Management's Discussion and Analysis of

Financial Condition and Results of Operations

2001

GRUPO
Televisa

Set forth below are our consolidated results for the years ended December 31, 2000 and 2001. Results included have been prepared in accordance with Mexican GAAP, are presented in Mexican Pesos in purchasing power as of December 31, 2001 and present the Company's Music Recording operations as discontinued operations. See –"Discontinued Operations". The financial information set forth below should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2000 and 2001 included in this Annual Report. Financial highlights follow:

	Year ended December 31,			
		2000		2001
	(In millions of Mexican Pesos in purchasing power as of December 31, 2001)*			
Net sales	Ps.	20,417.9	Ps.	19,664.6
Cost of sales		11,402.7		11,442.2
Gross profit		9,015.2		8,222.4
Selling expenses		1,477.6		1,489.2
Administrative expenses		1,367.0		1,346.6
EBITDA**		6,170.6		5,386.6
Depreciation and amortization		1,241.0		1,281.0
Operating income		4,929.6		4,105.6
Integral cost of financing - net		998.0		413.4
Restructuring and non-recurring charges		1,917.5		543.4
Other expense - net		499.2		657.0
Income tax, assets tax and employees' profit sharing		347.2		540.6
Equity in losses of affiliates		(1,834.2)		(522.1)
Income from discontinued operations***		23.8		13.3
Cumulative loss effect of accounting change		–		(69.4)
Minority interest		(182.5)		(27.3)
Net (loss) income		(825.2)		1,345.7

* Certain data set forth in the table above differs from data set forth in the consolidated statements of income for the years ended December 31, 2000 and 2001 included in this Annual Report due to differences in rounding.

** EBITDA is defined as operating income before depreciation and amortization.

*** Reflects the results of our music recording operations, which we agreed to sell to Univision in December 2001.

Overview of Consolidated Results

Net sales.

Our net sales decreased by Ps.753.3 million, or 3.7%, to Ps.19,664.6 million for the year ended December 31, 2001 from Ps.20,417.9 million for the year ended December 31, 2000. This decrease primarily reflects decreases in the net sales of our Television Broadcasting, Programming Licensing, Publishing, Publishing Distribution and Radio segments. This decrease in net sales was partially offset by increases in the net sales of our Programming for Pay Television, Cable Television and Other Businesses segments.

The decreases in the net sales of each of our Television Broadcasting, Publishing and Radio segments primarily reflect higher levels of advertising time and pages sold in 2000 in connection with political campaigns and the 2000 Summer Olympics. These decreases primarily reflect the adverse comparison to the year ended December 31, 2000, which included non-recurring revenues in the aggregate amount of approximately

Ps.996.6 million attributable to advertising time and pages sold in connection with the Mexican presidential and congressional and other federal and local campaigns in 2000 and the 2000 Summer Olympic Games. Excluding the effect of these non-recurring advertising revenues, our net sales would have increased by Ps.243.3 million, or 1.3%, to Ps.19,664.6 million for the year ended December 31, 2001 from Ps.19,421.3 million for the year ended December 31, 2000. These decreases also reflected the economic slowdown in Mexico, which, in particular, adversely affected the television advertising spot market in 2001, particularly in the fourth quarter, and, in the case of our Programming Licensing, Publishing and Publishing Distribution segments, the effects of the 4.5% appreciation of the Peso as compared to the U.S. Dollar on foreign currency-denominated sales during the year ended December 31, 2001.

Cost of sales.

Cost of sales increased by Ps.39.5 million, or 0.3%, to Ps.11,442.2 million for the year ended December 31, 2001 from Ps.11,402.7 million for the year ended December 31, 2000. This increase primarily reflects increases in the cost of sales of our Television Broadcasting segment, which increase reflects increased production and programming costs incurred primarily in the fourth quarter of 2001 related to the introduction of new programming for Channel 4 and increased news coverage following the attacks on September 11, our Publishing Distribution, Cable Television and Other Businesses segments, and an increase in personnel costs as a result of a 10.5% (nominal) wage increase implemented in two stages in February and April of 2001. This increase was partially offset by decreases in the cost of sales of our Programming for Pay Television, which decrease primarily reflects decreased production and programming costs following the discontinuation of ECO, our international news program, in April 2001, Programming Licensing, Publishing and Radio segments as a result of lower sales.

Selling expenses.

Selling expenses increased by Ps.11.6 million, or 0.8%, to Ps.1,489.2 million for the year ended December 31, 2001 from Ps.1,477.6 million for the year ended December 31, 2000. This increase primarily reflects an increase in personnel costs as a result of a 10.5% (nominal) wage increase implemented in two stages in February and April of 2001 and an increase in the selling expenses of our Programming for Pay Television, Publishing, Publishing Distribution and Other Businesses segments as a result of increased promotional and advertising expenses and distribution costs. This increase was partially offset by a decrease in the selling expenses of our Television Broadcasting, Cable Television and Radio segments.

Administrative expenses.

Administrative expenses decreased by Ps.20.4 million, or 1.5%, to Ps.1,346.6 million for the year ended December 31, 2001 from Ps.1,367.0 million for the year ended December 31, 2000. This decrease was primarily due to a decrease in personnel costs as a result of workforce reductions and layoffs, as well as reductions in travel and other office facilities expenses, in connection with our continued cost-cutting efforts, and decreases in the administrative expenses of our Television Broadcasting, Programming Licensing, Publishing Distribution and Other Businesses segments. This decrease was partially offset by an increase in personnel costs as a result of a 10.5% (nominal) wage increase implemented in two stages in February and April of 2001 and by increases in the administrative expenses of our Publishing, Cable Television and Radio segments.

EBITDA.

EBITDA decreased by Ps.784.0 million, or 12.7%, to Ps.5,386.6 million for the year ended December 31, 2001 from Ps.6,170.6 million for the year ended December 31, 2000. This decrease primarily reflects the decrease in our total net sales and marginal increases in cost of sales and selling expenses. This decrease was partially offset by the decrease in administrative expenses.

Depreciation and amortization.

Depreciation and amortization expense increased by Ps.40.0 million, or 3.2%, to Ps.1,281.0 million for the year ended December 31, 2001 from Ps.1,241.0 million for the year ended December 31, 2000. This change primarily reflects increases in the depreciation and amortization expenses related to our Cable Television segment and EsMas.com for the year ended December 31, 2001.

Operating income.

For the foregoing reasons, our operating income decreased by Ps.824.0 million, or 16.7%, to Ps.4,105.6 million for the year ended December 31, 2001 from Ps.4,929.6 million for the year ended December 31, 2000.

Overview of Segment Results

	Year ended December 31,		
	2000	2001	% Contribution to 2001 Segment Revenues
	(In millions of Mexican Pesos in purchasing power as of December 31, 2001)		
Total Net Sales			
Television Broadcasting	Ps. 13,288.9	Ps. 12,704.6	63.0%
Programming for Pay TV	500.9	514.3	2.5
Programming Licensing	1,527.2	1,404.9	7.0
Publishing (1)	1,732.7	1,604.3	7.9
Publishing Distribution	903.5	897.1	4.4
Cable Television	928.3	1,082.2	5.4
Radio (2)	353.9	246.7	1.2
Other Businesses (3)	1,563.2	1,725.9	8.6
Segment Revenues	20,798.6	20,180.0	100.0
Intersegment Revenues (4)	(380.7)	(515.4)	(2.6)
Total Net Sales (5)	Ps. 20,417.9	Ps. 19,664.6	97.4%

(1) Through July 2000, includes Ps.87.0 million in revenues from the operations of Ovaciones. We sold Ovaciones in July 2000.

(2) As described under "- Radio" in October 2001, we entered into agreements with Grupo Prisa, a leading Spanish-language communications group, to form a radio joint venture in Mexico. Under these arrangements, Grupo Prisa acquired a 50% equity stake, with limited voting rights, in our radio subsidiary, Sistema Radiópolis, for U.S.$50.0 million, and made a U.S.$10.0 million capital contribution. Since we hold a controlling 50% full voting stake in this subsidiary, we will continue to consolidate 100% of the results of operations of this subsidiary in accordance with Mexican GAAP.

(3) Beginning May 2000, includes the operations of EsMas.com, which accounted for Ps.22.8 million and Ps.94.9 million, or 1.5% and 5.5%, of the net sales of our Other Businesses segment for the years ended December 31, 2000 and 2001, respectively.

(4) For segment reporting purposes, intersegment revenues are included in each of the segment revenues.

(5) Total net sales in the above table does not reflect the results attributable to our music recording operations, which we agreed to sell to Univision in 2001. Upon the completion of this sale, we will no longer be engaged in the music recording business. Because this sale remains subject to necessary governmental approvals, we cannot assure you that it will be completed. Under Mexican GAAP, the results of our music recording segment through December 31, 2001 and from prior and subsequent periods are classified as discontinued operations.

	Year ended December 31,	
	2000	2001
	(In millions of Mexican Pesos in purchasing power as of December 31, 2001)	
Operating Income (Loss)		
Television Broadcasting (1)	Ps. 4,598.6	Ps. 4,015.7
Programming for Pay TV (2)	(90.7)	2.6
Programming Licensing	363.0	290.5
Publishing (3)	323.5	234.5
Publishing Distribution	41.4	8.1
Cable Television	148.2	237.1
Radio (4)	48.4	(8.2)
Other Businesses (5)	(366.0)	(539.5)
Segment Operating Income	5,066.4	4,240.8
Corporate Expenses	(136.8)	(135.2)
Total Operating Income (6)	Ps. 4,929.6	Ps. 4,105.6

(1) Reflects fixed costs related to the production of ECO in the amount of Ps.284.5 million and Ps.101.8 million for the years ended December 31, 2000 and 2001, respectively. We ceased production of ECO in April 2001. See "- Television Broadcasting."

(2) Through April 2001, includes production and programming costs and other direct operating costs and expenses related to ECO.

(3) Includes an operating loss of Ps.8.3 million from the operations of Ovaciones through July 2000.

(4) See footnote (2) to the table regarding total net sales by segment.

(5) Beginning May 2000, reflects the operations of EsMas.com, which generated operating losses in the amount of Ps.265.6 million and Ps.378.2 million for the years ended December 31, 2000 and 2001, respectively.

(6) See footnote (5) to the table above regarding total net sales by segment.

Television Broadcasting.

Television Broadcasting net sales, representing 63.9% and 63.0% of our total segment net sales for the years ended December 31, 2000 and 2001, respectively, decreased by Ps.584.3 million, or 4.4%, to Ps.12,704.6 million for the year ended December 31, 2001 from Ps.13,288.9 million for the year ended December 31, 2000. This decrease primarily reflects the adverse comparison to the year ended December 31, 2000, which included non-recurring revenues in the amount of approximately Ps.758.1 million in advertising sold in connection with the Mexican presidential and congressional and other federal and local campaigns and Ps.188.1 million in connection with the 2000 Summer Olympic Games, as well as the economic slowdown in Mexico, which adversely affected the spot market throughout 2001, particularly in the fourth quarter, and the 0.3% decrease in Mexican GDP in 2001 as compared to 2000. This decrease was partially offset by an increase in advertising rates, in real terms, in each quarter of 2001. Excluding the effect of the non-recurring advertising revenues discussed above, Television Broadcasting net sales would have increased by Ps.361.9 million, or 2.9%, to Ps.12,704.6 million for the year ended December 31, 2001 from Ps.12.342.7 million for the year ended December 31, 2000.

Television Broadcasting operating income decreased by Ps.582.9 million, or 12.7%, to Ps.4,015.7 million for the year ended December 31, 2001 from Ps.4,598.6 million for the year ended December 31, 2000. This decrease was primarily due to the decrease in net sales, as well as an increase in costs of sales, particularly in the fourth quarter, due to increased production and programming costs related to the introduction of new programming for Channel 4 designed to attract new advertising clients and demographics and increased news coverage after the attacks on September 11. This decrease was partially offset by decreased production costs in connection with cost-cutting efforts introduced in April 2001, including a reduction in production costs related to telenovelas and special events and the closing of two production studios, and decreases in selling expenses and administrative expenses reflecting, in the case of administrative expenses, a decrease in personnel costs as a result of workforce reductions in connection with our cost-cutting efforts.

As of December 31, 2000 and December 31, 2001, we had received Ps.9,632.3 million (nominal) and Ps.10,480.0 million (nominal) of advertising deposits for television advertising time during 2001 and 2002, representing approximately U.S.$1,002.3 million and U.S.$1,142.0 million at the applicable year-end exchange rates. Approximately 53.6% and 60.6% of these deposits as of December 31, 2000 and 2001, respectively, were in the form of short-term, non-interest bearing notes, with the remainder in each of these years consisting of cash deposits. The weighted average maturity of these notes at December 31, 2000 and 2001 was 3.6 months and 4.0 months, respectively.

Following the discontinuation of ECO in April 2001, fixed costs of ECO related to production studios and technical equipment in the amount of Ps.284.5 million and Ps.101.8 million for the years ended December 31, 2000 and 2001, respectively, are now reflected in the results of our Television Broadcasting segment. The operations related to these fixed costs are also reflected in the results of our Television Broadcasting segment. Programming costs related to ECO continued to be reflected in the results of our Programming for Pay Television segment through April 2001.

Programming for Pay Television.

Programming for Pay Television net sales, representing 2.4% and 2.5% of our total segment net sales for the years ended December 31, 2000 and 2001, respectively, increased by Ps.13.4 million, or 2.7%, to Ps.514.3 million for the year ended December 31, 2001 from Ps.500.9 million for the year ended December 31, 2000. This increase primarily reflects an increase in revenues from the license of signals to pay television providers in Mexico and abroad. This increase was partially offset by the decrease in advertising revenues and the adverse comparison to the year ended December 31, 2000, which included non-recurring revenues in the amount of approximately Ps.5.5 million in connection with the Mexican presidential and congressional and other federal and local campaigns and Ps.13.0 million in connection with the 2000 Summer Olympic Games and the effects of the appreciation of the Peso as compared to the U.S. Dollar on foreign currency-denominated sales during the year ended December 31, 2001.

Programming for Pay Television operating results increased by Ps.93.3 million to operating income of Ps.2.6 million for the year ended December 31, 2001, as compared to an operating loss in the amount of Ps.90.7 million for the year ended December 31, 2000. This change primarily reflects a decrease in cost of sales as a result of a decrease in production and programming costs because we ceased production of ECO in April 2001. As described above under "- Television Broadcasting," since May 2001, fixed costs of ECO related to production studios and technical equipment are now reflected in the results of our Television Broadcasting segment, while programming costs related to ECO (through the date we ceased production) continue to be reflected in the results of our Programming for Pay Television segment. This change was partially offset by increases in administrative and selling expenses.

Excluding programming costs related to ECO for the years ended December 31, 2000 and 2001, Programming for Pay Television would have generated operating income in the amount of Ps.42.9 million for the year ended December 31, 2001, as compared to an operating income in the amount of Ps.25.6 million during the year ended December 31, 2000.

Programming Licensing.

Programming Licensing net sales, representing 7.3% and 7.0% of our total segment net sales for years ended December 31, 2000 and 2001, respectively, decreased by Ps.122.3 million, or 8.0%, to Ps.1,404.9 million for the year ended December 31, 2001 from Ps.1,527.2 million for the year ended December 31, 2000. This decrease was primarily due to the effects of the appreciation of the Peso as compared to the U.S. Dollar on foreign-currency denominated sales during the year ended December 31, 2001, particularly in the fourth quarter, a decrease in revenues from programming exports to Europe, Asia and Africa and a 1.2% decrease in royalties paid to us pursuant to our program license agreements with Univision due to the economic slowdown in the United States. This decrease was partially offset by an increase in revenues from programming exports to Latin America.

Programming Licensing operating income decreased by Ps.72.5 million, or 19.9%, to Ps.290.5 million for the year ended December 31, 2001 from Ps.363.0 million for the year ended December 31, 2000. This decrease was primarily due to the decrease in net sales. This decrease was partially offset by decreases in cost of sales, primarily production costs, and administrative expenses.

Publishing.

Publishing net sales, representing 8.3% and 7.9% of our total segment net sales for the years ended December 31, 2000 and 2001, decreased by Ps.128.4 million, or 7.4%, to Ps.1,604.3 million for the year ended December 31, 2001 from Ps.1,732.7 million for the year ended December 31, 2000. This decrease was primarily due to a decrease in the number of magazines sold in Mexico and abroad as a result of price increases and the recent economic slowdown in Mexico and abroad and the effects of the appreciation of the Peso on foreign currency-denominated sales during the year ended December 31, 2001, particularly in the fourth quarter, and the absence of revenues from Ovaciones subsequent to its sale in July 2000, the operations of which accounted for Ps.87.0 million of revenues during the year ended December 31, 2000. This decrease was partially offset by an increase in the number of advertising pages sold in Mexico and abroad and an increase in advertising rates.

Excluding revenues attributable to the results of Ovaciones for the year ended December 31, 2000, Publishing net sales would have decreased by Ps.41.4 million, or 2.5%, to Ps.1,604.3 million for the year ended December 31, 2001 from Ps.1,645.7 million for the year ended December 31, 2000.

Publishing operating income decreased by Ps.89.0 million, or 27.5%, to Ps.234.5 million for the year ended December 31, 2001 from Ps.323.5 million for the year ended December 31, 2000. This decrease primarily reflects the decrease in net sales and marginal increases in cost of sales and operating expenses due to an increase in personnel costs. This decrease was partially offset by the effects of the appreciation of the Peso as compared to the U.S. Dollar on foreign-currency denominated costs and expenses during the year ended December 31, 2001.

Publishing Distribution.

Publishing Distribution net sales, representing 4.4% of our total segment net sales for the years ended December 31, 2000 and 2001, decreased by Ps.6.4 million, or 0.7%, to Ps.897.1 million for the year ended December 31, 2001 from Ps.903.5 million for the year ended December 31, 2000. This decrease was primarily due to a decrease in the volume of third-party magazines sold abroad, a decrease in the volume of magazines sold in Mexico and abroad that were published by our Publishing Segment and the effects of the appreciation of the Peso as compared to the U.S. Dollar on foreign currency-denominated sales during the year ended December 31, 2001, particularly in the fourth quarter. This decrease was partially offset by an increase in revenues from the sale of phone cards and tax forms abroad.

Publishing Distribution operating income decreased by Ps.33.3 million, or 80.4%, to Ps.8.1 million for the year ended December 31, 2001 from Ps.41.4 million for the year ended December 31, 2000. This decrease primarily reflects the decrease in net sales and an increase in selling expenses as a result of higher distribution costs. This decrease was partially offset by a decrease in administrative expenses as a result of our continued cost-cutting efforts.

Cable Television.

Cable Television net sales, representing 4.5% and 5.4% of our total segment net sales for the years ended December 31, 2000 and 2001, respectively, increased by Ps.153.9 million, or 16.6%, to Ps.1,082.2 million for the year ended December 31, 2001 from Ps.928.3 million for the year ended December 31, 2000. This increase was primarily due to an increase in the number of basic subscribers to approximately 452,000 as of December 31, 2001, as compared to approximately 403,000 as of December 31, 2000, as well as an increase in the number of digital subscribers to over 81,500 as of December 31, 2001, as compared to approximately 44,000 as of December 31, 2000. This increase was partially offset by a decrease in advertising revenues as a result of less advertising time sold.

Cable Television operating income increased by Ps.88.9 million, or 59.9%, to Ps.237.1 million for the year ended December 31, 2001 from Ps.148.2 million for the year ended December 31, 2000. This increase primarily reflects the increase in net sales and a decrease in selling expenses, which was partially offset by an increase in cost of sales due to higher signal costs and additional costs associated with new subscribers and an increase in administrative expenses.

In December 2001, the Mexican Congress approved a new 10% excise tax on telecommunications and pay television services. Effective January 1, 2002, revenues from telecommunications and pay television services, including those offered by Cablevisión, are subject to this 10% excise tax. In order to mitigate, in part, the impact of this tax on its results of operations, effective January 16, 2002, Cablevisión increased the prices for certain services.

Radio.

Radio net sales, representing 1.7% and 1.2% of our total segment net sales for the years ended December 31, 2000 and 2001, respectively, decreased by Ps.107.2 million, or 30.3%, to Ps.246.7 million for the year ended December 31, 2001 from Ps.353.9 million for the year ended December 31, 2000. This decrease primarily reflects a decrease in advertising revenues as a result of the slowdown in the growth of the Mexican economy and the radio industry during the year ended December 31, 2001. This decrease also reflects the adverse comparison to the year ended December 31, 2000, which included approximately Ps.22.5 million in non-recurring revenues in advertising time sold in connection with the Mexican presidential and congressional and other federal and local campaigns and Ps.1.2 million in connection with the 2000 Summer Olympic Games.

Radio generated an operating loss of Ps.8.2 million for the year ended December 31, 2001 as compared to an operating income of Ps.48.4 million for the year ended December 31, 2000. This change was primarily due to the decrease in net sales, which was partially offset by a decrease in cost of sales and operating expenses in connection with our continued cost-cutting efforts and a decrease in selling expenses.

In October 2001, we entered into definitive agreements with Grupo Prisa, a leading Spanish language communications group, to form a radio joint venture in Mexico. In accordance with the definitive agreements, Grupo Prisa acquired a 50% limited voting stake in our radio subsidiary, Sistema Radiópolis, for U.S.$50.0 million and a U.S.$10.0 million capital contribution. A portion of the purchase price was paid in October 2001, with the remainder payable by July 31, 2002. Since we will maintain a controlling 50% full voting stake in this subsidiary, we will continue to consolidate 100% of the results of operations of this subsidiary in accordance with Mexican GAAP.

Other Businesses.

Other Businesses net sales, representing 7.5% and 8.6% of our total segment net sales for the years ended December 31, 2000 and 2001, respectively, increased by Ps.162.7 million, or 10.4%, to Ps.1,725.9 million for the year ended December 31, 2001 from Ps.1,563.2 million for the year ended December 31, 2000. This increase was primarily due to an increase in revenues attributable to feature film distribution and sporting events, an increase in revenues attributable to En Vivo, our live entertainment operation, which we launched in the first half of 2001, and an increase in revenues attributable to the operation of EsMas.com, which we launched in May 2000. This increase was partially offset by a decrease in revenues attributable to our nationwide paging and dubbing businesses.

Other Businesses operating loss increased by Ps.173.5 million, or 47.4%, to Ps.539.5 million for the year ended December 31, 2001 from Ps.366.0 million for the year ended December 31, 2000. This increase primarily reflects operating loss attributable to EsMas.com, and a decrease in the level of operations of our nationwide paging business, as well as increases in costs related to the distribution of feature films and En Vivo and selling expenses. This increase was partially offset by the increase in net sales, a decrease in cost of sales related to sporting events and a decrease in administrative expenses following the sale of our call center to Innova in June 2001.

Integral cost of financing - net

The expense attributable to integral cost of financing decreased by Ps.584.6 million, or 58.6%, to Ps.413.4 million for the year ended December 31, 2001 from Ps.998.0 million for the year ended December 31, 2000. This decrease was due primarily to a Ps.248.4 million decrease in interest expense as a result of both the refinancing of our long-term indebtedness in the second quarter of 2000 and a decrease in interest rates during the year ended December 31, 2001 as compared to the year ended December 31, 2000. This decrease also reflects a Ps.109.1 million increase in net foreign exchange gain, which increase was due primarily to the 4.5% appreciation of the Peso as compared to the U.S. Dollar during the year ended December 31, 2001, versus a 1.2% depreciation of the Peso as compared to the U.S. Dollar during the year ended December 31, 2000, and a Ps.97.3 million decrease in non-recurring loss attributable to foreign exchange contracts, a Ps.113.8 million decrease in monetary loss primarily due to both the reduction in inflation, and a decrease in net asset monetary position during the year ended December 31, 2001 as compared to the year ended December 31, 2000, a Ps.7.2 million increase in interest income as a result of both a higher average cash position in our temporary investments and a more efficient management of our treasury during the year ended December 31, 2001 as compared to the year ended December 31, 2000 and a Ps.8.8 million decrease in financing costs attributable to the index restatement of our Ps.3.0 billion (nominal) UDI-denominated debt securities, which we issued on April 14, 2000.

Restructuring and non-recurring charges

Restructuring and non-recurring charges decreased by Ps.1,374.1 million, or 71.7%, to Ps.543.4 million for the year ended December 31, 2001 from Ps.1,917.5 million for the year ended December 31, 2000. This decrease primarily reflects a Ps.1,463.5 million non-recurring charge taken in connection with our refinancing in the second quarter of 2000. This decrease was partially offset by a non-recurring charge in the amount of Ps.57.4 million taken in connection with the redemption of our Senior Discount Debentures in May 2001 and an increase of Ps.166.9 million in severance costs in connection with the termination of personnel as part of our continued cost-cutting efforts, which are described below.

In response to the slowdown in the growth of the Mexican economy, in the beginning of 2001, we introduced a number of new cost-cutting initiatives. These initiatives include the introduction of stricter cost controls for our Television Broadcasting segment, the continued elimination of under-performing assets, particularly in our Television Broadcasting segment, and further reductions in the number of part-time employees. As a result of these initiatives, in April 2001, we ceased production of ECO and further reduced our workforce by 750 personnel, consisting of 684 employees and 66 independent contractors. We intend to continue to implement these cost-cutting initiatives throughout 2002, as well as introduce new initiatives, such as a performance-based compensation policy for executives, and to continue to increase our employees' awareness of cost containment programs.

Other expense - net

Other expense - net increased by Ps.157.8 million, or 31.6%, to Ps.657.0 million for the year ended December 31, 2001 from Ps.499.2 million for the year ended December 31, 2000. Other expense - net for the year ended December 31, 2001 primarily reflects the amortization and write-off of goodwill in the amount of Ps.402.2 million, a Ps.174.4 million charge related to the write-off of a note receivable, Ps.99.8 million in fees and expenses for professional services, charitable donations in the amount of Ps.118.8 million, a Ps.91.4 million charge related to the write-off of assets and Ps.49.1 million in other items. The increase in other expense - net was partially offset by a net pre-tax gain in the amount of Ps.278.7 million primarily on the sale of a 50% limited voting stake in our radio subsidiary, Sistema Radiópolis, to Grupo Prisa.

Income tax, assets tax and employees' profit sharing

Income tax, assets tax and employees' profit sharing increased by Ps.193.4 million, or 55.7%, to Ps.540.6 million for the year ended December 31, 2001 from Ps.347.2 million for the year ended December 31, 2000. This increase reflects a Ps.2.7 million increase in employees' profit sharing, and a Ps.428.9 million decrease in deferred income tax benefit for the year ended December 31, 2001 as compared to the year ended December 31, 2000. This increase was partially offset by a Ps.238.2 million decrease in current income and assets taxes for the year ended December 31, 2001 as compared to the year ended December 31, 2000.

Equity in losses of affiliates

Equity in losses of affiliates decreased by Ps.1,312.1 million, or 71.5%, to a loss of Ps.522.1 million for the year ended December 31, 2001 from a loss of Ps.1,834.2 million for the year ended December 31, 2000. This decrease primarily reflects our decision to discontinue the recognition of additional losses with respect to our investment in Innova, our DTH joint venture in Mexico, as described below, which resulted in a Ps.1,071.0 million decrease in equity in losses of affiliates in 2001, a decrease in equity in losses with respect to our investments in DTH joint ventures in Spain and Latin America outside of Mexico, as well as the absence of equity in losses attributable to our investment in Pegaso, our former PCS joint venture, which we sold in July 2000.

Through December 31, 2000, we recognized 60% of the losses of Innova as equity in losses of affiliates on our income statement. As a result of our recognition of these losses since Innova's inception in December 1996, as of December 31, 2000 and December 31, 2001, our investment in Innova represents a net liability position on our balance sheet in the amount of Ps.971.0 million and Ps.1,731.1 million, respectively. This net liability position represents losses recognized in excess of our capital contributions and long-term loans to Innova as of these dates.

Beginning in the first quarter of 2001, consistent with Mexican GAAP, we discontinued the recognition of losses of Innova as equity in losses of affiliates in our income statement, primarily because our net liability position represented losses in an amount in excess of our existing guarantees of Innova's transponder commitments through 2010 and our existing commitments to provide Innova with additional funding through 2001. This decision was also based, in part, on Innova's results of operations for the three month period ended December 31, 2000 and the year ended December 31, 2001, during which Innova generated positive EBITDA.

To the extent that we make additional funding to Innova in excess of our net liability position, we will be required to recognize our equity in losses generated by Innova up to the amount of any such excess under this line item. In addition, in the event that Innova generates net income in the future, we will not be able to recognize our proportionate share of this net income unless we first recognize our proportionate share of any losses not previously recognized.

Discontinued Operations

In December 2001, we agreed to sell our music recording operations to Univision. Upon the completion of this sale, we will no longer be engaged in the music recording business. Because this sale remains subject to necessary governmental approvals, we cannot assure you that it will be completed. Under Mexican GAAP, the results of our music recording segment through December 31, 2001 and from prior and subsequent periods are classified as discontinued operations.

Cumulative loss effect of accounting change

In the first quarter of 2001, we adopted the provisions of Mexican GAAP Bulletin C-2, "Financial Instruments," issued by the MIPA. Before adopting Bulletin C-2, for contracts not designated as a hedge, we recognized gains or losses on derivative financial instruments upon settlement of the related contracts. As a result of applying the provisions of Bulletin C-2, we accounted for our derivative financial instruments at fair value as of January 1, 2001, and recognized a cumulative loss in the amount of Ps.69.4 million (net of income tax benefit in the amount of Ps.37.4 million) at the beginning of the year ended December 31, 2001, which was primarily due to forward contracts not designated as a hedge.

Minority interest

Minority interest decreased by Ps.155.2 million, or 85.1%, to Ps.27.3 million for the year ended December 31, 2001 from Ps.182.5 million for the year ended December 31, 2000. This decrease reflects a decrease in the net income of our nationwide paging business, the results of which are reflected in our Other Businesses segment. This decrease also reflects the minority interest in the net loss of operations of our Radio segment in 2001, and our acquisition of the remaining 35% equity stake outstanding in Editorial Televisa, the subsidiary through which we conduct the operations of our Publishing segment, in October 2000. Minority interest for the year ended December 31, 2001 primarily reflects that portion of the net income of our Cable Television segment attributable to the 49% interest held by América Móvil in this segment and that portion of the net income of our nationwide paging business attributable to the 49% interest held by a subsidiary of Mobile Telecommunications Technologies Corp. in this business. This minority interest was partially offset by that portion of the net loss of our Radio segment attributable to the 50% interest held by Grupo Prisa in this business.

Net income (loss)

We generated net income in the amount of Ps.1,345.7 million for the year ended December 31, 2001, as compared to a net loss in the amount of Ps.825.2 million for the year ended December 31, 2000. This change primarily reflects a Ps.584.6 million decrease in integral cost of financing - net, a Ps.1,374.1 million decrease in restructuring and non-recurring charges, a Ps.1,312.1 million decrease in equity in losses of affiliates and a Ps.155.2 million decrease in minority interest. This change was partially offset by a Ps.824.0 million decrease in operating income, a Ps.157.8 million increase in other expense - net, net increases in the amount of Ps.193.4 million and Ps.69.4 million in provisions for income taxes and the cumulative loss effect of the accounting change, respectively, and a Ps.10.5 million decrease in income from discontinued operations.

Capital Expenditures, Acquisitions and Investments

In 2002, we expect to:

- make aggregate capital expenditures for property, plant and equipment of approximately U.S.$140.0 million, which includes capital expenditures in the amount of U.S.$42.0 million for the expansion and improvement of our cable business;
- invest an aggregate of U.S.$60.0 million in our DTH joint ventures in the form of long-term loans and/or capital contributions.

During 2001, we:

- made capital expenditures for property, plant and equipment of approximately U.S.$141.8 million, which included capital expenditures for the acquisition of technical, transmission and computer equipment, of which approximately U.S.$40.2 million was related to our cable business;
- invested an aggregate of U.S.$115.9 million in our DTH ventures (U.S.$79.7 million in Mexico in the form of long term loans and U.S.$36.2 million in our other Latin American DTH satellite platforms);
- made a U.S.$15.0 million minority investment in a programming production company in Mexico;
- made an equity investment in Univision in the amount of U.S.$375.0 million.

During 2000, we:

- made aggregate capital expenditures principally for property, plant and equipment of approximately U.S.$149.9 million, which included capital expenditures in the amount of U.S.$29.7 million for the expansion and improvement of our cable business;
- invested an aggregate of U.S.$108.2 million in our DTH joint ventures, U.S.$48.6 million of which was 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 establishment of our Internet-related business, including the digitalization of our content and the costs associated with the establishment and operation of EsMas.com;
- repurchased approximately 18,493,000 of our CPOs in the open market pursuant to our share repurchase program at a cost of U.S.$56.9 million.

Indebtedness

In September 2001, we privately placed U.S.$300.0 million aggregate principal amount of 8% Senior Notes due 2011 with institutional investors. We used the net proceeds from this offering, together with cash on hand, to repay approximately U.S.$300.0 million of the U.S.$400.0 million of indebtedness then outstanding under our former three-year U.S.$400.0 million term loan facility. In the first quarter of 2002, we completed an exchange offer in respect of these notes, pursuant to which we exchanged substantially all of these notes for U.S.$300.0 million aggregate principal amount of 8% Senior Notes due 2011 that were registered under the Securities Act.

In December 2001, we borrowed U.S.$100.0 million under a five-year term loan facility to refinance approximately U.S.$100.0 million of indebtedness then outstanding under our former three-year U.S.$400.0 million term loan facility, which was subsequently terminated.

In connection with our acquisition of shares of preferred stock of Univision, on December 21, 2001 we entered into a U.S.$276.0 million bridge loan facility with certain lenders, including some of the initial purchasers or their affiliates. We borrowed U.S.$276.0 million in a single drawing on December 21, 2001, the principal of which is payable in one lump sum on December 20, 2002. We used all of the net proceeds from this bridge loan, together with approximately U.S.$99.0 million of cash on hand, to finance our acquisition of equity securities of Univision. In March 2002, we privately placed U.S.$300.0 million aggregate principal amount of 8.5% Senior Notes due 2032 with institutional investors. We used a portion of the net proceeds from this offering to repay all of the amounts outstanding under our bridge loan facility, which is described immediately above.