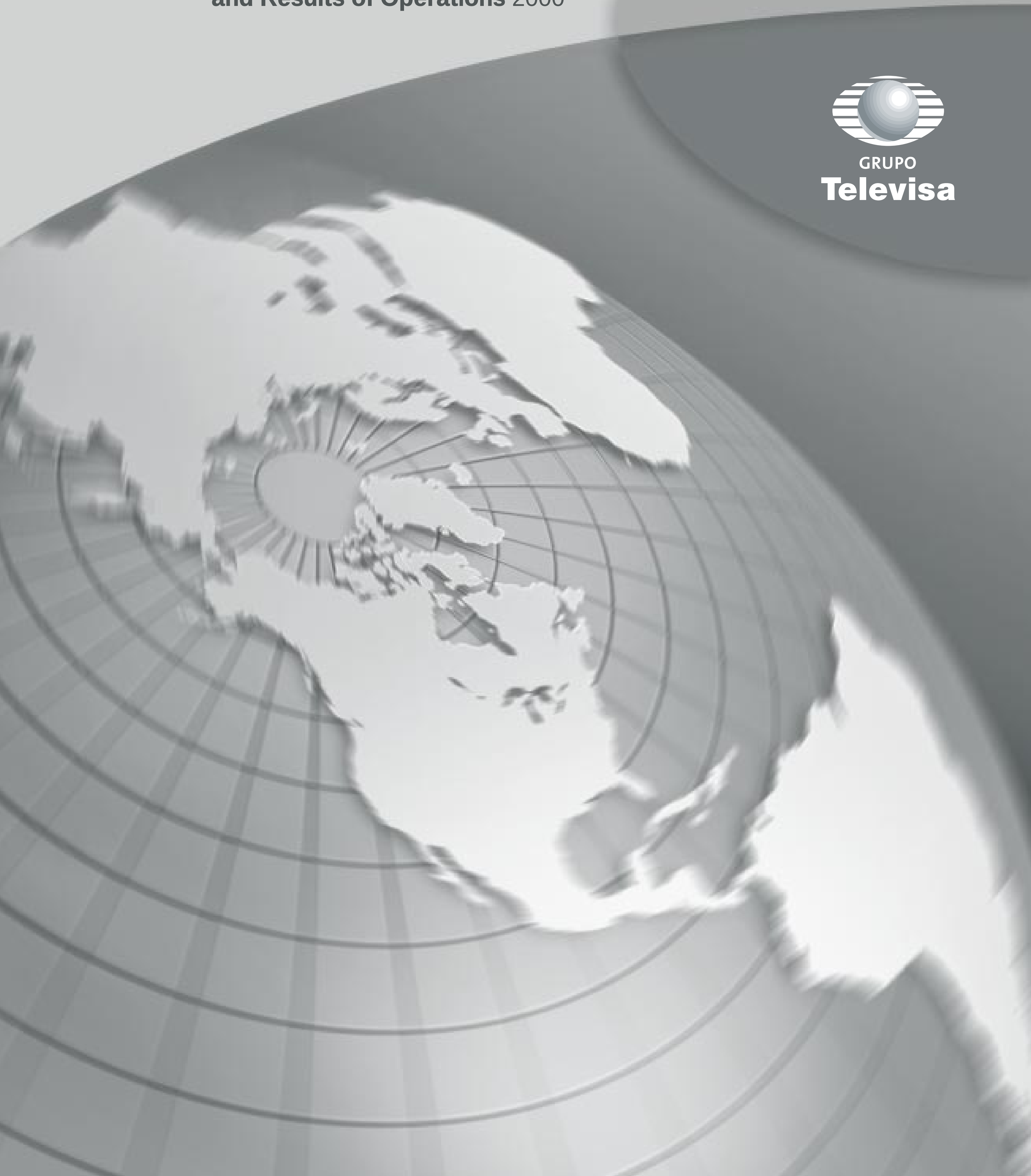
Management's Discussion and Analysis of Financial Condition and Results of Operations 2000

GRUPO Televisa



Selected Consolidated Financial Information

The following tables present the Company's selected consolidated financial information as of and for each of the years indicated. This data is qualified in its entirety by reference to, and should be read together with, our audited year-end financial statements. The following data for each of the years ended December 31, 1998, 1999 and 2000 has been derived from our audited year-end financial statements, including the consolidated balance sheets as of December 31, 1999 and 2000, and the related consolidated statements of income and changes in financial position for the years ended December 31, 1999 and 2000 and the accompanying notes appearing elsewhere in this Annual Report. The data should also be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The exchange rate used in translating Mexican Pesos into U.S. Dollars in calculating the convenience translations included in the following tables is determined by reference to the interbank free market exchange rate, as reported by Banco Nacional de México, S.A. as of December 31, 2000 which was Ps.9.610 per U.S. Dollar. The exchange rate translations contained in this Annual Report should not be construed as representations that the Mexican Peso amounts actually represent the U.S. Dollar amounts presented or that they could be converted into U.S. Dollars at the rate indicated.

Financial Highlights

Years ended December 31,*		1998		1999		2000		2000
(Millions of Mexican Pesos in purchasing power as of December 31, 2000 and millions of U.S. Dollars (1))								
Income Statement Data:								
Net sales	Ps.	19,846	Ps.	19,579	Ps.	20,803	U.S.$	2,164.7
Operating income before depreciation and amortization		4,368		5,167		6,036		628.1
Depreciation and amortization		1,163		1,153		1,193		124.1
Operating income		3,205		4,014		4,843		504.0
Integral cost of financing - net (2)		2,693		1,008		975		101.5
Restructuring and non-recurring charges (3)		1,136		490		1,840		191.5
Other income (expense) - net (4)		3,387		697		(500)		(52.0)
Total tax and other provisions (5)		738		941		387		40.3
Income before equity in results of affiliates, discontinued operations and minority interest		2,025		2,272		1,141		118.7
Equity in losses of affiliates (6)		1,727		762		1,757		182.8
Discontinued operations (7)		2,116		(115)		—		—
Minority interest		(1,482)		(236)		(174)		(18.1)
Net income (loss)		932		1,159		(790)		(82.2)
Per CPO Data:								
(Loss) income from continuing operations	Ps.	(0.01)	Ps.	0.42	Ps.	(0.27)		
Discontinued operations		0.31		(0.03)		—		
Net income (loss)		0.30		0.39		(0.27)		
Effect of dividend preference		—		—		—		
Net income (loss) after dividend preference (8)		0.30		0.39		(0.27)		
Balance Sheet Data (at period end):								
Inventories - net	Ps.	9,643	Ps.	8,765	Ps.	8,391	U.S.$	873.2
Investments (6)		2,532		1,335		301		31.3
Property, plant and equipment - net		14,402		13,084		12,587		1,309.8
Total assets		51,539		47,095		44,993		4,681.9
Short-term borrowings		200		857		346		36.0
Long-term debt		11,198		9,491		10,873		1,131.4
Total stockholders' equity (includes minority interest) (9)		25,505		22,530		17,586		1,830.0
Other Data:								
Capital expenditures (10)	Ps.	1,143	Ps.	929	Ps.	1,500	U.S.$	156.1
Number of employees (at end of period)		15,400		14,700		14,600		
Shares outstanding (in millions)		9,270		8,839		8,899		
Change in NCPI		18.6		12.3		9.0		
Mexican peso/U.S. Dollar exchange rate (at period end)	Ps.	9.876	Ps.	9.495	Ps.	9.610		

* Certain data set forth in these tables vary from certain data set forth in the Financial Statements due to differences in rounding.

(1) Except per CPO data, employee, share, inflation and exchange rate data.

(2) Consist of interest expense, interest income, foreign exchange gain or loss - net, and gain or loss from monetary position. See Note 21 to the Financial Statements.

(3) Includes restructuring charges primarily relating to the Company's cost-cutting efforts in 1998, 1999 and 2000 as well as the loss on the extinguishment of a significant amount of long-term securities. See Note 22 to the Financial Statements.

(4) See Note 23 to the Financial Statements.

(5) Includes income tax, assets tax, employees' profit sharing, and deferred income tax and employees' profit sharing. Amounts for 2000 are not comparable to prior periods due to the adoption of Bulletin D-4. See Note 24 to the Financial Statements.

(6) At December 31, 1998, 1999 and 2000 consist primarily of the Company's share in losses incurred by its DTH ventures in Mexico, Latin America and Spain, partially offset by the Company's share in earnings of Univision in 1998, 1999 and 2000. See Notes 3 and 8 to the Financial Statements.

(7) See Notes 3 and 25 to the Financial Statements.

(8) The Company has three classes of common stock-Series A, L and D shares. The Company's publicly traded securities in Mexico are CPOs, each of which represents one A, one L and one D share. Holders of D shares and, therefore, holders of CPOs, are entitled to a cumulative preferred dividend. On March 1, 2000, a 10-for-1 stock split for each of the Series A, L and D shares became effective. The share and per CPO data above are presented on a post-split basis. See Notes 16 and 26 to the Financial Statements.

(9) As discussed in Note 1(m) to the financial statements, effective January 1, 2000, the Company adopted the provisions of Mexican GAAP Bulletin D-4, related to the full recognition of deferred taxes. The cumulative effect of deferred taxes as of the date of adoption of Bulletin D-4 decreased stockholders' equity by Ps.2,458.

(10) Capital expenditures consist of investments in property, plant and equipment and certain deferred charges.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The following discussion should be read in conjunction with the financial statements included elsewhere in this Annual Report. The financial statements have been prepared in accordance with Mexican GAAP.

General

Mexican GAAP requires that the financial statements recognize effects of inflation. Financial data for all periods in the financial statements have been restated in constant Mexican Pesos in purchasing power as of December 31, 2000, unless otherwise indicated, by applying the NCPI, including results of 2000, because the difference between NCPI index and the index method allowed by Bulletin B-15 was not significant in 2000. See Note 2 to the Company's year-end financial statements.

Accordingly, the percentage increases set forth below (other than those expressed on a nominal basis) are adjusted for the general effects of inflation to permit period-to-period comparison.

The financial statements and, except as otherwise noted, the information below reflect the financial results and financial position of Grupo Televisa, S.A. and its consolidated subsidiaries.

Beginning January 1, 2000, the Company adopted the guidelines of revised Bulletin D-4 "Accounting for Income Tax, Assets Tax and Employees' Profit Sharing" issued by the Mexican Institute of Public Accountants ("MIPA"). This Bulletin requires recognition of deferred income taxes by using the comprehensive asset and liability method. Under this method, deferred income taxes are calculated by applying the respective income tax rate to the temporary differences between the accounting and tax values of assets and liabilities at the date of the financial statements. The cumulative effect of adopting the revised Bulletin D-4 at January 1, 2000, increased the deferred tax liability and decreased stockholders' equity by Ps. 2,457.6 million (of which Ps. 2,394.6 million impacted majority stockholders' equity).

In July 2000, the MIPA issued Circular 54, "Bulletin D-4 Interpretations", which is intended to clarify certain concepts in connection with the guidelines and applications of Bulletin D-4.

Through December 31, 1999, deferred income tax was recognized by using the partial liability method, which consisted of calculating deferred income tax only for significant distinct and non-recurring temporary differences arising from the carrying amount of related assets and liabilities and their respective tax bases.

Effects of Devaluation and Inflation

The following table sets forth, for the periods indicated:

- the percentage that the Mexican Peso devalued or appreciated against the U.S. Dollar;
- the Mexican inflation rate;
- the U.S. inflation rate; and
- the percentage that Mexican gross domestic product, or GDP, changed as compared to the previous period.

Year ended December 31,	1999	2000
(Appreciation) devaluation of the Mexican Peso as compared to the U.S. Dollar (1)	(3.4)%	2.2%
Mexican inflation rate (2)	12.3	9.0
U.S. inflation rate	2.7	3.4
Mexican gross domestic product (3)	3.8	6.9

(1) Based on changes in the interbank rates, as reported by Banco Nacional de México, at the beginning and end of each period, which were as follows: Ps.9.825 as of January 2, 1999; Ps.9.495 as of December 31, 1999; Ps. 9.401 as of January 2, 2000; and Ps. 9.610 as of December 31, 2000.

(2) Based on changes in the NCPI from the previous period, as reported by Banco de México, which were as follows: 275.0 in 1998; 308.9 in 1999 and 336.6 in 2000.

(3) As reported by the Instituto Nacional de Estadística, Geografía e Informática, or INEGI.

The general condition of the Mexican economy, the devaluation of the Mexican Peso as compared to the U.S. Dollar, inflation and high interest rates have in the past adversely affected, and may in the future adversely affect the Company's:

Advertising and other revenues.

Inflation in Mexico adversely affects consumers. As a result, the Company's advertising customers purchase less advertising, which in turn reduces the Company's advertising revenues and consumers may reduce expenditures for the Company's other products and services, including pay television services. Unless the Company increases its nominal advertising rates and the prices for its other products and services at a rate greater than the rate of inflation, its advertising and other revenues will decline when expressed in constant Mexican Pesos.

U.S. Dollar-denominated operating costs and expenses.

The Company has substantial operating costs and expenses denominated in U.S. Dollars. These costs are principally due to the Company's activities in the U.S., the costs of foreign-produced programming and publishing supplies and the leasing of satellite transponders. In 1999 and 2000 the Company's U.S. Dollar-denominated costs and expenses were U.S.$386 million and U.S.$359 million, the Company's U.S. Dollar-denominated revenues were U.S.$383 million and U.S.$429 million. However, the Company is vulnerable to possible devaluations of the Mexican Peso, which increase the Mexican Peso equivalent of its U.S. Dollar-denominated costs and expenses.

Depreciation and amortization expense.

The Company restates its non-monetary Mexican and foreign assets to give effect to inflation. The restatement of these assets in periods of high inflation, as well as the devaluation of the Mexican Peso as compared to the U.S. Dollar, increases the carrying value of these assets, which in turn increases the related depreciation expense.

Integral cost of financing.

The devaluation of the Mexican Peso as compared to the U.S. Dollar generates foreign exchange losses relating to the Company's net U.S. Dollar-denominated liabilities and increases the Mexican Peso equivalent of the interest expense on the Company's U.S. Dollar denominated indebtedness. Foreign exchanges losses and increased interest expense increase the Company's integral cost of financing.

In order to reduce its exposure to these effects, the Company has entered into and will continue to consider entering into additional financial instruments to hedge against Mexican Peso devaluation. If the Company decides to enter into financial instruments to protect itself from these effects, it cannot be assured the availability or terms of these instruments.

During the second quarter of 2000, in order to reduce its interest expense, the Company successfully consummated a refinancing of its outstanding debt. Pursuant to this refinancing, the Company:

a) Extinguished over 88% of its senior long-term debt securities (including those held on behalf of the Company) and eliminated substantially all of the restrictive covenants in connection with this debt.

b) Issued in the Mexican market Ps. 3.0 billion of UDI-denominated notes maturing in 2007, with an annual interest rate of 8.15% in real terms.

c) Incurred U.S. $400 million of debt, under a syndicated credit agreement with international commercial banks, maturing in 2003, with an annual interest rate of LIBOR plus 1.25% (excluding the effect of the related Mexican withholding tax).

In the third quarter of 2000, the Company consummated the refinancing of its Mexican Peso denominated loan of Ps. 610.5 million, which would have matured in August 2000. Under such refinancing, the Company pays the principal of this loan on a quarterly basis beginning October 2000 through July 2004, with an annual interest rate of the Mexican interbank rate plus 45 basis points payable on a monthly basis.

On August 8, 2000, the Company issued U.S.$200 million aggregate principal amount of 8.625% Senior Notes due August 2005. Interest on the Senior Notes, including additional amounts payable in respect of certain Mexican withholding taxes, is 9.07% per annum, and is payable semi-annually on February and August of each year, commencing in February 2001. The Senior Notes are unsecured obligations of the Company, rank equally in right of payment with all and future unsecured and unsubordinated indebtedness of the Company, and are junior in right of payment to all of the existing and future liabilities of the Company's subsidiaries. The Senior Notes may not be redeemed prior to maturity, except in the event of certain changes in law affecting the Mexican withholding tax treatment of certain payments on the securities, in which case the securities will be redeemable, as a whole but not in part, at the option of the Company. The agreement contains certain covenants that limit the ability of the Company and its subsidiaries engaged in television broadcasting, programming for pay television and programming licensing, to incur or assume liens, perform sale and leaseback transactions, and consummate certain mergers, consolidations and similar transactions. In the fourth quarter of 2000, substantially all of the Senior Notes were registered by the Company with the U.S. Securities and Exchange Commission through an exchange offer.

Summary of Business Segment Results

The following tables set forth the net sales and operating income (loss) of each of the Company's business segments and unallocated corporate expenses in 1999 and 2000.The Company's segment information is prepared pursuant to International Accounting Standard No. 14, "Segment Reporting," which is applicable to Mexican companies under Bulletin A-8. This standard requires the Company to look to its internal organizational structure and reporting system to identify its business segments. In adopting this standard, the Company classified its operations into nine business segments: Television Broadcasting, Programming for Pay Television, Programming Licensing, Publishing, Publishing Distribution, Music Recording, Cable Television, Radio and Other Businesses and restated related data from previous years to conform to this presentation. See Note 28 to the Company's year-end financial statements. For segment reporting purposes, inter-segment operations are included in each of the segment operations. (1)

Year ended December 31,		1999		2000
(Millions of Mexican Pesos in purchasing power as of December 31, 2000)				
Net Sales				
Television Broadcasting	Ps.	11,555.0	Ps.	12,717.0
Programming for Pay Television		442.6		479.8
Programming Licensing		1,248.6		1,462.8
Publishing		1,633.1		1,576.2
Publishing Distribution		824.0		865.4
Music Recording		1,407.1		1,243.5
Cable Television		757.3		889.1
Radio		310.2		339.0
Other Businesses		1,467.1		1,497.4
Total Segment Net Sales		19,645.0		21,070.2
Inter-segment Operations		(270.7)		(350.7)
Disposed Operations (2)		204.3		83.3
Consolidated Net Sales	Ps.	19,578.6	Ps.	20,802.8

Year ended December 31,		1999		2000
(Millions of Mexican Pesos in purchasing power as of December 31, 2000)				
Operating Income (Loss)				
Television Broadcasting	Ps.	4,019.6	Ps.	4,677.1
Programming for Pay Television		(475.8)		(359.3)
Programming Licensing		87.7		347.7
Publishing		340.2		317.8
Publishing Distribution		19.6		39.6
Music Recording		178.7		121.0
Cable Television		137.2		142.0
Radio		17.3		46.4
Other Businesses		(149.4)		(350.7)
Segment Operating Income		4,175.1		4,981.6
Corporate Expenses		(141.9)		(131.0)
Total Operating Income		4,033.2		4,850.6
Disposed Operations (2)		(19.0)		(7.9)
Consolidated Operating Income	Ps.	4,014.2	Ps.	4,842.7

(1) Certain segment data set forth in these tables vary from certain data set forth in Note 28 to the Company's year-end financial statements due to differences in rounding.

(2) Disposed Operations primarily reflects the results of operations of the Company's newspaper "Ovaciones". This information is included as a part of Publishing segment in the Note 28 to the Company's year-end financial statements.

Seasonality

The Company's results of operations are seasonal. The Company typically recognizes a disproportionately large percentage of its overall advertising net sales in the fourth quarter in connection with the holiday shopping season. For example, in 1999 and 2000, the Company recognized 30.3% and 28.8% of its net sales in the fourth quarter of the year. The Company's costs, in contrast to its revenues, are more evenly incurred throughout the year and generally do not correlate with the amount of advertising sales.

Results of Operations

The following table sets forth the Company's net sales by business segment as a percentage of total segment sales:

Year ended December 31,	1999	2000
Total Net Sales		
Television Broadcasting	58.8%	60.4%
Programming for Pay Television	2.3	2.3
Programming Licensing	6.3	6.9
Publishing	8.3	7.5
Publishing Distribution	4.2	4.1
Music Recording	7.2	5.9
Cable Television	3.8	4.2
Radio	1.6	1.6
Other Businesses	7.5	7.1
Total Segment Net Sales	100.0%	100.0%
Inter-segment Operations	(1.4)	(1.7)
Sub-total	98.6%	98.3%
Disposed Operations	1.0	0.4
Consolidated Net Sales	99.6%	98.7%

The following table sets forth the Company's results of operations data as a percentage of net sales:

Year ended December 31,	1999	2000
Cost of sales	58.4%	57.0%
Administrative expenses	7.7	6.8
Selling expenses	7.5	7.2
Depreciation and amortization	5.9	5.7
Operating income	20.5	23.3
Total	100.0%	100.0%

Total Segment Results

2000 vs. 1999

The Company's net sales increased Ps. 1,224.2 million, or 6.3%, in 2000 to Ps. 20,802.8 million from Ps. 19,578.6 million in 1999. This increase was primarily due to the increase in advertising sales in Television Broadcasting segment due to higher volume of advertising time sold, as well as an increase in advertising rates and increases in net sales in the Programming for Pay Television, Programming Licensing, Radio, Cable Television and Publishing Distribution segments. This increase in sales was partially offset by a decrease in revenues for the Music Recording segment, lower advertising revenues in the Publishing segment and lower revenues from the nationwide paging business.

Cost of sales increased 3.7% to Ps. 11,853.8 million in 2000 from Ps. 11,427.2 million in 1999. Cost of sales represented approximately 57.0% and 58.4% of net sales in 2000 and 1999, respectively. This increase was primarily due to an increase in production programming costs in Television Broadcasting segment, higher cost of sales in the Cable Television and Publishing Distribution segments, costs associated with sporting events and the start of operations of the Company's Internet business. This increase was partially offset by the decrease in cost of sales in the Music Recording, Programming for Pay Television, Programming Licensing segments as well as the nationwide paging business which is included in "Other Businesses".

Administrative expenses decreased by Ps. 105.2 million representing a decrease of 7.0% in 2000 to Ps. 1,406.6 million from Ps. 1,511.8 million reported in 1999. This decrease was due to reductions related to workforce layoffs, and was partially offset by the administrative expenses related to the start of operations of the Company's Internet business which is included in "Other Businesses".

Selling expenses increased by Ps. 34.2 million or 2.3% in 2000 to Ps. 1,506.9 million from Ps. 1,472.7 million reported in 1999. This increase was due to an increase in the provision for doubtful trade accounts and sales commissions paid primarily in Television Broadcasting and Cable Television segments, and expenses related to the start of operations of the Company's Internet business.

Depreciation and amortization expense increased Ps. 40.1 million, or 3.5%, to Ps. 1,192.8 million in 2000 from Ps. 1,152.7 million in 1999. This increase was due primarily to the amortization of deferred costs related to the start of operations of the Company's Internet business, as well as to the depreciation of technical equipment and real estate property acquired by the Company's border stations.

Operating income increased 20.6% to Ps. 4,842.7 million in 2000 from Ps. 4,014.2 million in 1999. This increase was due to the increase in net sales and the reduction in administrative expenses, and was partially offset by the increase in cost of sales and selling expenses.

Television Broadcasting

Television Broadcasting net sales are derived primarily from the sale of advertising time on the Company's national television networks, Channels 2, 4, 5 and 9, and local stations, including English-language stations on the Mexican/U.S. border. The contribution of Television Broadcasting's net sales of the total segment net sales was 60.4% and 58.8% in 2000 and 1999, respectively. No Television Broadcasting advertiser accounted for more than 10% of Television Broadcasting advertising sales in any of these periods. The contribution of local stations net sales to Television Broadcasting net sales was 9.7% in 2000 and 9.0% in 1999.

During prime time broadcasts, the Company sold an aggregate of 1,755 hours of advertising time in 2000 and 1,650 hours of advertising time in 1999. Television Broadcasting advertising time that is not sold to the public is primarily used to satisfy the legal requirement to make available broadcast time to the Mexican government and to promote the Company's programs, services and products and entities in which it has made investments.

Description of the Advertising Sales Plan

In the fourth quarter of 1998, the Company implemented a new rate structure for national television advertising that better matches individual program pricing to audience ratings and advertiser demand. The Company now sells commercial time on an advanced payment, up-front and scatter basis. Advertisers that elect the advanced payment or up-front options lock-in prices for the upcoming year or quarter, regardless of future price changes. Advertisers that choose the advanced payment option make annual prepayments, with cash or notes, are charged the lowest rates for their commercial time and are given the highest priority in schedule placement. These advertisers are also given a first option in advertising during special programs. Up-front advertisers make commitments for a year or quarter, without making advance payments, and have second priority in scheduling commercial time during regular and special programs. Scatter advertisers risk both higher prices and lack of access to choice commercial time slots. The Company offers no bonus commercial time as it did under its prior advertising sales plan, but it does offer guarantees to advanced payment and up-front advertisers based on the growth level of their annual commitment. The Company no longer sells advertising on a multi-media basis.

Since the fourth quarter of 1999, the Company has sold advertising through a pre-sale offered to its major clients for the upcoming year; on a scatter basis throughout the year; and through product placement in the Company's programs and special events.

As of December 31, 2000, the Company had received Ps. 9,632.3 million (nominal) of advertising deposits for television advertising during 2001, representing U.S.$ 1,002.3 million at December 31, 2000 exchange rates. As of December 31, 1999, the Company had received Ps. 7,809.3 million (nominal) of advertising deposits for television advertising during 2000, representing U.S.$ 822.5 million at December 31, 1999 exchange rates. As a result of changes to the method of selling advertising described above, the Company believes that December 31, 2000 and December 31, 1999 customer deposits are not fully comparable to those obtained in previous years. Nonetheless, as of December 31, 1998, the Company had received Ps.7,284.0 million (nominal) of advertising deposits that the Company expected to apply to television advertising during 1999 representing U.S.$737.6 at the applicable year-end exchange rates. The deposits as of December 31, 2000 represented a 23.3% nominal increase, or 11.7% in real terms, as compared to the prior year, and advertising deposits at December 31, 1999 represented a 7.2% (nominal) increase, but a 6.6% decline in real terms as compared to year-end 1998.

Approximately 53.6% and 58.2% of the advanced payment deposits as of December 31, 2000 and as of December 31, 1999 were in the form of short-term, non-interest bearing notes receivable in the following year, with the remainder consisting of cash deposits. The weighted average maturity of these notes at December 31, 2000 and December 31, 1999 was 3.6 months and 2.8 months, respectively.

In connection with the adoption of its advertising sales plan, the Company restructured its advertising sales force, as a result of which the Company's other segments that sell advertising, specifically Programming for Pay Television, Publishing, Cable Television and Radio, currently have their own respective advertising sales forces that sell advertising primarily on a scatter basis and as a result, selling expenses have increased for Television Broadcasting, Programming for Pay Television, and Radio segments.

2000 vs. 1999

Television Broadcasting net sales increased Ps. 1,162.0 million, or 10.1% in 2000 to Ps. 12,717.0 million, from Ps. 11,555.0 million in 1999. This increase was due to an increase in advertising revenues as a result of higher volume of advertising time sold, primarily from non yearly events such as the political campaigns for federal and local elections and from the "2000 Summer Olympic Games", as well as an increase in advertising rates as part of the changes made to the Company's advertising selling method.

Television Broadcasting operating income increased Ps. 657.5 million, or 16.4%, as a result of higher revenues and a decrease in administrative expenses resulting from the Company's cost-cutting program. This increase was partially offset by higher cost of sales due to higher transmission costs and additional programming costs related to telenovelas, newscasts, series and movies and special events programs (primarily the 2000 Summer Olympic Games), as well as an increase in selling expenses due to the restructuring of the Company's sales force and an increase in the provision for doubtful trade accounts.

Programming for Pay Television

Programming for Pay Television net sales are derived primarily from revenues received from providing programming to pay television entities servicing Latin America, the United States and Europe, to other cable systems in Mexico and to the DTH satellite joint ventures in which the Company has an interest. Revenues from advertising time sold on programs provided to cable systems in Mexico are also reflected in this segment. Since the adoption of the advertising sales plan, Programming for Pay Television sells advertising independently from Television Broadcasting on a scatter basis.

The contribution of Programming for Pay Television net sales to the total segment net sales was 2.3% in 2000 and 2.3% in 1999.

2000 vs. 1999

Programming for Pay Television net sales increased Ps. 37.2 million, or 8.4%, in 2000 to Ps. 479.8 million, from Ps. 442.6 million in 1999. This increase was attributable to an increase in advertising time sold and higher volume of programming services sold to pay television entities servicing both domestic and international markets. This increase was partially offset by lower revenues from pay-per-view services.

Programming for Pay Television operating loss decreased Ps. 116.5 million, or 24.5%, to Ps. 359.3 million, from Ps. 475.8 million in 1999. This decrease was due to an increase in net sales, a reduction in production costs associated with "ECO" the Company's international news program, a decrease in the costs related to amortization of television series and movies and decrease in administrative expenses.

Programming Licensing

Programming Licensing net sales consist primarily of revenues from program license agreements principally for the telenovelas and variety programs produced by the Company and programming produced by third parties. Approximately 51.6% and 52.8% of net sales in this segment in 2000 and 1999, respectively, were attributable to programming licensed under the Company's program license agreement with Univision. Program royalties paid to the Company by Univision under this agreement were U.S.$76.5 million in 2000 and U.S.$61.0 million in 1999. The Company also licenses programming to broadcasters in Latin America, the Middle East, Russia and other countries.

The contribution of Programming Licensing net sales to the total segment net sales was 6.9% in 2000 and 6.3% in 1999.

2000 vs. 1999

Programming Licensing net sales increased Ps. 214.2 million or 17.2%, in 2000 to Ps. 1,462.8 million, from Ps. 1,248.6 million in 1999. This increase was due to an increase in royalties paid to the Company by Univision, under the program licensing agreement with Univision, and an increase in net sales attributable to programming exports to Latin America, Asia and Africa. This increase was partially offset by the translation effect of foreign-currency denominated sales since the Mexican inflation for 2000 was greater than the devaluation of the Mexican Peso against the U.S. Dollar for the same period.

Programming Licensing operating income increased Ps. 260.0 million, or 296.5%, in 2000 to Ps. 347.7 million from Ps. 87.7 million in 1999. This increase reflects an increase in net sales and a reduction in operating expenses and costs of sales as a result of the Company's cost-cutting efforts.

Publishing

Publishing net sales are primarily derived from the sale of advertising pages in the Company's various magazines as well as magazine sales to distributors. Since the adoption of the advertising sales plan, Publishing sells advertising independently from the other media-related segments. Advertising rates are based on the publication and the assigned space of the advertisement.

In September 2000, the Company acquired the remaining 35% interest of its Publishing segment (Editorial Televisa) from a minority shareholder.

The contribution of Publishing's net sales to the total segment net sales was 7.5% in 2000 and 8.3% in 1999. The percentage of Publishing's net sales derived from advertising sales was 39.7% in 2000 and 38.5% in 1999. The remainder of Publishing net sales in each period presented consisted of revenues from sales of publications to distributors.

2000 vs. 1999

Publishing net sales decreased Ps. 56.9 million or 3.5% in 2000, to Ps. 1,576.2 million from Ps. 1,633.1 million in 1999. This decreased was due primarily to a decrease in the volume of magazines sold in the international market, the translation effect on foreign-currency denominated sales since the Mexican inflation was greater than the devaluation of the Mexican Peso against the U.S. Dollar for the same period, and lower volume of advertising pages sold in the international market. This decrease was partially offset by an increase in domestic sales of both, advertising pages and magazines.

Publishing operating income decreased Ps. 22.4 million or 6.6% in 2000, to Ps. 317.8 million from Ps. 340.2 million in 1999, reflecting the decrease in net sales, as well as an increase in cost of sales as a result of higher circulation of domestic magazines and an increase in the volume of magazines print runs for the domestic market, which was partially offset by a decrease in operating expenses as a result of the Company's cost-cutting efforts.

Publishing Distribution

Publishing Distribution net sales are primarily derived from the distribution of magazines published by the Company, its joint ventures or independent publishers and pursuant to licenses and other arrangements with third parties. Of the total volume of magazines distributed, approximately 62.2% in 2000 and 64.2% in 1999 were published by the Company's Publishing segment.

The contribution of Publishing Distribution's net sales to the total segment net sales was 4.1% in 2000 and 4.2% in 1999.

2000 vs.1999

Publishing Distribution net sales increased Ps. 41.4 million, or 5.0%, in 2000, to Ps. 865.4 million from Ps. 824.0 million in 1999. This increase was due primarily to an increase in net sales attributable to an increase in the distribution of magazines published by third parties in the domestic market. This increase was partially offset by lower sales of distribution of magazines published by third parties in the international market, as well as the translation effect on foreign-currency denominated sales.

Publishing Distribution operating income increased Ps. 20.0 million or 102.0%, in 2000 to Ps. 39.6 million from Ps. 19.6 million in 1999 reflecting the increase in net sales and lower operating expenses as part of the Company's cost-cutting program, which was partially offset by the increase in cost of sales attributable to a higher volume of magazines published by third parties.

Music Recording

Music Recording net sales are derived primarily from sales of company-produced cassettes, compact discs and records of Mexican and international artists and royalty revenues from the licensing of the Company's recordings to third parties.

The contribution of Music Recording net sales to the total segment net sales was 5.9% in 2000 and 7.2% in 1999.

2000 vs. 1999

Music Recording net sales decreased Ps. 163.6 million, or 11.6%, in 2000 to Ps. 1,243.5 million from Ps. 1,407.1 million in 1999. This decrease was primarily due to lower net sales from catalog units in the international market, fewer releases in the domestic market, as well as the translation effect of foreign-currency denominated sales since the Mexican inflation was greater than the devaluation of the Mexican Peso against the U.S. Dollar for the same period. This decrease was partially offset by an increased number of albums released in the international market.

Music Recording operating income decreased Ps. 57.7 million, or 32.3%, in 2000 to Ps. 121.0 million from Ps. 178.7 million in 1999. This decrease reflects a reduction in net sales, partially offset by the decrease in royalties paid as well as reduction in production costs and album promotions.

Cable Television

Cable Television net sales are derived from Cable Television services and advertising sales. Cable television service net sales generally consist of monthly subscription fees for basic and premium service packages, fees charged for pay-per-view programming and, to a significantly lesser extent, one-time installation and activation fees. Advertising net sales consist of revenues from sales of local and national advertising on Cablevisión. Since the adoption of the advertising sales plan in the fourth quarter of 1998, Cable Television sells advertising independently from Television Broadcasting segment on a scatter basis. Rates are based on the day and time the advertising is aired as well as the type of programming in connection with which the advertising is aired. Cable subscription and advertising rates are increased periodically, in response to inflation and in accordance with market conditions.

The contribution of Cable Television's net sales to the total segment net sales was 4.2% in 2000 and 3.8% in 1999.

2000 vs. 1999

Cable Television net sales increased Ps. 131.8 million, or 17.4%, in 2000 to Ps. 889.1 million from Ps. 757.3 million in 1999. This increase was primarily due to an increase in basic subscribers to over 403,000 as of December 31, 2000 from over 390,000 as of December 31, 1999 and upgrading a portion of its existing subscriber base to digital service packages through the roll out of digital set-top boxes. The increase was partially offset by lower advertising revenues.

Cable Television operating income increased Ps. 4.8 million, or 3.5%, in 2000 to Ps. 142.0 million from Ps. 137.2 million in 1999. This increase reflects the increase in net sales, partially offset by an increase in cost of sales due to higher signal costs, as well as higher operating expenses associated with an increase in the provision for doubtful trade accounts and other costs related to digital services and signals.

Radio

Radio net sales consist of advertising sold on the Company's radio stations. Since the adoption of the advertising sales plan in the fourth quarter of 1998, Radio sells advertising independently from the Television Broadcasting segment on a scatter basis. Rates are based on the day and time the advertising is aired, as well as the type of programming in connection with which the advertising is aired.

The contribution of Radio net sales to the total segment net sales was 1.6% in each of 2000 and 1999.

2000 vs. 1999

Radio net sales increased Ps. 28.8, million or 9.3%, in 2000 to Ps. 339.0 million from Ps. 310.2 million in 1999. This increase was primarily due to higher advertising time sold as well as an increase in advertising rates.

Radio operating income increased Ps.29.1 million or 168.2%, to Ps. 46.4 million in 2000 from Ps. 17.3 million in 1999 as a result of the increase in net sales and the reduction in operating expenses as part of the Company's cost-cutting program partially offset by an increase in programming costs.

Other Businesses

Other Businesses net sales are primarily derived from the promotion of sports and special events in Mexico, subscriber fees for nationwide paging services, the distribution of feature films, revenues from dubbing services and revenues from advertisers in the Company's Internet portal.

In May 2000 the Company launched EsMas.com, a comprehensive Spanish-language horizontal Internet portal, as the main part of its strategy to become leader in the Spanish-speaking online media market. EsMas.com leverages Televisa's unique and extensive Spanish-language content in news, sports, music, publishing and entertainment, and offers a variety of services, including e-mail, search engines, chat rooms and e-commerce. The total investment in EsMas.com amounts to U.S.$76.4 million including capital expenditures and operating costs and expenses. In only eight months of operation, EsMas.com has positioned itself as one of the leading portals in Mexico, with over five million visitor sessions per month and over 375,000 registered users, and more than 150,000 unique daily visitors.

The contribution of Other Businesses net sales to the total segment net sales was 7.1% in 2000 and 7.5% in 1999.

2000 vs. 1999

Other Businesses net sales increased Ps. 30.3 million or 2.1%, in 2000 to Ps. 1,497.4 million from Ps. 1,467.1 million in 1999. This increase was due to an increase in advertising sales related to soccer events, in which the Company's teams participated, an increase in feature film distribution and revenues from EsMas. This increase was partially offset by lower revenues from the Company's nationwide paging and dubbing business.

Other Businesses operating loss increased Ps. 201.3 million, or 134.7%, in 2000 to Ps. 350.7 million from Ps. 149.4 million in 1999. This increase was due primarily to higher costs related to the start of operation of the horizontal Internet portal EsMas, as well as higher costs related to sporting events. This increase was partially offset by a reduction of cost of sales in the nationwide paging business and lower feature film distribution expenses. The Company expects that EsMas will experience substantial net losses and substantial negative cash flow over at least the next several years while the Company expands the internet portal.

Integral Cost of Financing

Integral cost of financing significantly impacts the Company's financial statements in periods of high inflation or currency fluctuations. Under Mexican GAAP, integral cost of financing reflects:

- interest income;
- interest expense (including restatement of UDI-denominated Notes due 2007);
- foreign exchange gain or loss attributable to monetary assets and liabilities denominated in foreign currencies; and
- gain or loss attributable to holding monetary assets and liabilities exposed to inflation.

Assets and liabilities denominated in foreign currencies affect the Company's foreign exchange position. The Company records a foreign exchange gain or loss if the exchange rate of the Mexican Peso to the other currency in which the Company's monetary assets or liabilities are denominated rises or falls.

The Company capitalizes its integral financing costs attributable to assets under construction. Integral financing costs capitalized include interest costs, offset by gains or losses from monetary position and foreign exchange gains and losses. These amounts will be taken as depreciation over the lives of the related assets. See Notes 1(g) and 9 to the Company's year-end financial statements. During 1999 and 2000, these costs were not capitalized because in those periods integral results attributable to assets under construction resulted in a gain.

2000 vs. 1999

The loss attributable to the integral cost of financing decreased by Ps. 30.1 million representing 3.0% to a loss of Ps. 978.0 million in 2000, as compared to a loss of Ps. 1,008.0 million in 1999. This decrease was due primarily to:

- a decrease in interest expense of Ps. 256.8 million in 2000 to Ps. 1,400.4 million from Ps. 1,657.2 million in 1999, primarily due to the restructuring of the Company's foreign currency denominated debt.

- a Ps. 72.5 million increase in interest income to Ps. 887.7 million in 2000 from Ps. 815.2 in 1999 due to higher cash balances during the year after the extinguishment of the Company's Senior long-term debt as discussed below.

These variances were partially offset by an increase in loss from monetary position and a higher foreign-currency exchange loss derived from forward exchange contracts by Ps.189.5 million. See Note 21 to the Company's year-end financial statements.

Non-recurring Charges

This line item amounted to a loss of Ps. 1,839.9 million in 2000, principally related to costs incurred in connection with the refinancing of the Company's Senior long-term debt in the second quarter of 2000. See "Liquidity, Foreign Exchange Capital Expenditures - Indebtedness."

The Company has taken various steps to reduce its costs and expenses, including reducing the number of full- and part-time employees. As of December 31, 1999, total employee headcount was approximately 14,700, a reduction of 29.0% from approximately 20,700 at December 31, 1995. As of December 31, 2000, total employee headcount had been reduced to approximately 14,600.

Other steps taken by the Company to reduce its costs and expenses include:

- consolidating offices and facilities and the shutdown or sale of non-essential operations;
- relocating some of U.S. magazine operations to Mexico to reduce printing costs;
- decreasing the number of feature films produced;
- eliminating some under-performing programming;
- reducing real estate rental, promotional and employee travel expenses, charitable donations and amenities; and
- reducing overtime payments.

In connection with its workforce reductions and other cost-cutting measures, the Company recorded charges of Ps. 438.1 million in 2000 and Ps. 490.0 million in 1999, which consisted primarily of severance payments and other termination charges. See Note 22 to the Company's year-end financial statements. In 1999, the Company took additional steps to further implement its cost-cutting program. In addition to workforce reductions, these actions primarily involved the discontinuation of non-strategic businesses engaged principally in the production of theatrical performances, the promotion of bullfights, consumer product sales and post-production services to third parties. The Company will continue to seek to cut costs and expenses and expect to take additional charges in the future, although the Company currently does not expect these cost and expense reductions or related charges to be as significant as in prior periods.

Other Expense / Income, Net

In 2000, other expense, net was Ps. 499.9 million, as compared to an income, net of Ps. 697.3 million in 1999.

Other expense, net for the year ended December 31, 2000, primarily reflects:

- amortization and write-off of goodwill of Ps. 201.8 million;
- donations of Ps. 53.6 million;
- financial advisory and professional services of Ps. 139.5 million;
- amortization of deferred costs in the amount of Ps. 94.0 million related to the Company's DTH joint venture;
- other net of Ps. 11.0 million.

Other income, net for the year ended December 31, 1999 consisted primarily of:

- a gain of Ps. 1,903.3 million primarily from the sale of a portion of the interest in Univision, net of related costs and expenses;
- amortization of deferred costs in the amount of Ps. 259.2 million related to DTH joint ventures;
- amortization and write-off of goodwill of Ps. 509.7 million;
- provision for doubtful accounts and write-off of Ps. 63.2 million;
- other costs and expenses of Ps. 373.9 million.

See Note 23 to the Company's year-end financial statements for further information regarding this line item.

Income Tax, Assets Tax and Employees' Profit Sharing

The statutory rate of Mexican corporate income tax was 35% in 2000 and 1999. The Company and its subsidiaries are also subject to an assets tax on the adjusted book value of some of their assets, which can be individually credited against any income taxes payable by the Company and its subsidiaries. The assets tax rate was 1.8% for all periods. Income tax and assets tax as a percentage of income before provisions was 21.9% in 2000 and 27.3% in 1999, including the recognition of deferred taxes in 2000. See Note 24 to the Company's year-end financial statements.

The Company had virtually no Mexican income tax liability in 2000 and 1999. This was primarily the result of:

- Premiums, consent fees and other expenses related with the extinguishment of the Senior long-term securities outstanding.
- the availability of operating tax loss carry-forwards generated in previous periods;
- temporary differences as a result of expensing inventory, which were partially offset by inflationary differentials; and
- consolidated income tax credited by consolidated assets tax.

Substantially all of the Ps. 947.7 million and Ps. 922.6 million in taxes the Company incurred in 2000 and 1999 respectively consisted of:

- Mexican asset taxes, which were offset in prior years under applicable legislation;
- foreign income taxes relating to non-Mexican operations; and
- income taxes relating to minority interests that third parties hold in the Company's consolidated businesses.

Effective January 1, 1999, Mexican income tax law provides that the Company can apply only 60% of the losses of its Mexican subsidiaries to offset consolidated earnings, which had the effect of increasing the effective tax rate in 2000 and 1999.

See Note 24 to the Company's year-end financial statements for a description and quantification of the principal differences between the statutory tax rate and the effective income tax rate and the Company's consolidated and unconsolidated loss carry-forwards in 2000 and 1999. In May 1999, the Mexican Institute of Public Accountants, or MIPA, issued a revised Bulletin D-4, "Accounting for Income Tax, Assets Tax and Employees' Profit Sharing." The revised Bulletin D-4, which is effective January 1, 2000, and relates to accounting for deferred taxes, will have an impact on future effective income tax rates. The adoption of revised Bulletin D-4 as of January 1, 2000 resulted in an initial increase in deferred tax liability, and a corresponding decrease in shareholders' equity, of Ps. 2,457.6 million and Ps. 2,394.6 million respectively. During 2000, the effect of deferred taxes was applied as follows: decrease in the deferred income tax liability of Ps. 591.6 million for the year ended December 31, 2000, was comprised of credits to the gain from monetary position, the loss from holding non-monetary assets and the provision for deferred income tax of Ps. 200.2 million, Ps. 198.6 million and Ps. 192.7 million respectively. Additionally, the provision for deferred income tax was credited by Ps. 419.7 million, representing the effect on restatement of the non-monetary items included in the deferred tax calculation, which was originally accounted for in the result from monetary position for 2000 and then reclassified to the provision for deferred income tax, in accordance with the guidelines provided by Circular 54. See Note 24 to the Company's year-end financial statements.

The Company has tax loss carry-forwards at December 31, 2000, as follows: unconsolidated Mexican subsidiaries and non-Mexican subsidiaries of Ps.1,347.7 and Ps.1,098.5, with expiration dates from 2001 to 2008 for Mexican subsidiaries and from 2001 to 2020 for non-Mexican subsidiaries. During 1999 and 2000, the Company used consolidated operating tax loss carry-forwards of Ps. 4,078.6 million and Ps. 914.9 million respectively, and utilized unconsolidated operating tax loss carry-forwards of Ps. 1,990.0 and Ps. 1,771.5 million, respectively. See Note 24 to the Company's year-end financial statements.

The Company, like other Mexican companies, is required by law to pay its employees, in addition to their agreed compensation and benefits, profit sharing in an aggregate amount equal to 10% of taxable income, calculated, on a subsidiary by subsidiary basis, on a statutory basis that differs from the calculation of taxable income under Mexican income tax law. The Company has also agreed to pay its employees a special bonus each year, which is recorded under selling and administrative expenses. In 2000 and 1999, the Company's subsidiaries recognized little or no taxable income for purposes of calculating employees' profit sharing, largely as a result of inflationary differentials and temporary differences of expensing inventory. The Company recorded Ps. 74.9 million and Ps. 47.5 million in 2000 and 1999 respectively under selling and administrative expenses for special bonuses paid to its employees.

Equity in Earnings (Losses) of Investments

This line item reflects the equity participation in the operating results of unconsolidated businesses in which the Company maintains an interest, but over which it has no control. In 2000 and 1999, this line item reflected:

- investments in DTH satellite services in Mexico, Spain, Colombia and Chile; and

- investment in Univision.

In 2000 the equity in losses of the Company's DTH joint venture in Mexico includes a one-time charge of approximately Ps. 258.4 million due to the cost of using two satellites at the same time to run its services while the venture re-points all the subscribers' receiver dishes and migrates to a single satellite.

In 1999, this line item reflected the Company's investment in "Pegaso", a joint venture to provide personal communication system services in Mexico. The Company recognized losses by this investment of Ps. 259.2 million, as well as a gain of Ps. 397.1 million from the exercise of warrants to purchase common stock of Univision, which partially offset losses attributable to other investments during this period. As of June 30, 2000, the Company recognized losses in its investment in Pegaso by Ps.157.0 million, date in which the Company disposed of this investment. See Note 3 to the Company's year-end financial statements.

The Company expects that its DTH joint ventures will experience substantial net losses and substantial negative cash flow over at least the next several years while they develop and expand their DTH satellite services. The Company does not consolidate the results of the DTH joint ventures because it does not control these joint ventures. Although the Company holds a majority equity position in Innova, it does not control this joint venture under the terms of its joint venture agreement. See "DTH Joint Ventures" and Note 8 to the Company's year-end financial statements.

Discontinued Operations

In 1999 this line item reflects, the operating losses of some discontinued subsidiaries, which were discontinued during the first quarter of 1999 and were engaged principally in the production of theatrical performances, the promotion of bullfights and consumer product sales. See Note 25 to the Company's year-end financial statements.

Minority Interest

The minority interest reflects the portion of the operating results attributable to the interest held by third parties in the businesses which are not wholly owned by the Company, including Cablevisión, nationwide paging, and Editorial Televisa until September 2000.

Minority interest was Ps. 174.9 million in 2000 and Ps. 235.9 million in 1999. The decrease in 2000 reflects primarily the acquisition of shares of the capital stock of "Editorial Televisa", previously owned by a minority shareholder. See Notes 3 and 19 to the Company's year-end financial statements

Net Income (Loss)

In 2000, the Company had a net loss of Ps. 790.4 million, compared to a net income of Ps. 1,159.4 million in 1999.

This variance reflected:

- an increase in non-recurring charges of Ps. 1,349.9 million;

- an increase of other expense of Ps. 1,197.2 million;

- An increase in equity in losses of affiliates of Ps. 994.5 million.

These increases were partially offset by a decrease in the integral cost of financing, income and deferred taxes, discontinued operations, minority interest and an increase in the operating income.

Liquidity, Foreign Exchange and Capital Resources

Liquidity

The Company generally relies on a combination of operating revenues, borrowings and net proceeds from dispositions to fund the Company's working capital needs, capital expenditures, acquisitions and investments. Prior to 1998, under the prior advertising plan, the Company received most of its advertising revenues in the form of up-front advertising deposits in the fourth quarter of a given year, which the Company in turn used to fund its cash requirements during the rest of the quarter in which the deposits were received and for the first nine months of the following year. The Company received a higher amount of up-front deposits in the last quarter of 2000 versus the last quarter of 1999 expressed in constant Pesos as of December 31, 2000. The percentage of the amount received of up-front deposits represented by non-interest bearing notes in the last quarter of 2000 has decreased as compared to the amount represented by cash. Nonetheless, the Company may be required to sell assets or borrow money on a short-term basis to fund its cash needs during the second half or fourth quarter of 2001. See "Results of Operations - Television Broadcasting."

The Company expects to fund its cash needs during 2001, other than cash needs in connection with any potential investments and acquisitions, through a combination of cash from operations, and/or short-term borrowings. The amount of short-term borrowings required to fund these cash needs in 2001 will depend upon the timing of cash payments from advertisers under the advertising sales plan, as well as the amount of net proceeds, if any, the Company receive from divestitures. It is currently contemplated that any significant investments would be financed through a combination of available cash from operations, sell of assets and short-term debt.

Cash Basis Income

The Company's cash basis income is net income adjusted for non-cash items, primarily depreciation and amortization, deferred taxes, exclusive of changes in working capital.

In 2000, the Company generated a positive cash basis income of Ps. 2,759.9 million, as compared to a positive cash basis income of Ps. 2,520.7 million in 1999, the variance was due primarily to:

Increases in cash basis income

- a Ps. 828.5 million increase in operating income;
- a Ps. 376.0 million increase in non-cash items, primarily equity in losses of affiliates, depreciation and amortization, provision for doubtful trade accounts and write-off receivables and deferred income taxes;
- a Ps. 1,814.0 million decrease in the gain on disposition of investments.

Decreases in cash basis income

- a Ps. 1,349.9 million increase in non-recurring charges, primarily related to costs incurred in connection with the refinancing of the Company's Senior long-term debt, in the second quarter of 2000;
- a Ps. 1,197.2 million loss related to other expenses net, as compared to other income net in 1999;
- a Ps. 231.4 million loss in other items.

Capital Expenditures, Acquisitions and Investments, Distributions and Other Sources of Liquidity

In 2001, the Company expects to:

- make aggregate capital expenditures for property, plant and equipment of approximately U.S.$ 188.2 million, which includes capital expenditures in the amount of U.S.$ 66.2 million for the expansion and improvement of its cable business, all of which is expected to be funded by cash at hand and cash from operations at Cablevisión, in which the Company owns a 51% stake;

- invest an aggregate of U.S.$ 107.0 million in its DTH joint ventures, in the form of long-term loans or/and capital contributions;

- invest approximately U.S.$ 21.1 million in connection with its Internet-related business, including digitalization of its content and costs associated with setting up and operating the portal, and

The Company may make additional expenditures in connection with acquisitions and investments, including in connection with the proposed transaction with Grupo ACIR.

During 2000, the Company:

- made aggregate capital expenditures principally for property, plant and equipment of approximately U.S.$149.9 million, which includes capital expenditures, in the amount of U.S.$ 29.7 million for the expansion and improvement of its cable business;

- invested an aggregate of U.S.$ 108.2 million in its DTH joint ventures, U.S.$ 48.6 million of which were in the form of long-term loans and U.S.$ 59.6 million in the form of capital contributions;

- invested approximately U.S.$ 15.0 million in connection with the start up of its internet-related business, including digitalization of its content and costs associated with setting up and operating the portal, and

- spent an aggregate of up to U.S.$ 56.9 million to purchase CPOs pursuant to its share repurchase program.

Indebtedness

The following tables set forth a description of the Company's outstanding indebtedness as of December 31, 2000.

Notes payable to banks

Notes payable to banks as of December 31 consisted of the following obligations:

		1999		2000	Maturities at December 31, 2000
U.S. Dollar syndicated loan (1)	Ps.	—	Ps.	3,844,000	In 2003
Other U.S. Dollar loans (2)		337,198		232,449	Various from 2002 to 2010
Mexican Peso loans (3)		678,453		572,344	In 2004
Spanish Peseta loans (4)		92,294		280,471	Various from 2003 to 2007
		1,107,945		4,929,264	
Lease agreements		35,076		68,368	In 2003
		1,143,021		4,997,632	
Less: current maturities		801,378		288,831	
Long-term maturities	Ps.	341,643	Ps.	4,708,801	

(1) On May 8, 2000, the Company entered into a syndicated credit agreement with international commercial banks for an amount of U.S.$400 million, with an annual interest rate of LIBOR plus 1.25% (excluding the effect of the related Mexican withholding tax) and a maturity in 2003. Interest on this credit is payable semiannually. The net proceeds of this credit, together with the net proceeds of the UDI-denominated Notes described below, and cash on hand, were used to fund the tender offers and related fees and expenses described below. Under the terms of this agreement, the Company and its restricted subsidiaries (those engaged in television broadcasting, programming for pay television and programming licensing) are required to maintain (a) certain financial coverage ratios related to indebtedness, interest expense and stockholders' equity; and (b) certain restrictive covenants on indebtedness, dividend payments, issuance and sale of capital stock, capital expenditures or investments, and liens.

(2) Includes U.S.$16.4 million (Ps.169.2 million) and U.S.$10.3 million (Ps.99.4 million) at December 31, 1999 and 2000, respectively, of long-term indebtedness with maturities of up to two years at a fixed interest rate of 5.5% per annum (excluding additional interest payable as a result of certain Mexican withholding taxes). This indebtedness requires that the Company meet certain leverage and liquidity coverage tests. The remaining U.S. dollar loans bear interest at rates which vary between 1 and 4 points above LIBOR (excluding additional interest payable as a result of certain Mexican withholding taxes).

(3) Includes the long-term loan payable to a Mexican bank of Ps.665.2 million, and Ps.572.3 million at December 31, 1999 and 2000, respectively, which was originally due in August 2000, and was refinanced by the Company in July 2000. Under such refinancing, the Company will pay the principal amount of this loan in 16 equal quarterly installments beginning October 2000 and ending July 2004, bearing an annual interest rate of the Mexican interbank rate plus 45 basis points, payable on a monthly basis. The terms of this refinancing include certain covenants and financial ratios to be complied with by the Company and certain restricted subsidiaries similar to the covenants and financial ratios under the Company's syndicated credit agreement described above. Before the refinancing, this loan bore annual interest at the Mexican interbank rate calculated on a monthly basis plus additional basis points, the average of which were 1.38 in 1999, and 1.50 for the first six months of 2000.

(4) Includes at December 31, 2000, a long-term loan for approximately 3,921.6 million Spanish Pesetas (Ps.210.2 million) with an annual interest rate of EURIBOR plus 0.80% payable on a quarterly basis, and a maturity in June 2003. This loan is collateralized by shares representing approximately the 42% of the Company's investment in its DTH venture in Spain (see Note 8).

In February 2000 the Company entered into arrangements under which it may issue unsecured short-term debt up to U.S.$200 million as a part of a Euro-Commercial Paper Program. As of December 31, 2000, no debt had been incurred by the Company under this program.

On May 17, 2000, the Company terminated its U.S.$100 million committed working capital facility with a syndicate of commercial banks. The Company had no indebtedness outstanding under this working capital facility.

Other notes payable

Other notes payable to third parties other than banks as of December 31 consist of the following obligations:

		1999		2000	Maturities at December 31, 2000
U.S. Dollars (1)	Ps.	55,907	Ps.	102,614	Various from 2001 to 2005
Spanish Pesetas (2)		64,619		26,031	In 2001
		120,526		128,645	
Less: current maturities		56,074		56,880	
Long-term maturities	Ps.	64,452	Ps.	71,765	

(1) Other notes payable in U.S. Dollars bear annual interest rates which vary between 1 and 4 points above LIBOR.

(2) Other notes payable in Spanish Pesetas bear annual interest rates which vary between 10.69% and 12.24%.

Long-term debt securities

As of December 31, long-term debt securities outstanding were as follows:

		1999				2000		
		U.S. Dollar principal amounts (thousands)		Mexican Pesos		U.S. Dollar principal amounts (thousands)		Mexican Pesos
Series A Senior Notes due 2003 (a)	$	200,000	Ps.	2,069,137	$	68,847	Ps.	661,620
Series B Senior Notes due 2006 (a)		200,000		2,069,137		5,343		51,346
Senior Discount Debentures due 2008 (b)		478,173		4,947,026		31,029		298,191
Securities subject to tender offers and consent solicitations in May 2000 (c)		878,173		9,085,300		105,219		1,011,157
Senior Notes due 2005 (d)		—		—		200,000		1,922,000
	$	878,173		9,085,300	$	305,219		2,933,157
UDI-denominated Notes due 2007 (including restatement of Ps.159,368 as of December 31, 2000) (e)				—				3,159,368
			Ps.	9,085,300			Ps.	6,092,525

(a) Interest on each series of the Senior Notes is payable semiannually. Except as described below, the Senior Notes are not redeemable at the option of the Company. Interest rates on the Series A Senior Notes, Series B Senior Notes and Senior Discount Debentures (including additional amounts payable in respect of certain Mexican withholding taxes) are 11.96%, 12.49% and 13.93% per annum, respectively. In the event of certain changes in law affecting the Mexican withholding tax treatment of certain payments on the securities, the securities will be redeemable, as a whole but not in part, at the option of the Company, at any time, at 100% of their principal amount or accreted value, as the case may be, plus accrued interest, to the date of redemption. The Senior Discount Debentures are also redeemable at the option of the Company, in whole or in part, at any time on or after May 15, 2001, initially at 106.625% of their principal amount at maturity, plus accrued interest, declining to 100% of their principal amount, plus accrued interest, on or after May 15, 2003. These securities are unsecured, unsubordinated obligations of the Company rank pari passu in right of payment with all existing and future unsecured, unsubordinated obligations of the Company, and are senior in right of payment to all future subordinated indebtedness of the Company, and are effectively subordinated to all existing and future liabilities of the Company's subsidiaries.

(b) Net of unamortized discount of approximately U.S.$92.0 million and U.S.$1.5 million as of December 31, 1999 and 2000, respectively (including amortized discount of approximately U.S.$178.2 million and U.S.$2.5 million at December 31, 1999 and 2000, respectively). Discount on the Senior Discount Debentures will be fully amortized on May 15, 2001, at which time the principal outstanding will be approximately U.S.$32.5 million. After May 15, 2001, interest on the Senior Discount Debentures will be payable semiannually commencing on November 15, 2001.

(c) On May 10, 2000, the Company consummated tender offers and consent solicitations for the securities representing its Senior long-term debt for an amount of approximately U.S.$920.1 million (Ps. 9,235.2 million), which included premiums, consent fees, and accrued interest payable as of that date of approximately U.S.$125.9 million (Ps.1,263.7 million). As a result of this transactions, the Company (a) extinguished approximately 88.17% of its Senior long-term debt securities denominated in U.S. dollars (included those held on behalf of the Company); (b) eliminated substantially all of the restrictive covenants in connection with this debt; and (c) recognized a pre-tax loss of approximately Ps.1,401.8 million which was classified as a non-recurring charge in the consolidated income statement for the year ended December 31, 2000. Following these transactions, additional long-term securities were repurchased by the Company for an amount of approximately U.S.$4.0 million (Ps.40.3 million), which included premiums, and accrued interest payable as of the date of the repurchase of approximately U.S.$0.2 million (Ps. 2.5 million). See note 22 to the Company's financial statements.

(d) On August 8, 2000, the Company issued U.S.$200 million aggregate principal amount of 8.625% Senior Notes due August 2005. Interest on the Senior Notes, including additional amounts payable in respect of certain Mexican withholding taxes, is 9.07% per annum, and is payable semi-annually on February and August of each year, commencing in February 2001. The Senior Notes are unsecured obligations of the Company, rank equally in right of payment with all and future unsecured and unsubordinated indebtedness of the Company, and are junior in right of payment to all of the existing and future liabilities of the Company's subsidiaries. The Senior Notes may not be redeemed prior to maturity, except in the event of certain changes in law affecting the Mexican withholding tax treatment of certain payments on the securities, in which case the securities will be redeemable, as a whole but not in part, at the option of the Company. The agreement contains certain covenants that limit the ability of the Company and its subsidiaries engaged in television broadcasting, programming for pay television and programming licensing, to incur or assume liens, perform sale and leaseback transactions, and consummate certain mergers, consolidations and similar transactions. In the fourth quarter of 2000, substantially all of the Senior Notes were registered by the Company with the U.S. Securities and Exchange Commission through an exchange offer.

(e) On April 14, 2000, the Company issued in the Mexican market notes denominated in Mexican Investment Units ("Unidades De Inversión" or "UDIs") for an amount of Ps.$3,000,000, representing 1,086,007,800 UDIs, with an annual interest rate of 8.15% and maturity in 2007. Interest on these notes is payable semiannually. The UDI value as of December 31, 2000, was of 2.909158 Mexican pesos per one UDI.

In June 1999, the Company entered into forward exchange contracts for a notional amount of U.S.$100 million and Ps.1,253.5 million to hedge its U.S. dollar semi-annual interest payments on the Series A Senior Notes and Series B Senior Notes in 2000, and, following the tender offers and consent solicitation for such securities, to hedge its U.S. dollar semi-annual interest payments on the syndicated loan through 2001 (see Notes 1(n) and 13 to the Company's year-end financial statements). As of December 31, 2000, contracts for notional amounts of U.S.$50 million and Ps.682.6 million were outstanding.

In the third quarter of 1999, the Company entered into a total return bond swap agreement in respect of U.S.$41 million (Ps. 394.0 million) of its Series A Senior Notes, which were purchased by a financial institution in the open market pursuant to this agreement. Under the terms of such agreement, the Company received an up-front fee of 5.4% of the face amount of the purchased notes which is being accounted for as an adjustment to the interest expense over the remaining and outstanding maturity of the Series A Senior Notes. Depending on market conditions, the total return bond swap calls for the Company to pay or receive, upon maturity or earlier redemption of the notes, the difference between the price paid by the financial institution for the notes and the then market value of the Mexican Federal Government Bonds with an annual interest of 9.875% and due in 2007.

Maturities of notes payable and capital leases

Debt maturities for the five years subsequent to December 31, 2000, excluding capital lease obligations, are as follows:

2001	Ps.	317,108
2002		266,799
2003		4,912,782
2004		149,126
2005 and thereafter		5,504,619
	Ps.	11,150,434

Future minimum payments under capital leases for the three years subsequent to December 31, 2000, are as follows:

2001	Ps.	33,992
2002		34,015
2003		8,535
Total minimum lease payments		76,542
Less: amount representing interest		8,174
Present value of net minimum payments	Ps.	68,368

Interest Expense

The following table sets forth the Company's interest expense for the periods indicated:

December 31, (1)		1999		2000
Interest payable in U.S. Dollars	U.S.$	52.7	U.S.$	58.2
Interest capitalized under senior discount debentures		57.6		25.0
Amounts currently payable under Mexican withholding taxes		5.4		2.3
Total interest payable in U.S. Dollars	U.S.$	115.7	U.S.$	85.5
Peso equivalent of interest payable in U.S. Dollars	Ps.	1,259.7	Ps.	854.0
Interest payable in Pesos		397.5		383.0
Restatement of UDI-denominated Notes due 2007		—		163.4
Total interest expense (2)	Ps.	1,657.2	Ps.	1,400.4

(1) U.S. Dollars are translated into Pesos at the rate prevailing when interest was recognized as expense for each period and restated to Mexican Pesos in purchasing power as of December 31, 2000.

(2) Total interest expense amounts in these periods exclude capitalized and hedged interest expense.

Guarantees

The Company guarantees its proportionate share of its DTH joint ventures' minimum commitments for use on PanAmSat and other transponders for periods of up to 15 years. The amount of these guaranteed commitments is estimated to be an aggregate of approximately U.S.$ 312.7 million as of December 31, 2000. In addition, the Company has guaranteed obligations of DTH TechCo Partners, a partnership that provides technical services to DTH joint ventures in Latin America in which the Company has a 30% interest and other entities in which it owns an interest for direct loans and capital leases in an aggregate amount of approximately Ps. 331.9 million, substantially all of which relates to guarantees related to DTH technical facilities. See Note 15 to the Company's year-end financial statements.