

July 14th, 2005

BUY

TLEVISA CPO / TV

Price: Mx / ADR **Ps 34.98 US\$ 65.55**

Price Target **Ps 41.40 US\$ 70.65**

Risk Level **LOW**

52 Week Range: Ps 35.06 to Ps 23.78

Shares Outstanding: 2.91 billion

Market Capitalization: US\$ 9.46 billion

Enterprise Value: US\$ 10.25 billion

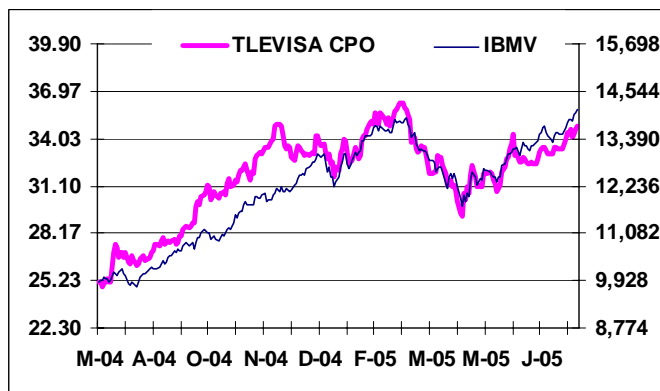
Avg. Daily Trading Value US\$ 8.0 million

	Ps/share	US\$/ADR
2Q EPS	0.44	0.81
T12 EPS	1.80	3.35
T12 EBITDA	4.02	7.46
T12 Net Cash Earnings	3.01	5.59
Book Value	8.56	15.90

	T12
P/E	19.42x
P/BV	4.08x
P/NCE	11.63x
EV/EBITDA	9.43x

	T12	2Q05
ROE	20.8%	20.5%
ROA	14.5%	16.3%
Interest Coverage Ratio	5.60x	6.47x
Total Debt to EBITDA	1.97x	1.78x

T12 = Trailing 12 months (as of Jun 30,2005)
 ENTERPRISE VALUE (EV) = Mkt cap.+ Net Debt+ Min.Int.
 NCE=Net income+Montry Loss+Fx Loss+Depr.+Deferred Tax
 ROA=T12m Op.Profit to Avg. Assets
 ROE=T12m Net Profit to Avg. Equity



Good operating results. The EBITDA grows above expectations, with margins at record levels.

- **Net consolidated sales grew by 1.0% vs. the 2Q04.** However, as certain agreements on the Publishing Distribution business segment were modified in the 4Q04, an accounting change was applied in the recognition of net sales and costs (this change does not affect the EBITDA). Once applying the aforementioned accounting change, we have that **the consolidated pro-forma sales grew by 6.5% (above our estimates and the consensus), mainly boosted by the good results in the TV Broadcasting and SKY segments, which contributed with the 55.2% and 17.8% to the consolidated sales, respectively.** The rest of the business units positively contributed to the result, with the exception of the Programming Exports and Other Businesses segments, as shown below.

SALES (Million Pesos)	2Q05	Margin	Growth
TV Broadcasting	4,475.7	55.2%	7.5%
Pay Television Networks	252.7	3.1%	25.1%
Programming Exports	492.9	6.1%	(9.7%)
Publishing	633.7	7.8%	14.4%
Publishing Distribution	98.8	1.2%	5.8%
SKY Mexico	1,442.5	17.8%	17.7%
Cable Television	330.7	4.1%	15.5%
Radio	86.9	1.1%	22.9%
Other Businesses	296.2	3.7%	(19.1%)
Segment Net Sales	8,110.1	100.0%	8.0%
Intersegment Operations	(253.7)		(27.6%)
Net Consolidated Sales.	7,856.4		6.5%

- The **TV Broadcasting** segment showed a 7.5% growth in its revenues, boosted by political campaigns, the positive Holly Week calendar effect (1Q05 vs. 2Q04), and the 7.9% increase in domestic sales. In **SKY**, sales increased by 17.7% boosted by the 26.1% increase in the subscriber base. It is worth mentioning that Televisa began consolidating SKY's results since April 1st, 2004, thus the comparison is complete quarter over quarter. The **Cable Television** segment continued showing positive results due to a 4.5% growth in the subscriber base, the higher number of internet subscribers, and the increase of the video service packages.
- The **Programming Exports** segment was affected by the negative translation effect of the foreign-currency denominated sales, in conjunction with the lower sales to Latin America, and the 3.7% decrease of Univision royalties.
- **As a result of the higher revenues, the company's consolidated EBITDA grew by 12.8% vs. 2Q04.** The EBITDA margin improved by 4.3 pp. standing at a record level of 41.3%. It is worth mentioning that the TV Broadcasting segment contributed with 68% of the EBITDA in the quarter, with a margin of 49.3%, also at record levels (2.9 points above 2Q04). For its part, SKY contributed with the 18% of the company's EBITDA, and its margin stood at 40.7% (4.5 pp higher than 2Q04).

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BUY

INCOME STATEMENT

(millions of constant pesos as of Jun 30,2005)

	1H05	1H04	Change	2Q05	2Q04	Change
Net Sales	14,226	13,240	7.4%	7,856	7,780	1.0%
Gross Profit	6,605	5,558	18.8%	3,855	3,465	11.2%
Operating Expenses	2,261	2,029	11.4%	1,156	1,148	0.7%
EBITDA	5,434	4,445	22.3%	3,247	2,878	12.8%
Operating Profit	4,344	3,529	23.1%	2,699	2,317	16.4%
ICF	976	541	80.5%	673	155	333.9%
Interest Expense	1,078	766	40.6%	543	432	25.7%
Interest Income	556	334	66.5%	264	176	50.0%
Foreign Exchange Loss	412	-31	#N/A	370	-75	#N/A
Monetary Loss	42	140	-70.1%	24	-26	#N/A
Other Financial Expenses	450	493	-8.7%	250	260	-3.8%
Pretax Income	2,918	2,496	16.9%	1,776	1,903	-6.7%
Taxes	761	650	17.2%	450	483	-6.7%
Non-Cons. Subsidiaries	155	154	0.6%	137	108	26.8%
Extraord. Items (gains)	178	1,035	-82.8%	0	1,035	-100.0%
Minority Interest	263	-9	#N/A	186	11	#N/A
Net Income	1,871	974	92.1%	1,277	482	165.2%
Gross Margin	46.4%	42.0%		49.1%	44.5%	
Ebitda Margin	38.2%	33.6%		41.3%	37.0%	
Operating Margin	30.5%	26.7%		34.4%	29.8%	
Net Margin	13.2%	7.4%		16.3%	6.2%	

A/R Turnover (days)	85	72
Inventory Turnover (days)	91	91
A/P Turnover (days)	67	53
WC net of debt to Sales	72.1%	64.5%

BALANCE SHEET

(millions of constant pesos as of Jun 30,2005)

	Jun-05	Mar-05	Jun-04
Total Assets	66,027	70,171	64,035
Cash & Equivalents	14,690	16,822	12,274
Other Current Assets	11,359	13,188	9,942
Long Term	6,455	6,785	7,176
Fixed (Net)	19,097	19,183	19,315
Deferred	10,198	9,809	9,907
Other	4,228	4,384	5,421
Total Liabilities	41,027	41,737	38,720
Short Term Debt	2,408	2,395	242
Other Current Liab.	5,524	4,405	5,138
Long Term Debt	20,680	19,268	21,813
Other Liabilities	12,415	15,668	11,526
Shareholders Equity	25,000	28,434	25,315
Minority Interest	56	-120	-250

FINANCIAL ANALYSIS

Current Ratio	3.3x	4.4x	4.1x
ST Debt to Totl Debt	10.4%	11.1%	1.1%
Foreign Liab/Totl Liab	48.6%	42.8%	10.3%
Net Debt/Total Equity	33.6%	17.0%	38.6%
Totl Liab./Totl Equity	164.1%	146.8%	153.0%

- **The company's ICF considerably increased**, mainly due to FX and monetary losses registered, that contrast with the gains obtained in 2Q04. Despite the Peso appreciation, the FX hedging contracted and the swap's exchange rates (as compared with the spot exchange rate) affected these entries.

- **Net Income of Ps 1,277 million showed an important growth (165.2%)**, because in the 2Q04 the company registered a loss effect of accounting change related to SKY's consolidation, and accumulated losses not recognized by the company in previous years.

- **The company's balance sheet continues very strong. The total debt to T12 EBITDA ratio is almost 2x, while the T12 interest coverage ratio stands at 5.6x.** During the quarter, Televisa's net debt to equity ratio increased from 17.0% in the 1Q05 to 33.6% in the 2Q05, as a result of a decrease in the cash levels of the company after the dividend distribution at a rate of Ps 1.35 per CPO, done on last May 31st. Additionally, the company increased its debt with cost by means of the issuance of US\$ 200 in addition to the US\$ 400 million issued on March 2005 (both issues with maturity on 2005) to fund its debt repurchase, with which the company expects to reduce the amount of interests to be paid on 2005 and 2006, and the maturity profile of its debt improves

- The company bought back 12.7 million of CPOs during the quarter, to an approximate amount of Ps 401 million with which, accrued in the year, Televisa has bought back 18.7 million of CPOs for an approximate amount of Ps 594 million in nominal terms.

- **Total TV audience share slightly decreased** in the "sign on to sign off" time slot (from 6:00 AM to midnight), as it went from 71.2% in the 1Q05 to 69.3% in the 2Q05. Also market share in "prime-time" (4:00 PM to 11:00 PM) decreased from 69.1% in the 1Q05 to 67.3% of the 2Q05.

For the rest of 2005, we expect that the improvement in the macroeconomic conditions in Mexico, and Televisa's sales strategy would benefit the annual results; even though comparatively it will be a difficult year, after the absence of special events. We estimate a sales growth by 6% and in EBITDA by 14%. **We expect that the 2006 will be a good year for the company**, given the transmission of the Football Soccer World Championship (Televisa will broadcast the 64 games: 30 through TV Broadcasting and the rest through SKY), and the political campaigns. The valuation of the company remained practically at the same level once incorporated the 2Q05 results. The EV/EBITDA multiple went from 9.5x in the 1Q05 to 9.4x in the 2Q05, while the P/E decreased from 23.1x to 19.4x. Once again our recommendation is **BUY** and the **RISK is LOW**. **Our 12-month Target Price is Ps 41.40 (plus an estimated dividend of at least Ps 0.40), and the implied return is around 20%.**

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I, **Marissa Garza Ostos**, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies), its (their) affiliate(s) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific opinion(s) in this report.

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Rating	Risk	Low	Medium	High
BUY		>13.5%	>16.5%	>19.5%
HOLD		<13.5% > 9.0%	< 16.5% > 11%	< 19.5% > 13%
SELL		<9.0%	<11%	<13%

Risk takes into account three factors: **1)** relative volatility to the local index, **2)** the stock's marketability, **3)** the company's financial strength. With these factors we construct a "Risk Index", which is used to group securities to three levels of risk: Low, Medium and High.

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