TV AZTECA SA DE CV
Form 6-K
July 18, 2005

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the month of July 2005

Commission File Number 3337776

TV Azteca, S.A. de C.V.

(Translation of registrant s name into English)

Periférico Sur, No. 4121, Col. Fuentes del Pedregal, 14141 México D.F., México

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F [X] Form 40-F [ ]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ______

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ______

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant s home country), or under the rules of the home country exchange on which the registrant s securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant s security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes [ ] No [X]

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____

The following is included in this report on Form 6-K:

Item

1. English Translation of the Annual Report of TV Azteca, S.A. de C.V. for the year ended December 31, 2004, in the format required to be filed with the Mexican Stock Exchange and the Mexican Securities Commission (Comisión Nacional Bancaria y de Valores (CNBV)) pursuant to Mexican laws and regulations.

This Annual Report is a convenience translation into English of the Annual Report of TV Azteca, S.A. de C.V. for the year ended December 31, 2004, filed in Mexico in the format required to be filed with the Mexican Stock Exchange and the Mexican Securities Commission (Comisión Nacional Bancaria y de Valores (CNBV)) pursuant to Mexican laws and regulations.

TV Azteca, S.A. de C.V.

Periférico Sur 4121

Colonia Fuentes de Pedregal

14141 México, D.F.

Ticker Symbol BMV: TVAZTCA

Ticker Symbol NYSE: TZA[1]

Ticker Symbol LATIBEX: XTZA

Securities registered in the Mexican National Securities Registry

Characteristics	Name of Exchanges where securities are registered
Series A Shares, (A Shares)	Mexican Securities Exchange / New York Stock Exchange* / Latin American Securities Exchange (LATIBEX)
Series D-A Shares (D-A Shares)	Mexican Securities Exchange / New York Stock Exchange* / Latin American Securities Exchange (LATIBEX)
Series D-L Shares (D-L Shares)	Mexican Securities Exchange / New York Stock Exchange* / Latin American Securities Exchange (LATIBEX)
Ordinary Participation Certificates (CPOs): each one represents an A Share, a D-A Share and a D-L Share.	Mexican Securities Exchange / New York Stock Exchange* / Latin American Securities Exchange (LATIBEX)
American Depository Receipts: each one represents sixteen CPOs (ADRs).	New York Stock Exchange

The securities listed above are registered in the Securities Section of the Mexican National Securities Registry and are subject to quotation on the Mexican Securities Exchange

Registration in the Mexican National Securities Registry does not imply certification on the benefit of the security or the solvency of the issuer.

Annual Report is presented in accordance with the Mexican General Provisions applicable to Issuers of securities and to other market participants, for the year ending December 31, 2004.

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[1] *(See The Company Recent Events Agreements Approved by Shareholders at the Extraordinary Shareholders Meeting held on June 1, 2005 Termination of ADR Program in USA)*

* Not traded independently, but rather, through ADRs.

INDEX

I. GENERAL INFORMATION

a) Glossary of Terms and Definitions

TV Azteca, S.A. de C.V. (**TV Azteca**) refers to a corporation established in accordance with the laws of the United Mexican States (**Mexico**) and its consolidated subsidiaries (unless otherwise specified). References to the following terms will have the meanings established below:

Alternativas Cotsa	Means Alternativas Cotsa S.A. de C.V., a corporation established in accordance with the laws of Mexico.
American Tower or ATC	Means American Tower Corporation.
Azteca Holdings	Means Azteca Holdings, S.A. de C.V., a corporation established in accordance with the laws of Mexico.
AIC	Means Azteca International Corporation, a corporation established in accordance with the laws of the State of Delaware of the United States of America.
Banco Azteca	Means Banco Azteca, S.A., Full-service Bank.
Banco de México	Means Banco Central de México.
Banco Inbursa	Means Banco Inbursa, S.A., Full-service Bank, Inbursa Financial Group.
BMV	Means Mexican Stock Exchange, S.A. de C.V.
CNBV	Means the National Banking and Securities Commission.
Codisco	Means Codisco Investments, LLC.
Cosmofrecuencias	Means Cosmofrecuencias, S.A. de C.V., a corporation established in accordance with the laws of Mexico, and its subsidiaries.
CPOs	Means Ordinary Participation Certificates issued by Nacional Financiera, S.N.C., which represent one Series A share, one Series D-A share and one Series D-L share, all Representative of TV Azteca Capital stock.

General Provisions	Means the Mexican General Provisions Applicable to Issuers of Securities and to other Securities Market Participants, published in the Official Gazette of Mexico on March 9, 2003.
Elektra or **Grupo Elektra**	Means Grupo Elektra, S.A. de C.V., its subsidiaries and affiliates, dedicated to the same line of business.
EMISNET	Means the electronic system of the BMV authorized by CNBV which, through a communications network, facilitates the dispatch of information by issuers and other participants in the securities market in accordance with the stipulations of the applicable Provisions and the Internal Regulations of the BMV, as well as the receipt, dissemination and transmission of this information to the general public, to the BMV and to the CNBV, when so required by the Internal Regulations of the BMV.
Spin-off	Means the spin-off of TV Azteca as Unefon Holdings approved by the shareholders at the extraordinary shareholders meeting of TV Azteca held on December 19, 2003.
USA or **United States**	Means the United States of America.
Mexican Government	Means any federal, state or municipal body of the executive, legislative or judicial branch, as applicable.
Grupo de Desarrollo Inmobiliario	Means Grupo de Desarrollo Inmobiliario Salinas, S.A.
Salinas	de C.V., (formerly Grupo Cotsa, S.A. de C.V.), a corporation established in accordance with the laws of Mexico, and its subsidiaries.
Indeval	Means S.D. Indeval, S.A. de C.V., Securities Deposit Institution.
Iusacell	Means Grupo Iusacell, S.A. de C.V., its subsidiaries and affiliates, dedicated to the same line of business.
VAT	Means Value Added Tax.

LGSM	Means the Mexican General Law on Corporations.
LISR	Means the Income Tax Law.
LMV	Means the Securities Market Law .
MATC Digital	Means MATC Digital, S. de R.L. de C.V.
Mexico	Means the United Mexican States.
Nortel or **Nortel Networks**	Means Nortel Networks, Ltd.
Nortel Networks de México	Means Nortel Networks de México, S.A. de C.V.
Operadora Unefon	Operadora Unefon, S.A. de C.V., a corporation established in accordance with the laws of Mexico.
Over the Counter	Consists of an informal market by means of which securities are directly exchanged among the holders at a fair market price.
GAAP	Means Generally Accepted Accounting Principles.
Internal Regulations of the BMV	Means the Internal Regulations of the Mexican Stock Exchange
Annual Report	Means this annual report.
RNV	Means the Mexican National Securities Registry.
SCT	Means the Ministry of Communication and Transportation.
SEC	Means the Securities and Exchange Commission of the United States of America.
TV Azteca	Means TV Azteca, S.A. de C.V.
Televisa	Means Televisa, S.A. de C.V.
Todito	Means Todito.com, S.A. de C.V., a corporation established in accordance with the laws of Mexico.

Unefon Holdings	Means Unefon Holdings, S.A. de C.V., a corporation established in accordance with the laws of Mexico and its subsidiaries (unless otherwise specified).
Unefon	Means Unefon, S.A. de C.V.
Universidad CNCI	Means Universidad CNCI, S.A. de C.V., a corporation established in accordance with the laws of Mexico (formerly Dataflux, S.A. de C.V.).
US$** or **USD$	Means dollars, the legal tender of the USA.
$** or **Ps.$	Means pesos, the legal tender of Mexico.

Unless otherwise indicated herein, all references to television ratings and audience share contained herein pertain to information obtained by IBOPE AGB México. IBOPE AGB México is one of the twelve Latin American branches of the Brazilian Institute of Statistics and Public Opinion (*Instituto Brasileiro de Opinião Pública e Estatística*), which was established in 1942. Unless otherwise indicated, the survey information provided in this Annual Report corresponds only to surveys from the 28 largest cities in Mexico, which cover approximately 47% of the population of Mexico. The 28-City survey from IBOPE AGB Mexico included approximately 11 million homes with television as of September 1, 2004, the most recent date of this survey.

References to audience share during a period contained in this document mean the number of televisions tuned in to a specific program as a percentage of the number of homes with television that are watching television during that period. References to commercial audience share during a period refer to the number of viewers classified by IBOPE AGB México as ABC, C and DA (based on total household income) who are watching one of the four national television networks of Mexico (the Azteca 7 and 13 networks, operated by TV Azteca, and Channels 2 and 5, operated by Televisa, S.A. de C.V. (**Televisa**)). References to a rating during a period refer to the number of televisions tuned in to a specific program as a percentage of the total number of all homes with television. References to average audience share in midweek primetime mean the average daily audience share, from Monday to Friday, from 7:00 p.m. to 12:00 a.m.

References to **US$**, **dollars**, **United States dollars** and **American dollars** mean the legal tender of the United States. All references to **Ps.$** **pesos** mean the legal tender of Mexico.

The term nominal refers to historical amounts that have not been expressed in constant figures, as in the case of amounts in Mexican pesos, or that have not been adjusted to the current exchange rate, as in the case of amounts in United States dollars.

The term **EBITDA** means Income before Depreciation, Amortization, Interest and Taxes.

References to **United States GAAP** are the accounting principles generally accepted in the United States, and references to **Mexican GAAP** are the accounting principles generally accepted in Mexico.

Statements of Future Events

This Annual Report contains historical statements and statements of future events. All statements that do not establish historical events are, or can be considered to be, statements of future events. These statements of future events are not based on historical events, but rather, reflect the current expectations of TV Azteca pertaining to future earnings and events. These statements of future events can generally be identified through the use of statements that include words and phrases such as feel, expect, foresee, intend, plan, predict, it is possible or other similar w phrases. Likewise, the statements that describe the objectives, plans and goals of TV Azteca are or may be statements of future events. These statements of future events involve known and unknown risks, uncertainties and other factors that may cause the actual earnings, performance or achievements of TV Azteca to be different from any future earnings, performance or achievements expressed or contained in these statements. Readers are advised to carefully review all the information, including the financial statements and the notes to the financial statements that are included or incorporated by reference in this Annual Report.

In addition to the risk factors described in the section titled Risk Factors, the following important factors may affect the future earnings, causing these earnings to significantly differ from the earnings expressed in the statements of future events of TV Azteca:

Ø TV Azteca s ability to pay its debt;

Ø The result of pending legal controversies and proceedings that involve TV Azteca and its subsidiaries;

Ø Competitive factors that affect TV Azteca and its subsidiaries in Mexico and the United States;

Ø Cancellations of important advertising contracts of TV Azteca;

Ø Limitations of TV Azteca s access to sources of financing in competitive terms;

Ø War or armed hostilities that involve or directly or indirectly affect Mexico or the United States;

Ø Terrorist attacks against the United States or its allies in the United States or elsewhere;

Ø Significant economic or political events in Mexico that have far-reaching effects in Mexico; and

Ø Changes in the Mexican regulatory environment.

These factors and the other risk factors described in this Annual Report are not necessarily all the significant factors that may cause the actual earnings to significantly differ from those expressed in any of the future statements of TV Azteca. Other unknown or unpredictable factors may also damage the future earnings of TV Azteca. The future statements included in this Annual Report are made only on the date of this Annual Report and TV Azteca cannot guarantee that future earnings or events will be achieved. TV Azteca is exempt from any obligation to update or revise any of these future statements, either as a result of new information, future events or otherwise.

TV Azteca keeps its books and records in pesos and prepares its consolidated financial statements in pesos, in accordance with the Mexican GAAP issued up to May 31, 2004, by the Mexican Institute of Public Accountants (**IMCP**), and the GAAP issued on June 1, 2004, by the Mexican Council for Research and Development of Financial Information Standards (**CINIF**). Bulletins B-10, Recognition of the Effects of Inflation on Financial Information, and B-12, Statements of Changes in Financial Position, issued by the IMCP, establish, respectively, the methodology for recognition of the effects of inflation and for the statement of changes in financial position to reflect the changes of the historical balance sheet restated on the date of the current balance sheet. These Bulletins are mandatory for all Mexican companies that report in accordance with Mexican GAAP. According to the Mexican GAAP, which differ in some important aspects from the United States GAAP, the financial information for all the periods contained in the financial statements included in this Annual Report (the **Consolidated Financial Statements**), unless otherwise indicated, has been restated in constant pesos from December 31, 2004, using the National Consumer Price Index (the **NCPI**) as its base.

This Annual Report contains conversions of some amounts in pesos to United States dollars at exchange rates specified solely for the convenience of the reader. These conversions should not be interpreted as statements that the amounts in pesos actually represent these amounts in United States dollars or that can be converted to United States dollars at the indicated exchange rate. Unless otherwise indicated, the amounts in United States dollars have been converted from pesos at an exchange rate of Ps.$11.2648 to US$1.00, the fixed exchange rate published the day prior to December 31, 2004, as reported by Banco de México. On May 31, 2005, this exchange rate was Ps.$10.9030 to US$1.00.

The market information and other statistical information used throughout this Annual Report, as can be seen, is based on independent industry publications, government publications, reports by market research firms or other published independent sources. Some information is also based on the good-faith estimates of TV Azteca, which result from its review of internal surveys, as well as those from the independent sources listed above. Although TV Azteca believes that these sources are reliable, it has not independently verified the information and cannot guarantee its accuracy and adequacy.

b) Executive Summary

Following is a summary of the information contained in this Annual Report. This summary does not include the information that must be taken into account for making an investment decision regarding the securities issued by TV Azteca. It is recommended that investors carefully read all of this Annual Report, including the section titled *Risk Factors* before deciding if they will invest in the securities issued by TV Azteca. All the financial information is presented in constant pesos from December 31, 2004, unless otherwise indicated.

Our Company

TV Azteca is a corporation established in accordance with the laws of Mexico. The articles of incorporation of TV Azteca are dated June 2, 1993 and were registered in the Public Commercial Registry of the Federal District on July 13, 1993, under commercial record number 167,346. The duration of TV Azteca is 99 years from the date of the articles of incorporation. The main offices of TV Azteca are located at Av. Periférico Sur 4121, Col. Fuentes del Pedregal, México, D.F., C.P. 14141. The telephone number of TV Azteca at that location is (5255) 1720-1313. The internet address of TV Azteca is www.tvazteca.com.mx.

TV Azteca is one of the two leading producers of Spanish programming in the world and the second largest television network in Mexico based on audience and market share.

The Mexican Television Industry

The Mexican television industry got its start at the beginning of the 1950s when the Mexican government granted licenses for the operation of three very high frequency (VHF) television stations in Mexico City. Since then, the Mexican government has granted licenses for three ultra high frequency (UHF) stations and four additional VHF stations in Mexico City, including Channels 7 and 13 of TV Azteca, and numerous other licenses for the operation of stations in cities throughout Mexico.

TV Azteca s Mexican Television Networks

TV Azteca currently owns and operates two national television networks in Mexico, Azteca 7 and Azteca 13. These networks are comprised of 316 television broadcasting sites located throughout Mexico that broadcast programming at least 23.5 hours a day, seven days a week. 272 broadcasting sites are repeater stations that primarily rebroadcast programming and advertisements received from the main stations in Mexico City. The other 44 stations of the network broadcast local programming and advertisements, in addition to the programming and advertisements provided by the main stations.

Programming

TV Azteca is one of the leading producers of Spanish-language programming in the world. TV Azteca believes that its capability to provide a diverse mixture of quality programming has been, and will continue to be, one of the main factors for maintaining and increasing its overall ratings and share of the Mexican television audience. TV Azteca focuses on producing and acquiring programming that attracts the different target audiences of its Azteca 7 and 13 networks. TV Azteca also believes that the development of separate identities for its networks has helped TV Azteca to capture an increasingly large share of the Mexican television audience, and it has offered its advertisers the opportunity to adapt their advertisements to specific demographic groups.

To maintain the high quality of its programming, TV Azteca assembles focus groups and performs surveys to evaluate the potential popularity of new programming ideas. TV Azteca also uses parts of its unsold advertising time to aggressively market both its internally-produced programming as well as its purchased programming, to create and maintain the interest of viewers.

TV AZTECA, S.A. DE C.V. AND SUBSIDIARIES

SELECTED FINANCIAL INFORMATION

Following is a summary of the principal headings from the financial statements:

	For the year ending December 31 of:					
	Millions of pesos with December 31, 2004 purchasing power, except per share values					
	2000	2001	2002	2003	2004	Millions of dollars (1) 2004
Income Statement:						
Net sales	**Ps.** 6,548	**Ps.** 6,696	**Ps.** 7,317	**Ps.** 7,659	**Ps.** 8,320	**US$** 739
Costs	2,931	2,701	2,746	3,002	3,473	308
Expenses	1,028	1,046	1,066	1,105	1,182	105
Total costs and expenses	3,959	3,748	3,812	4,108	4,655	413
Depreciation and amortization (2)	686	661	421	389	402	36
Operating income	1,903	2,288	3,084	3,163	3,263	290
Other expenses Net	(411)	(267)	(651)	(438)	(698)	(62)
Overall cost of financing net (3)	(728)	(362)	(1,207)	(880)	(822)	(73)
Income before the following provision	764	1,659	1,225	1,844	1,743	155
Provision for income taxes	22	(12)	(149)	(185)	(199)	(18)
Below-the-line entry (4)	(367)					
Net income	419	1,647	1,076	1,659	1,544	137
Net (loss) profit of minority shareholders	(7)	(2)		1		
Net profit of majority shareholders	425	1,649	1,077	1,658	1,544	137
Net income per share of majority shareholders	0.047	0.183	0.119	0.178	0.169	0.015
Weighted average of shares	8,967	9,025	9,057	9,125	9,006	
Balance Sheet:						
Property, machinery and equipment Net	**Ps.** 2,928	**Ps.** 2,520	**Ps.** 2,440	**Ps.** 2,298	**Ps.** 2,145	**US$** 190
Television concessions Net	4,227	4,094	4,092	4,051	4,159	369
Total assets	22,469	23,509	23,688	22,404	18,790	1,668
Total debt (5)	7,178	6,769	6,735	7,907	6,216	552
Advances from advertisers (6)	4,875	5,074	4,863	5,158	5,041	447
Advances from advertisers received from Unefon	2,530	2,470	2,370	2,183	2,012	179
Advances by Todito	997	782	552	336	58	5
Capital stock	2,974	2,994	2,997	1,426	1,030	91
Majority shareholders investment	4,790	6,310	7,200	4,838	3,931	349
Minority shareholders investment	14	9	10			
Total shareholders investment	4,805	6,319	7,210	4,838	3,931	349
Other financial information:						
Resources generated by (used in) activities:						
Operation	2,140	1,780	975	1,596	2,093	186
Investment	(1,437)	(1,128)	(761)	2,077	(262)	(23)
Financing	(594)	(236)	(496)	(2,587)	(3,689)	(327)
Acquisition of property, machinery and equipment - net	221	193	263	181	184	16

NOTES

(1) The amounts in United States dollars represent the amounts in pesos expressed at December 31, 2004, purchasing power, converted at an exchange rate of Ps.$11.2648 per United States dollar, the fixed exchange rate published the day before December 31, 2004, reported by Banco de México.

(2) Effective January 1, 2002, TV Azteca changed the annual depreciation rate applied to its broadcasting towers from 16% to 5%, based on the remaining useful life of these assets. This resulted in a decrease in the depreciation expense of Ps.$46 million (US$4.1 million) for the financial year ending December 31, 2002. Also on January 1, 2002, TV Azteca adopted Bulletin C-8, Intangible Assets, issued by the IMCP. As a result of the adoption of Bulletin C-8, TV Azteca determined that its television concessions qualified as intangible assets of indefinite useful life. Therefore, TV Azteca no longer amortizes its television concessions.

(3) Changes in the overall cost of financing reflect fluctuations in the peso-United States dollar exchange rate. The overall costs of financing decreased in the years in which the peso appreciated against the United States dollar and increased in the years in which the peso depreciated against the United States dollar, because the monetary liabilities of TV Azteca denominated in United States dollars exceed the monetary assets of TV Azteca denominated in United States dollars.

(4) Below-the-line entries in 2000 include the effect of the National Broadcasting Company (**NBC**) Transaction Agreement, net income tax. In accordance with a change in the Mexican GAAP for the period after December 31, 1999, TV Azteca is not required to report as a below-the-line-entry the profit from income tax from the use of tax losses from previous years. Effective January 1, 2000, TV Azteca adopted the guidelines from the new D-4 Bulletin, Accounting Treatment of Income Tax, Business Assets Tax and Employee Profit Sharing, issued by the IMCP. According to this Bulletin, the amortization of tax losses from previous years is not considered as a below-the-line entry, but rather as a component of the reserve for income tax and an expense or profit from the deferred income tax. During the financial years ending December 31, 2002, 2003 and 2004, the profit from the amortization of tax losses amounted to Ps.$393 million, Ps.$1.507 billion and Ps. 179 million (US$ 15.9 million), respectively.

(5) Represents the total liabilities of TV Azteca, excluding the following entries: interest payable, broadcasting rights payable, accounts payable and accumulated expenses, accounts payable to related parties, advertising advances, advertising advances from Unefon and advertising, programming and service advances from Todito.

(6) Advertising advances are considered long-term liabilities.

Exchange Rates

During the last quarter of 1997 and most of 1998, the exchange markets were volatile as a result of the financial crises in Asia and Russia and financial turbulence in countries such as Brazil and Venezuela. The peso depreciated during this period but was relatively stable in 1999 and 2000. During 2001 the peso grew stronger, but it began to deteriorate in the second quarter of 2002 until the second quarter of 2003. Since May of 2003, Banco de México has applied bidding up, to provide greater liquidity to the supply of American dollars in the Mexican market. Bidding up has allowed Banco de México to reduce the high capital flows received, arising from the high oil prices that generated an excess in international reserves. During 2003, the peso was devalued by approximately 8%. On December 31, 2004, the peso had depreciated less than 1%.

During the first quarter of 2004, the peso grew stronger due to the historically low levels reached in the country risk rate and the expectation that the economy may continue to expand, along with certain extraordinary flows arising from the purchases of BBVA Bancomer and Apasco by foreign companies. However, during the second quarter of this year, the peso lost ground against the American dollar, affected by the volatility of the financial markets as well as by devaluations of some Latin American currencies. The principal explanation for the depreciation observed was speculation in the exchange market in expectation of higher interest rates in the USA, in addition to the fear of less growth in the global economy generated by high oil prices.

The peso reached its lowest historic level of Ps$11.63 to US$1.00 in May of 2004, and it has recovered gradually because the fears of increases in interest rates in the United States did not materialize. The factors that helped to maintain the peso at Ps$11.15 to US$1.00 at the close of the year, and at Ps$10.80 to US$1.00 for a time, were the continuous purchase of pesos by foreign investors, thanks to the interest rate differentials, by a strict monetary policy established by Banco de México to control inflation, by a record level of remittances sent during the second half of 2004, and by high oil prices.

During the first months of 2005, the peso gained strength due to historically low levels in country risk and the expectation that the economy would continue to present solid foundations and experience a period of expansion. However, for the rest of 2005, volatility in the value of the peso vis-à-vis the American dollar is expected due to the start of the presidential campaigns at the end of the year. This may be partially offset by an increase in interest rates resulting from a stricter monetary policy.

It cannot be guaranteed that the Mexican government will maintain its current policies with regard to the peso, or that the peso will not depreciate or will significantly appreciate in the future.

The following table establishes, for the indicated periods, the high, low, average and period-ending interbank free market exchange rates. The exchange rates have not been restated in constant currency units.

	Exchange Rate			
	Peso/United States Dollar			
Financial year Ending December 31 of	**High**	**Low**	**Average (1)**	**End of Period**
1999	10.630	9.275	9.560	9.500
2000	10.078	9.181	9.445	9.650
2001	9.979	8.966	9.321	9.160
2002	10.395	9.050	9.757	10.395
2003	11.390	10.120	10.835	11.232
2004	11.689	10.808	11.301	11.151
2005 (up to May 31, 2005)	11.417	10.870	11.123	10.870

(1) Represents the average exchange rates for each period indicated, based on the average of the interbank free market exchange rates on the last day of each month during the period, as reported by Banco de México.

c) Risk Factors

Certain risks associated with TV Azteca and investments in TV Azteca securities are established below. The risks and uncertainty described below are not the only risks met by TV Azteca and represent some of the risks that the administration of TV Azteca believes to be relevant. Some of the risks of investing in TV Azteca securities are general risks associated with executing transactions in Mexico, whereas other risks are specific to the operations of TV Azteca. The discussion presented further on herein with regard to the general risks associated with the execution of transactions in Mexico contains information about the Mexican government and the Mexican economy obtained from official publications of the Mexican government. TV Azteca has not independently verified this information. Any of the following risks, if they occur, may significantly and adversely affect the operations, financial position or operating profits of TV Azteca. If this should occur, the transaction price of TV Azteca securities may decrease and you may lose all or part of your investment.

Risks Related to the Operations of TV Azteca

TV Azteca is leveraged and the liabilities for leveraging it and paying its debt may adversely affect its operations.

On December 23, 2004, TV Azteca prepaid all of its US$300 million 10 1/2% Series B Guaranteed Senior Notes due February 15, 2007 (the **10 1/2% Notes**). The source funds for the prepayment include proceeds from an issuance in Mexico of Structured Securities Certificates, as well as the debt contracted with Banco Inbursa (See *Financial Information* *Comments and Analysis by the Administration on the Operating profits and Financial Position of the Issuer* *Financial Position, Liquidity and Capital Resources*). TV Azteca is a leveraged company, which means that it has a large amount of debt compared to its capital. TV Azteca may not generate sufficient cash to pay the principal, interest and other amounts owed under its new indebtedness, and there is no guarantee that market conditions will permit TV Azteca to refinance its new existing indebtedness at maturity. The leveraging of TV Azteca may have negative consequences, including:

- requiring the use of a substantial part of its cash flow to pay its debt, reducing the cash flow available for other purposes, including capital investments, marketing efforts, plans for future growth and distributions payable to its shareholders;

- limiting its ability to obtain additional financing or to refinance its existing debt;

- placing TV Azteca at a possible disadvantage vis-à-vis less-leveraged competitors and competitors with greater access to capital resources;

- increasing its vulnerability to less vitality in its operations or the Mexican economy in general; and

- limiting its ability to continue with its policy of cash distributions to its shareholders.

Possible Conflicts of Interest.

Approximately 59.95% of the capital stock of TV Azteca is owned directly or indirectly by Ricardo B. Salinas Pliego and his family. Consequently, Mr. Salinas Pliego has the authority to elect the majority of the members of the board of directors of TV Azteca and to determine the result of actions that require the approval of the shareholders.

TV Azteca has carried out and will continue to carry out transactions with Grupo Elektra, Banco Azteca, Unefon, Iusacell, Todito, and other entities controlled by or in which Ricardo B. Salinas Pliego and the other controlling stockholders of TV Azteca have an interest. Although TV Azteca does business with related parties on the basis of free competition, it cannot be guaranteed that these transactions will not be affected by conflicts of interest between these parties and TV Azteca.

At the Extraordinary Shareholders Meeting held on November 24, 2004, it was agreed to ratify the general powers that were granted to Ricardo B. Salinas Pliego at the Ordinary Shareholders Meeting held on July 28, 1993, with the understanding that for the execution of material transactions with related parties, Ricardo B. Salinas Pliego will consult the Board of Directors of TV Azteca (See *The Company Description of Business Judicial, Administrative or Arbitration Proceedings*).

Television broadcasting in Mexico is highly competitive.

Television broadcasting in Mexico is highly competitive and the popularity of television programs, an important factor in advertising sales, is easily susceptible to changes. TV Azteca faces the competition of other television broadcasting companies. Televisa, the principal competitor of TV Azteca, generated the majority of the Mexican television advertising sales in each of the last four years (See *The Company Description of Business Principal Activity, Distribution Channels, Principal Assets and Market Information*). Televisa, which faced little competition in the open television market before TV Azteca s acquisition of Channels 7 and 13 from the Mexican government in 1993, has more experience in the television industry and greater resources compared to TV Azteca. Televisa is one of the leading producers of Spanish-language television programming in the world and has more than 20 years of experience in producing soap operas. Televisa also has significant holdings in other media, including radio, music recording and internet, allowing Televisa to offer its customers attractive rates for packages that combine advertising in different media.

TV Azteca cannot guarantee that it will maintain or will improve its share in the Mexican television advertising market in the future, nor can it guarantee that its costs for obtaining programming and contracting production and creative personnel, or the prices at which TV Azteca sells advertising time, will not be adversely affected by the competition. In addition to competing with conventional open television stations, including some stations managed by the government, as well as those owned by or affiliated with Televisa, TV Azteca also competes for Mexican viewers with pay television providers. The cable, Multi-channel Multipoint Distribution System (**MMDS**) television distribution systems and direct-to-home (**DTH**) services represent a potential source of competition for advertising sales, audiences and program rights for TV Azteca. According to data from the Federal Telecommunications Commission (COFETEL) and the National Geographic and Computer Statistics Institute (INEGI), it is estimated that penetration of pay television as of December 31, 2004, was approximately 21% of all homes with television in Mexico.

In November of 1996, the United States and Mexico signed an agreement for transborder satellite television broadcasts. Under the agreement, the Mexican government allows United States satellite broadcasting companies to provide DTH satellite services to Mexican homes. TV Azteca cannot guarantee that the pay television services will not obtain a more significant share of Mexican viewers and of the television advertising market in the future.

In addition, TV Azteca competes for advertising income with other media, i.e., radio, entertainment guides, newspapers, magazines and internet.

The seasonal nature of TV Azteca s operations affects TV Azteca s income, and low income in a fourth quarter may have an impact on TV Azteca s operating profits.

TV Azteca s operations reflect the seasonal nature of advertising spending, which is common in the television industry. TV Azteca s income from advertising sales, which is recognized when the advertising airs, is generally higher in the fourth quarter due to the high level of advertising during the Christmas season (See *Financial Information Comments and Analysis by the Administration on the Operating profits and Financial Position of the Issuer*). Therefore, the operating profits of TV Azteca depend significantly on the income recognized in the fourth quarter, for which reason a low level of advertising income in the fourth quarter may affect the operating profits of TV Azteca for the year.

The income and profitability of TV Azteca are affected by important broadcasting events.

In the past, TV Azteca has generated significant advertising income from broadcasting infrequent, relevant, events of a recurrent nature (See *Financial Information Comments and Analysis by the Administration on the Operating profits and Financial Position of the Issuer*). TV Azteca s broadcast of the Olympic Games, the World Soccer Championship, the UEFA Champions League, the Mexican soccer team (world championship qualifying matches), the CART Series Championships, as well as the political campaign and elections and La Academia, significantly increased net income during the periods in which they were broadcast. The absence or cancellation of important broadcasting events in some years may negatively affect the financial position and the operating profits of TV Azteca. Similarly, the financial earnings of TV Azteca may be negatively affected in years in which an important broadcasting event is held that may generate a large television audience in Mexico and TV Azteca does not have the broadcasting rights for this event.

If TV Azteca loses one or more of its key advertisers, it may lose a significant amount of its income.

In 2004, the most important advertisers of TV Azteca were: Ponds de México, Procter & Gamble, Teléfonos de México, Cervecería Modelo, Cervecería Cuauhtémoc Moctezuma, The Coca-Cola Export Corp., General Motors de México, Bimbo, CPIF Venture Inc., Pegaso Pcs, Bayer de México, Cosbel, Nestlé México, Grupo Galaxy Mexicana, Nissan Mexicana, Frontier Trading Inc., Productora de Cosméticos, Kimberly Clark de México, Bestfoods, Volkswagen de México, Smithkline Beecham México, Kellogg de México, Danone de México, Grupo Warner Lambert, of which the five most important in conjunction with their subsidiaries represented 14% of TV Azteca s net income. The termination of TV Azteca s relationship with any of its principal advertisers may negatively affect its operating profits.

TV Azteca s costs for producing and acquiring programming may increase.

The most significant variable operating costs of TV Azteca are related to its internally-produced programming and its acquired programming (See *The Company Description of Business Principal Activity, Distribution Channels, Principal Assets and Market Information*). The cost of internally-produced programming varies considerably depending on the type of programming and, in general, it is more expensive than purchased programming. In addition, the production of soap operas is more expensive compared to the production of other types of programs.

If TV Azteca does not effectively manage the costs of its internally-produced programming or of acquiring broadcasting rights for purchased programming, it is possible that its programming costs will increase at a higher rate than advertising income. If programming costs increase substantially, the operating profits of TV Azteca may be negatively affected.

From time to time, litigation matters involving TV Azteca have resulted, and may result in the future, in the expenditure of significant financial resources and and management attention to the resolution of such controversies.

TV Azteca is currently involved in certain disputes and legal proceedings (See *The Company Description of Business Judicial, Administrative or Arbitration Proceedings*). As TV Azteca vigorously defends itself in these disputes, it incurs significant legal expenses. In addition, these matters may from time to time divert the attention of TV Azteca s management and staff from their customary responsibilities. Moreover, an adverse resolution of an existing legal proceeding involving TV Azteca could have a material adverse effect on TV Azteca s operating results and financial condition.

Dependence on Key Officers

TV Azteca does not have its own employees. All personnel related to the administration and operation of the Concessions are provided by subsidiaries of TV Azteca. The development of TV Azteca depends in large part on the efforts and abilities of the key officers and employees of the subsidiaries of TV Azteca. Loss of the services provided by any of these officers may have a significant adverse effect on the operations of TV Azteca.

Likewise, the future success of TV Azteca also depends on TV Azteca s continued ability to identify, train and retain qualified marketing and managerial personnel. The competition to obtain qualified personnel is intense and it may be that TV Azteca is not able to attract, integrate or retain this personnel.

TV Azteca may experience liquidity difficulties.

TV Azteca may experience liquidity difficulties as a result of a devaluation of the peso or other future economic crises. In addition, any significant decrease in TV Azteca s advertising income or significant increase in its operating costs may cause TV Azteca to experience future liquidity difficulties. The same would occur with any significant increase in the cost in pesos of the debt service of TV Azteca denominated in United States dollars.

Possible consequences of the termination of the American Depository Receipts (ADR) program.

The termination of the ADR program approved by the shareholders of TV Azteca on June 1, 2005, may limit access to public debt markets in the USA and may result in a decrease in the price of TV Azteca securities (See *The Company Recent Events Agreements Approved by Shareholders at the Extraordinary Shareholders Meeting held on June 1, 2005 Termination of ADR Program in USA*).

The operations of TV Azteca are regulated by the Mexican government, and its operations would be impaired if its broadcasting concessions were not renewed or were revoked.

To broadcast commercial television in Mexico, a broadcaster must have a license from the **SCT**. The SCT grants concessions that include one or more broadcasting licenses. These concessions may be revoked under very limited circumstances (See The Company Description of Business Principal Activity, Distribution Channels, Principal Assets and Market

Information). TV Azteca does not anticipate that any of its concessions will be revoked. The concessions of TV Azteca must be renewed when they expire. However, if the SCT does not renew one or more of the concessions of TV Azteca, TV Azteca will not be able to operate. All of its concessions expire on December 31, 2021, because they were renewed by the Mexican Government in accordance with the Agreement published in the Official Gazette of Mexico on July 2, 2004, via which technological standard A/53 of ATSC was adopted for transition to Land Digital Television, which shall be concluded on December 31, 2021.

For this transition, the SCT will grant each concessionaire an additional channel to broadcast digital transmissions simultaneously with analog transmissions, and at the end of the implementation, the concessionaries will return one channel to the Mexican Government. TV Azteca will have the right to 179 additional channels to broadcast the digital transmissions in question, which it will request from the SCT triennially until the conclusion of the installation of the principal and complementary stations, at the latest, on December 31, 2021.

TV Azteca feels, partly based on the government s renewal of its concessions in 2004, that the government in general will continue to renew its television concessions when they expire provided that TV Azteca has operated them in compliance with the terms and conditions of the concessions and in accordance with governing law (See *The Company Description of Business Principal Activity, Distribution Channels, Principal Assets and Market Information*). However, TV Azteca cannot guarantee that this will occur in the future or that current Mexican law will not change. If TV Azteca cannot renew its concessions prior to their expiration, its operations would be very seriously impaired.

The payment and the amount of cash distributions to shareholders are subject to the loan agreement restrictions and to the determination of the majority shareholder of TV Azteca.

There are certain loan agreements executed by TV Azteca that have some conditions and restrictions that limit TV Azteca s ability to pay dividends and other cash distributions to its shareholders.

Likewise, the payment and amount of cash distributions are subject to the recommendation of the Board of Directors of TV Azteca and to the approval of the holders of Series A Shares. Ricardo B. Salinas Pliego directly and indirectly controls, through Azteca Holdings, the majority of the Series A Shares. While he continues to control the majority of these shares, he will have the authority to determine whether cash distributions will be paid to the company s shareholders and the amount of any such distribution.

The significant ownership of shares by the majority shareholder may have an adverse effect on the future market price of the CPOs.

Ricardo B. Salinas Pliego and his family control approximately 59.95% of the capital stock of TV Azteca. Decisions made by Mr. Salinas Pliego with regard to the sale of the CPOs that he owns, or the perception that these decisions may be made, may adversely affect the price of TV Azteca securities that are quoted on the Securities Exchanges. In addition, the payment of the debt of Azteca Holdings that is secured by CPOs may involve the sale of CPOs provided as security (See *Administration Transactions with Related Parties and Conflict of Interest*).

Holders of ADRs and CPOs may experience a weakening as a result of the exercise of stock options with exercise prices substantially below the market price of the ADRs and CPOs.

On May 31, 2005, TV Azteca had outstanding stock options relating to approximately 126.42 million CPOs at exercise prices that varied between approximately US$1.14 to US$0.13 per CPO. There are currently no new CPOs reserved for issue under stock options. In addition to the options currently outstanding, in the past TV Azteca has issued options substantially below the prevailing market price of its CPOs at that time, and TV Azteca may do so in the future (See *Administration* *Administrators and Shareholders*).

Risks Related to the Azteca Holdings Notes

Azteca Holdings may not have sufficient funds to make the payments of principal, interest and amortization on its debt.

Azteca Holdings, the majority shareholder of TV Azteca, will need to obtain sufficient funds to make the following payments: (i) payment of interest, amortization and principal on the Azteca Holdings 10 3/4% Senior Secured Amortizing Notes due 2008 (the **Azteca Holdings 10 3/4% Notes**); (ii) payments of interest and principal on the Azteca Holdings 12 1/4% Senior Amortizing Notes due 2008 (the **Azteca Holdings 12 1/4% Notes**) in conjunction with the Azteca Holdings 10 3/4% Notes, the **Azteca Holdings Notes**); (iii) payments of interest and principal on the 2005-1 and 2005-2 Secured Euronotes (the Euronotes in conjunction with the Azteca Holdings Notes, the **Promissory Notes of Azteca Holdings**); and (iv) the payments of interest and principal on the amortizable fiduciary certificates with maturity in 2009 (the **Fiduciary Certificates of Azteca Holdings**).

If Azteca Holdings is not successful in obtaining the necessary funds, the failure of Azteca Holdings to make all or any of these payments would result in nonperformance under each of the bond indentures and/or agreements that govern the Notes, the Euronotes and the Fiduciary Certificates of Azteca Holdings.

The following table establishes the total amount currently owed by Azteca Holdings under its Notes, including principal and interest, in the next four years:

Amortization Table of the Azteca Holdings Notes in Millions of United States Dollars

	Interest Rate	June 2005	December 2005	June 2006	December 2006	June 2007	December 2007	June 2008
Principal								
AH 08	10 3/4	2.3		2.3		2.3		2.3
AH 08	12 1/4	24.1		24.1		24.1		24.1
	Interest Rate							
Interest								
AH 08	10 3/4	0.5	0.4	0.4	0.3	0.3	0.1	0.1

AH 08	12 1/4	5.9	4.4	4.4	2.9	2.9	1.5	1.5
Total (Principal and Interest)		32.8	4.8	31.2	3.2	29.6	1.6	28.0

The following table establishes the total amount currently owed by Azteca Holdings under the Euronotes, including principal and interest, which will be paid in 2006:

Payment Table for Euronotes of Azteca Holdings

in Millions of United States Dollars

	2005-1	2005-2
Euronote		
Discount rate	9.50%	9.50%
Payment date	15-June-06	15-December-06
Principal	5.00	7.80
Interest	0.49	1.15
Total	5.49	8.95

The following table establishes the total amount currently owed by Azteca Holdings under the Fiduciary Certificates and its principal payments in coming years:

Amortization Table for Fiduciary Certificates of Azteca Holdings in

Millions of Pesos

	June 2007	December 2007	June 2008	December 2008	June 2009	December 2009	Total
Principal	88.3	88.3	88.3	88.3	88.3	88.3	530.0

Mexibor interest rate + 200 pbs

TV Azteca may not be able to finance a change of control offer.

A change of control may constitute nonperformance under the existing or future debts of TV Azteca or the existing or future debts of the subsidiaries of TV Azteca, which may result in these debts reaching maturity and their payments falling due and payable. The source of funds for any payment will be the cash available from TV Azteca or the cash generated from other sources. However, TV Azteca cannot guarantee that it will have sufficient funds to pay any indebtedness reaching maturity.

Risks Related to Azteca America

The limited history of operations of Azteca America as an American Spanish-language television network makes it difficult to evaluate its operations and financial position.

The operations of TV Azteca in the United States began recently and, to date, have not generated significant income. The growth of Azteca America, a new Spanish-language television broadcasting network in the United States, operated by AIC, depends on the attractiveness of the programming and the content of TV Azteca for American television audiences, and the ability of AIC to establish relationships with broadcasting stations or cable networks in the American markets that have a significant Spanish-speaking population. AIC s ability to establish these relationships will be affected by different factors, including the desire of potential affiliates to broadcast the programming of TV Azteca and the programming of Azteca America, the availability of cable system channels to include the programming of TV Azteca and the programming of Azteca America, the ability of the affiliates of AIC to finance its operations and capital costs and the desire of AIC s competitors to offer their programming under terms with which AIC cannot compete.

The television broadcasting industry in the United States is subject to restrictive governmental regulations, which may adversely affect the operations of AIC. Among other things, these regulations limit the percentage of shareholding in a United States broadcasting station to 25% when this station may be owned by a company controlled by foreigners, such as AIC.

In addition, Azteca America faces extensive competition in the Spanish-language television broadcasting market in the United States by Univisión Communications, Inc. (**Univisión**), which also controls the Telefutura chain and Telemundo Group, Inc. (**Telemundo**), which is owned by NBC. Each of these competitors has a large network of affiliates and greater financial resources than AIC, and, jointly, they currently have the majority of the United States audience share for Spanish-language television.

AIC is subject to risks related to its joint ventures with affiliate stations.

The future growth strategy of AIC focuses on executing affiliation agreements with existing open television broadcasting stations that can complement or expand its operations. The negotiation of affiliation agreements with additional stations, as well as the integration of new stations into Azteca America, may require the stations to incur significant costs and may result in the diversion of the time and resources of the administration. The failure to obtain the anticipated benefits from any station affiliation or to successfully integrate the operations of new affiliate stations may also adversely affect the operations and the operating profits of AIC.

If AIC cannot renew its station affiliation agreements upon termination or execute new station affiliation agreements, the income from the markets in which these stations provide their services may significantly decrease.

The different station affiliation agreements that AIC has executed expire or may expire after a defined period. If AIC cannot negotiate new terms to continue the affiliation with a station operator or to find a comparable affiliate in the designated market area in which that station provides its services, the income generated by Azteca America in that market may significantly decrease.

AIC s inability to sell advertising time on its network will adversely affect its income and its operations.

AIC s operations depend on its ability and the ability of its affiliate stations to sell advertising time. AIC s ability to sell advertising time will largely depend on audience ratings and on the general level of television advertising demand in the USA. A decrease in the economic activity in the United States may reduce the general demand for advertising and, therefore, have an adverse effect on AIC s ability to generate advertising income. A decrease in audience ratings (as a result of competition, lack of popular programming or changes in viewers preferences) would also have an adverse effect on AIC s income, because its advertising income depends on audience ratings. In addition, significant audience ratings for a new television network can take more time to develop because there are multiple options to watch, both in the English language as well as in the Spanish language, with which Spanish-speaking individuals in the United States are familiar. Furthermore, even if the television network has achieved significant audience levels, it can take a long time for these levels to be reflected in its ratings when these are measured based on spontaneous-response surveys. Additionally, because AIC focuses on the Spanish-speaking audience, its audience level will depend on:

- the desire of Spanish-speaking individuals in the United States to watch Spanish-language programming; and

- the growth of the Spanish-speaking audience due to the constant migration and use of the Spanish language among Spanish-speaking individuals in the United States.

If any of these factors changes, Azteca America may lose part of its target audience, resulting in decreased ratings and a loss of advertising income.

20

AIC s ability to sell advertising time will also depend on the level of television advertising demand. Historically, the advertising industry has been particularly sensitive to the general conditions of the economy. As a result, AIC believes that spending for advertising tends to decrease disproportionately during a recession or deceleration of economic activity compared to other types of commercial spending. Therefore, a recession or reduction in the growth rate of the United States economy may adversely and significantly affect the advertising income and the operating profits of Azteca America and, consequently, of AIC.

Because the Spanish-speaking population of the United States is highly concentrated geographically, a regional drop in economic conditions or another negative event in specific markets may have a significant adverse effect on the operations of Azteca America.

Approximately 36% of all Spanish-speaking individuals in the United States lives in the markets of Los Angeles, New York, Chicago and Miami-Fort Lauderdale, and the 10 principal Hispanic markets in the United States jointly include approximately 55% of the Spanish-speaking population in the United States over the age of 2. As a result, a significant drop in income from the operations of the stations in these television markets, either due to a regional economic decline, increased competition or something else, may have a significant adverse effect on the financial performance of Azteca America.

Risks Relating to the Execution of Transactions in Mexico

If the peso is devalued in the future vis-à-vis the United States dollar, it will be more difficult for TV Azteca to pay its debt.

When the value of the peso depreciates vis-à-vis the United States dollar, interest costs increase for the TV Azteca indebtedness denominated in dollars, and the cost of the other TV Azteca expenses denominated in dollars also increases. A significant part of the operating costs and expenses of TV Azteca is denominated in dollars. These costs include the payments that TV Azteca makes for broadcasting rights for purchased programming, for the lease of satellite transponders and for equipment purchases. On December 31, 2004, approximately 35% of TV Azteca s debt was denominated in United States dollars. Because virtually all of TV Azteca s income is denominated in pesos, the increased costs are not compensated by any increase relating to foreign currency in the income.

The value of the peso has been subject to significant fluctuations vis-à-vis the United States dollar in the past and may be subject to significant fluctuations in the future. For example, in 1994, the value of the peso decreased by 60.8% against the United States dollar. Between January 1, 1995 and December 31, 1996, the Mexican peso depreciated an additional 57.6% against the United States dollar. The significant devaluation of the peso had an effect on the financial performance of TV Azteca. Between December 31, 2002 and December 31, 2003, the Mexican peso depreciated 8.05% against the United States dollar. Between December 31, 2003 and December 31, 2004, the Mexican peso depreciated 1%, and between December 31, 2004 and May 31, 2005, the peso was adjusted by an additional 2.5% against the United States dollar. TV Azteca cannot guarantee that the value of the peso will not depreciate vis-à-vis the United States dollar in the future. Any future devaluation of the peso may adversely affect the assets, liquidity and operating profits of TV Azteca.

The financial performance of TV Azteca depends on the Mexican economy.

Decreases in the growth of the Mexican economy, high inflation rates and high interest rates in Mexico generally have an adverse effect on the operations of TV Azteca. The slower the growth of the Mexican economy, the slower the growth of advertising spending. If inflation in Mexico returns to high levels and the economic growth decelerates, the operating profits of TV Azteca, its financial position and the market price of its securities will be affected. Furthermore, high interest rates and economic instability may increase the cost of capitals of TV Azteca or make it difficult for TV Azteca to refinance its existing indebtedness.

Fluctuations in the United States economy or the global economy, in general, may adversely affect the Mexican economy and the operations of TV Azteca.

The Mexican economy is vulnerable to market depressions and to the economic decelerations in the United States and any part of the world. The recent deceleration in the growth of the United States economy, exacerbated by the terrorist attacks of September 11^{th}, has had a negative effect on Mexican transactions and has limited access to capital for many Mexican companies. Additionally, TV Azteca cannot predict the implications that conflicts subsequent to the war against Iraq would have on the level of confidence of the Mexican consumer, and, consequently, on the general level of advertising spending in Mexico. Furthermore, as occurred in the past, financial problems or an increase in the perceived risks related to investment in emerging economies may limit foreign investment in Mexico and adversely affect the Mexican economy. For example, in October of 1997, the prices of Mexican debt securities and capital securities decreased substantially after a serious decline in the Asian securities markets, and in the second half of 1998, the prices of Mexican securities were negatively affected by the economic crises in Russia and Brazil. The recent economic crises in Argentina and Venezuela have caused instability in the Latin American financial markets and may have a negative impact on the price of Mexican debt and capital securities. Future economic problems in the United States or around the world may severely limit TV Azteca s access to capital and may have an adverse effect on its operations.

The Mexican government has an important influence on the economy.

The Mexican government has had, and continues to have, an important influence on the Mexican economy. In the past, the economic plans of the Mexican government have often failed to fully achieve their objectives and TV Azteca cannot guarantee that the current and future economic plans of the Mexican government will achieve their established objectives. Similarly, TV Azteca cannot determine what effect these plans or their implementation will have on the Mexican economy or on the operations of TV Azteca. The future actions of the Mexican government may have a significant effect on Mexican companies, including TV Azteca, and on market conditions.

Fluctuations in interest rates and inflation may have an adverse effect on the operations of TV Azteca.

In Mexico, inflation has been high in recent years compared to more developed economies. Any negative fluctuation in interest rates may have an adverse effect on TV Azteca because the amount of interest owed may increase with regard to its current liabilities and indebtedness or other liabilities and indebtedness incurred in the future. The annual inflation was 5.7%, 4.0% and 5.2% for the financial years ending December 31, 2002, 2003 and 2004, respectively. Any significant increase in the inflation rate in Mexico may adversely affect the financial position and operating profits of TV Azteca, because inflation may adversely affect consumer buying power, which, consequently, affects the ability of TV Azteca s advertisers to buy advertising time on its networks.

The political situation in Mexico may negatively affect the operating profits of TV Azteca.

Mexico has experienced political changes in recent years. This instability affects transactions and the investment climate in Mexico. As a Mexican company with the majo