Financial Statements

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To
The Management and Shareholders of
Videolar S.A.

1. We have audited the balance sheet of Videolar S.A. as of December 31, 2004, and the related statements of income, shareholders' equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

2. Except as mentioned in paragraphs 3 and 4, our audit was conducted in accordance with generally accepted auditing standards in Brazil and included: a) the planning of our work, taking into consideration the materiality of balances, the volume of transactions and the accounting and internal control systems of the Company; b) the examination, on a test basis, of documentary evidence and accounting records supporting the amounts and disclosures in the financial statements; and c) an assessment of the accounting practices used and significant estimates made by management of the Company, as well as an evaluation of the financial statement presentation, taken as a whole.

3. We did not audit the financial statements as of December 31, 2003, which amounts are being presented for comparative purposes, and consequently, we are not issuing an opinion on these financial statements. Furthermore, the additional audit procedures that were performed on the transactions and the balances as of December 31, 2003 were not sufficient to assure that these balances would not have a material effect over statements of income, shareholders' equity and changes in financial position for the year ended December 31, 2004.

4. We did not audit the financial statements of the subsidiaries Videolar S.A Argentina and Transvat Transportadora Ltda. as of December 31, 2004 and 2003. Therefore, we were unable to form an opinion regarding the balances related to such investments on those dates and to the corresponding equity pickup recorded in the statements of income for the years ended December 31, 2004 and 2003, as mentioned in note 6 of the financial statements.

5. In our opinion, except for the adjustments, if any, that could result from the audit of the investments that is mentioned in paragraph 4, the financial statements referred in the first paragraph present fairly, in all material respects, the financial position of Videolar S.A. as of December 31, 2004, and, excepting for the adjustments, if any, that could result from the audit of the financial statements for the year ended December 31, 2003, as mentioned in paragraph 3, the results of its operations, changes in its shareholders' equity and changes in its financial position for the year then ended in accordance with the accounting practices adopted in Brazil.

São Paulo, March 18, 2005

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP015199/O-6

LUIZ CARLOS PASSETTI
Accountant, CRC 1SP 144343/O-3

VIDEOLAR

BALANCE SHEETS

December 31, 2004 and 2003
(In thousands of Brazilian reais)

ASSETS	2004	2003
Current assets		
Availabilities	**97,990**	117,839
Accounts receivable	**324,927**	212,701
Allowance for doubtful accounts	**(11,332)**	(20,899)
Intercompany receivables	**1,509**	23,461
Recoverable taxes	**4,329**	8,829
Inventory	**158,474**	136,801
Prepaid expenses	**433**	855
Deferred taxes and social contributions	**5,788**	
Other receivables and amounts	**6,078**	2,995
Total Current Assets	**588,196**	482,582
Long term receivables		
Judicial deposits	**6,837**	4,454
Intercompany receivables	**8,451**	
Deferred taxes and social contributions	**2,756**	
Total long term receivables	**18,044**	4,454
Permanent assets		
Investments	**23,921**	31,415
Fixed assets	**278,693**	234,822
Total permanent assets	**302,614**	266,237
Total assets	***908,854***	753,273

LIABILITIES	2004	2003
Current liabilities		
Loans and Financing	**8,157**	7,993
Trade Accounts Payable	**8,222**	39,725
Payroll and related charges	**10,979**	5,903
Distributed (licensed companies)	**240,959**	137,001
Payable taxes and contributions	**6,495**	8,214
Royalties payable	**25,948**	23,382
Dividends payable	**44,504**	6,747
Deferred taxes and social contributions	**4,426**	
Other payables	**13,611**	7,173
Total current liabilities	**363,301**	236,138
Long term liabilities		
Deferred taxes and social contributions	**9,180**	13,607
Loans and financing	**16,994**	24,521
Provision for contingencies	**8,314**	4,541
Total long term liabilities	**34,488**	42,669
Shareholders' equity		
Capital stock	**149,525**	149,525
Capital reserves	**276,155**	265,812
Revaluation reserves	**26,412**	26,413
Profit Reserves	**58,973**	32,716
Total shareholders' equity	**511,065**	474,466
Total liabilities and shareholders' equity	**908,854**	753,273

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF INCOME

for the years ended December 31, 2004 and 2003
(In thousands of Brazilian reais, except profit per share)

	2004	2003
Gross operating income	**1,150,373**	792,246
Taxes and contributions	**(167,776)**	(165,892)
Net operating income	**982,597**	626,354
Cost of products sold and services provided	**(727,811)**	(432,813)
Gross profits	**254,786**	193,541
Operating expenses		
Administrative expenses	**(34,969)**	(73,464)
Sales expenses	**(94,602)**	(136,091)
Net financial income	**9,264**	21,943
Equity on subsidiary companies	**(5,874)**	(6,257)
Other net operating revenues	**17,063**	3,480
Operating income	**145,668**	3,152
Non operating income	**1,559**	914
Profit before taxes and social contributions and before profit sharing	**147,227**	4,066
Income tax and social contributions - current	**(60,910)**	(2,882)
Income tax and social contributions - deferred	**8,545**	
Profit before employees profit sharing	**94,862**	1,184
Employees profit sharing	**(3,655)**	
Net profit	**91,207**	1,184
Number of shares outstanding at the end of the fiscal year	**925,743**	925,743
Profit per share (R$)	**98.52**	1.28

The accompanying notes are an integral part of these financial statements.

VIDEOLAR

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

for the years ended December 31, 2004 and 2003
(In thousands of Brazilian reais)

		Capital Reserves				Profit Reserves		
	Capital stock	ICMS incentives	Income tax incentives	Treasury stocks	Revaluation reserves	Legal reserves	Retained earnings	Total
Balance on December 31, 2002	127,020	177,990	22,817		26,413	535	63,786	418,561
Prior year adjustments			(312)				(2,239)	(2,551)
Capital increases through incorporation of reserves	22,505		(22,505)					
ICMS incentive reserve		87,822						87,822
Net profit for the fiscal year							1,184	1,184
Dividends proposed by management							(30,550)	(30,550)
Balance on December 31, 2003	149,525	265,812			26,413	535	32,181	474,466
Income tax incentive reserve			**33,416**					**33,416**
Realization of revaluation reserves					**(1)**		**11,735**	**11,734**
Treasury stocks				**(23,073)**				**(23,073)**
Net profit for the fiscal year							**91,207**	**91,207**
Management proposal for the destination of profits:								
Legal reserves year ended 2003						**59**	**(59)**	
Legal reserves year ended 2004						**4,560**	**(4,560)**	
Dividends paid for previous fiscal years							**(32,181)**	**(32,181)**
Dividends paid for current fiscal year							**(44,504)**	**(44,504)**
Balances on December 31, 2004	**149,525**	**265,812**	**33,416**	**(23,073)**	**26,412**	**5,154**	**53,819**	**511,065**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

for the years ended December 31, 2004 and 2003
(In thousands of Brazilian reais)

	2004	2003
SOURCE OF THE FUNDS		
From operations:		
Net profit for the fiscal year	**91,207**	1,184
Items that do not affect net working capital:		
Equity on subsidiary companies	**5,874**	6,257
Deferred taxes and social contributions	**(2,756)**	
Contingency provisions	**3,773**	
Depreciation	**52,117**	39,967
	150,215	47,408
From third parties:		
Income tax incentives	**33,416**	87,822
Investments reduction	**1,620**	3,799
Prior years adjustments		(2,239)
Realization of revaluation reserve adjustment	**11,734**	
Total sources	**196,985**	136,790
USE OF FUNDS		
Dividends paid during previous fiscal years	**32,181**	30,550
Dividends paid for the current fiscal year	**44,504**	
Treasury stocks	**23,073**	
Acquisition of fixed assets	**95,988**	31,668
Reduction on long-term liabilities		9,186
Transfer of the long-term to current liabilities	**11,954**	
Increase in long-term receivables	**10,834**	897
Total investments	**218,534**	72,301
Increase (Decrease) in working capital	**(21,549)**	64,489
Represented by:		
Current assets:		
At end of year	**588,196**	482,582
At beginning of year	**482,582**	333,701
	105,614	148,881
Current liabilities:		
At end year	**363,301**	236,138
At beginning of year	**236,138**	151,746
	(127,163)	(84,392)
Increase (Decrease) in working capital	**(21,549)**	64,489

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004 and 2003
(In thousands of Brazilian reais, except dividends per share)

1. OPERATIONAL CONTEXT

Videolar was founded on June 30, 1998 in Caxias do Sul where it started recording and subtitling VHS tapes, together with the branch office in São Paulo where the translation and the subtitling of films was being done. In 1990 it transferred its activities from Caxias do Sul to São Paulo, and it inaugurated its plant in Manaus which started to manufacture, to produce and to record VHS tapes.

In 1991 Videolar began its distribution of recorded tapes to CIC Vídeo (Paramount and Universal), and with the intent to improve the services provided to its clients, the company became specialized in entertainment distribution, offering its services to a wide range of the big Hollywood studios (Columbia - Sony Pictures, Walt Disney – Buena Vista, Fox, MGM, Paramount and Warner), as well as to independent film distributors (Alpha, California, Casablanca, Europa, Movie Star, Playarte, Top Tape), which have been identified in this report as the distributed companies. Videolar also distributes to industries in the phonographic and software business (EMI Music, Warner Music, Editora Caras, Editora Globo, Digerati Comunicações, Editora Pini, Editora DCL, Editora Sol Soft), besides all the major newspapers in the country.

As it developed its work, and besides manufacturing different media supports (CDs, DVDs, Audio and Video cassette tapes), the Company has been creating customized solutions to cater to the operational and business needs of each client, including promotional and institutional campaigns, reduced amounts, differentiated finishes, brief delivery timeframes and personalized logistics operations.

From matrix to the final product. From raw materials to packaging. From production to the delivery to the end user. From billing to account rendering reports – all of which has been integrated and accessed via the management system. This is how Videolar accomplishes the full chain of services, using its know-how at each stage of the process in order to always provide maximum satisfaction to its clients.

Besides manufacturing the media itself as well as its respective packagings, Videolar verticalizes the whole process (Authoring, Masterization, Duplication, Replication, Translation, Subtitling, Inventory Control, Storage, Billing, Handling, Distribution Logistics and Post Sales Services), through a Complete Distribution Services Chain, providing the same quality standard throughout all the stages. That is, everything that is related to the purchase order put in by the end user is accomplished by Videolar. Our clients (distributed companies) monitor the fulfillment of their orders throughout all of their stages, ranging from production to physical distribution, both in Brazil and in the rest of Latin America where we export our products on account of and by order of the distributed clients (distributed companies).

During the production process of its raw materials, Videolar started manufacturing polystyrene, fulfilling its own needs and selling its basic raw material surpluses to companies that manufacture disposable products in general (plates, cups, silverware), foam trays, toys, electro-electronic products, laboratory products, etc. Videolar also distributes a full line of blank media, such as magnetic audio and video tapes, CD-Rs, DVD-Rs and computer floppy discs.

When providing services to the distributed companies, Videolar is backed up by licensing contracts through which it transfers the copyrights arising from the distribution of films as well as from their deeds of ownership.

2.ELABORATION BASIS AND PRESENTATION OF FINANCIAL STATEMENTS

The Company's financial statements have been prepared pursuant accounting practices derived from Brazilian Corporate Laws (Law 6.404/76) as well as from its complementary provisions.

The major accounting practices that have been adopted by the company have been described to whit:

a) Income and expenses

Both income and expenses are appropriated through abiding by the accrual basis. The income deriving from the sale of the products is acknowledged in the results when all the risks and benefits inherent to the product are transferred to the buyer. A given income is not posted if the sale of the product is uncertain.

b) Availabilities

The financial investments are shown according to the amount invested, increased by the contractual compensation, and computed proportionately up to the date of the elaboration of the balance sheet, and they do not exceed their market values.

c) Provision for doubtful accounts

The allowance for doubtful accounts are established in amounts considered adequate by Management to cover eventual losses arising from accounts receivable. Reserves established by Videolar's own clients are posted in the results for the fiscal year, under the heading of "business expenses". Reserves for the clients of the distributed companies are posted as a reducer of the moneys that are to be transferred to the distributed companies.

d) Inventory

Inventory is evaluated at average acquisition or production costs, from which the reserves for losses deriving from obsolete or low turnaround items have been deducted, provided their market value is not exceeded.

e) Investments

Investments in subsidiary companies are evaluated by using the equity accounting method, predicated on the balance sheets of the controlled companies prepared on the same date. All other fixed investments are recorded by their cost of acquisition.

f) Fixed assets

Fixed assets are recorded according to their cost of acquisition, or according the cost of their setting up or construction, having been adjusted for inflation until December 31, 1995, to which the spontaneous reevaluation has been added. Depreciation is computed in an accelerated fashion, according to the use made of each equipment, as mentioned in Note 7, and it takes the useful life cycle of the assets in consideration.

g) Assets and liabilities

Whenever applicable, they are updated according to the fluctuation of the currency exchange rates and of the indexes, to which interest has been added, pursuant the agreements in effect at the time, so as to reflect the amounts incurred into at the time the financial statements were closed. Currency exchange gains and losses, as well as the fluctuations due to inflation are acknowledged in the results obtained for the fiscal year.

h) Loans and financing

Loans are adjusted for inflation, and according to the interest payable up to the date of the closing of the financial statements.

i) Income tax and social contributions

Provisions for income tax and social contributions are set up based on tax rates and taxable profits, adjusted according to specific legislation. Deferred income tax and social contributions are computed based on temporary differences, taking into account the sales expectations for a period of 2 years.

j) Provisions

Provisions are acknowledged on the balance sheet whenever the Company has a legal obligation, or when they are set up as result of past events, and when it is likely that a given economic resource may be needed to retire an obligation. Provisions are recorded using the best estimates of the risks involved.

k) Distributed companies (Licensed companies)

They are made up by the amounts that need to be transferred to the distributed companies. By means of copyrights licensing agreements, the Company duplicates films or sound tracks on VHS tapes, on DVDs or on CDs, and it bills them directly to the clients of its distributors, getting paid for them and passing the amounts on pursuant the licensing agreements.

l) Use of estimates

The elaboration of the financial statements requires Management to come up with estimates predicated on premises that affect the amount of the assets, liabilities, income and expenses, as well as the disclosures shown on the financial statements. The results actually obtained may differ from these estimates.

m) Profit per share

The profit per share is computed predicated on the number of shares outstanding on the date the financial statements have been closed.

3. AVAILABILITY

	2004	2003
Cash and banks	**24,535**	21,148
Investments	**73,455**	96,691
	97,990	117,839

Investments are essentially made up of bank deposit certificates, and they are compensated at rates that vary from 100% to 100.5% of the Interbank Deposit Certificates (CDIs).

4. ACCOUNTS RECEIVABLE

	2004	2003
Videolar's domestic own clients	**107,450**	76,232
Clients belonging to the distributed companies	**217,477**	136,469
	324,927	212,701

5. INVENTORY

	2004	2003
Raw materials	**82,114**	32,136
Products being manufactured	**20,895**	17,991
Finished products	**49,515**	76,220
Graphical materials and packaging	**3,538**	7,504
Other materials	**2,857**	2,950
Loss reserves	**(445)**	
	158,474	136,801

6. INVESTMENTS IN SUBSIDIARY COMPANIES (NOT AUDITED)

(a) Relevant information about the subsidiary companies:

Controlled Companies	Total number of shares owned	Equity in %	Capital stock R$	Net assets R$	Loss on subsidiary companies – R$
Videolar Sociedade Anônima – Argentina	**24,150**	**96.02**	**22,425**	**22,750**	**(3,682)**
Transvat Transportadora Ltda	**990**	**99.00**	**1,000**	**671**	

(b) Changes on investments:

	Videolar Sociedade Anônima Argentina	Transvat Transportadora Ltda	Other Investments	Total investments
Balance on December 31, 2003	28,624	671	2,120	31,415
Equity accounting results	(5,874)			(5,874)
Investment downsizing			(1,620)	(1,620)
Balances on December 31, 2004	**22,750**	**671**	**500**	**23,921**

7. FIXED ASSETS

		2004			2003
	Depreciation rate	Cost	Accumulated depreciation	Net amount	Net amount
Real estate properties	4%	**68,494**	**(9,534)**	**58,960**	54,750
Machinery and equipment	10%	**375,457**	**(244,318)**	**131,139**	128,295
Industrial installations	10%	**32,690**	**(10,001)**	**22,689**	16,352
Furniture and fixtures	10%	**40,699**	**(31,114)**	**9,585**	11,596
Molds and tools	10%	**16,165**	**(7,097)**	**9,068**	7,801
Other assets	10% to 20%	**29,443**	**(13,970)**	**15,473**	14,153
Ongoing fixed assets		**31,779**		**31,779**	1,875
		594,727	**(316,034)**	**278,693**	234,822

On December 31, 1997, the Company revaluated its real estate properties, machinery and equipment, industrial installations and furniture and fixtures, recording credits in the amount of R$131,148 to the reevaluation or net assets reserve account. Deferred income tax on liabilities, in the amount of R$44,590 was set up by downsizing the reserve balance. On December 31, 2004, the asset balance regarding the reevaluation, net of accrued depreciation, amounted to R$40,018.

8. LOANS AND FINANCING

Agreement	Rates	Collateral	Limit	12.31.2004	12.31.2003
BNDES	TJLP + Selic	Real estate properties	**38,593**	**25,151**	32,514

The loans that have been taken out before BNDES purport to expand the operational activities of the Company. Of the overall amount, R$8,157 have been classed as current liabilities, and R$16,994 have been classed as long term demandables.

9. CONTINGENCY PROVISIONS

The company is subject to tax, legal, labor, civil and other contingencies. Management periodically revises the known contingency chart, it evaluates the possibilities regarding eventual losses and it adjust the respective reserves taking into account the opinion of its legal advisors and other data that were made available during the closing dates for the financial statements, such as the nature of the law suits and past experience.

Whenever applicable, judicial deposits are made to offer guarantees to back-up the causes being argued about. These deposits, which came up to R$ 6,837 on December 31, 2004 (R$4,454 in 2003) are classified as long term receivables.

In reference to the ongoing proceedings, the reserves and contingencies that have been recorded in the long term liabilities column are as follows:

	2004	2003
Provision for labor-related contingencies	**222**	612
Provision for civil contingencies	**669**	
Provision for tax-related contingencies	**7,423**	3,929
	8,314	4,541

he labor-related contingencies correspond to estimated losses, predicated on the individual evaluation of 113 labor complaints, particularly those associated to overtime.

The provisions for civil contingencies correspond to estimated losses regarding the 124 proceedings involving business disagreements.

The tax-related provision refers essentially to the questioning by the Company regarding the charge of the PIS and COFINS contributions, levied over revenues obtained at the Zona Franca de Manaus (Manaus Free Trade Zone).

10. SHAREHOLDERS' EQUITY

a) Capital Stock

I.*On December 31, 2004, the capital stock was represented by 679,424 common shares, 180,000 preferred Class "A" shares and 66,319 preferred Class "B" shares, adding up to 925,743 shares.*

II. *The preferred Class "B" shares have priority in the distribution of at least 25% in form of dividends, and priority in the reimbursement of the capital in case the Company is dissolved, so that no other type and class of shares may be granted higher advantages in regards to assets, competing under all the qualified events, such as the distribution of profits, as well as the capitalization of the available reserves and profits accrued for any reason.*

III. *The preferred shares are not entitled to vote the resolutions taken at Shareholders' Meetings.*

IV. *In the Minutes of the Administrative Board Meeting held on November 22, 2004, the stockholders ratified the celebration of the agreement with CCE Investimentos S.A, purporting to exchange the polystyrene manufactured by the Company for Videolar's shares, belonging to CCE Investimentos S.A. These shares are being kept in the treasury to be either cancelled or to be sold in the future.*

b) Capital Reserves

I. Income Tax and ICMS Incentives

Capital reserves are made up by tax and ICMS incentives (for fiscal year 2003), and by Income Tax (regarding fiscal year 2004), arising from to the fact that Videolar is located inside the Manaus industrial center, and for having its projects approved by Sudam. Income Tax related incentives allow the downsizing of this tribute. This incentive, computed as predicated on income, is applied against the revenues obtained by the Manaus Units.

c) Profit Reserves

I. Legal

Profit reserves are made up through the appropriation of 5% of the net profits obtained during the fiscal year, pursuant to article 193 of Law no. 6.404/76.

On December 31, 2003, the Company had not yet set up said reserve, and consequently, Management decided to adjust the calculations pertaining to the reserves for the next fiscal year. It was thus decided to set up legal reserves for both 2003 and 2004, of which R$ 59 referred to the net profits obtained in 2003, and R$4,560 regarding net profits for fiscal 2004.

d) Dividends

Pursuant the Company's Social Bylaws, the stockholders are assured the payment of minimal, mandatory dividends of 25% over the net profits for the fiscal year, adjusted pursuant article 202 of the Corporate Act (Lei das Sociedades por Ações).

On January 5, 2005, the stockholders received advance dividends in the amount of R$ 44,504, as per the resolution taken by the Special Stockholders Meeting held on January 3, 2005.

The computation to determine minimum mandatory dividends is shown as follows:

Net profits for the fiscal years	**91,207**
Setting up of he legal reserve	**(4,560)**
Basic profit used to determine the amount of the dividend	**86,647**
Proposed dividend, equipollent to 51% of the base profit	**44,504**
Dividends per share – R$	**48.07**

11. NET FINANCIAL INCOME

	2004	**2003**
Financial Income:		
Interest and gains in financial investments	**18,650**	39,233
Exchange gain variation	**10,505**	2,739
Others	**1,130**	889
	30,285	42,861
Financial Expenses:		
Interest paid on loans	**3,375**	4,080
Discounts granted	**5,133**	2,116
Bank-related expenses	**228**	2,460
Exchange loss variation	**7,668**	8,462
CPMF - Financial Transactions Tax	**4,319**	3,256
Others	**298**	544
	21,021	20,918
Net Financial Income	**9,264**	21,943

12. INCOME TAX AND SOCIAL CONTRIBUTION

Deferred income tax and social contributions are recorded in order to reflect future tax effects attributable to temporary differences existing between the fiscal assets and liabilities and their respective book value. The recording of tax offsets is predicated on the expectation of taxable future profits.

The balance recorded in the assets column of the Company is made up as follows:

	2004
Asset loss reserves	**3,737**
Contingency reserves	**2,826**
Other temporary differences	**1,981**
	8,544

The conciliation between expenses incurred into regarding income tax and social contributions is shown to whit:

Description	2004
Profit after profit sharing and before income tax and social contribution	**143,572**
Combined tax rate	**34%**
Income tax and social contribution according to the combined tax rate	**(48,814)**
Permanent additions:	
Gifts, bonuses and donations	**(207)**
Equity on subsidiary companies	**(1,997)**
Non deductible fines	**(59)**
Adjustments to Inventory	**(580)**
Other	**(708)**
Income tax and the social contribution charge to the results	**(52,365)**
Effective tax rate	**36%**
Current income tax and social contribution	**(60,910)**
Deferred income tax and social contribution	**8,545**
	(52,365)

13. INSURANCE COVERAGE (NOT AUDITED)

The Company keeps insurance coverage against operational risks and other expenses to safeguard both its immobilized assets and its inventory.

The amount of the insurance policies taken out on December 31, 2004 is considered to be adequate according to the opinion of the advisors who have specialized in insurance to cover eventual losses.

14. FINANCIAL INSTRUMENTS

The Company evaluated its book assets and liabilities as compared to market values or their effective sale (fair amount), using information that was available, and the proper evaluation methodologies that are appropriate for each situation. The interpretation of market data regarding the choice of methodology require a great degree of discernment in order to arrive at an estimate in order to be able to determine the amount that is adequate for each situation. Consequently, the estimates presented might not necessarily show the amounts that can be obtained in the current market. The use of different premises to determine market values or the fair value may have a relevant effect over the amounts obtained. The selection of the assets and the liabilities represented by this Note occurred as result of its materiality. No instruments have been mentioned the amounts whereof are close to their fair value, or when the evaluation of their risk is irrelevant.

According to their nature, the financial instruments may involve risks that are either known or unknown, and it behooves to figure the potential of these risks by using the best discernment possible. Thus, risks may exist that have been either guaranteed or not guaranteed, depending on circumstantial or legal evidence. The following risks may be enumerated as possibly affecting the business of the Company:

a) Credit Risks

The Company's client base is pulverized, and its major clients do not represent more than 20.5% of overall billing. By using internal controls, the Company is able to permanently monitor its accounts receivable, which limits the risk of defaults.

b) Risks related to currency exchange

Not a very significant portion of vendors and obligations have been contracted in foreign currency. The risk entailed to these liabilities derives from the possibility that there may occur currency exchange fluctuations which may increase the balance of these liabilities. The Company does not have any derivative instrument to minimize this type of risks.

c) Contingency Risks

The contingency risks have been evaluated according to their demandability (probable, possible or remote). The contingencies regarded as being probable risks have been posted in the liabilities column. The details pertaining to these risks have been shown in Note 9.

d) Risks regarding financial investments

Financial investments are essentially made lasting less than three months, and the rates agreed substantially reflect the usual market conditions that existed on December 31, 2004 and 2003.

e) Loan-related risks

Operations related to loans have been shown in Note 3, and the interest rates agreed reflect substantially the usual market conditions that existed on December 31, 2004 and 2003.

15. RELATED PARTIES BALANCES AND TRANSACTIONS

Affiliated and Related Companies	Amounts receivable 2004	Amounts receivable 2003	Purchases, Sales or expenses with interest as well as currency exchange variations 2004	Purchases, Sales or expenses with interest as well as currency exchange variations 2003
Videolar Argentina	**8,451**	7,843	**10,474**	8,651
CCE Investimento	**1,509**	15,618	**10,183**	15,618
	9,960	23,461	**20,657**	24,269

The transactions carried out with related parties are essentially very close to usual market conditions.

16. BENEFITS PAID TO EMPLOYEES

The Company does not operate nor does it sponsor any type of a pension plans.

According to the agreement reached with the labor union, the Company shall compensate its employees by allowing them to share in the profits, in case some performance standards are met as determined by the yearly planning. Taking into account the attainment of the goals that have been established, Management has set up the amount of R$ 3,655 in provisions in 2004 to pay these benefits.