

GRUPO RADIO CENTRO SAB DE CV

Form 20-F

June 30, 2008

As filed with the Securities and Exchange Commission on June 30, 2008.

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 20-F**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

for the fiscal year ended December 31, 2007  
Commission File Number: **1-12090**

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**Grupo Radio Centro, S.A.B. de C.V.**  
(Exact name of Registrant as specified in its charter)

**Radio Center Group**  
(Translation of Registrant's name into English)

**United Mexican States**  
(Jurisdiction of incorporation or organization)

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**Constituyentes 1154 (7° Piso)**  
**Col. Lomas Altas**  
**C.P. 11950, México, D.F., México**  
(Address of principal executive offices)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

<b>Title of each class:</b>	<b>Name of each exchange on which registered</b>
<b>Series A Shares, without par value ("Series A Shares")</b>	<b>New York Stock Exchange*</b>
	<b>New York Stock Exchange*</b>

**Ordinary Participation Certificates (“CPOs”), each CPO representing one Series A Share**

**American Depositary Shares (“ADSs”), each representing nine CPOs**      **New York Stock Exchange**

**\*Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer’s classes of capital or common stock as of the close of the period covered by the annual report: **162,724,561 Series A Shares**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
 **Yes**  **No**

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

**Yes**  **No**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.  **Yes**  **No**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one): **Large accelerated filer**  **Accelerated filer**  **Non-accelerated filer**

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

**U.S. GAAP**  **IFRS**  **Other**

Indicate by check mark which financial statement item the registrant has elected to follow:  **Item 17**  **Item 18**

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  **Yes**  **No**

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## INTRODUCTION

Grupo Radio Centro is a corporation organized under the laws of the United Mexican States. As used in this Annual Report and except as the context otherwise requires, the terms “Grupo Radio Centro” and “the Company” refer to Grupo Radio Centro, S.A.B. de C.V. and its consolidated subsidiaries.

## PRESENTATION OF FINANCIAL INFORMATION

The Company publishes its financial statements in pesos. Pursuant to the Mexican Financial Reporting Standards (“MFRS”) issued by the *Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera* (the Mexican Board for Research and Development of Financial Information Standards), financial data for all periods in the financial statements included in Item 18 (the “Consolidated Financial Statements”) and, unless otherwise indicated, throughout this Annual Report, have been restated in constant pesos (having the same purchasing power for each period indicated taking into account inflation) as of December 31, 2007.

This Annual Report contains translations of certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from pesos at an exchange rate of Ps. 10.9169 to U.S.\$1.00, the noon buying rate for pesos at December 31, 2007, as published by the Federal Reserve Bank of New York. The translation to U.S. dollars at the December 31, 2007 exchange rate may not accurately represent the financial condition of the Company in U.S. dollar terms as of a subsequent date. On June 17, 2008, the noon buying rate for pesos was Ps. 10.3170 to U.S.\$1.00. See Item 3, “Key Information—Exchange Rate Information,” for information regarding exchange rates since January 1, 2003.

In this Annual Report, references to “pesos” or “Ps.” are to the lawful currency of Mexico. References herein to “U.S. dollars” or “U.S.\$” are to United States dollars.

## FORWARD-LOOKING STATEMENTS

This Annual Report contains words such as “believe,” “expect,” “anticipate” and similar expressions that identify forward-looking statements that reflect the Company’s views about future events and financial performance. Actual results could differ materially from those projected in such forward-looking statements as a result of various factors that may be beyond the Company’s control. These factors, some of which are discussed in Item 3, “Key Information—Risk Factors,” include effects on the Company from competition with its broadcasting operations, material changes in the performance or popularity of key radio stations or broadcast programs, the loss of one or more key customers or a reduction in the advertising expenditures of key customers, a change in the seasonality of the Company’s business, the ability of the Company to make additional investments in radio operations or renew its broadcasting licenses, significant developments in the Mexican economic or political situation, changes in the Company’s regulatory environment or fluctuations in inflation rates or exchange rates. Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. In any event, these statements speak only as of their dates, and the Company undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

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## PART I

### Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

### Item 2. Offer Statistics and Expected Timetable

Not applicable.

### Item 3. Key Information

#### SELECTED FINANCIAL DATA

The following table presents selected consolidated financial information of the Company and its subsidiaries for each of the periods indicated. This information, to the extent applicable, should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated Financial Statements, including the notes thereto, included elsewhere in this Annual Report. Grupo Radio Centro's financial statements are prepared in accordance with MFRS, which differ in certain respects from generally accepted accounting principles in the United States ("U.S. GAAP"). Note 23 to the Consolidated Financial Statements provides a description of the principal differences between MFRS and U.S. GAAP as they relate to Grupo Radio Centro, including differences related to certain cash flow information, and a reconciliation to U.S. GAAP of operating income, net income and shareholders' equity.

Grupo Radio Centro's financial statements were prepared giving effect to Bulletin B-10 and Bulletin B-12 under MFRS. Generally, Bulletin B-10 is designed to provide for the recognition of certain effects of inflation by requiring Grupo Radio Centro to restate non-monetary assets and liabilities using the Mexican Consumer Price Index (the "INPC"), to restate the components of shareholders' equity using the INPC, to restate its fixed assets using the INPC and to record gains or losses in purchasing power from holding monetary assets or liabilities. Bulletin B-12 requires that the statement of changes in financial position reconcile changes from the restated historical balance sheet for the prior year to the current balance sheet. Pursuant to MFRS, the selected consolidated financial information set forth below, and all data in the related Consolidated Financial Statements, have been restated in constant pesos at December 31, 2007. The effect of the inflation accounting principles described above has not been reversed in the reconciliation to U.S. GAAP. See Note 23 to the Consolidated Financial Statements.

	2007 <sup>(1)</sup>	2007	Year Ended December 31, 2006	2005	2004	2003
	(in thousands, except per-ADS data)					
<b>Operating Data:</b>						
<i>MFRS:</i>						
Broadcasting revenue	US \$ 59,977	Ps. 654,760	Ps. 825,590	Ps. 638,204	Ps. 615,389	Ps. 968,261
Broadcasting expenses <sup>(2)(3)</sup>	38,653	421,970	460,072	423,857	440,397	589,641
Broadcasting income	21,324	232,790	365,518	214,347	174,992	378,620
Depreciation and amortization <sup>(4)</sup>	3,086	33,687	37,183	39,957	35,219	41,629
Corporate, general and administrative expenses <sup>(3)</sup>	1,353	14,774	14,813	14,575	23,882	60,235
Operating income <sup>(5)</sup>	16,885	184,329	313,522	159,816	115,891	276,756
Comprehensive cost of financing	534	5,850	39,842	13,779	20,277	38,606
Other expenses, net	4,196	45,806	59,511	52,490	51,522	77,432
Extraordinary item <sup>(5)</sup>	-	-	263,523	-	-	399,831
Net income (loss) <sup>(6)</sup>	8,349	91,119	434,748	70,099	22,085	(196,997)
Minority interest	2	21	63	16	2	5
Net income (loss) per ADS <sup>(6) (7)</sup>	0.46	5.04	24.08	3.88	1.22	(10.89)
Common shares outstanding <sup>(7)</sup>	162,724	162,724	162,500	162,657	162,560	162,705
<i>U.S. GAAP:</i>						
Broadcasting revenue	US \$ 59,977	Ps. 654,760	Ps. 825,590	Ps. 638,204	Ps. 615,389	Ps. 968,261
Operating (loss) income <sup>(5)</sup>	12,689	138,523	517,534	107,326	52,581	(386,973)
Net income (loss) <sup>(6)</sup>	8,347	91,098	434,685	70,083	13,320	(383,271)
Net income (loss) per ADS <sup>(6) (7)</sup>	0.46	5.04	24.08	3.88	0.74	(21.19)
Dividends per ADS <sup>(7) (8)</sup>	0.51	5.53	4.01	-	-	4
<b>Balance Sheet Data:</b>						
<i>MFRS:</i>						
Working capital	US \$ 15,577	Ps. 170,056	Ps. 133,545	Ps. (123,008)	Ps. (199,557)	Ps. (148,688)
Property and equipment, net	42,279	461,555	481,220	513,259	545,486	551,436
Excess cost over fair value of assets of subsidiaries	75,925	828,863	828,734	828,734	820,367	894,339
Total assets	155,764	1,700,445	1,722,173	1,709,011	1,656,558	1,822,899

Long-term debt excluding current portion	-	-	-	61,128	126,331	199,331
Total debt <sup>(9)</sup>	-	-	-	122,255	189,495	265,775
Shareholders' equity <sup>(10)</sup>	128,794	1,406,025	1,387,446	1,081,619	1,009,971	1,144,932
<i>U.S. GAAP:</i>						
Total assets	159,324	1,739,324	1,763,734	1,750,572	1,698,120	1,820,330
Shareholders' equity <sup>(10)</sup>	127,930	1,396,585	1,378,019	1,072,255	1,000,623	1,031,796

- (1) Peso amounts have been translated into U.S. dollars solely for the convenience of the reader at the rate of Ps.10.9169 per U.S. dollar, the noon buying rate for pesos on December 31, 2007, as published by the Federal Reserve Bank of New York. See “—Exchange Rate Information.”
- (2) Excludes depreciation, amortization and corporate, general and administrative expenses.
- (3) Certain amounts in the 2005 and 2004 financial statements as originally issued have been reclassified for uniformity of presentation with the 2007 and 2006 financial statements. For purposes of presentation, the financial data for 2003 was also reclassified.
- (4) For purposes of uniformity with the presentation of the 2007, 2006 and 2005 financial statements, goodwill amortization has been reclassified for 2004 and 2003, and the charge to income in 2004 and 2003 from the amortization of goodwill in the amounts of Ps. 72.1 million and Ps. 91.4 million respectively, have been reversed.
- (5) Extraordinary item in 2003 reflects a provision of Ps. 399.9 million for the contingent liability related to an arbitration proceeding. See Item 5, “Operating and Financial Review and Prospects—Loss Contingency.” Unlike treatment under MFRS, for purposes of U.S. GAAP, such provision is charged against operating income. See Notes 9 and 21 to the Consolidated Financial Statements.
- (6) In accordance with MFRS, net income does not give effect to minority interest. Net income under U.S. GAAP does give effect to minority interest. See Note 23 to the Consolidated Financial Statements.
- (7) Amounts shown are the weighted average number of Series A Shares outstanding, which was used for purposes of computing net income per ADS under both MFRS and U.S. GAAP and dividends per ADS under U.S. GAAP.
- (8) The Company declares dividends in any particular year for the immediately preceding fiscal year. The Company did not pay any dividends in 2004 with respect to 2003, in 2005 with respect to 2004 or in 2006 with respect to 2005. In 2007, the Company paid dividends in the aggregate amount of Ps. 71.9 million with respect to 2006. In 2008, the Company paid dividends in the aggregate amount of Ps. 100.0 million with respect to 2007.
- (9) Total debt consists of bank debt.
- (10) In 2006, the Company reduced its capital by Ps. 124.6 million (Ps. 120.0 million nominal amount) through cash payments to its shareholders equal to that amount.

**EXCHANGE RATE INFORMATION**

Mexico has a free market for foreign exchange, and the Mexican government allows the peso to float freely against the U.S. dollar. There can be no assurance that the government will maintain its current policies with regard to the peso or that the peso will not appreciate or depreciate significantly in the future.

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rate for the purchase of U.S. dollars, expressed in pesos per U.S. dollar.

<b>Period</b>	<b>Exchange Rate<sup>(1)</sup></b>			<b>Period End</b>
	<b>High</b>	<b>Low</b>	<b>Average<sup>(2)</sup></b>	
<b>Year Ended December 31,</b>				
2003	11.41	10.11	10.85	11.24
2004	11.64	10.81	11.31	11.15
2005	11.41	10.41	10.87	10.63
2006	11.46	10.43	10.90	10.80
2007	11.27	10.67	10.93	10.92

**Month Ended 2007:**

December	10.92	10.80
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**Month Ended 2008:**

January	10.97	10.82
February	10.82	10.67
March	10.85	10.63
April	10.60	10.44
May	10.57	10.30

(1) Source: Noon buying rate for pesos reported by the Federal Reserve Bank of New York.

(2) Average of month-end rates.

On June 17, 2008, the noon buying rate was Ps. 10.3170 to U.S.\$1.00.

Fluctuations in the exchange rate between the peso and the U.S. dollar will affect the U.S. dollar equivalent of the peso price of Series A Shares on the Bolsa Mexicana de Valores, S.A. de C.V. (the "Mexican Stock Exchange") and the price of ADSs on the New York Stock Exchange (the "NYSE"). The Company pays cash dividends in pesos, and exchange rate fluctuations will affect the U.S. dollar amounts received by holders of ADSs upon conversion by Citibank N.A., as depository for the ADSs (the "Depository"), of cash dividends on the Series A Shares underlying the CPOs represented by the ADSs.



## **RISK FACTORS**

### **Risks Relating to Our Operations**

#### ***Increased competition or a decline in popularity of any of our radio formats could reduce our audience share and result in a loss of revenue***

Radio broadcasting in Mexico is highly competitive, and programming popularity, an important factor in advertising sales, is readily susceptible to change. Our average Mexico City audience share has generally increased during recent years, including an increase from 32.0% in 2003 to 34.7% in 2004, a slight decrease in 2005 to 34.6%, followed by an increase in 2006 to 35.3% and an increase in 2007 to 35.9%, according to International Research Associates Mexicana, S.A. de C.V. (“INRA”). There can be no assurance that increased competition within, or a decline in the popularity of, a given format segment will not decrease our aggregate audience share in the future. In addition, we face strong competition from both television and various print media for advertising revenues. If we are unable to respond to an increase in competition or a decline in the popularity of any of our radio formats, our revenue and profitability could suffer material adverse consequences.

#### ***The decrease in advertising expenditures by political campaigns will substantially reduce our revenue***

Historically, our business has been significantly affected by the advertising expenditures of political parties during election campaigns in Mexico. While our revenue increased significantly during the congressional elections that occur every three years, including in 2003 and 2006, our revenue increased even more significantly during presidential elections, which occur every six years (coinciding with congressional elections), including in 2000 and 2006. In 2005, 2006 and 2007, advertising by political parties accounted for 2.3%, 19.0% and 0.2% of total broadcasting revenue, respectively. Mexico implemented electoral reform by amending its constitution in November 2007 and adopting a new electoral code in January 2008. The constitutional amendment and the new electoral code prohibit political parties from directly or indirectly purchasing broadcast time on any radio or television station. In addition, private individuals and entities are prohibited from purchasing advertising on radio or television aimed at influencing voter preferences. As a result of this change in law, we will no longer receive revenues from advertising by political campaigns, which will materially impact our revenues during election years.

#### ***If we lose one or more of our key customers, we could lose a significant amount of our revenue***

Our two largest individual customers in 2007 were Nueva Wal Mart de México, S.A.B. de C.V. (“Nueva Wal Mart”) and Tiendas Comercial Mexicana, S.A. de C.V. (“Comercial Mexicana”), representing 5.6% and 4.2%, respectively, of our total broadcasting revenue. Our two largest individual customers in 2006 were Compañía Cervecería del Trópico, S.A. de C.V. (“Compañía Cervecería”) and Comercial Mexicana, representing 3.7% and 3.4%, respectively, of our total broadcasting revenue. In 2005, our two largest individual customers were Gigante, S.A. de C.V. (“Gigante”) and Comercial Mexicana, representing 4.4% and 4.1%, respectively, of our total broadcasting revenue. In 2006, Gigante accounted for 2.3% of our total broadcasting revenue.

The companies comprising Grupo Carso and Grupo Cifra are also key customers. In 2007, Grupo Carso accounted for 8.4% of our total broadcasting revenue, and Grupo Cifra accounted for 7.1% of our total broadcasting revenue. In 2006, Grupo Carso and Grupo Cifra accounted for 6.5% and 3.5%, respectively, of our total broadcasting revenue.

We cannot assure you that Nueva Wal Mart, Comercial Mexicana, Compañía Cervecerera and Gigante or the companies comprising Grupo Carso or Grupo Cifra will continue to purchase advertising from us at current levels. The loss of our relationship with any one of our principal customers could have a material adverse effect on our results of operations.

***The seasonal nature of our business affects our revenue***

Our business is seasonal. Our revenue from advertising sales, which we recognize when the advertising is aired, is generally highest in the fourth quarter because of the high level of advertising during the holiday season. Accordingly, our results of operations depend disproportionately on revenue recognized in the fourth quarter, and a low level of fourth quarter advertising revenue could have a material adverse effect on our results of operations for the year.

***The Mexican Federal Competition Commission may prohibit us from making additional investments in radio operations in Mexico***

We, like all Mexican radio licensees, are subject to regulation by several Mexican governmental agencies. As a result of such regulation, radio licenses are subject to review and possible revocation, and licensees are prohibited from transferring or assigning their radio broadcasting licenses without prior governmental approval of both the transfer and its terms. As a result of the increase in our share of the Mexico City radio market following the acquisition of Radiodifusión RED in 1996, we are required by the Mexican Comisión Federal de Competencia (the “Federal Competition Commission”) to seek its prior approval in connection with any future investments in radio operations in Mexico, including, without limitation, purchases and leases of radio stations, interests in other radio concerns or transmission sites, irrespective of the size of such investments or their related audience share. To the best of our knowledge, other Mexican radio broadcasting companies are not generally subject to this requirement. No assurance can be given that we will be permitted by the Federal Competition Commission to make any particular investment should we desire to do so.

***If the Mexican government does not renew our broadcasting licenses, our business could be harmed***

To broadcast commercial radio in Mexico, a broadcaster must have a license from the Secretaría de Comunicaciones y Transportes (the Secretary of Communication and Transportation, or “SCT”). Because the SCT generally grants renewals to licensees that have substantially complied with applicable law, we expect that our future renewal applications will be granted. However, if we were unable to renew these licenses in the future, our business could be significantly harmed.

**Risks Relating to Our Principal Shareholders and Capital Structure**

***Holders of ADSs are not entitled to attend shareholders meetings and have no voting rights***

Holders of the CPOs, and therefore holders of the ADSs, have no voting rights with respect to the underlying Series A Shares. Pursuant to the trust agreement under which the CPOs are issued, the trustee for the CPOs will vote the Series A Shares held in the trust in the same manner as the majority of the Series A Shares that are not held in the trust and that are voted at the relevant shareholders meeting. Holders of the CPOs are not entitled to attend or to address our shareholders meetings.

***Certain members of the Aguirre family effectively control our management and the decisions of the shareholders, and their interests may differ from those of other shareholders***

Certain members of the Aguirre family have the power to elect a majority of our directors and control our management because they own a substantial majority of the outstanding Series A Shares not held in the form of CPOs. These Aguirre family members have established a Mexican trust, which they control, that holds 84,020,646 Series A Shares, or 51.6%, of all outstanding Series A Shares as of June 17, 2008.

***Our bylaws include provisions that could delay or prevent a takeover and thus deprive you of a premium over the market price of the ADSs or otherwise adversely affect the market price of the ADSs***

Our bylaws include certain provisions that could delay, defer or prevent a third party from acquiring us, despite the possible benefit to our shareholders. These provisions include restrictions on the acquisition, without the approval of the Board of Directors, of shares or other securities of the Company representing 30% or more of our capital stock and restrictions on agreements and other arrangements, without the approval of the Board of Directors, for the exercise of voting rights in respect of shares representing 30% or more of the Company's capital stock. These provisions may deprive you of a premium over the market price of the ADSs or otherwise adversely affect the market price of the ADSs.

***Future sales of Series A Shares by the controlling shareholders may affect future market prices of the Series A Shares, CPOs and ADSs***

Actions by members of the Aguirre family, directly or through the Mexican trust through which they hold most of their Series A Shares, with respect to the disposition of their Series A Shares, may adversely affect the trading price of the Series A Shares or the CPOs on the Mexican Stock Exchange and the price of the ADSs on the NYSE. There are no contractual restrictions on the rights of members of the Aguirre family to sell ADSs, CPOs or Series A Shares other than those contained in an undrawn U.S. \$21 million credit facility, which requires the Aguirre family to maintain 51% of our capital stock. This contract expires on June 16, 2015.

***You may not be able to participate in any future preemptive rights offering and, as a result, your equity interest in the Company may be diluted***

Under current Mexican law, if we issue new shares for cash as a part of a capital increase, we generally must grant our shareholders the right to purchase a sufficient number of shares to maintain their existing ownership percentage. Rights to purchase shares in these circumstances are known as preemptive rights. We may not be legally permitted to allow holders of ADSs in the United States to exercise any preemptive rights in any future capital increases unless (i) we file a registration statement with the U.S. Securities and Exchange Commission (the "SEC") with respect to that future issuance of shares or (ii) the offering qualifies for an exemption from the registration requirements of the U.S. Securities Act of 1933 (the "Securities Act"). At the time of any future capital increase, we will evaluate the costs and potential liabilities associated with filing a registration statement with the SEC, the benefits of preemptive rights to holders of ADSs in the United States and any other factors that we consider important in determining whether to file a registration statement.

We cannot assure you that we will file a registration statement with the SEC to allow holders of ADSs in the United States to participate in a preemptive rights offering. Furthermore, under current Mexican law, sales by the Depositary of preemptive rights and distribution of the proceeds from such sales to ADS holders are not possible. As a result, the equity interest of ADS holders in the Company would be diluted proportionately. In addition, preemptive rights will not arise under current Mexican law upon the sale of newly issued shares in a public offering or the resale of shares of capital stock previously repurchased by us.



## **Risks Relating to Mexico**

### ***Economic developments in Mexico may adversely affect our business***

Our financial condition and results of operations are generally affected by the strength of the Mexican economy, as the demand for advertising, from which we derive revenue constituting the principal source of our earnings, generally declines during periods of economic difficulty.

In 2006 and 2007, Mexico's gross domestic product, or GDP, grew by 4.8% and 3.3%, respectively, and inflation was 4.05 % and 3.8%, respectively. In 2008, according to preliminary estimates of the Mexican government, GDP is expected to grow by 2.7% and inflation is expected to be 4.0%. If the Mexican economy contracts or if inflation and interest rates increase significantly, our business, financial condition and results of operations could suffer material adverse consequences.

Economic conditions in Mexico are heavily influenced by the condition of the U.S. economy due to various factors, including commercial trade pursuant to the North American Free Trade Agreement, U.S. investment in Mexico and emigration from Mexico to the United States. Events and conditions affecting the U.S. economy may adversely affect our business, results of operations, prospects and financial condition. In addition, in the past, economic crises in Asia, Russia, Brazil and other emerging markets have adversely affected the Mexican economy and could do so again.

### ***High levels of inflation and high interest rates in Mexico could adversely affect our financial condition and results of operations***

Mexico has experienced high levels of inflation and high domestic interest rates in the past. The annual rate of inflation, as measured by changes in the National Consumer Price Index, was 3.8% for 2007. Inflation for the first quarter of 2008 was 1.5%. If inflation in Mexico does not remain within the government's projections, we might not be able to raise our broadcast advertising rates to keep pace with inflation. More generally, the adverse effects of high inflation on the Mexican economy might result in lower demand for broadcast advertising.

Interest rates on 28-day Mexican treasury bills, or Cetes, averaged 7.3% during 2007. On June 17, 2008, the 28-day Cetes rate was 7.56%. High interest rates in Mexico could adversely affect our financing costs.

### ***Political events in Mexico could affect Mexican economic policy and our operations***

Mexican political events may significantly affect our operations and the performance of Mexican securities, including our securities. We cannot assure you that the current political situation or any future political developments will not have a broad adverse effect on growth trends in the Mexican broadcasting industry or in the economy generally, or directly and adversely affect us.

### ***Depreciation of the peso relative to the U.S. dollar could adversely affect our financial condition and results of operations***

The value of the peso has been subject to significant fluctuations with respect to the U.S. dollar in the past and may be subject to significant fluctuations in the future. In 2007, the peso depreciated against the U.S. dollar at year-end by 1.1%, and average value of the peso against the U.S. dollar during 2007 was 0.3% higher than 2006. In 2006, the peso depreciated against the U.S. dollar at year-end by 1.6%, and the average value of the peso against the U.S. dollar during 2006 was 0.28% lower than in 2005. In 2005, the peso appreciated against the U.S. dollar by year-end by 4.66%, and the average value of the peso against the U.S. dollar during 2005 was 3.89% higher than in 2004. No assurance can be given that the peso will not depreciate in value relative to the U.S. dollar in the future.



Fluctuations in the exchange rate between the peso and the U.S. dollar will affect the U.S. dollar value of an investment in our equity securities and of dividend and other distribution payments on those securities.

A small portion of our operating costs is payable in U.S. dollars. Although at December 31, 2007, we had no U.S. dollar-denominated indebtedness, we may incur U.S. dollar-denominated indebtedness in the future. Declines in the value of the peso relative to the U.S. dollar increase our obligations payable in U.S. dollars, increase our operating costs, increase our interest costs in pesos relative to any U.S. dollar-denominated indebtedness, result in foreign exchange losses and could adversely affect our ability to meet our U.S. dollar-denominated obligations. Additionally, since substantially all our revenue is denominated in pesos, increased costs resulting from a decline in the value of the peso relative to the U.S. dollar will not be offset by any exchange-related increase in revenue.

Severe devaluation or depreciation of the peso may also result in disruption of the international foreign exchange markets and may limit our ability to transfer or to convert pesos into U.S. dollars and other currencies for the purpose of making timely payments of our obligations or our operating costs payable in U.S. dollars.

***Developments in other emerging market countries may affect the price of the ADSs***

As is the case with respect to securities of issuers from other emerging markets, the market value of securities of Mexican companies is, to varying degrees, affected by economic and market conditions in other emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Mexico, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers. In past years, for example, prices of both Mexican debt securities and Mexican equity securities dropped substantially as a result of developments in Russia, Asia, Brazil and Argentina.

## Item 4. Information on the Company

### THE COMPANY

#### Organization

Grupo Radio Centro is a corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico. Grupo Radio Centro is a holding company that operates through its subsidiaries.

Grupo Radio Centro's principal executive offices are located at Constituyentes 1154 (7° Piso), Col. Lomas Altas, C.P. 11950, México, D.F., México. The telephone number of Grupo Radio Centro at this location is (525) 55-728-4800.

#### History

Grupo Radio Centro is a family-controlled radio broadcasting company with roots in Mexican radio broadcasting dating back approximately 60 years. Francisco Aguirre J., the founder of Grupo Radio Centro, initiated his radio broadcasting activities in 1946. In 1952, he founded Organización Radio Centro ("ORC"), the sole owner and operator of two radio stations, Radio Centro and Radio Exitos. In 1965, the Company formed Organización Impulsora de Radio ("OIR"), to provide national sales representation to affiliated radio stations outside Mexico City. It was incorporated as Técnica de Desarrollo Publicitario, S.A. de C.V. on June 8, 1971, renamed Grupo Radio Centro, S.A. de C.V. on July 14, 1992 and renamed Grupo Radio Centro, S.A.B. de C.V. on July 31, 2006. The bylaws of the Company provide for its indefinite existence. In 1973, Grupo Radio Centro expanded its broadcasting activities by establishing three new FM radio stations, thus consolidating its position as the market leader in Mexico City radio broadcasting.

In 1989, the Aguirre family began a comprehensive process of corporate reorganization designed to consolidate Grupo Radio Centro's radio operations under the common ownership of the Company and the family's non-radio-related operations under the common ownership of another company controlled by the Aguirre family outside Grupo Radio Centro. The purpose of the reorganization was to permit Grupo Radio Centro to focus on radio-related operations and to acquire the balance of shares of its radio broadcasting subsidiaries that were owned directly or indirectly by members of the Aguirre family outside Grupo Radio Centro. As a result of the reorganization, the Company acquired substantially all of the shares of its radio broadcasting subsidiaries, with the last transfer of shares occurring in March 1993. In the third quarter of 1993, the Company completed an initial public offering of its ADSs and CPOs, listing these securities on the NYSE and the Mexican Stock Exchange. The Company completed a subsequent public offering of ADSs and CPOs during the third quarter of 1996. On June 30, 2003, all CPOs held by holders that qualified as Mexican investors, pursuant to the Company's bylaws (see Item 10, "Additional Information—Bylaws and Mexican Law—Limitations Affecting Non-Mexican Holders—Share Ownership"), were exchanged for Series A Shares held in the CPO Trust (see Item 9, "The Offer and Listing"). In connection with the amended CPO trust arrangement, the Series A Shares commenced trading on the Mexican Stock Exchange under the symbol "RCENTRO.A" on June 30, 2003. The Series A Share listing is deemed to include the CPOs, such that the Series A Share trading line reflects trading of both Series A Shares and CPOs.



## Capital Expenditures and Divestitures

### *Capital Expenditures*

Capital expenditures were Ps. 14.3 million in 2007, Ps. 6.5 million in 2006 and Ps. 8.0 million in 2005. In 2007, 2006 and 2005, capital expenditures were financed from working capital. In 2007, the Company's principal capital expenditures were for transportation equipment. In 2006, the Company's principal expenditures were for broadcasting equipment and computer equipment. In 2005, capital expenditures principally were for broadcasting equipment. In 2004, the Company spent approximately U.S.\$1 million to update its main computer and digital storage system and also purchased automobiles and motorcycles for the news program *La Red de Radio Red*.

### *Capital Divestitures*

During 2007, the Company had capital divestitures in the amount of Ps. 0.79 million, principally related to transportation equipment. In 2006, capital divestitures were Ps. 1.1 million, principally related to the sale of used computer equipment and real estate. The Company had no significant capital divestitures in 2005 (see Notes 1 and 10 to the Consolidated Financial Statements).

## BUSINESS OVERVIEW

Grupo Radio Centro is a leading radio-broadcasting company in Mexico and for over 30 years has been the leading radio broadcaster, in terms of audience share, in Mexico City, the most populous city in North America. Grupo Radio Centro's principal activities are the production and broadcasting of musical and entertainment programs, news and special event programs. The Company's revenue is derived primarily from the sale of commercial airtime to advertising agencies and businesses. According to INRA, the Company's Mexico City average audience share for the year ended December 31, 2007 was 35.9%, more than twice that of the next most popular radio-broadcasting company in Mexico City for the same period. See "—Broadcasting Operations" and "—Competition."

Grupo Radio Centro currently owns eight AM and five FM radio stations, and manages and operates an additional FM station. Of the 14 radio stations it owns or operates, Grupo Radio Centro operates five AM and six FM stations in Mexico City. The remaining three AM radio stations, including one in Mexico City, are managed and operated by third parties pursuant to operating agreements.

The Company manages the 11 radio stations it operates in Mexico City as a portfolio, combining in-depth market research and programming innovation with continuous investment in state-of-the-art technology and human resources to produce high-quality, popular programs that target substantially all of the demographic segments of the Mexico City radio audience sought by advertisers. According to INRA, for the year ended December 31, 2007, Grupo Radio Centro's radio stations ranked as four of the top 10 FM radio stations out of a total of 29 FM stations, and two of the top 10 AM stations out of a total of 34 AM stations. See "—Business Strategy."

In addition to its radio-broadcasting activities, the Company, under the trade name Organización Impulsora de Radio, acts as the national sales representative for, and provides programming to, a network of affiliates in Mexico. At December 31, 2007, the Company had 110 affiliates in 74 cities throughout Mexico.

## Business Strategy

The Company's strategy is to optimize cash flow from operations by maintaining its leading market position, offering advertisers top-ranked stations in almost every major station format and continuing its focus on operating efficiency and cost control.

### *Maintenance of Leading Market Position*

The Company is focused on maintaining its current position as the leading radio broadcaster in Mexico City, offering advertisers top-ranked stations in almost all of the major station formats, including:

- *Grupera*—Diverse Musical Genres,
- *Juvenil*—Youth Oriented,
- Spanish Language—Contemporary Music,
- English Language—Classic Rock,
- English Language—Contemporary Music,
- Spanish Language—Classics, News/Talk Show, and
- English Language—Music/News.

By maintaining a strong presence in the major station formats, management believes that the Company will maximize its share of total radio advertising expenditures. Management bases such belief on the following rationale: (i) a broadcaster's revenue is correlated with its ability to maximize the number of listeners within an advertiser's given demographic parameters and (ii) the Company's stations currently cover almost all of the demographic segments of the radio audience sought by advertisers. In addition, by managing its stations as a portfolio and offering a broad range of advertising packages, the Company believes that it differentiates itself from its smaller competitors, who cannot offer as comprehensive coverage of the Mexican radio audience. The Company is able to offer advertisers exposure to listening audiences targeted to correspond with the demographic profiles they seek and is able to provide advertisers with their choice of either focused or broad audience exposure across a comprehensive range of income classes and age segments.

In order to maximize the audience share of its portfolio of stations, the Company recognizes the need to be responsive to the requirements of its listeners and advertisers, tailoring its stations to the changing circumstances of the market. The Company seeks to manage its station portfolio by (i) balancing the mix of its station formats to correspond to the needs of the overall market and (ii) being proactive in the management of each individual station format and adjusting to the evolution of its particular market segment.

### *OIR Network Strategy*

As a complement to its radio-broadcasting activities, Grupo Radio Centro operates, and continues its efforts to expand, its OIR radio network. The Company simultaneously transmits its news program "La Red de Radio Red" from 5:45 a.m. to 10:00 a.m. to the 25 largest commercial markets in Mexico outside the Mexico City metropolitan area. While increasing programming and service revenue, the operation of OIR also facilitates the Company's overall marketing efforts, offering advertisers access to radio stations on a nationwide basis. See "—OIR Network."



**Broadcasting Operations***Radio Stations*

Except as noted, the following table sets forth certain information about the Mexico City radio stations operated by Grupo Radio Centro as of December 31, 2007:

Station	Frequency	Power (Watts)	Station Format	INRA <sup>(1)</sup>	INRA <sup>(1)</sup>	INRA <sup>(1)</sup>	Target Demographic Segments
				2007 Total Market Rank <sup>(2)</sup>	2007 Total Audience Share <sup>(3)</sup>	2007 Band Rank <sup>(4)</sup>	
XEQR-FM.	107.3 mhz	100,000	<i>Grupera</i> —Diverse Musical Genres	1	12.2%	1	13-44 years
XERC-FM	97.7 mhz	100,000	<i>Juvenil</i> —Youth Oriented	3	5.1%	3	8-34 years
XEJP-FM	93.7 mhz	100,000	Spanish Language—Contemporary Music	4	4.9%	4	18-44 years
XHFO-FM <sup>(5)</sup>	92.1 mhz	150,000	English Language—Classic Rock	5	4.1%	5	18-44 years
XHFAJ-FM	91.3 mhz	100,000	English Language—Contemporary Music	11	2.8%	11	13-24 years
XEQR-AM	1030 khz	50,000	Spanish Language—Talk Show	13	2.6%	1	25+ years
XEJP-AM	1150 khz	50,000	Spanish Language Classics	20	2.1%	3	35+ years
XERED-AM	1110 khz	100,000	News / Talk Show	38	0.6%	14	25+ years
XHRED-FM	88.1 mhz	100,000	News / English Language—Music	30	0.9%	21	25+ years
XERC-AM	790 khz	50,000	News	45	0.4%	19	25+ years
XEN-AM	690 khz	100,000	News / Talk Show	47	0.3%	21	25+ years

- (1) Source: INRA.  
(2) Total market rank is determined based on each station's annual average share of the total radio audience.  
(3) Total audience share represents each station's annual average share of the total radio audience.

- (4) Band rank is determined based on each station's annual average share of the radio audience within its broadcasting frequency band (*i.e.*, either AM or FM).
- (5) XHFO-FM is operated by Grupo Radio Centro pursuant to an operating agreement that will terminate on January 2, 2009. For the year ended December 31, 2007, XHFO-FM accounted for approximately 14.3% of Grupo Radio Centro's broadcasting revenue.

### *Programming*

The Company currently produces all of the programming for the stations it owns or operates. In addition, the Company provides programming to its network of affiliates.

Programming produced by the Company includes playing recorded music, coverage of live music events (such as concerts), special musical programs and news and talk show programs. Through its *Noticentro* news division, the Company produces daily news programs consisting of three-minute updates and 10-minute summaries of local, national and international news that are broadcast through *Formato 21*, the Company's 24-hour, all-news station, and a majority of its other stations in Mexico City.

Grupo Radio Centro's programming strategy is to tailor the format of each of its stations to attract targeted demographic segments of the radio audience sought by advertisers. To ensure that its programming remains responsive to shifting demographic trends and audience tastes, Grupo Radio Centro uses its internal research division (which regularly conducts door-to-door interviews throughout Mexico City) as well as commercially available data to assess the listening habits and tastes of the Mexico City population. In 2007, Grupo Radio Centro conducted approximately 231,000 interviews. Grupo Radio Centro believes that no competitor has developed an internal research capability as extensive as its own.

### *Production and Transmission of Programming*

**Transmission Plants.** In October 2003, the SCT granted the Company permission to install a digital radio transmission system called the Eureka 147 DAB system in its Cerro del Chiquihuite plant. During 2005, the Company installed, on an experimental basis, a powerful Eureka 147 DAB System transmission station in its Cerro del Chiquihuite plant. This system is equipped to simultaneously transmit up to five different programs. In 2005, the Company demonstrated, for the benefit of CIRT and SCT representatives, the application and capabilities of DMB (Digital Multimedia Broadcasting) technology, which enables a single broadcasting station to transmit video and audio and data for multiple applications. During 2006, a hybrid radio transmission system, HD Radio (or "IBOC-AM," an in-band on-channel AM system for transmitting digital and analog information over existing stations) was installed at the XEN-AM broadcasting station.

In 2006, the Company installed and operated a radio-broadcasting transmission station with the Eureka 147 DAB system operating at 1,468.368 MHz in Mexico City. This installation and operation was performed for the *Comité de Nuevas Tecnologías de la Cámara Nacional de la Industria de Radio y Televisión* (Committee of New Technology of the National Chamber of the Radio and Television Industries, or CIRT), to demonstrate the capacities of the system. Through representation in CIRT, and by supporting the *Comité Mixto de Tecnologías Digitales de la Comisión Federal de Telecomunicaciones o Cofetel* (the Federal Telecommunications Commission, or Cofetel), the Company has actively participated in the analysis of the adoption of digital radio in Mexico.

During 2007 until March 2008, the Company operated the Eureka 147 DAB system from its facilities in Constituyentes.

In 2007, we renovated a location to serve as an alternative or back-up space for transmission equipment and studios. This facility includes two small production studios and six transmitter cabins for talk radio and five workstations for musical material. The facility also has a sophisticated multiplexing network for up to five stereo channels for the FM stations and six digital encoders/decoders to connect to the transmitting plants.

**Audio Engineering.** Grupo Radio Centro has 18 production studios in which musical material, advertisements, informational messages and promotional spots are recorded on digital audio tape (“DAT”) through the Windows based program *Maestro*. In addition, Grupo Radio Centro maintains 13 on-air studios, each of which is linked to Grupo Radio Centro’s automated programming computer network via optical fiber. In most cases, Grupo Radio Centro has maintained a consistent design for both production and on-air studios to provide a familiar work environment for employees and reduce the risk of error. Grupo Radio Centro’s primary studio operations are substantially all digital and utilize state-of-the-art computer networks for the recording, scheduling and playing of all news and music, as well as promotional and advertising material. Currently, the Company has a single high-speed computer network with a transmission speed measured in gigabytes per second installed in both on-air studios and production studios. The Company has a total of 30 workstations.

During 2005, Grupo Radio Centro updated the Digital Recording System, which records and copies music, news, and commercials as well as promotional and advertising material. This system uses the *Maestro* with sufficient storage capacity for all the Company’s music, news and advertising. Also, every recording studio, transmission station and editing room at Grupo Radio Centro is equipped with a personal computer, which runs the *Maestro* program that is connected to the Company’s network.

In July 2004, Grupo Radio Centro’s news division installed and began operating a “News Room” system that enables news writers to provide radio announcers with information by creating a text crawl that runs across a flat-panel screen while the announcers are on air. The system is used primarily by *Formato 21*, although it also provides information to news centers in other radio stations. This upgrade has reduced considerably the amount of paper used during news programs.

During the second half of 2007, the Company replaced four analog mixer consoles with digital mixer consoles. The replacements were made at radio stations XEJP-AM, XERC-AM (two consoles) and at one studio. In 2008, we have installed two digital mixer consoles used by OIR.

Each station has a main transmitter and two back-up transmitters. All AM transmitters incorporate solid-state design. Each transmitter site has a diesel generator with automatic transfer that allows rapid switchover to back-up power in the event of power outages. In addition, the main FM transmitter facility is equipped with an uninterruptible power supply to prevent the loss of airtime during a transfer to back-up power. Grupo Radio Centro uses sophisticated multiplexing networks for transmission, which allows five of its AM stations to operate at three sites, each site using one antenna system. Similarly, five FM stations are multiplexed into a common twenty-four radiator elements master antenna situated on the Cerro del Chiquihuite plant, which Grupo Radio Centro believes is ideally located at 540 meters above the average terrain level in Mexico City. A sixth FM station operated by the Company transmits from the World Trade Center building in Mexico City.

Currently, all AM and FM radio broadcast signals in Mexico are analog. There are various efforts underway around the world to develop, test and implement radio digital audio broadcasting (“DAB”). If implemented, DAB would largely eliminate fading, static and other interference that adversely affects the listening experience. Various DAB proposals have been made in Mexico that focus upon either the United States “in-band” broadcasting model (using existing allocations of AM or FM spectrum) or the European “out-of-band” broadcasting model. The Cámara Nacional de la Industria de Radio y Televisión (the Mexican Trade Association for Broadcasters, or “CIRT”), of which the Company is a member, is in the process of analyzing such proposals. The Company is an active participant in CIRT’s efforts to obtain favorable regulation of DAB when, and if, such technology is implemented in Mexico. CIRT has created a task force with the SCT in order to introduce DAB in Mexico in the future. There can be no assurance, however, as to whether or when DAB will be introduced.

In 2004, Grupo Radio Centro obtained authorization from the SCT to increase the broadcasting power of the stations XERED-AM, XEJP-AM and XEN-AM - from 50 to 100 kilowatts, 20 to 50 kilowatts and 50 to 100 kilowatts, respectively. The objective of this effort is to improve the stations' presence, coverage and quality of reception in Mexico City's metropolitan area.

#### *Investment in Technology*

Grupo Radio Centro consistently invests in state-of-the-art equipment, the development and deployment of new operating systems and the training of its engineering and operating personnel. The Company believes these investments enable it to produce high-quality programming with few on-air errors and to broadcast a superior signal to listeners' radios. In addition, Grupo Radio Centro's computer system allows it to maintain a certifiable log of advertising and to generate real-time affidavits certifying that advertisements have been aired when and as requested, thereby reducing clients' monitoring costs and enhancing client goodwill. Grupo Radio Centro believes that its state-of-the-art equipment and engineering staff give it a competitive edge in Mexico City radio broadcasting.

We have completed an alternate transmission site that can be controlled remotely in case of an emergency at the radio stations XERC-FM, XEJP-FM and XEQR-FM.

#### *Sale of Airtime and Marketing*

Commercial airtime for Grupo Radio Centro's radio stations is sold both to advertising agencies and directly to businesses. The top 10 customers in each of 2007, 2006 and 2005 accounted for approximately 30.2%, 37.9% and 33.0%, respectively, of total broadcasting revenue of the Company. Our two largest individual customers in 2007 were Nueva Wal Mart and Comercial Mexicana, which accounted for approximately 5.6% and 4.2%, respectively, of our total broadcasting revenue. In 2006, Compañía Cervecera and Comercial Mexicana, accounted for 3.7% and 3.4%, respectively, of our total broadcasting revenue. In 2005, Gigante accounted for 4.4% of our total broadcasting revenue, while Comercial Mexicana accounted for 4.1% of our total broadcasting revenue and Compañía Cervecera accounted for 2.1% of our total broadcasting revenue. The companies comprising Grupo Carso, collectively, and Grupo Cifra, collectively, also are key customers. In 2007, the companies comprising Grupo Carso, collectively, accounted for 8.5% of our total broadcasting revenue, while the companies comprising Grupo Cifra, collectively, accounted for 7.1% of our total broadcasting revenue. In 2006, Grupo Carso accounted for 6.5% of our total broadcasting revenue. Sales of commercial airtime vary throughout the year and are generally highest in the fourth quarter of the year and lowest in the first quarter of the year. See Item 5, "Operating and Financial Review and Prospects—Seasonality of Sales."

In addition to the Company's corporate clients, the three largest Mexican political parties, the Partido de la Revolución Democrática (PRD), Partido Revolucionario Institucional (PRI) and the Partido Acción Nacional (PAN), collectively, accounted for 8.18% of the Company's total broadcasting revenue in 2006, compared to 2.5% in 2005, reflecting campaign advertising expenditures in connection with the July 2006 presidential and congressional elections.

At December 31, 2007, the Company had a sales force of 20 individuals, of which 10 marketed primarily to advertising agencies and major customer accounts, and 10 marketed to small and mid-sized accounts.

Grupo Radio Centro establishes its advertising rates by considering the cost per thousand listeners as a reference to ensure that its rates are competitive. The Company offers package discounts to its clients who purchase airtime on multiple stations, offering the largest discounts to clients who purchase airtime on all of its stations. Higher rates apply to clients who purchase commercial airtime for "special events," such as live concerts and special news features.



In addition, the Company sells commercial airtime in advance under a plan pursuant to which advertisers who deposit cash with Grupo Radio Centro in an amount equal to their advertising commitment for an agreed period are guaranteed the rate in effect at the time of the purchase for the agreed period, and are granted bonus advertising time in addition to the time purchased. The Company invests cash deposited pursuant to advance sales and includes interest generated on such investments in broadcasting revenue. In 2007, revenue recognized under advance-sale arrangements, including related interest income, accounted for approximately 32.5% of total broadcasting revenue, as compared to 29.3% for 2006, and 36.0% for 2005. See Note 13 to the Consolidated Financial Statements.

The effect of such advance sales is to substitute the increased interest income earned on the advance sale payments for a portion of the operating income foregone because of the reduced effective rate on the advertising time subject to the advance-sale arrangements. The Company believes that such advance sales are advantageous to Grupo Radio Centro because the interest income generated by the proceeds of such advance sales offsets in part the effective reduction in advertising rates associated with such sales and because the bonus advertising time granted to purchasers is “dead time” (*i.e.*, time that would not otherwise be sold). The Company also believes that its advance-sales plan attracts advertisers who would not otherwise purchase advertising time because of the benefits of guaranteed rates and bonus time. However, any decrease in future inflation rates may reduce the attractiveness of these plans for such advertisers.

### **OIR Network**

Grupo Radio Centro, under the trade name OIR, provides national sales representation, programming and broadcast-related services to a network of affiliates. At December 31, 2007, Grupo Radio Centro had 110 affiliates located in 74 cities throughout Mexico. During the last three years, broadcasting revenue from OIR-related activities ranged from 2.5% to 3.2% of total broadcasting revenue. In 2007, approximately 3.2% of the Company’s revenue was attributable to its work through OIR, and no single affiliate represented more than 7.9% of total OIR-related revenue.

At December 31, 2007, 11 of the Company’s OIR-related affiliates were owned or controlled by shareholders of the Company. Except as disclosed elsewhere (see Item 7, “Major Shareholders and Related Party Transactions—Related Party Transactions” and Note 6 to the Consolidated Financial Statements), all commercial relations between such shareholder-owned or shareholder-controlled stations and Grupo Radio Centro are on an arm’s-length basis.

Outside Mexico City, virtually all advertising aimed at a national audience is sold through networks of affiliated radio stations. Pursuant to its standard affiliate agreement, which is terminable at will by either party on 60 days’ notice, OIR agrees to purchase commercial airtime from affiliated stations, compensating such stations for their airtime with a percentage of the revenue obtained on the resale of commercial airtime to national advertisers. The affiliates agree to broadcast certain programs at specified times with advertising spots of specified duration. Compensation paid to each affiliate varies depending on the size of each affiliate’s market.

OIR transmits special event programs, including national advertising, directly to certain affiliates via satellite. In December of 2005, the Company installed a new satellite up-link system with state-of-the-art technologies, including Digital Video Broadcasting, or DVB transmission, with 10 digital stereo channels. As of December 31, 2005, all of our affiliates were able to receive OIR special event programs via satellite from Mexico City. Between January and March 2006, we replaced the receivers of our affiliates that obtain OIR programs via satellite with more cost-effective units.

**Competition**

Radio broadcasting in Mexico is highly competitive, and programming popularity, an important factor in advertising sales, is readily susceptible to change. As of December 31, 2007, there were 51 commercial radio stations in Mexico City (28 AM and 23 FM stations) and 12 not-for-profit, public-service stations (six AM and six FM). These constitute all of the currently available radio broadcast channels within Mexico City's AM and FM frequency spectrum.

Set out below is a table showing the number of stations in Mexico City operated by Grupo Radio Centro and each of its six main competitors at December 31, 2007, and a chart depicting the audience share of each.

**Operation of Mexico City Stations by Grupo Radio Centro and its Principal Competitors<sup>(1)</sup>**

	AM Stations	FM Stations	Total
Grupo Radio Centro (GRC)	5	6	11
Grupo Acir (ACIR) <sup>(2)</sup>	3	4	7
Televisa Radio (TVR)	3	3	6
NRM Comunicaciones (NRM)	3	3	6
Grupo Radio Fórmula	3	2	5
Grupo Imagen	0	2	2
MVS Radio (MVS)	0	2	2
Total	17	22	39

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(1) Source: Grupo Radio Centro.

(2) In September 2000, Grupo Televisa S.A.B. offered to acquire a 50.05% interest in Grupo ACIR. As of May 2001, the Federal Competition Commission had rejected the proposed acquisition and a subsequent appeal of that rejection by Grupo Televisa. Grupo Televisa has appealed the rejection in the Mexican courts, which have not decided the matter.

**Mexico City Radio Audience Share (1970-2007)**

- 
- (1) Source: INRA.
- (2) In 1995, the Company began operating the three stations owned by Radio Programas de México. Accordingly, the Company's audience share includes the audience share of these three stations beginning in 1995. In 1996, the Company acquired these stations.
- (3) In 1995, the three stations owned by Grupo Artsa were acquired by Grupo Acir.
- (4) In 1994, NRM no longer owned XECO-AM and XEUR-AM, and in 1995, NRM purchased XHMM-FM.
- (5) Includes average audience share of stations owned by Grupo Imagen until Grupo Imagen's separation from MVS in December 1999.

The Company's average Mexico City audience share increased slightly from 34.6% in 2005 to 35.3% in 2006, but increased to 35.9% in 2007. The Company has experienced gradual declines in previous years, which were mainly attributable to increased competition from other radio stations that adopted formats similar to the Company's most successful formats, including *Juvenil*—Youth Oriented, *Grupera*—Diverse Musical Genres and News/Talk Show.

The Company believes that its balanced portfolio of station formats following the RED acquisition reduces the impact of a decline in audience share of any one format segment or station. For example, the Company's most popular station, XEQR-FM, which was the top-ranked station in Mexico City for the year ended December 31, 2007, represented only 11.7% of the total radio audience. However, there can be no assurance that competition within, or a decline in the popularity of, a given format segment will not decrease the Company's aggregate audience share in the future. In addition, the Company faces strong competition from both television and various print media for advertising revenue.

*OIR Network Competition*

As with radio broadcasting, the Mexican radio-network market is highly competitive. As of December 31, 2007, there were 28 radio networks serving 712 AM radio stations and 452 FM radio stations outside Mexico City. The Company believes that the popularity of its programming, its long-standing experience in the Mexican radio broadcasting market and the quality of its broadcast-related services enable the Company's affiliates that are serviced by OIR to compete effectively.

**Significant Subsidiaries**

The following table sets forth the Company's significant subsidiaries at December 31, 2007:

<b>Name of the Company</b>	<b>Jurisdiction of Establishment</b>	<b>Percentage of Ownership and Voting Interest</b>	<b>Description</b>
XEQR, S.A. de C.V.	México	99.9%	Radio station
XERC, S.A. de C.V.	México	99.9%	Radio station
XEEST, S.A. de C.V.	México	99.9%	Radio station
XEQR-FM, S.A. de C.V.	México	99.9%	Radio station
XERC-FM, S.A. de C.V.	México	99.9%	Radio station
XEJP-FM, S.A. de C.V.	México	99.9%	Radio station
XEDKR-AM, S.A. de C.V.	México	99.2%	Radio station
XESTN-AM, S.A. de C.V.	México	99.9%	Radio station
Radio Red, S.A. de C.V.	México	99.9%	Radio station
Radio Red-FM, S.A. de C.V.	México	99.9%	Radio station
Radio Sistema Mexicano, S.A.	México	99.9%	Radio station
Estación Alfa, S.A. de C.V.	México	99.9%	Radio station
Emisora 1150, S.A. de C.V.	México	99.9%	Radio station
Radio Centro Publicidad, S.A. de C.V.	México	99.9%	Marketing company
GRC Publicidad, S.A. de C.V.	México	99.9%	Marketing company
GRC Medios, S.A. de C.V.	México	99.9%	Marketing company
GRC Comunicaciones, S.A. de C.V.	México	100.0%	Marketing company
GRC Radiodifusión, S.A. (formerly Aerocer, S.A.)	México	99.9%	Marketing company
Promotora Técnica de Servicios Profesionales, S.A. de C.V.	México	99.9%	Service company



Name of the Company	Jurisdiction of Establishment	Percentage of Ownership and Voting Interest	Description
Publicidad y Promociones Internacionales, S.A. de C.V.	México	99.9%	Service company
To2 México, S.A. de C.V.	México	100%	Service company
Promo Red, S.A. de C.V.	México	99.9%	Service company
Universal de Muebles e Inmuebles, S.A. de C.V.	México	99.8%	Real estate company
Inmobiliaria Radio Centro, S.A. de C.V.	México	99.9%	Real estate company
Desarrollos Empresariales, S.A. de C.V.	México	99.9%	Sub-holding company
Radiodifusión Red, S.A. de C.V.	México	99.9%	Sub-holding company
Enlaces Troncales, S.A. de C.V.	México	99.9%	Sub-holding company
Música, Música, Música, S.A. de C.V.	México	90.9%	Non-operating company
Promotora de Éxitos, S.A. de C.V.	México	90.9%	Non-operating company
Producciones Artísticas Internacionales, S.A. de C.V.	México	99.9%	Non-operating company

### Property and Equipment

All of Grupo Radio Centro's tangible assets are located in Mexico. At December 31, 2007, the net book value of all property and equipment was approximately Ps. 461.5 million (U.S.\$ 42.3 million).

Grupo Radio Centro's principal executive offices and studios are located in Mexico City and are owned by Grupo Radio Centro. In 1992 Grupo Radio Centro purchased the *Constituyentes* building, a 102,000 square foot building of which, at December 31, 2007, the Company occupied approximately 81,000 square feet with the remainder available for leasing to third parties. In March 1994, Grupo Radio Centro moved its principal offices and broadcasting operations (excluding transmitter antennae and related equipment) into the *Constituyentes* building. Grupo Radio Centro also owns the transmitter sites and antenna sites used by most of its Mexico City radio stations, including related back-up facilities. In addition, Grupo Radio Centro currently leases satellite-transmission facilities in Mexico City from the Mexican government. As a result of a 1993 change in applicable Mexican law, Grupo Radio Centro purchased and received authorization from Telecomunicaciones de México, a state-owned entity, to operate its own up-link equipment. This up-link equipment has been operational since the end of 1994 and was upgraded in December



2005 and the first quarter of 2006 (see “—Business Strategy—Programming”). Grupo Radio Centro continues to own the building in which its administrative offices and studios were located immediately prior to its move into the *Constituyentes* building. Grupo Radio Centro also owns the land in Mexico City on which the transmission facilities of XERED-AM are located. Grupo Radio Centro believes that its facilities are adequate for its present needs and are suitable for their intended purpose.

Substantially all of the Company’s property, excluding its broadcasting equipment, may become subject to a first priority lien under our credit facility. See “Operating and Financial Review and Prospects—Liquidity and Capital Resources—Indebtedness—Undrawn Credit Facility.”

## REGULATORY FRAMEWORK

The business of Grupo Radio Centro is subject to regulation and oversight by the SCT through the *Comisión Federal de Telecomunicaciones* (the Federal Telecommunications Commission or “Cofetel”). The SCT is part of the executive branch of the Mexican federal government and Cofetel is a separate administrative agency independent of the SCT. Regulation and oversight are governed by the *Ley Federal de Radio y Televisión* (the “Federal Radio and Television Law”), the *Ley Federal de Telecomunicaciones* (the “Federal Telecommunications Law”), the regulations issued pursuant to these laws and the licenses granted by the SCT. We are also subject to oversight by the *Procuraduría Federal del Consumidor* (the Federal Agency for Consumer Protection) and the *Comisión Federal de Competencia Económica* (the “Federal Competition Commission”).

### *Regulation of Radio Broadcasting by Mexico*

**Licenses.** Under the Federal Radio and Television Law, amended by the Mexican Congress in April 2006, owners and operators of radio stations in Mexico must obtain a license from the Mexican government through the SCT to broadcast over a specified channel. After a call for bids, applications are submitted to Cofetel and, after a public bidding process, a license is granted to a winning applicant with a specific term of 20 years. The SCT through Cofetel, may terminate or revoke the license at any time upon the occurrence of, among others, the following events: failure to construct broadcasting facilities within a specific period; changes in the location of the broadcasting facilities or changes in the frequency assigned without prior governmental authorization; failure to broadcast for more than 60 days without reasonable justification; and any violation of any of the other terms of the license. Under Mexican law, in the event of revocation of the license for certain specified reasons, Grupo Radio Centro would forfeit its transmission and antenna facilities with respect to the license. In the event of early termination of the license for other causes, the Mexican government would have a right of first refusal to purchase all these assets at a price fixed by an independent appraiser. In addition, in the event that the SCT, through Cofetel, terminates or revokes a license, the licensee may not obtain a new license for five years and, in some cases, may be forbidden from obtaining a new license. Under current regulations, we believe that it is unlikely that additional licenses will be granted in the Mexico City market.

The licensee has a preferential right to renew the license for periods of up to 20 years (with most terms for renewal currently being granted for up to 12 years) under a non-competitive renewal process. Renewals are generally granted to licensees that have substantially complied with the applicable law and the terms of their licenses. The licenses for nine of Grupo Radio Centro’s radio stations (XEQR-AM, XERC-AM, XEEST-AM, XEJP-AM, XERED-AM, XEN-AM, XEQR-FM, XERC-FM AND XHFAJ-FM) were renewed and are now set to expire in 2016. The license for XHRED-FM was renewed and is now set to expire in 2019. The license for XEJP-FM is set to expire in 2012. The licenses for XEDKR-AM (in Guadalajara) and XESTN-AM (in Monterrey) will expire in October and November 2015, respectively.

The licenses contain restrictions on the transfer of shares of the licensee, including the following: the transfer must be to a qualifying Mexican person; the transfer cannot result in a concentration of radio broadcasting holdings that may be contrary to the public interest; and the transfer cannot result in a gain to the seller. All such transfers are subject to prior notice to the SCT. In addition, any transfer of the license is subject to the prior approval of the SCT. A license may only be assigned if it has been in effect for more than three years, the licensee has complied with all of its obligations under the license and has obtained a favorable opinion of the Federal Competition Commission.

**Supervision of Operations.** The SCT, through Cofetel, conducts regular inspections of the operations of the radio stations, and the companies or persons to whom licenses have been granted must file annual technical, statistical, financial and legal reports with Cofetel.

Under Mexican law, radio programming is not subject to judicial or administrative censorship, except that programming is subject to various regulations, including prohibitions on foul language and programming that is contrary to the general principles of right conduct, national security or public order.

Radio programming is required to promote Mexico's cultural, social and ideological identity, and each licensee is required to make available each day up to 30 minutes of cultural or educational programming, or programming regarding family counseling or other social matters. The programming to be used to fulfill this requirement is provided to the broadcaster by the Mexican government.

Each licensee is required, during political campaigns, to provide a limited amount of broadcasting time free of charge to all registered political parties through the *Instituto Federal Electoral* ("IFE"). See "— Political Advertising."

**Networks.** There are no Mexican regulations governing the ownership and operation of a radio-broadcasting network, such as OIR's network, separate from the regulations applicable to operating a radio station.

**Restrictions on Advertising.** Mexican law regulates the type and contents of advertising that may be broadcast on radio. In addition, licensees are prohibited from broadcasting advertisements that are misleading. The advertisements of certain products and services are subject to restrictions or require government approval prior to their broadcast. Moreover, the Mexican government must approve any advertisement of lotteries or raffles, or any advertisement that promotes bonuses to consumers for purchasing products or services.

Mexican law also regulates the amount of advertising that may be broadcast in any day. Under Mexican regulations, no more than 40% of broadcast total time may be used for advertisements, divided proportionately among broadcasting hours.

The Company sets its minimum advertising rates and registers such rates with the SCT through Cofetel. Commercial airtime may not be sold at lower rates than those registered with the SCT. There are no restrictions on maximum rates that may be charged.

**Broadcast Tax.** Since 1969, all radio stations in Mexico have been subject to a tax payable by granting the Mexican government the right to use a portion of broadcast time. Radio stations must satisfy this tax by providing the Mexican government an amount of broadcasting time, that is currently fixed at 35 minutes, between the hours of 6:00 a.m. and midnight, in spots lasting between 20 to 30 seconds. The use of this time is not cumulative and any time not used by the Mexican government in any day is forfeited. The time must be distributed on a proportional and equitable basis throughout the relevant programming period. The programming of public service announcements provided by the Mexican government is prohibited from competing with the licensee's programming and, if it is made to promote the consumption of products or services, must be limited to general promotions of Mexico's goods and services.

**Political Advertising.** Several articles of the Mexican Constitution relating to political parties and elections were amended and became effective November 14, 2007. As a result, a new electoral code implementing the new amendments became effective on January 15, 2008, and replaced the current electoral code. The constitutional amendments and the new electoral code prohibit political parties from directly or indirectly purchasing broadcast time on any radio or television station. In addition, private individuals and entities are prohibited from purchasing advertising on radio or television aimed at influencing voter preferences.



The Mexican government is allotted a certain amount of time under the concession agreements with broadcasters and, in turn, gives a portion of that time to the IFE, to distribute this time among the political parties. The broadcast time that political parties receive through the IFE is free of charge and during primetime hours. The time allocated by IFE to political parties represents the only broadcast time at their disposal, as political parties are prohibited from purchasing broadcast time under the electoral code. IFE has supervisory powers and is able to administer sanctions for violations of the provisions of the electoral code.

**Other.** In 1993, the *Ley Federal de Competencia Económica* (“Federal Economic Competition Law”), a law to promote fair competition and to prevent monopolistic practices, became effective, and regulations thereunder were published in March 1998.

As a result of the increase in Grupo Radio Centro’s share of the Mexico City radio market following the RED acquisition, the Company is required by the Federal Competition Commission to seek its prior approval in connection with any future acquisitions of radio stations in Mexico, including, without limitation, purchases or leases of radio stations, interests in other radio concerns or transmission sites, irrespective of the size of such investments or their related audience share, a requirement to which, to the best knowledge of the Company, other Mexican broadcasting companies generally are not subject. Although the Company received Federal Competition Commission approval of its acquisition of XEN-AM in July 2001 because the Company sold two of its AM stations in 2000, no assurance can be given that the Company will be permitted by the Federal Competition Commission to make any additional investments should it desire to do so.

The 2006 amendments to the Federal Economic Competition Law have strengthened the authority of the Federal Competition Commission, expanded the definition of monopolistic practices, provided a more rigorous approval process for business combinations and established more stringent penalties, including substantially higher fines and the divestiture of assets. As a result of these amendments, it is possible that the Federal Competition Commission will more strictly enforce the Federal Economic Competition Law, which could restrict our operations.

The Federal Telecommunications Law was amended by the Mexican Congress in April 2006 and interpretive regulation were issued in October 2007. The amendments to the Federal Telecommunications Law subject radio and television broadcasting companies such as Grupo Radio Centro and its subsidiaries to the oversight of Cofetel. The Federal Telecommunications Law also covers the transmission of restricted radio signals and other telecommunications services at certain frequencies.

The Federal Telecommunications Law and the Federal Radio and Television Law expanded Cofetel’s authority to conduct public auctions of available radio and television frequencies. Under these laws, while the SCT retains the ultimate authority to issue licenses, Cofetel is permitted to engage in granting, prorogation, and completion of concessions, permissions and allocations to use and operate frequency bands attributed to the broadcasting service, acting as a branch of the SCT.

Mexican law prohibits ownership of radio broadcasting companies by non-Mexicans and Mexican corporations that allow foreign ownership of their voting securities. The adoption of the North American Free Trade Agreement did not change these Mexican regulations.

### ***Intellectual Property***

**Mexico.** Grupo Radio Centro (directly or through its subsidiaries) has registered or filed for registration with the *Instituto Mexicano de la Propiedad Industrial* (the Mexican Institute of Industrial Property) the following service marks (and their corresponding design, where indicated):

- “Radio Red”
- “Joya”
- “El Fonógrafo del Recuerdo”
- “Variedades”
- “Stereo Joya”
- “NotiCentro” (and design)
- “Sensación” (and design)
- “Universal” (and design)
- “Stereo 97.7”
- “Alegría”
- “Centro”
- “Formato 21”
- “Hoy”
- “OIR”
- “Palco Deportivo”
- “To2”

In addition, Grupo Radio Centro (directly or through its subsidiaries) has registered or filed for registration the following commercial slogans:

- “CRC Radiodifusión Internacional”
- “Grupo Radio Centro Radiodifusión de México al Mundo”
- “ORC Radiodifusión Valle de México”
- “OIR Radiodifusión Nacional”
- “Radio Centro, la Estación de la Gran Familia Mexicana”
- “SER, Servicios Especializados de Radiodifusión”

Grupo Radio Centro also obtained the following service marks in connection with the acquisition of RED:

- “Radio Programas de México”
- “RPM”
- “ALFA 91.3”
- “BANG”
- “UNIRED”
- “SERVIRED”
- “AUTORED”

**United States.** Grupo Radio Centro has registered on the principal register of the United States Patent and Trademark Office (the “USPTO”) the following service marks:

- “Radio Éxitos”
- “Radio Centro”
- “En Concierto”
- “Reinas de la Popularidad”
- “Frente a Frente . . . Fuera Máscaras”
- “Radio Sensación”
- “Radio Variedades”
- “Cadena Radio Centro CRC”

Grupo Radio Centro has also registered on the principal register of the USPTO a sound mark consisting of a series of musical notes and the words “Radio Variedades.”

### **Item 4A. Unresolved Staff Comments**

Not applicable.

### **Item 5. Operating and Financial Review and Prospects**

The following discussion should be read in conjunction with the Consolidated Financial Statements and the Notes thereto included elsewhere in this Annual Report. Grupo Radio Centro's Consolidated Financial Statements have been prepared in accordance with MFRS, which differ in certain respects from U.S. GAAP. Note 23 to the Consolidated Financial Statements provides a description of the principal differences between MFRS and U.S. GAAP, as they relate to Grupo Radio Centro, including differences related to certain cash flow information, and a reconciliation to U.S. GAAP of operating income, net income and shareholders' equity.



Among other things, MFRS requires that financial statements recognize certain effects of inflation. In accordance with these requirements, the Company has restated non-monetary assets and liabilities using the INPC, restated the components of shareholders' equity using the INPC, restated its fixed assets using the INPC, recorded gains or losses in purchasing power from holding monetary assets or liabilities and restated financial data for all periods in the Consolidated Financial Statements, and throughout this Annual Report, in constant pesos as of December 31, 2007. See Item 3, "Key Information—Selected Financial Data" and "—Effects of Inflation."

## General

Grupo Radio Centro's operating performance is dependent on a number of factors, including its ability to produce popular radio programs that attract the demographic segments of the radio audience sought by advertisers, its share of the total radio audience, the relative advertising cost efficiency of radio compared to other media, its competition, the strength of its radio signals and the quality of its sound, the rate of growth of the local and national economies and government regulation and policies. Grupo Radio Centro's revenue is generated mainly from the sale of commercial airtime. The primary operating expenses involved in owning and operating radio stations are employee salaries, programming expenses, promotion and advertising expenses and depreciation and amortization.

## Seasonality of Sales

Grupo Radio Centro's revenue varies throughout the year. Sales of commercial airtime, Grupo Radio Centro's primary source of revenue, are generally highest in the fourth quarter of the year and lowest in the first quarter of the year. In 2006, the general pattern changed as revenue from the sale of commercial airtime was highest in the second quarter due to increased advertising expenditures related to presidential and congressional political campaigns. Grupo Radio Centro historically has had sufficient cash flow from operations to meet its operating needs in all four calendar quarters.

The following table sets forth the Company's broadcasting revenue and broadcasting income (excluding depreciation, amortization and corporate, general and administrative expenses) on a quarterly basis, in each case as a percentage of its respective total, for 2007, 2006 and 2005.

	Broadcasting Revenue			Broadcasting Income		
	2007	2006	2005	2007	2006	2005
First quarter	19.1%	22.2%	18.0%	7.7%	21.6	9.7
Second quarter	22.2	29.5	23.8	19.2	31.9	19.8
Third quarter	27.1	22.9	27.3	31.4	18.5	31.8
Fourth quarter	31.6	25.4	30.9	41.7	28.0	38.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Historically, advertising expenditures by political campaigns have represented an important part of the Company's total broadcasting revenue. The following table sets forth the Company's broadcasting revenue from political parties for 2007 through 2000.

	2007	2006	2005	2004	2003	2002	2001	2000
Broadcasting revenue from political parties	0.2%	19.0%	2.3%	0.06%	21.1%	6.1%	0.1%	20.9%

While the Company's revenue increased significantly during the congressional elections that occur every three years, including in 2003 and 2006, an even more significant increase in revenue resulted from presidential elections, which occur every six years (coinciding with congressional elections), including 2000 and 2006. In connection with the July 2006 presidential and congressional elections, political advertising accounted for 19.0% of the Company's total broadcasting revenue in 2006. In 2007 and 2005, years in which no elections occurred, advertising by political parties constituted only 0.2% and 2.3%, respectively, of total broadcasting revenue. Mexico implemented electoral reform by amending its constitution in November 2007 and adopting a new electoral code in January 2008. The constitutional amendment and the new electoral code prohibit political parties from directly or indirectly purchasing broadcast time on any radio or television station. In addition, private individuals and entities are prohibited from purchasing advertising on radio or television aimed at influencing voter preferences. As a result of this change in law, we will no longer receive revenues from advertising by political campaigns, which will materially impact our revenues during election years. See Item 4, "Information on the Company—Business Overview—Broadcasting Operations—Sale of Airtime and Marketing."

### **Economic Conditions in Mexico**

Grupo Radio Centro's financial condition and results of operations are generally affected by the strength of the Mexican economy, as demand for advertising, revenue from which is the principal source of the Company's earnings, generally declines during periods of economic difficulty. The annual rate of inflation in Mexico, as measured by changes in the National Consumer Price Index, was 3.76% for 2007. Inflation for the first quarter of 2008 was 1.49%. The adverse effects of high inflation on the Mexican economy might result in lower demand for broadcast advertising.

### **Loss Contingency**

In 2002, Infored, S.A. de C.V. ("Infored") and José Gutiérrez Vivó initiated an arbitration proceeding against us, seeking the rescission of a production contract and damages. In March 2004, an arbitration panel of the International Chamber of Commerce notified us of its decision to rescind the contract and award Infored and Mr. Gutiérrez Vivó, collectively, U.S.\$ 21.1 million. As a result of the damages award, we recorded a provision for this contingent liability in the amount of U.S.\$21.1 million as of December 31, 2003. For the years ended December 31, 2005 and 2004, we also recorded Ps. 14.3 million and Ps. 7.0 million, respectively, in interest relating to this provision. As of March 31, 2006, the provision amounted to Ps. 253.6 million (nominal amount). We challenged the validity of the arbitration award, and on June 16, 2006, a Mexican court set aside and refused to enforce the arbitration award in Mexico. As a result, we reversed the provision and recorded it as an extraordinary income item in June 2006.

Following the June 2006 decision, legal proceedings have continued, and on June 12, 2008, the June 16, 2006 decision was reversed. We currently do not consider it necessary to record a provision for this matter because the June 2008 decision does not impose an obligation to pay the arbitration award and we intend to continue to challenge the award's validity in the Mexican courts. For a description of the legal proceedings related to this matter following the June 16, 2006 decision see Item 8, "Financial Information<sup>3</sup>4Other Information<sup>3</sup>4Legal and Arbitration Proceedings."

## Effects of Inflation

Under MFRS Bulletin B-10, the effects of inflation are recognized by presenting financial information in comparable monetary units in order to eliminate the distortion otherwise created by inflation in financial statements. MFRS additionally requires the following to account for the effects of inflation:

- non-monetary assets and stockholders' equity are restated for inflation based on the INPC;
- the gain or deficit from restated stockholders' equity includes the difference between the replacement cost method and the gain or deficit that would have been obtained based on the INPC;
- gains and losses in purchasing power from holding monetary assets and liabilities are recognized in the consolidated statement of income under comprehensive financing income; and
- all financial statements are restated in constant pesos as of the most recent balance sheet date.

Effective January 1, 2008, a new MFRS Bulletin B-10 will replace the prior Bulletin B-10. The major changes include the definition of the two economic environments in Mexico that will determine whether or not entities must recognize the effects of inflation on financial information: (i) inflationary—if the accumulated inflation rate for the preceding three years is equal to or greater than 26% (an 8% annual average inflation rate); and (ii) non-inflationary—if the accumulated inflation rate for the preceding three fiscal years is less than 26%. The new Bulletin B-10 establishes that an entity must recognize inflationary effects only when it operates in an inflationary environment and requires that the previously recorded deficit in equity restatement by inflation be reclassified to retained earnings. Based on current forecasts, we do not expect the Mexican economic environment to qualify as inflationary in 2008 or 2009, but that could change depending on actual economic performance.

As a result, we expect to present financial statements without inflation accounting beginning in 2008.

## Changes in MFRS

Note 3 to our Consolidated Financial Statements discusses new accounting pronouncements under MFRS that came into force in 2007. Some of these pronouncements have already been fully implemented in the financial statements included in this Annual Report. Others will require us to change our financial presentation in 2008 in ways that we do not expect to have a material effect on our results of operations and our balance sheet. Additionally, the cessation of inflation accounting, as described above, will also entail changes in accounting for foreign currency translation and for employee benefit obligations.

## Other Accounting Pronouncements

As of January 1, 2006, MFRS issued by the Mexican Board for Research and Development of Financial Standards (CINIF) became effective. MFRS are based on and replace the generally accepted accounting principles in Mexico (Mexican GAAP), which were in effect through December 31, 2005. MFRS consist of standards and interpretations issued by the CINIF, Mexican GAAP bulletins that have not been substituted or repealed by the new MFRS and the International Financial Reporting Standards (IFRS), which are applicable as a supplement to MFRS. The principal differences between Mexican GAAP and MFRS are:

- MFRS B-13 *Events Subsequent to the Date of the Financial Statements*. This section establishes that the restructuring of assets and liabilities as well as the waivers which assert the right of creditors to make payable indebtedness in the event of an entity's non-compliance with commitments of debt contracts which occur between the date of the financial statements and the date of issue need not be incorporated in the financial statements.
- MFRS B-3 *Statement of Income*. This section classifies income, costs and expenses as either ordinary or extraordinary and thereby eliminates the classification of certain extraordinary items established by Mexican GAAP. Additionally, the new section specifies the levels and headings to be included in the income statement.
- MFRS C-13 *Related Parties*. This section expands the classification of related parties to include, among others, close family members of key management personnel and directors. Also, the section specifies additional disclosure requirements for the notes to financial statements.
- MFRS D-6 *Capitalization of the Comprehensive Result of Financing*. This section requires the comprehensive result of financing to be capitalized under certain circumstances.

## **Critical Accounting Policies**

### ***Impairment Testing***

The Company is required to test for impairment of its long-lived assets in use, including goodwill and other intangible assets, at least on an annual basis. To calculate impairment loss of long-lived assets in use, it is necessary to determine the asset's recovery value. Recovery value is defined as the greater of the net sales price of a cash-generating unit of the asset and the asset's use value, which is the present value of estimated future cash flows. The determination of the underlying assumptions related to the recoverability of long-lived assets, including goodwill and other intangible assets, is subjective and requires the exercise of considerable judgment. Any changes in key assumptions about the Company's business and prospects, or changes in market conditions, could result in an impairment charge.

### ***Employee benefits***

The costs related to benefits to which employees are entitled as a result of seniority premiums and pension plans, in the case of union personnel, or by law or by Company grant, are recognized in the results of operations at the time services are rendered by employees, based on the present value of the benefits determined under actuarial estimates. The amortization of unrecognized prior service cost, which represents changes in assumptions and adjustments based on experience that has not been recognized, is based on the employee's estimated active service life. Other benefits to which employees may be entitled in accordance with Mexican law are recognized as an expense in the year in which they are paid.

The Company records a reserve for the estimated accrued seniority premiums, severance payments under certain circumstances and pension benefits, the amount of which is determined through actuarial estimates.

As of December 31, 2005, the Company adopted the new Bulletin D-3, which sets forth guidelines related to the recognition of severance payments under certain circumstances. As a result, the Company recognized a liability and net cost for 2005 amounting to Ps. 9.3 million.

## 2007 vs. 2006 Results of Operations

For the year ended December 31, 2007, broadcasting revenue was Ps. 654.8 million, a 20.7% decrease compared to the Ps. 825.6 million reported for the same period of 2006. The decrease was mainly attributable to a decrease in advertising expenditures by political parties, which purchased more airtime in 2006 in connection with the July 2006 presidential and congressional elections.

The Company's broadcasting expenses (excluding depreciation, amortization and corporate, general and administrative expenses) for the year ended December 31, 2007 were Ps. 422.0 million, an 8.3% decrease compared to the Ps. 460 million reported for the same period 2006. This decrease was primarily due to (i) a net decrease in the allowance for doubtful accounts, (ii) a decrease in sales commissions paid to the Company's sales force in connection with decreased sales of airtime, and (iii) a lower provision for severance payments to Company employees, for the year ended December 31, 2007 compared to 2006.

Broadcasting income (*i.e.*, broadcasting revenue minus broadcasting expenses, excluding depreciation, amortization and corporate, general and administrative expenses) for the year ended December 31, 2007 was Ps. 232.8 million, a 36.3% decrease compared to the Ps. 365.5 million reported for the same period of 2006. This decrease was mainly attributable to the decrease in broadcasting revenue described above.

Depreciation and amortization expense for the year ended December 31, 2007 was Ps. 33.7 million, a 9.4% decrease compared to the Ps. 37.2 million reported for the same period of 2006. This decrease was attributable to the fact that the Company no longer recorded depreciation on certain plant and transportation equipment whose useful lives ended after the fourth quarter of 2006.

The Company's corporate, general and administrative expenses for the year ended December 31, 2007 were Ps. 14.8 million, the same amount that was reported in 2006.

As a result of the foregoing, the Company reported operating income of Ps. 184.3 million for the year ended December 31, 2007, a 41.2% decrease compared to the Ps. 313.5 million in 2006.

Other expenses, net, for the year ended December 31, 2007 were Ps. 45.8 million, a 23.0% decrease compared to the Ps. 59.5 million of 2006. This decrease was mainly attributable to a decrease in legal expenses for the year ended December 31, 2007 compared to 2006, as well as non-recurring expenses incurred during 2006 in connection with the Company's 60th anniversary celebration.

The Company's comprehensive financing cost for the year ended December 31, 2007 was Ps. 5.9 million, an 85.3% decrease compared to the Ps. 39.8 million recorded for the same period of 2006. This decrease was mainly due to a decrease in interest expense for the year ended December 31, 2007 compared to 2006, due to (i) the Company no longer recorded interest on its bank debt after it paid off all outstanding debt in May 2006, and (ii) after selling certain accounts receivable, the Company classified as interest expense Ps. 27.8 million, which is equivalent to the excess of book value over the purchase price of the accounts receivable sold in December 2006. See "—2006 vs. 2005 Results of Operations."

For the year ended December 31, 2007, the Company reported income before extraordinary item and provisions of Ps. 132.6 million, a 38.1% decrease compared to the Ps. 214.1 million reported in 2006. This decrease was mainly attributable to the decrease in broadcasting revenue described above.

For the year ended December 31, 2007, the Company reported income before provisions for income tax and employee profit sharing of Ps. 132.6 million, a 72.2% decrease compared to the Ps. 477.6 million reported in 2006. In addition to higher broadcasting revenue, the 2006 period benefited from an extraordinary item of Ps. 263.5 million, resulting

from the reversal in June 2006 of the provision for the contingent liability related to the arbitration proceeding.

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The Company recorded provisions for income tax of Ps. 41.5 million for 2007, compared to Ps. 42.9 million in 2006.

As a result of the foregoing, the Company reported net income of Ps. 91.1 million in 2007, compared to net income of Ps. 434.7 million in 2006.

### **2006 vs. 2005 Results of Operations**

For the year ended December 31, 2006, broadcasting revenue was Ps. 825.6 million, a 29.4% increase from Ps. 638.2 million reported for the same period of 2005. This increase was mainly attributable to an increase in advertising expenditures by political parties in connection with the presidential and congressional elections that took place on July 2, 2006, as well as higher advertising expenditures by the Company's commercial clients compared to the same period of 2005.

The Company's broadcasting expenses (excluding depreciation, amortization and corporate, general and administrative expenses) for the year ended December 31, 2006 were Ps. 460 million, an 8.5% increase from the Ps. 423.9 million reported for the same period of 2005. This increase was primarily due to (i) an increase in sales commissions paid to the Company's sales force, outside agents and affiliated stations in connection with increased sales of airtime, (ii) a net increase in the allowance for doubtful accounts, and (iii) increased expenses related to additional advertising and marketing campaigns.

Broadcasting income (*i.e.*, broadcasting revenue minus broadcasting expenses, excluding depreciation, amortization and corporate, general and administrative expenses) for the year ended December 31, 2006, was Ps. 365.5 million, a 70.5% increase from Ps. 214.3 million reported for the same period of 2005. This increase was mainly attributable to the increase in broadcasting revenue, which more than offset the increase in broadcasting expenses.

Depreciation and amortization expense for the year ended December 31, 2006 totaled Ps. 37.2 million, a 7.0% decrease from Ps. 40.0 million reported for the same period of 2005. This decrease was mainly attributable to the fact that the Company no longer recorded depreciation for certain Company vehicles whose useful lives ended in the second quarter of 2006.

The Company's corporate, general and administrative expenses for the year ended December 31, 2006 were Ps. 14.8 million a slight increase from Ps. 14.6 million reported for the same period of 2005.

As a result of the foregoing, the Company reported operating income of Ps. 313.5 million for the year ended December 31, 2006, a 96.1% increase from Ps. 159.8 million reported for the same period of 2005.

The Company's comprehensive financing cost for the year ended December 31, 2006 was Ps. 39.9 million, a 190.9% increase from Ps. 13.8 million recorded for the same period of 2005. This increase was primarily due to:

- the cost attributable to the sale of certain accounts receivable described below, which was classified as interest expense,

- a decrease in gain on net foreign currency exchange, which was Ps. 0.8 million in 2006 compared to Ps. 11.3 million in 2005, due to the cancellation of a U.S. dollar-denominated contingent liability in 2006, and
- a loss on net monetary position of Ps. 2.6 million in 2006 compared to a gain of Ps 7.2 million in 2005, due to the fact that the Company repaid its bank debt in May 2006 and cancelled a contingent liability in June 2006, thus significantly reducing its monetary liabilities during the year.

The interest expense described in the prior paragraph resulted from the Company's sale in December 2006 for Ps. 12.4 million in cash of accounts receivable representing Ps. 40.4 million owed to it mainly by political parties in connection with purchases of airtime from 2003 to 2005. The Company had been unsuccessful in its attempts to collect the accounts receivable and, accordingly, had increased its allowance for doubtful accounts beginning in 2005. Following the sale, the Company classified as interest expense Ps. 27.9 million (which is equivalent to the difference between the book value and the purchase price of the accounts receivable), and reduced its allowance for doubtful accounts from Ps. 30.5 million to Ps. 13.3 million. The Company sold the accounts receivable because:

- it believed, based on its past efforts, that the accounts receivable were not recoverable, and
- the sale enabled the Company to take a tax deduction in connection with the unrecoverable accounts receivable, which deduction otherwise would not have been available without bringing legal proceedings against the customers.

The accounts receivable were sold to a company controlled by Francisco Aguirre G., Chairman of the Board of Directors of Grupo Radio Centro. See Item 7, "Major Shareholders and Related Party Transactions—Related Party Transactions—Sale of Doubtful Accounts Receivable."

Other expenses, net, for the year ended December 31, 2006 were Ps. 59.5 million, a 13.3% increase from Ps. 52.5 million reported for the same period of 2005. This increase was mainly attributable to higher legal expenses during 2006 compared to 2005 and expenses related to the Company's 60th anniversary celebration during 2006.

As a result of the foregoing, the Company reported income before extraordinary item and provisions for income tax and employee profit sharing of Ps. 214.1 million for the year ended December 31, 2006, a 129.0% increase from Ps. 93.5 million reported for the same period of 2005.

During 2006, the Company recorded extraordinary income of Ps. 263.5 million due to the reversal of a contingent liability provision recorded by the Company in 2003 minus accumulated foreign exchange loss and interest recorded by the Company in 2006 related to the provision.

For the year ended December 31, 2006, the Company reported income before provisions for income tax and employee profit sharing of Ps. 477.6 million, a 410.8% increase from Ps. 93.5 million reported for the same period of 2005, due to both the increase in operating income and the recording of extraordinary income.

For the year ended December 31, 2006, the Company recorded provisions for income tax and employee profit sharing of Ps. 42.9 million, an 83.3% increase from Ps. 23.4 million reported for 2005. This increase was primarily due to the increase in taxable income during 2006 compared to 2005.



As a result of the foregoing, the Company reported net income of Ps 434.6 million for the year ended December 31, 2006, a 520.1% increase from Ps. 70 million reported for the same period of 2005.

### **Liquidity and Capital Resources**

The Company's primary source of liquidity is cash flow from operations. The Company's operating activities provided Ps. 153.4 million in 2007, Ps. 264.7 million in 2006, and Ps. 149.8 million in 2005. Working capital at December 31, 2007 was Ps. 170.0 million and at December 31, 2006 was Ps. 133.5 million. Cash flow from operations historically has been sufficient to cover the Company's working capital needs. Nevertheless, at December 31, 2005, the Company had a working capital deficit of Ps. 123.0 million due to the recorded provision for the contingent liability in connection with the arbitration proceeding with Infored and Mr. Gutiérrez Vivó.

The Company expects to be able to meet its working capital needs in 2008 with cash flow from its operations. Grupo Radio Centro invests its cash balances generally in short-term peso instruments, including overnight and time deposits, repurchase agreements, certificates of deposit and commercial paper of certain Mexican issuers. The Company has not entered into any arrangements for the purpose of hedging interest rate or currency risk.

During 2007, the Company's principal use of funds, other than for operating purposes and capital expenditures was the payment of dividends in the amount of Ps. 71.9 million. In 2006, the Company's principal use of funds, other than for operating purposes and capital expenditures, was the payment of its total bank debt in the amount of Ps. 122.2 million (Ps. 113.2 million nominal amount) and the distribution to shareholders of Ps. 128.5 million (Ps. 120.0 million nominal amount) in the form of a capital reduction. In 2006, the Company also repurchased on the open market 918,800 Series A Shares at an aggregate cost of Ps. 9.1 million. During 2005, the Company's principal use of funds, other than operating purposes and capital expenditures, was the payment of indebtedness totaling Ps. 67.2 million (Ps. 56.6 million nominal amount) and the acquisition of all the outstanding shares of GRC Radiodifusión, S.A., an aircraft service company, for a total cash purchase price of Ps. 11.6 million (Ps. 10.8 million nominal amount), which included Ps. 8.3 million (Ps 7.7 million nominal amount) in excess book value. In 2005, the Company repurchased on the open market 133,300 Series A Shares at an aggregate cost of Ps. 1.6 million (Ps. 1.2 million nominal amount). Grupo Radio Centro may from time to time repurchase its outstanding equity securities if market conditions and other relevant considerations make such repurchases appropriate.

### ***Indebtedness***

**Undrawn Credit Facility.** On May 16, 2006, we entered into a credit facility with GE Capital CEF México, S. de R.L. de C.V. and Banco Inbursa S.A., Institución de Banca Múltiple, Grupo Financiero Inbursa for a secured, guaranteed peso-denominated loan in a principal amount equivalent to U.S.\$21.0 million. As of the date of this Annual Report, we have not drawn down on the line of credit. This contract was set to expire on June 16, 2008, but we have renewed the contract on similar terms through June 16, 2010. Amounts borrowed under the credit facility will be guaranteed by several of our subsidiaries and secured by a first priority lien on substantially all of our property, including our corporate headquarters and excluding any equipment used for broadcasting. The credit facility provides that, subject to certain conditions, we may draw down on it at any time before June 4, 2010. The principal other conditions to drawing down include that there be no material adverse change resulting in a loss or liability to us equivalent to 5% or more of our total assets (as such condition is more fully defined in the credit facility) and no material adverse change in the banking environment or international capital markets; that the loan be secured by a first priority lien on substantially all of our property in favor of the lenders; and that no event of default under the credit facility has occurred. The credit facility contains restrictive covenants and covenants requiring us to maintain quarterly financial ratios (using terms defined in the credit facility). The financial covenants include an interest coverage ratio of at least 2.5 to 1, a total debt to EBITDA ratio of no more than 3 to 1, a fixed charges coverage ratio of at least 1.75 to 1, a cash balance of at least U.S.\$ 1.75 million, and shareholders' equity of at least Ps. 850 million. If any of the conditions to draw down is not met, we will be unable to obtain funds under the credit facility.



We may use the proceeds of the credit facility for working capital purposes, as well as other corporate purposes. If we draw down on the credit facility, we will be required to repay the principal amount of the loan in 20 quarterly installments and make quarterly interest payments at an annual rate equal to the 28-day Mexican Interbank Equilibrium Interest Rate (*Tasa de Interés Interbancaria de Equilibrio* or *TIIE*) plus 3.0%.

### **Capital Reduction**

On August 1, 2006, we announced a reduction of fixed capital stock by a total of Ps. 120.0 million through a distribution to shareholders in the amount of Ps. 0.74016843063 per share. Ps. 70.0 million, or Ps. 0.43176491786 per share, was paid to shareholders on August 7, 2006. The remaining Ps. 50.0 million, or Ps. 0.30840351276 per share, was paid to shareholders on October 2, 2006.

### **Off-Balance Sheet Arrangements**

In 2007, the Company had no off-balance sheet arrangements that have or, in the opinion of the Company, are reasonably likely to have a current or future effect on the Company's financial condition.

### **Contractual Obligations**

As of December 31, 2007, we had no long-term debt obligations, capital lease obligations, operating leases, purchase obligations or other long-term obligations.

### **U.S. GAAP Reconciliation**

Net income under U.S. GAAP was Ps. 91.1 million for 2007, Ps. 434.7 million for 2006, and Ps. 70.1 million for 2005. The slight difference between net income under MFRS and U.S. GAAP for the years ended December 31, 2007, 2006 and 2005 was due to the treatment under U.S. GAAP of a minority interest in subsidiaries of the Company as a liability.

Operating income under U.S. GAAP for the years ended December 31, 2007, 2006 and 2005 was Ps. 138.5 million, Ps. 517.5 million and Ps. 107.3 million, respectively. The principal difference between operating income under U.S. GAAP and MFRS for the year ended December 31, 2006 was due to the Company's reversal of a Ps. 263.5 million contingency provision related to an arbitration proceeding. Under MFRS, the provision is recorded as an extraordinary item and under U.S. GAAP, the provision is charged against operating income. Upon reversal, the provisioned amount is recorded as extraordinary income under MFRS. In addition, with respect to all periods, certain other expenses, net of the Company that are classified as non-operating charges under MFRS are charged against operating income under U.S. GAAP.

Shareholders' equity under U.S. GAAP was Ps. 1,396.6 million at December 31, 2007, Ps. 1,378.0 million at December 31, 2006 and Ps. 1,072.2 million at December 31, 2005. In all years, the difference between shareholders' equity under MFRS and U.S. GAAP was mainly due to the treatment under U.S. GAAP of a minority interest in subsidiaries of the Company as a liability.

For a further discussion of the differences between MFRS and U.S. GAAP as they relate to Grupo Radio Centro, see Note 23 to the Consolidated Financial Statements. Pursuant to MFRS, Grupo Radio Centro's financial statements recognize certain effects of inflation in accordance with Bulletin B-10 and Bulletin B-12; these effects have not been reversed in the reconciliation to U.S. GAAP. Due to the Company's adoption of Bulletin D-4, the Company's financial statements for 2007, 2006 and 2005 include an expanded recognition of deferred taxes under MFRS that more closely parallels U.S. GAAP. Accordingly, there were no differences related to deferred taxes that had to be reconciled between Mexican and U.S. GAAP for purposes of the Consolidated Financial Statements (see Note 23 to the Consolidated Financial Statements).

## Item 6. Directors, Senior Management and Employees

### Directors

Management of the business of the Company is vested in the Board of Directors and the chief executive officer. Our bylaws provide that the Board of Directors consist of a minimum of seven and a maximum of 21 directors and an equal number of their respective alternate directors. The Company's shareholders elect each director and alternate director by simple majority vote at the annual ordinary general meeting. Alternate directors are authorized to serve on the Board of Directors in place of directors who are unable to attend meetings or otherwise participate in the activities of the Board of Directors. Directors and alternate directors may be Mexican or foreign, but both the majority of directors and the majority of alternate directors must be Mexican. Persons who have acted as external auditors of the Company or of companies that form a part of the Company's corporate group or consortium during the year prior to appointment may not be a director.

Of the total number of directors, and their respective alternate directors, at least 25% must be independent directors. Independent directors may not be individuals related to the Company, such as, among others, employees or officers of the Company, controlling shareholders, important clients, suppliers, debtors or creditors of the Company, or their respective shareholders, directors or employees. Alternate directors only serve in place of their respective regular directors and, in the case of alternate directors of independent directors, must also meet the requirements for independent directors.

The Board of Directors currently consists of 12 members. Alejandro Sepulveda de la Fuente is the Secretary to the Board of Directors. The current members of the Board of Directors were reelected at the annual shareholders meeting on March 6, 2008 for a one-year term. Their names, positions, ages and information on their principal business activities outside Grupo Radio Centro are listed below. In addition to the "other directorships" listed below, two Aguirre members of the Board of Directors, Francisco Aguirre and María Adriana Aguirre, sit on the boards of directors of various radio stations in Mexico.

Name	Position	Age	Years as director	Principal occupation	Other directorships
Francisco Aguirre G.	Chairman	66	8	Private investor	Chairman of the board of Grupo Radio México, S.A. de C.V.
María Esther Aguirre G.	First Vice Chairperson	68	8	Private investor	—
María Adriana Aguirre G.	Second Vice Chairperson	61	8	Private investor	—
Ana María Aguirre G.	Director	63	37	Private investor	—

<b>Name</b>	<b>Position</b>	<b>Age</b>	<b>Years as director</b>	<b>Principal occupation</b>	<b>Other directorships</b>
Carlos Aguirre G.	Director	53	8	Chief Executive Officer of Grupo Radio Centro	–
Rafael Aguirre G.	Director	50	15	Private investor	Director of the Quintana Roo branch of HSBC México, S.A. (formerly Banco Internacional, S.A.); Director of the Yucatan Peninsula branch of Banco Nacional de México, S.A.
José Manuel Aguirre G.	Director	45	8	Real estate investor	–
Pedro Beltrán N.	Director	64	6	Finance & Administrative Director and Chief Financial Officer of Grupo Radio Centro	–
Luis Alfonso Cervantes Muñiz	Director	52	3	Attorney	–
Gustavo Gabriel Llamas Monjardín	Director	45	3	Public accountant	–
Thomas Harold Raymond Moffet	Director	66	8	President of Amsterdam Pacific Capital, LLC (a financial advisory firm)	–
Luis Manuel de la Fuente Baca	Director	62	8	Financial advisor	–

Francisco Aguirre G., María Adriana Aguirre G., María Esther Aguirre G., Ana María Aguirre G., Carlos Aguirre G., Rafael Aguirre G. and José Manuel Aguirre G. are siblings. Until she passed away on June 23, 2008, their mother Ms. María Esther G. de Aguirre was the Honorary Chairperson of the Board of Directors of the Company.

Francisco Aguirre G., María Esther Aguirre G., María Adriana Aguirre G., Ana María Aguirre G., Carlos Aguirre G., Rafael Aguirre G. and José Manuel Aguirre G. are shareholders of the Company; Pedro Beltrán N. is an employee of the Company and Luis Alfonso Cervantes Muñiz is an advisor to affiliates of the Company; and Thomas Harold Raymond Moffet, Gustavo Gabriel Llamas Monjardín and Luis de la Fuente Baca are independent directors, as defined under the Mexican Securities Market Law.

The bylaws provide that the Board of Directors shall meet at least four times during each fiscal year. Each of the Chairman of the Board of Directors, the Chairman of the Audit Committee, the Chairman of the Corporate Practices Committee or at least 25% of the members of the Board of Directors is entitled to call a meeting of the Board and to include items in the agenda for each meeting.

The bylaws provide that holders of Series A Shares representing 10% of the capital stock of the Company shall be entitled to appoint one regular member of the Board of Directors and such member's alternate.

The bylaws also provide that the Board of Directors shall present to the shareholders at the annual shareholders meeting (i) the report on the transactions and activities in which it has been involved in accordance with the Mexican Securities Market Law, (ii) the report on the main accounting and information policies and criteria employed in the preparation of financial information, (iii) the reports prepared by the chairpersons of the Audit Committee and the Corporate Practices Committee and (iv) the report prepared by the chief executive officer together with the external auditors' report. The Board of Directors shall also present its opinion on the content of the report prepared by the chief executive officer.

The bylaws of the Company were amended on April 22, 2005 to provide that, independently and without prejudice to the exercise of the powers granted to the Board of Directors pursuant to Mexican law, the Board of Directors is entitled to grant or delegate in favor of the Audit Committee those powers that it deems necessary or convenient to comply with the legal and regulatory provisions applicable to the Company, as well as to determine the rules pursuant to which the Audit Committee shall exercise such powers, including the right to revoke or modify them.

The bylaws of the Company were further amended on July 31, 2006 in order to meet the requirements of the Mexican Securities Market Law. The amendments granted the Board of Directors and the Audit Committee greater authority and provided for the creation of the Corporate Practices Committee. The amendments to the bylaws also increased the authority that the Board of Directors may exert over the Company's accounting, auditing and internal control. With prior favorable opinion from the Audit Committee, the Board of Directors may approve the Company's financial statements, internal control and audit guidelines and accounting policies.

#### ***Executive Committee***

The Company's bylaws provide that at an ordinary general meeting, the shareholders may elect, by simple majority vote, an Executive Committee of five to seven members from among the Company's directors or alternate directors elected or designated at such shareholders meeting. The bylaws of the Company provide that the Executive Committee's operations are subject to the same rules applicable to the operation of the Board of Directors. Alternate Executive Committee members are authorized to serve on the Executive Committee in place of members who are unable to attend meetings or otherwise participate in the activities of the Executive Committee.

The current members of the Executive Committee are José Manuel Aguirre G. (chairman), Carlos Aguirre G. (vice-chairman), Ana María Aguirre G., María Esther Aguirre G., María Adriana Aguirre G., Rafael Aguirre G. and Francisco Aguirre G.

#### ***Audit Committee***

The Audit Committee consists of Thomas Harold Raymond Moffet, Gustavo Gabriel Llamas Monjardín and Luis Manuel de la Fuente Baca, with Mr. de la Fuente Baca acting as committee chairman. All three members of the Committee also serve on the Company's Board of Directors. The shareholders ratified the appointment of these members to the Audit Committee and Mr. de la Fuente Baca's appointment as committee chairman at the annual shareholders' meeting held on March 6, 2008. As required by our bylaws and applicable law, all members are independent as defined under Mexican Securities Market Law and Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). See Item 16A, "Audit Committee Financial Expert." In order for a meeting of the Audit Committee to be valid, the majority of its members must be present and the Audit Committee must adopt resolutions by majority vote.



The chairman of the Audit Committee may not also be the chair of the Board of Directors and is appointed and removed exclusively through a majority vote of the shareholders. The shareholders base their decision on the experience, ability and professional prestige of the appointee. The chairman of the Committee must submit an annual report on the activities of the Audit Committee to the Board of Directors.

The Audit Committee is responsible for assisting the Board in overseeing the activities of the Company. The members evaluate the performance, opinions and reports of the external auditor. In addition, the Audit Committee is responsible for regulation within the Company. The Committee investigates possible violations of internal guidelines and also verifies the establishment of internal controls and the filing of related information. Additionally, the Committee renders an opinion on the report regarding the financial information and results of operations of the Company, which is filed by the chief executive officer, and provides further information concerning that report to the Board of Directors.

The Audit Committee further assists the Board of Directors in oversight activities by requesting periodic meetings with executive officers. The Committee also monitors the filing of information related to the internal control systems and internal audits of the Company and is responsible for preparing an opinion on the report filed by the chief executive officer. Additionally, the Audit Committee is responsible for verifying that the chief executive officer abides by the resolutions adopted in shareholder meetings and by the Board of Directors.

#### *Corporate Practices Committee*

The Corporate Practices Committee consists of Thomas Harold Raymond Moffet, Gustavo Gabriel Llamas Monjardín and Luis Manuel de la Fuente Baca, with Mr. de la Fuente Baca acting as committee chairman. All three members of the Committee also serve on the Company's Board of Directors. The shareholders ratified the appointment of these members to the Corporate Practices Committee and Mr. de la Fuente Baca's appointment as committee chairman at the annual shareholders' meeting held on March 6, 2008. As required by our bylaws and applicable law, all members are independent as defined by the Mexican Securities Market Law and Rule 10A-3 of the Exchange Act. In order for a meeting of the Corporate Practices Committee to be valid, the majority of its members must be present and the Committee must adopt resolutions by majority vote.

In accordance with the Securities Market Law, the Corporate Practices Committee is responsible for rendering opinions to the Board of Directors and requesting the opinions of independent experts if the Committee considers it necessary. The Corporate Practices Committee assists the Board of Directors in generating reports on the main accounting policies and the criteria used to prepare the financial statements of the Company. The Committee also reports on the transactions and activities of the Company in which the Board of Directors intervened. The Committee may call shareholders' meetings and contribute items to the agenda when needed.

The chairman of the Corporate Practices Committee must submit an annual report on the activities of the Corporate Practices Committee to the Board of Directors. This report includes information regarding related party transactions, waivers granted and the performance and compensation of the Company's executive officers.



## Executive Officers

The executive officers of Grupo Radio Centro are as follows:

Name	Position	Years as officer	Years of service
Carlos Aguirre G.	Chief Executive Officer	29	34
Pedro Beltrán N.	Finance & Administrative Director and Chief Financial Officer	22	22
Arturo Yáñez F.	Auditing Director	24	24
Sergio González L.	Operations Director	24	24
Luis Cepero A.	Audio Engineering Director	25	47
Eduardo Stevens A.	Transmission Engineering Director	18	28
Gonzalo Yáñez V.	Marketing Director	8	11
Rodolfo Nava C.	Treasurer and Financial Information Manager	8	22
Alvaro Fajardo de la Mora	General Counsel	23	23
Luis Miguel Carrasco N.	Commercial Director	10	15

## Compensation

For the year ended December 31, 2007, the aggregate compensation for the executive officers of the Company paid or accrued in that year for services in all capacities was Ps 22.7 million, of which approximately Ps 5.6 million was paid in the form of bonus compensation. The bonus compensation amounts were determined based on various factors, including quarterly financial results and station ratings and rankings.

The total of payments to Executive Committee members for attendance at Executive Committee meetings during 2007 was Ps. 17.0 million. The total of payments to directors for attendance at Board of Director meetings during 2007 was Ps. 217,800. The total payments to Audit Committee members for attendance at Audit Committee meetings during 2007 was Ps. 474,660.

## Board Practices

None of the directors have entered into a service contract with the Company that provides for benefits upon termination of employment.

## Employees

At December 31, 2007, Grupo Radio Centro employed a total of 458 full-time employees, fewer than half of whom are members of the *Sindicato de Trabajadores de la Industria de Radio y Televisión, Similares y Conexos de la República Mexicana* (the Radio and Telecommunications Workers Union or the “Union”). The Company employed a total of 457 full-time employees at December 31, 2006 and a total of 422 full-time employees at December 31, 2005. Grupo Radio Centro also employs a varying number of temporary employees. During 2007, the Company employed an average of 68 temporary employees. All employees of Grupo Radio Centro work in Mexico City.

Negotiations with Union employees are conducted at the industry level pursuant to a national contract (the “*Contrato Ley*”) that is administered by the Union and that provides for general employment terms applicable to all Union employees, although particular enterprises within the radio broadcasting industry may negotiate separate contractual arrangements with the Union in the event exceptions from the *Contrato Ley* are desired. All of Grupo Radio Centro’s current contractual relations with Union employees are pursuant to the stated terms of the *Contrato Ley*. The current

*Contrato Ley* expires on January 31, 2010; however, salary increases are implemented annually. On February 1, the Company and the Union agreed to a 4.5% increase in salaries. Relations between Grupo Radio Centro, its workers and the Union have historically been good; there have been no material disputes between any of the radio broadcasting subsidiaries of Grupo Radio Centro and any of their employees since the founding of Grupo Radio Centro.

## Share Ownership

As of May 21, 2008, the Aguirre members of the Board of Directors had beneficial ownership, through a Mexican trust through which they hold Series A Shares, of 84,020,646 Series A Shares of the Company, representing 51.6% of the outstanding Series A Shares. See Item 7, “Major Shareholders and Related Party Transactions—Major Shareholders.”

None of the Company’s other directors or officers is the beneficial owner of more than 1% of the Company’s outstanding capital stock.

## Significant Differences between New York Stock Exchange Corporate Governance Standards and our Corporate Governance Practices

Pursuant to Section 303A.11 of the Listed Company Manual of the New York Stock Exchange, we have prepared a summary of the ways in which our corporate governance practices differ from those of U.S. companies under the NYSE’s corporate governance rules. This summary can be accessed on our web site at <http://www.grc.com.mx>. (This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to our web site. The information on our web site, which might be accessible through a hyperlink resulting from this URL, is not and shall not be deemed to be, incorporated into this Annual Report.)

## Item 7. Major Shareholders and Related Party Transactions

### Major Shareholders

The Company was incorporated as *Técnica de Desarrollo Publicitario, S.A. de C.V.* on June 8, 1971, with its principal shareholders being members of the Aguirre family. The Company has undergone several changes in nominal ownership, but ultimate control has always resided with the Aguirre family.

On June 3, 1998, all of the Series A Shares and CPOs owned by the Aguirre family, which had been held in a trust established by the Aguirre family in 1992 (the “Old Controlling Trust”), were divided into two trusts (the Old Controlling Trust and the “New Controlling Trust” and, together, the “Controlling Trusts”). Prior to the division, 50% of the Series A Shares and CPOs of the Company held by the Old Controlling Trust was held for the benefit of María Esther G. de Aguirre, with the remainder divided equally among her children. Simultaneously with the division, María Esther G. de Aguirre acquired a 50% interest in each of the Controlling Trusts and transferred those interests to her children in equal parts, but reserved her rights to vote and receive dividends in respect of the Series A Shares and CPOs previously held for her benefit (the “reserved rights”).

On May 25, 1999, four members of the Aguirre family made a gift of their interests in the Company’s Series A Shares and CPOs held by the Controlling Trusts to María Esther G. de Aguirre. On the same date, the Aguirre family amended the terms of the Controlling Trusts to transfer, on such date, the reserved rights held by María Esther G. de Aguirre to her children in equal parts and to transfer, upon the occurrence of certain events, the trust interests gifted to her by her four children to her seven other children—María Esther Aguirre G., Francisco Aguirre G., María Adriana Aguirre G., Ana María Aguirre G., Carlos Aguirre G., Rafael Aguirre G. and José Manuel Aguirre G.

On April 5, 2000, María Esther G. de Aguirre made a gift of her approximate 36% interest in the Controlling Trusts to her seven children holding interests in such trusts. Following this gift and an amendment of the terms of the Controlling Trusts to remove María Esther G. de Aguirre as grantor and beneficiary, those seven children owned, in equal parts, 100% of the interests in the Controlling Trusts. In 2003, all CPOs held by the Controlling Trusts were converted to Series A Shares.

In 2007, the Controlling Trusts were amended to change the trustee and consolidate the Controlling Trusts. Pursuant to agreements dated June 15, 2007, Bancomer, S.A. was replaced with Banco IXE S.A. as trustee of each Controlling Trust. Pursuant to an agreement dated June 18, 2007, the New Controlling Trust was dissolved and all of its assets were transferred to the Old Controlling Trust (now referred to simply as the “Trust”). The same seven members of the Aguirre family continue to own, in equal parts, 100% of the interests in the Trust. Under the terms of the Trust, the Series A Shares held by the Trust are ordinarily voted as directed by a majority of the beneficiaries of the Trust.

The following table sets forth certain information regarding the beneficial ownership of Series A Shares by beneficial holders of more than 5% of the outstanding Series A Shares as of June 17, 2008.

Name of Person or Group	Series A Shares Beneficially Owned	Percentage of Series A Shares <sup>(1)</sup>
The Trust	84,020,646	51.6%
María Esther Aguirre G.	84,020,695 <sup>(2)</sup> <sup>(3)</sup>	51.6%
Francisco Aguirre G.	84,020,646 <sup>(2)</sup>	51.6%
María Adriana Aguirre G.	84,020,646 <sup>(2)</sup>	51.6%
Ana María Aguirre G.	84,020,646 <sup>(2)</sup>	51.6%
Carlos Aguirre G.	84,020,646 <sup>(2)</sup>	51.6%
Rafael Aguirre G.	84,020,646 <sup>(2)</sup>	51.6%
José Manuel Aguirre G.	84,020,646 <sup>(2)</sup>	51.6%

(1) Percentages are based on 162,724,561 Series A Shares issued and outstanding as of April 15, 2008.

(2) All Series A Shares beneficially owned by the Trust (the “Family Shares”) are held for the benefit of the Aguirre Family and are deemed to be beneficially owned by each member of the Aguirre Family, each of whom is deemed to share power to vote or dispose, or direct the vote or disposition of, the Family Shares as a member of the Technical Committee of the Trust.

(3) Includes 49 Series A Shares beneficially owned by María Esther Aguirre G., in addition to the Family Shares.

The voting rights of the holders of Series A Shares not held in the form of CPOs or ADSs are identical.

The bylaws of the Company prohibit the ownership of Series A Shares by persons who do not qualify as Mexican investors. See Item 10, “Additional Information—Bylaws and Mexican Law—Limitations Affecting Non-Mexican Holders—Share Ownership.” At June 17, 2008, to the best knowledge of the Company, approximately 3.8% of the outstanding Series A Shares were represented by ADSs. It is not practical for the Company to determine the number of U.S. holders of CPOs or ADSs, the portion of each class of securities held in Mexico or the number of record holders in Mexico.

## **Related Party Transactions**

The Company engages in a variety of transactions with affiliates. Pursuant to the Company's bylaws, the operating rules of the Board of Directors and Mexican law, the Corporate Practices Committee of Company's Board of Directors must express an opinion on, and the Company's Board of Directors has exclusive power to approve, any transaction with a related party unless the transaction (i) is considered to be not material based on the value of the transaction; (ii) is entered into with a controlled entity, provided that such a transaction is either in the ordinary course of the Company's business and carried out at market price or supported in valuations prepared by external experts; or (iii) is entered into with employees, provided that the transaction is conducted under the same conditions as it would be for a client or as a result of general labor benefits.

### ***Family Control of OIR Network Affiliates***

In addition to their ownership interest in the Company, members of the Aguirre family owned or controlled 11 of the 110 affiliates in the network serviced by OIR at December 31, 2007. Affiliated stations owned or controlled by members of the Aguirre family accounted for approximately 11.7%, 12%, and 13.7% of OIR revenue (or 0.4%, 0.3%, and 0.3% of the Company's total broadcasting revenue) for the years ended December 31, 2007, 2006 and 2005, respectively. The Company has provided administrative and other services to such family-owned stations in the OIR network and under certain circumstances has provided commercial airtime to related parties, on terms that are more favorable than those provided to unrelated parties. The Company does not believe that such transactions have been material.

### ***Service Contract***

On January 5, 2000, Grupo Radio Centro entered into a contract with an entity owned by Francisco Aguirre G., Chairman of the Board of Directors of the Company, for an indefinite term pursuant to which this entity is compensated for consulting services and the sale of airtime provided to the Company by Mr. Aguirre. The Company incurred expenses under this contract totaling Ps. 3.6 million in 2007, Ps. 7.9 million in 2006, and Ps. 5.7 million in 2005. See Note 6 to the Consolidated Financial Statements.

### ***Sale of Doubtful Accounts Receivable***

In December 2006, the Company sold to an entity owned by Francisco Aguirre G. accounts receivable representing Ps. 40.3 million owed to it mainly by political parties in connection with purchases of airtime from 2003 to 2005 for a cash purchase price of Ps. 12.2 million. The Company had been unsuccessful in its attempts to collect the accounts receivable and, accordingly, increased its allowance for doubtful accounts beginning in 2005. The Company sold the accounts receivable because:

- it believed, based on its past efforts, that the accounts receivable were not recoverable, and
- the sale enabled the Company to take a tax deduction in connection with the unrecoverable accounts receivable, which deduction otherwise would not have been available without bringing legal proceedings against the customers. The Audit Committee ratified this transaction on February 19, 2007.

### ***Sale of Goods and Services***

The Company makes available to employees, including key management personnel, and directors and directors' family members goods and services obtained by the Company in barter transactions. These goods and services are offered to executive officers and directors at discounts that are comparable to the discounts offered to the Company's employees. The Company received a total of Ps. 1.6 million in 2007, Ps. 4.7 million in 2006 and Ps. 2.1 million in 2005 from executive officers and directors and their families in connection with these transactions. See Note 6 to the Consolidated Financial Statements.

### ***Attention to Aguirre Family Matters***

Carlos Aguirre G., the Chief Executive Officer, and to a lesser extent, Pedro Beltrán, the Chief Financial Officer, and Alvaro Fajardo, the General Counsel, have spent a portion of their time on Aguirre family matters for which the Company has not been separately compensated.

### ***Loans to Executive Officers and Directors***

From January 1, 2004 until June 2005, the Company extended credit to eight of its executive officers in compensatory transactions that are customary in Mexico. The maximum aggregate amount outstanding during this period was Ps. 0.9 million (nominal amount), and the loans had an annual rate of interest of up to 12.0%. These loans have been repaid in full.

In October 2006, the Company extended a loan in the amount of Ps. 3.2 million (nominal amount) to a company controlled by Ana María Aguirre G., a member of the board of directors. The loan bore interest at an annual rate of 10.5% and was repaid in full in May 2007. The proceeds of the loan were used for purposes unrelated to the business of the Company. Neither the Audit Committee nor the Corporate Practices Committee was asked to consider this transaction.

For further information regarding transactions between Grupo Radio Centro and related parties, see Note 6 to the Consolidated Financial Statements.

## **Item 8. Financial Information**

### **Consolidated Financial Statements**

See Item 18, "Financial Statements" and pages F-1 through F-40.

### **Other Information**

#### ***Legal and Arbitration Proceedings***

Through a series of transactions effected in 1995 and early 1996, the Company acquired five radio stations owned by RED as well as the exclusive radio broadcasting rights to *Monitor*, a news and talk radio program. On December 23, 1998, the Company entered into an agreement with Infored and Mr. Gutiérrez Vivó, the principal anchor of *Monitor*, to provide the Company with original news programs and special-event productions for radio until 2015 (the "Infored Agreement"). The Infored Agreement provided that Mr. Gutiérrez Vivó would continue as *Monitor*'s host until at least the end of 2003.

In May 2002, Mr. Gutiérrez Vivó and Infored initiated an arbitration proceeding pursuant to which they sought rescission of the Infored Agreement and damages. On March 1, 2004, the International Chamber of Commerce, or the

ICC, notified the Company that, by majority vote of two of the three arbitrators, the ICC panel held that the Company was in breach of its contract with Infored and Mr. Gutiérrez Vivó. As a result, the contract was rescinded and Infored and Mr. Gutiérrez Vivó together were awarded a total of U.S.\$21.1 million in damages, which represents the amount the Company would be required to pay under the contract after taking into account prepayments made by the Company. The Company challenged the validity of this decision in the Mexican courts and, on November 11, 2004, Civil Judge 63 of the Federal District Superior Tribunal of Justice, set aside the arbitration award. On August 11, 2005, District Judge 6 of Civil Matters granted Infored and Mr. Gutiérrez Vivó an *amparo*, in effect overturning the November 2004 decision. On August 25, 2005, the Company challenged District Judge 6's ruling in a proceeding before the Federal District's Thirteenth Circuit Court of Civil Matters. On June 16, 2006, the Federal District's Thirteenth Circuit Court of Civil Matters ratified the decision of the Civil Judge 63 of the Federal District Superior Tribunal of Justice to set aside the arbitration award and refused to enforce the arbitration award in Mexico.

Following an appeal by Infored and Mr. Gutiérrez Vivó, on January 30, 2007, the Mexican Supreme Court (*La Suprema Corte de Justicia de la Nación*), in a 5-4 decision based on procedural grounds, reversed the Federal District's Thirteenth Circuit Court of Civil Matters' decision that had ratified a lower court's decision to set aside the arbitration award. The Supreme Court remanded the case to the Thirteenth Circuit Court, instructing the court to reexamine the matter under different procedural rules, which required the court to review the merits of the case. On June 12, 2008, the Thirteenth Circuit Court reversed its prior decision, granted the *amparo* of Infored and Mr. Gutiérrez Vivó and denied the *amparo* of the Company. The June 2008 decision does not constitute an order to pay the arbitration award, the enforcement of which remains subject to lower court review. The Company plans to continue to challenge the validity of the arbitration award in the Mexican courts. If the Company is ultimately unsuccessful in challenging the enforcement of the arbitration award in Mexico, it will be required to finance any amounts due (see Item 5, "Operating and Financial Review and Prospects—Indebtedness"), and such additional indebtedness may have a material effect on the Company's financial condition and results of operations.

The Company is involved in various other legal proceedings related to the Infored and Gutiérrez Vivó transaction. These proceedings have been suspended pending a final determination on the arbitration results. The Company and a subsidiary, along with four minority shareholders, initiated two lawsuits against Mr. Gutiérrez Vivó and Ms. María Ivonne Gutiérrez Vivó to seek rescission of the stock purchase agreement entered into as an "accessory contract" to the Infored Agreement. One case pertains to the shares of the licensee of the radio station formerly known as XEJP-AM (now XENET-AM), while the other case pertains to the shares of the licensee of the radio station formerly known as XEFAJ-AM (now XEINFO-AM).

The Company is involved in a variety of labor claims initiated by former employees between 2000 and 2004 seeking an aggregate amount of approximately Ps. 49.0 million. The Company has not recorded a provision for these claims, as the Company's management believes that the cases will be resolved in favor of the Company.

Other than proceedings related to labor claims and proceedings related to the arbitration with Infored described above, neither the Company nor any of its subsidiaries is currently engaged in any material litigation or arbitration, and no material litigation or claim is known to the Company to be pending or threatened against the Company or any of its subsidiaries.



**Dividend Policy**

The table below sets forth each of the dividends paid by the Company during the period 2003-2007, together with per-Series A Share (in nominal pesos and U.S. dollars) and per-ADS amounts translated into U.S. dollars at the exchange rate in effect on each of the respective payment dates.

<b>Date Dividend Paid</b>	<b>Fiscal Year with Respect to which Dividend Paid<sup>(1)</sup></b>	<b>Aggregate Amount of Dividend Paid (Nominal Pesos)</b>	<b>Dividend Per Series A Share (Nominal Pesos)<sup>(2)</sup></b>	<b>Dividend Per Series A Share (U.S. dollars)<sup>(2)</sup></b>	<b>Dividend Per ADS (U.S. dollars)<sup>(2)(3)</sup></b>
August 22, 2003	2002	Ps. 55,000,000	0.34	0.03	0.28
May 7, 2007	2006	Ps. 70,000,000	0.43	0.04	0.36
March 14, 2008	2007	Ps. 100,000,000	0.61	0.06	0.51

(1) The Company paid no dividends with respect to 2003, 2004 or 2005.

(2) Per Series A Share and ADS amounts are calculated based on number of shares outstanding on the date of payment of the dividend.

(3) Nominal peso amounts have been translated to U.S. dollar amounts at the noon buying rate for pesos on the date of payment of the dividend, as published by the Federal Reserve Bank of New York.

The amount of future dividends will depend upon Grupo Radio Centro's operating results, financial condition and capital requirements and upon general business conditions. The declaration, amount and payment of dividends are determined by a majority vote of the holders of the Series A Shares, generally upon the recommendation of the Company's Board of Directors. See Item 10, "Additional Information—Bylaws and Mexican Law—Dividends."

On August 1, 2006, the Company reduced its fixed capital stock by a total of Ps. 128.5 million (Ps. 120.0 million nominal amount) through the payment of cash to its shareholders on August 7 and October 2, 2006. The payment was made with cash flow from operations. See Item 5, "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital Reduction."

**Item 9. The Offer and Listing**

Since July 1, 1993, the CPOs and the ADSs have been listed on the Mexican Stock Exchange and the NYSE, respectively. The ADSs have been issued by the Depository. Each ADS represents nine CPOs. Each CPO represents a financial interest in one Series A Share.

The CPOs were originally issued by Nacional Financiera, S.N.C., Institución de Banca de Desarrollo, Dirección Fiduciaria ("Nafin") as trustee for the trust (the "CPO Trust") created by the trust agreement, dated May 24, 1993, as amended, among the Old Controlling Trust and the Company, as grantors, and Nafin, as CPO trustee. At a general meeting of the Company's shareholders on April 25, 2003 and a general meeting of the CPO holders on May 19, 2003, the shareholders and CPO holders approved several amendments to the CPO Trust. On June 27, 2003, the parties to the CPO Trust agreement entered into an amended and restated CPO Trust agreement (the "Amended CPO Trust Agreement"), reflecting those amendments, including the following:

·Nafin was replaced as the CPO trustee by GE Capital Bank, S.A., Institución de Banca Múltiple, GE Capital Grupo Financiero, División Fiduciaria, as successor trustee for the CPO Trust (the “CPO Trust”).

- The term of the CPO Trust was extended 20 years until June 29, 2023 (which term may be further extended).
- On June 30, 2003, all CPOs held by holders that qualified as Mexican investors, as defined in the Company’s bylaws (see Item 10, “Additional Information—Bylaws and Mexican Law—Limitations Affecting Non-Mexican Holders”), were exchanged for Series A Shares held in the CPO Trust. As of June 30, 2003, qualifying Mexican investors held Series A Shares and no longer held CPOs. Non-Mexican holders of CPOs as of June 30, 2003 continued to hold CPOs and, as holders of CPOs, are not entitled to withdraw the Series A Shares held in the CPO Trust.

In connection with the Amended CPO Trust, the Series A Shares commenced trading on the Mexican Stock Exchange under the symbol “RCENTRO.A” on June 30, 2003. The Series A Share listing is deemed to include the CPOs, such that the Series A Share trading line will reflect trading of both Series A Shares and CPOs.

Holders of CPOs are able to sell their CPOs (i) to a non-Mexican investor, in which event the non-Mexican investor would receive such CPOs, or (ii) to a Mexican investor, in which event the Mexican investor would receive the Series A Shares underlying such CPOs, directly or by keeping them deposited at an account at Indeval, maintained by such investor or by an authorized institution. Indeval or S.D. Indeval, S.A. de C.V., *Institución para el Depósito de Valores* is a privately owned securities depository that acts as a clearinghouse for Mexican Stock Exchange transactions.

The 2003 amendments to the CPO Trust did not affect the rights or interests of holders of ADSs.

### Price History

The following table sets forth, for the periods indicated, the reported high and low sale prices for the Series A Shares and the CPOs on the Mexican Stock Exchange (on a nominal basis) and the reported high and low sale prices for the ADSs on the NYSE.

	Mexican Stock Exchange		New York Stock Exchange	
	Amounts per Series A Share and per CPO (in nominal pesos)		Amounts per ADS (in U.S. dollars)	
	High	Low	High	Low
<b>2003</b>	8.50	2.40	7.45	1.61
<b>2004</b>	8.48	5.30	7.14	4.05
<b>2005</b>	9.92	8.08	7.75	6.45
<b>2006</b>	13.10	7.15	10.75	5.50
First quarter	8.50	7.15	7.68	5.66
Second quarter	9.50	7.15	7.00	5.50
Third quarter	8.30	7.49	6.59	6.10
Fourth quarter	13.10	7.40	10.75	6.10
<b>2007</b>	18.95	12.30	15.65	8.90
First quarter	15.60	12.30	12.62	9.67
Second quarter	18.95	14.96	15.50	11.82
Third quarter	18.40	15.01	15.65	12.11
Fourth quarter	16.01	14.51	13.50	8.90

	Mexican Stock Exchange		New York Stock Exchange	
	Amounts per Series A Share and per CPO (in nominal pesos)		Amounts per ADS (in U.S. dollars)	
	High	Low	High	Low
<b><u>Most Recent Six Months</u></b>				
December 2007	16.00	14.51	13.25	9.20
January 2008	16.00	14.50	12.58	11.78
February 2008	15.00	12.00	12.09	9.63
March 2008	13.00	12.00	11.11	9.93
April 2008	14.00	13.00	11.70	10.60
May 2008	13.50	13.30	13.99	11.21

### Trading on the Mexican Stock Exchange

The Mexican Stock Exchange, located in Mexico City, is the only stock exchange in Mexico. Founded in 1907, it is organized as a corporation whose shares are currently held by brokerage firms that are exclusively authorized to trade on the Exchange. Trading on the Mexican Stock Exchange takes place through the *Sentra*, an automated system; the Exchange's opening and closing times are fixed so that the Exchange's trading day coincides with the trading day of the NYSE. The Mexican Stock Exchange operates a system of automatic suspension of trading in shares of a particular issuer as a means of controlling excessive price volatility, but under current regulations this system does not apply to securities, such as the CPOs, that are directly or indirectly (for example, through ADSs) quoted on a stock exchange (including, for these purposes, the NYSE) outside Mexico.

Settlement is effected three business days after a share transaction on the Mexican Stock Exchange. Deferred settlement, even by mutual agreement, is not permitted without the approval of the CNBV. Most securities traded on the Mexican Stock Exchange, including those of Grupo Radio Centro, are on deposit with Indeval.

### Item 10. Additional Information

#### BYLAWS AND MEXICAN LAW

Set forth below is certain information concerning the Company's capital stock and a brief summary of certain significant provisions of the Company's bylaws and Mexican law. This description does not purport to be complete and is qualified by reference to Mexican law and the bylaws of the Company, which have been filed as an exhibit to this Annual Report. For a description of the Company's bylaws relating to the Board of Directors, Executive Committee, Audit Committee and Corporate Practices Committee, see Item 6, "Directors, Senior Management and Employees."

The bylaws of the Company were amended on July 31, 2006 to incorporate provisions required by the Mexican Securities Market Law. The most recent amendment to the bylaws was on December 13, 2006.

## **Mexican Securities Market Law**

On December 30, 2005, a new Mexican Securities Market Law was enacted. The law became effective on June 28, 2006 and, in some cases, it provided issuers until December 2006 to adopt the new corporate governance requirements. The Securities Market Law introduces significant changes to the regime in which issuers operate, including:

- the establishment of the sociedad anónima bursátil, a separate corporate form of organization for issuers with stock registered with the CNBV and listed on the Mexican Stock Exchange, which provides for a new set of corporate governance requirements;
- the redefinition of the functions and structure of the board of directors, including (i) increasing the number of members of the board of directors (up to 21, with independent members comprising at least 25%) and (ii) requiring that the status of members of the board of directors as independent be determined by the shareholders' meeting, subject to the CNBV's authority to challenge such determination;
- the application of a legal framework to the chief executive officer (director general) and executive officers (directivos relevantes) entrusted with the day-to-day management of the issuer;
- the adoption of a clear definition of fiduciary duties, including but not limited to the duty of care and the duty of loyalty, for members of the board of directors and, in certain cases to its secretary, the chief executive officer and other executive officers;
- the increase in liability for members of the board of directors and its secretary with respect to the operations and performance of the issuer, including (i) payment of damages and losses resulting from the breach of their duty of care or loyalty and (ii) criminal penalties from one to 12 years of imprisonment for certain illegal acts involving willful misconduct. Civil actions under (i) above may be brought by the issuer or by shareholders that represent 5% or more of the capital stock of the issuer; and criminal actions under (ii) above may be brought by the issuer, the Secretaría de Hacienda y Crédito Público (Mexican Ministry of Finance and Public Credit) after consultation with the CNBV, and in certain cases, by injured shareholders;
- the elimination of the requirement that the issuer have a statutory auditor and the delegation of specific obligations of corporate governance and oversight to the audit committee, the corporate practices committee and the external auditors;
- the requirement that all the members of the audit and corporate practices committees be independent as such term is defined under the new law, except with respect to the corporate practices committee in the case of issuers like us that have controlling shareholders;
- the enhancement of the functions and responsibilities of the audit committee, including (i) the evaluation of the performance of the external auditor, (ii) the review and discussion of the financial statements of the issuer and the conveyance to the board of directors of the committee's recommendations regarding the approval of such financial statements, (iii) the surveillance of internal controls and internal audit procedures of the issuer, (iv) the reception and analysis of recommendations and observations regarding the committee's functions by the shareholders, members of the board of directors and senior management, and the authority to act upon such recommendations and observations, (v) the authority to call a shareholders' meeting and to contribute to the meeting's agenda and (vi) the oversight of the execution of resolutions enacted at meetings of shareholders or the board of directors;

- the requirement that the shareholders' meeting approve all transactions that represent 20% or more of the consolidated assets of the issuer within a given fiscal year; and
- the inclusion of a new set of rules requiring an issuer to obtain prior authorization from the CNBV to effect public offerings of securities and tender offers.

### **Organization and Register**

The Company was incorporated on June 8, 1971, as a Mexican limited liability stock company (*sociedad anónima de capital variable*) in accordance with Chapter V of the *Ley General de Sociedades Mercantiles* (the "Mexican Companies Law"). It was registered in the *Registro Público de Comercio de la Ciudad de México* (the "Public Registry of Commerce of Mexico City") on August 28, 1992 under number 20694. Pursuant to the new Mexican Securities Market Law, Grupo Radio Centro adopted the corporate form of *sociedad anónima bursátil de capital variable* on July 31, 2006 through an amendment to its bylaws.

### **Purpose**

The Company's purpose is, among others, to market advertising services through media as well as to represent or act as an agent of all types of associations, civil or commercial companies, services, industrial or commercial corporations and in general, Mexican or foreign individuals or entities and to provide consulting and technical assistance services related to accounting, commercial, financial, tax, legal or administrative issues for companies in which it is a shareholder or for other third parties.

### **Share Capital**

The capital stock of the Company consists of Series A Shares. In addition to Series A Shares, the bylaws permit the issuance, upon the approval of competent authorities such as the Ministry of Economy and of the CNBV, of special series of shares including those with limited or no voting rights.

### **Voting Rights**

Each Series A Share entitles the holder thereof to one vote at any meeting of the shareholders of the Company. Holders of CPOs are not entitled to exercise the voting rights corresponding to the Series A Shares held in the CPO Trust. Such voting rights are exercisable only by the CPO Trustee, which is required to vote all such Series A Shares in the same manner as the holders of a majority of the Series A Shares that are not held in the CPO Trust and that are voted at a shareholders meeting. See "—Limitations Affecting Non-Mexican Holders—Voting Rights."

### **Shareholders Meetings**

General shareholders meetings may be ordinary meetings or extraordinary meetings. Extraordinary general meetings are those called to consider certain matters specified in Article 182 of the Mexican Companies Law and the Company's bylaws, including, among others, amendments to the bylaws, liquidation, and merger and transformation from one form of company to another. In addition, the Company's bylaws require an extraordinary general meeting to consider the removal of the Company's capital stock from listing on the Mexican Stock Exchange.

An ordinary general meeting of the holders of Series A Shares must be held at least once each year to consider the approval of the financial statements of the Company for the preceding fiscal year, to elect directors for holders of Series A Shares and members of the Executive Committee, to determine the allocation of the profits or losses of the preceding year and to consider approval of the report on the Company's repurchase and sale of shares and the report on the actions of the Audit Committee.

The quorum for an ordinary general meeting of the Series A Shares in first call is 50% of such shares, and action may be taken by a majority of the Series A Shares present. If a quorum is not available, a second meeting may be called at which action may be taken by a majority of the Series A Shares present, regardless of the number of such shares. The quorum for an extraordinary general meeting is 75% of the Series A Shares. If a quorum is not available, a second meeting may be called, provided that at least 50% of the Series A Shares entitled to vote are present. Actions at an extraordinary general meeting may be taken by a 50% vote of all outstanding Series A Shares on first and successive calls.

Shareholders meetings may be called by the Board of Directors, the Audit Committee, the Corporate Practices Committee or a court. Holders of 10% of the Series A Shares may require the chairpersons of the Board of Directors, the Audit Committee or the Corporate Practices Committee to call a meeting of the shareholders. Additionally, in the event that holders of shares with full or limited voting rights representing 10% of the capital stock of the Company do not have sufficient information on the matters to be voted on, those shareholders may request one postponement of shareholders' meetings per matter. These postponements may be extended for up to three business days if necessary. Notice of meetings must be published in the *Diario Oficial de la Federación* or a newspaper of general circulation in Mexico City at least 15 days prior to the meeting. In order to attend a meeting, shareholders must deposit their Series A Shares with the Company's Secretary at its office in Mexico City or any appointed registrar, or submit certificates evidencing a deposit with Indeval. If entitled to attend the meeting, a shareholder may be represented by proxy. The directors of the Company may not act as proxies. Holders of the Company's shares, with full or limited voting rights, representing 20% of the capital stock of the Company have the right to seek judicial remedies to block any actions taken by the shareholders with respect to which such holders have the right to vote. Holders of CPOs and ADSs representing CPOs are not entitled to call shareholders meetings or seek judicial remedies to block actions taken by the shareholders.

## **Dividends**

At the annual ordinary general meeting of holders of Series A Shares, the Board of Directors submits the financial statements of the Company for the previous fiscal year, together with a report thereon by the Board, to the holders of Series A Shares for approval. The holders of Series A Shares, once they have approved the financial statements, determine the allocation of the Company's net profits for the preceding year. They are required by law to allocate at least 5% of such net profits to a legal reserve, which is not thereafter available for distribution except as a stock dividend, until the amount of the legal reserve equals 20% of the Company's historical capital stock (before effect of restatement). See Note 17 to the Consolidated Financial Statements. Thereafter, the shareholders may determine and allocate a certain percentage of net profits to any special reserve, including a reserve for open-market purchases of the Company's Series A Shares. The remainder of net profits is available for distribution. All Series A Shares outstanding and fully paid at the time a dividend or other distribution is declared are entitled to share equally in such dividend or other distribution. Series A Shares that are only partially paid participate in dividends or other distributions in the same proportion that such Series A Shares have been paid at the time of the dividends or other distributions.

## **Liquidation**

Upon liquidation of the Company, one or more liquidators may be appointed to wind up its affairs. All fully paid and outstanding Series A Shares will be entitled to participate equally in any distribution upon liquidation. Series A Shares that are only partially paid participate in such distribution upon liquidation in the proportion that they have been paid at the time of liquidation.

## **Preemptive Rights**

Except as described below, in the event of a capital increase, a holder of existing Series A Shares has a preferential right to subscribe for a sufficient number of Series A Shares to maintain the holder's existing proportionate holdings of Series A Shares. Shareholders will not have preemptive rights to subscribe for Series A Shares issued (i) in connection with mergers or (ii) on the conversion of convertible debentures, if an extraordinary general shareholders meeting called for such purpose approved such issuance or conversion and waived preemptive rights in connection therewith in accordance with the procedures specified in the Company's bylaws. Preemptive rights must be exercised within 15 days following the publication of notice of the capital increase in the *Diario Oficial de la Federación*. Under Mexican law, preemptive rights cannot be waived in advance and cannot be represented by an instrument that is negotiable separately from the corresponding share. Holders of CPOs or ADSs that are U.S. persons or located in the United States will be unable to participate in the exercise of such preemptive rights absent registration of the preemptive rights offering under the Securities Act, which the Company is not obligated to do.

Under the new Mexican Securities Market Law, however, if Grupo Radio Centro were to increase its capital stock to effect a public offering of newly issued shares or were to resell any repurchased shares, no preemptive rights would be available to the holders of outstanding shares as a result of the issuance or resale.

## **Variable Capital**

Under the Company's bylaws and Mexican law, the Company's capital stock must consist of fixed capital and may have, in addition, variable capital. Shares of the Company's fixed capital stock are called Class I shares and shares of the Company's variable capital stock are called Class II shares. The fixed portion of the Company's capital stock may only be increased or decreased by resolution of an extraordinary general meeting of shareholders, whereas the variable portion of the Company's capital stock may be increased or decreased by resolution of an ordinary or extraordinary general meeting of shareholders. Increases and decreases in the variable portion of the capital stock must be recorded in the Company's book of capital variations.

Currently, the Company's outstanding capital stock consists only of fixed capital. In the event the Company should have any outstanding variable capital, its outstanding shares will not be specifically assigned to the fixed or variable portion.

## **Limitations Affecting Non-Mexican Holders**

### ***Share Ownership***

Ownership by non-Mexican investors of shares of Mexican enterprises is regulated by the 1993 *Ley de Inversión Extranjera* (the "Foreign Investment Law"), as amended, and the 1998 *Reglamento de la Ley de Inversión Extranjera y del Registro Nacional de Inversiones Extranjeras* (the "Foreign Investment Regulations") thereunder. The *Secretaría de Economía* (the Ministry of Economy) and the *Comisión Nacional de Inversiones Extranjeras* (the "Foreign Investment Commission") are responsible for the administration of the Foreign Investment Law and the Foreign Investment Regulations.





The Foreign Investment Law reserves certain economic activities exclusively for the state and reserves certain other activities (such as radio broadcasting) exclusively for Mexican individuals or Mexican corporations the bylaws of which contain a prohibition on ownership by non-Mexicans of the corporation's voting securities. However, the Foreign Investment Law allows foreign investors to own non-voting securities, such as the CPOs, of companies subject to foreign investment restrictions.

In addition to the limitations established by the Foreign Investment Law, the Federal Radio and Television Law and the licenses granted by the SCT provide restrictions on ownership by non-Mexicans of shares of Mexican enterprises holding licenses for radio, such as those held by Grupo Radio Centro.

In order to comply with these restrictions, the Company's bylaws limit ownership of Series A Shares to qualifying Mexican investors. A holder that acquires Series A Shares in violation of the restrictions on non-Mexican ownership will have none of the rights of a shareholder with respect to those shares. The Company, however, has received approval from the Foreign Investment Commission to have up to 73.5% of its capital stock represented by CPOs issued by the CPO Trust. The CPOs do not have any restrictions on non-Mexican ownership, except that foreign governments or their agencies may not own them. The foregoing restriction does not prevent foreign state-owned enterprises organized as separate entities with their own assets to own CPOs. Pursuant to the Amended CPO Trust Agreement, the CPOs may be owned only by holders that do not qualify as Mexican investors as defined in the Company's bylaws. A holder that acquires CPOs in violation of the restrictions on Mexican ownership will have none of the rights of a CPO holder with respect to those CPOs.

The Foreign Investment Law and Foreign Investment Regulations also require that the Company register any foreign owner of its shares, or the depositary with respect to ADSs or global depositary shares representing its shares or ordinary participation certificates representing such shares, with the *Registro Nacional de Inversiones Extranjeras* (National Registry of Foreign Investment). A foreign owner of Series A Shares that has not been registered is not entitled to vote such Series A Shares or to receive dividends with respect to such Series A Shares. The *Dirección General de Inversión Extranjera* (General Directorate of Foreign Investment) has informed Grupo Radio Centro that it is not required to register any foreign owner of CPOs.

### ***Voting Rights***

Each Series A Share entitles the holder thereof to one vote at any meeting of the shareholders of the Company. Holders of CPOs (and holders of ADSs representing CPOs) are not entitled to exercise voting rights with respect to the Series A Shares underlying such CPOs. Pursuant to the terms of the Amended CPO Trust Agreement, the CPO Trustee votes the Series A Shares held in the CPO Trust in the same manner as holders of a majority of the Series A Shares not held in the CPO Trust and voted at the relevant shareholders meeting. The Trust holds a substantial majority of the Series A Shares not held in the form of CPOs. As a result, the Trust and, indirectly, members of the Aguirre family have the power to elect a majority of the directors of, and control, the Company. Additionally, holders of CPOs or ADSs are not entitled to attend or to address the Company's shareholders meetings.

### ***Rights of Appraisal***

Whenever the shareholders approve a change of corporate purpose, change of nationality or restructuring from one type of corporate form to another, any shareholder who has voted against such change or restructuring has the right to withdraw from the Company and receive the amount calculated as specified in Mexican law attributable to its shares, provided such shareholder exercises its right to withdraw during the 15-day period following the meeting at which such change was approved. Because the CPO Trustee is required to vote the Shares held in the CPO Trust in the same manner as the holders of a majority of the Series A Shares that are not held in the CPO Trust and that are voted at the shareholders meeting, under no circumstances will the Series A Shares underlying the CPOs be voted against any such change and therefore appraisal rights will not be available to holders of CPOs or ADSs.



### ***Termination of the CPO Trust***

The Amended CPO Trust Agreement and the CPOs issued under the public deed evidencing the issuance of CPOs pursuant to the Amended CPO Trust Agreement (which deed is registered with the Public Registry of Commerce of Mexico City) are scheduled to expire 20 years after the date of execution of the Amended CPO Trust Agreement. The CPO Trust may be extended by the CPO Trustee upon receipt six months prior to termination of written notice from the CPO Technical Committee (as defined below). If no such notice is received, the CPO Trustee will commence the procedure for the termination of the Amended CPO Trust Agreement. At the time of such termination, the CPO Trustee will proceed to sell the Series A Shares held in the CPO Trust and distribute the proceeds of such sale to the holders of the CPOs on a pro rata basis in accordance with the number of CPOs owned by each holder. Notwithstanding the foregoing, the Amended CPO Trust Agreement cannot be terminated if any dividends or other distributions previously received by the CPO Trustee remain unpaid to the CPO holders.

Upon the expiration of the Amended CPO Trust Agreement, subject to obtaining the applicable authorizations from the Mexican government, the CPO Trustee and any CPO holder may execute a new trust agreement with the same terms as the Amended CPO Trust Agreement. There can be no assurance that a new trust agreement will be executed.

### ***Administration of the CPO Trust***

Pursuant to the terms of the Amended CPO Trust Agreement, the CPO Trust will continue to be administered by the CPO Trustee under the direction of a technical committee. The technical committee of the CPO Trust (the “CPO Technical Committee”) consists of four members and their respective alternates. Each of the following appoints one member: the Foreign Investment Commission, the Mexican Stock Exchange, the *Asociación Mexicana de Intermediarios Bursátiles, A.C.* (the Mexican Association of Securities Brokerage Firms) and the common representative of the CPO holders (HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC). Actions taken by the CPO Technical Committee are required to be approved by a majority of the members present at any meeting of such committee at which at least the majority of the members are present.

### **Other Provisions**

#### ***Redemption***

The Series A Shares are subject to redemption in connection with either (i) a reduction of share capital or (ii) a redemption with retained earnings, which, in either case, must be approved by the Company’s shareholders at an extraordinary shareholders meeting. The Series A Shares subject to any such redemption would be selected by the Company by lot or, in the case of redemption with retained earnings, by purchasing Series A Shares by means of a tender offer conducted on the Mexican Stock Exchange, in accordance with the Mexican Companies Law.

### ***Purchase by the Company of its Shares***

The Company generally may not repurchase its shares, subject to certain exceptions. First, the Company may repurchase shares for cancellation with distributable earnings pursuant to a decision of an extraordinary general meeting of shareholders. Second, pursuant to judicial adjudication, the Company may acquire the shares of a shareholder in satisfaction of a debt owed by such shareholder to the Company. The Company must sell any shares acquired pursuant to judicial adjudication within three months; otherwise, the Company's capital stock will be reduced and such shares will be cancelled. Third, in accordance with the Mexican Securities Market Law, the Company is permitted to repurchase its own shares at their current market price on the Mexican Stock Exchange under certain circumstances with funds from a special reserve created for such purpose. The maximum amount that may be authorized by the shareholders to be spent by the Company for the repurchase of shares (see "—Shareholders Meetings" above) may not exceed the sum of net income for the prior year plus retained earnings.

### ***Purchase of Shares by Subsidiaries of the Company***

Subsidiaries or other entities controlled by the Company may not purchase, directly or indirectly, shares of the Company, shares of companies that are majority shareholders of the Company or invest in derivative instruments having shares of the Company as underlying assets. However, subsidiaries or other entities controlled by the Company may acquire equity interests in investment companies that in turn invest in shares of the Company.

### ***Conflict of Interest***

A shareholder who votes on a business transaction in which its interest conflicts with that of the Company may be liable for damages, but only if the transaction would not have been approved without its vote. In accordance with the Securities Market Law, a conflict of interest is assumed, unless proven otherwise, when a controlling shareholder votes in favor of or against transactions and in so doing obtains benefits that not obtained by other shareholders, the Company or its controlled entities.

Additionally, any members of the Board of Directors who have a conflict of interest must abstain from discussing or voting on any matter. This condition does not affect the quorum requirement for Board meetings.

### ***Duty of Care***

The members of the Board of Directors must comply with the duty of care by acting in good faith and in the best interest of the Company and its controlled entities. In order to obtain the necessary information to comply with the duty of care, the members are authorized to request information on the Company and its controlled entities as well as solicit meetings with executive officers and other persons that may contribute to the decision-making processes of the Board.

### ***Duty of Loyalty***

Directors and the secretary of the Board of Directors are bound to preserve the confidentiality of information regarding the Company when such information has not been made public. As part of the duty of loyalty, directors must inform the Audit Committee and the external auditor of any irregularities that occurred during the tenure of former board members as well as any irregularities that become apparent during their tenure.

Directors who breach the duty of loyalty may be jointly liable with other directors and must indemnify the Company against any losses or damages caused by the breach. Such individuals shall be removed from their positions.

### ***Actions Against Directors***

Actions for civil liabilities against the directors, the secretary of the board of directors or executive officers may be initiated by resolution passed at a general ordinary shareholders meeting. In the event the shareholders decide to bring such action, the directors against whom such action is to be brought immediately cease to be directors. Shareholders representing not less than 5% of the outstanding Series A Shares may directly bring such action provided that the claim covers all damages allegedly suffered by the Company or its controlled entities and not only by such shareholders. Any recovery of damages with respect to actions for civil liabilities against directors, the secretary of the Board or executive officers will be for the benefit of the Company or its controlled entities and not for the shareholders bringing such actions.

### ***Obligations of Majority Shareholders***

In the event the Company seeks to cancel the registration of its shares with the *Registro Nacional de Valores* (National Registry of Securities or “RNV”) or the registry is cancelled by the CNBV, shareholders holding the majority of the voting shares or having the power to control decisions in the general shareholders meeting or appoint the majority of the Board of Directors (the “controlling shareholders”) must offer to purchase all outstanding shares prior to cancellation. If the controlling shareholders make such a purchase offer but do not acquire 100% of the shares of the Company’s capital stock, then prior to cancellation of the registration of its securities from the RNV, the controlling shareholders shall place in trust for a minimum of six months an amount of funds necessary to acquire the remaining shares at the purchase offer price.

According to the bylaws of the Company, the price of the offer must be at least the higher of (i) the average trading price during the previous 30 days on which the shares may have been quoted for a period up to six months prior to the effective date of the offer or (ii) the book value of the shares in accordance with the most recent quarterly report submitted to the CNBV and the Mexican Stock Exchange.

The trade value in the Mexican Stock Exchange shall be the average adjusted price per volume of transactions carried out during the last 30 days in which the shares of the Company have been traded, prior to the date of the offer during a period that cannot exceed six months. In the event that the number of days in which the shares were traded is less than 30 days, the actual number of days in which the shares were traded will be taken into account. If the shares are not traded within such period of time, the book value of the shares will be used.

The Board of Directors of the Company must provide its opinion regarding the price of the tender offer within the ten business days after the commencement of the offer, taking into account the opinion of the Corporate Practices Committee, and disclose its opinion through the Mexican Stock Exchange. The opinion provided by the Board of Directors may include the opinion of an independent expert. The Board must also disclose any conflicts of interests that any director may have in connection with the offer. The directors and the chief executive officer of the Company must publicly disclose their decision with respect to whether or not they will sell any of their own securities issued by the Company.

In the event that the controlling shareholders obtain the consent of the shareholders representing 95% of the capital stock of the Company by means of resolution adopted at a shareholders meeting, and the bid price for the shares is less than 300,000 investment units, as defined under Mexican law, it will not be necessary for the controlling shareholders to conduct a tender offer, as long as in order to obtain the cancellation, the Company places in trust for a minimum of six months an amount of funds necessary to acquire the remaining shares at the same price of the offer price.

Finally, the bylaws provide that the controlling shareholders may request authorization from the CNBV to use a different basis for the determination of the price provided that the Board of Directors presents a recommendation to establish a different price, after taking into account the opinion of the Corporate Practices Committee, together with the report of an independent expert confirming that the price is reasonably appropriate.

### ***Duration***

The Company's existence under the bylaws is indefinite.

### ***Anti-Takeover Provisions***

The bylaws contain certain provisions intended to delay or prevent a takeover of the Company by any person or persons. The bylaws require the approval of two-thirds of the members of the Board of Directors for the (i) acquisition by any person or related persons, through one or more consecutive transactions of any nature, of shares or other securities with full voting rights representing 30% or more of the capital stock of the Company and (ii) entering into by any person or persons of any agreement or arrangement for the exercise of voting rights in respect of 30% or more of the capital stock of the Company.

Any acquisition of shares or other securities of the Company which has not been approved by the Board of Directors as required will not be recorded in the stock registry book of the Company, will not be acknowledged by the Company and will not entitle the acquiring person to vote or exercise any other rights in respect of the acquired shares or securities. Similarly, any person entering into any voting agreement or arrangement which has not been approved by the Board of Directors as required will not be entitled to exercise the relevant voting rights whether in the general shareholders meeting or the Board of Directors meetings. In the event of either an acquisition of shares or securities of the Company or the entering into of a voting agreement or arrangement without the required approval of the Board of Directors, the Board of Directors will have the right to take certain actions including requiring the acquirer of shares to sell such shares through a public offering, requiring such acquirer to acquire all or part of the remaining shares of the Company, the rescission of the acquisition of shares and the termination of such voting agreement or arrangement.

To the extent that the Board of Directors has the right to approve any acquisition of shares or other securities or any agreement for the exercise of voting rights, the Board of Directors shall decide to approve such transaction based on the following factors: (i) the nationality, moral and financial status and other characteristics of the contemplated acquirer, (ii) the potential advantages and disadvantages of the contemplated acquirer's participation in the Company and (iii) the contemplated acquirer's experience in the radio broadcasting industry.

The Chairman and the Secretary of the Board of Directors must be notified, within five days, of any acquisition of shares or other securities or the entering into of any voting agreements or arrangements involving 5% or more of the capital stock of the Company.

## MATERIAL CONTRACTS

On September 7, 2004, the Company entered into an agreement to extend the term of the Operating Agreement, dated as of December 14, 1998, between the Company and Comercializadora Siete, S.A. de C.V., under which the Company operates the radio station XHFO-FM. The agreement is scheduled to terminate on January 2, 2009. See Note 8 to the Consolidated Financial Statements.

For a description of the Company's undrawn bank credit facility, see Item 5, "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Indebtedness."

Other than the foregoing, the only material contracts entered into by the Company in the two-year period prior to this filing have been entered into in the ordinary course of business.

## EXCHANGE CONTROLS

Mexico has had a free market for foreign exchange since 1991, and the government has allowed the peso to float freely against the U.S. dollar since December 1994. There can be no assurance that the government will maintain its current foreign exchange policies. See Item 3, "Key Information—Exchange Rate Information."

## TAXATION

The following summary contains a description of the principal U.S. federal income and Mexican federal tax consequences of the purchase, ownership and disposition of CPOs or ADSs by a holder that is a citizen or resident of the United States or a U.S. domestic corporation or that otherwise will be subject to U.S. federal income tax on a net income basis in respect of the CPOs or ADSs (a "U.S. holder"), but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to an investment in CPOs or ADSs. In particular, this summary deals only with U.S. holders that will hold CPOs or ADSs as capital assets and does not address the tax treatment of U.S. holders that are subject to special tax rules, that own or are treated as owning 10% or more of the voting shares (including CPOs) of the Company or that may have acquired Series A Shares. This summary also includes a limited description of certain U.S. tax consequences with respect to non-U.S. holders.

The summary is based upon tax laws of the United States and Mexico as in effect on the date of this Annual Report, which are subject to change. Holders of CPOs or ADSs should consult their own tax advisers as to the U.S., Mexican or other tax consequences of the purchase, ownership and disposition of CPOs or ADSs, including, in particular, the effect of any foreign, state or local tax law.

In general, for U.S. federal tax purposes, and for purposes of the Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion and the Protocols thereto (the "Tax Treaty") between the United States and Mexico, entered into force on January 1, 1994, holders of CPOs or ADSs will be treated as the beneficial owners of the Series A Shares represented by those CPOs or ADSs.

### **Taxation of Dividends**

#### *Mexican Tax Considerations*

During 2008, there will be no Mexican income or withholding tax levied on holders of the CPOs or ADSs who are non-residents of Mexico for tax purposes (as described below) on dividends paid, either in cash or in any other form, by the Company.





For purposes of Mexican taxation, an individual is considered to be a resident of Mexico if he or she has established a home in Mexico. However, if such individual has a home in a foreign country as well, he or she will be considered a resident of Mexico if his or her center of vital interests is located in Mexico. A Mexican citizen is presumed to be a resident of Mexico for tax purposes unless such person can demonstrate otherwise. A legal entity is considered to be a resident of Mexico for tax purposes if its principal administrative office is located in Mexico.

#### *U.S. Tax Considerations*

The gross amount of any dividends paid with respect to the Series A Shares represented by CPOs or ADSs, to the extent paid out of the Company's current or accumulated earnings and profits, as determined for U.S. tax purposes, generally will be includible in the gross income of a U.S. holder as ordinary income on the day on which the dividends are received by the CPO Trustee and will not be eligible for the dividends received deduction allowed to corporations under the Internal Revenue Code of 1986, as amended. Dividends, which will be paid in pesos, will be includible in the income of a U.S. holder in a U.S. dollar amount calculated in general by reference to the exchange rate in effect on the day they are received by the CPO Trustee. U.S. holders should consult their own tax advisors regarding the treatment of foreign currency gain or loss, if any, on any pesos received that are converted into U.S. dollars on a date subsequent to the date of receipt by the CPO Trustee.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual prior to January 1, 2011 with respect to the ADSs will be subject to taxation at a maximum rate of 15% if the dividends are "qualified dividends." Dividends paid on the ADSs will be treated as qualified dividends if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) the Company was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company ("PFIC"). The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on the Company's audited financial statements and relevant market and shareholder data, the Company believes that it was not treated as a PFIC for U.S. federal income tax purposes with respect to its 2006 or 2007 taxable year. In addition, based on the Company's audited financial statements and its current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market and shareholder data, the Company does not anticipate becoming a PFIC for its 2008 taxable year. The U.S. Treasury has announced its intention to promulgate rules pursuant to which holders of ADSs or common stock and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividends. Because such procedures have not yet been issued, it is not clear whether the Company will be able to comply with them. Holders of ADSs or CPOs should consult their own tax advisors regarding the availability of the reduced dividend tax rate in the light of their own particular circumstances.

A holder of CPOs or ADSs that is, with respect to the United States, a foreign corporation or nonresident alien individual (a "non-U.S. holder") generally will not be subject to U.S. federal income or withholding tax on dividends received on CPOs or ADSs, unless such income is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States.

#### **Taxation of Capital Gains**

##### *Mexican Tax Considerations*

Gains obtained during 2008 on the sale or other disposition of ADSs by holders who are non-residents of Mexico for tax purposes, will generally not be subject to Mexican income or withholding tax. Deposits of CPOs in exchange for ADSs and withdrawals of CPOs in exchange for ADSs will not give rise to any Mexican tax or transfer duties.



Income generated on the sale of CPOs during 2008 by individuals or legal entities that are non-residents of Mexico for tax purposes through the Mexican Stock Exchange or any other stock exchange or securities market in Mexico that is recognized by the Mexican Ministry of Finance, are generally exempt from Mexican taxes. However, this exemption will not apply in the case of a person or group of persons that, directly or indirectly, holds 10% or more of the shares representing the capital stock of the Company, if in a period of twenty-four months, a sale of 10% or more of the fully paid shares of the Company is carried out, through one or several simultaneous or successive transactions, including those carried out through derivatives or any other analogous or similar transaction. Nor will the exemption apply to a person or group of persons that control the Company and sell said control through one or several simultaneous or successive transactions in a period of twenty-four months, including those carried out through derivatives or any other analogous or similar transaction.

If the abovementioned requirement are not met, capital gains realized on the disposition of CPOs by a U.S. holder who is eligible for tax benefits under the Tax Treaty generally will not be subject to Mexican tax, unless such gains are attributable to a permanent establishment of such U.S. holder in Mexico or if the U.S. holder owned, directly or indirectly, 25% or more of the issuer's capital stock within the 12-month period preceding such sale or other disposition.

Exemption under the Tax Treaty requires that the U.S. holder appoints a legal representative in Mexico for income tax purposes prior to the sale and provides such a representative with a U.S. tax residence certificate issued by the U.S. Internal Revenue Service. Additionally, the U.S. holder must file a notice with the Mexican tax authorities within 30 days after the appointment has been made.

Gains on sales or other dispositions of CPOs made in circumstances other than those described above, generally would be subject to Mexican tax, regardless of the nationality or residence of the transferor.

#### *U.S. Tax Considerations*

Gain or loss realized by a U.S. holder on the sale or other disposition of CPOs or ADSs will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between the amount realized on the disposition and such U.S. holder's tax basis in the ADSs or the CPOs. Gain, if any, realized by a U.S. holder on the sale or other disposition of CPOs or ADSs generally will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, if a Mexican withholding tax is imposed on the sale or disposition of CPOs or ADSs, a U.S. holder that does not receive significant foreign source income from other sources may not be able to derive effective U.S. foreign tax credit benefits in respect of these Mexican taxes. U.S. holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, CPOs or ADSs.

Gain or loss realized by a U.S. holder on such sale, redemption or other disposition generally will be long-term capital gain or loss if, at the time of disposition, the CPOs or ADSs have been held for more than one year. The net amount of long-term capital gain recognized by an individual holder is taxed at a reduced rate.

Deposits and withdrawals of CPOs by U.S. holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes. Such an exchanging U.S. holder will have a tax basis in the securities received equal to the basis such holder had in the exchanged securities. A U.S. holder's holding period for securities received in such an exchange will include the holding period such U.S. holder had in the securities prior to such exchange.

A non-U.S. holder of CPOs or ADSs will not be subject to U.S. federal income or withholding tax on gain realized on the sale of CPOs or ADSs, unless (i) such gain is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States or (ii) in the case of gain realized by an individual non-U.S. holder, the non-U.S. holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

### **Other Mexican Taxes**

There are no inheritance, gift, succession or value added taxes applicable to the ownership, transfer, exchange or disposition of CPOs or ADSs by holders that are non-residents of Mexico for tax purposes. There are no Mexican stamp, issue, registration or similar taxes or duties payable by holders of CPOs or ADSs.

Unless it can be proved that the services were not utilized in Mexico, commissions paid in brokerage transactions for the sale of CPOs on the Mexican Stock Exchange are subject to a value added tax rate of 15%.

Beginning on January 1, 2008, the Single Rate Business Tax Law is applicable in Mexico. This law establishes that individuals and legal entities deemed as Mexican residents for tax purposes, as well as foreign residents with a permanent establishment in Mexico, are obligated to pay this tax, regardless of where the income is generated, on revenues obtained from engaging in the following activities: (i) transfer of goods; (ii) rendering of independent services; and (iii) granting of temporary use or enjoyment of goods.

In accordance with the Single Rate Business Tax Law, the sale or other disposition of CPOs by holders who are non-residents of Mexico for tax purposes are not considered as taxable transactions.

Additionally, in accordance with the Single Rate Business Tax Law, dividends (either in cash or in any other form) earned by the abovementioned holders are also not deemed as taxable income for purposes of this tax.

### **U.S. Backup Withholding Tax and Information Reporting Requirements**

In general, information reporting requirements will apply to payments by a paying agent within the United States to a non-corporate (or other non-exempt) U.S. holder of dividends in respect of the CPOs or ADSs or the proceeds received on the sale or other disposition of the CPOs or ADSs, and a backup withholding tax may apply to such amounts if the U.S. holder fails to provide an accurate taxpayer identification number to the paying agent. Amounts withheld as backup withholding tax will be creditable against the U.S. holder's U.S. federal income tax liability, provided that the required information is furnished to the U.S. Internal Revenue Service.

### **DOCUMENTS ON DISPLAY**

Grupo Radio Centro is subject to the information requirements of the Exchange Act. In accordance with these requirements, Grupo Radio Centro files reports, including annual reports on Form 20-F, and other information with the SEC. These materials, including this Annual Report, and the exhibits thereto, may be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E, Room 1580, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Any materials filed by Grupo Radio Centro may also be read and copied at the SEC's regional office at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. As a foreign private issuer, Grupo Radio Centro has been required to make filings with the SEC by electronic means since November 2002. Any filings the Company makes electronically will be available to the public over the Internet at the SEC's web site at <http://www.sec.gov> and Grupo Radio Centro's website at <http://www.grc.com.mx>. (This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to our web site. The information on our web site, which might be accessible through a hyperlink resulting from this URL, is not and shall not be deemed to be, incorporated into this Annual Report.)



**Item 11. Quantitative and Qualitative Disclosures About Market Risk**

The Company is exposed to market risk from changes in currency exchange rates.

**Foreign Currency Exchange Risk**

The Company's principal foreign currency exchange risk involves changes in the value of the peso relative to the U.S. dollar. For the year ended December 31, 2007, the Company had net foreign currency exposure of U.S.\$ 68,000, which consisted of U.S. dollar-denominated bank deposits. The Company acquired these instruments for purposes other than trading purposes. See Note 4 to the Consolidated Financial Statements.

Decreases in the value of the peso relative to the U.S. dollar will increase the cost in pesos of the Company's foreign currency denominated costs and expenses and of any obligation of the Company with respect to any foreign currency denominated liabilities. The Company generally does not hedge or enter into derivative transactions with respect to its foreign currency exposure.

A hypothetical and unfavorable 10% change in the currency exchange rate would result in total additional operating expenses of approximately Ps. 2.4 million in 2007.

**Item 12. Description of Securities Other than Equity Securities**

Not applicable.

**PART II**

**Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

**Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

**Material Modifications to Security Holders' Rights**

None.

**Use of Proceeds**

Not applicable.

## **Item 15. Controls and Procedures**

### **Disclosure Controls and Procedures**

We have evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of December 31, 2007. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting during 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### **Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Mexican Financial Reporting Standards. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Mexican Financial Reporting Standards, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our evaluation under the framework in Internal Control—Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2007.



Our internal control over financial reporting as of December 31, 2007 has been audited in accordance with the standards of the Public Company Accounting Oversight Board by BDO Hernández Marrón y Cía., S.C., or BDO, an independent registered public accounting firm, as stated in their report which appears under Item 18 of this Annual Report on Form 20-F.

### Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Luis de la Fuente Baca qualifies as an “audit committee financial expert” and as independent, as independence is defined under the Mexican Securities Market Law and the rules of the NYSE that are applicable to foreign private issuers. Mr. de la Fuente Baca acquired his expertise by serving as the chief executive officer and chief financial officer of various Mexican corporations over the last 30 years. See Item 6. “Directors, Senior Management and Employees—Directors—Audit Committee.”

### Item 16B. Code of Ethics

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Exchange Act. Our code of ethics applies to our chief executive officer, chief financial officer and principal accounting officer or persons performing similar functions. Our code of ethics is available on our website at <http://www.grc.com.mx>. (This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to our web site. The information on our web site, which might be accessible through a hyperlink resulting from this URL, is not and shall not be deemed to be, incorporated into this Annual Report.) If we amend the provisions of our code of ethics that apply to our chief executive officer, chief financial officer, principal accounting officer or persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

### Item 16C. Principal Accountant Fees and Services

#### Audit Fees

The following table sets forth the fees billed to us by our independent registered public accounting firm, BDO, for the fiscal years ended December 31, 2006 and 2007:

	Year ended December 31,	
	2006	2007
	(in thousands)	
	Ps.	Ps.
Audit fees	2,085	1,996
Audit-related fees	332	320
	Ps.	Ps.
Total fees	2,417	2,316

Audit fees in the above table are the aggregate fees billed by BDO in connection with the audit of our annual financial statements and the review of our interim financial statements and statutory and regulatory audits. Audit-related fees in the above table are the aggregate fees incurred in connection with the evaluation and review by BDO of our internal control over financial reporting. BDO has not billed us fees related to any other services.

**Audit Committee Approval Policies and Procedures**

Our audit committee has not established pre-approval policies and procedures for the engagement of our independent auditors for services. Our audit committee expressly approves on a case-by-case basis any engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or to us.

**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Period	(a) Total # of Shares Purchased <sup>(a)</sup>	(b) Average Price Paid per Share	(c) Total # of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum # (or Approx. U.S. Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
Month # 1 (Jan. 1, 2007-Jan. 31, 2007)	0	0	0	0
Month # 2 (Feb. 1, 2007-Feb. 28, 2007)	0	0	0	0
Month # 3 (Mar. 1, 2007-Mar. 31, 2007)	0	0	0	0
Month # 4 (Apr. 1, 2007-Apr. 30, 2007)	0	0	0	0
Month # 5 (May 1, 2007-May 31, 2007)	0	0	0	0
Month # 6 (Jun. 1, 2007-Jun. 30, 2007)	0	0	0	0
Month # 7 (Jul. 1, 2007-Jul. 31, 2007)	0	0	0	0
Month # 8 (Aug. 1, 2007-Aug. 31, 2007)	0	0	0	0
Month # 9 (Sept. 1, 2007-Sept. 30, 2007)	0	0	0	0
Month # 10 (Oct. 1, 2007-Oct. 31, 2007)	0	0	0	0
Month # 11 (Nov. 1, 2007-Nov. 30, 2007)	0	0	0	0

Month # 12 (Dec. 1, 2007-Dec. 31, 2007)	0		0	0	0
Total	0	Ps.	0	0	0

<sup>(a)</sup> All of the Series A Shares purchased by the Company during 2007 were purchased in open-market transactions on the Mexican Stock Exchange. None of these purchases were made pursuant to a publicly announced share repurchase plan or program.

**PART III****Item 17. Financial Statements**

Not applicable.

**Item 18. Financial Statements**

See pages F-1 through F-40, incorporated by reference herein.

**Item 19. Exhibits**

Documents filed as exhibits to this annual report:

**(a) List of Financial Statements**

*Consolidated Financial Statements of Grupo Radio Centro, S.A.B. de C.V. for the Years Ended December 31, 2007, 2006 and 2005*

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Consolidated balance sheets as of December 31, 2007 and 2006	F-5
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Consolidated statements of changes in shareholders' equity for the years ended December 31, 2007, 2006 and 2005	F-7
Consolidated statements of changes in financial position for the years ended December 31, 2007, 2006 and 2005	F-8
Notes to the consolidated financial statements as of and for the years ended December 31, 2007, 2006 and 2005	F-9 to F-40

All other supplemental schedules relating to the Company are omitted because they are not required or because the required information, where material, is contained in the Consolidated Financial Statements or Notes thereto.

**(b) List of Exhibits**

Charter ( <i>Escritura Constitutiva</i> ), together with an English translation <sup>(a)</sup>	1.1
Amended and Restated Bylaws of Grupo Radio Centro, S.A.B. de C.V., dated December 13, 2006 filed as an English translation <sup>(1)</sup>	1.2
Deposit Agreement, dated June 30, 1993, among Grupo Radio Centro, S.A. de C.V., Citibank N.A. and holders from time to time of American Depositary Receipts issued thereunder, including the form of American Depositary Receipt <sup>(d)</sup>	2.1

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Amended and Restated Controlling Trust Agreement, No. F/23020-1, dated April 24, 1992, with amendments dated September 2, 1992, May 18, 1993, September 14, 1993, May 25, 1999 and April 5, 2000 between certain members of the Aguirre family and Bancomer, S.A., as trustee, together with an English translation <sup>(b)</sup>	3.1
Trustee Substitution Agreement with respect to the Amended and Restated Controlling Trust Agreement of Trust F/632 (formerly Trust No. F/23020-1), dated June 15, 2007, between certain members of the Aguirre family, Bancomer, S.A., as the old trustee and IXE Banco, S.A., as the new trustee, filed as an English translation	3.2
Trust Agreement, No. F/29307-6, dated June 3, 1998, among certain principal shareholders of Grupo Radio Centro, S.A. de C.V., together with an English translation <sup>(c)</sup>	3.3
Trustee Substitution Agreement with respect to the Trust Agreement of Trust F/633 (formerly Trust No. F/29307-6), dated June 3, 1998, among certain principal shareholders of Grupo Radio Centro, S.A. de C.V., Bancomer, S.A., as the old trustee and IXE Banco, S.A., as the new trustee, filed as an English translation	3.4
Trust Dissolution Agreement with respect to Trust F/633, dated June 18, 2007, between certain members of the Aguirre family and IXE Banco, S.A., as trustee, filed as an English translation	3.5
Amended and Restated CPO Trust Agreement, dated as of June 27, 2003, between GE Capital Bank S.A., Institución de Banca Múltiple, GE Capital Grupo Financiero, as CPO Trustee, and Grupo Radio Centro, S.A. de C.V., filed as an English translation <sup>(h)</sup>	3.6
Amended and Restated Public Deed, dated as of June 27, 2003 (the “Amended and Restated CPO Deed”), filed as an English translation <sup>(h)</sup>	4.1
Modifying Agreement, dated December 14, 1998, between Grupo Radio Centro, S.A. de C.V. and Comercializadora Siete, S.A. de C.V., modifying Service Agreement, dated October 2, 1995 with respect to XHFO-FM, together with an English translation <sup>(e)</sup>	4.2
Modifying Agreement, dated June 29, 2001, between Grupo Radio Centro, S.A. de C.V. and Comercializadora Siete, S.A. de C.V., modifying Service Agreement, dated October 2, 1995, with respect to XHFO-FM, together with an English translation <sup>(g)</sup>	4.3
Modifying Agreement, dated September 7, 2004, between Grupo Radio Centro, S.A. de C.V. and Comercializadora Siete, S.A. de C.V., modifying Service Agreement, dated October 2, 1995 with respect to XHFO-FM, filed as an English translation <sup>(i)</sup>	4.4
Programming Services Agreement, dated December 23, 1998, among Grupo Radio Centro, S.A. de C.V., Infored and José Gutiérrez Vivó, together with an English translation <sup>(e)</sup>	4.5
Credit Agreement, dated June 4, 2007, among Grupo Radio Centro, S.A. de C.V. as borrower; Radio Centro Publicidad, S.A. de C.V., GRC Publicidad, S.A. de C.V. and GRC Medios, S.A. de C.V., as several obligors; Desarrollos Empresariales, S.A. de C.V., Radiodifusión Red, S.A. de C.V., Inmobiliaria Radio Centro, S.A. de C.V. and Universal de Muebles e Inmuebles, S.A. de C.V., as guarantors; and GE Capital CEF México, S. de R.L. de C.V. and Banco Inbursa, S.A., Institución de Banca Múltiple, Grupo Financiero Inbursa, as creditors, together with an amendment dated May 16, 2008 and a second amendment dated June 4, 2008, filed as an English translation <sup>(k)</sup>	4.6

Amendment to the Credit Agreement, dated May 16, 2008, filed as an English translation	4.7
Second Amendment to the Credit Agreement, dated June 4, 2008, filed as an English translation	4.8
List of Subsidiaries of the Company	8.1

Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	12.1
Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	12.2
Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	13.1

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(a) Incorporated by reference to the Company's Registration Statement on Form F-1 (Commission File No. 333-63878) filed on June 4, 1993.

(b) Incorporated by reference to the Company's Annual Report on Form 20-F (Commission File No. 001-12090) filed on December 31, 1993.

(c) Incorporated by reference to the Company's Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 30, 1998.

(d) Incorporated by reference to the Company's Registration Statement on Form F-6 (Commission File No. 333-8224) filed on January 16, 1998.

(e) Incorporated by reference to the Company's Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 30, 1999.

(f) Incorporated by reference to the Company's Annual Report on Form 20-F (Commission File No. 001-12090) filed on May 9, 2001.

(g) Incorporated by reference to the Company's Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 24, 2002.

(h) Incorporated by reference to the Company's Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 30, 2003.

(i) Incorporated by reference to the Company's Annual Report on Form 20-F (Commission File No. 001-12090) filed on July 1, 2004, as amended by amendment filed on July 2, 2004.

(j) Incorporated by reference to the Company's Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 29, 2005.

(k) Incorporated by reference to the Company's Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 30, 2006.

(l) Incorporated by reference to our Annual Report on Form 20-F (Commission File No. 001-12090) filed on July 2, 2007.

**GRUPO RADIO CENTRO, S.A.B. DE C.V. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 and 2005**

**TOGETHER WITH**

**AUDITOR'S REPORT**

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**GRUPO RADIO CENTRO, S.A.B. DE C.V. AND SUBSIDIARIES**

**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**Report of Independent Registered Accounting Firm**

**To the Board of Directors and Shareholders of  
Grupo Radio Centro, S.A.B. de C.V.**

We have audited the accompanying consolidated balance sheets of Grupo Radio Centro, S.A.B. de C.V. and subsidiaries (as defined in Note 1 to the consolidated financial statements) as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity and changes in financial position for the years ended December 31, 2007, 2006 and 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Mexico and the standards of the Public Accounting Oversight Board (United States). These standards require that we plan and perform the audits in order to obtain reasonable assurance as to whether the financial statements are free of material misstatements and in accordance with Mexican financial reporting standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the Mexican financial reporting standards used, the significant estimates made by management and the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Grupo Radio Centro, S.A.B. de C.V. and subsidiaries as of December 31, 2007 and 2006, the consolidated results of their operations, the consolidated changes in shareholders' equity and the consolidated changes in their financial position for the years ended December 31, 2007, 2006 and 2005, in conformity with Mexican financial reporting standards and generally accepted accounting principles, respectively.

These consolidated financial statements have been translated into English solely for the convenience of readers of this language. In all cases where there are any disagreements between the English and Spanish versions, the Spanish version shall be considered authoritative and controlling.

**BDO Hernández Marrón y Cía., S.C.**

/s/ Bernardo Soto Peñafiel

Bernardo Soto Peñafiel, CPA

Mexico City

February 13, 2008, except for Note 24 which is dated as of June 17, 2008

**Report of Independent Registered Public Accounting Firm**

**The Board of Directors and Shareholders of  
Grupo Radio Centro, S.A.B. de C.V. and subsidiaries**

We have audited Grupo Radio Centro, S.A.B. de C.V. and its subsidiaries' internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Grupo Radio Centro, S.A.B. de C.V.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 15, Management's Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Mexican financial reporting standards. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Mexican financial reporting standards, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Grupo Radio Centro, S.A.B. de C.V. and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Grupo Radio Centro, S.A.B. de C.V. and its subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of operations, changes in stockholders' equity and changes in financial position for each of the three years ended December 31, 2007, 2006 and 2005, and our report dated February 13, 2008, except for Note 24 which is dated as of June 17, 2008.

**BDO Hernandez Marron y Cia, S.C.**

**/s/ Bernardo Soto Peñafiel**

**Bernardo Soto Peñafiel**

**June 17, 2008**

**Mexico City**

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**GRUPO RADIO CENTRO, S.A. B. DE C.V. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006**

(All amounts bearing the symbol "Ps" are expressed in thousands of constant Mexican pesos with purchasing power as of December 31, 2007. Amounts bearing the symbol "US\$" are expressed in thousands of US dollars)

A S S E T S				L I A B I L I T I E			
	2007	2007	2006	S	2007	2007	2006
<b>CURRENT ASSETS:</b>				<b>SHORT-TERM LIABILITIES:</b>			
Cash and temporary investments (Note 5)	US\$ 15,298	Ps 167,011	101,741	Prepayments from clients (Note 13)	US\$ 11,397	Ps 124,418	132,546
				Suppliers and other accounts payable (Note 14)	5,077	55,420	47,256
Accounts receivable:				Income tax and other taxes payable (Note 15)	4,217	45,544	34,410
Customers from broadcasting, net of allowance for doubtful accounts of Ps 23,916 in 2007 and Ps 25,089 in 2006	17,927	195,707	256,601	Contingent liability (Note 19)	-	-	-
Other (Note 7)	427	18,665	5,469				
				Total short-term liabilities	21,132	230,685	270,633
	18,354	200,370	275,968				
				<b>LONG-TERM LIABILITIES:</b>			
Prepayments	3,056	33,360	26,469	Labor liabilities (Note 16)	5,368	58,605	-
				Deferred taxes (Note 18)	470	5,130	-
Total current assets	36,708	400,741	404,178				
					26,970	294,420	270,633

Total  
liabilitiesCONTINGENT  
LIABILITY  
(Note 9)SHAREHOLDERS'  
EQUITY  
(Note  
19):Capital  
stock 103,547 1,130,410 1,130,410PROPERTIES  
AND  
EQUIPMENT, NET  
(Note 10)

42,279 461,555 481,220

Retained  
earnings 30,525 333,241 314,077Reserve  
for the  
repurchase  
of shares 4,016 43,837 43,837DEFERRED  
CHARGES, NET  
(Note 11)

554 6,047 4,631

Excess in  
restatement  
of capital  
stock 466 5,084 5,084EXCESS OF COST  
OF NET BOOK  
VALUE  
OF  
SUBSIDIARIES,  
NET (Note 12)

75,925 828,863 828,734

Cumulative  
effect of  
deferred  
income  
tax (Note  
20) (9,739) (106,320) (106,320)Effect  
from  
labor  
liabilities (83) (907) (310)Majority  
shareholders'  
equity 128,732 1,405,345 1,386,778

OTHER ASSETS

298 3,239 3,410

Minority  
interest 62 680 667Total  
shareholders'  
equity 128,794 1,406,025 1,387,446

Total assets US\$ 155,764 Ps 1,700,445 Ps 1,722,173

US\$ 128,794 Ps 1,406,025 Ps 1,387,446

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



**GRUPO RADIO CENTRO, S.A.B. DE C.V. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS**  
**ENDED DECEMBER 31, 2007, 2006 AND 2005**

(All amounts bearing the symbol “Ps” are expressed in thousands of constant Mexican pesos with purchasing power as of December 31, 2007. Amounts bearing the symbol “US\$” are expressed in thousands of US dollars)

	2007		2007		2006		2005	
Income from broadcasting	US\$	59,977	Ps	654,760	Ps	825,590	Ps	638,204
Operating expenses from station, excluding depreciation and amortization		38,653		421,970		460,072		423,857
Income from broadcasting		21,324		232,790		365,518		214,347
Depreciation and amortization		3,086		33,687		37,183		39,957
General corporate and administrative expenses		1,353		14,774		14,813		14,575
Operating income		16,885		184,329		313,522		159,816
Other expenses, net (Note 19)		4,196		45,806		59,511		52,788
Comprehensive cost of financing:								
Interest paid		253		2,767		37,665		33,149
Interest earned		(37)		(399)		(480)		(782)
Foreign-exchange loss (gain), net (Note 4)		-		5		(8)		(11,351)
Loss (gain) from monetary position		318		3,477		2,665		(7,236)
		534		5,850		39,842		13,779
Gain before unordinary item		12,155		132,673		214,169		93,249
Unusual item (Note 9)		-		-		263,523		-
Gain before taxes on profits		12,155		132,673		477,692		93,249
Taxes on profits (Note 18)		3,806		41,554		42,944		23,150
Net gain	US\$	8,349	Ps	91,119	Ps	434,748	Ps	70,100
Net gain corresponding to:								
Majority shareholders		8,347		91,098		434,685	Ps	70,083
Minority interest		2		21		63		16
	US\$	8,349	Ps\$	91,119	Ps	434,748	Ps	70,099



Net gain per share	US\$	0.051	Ps\$	0.5598	Ps	2.6712	Ps	0.430
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The accompanying notes are an integral part of these financial statements.

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**GRUPO RADIO CENTRO, S.A.B. DE C.V. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005**

(All amounts bearing the symbol "Ps" are expressed in thousands of constant Mexican pesos with purchasing power as of December 31, 2007. Amounts bearing the symbol "US\$" are expressed in thousands of US dollars)

	Capital stock	Retained earnings	Reserve for the repurchase of shares	Excess in restatement of capital	Cumulative effect of deferred income tax	Effect from labor liabilities	Minority interest	Total	Comprehensive (loss) gain
<b>Balances as of December 31, 2004 (Note 17)</b>	Ps 1,257,152	Ps (190,691)	Ps 44,426	Ps 5,084	Ps (106,320)	Ps (273)	Ps 588	Ps 1,009,966	Ps (42,710)
Sale of shares	986	-	568	-	-	-	-	1,554	-
Net income for the year	-	70,099	-	-	-	-	-	70,099	70,099
Holding of minority interest	-	(16)	-	-	-	-	16	-	-
<b>Balances as of December 31, 2005 (Note 17)</b>	1,258,138	(120,608)	44,994	5,084	(106,320)	(273)	604	1,081,619	Ps 70,099
Repurchase of shares	(5,086)	-	(4,031)	-	-	-	-	(9,117)	-
Capital reimbursement	(128,545)	-	-	-	-	-	-	(128,545)	-
Effect of the additional liability from labor obligations	-	-	-	-	-	(37)	-	(37)	(37)
Sale of shares	5,903	-	2,874	-	-	-	-	8,777	-
Net income for the year	-	434,748	-	-	-	-	-	434,748	434,748
Holding of minority interest	-	(63)	-	-	-	-	63	-	-

<b>Balances as of December 31, 2006 (Note 17)</b>	1,130,410	314,077	43,837	5,084	(106,320)	(310)	667	1,387,445	Ps 434,711
Dividends paid	-	(71,934)	-	-	-	-	(8)	(71,942)	-
Effect of the additional liability from labor obligations	-	-	-	-	-	(597)	-	(597)	(597)
Net income for the year	-	91,119	-	-	-	-	-	91,119	91,119
Holding of minority interest	-	(21)	-	-	-	-	21	-	-
<b>Balances as of December 31, 2007 (Note 17)</b>	Ps 1,130,410	Ps 333,241	Ps 43,837	Ps 5,084	Ps (106,320)	Ps (907)	Ps 680	Ps 1,406,025	Ps 90,522

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

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**GRUPO RADIO CENTRO, S.A.B. DE C.V. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005**

(All amounts bearing the symbol "Ps" are expressed in thousands of constant Mexican pesos with purchasing power as of December 31, 2007. Amounts bearing the symbol "US\$" are expressed in thousands of US dollars)

	2007	2007	2006	2005
<b><u>OPERATIONS:</u></b>				
Net gain for the year	US\$ 8,347 Ps	91,119 Ps	434,748 Ps	70,099
Charges (credits) to results not requiring (providing) the outlay of cash:				
Depreciation and amortization	3,086	33,687	37,183	39,957
Deferred income tax	(390)	(4,259)	(34,524)	3,009
Labor liabilities (Note 16)	302	3,302	13,158	13,282
Prepayments	-	-	(15,252)	2,615
Effect from the valuation of properties (Note 10)	81	881	1,930	834
	11,426	124,730	437,243	129,795
Net change in accounts receivable, accounts payable and other assets	2,634	28,759	(172,456)	20,023
Resources generated from operating activities	14,060	153,489	264,788	149,819
<b><u>FINANCING:</u></b>				
Dividends paid	(6,590)	(71,942)	-	
Sales of shares	-	-	8,777	
Repurchase of shares	-	-	(9,117)	1,553
Notes payable	-	-	(122,255)	(67,239)
Capital reimbursement	-	-	(128,548)	-
Resources applied in financing activities	(6,590)	(71,942)	(251,143)	(65,686)
<b><u>INVESTMENTS:</u></b>				
Goodwill	(12)	(129)	-	(8,366)
Deferred charges	(181)	(1,978)	537	2,117
Excluding the recognition of inflation effects:				
Capital expenditures, principally equipment	(1,314)	(14,341)	(6,528)	(8,015)

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Guarantee deposits	16	171	-	-
Resources applied in investment activities	(1,491)	(16,277)	(5,991)	(14,265)
Increase in cash and temporary investments	5,979	65,270	7,654	69,868
Cash and temporary investments at the beginning of the year	9,320	101,741	94,088	24,219
Cash and temporary investments at the end of the year	US\$ 15,299	Ps 167,011	Ps 101,741	Ps 94,088

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

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**GRUPO RADIO CENTRO, S.A.B. DE C.V. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2007, 2006, and 2005**

(Unless otherwise specified, all amounts bearing the symbol “Ps” are expressed in thousands of constant Mexican pesos with purchasing power as of December 31, 2007. Amounts bearing the symbol “US\$” are expressed in thousands of US dollars.)

**NOTE 1 LINE OF BUSINESS AND COMPOSITION OF THE COMPANIES**

Grupo Radio Centro, S.A.B. de C.V. (“Grupo Radio Centro” or “the Company”) was incorporated on June 8, 1971.

Grupo Radio Centro is a Mexican commercial broadcasting company whose principal line of business is the production and radio broadcasting of musical programs, news, interviews and special events. Its revenues are derived primarily from the sale of commercial airtime to advertising agencies and businesses. The Company also operates a radio network in Mexico.

Grupo Radio Centro owns approximately 99.9% of most of its subsidiaries, which comprise the following companies:

Companies	2007	2006	2005
<b>Radio stations:</b>			
XEQR, S.A. de C.V.	X	X	X
XERC, S.A. de C.V.	X	X	X
XEEST, S.A. de C.V. ( a )	X	X	X
XEQR-FM, S.A. de C.V.	X	X	X
XERC-FM, S.A. de C.V.	X	X	X
XEJP-FM, S.A. de C.V.	X	X	X
XEDKR-AM, S.A. de C.V.	X	X	X
XESTN - AM, S.A. de C.V.	X	X	X
Radio Red, S.A. de C.V.	X	X	X
Radio Red-FM, S.A. de C.V.	X	X	X
Estación Alfa, S.A. de C.V.	X	X	X
Emisora 1150, S.A. de C.V.	X	X	X
Radio Sistema Mexicano, S.A.	X	X	X
<b>Marketing companies</b>			
GRC Radiodifusión, S.A. (formerly Aerocer, S.A.) (b)	X	X	
GRC Publicidad, S.A. de C.V.	X	X	X
GRC Comunicaciones, S.A. de C.V. (c)	X		
GRC Medios, S.A. de C.V.		X	X
Radio Centro Publicidad, S.A. de C.V.	X	X	X

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Companies:	2007	2006	2005
<b>Service companies:</b>			
Promotora Técnica de Servicios Profesionales, S.A. de C.V.	X	X	X
Publicidad y Promociones Internacionales, S.A. de C.V.	X	X	X
Promo Red, S.A. de C.V.	X	X	X
To2 México, S.A. de C.V.	X	X	X
<b>Real estate companies:</b>			
Universal de Muebles e Inmuebles, S.A. de C.V.	X	X	X
Inmobiliaria Radio Centro S.A. de C.V.	X	X	X
<b>Sub-holding companies:</b>			
Desarrollos Empresariales, S.A. de C.V.	X	X	X
Riodifusión Red, S.A. de C.V.	X	X	X
Enlaces Troncales, S.A. de C.V.	X	X	X
<b>Non-operating companies:</b>			
Música, Música, Música, S.A. de C.V.	X	X	X
Promotora de Éxitos, S.A. de C.V.	X	X	X
Producciones Artísticas Internacionales, S.A. de C.V.	X	X	X

- a) Radio station managed and operated by Comercializadora Siete de México, S.A. de C.V.
- b) Subsidiary as of November 30, 2005 (see Note 20)
- c) Subsidiary as of January 9, 2007.

The Company's radio-station operations include the production and broadcasting of musical programs, news, interviews, special events and advertising in Mexico City's metropolitan area. They are based on limited-term concessions, subject to renewal, granted by Mexico's Ministry of Communications and Transportation ("SCT"). One of the station concessions granted to the Company will expire in December 2012, nine in July 2016, one in October 2015 one in November 2015 and one in 2019.

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The Company's marketing companies, which include the parent Grupo Radio Centro, S.A.B. de C.V., are responsible for the programming and sale of commercial airtime for broadcast by the Company's radio stations in México City, the metropolitan area, and the interior of the country.

The Company's service companies provide commercial, technical and administrative personnel to the companies comprising Grupo Radio Centro.

The Company's real estate companies own the land and buildings where the transmission facilities of the Company's radio stations and its commercial companies are located, including the building where the head offices and studios of Grupo Radio Centro and its subsidiaries are located.

The Company's non-operating companies were incorporated for the purpose of developing new investment projects and are not currently active.

**NOTE 2 BASIS OF CONSOLIDATION AND PRESENTATION**

The accompanying consolidated financial statements include the balance sheets of Grupo Radio Centro and its subsidiaries, listed in Note 1, as of December 31, 2007 and 2006, and the statements of income, changes in shareholders' equity and changes in financial position for the years ended December 31, 2007, 2006 and 2005. All intercompany balances and transactions have been eliminated in consolidation.

The US dollar amounts (denoted by the symbol "US\$") shown in the 2007 financial statements have been included solely for the convenience of the reader and were translated at the rate of Ps 10.9169/ US\$ 1.00, the noon buying rate of Mexican pesos on December 31, 2007, as published by the Federal Reserve Bank of New York. This translation should not be construed as a representation that the Mexican peso amounts have been or could be converted into US dollars at this or any other rate.

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As of January 1, 2006, the Mexican Financial Reporting Standards (MFRS) issued by the Mexican Board for Research and Development of Financial Standards (CINIF) became effective. These standards basically correspond to the generally accepted accounting principles (GAAP) that were issued by the Mexican Institute of Public Accountants and were in effect through December 31, 2005.

The MFRS consist of; standards and interpretations issued by the CINIF, Mexican GAAP bulletins that have not been changed, substituted, or repealed from the new MFRS and the International Financial Reporting Standards (IFRS), which are applicable on a supplemental basis.



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The adoption of the MFRS had no effect on the Company's financial statements as of December 31, 2007 and 2006.

The most significant accounting policies followed by Grupo Radio Centro in the preparation of its consolidated financial statements, which are in compliance with the financial reporting standards accepted in Mexico, are summarized below:

**a. Classification by function:**

Expenses are presented based on function to highlight how broadcasting expenses are used, in contrast to general corporate and administrative expenses.

**b. Recognition of the effects of inflation:**

-The consolidated financial statements have been prepared in accordance with the guidelines set out in Bulletin B-10, *Recognition of the Effects of Inflation on Financial Information*. Therefore, the consolidated financial statements for the years ended December 31, 2007, 2006 and 2005, are expressed in constant Mexican pesos with purchasing power as of December 31, 2007, as determined by applying factors derived from the National Consumer Price Index ("NCPI") published by the *Banco de México*.

	2007	2006	2005
Restatement factor using Mexican inflation	1.03759	1.04053	1.03332

-Capital stock, cumulative earnings (deficit), reserve for repurchase of shares, cumulative effect on prior years of initial recognition of deferred income taxes and the effect of labor liabilities include their restatement effects, determined by applying factors derived from the NCPI from the date of their contribution or generation of earnings (loss). These restatements reflect the reserves required to maintain shareholders' equity accounts, the reserve for the repurchase of shares, and the cumulative effect of deferred income tax at constant levels.

-Surplus on restatement of capital represents the accumulated gain from holding non-monetary assets. This gain represents the difference between the value of non-monetary assets recorded at acquisition cost and the value of the assets as restated using factors derived from the NCPI.

-Comprehensive cost of financing consists of interest income and expense, net foreign-exchange gains or losses and the gain or loss on net monetary position.

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-The (gain) loss on net monetary position represents the effects of inflation, as measured by the *NCPI*, on the net monetary assets and liabilities held during the year.

**c. Temporary investments:**

Temporary investments consisted primarily of deposits at fixed interest rates and with maturities of less than 90 days.

**d. Property and equipment:**

The Company recognizes the effects of inflation through adjustments in general price levels by applying factors derived from the *NCPI*. Related depreciation is calculated based on estimated useful lives of assets both for acquisition costs and restatement increases.

During 2007, 2006 and 2005, due to the impairment charges, the Company recorded a decrease in the realizable value of temporarily unoccupied buildings in the amount of Ps 881, Ps 1,930, and Ps 834. The amounts have been recorded in the income statement of 2007, 2006 and 2005 (see Note 19).

**e. Excess cost over net book value of net assets of subsidiaries:**

As of January 1, 2005, in compliance with the guidelines of Bulletin B-7, *Business Acquisitions*, there is no amortization of goodwill; rather it is subject to testing in accordance with the guidelines of Bulletin C-15, *Impairment in the Value of Long-Lived Assets and their Disposal*. There was no impairment as of December 31, 2007, 2006 and 2005.

**f. Installation expenses and software licenses:**

Installation expenses and software licenses are booked at acquisition cost and are restated by applying factors from the *NCPI*. Amortization is calculated on the straight-line method at a 5% annual rate (Note 10). Software licenses are recorded at acquisition cost and amortized according to their duration.

**g. Income Tax (“IT”), Employees Statutory Profit Sharing (“ESPS”) and Deferred Income Taxes:**

Deferred income tax is determined by applying the statutory income tax rate to temporary differences between the book value and the tax value of assets and liabilities, when applicable and subject to a recoverability analysis of tax loss carryforwards and other recoverable taxes and tax credits.

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Deferred statutory employee profit sharing is determined based on temporary differences, which are of a non-recurring nature, arising from the reconciliation of the net income of the period and the taxable income of the period for ESPS. For the years 2007, 2006 and 2005, the Company did not have any non-recurring temporary differences.

Income taxes are calculated based on a consolidated tax return basis and employee profit sharing is calculated on an individual tax return basis for each entity in the consolidated group. The effect of a statutory income tax rate change is recognized in the income statement of the period in which the rate change officially occurs (see Note 18).

**h. Advances from customers:**

Advances from customers are recognized as income when the corresponding airtime is transmitted.

**i. Employee benefits:**

The costs related to benefits to which employees are entitled as a result of seniority premiums, severance payments and pension plans in the case of union personnel, or by law or by Company grant, are recognized in the results of operations at the time services are rendered on the basis of the present value of the benefits determined under actuarial estimates. The amortization of unrecognized prior service cost, which represents changes in assumptions and adjustments based on experience that have not been recognized, is based on the employee's estimated active service life. Other benefits to which employees may be entitled in accordance with the Federal Labor Law, are recognized as an expense in the year in which they are paid.

The Company has recorded a reserve for the estimated accrued seniority premiums, severance payments under certain circumstances and pension benefits, the amount of which was determined through actuarial estimates (see Note 16).

As of December 31, 2005, the Company adopted the new Bulletin D-3, which sets forth guidelines related to the recognition of severance payments under certain circumstances. As a result of adopting this new Bulletin, a liability and a net cost of Ps9,349 was recognized in 2005.

**j. Earnings per share:**

Net income per share is computed on the basis of the weighted average number of shares outstanding for the years ended December 31, 2007, 2006 and 2005.

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**k. Transactions in foreign currencies:**

Transactions in foreign currencies are recorded at the buying rate published by the Banco de México (Central Bank) on the dates on which they are entered into and/or settled. Assets and liabilities in foreign currencies are stated in Mexican pesos at the year-end closing rates of exchange. Exchange differences are recorded directly in results of operations.

**l. Recognition of broadcasting income:**

Income is recognized when the corresponding airtime is broadcast.

**m. Barter transactions:**

Grupo Radio Centro, from time to time, receives products and services in exchange for advertising airtime. Advertising airtime is recognized when the advertising is aired and the cost when the goods and services are used. The Company's management estimates that the value of these transactions does not exceed market value.

**n. Use of estimates:**

The preparation of financial statements requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities at the date of the financial statements and the recognized amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

**o. Concentration of credit risk – Broadcasting revenue:**

The Company's principal source of revenue is generated by broadcasting advertising for its customers. Although the Company has several large customer accounts, none comprised more than 10% of the Company's total broadcasting revenue in 2007, 2006 and 2005.

**p. Repurchase of shares:**

In accordance with Mexico's current Stock Market Law, the Company has created a capital reserve from retained earnings, called "Reserve for Repurchase of Shares", to be used to support trading of its shares. Shares repurchased by the Company are treated as treasury shares. Should these shares not be offered anew to the investing public within one year, they must be canceled, thus resulting in a reduction of common stock.

**q. Comprehensive income:**

The total comprehensive income is presented in the statement of changes in shareholders' equity, which results from the performance of the Company for the period and is represented by the net income, plus the additional liability from labor obligation payments, which in accordance with applicable accounting principles, are recorded directly under shareholders' equity.

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**r. Impairment of long-lived assets:**

The Company tests goodwill and other long-lived assets for impairment when events or changes indicate that the recorded book value of these assets might not be recovered. To test for impairment the Company compares the book value of goodwill and other long-lived assets with their expected future cash flows, which are discounted to present value that it estimates that the asset could generate in the future, against book value. If it is considered that the value of the asset has been impaired, the reduction in the value is recognized in the results of operations. As of December 31, 2007, 2006 and 2005, there was no impairment of these assets.

**s. Reclassifications:**

In compliance with MFRS, certain amounts in the 2006 and 2005 consolidated financial statements as originally issued have been reclassified to conform the presentation with the 2007 consolidated financial statements.

**t. Financial reporting standards:**

On January 1, 2007, guidelines contained in the following MFRS, issued by the CINIF, became effective. The Company considers that the adoption of the MFRS did not have a material effect on the financial information presented in its financial statements and footnotes. The most relevant changes in comparison with the Mexican GAAP they supersede are the following:

1. MFRS B-13 *Events Subsequent to the Date of the Financial Statements*. Establishes that the restructuring of assets and liabilities and the waiver from creditors to exercise their right to accelerate the payment of indebtednesses in the event of the entity's default, which occur between the date of the financial statements and their date of issue, will not be included in the financial statements.
2. MFRS B-3 *Statement of Income*. The new approach is incorporated to classify income, costs and expenses as ordinary or unusual, replacing the classification of certain special or extraordinary items that Mexican GAAP established. Additionally, the items and headings that must be presented in the statement of income (see Note 3a) are specified by function. Furthermore, as a result of the application of this new MFRS, certain amounts in the statement of income have been reclassified as follows, namely: a) the employee profit sharing provision that was presented together with the income tax provision up to 2006 is now presented under the heading "other expenses", and b) the special item that was presented in 2006 is now presented as an "unusual item".

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3. *MFRS C-13 Related Parties*. The term related parties is expanded to include, among others, close family members of key management personnel and directors. Additional disclosure is required in the footnotes to the financial statements (see Note 6).
4. *MFRS D-6 Capitalization of the Comprehensive Result of Financing*. Establishes the mandatory capitalization of the comprehensive result of financing under certain circumstances.

As of January 1, 2008, guidelines contained in the following MFRS, issued by the CINIF, became effective. The Company considers that the adoption of these MFRS guidelines will not have a material effect on the financial information presented in its financial statements and footnotes. The most relevant changes in comparison with the Mexican GAAP they supersede are the following:

5. *MFRS B-10 Effects of Inflation*. This MFRS establishes that inflation accounting methods will no longer apply, except if any economic environment in which we operate qualifies as “inflationary” for purposes of MFRS. An environment is inflationary if the cumulative inflation rate equals or exceeds an aggregate of 26% over the three consecutive years (equivalent to an average of 8% in each year); the National Consumer Price Index (NCPI) or the Units of Investment (UDI) may be used to adjust; the valuation of inventories at replacement cost and imported assets is eliminated through specific indexing; and the results from holding accrued non-monetary assets (RETANM) and from the equity monetary position (REPOMO) to retained earnings are reclassified, by no longer using the heading of excess or deficit in the restatement of shareholders’ equity.
6. *MFRS D-3 Employee Benefits*. The presentation of employee benefits is separated into three types, direct short-term and long-term benefits, termination benefits, and retirement benefits. The three types of employee benefits are recognized directly in results of operation, as actuarial gains or losses and termination benefits accrue. The recognition of an additional liability over the actual labor liability is eliminated, and now is charged as an expense instead of being amortized as intangible asset. The employee benefits include employee profit sharing.
7. *MFRS D-4 Taxes on Profits*. Employee profit sharing is removed from the guidelines regarding income taxes. The tax on assets (IMPAC) is recognized as a tax credit and a deferred tax asset only in those cases when there is a probability of recovery against tax gain in future years; it establishes when the initial application of this standard should be made on a retroactive basis; and the cumulative effect of income tax on retained earnings is reclassified in certain circumstances.

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8. MFRS B-2 *Statement of Cash Flow*. The base monetary unit used for the preparation of financial statements is the Mexican peso, independent of whether there are economic conditions that merit the recognition of the effects of inflation on the financial information; operating activities should be presented in accordance with: i) the direct method, whereby the main categories of charges and payments associated with operating activities are presented separately; ii) the indirect method, whereby the net income or loss is reconciled with the cash flow from operating activities. This reconciliation is made by adjusting net income or loss with the following effects a) changes made during the period in assets and liabilities related to operations, b) items from operations not requiring cash, and c) any other item in results from operations whose monetary effects are considered cash flows from investment or financing activities. Both methods determine cash flows from operating activities and cash flows from investment and financing activities. Furthermore, the MFRS establishes specific rules for converting cash flows from subsidiaries that are considered foreign entities.

**NOTE 4 ASSETS AND LIABILITIES IN FOREIGN CURRENCIES**

The consolidated balance sheets as of December 31, 2007 and 2006 include the following assets and liabilities in thousands of US dollars, valued at the closing year-end foreign exchange rates of Ps 10.9169/US\$1.00 and Ps 10.8755/US\$1.00, respectively:

	2007		2006	
Cash and marketable securities	US\$	68	US\$	151
Liabilities		-		-
Net asset position	US\$	68	US\$	151

As of February 13, 2008, the foreign-exchange rate was Ps 10.7465/US\$1.00.

The net book value of the Company's property and equipment denominated in US dollars as of December 31, 2007 and 2006 was as follows:

	2007		2006	
Plant equipment	US\$	1,552	US\$	1,867
Studio equipment		1,051		1,313
Helicopters		881		1,131
Other		100		767
	US\$	3,584	US\$	5,078

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**NOTE 5 CASH AND TEMPORARY INVESTMENTS**

At December 31, cash and temporary investments consisted of the following:

	2007		2006	
Cash	Ps	3,102	Ps	4,847
Short-term temporary investments		163,909		96,894
	Ps	167,011	Ps	101,741

Temporary investments as of December 31, 2007 and 2006 consisted primarily of deposits at fixed interest rates and with maturities of less than 90 days. The Company invests its temporary excess cash in these deposits.

**NOTE 6 RELATED PARTIES**

In the normal course of business, the Company purchases and sells broadcast time or programming services to various other companies that are related through common ownership. These purchases and sales are recorded at rates not materially different from those charged to non-related entities for these types of services.

The Company may also purchase assets or services from these related parties. Grupo Radio Centro believes that the costs of such assets or services do not exceed the prices that could be obtained from non-related entities.

The Company also provides certain services to affiliated companies on terms that are more favorable than those available to non-related companies. The Company does not believe that any such service arrangements with related parties are material.

The Company also engages in various leasing activities with such related parties. The Company believes that the terms of such leasing arrangements do not significantly differ from the terms which could be obtained from or charged to non-related companies.

During the years ended December 31, 2007, 2006 and 2005, the Company conducted the following transactions with related parties:

	2007		2006		2005	
<b><u>Income:</u></b>						
Sale of customer portfolio	(a)Ps	-	Ps	12,451	Ps	-
Sale of airtime and services rendered		43		55		235
Sale of equipment		554		1,155		46
Leases		-		-		313
Sundry income from shareholders	(b)	1,659		4,717		2,111
<b><u>Expenses:</u></b>						
Purchase of airtime and services received		(869)		(1,363)		(8,005)
Commissions paid and other services	(c)	(13,755)		(17,312)		(5,770)





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- (a) During December 2006, the Company entered into an agreement for the sale of the right to collect its past-due customer accounts receivable from 2004, with an entity that is owned by Francisco Aguirre Gómez. The portfolio of accounts receivable totaled Ps 40,328 and the agreed-upon payment for it was Ps 12,151. The resulting loss of Ps 27,877 was recognized as a financing cost in the results of operation for 2006.
- (b) During the years ended 2007, 2006 and 2005, shareholders made personal use of goods and services the Company had acquired in barter transactions and paid the Company Ps 1,659, Ps 4,717, and Ps 2,111, respectively for the goods and services (see Note 3m).
- (c) On January 5, 2000 the Company entered into a contract with an entity owned by Francisco Aguirre Gómez, the president and a shareholder of the Company. This entity provides consulting services to the Company and sells airtime on behalf of the Company. As of December 31, 2007, 2006 and 2005, the Company incurred expenses for such services under this contract totaling Ps 3,604 (historical amount), Ps 7,888 (Ps 7,602 historical amount) and Ps 5,744 (Ps 5,536 historical amount), respectively.

In addition to their ownership interest in the Company, members of the Aguirre family owned or controlled 11 of the 108 affiliates in the network serviced by OIR at December 31, 2007 and 2006. Affiliated stations owned or controlled by members of the Aguirre family accounted for approximately 12%, 13.7% and 18.9% of OIR revenue (or 0.3%, 0.3% and 0.5% of the Company's total broadcasting revenue) for the years ended December 31, 2007, 2006 and 2005, respectively. The Company has provided administrative and other services to such family-owned stations in the OIR network and, under certain circumstances, has provided commercial airtime to related parties, on terms that are more favorable than those provided to unrelated parties. The Company does not believe that such transactions have been material.

**NOTE 7 OTHER RECEIVABLES**

At December 31, the balances in other receivables consisted of the following:

	2007		2006
Francisco Aguirre, shareholder (1)	Ps	-	Ps 12,451
Zues Construcciones, S.A. de C.V. (2)		-	3,268
Officers and employees		1,322	1,059
Others (3)		3,341	2,589
	Ps	4,663	Ps 19,367

- (1) This balance is made up as follows: (a) according to Note 6a, an account receivable from the entity owned by Francisco Aguirre Gómez for Ps 12,151 as of December 31, 2006. This account was collected in January 2007.

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(2) Zeus Construcciones, S.A. de C.V. is a company owned by Ana María Aguirre, a member of the Company's board of directors and a principal shareholder. This balance resulted from a loan extended by the Company for Ps 3,150 (historical amount that accrues interest at 10.5% per annum and was paid in full in May 2007).

(3) At December 31, 2007 and 2006, this amount includes Ps 1,597 and Ps 1,623 respectively, for receivables from shareholders for the use of goods and services acquired by the Company (see Note 6b).

**NOTE 8 SERVICE AGREEMENTS**

In order to manage the operations of XHFO-FM, S.A. de C.V. (the "Station"), Desarrollos Empresariales, S.A. de C.V. ("DESA"), a wholly-owned subsidiary of the Company entered into a Service Agreement on October 2, 1995 (the "Agreement") with the Station and with Comercializadora Siete de México, S.A. de C.V. ("Comercializadora"). Under the terms of the Agreement, DESA was granted the right to sell the airtime of the Station in exchange for providing operating and administrative services to Comercializadora and the Station.

On December 30, 1998, a rights-ceding contract was signed in which the Company replaced DESA, in order to continue the operation of the Station. Beginning in January 1999, various amendments were entered into, the last of which was entered into on September 7, 2004 and became effective on January 3, 2005 for a term of 48 months expiring on January 2, 2009. Under the amended agreement, the Company will be entitled to a monthly fee equal to the income minus US\$ 284 during the period of the agreement. Additionally, guarantee deposits made pursuant to the original contract and the amendments were eliminated.

**NOTE 9 INFORED PRODUCTION CONTRACT**

On December 23, 1998, in order to continue collaborating in the production of radio shows and to establish two new joint ventures, the Company signed a new contract with Infored, the producer at that time of the Monitor news and talk-show, and Mr. Gutiérrez, Monitor's host at that time. Mr. Gutiérrez and Infored provided the Company with production services news and special-event radio shows until June 30, 2015. The Company committed to air these programs on XERED-AM and XHRED-FM and affiliated radio stations.

The Production Contract, in addition to requiring the Company to continue paying Infored for the cost of producing its shows, required the Company to pay Infored an aggregate amount of approximately US\$ 15,400 and Ps 4,938 (Ps 4,003 historical amount). Of this amount, US\$ 4,400 and Ps 4,938 (Ps 4,003 historical amount) was paid upon signing the Production Contract, US\$ 4,000 was paid on January 31, 1999, and US\$ 7,000 was paid in eleven equal monthly payments starting February 28, 1999. The aggregate amount of these advance payments is being amortized in equal monthly amounts through June 2015. In addition, the Company paid Infored monthly production fees based on the revenues derived from Monitor and the amount of budgeted expenses, which generally reflected increases due to Mexico's inflation rate, to cover Infored's radio programming operations.

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On December 23, 1998, the Company also transferred to Mr. Gutiérrez two AM radio stations, XEFAJ-AM, S.A. de C.V. and Emisora 1320, S.A. de C.V., at book value. The Company continues rendering maintenance and transmission engineering services and leasing a broadcasting building for these stations under separate agreements. As of this date, no payment has been made for this consideration.

On May 7, 2002, Mr. Gutiérrez and Infored notified the Company that they were initiating an arbitration proceeding pursuant to which they sought the rescission of the Production Contract entered into on December 23, 1998 and damages for alleged breach of contract, reimbursement of expenses and costs of the litigation.

Up to March 3, 2004, the Company has discontinued the production of the news program produced by Infored and conducted by Mr. Gutiérrez and will produce the program Monitor on its own.

On March 1, 2004 the International Chamber of Commerce (“ICC”) notified the Company that a final decision had been made in the arbitration proceeding initiated in 2002 by Infored and Mr. Gutiérrez. By a majority vote of two of the three arbitrators, the ICC panel held that the Company had breached the agreement with Infored and Mr. Gutiérrez. As a result, the agreement was rescinded and Infored and Mr. Gutiérrez together were awarded Ps 267,073 (US\$21,797), in damages, which represented the amount that the Company would have been required to pay under the contract, after taking into account prepayments made by the Company. Accordingly, the Company recorded a contingent liability for Ps 267,073 and the prepayment amount under the agreement, which as of December 31, 2003 was Ps 118,273 (Ps 104,572 historical amount), was written off. The total amount of the award amounted to Ps 385,346, which was recorded in the consolidated statement of income for the year ended December 31, 2003 as an extraordinary item.

On August 6, 2004, the Company challenged the validity of the arbitration award before the Mexican courts and brought a proceeding to nullify the arbitration award. On November 10, 2004, a Mexican judge set aside the arbitration award.

On December 3, 2004, Mr. Gutiérrez and Infored initiated an *amparo* proceeding to contest this ruling. An *amparo* is a type of proceeding used to challenge the legality of a decision under Mexican law. The court ruled in favor of Infored and Mr. Gutiérrez on August 11, 2005. The Company filed an appeal for review of this decision. The Company’s appeal was suspended on February 15, 2006 while the National Supreme Court, in response to a motion by Infored and Mr. Gutiérrez, considered exercising its right to remove the case from the lower court. The National Supreme Court resolved, by a majority decision, not to exercise its right to remove the case from the lower court. Currently, the Company is awaiting the official publication of that ruling so that the appeal can be remanded to the Thirteenth Associate Civil Court of the First Circuit.

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On June 16, 2006, a Mexican court nullified and rejected the international arbitration award. As a result, the Company wrote off the provision of Ps 263,523 it had booked through December 31, 2005 and recorded it as a special item in the results from operations for the year ended December 31, 2006. However, in compliance with the MFRS B-3 effective in 2007, this item is now classified as an unusual item. Infored and Mr. Gutiérrez filed an appeal against this ruling.

Following an appeal by Infored and Mr. Gutiérrez, on January 30, 2007, the *Suprema Corte de Justicia de la Nación* (the Mexican Supreme Court), in a 5-4 decision based on procedural grounds, reversed the decision of the Federal District's Thirteenth Circuit Court of Civil Matters, which ratified a lower court's decision to set aside the arbitration award. The Supreme Court remanded the case to the Thirteenth Circuit Court, instructing the court to reexamine the matter under different procedural rules, which will require the court to review the merits of the case.

On March 22, 2007, Infored and Mr. Gutiérrez sought to remove the case from the Thirteenth Circuit Court to a new court whose judges had not previously heard the case. The Federal District's Fourth Circuit Court of Civil Matters determined that one of the three judges of the Thirteenth Circuit Court had a potential bias, ordered that judge be replaced by an officer of the court appointed specifically for that purpose and returned the matter to the Thirteenth Circuit Court, which issued a resolution on June 16, 2008 see Note 24. The Company can give no assurance about the outcome of these proceedings or their duration.

**NOTE 10 PROPERTY AND EQUIPMENT**

At December 31, 2007 and 2006, the balances in property and equipment consisted of the following:

	<b>2007</b>	<b>2006</b>	<b>Depreciation (annual rate)</b>
Buildings	Ps 343,505	Ps 342,770	2.22%
Transmission equipment	139,108	138,379	11.87%
Studio equipment	143,469	141,822	15.94%
Office furniture and equipment	49,850	49,490	16.48%
Computer equipment	79,311	76,564	32.22%
Transportation equipment	44,972	40,396	28.30%
Helicopters	36,135	36,135	18.18%
Leasehold improvements	13,322	13,062	5.00%
	849,672	838,618	
Less accumulated depreciation	(574,379)	(544,501)	
Land	149,333	149,333	
Buildings held for sale, net 35,025		36,631	
Equipment in transit	1,904	1,139	
	Ps 461,555	Ps 481,220	

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During 2007, 2006 and 2005, Inmobiliaria Radio Centro, S.A. de C.V. owned the building in which the main executive offices and studios of the Company are located. Rental income from Maxcom, S.A. de C.V., a service supplier that rents part of the same building, for 2007, 2006 and 2005 amounted to Ps 261, Ps 254 and Ps 245, respectively.

During the years ended December 31, 2007, 2006 and 2005, the Company reviewed the net realizable value of the temporarily unoccupied buildings and determined an impairment charge was required in their book values for 2007, 2006 and 2005 in the amount of Ps 881, Ps 1,930 and Ps 834, respectively.

**NOTE 11 DEFERRED CHARGES**

At December 31, 2007 and 2006, deferred charges consisted of the following:

	2007	2006
Installation expenses	Ps 8,960	Ps 9,809
Licenses and patents	2,690	835
	11,650	10,645
Less accumulated amortization	(5,741)	(6,021)
	5,909	4,623
Labor liabilities (see Note 17): Intangible asset	138	8
	<b>Ps 6,047</b>	<b>Ps 4,631</b>

**NOTE 12 EXCESS COST OVER NET BOOK VALUE OF NET ASSETS OF SUBSIDIARIES**

On May 12, 1995 and January 9, 1996, the Company acquired 33% and 67%, respectively, of the outstanding shares of Radiodifusión Red, S.A. de C.V. The acquisition resulted in an excess of cost over book value amounting to Ps 498,874 (Ps 146,308 historical amount) and Ps 872,947 (Ps 313,101 historical amount), respectively. On September 30, 2001, the Company sold these shares to DESA, a subsidiary.

On December 31, 2001, the Company acquired Radio Sistema Mexicano, S.A. de C.V., which resulted in an excess cost over book value amounting to Ps 58,742.

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On March 14, 2001, the Company acquired Palco Deportivo.Com, S.A. de C.V., Palco Shop, S.A. de C.V., Palco Deportivo Multimedia, S.A. de C.V. and Palco Deportivo México, S.A. de C.V. On October 1, 2001, these companies were merged with Enlaces Troncales, S.A. de C.V. On October 2, 2001, Servicios Corporativos Palco, S.A. de C.V. merged with Promo Red, S.A. de C.V. These acquisitions generated an excess cost over book value amounting to Ps 51,737 (Ps 38,715 historical amount).

On November, 30, 2005 the Company acquired a 100% holding of GRC Radiodifusión, S.A. de C.V., whose business activity is leasing air and ground equipment to Grupo Radio Centro and GRC Publicidad, S.A. de C.V. This acquisition generated an excess cost of 100% of the entity acquired over the value of the assets acquired and debt assumed from GRC Radiodifusión, S.A. de C.V. amounting to Ps 8,349.

On January 9, 2007 the Company acquired GRC Comunicaciones, S.A. de C.V. This acquisition generated an excess cost over book value amounting to Ps 129.

Through December 31, 2004, the excess cost of the determined net book value in the above mentioned acquisitions, was amortized over 20 years as of the acquisition date. As of January 1, 2005, the excess cost is no longer amortized but is now subject to annual impairment testing, in compliance with Bulletin C-15.

As of December 31, 2007 and 2006, goodwill recorded in the amount of Ps 828,863 and Ps 828,734, respectively, was not subject to impairment and consisted of the following:

Resulting from the acquisition of:	Amount
Radiodifusión Red	Ps 744,869
Radio Sistema Mexicano, S.A.	37,927
Enlaces Troncales, S.A. de C.V.	35,321
GRC Radiodifusión, S.A. (formerly Aerocer, S.A.)	8,350
Others	2,396
	Ps 828,863

**NOTE 13 ADVANCES FROM CUSTOMERS**

Advances from clients amounted to Ps 124,418 in 2007 and Ps 132,546 in 2006, representing future airtime services. These advances are recognized as income when the corresponding airtime is broadcast. For tax purposes, income is recognized when the advances are received.

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**NOTE 14 SUPPLIERS AND OTHER ACCOUNTS PAYABLE**

At December 31, 2007 and 2006, suppliers and other accounts payable consisted of the following:

	2007		2006	
Media and service suppliers	Ps	47,044	Ps	36,933
Salaries and fees payable		7,058		9,139
Employee profit sharing		1,091		918
Other		227		266
	Ps	55,420	Ps	47,256

**NOTE 15 INCOME TAXES AND OTHER TAXES PAYABLE**

At December 31, 2007 and 2006, income tax and other taxes payable consisted of the following:

	2007		2006	
Taxes on wages and salaries	Ps	5,092	Ps	5,406
Value-added tax		24,237		40,723
Income tax		20,027		43,409
Other tax withholdings		1,491		1,293
	Ps	50,847	Ps	90,831

**NOTE 16 SENIORITY PREMIUMS AND PENSIONS**

As of December 31, 2007, the Company maintained a reserve to cover seniority premiums, pension plan liabilities and a reserve to cover, under certain circumstances, severance payments to cover employee termination. The amount of the reserves is determined through actuarial studies using the projected unitary cost method, in accordance with MFRS.

The actuarial calculations as of December 31, 2007 and 2006 are summarized below:

	2007						2006			
	Seniority premium		Pension plan		Severance payments		Total			
Changes in projected-benefit liabilities	Ps	28,931	Ps	1,661	Ps	8,575	Ps	39,167	Ps	38,754
Service cost		1,600		89		501		2,190		2,242
Interest cost		909		65		265		1,239		1,202
Actuarial gain		1,815		1,038		1,451		4,304		(2,488)
Benefits paid		(528)		(1,061)		-		(1,589)		(544)
Projected-benefit liabilities at the end of the year	Ps	32,727	Ps	1,792	Ps	10,792	Ps	45,311	Ps	39,167
Plan assets	Ps	-	Ps	-	Ps	-	Ps	-	Ps	-
Liability substitution	Ps	32,727	Ps	1,792	Ps	10,792	Ps	45,311	Ps	39,167
Unrecognized net actuarial loss	Ps	-	Ps	-	Ps	-	Ps	-	Ps	-
Unrecognized prior service costs		(6,172)		1,191		(7,266)		(12,247)		(7,315)
Additional provision (1)		-		-		-		-		8,179



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Net projected asset	Ps	38,899	Ps	601	Ps	18,058	Ps	57,558	Ps	54,661
Obligations from actual benefits	Ps	30,083	Ps	1,620	Ps	10,204	Ps	42,627	Ps	36,819
Additional liability	Ps	29	Ps	1,018	Ps	-	Ps	1,047	Ps	44
Intangible assets (see Note 12)	Ps	-	Ps	138	Ps	-	Ps	138	Ps	8
Total labor liabilities	Ps	38,928	Ps	1,619	Ps	18,058	Ps	58,605	Ps	54,706

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(1) In 2006, Company management recorded an additional liability for severance payments for dismissals since part of the personnel is at retirement age.

**Weighted-average assumptions as of December 31,**

	Seniority premium	2007 Pension Plan	Severance payments	2006
Discount rate (real rates)	4.00%	4.00%	4.00%	4.00%
Increase in compensation rates (real rates)	1.00%	1.00%	1.00%	1.00%
Amortization period of the transition liability (years)	6.96	6.96	12.99	6.96 & 12.99 years

**Components of net cost of benefits for the year**

	Seniority premiums		2007 Pension Plan		Severance payments		Total	2006	2005	
Labor cost	Ps	1,600	Ps	89	Ps	501	Ps	2,190	Ps	10,837
Financing cost		909		65		265		1,239		1,189
Amortization of prior year service cost		1,968		20		(932)		1,056		2,136
Adjustment to the liability not derived from the actuarial calculation		-		-		-		-		8,179
Net cost for the year	Ps	4,477	Ps	174	Ps	(166)	Ps	4,485	Ps	13,753
								Ps		14,162

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**NOTE 17 SHAREHOLDERS' EQUITY**

The shareholders of the Company approved the following changes in the Company's capital structure.

**During 2007:**

- a) Payment of dividends in the amount of Ps 71,934.

**During 2006:**

- a) Repurchase on the open market of 918,800 shares, which represent 0.564% of outstanding shares for Ps 9,117.
- b) Sale on the open market of 918,800 shares, which represent 0.564% of outstanding shares, amounting to Ps 0,459.
- c) Capital reduction of Ps 128,545 (Ps 120,096 historical amount), with no cancellation of the respective shares.
- d) Capitalization of restatement effects, which caused an increase in nominal capital stock for Ps 337,060.

**During 2005:**

- a) Sale on the open market of 172,000 shares, which represent 0.001% of the outstanding shares for Ps 1,553.

After the aforementioned changes, as of December 31, 2007, the capital stock of the Company was comprised of 247,414,768 authorized common shares, representing the minimum fixed capital with no withdrawal rights, of which 162,724,561 shares were outstanding and fully paid for and 84,690,207 shares were treasury shares. Shares of stock may be owned only by Mexican investors. Capital stock is represented by shares with no par value and valued as follows:

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	Number of Shares
Total authorized capital stock	247,414,768
Treasury shares	(84,690,207)
Total outstanding capital stock	162,724,561
Fixed capital stock, subscribed paid for	Ps 1,056,119
Increase from restatement to express in constant Mexican pesos with purchasing power as of December 31, 2007	74,291
	Ps 1,130,410

The changes in the number of outstanding shares as of the years ended December 31, 2007 and 2006, were as follows:

	2007	2006
Shares outstanding at the beginning of the year	162,724,561	162,552,561
Shares outstanding at the end of the year	162,724,561	162,724,561
Capital stock at the end of the year expressed in constant Mexican pesos with purchasing power as of December 31, 2007	Ps 1,130,410	Ps 1,130,410

Net income for the year is subject to a legal requirement that 5% thereof be transferred to a legal reserve each year until the reserve equals 20% of the capital stock. The legal reserve included as part of retained earnings as of December 31, 2007 and 2006 was Ps 48,729 and Ps 27,193, respectively.

If earnings for which no corporate tax has been paid are distributed, the Company must pay corporate tax on such earnings upon the distribution of the dividends (see discussion of CUFIN in Note 18).

**NOTE 18 INCOME TAXES**

In accordance with tax legislation effective through December 31, 2007, companies must pay the greater of income tax (ISR) and taxes on assets (IMPAC). The ISR rate is 28% for 2007 (29% in 2006). The IMPAC rate is 1.25% on restated assets with no deductions (from 1.8% in 2006 considering the deduction of certain liabilities).

In accordance with tax legislation effective through January 1, 2008, companies must pay the greater of income tax (ISR) and the Flat Rate Business Tax (IETU). The ISR rate is 28% for 2008. The IETU rate is 16.5% for 2008, 17% for 2009, and 17.5% for 2010 and subsequent years.

a) Income tax, tax on assets, and employee profit sharing

Taxable income differs from accounting income due both to (i) permanent differences, principal among which are the treatment of non-deductible expenses (primarily for goodwill) and the reflection in the income statement of the effects of inflation and (ii) timing differences affecting accounting and taxable income in different periods.

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A reconciliation of the statutory rate to the effective for the years ended December 31, 2007, 2006 and 2005 is as follows:

	2007	2006	2005
Statutory tax rate	28.0%	29.0%	30.0%
Difference between the annual inflation adjustment and the effects of net monetary position	1.02	(1.25)	(10.80)
Write-off of liabilities	-	(15.48)	-
Tax losses	-	(3.69)	-
Other	1.43	(1.37)	-
Nondeductible expenses	0.88	1.76	5.80
Effective income tax rate	31.33%	8.97%	25.0%

Provisions for income tax and employee profit sharing for the years ended December 31, 2007 and 2006 are as follows:

	2007		2006		2005	
Current income tax payable	Ps	45,813	Ps	77,452	Ps	32,951
Amortization of tax losses		-		-		(12,810)
Deferred income tax (benefit) expense		(4,259)		(34,508)		3,009
Total income tax		41,554		42,944		23,150
Current employee profit sharing, as of 2007 presented in other expenses (see Note 3-t-2)		1,103		923		298
	Ps	42,657	Ps	43,867	Ps	23,448

The Company has authorization to consolidate its financial statements with its subsidiaries for tax purposes. Therefore, taxable income is determined on a consolidated basis in compliance with guidelines set forth in the Mexico's Income Tax Law.

Deferred income tax is determined by comparing the bases of assets and liabilities for financial accounting purposes to those for tax reporting purposes. Temporary differences, to which the corresponding tax rates are applied, result from this comparison.

As of December 31, 2007 and 2006, the balance of deferred taxes (income tax and employee profit sharing), consists of the following components:

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		2007		2006
Property and equipment	Ps	(74,342)	Ps	(74,888)
Tax on assets		5,538		5,538
Advances from customers		56,990		57,197
Labor liabilities		16,035		15,304
Prepaid expenses and other items		(9,351)		(12,540)
Net deferred tax liability	Ps	(5,130)	Ps	(9,389)

In accordance with Mexico's Income Tax Law, the Company pays an IMPAC in excess of income tax. This excess may be used to offset taxable income over payable in excess of the IMPAC in any one of the ten years following their generation. As of December 31, 2007, the tax on assets paid in excess of income tax was as follows:

Fiscal year incurred	Amount	Expiration year
2004	Ps 5,538	2010

The net fiscal profit account (the "CUFIN") represents the amount of retained earnings that may be distributed without additional corporate tax charge to the Company. As of December 31, 2007, this account amounted to Ps 314,227.

As of December 31, 2007, capital stock, restated for tax purposes, which constituted the paid-in account, amounted to Ps 1,281,922.

b) Flat Rate Business Tax

During the fall of 2007, new tax laws were enacted, existing tax laws were amended and a presidential decree regarding the tax legislation was issued. Effective on January 1, 2008, the new tax legislation (i) replaced the tax on assets and (ii) established a new tax, the Flat Rate Business Tax "IETU". The IETU is based on cash flows and certain restrictions for authorized deductions in addition to the granting of tax credits mainly in connection with inventories, salaries taxed for income tax purposes, social security contributions, tax losses arising from immediate deductions, recoverable asset tax, and deductions related to fixed asset investments and deferred charges and expenses.

Accordingly, effective as of January 1, 2008, companies will be required to pay the greater of IETU and ISR. If the IETU is applicable, the payment will be regarded as final, not subject to recovery in subsequent years (with certain exceptions).

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The Company estimates that the tax payable in upcoming years will be income tax (not the IETU). Deferred taxes as of December 31, 2007 were booked on an income tax base.

**NOTE 19 OTHER EXPENSES, NET**

During the years ended December 31, 2007, 2006 and 2005 the principle transactions that generated other revenues and expenses are as follows:

		2007		2006		2005
<b>Income:</b>						
Sales of supplies and recovery of expenses	Ps	2,197	Ps	5,381	Ps	2,161
Leasing and maintenance of properties		255		306		336
Tax recoverable				2,771		610
Gain from fixed asset sales		641		263		288
Other		2,324		2,187		1,642
Total other income		5,417		10,908		5,037
<b>Expenses:</b>						
Fees to Executive Committee		(17,308)		(18,387)		(18,542)
Maintenance and leasing cost		(9,509)		(8,494)		(10,520)
Arbitration cost	(a)	(5,598)		(7,128)		(8,882)
Compliance with securities regulations and corporate restructuring expenses		(1,103)		(923)		(298)
Employee Profit Sharing (see Note 3-t-2)		(6,338)		(9,530)		(9,432)
Expenses related to celebration of the Company's 60 <sup>th</sup> anniversary.		-		(5,575)		-
Representation expenses		-		(9,856)		-
Internet subscription		(3,599)		(3,346)		(1,934)
Effect of valuing properties at net realizable value (see Note 10)		(6,887)		(1,930)		(834)
Other		(1,103)		(5,250)		(7,383)
Total other expenses		(51,223)		(70,419)		(57,825)
Other expense, net	Ps	(45,806)	Ps	(59,511)	Ps	(52,788)

a) In 2007, 2006 and 2005, the Company paid legal fees in connection with the arbitration proceedings commenced by Infored and Mr. Gutiérrez in May 2002.

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**NOTE 20 INVESTMENT IN GRC RADIODIFUSIÓN, S.A.**

As mentioned in Note 1(b) and Note 12, on November 30, 2005, the Company acquired 100% of the shares of GRC Radiodifusión, S.A. for a purchase price in cash of Ps 11,685.

As of November 30, 2005, GRC Radiodifusión, S.A. had Ps 124,547 (Ps 61,572 historical amount) of tax loss carryforwards, of which as of December 31, 2006 and 2005, Ps 59,689 and Ps 64,858, respectively, were used to offset taxable income generated during those years.

**NOTE 21 CONTINGENCY**

As of December 31, 2007 and as of this date, the Company is involved in various legal proceedings related to labor claims initiated by former employees between 2000 and 2004 seeking payment of approximately Ps 48,996. The Company has not recorded a provision for these claims as the Company's management believes that these cases will be resolved in favor of the Company.

**NOTE 22 AUTHORIZATION FOR THE ISSUING OF THE FINANCIAL STATEMENTS**

The accompanying financial statements were issued with the authorization of Mr. Pedro Beltrán Nasr, Chief Financial Officer, on February 13, 2008.

**NOTE 23 SIGNIFICANT DIFFERENCES BETWEEN MEXICAN AND US GAAP**

The accompanying financial statements of the Company are presented on the basis of MFRS.

Except for inflation accounting, MFRS are, in general terms, similar to generally accepted accounting principles in the United States ("US GAAP"). However, there are some areas in which MFRS differs from the requirements of US GAAP.

The major differences between MFRS and US GAAP are as follows:

**Recognition of the effects of inflation on financial information:**

The provisions of Bulletin B-10 and its amendments relating to the recognition of the effects of inflation on financial information have no counterpart under US GAAP. However, even though MFRS includes the effects of inflation in the primary financial statements, the US Securities and Exchange Commission does not require the reversal of the restatement of the financial statements recognizing the effects of inflation.



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**Deferred income taxes:**

Under MFRS the Company is required to recognize the income tax effects of the differences in bases of assets and liabilities for financial accounting and accounting for tax reporting purposes, similar to US GAAP.

MFRS requires that all deferred taxes be classified as long term on the balance sheet; however, under US GAAP, balances of deferred taxes are classified as either current or non-current, based on the classification of the related asset or liability for financial reporting purposes. An analysis of the balance of deferred taxes in accordance with US GAAP, as of December 31, 2007 and 2006, is as follows:

	2007		2007		2006		2006	
Current deferred tax:								
Advances from customers	US\$	5,220 Ps	56,990	US\$	5,239 Ps	57,197		
Prepaid expenses and provisions		(856)	(9,351)		(1,149)	(12,540)		
Net current deferred asset	US\$	4,364 Ps	47,639	US\$	4,090 Ps	44,657		
Non-current deferred tax								
Recoverable tax on assets	US\$	507 Ps	5,538	US\$	507 Ps	5,538		
Labor liabilities		1,469	16,035		1,402	15,304		
Property and equipment, net		(6,810)	(74,342)		(6,860)	(74,888)		
Net non-current deferred tax liability	US\$	(4,834) Ps	(52,769)	US\$	(4,951) Ps	(54,046)		

**Statement of changes in financial position:**

Under MFRS, the Company presents statements of changes in financial position in constant Mexican pesos. This presentation identifies the generation and application of resources resulting in differences between beginning and ending financial statement balances in constant Mexican pesos.

The changes in the consolidated financial statement balances included in this statement constitute cash-flow activity stated in constant Mexican pesos (including monetary gains, which are considered cash gains in the financial statements presented in constant Mexican pesos).

In accordance with MFRS, the reduction in current and long-term debt due to restatement in constant Mexican pesos is presented as a resource applied to financing activities, and the gain from monetary position is presented as a component of operating activities. SFAS No. 95, "Statement of Cash Flows," under US GAAP, however, does not provide guidance with respect to inflation-adjusted financial statements. If the gain from the restatement of current and long-term debt and net monetary position were treated as a component of financing activities for US GAAP purposes, funds provided by operating and financing activities would be as follows:

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	2007	2007	2006	2005
<b>Operating activities:</b>				
Resources provided by operations, per MFRS	US\$	14,060 Ps	153,489 Ps	264,788 Ps
Less - gain on monetary position on current and long-term debt		-	-	(4,763)
Resources provided by operations, per US GAAP	US\$	14,060 Ps	153,489 Ps	260,025 Ps
<b>Financing activities:</b>				
Resources applied to financing activities, per MFRS	US\$	(6,590) Ps	(71,942) Ps	(251,143) Ps
Plus — gain on monetary position on current and long-term debt		-	-	(4,763)
Resources applied to financing activities, per US GAAP	US\$	(6,590) Ps	(71,942) Ps	(255,906) Ps
<b>Supplemental cash-flow information:</b>				
Interest paid	US\$	139 Ps	1,517 Ps	11,189 Ps
Taxes paid	US\$	5,809 Ps	63,412 Ps	34,043 Ps

**Personnel compensation and seniority premiums:**

Under MFRS, vacation expense is recognized when taken rather than in the period it is earned by the employee, as is required under US GAAP.

The Company is required under the Mexican Labor Law to pay seniority premiums to certain employees upon termination of employment. Beginning in 2000, the Company established a pension plan for unionized personnel. The Company determines its liabilities with respect to such benefits based upon actuarial studies, which is similar to the US GAAP criteria of SFAS 87, "Employee Accounting for Pensions". Regarding SFAS No. 158, which amended SFAS 87, see the paragraph below regarding the effect of recently issued U.S. accounting standards.

**Minority interest:**

Under MFRS, the minority interest in subsidiaries must be included as a component of shareholders' equity. In the statement of income, the minority interest in the consolidated net income is included in consolidated net income and the distribution between majority and minority interests is presented under consolidated net income in the statement of income.

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In accordance with US GAAP, minority interest in subsidiaries is generally shown under liabilities on the balance sheet. In the statement of income, the minority interest in the consolidated net income is presented as a reduction of consolidated net income.

**Goodwill:**

Under MFRS and US GAAP, the excess of cost over net fair value of the net assets in subsidiaries acquired is recognized as an intangible asset (“goodwill”). Unlike under MFRS, under US GAAP, however, goodwill arising from entities under common control is not recognizable. In addition, under US GAAP, effective January 1, 2002, goodwill is no longer amortized but instead is tested for impairment at least annually. For MFRS purposes, through December 31, 2004, goodwill was amortized based on the estimated useful life of the assets calculated on the straight-line method. Bulletin C-15 took effect on January 1, 2005 and establishes, among other things, new principles for the calculation and recognition of impairment losses for long-lived assets, including any subsequent reversals of such impairment losses. Effective January 1, 2005, MFRS is consistent with US GAAP in that amortizing goodwill is no longer permitted.

The Company performed an analysis for impairment of its goodwill as of December 31, 2007, 2006 and 2005. There was no impairment charge required under MFRS or US GAAP at December 31, 2007, 2006 and 2005.

**Book value of buildings held for sale:**

Under the MFRS, the Company reviewed the net realizable value of the temporarily unoccupied buildings and records an impairment or an increase in the value. Under US GAAP, impairments on long-lived assets are required to be recorded;; it is not permitted to record any the increases in the value of such assets, and they also need to be classified separately on the balance sheet.

**Other expenses, net:**

Under MFRS, certain other (income) expenses net are classified as non-operating on the Company’s statement of income. Under US GAAP, most of these net expenses are classified as operating expenses.

**Convenience statements:**

The 2007 US dollar amounts (denoted by the symbol “US\$”) shown in the financial statements have been included solely for the convenience of the reader and were translated at the rate of Ps 10.9169/US\$ 1.00, the noon buying rate of Mexican pesos on December 31, 2007, as published by the Federal Reserve Bank of New York. Such translation should not be construed as a representation that the Mexican peso amounts have been or could be converted into US dollars at this or any other rate.

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The following is a summary of the estimated adjustments to net income (loss) and shareholders' equity that would have been required had the Company applied US GAAP instead of MFRS:

		<b>2007</b>		<b>2007</b>		<b>2006</b>		<b>2005</b>
Net income (loss), as recorded under MFRS	US\$	8,349	Ps	91,119	Ps	434,748	Ps	70,099
<b>US GAAP adjustments:</b>								
Minority interest		(2)		(21)		(63)		(16)
Net income under US GAAP	US\$	8,347	Ps	91,098	Ps	434,685	Ps	70,083
Net income per share (basic and diluted) under US GAAP	US\$	0.05	Ps	0.55	Ps	2.67	Ps	0.43
Average common shares outstanding (000's)		162,724		162,724		162,500		162,657
		<b>2007</b>		<b>2007</b>		<b>2006</b>		<b>2005</b>
Shareholders' equity under MFRS	US\$	128,794	Ps	1,406,025	Ps	1,387,446	Ps	1,081,619
<b>US GAAP adjustments:</b>								
Increase in book value of buildings held for sale (Note 10)		(802)		(8,760)		(8,760)		(8,760)
Minority interest		(62)		(680)		(667)		(604)
		(864)		(9,440)		(9,427)		(9,364)
Shareholders' equity under US GAAP	US\$	127,930	Ps	1,396,585	Ps	1,378,019	Ps	1,072,255

In the income statement certain other (income) expenses, net are classified as non-operating under MFRS. Under US GAAP, these items should be included or excluded as operating expenses, as applicable.

As mentioned in Note 9, the Company reversed the contingency provision, including accrued interest, which totaled Ps 263,523 (Ps 253,976 nominal amount) at December 31, 2006. In accordance with the MFRS, this reversal was recorded as an extraordinary item in the Company's consolidated statement of income for the year ended December 31, 2006. However, in compliance with the MFRS B-3, this item is now classified as an unusual item. In accordance with US GAAP, this reversal should be recorded as an operating income.

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The following is a reconciliation of operating (loss) income:

		2007		2007		2006		2005
Operating income under MFRS	US\$	16,885	Ps	184,329	Ps	313,522	Ps	159,816
Other expenses, net		(4,196)		(45,806)		(59,511)		(52,490)
Unusual item (Note 9)		-		-		263,523		-
Operating income under US GAAP	US\$	12,689	Ps	138,523	Ps	517,534	Ps	107,326

Under MFRS and U.S. GAAP, the basic net income per common share is computed by dividing the net income available to common shareholders by the weighted average number of common shares outstanding. Diluted net income per common share is computed by dividing the net income available to common shareholders, adjusted on an “as if” converted basis, by the weighted average number of common shares outstanding plus potential dilutive securities.

For the years ended December 31, 2007, 2006 and 2005, there were no outstanding potential dilutive securities of the Company.

**Recognition of tax uncertainties.**

Under US GAAP, FIN No. 48 requires a company to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. If the tax position meets the more-likely-than-not recognition threshold, the tax effect is recognized at the largest amount of the benefit that is greater than 50% likely of being realized upon ultimate settlement. Any difference between the tax position taken in the tax return and the tax position recognized in the financial statements using the criteria above results in the recognition of a liability in the financial statements for the unrecognized benefit. MFRS does not have any equivalent rule. Under FIN 48, there was no impact on the financial statements of the Company.

**Effect of recently issued U.S. Accounting Standards:**

New accounting standards have been issued under U.S. GAAP, the application of which is required as indicated.

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In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements", (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements. This Statement will be effective for the Company's year ending December 31, 2008. Upon adoption, the provisions of SFAS No. 157 are to be applied prospectively with limited exceptions. Company management does not expect this Statement to have a significant impact on the Company's financial statements as a difference between MFRS and US GAAP.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158, "Employers Accounting for Defined Benefit Pension and Other Postretirement", (SFAS No. 158). SFAS No. 158 require that companies with single-employer defined benefit pension plans or other postretirement benefit plans recognize the funded status of their plans as a net asset or net liability. Prior to SFAS 158, these amounts were reported in the footnotes to the financial statements. This Statement will be effective for the Company's year ending after June 15, 2007. Company management does not expect this Statement to have a significant impact on the Company's financial statements.

In December 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141R, "Business Combinations", (SFAS No. 141R). The objective of SFAS No. 141R is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. The new standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. This Statement will be effective for the Company's year ending December 31, 2009. Company management does not expect this Statement to have a significant impact on the Company's financial statements as a difference between MFRS and US GAAP. However, the impact cannot be determined until such time as a business combination transaction occurs.

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In December 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No.51", (SFAS No. 160). The objective of SFAS No. 160 is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards requiring all entities to report noncontrolling (minority) interests in subsidiaries in the same way - as equity in the consolidated financial statements. Moreover, Statement 160 eliminates the diversity that currently exists in accounting for transactions between an entity and noncontrolling interests by requiring they be treated as equity transactions. This Statement will be effective for the Company's year ending December 31, 2009. Company management does not expect this Statement to have a significant impact on the Company's financial statements as a difference between MFRS and US GAAP.

The Financial Accounting Standards Board, the Emerging Issues Task Force (EITF) and the Securities and Exchange Commission have issued certain other accounting pronouncements and regulations as of December 31, 2007 that will become effective in subsequent periods; however, Company management does not believe that any of those pronouncements would have significantly affected the Company's financial statements or disclosures had they been in effect during 2007, and it does not believe that any of those pronouncements will have a significant impact on the Company's financial statements at the time they become effective as a difference between MFRS and US GAAP.

**NOTE 24 SUBSEQUENT EVENT**

With regard to the arbitration proceeding that Infored, S.A. de C.V. ("Infored") and José Gutiérrez Vivó initiated against the Company in 2002 and described in Note 9, on June 12, 2008, the Thirteenth Circuit Court of Civil Matters overturned the prior ruling related to the nullification and rejection of the international arbitration award and granted an *amparo* to Infored and to Mr. Gutiérrez Vivó by overturning the Company's *amparo*, ruling that the arbitration is enforceable in Mexico. The June 12, 2008 ruling does not impose a payment obligation on Grupo Radio Centro, S.A.B. de C.V. Proceedings for enforcement of the award are pending. The Company plans to challenge the validity of the arbitration award in the Mexican courts. As a result, the Company does not consider it necessary to record a provision for this matter.

**SIGNATURE**

The registrant certifies that it meets all the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this annual report on its behalf.

Date: June 30, 2008

GRUPO RADIO CENTRO, S.A.B. de C.V.

By: /s/ Pedro Beltrán Nasr  
Pedro Beltrán Nasr  
Chief Financial Officer

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