofónicos Unión Rádio, SL.	Director
▪ Prisa División Internacional, SL.	Director (representing Promotora de Informaciones, S.A.)
▪ Sapri Inversiones 2000 SICAV, SA.	Chairman
▪ Sogecable, SA.	Vice Chairman
▪ Timón, SA.	Director
▪ Promotora de Publicaciones, SL.	Managing Director
▪ Le Monde, SA.	Director
▪ Promotora de Actividades America 2010 S.L.	Chairman
▪ Promotora de Actividades America 2010 Colombia, LTDA	Chairman
▪ Promotora de Actividades America 2010 México, SA de CV	Chairman

On 31 December 2008, he held no shares or voting rights in Grupo Media Capital SGPS, SA.

### Javier Díez Polanco

Member of the Board of Directors. Mr. Javier Polanco studied law at Universidad Complutense de Madrid, worked as a business consultant and in operations analysis in the European Parliament. Has a Master degree in Legal assistance and Business Management. He is CEO of SOGECABLE since December 1998 and Director of Grupo PRISA since May 2000. His Professional trajectory has always been related to the editorial and communication areas, through TIMÓN and PRISA Groups, where he occupied several executive positions. Prior to his actual occupation at SOGECABLE, Javier Díez de Polanco was an executive director at TIMÓN, one of the main editorial Spanish Groups. In 1984 he was General Director of Editorial SANTILLANA in Argentina where he was also responsible for the Chile, Uruguay and Paraguay markets. After his work in Latin America, he was nominated General Manager of PRISA Group in 1988 occupying, among others, a position as General Manager of the daily newspaper EL PAIS, Managing Director of the economic newspaper CINCO DIAS, Managing Director of Cadena SER and Managing Director of the sports newspaper AS. He was appointed as member of the Board of Directors on 5 March 2008, for the term 2008/2011.



Mr. Javier Díez Polanco is also part of the following companies:

Not part of Media Capital Group	
▪ Promotora de Informaciones, S.A.	Director
▪ Sociedad Española de Radiodifusión, SA	Director
▪ Sociedad de Servicios Radiofónicos Unión Radio, S.L.	Director
▪ Prisa División Internacional, S.L.	Director (representing Promotora de Publicaciones, S.L.)
▪ Sogecable, SA	Managing Director
▪ Audiovisual Sport, S.L.	Chairman (representing Sogecable, SA)
▪ Canal Club de Distribución de Ocio Y Cultura, S.A.	Director
▪ Canal Satélite Digital, S.L.	Chairman and Managing Director
▪ Cinemania, S.L.	Chairman (representing Sogecable, SA)
▪ Compañía Independiente de Televisión, S.L.	Chairman and Managing Director
▪ Compañía Independiente de Noticias de televisión, S.L.	Chairman (representing Sogecable, SA)
▪ DTS – Distribuidora de televisión Digital, SA	Chairman and Managing Director
▪ Sociedade general del Cine, SA	Chairman and Managing Director
▪ Sogecable Editorial, S.L.	Chairman and Managing Director (representing Sogecable, SA)
▪ Sogecable Media, S.L.	Chairman and Managing Director (representing Sogecable, SA)
▪ Sogepaq, SA	Chairman and Managing Director

On 31 December 2008, he held no shares or voting rights in Grupo Media Capital SGPS, SA.

#### Jaime Roque de Pinho D'Almeida

Member of the Board of Directors of Media Capital Group. He has a Law Degree from the Faculdade de Direito de Lisboa/Lisbon Classic University, completed in 1965. Mr. D'Almeida has been employed in several senior managerial in the finance sector (commercial banks, investment banking and insurance), in Portugal, London, New York and Zurich, and was a member of the Board of Directors of Banco Borges & Irmão from 1965 to 1969, Banco Totta & Açores from 1969 to 1976 and Bankinstitut Zurich from 1978 to 1983. He was the founding member of M.D.M. - Sociedade de Investimentos S.A. (which later became the Deutsche Bank in Lisbon), where he was CEO and Chairman until January 1989. Joined the American International Group in 1989, where he was responsible for the creation and management of a Group of Companies (Fiseco) managing financial assets and was board a Board member of the Excel Partners Investment Fund in Spain until 1993. Then, he joined the management team of Grupo José de Mello. In 1996, he was appointed Vice-President/Chairman and CEO of Companhia de Seguros Império S.A. and in 2000, after the acquisition of Companhia de Seguros Império S.A. by Grupo BCP, he became a member of the Board of Directors of Seguros e Pensões Gere SGPS, S.A. and a member of the Board of Directors of other Grupo BCP subsidiaries in the insurance sector. Chairman of the Associação Portuguesa de Seguros for the term 2005/2008. He was appointed as member of the Board of Directors on 5 March 2008, for the term 2008/2011.

Mr. Jaime D'Almeida is also part of the following companies:

Not part of Media Capital Group	
▪ TMN – Telecomunicações Móveis Nacionais, SA.	Member of the Fiscal Board
▪ Saconsult- Consultadoria de Gestão Económica e Financeira Lda.	Manager
▪ IBERSÁ - Consultadoria de Gestão Económica e Financeira, Lda.	Manager
▪ Capinv - SA	Director
▪ ASK, S.A	Chairman

On 31 December 2008, he held no shares or voting rights in Grupo Media Capital SGPS, SA.

**Tirso Olazábal Caveró**

Director of Media Capital. Tirso Olazábal Caveró has a Bachelor in Business Administration from Universidad Complutense de Madrid (Spain). Tirso Olazábal Caveró was General Manager of Hierros Gastaminza (Madrid) from 1979 to 1984. In 1984 and to 1986, he worked for Nemar S.A. (Bilbao) Stevedor company as Commercial manager. He worked as Area Manager on La Vasco Navarra (Madrid), an Insurance company, from 1987 to 1988. Since 1988 to 2002, Tirso Olazábal Caveró was member of the Board of Directors and Managing Director of Constância Editores S.A. (Lisbon), a publishing company of PRISA Group. Since 2002, he is a major Partner and Managing Director of AGOA, S.A. (Lisbon), a waste management company, and is Partner and Consultancy of OLAZÁBAL & ARTOLA, LDA (Lisbon). He was appointed as member of the Board of Directors on 5 March 2008, for the term 2008/2011.

Mr. Tirso Olazábal Caveró is also part of the following companies:

Not part of Media Capital Group	
▪ BRISA Auto-estradas de Portugal SA	Member of the Fiscal Board

On 31 December 2008, he held no shares or voting rights in Grupo Media Capital SGPS, SA.

**José Manuel Marques da Silva Lemos**

Director of Media Capital. He holds a degree in Economics from the Instituto Superior de Economia – Universidade Técnica de Lisboa and works as a Management Consultant. Mr. Lemos was a Financial Analyst at Banco Borges & Irmão from 1984 to 1987 where was the Head of the Capital Markets Department. He was a founding shareholder and Vice President of Central – Banco de Investimento, S.A. until 2002. He was a member of the Board of Directors of the Oporto Stock Exchange from 1992 to 1996 and Chairman of the Board of Directors of the Lisbon Stock Exchange from 1995 to 1999, a member of the advisory Board of Roland Berger & Partner from 1996 to 2000, a member of Expo'98 commissariat from 1996 to 1998. Between 1999 and 2002, he was also a member of the National Stock Exchange Counsel, a member of the Board of Directors of Parque Expo and President of the Caixa Central de Crédito Agrícola Mútuo bank. He was Chairman of the Fiscal Board of LU SA – Agência de Notícias de Portugal, S.A., from 2002 to 2003. He was President of the General Assembly of Sociedade Portugal 2004, S.A. (EURO 2004) from its foundation up to 2004 and was also Chairman of the Fiscal Board of Hidroeléctrica de Cahora Bassa (HCB) and a member of the Advisory Board of Universidade Lusitana from 1999 to 2004. He was appointed as member of the Board of Directors on 5 March 2008, for the term 2008/2011.

Mr. José Lemos is also part of the following companies:

Not part of Media Capital Group	
▪ LYNX Capital Partners, S.A.	Chairman

On 31 December 2008, he held no shares or voting rights in Grupo Media Capital SGPS, SA.

*Entertainment Social Responsibility Coherence Information Audiovisual Production Contents Quality Television Music Commitment Internet Independence eRadio Culture Innovation Solidity*

## **CONSOLIDATED ACCOUNTS**

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# CONSOLIDATED ACCOUNTS

## GRUPO MEDIA CAPITAL, SGPS, S.A.

### CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2008 AND 2007

(Amounts stated in Euros)

(Translation of consolidated balance sheets originally issued in Portuguese - Note 42)

ASSETS	Notes	2008	2007
<b>NON-CURRENT ASSETS:</b>			
Goodwill	16	176,547,160	160,399,034
Intangible assets	17	10,963,607	9,549,480
Tangible assets	18	39,134,926	33,160,218
Investments in associates	19	-	259,391
Available-for-sale assets	20	8,905,006	8,923,985
Transmission rights and television programs	21	47,045,880	42,098,307
Other non-current assets	22	4,143,095	6,024,112
Deferred tax assets	13	3,653,394	1,930,231
		<u>290,393,068</u>	<u>262,344,758</u>
<b>CURRENT ASSETS:</b>			
Transmission rights and television programs	21	8,842,127	9,505,348
Inventories	23	4,535,201	3,916,684
Trade and other receivables	24	81,503,517	46,424,086
Other current assets	25	55,678,812	85,662,717
Cash and cash equivalents	26	7,171,573	5,016,529
Derivative financial instruments	35	-	66,062
		<u>157,731,230</u>	<u>150,591,426</u>
<b>TOTAL ASSETS</b>		<u><u>448,124,298</u></u>	<u><u>412,936,184</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY:</b>			
Share capital	27	89,583,971	7,606,186
Share premium	27	-	81,709,213
Reserves	27	22,332,906	24,747,616
Retained earnings		-	28,593,409
Profit for the year		19,831,572	30,234,786
		<u>131,748,449</u>	<u>172,891,210</u>
Equity attributable to equity holders of the parent		<u>131,748,449</u>	<u>172,891,210</u>
Equity attributable to minority interest	28	5,806,896	548,373
Total equity		<u>137,555,345</u>	<u>173,439,583</u>
<b>LIABILITIES:</b>			
<b>NON-CURRENT LIABILITIES:</b>			
Borrowings	29	112,597,070	100,645,568
Provisions	30	7,308,319	7,251,885
Other non-current liabilities	31	30,682,205	7,187,067
Deferred tax liabilities	13	22,614	56,656
		<u>150,610,208</u>	<u>115,141,176</u>
<b>CURRENT LIABILITIES:</b>			
Borrowings	29	15,658,856	1,535,033
Trade and other payables	32	80,785,775	72,803,052
Other current liabilities	33	62,052,795	50,017,340
Derivative financial instruments	35	1,461,319	-
		<u>159,958,745</u>	<u>124,355,425</u>
Total liabilities		<u>310,568,953</u>	<u>239,496,601</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>448,124,298</u></u>	<u><u>412,936,184</u></u>

The accompanying notes form an integral part of the consolidated balance sheets as of 31 December 2008 and 2007.

THE ACCOUNTANT

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# CONSOLIDATED ACCOUNTS

## GRUPO MEDIA CAPITAL, SGPS, S.A.

### CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

#### FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Amounts stated in Euros)

(Translation of consolidated statements of profit and loss originally issued in Portuguese - Note 42)

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
<b><u>CONTINUING OPERATIONS</u></b>			
<b><u>OPERATING REVENUE</u></b>			
Sales	9	32,391,613	26,808,468
Services rendered	9	237,398,726	177,287,727
Other operating revenue	9	17,580,684	18,258,488
Total operating revenue		<u>287,371,023</u>	<u>222,354,683</u>
<b><u>OPERATING COSTS</u></b>			
Cost of programs issued and goods sold	10	(43,559,760)	(33,284,540)
Supplies and services		(116,941,777)	(85,724,948)
Employee benefits	11	(68,747,771)	(53,461,302)
Amortisation and depreciation	18	(14,176,587)	(11,727,119)
Provisions and impairment losses	30	(1,693,220)	(1,207,420)
Other operating expenses		<u>(3,726,434)</u>	<u>(2,582,294)</u>
Total operating expenses		<u>(248,845,549)</u>	<u>(187,987,623)</u>
Operating profit		<u>38,525,474</u>	<u>34,367,060</u>
<b><u>FINANCIAL EXPENSES</u></b>			
Finance costs, net	12	(7,962,013)	(8,410,982)
Loss on associated companies, net	19	<u>(565,365)</u>	<u>(425,857)</u>
		<u>(8,527,378)</u>	<u>(8,836,839)</u>
Profit before tax		<u>29,998,096</u>	<u>25,530,221</u>
Income tax expense	13	(9,577,753)	(13,080,561)
Consolidated net profit for the year on continuing operations		<u>20,420,343</u>	<u>12,449,660</u>
Profit/(loss) for the year on discontinued operations	14 and 15	945,369	17,871,312
Consolidated net profit for the year		<u>21,365,712</u>	<u>30,320,972</u>
Attributable to:			
Equity holders of the parent	15	19,831,572	30,234,786
Minority interest	28	<u>1,534,140</u>	<u>86,186</u>
		<u>21,365,712</u>	<u>30,320,972</u>
Earnings per share on continuing and discontinued operations:			
Basic	15	0.2347	0.3578
Diluted	15	0.2347	0.3578
Earnings per share on continuing operations:			
Basic	15	0.2235	0.1463
Diluted	15	<u>0.2235</u>	<u>0.1463</u>

The accompanying notes form an integral part of the consolidated statements of profit and loss for the years ended 31 December 2008 and 2007.

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# CONSOLIDATED ACCOUNTS

GRUPO MEDIA CAPITAL, SGPS, S.A.

## CONSOLIDATED CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Amounts stated in Euros)

(Translation of cash flow statements originally issued in Portuguese - Note 42)

	Notes	2008	2007
<b><u>OPERATING ACTIVITIES:</u></b>			
		349,037,980	314,567,764
Cash receipts from customers		(186,660,900)	(172,460,520)
Cash paid to suppliers		<u>(65,637,108)</u>	<u>(52,726,991)</u>
Cash paid to employees		96,739,972	89,380,253
Cash generated from operations		<u>(65,271,343)</u>	<u>(48,974,785)</u>
Other cash received/(paid) relating to operating activities		<u>31,468,629</u>	<u>40,405,468</u>
Net cash from operating activities (1)			
<b><u>INVESTING ACTIVITIES:</u></b>			
Cash received relating to:	14	1,000,000	40,002,602
Investments		-	1,220,010
Derivatives		245,161	76,939
Disposal of tangible assets		-	41,610
Investment subsidies		-	121,944
Dividends		<u>168,210,988</u>	<u>-</u>
Repayment of loans granted		<u>169,456,149</u>	<u>41,463,105</u>
Cash paid relating to:	7	(13,603,198)	(17,546,667)
Acquisition of investments		(14,163,375)	(9,013,437)
Acquisition of tangible assets		(4,066,000)	-
Acquisition of intangible assets		<u>(120,000,000)</u>	<u>(71,000,000)</u>
Loans granted		<u>(151,832,573)</u>	<u>(97,560,104)</u>
Net cash from/(used in) investing activities (2)		<u>17,623,576</u>	<u>(56,096,999)</u>
<b><u>FINANCING ACTIVITIES:</u></b>			
Cash received relating to:		138,776,575	157,701,000
Borrowings		<u>1,343,236</u>	<u>477,245</u>
Interest and other similar income		<u>140,119,811</u>	<u>158,178,245</u>
Cash paid relating to:			
Borrowings		(118,135,141)	(138,872,102)
Payment of principal on finance lease contracts		(1,275,050)	(1,339,036)
Interest and other similar expenses		(6,098,154)	(5,359,481)
Dividends		(60,999,923)	-
Other financial expenses		<u>(548,704)</u>	<u>(510,821)</u>
Net cash from/(used in) financing activities (3)		<u>(187,056,972)</u>	<u>(146,081,440)</u>
Net cash from/(used in) financing activities (3)		<u>(46,937,161)</u>	<u>12,096,805</u>
Net increase/(decrease) in cash and cash equivalents (4) = (1) + (2) + (3)		2,155,044	(3,594,726)
Cash and cash equivalents at the beginning of the year	26	5,016,529	8,611,255
Cash and cash equivalents at the end of the year	26	7,171,573	5,016,529

The accompanying notes form an integral part of the cash flow statements  
for the years ended 31 December 2008 and 2007.

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## CONSOLIDATED ACCOUNTS

GRUPO MEDIA CAPITAL, SGPS, S.A.

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Amounts stated in Euros)

(Translation of consolidated statements of changes in equity originally issued in Portuguese - Note 42)

	Equity attributable to equity holders of the parent					Equity attributable to minority interest	Total equity	
	Capital	Share premium	Reserves	Retained earnings	Profit for the year			Total
Balance at 31 December 2006	7,606,186	81,709,213	10,502,675	28,593,409	15,400,399	143,811,882	3,036,028	146,847,910
Transfer of profit for the year	-	-	15,400,399	-	(15,400,399)	-	-	-
Change in the consolidation perimeter and acquisition of minority interest	-	-	-	-	-	-	(2,573,841)	(2,573,841)
Repurchase of share purchase options	-	-	(1,155,458)	-	-	(1,155,458)	-	(1,155,458)
Consolidated net profit for the year	-	-	-	-	30,234,786	30,234,786	86,186	30,320,972
Balance at 31 December 2007	7,606,186	81,709,213	24,747,616	28,593,409	30,234,786	172,891,210	548,373	173,439,583
Capital increase (Note 27)	81,977,785	(81,709,213)	(268,572)	-	-	-	-	-
Transfer of profit for the year	-	-	3,034,008	27,200,778	(30,234,786)	-	-	-
Distribution of dividends	-	-	(5,205,736)	(55,794,187)	-	(60,999,923)	-	(60,999,923)
Exchange translation difference	-	-	25,590	-	-	25,590	-	25,590
Change in the consolidation perimeter and acquisition of minority interest (Note 28)	-	-	-	-	-	-	3,724,383	3,724,383
Resultado consolidado líquido do exercício	-	-	-	-	19,831,572	19,831,572	1,534,140	21,365,712
Balance at 31 December 2008	89,583,971	-	22,332,906	-	19,831,572	131,748,449	5,806,896	137,555,345

The accompanying notes form an integral part of the consolidated statements of changes in equity for the years ended 31 December 2008 and 2007.

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

### INTRODUCTORY NOTE

Grupo Media Capital, SGPS, S.A. ("Media Capital" or "the Company") was incorporated as a holding company in 1992 and, through its subsidiary companies ("the Group" or "the Media Capital Group"), operates in the businesses of broadcasting and production of television programs and other media business, the realisation, production and broadcasting of radio programs and the production and exploitation of cinema and video activities.

These financial statements were approved by the Board of Directors on 12 February 2009.

Media Capital's shares are listed on Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A..

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

Television program broadcasting is carried out by TVI – Televisão Independente, S.A. ("TVI") through a general channel, under a television operating licence.

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 and Plural Entertainment España, S.A. ("Plural España") in the Spanish and Latin American markets. The operations in this business area are the creation, production, realization and exploitation of television contents and cinema and audiovisual works.

MCR II – Media Capital Rádios, S.A. ("MCR II") is the Group company that operates in the radio business. Its subsidiaries "Rádio Comercial", "Rádio Cidade", "Rádio Clube Português" and "M80", among others, have licences to operate in the radio transmission business in Portugal.

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

CLMC – Multimédia, S.A. ("CLMC") operates in the acquisition and distribution of cinematographic rights in areas such as the cinema and television, as well as the sale of DVD's of films for several distribution channels.

Media Capital – Editora Multimédia, S.A. ("Multimédia") operates in the Internet segment, supported by the [www.iol.pt](http://www.iol.pt) portal which presents a large network of own contents, an extensive directory of classified information and online publicity.

## 2. MAIN ACCOUNTING POLICIES

### 2.1 Bases of presentation

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

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), adopted by the European Union, with the interpretations of the International Financial Reporting Interpretation Committee ("IFRIC").

IFRS were adopted for the first time in 2005 and the transition date from Portuguese generally accepted accounting principles ("POC") to IFRS was 1 January 2004 in accordance with the requirements of IFRS 1 – First-time Adoption of International Financial Reporting Standards ("IFRS 1").

The foreign currency financial statements of the companies consolidated were translated to Euros as explained in Note 2.14.



### 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 holds, directly or indirectly, 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), were fully consolidated. Equity and the net profit or loss of these companies corresponding to third party participation in them are reflected separately in the consolidated balance sheet and consolidated statement of profit and loss in the caption "Minority interest". The companies included in the consolidation are listed in Note 4.

Where losses attributable to minority interests exceed their respective interest in the equity of controlled companies, the Group absorbs the excess and any additional losses, except where the minority shareholders are required, and have the ability, to cover such losses. Where the subsidiary company subsequently reports profits, the Group appropriates all such profits up to the amount of the losses previously absorbed.

Assets, liabilities and contingent liabilities of controlled companies acquired as from 1 January 2004 are recorded at their fair value as of the acquisition date. Any excess of cost over the fair value of the net assets acquired is recognised as goodwill (Note 2.3). If the difference between cost and the fair value of the net assets acquired is negative, it is recognised in results for the period. Minority interest is recognised 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 from the date of their acquisition, or up to the date of their sale.

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) Jointly controlled companies

The participation in JEMPSA is consolidated in accordance with the proportional consolidation method as from the date in which control was acquired. In accordance with this method, assets, liabilities, revenue and costs of such companies are included in the accompanying consolidated financial statements, caption by caption, in proportion to the percentage of control attributable to the Group. The classification of investments in jointly controlled companies is determined based on the existence of shareholders' agreements that show and regulate joint control.

All balances and transactions between companies are eliminated in proportion of the percentage of control attributed to the Group.

Jointly controlled companies are shown in Note 4.

#### c) 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 between 20% and 50%) are recognised in accordance with the equity method of accounting.

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

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

The Group makes periodic valuations of its investments in associated companies to determine if there are impairment losses. Any impairment losses are recognised as cost in the period in which they occur.

Investments in associated companies are listed in Note 5.

### 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. The Group applied the provisions of IFRS 3 only for acquisitions after 1 January 2004, in accordance with the exception allowed by IFRS 1. Goodwill on acquisitions up 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, impairment losses being recorded in the statement of profit and loss caption "Provisions and impairment losses". Such impairment losses cannot be reversed.

For purposes of determining impairment losses, goodwill is allocated to the Group's cash-generating units that are expected to benefit from the synergies resulting from the acquisition of the investments. Impairment tests of each cash-generating unit are carried out annually or more frequently when required. If the recoverable amount of the cash-generating unit is less than its book value, the impairment loss is allocated first to the book value of goodwill and then to the book value of the assets of the unit 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 amortisation and, where applicable, impairment losses. Intangible assets are only recognised when it is probable that they will bring future financial benefits, they are controllable and their value can be reasonably determined.

Intangible assets are amortised on a straight-line basis as from the time they start being used, over the estimated period in which they are expected to generate future benefits.

Audiovisual production rights held by Plural España correspond to the amounts spent on the cinematographic and audiovisual production necessary for their subsequent commercialization. This fixed assets is amortised based on the expectation of their future revenue, over the estimated commercialisation period as from the conclusion of production. Where it is expected that the future revenue from productions will not cover their net book value, an adjustment for impairment losses is recognised.

### 2.5 Tangible assets

Tangible 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, the estimated cost of dismantling and removing assets and re-qualifying the location is added to purchase cost.

Estimated losses resulting from the replacement of equipment before the end of its useful life, due to technological obsolescence, are recognised as a deduction from the cost of the corresponding asset, being expensed in the period they occur.

Maintenance and repair costs of a current nature are expensed when incurred. Costs of significant amount incurred to improve tangible assets, are capitalised and depreciated over the estimated period to recover such costs, when it is probable that the asset will generate future financial benefits which can be reliably measured.

Tangible assets in progress are recorded at cost and start to be depreciated when the assets are ready for their intended use. The gain or loss arising from the disposal of tangible assets, which is determined by the difference between the sales proceeds and the book value of the asset, is recognised in the statement of profit and loss captions "Other operating expenses" or "Other operating revenue".

## CONSOLIDATED ACCOUNTS

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, as from the month they are available for use.

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

	<u>Years</u>
Buildings and other constructions	10 - 50
Machinery and equipment	6 - 15
Transportation equipment	4
Tools and utensils	3 - 10
Administrative equipment	3 - 10
Other tangible assets	3 - 10

### 2.6 Leases

#### (a) Finance leases

Fixed assets acquired under lease contracts are recognised 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 the period of their estimated useful lives, the lease instalments paid are recognised as decreases in the liability and the interest is recognised in the statement of profit and loss for the period to which they correspond.

#### (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 transmission rights

Television program transmission rights correspond essentially to contracts or agreements with third parties for the exhibition of films, series and other television programs and include rights acquired and costs incurred with the production of programs. The cost of programs broadcasted is recognised in the statement of profit or loss at the time the programs are exhibited, considering the estimated number of transmissions and the estimated benefits of each transmission.

Such assets are subject to annual impairment tests and whenever changes or situations occur that indicate that their book value exceeds their recoverable amount, the corresponding impairment losses being recorded.

Transmission rights acquired from third parties are recorded as assets, at cost, when the Group controls the rights to them and has assumed the risks and benefits relating to their content. These rights are split between current and non-current assets on the balance sheet, based on their contractual period and estimated date of exhibition.

Information regarding financial commitments assumed on the acquisition of these rights is disclosed in Note 37.

### 2.8 Balance sheet classification

Assets realisable and liabilities payable within one year from the balance sheet date, or that are expected to be realised in the normal course of operations, or are held with the intention of being traded, are classified as current assets and liabilities. All other assets and liabilities are classified as non-current.

### 2.9 Financial instruments

#### 2.9.1 Inventories

Inventories comprising mainly CD's and DVD's are stated at the lower of cost determined on an average basis and net realisable value. Where cost exceeds net realisable value an impairment loss is recognised.

#### 2.9.2 Trade and other receivables and other current assets

Trade and other receivables and other current assets are initially recognised at their nominal value and reflected net of impairment losses. Impairment losses are recognised 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 amount recoverable. The loss is recognised in the statement of profit and loss for the period.

#### 2.9.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand and term deposits and other short-term highly liquid investments maturing in less than three months, that are readily convertible to cash with an insignificant risk of change in value.

#### 2.9.4 Trade and other payables and other current liabilities

Trade and other payables and other current liabilities are recognised at their nominal value, discounted for possible interest, recognised in accordance with the effective interest method.

#### 2.9.5 Borrowings

Borrowings are initially recognised at their fair value, net of transaction costs incurred. In subsequent periods borrowings are recognised at amortised cost, the difference between the amounts received (net of transaction costs) and the amounts payable being recognised 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 after the balance sheet date.

#### 2.9.6 Derivative financial instruments

The Group has the policy of resorting to derivative financial instruments to hedge the financial risks to which it is exposed, due essentially to changes in interest rates.

The use of financial derivatives is governed by the Group's internal policies defined by the Board of Directors. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are measured at fair value and classified in the balance sheet as held for trading, changes in fair value being recognised in the statement of profit and loss for the period in which they occur.

#### 2.9.7 Available-for-sale 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 balance sheet date. Where such assets correspond to equity instruments not listed in regulated markets and where it is not possible to reliably estimate their fair value, they are maintained at cost less any impairment losses.

### 2.10 Revenue recognition

Sales comprise mainly the sale of CD's and DVD's and are recognised 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 products not sold are recorded as a reduction in sales, in the period to which they relate.

Services rendered include mainly the sale of advertising space and are recognised when the advertising is broadcast or published. Quantity discount allowed is recorded as a reduction in revenue in the period to which it relates. Other revenue refers mainly to support services rendered for the production of television soaps and series, revenue from written message services in television programs and the exhibition and sale of images, which are recognised when the services are rendered.

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

### 2.11 Provisions and contingent liabilities

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

### 2.12 Impairment of non-current assets except goodwill

Impairment tests are performed at each balance sheet 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 recognised in the statement of profit and loss caption "Provisions and impairment losses".

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 recognised 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 recognised earlier no longer exists. Impairment losses are reversed by corresponding entry to the statement of profit or loss caption "Other operating revenue".

### 2.13 Income tax

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

The Group is covered by the special regime for taxation of groups of companies, which covers all the subsidiaries in which Meglo – Media Global, SGPS, S.A. ("Media Global"), a fully owned subsidiary company, has a direct or indirect participation of at least 90% and have the necessary conditions to be included in this regime. The conditions include being resident in Portugal and being subject to corporate income tax, as well as the existence or not of tax losses carried forward from periods prior to the inclusion in the regime.

Deferred tax is calculated based on the 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 valued periodically at the tax rates in force, or announced to be in force, on the dates the temporary differences are expected to reverse.

Deferred tax assets are only recognised when there is reasonable 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 balance sheet 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 costs or income for the year, except when they result from amounts recorded directly in equity, in which case the deferred taxes are also recognised in equity.

### 2.14 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 balance sheet date assets and liabilities are adjusted using the exchange rates in force as of those dates. The resulting exchange differences are recognised in the statement of profit and loss of the period to which they relate.

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

- (a) Rate of exchange as of the balance sheet date, for the translation of assets and liabilities;
- (b) Average exchange rate for the period for the translation of the profit and loss statement captions;
- (c) Average exchange rate for the period 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 balance sheet are recorded in the consolidated statement of profit and loss for the period.

### 2.15 Subsequent events

Events occurring after the balance sheet date that provide additional information on the conditions that existed as of that date, are reflected in the consolidated financial statements. Events occurring after the balance sheet 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.

## 3. CHANGES IN ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND CORRECTIONS OF FUNDAMENTAL ERRORS

There were no changes in accounting policies in 2008 in relation to those used to prepare the financial information for 2007 in accordance with the requirements of IFRS and no significant corrections of prior year errors were recognised.

In preparing the financial statements the Board of Directors based itself on its knowledge and experience of past and/or current events and on assumptions relating to future events for determining accounting estimates.

The more significant accounting estimates reflected in the consolidated financial statements as of 31 December 2008 include:

- Useful life of tangible and intangible assets;
- Impairment tests of goodwill and other assets;
- Recording of provisions;

The estimates were made based in the best information available at the time the consolidated financial statements were prepared. However, events can occur in subsequent periods which, due to their unpredictability, were not considered in these estimates. Significant changes to these estimates, occurring after the date the financial statements were prepared are reflected in the statement of profit or loss on a prospective basis, as required by IAS 8.

In addition, when the Board of Directors approved these financial statements the following standards and interpretations, not yet adopted by the Company, had been issued, their application only being required in subsequent years:

- IAS 23 (revised) – Borrowing costs (years started on or after 1 January 2009)
- IFRS 8 – Segment reporting (years started on or after 1 January 2009)
- IFRIC 13 – Loyalty programs (years started on or after 1 July 2008)

Although the impact of adopting the above standards and interpretations in future years has not been fully assessed, the Board of Directors believes that it they not have a significant impact on the consolidated financial statements.

## CONSOLIDATED ACCOUNTS

### 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 2008 and 2007 are as follows:

Company	Head office	Consolidation method	Effective percentage participation held	
			2008	2007
Grupo Media Capital, SGPS, S.A.	Barcarena	Full	Parent	Parent
MEGLO - Media Global, SGPS, S.A.	Barcarena	Full	100	100
MEDIA CAPITAL - Serviços de Consultoria e Gestão, S.A. ("MC SERVIÇOS")	Barcarena	Full	100	100
Publipartner - Projectos de Media e Publicidade, Unipessoal, Lda. ("Publipartner")	Barcarena	Full	100	100
Med Cap Technologies - Desenvolvimento e Comercialização de Sistemas de Comunicação, S.A. ("MED CAP")	Barcarena	Full	100	100
MCE - Media Capital Edições, Lda. ("MCE") (a)	Barcarena	Full	-	100
EXPANSÃO ECONÓMICA - Eventos, Comércio e Projectos Especiais Audiovisuais, S.A. ("EVENTOS") (a)	Barcarena	Full	-	100
EDIÇÕES EXPANSÃO ECONÓMICA, Lda. ("EXPANSÃO") (a)	Barcarena	Full	-	100
EXPOLIDER - Feiras, Exposições e Congressos, S.A. ("EXPOLIDER") (a)	Barcarena	Full	-	100
CENA EDITORIAL - Edição de Publicações Periódicas, S.A. ("CENA") (b)	Barcarena	Full	-	100
CLMC - Multimedia, S.A. ("CLMC")	Lisbon	Full	90	90
MCR - Radiofonia e Publicidade, Sociedade Unipessoal, S.A. ("MCR") (c)	Barcarena	Full	-	100
MCR II - Media Capital Rádios, S.A. ("MCR II") (c)	Barcarena	Full	100	-
R. CIDADE - Produções Audiovisuais, S.A. ("CIDADE")	Lisbon	Full	100	100
RÁDIO REGIONAL DE LISBOA - Emissões de Radiodifusão, S.A. ("REGIONAL")	Lisbon	Full	100	100
RÁDIO COMERCIAL, S.A. ("COMERCIAL")	Lisbon	Full	100	100
Rádio XXI, Lda. ("XXI")	Lisbon	Full	100	100
MCME - Media Capital Música e Entretenimento, S.A. ("MCME") (c)	Barcarena	Full	100	-
CENTRAL DISCOS - Produções Discográficas, S.A. ("CENTRAL DISCOS") (d)	Barcarena	Full	-	100
FAROL MÚSICA - Sociedade de Produção e Edição Audiovisual, Lda. ("FAROL")	Barcarena	Full	100	100
MEDIA CAPITAL ENTERTAINMENT - Produção de Eventos, Lda. ("ENTERTAINMENT")	Barcarena	Full	100	100
Eventos Spot - Agenciamento e Produção de Espectáculos, Lda. ("SPOT")	Barcarena	Full	50	50
KIMBERLEY TRADING, S.A. ("KIMBERLEY")	Barcarena	Full	100	100
TVI - Televisão Independente, S.A. ("TVI")	Barcarena	Full	100	100
RETI - Rede Teledifusora Independente, S.A. ("RETI")	Barcarena	Full	100	100
MEDIA CAPITAL - Editora Multimédia, S.A. ("MULTIMÉDIA")	Barcarena	Full	100	100
Media Capital - Internet, S.A. ("MC Internet") (e)	Barcarena	Full	100	100
MEDIA CAPITAL TELECOMUNICAÇÕES, S.A. ("MCT")	Barcarena	Full	100	100
IOL NEGÓCIOS - Serviços de Internet, S.A. ("IOL Negócios")	Porto	Full	69	69
LÚDICODROME - EDITORA, Unipessoal, Lda. ("Ludicodrome")	Barcarena	Full	100	100
UNIDIVISA - Promoção de Projectos de Media, S.A. ("UNIDIVISA")	Barcarena	Full	100	100
MCP - MÉDIA CAPITAL PRODUÇÕES, S.A. ("MCP") (f)	Barcarena	Full	100	-
MEDIA CAPITAL PRODUÇÕES INVESTIMENTOS - SGPS, S.A. ("MCP INVESTIMENTOS") (g)	Barcarena	Full	100	-
PLURAL Entertainment Portugal, S.A. ("PLURAL") (h) (i)	Lisbon	Full	100	100
MULTICENA - Equipamento de Imagem e Som, S.A. ("MULTICENA") (i)	Lisbon	Full	100	100
NBP - Ibérica - Producciones Audiovisuales, S.A.	Madrid (Spain)	Full	100	100
CASA DA CRIAÇÃO - Argumentos para Audiovisual, Lda. ("CASA DA CRIAÇÃO")	Lisbon	Full	100	100
EMAV - Empresa de Meios Audiovisuais, Lda. ("EMAV")	Vialonga	Full	100	90
EPC - Empresa Portuguesa de Cenários, Lda. ("EPC")	Vialonga	Full	100	100
NBP Brasil, S.A.	Lisbon	Full	100	100
FEALMAR - Empresa de Teatro Estúdio de Lisboa, S.A. ("FEALMAR") (i)	Lisbon	Full	100	100
PLURAL Entertainment España, S.L. ("PLURAL España") (j)	Madrid (Spain)	Full	100	-
PLURAL Entertainment Canarias, S.L. ("PLURAL Canarias")	San Andrés (Spain)	Full	100	-
PLURAL Entertainment Inc. ("PLURAL Entertainment")	Miami (USA)	Full	100	-
TESELA Producciones Cinematográficas, S.L. ("TESELA")	Madrid (Spain)	Full	80,8	-
Factoría Plural, S.L. ("Factoría")	Zaragoza (Spain)	Full	51	-
Chip Audiovisual, S.A. ("CHIP")	Zaragoza (Spain)	Full	50	-
PLURAL - Jempsa, S.L. ("JEMPSA")	Madrid (Spain)	Proportional	50	-
Sociedad Canaria de Televisión Regional, S.A. ("SOCATER")	Tenerife (Spain)	Full	40	-

- a) These companies were sold on 1 August 2008.
- b) This company was merged into Meglo on 29 December 2008, with accounting and tax effect as of 1 January 2008.
- c) The company MCR was divided into two new companies on 22 December 2008 with accounting and tax effect as of 30 June 2008.
- d) This company was liquidated on 29 November 2008.
- e) Previously called Agefinan - Agência de Notícias Financeiras, S.A..
- f) This company was founded on 24 March 2008.
- g) This company was founded on 2 April 2008.
- h) Previously called NBP - Produção em Vídeo, S.A..
- i) These companies became owned by MCP Investimentos in May 2008.
- j) This company and its subsidiaries were acquired on 23 May 2008.



## CONSOLIDATED ACCOUNTS

### 5. ASSOCIATED AND OTHER COMPANIES

The associated and other companies, their head offices and proportion of capital effectively held in them at 31 December 2008 and 2007 were as follows:

Associated companies:

Company	Head office	Effective percentage participation held	
		2008	2007
TRANSJORNAL – Edições de Publicações, S.A. (“Transjornal”)	Lisbon	35	35
CD TOP – Sociedade Internacional de Audiovisual, S.A. (“CD TOP”)	Lisbon	23	23
União de Leiria, SAD (“União de Leiria”)	Leiria	20	20

The associated companies were included in the consolidation by the equity method, as explained in Note 2.2.c.

Other companies:

Company	Head office	Effective percentage participation held	
		2008	2007
Nanook – Empresa Europeia de Produção de Documentários, Lda. (“Nanook”)	Lisbon	16	16

### 6. OPERATING LEASES

At 31 December 2008 and 2007 the Company had liabilities under operating leases not reflected in the balance sheet amounting to 23,607,358 Euros and 24,185,766 Euros, respectively.

The liabilities are made up as follows:

- (a) Contract for the lease of the Company’s installations for a period of 15 years ending on 11 February 2019, with the possibility of being renewed for additional 5 year periods.

<u>Amounts recognised as cost:</u>	<u>2008</u>	<u>2007</u>
Minimum payments for leasing operating installations in Queluz	<u>1,513,252</u>	<u>1,513,252</u>

The liability not included in the balance sheet at 31 December 2008 and 2007 under this operating lease contract amounted to 17,567,515 Euros and 19,080,767 Euros, respectively.

- (b) Contract for leasing vehicles for periods of 3 and 4 years

<u>Amounts recognised as cost:</u>	<u>2008</u>	<u>2007</u>
Minimum payments for leasing vehicles	<u>813,103</u>	<u>385,059</u>

## CONSOLIDATED ACCOUNTS

The liability at 31 December 2008 and 2007 under the lease contracts are as follows:

<u>Liability</u>	<u>2008</u>	<u>2007</u>
2008	-	562,644
2009	1,209,489	493,580
2010	1,004,040	288,131
2011	810,347	161,902
2012	344,397	155
2013	3,727	-
	<u>3,372,000</u>	<u>1,506,412</u>

- (c) Contract for the lease of the studios and warehouses for a period of five years installations, renewable for similar periods.

<u>Amounts recognised as cost:</u>	<u>2008</u>	<u>2007</u>
Minimum payments for leasing studios and warehouses	<u>927,000</u>	<u>821,648</u>

The liability under these lease contracts at 31 December 2008 and 2007 amounted to 2,667,843 Euros and 3,598,587 Euros, respectively.

### 7. CHANGES IN THE CONSOLIDATION PERIMETER

In the year ended 31 December 2008 there were the following changes in the Group's consolidation perimeter:

#### Acquisitions:

	<u>Main activity</u>	<u>Date of acquisition</u>	<u>Percentage acquired</u>	<u>Cost</u>
PLURAL España	Audiovisual production and distribution	23/05/2008	100%	50,000,000
EMAV	Rent of technical support means for audiovisual production	31/01/2008	10%	40,000

The acquisition of the remaining 10% of the capital of EMAV was paid for in cash as of the date of acquisition and is included in the Group's strategy relating to the development the contents production business.

The acquisition of PLURAL España is also part of the strategy of concentration of the production business within the Group. Additional information regarding this acquisition is as follows:

The payment plan for the acquisition of PLURAL España is as follows:

## CONSOLIDATED ACCOUNTS

### Payment plan:

	Nominal value	Fair value
2008	13,000,083	11,983,804
2009	9,249,979	7,742,333
2010	9,249,979	8,156,973
2011	9,249,979	8,593,820
2012	9,249,979	9,054,062
	50,000,000	45,530,992

The annual discount rate of 5.36% was used to calculate fair value.

The assets and liabilities acquired and the amount paid for their acquisition were as follows:

	PLURAL España	EMAV
Net book value	28,349,934	20,375
Difference determined on the purchase	17,181,058	-
Financial cost recognised	-	19,625
Fair value paid on the acquisition	45,530,992	40,000

As the allocation process of the amount paid for the fair value of the assets and liabilities of the PLURAL business were in process at 31 December 2008, the difference identified between the net book value of the equity as of the acquisition date and the fair value paid was allocated on a preliminary basis to goodwill (Note 16).

The assets and liabilities of the PLURAL Group acquired were as follows:

## CONSOLIDATED ACCOUNTS

<b><u>NON-CURRENT ASSETS:</u></b>	
Goodwill (Note 16)	3,850,000
Intangible assets	13,461,296
Tangible assets	734,330
Available-for-sale assets	6
Other non-current assets	35,173
Deferred tax assets	545,000
	18,625,805
 <b><u>CURRENT ASSETS:</u></b>	
Trade and other receivables	21,645,027
Other current assets	9,371,448
Cash and cash equivalents	1,557,437
	32,573,912
MINORITY INTEREST	(1,866,480)
 <b>NON-CURRENT LIABILITIES</b>	
Borrowings	(5,335,000)
Other non-current liabilities	(3,218,000)
Deferred tax liabilities	(100,000)
	(8,653,000)
 <b><u>CURRENT LIABILITIES:</u></b>	
Trade and other payables	(9,540,755)
Other current liabilities	(2,789,548)
	(12,330,303)
ASSETS AND LIABILITIES ACQUIRED	28,349,934

If these activities had been acquired by the Group since 1 January 2008, the Group's income from continuing operations would be 303,613,108 Euros and consolidated net operating income from continuing operations would be 21,255,858 Euros.

Payments relating to investments for the year ended 31 December 2008 in the amount of 13,603,198 Euros correspond essentially to the first instalment of the payment for the acquisition of PLURAL España in the amount of 13,000,083 Euros less PLURAL España's cash and cash equivalents as of the purchase date, in the amount of 1,557,437 Euros.

After the purchase of PLURAL España and during the year ended 31 December 2008, the subsidiary SOCATER became consolidated in accordance with the full consolidation method, rather than by the proportional method, as it acquired management control at 31 December 2008, due to having a larger number of Directors in its Board of Directors.

### Sales:

In the year ended 31 December 2008 the Group sold its written press operations, through sale of its participation on 1 August 2008.

Following is additional information regarding the sale:

## CONSOLIDATED ACCOUNTS

	MCE	Expansão	Eventos	Expolider	Total
Net assets:					
Tangible assets	559,684	-	-	9,411	569,095
Deferred taxes	5,998	-	-	-	5,998
Goodwill (Note 16)	-	-	-	4,751,445	4,751,445
Inventories	1,104,290	-	-	-	1,104,290
Trade and other receivables	8,625,110	189,040	-	127,851	8,942,001
Cash and cash equivalents	231,231	655	1,051	1,609	234,546
Other assets	3,551,706	1,103,730	144,407	426,261	5,226,104
Provisions (Note 30)	(12,500)	(57,426)	(1,788)	(229,035)	(300,749)
Trade and other payables	(15,041,510)	(3,415,160)	(9,151)	(307,066)	(18,772,887)
	(975,991)	(2,179,161)	134,519	4,780,476	1,759,843
Operating credits sold					<u>3,994,888</u>
					5,754,731
Gain on the sale (Note 9)					2,863,782
Reversal of goodwill of Meglo (Note 16)					<u>131,487</u>
Net sales price (Note 36)					<u><u>8,750,000</u></u>

The significant changes in the consolidation perimeter during the year 2007 are as follows:

### Acquisitions:

The Group acquired 40% of CLMC, the main activity of which is the management of cinema rights and 50% of Eventos Spot, the main activity of which is the arranging of shows and management of artists. The cost of the two companies was 663,000 Euros.

### Sales:

In the year ended 31 December 2007 the Group sold its outdoor publicity operation, through sale of its participation in MC Outdoor on 19 December 2007 for 46,926,219 Euros, which in the year ended 31 December 2008 was increased by 945,369Euros (Note 14).

Details of the net sale are as follows:

#### Sales price:

Amount received on 19 December 2007:

Operating credits	21,700,000
Loans	19,800,000
Amount receivable on 19 December 2009	2,000,000
Amount receivable on 19 December 2010 (Note 22)	3,000,000
Amount receivable in publicity or alternative monetary means	500,000
	<u>47,000,000</u>

Transaction costs

Net sales price

(73,781)

46,926,219

### 8. SEGMENT REPORTING

The Group identifies its reporting segments based essentially on the combination of the differences in the products and services and differences in the legal framework of the markets in which it operates. These segments are consistent with the manner in which the Board of Directors manages and controls the business.

Following the acquisition of Plural España and given the significance of the assets and liabilities acquired and the costs and income generated and as the Group starts being fully consolidated in Grupo Media Capital, a change was made in the reporting segments and a new segment called "Production" was created. The new segment includes Plural España and its subsidiaries and all the audiovisual contents production and related activities carried out by PLURAL, which were previously included in the Television segment. As a result of this change, the segment information presented for the year ended 31 December 2007 was restated for comparative purposes.

Therefore, considering these factors, the Group has identified the following reporting segments:

a) Television

The television segment involves fundamentally broadcasting by one generalist TV channel (TVI).

b) Production

The production segment involves the production, realisation and audiovisual distribution of programs/series.

c) Entertainment

The entertainment segment involves essentially the recording and sale of music CD's and DVD's, the management of artists and promotion of events, as well as cinema and video distribution.

d) Radio

The Radio segment involves the broadcasting of radio programs, through own antennas and publicity space utilisation contracts with third parties.

e) Others

The Others segment includes essentially written press business (mainly the editing of Maxmen, Lux, Lux Woman and Casas de Portugal magazines) for the period from 1 January to 31 July 2008, internet business (IOL), the Group's parent company.

## CONSOLIDATED ACCOUNTS

Contribution of the main business segments to the consolidated results for the years ended 31 December 2008 and 2007 was as follows:

### Continuing operations:

	2008						Eliminations	Consolidated
	Television	Production	Entertainment	Radio	Others	Total		
<b>Operating income:</b>								
External services rendered	153,702,692	51,909,796	8,644,800	13,505,656	9,635,782	237,398,726	-	237,398,726
Internal services rendered	1,735,488	40,556,453	379,234	200,533	12,141,924	55,013,632	(55,013,632)	-
External sale of goods and products	-	-	27,725,592	-	4,666,021	32,391,613	-	32,391,613
Internal sale of goods and products	-	-	6,563	-	-	6,563	(6,563)	-
Other external operating revenue	11,954,714	249,347	1,782,060	218,892	3,375,671	17,580,684	-	17,580,684
Other internal operating revenue	983,434	192,020	18,412	153,992	513,375	1,861,233	(1,861,233)	-
<b>Total operating revenue</b>	<b>168,376,328</b>	<b>92,907,616</b>	<b>38,556,661</b>	<b>14,079,073</b>	<b>30,332,773</b>	<b>344,252,451</b>	<b>(56,881,428)</b>	<b>287,371,023</b>
<b>Operating costs:</b>								
Cost of programs issued	(69,691,424)	(3,670,919)	-	-	-	(73,362,343)	40,149,173	(33,213,170)
Cost of merchandise sold	-	-	(8,495,816)	-	(1,850,774)	(10,346,590)	-	(10,346,590)
Supplies and services	(28,719,781)	(58,866,785)	(23,228,828)	(8,181,770)	(14,391,981)	(133,389,145)	16,447,368	(116,941,777)
Employee benefits	(23,467,917)	(20,994,601)	(2,892,430)	(6,988,558)	(14,404,265)	(68,747,771)	-	(68,747,771)
Amortisation and depreciation	(5,189,702)	(5,080,998)	(189,593)	(2,229,640)	(1,486,654)	(14,176,587)	-	(14,176,587)
Provisions and impairment losses	(394,077)	(422,939)	(245,296)	(304,080)	(326,828)	(1,693,220)	-	(1,693,220)
Other operating expenses	(1,382,240)	(148,973)	(1,893,657)	(252,244)	(49,320)	(3,726,434)	-	(3,726,434)
<b>Total operating costs</b>	<b>(128,845,141)</b>	<b>(89,185,215)</b>	<b>(36,945,620)</b>	<b>(17,956,292)</b>	<b>(32,509,822)</b>	<b>(305,442,090)</b>	<b>56,596,541</b>	<b>(248,845,549)</b>
<b>Operating profit/(loss)</b>	<b>39,531,187</b>	<b>3,722,401</b>	<b>1,611,041</b>	<b>(3,877,219)</b>	<b>(2,177,049)</b>	<b>38,810,361</b>	<b>(284,887)</b>	<b>38,525,474</b>
Finance costs, net	-	-	-	-	-	-	-	(8,527,378)
Profit before tax	-	-	-	-	-	-	-	29,998,096
Income tax expense	-	-	-	-	-	-	-	(9,577,753)
<b>Net profit from continuing operations</b>	-	-	-	-	-	-	-	<b>20,420,343</b>

	2007						Eliminations	Consolidated
	Television	Production	Entertainment	Radio	Others	Total		
<b>Operating income:</b>								
External services rendered	144,768,463	204,789	4,992,765	12,897,122	14,424,588	177,287,727	-	177,287,727
Internal services rendered	2,548,674	34,512,722	300,000	296,335	11,150,688	48,808,419	(48,808,419)	-
External sale of goods and products	-	-	18,260,058	-	8,548,410	26,808,468	-	26,808,468
Internal sale of goods and products	-	-	23,645	-	-	23,645	(23,645)	-
Other external operating revenue	12,157,497	4,723,091	380,711	342,762	654,427	18,258,488	-	18,258,488
Other internal operating revenue	782,754	11,713	1,315	381,494	487,795	1,665,071	(1,665,071)	-
<b>Total operating revenue</b>	<b>160,257,388</b>	<b>39,452,315</b>	<b>23,958,484</b>	<b>13,917,713</b>	<b>35,265,908</b>	<b>272,851,818</b>	<b>(50,497,135)</b>	<b>222,354,683</b>
<b>Operating costs:</b>								
Cost of programs issued	(62,246,545)	-	-	-	-	(62,246,545)	35,425,828	(26,820,717)
Cost of merchandise sold	-	-	(4,405,859)	-	(2,057,964)	(6,463,823)	-	(6,463,823)
Supplies and services	(29,359,208)	(30,356,757)	(15,802,738)	(7,845,368)	(17,919,506)	(101,283,577)	15,558,629	(85,724,948)
Employee benefits	(23,039,122)	(6,653,440)	(1,542,631)	(6,632,529)	(15,593,580)	(53,461,302)	-	(53,461,302)
Amortisation and depreciation	(5,096,823)	(1,378,176)	(102,524)	(2,168,954)	(2,980,642)	(11,727,119)	-	(11,727,119)
Provisions and impairment losses	(161,060)	-	49,565	(30,000)	(1,065,925)	(1,207,420)	-	(1,207,420)
Other operating expenses	(902,670)	(205,559)	(725,902)	(471,988)	(276,175)	(2,582,294)	-	(2,582,294)
<b>Total operating costs</b>	<b>(120,805,428)</b>	<b>(38,593,932)</b>	<b>(22,530,089)</b>	<b>(17,148,839)</b>	<b>(39,893,792)</b>	<b>(238,972,080)</b>	<b>50,984,457</b>	<b>(187,987,623)</b>
<b>Operating profit/(loss)</b>	<b>39,451,960</b>	<b>858,383</b>	<b>1,428,405</b>	<b>(3,231,126)</b>	<b>(4,627,884)</b>	<b>33,879,738</b>	<b>487,322</b>	<b>34,367,060</b>
Finance costs, net	-	-	-	-	-	-	-	(8,836,839)
Profit before tax	-	-	-	-	-	-	-	25,530,221
Income tax expense	-	-	-	-	-	-	-	(13,080,561)
<b>Net profit from continuing operations</b>	-	-	-	-	-	-	-	<b>12,449,660</b>

### Discontinuing operations:

	Outdoor	
	2008	2007
Segment operating revenue	-	16,601,363
Segment operating profit	-	3,209,156
Segment net finance costs	-	(1,620,546)
Income tax expense	-	(715,232)
Minority interest	-	122,039
Recognised gain (Note 7)	945,369	16,875,895
<b>Operating profit from discontinued operations (Note 14)</b>	<b>945,369</b>	<b>17,871,312</b>

## CONSOLIDATED ACCOUNTS

Additional significant segment reporting information is as follows:

	2008							Consolidated
	Television	Production	Entertainment	Radio	Others	Total	Eliminations	
Assets, net	272,751,807	135,263,920	35,797,954	44,105,951	294,728,140	782,647,772	(332,397,440)	450,250,332
Liabilities	133,167,260	85,574,696	31,349,224	42,321,147	213,212,685	505,625,012	(192,930,025)	312,694,987
Other information:								
Investment in tangible assets (Note 18)	11,371,204	2,814,560	142,119	955,852	1,025,081	16,308,816	-	16,308,816
Investment in intangible assets (Note 17)	-	4,136,736	-	486,201	-	4,622,937	-	4,622,937

	2007							Consolidated
	Television	Production	Entertainment	Radio	Others	Total	Eliminations	
Assets, net	348,571,675	24,024,187	29,372,294	49,009,348	418,491,299	869,468,803	(456,532,619)	412,936,184
Liabilities	145,540,045	17,677,363	26,556,795	48,407,839	265,658,920	503,840,962	(264,344,361)	239,496,601
Other information:								
Investment in tangible assets (Note 18)	4,862,332	2,601,452	89,027	1,525,496	772,663	9,850,970	-	9,850,970
Investment in intangible assets (Note 17)	-	-	-	2,188	-	2,188	-	2,188

Information by geographic market for the year ended 31 December 2008 is as follows:

	2008		
	Portugal	Other countries	Consolidated
Operating income	240,429,508	46,941,515	287,371,023
Operating costs	(205,719,064)	(43,126,485)	(248,845,549)
Net profit from continuing operations	17,859,403	2,560,940	20,420,343
Assets, net	392,323,085	57,927,247	450,250,332
Liabilities	289,692,111	23,002,876	312,694,987
Investment in tangible assets	16,302,916	5,900	16,308,816
Investment in intangible assets	488,487	4,134,450	4,622,937

In the year ended 31 December 2007 the Group only operated in the Portuguese market.

### 9. OPERATING REVENUE BY NATURE

Consolidated operating revenue for the years ended 31 December 2008 and 2007 is made up as follows:



## CONSOLIDATED ACCOUNTS

	2008	2007
<u>Sales:</u>		
Magazines	3,227,520	6,444,716
CD's	9,786,216	10,555,699
DVD's (a)	17,945,939	7,707,017
Complementary press products	1,096,946	2,072,295
Other	<u>334,992</u>	<u>28,741</u>
	<u><u>32,391,613</u></u>	<u><u>26,808,468</u></u>
 <u>Services rendered:</u>		
Television advertising	151,354,869	143,777,500
Radio advertising	14,462,823	12,601,797
Press advertising	2,984,625	5,671,119
Internet advertising	3,393,450	3,166,682
Advertising in productions	1,346,600	-
Audiovisual production (b)	50,563,197	-
Others	<u>13,293,162</u>	<u>12,070,629</u>
	<u><u>237,398,726</u></u>	<u><u>177,287,727</u></u>
 <u>Other operating revenue:</u>		
Support services to the production of television series	-	4,629,877
Written message services	7,788,016	8,999,276
Transmission and exhibition rights and the sale of images	1,963,907	1,876,193
Other supplementary revenue (c)	<u>7,828,761</u>	<u>2,753,142</u>
	<u><u>17,580,684</u></u>	<u><u>18,258,488</u></u>

- (a) Sales of DVD's in 2007 correspond to the period after consolidation of CLMC, starting in September 2007.  
 (b) The change in 2008 results from the acquisition of Plural España in May 2008.  
 (c) This caption includes the gain resulting from the sale of the written press business for 2,863,782 Euros (Note 7).

### 10. COST OF PROGRAMS BROADCAST AND GOODS SOLD

This caption for the years ended 31 December 2008 and 2007 is made up as follows:

	2008	2007
Programs broadcast	30,583,923	27,606,514
Audiovisual production	3,670,919	-
Variation of production	(865,219)	(880,946)
Goods sold	8,495,816	4,405,859
Materials consumed	<u>1,674,321</u>	<u>2,153,113</u>
	<u><u>43,559,760</u></u>	<u><u>33,284,540</u></u>

## CONSOLIDATED ACCOUNTS

### 11. EMPLOYEE BENEFITS

Employee benefits for the years ended 31 December 2008 and 2007 are made up as follows:

	<u>2008</u>	<u>2007</u>
Wages and salaries	49,522,102	38,015,482
Charges on wages and salaries	11,099,326	7,977,410
Performance bonus	3,890,888	3,059,646
Severance payments	2,340,779	2,531,557
Labour accident insurance and others	336,662	408,324
Others	1,558,014	1,468,883
	<u>68,747,771</u>	<u>53,461,302</u>

The average number of employees, per segment, of the companies included in the consolidation in the years ended 31 December 2008 and 2007, was as follows:

	<u>2008</u>	<u>2007</u>
Television	459	474
Production	306	225
Entertainment	64	69
Radio	218	227
Others	281	366
	<u>1,328</u>	<u>1,361</u>

### 12. FINANCE COSTS, NET

The caption finance costs, net for the years ended 31 December 2008 and 2007 is made up as follows:

	<u>2008</u>	<u>2007</u>
Financial costs:		
Interest expense	8,157,320	8,448,566
Foreign exchange losses	735	40,210
Loss arising on the valuation of derivatives (Note 35)	1,782,263	2,038,273
Other	1,329,562	1,328,898
	<u>11,269,880</u>	<u>11,855,947</u>
Financial income:		
Interest income	3,140,258	2,822,239
Foreign exchange gain	111	527,401
Investment income	-	1,442
Gain arising on the valuation of derivatives	-	83,596
Other	167,498	10,287
	<u>3,307,867</u>	<u>3,444,965</u>
	<u>7,962,013</u>	<u>8,410,982</u>

13. DIFFERENCE BETWEEN ACCOUNTING AND TAX RESULTS

The Grupo Media Capital companies are subject to corporate income tax at the normal rate of 25%, plus a Municipal Surcharge of 1.5% of the taxable profit subject to and not exempt from Corporate Income Tax, resulting in an aggregate tax rate of about 26.5%.

In the year ended 31 December 2008 the subsidiary MEDIA GLOBAL and the subsidiaries in which it has a direct or indirect participation of at least 90% which comply with the requirements of article 63º of the Corporation Income Tax Code were covered by the special regime for taxation of groups of companies. The companies in question are: MC Serviços, Publipartner, Cidade, Comercial, Regional, Rádio XXI, Farol, Entertainment, TVI, Kimberley, Reti, Multimédia, Med Cap, MCT, MC Internet, Unidivisa, Ludicodrome, MCP, MCME, and MCR II. The remaining group companies are taxed individually.

Plural España and its subsidiaries are subject to income tax in accordance with Spanish legislation, at a normal rate of 30%. PLURAL España and some of its subsidiaries are covered by the special regime for the taxation of subsidiaries of Promotora de Informaciones, S.A.

Representation expenses and costs incurred with light passenger vehicles are subject to autonomous taxation at the rate of 10%, irrespective of the existence of tax losses. Allowances and compensation for the use of employees' own vehicles not billed to clients are also subject to the 10% tax.

The Group has tax losses carried forward that result in deferred tax assets as shown in the following tables, calculated in accordance with tax rules currently applicable to the Media Capital Group and the best estimate of the amounts recoverable, considering the expected future taxable income, calculated based on business plans prepared with prudent assumptions in line with evolution of the business.

At 31 December 2008 and 2007 the tax losses carried forward in Portugal, by year they expire, were approximately as follows:

	<u>2008</u>	<u>2007</u>
2008	-	5,000,000
2009	3,520,000	3,900,000
2010	1,710,000	2,250,000
2011	4,300,000	4,600,000
2012	6,250,000	5,900,000
2013	1,900,000	2,000,000
2014	3,500,000	-
	<u>21,180,000</u>	<u>23,650,000</u>

In accordance with current Portuguese legislation, tax returns are subject to review and correction by the tax authorities during a period of four years and ten years for Social Security up to 2000, inclusive, and five years as from 2001. Consequently, the tax returns of the Group companies for the years from 2005 to 2008, inclusive, are still subject to review and correction. The Board of Directors believes that any correction to the tax returns that might result from examinations carried out by the tax authorities will not have a significant effect on the consolidated financial statements.

Following is a reconciliation of the tax rate for the years ended 31 December 2008 and 2007:

## CONSOLIDATED ACCOUNTS

(a) Reconciliation of the tax rate

	2008	2007
Profit before tax of the continuing operations	29,998,096	25,530,221
Profit before tax of the discontinued operations (Note 14)	945,369	17,871,312
	30,943,465	43,401,533
Nominal income tax rate	25.00%	25.00%
Estimated tax charge	7,735,866	10,850,383
Permanent differences (i)	(418,754)	(3,226,737)
Impairment of deferred tax asset (ii)	790,191	4,003,232
Deferred tax assets recovered (iii)	(280,920)	(253,653)
Adjustment to income tax due (iv)	787,395	327,446
Negative change in equity	-	(288,865)
Fines and other penalties	-	907,045
Municipal surcharge	782,499	761,710
Change in rate (v)	181,476	-
	9,577,753	13,080,561
Current tax (Note 34)	10,266,799	9,382,375
Deferred tax for the year	(689,046)	2,791,141
Other taxes	-	907,045
Atributable to continuing operations	9,577,753	13,080,561
Effective tax rate	30.95%	30.14%

(i) These amounts for the years ended 31 December 2008 and 2007 are made up as follows:

	2008	2007
Non tax deductible amortisation and depreciation	2,326,292	2,177,267
Net loss on associated companies (Note 19)	565,365	824,004
Non tax deductible financial expenses	2,520,249	2,186,290
Provisions not considered for the calculation of deferred taxes	921,246	311,805
Fines and other penalties	178,382	372,819
Part of employee's allowances not tax deductible	122,718	58,042
Tax benefits	(965,055)	(805,970)
Public Share Offering costs	(2,040,908)	(2,040,908)
Accounting and tax gains and losses	(6,335,366)	(16,880,088)
Others, net	1,032,062	889,794
	(1,675,015)	(12,906,945)
	25.00%	25.00%
	(418,754)	(3,226,737)

(ii) The Board of Directors believes that the deferred tax assets are not recoverable.

(iii) This amount corresponds to the utilization of tax losses carried forward not recognised in prior years as they were considered to be not recoverable.

(iv) This amount represents autonomous taxation of certain expenses.

(v) Effect resulting from application of a different Corporate Income Tax rate from the normal rate applied in Portugal, regarding PLURAL España and its subsidiaries.

## CONSOLIDATED ACCOUNTS

### (b) Temporary differences – changes in deferred taxes

	2008			Ending balances
	Beginning balances	Change in perimeter	Increase/ (decrease)	
<b>Deferred tax assets:</b>				
Provisions	263,988	-	94,145	358,133
Derivatives	(17,507)	-	404,756	387,249
Inter group company margins not recognised	1,490,571	-	1,419,273	2,909,844
Tax losses carried forward	5,906,520	1,068,159	(675,965)	6,298,714
Allowance for deferred tax assets not realisable	(5,713,341)	-	(587,205)	(6,300,546)
	<u>1,930,231</u>	<u>1,068,159</u>	<u>655,004</u>	<u>3,653,394</u>
<b>Deferred tax liabilities:</b>				
Inter group company margins not recognised	22,288	-	(10,822)	11,466
Amortised cost	22,068	-	(21,708)	360
Revaluation reserves	12,300	-	(1,512)	10,788
	<u>56,656</u>	<u>-</u>	<u>(34,042)</u>	<u>22,614</u>

### 14. RESULT OF DISCONTINUING OPERATIONS

The result of discontinuing operations in the years ended 31 December 2008 and 2007, due to the sale of the Outdoor publicity operation is shown below.

#### Result of discontinuing operations:

	2008	2007
Services rendered	-	16,572,660
Other operating revenue	-	28,703
	-	<u>16,601,363</u>
Operating costs	-	<u>(13,392,207)</u>
	-	3,209,156
Financial costs, net	-	(1,620,546)
	-	<u>1,588,610</u>
Profit/(loss) before income tax	-	(715,232)
Income tax for the year	-	122,039
Minority interest	-	-
Gain on the sale (Note 7)	945,369	16,875,895
	<u>945,369</u>	<u>17,871,312</u>

As a result of an adjustment of 1,000,000 Euros to the sales price of MC Outdoor in 2008, considering the deduction costs relating to its negotiation, the results of discontinuing operations for the year ended 31 December 2008 amounted to 945,369 Euros.

#### Cash flows from discontinuing operations:

	2008	2007
Operating activities	-	2,703,939
Investing activities	945,369	17,569,927
Financing activities	-	(1,027,328)
Net increase in cash and cash equivalents	<u>945,369</u>	<u>19,246,538</u>

## CONSOLIDATED ACCOUNTS

### 15. EARNINGS PER SHARE

Earnings per share for the year were calculated considering the following amounts.

	2008	2007
Earnings:		
Profit attributable to equity holders of the parent for purposes of calculating earnings per share (net profit for the year)	19,831,572	30,234,786
Profit of discontinued operations for purposes of calculating earnings per share of discontinued operations	(945,369)	(17,871,312)
Profit for purposes of calculating earnings per share of continuing operations	18,886,203	12,363,474
Number of shares		
Average number of shares for purposes of calculating basic and diluted earnings per share	84,513,180	84,513,180
Earnings per share of continuing operations:		
Basic	0.2235	0.1463
Diluted	0.2235	0.1463
Earnings per share of discontinued operations:		
Basic	0.0112	0.2115
Diluted	0.0112	0.2115
Earnings per share:		
Basic	0.2347	0.3578
Diluted	0.2347	0.3578

### 16. GOODWILL

The changes in goodwill in the years ended 31 December 2008 and 2007 are as follows:

	2008	2007
<u>Cost:</u>		
Balance at the beginning of the period	161,454,959	174,373,452
Changes in the consolidation perimeter (Note 7)	3,850,000	-
Additions relating to business combinations (Note 7)	17,181,058	2,627,227
Acquisition of minority interests	-	11,490,193
Sale of group companies (a)	(4,882,932)	(27,035,913)
Balance at the end of the period	177,603,085	161,454,959
<u>Accumulated impairment losses:</u>		
Balance at the beginning of the period	(1,055,925)	-
Impairment recognised in the period (Note 30)	-	(1,055,925)
Balance at the end of the period	(1,055,925)	(1,055,925)
<u>Net book value:</u>		
Balance at the beginning of the period	160,399,034	174,373,452
Balance at the end of the period	176,547,160	160,399,034

(a) This amount corresponds to goodwill of 131,487 Euros on Expansão (Note 7) and goodwill of 4,751,445 Euros on Expolider (Note 7), reversed as a result of the sale of the companies in 2008.

## CONSOLIDATED ACCOUNTS

Goodwill by business segment at 31 December 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
By segment:		
Television	97,665,002	97,665,002
Audiovisual production	52,923,601	31,892,543
Entertainment	3,409,838	3,409,838
Radio	21,643,989	21,643,989
Non reportable segments	904,730	5,787,662
	<u>176,547,160</u>	<u>160,399,034</u>

For impairment test purposes, goodwill was distributed to the cash generating units, which correspond to the Group's reporting segments.

This analysis was made based on business plans/financial projections of the various cash generating units, prepared and approved by the management.

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:

- Evolution of investment in publicity in the main markets in which the Group operates;
- Audience share;
- Programming costs;
- Evolution of the disk market;
- Cost of producing DVD's;
- Overheads

The discounted cash flow method was used, cash flow projections having been prepared for between four and five years and a perpetuity was considered after that. The nominal growth rate used for the perpetuity was 3.5%. The discount rate used for all the cash generating units was around 8%, as it was considered that they all operate directly or indirectly in the media market, the activity being commercial and the clients and the publicity market being seen transversally by the Group.

As a result of the impairment tests made, based on the above methodology and assumptions, the Group has concluded that there are no impairment losses to be recognised at 31 December 2008.

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### 17. INTANGIBLE ASSETS

The changes in intangible assets and related accumulated amortisation and impairment losses in the years ended 31 December 2008 and 2007 are as follows:

	Prototypes and masters (a)	Audiovisual production rights	ISP assets	Others (b)	Total
<b>Gross amounts:</b>					
Balance at 31 December 2006	-	-	7,434,360	11,666,352	19,100,712
Additions (Note 8)	-	-	-	2,188	2,188
Write offs	-	-	-	(7,492,562)	(7,492,562)
Balance at 31 December 2007	-	-	7,434,360	4,175,978	11,610,338
Changes in consolidation perimeter	30,208,042	5,030,767	-	730,054	35,968,863
Additions (Note 8)	2,505,710	-	-	2,117,227	4,622,937
Translation	199,000	-	-	-	199,000
Write offs	(30,525,226)	-	-	(2,676)	(30,527,902)
Balance at 31 December 2008	2,387,526	5,030,767	7,434,360	7,020,583	21,873,236
<b>Accumulated amortisation:</b>					
Balance at 31 December 2006	-	-	(6,442,169)	(1,221,172)	(7,663,341)
Amortisation for the year (Note 18)	-	-	(992,191)	(783,188)	(1,775,379)
Write offs	-	-	-	7,492,562	7,492,562
Adjustments	-	-	-	(114,700)	(114,700)
Balance at 31 December 2007	-	-	(7,434,360)	5,373,502	(2,060,858)
Changes in consolidation perimeter	(17,238,675)	(2,083,630)	-	(492,408)	(19,814,713)
Amortisation for the year (Note 18)	(2,563,176)	(14,057)	-	(1,165,502)	(3,742,735)
Translation	(201,644)	-	-	(14,310)	(215,954)
Write offs	17,615,969	-	-	1,516	17,617,485
Balance at 31 December 2008	(2,387,526)	(2,097,687)	(7,434,360)	3,702,798	(8,216,775)
<b>Impairment losses:</b>					
Balance at 31 December 2007	-	-	-	-	-
Changes in consolidation perimeter	-	(2,692,854)	-	-	(2,692,854)
Balance at 31 December 2008	-	(2,692,854)	-	-	(2,692,854)
<b>Net balance:</b>					
Net book value at 31 December 2007	-	-	-	9,549,480	9,549,480
Net book value at 31 December 2008	-	240,226	-	10,723,381	10,963,607

- (a) These intangible assets refer to costs incurred with the realisation of productions and films that were sold to Promotora de Emisoras de Televisión, S.A. (Note 36).
- (b) These captions include essentially investments in radio transmission rights, which are being amortised over their estimated period of recovery.



## CONSOLIDATED ACCOUNTS

### 18. TANGIBLE ASSETS

The changes in tangible assets and corresponding accumulated depreciation and impairment losses in the years ended 31 December 2008 and 2007 were as follows:

	Land, buildings and other constructions	Machinery and equipment	Transport equipment	Tools and utensils	Administrative equipment	Other fixed assets	Fixed assets in progress	Total
<b>Gross amount</b>								
Balance at 31 December 2006	11,043,283	87,569,554	7,540,066	2,904,476	13,040,925	5,189,616	7,572,314	134,860,234
Changes in consolidation perimeter	(1,886,432)	(6,537,263)	(598,642)	(89,956)	(963,798)	(1,055,702)	(109,714)	(11,241,507)
Acquisitions (Note 8)	160,310	3,888,083	876,790	195,480	1,022,825	3,707,382	-	9,850,970
Disposals and write-offs	-	(135,961)	(1,468,562)	-	(464,371)	-	-	(2,068,894)
Transfers	100,390	2,971,763	-	-	368,409	1,263,364	(4,703,926)	-
Balance at 31 December 2007	9,417,551	87,756,176	6,349,652	3,010,000	13,004,090	9,104,660	2,758,674	131,400,803
Changes in consolidation perimeter	(88,256)	2,631,542	(470,058)	5,478,996	(69,935)	(355,221)	-	7,127,068
Acquisitions (Note 8)	687,078	8,706,459	451,661	187,477	934,367	449,822	4,891,952	16,308,816
Disposals and write-offs	(48,069)	(1,870,972)	(1,271,174)	(35,116)	(402,185)	(307,689)	(20,252)	(3,955,457)
Transfers	477,807	2,054,363	64,259	5,226	83,879	31,878	(2,717,412)	-
Translation	-	-	-	8,660	3,450	-	-	12,110
Balance at 31 December 2008	10,446,111	99,277,568	5,124,340	8,655,243	13,553,666	8,923,450	4,912,962	150,893,340
<b>Accumulated depreciation and impairment losses:</b>								
Balance at 31 December 2006	(4,626,337)	(71,563,103)	(4,761,003)	(2,511,477)	(10,089,314)	(3,780,182)	-	(97,331,416)
Changes in consolidation perimeter	288,935	4,677,045	469,617	71,068	890,615	1,003,918	-	7,401,198
Depreciation for the year	(493,313)	(5,147,412)	(1,217,838)	(194,711)	(1,165,006)	(1,733,460)	-	(9,951,740)
Disposals and write-offs	-	69,447	1,266,374	-	305,552	-	-	1,641,373
Balance at 31 December 2007	(4,830,715)	(71,964,023)	(4,242,850)	(2,635,120)	(10,058,153)	(4,509,724)	-	(98,240,585)
Changes in consolidation perimeter	52,128	(1,233,955)	360,135	(4,612,694)	156,853	166,928	-	(5,110,605)
Depreciation for the year	(525,211)	(5,339,500)	(1,034,013)	(334,513)	(1,402,342)	(1,798,273)	-	(10,433,852)
Decreases due to sales and write-offs	-	205,180	1,108,381	9,020	394,812	315,055	-	2,032,448
Translation	-	190	-	(4,300)	(1,710)	-	-	(5,820)
Balance at 31 December 2008	(5,303,798)	(78,332,108)	(3,808,347)	(7,577,607)	(10,910,540)	(5,826,014)	-	(111,758,414)
<b>Net book value:</b>								
Net book value at 31 December 2007	4,586,836	15,792,153	2,106,802	374,880	2,945,937	4,594,936	2,758,674	33,160,218
Net book value at 31 December 2008	5,142,313	20,945,460	1,315,993	1,077,636	2,643,126	3,097,436	4,912,962	39,134,926

Amortisation and depreciation recognised in the statements of profit and loss for 2008 and 2007 is made up as follows:

	2008	2007
Depreciation of tangible assets	10,433,852	9,951,740
Amortisation of intangible assets (Note 17)	3,742,735	1,775,379
	<u>14,176,587</u>	<u>11,727,119</u>

## CONSOLIDATED ACCOUNTS

### 19. INVESTMENTS

The changes in investments in the years ended 31 December 2008 and 2007 are as follows:

	Investments in associates	Investments in other companies	Securities and other financial participations	Total
Balance at 31 December 2006	608,717	42,395	2,644	653,756
Transfers	-	(42,395)	(2,644)	(45,039)
Application of the equity method	(195,576)	-	-	(195,576)
Sales	(153,750)	-	-	(153,750)
Balance at 31 December 2007	<u>259,391</u>	<u>-</u>	<u>-</u>	<u>259,391</u>
Application of the equity method	(259,391)	-	-	(259,391)
Balance at 31 December 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Investments in associates at 31 December 2008 are made up as follows:

Company	Head office	Total assets	Total revenue	Shareholders' equity	Result for the year	Effective participation of the Group	Book value
Transjornal	Lisbon	1,660,375	5,605,125	(4,871,745)	(960,673)	35%	-
União de Leiria	Leiria	8,313,910	719,145	2,707,834	(649,472)	20%	-
Nanook	Lisbon	n.d	n.d	n.d	n.d	16%	-

As a result of applying the equity method of accounting and recognising estimated impairment losses, the following amounts were recorded in the caption "Loss on associated companies, net" in the years ended 31 December 2008 and 2007:

Company	Gain/(loss) on associated companies	
	2008	2007
CLMC	-	(132,185)
União de Leiria	(259,391)	(195,576)
Nanook	(7,956)	-
Transjornal (Note 30)	<u>(298,018)</u>	<u>(98,096)</u>
	<u>(565,365)</u>	<u>(425,857)</u>

The investment in Transjornal at 31 December 2008 includes loans granted, the nominal amount of which and estimated losses are as follows:

Estimated losses	(1,774,331)
Other current assets	<u>1,090,868</u>
Additional responsibilities assumed (Note 30)	<u>(683,463)</u>

## CONSOLIDATED ACCOUNTS

### 20. AVAILABLE-FOR-SALE ASSETS

The changes in this caption in the year ended 31 December 2008 were as follows:

	2008
Balance at the beginning of the period	8,923,985
Write-offs	(50,000)
Changes in perimeter	31,021
Balance at the end of the period	8,905,006

At December 2008 and 2007, were as follows:

	2008	2007
Fundo de Investimento para o Cinema e Audiovisual ("FICA") (a)	8,863,853	8,863,853
Fundação Casa da Música	-	50,000
Others	41,153	10,132
	8,905,006	8,923,985

- (a) On 27 July 2007 the Company subscribed for participating units representing 12.05% of a special cinema and audiovisual investment fund, founded in the terms of Ministerial Order 277/2007 of 14 March, reserved for the participants: the State, ZON Multimédia, Serviços de Telecomunicações e Multimédia, SGPS, RTP – Rádio e Televisão de Portugal, S.A., SIC – Sociedade Independente de Comunicação, S.A. and the Company.

The objective of the fund is to invest in cinema, audiovisual and multi-platform works aimed at broadening their operations so as to increase and improve supply and increase the potential value of these productions, with the ultimate purpose of stimulating and developing cinema and audiovisual art.

The amount subscribed for is payable as follows:

	Nominal value	Fair value
2007	1,000,000	821,143
2008	2,000,000	1,628,391
2009	2,000,000	1,715,240
2010	2,000,000	1,806,722
2011	2,000,000	1,903,083
2012	1,000,000	989,274
	10,000,000	8,863,853

The liability not yet paid up for acquiring the participation, recorded at amortized cost considering a discount rate of 5.23%, is recorded as follows at 31 December 2008:

	Nominal value	Fair value
Other non-current liabilities (Note 31)	5,000,000	4,199,079
Other current liabilities (Note 33) (a)	2,500,000	2,715,240
	7,500,000	6,914,319

- (a) This amount includes 500,000 Euros which is overdue.

## CONSOLIDATED ACCOUNTS

### 21. TRANSMISSION RIGHTS AND TELEVISION PROGRAMS

Transmission rights and television programs at 31 December 2008 and 2007 are made up as follows:

Nature	2008	2007
Entertainment	2,844,774	3,664,163
Films	11,005,067	7,471,653
Soaps	36,909,563	32,820,224
Series	4,999,762	2,946,922
Sports	-	4,696,654
Other	128,841	4,039
	<u>55,888,007</u>	<u>51,603,655</u>
Non-current assets	47,045,880	42,098,307
Current assets	8,842,127	9,505,348
	<u>55,888,007</u>	<u>51,603,655</u>

### 22. OTHER NON-CURRENT ASSETS

This caption at 31 December 2008 and 2007 is made up as follows:

	2008	2007
Radio expansion project	1,111,434	1,024,112
Dali Outdoor Invest, S.A. (Note 7)	3,000,000	5,000,000
Others	31,661	-
	<u>4,143,095</u>	<u>6,024,112</u>

### 23. INVENTORIES

This caption at 31 December 2008 and 2007 was made up as follows:

	2008			2007		
	Gross	Accumulated impairment losses (Note 30)	Net	Gross	Accumulated impairment losses (Note 30)	Net
Raw, subsidiary and consumable materials	149,969	-	149,969	1,185,746	(10,715)	1,175,031
Merchandise	<u>4,502,285</u>	<u>(117,053)</u>	<u>4,385,232</u>	<u>2,771,979</u>	<u>(30,326)</u>	<u>2,741,653</u>
	<u>4,652,254</u>	<u>(117,053)</u>	<u>4,535,201</u>	<u>3,957,725</u>	<u>(41,041)</u>	<u>3,916,684</u>

## CONSOLIDATED ACCOUNTS

### 24. TRADE AND OTHER RECEIVABLES

This caption at 31 December 2008 and 2007 is made up as follows:

	2008			2007		
	Gross	Accumulated impairment losses (Note 30)	Net	Gross	Accumulated impairment losses (Note 30)	Net
Customers	64,182,576	(6,919,670)	57,262,906	50,985,686	(8,159,992)	42,825,694
Related parties (Note 36)	20,576,005	-	20,576,005	1,327,804	-	1,327,804
Amounts to be invoiced	3,664,606	-	3,664,606	2,270,588	-	2,270,588
	88,423,187	(6,919,670)	81,503,517	54,584,078	(8,159,992)	46,424,086

### 25. OTHER CURRENT ASSETS

This caption at 31 December 2008 and 2007 is made up as follows:

	2008			2007		
	Gross	Accumulated impairment losses (Note 30)	Net	Gross	Accumulated impairment losses (Note 30)	Net
State and other public entities (Note 34)	3,824,526	-	3,824,526	3,445,509	-	3,445,509
Sundry creditors	25,688,354	(17,342,363)	8,345,991	20,878,165	(17,630,650)	3,247,515
Accounts receivable from related parties (Note 36)	35,521,722	-	35,521,722	71,096,968	-	71,096,968
Advances to suppliers	-	-	-	400	-	400
Prepayments	7,986,573	-	7,986,573	7,872,325	-	7,872,325
	73,021,175	(17,342,363)	55,678,812	103,293,367	(17,630,650)	85,662,717

### 26. CASH AND CASH EQUIVALENTS

This caption at 31 December 2008 and 2007 is made up as follows:

	2008	2007
Demand bank deposits	6,893,390	4,748,321
Cash	278,183	268,208
	7,171,573	5,016,529

### 27. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The Company's fully subscribed and paid up capital at 31 December 2008 consisted of 84,513,180 shares of one Euro and six cents each.

On 5 March 2008 the Shareholders' General Meeting decided to increase capital through the incorporation of the share premium and free reserves in the amounts of 81,709,213 Euros and 268,572 Euros, respectively, with a resulting increase in the nominal value of each share from 9 cents to one euro and six cents, thus not increasing the number of shares outstanding.

## CONSOLIDATED ACCOUNTS

At 31 December 2008 MEDIA CAPITAL's capital was held by the following shareholders:

	<u>Shares</u>	<u>Percentage</u>
Vértix, SGPS, S.A. ("VERTIX")	80,027,607	94.69
Others, less than 10% of the capital	4,485,573	5.31
	-----	-----
	84,513,180	100.00
	=====	=====

Legal reserve: 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. At 31 December 2008 and 2007, legal reserve amounted to 1,133,091 Euros and 981,391 Euros, respectively.

The Shareholders' General Meeting also approved the distribution of dividends totaling 60,999,923 Euros, out of reserves available at 31 December 2007. The distribution corresponds to a dividend of 0.72 Euros per share.

### 28. EQUITY ATTRIBUTABLE TO MINORITY INTEREST

The changes in this caption in the years ended 31 December 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Balance at the beginning of the period	548,373	3,036,028
Changes in the consolidation perimeter and acquisition of minority interests	3,724,383	(2,573,841)
Results attributable to minority interest	1,534,140	86,186
	-----	-----
Balance at the end of the period	<u>5,806,896</u>	<u>548,373</u>

Minority interest reflected on the consolidated balance sheet corresponds to the following companies:

	<u>2008</u>	<u>2007</u>
TVI (a)	-	243,142
CHIP (b)	1,217,685	-
TESELA (b)	526,165	-
FACTORÍA (b)	369,506	-
SOCATER (b)	3,365,942	-
CLMC	230,000	230,000
IOL Negócios	90,915	47,230
EMAV (a)	-	15,522
SPOT	6,683	12,479
	-----	-----
	<u>5,806,896</u>	<u>548,373</u>

(a) The decrease results from the acquisition of the minority interests, the Group becoming holder of all the shares in these companies.

(b) The increase results from a change in the Group's consolidation perimeter due to the acquisition of PLURAL España.

## CONSOLIDATED ACCOUNTS

Minority interest reflected in the consolidated statements of profit and loss for the years ended 31 December 2008 and 2007 corresponds to the following companies:

	2008	2007
TVI	-	40,525
CHIP	429,549	-
TESELA	66,520	-
FACTORÍA	163,187	-
SOCATER	832,143	-
EMAV	4,853	9,820
IOL Negócios	43,685	25,862
SPOT	(5,797)	9,979
	1,534,140	86,186

### 29. BORROWINGS

This caption at 31 December 2008 and 2007 is made up as follows:

	2008				2007			
	Book value		Nominal value		Book value		Nominal value	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Bank loans (a)	14,501,869	110,856,783	14,501,869	111,068,031	509,256	99,734,238	509,256	100,000,000
Finance lease creditors (b)	1,156,987	1,740,287	1,156,987	1,740,287	884,787	905,112	884,787	905,112
Other loans	-	-	-	-	140,990	6,218	140,990	6,218
	15,658,856	112,597,070	15,658,856	112,808,318	1,535,033	100,645,568	1,535,033	100,911,330

- (a) This amount includes a medium and long term commercial paper program in Euros contracted with four financial institutions, starting in February 2007 after restructuring the Group's borrowings, to finance the acquisition of investments and current operations.

The nominal amount drawn, total contracted and repayment plan at 31 December 2008 are as follows:

	31 December 2008	Total contracted
Commercial paper	121,500,000	138,500,000
	=====	=====

The repayment plan is as follows:

2009	14,500,000
2010	12,500,000
2011	30,500,000
2012	81,000,000
	138,500,000

The commercial paper bears interest at the Euribor rate plus a variable spread, based on the relationship between the Company's borrowings and its performance, measured by its EBITDA. At 31 December 2008 the spread was 0.4%.

The commercial paper program contracted establishes advance repayment of the loan in the event of non compliance with certain covenants, relating essentially to ownership of the capital and financial performance, which at 31 December 2008 were being complied with.

## CONSOLIDATED ACCOUNTS

In addition, this caption includes a loan of TESELA from two Spanish cinema production credit institutions, which bears interest at the 6 month Euribor rate plus a variable spread of between 0.5% and 0.75%, and is repayable as follows:

2009	1,743,000
2010	577,000
2011	1,447,000
2012	300,000
	<u>4,067,000</u>

At 31 December 2008 and 2007 the Media Capital Group had the following assets under finance lease:

	2008		
	Cost	Accumulated depreciation	Net
Machinery and equipment	3,468,197	(666,948)	2,801,249
Transport equipment	2,323,056	(1,932,476)	390,580
Administrative equipment	305,397	(221,961)	83,436
Other tangible assets	185,930	(134,799)	51,131
	<u>6,282,580</u>	<u>(2,956,184)</u>	<u>3,326,396</u>
	2007		
	Cost	Accumulated depreciation	Net
Machinery and equipment	1,443,712	(326,415)	1,117,297
Transport equipment	2,361,975	(1,803,534)	558,441
Administrative equipment	305,397	(177,059)	128,338
Other tangible assets	185,930	(116,206)	69,724
	<u>4,297,014</u>	<u>(2,423,214)</u>	<u>1,873,800</u>

The lease instalments not yet due are payable as follows:

	2008	2007
2008	-	884,787
2009	1,156,987	-
	<u>1,156,987</u>	<u>884,787</u>
2009	-	657,964
2010	716,647	161,048
2011	604,276	86,100
2012	419,364	-
	<u>1,740,287</u>	<u>905,112</u>



## CONSOLIDATED ACCOUNTS

### 30. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

The changes in provisions in the years ended 31 December 2008 and 2007 were as follows:

	Taxes	Legal processes in progress	Losses on investments (Note 19)	Total
Balance at 31 December 2006	2,195,982	3,532,221	311,111	6,039,314
Changes in the consolidation perimeter	(374,946)	(168,604)	2,068,860	1,525,310
Increases	(49,565)	201,060	98,096	249,591
Decreases	-	(50,000)	-	(50,000)
Utilisation	(301,425)	(187,143)	-	(488,568)
Reclassifications	-	-	(23,762)	(23,762)
Balance at 31 December 2007	<u>1,470,046</u>	<u>3,327,534</u>	<u>2,454,305</u>	<u>7,251,885</u>
Changes in the consolidation perimeter (Note 7)	(230,823)	(69,926)	-	(300,749)
Increases	3,000	601,767	298,018	902,785
Utilisation	(63,378)	(482,224)	-	(545,602)
Reclassifications	1,299,295	769,565	(2,068,860)	-
Balance at 31 December 2008	<u>2,478,140</u>	<u>4,146,716</u>	<u>683,463</u>	<u>7,308,319</u>

The provision for taxes is to cover estimated tax payable in the future.

The changes in impairment losses in the years ended 31 December 2008 and 2007 are as follows:

	Inventories (Note 23)	Trade and other receivables (Note 24)	Other current assets (Note 25)	Total
Balance at 31 December 2006	191,040	9,355,636	17,589,723	27,136,399
Changes in the consolidation perimeter	-	(2,030,218)	(58,262)	(2,088,480)
Increases	-	782,308	1,101	783,409
Decreases	-	(168,721)	-	(168,721)
Utilisation	(149,999)	220,987	98,088	169,076
Balance at 31 December 2007	<u>41,041</u>	<u>8,159,992</u>	<u>17,630,650</u>	<u>25,831,683</u>
Changes in the consolidation perimeter	(30,325)	(1,957,337)	(336,287)	(2,323,949)
Increases	117,053	1,251,844	48,000	1,416,897
Decreases	(7,865)	(320,579)	-	(328,444)
Utilisation	(2,851)	(214,250)	-	(217,101)
Balance at 31 December 2008	<u>117,053</u>	<u>6,919,670</u>	<u>17,342,363</u>	<u>24,379,086</u>

Provisions and impairment losses recognised in the years ended 31 December 2008 and 2007 were as follows:

	2008	2007
Taxes	3,000	(49,565)
Litigation in process	601,767	201,060
Inventories	109,188	-
Trade and other receivables	931,265	-
Other current assets	48,000	-
Impairment of goodwill (Note 16)	-	1,055,925
	<u>1,693,220</u>	<u>1,207,420</u>

## CONSOLIDATED ACCOUNTS

### 31. OTHER NON-CURRENT LIABILITIES

This caption and the corresponding payment plan at 31 December 2008 and 2007 were as follows:

	2008		
	2010	2011 and subsequent years	Total
Accounts payable to related parties (Note 36)	7,742,333	18,062,523	25,804,856
FICA (Nota 20)	1,806,723	2,892,356	4,699,079
State and other public entities - liability under payment plans	178,270	-	178,270
	9,727,326	20,954,879	30,682,205
	2007		
	2009	2010 and subsequent years	Total
FICA	1,715,240	4,699,079	6,414,319
State and other public entities - liability under payment plans	176,358	196,390	372,748
Liability for the acquisition of Expolider	-	400,000	400,000
	1,891,598	5,295,469	7,187,067

### 32. TRADE AND OTHER PAYABLES

This caption at 31 December 2008 and 2007 was made up as follows:

	2008	2007
Current suppliers	38,295,405	29,111,293
Related parties (Note 36)	4,922,763	1,611,780
Accrued costs:		
Accrued trade discounts	23,471,599	27,135,417
Program broadcasting costs	2,295,881	2,588,976
Other external supplies and services	2,705,425	2,962,566
Authors' rights and royalties	4,093,543	3,124,926
Sales returns	2,094,563	3,906,343
Other	2,906,596	2,361,751
	80,785,775	72,803,052

## CONSOLIDATED ACCOUNTS

### 33. OTHER CURRENT LIABILITIES

This caption at 31 December 2008 and 2007 is made up as follows:

	2008	2007
Suppliers of fixed assets	3,874,651	1,902,203
Sundry creditors:		
Employee benefits	13,564,513	12,601,208
Factoring advances	8,898,617	5,002,864
Employee benefits	-	270,725
Factoring advances	-	268,481
Others	533,753	1,610,622
FICA (Note 20)	2,215,240	1,628,391
State and other public entities (Note 34)	15,649,526	19,337,174
Accounts payable to related parties (Note 36)	9,327,436	52,427
Deferred revenue	7,989,059	7,343,245
	62,052,795	50,017,340

### 34. STATE AND OTHER PUBLIC ENTITIES

This caption at 31 December 2008 and 2007 was made up as follows:

	2008		2007	
	Receivable (Note 25)	Payable (Note 33)	Receivable (Note 25)	Payable (Note 33)
Corporate Income Tax (a)	907,055	1,846,107	463,258	7,493,196
Value Added Tax	2,920,202	7,784,168	2,982,251	6,484,134
Social Security contributions	-	2,356,880	-	1,697,845
Personal Income Tax	840	2,128,795	-	1,662,147
Instituto Português de Arte Cinematográfica e Audiovisual/Cinemateca Portuguesa	-	1,337,405	-	1,476,435
Liabilities included in tax payment plans	-	180,116	-	194,477
Others	5	16,055	-	328,940
	3,828,102	15,649,526	3,445,509	19,337,174

(a) Credit balances related to Corporate income tax are made up as follows:

	2008	2007
Current income tax for the year (Note 13)	10,266,799	9,382,375
Third party withholdings and payments on account	(8,420,692)	(1,889,179)
	1,846,107	7,493,196

### 35. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2008 and 2007 the Group had derivative financial instruments essentially for the purpose of hedging exposure to changes in interest rates. Financial instruments of this kind are contracted after careful analysis of the risks and benefits of this type of operation. Such operations are subject to prior approval by the Board of Directors. The fair value of these instruments is determined on a regular periodic basis throughout the year so as to continuously evaluate them and their respective financial implications.

## CONSOLIDATED ACCOUNTS

At 31 December 2008 the Group had interest rate swaps contracted to hedge interest rate risk on part of its loans. Their market value at 31 December 2008 was 1,461,319 Euros (market value of 66,062 Euros at 31 December 2007). Cost of the swaps for the year ended 31 December 2008 was 254,882 Euros.

These derivatives are stated at fair value as of the balance sheet date, determined based on valuations made by financial institutions. Changes in fair value are reflected on the statement of profit and loss caption "Finance costs, net" (Note 12), as follows:

Change in fair value	1,527,381
Financial costs	254,882
	1,782,263
	=====

### 36. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

The balances at 31 December 2008 and 2007 and transactions for the years then ended with related companies excluded from consolidation were as follows:

	2008				
	Trade and other receivables (Note 24)	Other current assets (Note 25)	Trade payables (Note 32)	Other current liabilities (Note 33)	Other non-current liabilities (Note 31)
Promotora de Emisoras de Televisión, S.A.	14,959,324	-	296,777	-	-
Sogetel, S.A.	2,764,473	-	88,882	-	-
GDM - Gerencia de Medios, S.A.	1,254,663	-	257,525	-	-
Transjornal	492,430	69,356	269,772	436	-
MCE	264,878	312,776	29,057	18,473	-
Diario AS, S.L.	209,149	-	-	-	-
Localia Televisión Madrid, S.A.	192,552	-	944	-	-
Promotora de Informaciones, S.A.	187,326	26,367,698	1,128,448	8,140,490	25,804,856
Prisa Innova, S.A.	114,876	-	-	-	-
Promotora Audiovisual de Zaragoza, S.L.	91,255	-	9,258	-	-
Diario El País, S.L.	56,974	-	15,388	-	-
Plural - Jempsa, S.L.	9,645	-	-	303,600	-
Sociedade Española de Radiodifusión, S.A.	1,508	-	309,115	-	-
Santillana Ediciones Generales, S.L.	(23,048)	-	-	-	-
Promotora General de Revistas, S.A.	-	8,750,000	-	-	-
Nanook	-	21,316	-	-	-
Vertex	-	576	-	210,988	-
PLAY Entertainment	-	-	1,911,573	654,945	-
Ediciones LM, S.L.	-	-	222,500	-	-
Radio Murcia, S.A.	-	-	153,100	-	-
Algarra, S.A.	-	-	100,000	-	-
Valdepeñas de Comunicación, S.L.	-	-	83,000	-	-
Localia TV Valencia, S.A.	-	-	21,668	-	-
Prisa División Inmobiliaria, S.A.	-	-	10,120	-	-
Gran Vía Musical de Ediciones, S.L.	-	-	4,817	-	-
Prisacom, S.A.	-	-	4,050	-	-
Unión de Televisiónes Gallegas, S.A.	-	-	2,436	-	-
Televisión, Medios y Publicidad, S.L.	-	-	-	-	-
Radio Club Canarias, S.A.	-	-	1,186	-	-
Productora de Televisión de Córdoba, S.A.	-	-	1,183	-	-
Ferrolvisión, S.L.	-	-	1,067	-	-
CD TOP	-	-	1,050	(1,496)	-
Málaga Altavisión, S.A.	-	-	1,009	-	-
Compañía Aragonesa de Radiodifusión, S.A.	-	-	450	-	-
Televisión Pontevedra, S.A..	-	-	418	-	-
Canal Gasteiz, S.L.	-	-	418	-	-
Productora de Televisión de Salamanca, S.A.	-	-	174	-	-
Radio Zaragoza, S.A.	-	-	(2,622)	-	-
	20,576,005	35,521,722	4,922,763	9,327,436	25,804,856

## CONSOLIDATED ACCOUNTS

2008					
Sales	Services rendered	Other operating revenue	Financial income	External supplies and services	Financial costs
Promotora de Emisoras de Televisión, S.A.	-	1,019,144	47,210	-	1,028,386
Sogetel, S.A.	-	12,453,051	-	-	124,029
GDM - Gerencia de Medios, S.A.	-	1,554,418	8,070	-	-
Transjornal	-	58,628	10	68,671	70,967
MCE	-	352,451	69,016	-	45,155
Localia Televisión Madrid, S.A.	-	348,980	1,640	-	4,864
Promotora de Informaciones, S.A.	-	560	-	2,424,653	1,432,259
Prisa Innova, S.A.	224,825	4,539	-	-	-
Promotora Audiovisual de Zaragoza, S.L.	-	203,118	-	-	(725)
Diario El País, S.L.	-	52,361	61,235	-	9,075
Plural - Jempsa, S.L.	-	-	-	-	9,031
Sociedade Española de Radiodifusión, S.A.	-	2,980	-	-	44,780
Promotora General de Revistas, S.A.	-	-	-	-	1,800
Nanook	-	-	-	-	15,277
PLAY Entertainment	2,335,313	-	40,728	-	261,801
Gran Vía Musical de Ediciones, S.L.	-	-	-	-	2,364
Productora de Televisión de Córdoba, S.A.	-	-	-	-	540
Málaga Altavisión, S.A.	-	-	-	-	870
Radio Zaragoza, S.A.	-	-	-	-	1,500
Oficina del Autor, S.L.	-	3,832	-	-	-
Sociedade Canaria de Televisión Regional, S.A.	-	(333,221)	-	-	61,625
	<b>2,560,138</b>	<b>15,720,841</b>	<b>227,909</b>	<b>2,493,324</b>	<b>3,104,567</b>
				<b>3,104,567</b>	<b>104,346</b>

2007								
Trade and other receivables (Note 24)	Other current assets (Note 25)	Trade payables (Note 32)	Other current liabilities (Note 33)	Sales	Services rendered	Other operating revenue	Financial income	External supplies and services
CLMC	-	-	-	-	379,010	5,393	429,685	59,885
Transjornal	453,708	67,496	71,815	436	920	94,086	15,666	68,483
Transpublicidade	-	-	-	-	-	-	-	-
União de Leiria	124,449	-	-	-	28,050	-	-	-
CD TOP	-	-	1,050	-	-	-	-	-
Promotora de Informaciones, S.A.	612,313	71,000,000	324,635	-	-	-	239,729	-
Prisa Innova, S.L.	45,617	-	-	91,233	-	-	-	-
Grupo Empresarial de Medios Impresos, S.L.	678	-	-	-	560	-	-	-
Gerencia de Medios, S.A.	91,039	-	-	-	87,280	-	-	-
Nanook	-	29,273	19,036	-	-	-	-	15,732
Play	-	199	1,195,244	51,991	4,420,766	161	3,393	952,662
Others	-	-	-	-	-	-	-	-
	<b>1,327,804</b>	<b>71,096,968</b>	<b>1,611,780</b>	<b>52,427</b>	<b>4,512,919</b>	<b>589,147</b>	<b>24,452</b>	<b>737,897</b>
								<b>1,218,863</b>

The more significant balances with related parties at 31 December 2008 were as follows:

Promotora de Informaciones, S.A.

- (a) Account receivable relating to a loan of 23,000,000 Euros repayable in one month, renewal for the same period. At 31 December 2008 this loan bore interest at the rate of 5.35%
- (b) Account payable in the amount of approximately 25,800,000 Euros relating to the purchase of Plural Entertainment España, which does not bear interest and is repayable as explained in Note 7.

Promotora General de Revistas, S.A.

- (c) Account receivable for the sale of the written press business, which does not bear interest.

Promotora de Emisoras de Televisión, S.A.

- (d) Account receivable for the sale of intangible assets relating to rights by Plural España (Note 17).

During the year ended 31 December 2008 there were no transactions with Directors or entities owned by them.

### 37. FINANCIAL COMMITMENTS

At 31 December 2008 and 2007 the Company had contracts and agreements with third parties to broadcast films and other programs in the amounts of 11,493,937 Euros and 15,062,268 Euros, respectively. The estimated years in which the films and programs will be available for broadcasting are as follows:

## CONSOLIDATED ACCOUNTS

### 31 December 2008

Nature	2009	2010	2011	2012 and following years	To be defined	Total
Films	468,609	32,956	222,171	1,498	150,000	875,234
Series	2,059,600	41,885	53,852	14,959	-	2,170,296
Entertainment	1,257,600	-	-	-	-	1,257,600
Documentaries	-	-	-	-	128,308	128,308
Sport	7,062,500	-	-	-	-	7,062,500
	<u>10,848,309</u>	<u>74,841</u>	<u>276,023</u>	<u>16,457</u>	<u>278,308</u>	<u>11,493,938</u>

### 31 December 2007

Nature	2008	2009	2010	2011 and following years	To be defined	Total
Films	428,699	722,622	1,546,214	337,879	336,500	3,371,914
Series	768,000	208,708	297,604	191,474	58,923	1,524,709
Entertainment	249,280	-	-	-	-	249,280
Documentaries	69,767	-	-	-	156,589	226,356
Sport	9,690,010	-	-	-	-	9,690,010
	<u>11,205,756</u>	<u>931,330</u>	<u>1,843,818</u>	<u>529,352</u>	<u>552,012</u>	<u>15,062,268</u>

### 38. 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 2008 and 2007:

	<u>2008</u>	<u>2007</u>
US Dollar	1.3917	1.4721
British Pound	0.9525	0.7334
Swiss Franc	1.4850	1.6587

### 39. CONTINGENT LIABILITIES

At 31 December 2008 MEDIA CAPITAL had the following bank and other guarantees given to third parties:

Comfort letters relating to compliance with Commercial Paper covenants	35,000,000
Universal Studios International BV - Stand by Letter of Credit	1,605,323
Tax Authorities - legal execution processes (b)	1,535,939
CLMC – letter of credit with 20 <sup>th</sup> Century Fox Home Entertainment (c)	900,000
Warner Music – bank guarantee under an agreement with ENTERTAINMENT (d)	750,000
União de Leiria, SAD ( e )	750,000
Guarantee relating to radio expansion projects	579,034
IAPMEI	409,578
Dali Invest Outdoor - Guarantee given resulting from the sale of MC Outdoor	298,000
Legal processes and others (b)	63,845
Bank guarantees relating to electricity supply contracts	25,599
Others	158,104
	<u>42,075,422</u>

- (a) Comfort letter regarding compliance with obligations resulting from the commercial paper program due to the signing of a medium and long term loan contract (Note 29).
- (b) Processes provided for in part, based on opinions of the Company's legal consultants.
- (c) Bank guarantee under an exclusive distribution agreement for DVD and video products.
- (d) Bank guarantee under an exclusive distribution agreement between Warner Music Portugal and Entertainment.
- (e) Guarantee given under current account credit contracted by União de Leiria, SAD with a financial institution, to cover cash needs.

40. REMUNERATION OF THE KEY MEMBERS OF THE MANAGEMENT

Remuneration of the members of the Company's Board of Directors in the year ended 31 December 2008 amounted to 1,973,123 Euros (1,784,824 Euros in 2007). The remuneration was earned in the various companies included in the consolidation.

The above mentioned remuneration for 2008 consists of fixed remuneration of 1,673,123 Euros and variable remuneration of 300,000 Euros.

During the years ended as of 31 December 2008 and 2007, the fixed remuneration of the key management personnel of the Grupo Media Capital amounted to 2,914,874 Euros and 2,585,641 Euros respectively, and their variable remuneration amounted to 948,469 Euros and 977.147 Euros, respectively.

41. FINANCIAL INSTRUMENTS

At 31 December 2008 and 2007 the financial instruments were as follows:

	<u>2008</u>	<u>2007</u>
<u>Financial assets:</u>		
Available-for-sale assets	8,905,006	8,923,985
Receivables	141,325,424	138,110,915
Cash and cash equivalents	7,171,573	5,016,529
Derivatives by results	-	66,062
	<u>157,402,003</u>	<u>152,117,491</u>
<u>Financial liabilities:</u>		
Derivatives by results	1,461,319	-
Borrowings	128,255,926	102,180,601
Payables	173,520,775	130,007,459
	<u>303,238,020</u>	<u>232,188,060</u>

The Media Capital Group is exposed essentially to the following risks:

(a) Market risk

Market risks relate to changes in interest and exchange rates.

(i) Interest rate

Interest rate risk relates essentially to the variable interest rate to which the commercial paper program is subject. In order to reduce the level of risk to which the Group is exposed, Media Capital contracted a hedge which fixes the range of variation of the 1 month Euribor rate with a cap of 4.99% and a floor of 3.25%.

At 31 December 2008 loans of 50,000,000 Euros were covered by the above hedge, the remaining 78,255,926 Euros being exposed to changes in market interest rates.

If the market interest rates were 0.5% higher or lower during the years ended 31 December 2008 and 2007 net profit for these years would have increased or decreased by 325,000 Euros and 400,000 Euros, respectively.

The Company's sensitivity to changes in interest rates is limited by the above hedging products, which are recorded at market value determined by reference to valuations made by independent entities.

(ii) Exchange rate

Exchange rate risk relates essentially to exposure in Plural Entertainment as well as in debts in currencies other than the Euro, the Group's reporting currency.

The exposure in Plural Entertainment at 31 December 2008 relates to net liabilities of 1,262,000 USD (894,373 Euros at the Euro/USD exchange rate at 31 December 2008).

In addition, at 31 December 2008 the exchange rate risk refers essentially to:

- television program transmission rights contracted with several foreign producers;
- cinema and video transmission rights contracted with Twentieth Century Fox and Warner Bros.

The Euro equivalents of the Company's foreign currency balances, translated at the exchange rates in force at 31 December 2008 and 2007, are as follows:

	Assets/(liabilities)	
	2008	2007
US Dollar (USD)	(1,007,343)	651,863
British Pounds (GBP)	(981,384)	(156,200)
Swiss Francs (CHF)	(36,264)	(157,146)
	<u>(2,024,991)</u>	<u>338,517</u>

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

(b) Credit risk

Credit risk relates essentially to accounts receivable resulting from the Group's operations (Note 24), which the Group endeavours to reduce through its policy of financial discounts for early or cash payment. This risk is monitored on a regular basis for each of the Group's businesses with the objective of:

- limiting credit granted to customers considering their profiles and age of the receivable;
- monitoring evolution of the credit level granted;
- analysing the recoverability of amounts receivable on a regular basis.



## CONSOLIDATED ACCOUNTS

Impairment loss on accounts receivable is determined considering:

- aging analysis of accounts receivable;
- risk profile of the customer;
- financial condition of the customer.

Changes in impairment loss on accounts receivable are shown in Note 30.

The Board of Directors believes that the estimated impairment losses at 31 December 2008 are adequately provided for in the financial statements. The Company believes that there is no need to increase the adjustments to accounts receivable more than the amounts shown in Note 30. In addition, the financial discount allowed for early or cash payment serves as a measure to reduce the credit risk of the Group's various businesses.

At 31 December 2008 and 2007, accounts receivable include balances due as detailed below, for which no impairment losses were recognised as the Board of Directors considers the balances to be realisable:

<u>Overdue balances</u>	2008	2007
Up to 90 days	8,188,833	4,701,906
From 90 to 180 days	1,566,077	9,721,707
More than 180 days	<u>7,881,946</u>	<u>7,371,919</u>
	<u><u>17,636,856</u></u>	<u><u>21,795,532</u></u>

(c) Liquidity risk

Liquidity risk can occur if the funding sources, such as operating cash flow, divestment, credit lines and cash flows obtained from financing operations do not meet the financing needs, such as cash payments for operations and financing, investments, shareholder remuneration and repayment of debt.

In order to mitigate this risk, the Group endeavours to maintain a liquid position and average debt maturities that enable it to repay debt on adequate terms. At 31 December 2008 and 2007 cash and cash equivalents and the unused amount of the commercial paper program and credit lines totalled 24,171,573 Euros and 35,016,529 Euros. Financial liabilities at 31 December 2008 and 2007 mature as follows:

	2008			
	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>+ 3 years</u>	<u>Total</u>
Financial liabilities				
Remunerated:				
Borrowings	15,658,856	1,320,923	111,276,147	128,255,926
Other non-current liabilities	-	20,880,388	9,801,817	30,682,205
Non-remunrated:				
Other current liabilities	62,052,795	-	-	62,052,795
Trade and other payables	80,785,775	-	-	80,785,775
Derivatives by results	<u>1,461,319</u>	-	-	<u>1,461,319</u>
	<u><u>159,958,745</u></u>	<u><u>22,201,311</u></u>	<u><u>121,077,964</u></u>	<u><u>303,238,020</u></u>
	2007			
Financial liabilities	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>+ 3 years</u>	<u>Total</u>
<u>Remunerated:</u>				
Borrowings	1,535,033	17,819,012	82,826,556	102,180,601
Other non-current liabilities	-	3,698,320	3,488,747	7,187,067
<u>Non-remunrated:</u>				
Other current liabilities	50,017,340	-	-	50,017,340
Trade and other payables	<u>72,803,502</u>	-	-	<u>72,803,052</u>
	<u><u>124,355,875</u></u>	<u><u>21,517,332</u></u>	<u><u>86,315,303</u></u>	<u><u>232,188,060</u></u>

42. 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

*Entertainment Social Responsibility Coherence Information Audiovisual Production Contents Quality Television Music Commitment Internet Independence eRadio Culture Innovation Solidity*

## **INDIVIDUAL ACCOUNTS**

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

# INDIVIDUAL ACCOUNTS

## GRUPO MEDIA CAPITAL, SGPS, S.A.

### BALANCE SHEETS AS OF 31 DECEMBER 2008 AND 2007

(Amounts stated in Euros)

(Translation of balance sheets originally issued in Portuguese - Note 21)

ASSETS	Notes	2008	2007
<b>NON-CURRENT ASSETS:</b>			
Tangible assets	9	518,338	544,262
Investments in subsidiaries	10	160,315,138	182,518,819
Available-for-sale assets		-	50,000
		<u>160,833,476</u>	<u>183,113,081</u>
<b>CURRENT ASSETS:</b>			
Trade and other receivables	18	12,343,414	9,098,959
Other current assets	11	18,116,268	27,958,465
Cash and cash equivalents	12	28,690	3,622
		<u>30,488,372</u>	<u>37,061,046</u>
<b>TOTAL ASSETS</b>		<u><u>191,321,848</u></u>	<u><u>220,174,127</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY:</b>			
Capital	13	89,583,971	7,606,186
Share premium		-	81,709,213
Reserves	13	22,384,656	19,619,220
Retained earnings	13	42,973,551	103,973,474
Net profit for the year		33,036,542	3,034,008
Total equity		<u>187,978,720</u>	<u>215,942,101</u>
<b>LIABILITIES:</b>			
<b>NON CURRENT LIABILITY:</b>			
Loans	14	25,969	-
<b>CURRENT LIABILITIES:</b>			
Loans	14	16,979	-
Trade and other payables	15	1,862,075	2,926,372
Other current liabilities	16	1,438,105	1,305,654
		<u>3,317,159</u>	<u>4,232,026</u>
Total liabilities		<u>3,343,128</u>	<u>4,232,026</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>191,321,848</u></u>	<u><u>220,174,127</u></u>

The accompanying notes form an integral part of the balance sheets as of 31 December 2008 and 2007.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

## INDIVIDUAL ACCOUNTS

GRUPO MEDIA CAPITAL, SGPS, S.A.

### STATEMENTS OF PROFIT AND LOSS

FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Amounts stated in Euros)

(Translation of statements of profit and loss originally issued in Portuguese - Note 21)

	Notes	2008	2007
<b><u>OPERATING REVENUE:</u></b>			
Services rendered	4 and 18	6,853,933	6,351,776
Other operating revenue	4 and 18	140,630	303,340
Total operating revenue		6,994,563	6,655,116
<b><u>OPERATING EXPENSES:</u></b>			
Supplies and services	18	(4,780,768)	(4,319,032)
Employee benefits	5	(2,065,975)	(2,013,967)
Depreciation	9	(300,705)	(264,272)
Other operating expenses		(95,786)	(22,062)
Total operating expenses		(7,243,234)	(6,619,333)
Operating gain (loss)		(248,671)	35,783
<b><u>FINANCIAL INCOME:</u></b>			
Financial expense, net	6	(25,808)	(2,131,554)
Gain in subsidiaries	10	33,326,239	5,909,917
Profit before tax		33,300,431	3,778,363
		33,051,760	3,814,146
Income tax expense	7	(15,218)	(780,138)
Net profit for the year		33,036,542	3,034,008
<b>Earnings per share:</b>			
Basic	8	0.3909	0.0359
Diluted	8	0.3909	0.0359

The accompanying notes form an integral part of the statements of profit and loss  
for the years ended 31 December 2008 and 2007.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

# INDIVIDUAL ACCOUNTS

## GRUPO MEDIA CAPITAL, SGPS, S.A.

### CASH FLOW STATEMENTS

#### FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euros)

(Translation of consolidated cash flow statements originally issued in Portuguese - Note 21)

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
<b><u>OPERATING ACTIVITIES:</u></b>			
Cash receipts from customers		4,318,712	67,110
Cash paid to suppliers		(5,396,606)	(3,127,368)
Cash paid to employees		(2,210,447)	(2,538,336)
Cash used in operations		(3,288,341)	(5,598,594)
Other cash received/(paid) relating to operating activities		(325,379)	(600,310)
Net cash used in operating activities (1)		<u>(3,613,720)</u>	<u>(6,198,904)</u>
<b><u>INVESTING ACTIVITIES:</u></b>			
Cash received relating to:			
Dividends	10	33,326,239	25,419,208
Repayment of supplementary capital contributions	10	22,203,681	-
Derivative financial instruments		-	1,220,010
Sale of tangible assets		37,600	-
Loans to participated companies		9,346,044	-
		<u>64,913,564</u>	<u>26,639,218</u>
Cash paid relating to:			
Dividends	13	(60,999,923)	-
Acquisition of available-for-sale assets		-	(50,000)
Acquisition of tangible assets		(264,711)	(22,384)
Loans to participated companies		-	(19,787,708)
		<u>(61,264,634)</u>	<u>(19,860,092)</u>
Net cash used in investing activities		<u>3,648,930</u>	<u>6,779,126</u>
<b><u>FINANCING ACTIVITIES:</u></b>			
Cash received relating to:			
Interest and other similar income		7,551	2,103
Cash paid relating to:			
Payment of finance lease contracts		(14,271)	-
Other financial expenses		(3,422)	(581,251)
		<u>(17,693)</u>	<u>(581,251)</u>
Net cash used in financing activities (3)		<u>(10,142)</u>	<u>(579,148)</u>
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		25,068	1,074
Cash and cash equivalents at the beginning of the year		3,622	2,548
Cash and cash equivalents at the end of the year		28,690	3,622

The accompanying notes form an integral part of the cash flow statements  
for the years ended 31 December 2008 and 2007.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

## INDIVIDUAL ACCOUNTS

GRUPO MEDIA CAPITAL, SGPS, S.A.

### STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Amounts stated in Euros)

(Translation of statements of changes in equity originally issued in Portuguese - Note 21)

	Capital	Share premium	Reserves	Retained earnings	Net profit for the year	Total equity
Balance at 31 December 2006	7,606,186	81,709,213	1,294,907	103,973,474	19,479,771	214,063,551
Transfer of profit for the year	-	-	19,479,771	-	(19,479,771)	-
Share option plan	-	-	(1,155,458)	-	-	(1,155,458)
Net profit for the year	-	-	-	-	3,034,008	3,034,008
Balance at 31 December 2007	<u>7,606,186</u>	<u>81,709,213</u>	<u>19,619,220</u>	<u>103,973,474</u>	<u>3,034,008</u>	<u>215,942,101</u>
Capital increase ( Note 13 )	81,977,785	(81,709,213)	(268,572)	-	-	-
Transfer of profit for the year	-	-	3,034,008	-	(3,034,008)	-
Distribution of dividends ( Note 13 )	-	-	-	(60,999,923)	-	(60,999,923)
Net profit for the year	-	-	-	-	33,036,542	33,036,542
Balance at 31 December 2008	<u>89,583,971</u>	<u>-</u>	<u>22,384,656</u>	<u>42,973,551</u>	<u>33,036,542</u>	<u>187,978,720</u>

The accompanying notes for an integral part of the statements of changes in equity for the years ended 31 December 2008 and 2007.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

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

### INTRODUCTORY NOTE

Grupo Media Capital, SGPS, S.A. ("the Company") was incorporated in 1992, its principal activity being to manage participations in other companies as an indirect form of exercising economic activity.

These financial statements were approved by the Board of Directors on 12 February 2009.

The Company is the holding company of the Media Capital Group that operates in the areas of broadcasting and production of television programs and other media activities and the conception, production and broadcasting of radio programs.

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

## 2. MAIN ACCOUNTING POLICIES

### 2.16 Bases of presentation

The financial statements have been prepared on a going concern basis, under which assets must be realised and liabilities settled in the normal course of business, based on the Company's accounting records.

These separate financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union, with the interpretations of the International Financial Reporting Interpretation Committee ("IFRIC"), for approval and publication under the terms of current legislation. As required under IFRS, investments are recorded at cost. Consequently, the accompanying financial statements do not include the effect of the consolidation of assets, liabilities, equity, revenue and costs, which will be done in consolidated financial statements to be prepared, approved and published separately. The effect of such a consolidation would be to increase assets, liabilities and operating revenue by 258,928,484 Euros, 309,351,859 Euros, 280,376,460 Euros and 27,200,778 Euros, respectively, and decrease the net profit and equity by 13,204,970 Euros and 50,423,375 Euros, respectively.

IFRS were adopted for the first time in 2006 and so the transition adjustments from Portuguese accounting standards ("POC") to IFRS were made as of 1 January 2005 in accordance with the requirements of IFRS 1 – First time adoption of international financial reporting standards ("IFRS 1").

### 2.17 Tangible assets

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

Cost includes the purchase price plus any related purchase costs.

Tangible assets are depreciated as from the time the underlying assets are available for use. The cost of such assets, less their residual value where this is 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 - 50
Transport equipment	4
Administrative equipment	4
Other tangible fixed assets	3 - 10



### 2.18 Balance sheet classification

Assets realisable and liabilities to be settled within one year from the balance sheet date, or 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.

### 2.19 Financial instruments

#### 2.4.1 Investments in subsidiaries

Equity investments in subsidiaries are recorded at cost less, where applicable, impairment losses.

Dividends received out of post-acquisition profits from subsidiaries are recorded as financial income. Dividends which exceed such profits are recorded as decreases in the investments.

#### 2.4.2 Trade receivables and other current assets

Trade receivables and other current assets are initially recognised at their nominal value and reflected net of impairment losses. Impairment losses are recognised 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 nominal and recoverable amounts and is recognised in the statement of profit and loss for the year.

#### 2.4.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

#### 2.4.4 Trade and other payables and other current liabilities

Accounts payable are recognised at their nominal value.

### 2.20 Impairment of assets

Impairment tests are performed at each balance sheet date and whenever an event or change in circumstances is noted that indicates that the book value of an asset is not recoverable.

Whenever the book value of an asset exceeds its recoverable value an impairment loss is recognised as an operating expense in the statement of profit and loss.

The amount recoverable is the higher of the net selling price and the 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 the 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 recognised 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 recognised earlier no longer exists. The reversal of impairment losses is recognised as operating revenue in the statement of profit and loss. However impairment losses are only reversed up to the amount that would have been recognised (net of amortisation and depreciation) if the impairment loss had not been recognised in previous periods.

### 2.21 Income tax

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

Deferred tax is calculated based on the temporary differences between the amount of assets and liabilities for accounting and for tax purposes. Deferred tax assets and liabilities are calculated and valued periodically at the tax rates in force, or announced to be in force, on the dates the temporary differences are expected to reverse.

Deferred tax assets are only recognised when there is reasonable 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 the end of each year a review is made of such deferred taxes, these being decreased whenever their future use is no longer probable.

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

### 2.22 Revenue recognition and accruals basis

Revenue from services rendered is recognised in the statement of profit and loss when the services are rendered.

Costs and revenue are recognised in the period they relate to, regardless of the date they are paid or received. The Company estimates the amount of costs and revenue where the actual amount is unknown.

### 2.23 Subsequent events

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

## 3. CHANGES IN ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND CORRECTIONS OF FUNDAMENTAL ERRORS

There were no changes in accounting policies in 2008 in relation to those used to prepare the financial information for 2007 and no significant corrections of prior year errors were recognised.

In preparing the accompanying financial statements the Board of Directors used its knowledge and experience of past and/or current events and on assumptions relating to future events to make accounting estimates.

The most significant accounting estimate reflected in the financial statements as of 31 December 2008 and 2007 was the calculation of the recoverable amount of investments in subsidiaries. That estimate was made based in the best information available at the time of preparing the financial statements. However, events can occur in subsequent periods which, due to their unpredictability, were not considered in that estimate. Significant changes to that estimate, occurring after the date the financial statements were prepared, are reflected in the statement of profit and loss on a prospective basis, as defined in IAS 8.

In addition, when the Board of Directors approved these financial statements the following standards and interpretations, not yet adopted by the Company, had been issued, their application only being required in subsequent years:

- IAS 23 (revised) – Borrowing costs (years started on or after 1 January 2009)
- IFRS 8 – Segment reporting (years started on or after 1 January 2009)
- IFRIC 13 – Loyalty programs (years started on or after 1 July 2008)

The above mentioned standards and interpretations are not applicable to the Company's separate financial statements.

## INDIVIDUAL ACCOUNTS

### 4. OPERATING INCOME BY NATURE

Operating income for 2008 and 2007 consists essentially of services rendered to participated companies.

### 5. EMPLOYEE BENEFITS

Employee benefits for the years ended 31 December 2008 and 2007, are made up as follows:

	<u>2008</u>	<u>2007</u>
Wages and salaries	1,400,048	1,421,796
Social security contributions	216,917	257,059
Performance bonus	293,472	243,792
Severance payments	78,885	40,012
Labour accident insurance and related costs	7,949	13,332
Other	<u>68,704</u>	<u>37,976</u>
	<u><u>2,065,975</u></u>	<u><u>2,013,967</u></u>

The average number of employees in the years ended 31 December 2008 and 2007 was 22 and 23, respectively.

### 6. FINANCIAL EXPENSES, NET

Financial expenses, net for the years ended 31 December 2008 and 2007 are made up as follows:

	<u>2008</u>	<u>2007</u>
<u>Financial expense:</u>		
Loss on financial instruments	-	2,038,273
Interest expense	1,633	49,538
Other	<u>31,727</u>	<u>45,997</u>
	<u><u>33,360</u></u>	<u><u>2,133,808</u></u>
<u>Financial income:</u>		
Interest obtained	7,551	2,244
Foreign exchange differences	-	10
Other	<u>1</u>	<u>-</u>
	<u><u>7,552</u></u>	<u><u>2,254</u></u>
	<u><u>(25,808)</u></u>	<u><u>(2,131,554)</u></u>

### 7. DIFFERENCE BETWEEN ACCOUNTING AND TAX RESULTS

The Company is subject to corporate income tax at the normal rate of 25%, plus a Municipal Surcharge of a maximum of 1.5% of taxable profit subject to and not exempt from corporate income tax resulting in an aggregate tax rate of about 26.5%.

Representation expenses and costs incurred with light passenger vehicles are subject to autonomous taxation at the rate of 10%, irrespective of the existence of tax losses. Allowances and compensation for the use of employees' own vehicles not billed to clients are also subject to the 10% tax.

## INDIVIDUAL ACCOUNTS

Considering the legal nature and corporate objects of the Company, it is covered by the tax legislation applicable to holding companies. In accordance with that legislation dividends received from companies in which participations are held and gains and losses on the sale of participations are not taxable. On the other hand financial costs incurred on loans used to acquire investments and losses on the sale of investments do not have a tax effect.

In accordance with current Portuguese legislation, tax returns are subject to review and correction by the tax authorities during a period of four years and ten years for Social Security up to 2000, inclusive, and five years as from 2001, 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 2005 to 2008 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.

In accordance with current legislation tax losses can be carried forward to offset taxable profits during a period of six years. At 31 December 2008 and 2007 tax losses available to be carried forward amount to 14,870,394 Euros and 13,404,692 Euros, respectively, and expire as follows:

	2008	2007
2008	-	768,542
2009	1,420,177	1,420,177
2010	1,213,225	1,213,225
2011	3,759,497	3,759,497
2012	3,084,617	3,084,617
2013	3,158,634	3,158,634
2014	2,234,244	-
	<u>14,870,394</u>	<u>13,404,692</u>

The deferred tax assets relating to these losses have not been recognised as there is insufficient evidence of the occurrence of future tax profits to use them.

Reconciliation of the tax rate for the years ended 31 December 2008 and 2007 is as follows:

(a) Reconciliation of the tax rate

	2008	2007
Profit before tax	33,051,760	3,814,146
Nominal income tax rate	<u>25.00%</u>	<u>25.00%</u>
Estimated tax charge	8,262,940	953,537
Permanent differences (i)	(8,821,922)	(1,964,013)
Negative change in equity	-	(288,750)
Unrecoverable deferred tax assets (ii)	558,561	1,299,227
Fines and other penalties	-	776,231
Adjustment to income tax due (iii)	<u>15,639</u>	<u>3,907</u>
	<u>15,218</u>	<u>780,138</u>
Current tax (Note 17)	15,639	780,138
Excess prior year tax	<u>(421)</u>	<u>-</u>
	<u>15,218</u>	<u>780,138</u>
Effective tax rate	<u>0.05%</u>	<u>20.45%</u>

## INDIVIDUAL ACCOUNTS

(i) These amounts for the years ended 31 December 2008 and 2007 are made up as follows:

	2008	2007
Dividends	(33,326,239)	(5,909,917)
Public share sale offering costs	(2,040,909)	(2,040,909)
Others, net	79,460	94,773
	(35,287,688)	(7,856,053)
	25.0%	25.0%
	(8,821,922)	(1,964,013)

(ii) This amount corresponds to the deferred tax assets of the year, recovery of which is uncertain.

(iii) This amount represents autonomous taxation of certain expenses.

(b) Temporary differences – changes in deferred taxes in the years ended 31 December 2008 and 2007

	31 December 2007	Increase	Decrease	31 December 2008
Tax losses carried forward	3,351,173	558,561	(192,136)	3,717,598
Estimated unrecoverable deferred taxes	(3,351,173)	(558,561)	192,136	(3,717,598)
	-	-	-	-
	31 December 2006	Increase	Decrease	31 December 2007
Tax losses carried forward	2,722,643	789,659	(161,129)	3,351,173
Derivatives	(743,456)	509,568	233,888	-
	1,979,187	1,299,227	72,759	3,351,173
Estimated unrecoverable deferred taxes	(1,979,187)	(1,299,227)	(72,759)	(3,351,173)
	-	-	-	-

### 8. EARNINGS PER SHARE

Earnings per share for the year, were calculated considering the following amounts:

	2008	2007
<u>Earnings:</u>		
Net profit for the year	33,036,542	3,034,008
<u>Number of shares:</u>		
Average number of shares for purposes of calculating basic and diluted earnings per share	84,513,180	84,513,180
<u>Earnings per share:</u>		
Basic	0.3909	0.0359
Diluted	0.3909	0.0359

## INDIVIDUAL ACCOUNTS

### 9. TANGIBLE ASSETS

The changes in tangible assets and corresponding accumulated depreciation and impairment losses in the years ended 31 December 2008 and 2007 are as follows:

	Buildings and other constructions	Transport equipment	Administrative equipment	Other tangible assets	Fixed assets in progress	Total
<b>Gross:</b>						
Balance at 31 December 2006	-	-	6,711	50,413	-	57,124
Acquisitions	-	86,115	21,241	685,503	-	792,859
Sales and write offs	-	(18,125)	(3,688)	-	-	(21,813)
Balance at 31 December 2007	-	67,990	24,264	735,916	-	828,170
Acquisitions	74,850	53,830	66,877	71,178	31,348	298,083
Sales and write offs	-	(38,840)	-	-	-	(38,840)
Balance at 31 December 2008	74,850	82,980	91,141	807,094	31,348	1,087,413
<b>Depreciation and accumulated impairment losses:</b>						
Balance at 31 December 2006	-	-	(3,898)	(22,392)	-	(26,290)
Increase	-	(29,673)	(4,140)	(230,459)	-	(264,272)
Sales and write offs	-	3,724	2,932	(2)	-	6,654
Balance at 31 December 2007	-	(25,949)	(5,106)	(252,853)	-	(283,908)
Increase	(1,871)	(27,056)	(14,510)	(257,268)	-	(300,705)
Sales and write offs	-	15,538	-	-	-	15,538
Balance at 31 December 2008	(1,871)	(37,467)	(19,616)	(510,121)	-	(569,075)
<b>Net:</b>						
Net balance at 31 December 2007	-	42,041	19,158	483,063	-	544,262
Net balance at 31 December 2008	72,979	45,513	71,525	296,973	31,348	518,338

### 10. INVESTMENTS IN SUBSIDIARIES

The changes in investments in subsidiaries in the year ended 31 December 2008 were as follows, no changes having occurred in 2007:

	Equity investments in group companies	Loans	Total
Balance at 31 December 2007	142,315,139	40,203,680	182,518,819
Decrease	-	(22,203,681)	(22,203,681)
Balance at 31 December 2008	142,315,139	17,999,999	160,315,138

Investments in subsidiaries at 31 December 2008 correspond to an investment in Meglo – Media Global, SGPS, S.A., the head office, assets, equity, total income and net profit for the year of which are as follows:

Name	Head office	Total assets	Total revenue	Equity	Net profit for the year	Participation percentage	Book value
MEGLO - Media Global, SGPS, S.A. ("Meglo")	Lisboa	320,610,942	38,949,032	46,031,987	16,368,352	100%	160,315,138

## INDIVIDUAL ACCOUNTS

Loans correspond to non-interest-bearing supplementary capital contributions made to the subsidiary company which, in accordance with current legislation, can only be repaid if, after repayment, equity of the participated company exceeds the sum of capital, legal reserve and share premium.

On 6 February 2008 the Shareholders' General Meeting approved the repayment of supplementary capital contributions of 22,203,681 Euros.

In 2008 Meglo distributed a dividend of 33,326,239 Euros (5,909,917 Euros in 2007) in accordance with a decision of the Shareholders' General Meeting held on 6 February 2008. The dividend was recorded in the caption "Gain in 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 Meglo.

The discounted cash flow method was used, cash flow projections for between four and five years having been prepared, a perpetuity having been considered thereafter. The nominal growth rate used for the perpetuity was 3.5%. The discount rate used was 8%, common to all the cash generating units as it was considered that they all operate directly or indirectly in the media market, the activity being commercial, the clients and the publicity market being seen transversally.

The Board of Directors considered that at 31 December 2008 and 2007, the book value of the investment did not exceed its realisable value. The cash flow projections considered correspond to the most recent business plans approved by the Board of Directors.

### 11. OTHER CURRENT ASSETS

This caption at 31 December 2008 and 2007 was made up as follows:

	<u>2008</u>	<u>2007</u>
State and other public entities (Note 17)	27,089	159,729
Sundry debtors	14,341	-
Accounts receivable from related parties (Note 18)	18,049,109	27,759,275
Prepayments	<u>25,729</u>	<u>39,461</u>
	<u><u>18,116,268</u></u>	<u><u>27,958,465</u></u>

### 12. CASH AND CASH EQUIVALENTS

This caption at 31 December 2008 and 2007 was made up as follows:

	<u>2008</u>	<u>2007</u>
Bank deposits	1,094	664
Cash	<u>27,596</u>	<u>2,958</u>
	<u><u>28,690</u></u>	<u><u>3,622</u></u>

## INDIVIDUAL ACCOUNTS

### 13. EQUITY

The Company's fully subscribed and paid up capital at 31 December 2008 consisted of 84,513,180 shares of one Euro and six cents each.

On 5 March 2008 the Shareholders' General Meeting approved a capital increase through capitalization of the share premium account and free reserves in the amounts of 81,709,213 Euros and 268,572 Euros, respectively, with a resulting increase in the nominal value of each share from nine cents to one Euro and six cents, the total number of shares remaining unchanged.

At 31 December 2008 MEDIA CAPITAL's capital was held by the following shareholders:

	Shares	Percentage
Vértix, SGPS, S.A. ("VERTIX")	80.027.607	94,69
Others, less than 10% of the capital	4.485.573	5,31
	84.513.180	100,00
	=====	=====

Legal reserve: In accordance with current legislation the Company must transfer at least 5% of its annual net profit to a legal reserve until it reaches 20% of share capital. This reserve cannot be distributed, except upon liquidation of the company, but may be used to absorb losses or to increase capital after exhaustion of the other reserves. At 31 December 2008 and 2007, the legal reserve amounted to 1,133,091 Euros and 981,391 Euros, respectively.

The Shareholders' General Meeting held on 5 March 2008 also approved the distribution of a dividend of 60,999,923 Euros out of available reserves at 31 December 2007. The distribution corresponds to a gross dividend of 0.72 Euros per share.

### 14. LOANS

This caption at 31 December 2008 corresponded to outstanding finance lease instalments, as follows:

	Book value		Nominal value	
	Current	Non-current	Current	Non-current
Finance lease contracts	16,979	25,969	16,979	25,969

Assets under finance lease:

	Cost	Accumulated depreciation	Net
	Transportation equipment	53,830	11,962



## INDIVIDUAL ACCOUNTS

The lease instalments not yet due mature as follows:

2009	16,979
2010	17,845
2011	8,124
	25,969

### 15. TRADE AND OTHER PAYABLES

This caption at 31 December 2008 and 2007 was made up as follows:

	2008	2007
Current suppliers	242,332	291,654
Accounts payable to related parties (Note 18)	1,230,040	1,905,560
Accrued costs:		
Other supplies and services	373,352	720,543
Others	16,351	8,615
	1,862,075	2,926,372

### 16. OTHER CURRENT LIABILITIES

This caption at 31 December 2008 and 2007 was made up as follows:

	2008	2007
Suppliers of fixed assets	14,313	-
Sundry creditors:		
Remuneration	752,036	969,313
Others	2,991	34,570
State and other public entities (Note 17)	403,717	183,241
Accounts payable to related parties (Note 18)	265,048	118,530
	1,438,105	1,305,654

### 17. STATE AND OTHER PUBLIC ENTITIES

This caption at 31 December 2008 and 2007 was made up as follows:

	2008		2007	
	Receivable (Note 11)	Payable (Note 16)	Receivable (Note 11)	Payable (Note 16)
Corporate Income Tax (a)				
Corporate Income Tax (b)				
Value Added Tax	27,089	-	9,286	-
Social Security contributions	-	13,714	-	-
Personal Income Tax	-	296,426	150,443	43,340
	-	46,669	-	56,961
	-	46,908	-	82,940
	27,089	403,717	159,729	183,241

(a) This caption includes the special payment on account made in 2008.

(b) This caption includes estimated income tax in the amount of 15,639 Euros (Note 7) less tax withholdings of 1,925 Euros.

## INDIVIDUAL ACCOUNTS

### 18. RELATED PARTIES

Related parties at 31 December 2008 and 2007 consist essentially of the following subsidiary and associated companies of Meglo.

Company	Head office	Effective percentage participation held	
		2008	2007
Grupo Media Capital, SGPS, S.A.	Barcarena	Parent	Parent
MEGLO - Media Global, SGPS, S.A.	Barcarena	100	100
MEDIA CAPITAL - Serviços de Consultoria e Gestão, S.A. ("MC SERVIÇOS")	Barcarena	100	100
Publipartner - Projectos de Media e Publicidade, Unipessoal, Lda. ("Publipartner")	Barcarena	100	100
Med Cap Technologies – Desenvolvimento e Comercialização de Sistemas de Comunicação, S.A. ("MED CAP")	Barcarena	100	100
MCE - Media Capital Edições, Lda. ("MCE")	Barcarena	-	100
EXPANSÃO ECONÓMICA – Eventos, Comércio e Projectos Especiais Audiovisuais, S.A. ("EVENTOS")	Barcarena	-	100
EDIÇÕES EXPANSÃO ECONÓMICA, Lda. ("EXPANSÃO")	Barcarena	-	100
EXPOLIDER – Feiras, Exposições e Congressos, S.A. ("EXPOLIDER")	Barcarena	-	100
CENA EDITORIAL – Edição de Publicações Periódicas, S.A. ("CENA")	Barcarena	-	100
CLMC – Multimedia, S.A. ("CLMC")	Lisbon	90	90
MCR – Radiofonia e Publicidade, Sociedade Unipessoal, S.A. ("MCR")	Barcarena	-	100
MCR II - Media Capital Rádios, S.A. ("MCR II")	Barcarena	100	-
R. CIDADE – Produções Audiovisuais, S.A. ("CIDADE")	Lisbon	100	100
RÁDIO REGIONAL DE LISBOA – Emissões de Radiodifusão, S.A. ("REGIONAL")	Lisbon	100	100
RÁDIO COMERCIAL, S.A. ("COMERCIAL")	Lisbon	100	100
Rádio XXI, Lda. ("XXI")	Lisbon	100	100
MCME - Media Capital Música e Entretenimento, S.A. ("MCME")	Barcarena	100	-
CENTRAL DISCOS – Produções Discográficas, S.A. ("CENTRAL DISCOS")	Barcarena	-	100
FAROL MÚSICA – Sociedade de Produção e Edição Audiovisual, Lda. ("FAROL")	Barcarena	100	100
MEDIA CAPITAL ENTERTAINMENT - Produção de Eventos, Lda. ("ENTERTAINMENT")	Barcarena	100	100
Eventos Spot - Agenciamento e Produção de Espectáculos, Lda. ("SPOT")	Barcarena	50	50
KIMBERLEY TRADING, S.A. ("KIMBERLEY")	Barcarena	100	100
TVI – Televisão Independente, S.A. ("TVI")	Barcarena	100	100
RETI – Rede Teledifusora Independente, S.A. ("RETI")	Barcarena	100	100
MEDIA CAPITAL – Editora Multimédia, S.A. ("MULTIMÉDIA")	Barcarena	100	100
Media Capital - Internet, S.A. ("MC Internet")	Barcarena	100	100
MEDIA CAPITAL TELECOMUNICAÇÕES, S.A. ("MCT")	Barcarena	100	100
IOL NEGÓCIOS - Serviços de Internet, S.A. ("IOL Negócios")	Porto	69	69
LÚDICODROME - EDITORA, Unipessoal, Lda	Barcarena	100	100
UNIDIVISA - Promoção de Projectos de Media, S.A. ("UNIDIVISA")	Barcarena	100	100
MCP - MÉDIA CAPITAL PRODUÇÕES, S.A. ("MCP")	Barcarena	100	-
MEDIA CAPITAL PRODUÇÕES INVESTIMENTOS - SGPS, S.A. ("MCP INVESTIMENTOS")	Barcarena	100	-
PLURAL Entertainment Portugal, S.A. ("PLURAL")	Lisbon	100	100
MULTICENA – Equipamento de Imagem e Som, S.A. ("MULTICENA")	Lisbon	100	100
NBP – Ibérica - Producciones Audiovisuales, S.A.	Madrid (Spain)	100	100
CASA DA CRIAÇÃO – Argumentos para Audiovisual, Lda. ("CASA DA CRIAÇÃO")	Lisbon	100	100
EMAV – Empresa de Meios Audiovisuais, Lda. ("EMAV")	Vialonga	100	90
EPC – Empresa Portuguesa de Cenários, Lda. ("EPC")	Vialonga	100	100
NBP Brasil, S.A.	Lisbon	100	100
FEALMAR – Empresa de Teatro Estúdio de Lisboa, S.A. ("FEALMAR")	Lisbon	100	100
PLURAL Entertainment España, S.L. ("PLURAL España")	Madrid (Spain)	100	-
PLURAL Entertainment Canarias, S.L. ("PLURAL Canarias")	San Andrés (Spain)	100	-
PLURAL Entertainment Inc. ("PLURAL Entertainment")	Miami (USA)	100	-
TESELA Producciones Cinematográficas, S.L. ("TESELA")	Madrid (Spain)	80,8	-
Factoría Plural, S.L. ("Factoría")	Zaragoza (Spain)	51	-
Chip Audiovisual, S.A. ("CHIP")	Zaragoza (Spain)	50	-
PLURAL - Jempsa, S.L. ("JEMPSA")	Madrid (Spain)	50	-
Sociedad Canaria de Televisión Regional, S.A. ("SOCATER")	Tenerife (Spain)	40	-
TRANSJORNAL – Edições de Publicações, S.A. ("Transjornal")	Lisbon	35	35
CD TOP – Sociedade Internacional de Audiovisual, S.A. ("CD TOP")	Lisbon	23	23
União de Leiria, SAD ("União de Leiria")	Leiria	20	20

## INDIVIDUAL ACCOUNTS

The balances at 31 December 2008 and 2007 and transactions for the years then ended with these companies and related companies (Prisa Group companies) were as follows:

Balances:

	2008			
	Trade and other receivables	Other current assets (Note 11)	Trade and other payables (Note 15)	Other current liabilities (Note 16)
TVI	5,827,611	33,443	2,876	14,734
MC SERVIÇOS	1,415,317	-	86,962	37,133
RETI	1,094,692	400	-	-
PLURAL	1,041,207	7,738	-	-
COMERCIAL	693,228	-	-	-
MCP	687,970	-	-	-
CLMC	556,848	15,275	-	-
ENTERTAINMENT	318,950	-	-	-
FAROL	242,659	1,209	166	-
MULTIMÉDIA	236,643	220,243	-	-
PLURAL España	180,938	-	-	-
Promotora de Informaciones, S.A.	18,511	-	1,124,301	2,193
Meglo	17,193	17,754,727	-	-
Publipartner	11,327	-	-	-
Diario El Pais, S.A.	320	-	-	-
MCE	-	12,000	1,626	-
MED CAP	-	2,257	14,109	-
KIMBERLEY	-	666	-	-
VERTIX SGPS, S.A.	-	576	-	210,988
SPOT	-	325	-	-
IOL Negócios	-	125	-	-
MCT	-	50	-	-
Unidivisa	-	50	-	-
MCP Investimentos	-	20	-	-
FEALMAR	-	5	-	-
	<u>12.343.414</u>	<u>18.049.109</u>	<u>1.230.040</u>	<u>265.048</u>

## INDIVIDUAL ACCOUNTS

	2007			
	Trade and other receivables	Other current assets (Note 11)	Trade and other payables (Note 15)	Other current liabilities (Note 16)
TVI	3,508,407	9,248	1,341	10,364
MC SERVIÇOS	2,760,322	33,334	585,966	77,631
RETI	1,031,692	250	-	-
NBP	446,773	7,560	-	-
MCE	431,607	3,933	-	1,097
ENTERTAINMENT	350,901	-	-	-
COMERCIAL	323,195	-	-	-
CLMC	146,440	-	-	-
MULTIMÉDIA	34,185	219,590	10,417	-
PROMOTORA	17,525	-	324,635	-
Publipartner	16,962	424	-	-
Meglo	-	27,480,094	873,015	-
FAROL	-	1,315	1,178	-
SPOT	-	-	5,687	-
MCT	-	-	-	14,438
MED CAP	-	2,727	15,327	-
CENA	-	-	-	15,000
REGIONAL	-	-	87,994	-
FEALMAR	-	200	-	-
MULTICENA	-	300	-	-
CASA DA CRIAÇÃO	-	300	-	-
	<u>9,068,009</u>	<u>27,759,275</u>	<u>1,905,560</u>	<u>118,530</u>

Meglo's accounts receivable at 31 December 2008 and 2007 result from financial support to the subsidiaries' activities and mature in the short term.

Transactions:

	2008			
	Services rendered	Other operating revenue	Suplies and services	Gain in subsidiaries
TVI	3,705,254	2,055	14,335	-
Plural Portugal	887,129	36,975	-	-
MCP Produções	584,324	-	-	-
CLMC	390,098	13,680	-	-
COMERCIAL	319,721	2,175	35,000	-
FAROL	303,027	11,080	107	-
Plural Espanã	180,938	-	-	-
MULTIMÉDIA	164,937	13,680	-	-
MCE	159,449	41,400	37,325	-
ENTERTAINMENT	65,464	2,000	-	-
Publipartner	63,701	240	-	-
Meglo	25,546	-	-	33,326,239
MC SERVIÇOS	4,345	960	1,605,966	-
PROMOTORA	-	-	1,403,855	-
MED CAP	-	-	110,820	-
REGIONAL	-	-	35,480	-
EPC	-	-	3,450	-
	<u>6,853,933</u>	<u>124,245</u>	<u>3,246,338</u>	<u>33,326,239</u>

## INDIVIDUAL ACCOUNTS

	2007			
	Services rendered	Other operating revenue	Supplies and services	Gain in subsidiaries
TVI	3,212,682	-	13,303	-
RETI	904,704	-	-	-
NBP	375,453	27,000	-	-
Meglo	367,803	191,059	721,500	5,909,917
MCE	363,506	29,250	18,502	-
ENTERTAINMENT	298,238	9,000	-	-
COMERCIAL	290,351	-	500	-
MULTIMÉDIA	213,665	9,000	199,844	-
CLMC	150,401	-	-	-
MC SERVIÇOS	130,431	12,432	586,918	-
MC OUTDOOR	25,044	18,000	-	-
Publipartner	19,498	-	10,310	-
REGIONAL	-	-	267,734	-
FAROL	-	-	18,807	-
MED CAP	-	-	72,178	-
EPC	-	-	2,950	-
	<u>6,351,776</u>	<u>295,741</u>	<u>1,912,546</u>	<u>5,909,917</u>

### 19. REMUNERATION OF THE KEY MEMBERS OF THE COMPANY

Remuneration of the members of the Company's Board of Directors in the year ended 31 December 2008 amounted to 1,973,123 Euros (1,784,824 Euros in 2007).

The above mentioned remuneration for 2008 consists of fixed remuneration of 1,673,123 Euros and variable remuneration of 300,000 Euros.

During the years ended as of 31 December 2008 and 2007, the fixed remuneration of the key management personnel of the group amounted to 2,914,874 Euros and 2,585,641 Euros, respectively, and their variable remuneration amounted to 948,469 Euros and 977,147 Euros, respectively.

All the above remuneration was earned in the various subsidiary companies.

### 20. FINANCIAL INSTRUMENTS

Financial instruments at 31 December 2008 and 2007 were made up as follows:

	2008	2007
<b>Financial assets:</b>		
Available-for-sale assets	-	50,000
Accounts receivable	30,459,682	37,057,424
Cash and cash equivalents	28,690	3,622
	<u>30,488,372</u>	<u>37,111,046</u>
<b>Financial liabilities:</b>		
Loans	42,948	-
Accounts payable	3,300,180	4,232,026
	<u>3,343,128</u>	<u>4,232,026</u>

The Media Capital group is exposed essentially to credit risk.

Credit risk relates essentially to accounts receivable from related parties resulting from management operations of the various Group companies, which the Company tries to limit through the payment policy used. This risk is monitored by the Company on a regular basis with the objective of:

- ensuring compliance with the defined payment policy;
- accompanying the evolution of the credit granted;
- analysing the financial condition of the related parties on a regular basis.

### 21. 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 ACCOUNTANT

THE BOARD OF DIRECTORS

## CERTIFICAÇÃO LEGAL DAS CONTAS E RELATÓRIO DE AUDITORIA CONTAS CONSOLIDADAS

### **Introdução**

1. Nos termos da legislação aplicável, apresentamos a Certificação Legal das Contas e o Relatório de Auditoria sobre a informação financeira consolidada contida no relatório de gestão e sobre as demonstrações financeiras consolidadas anexas do exercício findo em 31 de Dezembro de 2008 do Grupo Media Capital, SGPS, S.A. ("Grupo"), as quais compreendem o balanço consolidado em 31 de Dezembro de 2008 que evidencia um total de 448.124.298 Euros e capitais próprios de 137.555.345 Euros, incluindo um resultado líquido consolidado de 19.831.572 Euros, as demonstrações consolidadas dos resultados por naturezas, dos fluxos de caixa e das alterações no capital próprio consolidado do exercício findo naquela data e o correspondente anexo.

### **Responsabilidades**

2. É da responsabilidade do Conselho de Administração: (i) a preparação de demonstrações financeiras consolidadas que apresentem de forma verdadeira e apropriada a posição financeira do conjunto das empresas incluídas na consolidação, o resultado consolidado das suas operações, os seus fluxos consolidados de caixa e as alterações no capital próprio consolidado; (ii) que a informação financeira histórica seja preparada de acordo com as normas internacionais de relato financeiro, tal como adoptadas na União Europeia e que seja completa, verdadeira, actual, clara, objectiva e lícita, conforme exigido pelo Código dos Valores Mobiliários; (iii) a adopção de políticas e critérios contabilísticos adequados e a manutenção de sistemas de controlo interno apropriados; e (iv) a informação de qualquer facto relevante que tenha influenciado a actividade do conjunto das empresas incluídas na consolidação, a sua posição financeira ou os seus resultados.
3. A nossa responsabilidade consiste em examinar a informação financeira contida nos documentos de prestação de contas acima referidos, incluindo a verificação se, para os aspectos materialmente relevantes, é completa, verdadeira, actual, clara, objectiva e lícita, conforme exigido pelo Código dos Valores Mobiliários, competindo-nos emitir um relatório profissional e independente baseado no nosso exame.

A expressão Deloitte refere-se a uma ou várias sociedades que operam ao abrigo de um acordo com a Deloitte Touche Tohmatsu, uma Swiss Verein, bem como às suas respectivas representadas e afiliadas. Deloitte Touche Tohmatsu é uma associação mundial de sociedades dedicadas à prestação de serviços profissionais de excelência, concentradas no serviço ao cliente sob uma estratégia global, aplicada localmente em, aproximadamente, 140 países. Como Swiss Verein (associação), nem a Deloitte Touche Tohmatsu nem qualquer das suas sociedades membro assumem qualquer responsabilidade isolada ou solidária pelos actos ou omissões de qualquer das outras sociedades membro. Cada uma das sociedades membro é uma entidade legal e separada que opera sob a marca "Deloitte", "Deloitte & Touche", "Deloitte Touche Tohmatsu" ou outros nomes relacionados.

## Âmbito

4. O exame a que procedemos foi efectuado de acordo com as Normas Técnicas e as Directrizes de Revisão/Auditoria da Ordem dos Revisores Oficiais de Contas, as quais exigem que este seja planeado e executado com o objectivo de obter um grau de segurança aceitável sobre se as demonstrações financeiras consolidadas estão isentas de distorções materialmente relevantes. Este exame incluiu a verificação, numa base de amostragem, do suporte das quantias e informações divulgadas nas demonstrações financeiras consolidadas e a avaliação das estimativas, baseadas em juízos e critérios definidos pelo Conselho de Administração, utilizadas na sua preparação. Este exame incluiu, igualmente, a verificação das operações de consolidação, a aplicação do método de equivalência patrimonial e de terem sido apropriadamente examinadas as demonstrações financeiras das empresas incluídas na consolidação, a apreciação sobre se são adequadas as políticas contabilísticas adoptadas, a sua aplicação uniforme e a sua divulgação, tendo em conta as circunstâncias, a verificação da aplicabilidade do princípio da continuidade das operações, a apreciação sobre se é adequada, em termos globais, a apresentação das demonstrações financeiras consolidadas, e a apreciação, para os aspectos materialmente relevantes, se a informação financeira é completa, verdadeira, actual, clara, objectiva e lícita. O nosso exame abrangeu ainda a verificação da concordância da informação financeira consolidada constante do relatório de gestão com os restantes documentos de prestação de contas consolidadas. Entendemos que o exame efectuado proporciona uma base aceitável para a expressão da nossa opinião.

## Opinião

5. Em nossa opinião, as demonstrações financeiras consolidadas referidas no parágrafo 1 acima, apresentam de forma verdadeira e apropriada, em todos os aspectos materialmente relevantes, a posição financeira consolidada do Grupo Media Capital, SGPS, S.A. em 31 de Dezembro de 2008, o resultado consolidado das suas operações, os seus fluxos consolidados de caixa e as alterações no seu capital próprio consolidado no exercício findo naquela data, em conformidade com as normas internacionais de relato financeiro tal como adoptadas na União Europeia e a informação nelas constante é, nos termos das definições incluídas nas directrizes mencionadas no parágrafo 4 acima, completa, verdadeira, actual, clara, objectiva e lícita.

Lisboa, 12 de Fevereiro de 2009



## CERTIFICAÇÃO LEGAL DAS CONTAS E RELATÓRIO DE AUDITORIA CONTAS INDIVIDUAIS

### **Introdução**

1. Nos termos da legislação aplicável, apresentamos a Certificação Legal das Contas e Relatório de Auditoria sobre a informação financeira contida no Relatório de Gestão e sobre as demonstrações financeiras anexas do exercício findo em 31 de Dezembro de 2008 do Grupo Media Capital, SGPS, S.A. ("Empresa"), as quais compreendem o balanço em 31 de Dezembro de 2008 que evidencia um total de 191.321.848 Euros e capitais próprios de 187.978.720 Euros, incluindo um resultado líquido de 33.036.542 Euros, as demonstrações dos resultados por naturezas, dos fluxos de caixa e das alterações no capital próprio do exercício findo naquela data e o correspondente anexo.

### **Responsabilidades**

2. É da responsabilidade do Conselho de Administração: (i) a preparação de demonstrações financeiras que apresentem de forma verdadeira e apropriada a posição financeira da Empresa, o resultado das suas operações, os seus fluxos de caixa e as alterações no capital próprio; (ii) que a informação financeira histórica seja preparada de acordo com as normas internacionais de relato financeiro tal como adoptadas na União Europeia e que seja completa, verdadeira, actual, clara, objectiva e lícita, conforme exigido pelo Código dos Valores Mobiliários; (iii) a adopção de políticas e critérios contabilísticos adequados e a manutenção de um sistema de controlo interno apropriado; (iv) a informação de qualquer facto relevante que tenha influenciado a sua actividade, posição financeira ou resultados.
3. A nossa responsabilidade consiste em examinar a informação financeira contida nos documentos de prestação de contas acima referidos, incluindo a verificação se, para os aspectos materialmente relevantes, é completa, verdadeira, actual, clara, objectiva e lícita, conforme exigido pelo Código dos Valores Mobiliários, competindo-nos emitir um relatório profissional e independente baseado no nosso exame.

A expressão Deloitte refere-se a uma ou várias sociedades que operam ao abrigo de um acordo com a Deloitte Touche Tohmatsu, uma Swiss Verein, bem como às suas respectivas representadas e afiliadas. Deloitte Touche Tohmatsu é uma associação mundial de sociedades dedicadas a prestação de serviços profissionais de excelência, concentradas no serviço ao cliente sob uma estratégia global, aplicada localmente em, aproximadamente, 140 países. Como Swiss Verein (associação), nem a Deloitte Touche Tohmatsu nem qualquer das suas sociedades membro assumem qualquer responsabilidade isolada ou solidária pelos actos ou omissões de qualquer das outras sociedades membro. Cada uma das sociedades membro é uma entidade legal e separada que opera sob a marca "Deloitte", "Deloitte & Touche", "Deloitte Touche Tohmatsu" ou outros nomes relacionados.

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Member of  
Deloitte Touche Tohmatsu

## Âmbito

4. O exame a que procedemos foi efectuado de acordo com as Normas Técnicas e as Directrizes de Revisão/Auditoria da Ordem dos Revisores Oficiais de Contas, as quais exigem que este seja planeado e executado com o objectivo de obter um grau de segurança aceitável sobre se as demonstrações financeiras estão isentas de distorções materialmente relevantes. Este exame incluiu a verificação, numa base de amostragem, do suporte das quantias e informações divulgadas nas demonstrações financeiras e a avaliação das estimativas, baseadas em juízos e critérios definidos pelo Conselho de Administração, utilizadas na sua preparação. Este exame incluiu, igualmente, a apreciação sobre se são adequadas as políticas contabilísticas adoptadas e a sua divulgação, tendo em conta as circunstâncias, a verificação da aplicabilidade do princípio da continuidade das operações, a apreciação sobre se é adequada, em termos globais, a apresentação das demonstrações financeiras, e a apreciação, para os aspectos materialmente relevantes, se a informação financeira é completa, verdadeira, actual, clara, objectiva e lícita. O nosso exame abrangeu ainda a verificação da concordância da informação financeira constante do Relatório de Gestão com os restantes documentos de prestação de contas. Entendemos que o exame efectuado proporciona uma base aceitável para a expressão da nossa opinião.

## Opinião

5. Em nossa opinião, as demonstrações financeiras referidas no parágrafo 1 acima, apresentam de forma verdadeira e apropriada para os fins indicados no parágrafo 6 abaixo, em todos os aspectos materialmente relevantes, a posição financeira do Grupo Media Capital, SGPS, S.A. em 31 de Dezembro de 2008, o resultado das suas operações, os seus fluxos de caixa e as alterações no seu capital próprio no exercício findo naquela data, em conformidade com as normas internacionais de relato financeiro tal como adoptadas na União Europeia, e a informação financeira nelas constante é, nos termos das definições incluídas nas directrizes mencionadas no parágrafo 4 acima, completa, verdadeira, actual, clara, objectiva e lícita.

## Ênfase

6. As demonstrações financeiras mencionadas no parágrafo 1, referem-se à actividade da Empresa a nível individual e foram preparadas para aprovação e publicação nos termos da legislação em vigor. Conforme previsto nos IAS/IFRS e indicado na Nota 2.4 os investimentos financeiros em empresas do grupo são apresentados ao custo de aquisição ou ao valor de mercado ou de recuperação. Assim, as demonstrações financeiras anexas não incluem o efeito da consolidação de activos, passivos, capital próprio e resultados das empresas participadas, o que será efectuado nas demonstrações financeiras consolidadas a aprovar e a publicar em separado.

Lisboa, 12 de Fevereiro de 2009

## **RELATÓRIO E PARECER DA COMISSÃO DE AUDITORIA**

### **1 Introdução**

Nos termos e para os efeitos do disposto na alínea g) do artigo 423.º-F do Código das Sociedades Comerciais, a Comissão de Auditoria da sociedade Grupo Média Capital, SGPS, S.A. vem pelo presente apresentar aos Senhores Accionistas o relatório sobre a sua acção fiscalizadora e, bem assim, dar o seu parecer sobre os Relatórios e Contas individuais e consolidadas do exercício findo em 31 de Dezembro de 2008 bem como sobre as propostas apresentadas pelo Conselho de Administração da sociedade.

### **2 Fiscalização da Sociedade**

Durante o exercício de 2008, a Comissão de Auditoria acompanhou a evolução da actividade das sociedades integradas no Grupo Média Capital, tendo zelado pela observância da lei e do respectivo contrato de sociedade, verificado a regularidade dos registos contabilísticos, a exactidão dos documentos de prestação de contas, as políticas contabilísticas adoptadas, fiscalizando o processo de preparação e divulgação da informação financeira. A Comissão de Auditoria, no âmbito da sua actividade de fiscalização, não se deparou com quaisquer constrangimentos ao exercício da sua actividade.

Para efeitos do desempenho das competências que lhe são atribuídas, nos termos da lei e do contrato de sociedade, a Comissão de Auditoria participou em todas as reuniões do Conselho de Administração, tendo, durante o exercício de 2008, reunido cinco vezes com vista a entre outros, analisar detalhadamente toda a informação financeira, bem como a informação periódica que foi enviada ao mercado.

A Comissão de Auditoria reuniu com o Revisor Oficial de Contas no sentido de acompanhar os trabalhos de auditoria por ele efectuados e as conclusões atingidas, fiscalizando os trabalhos desenvolvidos pelo Revisor Oficial de Contas no sentido de salvaguardar a sua independência designadamente no tocante à prestação de serviços adicionais e de avaliar o seu desempenho.

### **3 Declaração de responsabilidade**

De acordo com o disposto no artigo 8.º n.º 1, alínea a) do Regulamento da CMVM n.º 5/2008 (Deveres de Informação), os membros da Comissão de Auditoria declaram que, tanto quanto é do seu conhecimento, a informação constante do Relatório de Gestão e dos demais documentos de prestação de contas foi elaborada em conformidade com as normas contabilísticas aplicáveis, dando uma imagem verdadeira e apropriada do activo e do passivo, da situação financeira e dos resultados da Sociedade e das empresas incluídas no perímetro da consolidação. Mais entendem que o relatório de gestão expõe fielmente a evolução dos negócios, do desempenho e da posição da Sociedade e das empresas incluídas no perímetro da consolidação, contém uma descrição dos principais riscos e incertezas com que se defrontam.

#### **4 Parecer sobre os relatórios e contas e propostas apresentados pelo Conselho de Administração**

A Comissão de Auditoria examinou as propostas do Conselho de Administração, a apresentar ao Senhores Accionistas, de Relatórios de Gestão individual e consolidado e as demonstrações individuais e consolidadas do exercício findo em 31 de Dezembro de 2008, os quais incluem os balanços individual e consolidado, as demonstrações individuais e consolidadas dos resultados, as demonstrações individuais e consolidadas dos fluxos de caixa e das alterações no capital próprio e respectivos anexos, do exercício findo àquela data, elaborados de acordo com as Normas Internacionais de Relato Financeiro, tal como adoptadas pela União Europeia.

Adicionalmente, analisou as Certificações Legais de Contas e Relatórios de Auditoria sobre as referidas demonstrações financeiras individuais e consolidadas, elaborados pelo Revisor Oficial de Contas.

A Comissão de Auditoria concorda com a certificação legal das contas elaborada pelo Revisor Oficial de Contas.

Em face do exposto, a Comissão de Auditoria é da opinião que as demonstrações financeiras individuais e consolidadas, os Relatórios de Gestão individuais e consolidados em 31 de Dezembro de 2008, bem como a proposta de aplicação dos resultados nele expressa, estão de acordo com as disposições contabilísticas, legais e estatutárias aplicáveis pelo que recomenda a sua aprovação pelos Accionistas.

Queluz de Baixo, 12 de Fevereiro de 2009

A Comissão de Auditoria,

Jaime Roque de Pinho D'Almeida (Presidente)

Juan Luis Cebrián Echarri

Tirso Olazábal

José Lemos