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**Corporate Governance
and Risk Identification
in Global Media Companies**

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Juan P. Artero

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1. Introduction

Since the beginning of the new 21st century, several corporate scandals have taken place in western countries, such as those controversies involving American companies like Enron, Arthur Andersen, Worldcom, Adelphia and Tyco. Essentially, Europe has not been different, taking into account diverse failures regarding corporations like Maxwell, Parmalat, Kirch, Vivendi or Royal Dutch Shell. Reasons behind such events have ranged from accounting frauds to use of insider information in stock markets, as well as simple irresponsible mismanagement of corporate assets. Main consequences have been the loss of jobs, wealth, and corporate credibility. But several groups in the international community, from politicians to judges, civic activists and the media, have blamed the lack of good corporate governance in the companies involved.

Additionally, economic crisis in 2002 and 2008 has helped also to generate a situation of public opinion in which corporate behaviour is under suspicion. This climate produced a revival of concern about corporate governance in terms of academic interest, professional development, and political regulation. This introduction tries to reflect on the concept of corporate governance itself, as well as the underlying intellectual and historical conditions that have contributed to its resurgence in these times.

Corporate governance is a relatively new expression, even though concepts and activities behind it are as old as human beings. The Oxford English Dictionary (OED, 1989, 2nd ed.) defines 4 “governance” in ten different statements. Among them, three are particularly relevant: “Controlling, directing, or regulating influence; control, sway, mastery”; “The manner in which something is governed or regulated; method of management, system of regulations”; and ‘Discreet or virtuous behaviour; wise self-command’. The verb “govern” includes definitions such as “To rule with authority, esp. with the authority of a sovereign; to

direct and control the actions and affairs of (a people, a state or its members), whether despotically or constitutionally; to rule or regulate the affairs of (a body of men, corporation); to command the garrison of (a fort)”; “To guide, direct, lead (*in some course*); to guide *to* or *towards* an object”; “To direct or regulate one’s actions; to conduct oneself, behave, act (in a specified way)”; “To hold in check, curb, bridle (esp. one’s passions)”; and “To constitute a law or rule for; to be applicable to as a determining principle or limiting condition; to serve as a precedent, rule, or type for; esp. in *Law*, to serve in determining or deciding (a case)”.

As far as the concept of corporation itself is concerned, some of the main definitions for the term in the OED include: “A number of persons united, or regarded as united, in one body; a body of persons”; “A body corporate legally authorized to act as a single individual; an artificial person created by royal charter, prescription, or act of the legislature, and having authority to preserve certain rights in perpetual succession”; and “An incorporated company of traders having (originally) the monopoly and control of their particular trade in a borough or other place; a trade-guild, a city ‘company’. (Now so called only in legal or formal language.)”. In the past, “corporation” was a word mainly used for municipal institutions. That is why the municipal corporation is “the civic authorities of a borough or incorporated town or city; the mayor, aldermen, and councillors. (A leading current use.)”. In fact, the dictionary includes the historical background of the English Corporation Act of 1661, which required “all persons holding municipal offices to acknowledge the royal supremacy, to abjure resistance to the king, and to subscribe a declaration against the solemn League and Covenant, and making ineligible for office all persons who had not within a year partaken of the communion as administered by the Church of England”.

According to Cadbury (2002, p. XV), corporate governance is concerned with “the system by which companies are directed and controlled, which is clearly the responsibility of their boards of directors”. Monks and Minow (2004, p. 2) have defined it as “the structure that is intended to make sure that the right questions get asked and that checks and balances are in place to make sure that the answers

reflect what is the best for the creation of long-term, sustainable value”. Specifically these authors highlight the relationships among shareholders, directors and the management as the core object of corporate governance.

Mathiesen (*www.encycogov.com*, 2002) states that “corporate governance is a field in economics that investigates how to secure/motivate efficient management of corporations by the use of incentive mechanisms, such as contracts, organizational designs and legislation. This is often limited to the question of improving financial performance, for example, how the corporate owners can secure/motivate that the corporate managers will deliver a competitive rate of return”.

Colley et al (2005, p. 3) engages in a longer explanation of the phenomenon when they say that “today, the public corporation itself operates as a form of representative government. The owners (shareholders) elect directors as their representatives to manage the affairs of the business. The directors, who as a group are referred to as the board of directors, then delegate responsibility for actual operations to the Chief Executive Officer (CEO), whom they hire. The CEO is accountable to the board of directors, which collectively and individually, is accountable to the shareholders. In addition, to its role in selecting the CEO, the board also advises on and consents to the selection of businesses and strategies of the firm as well as oversees results. In sum, this system of authoritative direction, or government, is known as corporate governance”.

Even some professionals like Anand (2008, p. xviii) think that “instead of focusing on Corporate Governance as a phrase with a concrete definition, it is much more effective to think of it as a state of mind, a concept that is fluid and adaptable to the changing face of commerce”.

Apart from all these different views on how to define the governance of corporations, it has to be stated that the proper form of the corporation as we know it today is a brand new contribution in human history, rooted from the end of the 19th century. The basic forms of business organizations are proprietorships, partnerships, and corporations. But corporations are a particular kind of business enterprise usually distinguished by four main characteristics: limited liability for investors,

free transferability of shares, perpetual life, and centralized management (Romano, 1993, p. 61).

To some extent, the founding fact of a corporation is the separation of ownership and management, which thereby generates the principal-agent problem. An agency relationship is a contract under which one or more persons (the principal or principals) engage another person (the agent) to perform some service on their behalf which involves some decision-making delegation to the agent. The theoretical foundations of the principal-agent problem and transaction cost are especially outlined in the works of some of the Chicago school economic theorists, such as Alchian, Demsetz and Coase.

The agency theory is complemented (or even confronted) nowadays with the stakeholder approach of the firm. According to Freeman (1984), in the traditional view of the firm, shareholders are the owners of the company, and the firm has the duty to increase value for them. The firm converts the inputs of investors, employees, and suppliers into products which customers buy, thereby returning profits to the firm. By this model, firms only address the needs and wants of investors, employees, suppliers, and customers. However, stakeholder theory argues that there are other parties involved, like competitors, political groups, trade associations, trade unions, communities, associated corporations, and the public at large. Authors such as Kim and Nofsinger (2007) understand corporate governance as a broader social process involving several agents, mainly executives, accountants and auditors, directors, investment banks and securities analysts, creditors and credit rating agencies, shareholders and shareholder activists, as well as regulators.

Given the assumptions of both agency and stakeholder theories, the most important issues in corporate governance are where the power lies and the degree of accountability in place for those who exercise it. There are several internal governance structures that mitigate the agency problem, such as the board of directors; stockholder voting rights; fiduciary duties; executive compensation; and outside shareholders (Romano, 1993, p. 146). But usually, stakeholders' interest is enhanced to a larger extent by external governance structures, especially those related with capital markets, regulatory bodies, and civic associations. The market for

corporate control, especially in the case of takeovers, is a powerful governance tool. Regulations have been important to stimulate boards of directors. But the threat of an unwanted takeover offer can be considered even more important. This is often the answer of the market to poor board performance. In addition, legal and civil pressures of very diverse types have recently shaped the governance of public corporations.

To summarize, corporate governance can be defined as the academic, professional, and policy field focused on how business institutions must be ruled, directed, and accounted for the welfare of all people involved. This is a role particularly played by the board of directors as the representing body of shareholders (the ultimate decision-makers) in order to control the management (the immediate decision-makers). Directors receive certain powers from shareholders and delegate authority to the management of the firm, but they can never delegate responsibility. They remain responsible for the corporation oversight according to excellent business practices, professional ethics and the general law.

Traditionally, corporate governance has been seen as a business function played by the board of directors in terms of internal auditing, legal compliance and risk assessment. Other authors remark the roles of the board summarizing them among strategy, control and service issues. But modern corporate governance should go beyond just a checking system in order to enhance a proper value creating function of the firm. This includes the rules, direction and accountability system of the corporation itself as an economic institution, not only the business or businesses in which is involved. In this view, corporate governance is concerned with critical corporate issues, particularly corporate finance (financial structure of the firm, capital markets, creditors and credit agencies, risk management), corporate communication (investor relations, media, political and civic relations, corporate image, internal communication), corporate strategy (in which businesses, industries and markets the company operates), corporate culture (which are the values, procedures and intellectual capital shared within the firm) and corporate responsibility (how the corporation and its members are made responsible, ethically and legally, towards stakeholders, the community and the law).

Consequently, corporate governance is a field of inquiry with a long intellectual and practical tradition, although has only lately become relevant in the public sphere. Essentially, the immediate reason behind this change is the corporate failures which have occurred in the last few years. But the quest for how institutions must be governed in order to plenty fulfil their goals can be found at least as far as the writings of some of the main ancient Greek philosophers.

In the middle ages, municipal and educational corporations in Europe were granted perpetual existence and control as a way of insuring independence from the kings. By the 17th century, corporations were created by the state for specific purposes, like the settlement of colonies. Limiting investors' liability to capital invested was critical in order to raise significant amounts of money. In the late 19th century, factors such as the need for larger firms with more capital, and the social acceptance of private property, converged in the creation of big industrial, financial and commercial corporations. Even by the 1930s, it was not so clear in the American jurisprudence that the right to create corporations was absolute if not aimed to procure a public utility to the community (Monks and Minow, 2004).

Back in the early modern age, the East India Company was granted a Royal Charter to operate in 1600. This document is assumed to be the first explicit corporate governance structure in history, even though it can be argued that any human institution had an implicit system by which it is governed. Almost two centuries later, Adam Smith's *The Wealth of Nations* already identified the agency problem and discussed the relationship between the providers of capital and the agents that put it into use. Historical developments in the 19th century such as the industrial revolution, the progressive transition from mercantilism to liberal capitalism, and the legal recognition of corporations and their limited liability were essential factors driving the corporate governance of the age. The 1929 economic crash represented an influential cornerstone both in corporate governance theory and practice. Just three years after this event, Berle and Mean (1932) published the book *The Modern Corporation and Private Property*, which is recognized as the earliest analysis of a critical phenomenon in corporate governance: the separation of ownership and management.

Before this work, intellectual antecedents can be routed in Veblen's *The Theory of Business Enterprise* (1904) and Commons' *Legal Foundations of Capitalism* (1924).

Since the late 19th century, but particularly by the 1930s, corporations had turned into bigger and more modernized economic institutions where the owners of shares were increasingly separated from the daily operations of firms. Between stockholders and managers, boards of directors were put into place, as mediating institutions in charge of representation of owners, creation of rules, and control of the management. To some extent, the proper practice of corporate governance results from these years.

Jointly with Berle and Mean's, two other books on corporate governance seem critical for the development of this area of inquiry. Particularly, Jackson's *Corporate Management* (1955) and Eells' *The Government of Corporations* (1962) can be considered cornerstones in the academic thought on the field. Jackson focuses especially on selection, qualifications, election, organization, compensation, powers, functions and liabilities of directors, nearly half a century before these aspects have been considered as critical in good governance processes. Eells grounds what he calls "an old art but a new science" (1962, p.3) on general constitutional considerations, while focusing on corporate powers, restraints and policies. To some extent, he considers general business administration a different field from corporate governance, and recognizes the infancy of the discipline and the lack of good textbooks to be used at universities, a gap that still exists today.

However, there are many other examples of essential books in the configuration of the discipline. Some of the works focused on functions and responsibilities of directors and executives, like Spellman (1931), Burnham (1941), Gordon (1945), Baker (1945), Leighton (1946), Copeland & Towl (1947), Lepawski (1952), Dale (1952), Barnard (1953), Drucker (1954) and Harbison & Myers (1959).

Others focused on previous theoretical developments, such as Gulick & Urwick (1937), Drucker (1946), Truman (1951), Bendix (1956), Gouldner (1954) and Simon (1957). Some other academics and

practitioners reflected on the role of business and government and the interaction between them, like Merriam (1944), Hale (1953), Buchanan (1958), Kelso & Adler (1958), Mason (1959, ed.), Miller (1959) and Ferry (1959, comp.), while others were centred on the historical perspective, such as Hunt (1936), Cochran (1957) and Chandler (1962).

In sum, it can be stated that roughly between 1930 and 1960, the main theoretical foundations of corporate governance were put into place, in part as a long-term intellectual consequence of the economic crash of 1929. The governance environment we live in today, in terms of the professional and academic resurgence of corporate governance, can be identified as a deep consequence of the many corporate scandals produced since 2002. History, once more, has followed similar patterns. Most proper specialized academic works have been done between the 1960s and the 1990s, but from the beginning of the 21st century, a new publishing fever is taking place in corporate governance. Whether or not ideas containing these books are new and relevant in comparison with the pre and post-war publications can be put into question. It must be recognized, at the same time, that many of the early 20th century first publications in business administration studies included corporate governance considerations, even though none of them used the term itself. They constitute the grounding theory of the field, and are comprised of the writings of seminal management thinkers such as Taylor, Parker Follet or Fayol; economists like Smith, Friedman or Schumpeter; sociologists such as Weber, Lazarsfeld and Parsons; communication thinkers like Schramm, Gerbner and Bernays; political scientists like Wilson, Laswell and Dahl; and even draw on the work of such important thinkers as Aristotle, Machiavelli or Montesquieu. In fact, Aristotelian *Politics*, *The Prince* or *The Spirit of the Laws* can be considered at least as important as *The Wealth of Nations* or *The Modern Corporation and Private Property* in seeking the intellectual foundations of current corporate governance.

At this point, it seems self-evident that corporate governance is a corpus of knowledge and a professional activity within business administration and policy which also receives contributions from many other social sciences. As stated before, its main theoretical principles

come from ancient, medieval and modern philosophy, diverse pioneers in the social sciences, and some of the early management thinkers. Apart from that, corporate governance is growing as an emerging discipline mainly within business schools, even though academics devoted to its study come from very diverse backgrounds. In addition, it is worth mentioning that philosophy has provided the grounding for corporate governance; just as jurisprudence has incorporated some of the consequences of previous social scientific considerations.

However, it is an emerging academic field still to be recognized as very distinctive from other disciplines of management in particular and the social sciences in general. Nowadays, the revival of the area is a fact, with both professionals and academics trying to find a distinctive space from other related business activities.

Whether or not corporate governance can be already considered a business field apart from strategic management is a question which only time will tell. The situation between strategy and governance reflects that in similar/unified fields such as accounting/finance, operations/information systems, marketing/sales, and human resource management/organizational behaviour. To some extent, it depends on the opinions and experience of different academics and professionals.

From a professional standpoint, the development of the modern economy helps corporate governance to be recognized as a distinctive field. The corporate sector has grown widely while the state sector has decreased its weight in most economies. Corporations are now bigger, global and powerful, which raises the issue of their accountability. Moreover, the development of international capital markets requires reliable corporate governance structures for the companies to receive equity or debt capital from global investors.

As cornerstones in the way to institutionalization of corporate governance, in 1977 the US Securities and Exchange Commission (SEC) stated a rule by which all companies with shares being traded in the New York Stock Exchange should create audit committees composed of outside directors. In 1991, the Committee on the Financial Aspects of Corporate Governance was created in the UK. The approval of the Sarbanes-Oxley Act of 2002 has consolidated the

trend to more a more homogeneous and recognized modern business practice, as far as any corporation in the world which want its stocks to be listed on the US markets have to comply with this law.

Since then, governance codes have been launched in most developed countries, such as Cadbury and Smith reports in the UK; Olivencia and Aldama reports in Spain; Noerby report in Denmark; or King Committee in South Africa. Others have been proposed by international organizations such as the World Bank, the International Monetary Fund (IMF) and Organisation for Economic Co-operation and Development (OECD). In other countries, not only recommendation codes, but specific laws have been put into place. In the US today, most public corporations are governed primarily according to the regulations contained in the Sarbanes-Oxley Act, the Securities Exchange Commission (SEC) rules and the general principles of the Delaware corporate law, the state where most of these companies are incorporated for fiscal and regulatory advantage reasons. But despite all this diversity of documents, a high degree of convergence of corporate governance standards is taking place internationally.

Similarly, professional profiles are converging in a global manner. Directors are being helped in their tasks by different corporate professionals, particularly accountants, lawyers, consultants, public relationists, and internal auditors. In addition, a space for corporate governance policy activists is being created among universities and research centres, international organizations and advocacy groups. Moreover, politicians and regulation agencies have more and more to do with the governance of corporations, as dealing with lobbyists and civil society institutions is becoming a critical issue for their public service. Industry and consumer associations are playing their role too in the development of this new professional and academic area.

A basic conclusion from these facts is that nowadays companies and their boards of directors work within boundaries. They are set by laws, rules, and regulations; institutional investors and shareholders; corporate bylaws and internal practice codes and values; as well as the community and public opinion. The problem is that even though governance regulations are increasingly similar among industries,

markets and countries, the legal and cultural frameworks have key differences among corporate governance conceptions.

For instance, the World Bank has encouraged countries to develop their own corporate governance systems, given that they all meet three general goals: transparency, independent oversight, and accountability. This is one more step to assume that governance of any kind of institutions is grounded in universal values that make the most in those countries which enhance democracy; capitalism and pluralism. But capital markets have been with no doubt more accessible to globalization than the corporate law which governs them. According to Steger et al (2004, p. 2), shaping forces of current corporate governance jointly include personalities, capital markets/owners, strategy and cultural/legal influences. In addition, Cadbury (2002, p. 236) accounts among the factors that are driving changes the concentration of share ownership from individuals to institutions; the more interventionist attitude of investors; the need for any country to attract international investments; the need by companies to tap world capital markets; the worldwide move towards privatization; and the changing expectations which society has of companies.

Compliance with codes of corporate governance has depended on the degree to which shareholders, boards of directors and institutional investors believe in their ability to improve performance. But in Cadbury's words, "belief in the economic value of high standards of corporate governance is no longer primarily a matter of faith. It is, however, the combination of the soundness of a governance structure, and the integrity and competence of those responsible for it, which counts" (2002, p. 240).

To some extent, it is not possible to demonstrate mathematically that good governance standards results automatically in good financial performance. History teaches that, more often, companies that are able to deliver outstanding results to shareholders can meet the public interest in a satisfying manner as well. For instance, the US Courts recognize that boards of directors must conduct businesses in order to enhance corporate profit and shareholder gain. However, whether it happens or not, the board must act within the limits of the law; has to

take into account ethical considerations; and may devote a reasonable amount of resources to philanthropic purposes.

Because of legal, social and business obligations, boards of directors have gone through dramatic changes in the last few years. They are taking a more active role in the activities of the corporation. Main duties of directors include fiduciary responsibilities, loyalty and fair dealing, care, not to entrench and supervision (Colley et al, 2004, p. 10). But they are general obligations included in more complex and particular organizational cultures. Steger et al (2004) differentiate four types of corporate governance systems: CEO-dominated, checks-and-balances, owner-centred and consensus-oriented. In addition, Colley et al (2004) have identified that the governance model of successful businesses includes some basic elements: a) effective board of directors (integrity and competence); b) competent CEO; c) selection of appropriate business or businesses; d) valid business concept; e) appropriate implementation of the business concept; f) systems to ensure integrity and legal compliance; and g) full and timely disclosure of the performance.

Some of the most generally accepted good corporate governance practices include the separation of roles of the chairman and the CEO, the inclusion of independent/outside directors, the medium-sized composition of the board (normally between 10 and 20 members), the creation of specialized committees (at least those of audit, nomination, and remuneration), and the publication of written corporate governance guidelines or the development of different kinds of corporate social responsibility programs. But more importantly, the corporate governance function must be able to install a culture of internal control within firms. Internal auditing is designed to provide reasonable assurance in economy, effectiveness and efficiency of operations, reliability of financial reporting and information systems, and compliance with the law. As Colley et al (2005, p. 40) recognize, “it should be noted that internal control goes beyond the financial function of the business, to include the much broader areas of operations and legal compliance. The internal control function should include managing the control environment, risk assessment, control activities, information and communications, and the monitoring efforts”.

However, emphasis on control processes can help boards to avoid trouble, but it is very unlikely to provide real added value to the firm. That is why boards of directors must be diligent in complying with their control duties while shaping positively the future of the firm. Otherwise, the risk relies on creating bureaucratic structures that just entrench the regular business operations. As many other aspects of management, it must be recognized that this one is a matter of equilibrium among equally important ends. Steger et al (2004, pp. 1-2) have pointed out four dilemmas the boards are confronted with: micromanagement versus detachment (the division of labour and cooperation between management and board); risk taking versus financial control (the system and processes to set directions and monitor results); the eroding boundaries in global companies versus national frameworks; and the conflicting expectations of stakeholders for the license to operate. Reconciliation of these pressures is a critical aspect for modern boards of directors.

Conger et al (2001) have identified seven key activity areas for the board: giving strategic direction and advice; overseeing strategy implementation and performance; developing and evaluating the CEO; developing human capital; monitoring the legal and ethical performance of the corporation; preventing and managing crises; and procuring resources.

More and more, corporate governance is going well beyond the legal compliance aspect through more excellent (though demanding) frameworks. The role of corporate culture on financial and ethical performance has been shown as critical in this process. As Cadbury states, “the best assurance of consistent performance is that companies should have both good governance and strong values, with their system of rewards and promotion based firmly on adherence to those values” (2002, p. 241). Colley et al (2005, p. 13) think that “the board must establish policies of ethics and disclosure that set the standards of behaviour for directors and senior executives. (...) The board must also establish policies addressing which decisions require board approval, and what information the board should regularly receive about the performance of the corporation and its various entities”. The ability of the board

leadership to create a positive and value-adding corporate culture is essential for any successful corporation. When the board fails in this, the whole organization is affected. Consequently, corporate governance is now a key business function in order to assure the fitness of corporations in the changing social and competitive environment.

Firms are obviously created to generate profits by meeting people's needs and wants. They have both a clear duty to respect the rights of others; and no obligation to promote the interest of others. In addition, corporations operate not only under the laws of governments, but also under the "laws" of markets and societies. It is no laughing matter that some institutional investors (such as investment or pension funds) are adopting publicly socially responsible investment principles that inform their decisions. This is one more indicator in the legal, social and business pressure towards a more transparent, accountable, and responsible corporate governance.

The resurgence of corporate governance in the last few years has followed similar patterns than those given after the 1929 economic crash. The intellectual foundations of the field were mainly put in the years after the crisis. To some extent, 2002 and 2008 have meant a significant revival of that environment in terms of public concern about the consequences of corporate activities, academic research on the topic, and extension of professional profiles devoted to corporate governance. Though empirical research has grown substantially in the last four decades, the theoretical frameworks in which this knowledge relies come directly from academics and practitioners working between the 1930s and 1960s.

The role of the board of directors as the centre of corporate governance activities has changed dramatically as a consequence of new legal obligations, social pressures and management science developments. Former boards mainly composed by owners maintaining a passive attitude have led to modern boards with independent directors which see themselves as a critical organizational function capable to add value to the rest of business activities of the corporations. Consequently, directors must have their own resources and specialized personnel in order to play their role.

Finally, governance of any kind of institutions has been shown as an essential issue for the wellbeing of human societies. The trend towards better corporate governance is influencing political and social institutions as well. In fact, the fever for corporate control could be just the beginning of higher demands for responsibility and accountability in public and not-for-profit institutions. The separation of powers is an accepted principle in modern democracies. The move towards corporate governance can be understood too as a demand for corporate democracy. To some extent, the management can be considered the executive branch while the board of directors would assume the legislative aspect of the political society, composed by all shareholders, who would exercise the ultimate judiciary rights in a short of people's justice.

Critics of excessive legal pressures towards commercial corporations argue that similar standards should be put into place in order to monitor the performance of organizations of any kind. As a consequence, all institutions in developed countries, not only business ones, are being increasingly required to comply with good governance principles. But what is the case for media corporations? Political, economic and social influence of the media is with no doubt critical for any human society. In addition, the current configuration of many media institutions as global business corporations adds even more importance to these companies with great influence on a wide range of countries around the world. Not to mention that not few of the last corporate failures have taken place among companies operating in the media and surrounding business sectors.

This piece of work tries to point out how global media firms meet basic governance standards, particularly regarding risk identification, in their annual reports. The risk transparency aspect has shown especially important in the last few years of economic downturn. In general, all these companies comply with the minimum legal governance requirements stated by the authorities. In particular, rules and regulations coming from American institutions such as the Securities and Exchange Commission (SEC) and the New York Stock Exchange (NYSE) have become global governance standards for most media conglomerates. The reason behind this is that many of the big media companies have

American origins; they operate basically in the US; or its stocks are listed in American exchange markets. This is why the American corporate governance model is becoming a global standard not only in the media, but also in many other highly-globalized industries.

In the pages to come, it can be found a basic business overview and a list of the risks factors identified by twelve global media corporations. This group has been chosen according to two basic criteria: companies that were listed by Zenith Optimedia in 2009 as one of the top 30 global media owners; and, within them, those companies which are obligated to inscribe forms 10-K (American firms) or 20-F (foreign corporations) at the SEC. Most of them are listed in the NYSE market too. The analyzed firms are Time Warner, News Corporation, General Electric, CBS, Walt Disney, DirecTV, Gannett, BSkyB, Google, Yahoo!, Viacom and Televisa.

The information included in the following pages is an edited summary of business and risk sections from these annual reports completed by the companies themselves. Particularly, risk factors are presented here for space reasons as a unified list of numbered single statements, even though companies include deeper explanations of each one of them in their official SEC forms. The conclusion chapter tries to compare these twelve companies in terms of the corporate governance standards they meet; the business segments in which they operate; and, accordingly to their particular media operations, the risk factors they identify in their annual reports.

2. Case Studies

2.1. Time Warner

Business Overview

Time Warner is a leading media and entertainment company. On May 20, 2008, the Company and its subsidiaries Warner Communications Inc., Historic TW Inc. and American Television and Communications Corporation entered into a Separation Agreement with Time Warner Cable Inc. (TWC) and its subsidiaries. Upon consummation of the Separation transactions, Time Warner's stockholders and/or former stockholders will hold approximately 85.2% of the issued and outstanding TWC common stock, and TWC's stockholders other than Time Warner will hold approximately 14.8% of the issued and outstanding TWC common stock.

Time Warner's major businesses encompass an array of the most respected and successful media brands. Among the Company's brands are HBO, TNT, CNN, AOL, People, Sports Illustrated, Time and Time Warner Cable. The Company produces and distributes films through Warner Bros. and New Line Cinema. During 2008, the Company generated revenues of \$46.984 billion (up 1% from \$46.482 billion in 2007).

The current global economic recession adversely impacted the Company's businesses in the fourth quarter of 2008 and is expected to continue to adversely impact them during 2009. For example, during the fourth quarter of 2008, the Company's advertising revenues declined 7% compared to the similar period in the prior year. The Company also expects Advertising revenues to decline in 2009. Additionally, the current economic environment is adversely impacting the Company's ability to increase Content revenues due to, among other things, reduced consumer spending on DVDs. Further,

the Cable segment has experienced a slowdown in growth of its revenue generating unit categories.

Time Warner classifies its operations into five reportable segments: AOL, Cable, Filmed Entertainment, Networks and Publishing.

AOL operates a Global Web Services business, which is comprised of its Platform-A, MediaGlow and People Networks business units. Platform-A sells advertising services worldwide on both the AOL Network and third-party Internet sites. MediaGlow and People Networks develop and operate the AOL Network, which includes a leading network of web brands, free client software and services and a social media network for Internet consumers. In addition, through its Access Services business, AOL operates one of the largest Internet access subscription services in the United States. As of December 31, 2008, AOL had 6.9 million AOL brand subscribers in the U.S., which does not include registrations for free AOL services. In 2008, AOL generated revenues of \$4.165 billion (9% of the Company's overall revenues) and had \$671 million in Operating Loss before Depreciation and Amortization and \$1.147 billion in Operating Loss, both of which included asset impairments of \$2.229 billion, primarily related to reductions in the carrying value of goodwill.

AOL has transitioned from a business that primarily focused on generating Subscription revenues to one that is focused on attracting and engaging Internet consumers and providing advertising services on both the AOL Network and the Third Party Network. AOL's focus is on growing its Global Web Services business, while managing costs in this business, as well as managing its declining subscriber base and related cost structure in its Access Services business. During 2008, the Company announced that it had begun separating the AOL Access Services and Global Web Services businesses, which should enhance the operational focus and strategic options available for each of these businesses. As these businesses were historically highly integrated, this separation initiative has been complex. The Company anticipates that it will be in a position to manage AOL's Access Services and Global Web Services businesses separately during 2009. Beginning in the first

quarter of 2009, AOL is undertaking a significant restructuring, primarily of its Global Web Services business, and expects to incur restructuring charges ranging from \$125 million to \$150 million primarily in the first half of 2009.

Paid-search advertising activities on the AOL Network are conducted primarily through AOL's strategic relationship with Google Inc. In connection with the expansion of this strategic relationship in April 2006, Google acquired a 5% interest in AOL, and, as a result, 95% of the equity interests in AOL are indirectly held by the Company and 5% are indirectly held by Google. As part of the April 2006 transaction, Google received certain registration rights relating to its equity interest in AOL. In late January 2009, Google exercised its right to request that AOL register Google's 5% equity interest for sale in an initial public offering. Time Warner has the right, but not the obligation, to purchase Google's equity interest for cash or shares of Time Warner common stock based on the appraised fair market value of the equity interest in lieu of conducting an initial public offering. The Company has not yet determined in which manner it will proceed.

AOL's Access Services business offers an online subscription service to consumers that include dial-up Internet access. AOL continued to experience declines during 2008 in the number of its U.S. subscribers and related revenues, due primarily to AOL's decisions to focus on its advertising business and offer most of its services (other than Internet access) for free to support the advertising business, AOL's significant reduction of subscriber acquisition and retention efforts, and the industry-wide decline of the dial-up ISP business and growth in the broadband Internet access business. The decline in U.S. subscribers has moderated, with a decline of 2.4 million for the year ended December 31, 2008 compared to a decline of 3.9 million for the year ended December 31, 2007. The decline in subscribers has had an adverse impact on AOL's Subscription revenues. However, dial-up network costs have also decreased and are anticipated to continue to decrease as subscribers decline, although AOL expects the rate of the decrease in dial-up network costs to moderate. AOL's Advertising revenues associated with the AOL Network, in large part, are generated from the activity of current and former AOL subscribers. Therefore,

the decline in subscribers also could have an adverse impact on AOL's Advertising revenues generated on the AOL Network to the extent that subscribers cancelling their subscriptions do not maintain their relationship with and usage of the AOL Network.

Time Warner's cable business, TWC, is the second-largest cable operator in the U.S., with technologically advanced, well-clustered systems located mainly in five geographic areas: New York State (including New York City), the Carolinas, Ohio, southern California (including Los Angeles) and Texas. As of December 31, 2008, TWC served approximately 14.6 million customers who subscribed to one or more of its video, high-speed data and voice services. In 2008, TWC generated revenues of \$17.200 billion (36% of the Company's overall revenues) and had \$8.694 billion in Operating Loss before Depreciation and Amortization and \$11.782 billion in Operating Loss, both of which included asset impairments of \$14.867 billion, primarily related to the impairment of cable franchise rights.

TWC principally offers three services — video, high-speed data and voice – over its broadband cable systems. TWC markets its services separately and in “bundled” packages of multiple services and features. As of December 31, 2008, 54% of TWC's customers subscribed to two or more of its primary services, including 21% of its customers who subscribed to all three primary services. Historically, TWC has focused primarily on residential customers, while also selling video, high-speed data and networking and transport services to commercial customers. As part of an increased emphasis on its commercial business, TWC also began selling its commercial Digital Phone service, Business Class Phone, to small- and medium-sized businesses during 2007. During 2008, TWC generated nearly \$800 million of revenues from its commercial services. TWC believes providing commercial services will generate additional opportunities for growth. In addition, TWC sells advertising to a variety of national, regional and local customers.

Video is TWC's largest service in terms of revenues generated and, as of December 31, 2008, TWC had approximately 13.1 million basic video subscribers, of which approximately 8.6 million subscribed to TWC's

digital video service. Although providing video services is a competitive and highly penetrated business, TWC expects to continue to increase video revenues through the offering of advanced digital video services, as well as through price increases and digital video subscriber growth. TWC's digital video subscribers provide a broad base of potential customers for additional services. Video programming costs represent a major component of TWC's expenses and are expected to continue to increase, reflecting programming rate increases on existing services, costs associated with retransmission consent agreements, subscriber growth and the expansion of service offerings (e.g., new network channels). TWC expects that its video service margins as a percentage of video revenues will continue to decline over the next few years as increases in programming costs outpace growth in video revenues.

As of December 31, 2008, TWC had approximately 8.4 million residential high-speed data subscribers. TWC expects continued growth in residential high-speed data subscribers and revenues for the foreseeable future; however, the rate of growth of both subscribers and revenues is expected to continue to slow over time as high-speed data services become increasingly penetrated. TWC also offers commercial high-speed data services and had 283,000 commercial high-speed data subscribers as of December 31, 2008.

As of December 31, 2008, TWC had approximately 3.7 million residential Digital Phone subscribers. TWC expects increases in Digital Phone subscribers and revenues for the foreseeable future; however, the rate of growth of both subscribers and revenues is expected to slow over time as Digital Phone services become increasingly penetrated and as an increasing number of homes in the U.S. replace their traditional telephone service with wireless phone service. TWC rolled out Business Class Phone to small- and medium-sized businesses during 2007 in the majority of its operating areas and substantially completed the roll-out in the remainder of its operating areas during 2008. As of December 31, 2008, TWC had 30,000 commercial Digital Phone subscribers.

Time Warner's Filmed Entertainment segment comprises Warner Bros. Entertainment Group, one of the world's leading studios, and New Line Cinema Corporation. In 2008, the Filmed Entertainment segment

generated revenues of \$11.398 billion (23% of the Company's overall revenues), \$1.228 billion in Operating Income before Depreciation and Amortization and \$823 million in Operating Income.

The Filmed Entertainment segment has diversified sources of revenues within its film and television businesses, including an extensive film library and a global distribution infrastructure, which have helped it to deliver consistent long-term operating performance. To increase operational efficiencies and maximize performance within the Filmed Entertainment segment, the Company reorganized the New Line business in 2008 to be operated as a unit of Warner Bros. while maintaining separate development, production and other operations. During 2008, the Company incurred restructuring charges primarily related to involuntary employee terminations in connection with the reorganization. Beginning in the first quarter of 2009, Warner Bros. is undertaking a significant restructuring, primarily consisting of headcount reductions and the outsourcing of certain functions to an external service provider, and expects to incur restructuring charges ranging from \$75 million to \$100 million during 2009.

The sale of DVDs has been one of the largest drivers of the segment's profit over the last several years. The industry and the Company experienced a decline in DVD sales in 2008 as growing consumer interest in high definition Blu-ray DVDs only partially offset softening consumer demand for standard definition DVDs. Additionally contributing to the overall decline in DVD sales are several factors, including the general economic downturn in the U.S. and many regions around the world, increasing competition for consumer discretionary time and spending, piracy and the maturation of the standard definition DVD format.

Time Warner's Networks segment comprises Turner Broadcasting System and Home Box Office. In 2008, the Networks segment generated revenues of \$11.154 billion (22% of the Company's overall revenues), \$3.487 billion in Operating Income before Depreciation and Amortization and \$3.118 billion in Operating Income.

The Turner networks – including such recognized brands as TNT, TBS, CNN, Cartoon Network, truTV and HLN (formerly CNN

Headline News) – are among the leaders in advertising-supported cable TV networks. For seven consecutive years, more primetime households have watched advertising-supported cable TV networks than the national broadcast networks. The Turner networks generate revenues principally from receipt of monthly subscriber fees paid by cable system operators, satellite distribution services, telephone companies and other distributors and from the sale of advertising. Key contributors to Turner's success are its continued investments in high-quality programming focused on sports, original and syndicated series, news, network movie premieres and animation leading to strong ratings and Subscription and Advertising revenue growth, as well as strong brands and operating efficiencies.

HBO operates the HBO and Cinemax multichannel premium pay television programming services, with the HBO service ranking as the nation's most widely distributed premium pay television service. HBO generates revenues principally from monthly subscriber fees from cable system operators, satellite distribution services, telephone companies and other distributors. An additional source of revenues is the sale of its original programming.

During 2008, the results of the Networks segment benefited from the segment's recent international expansion efforts, including Turner's fourth-quarter 2007 acquisition of seven pay networks operating principally in Latin America and HBO's acquisitions of additional interests in HBO Asia and HBO South Asia during the fourth quarter of 2007 and the first quarter of 2008. During 2008, these acquired businesses contributed incremental revenues and Operating Income before Depreciation and Amortization of \$137 million and \$15 million, respectively. On December 19, 2008, HBO acquired an additional interest in and began consolidating the operating results of the HBO Latin America Group, consisting of HBO Brasil, HBO Olé and HBO Latin America Production Services. The Company anticipates that international expansion will continue to be an area of focus at the Networks segment for the foreseeable future.

Time Warner's Publishing segment consists principally of magazine publishing and related websites as well as a number of direct-marketing and direct-selling businesses. In 2008, the Publishing

segment generated revenues of \$4.608 billion (10% of the Company's overall revenues) and had \$6.416 billion in Operating Loss before Depreciation and Amortization and \$6.624 billion in Operating Loss, both of which included asset impairments of \$7.195 billion, primarily related to reductions in the carrying values of goodwill and identifiable intangible assets. In addition, in the fourth quarter of 2008, the Publishing segment incurred restructuring charges in connection with a significant reorganization of its operations.

As of December 31, 2008, Time Inc. published 23 magazines in the U.S., including People, Sports Illustrated, Time, InStyle, Real Simple, Southern Living and Fortune, and over 90 magazines outside the U.S., primarily through IPC Media in the U.K. and Grupo Editorial Expansión in Mexico. The Publishing segment generates revenues primarily from advertising (including advertising on digital properties), magazine subscriptions and newsstand sales. Advertising sales at the Publishing segment, particularly print advertising sales, continue to be significantly affected by the current economic environment as evidenced by their decline during 2008. Time Inc. continues to invest in developing digital content, including the expansion of the CNNMoney, People, and Sports Illustrated digital properties. For the year ended December 31, 2008, online Advertising revenues were 10% of Time Inc.'s total Advertising revenues, compared to 7% for the year ended December 31, 2007.

Risk Factors

1. Weakening economic conditions or other factors could continue to reduce the Company's advertising or other revenues or hinder its ability to maintain or increase such revenues.
2. Time Warner is exposed to risks associated with turmoil in the financial markets.
3. Time Warner faces risks relating to doing business internationally that could adversely affect its business and operating results.
4. The introduction and increased popularity of alternative technologies for the distribution of news, entertainment and other

- information and the resulting shift in consumer habits and/or advertising expenditures from traditional to online media could adversely affect the revenues of the Company's Publishing, Networks and Filmed Entertainment segments.
5. Several of the Company's businesses operate in industries that are subject to rapid technological change, and if Time Warner does not respond appropriately to technological changes, its competitive position may be harmed.
 6. The Company faces risks relating to competition for the leisure and entertainment time of audiences, which has intensified in part due to advances in technology.
 7. Piracy of the Company's feature films, television programming and other content may decrease the revenues received from the exploitation of the Company's entertainment content and adversely affect its business and profitability.
 8. Time Warner's businesses may suffer if it cannot continue to license or enforce the intellectual property rights on which its businesses depend.
 9. The Company has been, and may be in the future, subject to claims of intellectual property infringement, which could have an adverse impact on the Company's businesses or operating results due to a disruption in its business operations, the incurrence of significant costs and other factors.
 10. Several of the Company's businesses rely heavily on network and information systems or other technology, and a disruption or failure of such networks, systems or technology as a result of computer viruses, misappropriation of data or other malfeasance, as well as outages, natural disasters, accidental releases of information or similar events, may disrupt the Company's businesses.
 11. The Company's Internet and advertising businesses are subject to regulation in the U.S. and internationally, which could cause these businesses to incur additional costs or liabilities or disrupt their business practices.
 12. AOL's business model involves significant risks.

13. Demand and pricing for, and volume sold of, online advertising may face downward pressure.
14. Uncertainty about a possible sale or other disposition of AOL is having an adverse impact on AOL's workforce that could negatively affect AOL's business.
15. AOL's lack of a proprietary search service may have an adverse impact on AOL's advertising revenues.
16. AOL faces risks associated with its dependence upon Google for search services.
17. AOL faces intense competition in all aspects of its business.
18. Following the sales of AOL's Access Services businesses in Europe, AOL depends on third parties for advertising revenues in Europe, and actions taken by such third parties could adversely impact AOL's advertising revenues.
19. Changes to third-party software made by the third-party providers or by consumers could have an adverse impact on AOL's advertising business.
20. AOL faces risks associated with the fragmentation of the Internet audience.
21. If AOL does not continue to develop and offer compelling and differentiated content, products and services, AOL's advertising revenues could be adversely affected.
22. If AOL cannot effectively distribute its content, products and services, AOL may not be able to attract new Internet consumers or maintain or increase the engagement of Internet consumers and may not be able to increase advertising revenues.
23. Unless AOL increases the number of visitors to the AOL Network and maintains or increases their activity in areas where advertising revenues are generated, and even if it succeeds in doing so, AOL may not be able to increase advertising revenues associated with the AOL Network.
24. More individuals are using devices other than personal and laptop computers to access and use the Internet, and if AOL cannot make

- its content, products and services available and attractive to consumers via these alternative devices, AOL's advertising revenues could be adversely affected.
25. Acquisitions of other companies could have an adverse impact on AOL's operations and result in unanticipated liabilities.
 26. New or changing federal, state or international privacy legislation or regulation could hinder the growth of AOL's business.
 27. The Company may not achieve some or all of the benefits that it expects from the Separation.
 28. After the Separation, Time Warner's businesses will be less diversified, which may adversely affect its business and operating results.
 29. TWC has incurred a substantial amount of debt, which may limit its flexibility or prevent it from taking advantage of business opportunities.
 30. If the TWC Separation Transactions are determined to be taxable for income tax purposes, Time Warner and Time Warner's stockholders that are subject to U.S. federal, state or local income tax could incur significant income tax liabilities.
 31. The Tax Authorities may challenge the tax characterizations of the Adelphia Acquisition, the Redemptions or the Exchange, or related valuations, and any successful challenge by the Tax Authorities could materially adversely affect Time Warner's tax profile, significantly increase its future cash tax payments and significantly reduce its future earnings and cash flow.
 32. TWC faces a wide range of competition, which could negatively affect its business and financial results.
 33. Significant unanticipated increases in the use of bandwidth-intensive Internet-based services could negatively impact customer demand for TWC's video services and increase TWC's costs.
 34. TWC's business is subject to extensive governmental regulation, which could adversely affect its business.
 35. "Net neutrality" legislation or regulation could limit TWC's ability to operate its high-speed data business profitably and manage its

broadband facilities efficiently to respond to growing bandwidth usage by its high-speed data customers.

36. If TWC is prohibited by regulation from using SDV technology, it may be forced to make costly upgrades to its system in order to remain competitive.
37. Increases in programming or retransmission costs or an inability to obtain popular programming could adversely affect TWC's operations, business or financial results.
38. TWC may encounter unforeseen difficulties as it increases the scale of its offerings to commercial customers.
39. The Networks and Filmed Entertainment segments must respond to recent and future changes in technology, services and standards and changes in consumer behaviour to remain competitive and continue to increase their revenue.
40. The Networks and Filmed Entertainment segments operate in highly competitive industries.
41. Although piracy poses risks to several of Time Warner's businesses, such risks are especially significant for the Networks and Filmed Entertainment segments due to the prevalence of piracy of feature films, television programming and interactive videogames.
42. The Networks and Filmed Entertainment segments are subject to labour interruption.
43. The popularity of the Company's television programs, films and interactive videogames and other factors are difficult to predict and could lead to fluctuations in the revenue of the Networks and Filmed Entertainment segments.
44. DVD sales have been declining, which may adversely affect the Filmed Entertainment segment's growth prospects and results of operations.
45. The Filmed Entertainment segment's strategy includes the release of a limited number of "event" films each year, and the underperformance of one or more of these films could have an

adverse effect on the Filmed Entertainment segment's results of operations and financial condition.

46. A decrease in demand for television product could adversely affect Warner Bros.' revenues.
47. The costs of producing and marketing feature films have increased and may increase in the future, which may make it more difficult for a film to generate a profit.
48. Changes in estimates of future revenues from feature films could result in the write-off or the acceleration of the amortization of film production costs.
49. The loss of affiliation agreements could cause the revenue of the Networks segment to decline in any given period, and further consolidation of multichannel video programming distributors could adversely affect the segment.
50. The inability of the Networks segment to license rights to popular programming or create popular original programming could adversely affect the segment's revenue.
51. Increases in the costs of programming licenses and other significant costs may adversely affect the gross margins of the Networks segment.
52. The maturity of the U.S. video services business, together with rising retail rates, distributors' focus on selling alternative products and other factors, could adversely affect the future revenue growth of the Networks segment.
53. Changes in U.S. or foreign communications laws or other regulations may have an adverse effect on the business of the Networks segment.
54. Declining DVD sales poses risks to the Networks segment.
55. Although weakening economic conditions pose risks to several of the Company's businesses, such risks are particularly significant for the Company's Publishing segment because a substantial portion of the segment's revenue is derived from the sale of print and digital advertising, both of which have been negatively affected by such conditions.

56. Although the shift in consumer habits and/or advertising expenditures from traditional to online media poses risks to several of the Company's businesses, such risks are particularly significant for the Company's Publishing segment because a substantial portion of the segment's revenue is derived from the sale of advertising.
57. The Publishing segment faces significant competition for advertising and audience.
58. The Publishing segment faces risks relating to various regulatory and legislative matters, including possible changes in Audit Bureau of Circulations rules and possible changes in legislation or regulation of direct marketing.

2.2. News Corporation

Business Overview

News Corporation is a diversified global media company, which manages and reports its businesses in eight segments.

Filmed Entertainment principally consists of the production and acquisition of live-action and animated motion pictures for distribution and licensing in all formats in all entertainment media worldwide, and the production and licensing of television programming worldwide.

Television principally consists of the operation of 27 full power broadcast television stations, including nine duopolies, in the United States (of these stations, 17 are affiliated with the Fox Broadcasting Company, and ten are affiliated with MyNetworkTV), the broadcasting of network programming in the United States and the development, production and broadcasting of television programming in Asia.

Cable Network Programming principally consists of the production and licensing of programming distributed through cable television systems and direct broadcast satellite operators primarily in the United States.

Direct Broadcast Satellite Television consists of the distribution of basic and premium programming services via satellite and broadband directly to subscribers in Italy.

Magazines and Inserts principally consists of the publication of free-standing inserts, which are promotional booklets containing consumer offers distributed through insertion in local Sunday newspapers in the United States, and the provision of in-store marketing products and services, primarily to consumer packaged goods manufacturers in the United States and Canada.

Newspapers and Information Services principally consists of the publication of four national newspapers in the United Kingdom, the publication of approximately 146 newspapers in Australia, the publication of a metropolitan newspaper and a national newspaper (with international editions) in the United States and the provision of information services.

Book Publishing principally consists of the publication of English language books throughout the world.

Finally, the Other segment principally consists of Fox Interactive Media (FIM), which operates the Company's Internet activities and News Outdoor, an advertising business which offers display advertising in outdoor locations primarily throughout Russia and Eastern Europe.

The Filmed Entertainment segment derives revenue from the production and distribution of feature motion pictures and television series. In general, motion pictures produced or acquired for distribution by the Company are exhibited in U.S. and foreign theatres, followed by home entertainment, video-on-demand and pay-per-view television, premium subscription television, network television and basic cable and syndicated television exploitation. Television series initially produced for the networks and first-run syndication are generally licensed to domestic and international markets concurrently and subsequently released in seasonal DVD box sets. More successful series are later syndicated in domestic markets. The length of the revenue cycle for television series will vary depending on the number of seasons a series remains in active production and, therefore, may cause fluctuations in

operating results. License fees received for television exhibition (including international and U.S. premium television and basic cable television) are recorded as revenue in the period that licensed films or programs are available for such exhibition, which may cause substantial fluctuations in operating results.

The revenues and operating results of the Filmed Entertainment segment are significantly affected by the timing of the Company's theatrical and home entertainment releases, the number of its original and returning television series that are aired by television networks and the number of its television series in off-network syndication. Theatrical and home entertainment release dates are determined by several factors, including timing of vacation and holiday periods and competition in the marketplace. The distribution windows for the release of motion pictures theatrically and in various home entertainment formats have been compressing and may continue to change in the future. A further reduction in timing between theatrical and home entertainment releases could adversely affect the revenues and operating results of this segment.

Operating costs incurred by the Filmed Entertainment segment include: exploitation costs, primarily theatrical prints and advertising and home entertainment marketing and manufacturing costs; amortization of capitalized production, overhead and interest costs; and participations and talent residuals. Selling, general and administrative expenses include salaries, employee benefits, rent and other routine overhead.

The Company's U.S. television operations primarily consist of the FOX, MyNetworkTV and the 27 television stations owned by the Company. The Company's international television operations consist primarily of STAR Group Limited.

The U.S. television operations derive revenues primarily from the sale of advertising. Adverse changes in general market conditions for advertising may affect revenues. The U.S. television broadcast environment is highly competitive and the primary methods of competition are the development and acquisition of popular programming. Program success is measured by ratings, which are an

indication of market acceptance, with the top rated programs commanding the highest advertising prices. FOX and MyNetworkTV compete for audience, advertising revenues and programming with other broadcast networks. In addition, they compete to secure affiliations with independently owned television stations in markets across the country.

In Asia, STAR's channels are primarily distributed to local cable operators or other pay-television platform operators for distribution to their subscribers. STAR derives its revenue from the sale of advertising time and affiliate fees from these pay-television platform operators.

The Company's U.S. cable network operations primarily consist of the Fox News Channel, the FX Network, the Regional Sports Networks, the National Geographic Channels, SPEED and the Big Ten Network. The Company's international cable networks consist of the Fox International Channels, with operations primarily in Latin America, Europe and Asia.

Generally, the Company's cable networks, which target various demographics, derive a majority of their revenues from monthly affiliate fees received from cable television systems and direct broadcast satellite (DBS) operators based on the number of their subscribers. Affiliate fee revenues are net of the amortization of cable distribution investments (capitalized fees paid to a cable operator or DBS operator to facilitate the launch of a cable network). The Company defers the cable distribution investments and amortizes the amounts on a straight-line basis over the contract period. Cable television and DBS are currently the predominant means of distribution of the Company's program services in the United States. Internationally, distribution technology varies region by region.

The Company's cable networks compete for carriage on cable television systems, DBS systems and other distribution systems with other program services. A primary focus of competition is for distribution of the Company's cable network channels that are not already distributed by particular cable television or DBS systems. For such program services, distributors make decisions on the use of bandwidth based on various considerations, including amounts paid by

programmers for launches, subscription fees payable by distributors and appeal to the distributors' subscribers.

The most significant operating expenses of the Television segment and the Cable Network Programming segment are the acquisition and production expenses related to programming and the production and technical expenses related to operating the technical facilities of the broadcaster or cable network. Other expenses include promotional expenses related to improving the market visibility and awareness of the broadcaster or cable network and its programming. Additional expenses include sales commissions paid to the in-house advertising sales force, as well as salaries, employee benefits, rent and other routine overhead expenses.

The Company has several multi-year sports rights agreements, including contracts with the National Football League through fiscal 2014, contracts with the National Association of Stock Car Auto Racing for certain races and exclusive rights for certain ancillary content through calendar year 2014, a contract with Major League Baseball through calendar year 2013 and a contract for the Bowl Championship Series, excluding the championship game, through fiscal year 2010. These contracts provide the Company with the broadcast rights to certain national sporting events during their respective terms. The costs of these sports contracts are charged to expense based on the ratio of each period's operating profit to estimated total operating profit for the remaining term of the contract.

The DBS segment's operations consist of SKY Italia, which provides basic and premium programming services via satellite and broadband directly to subscribers in Italy. SKY Italia derives revenues principally from subscriber fees. SKY Italia's competition includes companies that offer video, audio, interactive programming, telephony, data and other information and entertainment services, including broadband Internet providers, digital terrestrial transmission (DTT) services, wireless companies and companies that are developing new media technologies. The Company is currently prohibited from providing a pay DTT service under regulations of the European Commission.

SKY Italia's most significant operating expenses are those related to the acquisition of entertainment, movie and sports programming and subscribers and the production and technical expenses related to operating the technical facilities. Operating expenses related to sports programming are generally recognized over the course of the related sport season, which may cause fluctuations in the operating results of this segment.

The Magazine and Inserts segment derives revenues from the sale of advertising space in free-standing inserts, in-store marketing products and services, promotional advertising and production fees. Adverse changes in general market conditions for advertising may affect revenues. Operating expenses for the Magazine and Inserts segment include paper, promotional, printing, retail commissions, distribution and production costs. Selling, general and administrative expenses include salaries, employee benefits, rent and other routine overhead.

The Newspapers and Information Services segment derives revenues primarily from the sale of advertising space and the sale of published newspapers and subscriptions. Adverse changes in general market conditions for advertising may affect revenues. Circulation revenues can be greatly affected by changes in the cover prices of the Company's and/or competitors' newspapers, as well as by promotional activities.

Operating expenses for the Newspapers and Information Services segment include costs related to newsprint, ink, printing costs and editorial content. Selling, general and administrative expenses include salaries, employee benefits, rent and other routine overhead.

The Newspapers and Information Services segment also derives revenue from the provision of subscriber-based information services and the licensing of products and content to third-parties. The information services provided by the Company also compete with other media sources (free and subscription-based) and new media formats.

The Book Publishing segment derives revenues from the sale of general and children's books in the United States and internationally. The revenues and operating results of the Book Publishing segment are

significantly affected by the timing of the Company's releases and the number of its books in the marketplace. The book publishing marketplace is subject to increased periods of demand in the summer months and during the end-of-year holiday season. This market place continues to change due to technical innovations, electronic book devices and other factors. Each book is a separate and distinct product, and its financial success depends upon many factors, including public acceptance.

Major new title releases represent a significant portion of the Company's sales throughout the fiscal year. Consumer books are generally sold on a fully returnable basis, resulting in the return of unsold books. In the domestic and international markets, the Company is subject to global trends and local economic conditions.

Operating expenses for the Book Publishing segment include costs related to paper, printing, authors' royalties, editorial, art and design expenses. Selling, general and administrative expenses include promotional expenses, salaries, employee benefits, rent and other routine overhead.

The Other segment consists basically on two different online and outdoor sections.

FIM sells advertising, sponsorships and subscription services on the Company's various digital media properties. Significant FIM expenses include development costs, advertising and promotional expenses, salaries, employee benefits and other routine overhead. The Company's digital media properties include the social networking site MySpace.com, IGN.com, RottenTomatoes.com, Askmen.com and Photobucket.com. FIM also has a search technology and services agreement with Google which expires in August 2010.

News Outdoor sells outdoor advertising space on various media, primarily in Russia and Eastern Europe. Significant expenses associated with the News Outdoor business include site lease costs, direct production, maintenance and installation expenses, salaries, employee benefits and other routine overhead. The Company has announced that it intends to explore strategic options for News Outdoor in connection with News Outdoor's continued development

plans. The strategic options include, but are not limited to, exploring the opportunity to expand News Outdoor's existing shareholder group through new partners. No agreement has yet been entered into with respect to any transaction.

Risk Factors

1. Global economic conditions may have a continuing adverse effect on the company's business.
2. Acceptance of the company's film and television programming by the public is difficult to predict, which could lead to fluctuations in revenues.
3. The company could suffer losses due to asset impairment charges for goodwill, intangible assets (including FCC licenses) and programming.
4. Fluctuations in foreign exchange rates could have an adverse effect on the company's results of operations.
5. The loss of carriage agreements could cause the company's revenue and operating results to decline significantly in any given period or in specific markets.
6. The inability to renew sports programming rights could cause the company's advertising revenue to decline significantly in any given period or in specific markets.
7. Technological developments may increase the threat of content piracy and signal theft and limit the company's ability to protect its intellectual property rights.
8. Labour disputes may have an adverse effect on the company's business.
9. Changes in U.S. or foreign regulations may have an adverse effect on the company's business.
10. In addition, changes in tax regulations in the U.S. and other jurisdictions in which the Company has operations could affect the Company's results of operations.

2.3. General Electric

Business Overview

General Electric (GE) is one of the largest and most diversified technology, media, and financial services corporations in the world. With products and services ranging from aircraft engines, power generation, water processing, and security technology to medical imaging, business and consumer financing, media content and industrial products, GE serves customers in more than 100 countries and employ more than 300,000 people worldwide. Since incorporation in 1892, GE has developed or acquired new technologies and services that have broadened considerably the scope of activities.

With respect to manufacturing operations, GE is one of the leading firms in most of the major industries in which it participates. The NBC Television Network is one of four major U.S. commercial broadcast television networks. NBC Universal also competes with other film and television programming producers and distributors, cable/satellite television networks and theme park operators. The financial businesses in which GE engages are subject to competition from various types of institutions, including commercial banks, thrifts, investment banks, broker-dealers, credit unions, leasing companies, consumer loan companies, independent finance companies and finance companies associated with manufacturers. GE's consolidated global revenues increased to \$97.2 billion in 2008, compared with \$86.3 billion in 2007 and \$70.5 billion in 2006.

Operating businesses that are reported as segments include Energy Infrastructure, Technology Infrastructure, NBC Universal, Capital Finance and Consumer & Industrial. A summary description of only the NBC Universal operating segment follows.

NBC Universal (9.3%, 8.9% and 10.7% of consolidated revenues in 2008, 2007 and 2006, respectively) is a diversified media and entertainment company focused on the development, production and marketing of entertainment, news and information to a global audience. NBC Universal, which is 80-percent owned by General

Electric and 20-percent owned by Vivendi, is engaged in the production and distribution of film and television programming; the operation of leading cable/satellite television networks around the world; the broadcast of network television through owned and affiliated television stations within the United States; and investment and programming activities in digital media and the Internet. GE's premier film company, Universal Pictures, is engaged in the production and world-wide distribution of theatrical, home entertainment and television programming.

GE owns the world-renowned theme park Universal Studios Hollywood, operates and holds an ownership interest in the Universal Studios Florida theme parks and brand, designs and develops international theme parks under exclusive licenses. GE's cable/satellite television networks provide produced and acquired entertainment, news and information programming to households world-wide. GE's cable/satellite television networks include the USA Network, Bravo, CNBC, the SciFi Channel, MSNBC, Oxygen, UniHD, Chiller, Sleuth, mun2 and branded channels across Europe, Asia and Latin America.

The NBC television network is one of four major U.S. commercial broadcast television networks. Together, the NBC television network and Telemundo, GE's U.S. Spanish-language broadcast television network, serves 210 affiliated stations within the United States. At December 31, 2008, GE owned and operated 26 television stations each subject to U.S. Federal Communications Commission regulation. GE has exclusive U.S. television rights to the 2010 and 2012 Olympic Games, National Football League Sunday Night Football and the Super Bowl in 2012.

NBC Universal is subject to a wide range of factors, which could adversely affect operations. GE's broadcast networks, cable television networks and television stations are subject to advertising patterns and changes in viewer taste and preference that can be unpredictable or unforeseen. In addition, future revenues in these properties are dependent upon ability to obtain, renew or renegotiate long-term programming contracts, including event-based sports programming and

contracts for the distribution of programming to cable/satellite operators. GE's television and film production and distribution businesses are affected by the timing and performance of releases in the theatrical, home entertainment and television markets. Technological advances like digital video recorders, Internet streaming and electronic sell-through offer entertainment options through new media, introducing uncertainty to the operations. Other technologies enable the unauthorized copying and distribution of GE's film and television programming, increasing the risk of piracy. GE continues to devote substantial resources to protect intellectual property against unauthorized use. NBC Universal's headquarters are in New York, New York, with operations throughout North America, Europe, South America and Asia.

Risk Factors

1. The unprecedented conditions in the financial and credit markets may affect the availability and cost of GE Capital's funding.
2. Difficult conditions in the financial services markets have materially and adversely affected the business and results of operations of GE Capital and GE does not expect these conditions to improve in the near future.
3. The soundness of other financial institutions could adversely affect GE Capital.
4. The real estate markets in which GE Capital participates are highly uncertain.
5. Failure to maintain GE's "Triple-A" credit ratings could adversely affect the cost of funds and related margins, liquidity, competitive position and access to capital markets.
6. Current conditions in the global economy and the major industries GE serves also may materially and adversely affect the business and results of operations of non-financial businesses.
7. GE's global growth is subject to economic and political risks.
8. The success of GE's business depends on achieving objectives for strategic acquisitions and dispositions.

9. There are risks inherent in owning GE's common stock.
10. GE is subject to a wide variety of laws and regulations.
11. GE is subject to legal proceedings and legal compliance risks.

2.4. CBS

Business Overview

CBS Corporation is a mass media company with operations in five business segments.

The Television segment consists of CBS Television, comprised of the CBS Television Network, the Company's 30 owned broadcast television stations, CBS Paramount Network Television and CBS Television Distribution, the Company's television production and syndication operations; Showtime Networks, the Company's premium subscription television program services; and CBS College Sports Network, the Company's cable network devoted to college athletics.

The Radio segment owns and operates 137 radio stations in 29 United States markets through CBS Radio.

The Outdoor segment displays advertising on media, including billboards, transit shelters, buses, rail systems (in-car, station platforms and terminals), mall kiosks and stadium signage principally through CBS Outdoor and in retail stores through CBS Outernet.

The Interactive segment is the Company's online content network for information relating to technology, entertainment, sports, news, business, gaming and music. CBS Interactive's brands include CNET, CBS.com, CBSSports.com, GameSpot, TV.com, BNET and Last.fm.

The Publishing segment consists of Simon & Schuster, which publishes and distributes consumer books under imprints such as Simon & Schuster, Pocket Books, Scribner and Free Press.

For the year ended December 31, 2008, contributions to the Company's consolidated revenues from its segments were as follows:

Television 64%, Radio 11%, Outdoor 16%, Interactive 3% and Publishing 6%. The Company generated approximately 16% of its total revenues from international regions in 2008. For the year ended December 31, 2008, approximately 66% and 16% of total international revenues of approximately \$2.25 billion were generated in Europe and Canada, respectively.

The CBS Television Network through CBS Entertainment, CBS News and CBS Sports distributes a comprehensive schedule of news and public affairs broadcasts, sports and entertainment programming, and feature films to more than 200 domestic affiliates reaching throughout the U.S., including 16 of the Company's owned and operated television stations, and to affiliated stations in certain U.S. territories. The CBS Television Network primarily derives revenues from the sales of advertising time for its network broadcasts.

CBS Entertainment is responsible for acquiring or developing and scheduling the entertainment programming presented on the CBS Television Network, which includes primetime comedy and drama series, reality-based programming, made-for-television movies and miniseries, theatrical films, specials, children's programs, daytime dramas, game shows and late-night programs. In September 2007, CBS Films, a unit of CBS Entertainment, was created to develop and produce a limited slate of films across all genres, each under the \$50 million per film category. CBS News operates a worldwide news organization, providing the CBS Television Network and the CBS Radio Network with regularly scheduled news and public affairs broadcasts.

CBS News Productions, the off-network production company created by CBS News, produces programming for domestic and international outlets, including the CBS Television Network, cable television, home video, audio-book and in-flight markets, as well as schools and libraries. CBS News also provides CBS Newspath, a television news syndication service that offers daily news coverage, sports highlights and news features to CBS Television Network affiliates and other subscribers worldwide.

CBS Sports broadcasts include certain NCAA championships, including the Final Four, golf, including the Masters Tournament and

the PGA Championship, the U.S. Open Tennis Championships, regular-season college football and basketball line-ups on network television, in addition to the NFL's American Football Conference regular season schedule, the Postseason Divisional Playoff games and the AFC championship game. In 2004, CBS Sports entered into a six-year rights extension with the NFL to broadcast the AFC beginning in 2006 and including two Super Bowls. Extending its franchises, CBS Sports has the marketing rights for the 2003-2013 NCAA Championships, including coordination of related multimedia and television, and other related business opportunities.

In addition to CBS network, the CW, a broadcast network and 50/50 joint venture with Warner Bros. Entertainment, was launched in fall 2006. Nine of the Company's owned television stations are affiliates of The CW.

The Company owns 30 broadcast television stations through its CBS Television Stations group. This network of television stations enables the Company to reach a wide audience within and across geographically diverse markets in the U.S. The stations produce news and broadcast public affairs, sports and other programming to serve their local markets and offer CBS, The CW or MyNetworkTV programming and syndicated programming. The CBS Television Stations group principally derives its revenues from the sale of advertising time on its television stations. Substantially all of the Company's television stations currently operate Web sites, which promote the stations' programming, and provide news, information and entertainment, as well as other services. Since October 2006, pursuant to an exclusive video syndication arrangement, local news video from 17 of the Company's television stations has been available on Yahoo! CBS and Yahoo! share revenue from advertising sold adjacent to CBS stations' content on the site.

The Company's owned and operated television stations reach approximately 38% of all U.S. television households and approximately 35% of U.S. television households as measured by the FCC's television national audience reach limitation under which a VHF television station is deemed to reach 100% of the television

households in its market and a UHF television station is deemed to reach 50% of the television households in its market. The FCC's ownership rules limit the Company's national audience reach to 39% of all U.S. television households.

The Company, through CBS Paramount Network Television and CBS Television Distribution, produces, acquires and/or distributes programming worldwide, including series, specials, news, public affairs and made-for-television movies. Such programming is produced primarily for broadcast on network television, exhibition on basic cable and premium subscription services or distribution via first-run syndication. First-run syndication is programming exhibited on television stations without prior exhibition on a network or cable service. The Company also distributes off-network syndicated programming, which is programming exhibited on television stations or cable networks following its exhibition on a network, basic cable network or premium subscription service.

CBS College Sports Network is a cable program service featuring events from approximately 25 men's and women's college sports, with approximately 26.6 million subscribers as of January 31, 2009. CBS College Sports Network derives its revenues from subscription fees and the sale of advertising time on its cable program service.

Showtime Networks owns and operates three commercial-free, premium subscription television program services in the U.S.: Showtime, offering recently released theatrical feature films, original series, documentaries, boxing, mixed martial arts and other special events; The Movie Channel, offering recently released theatrical feature films and related programming; and Flix, offering theatrical feature films primarily from the 70s, 80s and 90s, as well as selected other titles. At December 31, 2008, Showtime, The Movie Channel and Flix, in the aggregate, had approximately 58.7 million subscriptions in the U.S., certain U.S. territories and Bermuda. Showtime Networks derives revenue principally from the license of its program services to cable television operators, direct-to-home (DTH) satellite operators, telephone companies and other distributors. The costs of acquiring premium television rights to

programming and producing original series are the principal expenses of Showtime Networks.

The Company's radio broadcasting business operates through CBS Radio, one of the largest operators of radio stations in the U.S. CBS Radio owns and operates 137 radio stations serving 29 U.S. markets as of February 20, 2009. Virtually all of the Company's owned and operated radio stations are located in the 50 largest U.S. radio markets and approximately 76% in the 25 largest U.S. radio markets. The Company's strategy generally is to operate radio stations in the largest markets and take advantage of the Company's ability to sell advertising across multiple markets and formats, including the offering of radio, television and outdoor advertising platforms in large markets.

CBS Radio's geographically dispersed stations serve diverse target demographics through a broad range of formats such as rock, oldies, all-news, talk, adult contemporary, urban, sports and country, and CBS Radio has established leading franchises in news, sports and personality programming. This diversity provides advertisers with the convenience of selecting stations to reach a targeted demographic or of selecting groups of stations to reach broad groups of consumers within and across markets and also reduces the Company's dependence on any single station, local economy, format or advertiser. At the same time, CBS Radio maintains substantial diversity in each market where its stations operate so that its stations can appeal to several demographic groups. CBS Radio's general programming strategies include employing popular on-air talent, some of whose broadcasts may be syndicated by CBS Radio using the services of a third party syndicator, broadcasting programming syndicated to it by others, acquiring the rights to broadcast sports play-by-play and producing and acquiring news content for its radio stations. The overall mix of each radio station's programming line-up is designed to fit the station's specific format and serve its local community.

The majority of CBS Radio's revenues are generated from the sale of local, regional and national advertising. CBS Radio is able to use the reach, diversity and branding of its radio stations to create division-

wide marketing and promotional initiatives for major national advertisers of products and services. CBS Radio and its stations attract the participation of major artists in these national campaigns.

The Company sells, through its Outdoor businesses, advertising space on various media, including billboards, transit shelters, buses, rail systems (in-car, station platform and terminal), mall kiosks and stadium signage and in retail stores. It has outdoor advertising operations in more than 100 markets in North America, including all 50 of the largest metropolitan markets in the U.S., 19 of the 20 largest metropolitan markets in Canada and all 45 of the largest metropolitan markets in Mexico. Additionally, Outdoor has the exclusive rights to manage advertising space on approximately 90% of the total bus fleet in the U.K. and has a variety of outdoor advertising displays in the Netherlands, France, Italy, the Republic of Ireland, Spain, Argentina, Brazil, Uruguay, Chile and China.

The substantial majority of Outdoor's revenues are generated from the sale of local, regional and national advertising. Advertising rates are based on supply and demand for the particular locations, which are influenced by a particular display's exposure known as "impressions" delivered in relation to the demographics of the particular market and its location within that market.

Outdoor's business strategy involves expanding its presence in major selected markets, to grow its revenues and cash flow by being a leading provider of out-of-home advertising services in the markets it serves, controlling costs, developing and entering into new markets and using advanced technologies to build greater awareness and promote tactical advertising. In addition, the Company purchases outdoor advertising assets within its existing markets or in contiguous markets.

CBS Interactive operates one of the leading online content networks for information and entertainment. In June 2008, the Company completed its acquisition of CNET Networks, which complements and expands the Company's interactive footprint. CBS Interactive is ranked among the top 10 Internet properties in the world according to comScore Media Metrix, December 2008. CBS Interactive's leading brands, including

CNET, CBS.com, CBSSports.com, GameSpot, TV.com, Last.fm and BNET, among others, serve targeted audiences with text, video, audio, and mobile content spanning technology, entertainment, sports, news, business, gaming and music categories. In addition to its U.S.-based business, CBS Interactive operates in Asia and Europe. CBS Interactive's worldwide brands reached approximately 226 million unique monthly visitors during December 2008.

CBS Interactive generates revenue principally from the sale of advertising and sponsorships, in addition to fees derived from search and commerce partners, licensing fees, subscriptions, e-commerce activities, and other paid services. Advertising spending on the Internet, as in traditional media, fluctuates significantly with economic conditions. In addition, online marketing spending follows seasonal consumer behaviour throughout the calendar year to reflect trends during the calendar year.

The Publishing segment consists of Simon & Schuster, which publishes and distributes adult and children's consumer books in printed, audio and digital formats in the U.S. and internationally. Digital formats include audio downloads for the Apple iPod and MP3 players as well as e-books for increasingly popular devices such as Amazon's Kindle and the Sony Reader Digital Book. Simon & Schuster's major adult imprints include Simon & Schuster, Pocket Books, Scribner, Atria Books, Simon Spotlight Entertainment, and Free Press. Simon & Schuster's major children's imprints include Simon Spotlight, Aladdin Paperbacks and Simon & Schuster Books For Young Readers.

Simon & Schuster also develops special imprints and publishes titles based on CBS Television Network's and Showtime Networks' products as well as that of third parties and distributes products for other publishers. Simon & Schuster distributes its products directly and through third parties. Simon & Schuster also delivers content and promotes its products on general Internet sites as well as those linked to individual titles; its created assets include online videos showcasing Simon & Schuster authors and new releases on YouTube, Bookvideos.tv, SimonandSchuster.com and other sites.

International publishing includes the international distribution of English-language titles through Simon & Schuster UK, Simon & Schuster Canada and Simon & Schuster Australia and other distributors, as well as the publication of local titles by Simon & Schuster UK. In 2008, Simon & Schuster published 166 titles that were New York Times bestsellers, including 21 New York Times #1 bestsellers.

The consumer publishing marketplace is subject to increased periods of demand in the summer months and during the end-of-year holiday season. Major new title releases represent a significant portion of Simon & Schuster's sales throughout the year. Simon & Schuster's top 10 accounts drive a significant portion of its annual revenue. Consumer books are generally sold on a fully returnable basis, resulting in the return of unsold books. In the domestic and international markets, the Company is subject to global trends and local economic conditions.

Risk Factors

1. Current economic conditions may adversely affect the company's businesses and customers.
2. A decline in advertising expenditures could cause the company's revenues and operating results to decline significantly in any given period or in specific markets.
3. The company's success is dependent upon audience acceptance of its content, particularly its television and radio programs, which is difficult to predict.
4. Failure by the company to obtain, create and retain the rights in popular programming could adversely affect the company's revenues.
5. Any decrease in popularity of the programming for which the company has incurred significant commitments could have an adverse effect on its profitability.
6. Volatility and weakness in capital markets may adversely affect credit availability and related financing costs for the company.

7. The company's operating results are subject to seasonal variations.
8. The company's businesses operate in highly competitive industries.
9. The company must respond to rapid changes in technology, content creation, services and standards in order to remain competitive.
10. Increased programming and content costs may adversely affect the company's profits.
11. Piracy of the company's programming and other content, including digital and internet piracy, may decrease revenue received from the Exploitation of the company's programming and other content and adversely affect its businesses and profitability.
12. Changes in U.S. communications laws or other regulations may have an adverse effect on the company's business.
13. Vigorous enforcement or enhancement of FCC indecency and other program content rules against the broadcast and cable industries could have an adverse effect on the company's businesses and results of operations.
14. The loss of affiliation agreements or retransmission agreements could materially adversely affect the company's results of operations.
15. The failure or destruction of satellites and transmitter facilities that the company depends upon to distribute its programming could materially adversely affect the company's businesses and results of operations.
16. The company could suffer losses due to asset impairment charges for goodwill, intangible assets, FCC licenses and programming.
17. Dividends and dividend rates cannot be guaranteed.
18. The loss of key personnel, including talent, could disrupt the management or operations of the company's business and adversely affect its revenues.
19. Regulation of the outdoor advertising industry could materially adversely affect the company's outdoor business.

20. Fluctuations in foreign exchange rates could have an adverse effect on the company's results of operations.
21. The company's liabilities related to discontinued operations and former businesses could adversely impact its financial condition.
22. The company could be adversely affected by strikes and other union activity.
23. Political and economic risks associated with the company's international businesses could harm the company's financial condition or results of operations.
24. NAI, through its voting control of the company, is in a position to control actions that require stockholder approval.
25. Sales of additional shares of common stock by NAI could adversely affect the stock price.
26. Many factors may cause the stock price of the company's class a common stock and class b common stock to fluctuate.
27. The businesses of the company and Viacom will be attributable to the other company for certain regulatory purposes.
28. The separation agreement prohibits the company from engaging in certain types of businesses.
29. In connection with the separation, each company will rely on the other company's performance under various agreements between the companies.
30. Certain members of management, directors and stockholders may face actual or potential conflicts of interest.

2.5. Walt Disney

Business Overview

The Walt Disney Company is a diversified worldwide entertainment company with operations in five business segments: Media Networks, Parks and Resorts, Studio Entertainment, Consumer Products and Interactive Media.

The Media Networks segment is comprised of a domestic broadcast television network, television production and distribution operations, domestic television stations, international and domestic cable networks, domestic broadcast radio networks and stations, and publishing and digital operations.

The Company operates the ABC Television Network, which as of October 3, 2009, had affiliation agreements with 233 local stations reaching 99% of all U.S. television households. The ABC Television Network broadcasts programs in the following day parts: early morning, daytime, primetime, late night, news, children and sports.

The ABC Television Network produces its own programs or acquires broadcast rights from other third-parties, as well as entities that are owned by or affiliated with the Company and pays varying amounts of compensation to affiliated stations for broadcasting the programs and commercial announcements included therein. The ABC Television Network derives substantially all of its revenues from the sale to advertisers of time in network programs for commercial announcements. The ability to sell time for commercial announcements and the rates received are primarily dependent on the size and nature of the audience that the network can deliver to the advertiser as well as overall advertiser demand for time on network broadcasts.

ABC.com is the official web site of the ABC Television Network and provides access to full length episodes of ABC shows online. ABCNews.com provides in-depth worldwide news coverage online. ABCNews.com also offers broadband subscriptions to the 24-hour live internet news channel, ABC News Now and to video-on-demand news reports from all ABC News broadcasts.

The Company produces and distributes live action and animated television programming under the ABC Studios, ABC Media Productions, and ABC Family Productions labels. Program development is carried out in collaboration with independent writers, producers, and creative teams, with a focus on half-hour comedies, one-hour dramas, and reality series primarily for primetime broadcasts. Disney-ABC Domestic Television and Disney-ABC-ESPN Television International distribute the Company's productions domestically and internationally, respectively.

The Company's productions are also distributed in DVD format by the Studio Entertainment segment and online.

The Company owns ten television stations, six of which are located in the top-ten markets in the United States. All of the television stations are affiliated with the ABC Television Network and collectively reach 23% of the nation's television households. Each owned station broadcasts three digital channels: the first consists of local, ABC Television Network, and syndicated programming; the second is the Live Well HD Network; and the third consists of weather reports powered by AccuWeather. Live Well HD Network debuted in April 2009 and provides high-definition programming focusing on lifestyle topics such as interior design, healthy cooking, and outdoor activities.

Disney's cable networks group provides national programming networks, licenses television programming in domestic and international markets and invests in foreign television broadcasting, programming, production and distribution entities. Programming at Disney's cable networks is both internally produced and acquired from third parties. The two primary brands for cable networks are ESPN and Disney Channel. In addition to cable network operations, there is ESPN –and Disney– branded radio operations which are managed together with the cable operations.

Cable networks derive a majority of their revenues from fees charged to cable, satellite and telecommunications service providers (Multi-channel Video Service Providers or MVSPs) and, for certain networks (primarily ESPN and ABC Family), the sale to advertisers of time in network programs for commercial announcements. Generally, the Company's cable networks operate under multi-year carriage agreements with MVSPs that include contractually determined fees.

The businesses in the Parks and Resorts segment generate revenues predominately from the sale of admissions to the theme parks; room nights at the hotels; merchandise, food and beverage sales; sales and rentals of vacation club properties; and cruise vacation packages. Costs consist principally of labour; depreciation; costs of merchandise, food and beverage sold; marketing and sales expense; repairs and maintenance; and entertainment.

The Company owns and operates the Walt Disney World Resort in Florida, the Disneyland Resort in California, the Disney Vacation Club, the Disney Cruise Line, and Adventures by Disney. The Company manages and has effective ownership interests of 51% and 47%, respectively, in Disneyland Paris and Hong Kong Disneyland Resort. The Company also licenses the operations of the Tokyo Disney Resort in Japan. The Company's Walt Disney Imagineering unit designs and develops new theme park concepts and attractions as well as resort properties. In November 2009, the Company's Project Application Report (PAR) for a Disney theme park in the Pudong district of Shanghai received approval from the relevant authorities of the central government of China. The PAR approval will enable the Company and its Shanghai partners to move forward toward a final agreement to build and operate a park and begin preliminary development work.

The Studio Entertainment segment produces and acquires live-action and animated motion pictures, direct-to-video content, musical recordings and live stage plays. The Company distributes produced and acquired films (including its film and television library) in the theatrical, home entertainment and television markets. In August 2009, the Company entered into an agreement with DreamWorks Studios to distribute live-action motion pictures produced by DreamWorks over the next seven years under the Touchstone Pictures banner. As part of the agreement, the Company will provide certain financing, which as of October 3, 2009, totalled \$100 million.

Walt Disney Pictures, a subsidiary of the Company, produces and acquires live-action motion pictures focusing on the production of Disney-branded films that are distributed primarily under the Walt Disney Pictures, Touchstone Pictures and DisneyNature banners. Miramax, another subsidiary of the Company, acquires and produces motion pictures under the Miramax banner. The Company also owns and distributes motion pictures under the Dimension banner that were produced and distributed by the Company under that banner with initial release dates before September 30, 2005. The Company also produces and distributes animated motion pictures under the banners Walt Disney Pictures and Pixar.

As of October 3, 2009 under the banners Walt Disney Pictures, Pixar, Touchstone Pictures, Hollywood Pictures, Miramax and Dimension, there were approximately 1,900 active produced and acquired titles, including 1,500 live-action titles and 400 animated titles, in the domestic home entertainment marketplace and approximately 2,900 active produced and acquired titles, including 2,400 live-action titles and 500 animated titles, in the international marketplace.

The Disney Music Group includes Walt Disney Records, Hollywood Records (including the Mammoth Records and Buena Vista Records labels), Lyric Street Records, Buena Vista Concerts and Disney Music Publishing.

Walt Disney Records produces and distributes compact discs and music DVDs in the United States and licenses music properties throughout the rest of the world. Music categories include infant, children's read-along, teens, all-family and soundtracks from film and television series distributed by Walt Disney Pictures and Disney Channel. Hollywood Records develops, produces and markets recordings from talent across a spectrum of popular music. Nashville-based Lyric Street Records develops, produces and markets recordings in the country music genre.

Each of the labels commissions new music for the Company's motion picture and television programs, records the songs and licenses the song copyrights to others for printed music, records, audio-visual devices, public performances and digital distribution. Buena Vista Concerts produces live-entertainment events with artists signed to the Disney Music Group record labels.

Disney Music Publishing controls the copyrights of thousands of musical compositions derived from the Company's motion picture, television, record and theme park properties, as well as musical compositions written by songwriters under exclusive contract. It is responsible for the management, protection, and licensing of the Disney song catalog on a worldwide basis, including licensing for printed music, records, audio-visual works and new media.

The Disney Theatrical Group includes both Disney Theatrical Productions and Disney Live Family Entertainment. Disney Theatrical

Productions develops, produces and licenses live entertainment events. The Company has produced and licensed Broadway musicals around the world. Disney Live Family Entertainment delivers worldwide touring productions under the Disney On Ice and Disney Live! brands under a license to Feld Entertainment.

The Consumer Products segment engages with licensees, manufacturers, publishers and retailers throughout the world to design, develop, publish, promote and sell a wide variety of products based on existing and new Disney characters and other Company intellectual property through its Merchandise Licensing, Publishing and Retail businesses. In addition to leveraging the Company's film and television properties, Consumer Products also develops new intellectual property with the potential of also being used in the Company's other businesses.

The Company's worldwide merchandise licensing operations include a diverse range of product categories, the most significant of which are: toys, apparel, accessories, footwear, home furnishings, home décor, health, beauty, food, stationery and consumer electronics. The Company licenses characters from its film, television and other properties and earns royalties, which are usually based on a fixed percentage of the wholesale or retail selling price of the products. The Company also designs individual products and creates exclusive themed and seasonal promotional campaigns for retailers based on characters, movies and TV shows.

Disney Publishing Worldwide (DPW) publishes children's books and magazines in multiple countries and languages. DPW's businesses include Disney Global Book Group, Global Children's Magazines, Disney FamilyFun Group, and Disney English. Disney English currently offers more than 400 hours of classroom programming for young children at five Disney English centres in Shanghai.

The Company markets Disney-themed products directly through retail stores operated under the Disney Store name and through internet sites in North America (as DisneyStore.com and DisneyOutlet.com) and the United Kingdom (as DisneyStore.co.uk). The stores, which are generally located in leading shopping malls and other retail complexes, carry a wide variety of Disney merchandise and promote other businesses of the

Company. The Company owns and operates 231 stores in North America and 109 stores in Europe. In Japan, the stores are operated by a subsidiary of Oriental Land under a licensing arrangement.

The Disney Interactive Media Group creates and delivers Disney-branded entertainment and lifestyle content across interactive media platforms. The primary operating businesses of the Disney Interactive Media Group are Disney Interactive Studios which produces video games for global distribution and Disney Online which produces web sites and online virtual worlds in the United States and internationally. The Disney Interactive Media Group's internet operations derive revenue from a combination of advertising and sponsorships, subscription services and e-commerce. The Disney Interactive Media Group also manages the Company's Disney-branded mobile phone initiative in Japan and provides technical infrastructure services to the Company's non Disney-branded websites, such as ABC.com and ESPN.com, and to its Disney-branded e-commerce websites, principally DisneyStore.com and Walt Disney Parks and Resorts Online. The Disney Interactive Media Group is reimbursed for the cost of providing these technical infrastructure services, and since these other websites are managed within the Company's other segments, the financial results of these websites are reported within the Company's other segments rather than as part of the Disney Interactive Media Group.

Disney Interactive Studios creates, develops, markets and distributes multi-platform video games worldwide based on the Company's creative content. Disney Online develops, publishes and distributes content for Disney-branded online services intended for family entertainment. Disney Online produces Disney.com, DisneyFamily.com, which is an online lifestyle destination for moms, and a portfolio of virtual worlds.

Risk Factors

1. Recent changes in U.S., global, or regional economic conditions could have a continuing adverse effect on the profitability of some or all of Disney's businesses.

2. Changes in public and consumer tastes and preferences for entertainment and consumer products could reduce demand for Disney's entertainment offerings and products and adversely affect the profitability of any businesses.
3. Changes in technology and in consumer consumption patterns may affect demand for Disney's entertainment products or the cost of producing or distributing products.
4. The success of Disney's businesses is highly dependent on the existence and maintenance of intellectual property rights in the entertainment products and services.
5. A variety of uncontrollable events may reduce demand for Disney's products and services, impair the ability to provide products and services or increase the cost of providing products and services.
6. Changes in Disney's business strategy or restructuring of the businesses may increase costs or otherwise affect the profitability of businesses.
7. Turmoil in the financial markets could increase Disney's cost of borrowing and impede access to or increase the cost of financing operations and investments.
8. Sustained increases in costs of pension and postretirement medical and other employee health and welfare benefits may reduce profitability.
9. Disney's results may be adversely affected if long-term programming or carriage contracts are not renewed on sufficiently favourable terms.
10. Changes in regulations applicable to Disney's businesses may impair the profitability of businesses.
11. Provisions in Disney's corporate documents and Delaware state law could delay or prevent a change of control, even if that change would be beneficial to shareholders.
12. The seasonality of certain of Disney's businesses could exacerbate negative impacts on operations.
13. The Company's acquisition of Marvel is expected to cause short term dilution in earnings per share and there can be no assurance that anticipated improvements in earnings per share will be realized.

2.6. DirecTV

Business Overview

The DirecTV Group is a leading provider of digital television entertainment in the United States and Latin America. Its two business segments, DirecTV U.S. and DirecTV Latin America, which are differentiated by their geographic location, are engaged in acquiring, promoting, selling and/or distributing digital entertainment programming via satellite to residential and commercial subscribers.

DirecTV U.S. is the largest provider of direct-to-home, or DTH, digital television services and the second largest provider in the multi-channel video programming distribution, or MVPD, industry in the United States. As of December 31, 2008, DirecTV U.S. had over 17.6 million subscribers.

DirecTV Latin America is a leading provider of DTH digital television services throughout Latin America. DTVLA is comprised of: PanAmericana, which provides services in Venezuela, Argentina, Chile, Colombia, Puerto Rico and certain other countries in the region; the 74% owned subsidiary, Sky Brasil; and the 41% equity method investment in Sky Mexico. As of December 31, 2008, PanAmericana had approximately 2.2 million subscribers, Sky Brazil had approximately 1.6 million subscribers and Sky Mexico had approximately 1.8 million subscribers.

On February 27, 2008, Liberty Media and News Corporation completed a transaction in which Liberty Media acquired News Corporation's approximately 41% interest in DirecTV. On April 3, 2008, Liberty Media announced that it had purchased an additional 78.3 million shares of common stock in a private transaction. Currently, Liberty Media owns approximately 53.6% of DirecTV's outstanding common stock; however Liberty Media has agreed to limit its voting rights to approximately 47.9%.

DirecTV provides one of the most extensive collections of programming available in the MVPD industry. DirecTV currently distributes more than 2,000 digital video and audio channels,

including about 200 basic entertainment and music channels, 40 premium movie channels, over 50 regional and specialty sports networks, over 125 Spanish and other foreign language special interest channels, over 31 pay-per-view movie and event choices, and about 130 national high-definition, or HD, television channels. Although DirecTV distributes more than 1,500 local channels—over 500 in high-definition—a subscriber generally receives only the local channels in the subscriber’s home market. As of December 31, 2008, DirecTV provided local channel coverage in standard definition to approximately 150 markets, covering about 95% of U.S. television households. In addition, DirecTV provided HD local channels in 119 markets representing approximately 89% of U.S. TV households.

To subscribe to the DirecTV service, subscribers acquire receiving equipment from the Company, national retailers, independent satellite television retailers or dealers, or regional telephone companies. Most set-top receivers provided to new and existing subscribers are leased subsequent to the introduction of a lease program on March 1, 2006. The receiving equipment consists of a small receiving satellite dish antenna, a digital set-top receiver and a remote control. After acquiring and installing a DirecTV System, subscribers activate the DirecTV service by contacting and subscribing to one of DirecTV’s programming packages.

DirecTV’s primary goal is to provide subscribers with the best television experience in the United States. The strategy focuses on offering subscribers differentiated and exclusive content, attaining leadership in technology, and enhancing sales, marketing, distribution and customer service.

DirecTV currently has a fleet of eleven geosynchronous satellites, including ten owned satellites and one leased satellite. DirecTV 12 is planned for launch in the second half of 2009. DirecTV 12 will operate from the 101° WL orbital location after successful completion of in-orbit testing. DirecTV 12 will provide increased capability for local and national HD channels, as well as capacity for new interactive and enhanced services once it becomes operational.

To gather programming content, ensure its digital quality, and transmit content to satellites, DirecTV has built two digital broadcast centres, located in Castle Rock, Colorado and Los Angeles, California. These facilities provide the majority of national and local standard-definition and HD programming. DirecTV have also built five uplink facilities which are used to provide HD local channels. Broadcast centres receive programming from content providers via satellite, fibre optic cable and/or special tape. Most satellite-delivered programming is then digitized, encoded and transmitted to satellites.

In 2008, DirecTV entered into several transactions that brought a significant portion of this home service provider network activity in-house. DirecTV now directly employs nearly 4,000 technicians and utilize an additional 11,000 technicians from nine outsourced companies around the United States. The combined workforce completed approximately 93% of all in-home visits in 2008. DirecTV set the standards for the quality of installation and service, perform quality control, manage inventory and monitor the overall service network performance for nearly all of the third-party installation network.

As of December 31, 2008, DirecTV used 30 customer service centres employing over 16,000 customer service representatives. Most of these customer service centres are operated by other companies. DirecTV currently owns and operates six customer service centres located in: Boise, Idaho; Tulsa, Oklahoma; Huntsville, Alabama; Missoula, Montana; Huntington, West Virginia; and Denver, Colorado that employ approximately 5,000 customer service representatives. Potential and existing subscribers can call a single telephone number 24 hours a day, seven days a week, to request assistance for hardware, programming, installation, technical and other support.

DTVLA is the leading provider of DTH digital television services throughout Latin America and the Caribbean, which includes Puerto Rico. DTVLA provides a wide selection of high-quality local and international programming under the DirecTV and SKY brands to approximately 2.2 million subscribers in PanAmericana and approximately 1.6 million subscribers in Brazil. DirecTV's 41% owned affiliate, Sky Mexico, has more than 1.7 million subscribers in Mexico and certain countries in Central America.

In 2006 and 2007 DirecTV completed a series of transactions to strengthen operating and financial performance. During 2006, DirecTV completed the Sky Transactions, a series of transactions that were agreed in October 2004 with News Corporation, Televisa, Globo and Liberty Media and which resulted in the consolidation of the DTH platforms of DirecTV and SKY in Latin America into a single platform in each of the major territories served in the region. These transactions were completed as follows.

On February 16, 2006, DirecTV completed the acquisition of a 12% equity interest in Sky Mexico in exchange for the sale of DirecTV Mexico subscribers to Sky Mexico, as well as the acquisition of News Corporation's and Liberty Media's interests in Sky Mexico. On August 23, 2006, DirecTV completed the merger of the Brazil business, Galaxy Brasil, with Sky Brazil, as well as the purchase of News Corporation's and Liberty Media's interests in Sky Brazil. As a result of these transactions, DirecTV owns 100% of PanAmericana (which operates principally in South America and the Caribbean, including Puerto Rico), 74% of Sky Brazil (which operates in Brazil), and 41% of Sky Mexico (which operates in Mexico, Central America and the Dominican Republic). Globo owns the other 26% of Sky Brazil and Televisa owns the other 59% of Sky Mexico. The results of PanAmericana and Sky Brazil are consolidated in DirecTV's results.

DirecTV provides services in PanAmericana and Brazil from leased transponders on two satellites. In January 2008, DirecTV successfully transferred the broadcast of Sky Brazil service to leased transponders on a new satellite, as the prior satellite was nearing the end of its useful life. Sky Mexico provides its services from leased transponders on a separate satellite. Currently, these satellites do not have a backup, although DirecTV recently completed negotiations for the construction and launch of a backup satellite that would serve Brazil and Mexico.

Risk Factors

1. DirecTV competes with other MVPDs, some of whom have greater resources than we do and levels of competition are increasing.

2. Emerging digital media competition could materially adversely affect DirecTV.
3. DirecTV depends on others to produce programming and programming costs are increasing.
4. DirecTV's subscriber acquisition costs could materially increase.
5. Increased subscriber churn or subscriber upgrade and retention costs could materially adversely affect DirecTV's financial performance.
6. Results are impacted by the effect of, and changes in, United States and Latin America economic conditions and weakening economic conditions may reduce subscriber spending and rate of growth of subscriber additions and may increase subscriber churn.
7. DTVLA is subject to various additional risks associated with doing business internationally, which include political instability, economic instability, and foreign currency exchange rate volatility.
8. DirecTV's ability to keep pace with technological developments is uncertain.
9. DirecTV's business relies on intellectual property, some of which is owned by third parties, and DirecTV may inadvertently infringe patents and proprietary rights of others.
10. DirecTV's principal stockholder has significant influence over management and over actions requiring stockholder approval and its interests may differ from DirecTV's.
11. DirecTV relies on key personnel.
12. Construction or launch delays on satellites could materially adversely affect DirecTV's revenues and earnings.
13. DirecTV's satellites are subject to significant launch and operational risks.
14. The cost of commercial insurance coverage on DirecTV's satellites or the loss of a satellite that is not insured could materially adversely affect earnings.

15. DirecTV depends on the Communications Act for access to cable-affiliated programming and changes impacting that access could materially adversely affect the company.
16. Carriage requirements may negatively affect DirecTV's ability to deliver local broadcast stations, as well as other aspects of the business.
17. Satellite programming signals have been stolen and may be stolen in the future, which could result in lost revenues and would cause DirecTV to incur incremental operating costs that do not result in subscriber acquisition.
18. The ability to maintain FCC licenses and other regulatory approvals is critical to DirecTV's business.
19. DirecTV faces risks arising from the outcome of various legal proceedings.
20. DirecTV controls a substantial portion of interaction with the customers and it may not be as efficient or effective as other outsourced providers resulting in higher costs.
21. DirecTV faces risks arising from possible union legislation in the United States.
22. DirecTV may not be able to obtain or retain certain foreign regulatory approvals.
23. DirecTV has significant debt.
24. DirecTV may face other risks described from time to time in periodic reports to the SEC.

2.7. Gannett

Business Overview

Gannett was founded by Frank E. Gannett and associates in 1906 and incorporated in 1923. It went public in 1967. The company is a leading international news and information firm, including publishing, digital and broadcasting businesses. In the United States, the company

publishes 85 daily newspapers, including USA TODAY, and nearly 850 non-daily publications. Along with each of its daily newspapers, the company operates Web sites offering news, information and advertising that is customized for the market served and integrated with its publishing operations. USATODAY.com is one of the most popular news sites on the Web. Gannett is the largest newspaper publisher in the U.S.

Publishing operations in the United Kingdom, operating as Newsquest, include 17 paid-for daily newspapers, more than 200 weekly newspapers, magazines and trade publications, locally integrated Web sites and classified business Web sites with national reach. Newsquest is the second largest regional newspaper publisher in the U.K.

In broadcasting, the company operates 23 television stations in the U.S. with a market reach of more than 20.8 million households covering 18% of the U.S. population. Each of these stations also operates locally oriented Web sites offering news, entertainment and advertising content, in text and video format. Through its Captivate subsidiary, the broadcasting group delivers news, information and advertising to a highly desirable audience demographic through its video screens located in elevators of office towers and select hotel lobbies across North America.

Gannett's total Online U.S. Internet Audience in January 2009 was 27.1 million unique visitors, reaching about 16.1% of the Internet audience, as measured by Nielsen//NetRatings. Beginning in the third quarter of 2008 and concurrent with the purchase of a controlling interest in CareerBuilder, the leading U.S. employment Web site with expanding overseas operations, and ShopLocal, a provider of online marketing solutions, the company began reporting a separate Digital segment. In addition to CareerBuilder and ShopLocal, the Digital segment also includes PointRoll, Planet Discover, Schedule Star and Ripple6. Results from CareerBuilder and ShopLocal were initially consolidated in the third quarter of 2008. Results for PointRoll, Planet Discover and Schedule Star have been reclassified to the Digital segment. PointRoll and ShopLocal, now operating together, provide online advertisers with rich media marketing services, and have achieved significant revenue and earnings gains. Ripple6, acquired in

November 2008, is a provider of technology platforms for social media services for publishers and other users.

The company has three principal business segments: publishing, digital and broadcasting. Beginning with the third quarter, the company reported the new Digital business segment, which includes CareerBuilder and ShopLocal results from the dates of their full consolidation, on Sept. 3 and June 30, respectively, as well as PointRoll, Planet Discover, Schedule Star and Ripple6 (from the date of its acquisition on Nov. 13, 2008). Prior period results for PointRoll, Planet Discover and Schedule Star have been reclassified from the publishing segment to the new digital segment. Operating results from the operation of Web sites that are associated with publishing operations and broadcast stations continue to be reported in the publishing and broadcast segments.

The company's 85 U.S. daily newspapers have a combined daily paid circulation of approximately 6.6 million. They include USA TODAY, the nation's largest-selling daily newspaper, with a circulation of approximately 2.3 million. All U.S. daily newspapers operate tightly integrated and robust online sites.

The company owns a 19.49% interest in California Newspapers Partnership, which includes 21 daily California newspapers; a 40.64% interest in Texas-New Mexico Newspapers Partnership, which includes seven daily newspapers in Texas and New Mexico and four newspapers in Pennsylvania; and a 13.5% interest in Ponderay Newsprint Company in the state of Washington.

The company's newspaper subsidiaries in Detroit and Tucson participate in joint operating agencies. Each joint operating agency performs the production, sales and distribution functions for the subsidiary and another newspaper publishing company under a joint operating agreement. Operating results for the Detroit joint operating agency are fully consolidated along with a charge for the minority partner's share of profits.

Prior to 2008, the company participated in a joint operating agency in Cincinnati. Operating results for the Cincinnati joint operating agency

were fully consolidated along with a charge for the minority partner's share of profits. Beginning in 2008, the company's newspaper, The Cincinnati Enquirer, became the sole daily newspaper in that market.

The company's U.S. newspapers, including USA TODAY, reach 14.0 million readers every weekday and 12.6 million readers every Sunday – providing critical news and information from their customers' neighbourhoods and from around the globe.

At the end of 2008, the company operated 85 U.S. daily newspapers, including USA TODAY, and almost 850 non-daily local publications in 31 states and Guam. USA TODAY was introduced in 1982 as the country's first national, general-interest daily newspaper. It is produced at facilities in McLean, Va., and is transmitted via satellite to offset printing plants around the country. It is printed at Gannett plants in 15 U.S. markets and at offset plants, not owned by Gannett, in 18 other U.S. markets.

In 2008, USATODAY.com launched in-depth social communities and more than 200,000 topics pages highlighting content around the Web, continuing to develop its focus on users, their conversations and preferences. USATODAY.com remains one of the most popular newspaper sites on the Web, with more than 51 million visits per month at the end of 2008. All of the company's local newspapers and affiliated Web sites are fully integrated operations.

Gannett Information Centers produce newspapers, Web sites, mobile content and niche/custom publications that create deep reach into their markets. Market studies done during 2008 showed that the Information Center concept – to produce a range of content in order to give readers what they want, when and where they want it – is working. The aggregated reach into each market is growing. Mid-2008 was the two-year mark of the transformation from traditional print-centric newsrooms to Information Centers.

Another top priority for Gannett Information Centers in 2008 was digital innovation. Emerging digital tools were applied to journalism to deliver news to digital-only users. Facebook, YouTube and Twitter are commonly used now. Gannett is emerging as an industry leader in

experimenting with new techniques and technologies for substantive, issue-based reporting.

The overriding objective of the online strategy at Gannett newspapers is to provide compelling content to best serve customers. A key reason customers turn to a Gannett newspaper's online site is to find local news and information. The credibility of the local newspaper, the known and trusted information source, extends to the newspaper's Web site and thus differentiates it from other Internet sites. This is a major factor that allows Gannett newspapers to compete successfully as Internet information providers.

A second objective in Gannett's online business development is to maximize the natural synergies between the local newspaper and local Web site. The local content, customer relationships, news and advertising sales staff, and promotional capabilities are all competitive advantages for Gannett. The company's strategy is to use these advantages to create strong and timely content, sell packaged advertising products that meet the needs of advertisers, operate efficiently and leverage the known and trusted brand of the newspaper.

The publication of non-daily products continued to be an important part of Gannett's market strategy for 2008. The company now publishes almost 850 non-daily publications in the U.S., including glossy lifestyle magazines, community newspapers and publications catering to one topic, such as health or cars. The company's strategy for non-daily publications is to appeal to key advertising segments (e.g. affluent women, women with children or young readers). Non-daily products help newspaper operations increase overall impressions and frequency for advertisers looking to reach specific audience segments, or in some cases, like community weeklies, provide a lower price point alternative for smaller advertisers, thus helping to increase the newspaper operation's local market share.

Eighty-four domestic daily newspapers are printed by the offset process, and one is printed using the letterpress processes. This single site will be converted in 2010 to offset in the Berliner format. In recent years, improved technology has resulted in greater speed and accuracy and in a reduction in the number of production hours worked at many

of the company's newspapers. That trend will continue in 2009 and further consolidation of job functions across multiple newspaper sites is expected. In 2008, consolidated printing was accomplished at four sites with an additional seven sites expected to be consolidated by the end of the first quarter of 2009.

In 2008, the company launched two initiatives to centralize and achieve efficiency in certain accounting operations. A National Shared Service Center was established in Indianapolis, Ind., to provide centralized accounts payable and general ledger services for U.S. publishing and broadcast operations. This center currently supports approximately 60% of Gannett's domestic business units. In Springfield, Mo., the company established the Centralized Credit & Collection Center, which provides credit, collection and other accounts receivable support for U.S. publishing and broadcasting. This center currently supports approximately 50% of Gannett domestic business units. During 2009, the company expects that nearly all of its U.S. business units will be supported by these centers.

Newsquest, Gannett's UK subsidiary, publishes 17 daily paid-for newspapers and more than 200 weekly newspapers, magazines and trade publications in the U.K., as well as a wide range of niche products. Newsquest operates its publishing activities around regional centers to maximize the use of management, finance, printing and personnel resources. This approach enables the group to offer readers and advertisers a range of attractive products across the market. The clustering of titles and, usually, the publication of a free newspaper alongside a paid-for newspaper, allows cross-selling of advertising among newspapers serving the same or contiguous markets, thus satisfying the needs of its advertisers and audiences. Newsquest's policy is to produce free and paid-for newspapers with an attractive level of quality local editorial content. Newsquest also distributes a substantial volume of advertising leaflets in the communities it serves.

Newsquest seeks to maximize the value of its local media brands through digital channels. In summer 2008, Newsquest re-launched its main regional and local newspaper Web site network, adding rich

local content and compelling functionality which increased the attraction and retention of audiences of its local and regional media brands.

Regarding digital operations, Gannett's mission is to provide connected audience with the most interactive, real time news and information delivered to any digital device. The goal from the beginning is to engage local communities in a way that creates conversations and empowers community members to connect and share common interests.

The advertisers leverage Gannett's strong marketing services platform to gain access to audience in order to effectively brand and market their products. Gannett is committed to providing a comprehensive set of Internet marketing solutions. In 2008, it rolled out one of the most comprehensive ad serving platforms across all Gannett newspaper and broadcast Web sites. This common platform, in partnership with AdTech, will allow sales representatives the ability to service the needs of local advertisers while at the same time offer national brands the ability to target defined audience groups.

Gannett Digital is responsible for leveraging all of the company's diverse assets to build out the largest local online audience based on geographic, demographic and behavioural interests. In January 2009, Gannett's total online U.S. Internet audience was 27.1 million unique visitors, reaching about 16.1% of the Internet audience, as measured by Nielsen//Net Ratings. Segmenting this audience based on many targeting criteria has attracted a number of national advertisers.

Beginning with 2008, a new digital business segment was reported, which includes CareerBuilder and ShopLocal from the dates of their full consolidation, as well as PointRoll, Planet Discover, Schedule Star and Ripple6 (from the date of its acquisition on Nov. 13, 2008). Prior period results for PointRoll, Planet Discover and Schedule Star have been reclassified from the publishing segment to the new digital segment. At the end of 2008, the digital segment had approximately 2,500 full-time and part-time employees.

At the end of 2008, the company's broadcasting division included 23 television stations in markets with a total of more than 20.8 million

households covering 18% of the U.S. population. The broadcasting division also includes Captivate Network.

The principal sources of the company's television revenues are: 1) local advertising focusing on the immediate geographic area of the stations; 2) national advertising; 3) retransmission of our television signals on satellite and cable networks; 4) advertising on the stations' Web sites; and 5) payments by advertisers to television stations for other services, such as the production of advertising material. The advertising revenues derived from a station's local news programs make up a significant part of its total revenues. Captivate derives its revenue principally from national advertising on video screens in elevators of office buildings and select hotel lobbies. As of year-end, Captivate had over 8,800 video screens located in 25 major cities across North America.

The company broadcasts local newscasts in High Definition (HD) in eight cities: Denver, Washington, D.C., St. Louis, Atlanta, Cleveland, Minneapolis, Phoenix and Tampa. These telecasts have been well received given the dramatic increase in sales of HD televisions. For all of its stations, the company is party to network affiliation agreements as well as cable and satellite carriage agreements. The company's three ABC affiliates have agreements which expire on Feb. 28, 2014. The agreements for the company's six CBS affiliates expire on Dec. 31, 2015. The company's 12 NBC-affiliated stations have agreements that expire on Jan. 1, 2017. The company's two MyNetworkTV-affiliated stations have agreements that expire in 2011.

During 2008, the company also entered into retransmission consent agreements with virtually all of the cable companies in its television markets including four of the largest cable operators in the U.S., pursuant to which the company's stations will be carried for period of at least three years, thus providing the company with significant and steady revenue streams of approximately \$50 million of cash annually. Incremental costs associated with this revenue are minimal and therefore nearly all of these revenues will contribute directly to operating income. The company also is a party to agreements with direct broadcast satellite providers under which the signals of certain

of its stations are provided to satellite subscribers in their markets, one of which expires in May 2009 and the other in 2010.

As part of its local news strategy for 2008, the company's television stations implemented the Information Center concept which was already in place for our local U.S. publishing sites. This resulted in more focus on 24/7 coverage for dissemination on station-affiliated Web sites as well as in traditional broadcast mode. In addition, the company's television station Information Centers also produce content for local Metromix entertainment Web sites and parenting/social networking Web sites under the MomsLikeMe.com national umbrella.

Risk Factors

1. Deterioration in economic conditions in the markets Gannett serves in the U.S. and the U.K. may further depress demand.
2. Competition from alternative forms of media may impair Gannett's ability to grow or maintain revenue levels in core and new businesses.
3. Further declines in the company's credit ratings and continued volatility in the U.S. credit markets could significantly impact the company's ability to obtain new financing to fund its operations and strategic initiatives or to refinance its existing debt at reasonable rates as it matures.
4. Volatility in U.S. and U.K. financial markets directly affects the value of Gannett's pension plan assets.
5. Foreign exchange variability could adversely affect Gannett's consolidated operating results.
6. Changes in regulatory environment could encumber or impede Gannett's efforts to improve operating results.
7. The degree of success of Gannett's investment and acquisition strategy may significantly impact the company's ability to expand overall profitability.
8. Acquisitions of other businesses may be difficult to integrate with existing operations, could require an inefficiently high amount of

attention from the senior management, might require Gannett to incur additional debt or divert the capital from more profitable expenditures, and might result in other unanticipated problems and liabilities.

2.8. British Sky Broadcasting

Business Overview

British Sky Broadcasting Group operates the leading pay television service in the UK and Ireland as well as broadband and telephony services. Sky commissions and acquires programming to broadcast on Sky's channels and supplies certain of those channels to cable operators for retransmission to their subscribers in the UK and Ireland. Sky retails channels to DTH customers and certain of Sky's channels to a limited number of DSL subscribers. Sky also makes three channels available free-to-air via the UK DTT platform, as part of the branded Freeview offering.

At 30 June 2009, there were 9,442,000 DTH customers to Sky television service, and 4,271,000 subscribers of the cable operators to whom Sky supplies certain channels, in the UK and Ireland. Cable subscribers to the Group's channels increased by 3,023,000 in comparison to fiscal 2008 due to the return of the Sky Basic Channels on the Virgin Media platform from 13 November 2008. According to estimates of Broadcasters Audience Research Board (BARB), as at 30 June 2009, there were 14.7 million homes in the UK receiving certain of Sky channels via DTT. Total revenue in fiscal 2009 was £5,359 million (2008: £4,952 million).

Sky provides customers with a broad range of programming options. With respect to the channels Sky owns and operates, the Group incurs significant expense to produce and commission original entertainment programming and to acquire exclusive UK and Ireland television rights to films, certain sports events and other general entertainment programming. Sky has also acquired the rights to market the television services of third parties to DTH customers.

Currently, the Group owns, operates, distributes and retails 26 Sky Channels via Sky's DTH service (or 29 including multiplex versions of the Sky Channels, but excluding simulcast channels and the business channels SkyVenue and the Pub Channel). A multiplex of a channel is a time-shifted version of that channel or a version where the content is transmitted at different times. The Group also simulcasts some of the Sky Channels or programming from some of the Sky Channels in high definition. A simulcast channel is a simultaneous transmission of programmes on other channels. Sky currently retails to the DTH customers 159 Sky Distributed Channels (including multiplex versions of certain channels).

Sky retails packages of channels to DTH customers. The way they are packaged offers customers a choice of up to six packs of both Sky Basic Channels and Sky Distributed Channels. Each mix contains channels broadly within a specific genre of interest, to which customers have the option to add a combination of Sky Premium Channels and Premium Sky Distributed Channels. Sky also offers Sky Box Office to all DTH customers. On the DTH platform, the Sky Premium Channels, the Sky Basic Channels (other than Sky News), Sky Box Office, Music Choice, Music Choice Extra and the Sky Distributed Channels are encrypted in order to limit access to paying customers only. The Group also broadcasts versions of three of the Sky Channels, Sky News, Sky Sports News and Sky Three, unencrypted free-to-air via DTT in the UK as part of the Freeview offering.

According to surveys produced by BARB, as of 30 June 2009, an estimated 37% of the estimated 26 million television homes in the UK were equipped with digital satellite reception equipment; 14% subscribed to a cable television or SMATV package (single mast antenna television which is primarily for buildings that receive programming by means of a single satellite antenna connected to a head end and which distributes television signals to individual units in the building by cable); and 57% had digital terrestrial television. The percentage figures given for each means of delivery include homes which receive television services via more than one of such delivery means.

According to BARB estimates, during the 52 weeks ended 30 June 2009, the Sky Channels (including Sky Box Office and Sky Box Office Events but excluding SkyPoker.com and Sky Vegas) accounted for an estimated 16.2% of viewing of all satellite and cable channels (excluding BBC1, BBC2, ITV1, Channel 4 and Five) in multi-channel homes (or an overall 7.1% viewing share of all channels, including the traditionally analogue terrestrial channels, available within multi-channel homes during the same period).

For the 52 weeks ended 30 June 2009, BARB estimates that 53% of all viewing in UK homes with digital satellite reception equipment (digital satellite homes) was of channels available via digital satellite other than the traditionally analogue terrestrial channels. BARB estimates that, in the same period, Sky Channels accounted for 22% of multi-channel viewing (i.e. viewing of all channels excluding the traditionally analogue terrestrial channels) in UK digital satellite homes, with an overall 11.9% viewing share across all channels available (including the traditionally analogue terrestrial channels) within UK digital satellite homes.

In March 2007 the Group launched Sky Anytime TV, an on-demand service that provides access to selected programmes that are added to the service overnight with approximately 30 hours of content available at any one time. Viewers have seven days to watch programmes or store them on their Sky+ planner as newer programmes are added and older programmes are deleted. Sky Anytime TV uses additional storage capacity on relevant set-top boxes to automatically store selected programmes for viewing on-demand and the customer's personal recording capacity remains unaffected. Sky Anytime TV is available to all Sky HD customers and customers with the latest generation of Sky+ set-top boxes at no extra charge in accordance with their subscriptions (for example, customers who subscribe for the Sky Movies channels will have access to certain Sky Movies programming on Sky Anytime TV at no extra charge). Sky Anytime TV is now available to over 5 million Sky customers and over 1.1 million customers use the service every week.

Sky distributes programming services directly to DTH customers through diverse packages. Cable subscribers, by contrast, contract with

cable operators, which in turn acquire the rights to distribute certain of the Sky Channels, which they combine with other channels from third parties and distribute to their subscribers. On 28 February 2007, the Group's wholesale supply arrangement to supply the cable operator VM with the Sky Basic channels expired, though VM continued to carry versions of all the Sky Premium Channels. On 4 November 2008, the Group announced that it had entered into a new agreement to supply VM with certain Sky Basic Channels to take effect from 13 November 2008. DTT viewers must have either an integrated digital television set or an appropriate set-top box.

As at 30 June 2009, the total number of DTH customers in the UK and Ireland was 9,442,000, representing a net increase of 462,000 customers in the fiscal year. DTH churn in total was 10.3% in fiscal 2009 (2008: 10.4%). The Group defines DTH churn as the number of DTH customers over a given period who terminate their subscription in its entirety, net of former customers who reinstate their subscription in that period (where such reinstatement is within a twelve month period of the termination of their original subscription). In fiscal 2009, Sky derived £4,184 million (78%) of revenue from DTH subscription revenue (2008: £3,769 million (76%)).

Of 9,442,000 DTH customers; 63% took a Sky Premium Channel; 5,491,000 were Sky+ customers, 1,835,000 were Multiroom customers and 1,313,000 were Sky+HD customers. The standard price (inclusive of VAT, where applicable) to a residential DTH customer of the basic package containing the largest number of basic channels (known as the "Variety Pack") is currently £16.50 per month in the UK and €20.50 per month in Ireland. The range of prices (inclusive of VAT, where applicable) to a DTH customer taking one or more basic channel Packs with Sky Premium Channels (which varies depending upon the number of basic channel Packs and Sky Premium Channels taken) is currently £25.50 to £46 in the UK, and €38 to €69.50 in Ireland.

Sky also offers a number of services, including HD service, to commercial DTH customers in the UK and Ireland under a range of contracts. The types of contract, and the channels, which are available to any particular commercial customer depend primarily upon the type

of business premises within which such customers wish to show Sky services. Commercial DTH customers include offices, retail outlets, hotels, pubs and clubs. Each such operator with a SMATV system is considered to be a single commercial DTH customer regardless of the number of points (e.g. rooms in a hotel) within the premises the television signal is distributed to. As at 30 June 2009, there were approximately 42,192 customers to Sky's commercial DTH services in the UK and Ireland (including approximately 4,886 commercial DTH customers operating a SMATV system). The majority of Sky's UK DTH commercial customers are customers under pubs and clubs subscription agreement. Under that agreement, the subscription prices range from £89 to £3,001 per month (exclusive of VAT). In Ireland, prices to pubs and clubs customers range from €278 to €686 per month (exclusive of VAT).

The Group launched Sky Broadband, the broadband internet access service in 2006. The service is available to all DTH customers in the UK. For DTH customers covered by the broadband network, three different broadband products are available: Sky Broadband Base; Sky Broadband Everyday; and Sky Broadband Unlimited. Sky Broadband Base costs £5 per month with download speeds of up to 2Mb/s and 2GB monthly usage. Sky Broadband Everyday costs £10 per month and offers download speeds of up to 10Mb/s and 10GB monthly usage. Sky Broadband Unlimited costs £15 per month and offers download speeds of up to 20Mb/s and unlimited monthly usage. If a DTH customer with Sky Broadband also takes a Sky Talk calls product they currently receive a £5 discount on their monthly Sky Broadband subscription for as long as they continue to take that Sky Talk product.

Sky Talk is a telephony service available to all of Sky's DTH customers in the UK. Sky Talk Freetime offers DTH customers free (for up to one hour per call) UK evening and weekend calls and Sky Talk Unlimited offers DTH customers unlimited UK calls (for up to one hour per call) and unlimited calls to certain international destinations for £5 a month. In October 2007 the Group launched Sky Talk Line Rental, an opportunity for DTH customers to take their telephony line rental directly from Sky. This is currently available for £10 a month to DTH customers who also take a Sky Talk product.

Sky owns and operates a number of established websites including sky.com, skysports.com and sky.com/news. Sky launched a full-service online portal in October 2007 encompassing e-mail, search and other new channels such as money, motoring, property and travel to sit alongside skysports.com and sky.com/news websites.

Sky Anytime on Mobile is a mobile phone application that provides access to Sky Sports, Sky News, Sky1 and Sky Movies mobile content. This offers news and entertainment information on compatible mobile handsets. It also allows customers to access the 7-day TV guide. It is available at no extra cost to DTH customers. The application is available across all mobile networks to customers with a compatible handset with mobile internet access via GPRS or third generation cellular telephone systems (3G). In addition, customers on Vodafone, Orange, 3 or T-mobile mobile networks in the UK or the Vodafone network in Ireland and with a compatible mobile handset can subscribe to Sky Mobile TV. Sky Mobile TV offers over 25 channels streamed direct to the customer's mobile phone. Depending on the customer's mobile network they can subscribe to up to four packages which cost from £3 to £5 per month (or on a daily or weekly basis in Ireland).

Sky also offers 24-7 Football. This allows customers to watch football clips on a compatible mobile handset. It is available on all mobile networks in the UK and certain Irish networks and you do not need to be a DTH customer to register. UK customers can either subscribe for £5 a month or buy each clip for £0.50.

The Group broadcasts versions of three channels, Sky News, Sky Sports News and Sky Three, unencrypted free-to-air via DTT in the UK. These channels are broadcast on a DTT multiplex for which the licence is held by Arqiva Services (which owns and operates shared wireless communications and broadcast infrastructure). The channels broadcast via DTT, together with a number of other channels broadcast free-to-air via DTT by other broadcasters, are marketed to consumers under the generic brand Freeview.

In fiscal 2009, Sky derived £308 million of the revenue from advertising sales (2008: £328 million). The Group sells advertising for all of the 26 Sky Channels (as well as for their multiplexes) around all

programmes broadcast on these channels. Sky also acts as the advertising sales representative for certain third party channels. According to BARB estimates, across all UK Multi-Channel Homes, Sky's average share (for all of the Sky Channels) of commercial audiences (excluding those of the BBC) for fiscal 2009 was 11.15%, an increase from 11% at the end of the previous fiscal year. Sky's customers' households tend to be younger and more affluent than the average UK household and tend to over-represent the 16-34 year old, ABC1 (i.e. upmarket) and male demographic profiles sought by many advertisers.

Risk Factors

1. The Group's business is heavily regulated and changes in regulations, changes in interpretation of existing regulations or failure to obtain required regulatory approvals or licences could adversely affect the Group's ability to operate or compete effectively.
2. The Group operates in a highly competitive environment that is subject to rapid change and it must continue to invest and adapt to remain competitive.
3. The Group's business is reliant on technology which is subject to the risk of failure, change and development.
4. Failure of key suppliers could affect the Group's ability to operate its business.
5. The Group is reliant on encryption and other technologies to restrict unauthorised access to its services.
6. The Group undertakes significant capital expenditure projects, including technology and property projects.
7. The Group's investment in ITV could be subject to future events outside of the Group's control which could result in a loss in value of the Group's investment.
8. The Group, in common with other service providers that include third party services which the Group retails, relies on intellectual

- property and proprietary rights, including in respect of programming content, which may not be adequately protected under current laws or which may be subject to unauthorised use.
9. The Group generates wholesale revenue principally from one customer, VM.
 10. The Group is subject to a number of medium and long-term obligations.

2.9. Google

Business Overview

Google is a global technology leader focused on improving the ways people connect with information. Google's innovations in web search and advertising have made the web site a top internet property and Google's brand one of the most recognized in the world. Google's mission is to organize the world's information and make it universally accessible and useful. Google serve three primary constituencies: users, advertisers and Google Network Members and other content providers.

Google provides users with products and services that enable people to more quickly and easily find, create and organize information that is useful to them.

Google provides advertisers with cost-effective ways to deliver online ads, as well as ads on traditional media such as TV and radio (offline ads), to customers across Google sites and through the Google Network, which is the network of online and offline third parties that use Google advertising programs to deliver relevant ads with their search results and content.

Google provides the online and offline members of Google Network with Google AdSense programs. These include programs through which Google distributes advertisers' AdWords ads for display on the web sites of the Google Network members as well as programs to deliver ads on television and radio broadcasts. Google shares most of

the fees these ads generate with Google Network members, thereby creating an important revenue stream for them. In addition, Google has entered into arrangements with other content providers under which Google distributes or licenses their video and other content, and Google may display ads next to or as part of this content on the pages of Google web sites and Google Network members' web sites. Google shares most of the fees these ads generate with these content providers and Google Network members, thereby creating an important revenue stream for these partners.

The main products and services of Google are described below.

The basic service is Google Web Search. In addition to providing easy access to billions of web pages, Google has integrated special features into Google Web Search to help people find exactly what they are looking for on the web.

Google Image Search is the searchable index of images found across the web. To extend the usefulness of Google Image Search, it offers advanced features, such as searching by image size, format and coloration and restricting searches to specific web sites or domains.

Google Book Search lets users search the full text of a library-sized collection of books to discover books of interest and to learn where to buy or borrow them. Through this program, publishers can host their content and show their publications at the top of search results.

Google Scholar provides a simple way to do a broad search for relevant scholarly literature including peer-reviewed papers, theses, books, abstracts, and articles. Content in Google Scholar is taken from academic publishers, professional societies, preprint repositories, universities, and other scholarly organizations.

Google Finance provides a simple user interface to navigate complex financial information in an intuitive manner, including linking together different data sources, such as correlating stock price movements to news events.

Google News gathers information from thousands of news sources worldwide and presents news stories in a searchable format within

minutes of their publication on the web. The leading stories are presented as headlines on the user-customizable Google News home page. These headlines are selected for display entirely by a computer algorithm, without regard to political viewpoint or ideology.

Google Video lets users upload, find, view and share video content worldwide.

Google Blog Search enables users to search the blogging universe more effectively and find out users' opinions on a wide variety of subjects. The Google Blog Search index includes every blog that publishes a site feed.

iGoogle connects users to the information that is most useful and important to them in an easy-to-use and customizable format. Users add gadgets and themes created by Google and developers to create a powerful and personalized homepage and arrange the content the way they want. iGoogle includes Personalized Search, which gives users better search results based on what they have searched for in the past, making it easier to quickly find the information that is more relevant to them. Users can also view and manage their history of past searches and the results they have clicked on, and create bookmarks with labels and notes.

Google Product Search helps users find and compare products from online stores across the web and directs users to where they can buy these products. Users can search for product information that is submitted electronically by sellers or automatically identified by Google software.

Google Custom Search allows communities of users familiar with particular topics to build customized search engines. These customized search engines allow the communities to help improve the quality of search results by labelling and annotating relevant web pages or by creating specialized, subscribed links for users to get more detailed information about a particular topic.

Google Base lets content owners submit content that they want to share on Google web sites. Content owners can describe and assign attributes

to the information they submit and Google uses this descriptive content to better target search results to what users are looking for.

Google Webmaster Tools provides information to webmasters to help them enhance their understanding of how their web sites interact with the Google search engine. Content owners can submit sitemaps and geo-targeting information through Google Webmaster Tools to improve search quality.

Information created by a single user becomes much more valuable when shared and combined with information from other people or places. Therefore Google's strategy for products in this space is simple: develop tools for users to create, share and communicate any information generated by the user, thus making the information more useful and manageable. Examples of products Google has developed with this strategy in mind include:

Google Docs allows users to create, view and edit documents, spreadsheets, and presentations from anywhere using a browser. These documents are useful to users as they are accessible anywhere internet access is available, manageable as they are stored within Google servers and automatically backed up, and shareable in that they allow real time editing with co-workers and friends over the internet.

Google Calendar is a free online shareable calendar service that allows users to keep track of the important events, appointments and special occasions in their lives and share this information with anyone they choose. In addition, web sites and groups with an online presence can use Google Calendar to create public calendars, which are automatically indexed and searchable on Google.

Gmail is Google's free webmail service that comes with built-in Google search technology to allow searching of emails and over seven gigabytes of storage, allowing users to keep their important messages, files and pictures. Google serves small text ads that are relevant to the messages in Gmail.

Google Groups is a free service that helps groups of people to connect to information and people that have interest in them. Users can discuss

topics by posting messages to a group, where other people can then read and respond. Google Groups now contains more than one billion messages from Usenet internet discussion groups dating back to 1981.

Google Reader is a free service that lets users subscribe to feeds and receive updates from multiple web sites in a single interface. Google Reader also allows users to share content with others, and functions with many types of media and reading-styles.

Orkut enables users to search and connect to other users through networks of trusted friends. Users can create a profile, personal mailboxes, post photos and join or manage online communities.

Blogger is a web-based publishing tool that lets people publish to the web instantly using weblogs, or blogs. Blogs are web pages usually made up of short, informal and frequently updated posts that are arranged chronologically.

Google Sites allows users to easily create, update and publish content online without technical expertise, with control over who can see and update the site. Google Sites supports a variety of information such as videos, calendars, presentations, spreadsheets, discussions and texts.

YouTube is an online community that lets users worldwide upload, share, watch, rate, and comment on videos, from user generated, niche professional, to premium videos. YouTube is also a video platform providing general purpose video resources to the web community. YouTube videos are embedded in blogs, social networks and web applications, and YouTube programming interfaces are utilized by many registered developers to create third-party products and services. In addition, YouTube offers a range of video and interactive formats for advertisers to reach their intended audience.

Among client products and services, Google offers users a range of them as the following.

Google Toolbar is a free application that adds a Google search box to web browsers (Internet Explorer and Firefox) and improves user web experience through features such as a pop-up blocker that blocks pop-up advertising, an auto fill feature that completes web forms with

information saved on a user's computer, and customizable buttons that let users search their favourite web sites and stay updated on their favourite feeds.

Google Chrome is an open-source browser that combines a minimal design with technologies to make the web faster, safer, and easier to navigate.

Google Pack is a free collection of safe, useful software programs from Google and other companies that improve the user experience online and on the desktop. It includes programs that help users browse the web faster, remove spyware and viruses.

Picasa is a free service that allows users to view, manage and share their photos. Picasa enables users to import, organize and edit their photos, and upload them to Picasa Web Albums where the photos can be shared with others on the internet.

Google Desktop lets people perform a full-text search on the contents of their own computer, including email, files, instant messenger chats and web browser history. Users can view web pages they have visited even when they are not online. Google Desktop also includes a customizable Sidebar that includes modules for weather, stock tickers and news.

Google Earth lets users see and explore the world and beyond from their desktop. Users can fly virtually to a specific location and learn about that area through detailed satellite and aerial images, 3D topography, street maps and millions of data points describing the location of businesses, schools, parks and other points of interest around the globe. Google Earth includes Sky, an astronomical imagery library with images of over 100 million stars and 200 million galaxies, and Ocean, with a detailed bathymetric map of the earth's ocean floors.

Google Maps helps people navigate map information. Users can look up addresses, search for businesses, and get point-to-point driving directions—all plotted on an interactive street map or on satellite imagery. Google Maps includes StreetView, 360-degree street-level imagery available in several regions around the world, and Google Transit, which provides up-to-date information on local transit options

in many cities. Google Maps provides a comprehensive search experience by combining yellow-pages listings with ratings and reviews and other business information. In addition, Google Maps lets users create their own maps and allows developers to put their content on top of the base map data. Google displays relevant targeted ads for searches done through Google Maps.

Google Sketchup is a free tool that enables users to model buildings in 3D, and can be used as a tool for populating Google Earth with architectural content. The Pro version of this tool is sold to professional designers and includes additional features.

Google Mobile lets people search and view both the mobile web, consisting of pages created specifically for wireless devices, and the entire Google index. Users can also access online information using Google SMS by typing a query to the Google short code and checking their email using Gmail Mobile. Google Mobile is available through many wireless and mobile phone services worldwide.

Google Maps for Mobile is a free Java client application that lets users view maps and satellite imagery, find local businesses and get driving directions on mobile devices. Google Maps for Mobile offers many of the same functions as Google Maps, including draggable maps combined with satellite imagery. In addition, the My Location feature allows users to view their approximate location on the map.

With Blogger for mobile devices, users can take pictures with their camera phones and then post their pictures and text comments to their blog using MMS or email.

Several of Google services, such as Gmail, News and Personalized Home are also available as mobile applications.

Android is a free, open-source mobile software platform which allows developers to create applications for mobile devices and for handset manufacturers to install. Android is being developed with the Open Handset Alliance, a group of more than 45 technology and mobile companies, with the goal of providing consumers a less expensive, richer and more powerful mobile experience.

Search by Voice lets users do a Google web search just by saying what they are looking for. Search results are formatted to fit phone screens. Search by Voice is currently available for the iPhone and Android phones.

Google Checkout is a service for users, advertisers and participating merchants that is intended to make online shopping faster, more convenient and more secure by providing a single login for buying online and helping users find convenient and secure places to shop when they search.

Advertising revenues made up 99% of Google revenues in 2006 and 2007 and 97% of revenues in 2008. Google derives most of the additional revenues from offering internet ad serving and management services to advertisers and ad agencies, the license of web search technology and the license of search solutions to enterprises.

Google AdWords is an automated online program that enables advertisers to place targeted text-based and display ads on Google web sites and Google Network members' web sites. Most of AdWords customers pay on a cost-per-click basis, which means that an advertiser pays only when a user clicks on one of its ads. Google also offers AdWords on a cost-per-impression basis that enables advertisers to pay based on the number of times their ads appear on web sites and Google Network members' web sites as specified by the advertiser. For advertisers using AdWords cost-per-click pricing, Google recognizes as revenue the fees charged advertisers each time a user clicks on one of the ads that appears next to the search results on web sites or next to the search results or content on Google Network members' web sites. For advertisers using AdWords cost-per-impression pricing, Google recognizes as revenue the fees charged advertisers each time their ads are displayed on the Google Network members' web sites. AdWords agreements are generally terminable at any time by advertisers.

Google AdSense refers to the online programs through which Google distributes the advertisers' AdWords ads for display on the web sites of Google Network members as well as programs to deliver ads on television and radio broadcasts. AdSense programs include AdSense for search and AdSense for content.

AdSense for search is an online service for distributing relevant ads from advertisers for display with search results on Google Network members' sites. To use AdSense for search, most of AdSense for search partners add Google search functionality to their web pages in the form of customizable Google search boxes. When visitors of these web sites search either the web site or the internet using these customizable search boxes, Google displays relevant ads on the search results pages, targeted to match user search queries. Ads shown through AdSense for search are text ads.

AdSense for content is an online service for distributing ads from advertisers that are relevant to content on Google Network members' web sites. Under this program, Google uses automated technology to analyze the meaning of the content on the web page and serve relevant ads based on the meaning of such content. For example, a web page on an automotive blog that contains an entry about vintage cars might display ads for vintage car parts or vintage car shows. These ads are displayed in spaces that AdSense for content partners have set aside on their web sites. AdSense for content allows a variety of ad types to be shown, including text ads, image ads, Google Video Ads, link units (which are sets of clickable links to topic pages related to page content), themed units (which are regular text ads with graphic treatments that change seasonally and by geography) and gadget ads (which are customized "mini-sites" that run as ads on AdSense publisher web sites).

For the online AdSense program, advertisers pay a fee each time a user clicks on one of advertisers' ads displayed on Google Network members' web sites or, for those advertisers who choose cost-per-impression pricing, as their ads are displayed. To date, Google has paid most of these advertiser fees to Google Network members. Google recognizes these advertiser fees as revenue and the portion of the advertiser fee Google pays to Google Network members as traffic acquisition costs under cost of revenues. In some cases, the company guarantees the Google Network members minimum revenue share payments based on their achieving defined performance terms, such as number of search queries or advertisements displayed. Google Network members do not pay any fees associated with the use of AdSense program on their web sites.

The business has grown rapidly since inception, resulting in substantially increased revenues. However, the revenue growth rate has generally declined over time, and Google expects it will continue to do so as a result of a number of factors including increasing competition, the difficulty of maintaining growth rates as revenues increase to higher levels and increasing maturity of the online advertising market in certain countries. In addition, the current general economic downturn may result in fewer commercial queries by users and may cause advertisers to reduce the amount they spend on online advertising, which could negatively affect the growth rate of revenues.

International revenues have grown as a percentage of Google's total revenues to 51% in 2008 from 48% in 2007. This increase in the portion of revenues derived from international markets results largely from increased acceptance of Google's advertising programs, increases in direct sales resources and customer support operations and the continued progress in developing localized versions of products in these international markets, as well as an increase in the value of the Euro, the Japanese yen and other foreign currencies relative to the U.S. dollar in 2008 compared to 2007.

Risk Factors

1. Google faces significant competition from Microsoft and Yahoo.
2. Google face competition across all geographic markets from other internet companies, including web search providers, internet access providers, internet advertising companies, destination web sites, and local information providers, and from traditional media companies.
3. Google expects the revenue growth rate to decline and anticipate downward pressure on the operating margin in the future.
4. Google's operating results may fluctuate, which makes results difficult to predict and could cause results to fall short of expectations.
5. If Google does not continue to innovate and provide products and services that are useful to users, the company may not remain competitive, and revenues and operating results could suffer.

6. Google generates revenue almost entirely from advertising, and the reduction in spending by or loss of advertisers could seriously harm the business.
7. The effects of the recent global economic crisis may impact Google's business, operating results, or financial condition.
8. Google relies on Google Network members for a significant portion of the revenues. The loss of these members could adversely affect the business.
9. Google's business and operations are experiencing rapid growth. If the company fails to effectively manage growth, the business and operating results could be harmed.
10. The business depends on a strong brand, and failing to maintain and enhance the brand would hurt ability to expand the base of users, advertisers and Google Network members.
11. Acquisitions could result in operating difficulties, dilution and other harmful consequences.
12. International operations are subject to increased risks which could harm the business, operating results, and financial condition.
13. Google's intellectual property rights are valuable, and any inability to protect them could reduce the value of products, services and brand.
14. Google is, and may in the future be, subject to intellectual property rights claims, which are costly to defend, could require the company to pay damages and could limit the ability to use certain technologies in the future.
15. Privacy concerns relating to Google's technology could damage the reputation and deter current and potential users from using Google's products and services.
16. A variety of new and existing U.S. and foreign laws could subject Google to claims or otherwise harm the business.
17. Google is subject to increased regulatory scrutiny that may negatively impact the business.
18. More individuals are using non-PC devices to access the internet. If users of these devices do not widely adopt versions of Google

web search technology, products or operating systems developed for these devices, the business could be adversely affected.

19. Google business may be adversely affected by malicious applications that interfere with, or exploit security flaws in, the products and services.
20. Proprietary document formats may limit the effectiveness of Google search technology by preventing the technology from accessing the content of documents in such formats, which could limit the effectiveness of products and services.
21. New technologies could block ads, which would harm Google's business.
22. If Google fails to detect click fraud or other invalid clicks, the company could face additional litigation as well as lose the confidence of advertisers, which would cause the business to suffer.
23. Index spammers could harm the integrity of web search results, which could damage reputation and cause the users to be dissatisfied with products and services.
24. If Google were to lose the services of Eric Schmidt, Larry Page, Sergey Brin or other members of the senior management team, the company may not be able to execute its business strategy.
25. Google relies on highly skilled personnel and, if the company is unable to retain or motivate key personnel, hire qualified personnel or maintain corporate culture, it may not be able to grow effectively.
26. Google has a short operating history and a relatively new business model in an emerging and rapidly evolving market. This makes it difficult to evaluate future prospects and may increase the risk that the company will not continue to be successful.
27. Google may have difficulty scaling and adapting existing architecture to accommodate increased traffic and technology advances or changing business requirements, which could lead to the loss of users, advertisers and Google Network members, and cause the company to incur expenses to make architectural changes.

28. Google relies on bandwidth providers, data centres and others in providing products and services to users, and any failure or interruption in the services and products provided by these third parties could damage the reputation and harm the ability to operate the business.
29. Google's business depends on continued and unimpeded access to the internet by the company and the users. Internet access providers may be able to block, degrade or charge for access to certain of the products and services, which could lead to additional expenses and the loss of users and advertisers.
30. Interruption or failure of Google's information technology and communications systems could hurt the ability to effectively provide products and services, which could damage reputation and harm the operating results.
31. Google's business depends on increasing use of the internet by users searching for information, advertisers marketing products and services and web sites seeking to earn revenue to support their web content. If the internet infrastructure does not grow and is not maintained to support these activities, the business will be harmed.
32. Payments to certain of Google Network members have exceeded the related fees Google receives from advertisers.
33. Google relies on outside providers for worldwide billing, collection, payment processing and payroll. If these outside service providers are not able to fulfil their service obligations, business and operations could be disrupted, and the operating results could be harmed.
34. To the extent the revenues are paid in foreign currencies, and currency exchange rates become unfavourable, Google may lose some of the economic value of the revenues in U.S. dollar terms.
35. Google may have exposure to greater than anticipated tax liabilities.
36. The trading price for Google's Class A common stock has been and may continue to be volatile.
37. Google does not intend to pay dividends on common stock.

38. The concentration of Google's capital stock ownership with the founders, executive officers and directors and their affiliates will limit stockholders' ability to influence corporate matters.
39. Provisions in Google's charter documents and under Delaware law could discourage a takeover that stockholders may consider favourable.

2.10. Yahoo!

Business Overview

Yahoo! is a leading global Internet brand and one of the most trafficked Internet destinations worldwide. Yahoo! is focused on powering its communities of users, advertisers, publishers, and developers by creating experiences built on trust. Together with Yahoo! owned and operated online properties and services, the company also provide advertising offerings and access to Internet users beyond Yahoo! through a distribution network of third-party entities (the Affiliates), who have integrated Yahoo! advertising offerings into their Websites, or their other offerings. Yahoo! generates revenues by providing marketing services to advertisers across a majority of Yahoo! Properties and Affiliate sites. Additionally, although many of the services the company provides to users are free, Yahoo! does charge fees for a range of premium services.

The core of Yahoo!'s strategy and operations is to become the starting point for Internet users; to provide must buy marketing solutions for the world's largest advertisers; and to deliver industry-leading open platforms that attract developers and publishers.

Yahoo! provides several key starting points where Internet users start their daily online activity, through such services as the Yahoo! Home Page; Search; and Mail; and through mobile solutions, such as Yahoo! Go. The company is focused on expanding the communities of users and deepening their engagement on Yahoo! Properties by offering compelling Internet services and effectively integrating search, community, personalization, and content to create a powerful user experience.

Yahoo! provides a range of marketing services that make it easier and more effective for advertisers and marketers to reach and connect with users who visit Yahoo! Properties and Affiliate sites. These marketing services enable advertisers to deliver highly relevant marketing messages to their target audiences.

The company attracts developers and publishers with an array of innovative and easily accessible Web services, technical resources, tools, and channels enabling them to easily create innovative applications and consumer experiences through the Yahoo! Open Strategy.

Yahoo! was developed and first made available in 1994 by the founders, David Filo and Jerry Yang, while they were graduate students at Stanford University. The company has offices in more than 25 countries, provinces, or territories in which Yahoo! conducts business by offering products or services to local audiences.

The offerings to users on Yahoo! Properties currently fall into six categories: Front Doors, Communities, Search, Communications, Audience, and Connected Life.

Front Doors offerings include Yahoo! Front Page, My Yahoo!, and Yahoo! Toolbar. These offerings are generally provided to users free of charge. The company generates revenues from Front Doors offerings primarily from display advertising.

Yahoo! Front Page (www.yahoo.com) is a navigation hub and starting point into Yahoo! Properties where users have the ability to perform a Web search, read the latest news, and find links to other Yahoo! Websites.

My Yahoo! is a personalized start page that delivers registered users information of personal interest via a user-customized interface.

Yahoo! Toolbar is a Web browser add-on that enables users to conveniently access Yahoo! Properties from anywhere on the Web.

Communities' offerings, including Yahoo! Groups, Yahoo! Answers, and Flickr, enable users to organize into groups and share knowledge and photos. These offerings are generally provided to users free of

charge. The company generates revenues from Communities offerings primarily through display advertising.

Yahoo! Groups provides members with shared access to information such as message archives, photo albums, event calendars, and polls.

Yahoo! Answers is a service where anyone can ask and answer questions on any topic.

Flickr is an online photo management and sharing service that makes it easy for people to upload, store, organize, and share their photos. In addition to the basic service, Flickr offers a fee-based service with unlimited storage, uploads, and an advertising-free browsing and sharing interface.

Search offerings include Yahoo! Search, Yahoo! Local, Yahoo! Yellow Pages and Yahoo! Maps and are available free to users and are often the starting point for users navigating the Internet and searching for information. The company generates revenues through Search offerings from search and display advertising.

Yahoo! Search, the company's proprietary search technology, provides users with a free search capability with search results ranked and sorted based on relevance to the users' search query. Pages on the Internet are ranked according to their relevance to a particular query by analyzing document features, including text, title and description accuracy, source, associated links, and other unique document characteristics. Sponsored search results are a subset of the overall search results and provide links to paying advertisers' Web pages.

Yahoo! Local is a stand-alone local search offering, which helps users find local business listings and related content such as recommendations, user reviews, merchant photos, and maps.

Yahoo! Maps provides interactive maps with zooming, real-time traffic conditions, and accident reports, together with integrated driving directions.

Communications offerings include Yahoo! Mail, Zimbra Mail, and Yahoo! Messenger and provide a wide range of communication services

to users and small businesses across a variety of devices and through several broadband Internet access partners. Yahoo! offers some services free of charge to users and also provide some of the services on a fee or subscription basis. The company generates display advertising revenues from these offerings.

Yahoo! Mail provides users with a full-featured e-mail functionality and experience. In addition to free e-mail service, for a subscription fee, the company offers Yahoo! Mail Plus, a premium mail service providing features such as a display-ad-free interface.

Zimbra Mail is a messaging and collaboration application for educational institutions, small to large businesses, internet service providers, and government agencies.

Yahoo! Messenger instant messaging service provides an interactive and personalized way for people to connect and share experiences on a real-time basis.

Audience offerings include some of the most visited destinations on the Web, such as Yahoo! News, Yahoo! Finance, and Yahoo! Sports, along with many additional category leading properties. The company generates revenues from audience offerings from display advertising and fee-based services.

Yahoo! News aggregates stories from major news agencies. Users receive free up-to-the-minute news coverage with video, text, photos, and audio content.

Yahoo! Finance provides a comprehensive set of financial data, information, and tools that help users make informed financial decisions. The content is mainly provided through relationships with a number of third party providers. Some of these providers pay a fee when a user is referred from Yahoo! Finance to their websites. Some financial content, such as analyst research reports, is also available to users for a fee.

Yahoo! Sports offers free and fee-based fantasy games, up-to-the-minute news, real-time statistics, scores and game updates, broadcast programming, integrated shopping, and an online sports community.

In addition, the company offers Yahoo! Autos, Yahoo! Food, Yahoo! Games, Yahoo! Health, Yahoo! Kids, Yahoo! Movies, Yahoo! Music, Yahoo! Personals, Yahoo! Real Estate, Shine, Yahoo! Shopping, Yahoo! Tech, Yahoo! Travel, Yahoo! TV, and omg!.

Connected Life business includes Yahoo! Mobile and Yahoo! Connected TV. Connected Life offers services designed to provide users with easy access to the open Internet and their Yahoo! content and communities across a variety of Internet-enabled devices including mobile devices and television.

Yahoo! Mobile is focused on creating experiences specifically built for the mobile environment, building open mobile platforms, and driving mobile advertising opportunities. The company offers advertising solutions in 23 territories across North America, Latin America, Europe, and Asia. Yahoo! generates revenues from Yahoo! Mobile by selling traditional display and search advertising on the mobile phone. Additionally, Yahoo! Mobile also generates fees revenues by distributing its services through mobile operators and device manufacturers.

Yahoo! seeks to provide the most efficient and effective marketing services for advertisers and publishers. Advertisers are increasing their use of online media as individuals shift their media consumption away from traditional television and print media towards the Internet. The company offers Internet marketing solutions that enable users to interact with advertisers' brands as well as provide valuable insights to advertisers and publishers about their customer base. Yahoo! offers a suite of targeted marketing services for advertisers and publishers, which includes brand building to increase consumer awareness, direct marketing, lead generation, and commerce services. Yahoo!'s offerings enable marketers to display their advertisements in different formats and in different locations on Yahoo! Properties and on Affiliate sites and to optimize their performance against their marketing objectives.

In late 2008, Yahoo! launched APT from Yahoo!, the new display advertising platform designed to simplify the process of buying and selling advertisements online by providing an integrated, web-based solution that will ultimately facilitate cross-selling across a large open network of publishers and advertisers, enabling advertisers to better target

audiences and publishers to better monetize their content. APT from Yahoo! is being rolled out in phases. The company generates revenues by providing marketing services to advertisers across a majority of Yahoo! Properties and Affiliate sites. The majority of the marketing services revenue is from sales of search and display advertising.

In addition to offering marketing services to advertisers and publishers, the company also provides services for job seekers and small businesses.

Yahoo! HotJobs provides comprehensive solutions for employers, staffing firms, and job seekers. The company generates revenues from Yahoo! HotJobs through employers and staffing firms that pay to access the database of job seekers and use these tools to post, track, and manage job openings.

Yahoo! Small Business provides a comprehensive and integrated suite of fee-based online services including Yahoo! Domains, Yahoo! Web Hosting, Yahoo! Business Mail, and the e-commerce platform called Yahoo! Merchant Solutions. The company generates revenues from Yahoo! Small Business primarily through user subscription fees.

Yahoo! measures the business geographically based on two segments: the United States and International. The company provides services in more than 30 languages and in more than 30 countries, regions, and territories, including localized versions of Yahoo! in Argentina, Australia, Brazil, Canada, Chile, China, Columbia, France, Germany, Greece, Hong Kong, India, Indonesia, Ireland, Italy, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Peru, Philippines, Russia, Scandinavia (Denmark, Norway, Sweden), Singapore, Spain, Switzerland, Taiwan, Thailand, Turkey, the United Kingdom, the United States, Venezuela, and Vietnam.

Yahoo! maintains three primary channels for selling marketing services: direct, online, and telesales. The direct advertising sales team focuses on selling display and search marketing services and solutions to leading advertising agencies and marketers in the U.S. The online channel operates and is fulfilled by a self-service program that enables advertisers to place targeted text-based links to their Websites on Yahoo! Properties as well as on Affiliate sites. The telesales channel

focuses on sales of marketing services to small-and medium-sized businesses.

The company employs sales professionals in locations across the U.S., including Atlanta, Boston, Chicago, Dallas, Detroit, Hillsboro, Los Angeles, Miami, New York, San Francisco, and Sunnyvale. In the international markets, Yahoo! has either own internal sales professionals or established sales agency relationships in 50 countries. No individual customer represented more than 10 percent of the revenues in 2006, 2007, or 2008.

Risk Factors

1. Yahoo! faces significant competition for users, advertisers, publishers and distributors, principally from Google, Microsoft, and AOL.
2. The majority of Yahoo!'s revenues are derived from marketing services, and the reduction in spending by or loss of current or potential advertisers would cause the revenues and operating results to decline.
3. Deterioration in general economic conditions has caused and could cause additional decreases or delays in marketing services spending by advertisers and could harm Yahoo!'s ability to generate marketing services revenues and the results of operations.
4. If cost reduction initiatives do not yield anticipated benefits or if Yahoo! does not manage operating expenses effectively, profitability might decline.
5. If Yahoo! is unable to provide innovative search technologies and other services that generate significant traffic to Websites, the business could be harmed, causing the revenues to decline.
6. Yahoo! relies on the value of its brands, and a failure to maintain or enhance the Yahoo! brands in a cost-effective manner could harm the operating results.

7. Intellectual property rights are valuable, and any failure or inability to sufficiently protect them could harm the business and operating results.
8. Yahoo! is, and may in the future be, subject to intellectual property infringement or other third-party claims, which are costly to defend, could result in significant damage awards, and could limit the ability to provide certain content or use certain technologies in the future.
9. Yahoo! is subject to U.S. and foreign government regulation of Internet, mobile, and voice over internet protocol, or VOIP, products and services which could subject the company to claims, judgments, and remedies including monetary liabilities and limitations on business practices.
10. Changes in regulations or user concerns regarding privacy and protection of user data, or any failure to comply with such laws, could adversely affect the business.
11. Yahoo! may be subject to legal liability for online services.
12. Acquisitions and strategic investments could result in adverse impacts on operations and in unanticipated liabilities.
13. Any failure to manage expansion, diversification, and changes to the business could adversely affect the operating results.
14. Any failure to scale and adapt Yahoo!'s existing technology architecture to manage expansion and respond to rapid technological change could adversely affect the business.
15. Yahoo! has dedicated considerable resources to provide a variety of premium services, which might not prove to be successful in generating significant revenue.
16. If Yahoo! is unable to recruit and retain key personnel, the company might not be able to execute the business plan.
17. If h Yahoo! is unable to license or acquire compelling content at reasonable cost or if the company does not develop or commission compelling content, the number of users may not grow as anticipated, or may decline, or users' level of engagement with the services may decline, all or any of which could harm the operating results.

18. Yahoo! relies on third-party providers of rich media products to provide the technologies required to deliver rich media content to users, and any change in the licensing terms, costs, availability or user acceptance of these products could adversely affect the business.
19. If Yahoo! is unable to attract, sustain and renew distribution arrangements on favorable terms, the revenues might decline.
20. More individuals are utilizing non-personal computer devices to access the Internet and versions of Yahoo!'s services developed for these devices might not gain widespread adoption by the devices' users, manufacturers, or distributors or might fail to function as intended on some devices.
21. In international markets Yahoo! competes with local Internet service providers that may have competitive advantages.
22. Yahoo!'s international operations are subject to increased risks which could harm the business, operating results, and financial condition.
23. New technologies could block Yahoo!'s advertisements or the search marketing listings, which would harm operating results.
24. Proprietary document formats may limit the effectiveness of Yahoo!'s search technology by preventing the technology from accessing the content of documents in such formats, which could limit the effectiveness of products and services.
25. Interruptions, delays, or failures in the provision of Yahoo!'s services could harm operating results.
26. If Yahoo! fails to prevent click fraud or if the company chooses to manage traffic quality in a way that advertisers find unsatisfactory, profitability might decline.
27. Fluctuations in foreign currency exchange rates affect operating results in U.S. dollar terms.
28. Yahoo! may be required to record a significant charge to earnings if the goodwill, amortizable intangible assets, or investments in equity interests become impaired.
29. Yahoo! may have exposure to additional tax liabilities which could negatively impact the income tax provision, net income, and cash flow.

30. Uncertainty resulting from potential proposals to acquire all or part of Yahoo! may adversely affect the business.
31. Yahoo!'s stock price has been volatile historically and may continue to be volatile regardless of operating performance.
32. Anti-takeover provisions could make it more difficult for a third-party to acquire Yahoo!

2.11. Viacom

Viacom is a leading global entertainment content company that engages audiences on television, motion picture, Internet, mobile and video game platforms through many of the world's best known entertainment brands. Viacom manages operations through two reporting segments: Media Networks and Filmed Entertainment.

The Media Networks segment provides entertainment content for consumers in key demographics attractive to advertisers, distributors and retailers. Viacom creates and acquires programming and other content for distribution to audiences how and where they want to view and interact with it: on television, the Internet, mobile devices, video games and a variety of consumer products. MTV Networks reaches over 578 million households worldwide via its approximately 165 channels and multiplatform properties, BET Networks is a leading provider of entertainment, music, news and public affairs television programming targeted to the African-American audience and can be seen in the United States, Canada, the Caribbean, the United Kingdom and sub-Saharan Africa.

The Filmed Entertainment segment produces, finances and distributes motion pictures and other entertainment content under the Paramount Pictures, Paramount Vantage, Paramount Classics, MTV Films and Nickelodeon Movies brands. The Filmed Entertainment segment will also continue to release a number of pictures under the DreamWorks brand. Paramount Pictures has been a leading producer and distributor of motion pictures since 1912 and has a library consisting of approximately 3,500 motion pictures and a small

number of television programs. It also acquires films for distribution and has distribution relationships with DreamWorks Animation and Marvel. Paramount also distributes motion pictures and other entertainment content on DVD, television, digital and other platforms in the United States and internationally, and is expanding its presence in the games business.

Viacom's Media Networks segment derives revenues principally from advertising sales, affiliate fees and ancillary revenues. Revenues from the Filmed Entertainment segment are generated primarily from the theatrical release and/or distribution of motion pictures, sale of home entertainment products such as DVDs, and licensing motion pictures and other content to pay and basic cable television, broadcast television, syndicated television and digital media outlets. Revenues from the Media Networks segment accounted for 60%, 60% and 64% of Viacom's revenues for 2008, 2007 and 2006, respectively, and revenues from the Filmed Entertainment segment accounted for 41%, 41% and 37% of Viacom's revenues for those periods, respectively. Viacom generated approximately 71% of total revenues in 2008 from domestic operations, 73% in 2007 and 76% in 2006, with 29%, 27% and 24%, respectively, generated internationally. In 2008, Viacom's total international revenues were \$4.254 billion, of which 64% was generated in Europe.

Viacom's media networks, MTV Networks and BET Networks, operate their program services, websites and other digital media services in the United States and abroad. The Media Networks segment generates revenues principally from three sources: (i) the sale of advertising time on program services and digital properties, (ii) the receipt of affiliate fees from cable television operators, direct-to-home satellite operators, mobile networks and other content distributors and (iii) ancillary revenues, which include the creation and publishing of video games and other interactive products, home entertainment sales of programming, the licensing of Viacom's content to third parties and the licensing of Viacom's brands and properties for consumer products. In 2008, advertising revenues, affiliate fees and ancillary revenues were approximately 54%, 30% and 16%, respectively, of total revenues for the Media Networks segment.

Viacom's digital revenue is derived from a combination of advertising and sponsorships. The Media Networks segment operates approximately 400 digital media properties around the world, including websites, WAP sites, broadband services and virtual worlds, and during the fourth quarter of 2008, Viacom collectively averaged approximately 89 million unique visitors per month. The on-air programming drives traffic to digital properties and vice versa, allowing convergent, or cross-platform, advertising sales. MTV Networks also syndicates ad-supported long-form and short-form video content to select online destinations which creates additional opportunities for audiences to interact with the content online, ultimately driving viewership back to core channels and digital properties. Flux platform, which allows users to connect, share and interact with content and other users across a network of websites, expands user experiences and creates a seamless connection between Viacom's sites, as well as content and communities from all over the Internet.

Revenues from affiliate fees are negotiated with individual cable and satellite television operators, mobile and online networks and other distributors, generally resulting in multi-year carriage agreements with set rate increases that provide Viacom with a reasonably stable source of affiliate fee revenue. The amount of the fee Viacom receives is determined in part by the number of subscribers to and success of the programming offered by the company's program services.

Viacom's ancillary revenues are principally derived from the creation and publishing of video games and other interactive products, sales of home entertainment products such as DVDs, content licensing and licensing for consumer products.

Worldwide, MTV Networks' operations reached over 660 million households in 162 countries via its program services and branded program blocks as of December 31, 2008. MTV Networks International owns and operates, participates in as a joint venturer, and/or licenses to third parties to operate over 120 program services, including extensions of the multimedia brands MTV, VH1, Nickelodeon and Comedy Central, and program services created specifically for international and/or non-English speaking audiences

such as TMF (The Music Factory), Paramount Comedy, Game One, The Box and VIVA, among others. MTVN International also operates or licenses its brands for more than 130 online properties internationally. Most of the MTVN International program services are regionally customized for the particular viewers through the inclusion of local music, programming and on-air personalities, and use of the local language. MTV Networks' operations in Europe, Latin America and Asia represent its largest international presence.

The Filmed Entertainment segment produces, finances and distributes motion pictures under the Paramount Pictures, Paramount Vantage, Paramount Classics, MTV Films and Nickelodeon Movies brands. In addition, the Filmed Entertainment segment will continue to release a number of pictures under the DreamWorks brand. Paramount also acquires films for distribution, has distribution and fulfillment services agreements with DreamWorks Animation and has distribution agreements with Marvel and DW Funding, the owner of the DreamWorks live-action film library. In general, motion pictures produced, acquired and/or distributed by the Filmed Entertainment segment are exhibited theatrically in the U.S. and internationally, followed by their release on DVDs, video-on-demand, pay and basic cable television, broadcast television and syndicated television (the distribution windows), digital media outlets, and, in some cases, other exhibitors such as airlines and hotels.

Viacom's Filmed Entertainment segment generates revenues worldwide principally from: (i) the theatrical release of motion pictures, (ii) home entertainment, which includes sales of DVDs and other products relating to the motion pictures Viacom releases theatrically and certain other programming, including content the company distributes on behalf of third parties such as CBS Corporation and (iii) license fees paid worldwide by third parties for exhibition rights on various media. The Filmed Entertainment segment also generates ancillary revenues from providing production services to third parties, primarily at Paramount's studio lot, consumer products licensing, game distribution and distribution of its content on digital platforms. In 2008, theatrical revenues, home entertainment revenues, license fees and ancillary revenues were approximately

29%, 45%, 22% and 4%, respectively, of total revenues for the Filmed Entertainment segment.

In domestic markets, Paramount performs its own marketing and distribution services for theatrical and home entertainment releases. In the domestic pay television distribution window, Paramount's feature films initially theatrically released in the United States on or after January 1, 1998 have been exhibited by Showtime Networks, which is owned by CBS Corporation, for certain windows. This agreement applies to films theatrically released through December 2007. Beginning in the fall of 2009, qualifying Paramount, Paramount Vantage or Paramount Classics titles released theatrically on or after January 1, 2008, as well as titles theatrically released by MGM, United Artists and Lionsgate on or after January 1, 2009, and various other library product and television series, will be exhibited on Epix, a new premium pay television channel and video-on-demand service to be launched by a joint venture with Metro-Goldwyn-Mayer Studios and Lionsgate. Certain DreamWorks (including DW Studios) and DreamWorks Animation films are subject to a similar output arrangement under an agreement between DW Studios and Home Box Office (HBO). Paramount also distributes films domestically in the other distribution windows such as DVD, video-on-demand, basic cable and broadcast television and on various digital platforms, such as iTunes and Xbox Live.

In international markets, through 2006, Paramount, through its international affiliates, generally distributed its motion pictures for theatrical release through United International Pictures (UIP), a company that Viacom and an affiliate of Universal Studios own jointly. In January 2007, Paramount and Universal began theatrical self-distribution in 15 key countries that were separated from UIP's distribution business, with each party taking over the UIP operating entity in designated countries. Paramount and Universal each had the option to continue a transitional distribution arrangement with the other party in those countries and the parties have negotiated an extension of certain of these arrangements. Paramount set up its own distribution operations in Japan and Spain in 2008, as well as in Germany in January 2009. In five territories Paramount will continue to distribute through Universal, and in two additional territories, Paramount will handle

distribution of Universal's motion pictures. The UIP joint venture continues to operate in certain other territories. These self-distribution activities represent a significant expansion of Paramount's international presence, and it intends to continue to expand internationally through increased direct distribution and acquisition of local content.

In connection with the acquisition of DreamWorks in January 2006, Paramount, DreamWorks and certain of their international affiliates entered into a seven-year agreement with DreamWorks Animation for certain exclusive distribution rights to, and home video fulfillment services for, the animated films produced by DreamWorks Animation, for which Paramount receives certain fees. The output term of the agreement expires on the later of the delivery of 13 qualified animated motion pictures and December 31, 2012, subject to earlier termination under certain limited circumstances.

Risk Factors

1. Global economic conditions may continue to have an adverse effect on Viacom's businesses.
2. Viacom's success is dependent upon audience acceptance of programming, motion pictures, games and other entertainment content, which is difficult to predict.
3. Increased costs for programming, motion pictures and other content may adversely affect profits.
4. Viacom's revenues, expenses and operating results may vary based on the timing, mix, number and availability of motion pictures and seasonal factors.
5. Piracy of Viacom's entertainment content, including digital piracy and other unauthorized exhibitions of content, may decrease revenue received from programming and motion pictures and adversely affect the business and profitability.
6. The loss of affiliation agreements, or renewal on less favorable terms, could cause Viacom's revenues to decline in any given period or in specific markets.

7. Viacom's video game business has a short operating history and is subject to additional risks.
8. The loss of key talent could disrupt the business and adversely affect revenues.
9. The failure or destruction of satellites and facilities that Viacom depends upon to distribute programming could adversely affect the business and results of operations.
10. Viacom's obligations related to guarantees and litigation could adversely impact the financial condition.
11. Changes in advertising markets generally could cause Viacom's revenues and operating results to decline significantly in any given period or in specific markets.
12. Viacom's businesses operate in highly competitive industries.
13. Requirements that cable television operators offer programming on an à la carte or tiered basis may decrease the distribution of program services and affect Viacom's results of operations.
14. Changes in U.S. or foreign communications laws, laws affecting intellectual property rights or other regulations may have an adverse effect on the business.
15. Viacom could be adversely affected by strikes and other union activity.
16. Political and economic risks associated with the businesses could harm Viacom's financial condition.
17. Sales of additional shares of common stock by National Amusements could adversely affect the stock price.
18. Through its voting control of Viacom, NAI is in a position to control actions that require stockholder approval.
19. Certain members of management, directors and stockholders may face actual or potential conflicts of interest.
20. Viacom's business and other businesses which are controlled by Sumner Redstone, including CBS Corporation, are and will continue to be attributable to each other for certain regulatory purposes which may limit business opportunities or impose additional costs.

21. The separation agreement between CBS Corporation and Viacom prohibits this company from engaging in certain types of businesses.
22. Viacom relies on CBS Corporation's performance under various agreements.

2.12. Televisa

Business Overview

Grupo Televisa is the largest media company in the Spanish-speaking world and a major participant in the international entertainment business. Televisa operates broadcast channels in Mexico and complements the network coverage through affiliated stations throughout the country. In 2008 the broadcast television channels had an average sign-on to sign-off audience share of 72.3%. Televisa produces pay television channels with national and international feeds, which reach subscribers throughout Latin America, the United States, Canada, Europe and Asia Pacific. Televisa exports programs and formats to television networks around the world. In 2008, Televisa exported 64,803 hours of programming to approximately 60 countries.

Televisa is the most important Spanish-language magazine publisher in the world, as measured by circulation, with an annual circulation of approximately 174 million magazines publishing 189 titles in approximately 20 countries.

Televisa owns 58.7% of Sky, a DTH satellite television provider in Mexico, Central America and the Dominican Republic. Televisa is also a shareholder in three Mexican cable companies, Cablevisión, Cablemás and TVI. Televisa owns 58.3% of Cablemás through the 99.99% participation in the capital stock of Alvafig, which holds an equity interest in Cablemás.

Televisa also owns Esmas.com, one of the leading digital entertainment web portals in Latin America, a gaming business which includes bingo parlours, a 50% stake in a radio company that reaches 74% of the

Mexican population, a feature film production and distribution company, soccer teams and a stadium in Mexico. Televisa also owns an unconsolidated equity stake in La Sexta, a free-to-air television channel in Spain, and in OCESA, one of the leading live entertainment companies in Mexico.

There are ten television stations operating in Mexico City and approximately 458 other television stations elsewhere in Mexico. Most of the stations outside of Mexico City retransmit programming originating from the Mexico City stations. Televisa owns and operates four of the ten television stations in Mexico City, Channels 2, 4, 5 and 9. These stations are affiliated with 220 repeater stations and 33 local stations outside of Mexico City. Televisa also owns an English-language television station in Mexico on the California border.

Televisa produces a significant part of the Spanish-language television programming in the world. In 2006, 2007 and 2008, the company produced approximately 64,700 hours, 68,800 hours and 72,900 hours, respectively, of programming for broadcast on the network stations and through cable operations and DTH satellite joint ventures, including programming produced by the local stations. Televisa produces a variety of programs, including telenovelas, newscasts, situation comedies, game shows, reality shows, children's programs, comedy and variety programs, musical and cultural events, movies and educational programming. Telenovelas are broadcast either dubbed or subtitled in a variety of languages throughout the world.

Televisa produces or licenses a suite of Spanish and English-language television channels for pay-TV systems in Mexico, Latin America, the Caribbean, Asia, Europe, the United States, Canada and Australia. These channels include programming such as general entertainment, telenovelas, movies and music-related shows, interviews and videos. Some of the programming included in these channels is produced by Televisa while other programming is acquired or commissioned from third parties. As of December 2008, Televisa had over 21 million subscribers worldwide.

With a total circulation of approximately 174 million copies in 2008, Televisa publishes 189 magazine titles that are distributed in

approximately 20 countries, including the United States, Mexico, Colombia, Chile, Venezuela, Puerto Rico, Argentina, Ecuador, Peru and Panama, among others.

Televisa owns a 51% interest in Cablevisión, one of the most important cable television operators in Mexico, which provides cable television services to subscribers in Mexico City and surrounding areas. As of December 31, 2008, Cablevisión had over 590,690 cable television subscribers all of which were digital subscribers. Cablevisión currently offers 21 pay-per-view cable television channels in each of its digital service packages. Pay-per-view channels show films and special events programs, including sports and musical events.

As of May 2009, Televisa owned 58.3% of the capital stock and 49% of the voting stock of Cablemás. Cablemás operates in 49 cities. As of December 31, 2008, the Cablemás cable network served more than 851,172 cable television subscribers, 242,708 high-speed internet subscribers and 76,112 IP-telephony lines, with approximately 2,512,570 homes passed.

Televisa operates Sky, the DTH satellite joint venture in Mexico, through Innova. The group indirectly owns 58.7% of this joint venture. As of December 31, 2006, 2007 and 2008, Innova's DTH satellite pay-TV service had approximately 1,430,100, 1,585,100 and 1,759,801 gross active subscribers, respectively. Innova primarily relies on its programming content, its exclusive transmission of sporting events such as soccer tournaments and special events such as reality shows, its customer service and its nationwide distribution network with approximately 1,500 points of sale.

Televisa has a number of programming arrangements with Univision, the leading Spanish-language media company in the United States, which owns and operates the Univision Network, the most-watched Spanish-language television network in the United States and the TeleFutura broadcast and Galavision satellite/cable television networks. Televisa previously owned shares and warrants representing an approximate 11.3% equity interest in Univision, on a fully diluted basis. On March 29, 2007, Univision was acquired by a group of investors, and, as a result, all of Televisa's shares and warrants in Univision were

cancelled and converted into cash in an aggregate amount of approximately U.S. \$ 1,094.4 million.

Risk Factors

1. Economic and political developments in Mexico may adversely affect Televisa's business.
2. Mexico has experienced and is currently experiencing adverse economic conditions, which could have a negative impact on Televisa's results of operations and financial condition.
3. Developments in other emerging market countries or in the U.S. may adversely affect the Mexican economy, the market value of Televisa's securities and results of operations.
4. The ongoing uncertainty in global financial markets could adversely affect Televisa's financing costs and exposure to customers and counterparties.
5. Currency fluctuations or the devaluation and depreciation of the peso could limit the ability of the company and others to convert pesos into U.S. dollars or other currencies, which could adversely affect Televisa's business, financial condition or results of operations.
6. High inflation rates in Mexico may decrease demand for Televisa's services while increasing costs.
7. High interest rates in Mexico could increase Televisa's financing costs.
8. Political events in Mexico could affect Mexican economic policy and Televisa's business, financial condition and results of operations.
9. Mexican antitrust laws may limit Televisa's ability to expand through acquisitions or joint ventures.
10. Existing Mexican laws and regulations or changes thereto or the imposition of new ones may negatively affect Televisa's operations and revenue.

11. Differences between Mexican FRS and U.S. GAAP may have an impact on the presentation of Televisa's financial information.
12. Emilio Azcárraga Jean has substantial influence over Televisa's management and the interests of Mr. Azcárraga Jean may differ from those of other stockholders.
13. The operation of the business may be terminated or interrupted if the Mexican government does not renew or revokes Televisa's broadcast or other concessions.
14. Televisa faces competition in each of the markets that is expectable to intensify.
15. The seasonal nature of Televisa's business affects revenue and a significant reduction in fourth quarter net sales could impact results of operations.
16. Current litigation Televisa is engaged in with Univision may affect the exploitation of certain internet rights in the United States.
17. Televisa does not maintain complete control over the operations of Innova.
18. Televisa has evaluated the possibility of potential losses in Innova in case of business interruption due to the loss of transmission and loss of the use of satellite transponders, which would adversely affect the net income.
19. Any actions stockholders may wish to bring concerning Televisa's bylaws or the CPO trust must be brought in a Mexican court.
20. Non-mexicans may not hold A shares, B shares or D shares directly and must have them held in a trust at all times.
21. Non-mexican holders of Televisa's securities forfeit their securities if they invoke the protection of their government.
22. Non-mexican holders of Televisa's securities have limited voting rights.
23. Televisa's antitakeover protections may deter potential acquirers and may depress the stock price.
24. GDS holders may face disadvantages when attempting to exercise voting rights as compared to other holders of Televisa's securities.

25. The interests of Televisa GDS holders will be diluted if the company issue new shares and these holders are unable to exercise pre-emptive rights for cash.
26. The protections afforded to minority stockholders in Mexico are different from those in the U.S.
27. It may be difficult to enforce civil liabilities against Televisa or its directors, executive officers and controlling persons.

3. Conclusions

The twelve analyzed companies have proven to be deeply different in terms of size, geographic scope of operations, media business segments and other aspects. But regarding corporate governance standards, global media corporations are converging around a set of guidelines settled by a small number of legal requirements. Particularly, American regulatory framework in corporate governance is becoming the global standard for most big media companies. The reason behind that is simple: most of them are American enterprises, have important investments in the U.S. or have stocks listed in American exchange markets, which obligates them to meet the laws, rules and regulations settled by U.S. institutions.

There are three particular laws in which rely most aspects of this corporate governance framework. On the one hand, the Securities Exchange Act of 1934. It has been deeply amended in 2009. On the other hand, the Sarbanes-Oxley Act of 2002. It made significant contributions to develop the corporate governance system in the U.S. Finally, the generally corporate regulations of the State of Delaware, as far as most American corporations are incorporated there for fiscal and regulatory reasons.

But in order to settle the most common particular corporate governance standards that corporations meet, it is useful to look at rules established by stock exchange markets, as far as they integrate many aspects of the general law regarding the issue. Particularly, the NYSE listing rules, which most analyzed companies must comply with, include fourteen governance aspects that have become global in a broad sense and that are included below in an edited version:

- 1) Independent Directors. Listed companies must have a majority of independent directors.

- 2) Independence Tests. In order to tighten the definition of independent director for purposes of these standards:
- (a) No director qualifies as independent unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company). Companies must identify which directors are independent and disclose the basis for that determination.
 - (b) In addition, a director is not independent if:
 - (i) The director is, or has been within the last three years, an employee of the listed company, or an immediate family member is, or has been within the last three years, an executive officer, of the listed company.
 - (ii) The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the listed company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).
 - (iii) (A) The director is a current partner or employee of a firm that is the company's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the listed company's audit; or (D) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the listed company's audit within that time.
 - (iv) The director or an immediate family member is, or has been with the last three years, employed as an executive officer of another company where any of the listed company's present executive officers at the same time serves or served on that company's compensation committee.

- (v) The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the listed company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.
- 3) Executive Sessions. To empower non-management directors to serve as a more effective check on management, the non-management directors of each listed company must meet at regularly scheduled executive sessions without management.
- 4) Nominating/Corporate Governance Committee.
- (a) Listed companies must have a nominating/corporate governance committee composed entirely of independent directors.
 - (b) The nominating/corporate governance committee must have a written charter that addresses:
 - (i) the committee's purpose and responsibilities -which, at minimum, must be to: identify individuals qualified to become board members, consistent with criteria approved by the board, and to select, or to recommend that the board select, the director nominees for the next annual meeting of shareholders; develop and recommend to the board a set of corporate governance guidelines applicable to the corporation; and oversee the evaluation of the board and management; and
 - (ii) an annual performance evaluation of the committee.
- 5) Compensation Committee.
- (a) Listed companies must have a compensation committee composed entirely of independent directors.
 - (b) The compensation committee must have a written charter that addresses:
 - (i) the committee's purpose and responsibilities - which, at minimum, must be to have direct responsibility to: (A) review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in

light of those goals and objectives, and, either as a committee or together with the other independent directors (as directed by the board), determine and approve the CEO's compensation level based on this evaluation; and (B) make recommendations to the board with respect to non-CEO executive officer compensation, and incentive-compensation and equity-based plans that are subject to board approval; and (C) produce a compensation committee report on executive officer compensation to be included in the listed company's annual proxy statement or annual report.

(ii) An annual performance evaluation of the compensation committee.

6) Audit Committee. Listed companies must have an audit committee that satisfies the requirements of the Exchange Act.

7) Audit Committee Additional Requirements.

(a) The audit committee must have a minimum of three members.

(b) All audit committee members must satisfy the requirements for independence.

(c) The audit committee must have a written charter that addresses:

(i) the committee's purpose - which, at minimum, must be to: (A) assist board oversight of (1) the integrity of the listed company's financial statements, (2) the listed company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the listed company's internal audit function and independent auditors; and

(B) prepare an audit committee report to be included in the listed company's annual proxy statement;

(ii) an annual performance evaluation of the audit committee; and

(iii) the duties and responsibilities of the audit committee - which, at a minimum, must include those set out in the Exchange Act, as well as to:

(A) at least annually, obtain and review a report by the independent auditor describing: the firm's internal

quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the listed company;

- (B) meet to review and discuss the listed company's annual audited financial statements and quarterly financial statements with management and the independent auditor;
 - (C) discuss the listed company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
 - (D) discuss policies with respect to risk assessment and risk management;
 - (E) meet separately, periodically, with management, with internal auditors (or other personnel responsible for the internal audit function) and with independent auditors;
 - (F) review with the independent auditor any audit problems or difficulties and management's response;
 - (G) set clear hiring policies for employees or former employees of the independent auditors; and
 - (H) report regularly to the board of directors.
- (d) Each listed company must have an internal audit function.
- 8) Shareholder Approval of Equity Compensation Plans. Shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, with limited exemptions.
- 9) Corporate Governance Guidelines. Listed companies must adopt and disclose corporate governance guidelines. The following subjects must be addressed in the corporate governance guidelines:
- (a) Director qualification standards. These standards should, at minimum, reflect the independence requirements. Companies

- may also address other substantive qualification requirements, including policies limiting the number of boards on which a director may sit, and director tenure, retirement and succession.
- (b) Director responsibilities. These responsibilities should clearly articulate what is expected from a director, including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials.
 - (c) Director access to management and, as necessary and appropriate, independent advisors.
 - (d) Director compensation. Director compensation guidelines should include general principles for determining the form and amount of director compensation (and for reviewing those principles, as appropriate). The board should be aware that questions as to directors' independence may be raised when directors' fees and emoluments exceed what is customary. Similar concerns may be raised when the listed company makes substantial charitable contributions to organizations in which a director is affiliated, or enters into consulting contracts with (or provides other indirect forms of compensation to) a director. The board should critically evaluate each of these matters when determining the form and amount of director compensation, and the independence of a director.
 - (e) Director orientation and continuing education.
 - (f) Management succession. Succession planning should include policies and principles for CEO selection and performance review, as well as policies regarding succession in the event of an emergency or the retirement of the CEO.
 - (g) Annual performance evaluation of the board. The board should conduct a self-evaluation at least annually to determine whether it and its committees are functioning effectively.
- 10) Code of Business Conduct and Ethics. Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.
- 11) Foreign Private Issuer Disclosure. Listed foreign private issuers must disclose any significant ways in which their corporate

governance practices differ from those followed by domestic companies under NYSE listing standards.

12) Certification Requirements.

- (a) Each listed company CEO must certify to the NYSE each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards, qualifying the certification to the extent necessary.
- (b) Each listed company CEO must promptly notify the NYSE in writing after any executive officer of the listed company becomes aware of any material non-compliance with any applicable provisions of this section.
- (c) Each listed company must submit an executed Written Affirmation annually to the NYSE. In addition, each listed company must submit an interim Written Affirmation each time a change occurs to the board or any of the committees. The annual and interim Written Affirmations must be in the form specified by the NYSE.

13) Public Reprimand Letter. The NYSE may issue a public reprimand letter to any listed company that violates a NYSE listing standard.

14) Website Requirement. Listed companies must have and maintain a publicly accessible website.

All companies listed on the NYSE must comply with these standards regarding corporate governance, even though certain provisions are applicable to some listed companies but not to others. Additionally, these fourteen corporate governance standards apply in full to all companies, with five exceptions. Controlled companies (a listed company of which more than 50% of the voting power is held by an individual, a group or another company) need not comply with standards 1, 4 and 5. Limited partnerships and companies in bankruptcy proceedings do not need to comply with standards 1, 4 and 5. Closed-end and open-end management investment companies are exempt, however, closed-end funds must comply with standards 6, 7(a) and 7(c), and 12). Passive business organizations in the form of trusts (such as royalty trusts) or to derivatives and special purpose securities

are required to comply with standards 6 and 12(b). Finally, foreign private issuers are permitted to follow home country regulation, except that such companies are required to comply with standards 6, 11 and 12(b) and (c).

Consequently, exceptions to these general NYSE rules in the analyzed list of companies are those which are not listed in that market (News Corporation, DirecTV, Google and Yahoo!), non-American private issuers (BSkyB and Televisa) and those which can be considered controlled companies, category which may strictly apply to only a few of them. But those companies that are not listed at the NYSE are present in other markets such as NASDAQ, with similar corporate governance requirements; non-American issuers do not show essential differences in these aspects; and controlled companies only are exempt in three out of fourteen standards (those regarding independent directors, nominating and compensation committees). In conclusion, the stated fourteen corporate governance standards may be considered of general application to global media corporations, as far as most of the analyzed companies must comply with most of the standards explained above.

Apart from corporate governance standards, the second step in this report is the analysis of what particular risks factors these companies identify through their annual forms to regulatory authorities. Differences are bigger in this aspect, as far as the analyzed companies are highly different in terms of size, geographic scope of activities and business segments in which they operate. The last aspect is summarized in the table below.

The table shows that the most diversified companies are by far Disney (present in 12 media industries), News Corporation (9 industries) and CBS (8 industries). They all are three of the five biggest media firms in the world. Televisa competes in 7 industries. Behind them, another three corporations are operating in 6 different industries: Time Warner, General Electric (only its media businesses) and Viacom. Gannet and BSkyB compete in 4 media segments; DirecTV does it in 3; and Google and Yahoo! operate exclusively on the Internet.

Global media corporations and media industries in which they operate

	Time Warner	News Corp	General Electric	CBS	Walt Disney	DirecTV	Gannett	BSkyB	Google	Yahoo!	Viacom	Televisa	TOTAL
Internet	X	X	X	X	X	X	X	X	X	X	X	X	12
Newspapers		X					X						2
Magazines	X	X			X		X					X	5
Books		X		X	X								3
Radio				X	X							X	3
Music					X								1
Network TV		X	X	X	X		X	X				X	7
Cable TV	X	X	X	X	X	X		X			X	X	9
Satellite TV	X	X	X	X	X	X		X			X	X	9
Film	X	X	X	X	X						X	X	7
Videogames	X				X						X		3
Theme Parks			X		X								2
Outdoor		X		X									2
Consumer Products					X						X		2
TOTAL	6	9	6	8	12	3	4	4	1	1	6	7	67

Source: annual reports on 10-K and 20-F forms.

Effectively, all analyzed cases are involved on internet activities on a bigger or lesser level. Apart from the internet, 9 corporations have cable and satellite TV businesses, whether they are service or content providers. In 7 cases, big media owners are involved in network TV or filmed entertainment operations. 5 of them have magazines in their product portfolio; 3 companies offer books, radio or videogames; and only 2 corporations sell newspapers, theme park tickets, outdoor advertising services or videogame. Finally, only one out of twelve analyzed corporations is involved in the music business.

Regarding risk factors, the general assumption is that diversified corporations assume less risk in their operations than those concentrated in only a few businesses. According to these general rule,

Disney, News Corporation, CBS, Televisa, Time Warner, General Electric and Viacom, as more diversified corporations, would be assuming less risk than Gannet, BSKyB, DirecTV, Google and Yahoo!, as corporations more focused on a few particular industries. But the weight of different business segments in these corporations is not equal among them and the scope of their operations might be geographically focused whether on mainly one or several countries.

Additionally, some industries are considered to be more risky than others. Assuming that companies are in general risk-averse, the less suitable industries for global media corporations look to be newspapers, theme parks, outdoor advertising and videogames, as stated above. At the same time, this industry selection could be effectively motivated not because of risk, but according to profitability analysis or industry life cycles.

Risk identification that global media companies state in their annual reports to authorities is really diverse in terms of number of identified factors, scope of risks (environment, industry or internal) and functional origins (financial, commercial, operational, technological, human resources, or any other business functions). The table below summarizes the risk factors included by the companies in the analyzed reports.

The table shows that companies have identified a highly variable number of risks for their businesses. Time Warner reports 58 risk factors; while Google identifies 39; Yahoo, 32; and CBS, 30. Behind those figures, Televisa reports 27 threatening aspects and DirecTV, 24; and Viacom, 22. Finally, News Corporation, General Electric, Gannet and BSKyB report between 8 and 11 risk factors. Needless to say that the risk factors reporting does not imply necessarily a direct correlation between that figure and the actual risk situation for the company. In fact, extensive risk reporting could be in some occasions a good transparency indicator towards shareholders and authorities. On the same sense, no significant correlation can be found between number of identified risk factors and other relevant variables such as size of the company or number of media industries in which it operates. In most cases, differences among companies in these terms can be simply attributed to diverse ways of information displaying.

Global media corporations and risk factors identified by them

	Time Warner	News Corp	General Electric	CBS	Walt Disney	DirecTV	Gannett	BSkyB	Google	Yahoo!	Viacom	Televisa	TOTAL
Demand shifts	15	1		4	3				6	2	3	1	35
Business regulation	7	2	2	4	1	3	1	1	3	3	1	4	32
Technology shifts	6			1	1	1			4	5			18
Financial markets	1	1	4	2	1		3		1	1	1	3	18
Acquisitions or separations	4		1	2	1		2	1	1	2	2		16
Economic situation	2	1	1	1	1	1	1		1	1	1	4	15
Intensity of competition	4			1		2	1	1	2	2	1	1	15
Stock prices or dividends			1	3					2	1	1	7	15
Control or interest conflicts				2	1	1			2	1	4	3	14
Distribution agreements	4	1		1	1	2			1	1	2		13
Technology failure	1			1		3		2	2	2	1	1	13
Piracy of IPR	3	1		1	1			1	3	1	1		12
Legal proceedings	1		1			2			2	2	1	1	10
Content rights and costs		1		2	1	1				1	1		7
Assets or debt valuation		1		1		1		1		1		1	6
Key personnel dependence				1		1			2	1	1		6
Suppliers dependence	1							1	3	1			6
International operations	1			1		1			1	1			5
Labour disputes	1	1		1							1		4
Other	7		1	1	1	5		2	3	3		1	24
TOTAL	58	10	11	30	13	24	8	10	39	32	22	27	284

Source: annual reports on 10-K and 20-F forms.

But it significantly relevant that risk factors identified by global media companies concentrate heavily on some issues, especially those regarding possible future changes in demands of users and advertisers (35 aggregate factors) or aspects on the regulation of businesses in general and media industries in particular (32). Some other aspects judged as critical for the future of the companies (between 18 and 10 aggregate factors) are technology shifts, evolution of financial markets,

possible impact of corporate acquisitions or separations, the general situation of the economy, the high intensity of competition in media industries, volatility of stock prices and dividends policy, dominant control of interest conflict issues, the dependence on distribution agreements with third parties, possible technology failures piracy of assets protected by intellectual property rights, and the result of possible legal proceedings. Finally, on a third level, some other risks have been identified by global media companies as relevant for their future operations (between 7 and 4 report identifications). These aspects relate to content rights and costs, losses in assets valuation or significant debt, dependence on key talented personnel, dependence on some suppliers, the risk inherent to international operations and possible labour disputes within companies.

This report is a preliminary attempt to disclose essential issues on corporate governance standards and risk factors identification of global media companies. More work need to be done in this field for the good of media industries and the public interest around the world. Implications of corporate governance and risk management practices in media corporations of all sizes are crucial for the future of the industry and the good of societies. Public authorities must advance too in the search for a regulatory environment for media companies which be able to enhance both the necessary business development of firms and the interests and rights of shareholders, employees, suppliers and users of all media industries. It has been proven as an essential issue for any democratic society.

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About the Author

Dr. Juan P. Artero (jpartero@unav.es) is an Assistant Professor of Media Management and Structure of Media Industries at the School of Communication of University of Navarra. He holds a BA in Audiovisual Communication (University of Navarra, Pamplona, 2001), a MSc in Management at Cass Business School (City University, London, 2005) and a PhD in Public Communication (University of Navarra, Pamplona, 2006). He has been a visiting fellow at the Institute for Media and Entertainment (New York, 2004) and Fordham University (New York, 2007). He is currently in office as the research director for the International Center for Media Companies (CIEC, IESE Business School, Madrid) and as an executive board member of the European Media Management Education Association (EMMA).

He has written two books: *Modelos estratégicos de Telecinco (1990-2005)* (Fragua, Madrid, 2007) and *El mercado de la televisión en España* (Deusto, Barcelona, 2008). He acts as an editor of the annual report of the television industry association (UTECA) in Spain. In addition he has published several scientific papers in national (i.e., *Sphera Publica*, *Comunicación y Pluralismo*, *Comunicación y Sociedad* and *Telos*) and international journals (i.e., *Media XXI*, *Journal of Spanish Language Media*, *McGannon Working Paper Series*, *Observatorio* and *Palabra Clave*) and book chapters both in Spanish and English.

His research interests are focused on strategic management and competition policy in media industries. From the consulting point of view, he is currently the director of *Mediaccion*, a medium-sized consulting firm focused exclusively in media, entertainment and marketing companies.

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Editors

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Contact Information

For further information, orders or inquiries, please contact:

Department of Media Management
School of Communication
University of Navarra
31080 Pamplona (Spain)

Phone: + 34 948 425 655

Fax: + 34 948 425 636

E-mail: ivides@unav.es

