



FUTEBOL CLUBE DO PORTO - FUTEBOL, S.A.D.

REPORT & CONSOLIDATED ACCOUNTS 2009 2010





FUTEBOL CLUBE DO PORTO - Futebol, SAD

Public Company

Capital: 75.000.000 euros

Own Capital: 21.417.524 Euros (approved in General Assembly of 28 October 2009)

Head Office – Estádio do Dragão, Via FC Porto, Entrada Poente Piso 3

Registered at the Porto 1st Commercial Registry Office

Under n.º 5745

Corporate Fiscal Number 504 076 574

Report and Consolidated Accounts 2009/2010

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A. Management Report

1. Message from the President

A Season that begins with the conquest of the Super Cup (*Supertaça*) and culminates with more festivities to celebrate the Portugal Cup (*Taça de Portugal*) would meet the demands made by the majority of clubs. And if, in the middle of all this, we were found yet again to be amongst the 16 best teams in Europe, this would only give greater cause for envy. Such was the reality for FC Porto in 2009/10: The club enriched its record of achievement and gave cause for celebration to a huge fan base, as well as giving rise to the usual themes for discussion.

In a year in which names such as Falcão, Alvaro Pereira, Ruben Micael and Beto embodied an effective, potential-filled recruitment policy, FC Porto worked incessantly towards another historic act (a second «Penta»), but did not achieve this much desired aim. The demands that we impose on ourselves daily are not enough to allow us to rejoice completely. Events which for many would count as extraordinary are, for us, ordinary. Winning is our most emblematic trait, and has been since 1893.

History will record the reasons that stopped us from carrying out our intentions, but it is important that we do not forget them. It is equally important that repeated victories do not weaken our desire to achieve. Winning, becoming stronger, these are our most striking facets, and they will always continue to be so. The future is blue and white. Because of skill, because of the Under-17 title, because of the work we do. We do not always win, but we will always win again.

Jorge Nuno Pinto da Costa



2. Governing Bodies

Annual General Meeting

President – José Manuel de Matos Fernandes

Secretary – Rui Miguel de Sousa Simões Fernandes Marrana

Board of Directors

President – Jorge Nuno Lima Pinto da Costa

Adelino Sá e Melo Caldeira

Angelino Cândido Sousa Ferreira

Reinaldo da Costa Teles Pinheiro

Jaime Eduardo Lamego Lopes

Supervisory board

President – José Paulo Sá Fernandes Nunes de Almeida

Armando Luís Vieira de Magalhães

Filipe Carlos Ferreira Avides Moreira

José Manuel Taveira dos Santos (Substitute)

Auditors

Deloitte & Associados, SROC SA, represented by Jorge Manuel Araújo de Beja Neves

Company Secretary

Daniel Lorenz Rodrigues Pereira

Substitute: Urgel Ricardo Santos Brandão Horta Martins

Advisory Board

President – Alípio Dias

Álvaro Pinto

Álvaro Rola

Américo Amorim

António Gonçalves

António Lobo Xavier

Armando Pinho

Artur Santos Silva

Elisa Ferreira

Fernando Pimenta

Fernando Póvoas

Ilídio Pinho

Ilídio Pinto

João Espregueira Mendes

Pôncio Monteiro

Jorge Armindo

Jorge Nuno Pinto da Costa

Ludgero Marques

Rui Alegre

Salaries Committee

President – Alípio Dias

Joaquim Manuel Machado Faria de Almeida

Fernando Freire de Sousa



3. Highlights

- Net Results positive for the 4th consecutive year;
- Operational Results reached 2.9M€ in this financial year;
- EBITDA (Operational Cash-Flow) reached 31M €, representing a decrease in relation to this indicator of 18% when compared to the 38.1M€ that it represented in 2008/2009;
- Stabilization of the Salaries V Operating Income ratio, excluding results with player registrations, within the 70% recommended by UEFA;
- Stabilization of Own Capital, which achieved, on 30 June 2010, the global figure of 22.8M€;
- Total Liquid Assets at almost the same level, despite the variations contained within it and presented under 'items', achieving a figure of 182.9M€ on 30 June 2010;
- Reduction of Current Liability by 9.8M€ in relation to 30 June 2009, which represents less pressure on the treasury.
- Results presented do not yet incorporate the sales of Bruno Alves and Raul Meireles to Zenit and Liverpool respectively, which were finalized after the close of the financial year.



4. Development of Activity

FC Porto – Futebol, SAD hereby fulfils its duties of providing information of an economic and financial nature relative to the 2009/2010 financial year, which runs from 01 July 2009 to 30 June 2010.

This document was drawn up in accordance with current rules and regulations, specifically those laid out in the Company Code, the Securities Code and in the regulations of the Portuguese Securities Market Commission (the *CMVM*).

As stipulated by regulations of the European Parliament, companies with shares that trade in regulated markets based in the European Union must use, in their consolidated financial statements, the International Accounting Standards (IAS/IFRS) adopted by the Union for all financial periods that began on or after 01 January 2005.

In the case of F.C. Porto – Futebol, SAD, these rules were first applied in the 2005/2006 financial year. The accounts presented for each quarter, as well as this report on the annual accounts, were drawn up in accordance with international accounting standards.



SUMMARY OF SPORTING ACTIVITY

The sporting success of FC Porto was represented by the winning of the Super Cup and the Portugal Cup, and enriched by its presence in the round-of-sixteen of the most prestigious worldwide club-level competition. FC Porto's 15th participation in the UEFA Champions League, a record shared at that time with Manchester United, was only cut short by the intervention of Arsenal.

Making up part of Group D, the Dragons qualified for the round-of-sixteen of the Champions League in second place, with the same number of victories (four) as Chelsea, coming in at a much higher level, without any doubt or discussion whatsoever, than the Spanish team Atlético de Madrid or Cypriots APOEL.

Of the matches within that group, the 3-0 victory achieved in Madrid over Atlético assumes a special relevance, as months later Atlético would hold the *Copa del Rei* and win the UEFA Europa League, which shows the importance and prestige of the FC Porto triumph, a position also reflected in the numbers.

Competing on all fronts up to the decisive moment of each match, FC Porto, which is preparing for the season by participating in the celebrated Peace Cup, made up, for the first time, the small list of finalists in the League Cup. From amongst our training grades, the Under 17 team re-took the National Championship with a 2-0 victory over Sporting, on the last day of the final stage.

The departures of Lucho González, Lisandro Lopez and Aly Cissokho came about as the result of sporting success combined with the club's special aptitude for giving value to its assets. Over the course of the season, FC Porto then invested in assets such as Falcao, Alvaro Pereira, Varela, Belluschi, Rúben Micael and Beto.



ECONOMIC ACTIVITY

Futebol Clube do Porto – Futebol, SAD presents, for the fourth consecutive year, positive consolidated results, demonstrating the appropriateness of the path taken by the company in combining sporting success with economic and financial efficiency.

Even though the results are significantly below those achieved in previous financial years, the company has once again managed to balance its accounts, thereby incorporating positive results into its own capital without the need to dispose of player registrations at the end of the financial year.

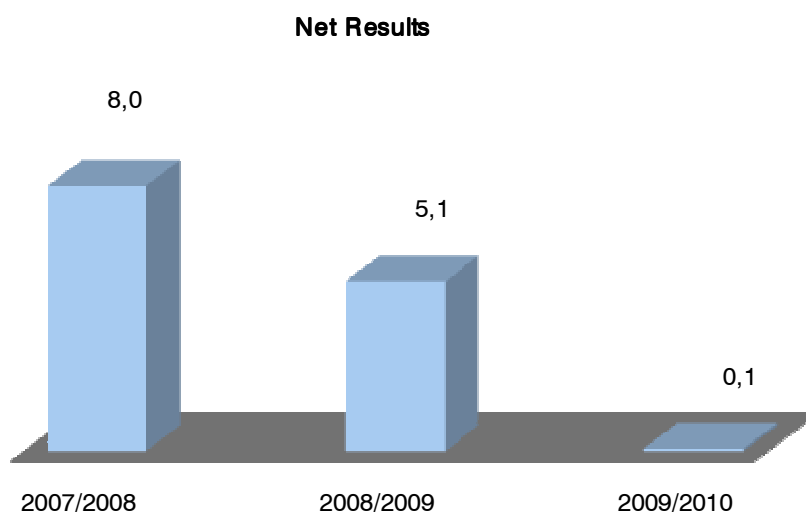
The decision was a strategic one. In a World Cup year, the understanding that our players would be seen to do well led the company to wait for the ideal moment to deal with the transfer of the sporting rights of players Bruno Alves and Raul Meireles, which took place in August, with the resulting capital gains only being incorporated into the accounts for 2010/2011.

The FC Porto team has not, this year, reached its objectives in relation to the national championship, in which it reached 3rd place. Despite this, the club has distinguished itself in the European arena as being one of the top 16 European teams, reaching the round of sixteen of the UEFA Champions League, a relevant source of income.

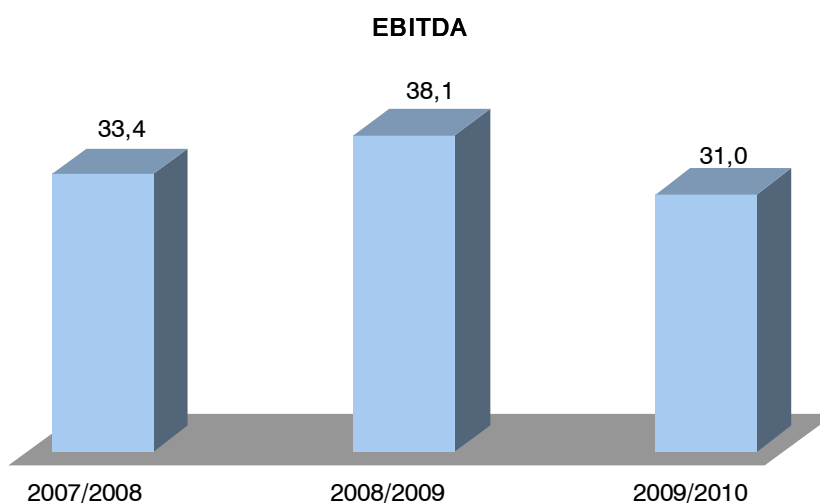
This report deals with analysis of consolidated results, i.e. those obtained by the individual efforts of the subsidiaries of the group included in consolidation, net of transactions carried out between them. As is evident, however, it is the individual results of F.C. Porto – Futebol, SAD that have made the largest contribution to the consolidated results.

Further on in this report we present an overview of the results obtained by each subsidiary individually, and so for the moment we will concentrate on analysis of the consolidated results.

In the 2009/2010 financial year, Futebol Clube do Porto – Futebol, SAD obtained a positive net result of 0.1M€, although this is a much lower figure than that obtained in the two preceding financial years, as shown in the bar chart below.



In the same way the EBITDA, operational cash-flow measured by the operational result, net of amortizations, impairment loss and provisions, fell during the year under analysis to a figure of 31M€, which can be channeled into the financing of new acquired assets as well as the amortization of bank loans.





The results achieved by the company are accounted for, almost totally, under the items related to player registrations, given that operational results excluding those related to player registrations are similar to those obtained in the homologous period, even though there has been a reduction in both income and costs at an operational level, excluding results with player's registrations.

Figures in millions of Euros

Operational Income excluding income from registrations	2007/2008	2008/2009	2009/2010
Ticketing	12,5	13,4	11,1
TV	7,1	8,3	8,4
UEFA Competitions	11,6	16,2	11,6
Advertisement and Sponsorship	13,0	13,6	14,2
Corporate Hospitality	2,0	2,0	1,3
Other Operational Income	8,8	14,7	11,1
TOTAL	55,0	68,1	57,6

Operational income excluding income from player registrations suffered a decrease of 15% relative to the previous period. As can be seen, this reduction was the result of a decrease in almost all items under this heading, with the greatest impact felt in relation to ticketing and UEFA competitions.

The national and international crisis which has to a greater or lesser extent affected the finances of Portuguese individuals and companies has negatively influenced the Company's income from ticket sales. This item, which includes sales of the "Dragon Seats" (annual seats), tickets sold for each individual match, and the part of the subscriptions paid by associates of FC Porto which are income of the *sociedade desportiva*, fell by around 17% during the financial year. It must, however, be noted that the 2008/2009 financial year included income relative to the quarter-final UEFA Champions League match at the *Estádio do Dragão*.

The same reasoning goes to explain the decrease in the results relative to Corporate Hospitality Management. This business, which in short consists of the concession of a group of products and services aimed at companies and which includes rights to the use of boxes and seats for companies at the *Estádio do Dragão* for attendance at FC Porto matches, is run by the EuroAntas company, which is held by FC Porto



(club), which uses this liquidity to service the debts contracted for the purposes of constructing the stadium. The model is designed in such a way that FC Porto – Futebol, SAD, once all the obligations arising from project finance have been honoured, is able to distribute the excess sum arising from management of this business. The figure obtained for this item fell by 0.7M€ due to the reduction in demand for this service by companies, achieving a figure of 1.3M€ for the period in question.

Relative to participation in the UEFA Champions League, for a variety of reasons the company achieved a turnover that was clearly lower than that of the previous season. Despite the fact that the current financial model for the competition for the three-year period of 2009-2012 attributes prizes that are quite a bit higher than before, FC Porto was, this time, eliminated by Arsenal in the competition's round of sixteen, whereas in the previous season the club went on to the quarter-finals. The main impact felt in relation to this item arises, however, from the manner in which the premiums for access to European competitions in the following season are registered in the accounts. The accounting policy of FC Porto – Futebol, SAD in relation to this point is to register the income that automatically comes with participation at the time that access to the competition is ensured by means of its sporting achievements. This being the case, given that FC Porto qualified in 3rd place in the national championship, and still having to compete in Play-offs for access to the UEFA Europa League, which took place in August, no income whatsoever related to access to European competitions was registered for the financial year in question, given that access to the 2009/2010 competition had already been registered in the accounts in the previous financial year.

Conversely, a slight increase has been seen in income from television, despite the reduction relative to income from the sale of television rights to the pre-season games. This is the result of an improvement to the financial conditions of the extension of the contract between FC Porto – Futebol, SAD and Olivedesportos – Publicidade, Televisão e Media, SA. for the exclusive concession of the rights of national and international audiovisual communication relative to the matches of FC Porto for the main competition of the Portuguese League of Professional Football, as



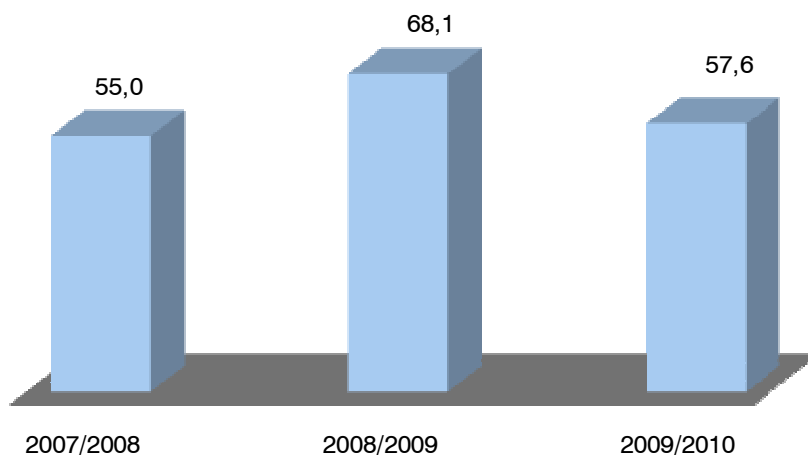
host team, which has led to an increase under this item, contributing 8.4M€ to total income.

Income inherent to contracts of publicity and sponsorship arise, essentially, from the publicity made on official F. C. Porto clothing and equipment by its main sponsors, which in the financial year in question consisted of Portugal Telecom, Nike and Unicer, but also from development of the FC Porto brand by its subsidiary PortoComercial. Income obtained by publicity on clothing and equipment, which is under contract, suffered almost no changes relative to the same period in the previous financial year, as the positive differences arising from the fixed value of the contract, by season, were compensated for by the reduction in performance-related prizes that were obtained. A considerable increase in sales of the different types of publicity by PortoComercial gave rise to an increase under this item to the order of 0.6M€.

The “Other Operational Income” item presents a decrease, relative to the previous period, of 3.6M€. This decrease is basically down to two factors. Firstly, there was a fall in overall income obtained by the subsidiary companies, given that this item also covers the operational incomes of other companies that fall into the sphere of consolidation: PortoComercial, with the exception of income from Publicity and Sponsorship which is included under the item of the same name, PortoEstádio, PortoMultimédia and PortoSeguro, details of which are given later on in this report. Secondly, in the previous financial year this item presented an exceptionally high value, given that it included the totality of the income relating to the resignation of professional football trainer Co Adriaanse and his assistant, as decided by the CAS (Court of Arbitration for Sport).

As a result of the above, Operational Income, excluding income from player registrations, dropped 10.5M€ relative to the previous period, as the following bar chart shows:

Operational Income excluding Income from registrations



Analysis of the company's cost structure shows a decrease of 14% relative to 2008/2009. A look at the table below, which details operational costs excluding costs with player registrations, will show that the total decrease registered is the result of the generalized decrease in its items relative to the previous period.

Figures in million Euro

Operational Costs excluding Costs with registrations	2007/2008	2008/2009	2009/2010
Supplies and external services	16,9	20,2	19,7
Personnel costs	38,7	47,5	30,3
Amortizations excluding depreciation related to registration	0,9	1,0	0,9
Other operational costs	1,0	4,5	3,1
TOTAL	57,5	73,2	53,0

Analysis of the table reveals a decrease in costs with personnel, which as is typical for this industry take up a large part of the company's cost structure, coming in at 8.3M€, which represents a fall of 17%, relative to 2008/2009. Company costs with salaries are strongly influenced by the performance of its main football team. Apart from the fixed salary that has been contracted with the players and technical team, FC Porto – Futebol, SAD also attributes a variable amount that relates to the individual and collective performance of the team. The company paid out lower bonuses to its players and technical team relative to the same period in the previous

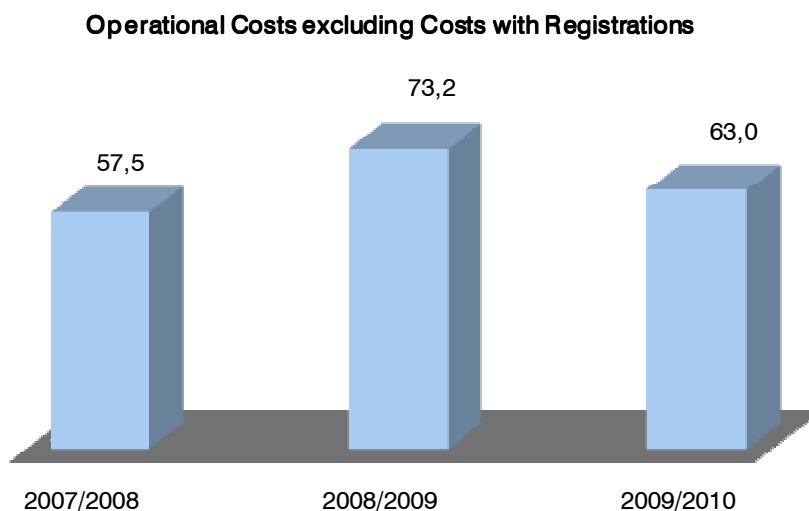


year, as the results achieved were inferior both nationally as well as at a level of European competition.

Supplies and outside services registered a small decrease at the consolidated level, with the individual companies behaving differently from each other in this item as a result of the various specific needs of each company represented in this consolidated report.

Costs included in 'Other Operational Costs' shown in the table above show a reduction of 1.4M€, which is due to the fact that, in the previous period, impairment losses were included related to debts to third parties, at a total value of 2M€, due to the default on deadlines for the reception of credit from a variety of entities, which in the financial year in question represents only 0.2M€.

To summarize, Operational Costs excluding Costs with Player Registrations diminished 10.2M€ relative to the previous period, as shown in the following bar chart:



The combination of factors presented has led to an Operational Result, excluding Results with Player Registrations, of negative 5.4M€.

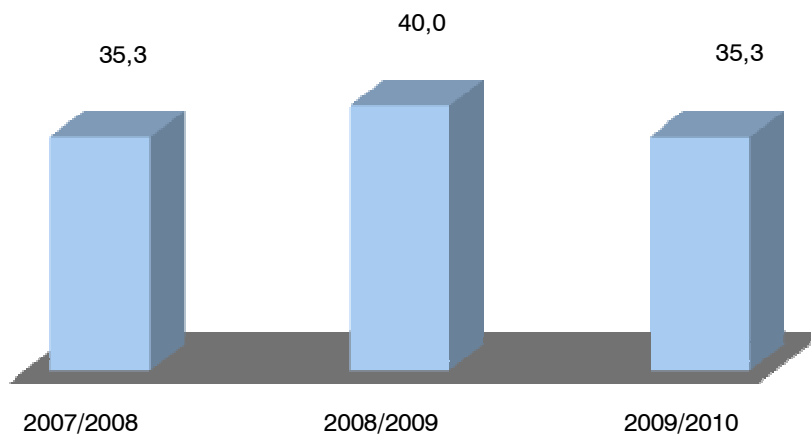


It is necessary now to include in this analysis two items which are of huge importance to FC Porto – Futebol, SAD, Amortizations and Impairment Losses with Player Registrations and the Transaction Results for Player Registrations. Contributing negatively to company results, Amortizations and impairment losses with player registrations registered a value of 27.1M€, which represents an increase of 3.3M€ relative to the previous period. The increase in amortizations, a result of the contracts agreed with players and from investments made in the acquisition of sporting rights, reflects investment in the team, whereas the increase in impairment loss relates to the increase in the economic costs with losses estimated in the value of carrying out the registrations of certain players.

The Results with Player Registrations item, that includes costs and income resulting from the sale, use and loan of the rights of players, has traditionally been a positive item in the group's financial statements. Capital gains from the sale of sporting rights over players are shown in total in this item, and have represented a substantial part of income for FC Porto – Futebol, SAD as well as, when taking a wider perspective, of many companies in this area of business who use this method to balance their operating results. The gains of 39.2M€ resulting from transfers (the costs inherent to each transfer deal and the net accounting value of the respective sporting rights must be deducted from the sale price) and loans come mostly from the sales of the sporting rights of players Lisandro Lopez and Aly Cissokho to Lyon, for 24 and 15M€ respectively. These sales, which took place at the start of the financial year in question, make contractual provision for the attribution of premiums related to objectives that depend on the sporting performance of the club. Included in this item are premiums related to the previous sales of the sporting rights of Lucho Gonzalez and Ricardo Quaresma.

The Results with Player Registrations item therefore presents a net value of 35.3M€, which is in line with figures achieved over the last few years. Despite the restrictions that exist in the European transfer market, FC Porto – Futebol, SAD has always known how to equip its team with players of high potential, which apart from contributing to sporting success also provides the possibility of important capital-gains for the company itself.

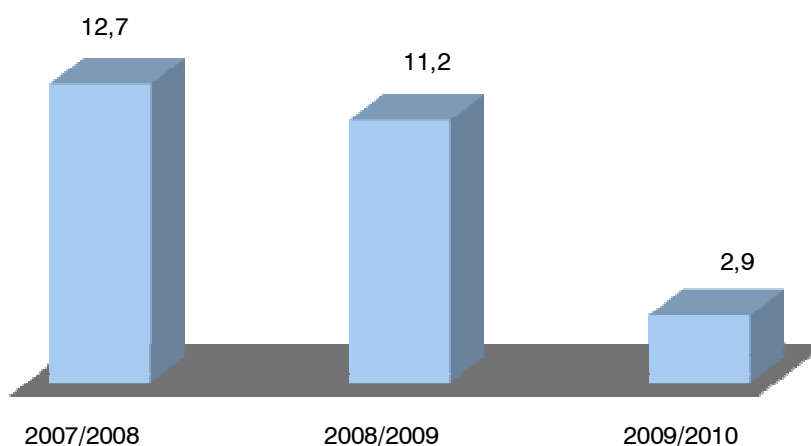
Results with Player Registrations



The influence of the income generated from sales of player registrations on total operational income can be clearly seen by looking at the bar-chart above.

Despite the negative value of Operational Results excluding Results from Registrations, the addition of these two items related to transactions of player registrations enabled an Operational Result of 2.9M€ to be obtained.

Operational Results



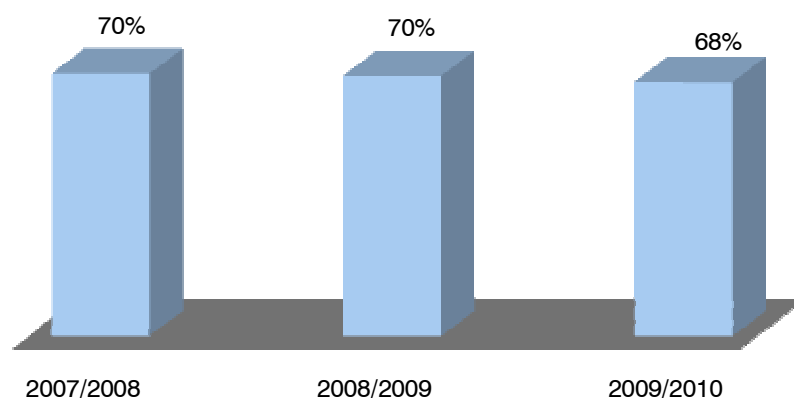
It is the effect of the amalgamation of financial results that has led to the deterioration in the net results. In this financial year, financial results have attenuated

by around 3.3M€. This is due to lower rates of financing from the banks as well as the effect of the adjustments made because of the demands of international accounting standards relative to the updating, due to the closeness of the respective payment (and receiving) deadlines, of accounts payable (and receivable) by the company. Despite this, they were still negative by 2.1M€.

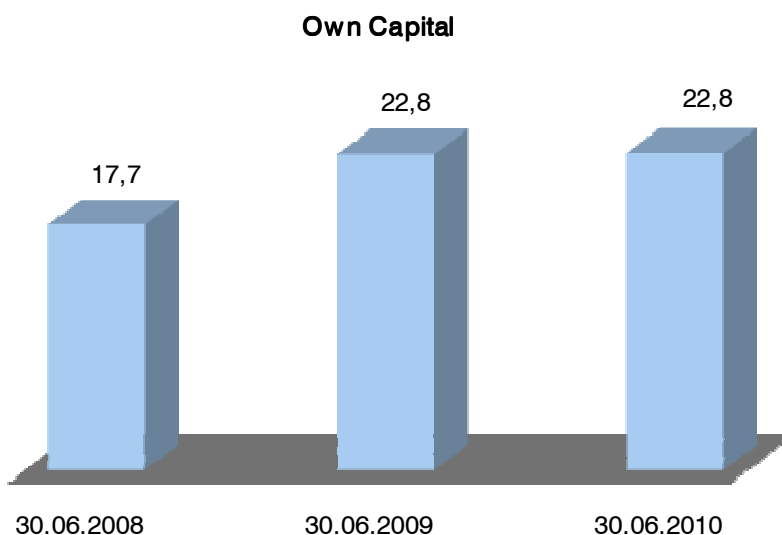
In conclusion of the analysis carried out, and after deducting the calculation of tax payable of 0.3M€, the consolidated net result of the company was, as previously mentioned, positive to the value of 0.1M€.

With the company's annual operation still in mind, it is worth presenting a fundamental indicator in this sector of business that spreads the weight that personnel costs exert on the income structure. Using the indicator very often used by specialists in football finance analysis, this ratio, which should not include income from transactions of player registrations, should come in at below 70%, as recommended by UEFA. As can be seen on the bar-chart below, the company has managed to keep this ratio within the recommended figure, despite the difficulties faced by FC Porto, as a club in a small country, in relation to the attraction of traditional income streams (ticket-office, television and publicity) when compared to the large European clubs, given that to maintain the same level of competitiveness similar salaries must be paid.

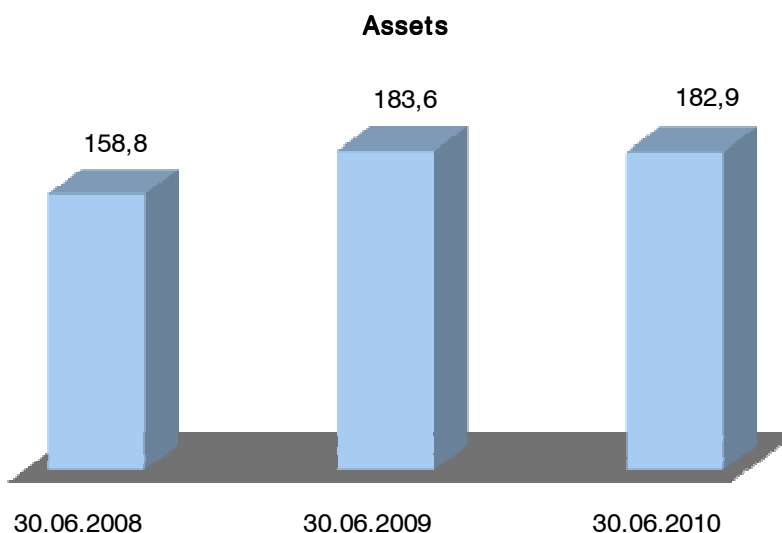
Salaries Vs Operational Income excluding Income with Player Registrations



Now to take a look at the consolidated net worth of the company on 30 June 2010: We can highlight the fact that there has been a slight strengthening of the company's own capital, which now stands at 22.8M€, relative to 30 June 2009, due to the incorporation of positive net results obtained in the period under analysis. On 31 December 2009, however, that is at the end of the first half of the financial year, FC Porto – Futebol, SAD was outside of the scope of article 35 of the Company Code, as its own capital was higher than half of share capital, achieving, on its own, a figure of 41.1M€.



Relative to net assets, despite the variations presented under the items which make it up, the total value presented is similar to that on 30 June 2009, now rising to a figure of 182.9M€. The decrease in accounts payable (mainly related to the sale of players) is compensated for by the increase seen in the accounting value of sporting rights, due to the investment made in strengthening the squad.



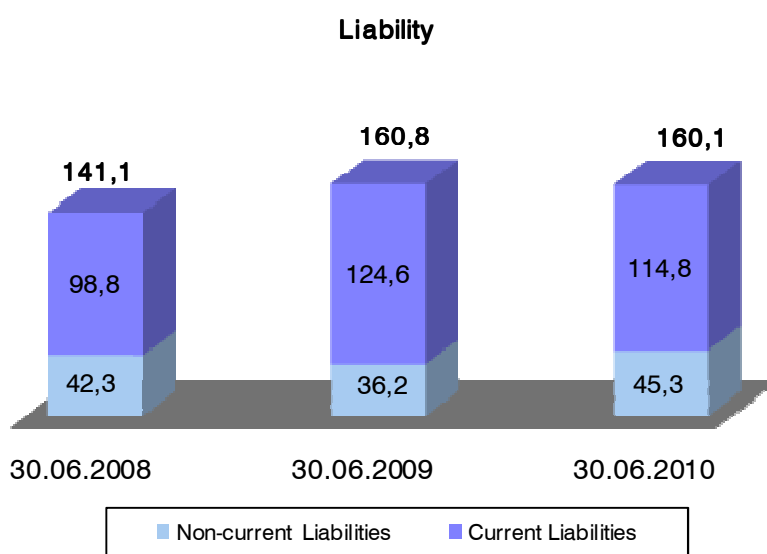
Total liability of the company rose, on 30 June 2010, to 160.1M€, taking into account a strong component related to bank loans and bond debt, in line with the same period in the previous year.

In relation to its structure of liabilities, however, the company has managed to relieve the financial pressure somewhat by the issue of a new bond. Current liability has been reduced by 9.8M€, now representing 72% of its total, given that on 30 June 2009 this figure stood at 78%.

The company has registered, under item Non-Current Liabilities, the sum of 17.5M€ which refers to the results of the launch of a Public Offer of Subscription of 3,600,000 bonds with a nominal value of 5 Euros each, representing a total value of 18M€. The time period for subscription ran between 23 November and 15 December 2009. The interest rate of the bonds is fixed, and stands at 6% a year. Coupons are payable every six-months, at the end of the period in question, with payments due on 18 June and 18 December of each year of the life of the bonds, with the first payment having taken place on 18 June 2010. The loan has a duration of three years, with the bonds being redeemed at their nominal value, at one time only, on 18 December 2012. This offer is aimed at indeterminate investors, such as the general public.

In accordance with the final results of the operation, established by Euronext Lisbon in a special session of the Stock Exchange held on 16 December 2009, 3,585 subscription orders were received which, in total, corresponded to a sum greater than 81M€. The operation was deemed a huge success, and it must be pointed out that, in relation to the Public Offer for Subscription that took place in 2006, which was also a success with demand for the bonds being more than twice as high as the amount on offer, FC Porto – Futebol, SAD obtained a further 69% of orders received, with demand being 2.5 times greater than supply.

Never has a bond issue by a company in the field of sports been so completely oversubscribed (corresponding to 4.52 times the total offer), nor the allotment ratio so low (0,218).



We must not look at liabilities individually, however, but rather at the capacity that companies have to deal with that liability. An excellent indicator of that capacity is the Net Debt/EBITDA ratio, which signifies the number of times, or in how many years, the economic Cash Flow (EBITDA) of the financial year would pay/amortize the net financial debt of the company. Given that the net financial debt of FC Porto – Futebol, SAD stands, on 30 June 2010, at 84.4M€, and that its EBITDA is 31M€, we have a Net Debt EBITDA of 2.72, which, in the opinion of specialists is a good indicator given that it stands at less than 3.



The conclusion drawn from this analysis is that, despite the fact that the financial debt is of a relevant amount, operational cash flow in the financial year permits the Company to have a financial structure that is balanced to meet its financial obligations, especially when compared to other companies in the same area of activity.

As previously mentioned, the company finds itself, on 30 June 2010, within the scope of the regulations of article 35 of the Companies Code, with its own capital representing less than half of share capital.

It is obvious that this item does not take the fair value of some company assets into account, such as the 'registrations' of players on the squad, who are registered in the accounts under values that are clearly lower than their respective market values. Every year the Company has achieved very significant capital gains in the sale of the sporting rights of the players on the squad, showing clearly that these assets are being deflated in terms of accounting. If player registrations were included in the accounts under their market values, this item of assets would be considerably greater, and the own capital of FC Porto – Futebol, SAD would clearly be much higher.

Although the objective of complying with article 35 of the Company Code has not been achieved, the governing body is convinced that the improvement in the economic and financial results will continue in the following years, thereby achieving compliance with these regulations.

The above point notwithstanding, and in the hope of more rapidly complying with this obligation, the Board of Directors has been looking at other solutions that would allow the strengthening of the company's own capital. As has already been communicated to the market, the FC Porto Group has begun the implementation of an Operative Model which has as its objective the specialization by function of each company in the Group. Implementation of this model may also lead to reflection on whether the current Company model and the existing protocols between the companies are the most suitable ones, taking into consideration the current



economic, financial and operational environment. A reflection of this nature would analyze the best way in which to resolve the question of article 35, without prejudice to the operative efficiency and governance of the Group.

The Board of Directors, as well as analyzing this matter in the Annual General Meeting (AGM) for approval of this year's accounts, may also convene an Extraordinary General Meeting (EGM) for the purposes of discussing and approving the proposals that have been presented, which may include the following options:

- Reduction of share capital to a sum not less than the company's own capital;
- Shareholder reinforcements to strengthen capital structure; and
- A combination of both these alternatives.



OVERVIEW OF THE INDIVIDUAL ACCOUNTS OF COMPANIES FALLING WITHIN CONSOLIDATION

PortoComercial

PortoComercial is the company that exploits the FC Porto brand by developing the marketing of this activity in all its various areas, such as merchandising, sponsorship and licensing. FC Porto – Futebol, SAD has a 93.5% stake in this company.

The area in which PortoComercial operates, such as publicity, brand-licensing and company-run retail shops are extremely sensitive to situations of crisis such as the one faced at the moment, and this is inevitably reflected in net results and in the high values registered in relation to impairment loss.

Despite the current economic environment which the company has to deal with, the season that has just finished saw a level of consolidation of business that allows us expectations of a rapid return to the economic results that have characterized this company over the years.

Returning once again to the type of retail and licensing format that PortoComercial had used from its foundation in 1996 to 2006 (year of concession of the business to TBZ SA), the financial year under consideration was spent in the reconfiguration of the company's income structure.

Licensing of the brand managed to achieve a turnover of four hundred thousand Euros this season, as well as consolidating the portfolio for the following years.

In retail sales, despite the sporting environment not having been as favourable as that of the previous season, sales of merchandise nevertheless underwent a slight increase in relation to the year before.

Despite the accentuated decreases in budgets that companies now have available to invest in publicity, the commission of PortoComercial relating to Corporate



Hospitality was reduced by only seven percentage points in relation to that of the previous season, giving rise to an expectation of stable business in the next season.

Other methods of publicity, on the other hand, generated a turnover of over 5.5 M€ for PortoComercial, a figure much higher than that achieved in the previous season, a result of the renewed interest shown by its partners in enlarging its base to a huge range of methods of communication that are closely linked to the Futebol Clube do Porto brand.

In this first year that PortoComercial has dealt with the sales and fee collection of associated products and tickets for F C Porto and FC Porto – Futebol, SAD, invoicing of commissions related to this activity have reached a figure of almost one million Euros.

Figures in thousands of euros

PortoComercial	2007/2008	2008/2009	2009/2010
Turnover	8.435,3	11.171,1	11.496,6
Total Income	8.553,1	11.280,8	11.595,6
Total Costs before Tax	6.379,6	10.673,5	11.686,5
Results for the Period	1.597,2	396,7	-108,1
Cash-Flow	1.717,7	921,5	208,5

PortoEstádio

PortoEstádio, which is owned completely by FC Porto – Futebol, SAD, is a company especially conceived and aimed at the management and operation of the sporting infrastructure of the FC Porto Group. This company is currently responsible for the Estádio do Dragão and for the Sports Training Centre (*Centro de Treinos e Formação Desportiva*), as well as for Vitalis Park and for the Youth Football Home, with management of the former being responsible for a large percentage of its turnover.



Close to the end of the previous period, on 23 April 2009, the club's new pavilion, Dragão Caixa, was inaugurated. Located next door to the Estádio do Dragão, this pavilion serves as a stage for matches for three of the club's group sports (roller hockey, handball and basketball), as well as hosting other sporting and cultural events. This modern building has 2007 seats, and is also managed and operated by PortoEstádio.

In order to rationalize the activities of PortoComercial and PortoEstádio, some changes were made in the business carried out by each company. In 2008/2009, sales relating to non-sporting events held in the Estádio do Dragão, previously dealt with by PortoEstádio, were transferred to the management of PortoComercial, as the latter is more geared towards this type of business. At the beginning of the financial year under analysis, PortoComercial also undertook the running of the Associate Shop (the *Loja do Associado*), meaning that sales of tickets and *Dragons Seats*, as well as the collection of subs, is now carried out by PortoComercial.

PortoEstádio continues to be responsible for the organization of matches and for managing non-sporting events.

These changes to areas of business within the company mean that it is difficult to make comparisons between different financial years.

Figures in thousands of Euros

PortoEstádio	2007/2008	2008/2009	2009/2010
Turnover	6.666,8	7.904,3	6.683,9
Total Income	6.880,7	8.306,3	6.984,6
Total Costs before Tax	6.768,1	8.285,6	6.844,0
Results for the Period	70,8	0,3	77,6
Cash-Flow	873,3	351,7	323,8

As can be seen from the table above, the company's turnover decreased by around 15% in relation to the previous financial year, achieving a value similar to that of 2007/2008. The drop seen in this period was due to the disappearance of income generated by the Associates Shop, as well as to the fact that, in the previous



financial year, a huge event - the Race of Champions – was held, which had a large impact on both company income and costs.

Provision of services for events, specifically football matches, continues to be the company's principle source of income structure. Non-sporting events however also continue to be of importance, ranging from smaller daily events to those that are more important, the latter occurring with ever-greater frequency at the Estádio do Dragão.

In relation to costs, these accompanied the decrease in income, with a fall to the order of 17% being registered. This was due almost exclusively to the reduction in outside services and supplies. In the previous financial year, the company had very high outlays in order to hold the aforementioned Race of Champions. On the other hand, costs related to the Associates Shop, which fell in 2008/2009, do not have any expression in the financial year under discussion.

These years have been ones of transition, in which PortoEstádio no longer operated in the areas of business from which it had obtained considerable income, dealing with services for non-sporting events and operation of the Associates Shop. Despite this fact, the company achieved a result that was higher than that achieved in the previous financial year, to the order of 78 thousand Euros, and generated a cash-flow that reflects the means created by company activity, of around 324 thousand Euros.

PortoMultimédia

PortoMultimédia is 70% held, directly and indirectly, by F.C.Porto – Futebol, SAD. The main activity of this company is the creation, production and sales of multimedia content, management and sales of products and services of the club by distance-media, which include the internet, telephones and mobile phones and the production of publications and periodicals in digital format.



Multimedia content is increasingly demanded on the internet, and, for this reason, PortoMultimédia made a strong investment in 2009/2010 in audio and video. Football press conferences, the content which is one of the most visited online, began to include not only audio files but also video clips, which made the official FC Porto site an even more interesting place to visit, more suited to the demands of Web-savvy consumers.

As well as the usual 'day-to-day' reporting, the year was highlighted by a variety of multimedia exclusives, of special interest being the direct transmissions of various football, roller hockey, handball and basketball matches, as well as other club events. This was the most interesting step in a year in which areas of the Dragon Force (the FC Porto football school, which is in expansion), and the Online, Player's and Staff shops were also upgraded.

Finally, the rise of social networking sites such as Facebook led to initial forays into this world, enabling us to confirm that these types of tools will provide a space for communicating with and attracting the attention of our audience. FC Porto has had, since 2009/2010, pages on Facebook and Twitter, a channel on You Tube and a presence on Flogs, a widget that allows associates and fans to receive the club's match planner directly onto their organizers.

All of these initiatives will enable us to keep up with trends in this area, widening the possibilities of the contact that the club has with its followers.

Moving on to analysis of results, it can be seen that there is not a great variation over the different financial years, which is due to the fact that the accounts presented mostly reflect accounting operations inherent to the contractual structure of company activity.



Figures in thousands of Euros

PortoMultimédia	2007/2008	2008/2009	2009/2010
Turnover	432,2	443,4	442,0
Total Income	432,2	443,4	442,0
Total Costs before Tax	477,9	488,5	479,4
Results for the Period	-45,7	-45,1	-37,4
Cash-Flow	-42,9	-42,8	-35,1

Income structure, which comes in at a total figure of 442M€, reflects the accrual during the financial year of the advance received by the concession to Sportinveste Multimédia, in exclusivity for a period of 10 years, of a group of rights relating to online sales. There has been a slight decrease in relation to costs, related to the drop in supplies and external services. The net result was, in this financial period, negative at approximately thirty-seven thousand Euros.

PortoSeguro

PortoSeguro represents a wide variety of the larger insurance companies that operate in the market in both Life and Non-Life insurance. Its client portfolio consists essentially of individuals, especially members of the Futebol Clube do Porto Group itself.

Despite acquisition value already having been reflected in the FC Porto – Futebol, SAD balance sheet for the 2006/2007 financial year, the operational activity carried out by PortoSeguro relative to that year has not been accounted for in consolidation. This, therefore, is the third financial year in which FC Porto – Futebol, SAD consolidates its accounts with PortoSeguro, and presents, for the 1st time, a three-year comparison.



Figures in thousands of Euros

PortoSeguro	2007/2008	2008/2009	2009/2010
Turnover	675,4	574,6	712,9
Total Income	710,2	588,4	715,6
Total Costs before Tax	760,0	617,1	589,1
Results for the Period	-52,4	-30,5	127,4
Cash-Flow	-9,7	8,3	164,3

As seen on the table above, during the period under analysis, turnover of PortoSeguro grew by around 24%, having overtaken the value obtained in 2007/2008, and before the economic and financial crisis that has devastated the economies of Portugal and the world.

The growth in income that is observed derives not only from the increase in premiums and client portfolio, but also in margins achieved. 2008 was a year shaken by economic and financial crisis, which began in the summer of 2007 and reached its peak in September 2008. The unfavourable international macro-economic and financial situation translated into significant losses for some financial groups, especially that of insurance. It must be added that the home insurance market has also been penalized by the international situation due to the imperative need to turn to the world reinsurance market, leading to added cost, lower commissions and a lack of business investment.

Costs have not accompanied the increase seen under income, coming in at around 8% lower than for the same period in the previous financial year. This figure has a larger expression when compared to costs presented in 2007/2008, having fallen by 25%.

Results presented by PortoSeguro for the financial year under analysis came in at 127 thousand Euros, leading to a cash-flow of 164 thousand Euros, thereby demonstrating the company's excellent ability for self-financing.



5. Other Facts Occurring during the Year

- As part of the scope of the company's bond issues, payment took place of the interest on coupon nº 6 of "Bond Loan 2006-2009", on 15 December 2009. Redemption of this bond issue also took place on this date, as laid out in the prospectus of public offer.
- On 16 December 2009, in a special market regulation session, the results of the Public Offer of Subscription for Bonds "FUTEBOL CLUBE DO PORTO SAD 2009-2012" were presented. The offer consisted of 3,600,000 bonds, with a nominal value of 5€ (total amount: 18,000,000€). Demand, however, came in at higher than 16 million bonds, an amount 4.52 times higher than the available offer, which led to an allotment ratio of around 0.22.
- On 31 January 2010, FC Porto – Futebol, SAD made public the resignation of its Director and Representative for Relations with the Market, Fernando Soares Gomes da Silva. The following day, Angelino Cândido Sousa Ferreira stepped in to take on these responsibilities, effective immediately.
- On 19 February 2010, FC Porto – Futebol, SAD was notified of the judgment made by the Disciplinary Committee of the Portuguese League of Professional Football (LPFP) relative to the disciplinary procedure relating to its professional player Givanildo Vieira de Sousa ("Hulk"). A sanction was imposed of 4 months suspension and a fine of 2,250€. On the following 29 March, the Board of Justice of the Portuguese Football Federation reduced this sanction to three matches and a fine of 2,500€.



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- On 23 March 2010, the Futebol Clube do Porto Group decided to begin the implementation of an Operative Model for the purposes of improving the quality of services rendered both internally and externally, with benefits expected in the short, medium and long term. This Operative Model aims to create and make operational units that have a mission, processes and focuses in a determined group of activities, thereby increasing specialization by function.
 - On 26 May 2010, FC Porto – Futebol, SAD rescinded, by mutual agreement, the contract of employment between the company and the trainer of its main football team, Jesualdo Ferreira.
 - On 02 June 2010, the company reached an agreement with André Villas Boas by which an employment contract will be drawn up between these two parties, for Mr. Villas Boas to become trainer of the club's main football team for the 2010/2011 and 2011/2012 seasons.
 - As part of the company's new bond issue, payments took place, on 18 June 2010, of interest on coupon nº 1 of bonds "FUTEBOL CLUBE DO PORTO SAD 2009-2012". Redemption of this issue will take place on 18 December 2012, in line with the definitions laid out in the prospectus of public offer.



6. Relevant Facts Occurring After Closure of Year

- On 4 July 2010, FC Porto – Futebol, SAD bought, for 11M€, the sporting registration rights and the totality of economic rights of player João Moutinho, from Sporting, SAD, with the athlete signing an employment contract lasting for 5 seasons, and with a 40M€ rescission clause. Sporting SAD keeps the right to receive 25% of the capital gain that may be achieved in a future concession of the FC Porto SAD player to another club, if the value is higher than 11M€.
- On 06 July 2010, FC Porto – Futebol, SAD bought, for 5.1M€, sporting registration rights and 70% of the economic rights of player James Rodriguez, from Club Atlético Banfield, with the athlete having signed an employment contract lasting 4 seasons and with a rescission clause of 30M€.
- On 28 July 2010, FC Porto – Futebol, SAD bought, for 6.24M€ (including tax), the sporting registration rights and 75% of the economic rights of player Walter, from Club Atlético Rentistas, with the athlete signing an employment contract lasting 5 seasons and with a rescission clause of 30M€.
- On 03 August 2010, FC Porto – Futebol, SAD reached an agreement with Football Club Zenit St. Petersburg (Zenit) for the sale of the sporting registration rights of professional player Bruno Alves, for the value of 22M€.
- On 23 August 2010, FC Porto – Futebol, SAD bought, for 4M€, the sporting registration rights and 50% of the economic rights of player Otamendi, of Club Atlético Vélez Sársfield, with the athlete signing an employment contract lasting 5 sporting seasons and with a rescission clause of 30M€. The company attributed to Club Atlético Vélez Sársfield an option of sale of the remaining 50% of the economic rights for 4M€, which may be exercised up to 05 September 2011.
- On 29 August 2010, FC Porto – Futebol, SAD reached a deal with Liverpool for the sale of the rights of sporting registration of professional football player Raul Meireles, for the value of 13M€. The agreement relative to this transfer involves



eventual future payments depending on the sporting performance of the club which this athlete now represents.

- FC Porto – Futebol, SAD was a party to contracts relating to the sale of economic rights, under a regime of economic association, of two athletes hired at the beginning of the season:
 - 37.5% of the economic rights over player João Moutinho for 4,125,000€ to Mamers B.V.;
 - 25% of the economic rights over player Walter for 2,125,000€ to Pearl Design Holding Ltd;



7. Outlook

The 2010/2011 season represents a new challenge.

The season began with the hiring of a young trainer to lead the main team, a trainer already known to FC Porto, having been on the team of trainers that won the two most important trophies in Europe – the UEFA Cup and the UEFA Champions League.

André Villas Boas brought into the team two young players who had risen from the FC Porto training ranks, Ukra and Castro, providing clear proof of the route the Club has taken in finding and preparing young athletes. In relation to training, we will continue to make maximum use of our existing human, technical and physical resources. We are therefore confident that the Under-17 National Championship, which we won last season, may be repeated again in the 2010/2011 season, as well as in years to come.

Sporting strategy also included the hiring of young athletes of undeniable quality and who show notable progression, athletes who in the short term will prove immensely valuable. Success in the present must not stop us from preparing for the future.

These values, and the ambition of the head trainer, are determining factors in continued and lasting evolution of the squad, as is progression as far as possible in every competition. The FC Porto team is currently competing in the UEFA Europa League, which has substituted the now defunct UEFA Cup, won by FC Porto the last time it was in that competition. This is a trophy that FC Porto has not yet won, and as such acts as a special challenge to the entire FC Porto world.

The company's budget for the 2010/2011 financial year presents a very positive panorama. The capital gains achieved in transfers that have already taken place, obtained by the sale of rights in the sporting registrations of player Bruno Alves to Zenit and of Raul Meireles to Liverpool in August, have provided an important source of income for the company.



Success, strength, planning. The following season at FC Porto – Futebol, SAD will once again be noted for this triangle of values which we consider fundamental to the future of the Company, rising to the challenges demanded by a competitive and selective market.

These are the lynchpins of a modern FC Porto, ideas that only make sense when triumph, festivities and celebration are thrown into the equation. The future that we desire does not live off the past, nor is it afraid of the future.

Ambition is our way forward!



1. Information on own shares

F.C. Porto – Futebol, SAD holds, in terms of consolidation, 100 own shares to the value of 499€. These shares, having a tiny representation in the share capital of the company, are held by PortoSeguro, a company included in consolidation, 90% of which is held by F.C. Porto – Futebol, SAD.

PortoSeguro acquired these 100 shares at the time that the S.A.D. (*Sociedade Anónima Desportiva*, or Public limited Sporting Company) was formed in 1997, and since then it has not bought or sold any more shares. F.C. Porto – Futebol, SAD held, therefore, in terms of consolidation, 100 own shares at the beginning and at the end of the period under analysis, with an acquisition cost of 500€.

2. Declaration of Managing Body

Under the terms of paragraph c) of point 1 of article 245 of the Securities Code, the Directors of F.C. Porto – Futebol, SAD, being in charge of the company, state that the information contained in the management report, the annual accounts and other documents in which accounts must be presented as demanded by law or regulation, even though they may not have been submitted for approval of the AGM, has, to the best of their knowledge, been drawn up in conformity with international financial reporting standards as adopted within the European Union, giving a true and appropriate picture of assets and liabilities, of the financial situation and results of the issuer and of the companies included within consolidation, and that the management report lays out faithfully the evolution in business, performance and the position of the issuer and of the companies included within consolidation, and contains a description of the main risks and uncertainties which the company has to face.



Porto, 25 October 2010

The Board of Directors,

Jorge Nuno Lima Pinto da Costa

Adelino Sá e Melo Caldeira

Angelino Cândido Sousa Ferreira

Reinaldo da Costa Teles Pinheiro

Jaime Eduardo Lamego Lopes



B. Consolidated Financial Statements and Appendices

1. Consolidated Statement of Financial Position as of 30 June 2010 and 2009 (Amounts expressed in Euro)

Assets	Notes	30.06.2010	30.06.2009
NON-CURRENT ASSETS:			
Tangible assets	7	2.585.888	2.729.430
Intangible assets - Players' registrations	8	67.927.743	57.076.220
Other intangible assets	7	1.739.569	1.781.787
Investments held for sale	9 e 21	1.722.284	901.228
Goodwill	10	717.847	717.847
Trade receivables	11	10.590.694	25.677.823
Other non-current assets	13	15.361.527	15.397.672
Total non current assets		100.545.352	105.081.805
CURRENT ASSETS:			
Inventories	12 e 21	558.382	617.929
Trade receivables	11 e 21	60.858.670	60.111.707
Other current assets	13	4.678.408	10.819.768
Cash and cash equivalents	14	8.452.483	8.987.350
Total current assets		82.355.923	78.510.753
TOTAL ASSETS		182.901.275	183.572.558
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	16	75.000.000	75.000.000
Own shares		(493)	(499)
Share issue premiums		259.675	259.675
Legal reserve		132.753	99.973
Other reserves		652.307	635.414
Retained earnings		(53.409.805)	(50.495.252)
Consolidated net result for the year		82.788	5.135.220
Equity attributable to equity holders of the parent company		22.717.217	22.834.431
Non-controlling interests	17	112.173	141.081
TOTAL EQUITY		22.829.390	22.775.512
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Bank loans	18	18.488.000	21.000.868
Bonds	18	17.488.613	-
Trade payables	19	3.108.464	8.278.348
Other non current liabilities	20	8.188.648	8.871.834
Provisions		-	-
Total non current liabilities		45.289.725	36.150.848
CURRENT LIABILITIES:			
Bank loans	18	59.874.002	55.184.343
Bonds	18	-	14.871.385
Trade payables	19	30.189.879	25.177.684
Other current liabilities	20	29.839.750	27.489.137
Provisions	21	1.824.849	1.824.849
Total current liabilities		114.808.180	124.848.198
TOTAL LIABILITIES		160.071.885	160.797.046
TOTAL EQUITY AND LIABILITIES		182.901.275	183.572.558



2. Consolidated Income Statements by Nature for the years ended 30 June
2010 and 2009
(Amounts expressed in Euro)

	Notes	30.06.2010	30.06.2009
Operational income:			
Sales		2.466.063	2.122.361
Services rendered	22	54.091.589	62.390.786
Other operational income		254.121	3.682.367
Total operational income		57.812.877	68.143.494
Operational expenses:			
Cost of goods sold	12	1.470.556	1.430.271
External supplies and services	23	18.732.108	20.171.298
Payroll expenses	24	38.251.570	47.542.521
Amortisation and depreciation excluding amortisation of players' registrations	7	918.105	964.835
Provisions and impairment losses excluding players' registrations	21	182.126	2.180.174
Other operational expenses		1.408.373	922.418
Total operational expenses excluding expenses with players' registrations		62.970.836	73.211.518
Operational profit/(loss) excluding results with players' registrations		(5.358.159)	(5.068.024)
Amortisation and impairment losses of players' registrations	25	(27.065.134)	(23.789.871)
Income/(expenses) related with transactions of players' registrations	25	35.296.877	40.007.626
		8.211.743	16.237.655
Total operational profit/(loss)		2.053.504	11.169.631
Financial expenses	26	(5.391.599)	(7.149.406)
Financial income	26	3.268.661	1.682.162
Investment expenses	9 e 21	(388.205)	-
Profit/(loss) before income tax		342.641	5.702.387
Income tax	15	(285.363)	(555.034)
Consolidated profit/(loss) for the year		77.278	5.147.293
Attributable to:			
Equity holders of the parent company		82.786	5.135.220
Non-controlling interests	17	(5.508)	12.073
Earnings per share	28	0,01	0,34
Basic		0,01	0,34
Diluted		0,01	0,34



3. Consolidated Statements of Comprehensive Income for the years ended 30 June 2010 and 2009
(Amounts expressed in Euro)

	<u>Notes</u>	<u>30.06.2010</u>	<u>30.06.2009</u>
Net Profit / (Loss) for the year		77.270	5.147.299
Exchange differences on translating foreign operations		-	-
Changes on fair value of available-for-sale financial assets		-	-
Net gain on hedging instruments entered into for cash-flow hedges		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		77.270	5.147.299
Attributable to:			
Equity holders of the parent company		82.788	5.135.220
Non-controlling interests		(5.508)	12.079



4. Consolidated Statements of Changes in Equity for the years ended 30 June 2010 and 2009
(Amounts expressed in Euro)

	Attributable to equity holders of the parent company										
	Share capital	Acções Próprias	Own shares	Share issue premiums	Legal reserve	Other reserves	Retained earnings	Consolidated net result for the year	Total	Non-controlling interests	Total
Balance as at 1 July 2008	75,000,000	-	(469)	256,675	20,018	818,051	(88,058,852)	7,884,449	17,458,059	208,819	17,704,288
Appropriation of profit of 2007:											
Transfer to legal reserve					78,990			(78,990)			
Transfer to other reserves					917,969			(917,969)			
Transfer to retained earnings						7,687,228		(7,687,228)			
Changes in reserves						1,142			1,142	(77,211)	(76,069)
Consolidated profit/(loss) for the year ended 30 June 2009								5,195,220	5,195,220	12,078	5,147,289
Balance as at 30 June 2009	75,000,000	-	(469)	256,675	92,878	835,414	(88,465,252)	5,195,220	22,654,981	141,091	22,775,512
Balance as at 1 July 2009	75,000,000	-	(469)	256,675	92,878	835,414	(88,465,252)	5,195,220	22,654,981	141,091	22,775,512
Appropriation of profit of 2008:											
Transfer to legal reserve					92,890			(92,890)			
Transfer to other reserves						18,993		(18,993)			
Transfer to retained earnings						5,085,447		(5,085,447)			
Changes in reserves										(28,400)	(28,400)
Consolidated profit/(loss) for the year ended 30 June 2010								82,798	82,798	(5,508)	77,278
Balance as at 30 June 2010	75,000,000	-	(469)	256,675	192,768	852,907	(89,408,005)	82,798	22,717,217	112,178	22,829,395



5. Consolidated Statements of Cash-flow for the years ended 30 June 2010 and 2009
(Amounts expressed in Euro)

	30.06.2010		30.06.2009	
Operating activities:				
Cash receipts from trade debtors	62.006.600		67.254.263	
Cash payments to trade creditors	(21.398.672)		(18.672.067)	
Cash payments to employees	(40.599.754)		(44.246.792)	
Other cash receipts/(payments) relating to operating activities	(852.445)		898.269	
Income taxes (paid)/received	61.633	(537.188)	(1.592.789)	3.699.186
<i>Net cash flow from operating activities (1)</i>		<u>(537.188)</u>		<u>3.699.186</u>
Investment activities:				
Cash receipts arising from:				
Tangible assets	62.619		149.640	
Players' registrations	49.748.576		41.090.266	
Interest and similar income	7.505	49.838.694	46.756	41.294.662
Cash payments arising from:				
Tangible assets	(806)		-	
Players' registrations	(44.576.646)		(43.659.156)	
Loans granted	(907.666)	(45.285.196)	(762.173)	(44.421.331)
<i>Net cash from/(used in) investment activities (2)</i>		<u>4.559.558</u>		<u>(3.126.669)</u>
Financing activities:				
Cash receipts arising from:				
Loans obtained	136.936.794	136.936.794	136.573.734	136.573.734
Cash payments arising from:				
Loans obtained	(140.622.375)		(127.462.565)	
Interest and similar changes	(4.665.730)		(6.209.679)	
Dividends	(28.406)	(145.511.465)	-	(133.672.264)
<i>Net cash from/(used in) financing activities (3)</i>		<u>(6.572.691)</u>		<u>2.901.470</u>
Cash and cash equivalents at the beginning of the financial year		6.950.318		3.476.331
Variation of consolidation perimeter		-		-
Net increase/(decrease) of cash and cash equivalents: (1)+(2)+(3)		<u>(2.556.321)</u>		<u>3.473.987</u>
Cash and cash equivalents at the end of the financial year (Note 14)		<u><u>4.393.997</u></u>		<u><u>6.950.318</u></u>



6. Notes to the Consolidated Financial Statements for the year ended 30 June 2010

1. INTRODUCTION

Futebol Clube do Porto - Futebol, S.A.D. ('FCPorto, SAD' or 'the Company'), with head office at Estádio do Dragão, Via F.C. Porto, Entrada Poente, 3rd Floor, 4350-451 Porto, was founded on 30 July 1997, and is the parent company of a group companies as presented in Note 5 as the FCP Group ('Group'). Its' main activity considers the participation in professional football competitions and the promotion and organisation of sporting events.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the accompanying consolidated financial statements are as follows:

2.1 BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared on a going concern basis from the books and accounting records of the companies included in the consolidation, adjusted in the consolidation process to reflect International Financial Reporting Standards effective for financial years beginning 1 July 2009, as adopted by the European Union.

Such standards include the International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB'), the International Accounting Standards ('IAS') issued by the Accounting Standards Committee ('IASC') and the respective interpretations – SIC and IFRIC issued by the International Financial Reporting Interpretation Committee ('IFRIC') and Standing Interpretation Committee ('SIC'), that have been adopted by the European Union. These standards and interpretations are referred to hereinafter collectively as 'IFRS'.

The interim financial statements were prepared, quarterly, in accordance with provisions in IAS 34 – Interim Financial Report.



New accounting standards and their impact on the accompanying consolidated financial statements

Standard/ Interpretation	Effective Date (financial years beginning on or after)	
New standards and interpretations		
IFRS 8 – Operating segments	1-Jan-09	IFRS 8 replaces IAS 14 and has resulted in a redesignation of the reportable segments and the information to disclose regarding those segments.
IFRIC 16 - Hedges of a net investment in a foreign operation	1-Jul-09	This interpretation provides guidance on hedge accounting for net investments in foreign operations.
IFRIC 18 - Transfers of assets from customers	Transfers made on or after 1-Jul-09	This Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers'.
Revisions		
IAS 1 - Presentation of financial statements (2007 revision)	1-Jan-09	This revision introduces changes in terminology, including revised titles for the financial statements, as well as changes in the format and content of such statements.
IAS 23 - Borrowing costs (2007 revision)	1-Jan-09	This revision introduces the requirement for capitalisation of borrowing costs that relate to assets that qualify, thus removing the option of immediately recognising such costs as an expense in the period they are incurred.
IFRS 3 - Business combinations / IAS 27 - Consolidated and separate financial statements (2008 revision)	1-Jul-09	This revision brings some changes in respect to: (a) the measurement of non-controlling interests (new term for 'minority interest'); (b) recognition and subsequent measurement of contingent consideration; (c) treatment of direct costs associated with the acquisition; and (d) the record of the acquisition of additional shares in the subsidiary after control was obtained, and the partial disposal of an investment in a subsidiary while control is retained.



Standard/ Interpretation	Effective Date (financial years beginning on or after)	
Amendments		
IFRS 1 - First-time adoption of international financial reporting standards/ IAS 27 - Consolidated and separate financial statements (Amendments)	1-Jan-09	These amendments address the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates on first-time adoption of IFRSs and the recognition of dividends from subsidiaries, in the separate financial statements of the parent company.
IFRS 2 - Share-based payment (Amendments)	1-Jan-09	These amendments clarify the definition of vesting conditions (vesting conditions and non-vesting conditions) and the accounting treatment of cancellations.
IFRS 7 - Financial instruments: disclosures (Amendments)	1-Jan-09	Improvements regarding the disclosure requirements about fair value measurements of financial instruments and liquidity risk.
IAS 1 - Presentation of financial statements / IAS 32 - Financial instruments: presentation (Amendments)	1-Jan-09	These amendments clarify the classification and disclosure for puttable financial instruments.
Improvements of the IFRS - 2007	Several (usually 01-Jan-09)	This process considered the revision of 32 accounting standards.
IAS 39 - Financial instruments: recognition and measurement (Amendments)	1-Jul-09	These amendments clarify some aspects of hedge accounting, namely: (i) designation of inflation as a hedged risk and (ii) hedging with financial options.
IFRIC 9 - Reassessment of embedded derivatives / IAS 39 - Financial instruments: recognition and measurement (Amendments)	Financial years ending or beginning after 30-Jun-09	These amendments clarify the circumstances which allow the subsequent reassessment of the requirement to separate an embedded derivative.

The adoption and application of these standards and interpretations did not produce material changes in the financial statements of the Group as of 30 June 2010 with the exception of presentation and disclosure improvements, as a result of the application of IAS 1 amendments and IFRS 8.

IAS 1 introduced changes in terminology as well as changes to the format and content of financial statements. IFRS 8 replaced the previous IAS 14 and led to a redefinition of the reportable segments of the Group and information to report, requiring that these are reported in accordance with the reporting procedure assigned to management, and not necessarily based on geographical or business logic, as required by IAS 14.



The following standards, interpretations, amendments and revisions have been, at the date of approval of these financial statements, approved ('endorsed') by the European Union, but its' application is mandatory only in future financial years:

Standard/ Interpretation	Effective Date (financial years beginning on or after)	
New standards and interpretations		
IFRIC 12 - Service concession arrangements	1-Jan-10	This interpretation, applicable to public-to-private concession agreements, frames the operator as a service provider and introduces rules for the recognition and measurement by the private operator rendering infrastructure construction and operation services.
IFRIC 15 - Agreements for the construction of real estate	1-Jan-10	This interpretation establishes the way to assess whether a construction agreement for a property is within the scope of IAS 11 – Construction Contracts or in the scope of IAS 18 – Revenue and how the corresponding revenue should be recognised.
IFRIC 19 - Extinguishing financial liabilities with equity instruments	1-Jul-10	Clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to fully or partially settle the financial liability.
Revisions		
IFRS 1 - First-time adoption of international financial reporting standards (2008 revision)	1-Jan-10	This standard was revised to consolidate the various amendments that have occurred since its first release.
IFRS 1 - First-time adoption of international financial reporting standards	1-Jul-10	Limited exemption from the requirement to present comparative IFRS 7 disclosures for the first time adopters.
IFRS 1 - First-time adoption of international financial reporting standards	1-Jul-10	Amendments relating to oil and gas assets and determining whether an arrangement contains a lease
IAS 24 - Related parties disclosures	1-Jan-11	The revised standard addresses concerns that the previous disclosure requirements and definition of a 'related party' were too complex and difficult to apply in practice, particularly in environments where government control is pervasive, by: (1) providing a partial exemption for government-related entities; (2) providing a revised definition of a related party.



These standards, although approved ('endorsed') by the European Union, were not adopted by the Group for the year ended at 30 June 2010, as the application of these standards is not yet mandatory and the Group has decided not to adopt earlier. No significant impacts are expected to arise in the financial statements resulting from the adoption of these standards.

2.2 BASIS OF CONSOLIDATION

The consolidation methods adopted by the Group in the preparation of the consolidated financial statements are as follows:

a) Investments in Group companies

Investments in companies in which the Group owns, directly or indirectly, more than 50% of the voting rights at Shareholders' General Meetings or is able to establish financial and operational policies (definition of control used by the Group), are included in the consolidated financial statements using the full consolidation method. Equity and net profit attributable to minority shareholders are shown separately, under the caption 'Non-controlling interests', in the consolidated statement of financial position and in the consolidated income statement. Companies included in the consolidated financial statements using the full consolidation method are listed in Note 5.

Adjustments to the financial statements of Group companies are performed, whenever necessary, and relevant, in order to adapt accounting policies to those used by the Group. Intra-group balances and transactions are eliminated on consolidation.

b) Goodwill

Differences between the cost of acquisition of investments in Group companies and the fair value of the identifiable assets and liabilities of those companies at the date of acquisition, when positive, are shown as Goodwill (Note 10).

Goodwill is not amortised, being subject to impairment tests on an annual basis. Net recoverable amount is determined based on business plans performed by the Group management or on valuation reports issued by independent entities. Impairment losses recognized in the period are recorded in the income statement under the caption 'Provisions and impairment losses'. Impairment losses related with goodwill may not be reversed.



2.3 MAIN ACCOUNTING POLICIES

The main accounting policies used in the preparation of the consolidated financial statements are as follows:

a) Tangible assets

Tangible assets acquired up to 1 July 2004 (transition date to IFRS) are recorded at deemed cost, which corresponds to the acquisition cost net of accumulated depreciation and impairment losses recorded up to that date.

Tangible assets acquired after that date are recorded at acquisition cost net of accumulated depreciation and impairment losses.

Depreciation is calculated on a straight line basis, as from the date the assets are first used, over the expected useful life for each group of assets. The expected useful life of the main groups of assets is as follows:

- Machinery and equipment: 4 to 10 years;
- Vehicles: 3 to 8 years;
- Office equipment: 3 to 8 years.

Maintenance and repair costs relating to tangible assets which do not increase their useful life nor result in significant benefits or improvements are recorded directly as expenses in the period they are incurred.

Gains or losses arising on sale or disposal of tangible assets are calculated as the difference between the selling price and the carrying amount of the asset at the date of its sale/disposal; these are recorded in the income statement under either 'Other operational income' or 'Other operational expenses'.

b) Intangible assets - Players' registrations

The caption 'Intangible assets - Players' registrations' includes costs related with the acquisition of players' registrations, including intermediation service costs, as well as signing-on fees paid directly to the players, and the called 'loyalty bonuses', in accordance with item 4, article 3 of Decree-Law 103/97 of 13 September. When the percentage owned of players' registrations is less than 100% (see Note 8), it means that although the Company is entitled to full use of the player's registration, it has entered into an associated financial interests contract with a third party, which consists of an investment partnership in the registration rights, resulting in the proportional sharing of the inherent results in future the transaction of these rights.

If is estimated a loss on the recoverable amount of a player's registration ('impairment loss'), the corresponding impact is recognised in the income statement under the caption 'Amortisation and impairment losses of players' registrations'. The recognition and quantification of such impairment losses consider the carrying amount of players' registrations, as of 30 June 2010, of players whose labour contracts have been terminated up to the approval date of the consolidated financial statements.

Costs associated with securing the extension of a player's labour contract are also recorded under the caption 'Intangible assets - Players' registrations', being



determined a new book value for the player's registration which is amortised over the remaining revised contract term.

Costs included in the caption 'Intangible assets - Players' registrations' are amortised over the period covered by contracts celebrated between the players and the Company, in accordance with Decree-Law 103/97 of 13 September.

Players on loan

The acquisition costs of players' registrations that are on temporary loan to other clubs are maintained in the caption 'Intangible assets - Players' registrations' and continue to be amortised over the number of years these rights expire, according to the player's labour contract. If a loss is estimated on the recoverable amount ('impairment loss') of the players' registrations on loan up to the end of the contract period, the corresponding effect is recorded in the income statement under the caption 'Amortisation and impairment losses of players' registrations'.

c) Other intangible assets

Other intangible assets (non players' registration) are stated at acquisition cost net of depreciation and accumulated impairment losses. Intangible assets are only recognised if it is probable that future economic benefits will flow from them to the Group, if they are controlled by the Group and if their value can be reliably measured.

Depreciation is charged on a straight-line basis over the estimated useful life of the assets as from the date the asset is first used (Note 7).

d) Lease and long term rental

Tangible assets acquired under finance lease contracts and the corresponding liabilities are recorded in accordance with the financial method, when complying with the requirements of IAS 17 - 'Leases'. Accordingly, tangible assets are recorded as assets and corresponding obligations as liabilities in the statement of financial position. Both the finance charge and the depreciation expense for depreciable assets, calculated as explained in Note 2.3.a), are taken to the income statement in the period in which they are incurred.

Long term rental instalments on assets acquired under this regime are recognised in full as expenses in the period to which they refer.

Determination of whether contracts relate to finance leases or long term rentals is made based upon the substance rather than the form of the contracts.

Operating lease instalments are recognised as expenses on a straight-line basis over the rental period.

e) Impairment of non-current assets, except for Goodwill

Assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.



Whenever the book value of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss statement caption 'Provisions and impairment losses excluding players' registrations'.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable parties, less costs of disposal. Value in use is the present value of estimated future cash-flow from the continued use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for each asset individually.

Impairment losses recognised in prior years are reversed when it is concluded that the impairment losses previously recognised no longer exist or have decreased. This assessment is made whenever there is an indication that impairment losses previously recognised have been reversed. The reversal is recorded in the income statement caption 'Other operating income'. However, reversal of the impairment loss is recognised only up to the amount at which the asset would have been recorded (net of depreciation) had no impairment loss been recognised for that asset in prior years.

f) Borrowing costs

Borrowing costs are recognised on an accruals basis in the income statement for the period in which they are incurred.

g) Inventories

Inventories are stated at acquisition cost or net realizable value, whichever is lower, using the average cost as costing method.

Differences between cost and net realizable value, if negative, are shown as operating expenses under the caption 'Cost of sales'.

h) Provisions

Provisions are recognised when, and only when, the Group has a present obligation (legal or constructive) as result of a past event, it is probable that a outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation. Provisions are reviewed and adjusted at the end of the reporting period to reflect the best estimate as of that date.



i) Financial instruments

i) Investments

Investments are classified into the following categories:

- Held to maturity;
- Investments measured at fair value through profit or loss;
- Available-for-sale.

Held to maturity investments are classified as non-current assets unless they mature within 12 months of the end of the reporting period. Investments classified as held to maturity have defined maturities and the Group has the intention and ability to hold them until the maturity date.

The investments measured at the fair value through profit or loss include the investments held for trading that the Group acquires with the purpose of trading in the short term. They are classified in the consolidated statement of financial position as current investments.

The Company classifies as available-for-sale investments those that are neither included as investments measured at fair value through profit or loss neither as investments held to maturity. These assets are classified as non-current assets, except if the sale is expected to occur within 12 months from the date of classification.

All purchases and sales of investments are recognised on the trade date, independently of the settlement date.

Investments are initially measured at cost, which is the fair value of the consideration paid for them, including transaction costs.

Investments that do not have a quoted price and whose fair value cannot be reliably measured are stated at cost less any impairment losses.

ii) Trade receivables and Other receivables

Non-current accounts receivables are measured at amortised cost using the effective interest method, less any impairment.

Current account receivables are presented in the statement of financial position, net of any impairment losses, and are recorded at their nominal value, except when the effect of discounting is material, when they are recorded at amortised cost using the effective interest method.

Financial income is calculated in accordance with the effective interest rate, except for very short term receivables when the income amounts to recognize would be immaterial.

Accounts receivables are recorded as current assets, except when its maturity is greater than 12 months from the end of the reporting period, when they are classified as non-current assets. These financial assets are included in the captions presented in Note 11.



Impairment is recognised if there is objective and measurable evidence that, as a result of one or more events that occurred, the balance will not be fully received. Therefore, each group company takes into consideration information that indicates:

- significant financial difficulty of the counterparty;
- default or delinquency in payments;
- it becoming probable that the counterparty will enter bankruptcy or financial re-organisation.

iii) Financial liabilities and Equity instruments

Financial liabilities and equity instruments are classified and recorded based upon their contractual substance. Equity instruments are contracts that evidence a residual interest in the assets of the Group after deducting all of its liabilities, and are recorded at the proceeds received, net of direct issue costs.

iv) Loans

Loans are recorded as liabilities at their nominal value net of transaction costs directly related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis.

v) Trade payables and Other payables

Accounts payables are recorded at amortized cost using the effective interest method.

Current accounts payable are stated at their nominal value, unless the effect of discounting is considered material, when they are recorded using the effective interest method.

The financing costs are calculated according to the effective interest rate, except for amounts payable to very short-term securities which would be to recognize immaterial.

Accounts payable are classified as current liabilities, except in cases where the maturity is longer than 12 months of the end of the reporting period, which are classified as non-current. These liabilities are included in the classes identified in Note 19.

vi) Discounted bills

Trade receivables represented by discounted bills that have not yet matured at the end of the reporting period remain recorded in the statement of financial position until they are collected.

vii) Cash and cash equivalents

'Cash and cash equivalents' include cash on hand, cash at banks, term deposits and other treasury applications which mature in less than three months and are subject to insignificant risk of change in value.



In the consolidated statement of cash-flows, 'Cash and cash equivalents' also include bank overdrafts, which are included in the statement of financial position caption 'Bank loans'.

viii) Effective interest rate method

Effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period.

j) Contingent assets and liabilities

Contingent assets are possible assets arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Group.

Contingent assets are not recorded in the consolidated financial statements but disclosed when future economic benefits are probable.

Contingent liabilities are defined by the Group as (i) possible liabilities arising from past events, the existence of which will only be confirmed by the occurrence, or not, of one or more uncertain future events not under full control of the Group, or (ii) present obligations arising from past events, but which are not recognised because it is unlikely that there will be an outflow of financial benefits to settle the obligation or the amount of the obligation cannot be reliably measured.

Contingent liabilities are not recorded in the consolidated financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

k) Income tax

As from the financial year ended 30 June 2007 the below mentioned group of companies, which is dominated by Futebol Clube do Porto – Futebol, S.A.D., has been taxed in accordance with the special regime for taxation of company groups ('Regime Especial de Tributação de Grupo de Sociedades' – 'RETGS'), with the exception of Porto Seguro – Sociedade Mediadora de Seguros do Porto, Lda., which joined the group in the financial year ended 30 June 2009:

Futebol Clube do Porto – Futebol, S.A.D;
PortoComercial – Sociedade de Comercialização, Licenciamento Sponsorização, S.A
PortoEstádio, Gestão e Exploração de Equipamentos Desportivos, S.A.;
PortoSeguro - Sociedade Mediadora de Seguros do Porto, Lda.

Income tax for the year is determined based on the taxable results of the companies included in the consolidation and takes into consideration deferred taxation.

According to existing Portuguese legislation, company's tax returns included in the consolidation are subject to revision and correction by the Tax Administration during a period of four years (five years for Social Security), unless there were tax losses, have been granted tax benefits, or there are ongoing inspections, complaints or disputes, these cases where, depending on the circumstances, the deadlines are



elongated or suspended. Thus, the tax situation on the years ended on 30 June 2007 to 30 June 2010 may still be subject to review and possible corrections.

The Board of Directors of the Parent-Company and its subsidiaries believe that any adjustments resulting from review by the Tax Administration and the tax situation for tax-businesses, for the years in open, should not have a significant effect on the consolidated financial statements.

Under Article 88 of the Tax Code the corporate income businesses of the Group, are subject to additional taxation on a separate set of charges at the rates provided for in the referred article.

Deferred taxes are calculated using the balance sheet liability method and reflect the temporary differences between the amount of assets and liabilities for accounting purposes and the corresponding amounts for tax purposes. Deferred taxes are calculated using the tax rates expected to be in force at the time the temporary differences are reversed.

Deferred tax assets are only recorded when there is reasonable expectation that sufficient taxable profits will arise in the future to allow such deferred tax assets to be used or when there are temporary taxable differences that compensate temporary tax deductible differences in the period they reverse. At the end of each period the Group reviews the deferred tax assets and reduces them whenever their realisation ceases to be likely.

l) Revenue recognition and accrual basis

Revenue is recorded at fair value of assets received or receivable, net of discounts.

i) Sales of goods

Revenue from the sales of goods (merchandising products) is recognised in the income statement when: (i) the significant risks and benefits of ownership of the assets have been transferred to the buyer, (ii) the Group does not retain continued management involvement of the asset sold to a degree usually associated with ownership or effective control over it, (iii) the amount of revenue can be reliably measured, (iv) it is likely that the economic benefits associated with the transaction will flow to the Group, and (v) the costs incurred or to be incurred with the transaction can be reliably measured. Sales are recognised net of taxes, discounts and other costs, including commissions, at the fair value of the amount received or receivable.

ii) Sale of players' registrations

Gains or losses on disposal of players' registrations are recorded in the income statement under the caption 'Income/(expenses) related with transactions of players' registrations' and are calculated as the difference between the selling price and the carrying amount of the player's registration at the date of the sale and any other costs related directly with the sale, including intermediation service costs. Whenever relevant, the effect of discounting future receipts to its present value is considered in the determination of the transaction result. Gains or losses on sale of players' registrations are recognised in the income statement when the significant risks and benefits of the player's registration have been transferred.



iii) **Bonuses for participation in European Competitions**

Fixed bonuses for obtaining the right to participate in the UEFA Champions League are recognised in the period in which participation is guaranteed, which is independent of the performance in that competition. Variable bonuses depending on sporting performance are recorded in the period the matches are played.

iv) **Other income**

Income relating to broadcasting rights, advertising and sponsorships is recorded in the income statement in accordance with the duration period of the respective contracts. Income relating to football matches is recognised in the period the matches are played.

Interest and financial income are recognised on an accruals basis at the applicable effective interest rates.

Other income and expenses are recorded in the period to which they relate, regardless of their date of payment or receipt. Differences between the amounts received or paid and the corresponding income and expenses are recognised in captions 'Other current assets', 'Other current liabilities' and 'Other non-current liabilities'.

m) **Foreign currency balances and transactions**

All foreign currency assets and liabilities are translated to Euro at the official year-end exchange rates. Exchange gains and losses resulting from differences between the exchange rates in force on the date of the transactions and those in force on the date of collections, payment or the end of the reporting period are recognised as gain or loss in the income statement of the period.

n) **Subsequent events**

Events after the end of the reporting period that provide additional information on conditions existing at the end of the reporting period (adjusting events), are reflected in the consolidated financial statements. Events after the end of the reporting period that provide information about conditions arising after the end of the reporting period (non-adjusting events), when material, are disclosed in the notes to the financial statements (Note 32).

o) **Judgement and estimates**

In the preparation of the accompanying consolidated financial statements judgments and estimates were made and several assumptions were used that affected the value of the assets and liabilities presented, as well as the presented amounts of revenues and expenses for the period.

Estimates used and underlying assumptions were determined based on the best information available of the ongoing events and transactions, at the approval date of these financial statements, as well as based on best knowledge of past and present events. However, not foreseeable situations may occur in subsequent periods, which were not considered in these estimates. For this reason and considering the



uncertainty level incorporated, actual results of these transactions may differ of the corresponding estimates.

The most significant accounting estimates reflected in the consolidated income statements include:

- (i) Useful lives of tangible and intangible assets;
- (ii) Impairment analysis of goodwill, of intangible assets – players' registrations (Note 2.3.b)), and of other tangible and intangible assets;
- (iii) Recognition of adjustments on assets and provisions;

p) Segment information

Every year, the Group's most adequate applicable segments are identified considering the developed activities.

Information regarding income by business segment is included in Note 29.

3. FINANCIAL RISK MANAGEMENT

Besides the risks inherent to the results of the sports' activity and its' impacts on the economic results and on the appreciation of its' assets, the Group's activity is also exposed to a variety of financial risks, such as market risk, credit risk and liquidity risk. These risks are the result of the uncertainty inherent to the financial markets, which is reflected in the capacity to estimate future cash-flows and returns. The Group's risk management policy seeks to minimize any adverse effects arising from these uncertainties characteristic of financial markets.

3.1. Market risk

a) Interests

The interest rate risk is primarily result of loans indexed to variable interest rates.

The Group's debt is mainly indexed to variable interest rates, exposing the cost of debt to a risk of volatility. The impact of such volatility in the profits and equity of the Group is significant given the high level of indebtedness of the Group.

Although the interest rate risk is significant, the Group does not, usually, use interest rate derivatives for hedging this risk.

As of 30 June 2010 and 2009, the Group presents a debt of approximately 92,839 thousand Euro and 91,056 thousand Euro, respectively, divided between current and non-current loans (Note 18) contracted with various financial institutions.

Sensitivity analysis of interest rate

The sensitivity analysis presented below was computed on the basis of the Group's exposition to changes in interest rate on financial instruments with reference to the estimate of average indebtedness in the season 2009/2010. For financial instruments indexed to variable interest rates, the analysis was prepared on the understanding



that changes in market interest rates only affect interest income or expenses of financial instruments indexed to variable interest rates.

The referred analysis pointed out that if the Euribor had been 50 basis points higher and all other variables held constant, the financial charges for the year ended 30 June 2010 would increase by, approximately 262,921 Euro (215,021 Euro in the financial year ended 30 June 2009).

b) Exchange rate risk

Developing its activity, the Group carries out some transactions denominated in currencies other than Euro, namely transactions of players' registrations. However, such transactions in foreign currency have been insignificant, being the vast majority contracted in Euro, and residually in U.S. dollars. Thus, the Group does not use derivatives for hedging, namely exchange rates forwards.

3.2. Credit risk

The Group's exposition to credit risk is mainly related with accounts receivable arising from the sale of players' registrations and other transactions related with the Group's activity, namely the sale of broadcasting rights, advertising and various sponsorships. The credit risk refers to the risk of the counterparty defaulting on its payment contractual obligations, resulting in a financial loss to the Group.

The objective of this risk management is to ensure the effective credit collections on established deadlines without affecting the Group's financial stability. The evaluation of this risk is made on a regular basis, and the management's goal is (a) to evaluate the counterparty in order to assess its ability to pay the debt, (b) to monitor the evolution of the amount of trade receivables, and (c) to perform an impairment analysis of accounts receivables on a regular basis.

The Group does not consider there is significant credit risk with any entity in particular, or with a group of entities with similar characteristics, to the extent that accounts receivables are spread across various customers and different geographical areas. The Group asks for credit guarantees, when the financial position of the client recommends so. For customers with higher credit risk, or when the account receivable is greater than normal, these guarantees should be bank guarantees.

Impairment losses related to accounts receivables are calculated taking into consideration: (a) the client's risk profile, (b) the term of collection of each contract, which differs in each line of business, and (c) the customer's financial conditions. Changes in accumulated impairment losses for the years ended 30 June 2010 and 2009 are disclosed in Note 21.

As of 30 June 2010 and 2009, the Group considers that there is no need to book additional impairment losses besides the amounts recorded on those dates and summary disclosed in Note 21.



3.3. Liquidity Risk

Liquidity risk is defined as the risk of lack of ability to settle or accomplish its obligations on stipulated time and reasonable price. The existence of liquidity implies that management parameters are set which maximize the return and minimize the opportunity costs associated with the liquidity in a safe and efficient manner.

This risk management in the Group aims to:

- Liquidity - ensure the permanent and efficient access to funds to meet correct payments to the respective due dates;
- Security - minimize the probability of default in the refund of any application of funds; and
- Financial efficiency - minimise the cost of opportunity of excessive short term liquidity.

The Group aims to make compatible the due dates of assets and liabilities through an active management of its maturities. Normally, each contract loan is guaranteed by a receivable account balance (due to player's registration sale, or due to receivables amounts related to European competitions bonuses and broadcasting rights); additionally, usually, the maturity dates of such loans match the due dates of the accounts receivables.

The information considered in the notes to the consolidated financial statements, regarding the maturity analysis of financial liabilities includes the due amounts, not discounted, and based upon the worst case scenario, which is, the shortest period in which the liability becomes due, assuming the compliance of all requirements set contractually.

4. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

During the year there were no changes in accounting policies, nor changes in estimates and material errors related with prior periods.

5. GROUP COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

The companies included in the consolidation by the full consolidation method (Note 2.2.a), their head offices and the percentage of share capital held by the Group as of 30 June 2010 and 2009 are as follows:



Company	Head office	Percentage participation held 30.06.10	Percentage participation held 30.06.09
Futebol Clube do Porto – Futebol, S.A.D. PortoComercial – Sociedade de Comercialização, Licenciamento e Sponsorização, S.A. (‘PortoComercial’)	Porto Porto	Parent company 93.5%	Parent company 93.5%
F.C.PortoMultimédia - Edições Multimédia, S.A. (‘PortoMultimédia’)	Porto	70%	70%
PortoEstádio – Gestão e Exploração de Equipamentos Desportivos, S.A. (‘PortoEstádio’)	Porto	100%	100%
PortoSeguro - Sociedade Mediadora de Seguros do Porto, Lda. (‘PortoSeguro’)	Porto	90%	90%

6. CHANGES TO THE CONSOLIDATION PERIMETER

During the financial year ended 30 June 2010 there were no changes in the scope of consolidation.

7. TANGIBLE AND OTHER INTANGIBLE ASSETS

During the years ended 30 June 2010 and 2009, the movements in tangible and other intangible assets, as well as depreciation and accumulated impairment losses, were as follows:

	Tangible Assets					Total
	Building and other constructions	Machinery and equipment	Vehicles	Office equipment	Others	
	30.06.2010					
Gross cost:						
Opening balance (30.06.2009)	811.598	2.450.753	1.792.412	1.653.656	256.000	6.964.419
Additions	-	131.231	387.702	251.971	681	771.585
Sales	-	(31.399)	(312.292)	(11.009)	-	(354.700)
Write-offs	-	-	(22.500)	-	-	(22.500)
Transfers	-	-	-	-	-	-
Closing balance (30.06.2010)	811.598	2.550.585	1.845.322	1.894.618	256.681	7.358.804
Accumulated depreciation and impairment losses						
Opening balance (30.06.2009)	403.343	1.459.335	1.196.982	1.014.492	160.837	4.234.989
Depreciation	77.039	220.819	264.791	301.111	30.127	893.887
Impairment losses	-	-	-	-	-	-
Sales	-	(14.962)	(312.292)	(6.206)	-	(333.460)
Write-offs	-	-	(22.500)	-	-	(22.500)
Transfers	-	-	-	-	-	-
Closing balance (30.06.2010)	480.382	1.665.192	1.126.981	1.309.397	190.964	4.772.916
Carrying amount	331.216	885.393	718.341	585.221	65.717	2.585.888



	Tangible Assets					
	30.06.2009					
	Building and other constructions	Machinery and equipment	Vehicles	Office equipment	Others	Total
Gross cost:						
Opening balance (30.06.2008)	771.225	2.313.865	1.937.372	1.224.489	256.000	6.502.951
Additions	40.373	136.888	146.422	429.167	-	752.850
Sales	-	-	(251.632)	-	-	(251.632)
Write-offs	-	-	(39.750)	-	-	(39.750)
Transfers	-	-	-	-	-	-
Closing balance (30.06.2009)	811.598	2.450.753	1.792.412	1.653.656	256.000	6.964.419
Accumulated depreciation and impairment losses						
Opening balance (30.06.2008)	326.858	1.211.884	1.157.167	735.093	130.670	3.561.672
Depreciation	76.485	247.451	304.981	279.399	30.167	938.483
Impairment losses	-	-	-	-	-	-
Sales	-	-	(225.416)	-	-	(225.416)
Write-offs	-	-	(39.750)	-	-	(39.750)
Transfers	-	-	-	-	-	-
Closing balance (30.06.2009)	403.343	1.459.335	1.196.982	1.014.492	160.837	4.234.989
Carrying amount	408.255	991.418	595.430	639.164	95.163	2.729.430

	Other intangible assets		
	30.06.2010		
	Industrial property and other rights	Others	Total
Gross cost			
Opening balance (30.06.2009)	2.339.706	11.488	2.351.194
Additions	-	-	-
Transfers	-	-	-
Sales and Write-offs	-	-	-
Closing balance (30.06.2010)	2.339.706	11.488	2.351.194
Accumulated depreciation and impairment losses			
Opening balance (30.06.2009)	580.328	9.079	589.407
Depreciation	21.317	901	22.218
Impairment losses	-	-	-
Sales and Write-offs	-	-	-
Closing balance (30.06.2010)	601.645	9.980	611.625
Carrying amount	1.738.061	1.508	1.739.569



	Other intangible assets		
	30.06.2009		
	Industrial property and other rights	Others	Total
Gross cost			
Opening balance (30.06.2008)	2.339.706	11.488	2.351.194
Additions	-	-	-
Transfers	-	-	-
Sales and Write-offs	-	-	-
Closing balance (30.06.2009)	2.339.706	11.488	2.351.194
Accumulated depreciation and impairment losses			
Opening balance (30.06.2008)	554.878	8.177	563.055
Depreciation	25.450	902	26.352
Impairment losses	-	-	-
Sales and Write-offs	-	-	-
Closing balance (30.06.2009)	580.328	9.079	589.407
Carrying amount	1.759.378	2.409	1.761.787

The caption 'Industrial property and other rights' relates to the right of use of the FCP trademark during a period of 99 years, and is being amortised over that period.

8. INTANGIBLE ASSETS - PLAYERS' REGISTRATIONS

During the financial years ended 30 June 2010 and 2009, the movement in 'Players' registrations' as well as depreciation and accumulated impairment losses, was as follows:



Gross cost	Intangible assets Players' registrations	
	30.06.2010	30.06.2009
Opening balance	95.730.192	86.863.458
Acquisitions	47.573.962	42.302.746
Sales	(23.437.145)	(23.815.948)
Transfers (Note 9)	(3.701.647)	-
Write-offs	(9.844.374)	(9.620.064)
Regularizations	(169.094)	-
Closing balance	106.151.894	95.730.192
Accumulated depreciation and impairment losses		
Opening balance	37.853.972	36.184.583
Depreciation (Note 25)	24.694.383	22.080.849
Impairment losses (Note 25)	2.390.751	1.689.122
Sales	(14.412.886)	(12.480.518)
Transfers (Note 9)	(2.493.082)	-
Write-offs	(9.708.987)	(9.620.064)
Closing balance	38.324.151	37.853.972
Carrying amount	67.827.743	57.876.220

Acquisitions

Among the acquisitions made in the year ended 30 June 2010, the following ones stand out which represent, approximately 85%, of the acquisitions amount for this period:

- 100% of Falcao registration, 5% of which were transferred to a third party;
- 50% of Belluschi registration;
- 100% of Prediger registration, 10% of which were transferred to a third party;
- Valeri's sporting registration rights for two years, and 30% of the economic rights of the same player, of which 3% were transferred to a third party;
- additional 30% of Fernando registration;
- 70% of Rúben Micael registration;
- 75% of Souza registration, of which 5% were transferred to a third party;
- 70% James Rodriguez registration, of which 10% were transferred to a third party;
- Charges for the renegotiation of the labour contract with the player Hulk.

The remaining charges are related, mainly, with the purchase of an additional percentage of 25% of Tomás Costa registration, of additional percentage of 50% of Guarin registration, of 50% of Pawel Kieszek registration and an additional percentage of 10% of Rolando registration, as well as charges for the negotiation of the labour contract with the player Sereno.

It should be noted that in situations where the registration is less than 100%, although the Company is entitled to full use of the player's registration, it has entered into an associated financial interests contract with a third party, which consists of an investment



partnership in the registration rights, resulting in the proportional sharing of the inherent results in a future transaction of these rights, if it happens.

For the financial year ended 30 June 2009, the acquisition cost of registrations of Pelé, Cristian Rodriguez, Hulk, Mariano Gonzalez, Sapunaru, Orlando Sá e Alvaro Pereira, and charges for the renegotiation of the labour contract with Lucho Gonzalez represented approximately, 84% of the total charges with acquisitions made in that year.

The charges for intermediation services related with the purchase of players' registrations in the years ended 30 June 2010 and 2009 referred above, as well as with the negotiation and renegotiation of labour contracts with players, amounted to 2,507,650 Euro and 3,045,000 Euro, respectively.

In the financial year ended 30 June 2010 these services were, essentially, provided by Gol Football, Convergence Capital Partners, Natland Financieringsmaatschappij B.V., Deaubert B.V., Orel B.V. and by the agent Ciro J. Sanchez.

In the financial year ended 30 June 2009 intermediation services were provided, mainly, by Schuchard SPI Services, Bedrijfsundig Adviesbureau A.L., Duivenboden B.V., Deaubert B.V., Onsoccer International - Gestão e Marketing Lda., Pacheco e Teixeira Lda., S Bass, Unifoot - Gestão de Eventos e Carreiras de Profissionais Desportivos S.A., Football - Assesoria Esportiva Ltda., Avendi 5L, and by the agents Victor Becali and Federico Martin Simonian.

The amounts of registrations' acquisitions shown in the table above, consider the effect of discounting future payments to its present value, where applicable, in the amounts of, approximately, 900,000 Euro and 2,200,000 Euro, related with the financial years ended 30 June 2010 and 2009, respectively. These amounts refer to the long term account payables balances related with the acquisition of the registrations of players (namely Rúben Micael and James Rodriguez), as well as charges for the renegotiation of the labour contract (Hulk) in the period ended 30 June 2010, and to the account payables balances related with the acquisition of the registrations of the players Cristian Rodriguez and Pelé in the period ended 30 June 2009.

Sales

Sales made during the financial year ended 30 June 2010 generated capital gains of 37,716,784 Euro (Note 25) (net of (i) intermediation service costs in the amount of 2,464,250 Euro; (ii) liabilities relating to the 'solidarity mechanism' in the amount of 1,989,253 Euro; and (iii) of the effect of discounting future medium term receipts and payments to its present value arising from these transactions, amounting to, approximately, 1,600,000 Euro), which result mainly from:

- a) Sale of the registration of Lisandro Lopez to Olympique Lyonnais by the amount of 24,000,000 Euro, net of: (i) costs of intermediation services provided by the entity Robi Plus Ltd; (ii) liabilities related with the 'solidarity mechanism'; (iii) the net effect of discounting the accounts receivable and payable in the long term that arose from this transaction to their net present value; (iv) the carrying amount of the player's registration on the date of sale; and (v) the annulment of under processing signing-on fees.
- b) Sale of the registration of Cissokho to Olympique Lyonnais by the amount of 15,000,000 Euro, net of: (i) costs of intermediation services provided by the entity



Idoloasis - Sociedade Unipessoal Lda.; (ii) liabilities related with the 'solidarity mechanism'; (iii) the net effect of discounting the accounts receivable and payable in the long term that arose from this transaction to their net present value; (iii) the carrying amount of the player's registration on the date of sale; (iv) the amount corresponding to 10% of the registration that was held by Onsoccer – International Gestão e Marketing, S.A.; and (iv) the carrying amount of the player's registration on the date of sale.

- c) Sale of the registration of Ibson to Spartak of Moscow by the amount of 4,000,000 Euro, net of: (i) costs of intermediation services provided by the entity Brazil Soccer Sports Management Ltda.; (ii) liabilities related with the 'solidarity mechanism'; and (iii) the carrying amount of the player's registration on the date of sale.
- d) Sale of 60% of the economic rights of the player Bolatti to the entity Natland Financieringsmaatschappij B.V., on July 2009, by the amount of, approximately, 1,500,000 Euro, (transaction perform under the acquisition process of 40% of the registration of Falcao), as well as the sale of 20% of the economic rights of the same player to ACF Fiorentina SPA, as of January 2010, by the amount of, approximately, 1,400,000 Euro. The balance of these transactions was deducted by the carrying amount of the player's registration on the date of each sale, as well as, with the respect to the transaction with ACF Fiorentina SPA: (i) costs of intermediation services provided by the entity Convergence Capital Partners and (ii) liabilities related with the 'solidarity mechanism'.

Sales occurred during the year ended 30 June 2009 generated capital gains of 34,589,685 Euro (net of, (i) intermediation service costs in the amount of 3,642,500 Euro; (ii) liabilities relating to the 'solidarity mechanism' of 1,077,500 Euro and (iii) the net effect of discounting the accounts receivable and payable that arose from these transactions to their net present value in the amount of., approximately, 2,500,000 Euro) which are related mainly with the sale of the registrations of the players Quaresma, Lucho Gonzalez, Paulo Machado and Marek Cech.

The capital losses generated during the year ended 30 June 2010, in the amount of 1,543,738 Euro (Note 25) are related with the sale of the registrations and part of the economic rights of the players Pelé and Diogo Valente.

Impairment losses (Note 25)

During the financial year ended 30 June 2010, impairment losses were recorded related with the registration of the players: (i) Leandro Lima, because FCP SAD terminated the labour contract with this player in the beginning of the season 2010/11; (ii) Renteria, due to the fact that this player is not registered in any football league in the season ending 30 June 2011, that being the expiry date of his labour contract with the Company; and (iii) Stepanov, taking into account the transfer of 50% of the registration held in the beginning of the sporting season 2010/11.

Players' registrations

As of 30 June 2010 and 2009, the aggregation of the players by range of its' registrations net book value is as follows:



Carrying amount of players registrations	30.06.2010		30.06.2009	
	Number of players	Amount	Number of players	Amount
Graater than 2 million Euro	12	49.265.823	11	40.270.076
Between 1 and 2 million Euro	7	10.473.880	7	9.399.399
Less than 1 million Euro	17	8.088.040	20	8.206.745
		<u>67.827.743</u>		<u>57.876.220</u>

As of 30 June 2010 and 2009, in the carrying amount of players' registrations are included the following players:

Player	30.06.2010		30.06.2009	
	Players' registrations (%)	End of contract	Players' registrations (%)	End of contract
Falcao	95%	Jun-13	-	-
James Rodriguez	60%	Jun-14	-	-
Hulk	45%	Jun-14	45%	Jun-13
Belluschi	50%	Jun-13	-	-
Cristian Rodriguez	70%	Jun-12	70%	Jun-12
Souza	70%	Jun-15	-	-
Alvaro Pereira	80%	Jun-14	80%	Jun-14
Rúben Micael	70%	Jun-14	-	-
Tomás Costa ^(a)	100%	Jun-12	75%	Jun-12
Prediger ^(a)	90%	Jun-13	-	-
Fernando	80%	Jun-14	50%	Jun-12
Orlando Sá ^(a)	60%	Jun-13	60%	Jun-13
Fredy Guarin	100%	Jun-12	50%	Jun-12
Rolando	85%	Jun-14	75%	Jun-13
Sapunaru	50%	Jun-13	50%	Jun-13
Valeri ^(a)	27%	Jun-11	-	-
Farías ^(b)	100%	Jun-11	100%	Jun-11
Maicon	50%	Jun-14	50%	Jun-14
Mariano Gonzalez	100%	Jun-11	100%	Jun-11
Lisandro Lopez	-	-	100%	Jun-11
Pelé ^(e)	-	-	85%	Jun-12
Stepanov ^(b)	100%	Jun-11	100%	Jun-11
Bolatti ^(e)	-	-	60%	Jun-11
Nelson Benitez ^(a)	50%	Jun-12	50%	Jun-12
Leandro Lima ^(c)	90%	Jun-13	90%	Jun-13
Raul Meireles ^{(b) (f)}	90%	Jun-13	100%	Jun-12
Renteria ^(d)	50%	Jun-11	50%	Jun-11

(a) Player loaned to another club or sports entity during the season 2010/11 but which loan's period is not beyond 30 June 2011.

(b) Player whose registration (or part of it) was sold at the beginning of the 2010/11 season.

(c) Player whose labour contract was terminated in the beginning of the 2010/11 season.



- (d) Player not registered in any football league in the 2010/11 season.
(e) Player whose sporting rights were sold during the financial year ended 30 June 2010, however the Company has kept a part of its' economic rights (Note 9).
(f) Transfer of 10% of the economic rights to Unifoot.

The registrations' percentages presented above take into account the assignation of economic rights made on the acquisition date of each player's registration, or its sale at a later date, as well as the percentages assigned by FCPorto SAD to third parties related with the sharing of the amount resulting from a future sale of these rights.

9. INVESTMENTS HELD FOR SALE

During the financial years ended 30 June 2010 and 2009, the movements under the caption 'Investments held for sale' as well as accumulated impairment losses, were as follows:

	<u>Investments held for sale</u>	
	<u>30.06.2010</u>	<u>30.06.2009</u>
Gross cost		
Opening balance	901.226	901.226
Additions	698	-
Transfers (Note 8)	1.208.565	-
Write-offs	-	-
Closing balance	<u>2.110.489</u>	<u>901.226</u>
Accumulated impairment losses		
Opening balance	-	-
Impairment losses (Note 21)	388.205	-
Transfers	-	-
Write-offs	-	-
Closing balance	<u>388.205</u>	<u>-</u>
Carrying amount	<u>1.722.284</u>	<u>901.226</u>

The detail of 'Investments' as of 30 June 2010 and 2009 is as follows:



Description	30.06.2010		30.06.2009	
	% Held	Acquisition cost	% Held	Acquisition cost
<u>Other entities</u>		<u>13.719</u>		<u>13.021</u>
<u>Other investments</u>				
Player's economic rights				
Hélder Postiga	50%	888.205	50%	888.205
Pelé	30%	680.020	-	-
Bolatti	20%	232.360	-	-
Diogo Valente	60%	165.000	-	-
Bruno Gama	45%	71.538	-	-
Vieirinha	35%	36.128	-	-
Zequinha	50%	17.963	-	-
Nuno Coelho	50%	5.556	-	-
		<u>2.096.770</u>		<u>888.205</u>
Accumulated impairment losses (Note 21)		(388.205)		
		<u>1.722.284</u>		<u>901.226</u>

As of 30 June 2010, the caption 'Investments held for sale', detailed above includes economic rights of several players, whose sporting rights were sold by FC Porto SAD, while keeping part of their economic rights. Considered in this caption, stands out 50% of the economic rights of the player Helder Postiga, which were kept under the sales contract of the player's registration signed with Sporting – Sociedade Desportiva de Futebol, SAD ('Sporting SAD') during the year ended 30 June 2008.

In accordance with the refereed contract, Sporting SAD has pledged to pay the amount corresponding to 50% of the economic rights arising from a future transfer of the player Hélder Postiga, if that transaction is held during the term of the labour contract that Sporting SAD has celebrated with the player (at least 3 years), including any extension of this contract, or alternatively, the amount of 2,500,000 Euro if Sporting SAD prefers to maintain the existing playing contract with the player and not sell his registrations' rights.

10. GOODWILL

During the financial year ended 30 June 2010 there was not any movement under the caption 'Goodwill'.

The balance of this caption as of 30 June 2010, in the amount of 717.647 Euro, is related with the Goodwill estimated during the year ended 30 June 2007 in the acquisition of 90% of the share capital of PortoSeguro, Lda..

The Group carries out annual impairment tests on goodwill and whenever there are indications that it may be impaired. During the years ended 30 June 2010 and 2009, the Group has tested the goodwill impairment, not having estimated any relevant impairment loss.



For impairment assessment purposes, it was considered that the goodwill was allocated only to the Cash Generating Unit of insurance intermediation business. The recoverable amount of the Cash Generating Unit was calculated based of value in use, using the discounted cash flow method, based on the business plan developed by the company's representative and duly approved by the Group's Board of Directors.

The key assumptions used in the referred business plan are as follows:

Period used:	7 years cash-flow projection
Growth rate (g) ⁽¹⁾ :	2.15%
Discount rate ⁽²⁾ :	12.5%
⁽¹⁾ Growth rate used to extrapolate cash flows beyond the business plan period	
⁽²⁾ Discount rate applied to projected cash flows	

The Board of Directors, based on the discounted value of the forecasted cash flows of the Cash Generating Unit of this business segment, discounted at the rate of 12.5%, concluded that, as of 30 June 2010, the carrying amount of the net assets, including Goodwill, does not exceed its recoverable amount.

The projected cash flows were based on the historic performance and on the expectations regarding future development of the business. The Group's management believes that a change in the main assumptions used in the calculation of the recoverable amount will not result in impairment losses.

11. TRADE RECEIVABLES

Non-current assets

The detail of non-current balances of 'Trade receivables' as of 30 June 2010 and 2009 is as follows:

	<u>30.06.2010</u>	<u>30.06.2009</u>
Trade receivables:		
Transactions of players' registrations	11.222.250	20.889.500
Trade receivables - bills receivable:		
Transactions of players' registrations	-	6.666.668
Effect of discounting trade receivables	(631.556)	(1.878.345)
	<u>10.590.694</u>	<u>25.677.823</u>

The balance of 'Non-current assets - Trade receivables' as of 30 June 2010 refers to customers' accounts receivable related with transactions of players' registrations, which due date is greater than one year. This balance is mainly consisted of the accounts receivable from F.C.Internazionale Milano and Olympique Lyonnais, related with the registrations' sale of the players Ricardo Quaresma and Cissokho, respectively. As of 30 June 2009 this same balance refers mainly to accounts receivable from Real Madrid, F.C.Internazionale Milano and Olympique de Marseille related with the registrations' sale of the players Pepe, Ricardo Quaresma and Lucho Gonzalez, respectively.



On the end of the reporting period, there are no non current accounts receivables overdue and no impairment loss was recognized, as there is no indication that trade debtors will not fulfill their obligations.

Current assets

The detail of current balances of 'Trade receivables' as of 30 June 2010 and 2009 is as follows:

	<u>30.06.2010</u>	<u>30.06.2009</u>
Trade receivables - current accounts:		
Transactions of players' registrations	38.033.538	24.072.536
Current operations	<u>24.126.244</u>	<u>19.998.229</u>
	62.159.782	44.070.765
Trade receivables - bills receivable:		
Transactions of players' registrations	7.029.168	6.866.666
Current operations	<u>-</u>	<u>9.270.000</u>
	7.029.168	16.136.666
Trade receivables - doubtful accounts:	4.031.971	3.839.845
	<u>73.220.921</u>	<u>64.047.276</u>
Effect of discounting trade receivables	(532.280)	(95.724)
Accumulated impairment losses (Note 21)	(4.031.971)	(3.839.845)
	<u>68.656.670</u>	<u>60.111.707</u>

As of 30 June 2010, the caption 'Trade receivables – Current accounts - Transactions of players' registrations' includes the amounts of 11,595,000 Euro to be received from Olympique Lyonnais, 9,500,000 Euro to be received from Olympique de Marseille and 6,409,750 Euro to be received from F.C.Internazionale Milano, related with the registrations' sale of the players Cissokho and Lisandro Lopez, Lucho Gonzalez and Ricardo Quaresma, respectively. The account receivable from F.C.Internazionale Milano, considered in the captions 'Trade receivables', current and non-current, related to the sale of the registration of Ricardo Quaresma is deducted from the account payable, to the same entity and with the same terms, for the acquisition of Pelé's registration.

As of 30 June 2009, the caption 'Trade receivables – Current accounts - Transactions of players' registrations' includes the amount of 10,000,000 Euro to be received from Olympique de Marseille, 6,409,750 Euro to be received from F.C.Internazionale Milano related with the sale of the registrations of the players Lucho Gonzalez and Ricardo Quaresma, respectively, the remainder being, mainly, distributed by Atlético de Madrid, Toulouse and Sporting, SAD.

The balance of the caption 'Trade receivables - Current Accounts - Current operations' includes balances resulting from several operations, with emphasis on the balances to be collected from Futebol Clube do Porto (11,916,736 Euro and 9,299,938 Euro as of 30



June 2010 and 2009, respectively – Note 27), from Euroantas, Promoção e Gestão de Empreendimentos Imobiliários S.A. ('Euroantas') (4,916,339 Euro and 4,013,755 Euro as of 30 June 2010 and 2009, respectively – Note 27), from Portugal Telecom SGPS SA (2,250,000 Euro and 2,460,000 Euro as of 30 June 2010 and 2009, respectively), from Unicer Bebidas S.A. (1,038,122 Euro) and from other entities, such as Sportinveste - Multimédia, S.A., Olivedesportos - Publicidade Televisão e Media, S.A., TMN - Telecomunicações Móveis Nacionais, S.A., and Império Bonança – Companhia de Seguros S.A. whose aggregate balances amounted to, approximately, 985,000 Euro and 1,500,000 Euro as of 30 June 2010 and 2009, respectively.

The balance of the caption 'Trade receivables – bills receivable' as of 30 June 2010 includes bills not due at the end of the reporting period, part of which were discounted (312,500 Euro and 15,936,666 Euro as of 30 June 2010 and 2009, respectively - Note 18). As of 30 June 2010 these bills are related with account receivables resulting, mainly, from the sale of the registration of the player Pepe to Real Madrid in the amount of 6,666,666 Euro. As of 30 June 2009 these bills are related with the sale of broadcasting rights in the amount of 9,270,000 Euro and with the sale of the registration of Pepe to Real Madrid in the amount of 6,666,666 Euro.

The Group's exposition to credit risk is attributed to accounts receivable relating with its' operational activity. The amounts presented on the face of the statement of financial position are net of impairment losses, which were estimated, based upon the Group's past experience and on the assessment of the actual situation and economic environment. The Group considers that the book value of accounts receivable, net of impairment losses, reflects their fair value.

As of 30 June 2010 there is no indication that the debtors of trade accounts receivable not due will not fulfil their obligations on normal conditions, thus no impairment loss was recognised.

As of 30 June 2010 and 2009 the ageing of trade receivables are as follows:

30.06.2010	Total	Due date			
		- 90 days	90 - 180 days	180 - 360 days	+ 360 days
Trade receivables - current accounts	62,159,782	42,786,791	1,918,597	6,325,118	11,129,276
Transactions of players' registrations	38,033,538	36,101,000	247,010	1,259,627	425,901
Current operations	24,126,244	6,685,791	1,671,587	5,065,491	10,703,375
Trade receivables - bills receivable	7,029,168	6,979,168	-	50,000	-
Trade receivables - doubtful accounts	4,031,971	-	-	-	4,031,971
	73,220,921	49,765,959	1,918,597	6,375,118	15,161,247

30.06.2009	Total	Due date			
		- 90 days	90 - 180 days	180 - 360 days	+ 360 days
Trade receivables - current accounts	44,070,765	28,820,040	2,339,215	7,229,737	5,681,773
Transactions of players' registrations	24,072,536	22,909,697	21,600	630,585	510,654
Current operations	19,998,229	5,910,343	2,317,615	6,599,152	5,171,119
Trade receivables - bills receivable	16,136,666	16,136,666	-	-	-
Trade receivables - doubtful accounts:	3,839,845	-	48,000	58,238	3,733,607
	64,047,276	44,956,706	2,387,215	7,287,975	9,415,380



As of 30 June 2010, the amount due over 180 days of the caption 'Trade receivables – current accounts – current operations' is composed, mainly, by the accounts receivable from Futebol Clube do Porto and Euroantas. The Board of Directors of FC Porto SAD considers that, taking into account the new agreement signed between these two entities, which changes the distribution of the club's quotas between the club and FC Porto SAD, the club will have more financial capacity to reduce this balance. The rationalization of some amateur sports will also relieve the club of some financial responsibilities arising from the current management of these sports which did not have sufficient financial sustainability to meet their costs. Moreover, as mentioned in the Board of Directors' Report, the Group is implementing an Operating Model that can lead to a reflection if the current Corporate Model and existing Protocols between the companies are the most fitting, given the current economic, financial and operational frame. Thus, not having been possible to ensure the full liquidation of that account receivable, namely, through the sale of the Club's real estate assets, as provided by its' Directors, FC Porto SAD and Directors of the Club will agree, in the actual context, until the end of the year, an action plan in order to settle the above referred debt.

As of 30 June 2010 and 2009 the balance of 'Doubtful Accounts receivables' includes, mainly, accounts receivable from football clubs such as União Desportiva de Leiria, Futebol SAD, Club Atlético Independiente and Esporte Clube Vitória.

In determining the recoverability of accounts receivables the Group considers all the changes in credit quality of counterparties from the date of the granting of credit by the reporting date of the consolidated financial statements. The Group has no significant concentration of credit risk, since the risk is diluted by a scattered set of customers. Management believes that credit risk does not exceed the impairment loss recorded for doubtful debts and that the maximum exposure to credit risk corresponds to the total number of customers shown in the consolidated statement of financial position.

12. INVENTORIES

The detail of the caption 'Inventories' as of 30 June 2010 and 2009 is as follows:

	<u>30.06.2010</u>	<u>30.06.2009</u>
Inventories	631.850	680.237
Accumulated impairment losses on inventories (Nota 21)	(63.468)	(62.309)
	<u>568.382</u>	<u>617.928</u>

The inventories' caption, as of 30 June 2010 and 2009, considers the merchandise related with the exploration of the business areas of Futebol Clube do Porto, carried out by the subsidiary PortoComercial.



The cost of sales, for the years ended 30 June 2010 and 2009 was calculated as follows:

	<u>30.06.2010</u>	<u>30.06.2009</u>
Opening balance	680.237	43.800
Purchases	1.421.010	2.037.198
Adjustments	-	(32.799)
Closing balance	<u>631.850</u>	<u>680.237</u>
	1.469.397	1.367.962
Impairment losses (Nota 21)	1.159	62.309
	<u>1.470.556</u>	<u>1.430.271</u>

13. OTHER CURRENT AND NON-CURRENT ASSETS

Other non-current assets

This caption as of 30 June 2010 and 2009 is made up as follows:

	<u>30.06.2010</u>	<u>30.06.2009</u>
Prepayment - rent 'Estádio do Dragão' (Note 30)	14.963.937	14.963.937
Prepayment - rent 'Centro de treinos do Olival'	397.590	433.735
	<u>15.361.527</u>	<u>15.397.672</u>

Other current assets

This caption as of 30 June 2010 and 2009 is made up as follows:



	<u>30.06.2010</u>	<u>30.06.2009</u>
State and public sector	917.403	1.851.449
Other debtors	<u>893.372</u>	<u>847.189</u>
	<u>1.810.775</u>	<u>2.698.638</u>
Champions league participation bonus (Note 2.3 I) iii) to be received	-	7.100.000
Interests to be received related with transactions of players' registrations	762.770	-
Advertising revenue to be billed	505.421	238.007
Commission fees to be billed	277.983	97.993
World Cup 2010 participation bonus to be received	255.562	-
Deferred expenses - Assurance	93.251	137.725
Advances for expenses relating to the 2010/11 season	740.922	-
Other current assets	<u>231.724</u>	<u>541.405</u>
	<u>2.867.633</u>	<u>8.115.130</u>
	<u>4.678.408</u>	<u>10.813.768</u>

14. CASH AND CASH EQUIVALENTS

The caption 'Cash and cash equivalents' as of 30 June 2010 and 2009 is made up as follows:

	<u>30.06.2010</u>	<u>30.06.2009</u>
Cash	47.486	793.156
Bank deposits repayable on demand	8.389.977	6.159.194
Treasury applications	<u>15.000</u>	<u>15.000</u>
Cash and cash equivalents	<u>8.452.463</u>	<u>6.967.350</u>
Bank overdrafts (Note 18)	<u>(4.058.466)</u>	<u>(17.032)</u>
	<u>4.393.997</u>	<u>6.950.318</u>

15. TAXES

The Group has not recognised deferred taxes as there are no significant temporary differences between the amounts of expenses and income recognised for accounting and for tax purposes, except for deferred tax assets relating to tax losses carried forward and non tax deductible provisions and impairment losses, which were not recognised for reasons of prudence.

The tax losses carried forward of the companies included in the consolidation perimeter amounted to 57,525,412 Euro and expire as follows:



	<u>Amount</u>	<u>Expiry date</u>
Generated in the year ended:		
30 June 2005	2,001,166	30 June 2011
30 June 2006	26,004,394	30 June 2012
30 June 2007	27,100	30 June 2013
30 June 2008	44,231	30 June 2014
30 June 2009	11,274,593	30 June 2015
30 June 2010	<u>18,173,928</u>	30 June 2016
	<u>57,525,412</u>	

The tax losses detailed above do not consider any adjustments made by tax authorities to tax base, which were contested by the Company (Note 21) and where the outcome of these processes is still uncertain.

Following is the reconciliation between profit before income tax and income tax for the year:



	<u>30.06.2010</u>	<u>30.06.2009</u>
Profit before income tax	342.641	5.702.387
Impact of transition adjustments to IFRS	(691.777)	1.233.486
Profit for purpose of calculating income tax	<u>(349.136)</u>	<u>6.935.873</u>
Increases:		
Non tax deductible amortisation and depreciation	60.102	89.968
Non tax deductible provisions (Note 21)	-	158.167
Fiscal gains ⁽¹⁾	17.783.469	18.333.815
Non tax deductible adjustments	411.072	535.528
Other	347.011	575.751
Decreases:		
Accounting gains ⁽¹⁾	(35.936.178)	(37.034.489)
Reversal of non tax deductible adjustments	(350.458)	-
Other	(46.829)	(7.662)
Taxable profit	<u>(18.080.947)</u>	<u>(10.413.049)</u>
Offset of tax losses carried forward	(92.981)	-
Tax base	<u>(18.173.928)</u>	<u>(10.413.049)</u>
Income tax rate	12.5% - 25%	25%
Municipal tax rate	1,50%	1,50%
Calculated tax	-	-
Municipality tax ⁽²⁾	5.122	11.419
Autonomous taxation	174.076	165.247
Provision for additional corporate income tax assessments (Note 21)	-	158.167
Corporate income tax assessments (Note 21)	115.489	220.261
Reversal of corporate income tax assessments paid in previous periods	(29.324)	-
Income tax for the year	<u>265.363</u>	<u>555.094</u>

⁽¹⁾ Calculating the taxable profit, the Group chose to consider the reinvestment of capital gains on the sale of players registrations', in legal terms, which allowed to deduct 50% of tax capital gains generated

⁽²⁾ Municipality tax of companies taxed according to RETGS and which present taxable profit for the year ended 30 June 2010

The impact on results of transition to IAS/ IFRS, referred to in the table above, relates mainly to the effect of financial discount of accounts receivable/ payable in the future arising from the sale/ purchase of players' registrations.



16. SHARE CAPITAL

As of 30 June 2010, the Company's fully subscribed and paid for capital is made up of 15,000,000 nominal shares of 5 Euro each.

As of 30 June 2010 the following entities held more than 20% of the subscribed share capital:

- Futebol Clube do Porto – 40%

The individual financial statements of Futebol Clube do Porto – Futebol, SAD as of 30 June 2010 present a shareholders' equity of less than half of the share capital, in the amount of 20,920,130 Euro comparing with share capital of 75,000,000 Euro, whereby the provisions of Articles 35 and 171 of the Portuguese Commercial Code (Código das Sociedades Comerciais) apply. As mentioned in the Board of Director's Report, the Board of Directors of FC Porto SAD considers that, even without reaching the objective referred to in Article 35 of the Portuguese Commercial Code, the Board of Directors is convinced that the improvement of economic and financial performance will continue in the coming years, and so will comply with that article.

Even though, and with the goal to quickly fulfil this obligation, the Board of Directors has been analysing other solutions that allow the reinforcement of shareholders' equity as referred in the Board of Directors' Report.

The Board of Directors besides planning to review this matter on the Shareholders' General Meeting held to approve the accounts for the year, it may also call upon an Extraordinary Shareholders' General Meeting to discuss and approve the proposals that will be presented, which can include the following alternatives:

- Capital decrease to an amount not less than the Company's shareholders' equity;
- Capital increase paid up by the shareholders; and
- A combination of these two alternatives.

According to Article 171 of the Portuguese Commercial Code (Código das Sociedades Comerciais), a company which shareholders' equity is less than half of share capital, should indicate the share capital, the amount of share capital paid and the amount of shareholders' equity according to the last approved statement of financial position in all contracts, mail, publications, ads, websites, and in overall external activity.

17. NON-CONTROLLING INTERESTS

The changes in this caption during the years ended 30 June 2010 and 2009 were as follows:



Balance as at 1 July 2008	206.219
Net consolidated profit for the year attributable to non-controlling interests	12.073
Dividends distributed by Porto Comercial	(78.000)
Other changes	789
Balance as at 30 June 2009	<u>141.081</u>
Balance as at 1 July 2009	141.081
Net consolidated profit for the year attributable to non-controlling interests	(5.508)
Dividends distributed by Porto Comercial	(23.400)
Other changes	-
Balance as at 30 June 2010	<u>112.173</u>

18. BANK LOANS AND OTHER LOANS

The captions 'Bank loans' and 'Bonds' as of 30 June 2010 and 2009 are made up as follows:

Nature	30.06.2010			
	Amortised cost		Nominal value	
	Current	Non-current	Current	Non-current
Bank loans	38.703.916	4.468.000	38.703.916	4.468.000
Credit on current accounts	15.800.000	12.000.000	15.800.000	12.000.000
Discounted bills (Note 11)	312.500	-	312.500	-
Bank overdrafts (Note 14)	4.058.466	-	4.058.466	-
	<u>58.874.882</u>	<u>16.468.000</u>	<u>58.874.882</u>	<u>16.468.000</u>
Bonds	-	17.496.613	-	18.000.000
	<u>58.874.882</u>	<u>33.964.613</u>	<u>58.874.882</u>	<u>34.468.000</u>
Nature	30.06.2009			
	Amortised cost		Nominal value	
	Current	Non-current	Current	Non-current
Bank loans	34.930.645	21.000.666	34.930.645	21.000.666
Credit on current accounts	4.300.000	-	4.300.000	-
Discounted bills (Note 11)	15.936.666	-	15.936.666	-
Bank overdrafts (Note 14)	17.032	-	17.032	-
	<u>55.184.343</u>	<u>21.000.666</u>	<u>55.184.343</u>	<u>21.000.666</u>
Bonds	14.871.385	-	15.000.000	-
	<u>70.055.728</u>	<u>21.000.666</u>	<u>70.184.343</u>	<u>21.000.666</u>

As of 30 June 2010 the repayment schedule of the nominal value of non-current loans may be summarised as follows:



	<u>30.06.2010</u>
2011/2012	16.468.000
2012/2013	18.000.000
	<u>34.468.000</u>

The presented nominal value corresponds to the amount due. Amortised cost corresponds to the nominal value less costs incurred with the financing structuring.

Following is information on the loans as of 30 June 2010 and 2009:

- i) In December 2009 was concluded the Public Subscription Offering of 3,600,000 'F.C.Porto – Futebol, SAD 2009-2012' bonds amounting to 18,000,000 Euro. The bonds bear interest payable in arrears on 18 June and 18 December of each year, the first payment having been made on 18 June 2010. Interest is at the fixed rate of 6% per annum, calculated based on a 30 day per month basis and 360 days per year. The bonds have a three year maturity, their nominal amount being repayable, in a single payment, on 18 December 2012. As of 15 December 2009 the previous bond 'F.C.Porto – Futebol, SAD 2006-2009' matured and was reimbursed, amounting to 15,000,000 Euro.
- ii) As of 30 June 2010, the caption 'Bank Loans' includes the amount of 1,650,000 Euro (3,300,000 Euro as of 30 June 2009) with a short term maturity, relating to a loan contract signed in February 2006 in the amount of 7,950,000 Euro. This loan bears interests at a fixed market rate and is repayable in successive equal half yearly instalments up to January 2011. This loan is guaranteed by the amounts to be received from Portugal Telecom under the multi-annual publicity contract signed with that entity (Naming Rights of the central stands of 'Estádio do Dragão').
- iii) As of 30 June 2010, the caption 'Bank Loans' includes the amount of 6,666,666 Euro (6,666,666 Euro as of 30 June 2009), with a short term maturity, relating to a facility agreement celebrated in 22 October 2007. This loan bears semi-annual interests at the Euribor 6M rate plus a spread and is repayable in two equal instalments in July 2008 and July 2010. This loan, currently, has as guarantee the third debt security of Real Madrid concerning the sale of the registration of the player Pepe to this club. This loan has already been paid as of 25 October 2010.
- iv) As of 30 June 2010, the caption 'Bank Loans' includes the amount of 8,934,000 Euro (13,400,000 Euro as of 30 June 2009), of which 4,468,000 Euro with maturity in the medium and long term, relating to a credit facility agreement signed in 15 September 2008. This loan bears monthly interests at the Euribor 1M rate plus a spread and is repayable in equal annual instalments until August 2011, the first payment having been made on August 2009. This loan has as guarantee the account receivable from F.C.Internazionale Milano relating to the sale of the registration of Ricardo Quaresma, net of the acquisition of the registration of Pelé to this same club.
- v) As of 30 June 2010, the caption 'Bank Loans' includes the amount of 2,000,000 Euro (4,000,000 Euro as of 30 June 2009) with maturity in the short term, related to the credit facility agreement signed in 5 March 2009. This loan bears quarterly interests at the Euribor 3M rate plus a spread and is repayable in semi annual instalments from July 2011. This loan has as guarantee the sponsorship contract of



senior football team signed with Portugal Telecom for the seasons 2009/2010 and 2010/2011.

- vi) As of 30 June 2010, the caption 'Bank Loans' includes the amount of 8,000,000 Euro, related to the credit facility agreement signed in 31 July 2009. This loan bears monthly interests at the Euribor 1M rate plus a spread and is repayable in one instalment in July 2010. This loan has as guarantee the account receivable from the sale of the registration of Lucho Gonzalez. This loan has already been paid as of 25 October 2010.
- vii) As of 30 June 2010, the caption 'Bank loans' includes the amount of 10,500,000 Euro, with maturity in the short term, related with the credit facility agreement signed in 9 April 2010. This loan bears monthly interests at a fixed market rate and is repayable in three instalments in October 2010, February 2011 and May 2011, two in the amount of 3,600,000 Euro and the last one in the amount of 3,300,000 Euro. This loan has as guarantee the revenue related with the broadcasting rights for the 2010/ 2011 season and the registrations of the players Bruno Alves and Varela.
- viii) As of 30 June 2010, the caption 'Bank loans' includes the amount of 1,671,250 Euro, related with the credit facility agreement signed in 15 April 2010. This loan bears monthly interests at the Euribor 10M rate plus a spread and it terminates in February 2011. This loan has as guarantee Fiorentina's account receivable related with the sale of the registration of the player Bolatti.
- ix) As of 30 June 2010, the caption of 'Bank loans' includes the amount of 1,750,000 Euro, related with the credit facility agreement signed in 22 June 2010. This loan bears monthly interests at the Euribor 1M rate plus a spread and is repayable in July 2010. This loan has as guarantee the account receivable of Toulouse related with the sale of the registration of the player Paulo Machado. This loan has already been paid as of 25 October 2010.
- x) As of 30 June 2010, the caption 'Credit on current accounts' includes the amount of 10,000,000 Euro (5,000,000 Euro in the long term) related with a credit facility agreement (current account) signed in 30 July 2009. This current account bears quarterly interests at the Euribor 3M plus a spread and it matures in 15 August 2011; however there is the obligation to repay the amount of 5,000,000 Euro until 15 August 2010. This loan has as guarantee the account receivable of Olympique Lyonnais related to the sale of the registration of the player Cissokho.
- xi) As of 30 June 2010, the caption of 'Credit on current accounts' includes the amount of 14,000,000 Euro (7,000,000 Euro in the long term) related with a credit facility agreement (current account) signed in 30 July 2009, which maximum amount is of 14,000,000 Euro. This loan bears quarterly interests at the Euribor 3M plus a spread and it matures in 15 July 2011; however there is the obligation to repay the amount of 7,000,000 Euro until 15 July 2010. This loan has as guarantee the account receivable of Olympique Lyonnais related to the sale of the registration of the player Lisandro Lopez.

The average annual rate of bank loans as of 30 June 2010 is 4.39%.



19. TRADE PAYABLES

Non-current liabilities

This caption as of 30 June 2010 and 2009 is made up as follows:

	<u>30.06.2010</u>	<u>30.06.2009</u>
Fixed assets' suppliers:		
Transactions of players' registrations	2.880.000	8.496.889
Leasing	415.037	352.266
Effect of discounting trade payables	(185.573)	(570.807)
	<u>3.109.464</u>	<u>8.278.348</u>

As of 30 June 2010, the balance of non-current 'Trade payables' is mainly due to the acquisition of the registrations of some of the players mentioned in Note 8 – Cristian Rodriguez and Ruben Micael, amounting to 1,900,000 - as well as intermediation service costs and other costs associated with sale of the registrations of the players Cissokho, Pelé and Tomás Costa, amounting to 980,000 Euro.

As of 30 June 2010, the accounts payable to fixed assets suppliers relating to transactions of players' registrations become due in the financial year ending 30 June 2012.

Current liabilities

This caption as of 30 June 2010 and 2009 is made up as follows:

	<u>30.06.2010</u>	<u>Payable to</u>		
		<u>- 90 days</u>	<u>90 - 180 days</u>	<u>+ 180 days</u>
Trade payables - current account	7.984.361	3.940.047	3.013.963	1.030.351
Trade payables - bills payable	-	-	-	-
Fixed assets' suppliers:				
Transactions of players' registrations	22.044.532	19.237.283	1.464.250	1.342.999
Leasing	237.540	38.113	38.978	160.449
Other	58.561	6.867	38.313	13.381
	<u>22.340.633</u>	<u>19.282.263</u>	<u>1.541.541</u>	<u>1.516.829</u>
Effect of discounting trade payables	(155.115)	(54.850)	(52.969)	(47.296)
	<u>30.169.879</u>	<u>23.167.460</u>	<u>4.502.535</u>	<u>2.499.884</u>



	30.06.2009	Payable to		
		- 90 days	90 - 180 days	+ 180 days
Trade payables - current account	7.496.498	5.157.944	1.483.894	854.660
Trade payables - invoices pending	50.000	50.000	-	-
Suppliers of fixed assets				
Transactions of players' registrations	17.322.535	9.092.414	250.000	7.980.121
Leasing	206.487	40.236	40.236	126.015
Other	289.371	69.195	17.802	202.374
	<u>17.818.393</u>	<u>9.201.845</u>	<u>308.038</u>	<u>8.308.510</u>
Effect of discounting trade payables	(187.207)	(68.246)	(45.127)	(73.834)
	<u>25.127.684</u>	<u>14.291.543</u>	<u>1.746.805</u>	<u>9.089.336</u>

As of 30 June 2010 the main balances included in the captions, current and non-current, 'Fixed assets' suppliers – Transactions of players' registrations' consider accounts payable to the entities (i) Play International B.V., Clube Desportivo Nacional, Sporting Clube de Braga SAD, S.C. CFR 1907 Cluj S.A., and Club Atlético Lanus, relating to the acquisition of the registrations of the players Cristian Rodriguez, Rúben Micael, Orlando Sá and Pawel Kieszek, Alvaro Pereira and Valeri, respectively; (ii) Onsoccer International - Gestão e Marketing Lda. for the acquisition of part of the registration of the player of Fernando and for its proportion in the sale amount of the player Cissokho (Note 8); and (iii) Gestifute – Gestão de Carreiras de Profissionais Desportivos, S.A., relating, mainly, to commission fees of several transactions that this entity has intermediated, which add up to 73% of the total balance.

As of 30 June 2009 the main balances included in the captions, current and non-current, 'Fixed assets' suppliers – Transactions of players' registrations' consider accounts payable to the entities; (i) Club Atlético Rosário Central, Club Atlético Rentistas, Play International B.V., US Citta de Palermo SPA, Rio Football Services Hungary, Sporting Clube de Braga Futebol SAD and S.C. CFR 1907 Cluj SA relating to the acquisition of the registrations of the players Tomás Costa, Hulk, Cristian Rodriguez, Mariano Gonzalez, Lisandro Lopez, Orlando Sá and Alvaro Pereira; (ii) Marítimo da Madeira – Futebol, SAD for its proportion in the sale amount of the player Pepe; and (iii) Gestifute – Gestão de Carreiras de Profissionais Desportivos, S.A. relating, mainly, to commission fees of several transactions that this entity has intermediated, which represent 77% of the total balance.

20. OTHER CURRENT AND NON-CURRENT LIABILITIES

The captions 'Other non-current liabilities' and 'Other current liabilities' as of 30 June 2010 and 2009 can be detailed as follows:



	<u>30.06.2010</u>	<u>30.06.2009</u>
<u>Other non-current liabilities</u>		
Accrued expenses:		
Cost of transactions of players' registrations, not yet invoiced	3.698.611	1.192.302
Deferred income:		
Advertising	141.037	479.532
Broadcasting rights	4.350.000	5.200.000
	<u>8.189.648</u>	<u>6.871.834</u>
<u>Other current liabilities</u>		
State and public sector	2.465.130	2.447.699
Other creditors	4.746.485	5.016.165
	<u>7.211.615</u>	<u>7.463.864</u>
Accrued expenses		
Accrued payroll	748.899	738.365
Accrued interest	461.635	915.369
Cost of transactions of players' registrations, not yet invoiced	7.150.219	4.571.268
Competition bonuses pending processing	-	4.131.314
Termination costs pending processing	-	657.347
Other accrued expenses	187.840	241.244
	<u>8.548.593</u>	<u>11.254.907</u>
Deferred income:		
Broadcasting rights	850.000	3.050.000
Sale of season tickets	1.842.977	2.328.017
Advertising	5.040.170	3.042.810
Other deferred income	345.395	348.539
	<u>8.078.542</u>	<u>8.769.366</u>
	<u>23.838.750</u>	<u>27.488.137</u>

The caption 'Cost of transactions of players' registrations, not yet invoiced' includes commitments assumed by the Group in transactions relating to the registrations of players not yet invoiced as of the end of the reporting period. The balance of this caption as of 30 June 2010 includes, namely, amounts related with: (i) the acquisition of the registration of the player James Rodriguez and related intermediation service costs; (ii) the celebration and/or renewal of the labour contracts with the players Hulk, Sereno and Cristian Rodriguez; (iii) loans of players during the 2009/10 season. Classifying the balance as non-current, which regards the signing-on fees, the agreed payment dates were considered.

As of 30 June 2009, the caption referred above considers, namely, amounts related with: (i) the acquisition of the registration and/or the renewal of the labour contracts of the players Cristian Rodriguez, Lisandro Lopez, Pelé and Raúl Meireles; (ii) intermediation services costs related with the sale of Lucho Gonzalez, Paulo Machado and Pepe's registrations; (iii) the cost of Paulo Machado's purchase option cancellation with AS



Saint-Etienne; (iv) 'solidarity mechanism' and other costs not yet settled, related with the sale and acquisition of registrations of the players Quaresma and Pepe.

The caption 'Other creditors', as of 30 June 2010, considers: (i) the amount of, approximately, 950,000 Euro, related with the wages of June 2010 that were settled in the beginning of July; (ii) termination costs of labour contracts in the amount of, approximately, 560,000 Euro; as well as (iii) bonuses to be paid to the players, in the amount of, approximately, 2,215,000 Euro which due date is on the short term.

As of 30 June 2009 the caption 'Competition bonuses subject to processing' included the amounts related with the bonuses granted to the players and technical team for the victory on the Football Championship 2008/2009 (Note 24).

21. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements in provisions and accumulated impairment losses in the years ended 30 June 2010 and 2009 are as follows:

	Opening Balance 30.06.2009	Increase	Utilisation	Decrease	Closing Balance 30.06.2010
Accumulated impairment loss on investments (Note 9)	-	388.205	-	-	388.205
Accumulated impairment loss on account receivables (Note 11)	3.839.845	616.942	-	(424.816)	4.031.971
Accumulated impairment loss on inventories (Note 12)	62.309	1.159	-	-	63.468
Provisions	1.924.649	-	-	-	1.924.649
	<u>5.826.803</u>	<u>1.006.306</u>	<u>-</u>	<u>(424.816)</u>	<u>6.408.293</u>

	Opening Balance 30.06.2008	Increase	Utilisation	Decrease	Closing Balance 30.06.2009
Accumulated impairment loss on investments (Note 9)	-	-	-	-	-
Accumulated impairment loss on account receivables (Note 11)	1.820.226	2.113.816	-	(94.197)	3.839.845
Accumulated impairment loss on inventories (Note 12)	-	62.309	-	-	62.309
Provisions	1.605.927	318.722	-	-	1.924.649
	<u>3.426.153</u>	<u>2.494.847</u>	<u>-</u>	<u>(94.197)</u>	<u>5.826.803</u>

Provisions

Tax litigation

FCPorto, SAD, following a tax inspection of the year ended 30 June 2004, was notified in November 2007 of an additional Value Added Tax (VAT) assessment, in the amount of 819,098 Euro, and, in January 2008, of an additional Corporate Income Tax (CIT) assessment, in the amount of 2,486,972 Euro (including compensatory interests), related with which, the Company: (i) paid and accepted the amount of 148,641 Euro; and (ii) submitted a complaint for the amount of 2,338,331 Euro. The amount paid was recorded as expenses in the income statement for the year in which the payment was made (2007/2008)



Additionally, in the beginning of 2009, following a tax inspection of the financial years ended 30 June 2006 and 30 June 2007, FCPorto, SAD was notified of additional Corporate Income Tax (CIT) assessments amounting to 595,450 Euro (including compensatory interests), related with which, the Company: (i) paid and accepted the amount of 220,261 Euro (ii) paid and submitted a complaint for the amount of 93,529 Euro; and (iii) submitted a complaint for the amount of 281,660 Euro. The amounts paid were recorded as expenses in the income statement for the year in which the payment was made (2008/2009).

Finally, in the end of 2009, following a tax inspection of the year ended 30 June 2008, FCPorto, SAD was notified of additional Corporate Income Tax (CIT) and Value Added Tax (VAT) assessments amounting to 444,371 Euro (including compensatory interests) related with which the Company: (i) paid and accept the amount of 99,379 Euro; (ii) paid and submitted complaints for the amount of 18,105 Euro; and (iii) submitted complaints for the amount 326,887 Euro. The amounts paid were recorded as expenses in the income statement for the year ended 30 June 2010, of which the amount of 115,489 Euro was recorded as 'Income Tax' (Note 15).

The above mentioned administrative appeals, were presented as the Board of Directors, and its' legal and tax advisers, consider that the reasons given by the Tax Administration on the matters above mentioned are not in accordance with Portuguese law.

As of 30 June 2010, FCPorto, SAD has bank guarantees issued in favour of the Tax Administration in the amount of 4,345,801 Euro, related with the additional settlements for the years ended 30 June 2004 and 2008.

In relation with the situations mentioned above, the Company maintains, as of 30 June 2010, a provision was recorded in the amount of 1,514,094 Euro, which is considered adequate to cope with the risk of an unfavourable outcome of these assessments.

Other litigations

During the year ended 30 June 2008 a judicial process was brought by a third party against the subsidiary PortoEstádio; in May 2009 a sentence was issued by the the Judicial Court's (7ª Vara Cível do Tribunal Judicial do Porto) condemning PortoEstádio to pay a compensation of 404,241 Euro, plus moratory interests. Despite PortoEstádio presented an appeal against this verdict, as of 30 June 2010 the caption 'Provisions' consider the amount of, approximately, 410.000 Euros to cope with the risk of an unfavourable outcome of this process.

Impairment losses

During the financial year ended 30 June 2010 impairment losses related with accounts receivable were recorded in the amount of 616,942 Euro, of which 382,000 Euro relate with account receivables from football clubs and/or entity that show difficulties in the settlement of their commitments. The Company also reversed impairment losses on accounts receivables in the amount of 424,816 Euro, of which, approximately, 312,000 Euro refer to football clubs and/or entities.



22. SERVICES RENDERED

Services rendered for the years ended 30 June 2010 and 2009 are up made up as follows:

	<u>30.06.2010</u>	<u>30.06.2009</u>
Sporting income	25.815.579	31.460.733
Advertising	14.291.282	13.605.489
Broadcasting rights	8.375.000	8.302.000
Others	6.409.732	8.970.544
	<u>54.891.593</u>	<u>62.338.766</u>

The balance of the caption 'Sporting income' includes essentially: (i) the amount of 11,634,000 Euro (16,192,000 Euro for the year ended 30 June 2009) relating to bonus for participating in the UEFA Champions League; and (ii) the amount of 11,071,546 Euro (13,352,403 Euro for the year ended 30 June 2009) relating with ticket sales for matches played at 'Estádio do Dragão' and season tickets, which includes 3,648,333 Euro (3,814,741 Euro for the year ended 30 June 2009) relating to the Company's proportion on income from quotas of the associates of Futebol Clube do Porto.

The caption 'Others' includes mainly (i) the amount of 1,312,883 Euro (2,017,289 Euro for the year ended 30 June 2009) regarding income relating to 'Lugares Euroantas' (Note 30); (ii) the amount of 2,304,817 Euro (2,664,722 Euro for the year ended 30 June 2009) related with services provided by PortoEstádio and PortoComercial, regarding events' organization, room renting, parking lots, among others; and (iii) the amount of 1,321,415 Euro (1,424,642 Euro for the year ended 30 June 2009) related with corporate commissions fees charged by PortoComercial to Euroantas under the commercial arrangement celebrated between the two entities.

23. EXTERNAL SUPPLIES AND SERVICES

External supplies and services for the years ended 30 June 2010 and 2009 are up made up as follows:



	<u>30.06.2010</u>	<u>30.06.2009</u>
Specialised services	2.861.995	3.012.120
Subcontracts	2.460.328	2.447.066
Organization costs	2.312.621	3.505.469
Travel and accommodation	2.310.675	2.157.975
Rentals	1.445.775	1.404.835
Security	1.291.486	1.339.934
Fees	1.125.987	1.095.569
Insurance	918.739	880.871
Sports equipment	623.251	430.653
Repair and maintenance	577.223	570.538
Advertising	572.270	305.418
Communication	449.399	637.640
Representation expenses	382.229	417.625
Electricity	368.746	337.968
Cleaning up services	363.651	345.367
Goods transportation	306.925	113.192
Fuels	207.847	153.903
Other costs	1.152.959	1.015.155
	<u>19.732.106</u>	<u>20.171.298</u>

In the caption 'Subcontracts' are included costs incurred in connection with the protocol signed between the Group and Futebol Clube do Porto, mainly related with the use of several facilities, as well as the utilization of the training centre by the senior team, and also by the junior teams.

The 'Travel and accommodation' caption includes, essentially, the travels and related accommodation made by the football team during the national championship, the UEFA Champions League and training periods.

The caption 'Organization costs' considers various costs related with games and other events at Estádio do Dragão.

The caption 'Specialised services' includes several types of costs associated with the Group's activity, namely (i) expenses with market research' services, (ii) costs with legal advisory services, (iii) costs with audit services; and (iv) expenses with financial advisory services.

24. PAYROLL EXPENSES

The caption 'Payroll expenses' for the years ended 30 June 2010 and 2009 is made up as follows:



	<u>30.06.2010</u>	<u>30.06.2009</u>
Governing bodies	1.838.542	2.544.300
Football players	23.124.081	28.531.942
Technical and administrative staff	10.064.036	10.435.642
Insurance	1.249.327	1.805.309
Other costs	2.975.584	4.225.328
	<u>39.251.570</u>	<u>47.542.521</u>

Net payroll expenses for the year ended 30 June 2010, of players on temporary loan to other clubs, amounted to, approximately 2,700,000 Euro (3,200,000 Euro on 30 June 2009).

The overall decrease in payroll expenses is due to the fact that, this year, there was no attribution of bonuses to the players and technical staff related with the Football Championship and with the access to the Champions League's quarter finals, while in 2008/09 these bonuses were granted. Additionally, the balance of the caption 'Other costs' has decrease significantly due to the reduction of indemnities related with the termination of players' labour contracts.

As of 30 June 2010 and 2009, the number of people working for the Group is as follows:

	<u>30.06.2010</u>	<u>30.06.2009</u>
Corporate boards (*)	12	12
Administrative staff	94	91
Technical staff	19	99
Auxiliar technical staff	25	9
Vendors (stores)	24	-
Football players	54	47
	<u>228</u>	<u>258</u>

(*) Includes four non-executive directors.

25. RESULTS OF TRANSACTIONS WITH PLAYERS' REGISTRATIONS

The results of transactions with players' registrations in the years ended 30 June 2010 and 2009 are as follows:



	<u>30.06.2010</u>	<u>30.06.2009</u>
Amortisation and impairment losses of players' registrations		
Amortisation of players' sporting registration rights (Note 8)	24.694.383	22.080.849
Impairment losses of players' sporting registration rights (Note 8)	2.390.751	1.689.122
	<u>27.085.134</u>	<u>23.769.971</u>
Income/(expenses) related with transactions of players' registrations		
Losses from the sales of players' registrations (Note 8)	(1.543.738)	-
Costs relating to players on loan	(513.700)	(330.000)
Other costs relating to players	<u>(1.818.988)</u>	<u>(1.207.592)</u>
	<u>(3.876.426)</u>	<u>(1.537.592)</u>
Gains from the sales of players' registrations (Note 8)	37.716.784	34.589.685
Income relating to players on loan	1.340.250	1.888.200
Other income relating to players	<u>116.269</u>	<u>5.067.333</u>
	<u>39.173.303</u>	<u>41.545.218</u>
	<u>35.296.877</u>	<u>40.007.626</u>
	<u>8.211.743</u>	<u>16.237.655</u>

Impairment losses of players' registrations rights consider the carrying amount of players' registrations as of 30 June 2010 whose labour contracts were terminated by the Company until the approval date of these financial statements, as well as the estimated impairment loss of the players' registrations considering the players' sports as of the approval date of the financial statements. The balance of this caption as of 30 June 2010 corresponds essentially to the players Stepanov, Renteria and Leandro Lima, while as of 30 June 2009 it related mostly to the players Kazmierczak, Claudio Pitbull, Adriano and Ivanildo.

The amounts included in the captions 'Gains from the sales of players' registrations' and 'Losses from the sales of players' registration' are presented net of the carrying amount of the players' registrations, intermediation service costs incurred with that sales, and liabilities under the 'solidarity mechanism' (if and when applicable) and also net from the discount effect of accounts receivable and payable related with these transactions (Note 8).

As of 30 June 2010, the caption 'Gains from the sales of players' registrations' also includes the amount of, approximately, 3,400,000 Euro relating with the fulfilment, in the financial year ended 30 June 2010, of objectives contractually defined in the sales of the registrations of the players Ricardo Quaresma and Lucho Gonzalez, contracted in the previous financial year. Additionally, as of 30 June 2010, the caption 'Losses from the sale of players' registrations' considers, mainly, the loss generated by the transfer of the sporting registration rights and 70% of economic rights of the player Pelé to the Turkish club Eskisehirspor Kulubu.

As of 30 June 2009, the caption 'Other income relating to players' considers the amount of 3,500,000 Euro, related with the compensation agreed with Atlético de Madrid and Paulo Assunção, for his early termination of the employment contract with the Company, in end of the 2007/08 season, to represent that football club.



26. FINANCIAL EXPENSES AND INCOME

Financial expenses and income for the years ended 30 June 2010 and 2009 are made up as follows:

	<u>30.06.2009</u>	<u>30.06.2010</u>
<u>Financial expenses:</u>		
Interest	3.699.775	5.501.326
Discount effect of accounts payable	1.157.322	1.118.563
Other financial expenses	534.502	529.517
	<u>5.391.599</u>	<u>7.149.406</u>
Net financial expenses	(2.122.738)	(5.467.244)
	<u>3.268.861</u>	<u>1.682.162</u>
<u>Financial income:</u>		
Interest	770.275	46.756
Discount effect of accounts receivable	2.498.586	1.635.406
	<u>3.268.861</u>	<u>1.682.162</u>

The balance of the captions 'Discount effect of accounts receivable' and 'Discount effect of accounts payable' relate to interest for the period between the date of sale of several players' registrations and the agreed payment/receipt dates.

27. RELATED PARTIES

The balances and transactions between the Company and its subsidiaries, which are related parties, were eliminated in consolidation and therefore are not mentioned in this note. The main balances with related entities, identified below, as of 30 June 2010 and 2009 and the main transactions performed with these entities during the year ended as of that date are as follows:



30.06.2010				
Transactions	Sales and services	External supplies	Dividends	
	rendered	and services	distribution	
Futebol Clube do Porto	5,126,224	2,947,266	23,400	
Euroantas (Note 30)	4,634,709	474,517	-	
Olivedesportos	9,175,000	-	-	
Sportinveste	442,022	96,413	-	
	<u>19,377,955</u>	<u>3,518,196</u>	<u>23,400</u>	

30.06.2009				
Transactions	Sales and services	External supplies	Dividends	
	rendered	and services	distribution	
Futebol Clube do Porto	4,361,867	2,490,003	78,000	
Euroantas (Note 30)	4,725,025	766,383	-	
Olivedesportos	9,102,000	-	-	
Sportinveste	443,351	59,790	-	
	<u>18,632,243</u>	<u>3,316,176</u>	<u>78,000</u>	

30.06.2010				
Balances	Accounts	Accounts	Other current	Other current
	receivable	payable	assets	liabilities
Futebol Clube do Porto	11,916,736	493,604	28,208	-
Euroantas (Note 30)	4,916,339	2,162,500	277,983	-
Olivedesportos	-	-	-	5,200,000
Sportinveste	160,001	909	-	564,159
	<u>16,993,076</u>	<u>2,657,013</u>	<u>306,191</u>	<u>5,764,159</u>

30.06.2009				
Balances	Accounts	Accounts	Other current	Other current
	receivable	payable	assets	liabilities
Futebol Clube do Porto	9,299,938	961,294	8,256,910	-
Euroantas (Note 30)	4,013,755	876,631	125,349	-
Olivedesportos	9,426,589	-	-	8,250,000
Sportinveste	43,018	11,132	-	962,389
	<u>22,783,300</u>	<u>1,849,057</u>	<u>8,382,259</u>	<u>9,212,389</u>

Futebol Clube do Porto is the main shareholder of FC Porto, SAD (Note 16), and Euroantas is 99.99% owned by this entity. Additionally, information is displayed above of balances and transactions of the Group with the entities Sportinveste - Multimédia, S.A. ('Sportinveste') and Olivedesportos - Publicidade Televisão e Media, S.A. ('Olivedesportos'), as the Chairman of the Board of Directors of these entities is a referral shareholder of FC Porto, SAD.

The remuneration of the members of the Board of Directors of FC Porto, SAD and its subsidiaries, for the years ended 30 June 2010 and 2009 is as follows:

	30.06.2010	30.06.2009
Fixed remuneration (1)	1.724.042	1.634.300
Variable remuneration	114.500	910.000
	<u>1.838.542</u>	<u>2.544.300</u>

(1) The fixed component remuneration considers social security costs.



28. EARNINGS PER SHARE

Earnings per share were calculated considering the following amounts:

	<u>30.06.2010</u>	<u>30.06.2009</u>
Earnings		
Net profit/(loss) considered for the computation of basic earnings per share	82.786	5.135.220
Effect of potencial shares	-	-
Net profit/(loss) considered for computation of diluted earnings per share	<u>82.786</u>	<u>5.135.220</u>
Number of shares		
Weighted number of shares used to compute the basic earnings per share	15.000.000	15.000.000
Effect of potencial shares	-	-
Weighted number of shares used to compute the diluted earnings per share	<u>15.000.000</u>	<u>15.000.000</u>
Earning per share (basic and diluted)	<u>0,01</u>	<u>0,34</u>

29. SEGMENT INFORMATION

As of 30 June 2010, FCP SAD adopted for the first time IFRS 8 – Operating segments, which requires segment information to be disclosed based on internally information used by the Group management.

As a result of applying the criteria set by that standard, there were not identified new segments besides the ones that the Group has been using in previous years.

Operationally, the Group is organised in two major segments:

Segment A: activity related to the participation in professional football competitions, and the promotion and organisation of sporting events represented by FCP SAD.

Segment B: activity relating to the sale of image rights, sponsorship, merchandising and product licensing represented by PortoComercial.

Other services: includes the activities of the subsidiaries PortoMultimedia, PortoEstádio and PortoSeguro.



Operational income, indicating transactions with other segments and those resulting from transactions with third parties, may be presented as follows:

	30.06.2010			
	Segm. A	Segm. B	Other services	Total
Operational income excluding income related with transactions of players' registrations				
Resulting from operations with external clients	43.958.707	10.496.696	3.157.274	57.612.677
Resulting from operations with other segments	2.489.395	1.098.717	4.983.524	8.571.636
	30.06.2009			
	Segm. A	Segm. B	Other services	Total
Operational income excluding income related with transactions of players' registrations				
Resulting from operations with external clients	53.519.883	10.441.939	4.181.672	68.143.494
Resulting from operations with other segments	2.976.182	805.654	5.048.593	8.830.429

The amounts related to operational profit, operational cash-flow and cash-flow, by segment, are as follows:

	30.06.2010				
	Segm. A	Segm. B	Other services	Intra-group	Total
Operational profit / (loss)	2.693.928	(90.597)	250.253	-	2.853.584
Operational cash-flow - EBITDA (a)	30.288.877	222.419	535.653	-	31.046.949
Cash-flow (b)	27.946.849	207.368	453.026	(336.600)	28.270.643
	30.06.2009				
	Segm. A	Segm. B	Other services	Intra-group	Total
Operational profit / (loss)	10.621.361	613.233	(64.963)	-	11.169.631
Operational cash-flow - EBITDA (a)	36.676.525	1.080.483	327.603	-	38.084.611
Cash-flow (b)	31.963.964	903.101	317.208	(1.122.000)	32.062.273

(a) Earnings before interests, taxes, depreciation and amortisation

(b) Profit plus depreciation and amortisation

Information relating to total assets and liabilities, as well as the investments made in the present year in tangible and intangible fixed assets, including players' registrations, and the results related with associated companies, are present by segment as follows:



	30.06.2010				
	Segm. A	Segm. B	Other services	Eliminations and adjustments	Total
Total assets	173.917.298	7.045.376	5.794.622	(3.856.021)	182.901.275
Total liabilities	152.522.514	6.389.685	4.071.072	(2.911.386)	160.071.885
Investment made in the current year (c)	48.140.989	194.144	10.414	-	48.345.547
Gains/ (losses) in associated companies	336.600	-	-	(336.600)	-

	30.06.2009				
	Segm. A	Segm. B	Other services	Eliminations and adjustments	Total
Total assets	177.539.839	7.017.439	6.904.544	(7.889.264)	183.572.558
Total liabilities	154.988.662	5.944.851	5.348.624	(5.485.091)	160.797.046
Investment made in the current year (c)	42.799.467	114.132	141.997	-	43.055.596
Gains/ (losses) in associated companies	1.122.000	-	-	(1.122.000)	-

(c) Fixed tangible and intangible assets acquisitions including players' registrations

As FCP Group is currently developing its activity exclusively in the internal market, geographical segments are not reported

30. 'ESTÁDIO DO DRAGÃO'

On 7 July 2003 a Cooperation Agreement was signed between PortoEstádio, Euroantas, Futebol Clube do Porto and Futebol Clube do Porto – Futebol, S.A.D. relating to the construction, financing, operation and utilisation of 'Estádio do Dragão' ('the Stadium'), which consists of an operating lease contract.

Under that agreement, Euroantas, the present owner of the Stadium, transferred to FCP, SAD the right to operate the Sporting Area of the Stadium for a period of 30 years, in return of an annual amount charged to FCP, SAD over the period, , approximately linear, the total payment being divided into two components:

- i) An amount equal to the debt service borne by Euroantas during the first 15 years on the Loan Contract entered into for the construction of the Stadium and, in the last 15 years, a lower amount indexed to the debt service for the last year (2018) on the Loan Contract; and
- ii) The amount of 14,963,937 Euro, settled in the year ended 30 June 2003 and recorded as 'Other non-current assets (Note 13), as a remuneration for the amount of the falling due rents during the 15 year period, determined from 2018. This amount will be recognized as a linear cost over the period of 15 years from 2018.

In accordance with the agreement, FCP, SAD also retains the right to receive from Euroantas, any excess, determined annually, of the income, net of the inherent operating expenses, commercialisation of Boxes and Business Seats of 'Estádio do Dragão' ('Lugares Euroantas') over the amount of the 'rent' mentioned above. The excess for the year ended 30 June 2010 amounted to 1,312,883 Euro (Note 22).



31. CONTINGENT ASSETS AND LIABILITIES

As of 30 June 2010 there is an ordinary lawsuit brought against the Company by a shareholder requiring annulment of the decisions of the Shareholders' General Meeting held on 28 October 2005 that approved:

1. The Board of Directors' Report and Non-Consolidated Financial Statements of the year ended 30 June 2005;
2. The Board of Directors' Report and Consolidated Financial Statements of the year ended 30 June 2005;
3. The proposed appropriation of net consolidated result for the year ended 30 June 2005.

In September 2010 a favourable ruling to FCP SAD was issued related to this case.

32. SUBSEQUENT EVENTS

The following events took place after the date of the financial statements and, by its relevance, are presented as follows:

- i) Acquisition of 75% of the registration of the player Walter da Silva to Atlético Rentistas (6,240,000 Euro), 50% of the registration of the player Otamendi to Club Atlético Vélez Sársfield (4,000,000 Euro) and 100% of the registration of the player João Moutinho to Sporting Clube de Portugal (11,000,000 Euro);
- ii) Sale of the registration of the player Bruno Alves to FC Zenit St. Petersburg by the amount of 22,000,000 Euro, of the registration of the player Raúl Meireles to Liverpool FC by the amount of 13,000,000 Euro and of 50% of the registration of Nuno André Coelho by the amount of 1,000,000 Euro to Sporting Clube de Portugal;
- iii) Transfer of 50% of the registration of Stepanov to Bursaspor Klübü Derneği and temporary loan of the player Valeri to Unión Deportiva Almería; FCP SAD kept part of the economic rights of these players in the global amount of, approximately, 2,350,000 Euro, not keeping any sporting registration rights of these players;
- iv) Conclusion of agreements, under an economic partnership, in view of selling the economic rights of two players: (i) 37.5% of the economic rights of the player João Moutinho by the amount of 4,125,000 Euro to Mamers B.V.; and (ii) 25% of the economic rights of the player Walter by the amount of 2,125,000 Euro to Pearl Design Holding, Ltd.;
- v) Celebration of three loans by the amounts of 4,000,000 Euro, 12,000,000 Euro and 13,000,000 Euro, which have as guarantees the registration of the player Souza, revenue relating to broadcasting rights and revenue relating to season tickets and quotas of associates, respectively.



33. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors on 25 October 2010.

34. EXPLANATION ADDED FOR TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IFRS/IAS) as adopted by the European Union and the format and disclosures required by those Standards, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.



7. Statutory Audit and Auditors Report – Consolidated Financial Statements (Translation of a report originally issued in Portuguese – Note 34)

Introduction

1. In compliance with the applicable legislation, we hereby present our Statutory Audit and Auditors' Report on the consolidated financial information contained in the Board of Directors' Report and the accompanying consolidated financial statements of Futebol Clube do Porto – Futebol, S.A.D. ("Company") and subsidiaries for the year ended 30 June 2010, which comprise the Consolidated Statement of Financial Position as of 30 June 2010, that reflects a total of 182,901,275 Euro and shareholders' equity of 22,829,390 Euro, including net consolidated profit of 82,786 Euro, the Consolidated Statements of Profit and Loss by Nature, Comprehensive Income, Changes in Equity and Cash Flows for the year then ended and the corresponding notes.

Responsibilities

2. The Company's Board of Directors is responsible for: (i) the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, the consolidated results and comprehensive income of their operations, the changes in consolidated equity and their consolidated cash flows; (ii) the preparation of historical financial information in accordance with International Financial Reporting Standards as adopted by the European Union and that is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of appropriate systems of internal control; and (iv) the disclosure of any significant facts that have influenced the operations of the Company and companies included in the consolidation, their financial position and results of operations and comprehensive income.

3. Our responsibility is to examine the financial information contained in the documents referred to above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our examination.

Scope

4. Our examination was performed in accordance with the Auditing Standards ("Normas Técnicas e as Directrizes de Revisão/Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas") which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. Such an examination includes verifying, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the significant estimates, based on judgements and criteria defined by the Board of Directors, used in their preparation.



Such an examination also includes: verifying the consolidation procedures and that the financial statements of the companies included in the consolidation have been appropriately examined, assessing the adequacy of the accounting policies used and their uniform application and disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, verifying the adequacy of the overall presentation of the consolidated financial statements, and assessing that, in all material respects, the consolidated financial information is complete, true, timely, clear, objective and licit. Our examination also includes verifying that the consolidated financial information included in the consolidated Board of Directors' Report is consistent with the consolidated financial statements. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated financial statements referred to in paragraph 1, present fairly, in all material respects, the consolidated financial position of Futebol Clube do Porto – Futebol, S.A.D. and subsidiaries as of 30 June 2010, the consolidated results and comprehensive income of its operations, changes in consolidated equity and its consolidated cash flows for the year then ended, in conformity with the International Financial Reporting Standards as adopted by the European Union and the financial information contained therein is, in terms of the definitions included in the auditing standards referred to in paragraph 4, complete, true, timely, clear, objective and licit.

Emphasis

6. The Company's individual financial statements as of 30 June 2010, consider a shareholders' equity in the amount of 21,769,423 Euros, disclosing that half the Company's capital had been lost, therefore the provisions of article 35 of the Commercial Company Code ("Código das Sociedades Comerciais") still apply. In addition, the individual and consolidated financial statements as of that date present negative working capital. As referred in the Board of Directors' Report and Note 16 to the consolidated financial statements, the Board of Directors considers that this situation should be analysed and decided in the Shareholders' General Meeting in order to adjust equity to the legal requirements. In this context, the accompanying financial statements were prepared on a going concern basis, which considers the continued financial support of the financial entities, as well as the success of the Company's future operations, including the result of the sale of players' registrations, as foreseen in its operating and cash-flow budgets.

Porto, 29 October 2010

Deloitte & Associados, SROC S.A.
Represented by Jorge Manuel Araújo de Beja Neves



8. Report and Opinion of the Supervisory board

To our Shareholders

In fulfilment of legal requirements and the company's Articles of Association, we hereby submit for your appreciation our activity report and opinion on the documents of accounts rendered, both individual and consolidated, presented by the Board of Directors of FUTEBOL CLUBE DO PORTO – FUTEBOL SAD, relating to the period between 01 July 2009 and 30 June 2010.

We have accompanied the process of consolidation of accounts and have verified the appropriate drawing up, in the form of specific records, of the consolidated financial statements.

We have also accompanied the development of the work carried out by the Official Auditors, and have looked at their annual report.

Now that the financial year in question has come to an end, we are analyzing the reports of the Board of Directors, the balance sheet, statements of results by nature and function, in both individual and consolidated terms, statements of cash-flow and their respective appendices, and also the Statutory Audit and Report of the Statutory Auditors, the contents of which we agree with.

Of the checks carried out, we can conclude that the management report explains, with sufficient clarity, the changes in company business and that the financial statements reflect the correct net worth of the company and of the group of subsidiaries included within consolidation, as well the results of their operations.

We are therefore of the opinion that these accounts deserve to be approved

Management Report and the Company Accounts, individual and consolidated, relative to the period between 01 July 2009 and 30 June 2010, as well as the proposal for application of results presented by the Board of Directors.



Under the terms of paragraph c) of point 1 of article 245 of the Securities Code, the members of the F. C. Porto – Futebol, SAD Supervisory Board state that the information contained in the management report, the annual accounts and other documents in which accounts must be presented as demanded by law or regulation, even though they may not have been submitted for approval of the AGM, has, to the best of their knowledge, been drawn up in conformity with applicable accounting standards, giving a true and appropriate picture of assets and liabilities, of the financial situation and results of the issuer and of the companies included within consolidation, and that the management report lays out faithfully the evolution in business performance and the position of the issuer and of the companies included within consolidation, and contains a description of the main risks and uncertainties which the company has to face.

Porto, 29 October 2010

The Supervisory board

José Paulo Sá Fernandes Nunes de Almeida

Armando Luís Vieira de Magalhães

Filipe Carlos Ferreira Avides Moreira



C. Report on Corporate Governance

Introduction

The revision of The Company Code, under legislative decree 76-A/2006 of 29 March, brought about a profound modification to the rules of corporate governance in Portugal, especially in relation to the reformulation of company supervision by means of the separation of the roles of supervision and auditing, thereby strengthening the independence and proficiency of the members of the supervisory bodies. As a result, revision of the Statutes relevant to the alterations imposed by that legislation in this important area was dealt with in the 2007 AGM.

With the criteria of the interests of shareholders and the market always in mind, F.C. Porto – Futebol, SAD has consistently sought to adjust its behaviour towards the adoption of best practice, especially in relation to the values of accuracy and transparency.

In order to modernize its Statutes and to thereby correspond with the most advanced practices in terms of corporate governance, the adjustments considered necessary to related matters were carried out, such as the organization of postal voting and the appropriate adjustment of the time limits of participation and suspension of the General Assembly to fit the recommendations of the Securities Market Commission (the CMVM). These alterations were put forward for shareholder consideration, and approved in the AGM that met for approval of the 2008/2009 accounts. Additionally, and in order to adjust the Statutes so as to fulfill the conditions of Legislative Decree 49/2010, a new alteration relating to share-blocking will be put to shareholders at the next AGM.

The Board of Directors pays particular attention to matters relating to corporate governance, and is of the opinion that Company policy follows best market practice and that the operation of its governance model is that most suited to its size. This report is indebted to that policy, with the Board of Directors understanding that it



reflects the correct functioning of the model adopted and of current Company practice.

No impediments to its functioning whatsoever were found in the Model of Governance adopted by the Company, which are regulated by accuracy, honesty, and confidence, amongst other values central to this success. The dynamics of the world, the economy, companies and the capital market are well-known factors, meaning that if there are any alterations to be instigated in relation to improvements to the model of governance, they will first be analyzed internally, and if found to be of interest, will be then put to the shareholders.

Chapter 0 – DECLARATION OF COMPLIANCE

F.C. Porto – Futebol, SAD, as a share-issuing company that is allowed to trade on the NYSE Euronext Lisbon (Eurolist by Euronext) official stock market, has drawn up this report in accordance with the Code of Governance for Companies Listed by the Securities Market Commission (CMVM) of 2007, and also contains the information demanded by CMVM regulations n.º 1/2010, of 01 February, considered complementary to CMVM regulation n.º 1/2007. These regulations are available for consultation on the CMVM website, at the following address: www.cmvm.pt.

The company declares that it has adopted the recommendations issued by the Securities Market Commission in relation to matters of corporate governance, which are laid out in the aforementioned code. It must be stated, however, that not all of the regulations laid out in the recommendations have been adopted, or have not been adopted in their entirety.

CMVM recommendations laid out in the Code of Corporate Governance are summarized in the following table, with individual mention being made as to which parts of the code have been adopted, not adopted or are not applicable, as well as an indication as to which part of the report must be looked at in order to ascertain the fulfillment or justification for non-adoption of these recommendations.



CMVM RECOMMENDATIONS ON CORPORATE GOVERNANCE	DEGREE OF COMPLIANCE	REPORT
I. GERNERAL ASSEMBLY		
I.1. BOARD OF THE GENERAL ASSEMBLY		
I.1. The Presiding Board of the General Meeting shall be equipped with the necessary and adequate human resources and logistic support, taking the financial position of the company into consideration.	Adopted	1.1.
I.1.2 The remuneration of the Presiding Board of the General Meeting shall be disclosed in the Annual Report on Corporate Governance.	Adopted	1.1.
I.2. PARTICIPATION AT THE MEETING		
I.2.1 The requirement for the Board to receive statements for share deposit or blocking as laid out in the statutes must not exceed 5 working days.	Adopted	1.2.
I.2.2 Should the general meeting be suspended, the company shall not compel share blocking during the interim period until the meeting is resumed and then the blocking period ordinarily demanded for the first session is deemed sufficient.	Adopted	1.2.
I.3. VOTING AND EXERCISING VOTING RIGHTS		
I.3.1 Companies shall not impose any statutory restriction on postal voting.	Adopted	1.3.
I.3.2 The statutory deadline for receiving voting ballots by mail prior to the ballot may not exceed three working days.	Adopted	1.3.
I.3.3 Companies must set out in their statutes the provision that one share corresponds to one vote.	Adopted	1.2
I.4. QUÓRUM AND DECISION-MAKING		
I.4.1 Companies shall not fix decision-making or constitutional quorums at numbers higher than those prescribed by law.	Adopted	1.2.
I.5. MINUTES AND INFORMATION ON RESOLUTIONS PASSED		
I.5.1 The minutes of the general meetings must be made available to shareholders on the company's website within a five day period after the General Meeting has been held, irrespective of the fact that such information may not be classified as privileged information, in accordance with current legislation. Lists relating to past meetings must also be kept on the website, containing the following information: meeting attendance lists, the meeting agenda and resolutions passed. This information shall be kept on file on the company's website for no less than 3 years.	Not Adopted	1.2.
I.6. MEASURES ON CORPORATE CONTROL		
I.6.1 Measures aimed at preventing successful takeover bids shall respect both the company and the shareholder interests.	Adopted	1.5.
I.6.2 In observance of the principle set out in the previous sub-paragraph, the company's articles of association that restrict/limit the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Meeting, (5 year intervals, at least) on whether that statutory provision is to prevail – without super quorum requirements as to the one legally in force – and that in said resolution, all votes issued be counted, without applying said restriction.	N.A.	1.5.



I.6.3 In cases such as change of control or changes to the composition of the Board of Directors, defensive measures should not be adopted that instigate an immediate and serious asset erosion in the company, and further disturb the free transmission of shares and voluntary assessment of the performance of the Board of Directors by the shareholders.	Adopted	1.5.
II. MANAGEMENT AND SUPERVISORY BOARDS		
II.1. GENERAL POINTS		
II.1.1. STRUCTURE AND DUTIES		
II.1.1.1 The Board of Directors shall assess the adopted model in its governance report and pin-point possible hold-ups to its functioning and shall propose measures that it deems fit for surpassing such obstacles.	Adopted	Introduction
II.1.1.2 Companies shall set up internal control systems in order to efficiently detect any risk to the company's activity by protecting its assets and keeping its corporate governance transparent.	Adopted	2.1.
II.1.1.3 The Management and Supervisory Boards shall establish internal regulations and shall have these disclosed on its website.	Not Adopted	Section I
II.1.2. INCOMPATIBILITY AND INDEPENDENCE		
II.1.2.1. The Board of Directors shall include a number of non-executive members that ensure the efficient supervision, auditing and assessment of the executive members' activity.	Not Adopted	2.2.1..
II.1.2.2 Non-executive members must include an adequate number of independent members. The size of the company and its shareholder structure must be taken into account when devising this number and may never be less than a fourth of the total number of Directors.	Not Adopted	2.2.1
II.1.3. ELIGIBILITY AND APPOINTMENT		
II.1.3.1 Depending on the applicable model, the Chair of the Audit Board, the Audit Committee or the Financial Matters Committees shall be independent and be adequately capable to carry out its duties.	Adopted	2.3.
II.1.4. POLICY ON THE REPORTING OF IRREGULARITIES		
II.1.4.1 The company shall adopt a policy whereby irregularities occurring within the company, are reported. Such reports should contain the following information: i) the means through which such irregularities may be reported internally, including the persons that are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should it be required by the reporter.	Adopted	2.10
II.1.4.2 The general guidelines on this policy should be disclosed in the corporate governance report.	Adopted	2.10
II.1.5. REMUNERATION		



<p>II.1.5.1 The remuneration of the members of the Board of Directors shall be aligned with the interests of the shareholders. Thus: i) The remuneration of Directors carrying out executive duties should be based on performance and a performance assessment shall be carried out periodically by the competent body or committee; ii) the level of remuneration shall be consistent with the maximization of the long term performance of the company, and shall be dependent on sustainability of the levels of the adopted performance; iii) when the remuneration of non-executive members of the Board of Directors is not legally imposed, a fixed amount should be set.</p>	<p>Not Adopted</p>	<p>2.9.1.</p>
<p>II.1.5.2 The Remuneration Committee and the Board of Directors shall submit a statement on the remuneration policy to be presented at the Annual Shareholders General Meeting on the Management and Supervisory bodies and other directors as provided for in Article 248/3/b of the Securities Code. The shareholders shall be informed on the proposed criteria and main factors to be used in the assessment of the performance for determining the level (share bonuses; option on share acquisition, annual bonuses or other awards)..</p>	<p>Adopted</p>	<p>1.4..</p>
<p>II.1.5.3 At least one of the Remuneration Committee's representatives shall be present at the Annual Shareholders' General Meeting.</p>	<p>Adopted</p>	<p>1.4.</p>
<p>II.1.5.4 A proposal shall be submitted at the General Meeting on the approval of plans for the allotment of shares and/or options for share purchase or further yet on the variations in share prices, to members of the Management and Supervisory Boards and other Directors within the context of Article 248/3/B of the Securities Code. The proposal shall mention all the necessary information for its correct assessment. The proposal shall contain the regulation plan or in its absence, the plan's general conditions. The main characteristics of the retirement benefit plans for members of the Management and Supervisory Boards and other Directors within the context of Article 248/3/B of the Securities Code, shall also be approved at the General Meeting.</p>	<p>N.A.</p>	<p>3.3.</p>
<p>II.1.5.5 The remuneration of the members of the Management and Supervisory Boards shall be individually and annually disclosed and, information on fixed and variable remuneration must be discriminated as well as any other remuneration received from other companies within the group of companies or companies controlled by shareholders of qualifying holdings.</p>	<p>Adopted</p>	<p>2.9..</p>
<p>II.2. BOARD OF DIRECTORS</p>		
<p>II.2.1 Within the limits established by Law for each Management and Supervisory structure, and unless the company is of a reduced size, the Board of Directors shall delegate the day-to-day running and the delegated duties should be identified in the Annual Report on Corporate Governance.</p>	<p>Not Adopted</p>	<p>2.2.</p>



<p>II.2.2 The Board of Directors shall ensure that the company acts in accordance with its goals, and should not delegate its duties, namely in what concerns: i) definition of the company's strategy and general policies; ii) definition of the corporate structure of the group; iii) decisions taken that are considered to be strategic due to the amounts, risk and particular characteristics involved.</p>	Adopted	2.2.4.
<p>II.2.3 Should the Chair of the Board of Directors carry out executive duties, the Board of Directors shall set up efficient mechanisms for coordinating non-executive members that can ensure that these may decide upon, in an independent and informed manner, and furthermore shall explain these mechanisms to the shareholders in the corporate governance report.</p>	Adopted	2.2.1.
<p>II.2.4 The annual management report shall include a description of the activity carried out by the non-executive Board Members and shall mention any restraints encountered.</p>	Adopted	2.2.1.
<p>II.2.5. The management body should promote rotation of the member in charge of financial matters at least every two mandates.</p>	Not Adopted	2.2.1.
<p>II.3. CHIEF EXECUTIVE OFFICER (CEO), EXECUTIVE COMMITTEE AND EXECUTIVE BOARD OF DIRECTORS</p>		
<p>II.3.1 When Directors that carry out executive duties are requested by other Board Members to supply information, the former shall do so in a timely manner and the information supplied must adequately meet the request made.</p>	Adopted	2.2.1.
<p>II.3.2 The Chair of the Executive Committee shall send the convening notices and minutes of the meetings to the Chair of the Board of the Directors and, when applicable, to the Chair of the Supervisory Board or the Auditing Committee.</p>	N.A.	Chapter 2
<p>II.3.3 The Chair of the Executive Board of Directors shall send the convening notices and minutes of the meetings to the Chair of the General and Supervisory Board and to the Chair of the Financial Matters Committee.</p>	N.A.	Chapter 2
<p>II.4. GENERAL AND SUPERVISORY BOARD, FINANCIAL MATTERS COMMITTEE, AUDIT COMMITTEE AND AUDIT BOARD</p>		
<p>II.4.1 Besides fulfilling its supervisory duties, the General and Supervisory Board shall advise, follow-up and carry out on an on-going basis, the assessment on the management of the company by the Executive Board of Directors. Besides other subject matters, the General and Supervisory Board shall decide on: i) definition of the strategy and general policies of the company; ii) the corporate structure of the group; and iii) decisions taken that are considered to be strategic due to the amounts, risk and particular characteristics involved.</p>	N.A.	Chapter 2
<p>II.4.2 The annual reports and financial information on the activity carried out by the General and Supervisory Committee, the Financial Matters Committee, the Audit Committee and the Audit Board shall be disclosed on the company's website together with the financial statements.</p>	Adopted	2.3.



II.4.3 The annual reports on the activity carried out by the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Audit Board shall include a description on the supervisory activity and shall mention any restraints that they may have come up against.	Adopted	2.3.
II.4.4 The Financial Matters Committee, the Audit Committee and the Audit Board (depending on the applicable model) shall represent the company for all purposes at the external auditor, and shall propose the services supplier, the respective remuneration, ensure that adequate conditions for the supply of these services are in place within the company, as well as being the liaison officer between the company and the first recipient of the reports.	Adopted	2.3.
II.4.5 According to the applicable model, the Committees for Financial Matters, Audit Committee and the Audit Board, shall assess the external auditor on an annual basis and advise the General Meeting that he/she be discharged whenever justifiable grounds are present.	Adopted	2.3.
II.5. SPECIAL COMMITTEES		
II.5.1 Unless the company is of a reduced size and depending on the adopted model, the Board of Directors and the General and Supervisory Committees, shall set up the necessary Committees in order to: i) ensure that a competent and independent assessment of the Executive Directors' performance is carried out, as well as its own overall performance and further yet, the performance of all existing Committees; ii) study the adopted governance system and verify its efficiency and propose to the competent bodies, measures to be carried out with a view to its improvement.	N.A.	2.7. and 2.8.
II.5.2 Members of the Remuneration Committee or alike, shall be independent from the Members of the Board of Directors.	Adopted	2.7.
II.5.3 All the Committees shall draw up minutes of the meetings held.	Adopted	Chapter 2
III. INFORMATION AND AUDITING		
III.1. GENERAL DISCLOSURE DUTIES		
III.1.2 Companies shall maintain permanent contact with the market thus upholding the principle of equality for shareholders and ensure that investors are able to access information in a uniform fashion. To this end, the company shall create an Investor Assistance Unit.	Adopted	3.8.
III.1.3 The following information that is made available on the company's Internet website, shall be disclosed in the English language: a) The company, public company status, headquarters and remaining data provided for in Article 171 of the Commercial Companies Code; b) Articles of Association; c) Credentials of the members of the Board of Directors and the Market Liaison Officer; d) Investor Assistance Unit – its functions and access tools; e) Accounts Reporting documents; f) Half-Yearly Calendar on Company Events; g) Proposals sent through for discussion and voting during the General Meeting; h) Notices convening meetings.	Not Adopted	3.8.



Chapter 1 – GERNERAL ASSEMBLY

1.1. Members of the Board of the General Assembly

The General Assembly is the highest body within the company, and is made up from amongst the totality of shareholders. It is the duty of those shareholders who meet in General Assembly to pass resolutions on alterations to the statutes, carry out a general evaluation of the management and supervision of the company, make decisions on the management report and accounts for the financial period in question, and to elect those governing bodies within its remit. In general, the General Assembly also decides on any matter for which it has been convened, and on all matters which it has been especially attributed by law or by company statutes, and on those matters which have not been attributed to the other governing bodies of the company.

In the General Assembly of 29 February 2008, the election took place of José Manuel de Matos Fernandes for the four-year period of 2008/2011 as President of the Board of the General Assembly, and of Rui Miguel de Sousa Simões Fernandes Marrana as Secretary of the Board of the General Assembly.

Members of the General Assembly of F.C. Porto – Futebol, SAD are not remunerated for the work that they do for the company.

The President of the Board of the General Assembly is provided with human and logistical resources suitable to his needs and to the fulfilment of his duties, given the size of the Company, specifically the help and support given by the Company Secretary, the Legal Department and the Management Control Office of F.C. Porto – Futebol, SAD.



1.2. Participation in the General Assembly

F.C. Porto – Futebol, SAD, prior to each General Assembly and in conformity with the time periods prescribed by law, publishes a notice to convene a general assembly on its company website (www.fcporto.pt).

In accordance with the regulations laid out in the company's Articles of Association, the following shareholders can participate in the meeting: shareholders with voting rights, who can demonstrate that they are shareholders by means of a letter issued by a financial intermediary mentioning the respective share-blocking needed to participate in the meeting, which has been handed in to company headquarters within a time period of five days before the date of the General Assembly. The last few Presidents of the Board of the General Assembly have, however, understood that in relation to the time period available for receiving share-blocking declarations, those declarations received by fax or e-mail within the time period indicated in the articles of association and confirmed by the giving in of the original document up to the eve of the day on which the General Assembly is to be held, must be accepted. Given, however, that Legislative Decree nº 49/2010 does not consider that participation, discussion and voting in a General Assembly should depend on the blocking of shares, the company will put forward for the consideration of shareholders, in the General Assembly for the approval of accounts for 2009/2010, a new alteration to company statutes which would allow them to comply with this aforementioned new law.

Individual shareholders may be represented at General Assembly meetings under the conditions defined by current legislation. Companies/Entities may be represented by the person who they designate for that purpose, by means of a letter the admissibility of which will be decided on by the President of the Board.

The company makes available to its shareholders a representation form which may be obtained on request to the company, either by telephone (+351225070500) or by e-mail (geral@portosad.pt). Instruments of voluntary representation should be handed in to company headquarters, addressed to the President of the Board of the General Assembly, at least three days before the date of the General Assembly,



specifying the meeting to which the form refers by indication of the date, time and place at which the meeting will be held as well as the respective meeting agenda, conferring an unequivocal mandate to the chosen representative, who must be appropriately identified in the letter.

In the General Assembly for approval of the accounts for 2008/2009, the company approved an alteration to the statutes relative to the suspension of the meeting of General Assembly. It was decided that, when a meeting of General Assembly is suspended, and whenever the interval between the original meeting and the new meeting is more than five working days, only those shareholders who have satisfied the requirements set out in the previous point relative to the date of the new meeting can participate and vote in the new session (“The General Assembly consists only of those shareholders with voting rights whose shares are registered in their names in a registered share account on the fifth working day immediately prior to the day designated for the meeting of the General Assembly, and that that registration must be proved to the company by 5 p.m. (17:00 hours) of the third working day prior to the day designated for the meeting, by means of a letter issued by the respective registering entity, certifying that registration and the blocking of the corresponding shares until the end of the meeting of the General Assembly.”). As previously mentioned, however, given that Legislative Decree nº 49/2010 do not consider that participation, discussion and voting in a General Assembly meeting depends on the blocking of shares, the company will put forward for the consideration of its shareholders, in the General Assembly meeting for approval of the 2009/2010 accounts, a new alteration to the statutes in order that the new legislation may be complied with.

For the purposes of the exercise of the right to vote, each share corresponds to one vote. Presence in the General Assembly meeting does not depend on the holding of a minimum number of shares.

Point four of paragraph eight of Company statutes permits the issue of preferential non-voting shares, with possibility of redemption at their nominal value, with the addition (or not) of a premium, if the General Assembly so decides, and if it so decides it must define the method of calculation of that possible redemption



premium. In the case of non-compliance with the obligation to redeem the shares, the company is obliged to compensate the holder to a sum already determined when the shares were issued. An issue of this type of share did not, however, take place.

In accordance with paragraph twenty of the statutes, the General Assembly must decide, regardless of the number of shareholders present or represented, for both first and second convening of meetings, without prejudice to the legal demands made in relation to correct constitutional quorum for determined acts and, specifically, for the need for the presence or represented presence at the first convened meeting of at least two thirds of the total votes by which the assembly can authorize some of the acts foreseen in paragraph thirteen, point two, of the statutes (“Acts which exceed the provisions registered in the budget must be authorized by the General Assembly by means of the approval of a simple majority, and the disposal or encumbrance, on any grounds whatsoever, of assets that are part of the real estate property of the company, by approval of two thirds of votes issued”).

At the end of each General Assembly, the company must issue a bulletin, available for consultation on its website, as well as on the official website of the Portuguese Securities Commission (the CMVM), containing decisions taken as well as voting results. Minutes of the meetings of the General Assembly have been sent to those shareholders who require them. In order to comply with CMVM recommendations, the company has, since 2009, made available on its website the minutes of the meetings of General Assemblies, despite the fact that this will only become mandatory when Legislative Decree n^o 49/2010 comes into force.

1.3. Exercise of Voting Rights by Correspondence and Electronic Means

Company statutes permit voting by correspondence, or postal voting. Voting slips sent by post will only be accepted if they are received by the company up to the third working day immediately prior to the day designated for the holding of the respective General Assembly meeting. Postal votes count towards the formation of a constitutional quorum of the General Assembly, it being the responsibility of the



President of the Board to verify authenticity and regularity of these votes, as well as ensuring their confidentiality up to the moment of voting. A postal vote will be considered revoked if the shareholder to whom the vote belongs, or their representative, is present at the meeting of General Assembly. Postal votes will count as negative votes relative to proposals for decisions presented after the date at which these votes were issued.

With a view to facilitating the right to vote by correspondence, F.C. Porto – Futebol, SAD has made available a model voting form for this purpose, which can be obtained upon request to the company, by telephone (+351225070500) or by e-mail (geral@portosad.pt).

The right to vote by electronic means is not currently on offer.

1.4. Intervention by the General Assembly in Relation to Company Remuneration, share attribution plans and retirement benefits

With the entering into force of Legislation nº 28/2009, it has become compulsory to submit annually, for the approval of the General Assembly, a declaration on the remuneration policy of the members of the respective administrative and supervisory bodies. A representative of the Salaries Committee, Sr. Dr. Fernando Freire de Sousa, was present at the General Assembly for the approval of the 2008/2009 accounts. At this meeting, he presented and put forward the aforementioned document for the approval of shareholders, and it was duly approved.

The company does not have in place any share-attribution plan and/or options, or systems of benefits for retirement whatsoever for members of the administrative body and/or employees, and for this reason proposals of this nature have never been put forward for the approval of the General Assembly.

There is nothing on the statutes that foresees the limitation of the number of votes that may be held or exercised by a single shareholder individually or in conjunction



with other shareholders, and for this reason maintaining or eliminating such a statute has never been subject to discussion by the General Assembly.

1.5. Measures relative to changes in control

F.C. Porto – Futebol, SAD has not put into place any defensive measures whatsoever that aim to have the effect of an automatic, serious erosion in the worth of the company in the case of a change in control or change in the composition of the administrative body, thereby prejudicing the free transmissibility of the shares and the free appreciation by shareholders of the performance of the members of the Governing Bodies.

There do not, specifically, exist significant agreements to which the company is party and which come into force, be they altered or ceasing, in the case of a change in control of the company as the result of a Public Offer of Acquisition (takeover bid), nor agreements between F.C. Porto – Futebol, SAD and the members of the administrative body or employees who would be awarded compensation in the case of resignation or abandonment by members of the administrative body, nor in the case of notification of resignation of the employee, wrongful dismissal or cessation of the working relationship as a result of a Public Offer of Acquisition.

Nor has F.C. Porto – Futebol, SAD adopted any measure that has as its objective the impediment to the success of Public Offers of Acquisition that do not respect the interests of the company and shareholders.

It must be pointed out, however, that there do exist legal limitations to the holding of shares representing the capital of F.C. Porto – Futebol, SAD, arising from the special demands made by sporting activity, which is the company's main purpose. Sporting companies are regulated by a special legal framework established under Legislative Decree 67/97, of 03 April, in accordance with the alterations that were made to it by Law n.º 107/97, of 16 September. The following points are highlighted, from amongst the specific details:

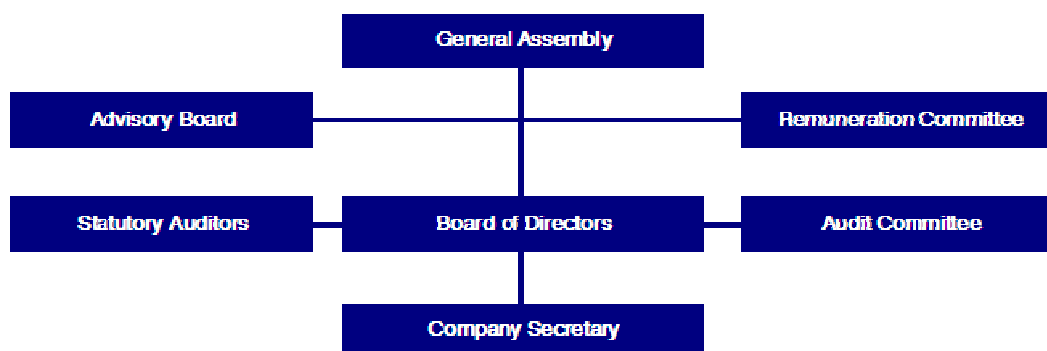


- The existence of two categories of shares, with shares of Category A being subscribed and held, at all times, by the founding club, shares which are only able to be legally seized or disposed of to public bodies or entities;
- The special system by which the company stays faithful to the founding club, which means that the club is obliged to maintain a minimum participation in the company (not less than 15%, nor higher than 40%); in the attribution of special rights to those shares held by the founding club and in the creation of privileges that favour club associates;

Chapter 2 – GOVERNING BODIES

Section I – General Points

The Governing Bodies of F.C. Porto – Futebol, SAD consist of the General Assembly, the Board of Directors, the Supervisory board, the Statutory Auditors, the Company Secretary, the Advisory Board and the Salaries Committee.



F.C. Porto – Futebol, SAD does not have an Executive Committee, given its reduced size, and so it is the Board of Directors itself that assumes the day-to-day running of the company.

Members of the governing bodies have four-year mandates, and they may be re-elected for one or more mandates.



The governing bodies of F.C. Porto – Futebol, SAD do not yet possess formally approved working regulations. Members of the bodies are already, however, drawing up the corresponding regulations, hoping to publish them shortly on the website at www.fcporto.pt.

A list of incompatibility has not been drawn up by the administrative body, nor has the maximum number of positions that may be accumulated by members of the governing bodies in the administrative bodies of other companies been defined.

2.1. Internal Control and Risk Management

F.C. Porto – Futebol, SAD does not possess a company body specifically dedicated to internal inspection, although it does have a Management Control Office staffed by two professionals who have responsibilities in the area of risk detection related to Company activity. The risk-control system implemented by the Company aims above all to support management in the detection of relevant financial risks, and consists fundamentally of the periodical, exhaustive analysis of information of financial planning and control, specifically the business plan, operational budgets and treasury and its respective verification, and management indicators amongst others. These procedures contribute towards supporting the quality of the information disclosed to the market. The Management Control Office is a department that reports to the company's Board of Directors.

The Supervisory Board does not have responsibilities relating to the creation and functioning of systems of internal control, but does make considerations on its existence and efficiency in relation to analysis of the risks faced by the company.



The Futebol Clube do Porto Group has conceived a new Operative Model to ensure the improvement to the quality of services rendered both internally and externally, with benefits expected in the short, medium and long terms. An Internal Audit and Compliance department will be created, which will be responsible for the establishment, disclosure of and compliance with internal regulations and for the identification of operational risks, and of the internal controls that exist to mitigate those risks. This department will also be responsible for ensuring that all the laws and regulations to which the company is subject are being complied with.

The Board of Directors considers that F.C. Porto – Futebol, SAD is exposed to those risks that arise from the normal going about of its business. Therefore, the main risks that the company considers itself subject to on a financial level are: market risks (interest-rate risk and exchange-rate risk), credit risks and liquidity risks. Mechanisms for monitoring those risks are outlined in the appendix to the financial statements.

As well as financial risk, the company's activity is also rather dependant on the sporting performance of its main football team. Sporting success is an essential factor in the obtaining of traditional income and for the appreciation of its assets, which once transferred, generate income indispensable to company activity.

F.C. Porto – Futebol, SAD depends on a team of specialists whose objective is to ensure that their athletes always give of their best. For this purpose, the team has at its disposal a technical team that is able to ensure development of the athletes, a medical and physical preparation team to avoid illness and injury, and a team of psychologists who promote emotional stability and a winning spirit in the players.



Section II – Board of Directors

2.2. Board of Directors

In accordance with the statutes, the company is managed by a Board of Directors, made up of three, five, seven or nine members, who must be trained managers, elected at General Assembly, and who will designate the President if that position has not already been designated at that General Assembly.

This body is currently made up of 5 members, 4 of whom are executive members who run the company on a daily basis.

Substitution of a director occurs within the terms of the Company Code, as company statutes do not encompass this matter, and can take place in one of the following ways: given the inexistence of substitute directors, the Board of Directors may proceed to delegate a director, who must be ratified in the first General Assembly following his/her appointment; in the case that a director cannot be chosen within a period of 60 days, the Supervisory board will designate a substitute director, whose appointment must also be submitted for ratification at the first General Assembly following their nomination; if this does not take place, substitution will be made by election of a new director by the General Assembly.

There is no regulation in the company statutes that establishes a procedure for the selection of non-executive directors. The election of the Governing Bodies, specifically the Board of Directors, with its total number of members, is carried out as a whole, by means of a list presented by shareholders who wish to do this, and put to the vote at General Assembly.



2.2.1. Division of responsibilities amongst directors

The current Board of Directors consists of five members, four being executive and one non-executive, despite not having been identified as such at the General Assembly for the election of the Governing Bodies.

In the General Assembly of shareholders held on 29 February 2008, the following persons were elected to the Board of Directors, for the 2008/2011 mandate:

Board of Directors

- Jorge Nuno Lima Pinto da Costa
- Adelino Sá e Melo Caldeira
- Fernando Soares Gomes da Silva
- Reinaldo da Costa Teles Pinheiro
- Jaime Eduardo Lamego Lopes

On the 01 February, as a result of the resignation of Sr. Dr. Fernando Soares Gomes da Silva from the position of Director and Representative for Market Relations, the Board of Directors designated Sr. Dr. Angelino Cândido Sousa Ferreira to take on the previously mentioned positions, roles which he stepped into immediately.

The responsibilities carried out by the members of the current Board of Directors of F.C. Porto – Futebol, SAD are as follows:

Board of Directors	
<i>Jorge Nuno Lima Pinto da Costa</i>	President of the Board of Directors
<i>Reinaldo da Costa Teles Pinheiro</i>	Football
<i>Angelino Cândido Sousa Ferreira</i>	Administration and Finance, Capital Market
<i>Adelino Sá e Melo Caldeira</i>	Legal, Marketing and Public Relations
<i>Jaime Eduardo Lamego Lopes</i>	Non-Executive Director

Members of the Board of Directors, with the exception of Jaime Eduardo Lamego Lopes, are non-independent, in that they are directors of Futebol Clube do Porto,



which holds around 40% of the capital of F.C. Porto – Futebol, SAD and which exercises a dominant influence over it. Jaime Eduardo Lamego Lopes is currently an independent member, as he does not have, nor does he act on behalf of anyone who does, a qualifying share equal to or higher than 2% of F.C. Porto – Futebol, SAD and as he is in the 1st mandate, as outlined in point 5 of paragraph 414 of the Company Code. He also complies with the rules of incompatibility outlined in point 1 of paragraph 414 of that same code.

F.C. Porto – Futebol, SAD does not comply with recommendation II.1.2.1, which recommends the existence of a sufficient number of non-executive directors. Despite the company understanding that, given its reduced size and also due to the fact that its executive members are very much directed towards day-to-day management of the company, the existence of a non-executive director ensures the effective ability to supervise, audit and evaluate the activities of the non-executive members, it is the understanding of the Securities Commission (the CMVM) that in order to comply with this recommendation at least one third of the total number of directors must be non-executive.

In consequence, the company does not comply with recommendation II.1.2.2 given that only one director, the non-executive director, is independent, which is less than one quarter of the total number of directors.

Despite not being referred to in the management report, the non-executive director carries out his duties not only by participating in meetings of the Board of Directors, but also by accompanying the progress and carrying out permanent supervision of the work of the executive directors, by means of the coordinated and efficient presentation of requests for complementary information related to matters analyzed by the Board of Directors, such as matters relating to finance, matters of governance, and regulatory matters. It must also be pointed out that the non-executive director did not come up against any impediment in the carrying out of his duties.

Whenever requested by other members of the Governing Bodies, information was supplied in an appropriate form and a timely manner by the executive directors.



The Company does not agree with the contents of recommendation II.2.5 which states that the Administrative Body must encourage the rotation of a member to the position of Financial Director, at least at the end of every two mandates, despite the fact that in February 2010 the substitution took place of the Company's Financial Director.

Firstly, the objective of this recommendation is not clear. It deals with a subject of strategic interest that must be decided by the Company and its shareholders, depending on the specific circumstances of its model of governance and the manner in which it is implemented. The financial role has aspects that are specific to each type of business, and cannot be carried out without taking the Company's area of business into consideration. For the greater part, this level of experience takes more than one mandate to acquire. Requiring the member in charge of finance to cease these duties after an initial period of acclimatization is, from a business perspective, a decision that could be counterproductive for the Company.

It is known that Portugal is a small country, with a peripheral economy, and an employment market that is unattractive when compared to the other countries in Western Europe. It must be added that the regime of incompatibilities and independence referred to in the Company Code is particularly weighty. The conjunction of these factors is in itself already limiting to the choice of members of the administrative and supervisory bodies. With the addition of compliance with the recommendation in question, it seems to us that the breadth of movement that a company should have when choosing the best personnel for particular responsibilities has been removed.



On the other hand, the recommendation seems to suggest that within the Administrative Body there should be a rotation of the member in charge of Finance, i.e. from within the same pool of directors. In the case of F.C. Porto – Futebol, SAD, adoption of this recommendation would be extremely prejudicial to the operational management of the Company, given that each member of the Board of Directors takes on the role most suited to their qualifications, professional experience and duties carried out.

The CMVM should therefore adjust this recommendation and make it more appropriate to the type of company in question, and to the practical reality experienced by Portuguese companies.

2.2.2. Duties Carried Out by Members of the Board of Directors in other Companies

Jorge Nuno de Lima Pinto da Costa

- President of the Board of FC Porto
- President of the Board of Directors of InvestiAntas, SGPS, SA
- President of the Board of Directors of EuroAntas, Promoção e Gestão de Empreendimentos Imobiliários, SA
- President of the Board of Directors of PortoEstádio, Gestão e Exploração de Equipamentos Desportivos, SA
- President of the Board of Directors of the PortoGaia Foundation for Development in Sports
- President of the Board of Directors of FC Porto Multimédia, Edições Multimédia, SA
- President of the Board of Directors of PortoComercial, Sociedade de Comercialização, Licenciamento e Sponsorização, SA
- President of the Board of Directors of Futebol Clube do Porto – Basquetebol, SAD



Adelino Sá e Melo Caldeira

- Vice-President of the Board of Directors of FCPorto
- Voting member of the Board of Directors of Investiantas, SGPS, SA
- Voting member of the Board of Directors of EuroAntas, Promoção e Gestão de Empreendimentos Imobiliários, SA
- Voting member of the Board of Directors of PortoEstádio, Gestão e Exploração de Equipamentos Desportivos, SA
- Voting member of the Board of Directors of FCPortoMultimédia, Edições Multimédia, SA
- Voting member of the Board of Directors of PortoComercial, Sociedade de Comercialização, Licenciamento e Sponsorização, SA
- Manager of PortoSeguro – Sociedade Mediadora de Seguros do Porto, Lda.

Reinaldo Teles da Costa Pinheiro

- Vice-President of the Board of Directors of FCPorto

Angelino Cândido Sousa Ferreira

- Vice-President of the Board of Directors of FCPorto
- Voting member of the Board of Directors of Investiantas, SGPS, SA
- Voting member of the Board of Directors of EuroAntas, Promoção e Gestão de Empreendimentos Imobiliários, SA
- Voting member of the Board of Directors of FCPortoMultimédia, Edições Multimédia, SA
- Voting member of the Board of Directors of PortoComercial, Sociedade de Comercialização, Licenciamento e Sponsorização, SA
- Voting member of the Board of Directors of PortoEstádio, Gestão e Exploração de Equipamentos Desportivos, SA
- Voting member of the Board of Directors of Futebol Clube do Porto – Basquetebol, SAD
- Manager of PortoSeguro – Sociedade Mediadora de Seguros do Porto, Lda.



Jaime Eduardo Lamego Lopes

- President of the Board of Directors of FITOUT SL SGPS, SA;
- President of FITOUT Brasil
- Managing Director of FITOUT Unipessoal Lda.

2.2.3. Professional qualifications, duties carried out, shares held and mandate

- Professional qualifications and duties carried out in recent years

Jorge Nuno de Lima Pinto da Costa

- Qualifications: Completed secondary schooling
- Other duties undertaken within the FCPorto group are referred to in point 2.2.2.

Adelino Sá e Melo Caldeira

- Degree in Law, Federal University of the State of Rio de Janeiro, 1980
- Lawyer from 1980 to the present
- Partner in the Graça Moura & Associados law firm from 1996 to 2005
- Partner in the Gil Moreira dos Santos, Caldeira, Cernadas & Associados law firm from 2005
- Other duties undertaken within the FCPorto group are referred to in point 2.2.2.

Angelino Cândido Sousa Ferreira

- Degree in Law, Coimbra University 1978
- Other duties undertaken within the FCPorto group are referred to in point 2.2.2.

Reinaldo da Costa Teles Pinheiro

- Qualifications: Completed primary schooling
- Other duties undertaken within the FCPorto group are referred to in point 2.2.2.



Jaime Eduardo Lamego Lopes

- Businessman and company manager, President of the FITOUT group, was for 14 years Director at Amorim Imobiliária and Executive President of Chamartin Imobiliária
 - MSc in Management from London Business School, with thesis entitled “Real Estate Valuation – Analysis of the Main Methodologies” in 1996/98
 - MBA from Porto University, 1989
 - Degree in Economics, Porto University
 - Teacher in charge of the chair of Project Analysis and Capital Budgeting for a period of 10 years at the Faculty of Economics, University of Porto
 - Other duties undertaken are referred to in point 2.2.2.
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- Shares held and mandate

<i>Name</i>	<i>Nº of shares held</i>	<i>Date first designated</i>	<i>Date of end of mandate</i>
Jorge Nuno L. Pinto Costa	160,500	23-Sep-1997	31-Dec-2011
Adelino S. M. Caldeira	0	23-Sep-1997	31-Dec-2011
Angelino C. Sousa Ferreira	0	01-Feb-2010	31-Dec-2011
Reinaldo C. Teles Pinheiro	9,850	23-Sep-1997	31-Dec-2011
Jaime E. Lamego Lopes	0	29-Feb-2008	31-Dec-2011

2.2.4. Duties of the Board of Directors

Without prejudice to the other tasks conferred on it by law and company statutes, the Board of Directors has the duty of ensuring the management of all company business, carrying out all the operations relative to the stated purpose of the company, for which the widest possible powers are conferred on it, namely:

- a) Representation of the Company, both in a court of law and outside, proposing and contesting any action whatsoever, carrying out and desisting from these actions and assuming responsibility in arbitration proceedings.



The Board of Directors may for this purpose delegate its powers to one single representative;

- b) Creation of the company budget, for approval in General Assembly;
- c) Acquisition, disposal and encumbrance or rental of goods, including shares, quotas, bonds and player registration rights;
- d) Entering into contracts of sporting employment and contracts of sporting training, and carrying out their rescission, both unilateral as well as by mutual agreement;
- e) Acquisition of real estate;
- f) Deciding on the association of the Company with other people, under the terms of paragraph four of the statutes;
- g) Deciding on the issue of bonds, and the taking out of loans in the Portuguese and/or foreign financial market, and accepting the supervision of lending bodies;
- h) Designating any other persons, individuals or collectives, to carry out company business within other companies.

Any increase in capital must be decided on prior to the General Assembly, given that category A shares, held by Futebol Clube do Porto (the Club), always confer the right of veto on the decisions taken in the General Assembly which have the aim of reducing or increasing company capital.

Matters discussed within this body are private, and its members must respect this principle.



The Board of Directors met 10 times this financial period, with minutes having been drawn up for each one of those meetings. These are available for consultation by the governing bodies that request them.

Section III – General and Advisory Board, Committee for Financial Matters and Supervisory board

2.3. Supervisory board

Supervision of the activity of F.C. Porto – Futebol, SAD is the responsibility of the Supervisory board which, in accordance with Company Statutes, has the attributions that are awarded it by law.

With the coming into force of Legislative Decree 76-A/2006 of 29 March, which made available three organizational models of management and supervision of companies, F.C. Porto – Futebol, SAD altered the respective statutes relating to management and supervision in order to adopt one of the three modalities set out under point 1 of paragraph 278 of the Company Code. To this effect, the Company, at the General Assembly of 30 November 2007, approved the alteration to the statutes, and elected the members of the supervisory board and the official auditor, until the end of the that period, which ended 31 December 2007.

In the General Assembly of shareholders held on 29 February 2008, the following were elected to the supervisory board, for the 2008/2011 mandate:

Supervisory board

- Adolfo da Cunha Nunes Roque
- Filipe Carlos Ferreira Avides Moreira
- Armando Luís Vieira de Magalhães
- José Manuel Taveira dos Santos (Substitute)



However, due to the passing away of the President of the Supervisory board, Adolfo da Cunha Nunes Roque, on 22 September 2008, a new supervisory board was elected at the General Assembly of November 2008.

The current Supervisory board of F.C. Porto – Futebol, SAD is made up of the following members:

Supervisory board	
<i>José Paulo Sá Fernandes Nunes de Almeida</i>	President
<i>Armando Luís Vieira de Magalhães</i>	Voting member
<i>Filipe Carlos Ferreira Avides Moreira</i>	Voting member
<i>José Manuel Taveira dos Santos</i>	Substitute

One of the active members of the Supervisory board must be a certified account (or certified accounting company).

Compliance with the regulations of incompatibility and the criteria relating to independence outlined in point 1 of paragraph 414 A and point 5 of paragraph 414 respectively of the Company Code were verified by declarations made by board members.

It is the duty of the Supervisory board to supervise Company activity, observing that the law and statutes are rigorously complied with. As a result of this activity, the Supervisory board draws up an annual report on the supervision carried out, making reference to any eventual constraints detected, and then issues an opinion on the documents of accounts rendered and on the proposal for the application of results presented by the Board of Directors to the General Assembly. This report is available for consultation on the Company's website as well as on the CMVM site, together with the documents of accounts rendered.

The annual reports on the activity carried out by the Supervisory board are disclosed on the Company's website, together with the documents of accounts rendered.



The Supervisory Board must also represent the Company, for all intents and purposes, before its external auditor, one of its duties being to put forward a proposal for this auditing service and its respective costs, and strive to ensure that conditions within the company are suitable for these services to be carried out, as well as acting as the interlocutor for the Company, being the body to whom the reports are addressed, together with the Board of Directors.

The Supervisory board, whenever necessary, meets with the Outside Auditor in its own name as well as in that of the Company, under the terms which it has been attributed. Proposition of the External Auditing service provider did not fall to the Board, however, given that this had been contracted before the nomination of this Supervisory board. Services of outside auditing are analyzed independently and permanently by the Supervisory board, which issues an annual opinion on the activity carried out by the Auditor over the year, and mentioning any facts that may impede the continued exercise of the activity, giving justification. The Supervisory board is, simultaneously with the Board of Directors, first to receive the reports issued by the external auditors.

This financial year, the Supervisory board met 4 times, with minutes of each of these meetings having been drawn up.

2.3.1. Duties carried out by members of the Supervisory board in other companies

José Paulo Sá Fernandes Nunes de Almeida

- Managing director of TRL – Têxteis em Rede, Lda.
- Managing director of Expomoda – Têxtil e Representações, Lda.
- Manager of Hotpink, Comércio, Lda.
- Vice-President of the Board of Sport Club do Porto
- Member of the Executive Committee of Portugal Fashion
- President of the Board of the General Assembly of AAJUDE – The Association of Support to Handicapped Youth
- President of the Supervisory board of Forum Manufacturing Portugal



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- President of the General Council of PortoLazer – Empresa Municipal
 - Member of the Advisory Board of the Foundation for Youth
 - Vice-President of the General Council of the Board of Directors of the AEP – Portuguese Business Association
 - President of the Board of Directors of EURISKO Estudos, Projectos e Consultoria, SA
 - Voting member of the Board of the Association for the Porto International Fair - Exponor
 - Vice-President of the Board of Europarque – Económico e Social
 - President of the General Council of Exponor Brasil – Feiras e Eventos, Lda.
 - President of the Board of CESAE – Company Service and Support Centre
 - President of the Supervisory board of Futebol Clube do Porto
 - President of the Supervisory board of Futebol Clube do Porto – Basquetebol, SAD
 - President of the Supervisory board of PortoEstádio, Gestão e Exploração de Equipamentos Desportivos, SA
 - President of the Supervisory board of PortoComercial, Sociedade de Comercialização, Licenciamento e Sponsorização, SA
 - President of the Supervisory board of EuroAntas, Promoção e Gestão de Empreendimentos Imobiliários, SA

Armando Luís Vieira de Magalhães

- Voting member of the Supervisory board of Sonae Indústria, SGPS, SA
- Voting member of the Supervisory board of Sonae Capital, SGPS, SA
- Voting member of the Supervisory board of Sonaecom, SGPS, SA
- Voting member of the Supervisory board of The Eça de Queiroz Foundation
- Rapporteur of accounts of the Supervisory board of Futebol Clube do Porto
- Voting member of the Supervisory board of PortoEstádio, Gestão e Exploração de Equipamentos Desportivos, SA
- Voting member of the Supervisory board of PortoComercial, Sociedade de Comercialização, Licenciamento e Sponsorização, SA



Filipe Carlos Ferreira Avides Moreira

- President of the General Assembly of CPC ÁFRICA, SA
- Substitute of the Supervisory board of Futebol Clube do Porto

José Manuel Taveira dos Santos

- Secretary of the Supervisory board of Futebol Clube do Porto
- Substitute of the Supervisory board of PortoEstádio, Gestão e Exploração de Equipamentos Desportivos, SA
- Substitute of the Supervisory board of PortoComercial, Sociedade de Comercialização, Licenciamento e Sponsorização, SA
- Substitute of the Supervisory board of EuroAntas, Promoção e Gestão de Empreendimentos Imobiliários, SA

2.3.2. Professional qualifications, duties carried out, shares held and mandate

- Professional qualifications and activities carried out in recent years

José Paulo Sá Fernandes Nunes de Almeida

- Degree in Economy from the Faculty of Economics, University of Porto
- Sales Department of Banco Português do Atlântico from 1982 to 1984
- Director of Sofite – Sociedade Industrial de Fibras Têxteis, SA from 1984 to 2005
- Managing Director of ATM – Gabinete de Gestão, Lda. from 1984 to 2004
- Manager of Gorem – Sociedade Técnica de Serviços, Lda. from 1990 to 2000
- Director of Risfomento – Sociedade de Fomento Empresarial, SA from 1991 to 1993
- Managing director of Ninfamar – Indústria de Confecções, Lda. from 2002 to 2004
- Vice-President of ANJE – The National Association of Young Businesspeople from 1986 to 1996
- President of the General Assembly of ANJE – The National Association of Young Businesspeople from 1996 to 2002



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- Director of APET – The Portuguese Association of Textile Exporters from 1991 to 1994
 - Vice-President of the General Council of APT – The Portuguese Garment and Textile Association from 1994 to 2003
 - Member of the Economic and Social Council from 1996 to 2000
 - Director of the Porto Commercial Association – Porto Chamber of Industry and Commerce from 1997 to 2001
 - Member of the National Committee for Supervision of IMIT – Initiative for the Modernization of the Textile Industry from 1997 to 2002
 - Voting member of the Supervisory board of MTV – Movement of Textiles and Garments from 2001 to 2003
 - President of the General Council of the Porto office of the Sports Association from 2002 to 2006
 - President of the Board of ATP – The Portuguese Garment and Textile Association from 2003 to 2008
 - Vice-President of the Board of CIP – The Confederation of Portuguese Industry from 2004 to 2008
 - Member of the Supervision Committee for Prime – Incentives Program for the Modernization of the Economy in 2009;
 - Voting member of the General Council of the Board of Directors of AEP – The Portuguese Business Association from 2005 to 2008
 - Vice-President of the Supervisory board of Futebol Clube do Porto from 2007 to 2008
 - Other duties are referred to in point 2.3.1.

Armando Luís Vieira de Magalhães

- Executive MBA – European Management (IESF/IFG), concluded in 1996
- Degree in Economics from the Faculty of Economics, University of Porto, concluded in 1972
- Degree in Accounting (ex-ICP and current ISCAP), concluded in 1972
- From 1964 to 1989 carried out professional duties in a Portuguese credit institution, occupying the positions of:
 - Manager in the Department of Company Analysis;



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- Office Manager for Planning and Management Control – Northern Region;
 - Head of the Accounting Department;
 - Sub-director;
 - Assistant-Director, running the Executive Operational Department - North.
 - Statutory Accounting Technician since 1972
 - Statutory Auditor, working individually, since 1989
 - Statutory Auditor, working for accounting firm Santos Carvalho & Associados, SROC, SA, from 1989 to 2010
 - Statutory Auditor, working for accounting firm Armando Magalhães, Carlos Silva & Associados, SROC, Lda., from 31 May 2010
 - Other positions held are referred to in point 2.3.1.

Filipe Carlos Ferreira Avides Moreira

- Attended Post-Graduate course entitled Public Law – The New Administrative Questions, given by the Universidade Católica Portuguesa, during 2002/2003;
- Accounting course for lawyers and engineers given by the Universidade Católica Portuguesa, concluded in June 1998;
- Post-Graduate course in European Studies given by the Centre for European Studies of the Faculty of Law of Coimbra University, concluded December 1997;
- Course in Commercial Law (Company Contracts) given by the Facoltà di Giurisprudenza dell'Università di Roma “La Sapienza” (Italy) – during the 1st semester of 1995/96, under the ERASMUS program;
- Degree in Law from the Faculty of Law of Coimbra University, concluded October 1996
- Law partner in Cuatrecasas, Gonçalves Pereira & Associados, since 2009.;
- Trainer for the Law Society, Porto Branch, of module entitled “Company Law” since 2006;
- Working as a lawyer for a law partnership in Porto (both in own name as well as associate/employee of the Cerqueira Gomes & Associados law firm) from 2001 to 2009;
- Legal liquidator for Porto Municipal Council from March 2003 to June 2004;
- Working as a lawyer in legal office in Macau (Dra. Manuela António) from April 1999 to April 2001;



- Working as a lawyer in legal firm in Porto, from February 1999;
- Provision of courtroom legal services and legal consultant in own name and as employee of the legal firm mentioned above, in the field of civil and commercial law;
- Other positions held are referred to in point 2.3.1.

José Manuel Taveira dos Santos

- American Language Institute, 1984
- Course in European Studies at the Faculty of Law, Coimbra University, concluded in 1984
- Degree in Economics awarded by the Faculty of Economics, Porto University, concluded in 1981
- Instituto Comercial do Porto, concluded 1974
- General Commercial Course, Escola Oliveira Martins, concluded in 1971;
- From 1981 to 1983 - administration and finance manager in textile company
- From 1983 to 2009 – AEP – The Portuguese Business Association, holding the positions of:
 - Manager in the Economic Studies Office;
 - Director of Professional Training Department;
 - Director of Information and Services to Companies;
 - Director of magazine “Industry in the North”;
 - Director of the International Department;
 - Director of Europarque – Congress Centre;
 - Director of the Office of the Board of Directors;
 - Advisor to the President.
- Consulting and Services at “Taveira dos Santos, Unipessoal Lda.” since 2009
- Shareholder in a variety of companies
- Member of the Technical Committee for the organization of the 1st and 2nd congresses of the Northern Business Council, in 1982 and 1987;
- Member of the Technical Teaching Board for assisting young technically-trained people in entering industry, launched by the Department for Industry, from 1985 to 1987
- Member of the Governing Body of the Luso-American Training Institute, from 1991 to 1994



- Member of the Governing Body of the Council for Cooperation of Higher Institutes and Companies, from 1991 to 1994
- Manager, in Portugal, of the Cultural and Business Encouragement Program promoted by the Hispano-Portuguese King Afonso Henriques Foundation, from 1996 to 1998
- Manager of the Industryportugal.com project, an e-market-place from 1999 to 2001).
- Shares held and mandate

<i>Name</i>	<i>Nº of shares held</i>	<i>Date first designated</i>	<i>Date of end of mandate</i>
José Paulo Sá Fernandes Nunes de Almeida	100	13-Nov-2008	31-Dec-2011
Armando Luís Vieira de Magalhães	0	29-Feb-2008	31-Dec-2011
Filipe Carlos Ferreira Avides Moreira	10	29-Feb-2008	31-Dec-2011
José Manuel Taveira dos Santos	0	29-Feb-2008	31-Dec-2011

2.4. Statutory Auditors

The duty of the statutory auditor is essentially to carry out the examination and verification of those company accounts that need to be looked at in order for a statutory audit to take place and for the issuing of the official auditor's opinion on the financial statements.

The position of Company Statutory Auditor is held by auditing company Deloitte & Associados, Sociedade de Revisores Oficiais de Contas, with headquarters in Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 – 6º 1050-094 Lisboa, registered at the Chamber of Statutory Auditors under nº 43 and registered with the CMVM under nº 231, represented by Jorge Manuel Araújo de Beja Neves (ROC Licence n.º 746).



The Company has not defined a period of rotation for the external auditor, and the current representative of the auditing company began work in that position in the financial year ending 30 June 2005.

Section IV – Specialist Committees and Other Governing Bodies

2.5. Company Secretary

The Company Secretary and respective substitute are nominated by the Board of Directors, ending their term of office at the same time as the ending of the mandate of the Board of Directors which chose them. The role of the Secretary is essentially to run the meetings of the Governing Bodies, registering the acts carried out by them and the powers of the respective members, satisfying the requests of shareholders who are exercising their right to information and signing copies of the minutes and other Company documents.

For the current 2008-2011 mandate, the Secretary and respective substitute are;

- Secretary: Daniel Lorenz Rodrigues Pereira
- Substitute: Urgel Ricardo Santos Brandão Horta Martins

The Company Secretary and Substitute Secretary were re-elected to their respective positions by the current Board of Directors.



2.6. Advisory Board

The Advisory Board is made up of a maximum of twenty members, and is not a department of the Company. The duty of this body is to advise the Board of Directors, in a non-compulsory manner, on the matters which the Board puts forward for consideration.

The current Advisory Board of F.C. Porto – Futebol, SAD (for the 2008-2011 four-year period) consists of the following members:

- Alípio Dias (President)
- Álvaro Pinto
- Álvaro Rola
- Américo Amorim
- António Gonçalves
- António Lobo Xavier
- Armando Pinho
- Artur Santos Silva
- Elisa Ferreira
- Fernando Pimenta
- Fernando Póvoas
- Ilídio Pinho
- Ilídio Pinto
- João Espregueira Mendes
- Pôncio Monteiro
- Jorge Armindo
- Jorge Nuno Pinto of Costa
- Ludgero Marques
- Rui Alegre



2.7. Salaries Committee

The F.C. Porto – Futebol, SAD Salaries Committee has the purpose of establishing the remuneration of members of the Governing Bodies of the Company, and defining the remuneration policy to be applied to the members of Board of Directors of F.C. Porto – Futebol, SAD.

The current F.C. Porto – Futebol, SAD Salaries Committee (for the 2008-2011 four-year period) is made up of the following members:

- Alípio Dias (President)
- Joaquim Manuel Machado Faria de Almeida
- Fernando Freire de Sousa

The Committee is made up of members who are independent of the Directors. Because of this, the Salaries Committee does not include any member of any governing body for which it sets the respective remuneration, with none of the three members of the committee being related to the members of the governing bodies, in the form of spouses, relatives or similar to three degrees of descent, inclusively.

The members of the Salaries Committee have knowledge and experience in matters of remuneration policy.

Minutes are created for each meeting of the Salaries Committee.

2.8. Other Committees

Given the model of corporate governance in use at F.C. Porto – Futebol, SAD, which includes a Salaries Committee, which to a certain extent evaluates the performance of the Directors, and also given the small size of the Company, it has been decided that there is not space for the creation of specialist committees which have the sole



aim of evaluating the performance of executive directors or the activity of existing committees.

In relation to this point, F.C. Porto – Futebol, SAD, due to its specialization as a Sporting Company, has a series of obligations to sporting entities that it must meet as part of the carrying out of its sporting activities. In order to be able to participate in national and European competitions, the Company must be able to prove that it has met a series of requirements, and these requirements are to a large part financial. This in a way is a measure of the competence of the directors, as if the financial conditions are not met the team is excluded from participating in the competition.

Section V – Remuneration

2.9. Remuneration of the Governing Bodies

A proposal containing the guidelines to be observed by the Salaries Committee was submitted for the consideration of the General Assembly of 2009, laying out the general principles for the establishment of remuneration of the Governing Bodies in relation to performance. The proposal was then published.

2.9.1. Remuneration of the Board of Directors

The body that is charged with evaluating the performance of the Executive Directors for the purposes of attribution of remuneration is the Salaries Committee.

Under the terms of its brief, the Salaries Committee has established parameters of remuneration for the Board of Directors based on a fixed as well as a variable component, with the aim of making remuneration competitive in terms of the market, and to serve as a motivating element for high group and individual performance, permitting the setting and reaching of ambitious objectives, which is demanded by the main stakeholders.



Performance of the Executive Directors for the purposes of remuneration is decided on by the independent evaluation of the Salaries Committee, in accordance with criteria which they think best at that time, respecting the requirements of the applicable laws and company statutes, having only pre-determined the criteria which make up the variable component of remuneration.

The President of the Board of Directors and the other directors of the Company have the right to a variable payment, related to the sporting performance of FC Porto's main team, calculated using percentages of the respective gross annual salary: National Champion (75%) 2nd or 3rd place in the National Championship (50%); Winner of the UEFA Europa League (100%) or Winner of the UEFA Champions League (120%). The Board of Directors, however, at the General Assembly of 13 November 2008 and as already duly disclosed, declared that it would renounce the payment corresponding to 2nd or 3rd place in the National Championship. The President of the Board of Directors and the other Directors of the Company also have the right to receive, respectively, 2% and 1% of the profits presented at the end of each financial year.

Directors' remuneration is not dependent on the change in the stock-market quotation of shares issued, or on any other variable factor, apart from those of profit presented and sporting performance each year. No deferment period of any type has been defined for the payment of the variable remuneration.

There are no Director share-attribution or option plans of any type, nor is there any type of policy or measure set out for the attribution of contractually negotiated compensation in a situation of termination of service or early retirement, nor mechanisms that limit the variable remuneration. There exists no contractual obligation relative to compensation for wrongful dismissal.

Apart from variable remuneration, as outlined above, there are no complementary systems of duties nor any other premiums or non-pecuniary benefits.



The criteria applied to variable remunerations do not permit these to be increased by contracts that call their purpose into question.

The members of the Board of Directors of F.C. Porto – Futebol, SAD are not remunerated by others companies in the Group or by companies controlled by shareholders who have qualifying holdings. An exception is made in the case of Director Angelino Cândido Sousa Ferreira, who was asked to join the company in February, and who prior to this had held a position at subsidiary company PortoComercial, from which he received a gross remuneration of 116,600 Euros during the financial year ending 30 June 2010.

Despite the fact that the remuneration policy of the managing body of F.C. Porto – Futebol, SAD is in accordance with CMVM regulations, by definition the variable component of remuneration does not have the long-term performance of the company in mind, and for this reason the Company does not completely comply with recommendation II.1.5.1 of the CMVM.

Remuneration attributed during the financial year to members of the Board of Directors of F.C. Porto – Futebol, SAD, came in at 1,144,220 Euros and has been paid in full, with the exception of the proportional holiday and Christmas salaries which will be paid at the correct times. These sums relate only to the fixed component of remuneration given that the criteria for the awarding of variable remuneration have not been met. FC Porto's main team came third in the National Championship, a position that would give rise to the payment of variable remunerations, except for the fact that, as has been referred to previously, the Board of Directors of the Company has renounced this payment. At the same time the economic situation of the company does not permit the distribution of profit to shareholders or directors, as results carried forward are in the negative.

Gross remuneration received, during the financial year in question, by the members of the administrative body as a whole, relates exclusively to the Executive Directors.



Director	Total remuneration
<i>Jorge Nuno de Lima Pinto da Costa</i>	400,000
<i>Adelino Sá e Melo Caldeira</i>	240,000
<i>Angelino Cândido Sousa Ferreira</i>	92,858
<i>Reinaldo da Costa Teles Pinheiro</i>	231.362
<i>Jaime Eduardo Lamego Lopes</i>	0
<i>Fernando Soares Gomes da Silva</i>	180,000

Remuneration earned by ex-Director Fernando Soares Gomes da Silva, who resigned from his duties on 31 January 2010, included only his monthly salary and the proportions of holiday and Christmas pay that were due. No compensation relating to the termination of his duties was paid, nor is any owed.

2.9.2. Remuneration of Other Governing Bodies

During the financial year that ended on 30 June 2010, fees paid by the companies included in the consolidated accounts of F.C. Porto – Futebol, SAD to auditors and external auditors were as follows:

1. Auditing service: 68,400 Euros
2. Other services to assure reliability 9,500 Euros
2. Other services: other than auditing services 239,200 Euros

The additional services were carried out by different business areas of Deloitte, making use of totally separate teams, with the specialists that carry out these tasks being different to those who are involved in the process of auditing, by which we consider that independence is assured.

The members of the remaining governing bodies of the Company: Board of the General Assembly, Supervisory board, Company Secretary; Advisory Board and Salaries Committee are not remunerated for the carrying out of these tasks for F.C. Porto – Futebol, SAD.



2.10. Policy relating to Communication of Irregularities

Even though the policy relating to the communication of internal irregularities has not yet been formally defined, given the proximity of members of the Board of Directors to the activities carried out by the Company and its employees, F.C. Porto – Futebol, SAD considers that, due to this proximity, whenever an irregularity is detected it can be promptly communicated to the Board of Directors, who will ensure the implementation of procedures that will deal with the eventual irregularity detected in an efficient and just manner. In relation to responsibilities in the evaluation of ethical, structural and corporate governance issues, these matters are dealt with directly by the Board of Directors, more specifically by the Director in charge of legal matters, who is constantly aware of this issue.

Employees of F.C. Porto – Futebol, SAD should communicate to the legal department, or even to the Director in charge of legal matters, any irregular practices that they detect or of which they have knowledge or are suspicious of, in order to prevent or impede irregularities that may cause financial damage or damage to the image of the Company. Such a communication must be made in writing and must contain all the elements and information that the employee has knowledge of, and which he/she deems necessary for the evaluation of the irregularity. The initial communication may be made directly or by telephone.

Communication of irregularity at the heart of the Company is assured of confidentiality, and will be followed up by means of an eventual preliminary enquiry carried out by a person designated for this task by the aforementioned Director.



Chapter 3 – INFORMATION AND AUDITING

3.1. Capital Structure of Company

Company share capital stands at seventy-five million Euros, divided over fifteen million Category A and Category B shares (40% and 60% of the capital, respectively), depending on the identity of the respective holder. Category A shares only make up part of that category when held by Futebol Clube do Porto, or by a Company that manages shareholdings in which the Club holds the majority of the share capital, converting automatically to Category B shares in the case of disposal to third parties, whatever the reason may be. For the purpose of exercising voting rights, each share corresponds to one vote. Category A shares always confer the right to veto decisions made by the General Assembly that have as their purpose the merger, division, transformation or dissolution of the Company, and the alteration of its statutes, the increase or reduction in share capital and the change of location of its headquarters.

3.2. Qualifying holdings

Under the terms and for the purposes of the regulations laid out in paragraphs 16 and 20 of the Securities Code and paragraph 448 of the Company Code, it must be informed that companies and/or individuals that have a qualifying shareholding that surpasses 2%, 5%, 10%, 20%, one third, 50%, two thirds and 90% of voting rights, on 30 June, and in accordance with the notifications received at Company Headquarters to date, are as follows:

Futebol Clube do Porto	Nº of shares	% voting rights
<i>Directly</i>	6.000.000	40,00%
<i>Via Jorge Nuno de Lima Pinto da Costa</i>	160.600	1,07%
<i>Via Reinaldo da Costa Teles Pinheiro</i>	9.850	0,07%
<i>Total attributable</i>	6.170.350	41,14%



Inmobiliária Chamartín	Nº of shares	% voting rights
<i>Via Aplicação Urbana II – Investimento Imobiliário, SA</i>	2.718.185	18,12%

António Luís Alves Oliveira	Nº of shares	% voting rights
<i>Directamente</i>	1.850.750	11,01%
<i>Via Francisco António de Oliveira</i>	980	0,01%
<i>Total attributable</i>	1.851.730	11,01%

Joaquim Francisco Alves Ferreira de Oliveira	Nº of shares	% voting rights
<i>Via sociedade Sportinveste – SGPS, SA</i>	1.602.188	10,01%

N.B. Company APLICAÇÃO URBANA II – INVESTIMENTO IMOBILIÁRIO, S.A. is 50% held by CHAMARTIN IMOBILIÁRIA, S.G.P.S., S.A.. Company CHAMARTIN IMOBILIÁRIA, S.G.P.S., S.A., is indirectly held by INMOBILIÁRIA CHAMARTÍN.

3.3. Special rights, restrictions and transmissibility of shares, shareholders' agreements, rules applicable to the alteration of Company statutes and system for worker-participation in capital

No limitations to the exercise of the right to vote exist apart from those outlined in point 1.5 of this report. FC Porto, which is the Company's principal shareholder, has special rights as outlined in Company statutes and the regulatory legal framework of S.A.D. sporting companies. Shares held by this institution always confer the right of veto of decisions made in General Assembly which have as their purpose the merger, division, transformation or dissolution of the Company, and the alteration of its statutes, the increase or reduction in share capital and the change of location of its headquarters.

The Board of Directors is not aware of any shareholder agreement that has the nature of those mentioned in paragraph 19 of the Securities Code relative to the exercise of company rights, or the transmissibility of F.C. Porto – Futebol, SAD shares.



Specifically, there does not exist any voting syndicate or defensive agreement against Public Offers of Acquisition.

There are no regulations on the statutes that apply to the alteration of the statutes of the company, and therefore in relation to matters of this nature, current legislation will apply.

The Company has not set out any plans of attribution of shares and/or share acquisition options or based on the changes in the share price, for members of the governing bodies and/or employees, and for this reason no mechanism exists for managing employee participation in the Company's capital.

3.4. Changes in share price of F.C. Porto – Futebol, SAD shares.

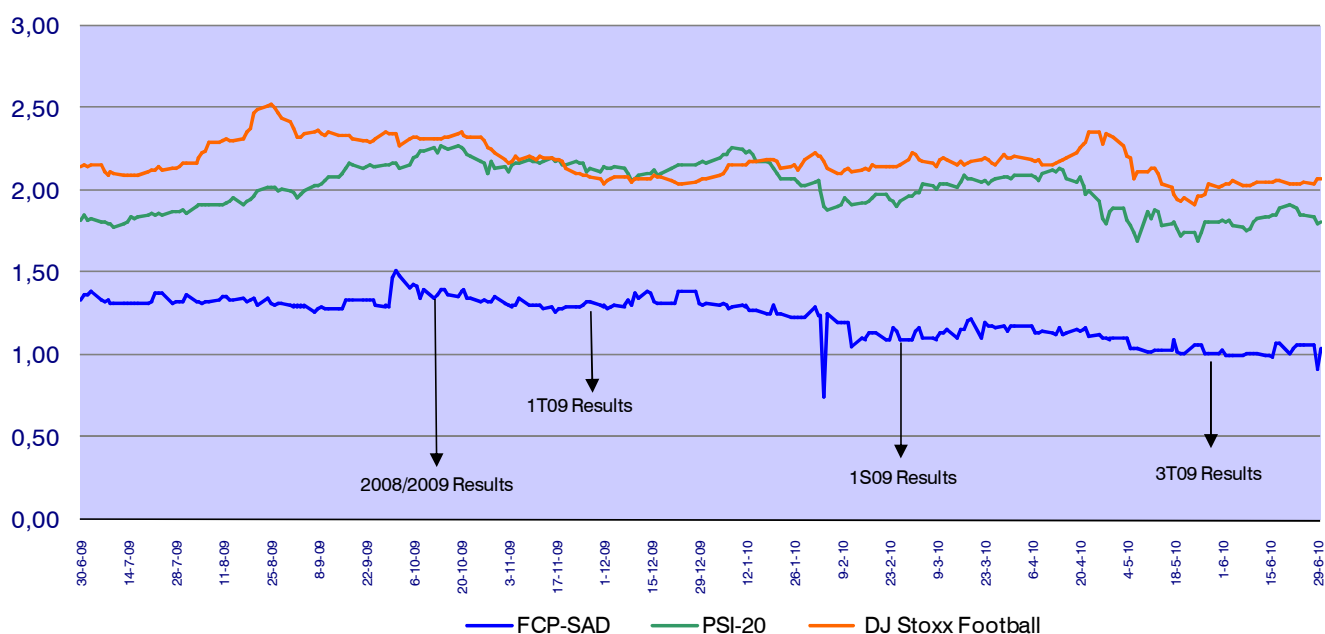
The price of F.C. Porto – Futebol, SAD shares has been going down progressively since 2003/2004. Relevant fluctuations in share price have not been seen, not even when results and/or privileged information have been disclosed, which has come to be the norm in the behavior of company shares. In the period under analysis, however, this fall has been quite accentuated, to the order of 24%, coming in, at the close of the financial year on 30 June, at a price of 1.04 Euros, with a stock-market capitalization of 15.6 million Euros. It must also be pointed out that on 04 February, shares had reached 0.75 Euros with no reason being seen for this behaviour, on the contrary, 2 days prior to this, on the 02 February, FC Porto had beaten Sporting in the quarter-final of the Portugal Cup.



	2007/08	2008/09	2009/10
Number of Transactions	2.059	1.361	1.041
Shares transacted	847.418	767.428	484.040
Average² of shares dealt with per transaction	412	564	475
Liquidity	1.822.123	1.075.820	634.164
Peak value for period	2,55	1,50	1,75
Lowest value for period	1,33	1,18	0,75
Share price at beginning of period	2,30	1,48	1,37
Share price at end of period	1,50	1,34	1,04
Variation over the season	-35%	-9%	-24%
Stock Market Capitalization	22.500.000	20.100.000	15.600.000

The accentuated fall in the share price of Company shares is of even greater relevance, given that, on comparing it with the actual state of the Portuguese stock-market at that time, it can be seen that performance of Company shares was even worse than the reference rate of the Portuguese Stock Index, the PSI-20, which had begun to recover from the crisis in the capital market, having devalued by only 1% in the same period.

This difference in stock-market behavior takes on even greater relevance when compared with the main international index in the area of football. Following the trend of European stock-markets, the *Dow Jones EuroStoxx Football*, of which F.C. Porto – Futebol, SAD is fully part of, despite the highs and lows seen in the period, also closed with a fall of only 4% when compared to figures on 01 June 2009.



3.5. Policy of distribution of dividends

F.C. Porto – Futebol, SAD has not set out the terms of its policy in relation to the distribution of dividends and, since the Company was founded, has never distributed dividends.

3.6. Share and/or Options attribution plan

The Company does not currently have any type of share attribution plan, or option plan for the acquisition of shares.

3.7. Related-Party Transactions

There exist no business transactions that are significant in economic terms for any of the parties involved, that took place between the Company and members of the governing bodies, supervisory bodies, holders of qualifying participations or



companies that are within the domain of the group or in the group itself, except in relation to business or operations that are carried out under the market conditions that are normal for transactions of that type and which are part of the Company's day-to-day business.

Apart from the legal requirements applicable to the activity of the Supervisory board, the Company has not established additional mechanisms for the purposes of prior evaluation of business that will take place between the Company and qualifying shareholders or entities with which they have any relationship, under the terms of article 20 of the Securities Code.

3.8. Investor Assistance

The representative of F.C. Porto – Futebol, SAD for capital market relations is the senior spokesperson for all Company investors, be they institutional, private, Portuguese or Foreign.

This representative ensures the supply of all relevant information on notable events, facts that are considered to be material, the quarterly dissemination of results and replies to any eventual requests for clarification by investors or the general public on financial information of public interest. The investor representative also deals with all matters relative to the relationship with the Securities Market Commission (*CMVM*), so as to ensure the timely compliance of obligations to the capital market supervisory body and other financial authorities. The representative also develops and maintains the Investor Relations page on the Company's website

Under the terms and for the purposes of point 2 of article 226 of the Securities Code, the representative of F.C. Porto – Futebol, SAD for Investor Relations is currently Dr. Angelino Cândido Sousa Ferreira, member of the Board of Directors, who replaced Dr. Fernando Soares Gomes da Silva.

Contact details for the Representative for Market Relations are as follows:



Address: Estádio do Dragão, Via FCPorto, Entrada Poente, piso 3,
4350-451 Porto

Telephone: 225 070 500

Telefax: 225 506 931

E-Mail: angelino.ferreira@fcporto.pt

F.C. Porto – Futebol, SAD has a website (www.fcporto.pt) containing an enormous amount of information about the Group. The purposes of the site are to permit interested parties to obtain a generalized overview of the Group, its areas of business, and information of an institutional and financial nature. The Investor Relations page has information on periodic results, accounts rendered, information on the General Assembly of shareholders, including the convening of meetings and related documentation, as well as information of an institutional nature such as Company Statutes and details of the Governing Bodies. Information on qualifying shareholding may also be accessed, all privileged information and other communications issued by the Company, as well as minutes of the meetings of the General Assemblies, from 2009.

Given CMVM recommendations regarding English versions of company websites, the Company is already preparing its internet site, with a significant part of the information that the CMVM recommended be put into English already available for consultation online.

Shareholder and investor services

All public information relating to FCP-SAD is available at Company premises and on request to the following addresses:

F.C.Porto – Futebol, SAD

Estádio do Dragão, Via FCPorto, Entrada Poente, piso 3,
4350-451 Porto

Telephone: 22.5070500

Fax: 22.5070550

E-mail: futebolsad@fcporto.pt



Information on FCP-SAD shares

The share capital of FCP-SAD is currently represented by 15,000,000 shares, registered and book-entry, with a nominal value of 5 Euros each. Stock-market capitalization comes in, on 30 June 2010, at around 15.6 million Euros.

Ticker Bloomberg: FCP PL

Ticker Reuters: FCPP.LS



D. Shares held by members of the Board of Directors and Supervisory board

Board of Directors

Jorge Nuno de Lima Pinto da Costa

Held 175,000 shares on 30 June 2009. During this time he sold 15,500 shares and acquired 1,000 shares, holding, on 30 June 2010, 16,500 shares. In accordance with article 6 of CMVM Regulation 24/2000, we hereby give information relative to operations carried out between 01 July 2009 and 30 June 2010:

Time	S. Market date	Operation	Qty.	Price	Amount (€)	Balance
15:58	30-09-2009	Sale	1,500	1,4200	2.130,00	173.500
15:18	30-09-2009	Sale	1,000	1,4100	1.410,00	172.500
15:43	30-09-2009	Sale	1,000	1,4200	1.420,00	171.500
16:19	30-09-2009	Sale	1,000	1,4700	1.470,00	170.500
16:19	30-09-2009	Sale	2,500	1,4500	3.625,00	168.000
16:29	30-09-2009	Sale	2,500	1,4600	3.650,00	165.500
16:29	30-09-2009	Sale	1,000	1,4700	1.470,00	164.500
16:29	30-09-2009	Sale	100	1,4700	1.47,00	164.400
11:41	01-10-2009	Sale	1,000	1,5500	1.550,00	163.400
11:42	01-10-2009	Sale	1,000	1,5300	1.530,00	162.400
12:12	01-10-2009	Sale	1,400	1,5400	2.156,00	161.000
12:18	01-10-2009	Sale	800	1,5500	1.240,00	160.200
12:18	01-10-2009	Sale	200	1,5500	310,00	160.000
13:07	01-10-2009	Sale	500	1,5500	775,00	159.500
17:48	30-06-2010	Purchase	900	1,0000	900,00	160.400
13:14	30-06-2010	Purchase	40	1,0000	40,00	160.440
16:15	30-06-2010	Purchase	60	1,0400	62,40	160.500

Futebol Clube do Porto, of which he is President, held, on 30 June 2009, 6,000,000 shares.

Angelino Cândido Sousa Ferreira

Does not hold any shares in the Company. Futebol Clube do Porto, of which he is Vice-President, held, on 30 June 2009, 6,000,000 shares.

Adelino Sá e Melo Caldeira

Does not hold any shares in the Company. Futebol Clube do Porto, of which he is Vice-President, held, on 30 June 2009, 6,000,000 shares.



Reinaldo da Costa Teles Pinheiro

Held 9,850 shares on 30 June 2008. He did not acquire nor dispose of any shares in this financial year, holding on 30 June 2009, 9,850 shares. Futebol Clube do Porto, of which he is Vice-President, held 6,000,000 shares on 30 June 2008.

Jaime Eduardo Lamego Lopes

Does not hold any shares in the Company.

Supervisory board

José Paulo Sá Fernandes Nunes de Almeida

Held 100 shares on 30 June 2009. Did not acquire nor dispose of any shares at all during the financial year in question, holding, on 30 June 2010, 100 shares.

Armando Luís Vieira de Magalhães

Does not hold any shares in the Company.

Filipe Carlos Ferreira Avides Moreira

Held 10 shares on 30 June 2009. He did not acquire nor dispose of any shares during this period, holding 10 shares on 30 June 2010.

José Manuel Taveira dos Santos (Substitute)

Does not hold any shares in the Company.

Official Auditors

Deloitte & Associados, SROC S.A. represented by Jorge Beja Neves

Does not hold any shares in the Company