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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarter Ended June 30, 2004

Commission File Number: 001-12223

UNIVISION COMMUNICATIONS INC.

(Exact Name of Registrant as specified in its charter)

Delaware
(State of Incorporation)

No. 95-4398884
(I.R.S. Employer Identification)

**Univision Communications Inc.
1999 Avenue of the Stars, Suite 3050
Los Angeles, California 90067
Tel: (310) 556-7676**

(address and telephone number of principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days YES NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

YES NO

There were 255,188,555 shares of Class A Common Stock, including 1,017,180 shares of Company treasury stock, 36,962,390 shares of Class P Common Stock, 13,593,034 shares of Class T Common Stock and 17,837,164 of Class V Common Stock outstanding as of July 8, 2004.

UNIVISION COMMUNICATIONS INC. AND SUBSIDIARIES

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Part I**UNIVISION COMMUNICATIONS INC. AND SUBSIDIARIES****Financial Introduction**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements. The interim financial statements are unaudited but include all adjustments, which are of a normal recurring nature, that management considers necessary to fairly present the financial position and the results of operations for such periods. Results of operations of interim periods are not necessarily indicative of results for a full year. These financial statements should be read in conjunction with the audited consolidated financial statements in the Company's Annual Report on Form 10-K for December 31, 2003.

Part I, Item 1

UNIVISION COMMUNICATIONS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per-share data)

| | June 30, 2004 | December 31, 2003 |
|--|------------------|----------------------|
| | (Unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 79,733 | \$ 76,677 |
| Accounts receivable, net | 383,997 | 320,106 |
| Program rights | 33,521 | 39,836 |
| Prepaid expenses and other | 94,081 | 83,947 |
| Total current assets | 591,332 | 520,566 |
| Property and equipment, net | 576,688 | 555,469 |
| Intangible assets, net | 4,287,895 | 3,773,099 |
| Goodwill, net | 2,196,359 | 2,192,840 |
| Deferred financing costs, net | 12,601 | 14,104 |
| Program rights | 28,673 | 37,402 |
| Investments in equity method investees | 63,171 | 139,199 |
| Investments in cost method investees | 370,133 | 364,587 |
| Other assets | 34,072 | 45,651 |
| Total assets | \$ 8,160,924 | \$ 7,642,917 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 203,101 | \$ 209,373 |
| Income taxes | 27,987 | 6,050 |
| Accrued interest | 23,336 | 23,224 |
| Accrued license fees | 16,084 | 13,327 |
| Deferred advertising revenues | — | 4,250 |
| Program rights obligations | 19,118 | 26,762 |
| Current portion of capital lease obligations | 4,463 | 5,647 |
| Total current liabilities | 294,089 | 288,633 |
| Long-term debt including accrued interest | 1,312,075 | 1,295,078 |
| Capital lease obligations | 39,783 | 73,268 |
| Deferred advertising revenues | — | 5,460 |
| Program rights obligations | 22,140 | 25,579 |
| Deferred tax liabilities | 932,046 | 793,247 |
| Other long-term liabilities | 79,361 | 58,675 |
| Total liabilities | 2,679,494 | 2,539,940 |
| Noncontrolling interest | 255,016 | — |
| Stockholders' equity: | | |
| Preferred stock, \$.01 par value (10,000,000 shares authorized; 0 issued and outstanding) | — | — |
| Common stock, \$.01 par value (1,040,000,000 shares authorized; 323,581,143 and 323,245,149 shares issued, including shares in treasury, at June 30, 2004 and December 31, 2003, respectively) | 3,236 | 3,232 |
| Paid-in-capital | 4,620,315 | 4,611,048 |
| Deferred compensation | (2,118) | (2,410) |
| Retained earnings | 628,735 | 513,438 |

| | | |
|--|---------------------|---------------------|
| Accumulated other comprehensive losses | (1,561) | (138) |
| | <u>5,248,607</u> | <u>5,125,170</u> |
| Less common stock held in treasury (1,017,180 shares at June 30, 2004 and December 31, 2003, respectively) | (22,193) | (22,193) |
| | <u>5,226,414</u> | <u>5,102,977</u> |
| Total stockholders' equity | | |
| | <u>\$ 8,160,924</u> | <u>\$ 7,642,917</u> |
| Total liabilities and stockholders' equity | | |

See Notes to Condensed Consolidated Financial Statements.

UNIVISION COMMUNICATIONS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the Three and Six Months Ended June 30,

(Dollars in thousands, except share and per-share data)

(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------------|---------------------------|------------------|
| | 2004 | 2003 | 2004 | 2003 |
| Net revenues: | | | | |
| Television, radio and Internet services | \$ 444,916 | \$ 291,057 | \$ 771,402 | \$ 525,229 |
| Music products and publishing | 50,375 | 29,130 | 76,773 | 56,613 |
| Total net revenues | 495,291 | 320,187 | 848,175 | 581,842 |
| Direct operating expenses of television, radio and Internet services | | | | |
| Direct operating expenses of television, radio and Internet services | 144,000 | 107,603 | 276,080 | 210,239 |
| Direct operating expenses of music products and publishing | | | | |
| Direct operating expenses of music products and publishing | 27,275 | 17,077 | 42,711 | 32,502 |
| Total direct operating expenses (excluding depreciation expense) | 171,275 | 124,680 | 318,791 | 242,741 |
| Selling, general and administrative expenses (excluding depreciation expense) | | | | |
| Selling, general and administrative expenses (excluding depreciation expense) | 146,509 | 87,316 | 261,740 | 163,703 |
| Depreciation and amortization | | | | |
| Depreciation and amortization | 27,303 | 19,448 | 51,989 | 39,240 |
| Operating income | 150,204 | 88,743 | 215,655 | 136,158 |
| Other expenses / (income): | | | | |
| Interest expense, net | 15,396 | 18,619 | 31,079 | 37,211 |
| Amortization of deferred financing costs | 891 | 951 | 1,770 | 1,902 |
| Stock dividend | (453) | — | (5,547) | — |
| Equity loss in unconsolidated subsidiaries and other | 864 | 1,522 | 1,967 | 8,018 |
| Gain on change in Entravision ownership interest | — | (1,753) | — | (1,457) |
| Noncontrolling interest | 1,496 | — | 1,496 | — |
| Income before taxes | 132,010 | 69,404 | 184,890 | 90,484 |
| Provision for income taxes | | | | |
| Provision for income taxes | 48,266 | 27,791 | 69,593 | 36,112 |
| Net income | 83,744 | 41,613 | 115,297 | 54,372 |
| Other comprehensive (expense) income: | | | | |
| Currency translation adjustment (expense) income | (222) | (20) | (1,423) | 119 |
| Comprehensive income | \$ 83,522 | \$ 41,593 | \$ 113,874 | \$ 54,491 |

Basic Earnings Per Share

| | | | | |
|--|-------------|-------------|-------------|-------------|
| Net income per share | \$ 0.26 | \$ 0.18 | \$ 0.36 | \$ 0.24 |
| Weighted average common shares outstanding | 322,491,566 | 228,274,925 | 322,403,893 | 228,207,620 |

Diluted Earnings Per Share

| | | | | | | | | |
|--|----|-------------|----|-------------|----|-------------|----|-------------|
| Net income per share | \$ | 0.24 | \$ | 0.16 | \$ | 0.33 | \$ | 0.21 |
| Weighted average common shares outstanding | | 352,844,308 | | 257,942,003 | | 352,982,595 | | 257,688,653 |

See Notes to Condensed Consolidated Financial Statements.

UNIVISION COMMUNICATIONS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended June 30,

(Dollars in thousands)

(Unaudited)

| | 2004 | 2003 |
|--|------------|-----------|
| Net income | \$ 115,297 | \$ 54,372 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation | 40,356 | 33,543 |
| Loss on sale of fixed assets | 180 | 1 |
| Equity loss in unconsolidated subsidiaries | 1,450 | 6,620 |
| Amortization of intangible assets and deferred financing costs | 13,403 | 7,599 |
| Deferred income taxes | 28,971 | 17,093 |
| Stock dividend | (5,547) | — |
| Noncontrolling interest | 838 | — |
| Non-cash items | (390) | (1,951) |
| Changes in assets and liabilities, net of assets acquired and liabilities assumed: | | |
| Accounts receivable | (43,116) | (2,962) |
| Program rights | 16,464 | 6,471 |
| Prepaid expenses and other assets | 11,082 | (25,789) |
| Accounts payable and accrued liabilities | (16,492) | 8,776 |
| Income taxes | 21,165 | 22,768 |
| Income tax benefit from options exercised | 1,612 | 1,461 |
| Accrued interest | 112 | (508) |
| Accrued license fees | 2,757 | 1,227 |
| Program rights obligations | (11,344) | (8,022) |
| Other, net | (4,543) | (1,773) |
| Net cash provided by operating activities | 172,255 | 118,926 |
| Cash flow from investing activities: | | |
| Acquisitions, net of acquired cash | (135,573) | (73,809) |
| Purchase of Los Angeles building | (52,530) | — |
| Capital expenditures | (30,013) | (24,079) |
| Investment in unconsolidated subsidiaries | 1,688 | (3,707) |
| Cash of variable interest entities | 12,196 | — |
| Other, net | 333 | (20) |
| Net cash used in investing activities | (203,899) | (101,615) |
| Cash flow from financing activities: | | |
| Proceeds from issuance of long-term debt | 170,000 | 191,000 |
| Repayment of long-term debt | (142,696) | (181,124) |
| Proceeds from issuance of common stock | 599,426 | — |
| Repurchase of common stock | (599,426) | — |
| Exercise of stock options | 7,719 | 3,825 |
| Payment of offering costs | (57) | — |
| Deferred financing costs | (266) | (62) |

| | | |
|---|-----------|------------|
| Net cash provided by financing activities | 34,700 | 13,639 |
| Net increase in cash | 3,056 | 30,950 |
| Cash beginning of year | 76,677 | 35,651 |
| Cash end of period | \$ 79,733 | \$ 66,601 |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | \$ 36,366 | \$ 35,546 |
| Income taxes paid (refunds) | \$ 11,837 | \$ (4,793) |

See Notes to Condensed Consolidated Financial Statements.

UNIVISION COMMUNICATIONS INC. AND SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements****June 30, 2004****(Unaudited)****1. Organization of the Company**

Univision Communications Inc. and its wholly-owned subsidiaries (the "Company," "we," "us" and "our"), the leading Spanish-language media company in the United States, operates in four business segments: television, radio, music and Internet. The Company's television operations include the Univision and TeleFutura networks, the Company's owned and operated television stations and Galavisión, our cable network. Univision Radio, Inc. ("Univision Radio") operates the Company's radio business, which includes its radio network and owned and operated radio stations. See Note 2 to the Condensed Consolidated Financial Statements. The Company's music operations include the Univision Records label, Fonovisa Records label and a 50% interest in Disa Records, S.A. de C.V. ("Disa"), which is consolidated in accordance with the guidelines of Financial Accounting Standards Board ("FASB") Interpretation No. 46 ("FIN 46"), which was adopted by the Company on March 31, 2004. See Note 7 to the Condensed Consolidated Financial Statements. Univision Online, Inc. ("Univision Online") operates the Company's Internet portal, *Univision.com*.

2. Acquisition of Hispanic Broadcasting Corporation

On September 22, 2003, in an effort to expand its media business, the Company completed its acquisition of Hispanic Broadcasting Corporation ("HBC") in which each share of HBC common stock was exchanged for 0.85 of a share of the Company's Class A common stock. As a result of the acquisition, we issued approximately 92.7 million Class A common shares and we reserved approximately 5 million shares for issuance pursuant to HBC stock options that we assumed in the acquisition. The 92.7 million shares were valued at \$35.312, determined by taking the average market price per share of Univision common stock for the two days prior, the day of and two days subsequent to the announcement date (June 12, 2002) of the acquisition. The HBC options were valued at approximately \$80,000,000 using the Black-Scholes option pricing model and the acquisition costs to date totals approximately \$31,600,000.

The Company has made a preliminary allocation of the purchase price to FCC licenses, goodwill, advertising-related intangibles and favorable leases based upon a preliminary appraisal of the assets acquired and liabilities assumed of Univision Radio. The Company expects the final appraisal to be completed by the third quarter 2004. The Company may have a material reclassification on the balance sheet in the third quarter between goodwill and FCC licenses, both of which are expected to have an indefinite life. In addition, there may be additional identified intangibles that could have an impact on future expense. These reclassifications could also have a material impact on the deferred tax liability. For the three and six months ended June 30, 2004, the Company incurred amortization expense of \$2,028,000 and \$4,165,000, respectively, related to Univision Radio's amortizable identified intangibles, primarily advertising contracts, acquired as a result of our acquisition of HBC in September 2003.

Advertiser contracts were being amortized over a nine-month period that expired in June 2004. The favorable leases are being amortized over various periods through the year 2042.

| Purchase Price Allocation | (Dollars in thousands) |
|--|------------------------|
| Purchase price | \$ 3,353,286 |
| Estimated net liabilities assumed | 91,523 |
| Acquisition costs | 31,607 |
| Deferred tax liability on identified intangibles | 544,192 |
| Intangible assets and goodwill | 4,020,608 |
| FCC licenses | (2,483,264) |
| Favorable leases | (6,696) |
| Advertiser related intangibles, primarily advertiser contracts | (5,772) |
| Other intangible assets | (2,739) |
| Goodwill | \$ 1,522,137 |

The following unaudited pro forma information gives effect to the merger between the Company and HBC and assumes that the transaction had occurred as of January 1, 2003. The pro forma information is presented for informational purposes only. You should not rely on the pro forma information as an indication of the results of operations of future periods or the results that actually would have been realized had the companies been a single company during the periods presented. The pro forma information is based upon available information and upon certain assumptions that management of the Company believes are reasonable. The pro forma information includes adjustments that give effect to the merger under the purchase method of accounting. The pro forma information does not reflect any pro forma adjustments for other business acquisitions in 2003 by the Company or HBC, since they do not individually or in the aggregate exceed the threshold for reporting of a significant subsidiary. The pro forma information does not reflect any adjustments for synergies that the Company has realized or expects to realize from the acquisition.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|----------------------------|--|-------------------|------------------------------|-------------------|
| | 2004 Actual | 2003 Pro forma | 2004 Actual | 2003 Pro forma |
| | (Dollars in thousands except per share data) | | | |
| Net revenues | \$ 495,291 | \$ 395,567 | \$ 848,175 | \$ 712,028 |
| Net income | \$ 83,744 | \$ 51,384 | \$ 115,297 | \$ 68,550 |
| Basic Earnings Per Share | \$ 0.26 | \$ 0.16 | \$ 0.36 | \$ 0.21 |
| Diluted Earnings Per Share | \$ 0.24 | \$ 0.15 | \$ 0.33 | \$ 0.20 |

Pro forma net income includes merger costs incurred by HBC and charged to operating expenses of \$1,200,000, net of tax, for the six months ended June 30, 2003.

3. Changes in Common Stock and Paid-in-Capital

During the three months ended June 30, 2004, options were exercised for 164,468 shares of Class A Common Stock resulting in an increase to Common Stock of \$1,645, and an increase to paid-in-capital of \$4,491,000, which included a tax benefit associated with the transactions of \$751,000. During the six months ended June 30, 2004, options were exercised for 335,994 shares of Class A Common Stock, resulting in an increase to Common Stock of \$3,360 and an increase to Paid-in-capital of \$9,324,000, which included a tax benefit associated with the transactions of \$1,612,000. Additionally, paid-in-capital decreased by \$57,000 related to issuance costs for a stock transaction.

4. Earnings Per Share

The following is the reconciliation of the basic and diluted earnings-per-share computations required by Statement of Financial Accounting Standards ("SFAS") No. 128 ("Earnings Per Share"):

| (Dollars in thousands, except for share and per share data) | Three Months Ended June 30, 2004 | | | Three Months Ended June 30, 2003 | | |
|---|-------------------------------------|-------------------------|---------------------|-------------------------------------|-------------------------|---------------------|
| | Income (Numerator) | Shares (Denominator) | Per-Share Amount | Income (Numerator) | Shares (Denominator) | Per-Share Amount |
| Basic Earnings Per Share: | | | | | | |
| Net income | \$ 83,744 | 322,491,566 | \$ 0.26 | \$ 41,613 | 228,274,925 | \$ 0.18 |
| Effect of Dilutive Securities | | | | | | |
| Warrants | — | 27,412,926 | | — | 27,409,316 | |
| Options | — | 2,939,816 | | — | 2,257,762 | |
| Diluted Earnings Per Share: | | | | | | |
| Net income | \$ 83,744 | 352,844,308 | \$ 0.24 | \$ 41,613 | 257,942,003 | \$ 0.16 |
| (Dollars in thousands, except for share and per share data) | Six Months Ended June 30, 2004 | | | Six Months Ended June 30, 2003 | | |
| | Income (Numerator) | Shares (Denominator) | Per-Share Amount | Income (Numerator) | Shares (Denominator) | Per-Share Amount |
| Basic Earnings Per Share: | | | | | | |
| Net income | \$ 115,297 | 322,403,893 | \$ 0.36 | \$ 54,372 | 228,207,620 | \$ 0.24 |
| Effect of Dilutive Securities | | | | | | |
| Warrants | — | 27,413,952 | | — | 27,406,977 | |
| Options | — | 3,164,750 | | — | 2,074,056 | |
| Diluted Earnings Per Share: | | | | | | |
| Net income | \$ 115,297 | 352,982,595 | \$ 0.33 | \$ 54,372 | 257,688,653 | \$ 0.21 |

In December 2002, the Financial Accounting Standards Board issued SFAS No. 148 "Accounting for Stock-Based Compensation—Transition and Disclosure." SFAS No. 148 amends SFAS No. 123 "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair-value for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual

and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 is effective for financial statements issued for 2003. As allowed by SFAS No. 123, the Company follows the disclosure requirements of SFAS No. 123, but continues to account for its employee stock option plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," which results in no charge to earnings when options are issued with an exercise price equal to fair market value.

Had compensation cost for the Company's 1996 Performance Award Plan been determined based on the fair value at the grant date for awards in the three and six months ended June 30, 2004 and 2003 consistent with the provisions of SFAS No. 123, as amended by SFAS No. 148, the Company's net income and earnings per share available to common stockholders would have been reduced to the pro forma amounts indicated below:

| | Three Months Ended June 30, | | | |
|---|---------------------------------------|-----------|-------------------------------|-----------|
| | Basic Earnings Per Share | | Diluted Earnings Per Share | |
| | 2004 | 2003 | 2004 | 2003 |
| | (In thousands, except per-share data) | | | |
| Net income—as reported | \$ 83,744 | \$ 41,613 | \$ 83,744 | \$ 41,613 |
| Stock-based compensation expense, net of tax—actual | 330 | — | 330 | — |
| Net income—adjusted | 84,074 | 41,613 | 84,074 | 41,613 |
| Stock-based employee compensation, net of tax-pro forma | 9,064 | 7,206 | 9,064 | 7,206 |
| Net income—pro forma | \$ 75,010 | \$ 34,407 | \$ 75,010 | \$ 34,407 |
| Earnings per share—as reported | \$ 0.26 | \$ 0.18 | \$ 0.24 | \$ 0.16 |
| Earnings per share—pro forma | \$ 0.23 | \$ 0.15 | \$ 0.21 | \$ 0.13 |
| | Six Months Ended June 30, | | | |
| | Basic Earnings Per Share | | Diluted Earnings Per Share | |
| | 2004 | 2003 | 2004 | 2003 |
| | (In thousands, except per-share data) | | | |
| Net income—as reported | \$ 115,297 | \$ 54,372 | \$ 115,297 | \$ 54,372 |
| Stock-based compensation expense, net of tax—actual | 832 | — | 832 | — |
| Net income—adjusted | 116,129 | 54,372 | 116,129 | 54,372 |
| Stock-based employee compensation, net of tax-pro forma | 18,711 | 14,701 | 18,711 | 14,701 |
| Net income—pro forma | \$ 97,418 | \$ 39,671 | \$ 97,418 | \$ 39,671 |
| Earnings per share—as reported | \$ 0.36 | \$ 0.24 | \$ 0.33 | \$ 0.21 |
| Earnings per share—pro forma | \$ 0.30 | \$ 0.17 | \$ 0.28 | \$ 0.15 |

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. No grants were awarded during the three months ended June 30, 2004 and 2003. The following weighted-average assumptions were used for grants for the six months ended June 30, 2004 and 2003, respectively: dividend yield of 0%, expected volatility of 47.850% and 49.497%, risk-free interest rate of 2.92% and 3.27% and expected life of six years. The Company currently uses graded (accelerated) vesting as its amortization policy, which results in higher compensation expense in the early years of the vesting period.

5. Business Segments

The Company's principal business segment is television, which includes the operations of the Company's Univision Network, TeleFutura Network, Galavisión and owned-and-operated stations. In September 2003, the Company completed its acquisition of HBC, now called Univision Radio. The Company manages its television, radio, music and Internet businesses separately. Presented below is segment information pertaining to the Company's television, radio, music and Internet businesses.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|------------|------------------------------|------------|
| | 2004 | 2003 | 2004 | 2003 |
| (Dollars in thousands) | | | | |
| Net revenue: | | | | |
| Television | \$ 349,644 | \$ 287,922 | \$ 608,950 | \$ 519,361 |
| Radio | 91,047 | — | 154,312 | — |
| Music | 50,375 | 29,130 | 76,773 | 56,613 |
| Internet | 4,225 | 3,135 | 8,140 | 5,868 |
| Consolidated | 495,291 | 320,187 | 848,175 | 581,842 |
| Direct expenses: | | | | |
| Television | 125,378 | 104,486 | 239,231 | 203,396 |
| Radio | 15,290 | — | 30,221 | — |
| Music | 27,275 | 17,077 | 42,711 | 32,502 |
| Internet | 3,332 | 3,117 | 6,628 | 6,843 |
| Consolidated | 171,275 | 124,680 | 318,791 | 242,741 |
| Selling, general and administrative expenses: | | | | |
| Television | 89,924 | 75,523 | 160,322 | 140,817 |
| Radio | 40,939 | — | 73,460 | — |
| Music | 12,690 | 9,271 | 21,893 | 17,762 |
| Internet | 2,956 | 2,522 | 6,065 | 5,124 |
| Consolidated | 146,509 | 87,316 | 261,740 | 163,703 |

Operating income (loss) before depreciation and amortization:

| | | | | |
|--------------|-------------------|-------------------|-------------------|-------------------|
| Television | 134,342 | 107,913 | 209,397 | 175,148 |
| Radio | 34,818 | — | 50,631 | — |
| Music | 10,410 | 2,782 | 12,169 | 6,349 |
| Internet | (2,063) | (2,504) | (4,553) | (6,099) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Consolidated | 177,507 | 108,191 | 267,644 | 175,398 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Depreciation and amortization:

| | | | | |
|--------------|-------------------|-------------------|-------------------|-------------------|
| Television | 16,083 | 15,790 | 32,332 | 31,239 |
| Radio | 5,044 | — | 10,179 | — |
| Music | 5,151 | 2,376 | 7,425 | 5,392 |
| Internet | 1,025 | 1,282 | 2,053 | 2,609 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Consolidated | 27,303 | 19,448 | 51,989 | 39,240 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Operating income (loss):

| | | | | |
|--------------|-------------------|-------------------|-------------------|-------------------|
| Television | 118,259 | 92,123 | 177,065 | 143,909 |
| Radio | 29,774 | — | 40,452 | — |
| Music | 5,259 | 406 | 4,744 | 957 |
| Internet | (3,088) | (3,786) | (6,606) | (8,708) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Consolidated | \$ 150,204 | \$ 88,743 | \$ 215,655 | \$ 136,158 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Capital expenditures:

| | | | | |
|--------------|-------------------|-------------------|-------------------|-------------------|
| Television | \$ 12,424 | \$ 10,874 | \$ 76,946 | \$ 20,825 |
| Radio | 2,417 | — | 5,131 | — |
| Music | 99 | 1,816 | 139 | 2,508 |
| Internet | 236 | 69 | 327 | 746 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Consolidated | \$ 15,176 | \$ 12,759 | \$ 82,543 | \$ 24,079 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

As of June 30,

| | <u>2004</u> | <u>2003</u> |
|---------------|-------------------|-------------------|
| Total assets: | | |
| Television | \$ 3,458,081 | \$ 3,112,751 |
| Radio | 4,289,987 | — |
| Music | 404,227 | 386,411 |
| Internet | 8,629 | 13,792 |
| | <u> </u> | <u> </u> |
| Consolidated | \$ 8,160,924 | \$ 3,512,954 |
| | <u> </u> | <u> </u> |

Reconciliation of Operating Income before Depreciation and Amortization to Net Income

The Company uses the key indicator of "operating income before depreciation and amortization" primarily to evaluate the Company's operating performance and for planning and forecasting future business operations. In addition, this key indicator is commonly used as a measure of performance for broadcast companies, is used by investors to measure a company's ability to service debt and other cash needs and provides investors the opportunity to evaluate the Company's performance as it is viewed by management. Operating income before depreciation and amortization is not, and should not be used as, an indicator of or an alternative to operating income, net income or cash flow as reflected in the consolidated financial statements, is not a measure of financial performance under generally accepted accounting principles ("GAAP") and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Since the definition of operating income before depreciation and amortization may vary among companies and industries it should not be used as a measure of performance among companies. In accordance with SEC guidelines, the Company is providing on a consolidated basis a reconciliation of the non-GAAP term operating income before depreciation and amortization to net income, which is the most directly comparable GAAP financial measure, and to operating income for the segments for the three and six months ended June 30, 2004 and 2003:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------|------------------------------|------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (Dollars in thousands) | | | |
| Operating income before depreciation and amortization | \$ 177,507 | \$ 108,191 | \$ 267,644 | \$ 175,398 |
| Depreciation and amortization | 27,303 | 19,448 | 51,989 | 39,240 |
| Operating income | 150,204 | 88,743 | 215,655 | 136,158 |
| Other expense/(income): | | | | |
| Interest expense, net | 15,396 | 18,619 | 31,079 | 37,211 |
| Amortization of deferred financing costs | 891 | 951 | 1,770 | 1,902 |
| Stock dividend | (453) | — | (5,547) | — |
| Equity loss in unconsolidated subsidiaries and other | 864 | 1,522 | 1,967 | 8,018 |
| Gain on change in Entravision ownership interest | — | (1,753) | — | (1,457) |
| Noncontrolling interest | 1,496 | — | 1,496 | — |
| Income before taxes | 132,010 | 69,404 | 184,890 | 90,484 |
| Provision for income taxes | 48,266 | 27,791 | 69,593 | 36,112 |
| Net income | \$ 83,744 | \$ 41,613 | \$ 115,297 | \$ 54,372 |

6. Goodwill and Other Intangible Assets Amortization

Since the adoption of SFAS No. 142 in 2001, goodwill and other intangibles with an indefinite life, such as broadcast licenses, ceased being amortized after December 31, 2001. The television and radio broadcast licenses have an indefinite life because the Company expects to renew them and renewals are routinely granted with little cost, provided that the licensee has complied with the applicable rules and regulations of the Federal Communications Commission ("FCC"). Over the last five years, all the

television and radio licenses that have been up for renewal have been renewed, and there has been no compelling challenge to the license renewal. The technology used in broadcasting is not expected to be replaced by another technology in the foreseeable future. Therefore, the television and radio broadcast licenses and the related cash flows are expected to continue indefinitely. These indefinite cash flows indicate that the broadcast licenses have an indefinite useful life. Therefore, the license would not be amortized until its useful life is no longer deemed to be indefinite. The licenses, other indefinite-lived intangible assets and goodwill are tested annually (as of October 1) for impairment, or more frequently if circumstances indicate a possible impairment exists, in accordance with paragraph 17 of SFAS No.142 and the Emerging Issues Task Force Issue 02-07, "Unit of Accounting for Testing Impairment of Indefinite-lived Intangible Assets" ("EITF 02-07"). The Company has evaluated its licenses, other indefinite-lived intangible assets and goodwill, as of October 1, 2003, in accordance with the guidelines of SFAS No. 142 as it relates to assessing impairment and has concluded that it did not have an impairment loss related to these assets. In addition, under SFAS No. 141, an acquired intangible asset should be separately recognized if the benefit of the intangible is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented, or exchanged. Intangible assets with measurable lives will be amortized over their respective useful lives.

Below is an analysis of the Company's intangible assets currently being amortized, intangible assets not being amortized, goodwill by segments and estimated aggregate amortization expense for the years 2004 through 2009:

| | As of June 30, 2004 | | |
|---|--------------------------|-----------------------------|------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| (Dollars in thousands) | | | |
| Intangible Assets Being Amortized | | | |
| Favorable leases | \$ 9,287 | \$ 1,437 | \$ 7,850 |
| Nielsen contracts | 20,700 | 11,945 | 8,755 |
| Fonovisa contracts, primarily artist contracts | 44,580 | 29,371 | 15,209 |
| Disa contracts, primarily artist contracts | 66,328 | 48,064 | 18,264 |
| Advertiser related intangible, primarily advertiser contracts | 5,773 | 4,975 | 798 |
| Other amortizable intangibles | 6,226 | 1,143 | 5,083 |
| Total | \$ 152,894 | \$ 96,935 | 55,959 |
| Intangible Assets Not Being Amortized | | | |
| Broadcast licenses | | | 4,214,251 |
| Goodwill | | | 2,196,359 |
| Music trademarks | | | 15,800 |
| Other intangible assets | | | 1,885 |
| Total | | | 6,428,295 |
| TOTAL NET INTANGIBLE ASSETS | | | \$ 6,484,254 |

As of December 31, 2003

| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|---|--------------------------|-----------------------------|---------------------|
| (Dollars in thousands) | | | |
| Intangible Assets Being Amortized | | | |
| Favorable leases | \$ 10,405 | \$ 1,055 | \$ 9,350 |
| Nielsen contracts | 20,700 | 11,428 | 9,272 |
| Fonovisa contracts, primarily artist contracts | 44,580 | 25,864 | 18,716 |
| Advertiser related intangible, primarily advertiser contracts | 5,765 | 1,817 | 3,948 |
| Other amortizable intangibles | 3,381 | 380 | 3,001 |
| Total | \$ 84,831 | \$ 40,544 | 44,287 |

Intangible Assets Not Being Amortized

| | |
|-------------------------|------------------|
| Broadcast licenses | 3,711,268 |
| Goodwill | 2,192,840 |
| Music trademarks | 15,800 |
| Other intangible assets | 1,744 |
| Total | 5,921,652 |

TOTAL NET INTANGIBLE ASSETS**\$ 5,965,939**

| | SEGMENTS | | | | TOTAL GOODWILL |
|---|-------------------|---------------------|-------------------|-------------|---------------------|
| | TELEVISION | RADIO | MUSIC | INTERNET | |
| (Dollars in thousands) | | | | | |
| Balance as of December 31, 2002 | \$ 320,260 | \$ — | \$ 186,151 | \$ — | \$ 506,411 |
| Station acquisition-deferred tax liability | 7,900 | — | — | — | 7,900 |
| Fonovisa goodwill adjustment | — | — | 4,673 | — | 4,673 |
| Reclassification to program rights | (4,879) | — | — | — | (4,879) |
| Deferred tax asset | (1,869) | — | — | — | (1,869) |
| Radio goodwill acquired during the year | — | 1,680,604 | — | — | 1,680,604 |
| Balance as of December 31, 2003 | 321,412 | 1,680,604 | 190,824 | — | 2,192,840 |
| Preliminary Radio appraisal adjustment | — | (158,467) | — | — | (158,467) |
| Fonovisa goodwill adjustment | — | — | (16,535) | — | (16,535) |
| Consolidation of variable interest entities | 89,386 | — | 89,135 | — | 178,521 |
| Balance as of June 30, 2004 | \$ 410,798 | \$ 1,522,137 | \$ 263,424 | \$ — | \$ 2,196,359 |

(Dollars in thousands)

| | |
|--|-----------|
| Estimated Current Year Amortization Expense | |
| For the year ended 12/31/04 | \$ 24,000 |
| Estimated Amortization Expenses | |
| For the year ended 12/31/05 | \$ 14,100 |
| For the year ended 12/31/06 | \$ 8,500 |
| For the year ended 12/31/07 | \$ 6,200 |
| For the year ended 12/31/08 | \$ 4,700 |
| For the year ended 12/31/09 | \$ 3,300 |

The Company has made a preliminary allocation of the purchase price to FCC licenses, goodwill, advertising-related intangibles and favorable leases based upon a preliminary appraisal of the assets acquired and liabilities assumed of Univision Radio. The Company expects the final appraisal to be completed by the third quarter 2004. The Company may have a material reclassification on the balance sheet in the third quarter between goodwill and FCC licenses, both of which are expected to have an indefinite life. In addition, there may be additional identified intangibles that could have an impact on future expense. These reclassifications could also have a material impact on the deferred tax liability calculation. The results of operations of Univision Radio have been included in the accompanying condensed consolidated statement of income since September 22, 2003. For the three and six months June 30, 2004, the Company incurred amortization expense of \$2,028,000 and \$4,165,000, respectively, related to Univision Radio's amortizable identified intangibles, primarily advertising contracts, acquired as a result of our acquisition of HBC in September 2003. Advertiser contracts are being amortized over a nine-month period that expired in June 2004. The favorable leases are being amortized over various periods through the year 2042.

7. New Accounting Pronouncements

On March 31, 2004, the Company was required to adopt Financial Accounting Standards Board Interpretation No. 46, "Consolidation of Variable Interest Entities", ("FIN 46"). FIN 46 expands upon and strengthens existing accounting guidance that addresses when a company should consolidate in its financial statements the assets, liabilities and operating results of another entity. Under previous guidance, a company generally included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN No. 46 requires a variable interest entity ("VIE") to be consolidated by a company if that company is the "primary beneficiary" of that entity. An entity is a VIE if, among other things, it has equity investors that do not absorb the expected losses or receive the expected returns of the entity. The primary beneficiary is subject to a majority of the risk of loss from the VIE's activities, or is entitled to receive a majority of the VIE's residual returns, or both.

Under the guidelines of FIN 46, the Company is required to consolidate the assets, liabilities and operating results of Disa Records, which is a Mexico-based music recording and publishing company, owned 50% by the Company and 50% by the Chavez family, who manage the business. The Company has a call right and the Chavez family has a put right, beginning in June 2006, which requires the Company to purchase the remaining 50% of Disa Records for \$75,000,000, subject to certain upward

adjustments. As a result of Disa's put right, the Company has the majority of expected losses that could arise from the variability of the fair value of Disa Records. Under the rules governing FIN 46, the Company is considered the primary beneficiary of Disa Records and consequently is required to consolidate Disa Records.

In addition, under the guidelines of FIN 46, the Company is required to consolidate the assets, liabilities and operating results of WLII/WSUR, Inc., a Delaware corporation ("WLII") owned 100% by Raycom Media, Inc ("Raycom"). WLII owns two television stations in Puerto Rico. The Company has a time brokerage agreement and an option with Raycom that expires on December 31, 2004 to acquire the stations for \$190,000,000. The Company issued a non-refundable deposit of \$20,000,000 in the form of a standby letter of credit in favor of Raycom that Raycom can draw on if the Company does not exercise the option to purchase the station under certain circumstances. Consequently, the Company has the majority of expected losses that could arise from the variability of the fair value of WLII. Therefore, the Company is considered the primary beneficiary of WLII and is required to consolidate its financial results.

The impact of consolidating the assets and liabilities of Disa Records and WLII is not material to the Company's financial position. Disa Records and WLII each accounted for less than 5% of the consolidated assets of the Company at June 30, 2004. Prior periods were not restated upon the adoption of FIN 46. Since the Company adopted FIN 46 on March 31, 2004, the operating results of Disa Records and WLII are included in the operating results of the Company only for the three months ended June 30, 2004. Disa Records' net revenues and operating income were favorable to the Company's operating results and the Company's net income remained the same, as it would have been under the equity method of accounting that we used before we adopted FIN 46. WLII's net revenues and operating income were also favorable to the Company's operating results, but our net income was not affected since Raycom owns 100% of WLII. The Company will continue to consolidate Disa Records under the guidelines of FIN 46 until the Company exercises its call right or the Chavez family exercises their put right and the Company purchases Disa Records. The Company will continue to consolidate WLII under the guidelines of FIN 46 until the Company exercises its option to purchase the Puerto Rico stations.

The following represents the income statement and balance sheet information consolidated by the Company for Disa Records and the Puerto Rico stations:

| | Three months ended June 30, 2004 | | |
|---|----------------------------------|--------------|------------|
| | Combined VIEs | Disa Records | WLII |
| (Dollars in thousands) | | | |
| Net revenues | \$ 30,604 | \$ 16,350 | \$ 14,254 |
| Direct operating expenses (excluding depreciation expense) | 17,200 | 9,155 | 8,045 |
| Selling, general and administrative expenses (excluding depreciation expense) | 7,222 | 2,777 | 4,445 |
| Depreciation and amortization | 3,749 | 3,362 | 387 |
| Operating income | 2,433 | 1,056 | 1,377 |
| Noncontrolling interest | 1,496 | 417 | 1,079 |
| Other expense/(income) | 294 | (4) | 298 |
| Income before taxes | 643 | 643 | — |
| Provision for income taxes | 226 | 226 | — |
| Net income | \$ 417 | \$ 417 | \$ — |
| At June 30, 2004 | | | |
| | Combined VIEs | Disa Records | WLII |
| (Dollars in thousands) | | | |
| Cash | \$ 16,070 | \$ 15,950 | \$ 120 |
| Trade receivables, net | 9,704 | 9,704 | — |
| Prepaid and other current assets | 11,476 | 10,615 | 861 |
| Property and equipment, net | 11,565 | 1,244 | 10,321 |
| Intangibles, net | 118,265 | 18,265 | 100,000 |
| Goodwill, net | 178,521 | 89,135 | 89,386 |
| Other noncurrent assets | 5,377 | — | 5,377 |
| Total Assets | \$ 350,978 | \$ 144,913 | \$ 206,065 |
| Accrued liabilities | \$ 13,243 | \$ 12,703 | \$ 540 |
| Other noncurrent liabilities | 11,314 | — | 11,314 |
| Noncontrolling interest | 255,016 | 60,805 | 194,211 |
| Total stockholders' equity | 71,405 | 71,405 | — |
| Total liabilities and stockholders' equity | \$ 350,978 | \$ 144,913 | \$ 206,065 |
| % of Consolidated Assets | 4.3% | 1.8% | 2.5% |

The Company's Condensed Consolidated Statement of Cash Flows includes the cash from the variable interest entities in its investing activities.

8. Subsequent Event

In August 2004, the Company and Televisa finalized working capital adjustments related to the Company's Fonovisa acquisition completed in April 2002. The Company received approximately \$16,500,000 which has been accounted for as an adjustment to the Fonovisa purchase price resulting in a reduction to goodwill and minor adjustments to certain current assets and liabilities.

Part I, Item 2**UNIVISION COMMUNICATIONS INC. AND SUBSIDIARIES****Form 10-Q****Management's Discussion and Analysis of Financial Condition and Results of Operations****Executive Summary**

Univision Communications Inc., together with its wholly owned subsidiaries (the "Company," "we," "us" and "our"), operates in four business segments:

- *Television* : The Company's principal business segment is television, which consists primarily of the Univision and TeleFutura national broadcast networks, the Company's owned and/or operated television stations, and the Galavisión cable television network. For the six months ended June 30, 2004, the television segment accounted for approximately 72% of the Company's net revenues.
- *Radio* : On September 22, 2003, the Company completed its acquisition of Hispanic Broadcasting Corporation ("HBC"), now called Univision Radio. Univision Radio is the largest Spanish-language radio broadcasting company in the United States. For the six months ended June 30, 2004, the radio segment accounted for approximately 18% of the Company's net revenues.
- *Music* : The Company's music recording and music publishing business, launched in April 2001, includes the Univision Records label, the Fonovisa Records label and Disa Records, which the Company began to consolidate on March 31, 2004 (See Note 7 to the Condensed Consolidated Financial Statements). For the six months ended June 30, 2004, the music segment accounted for approximately 9% of the Company's net revenues.
- *Internet* : Univision Online, Inc. operates the Company's Internet portal, Univision.com, which provides Spanish-language content directed at Hispanics in the U.S., Mexico and Latin America. For the six months ended June 30, 2004, the Internet segment accounted for approximately 1% of the Company's net revenues.

The majority of the Company's net revenues have been derived from its television segment. Television net revenues are generated from the sale of network, national and local spot advertising time, net of agency commissions, and station compensation paid to certain affiliates, as well as subscriber fees.

Also included in the Company's total net revenues are the net revenues of Univision Radio, Univision Music Group, Univision Online and other revenues. Univision Radio's primary source of revenues is the sale of broadcasting time for advertising, with a majority of revenues coming from local advertising and the remainder primarily from national spot advertising.

Direct operating expenses consist primarily of programming, news and technical costs. Our program license agreements (the "Program License Agreements") with Grupo Televisa S.A. and its affiliates ("Televisa") and Corporacion Venezolana del Television, C.A. (VENEVISION) and its affiliates ("Venevision") accounted for approximately 15% in the six months ended June 30, 2004 and approximately 18% in the six months ended June 30, 2003 of our operating expenses.

In addition to ongoing operations, management spent a significant amount of time focusing on several areas of expansion for the Company during the six months ended June 30, 2004. We acquired the assets of two radio stations and one television station for a purchase price totaling approximately \$133,000,000 in the first quarter of 2004. Management spent a considerable amount of time on the integration of Univision Radio, which was acquired September 22, 2003. In March 2004, the Company

purchased a building used primarily by its Los Angeles television stations for \$52,500,000. The Company had previously capitalized the lease as a fixed asset for \$42,000,000.

In the six months ended June 30, 2004, the Company recorded stock dividend income of \$5,547,000 (\$4,799,000 net of tax) in connection with its investment in Equity Broadcasting Corporation. Since the Company converted the accounting for its investment in Entravision Communications Corporations ("Entravision") from the equity method to the cost method effective September 2003, the Company did not record Entravision equity income or loss in its results of operations for the six months ended June 30, 2004. During the six months ended 2003 the Company recorded an equity loss in unconsolidated subsidiary related to Entravision of approximately \$2,800,000 (\$1,700,000 net of tax).

In the second quarter of 2004, the Company recorded a tax benefit of \$4,737,000 due to the resolution of various federal and state income tax audits.

Under the guidelines of FIN 46, the Company began consolidating its investment in Disa Records, S.A. de C.V. ("Disa") and WLII, which owns two television stations in Puerto Rico, as variable interest entities as of March 31, 2004. Prior periods were not restated upon the adoption of FIN 46. The Company consolidated the balance sheets of the variable interest entities as of March 31, 2004 and their statements of operations beginning April 1, 2004. The consolidation of these entities had a positive impact on operations. See Note 7 to the Condensed Consolidated Financial Statements for the impact of the variable interest entities on the Company's consolidated balance sheet and results of operations.

Critical Accounting Policies

Program Rights for Television Broadcast

Program costs pursuant to the Program License Agreements are expensed monthly by the Company as a license fee, which is based principally on a percentage of the Company's net revenues. All other costs incurred in connection with the production of or purchase of rights to programs that are ready, available and to be broadcast within one year are classified as current assets, while costs of those programs to be broadcast subsequently are considered non-current. Program costs are charged to operating expense as the programs are broadcast. In the case of multi-year sports contracts, program costs are charged to operating expense based on the flow-of-income method over the term of the contract.

Revenue Recognition

The Company's television and radio revenues are recognized when advertising spots are aired, less agency commissions and television station compensation costs paid to certain affiliates. Television subscriber fees and a network service fee payable to the Company by the affiliated stations are recognized as programming is aired. Univision Music Group revenues are recognized when products are shipped to customers less an allowance for returns, cooperative advertising and discounts. The Internet business consists primarily of banner and sponsorship advertising revenues. Banner revenues are recognized as "impressions" are delivered and sponsorship revenues are recognized ratably over their contract period. "Impressions" are defined as the number of times that an advertisement appears in pages viewed by users of the Company's online properties.

Accounting for Intangibles and Impairment

Since the adoption of SFAS No. 142 in 2001, goodwill and other intangibles with an indefinite life, such as broadcast licenses, ceased being amortized after December 31, 2001. The television and radio broadcast licenses have an indefinite life because the Company expects to renew them and renewals are

routinely granted with little cost, provided that the licensee has complied with the applicable rules and regulations of the Federal Communications Commission ("FCC"). Over the last five years, all television and radio licenses that have been up for renewal have been renewed, and there has been no compelling challenge to the license renewal. The technology used in broadcasting is not expected to be replaced by another technology in the foreseeable future. Therefore, the television and radio broadcast licenses and the related cash flows are expected to continue indefinitely. These indefinite cash flows indicate that the broadcast licenses have an indefinite useful life. Therefore, a license would not be amortized until its useful life is deemed to no longer be indefinite. The licenses, other indefinite-lived intangible assets and goodwill are tested at least annually (as of October 1) for impairment, or more frequently if circumstances indicate a possible impairment exists, in accordance with paragraph 17 of SFAS No. 142 and the Emerging Issues Task Force Issue 02-07, "Unit of Accounting for Testing Impairment of Indefinite-lived Intangible Assets" ("EITF 02-07"). The Company evaluated its licenses, other indefinite-lived intangible assets and goodwill, as of October 1, 2003, in accordance with the guidelines of SFAS No. 142 as it relates to assessing impairment and concluded that it did not have an impairment loss related to these assets. The Company will record a loss if and when it believes its licenses, other indefinite-lived assets and goodwill has been impaired. In addition, under SFAS No. 141, an acquired intangible asset should be separately recognized if the benefit of the intangible is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented, or exchanged. Intangible assets with measurable lives will be amortized over their respective useful lives. The use of the purchase method of accounting requires management to make certain judgments in estimates related to the fair value of assets acquired.

Equity and Cost Method Valuation and Impairment

The Company's most significant cost method investment is its investment in Entravision. In connection with the completion of the HBC acquisition, the Company restructured its ownership interest in Entravision by exchanging its common stock for non-voting preferred stock. In September 2003, the Company began accounting for its investment in Entravision under the cost method of accounting. As a result, the Company has ceased recording an equity interest in the earnings or losses of Entravision. The Company's investment in St. Louis/Denver LLC is accounted for under the equity method of accounting, and its investment in Equity Broadcasting Corporation is accounted for under the cost method of accounting. The Company will record an impairment charge if and when it believes any investment has experienced a decline in value that is other than temporary. The Company evaluates changes in market conditions and/or operating results of its underlying investments that may result in the inability to recover the carrying value of the investments. Until March 31, 2004, the Company accounted for Disa under the equity method of accounting as well. Under the guidelines of FIN 46, the Company's investment in Disa began being consolidated as a variable interest entity as of March 31, 2004 (See Note 7 to the Condensed Consolidated Financial Statements).

Related Party Transaction

Televisa and Venevision, which are principal stockholders of the Company, have program license agreements with us that provide our three networks with a substantial amount of programming. The Company currently pays a license fee of approximately 15% of television net revenues to Televisa and Venevision for their programming, subject to certain upward adjustments. The Company believes that the program license agreements and all other agreements with Televisa and Venevision have been negotiated as arms-length transactions.

Overview

In comparing our results of operations for the second quarter and six months ended 2004 with those of the comparable periods in 2003 the following, which is explained above in detail, should be noted:

- The results of operations of Univision Radio (acquired September 22, 2003) are in the second quarter and six months ended June 30, 2004 and are not in the second quarter or six months ended June 30, 2003.
- The Company has dividend income in the second quarter and six months ended June 30, 2004 of approximately \$453,000 (\$399,000) and \$5,547,000 (\$4,799,000 net of tax), respectively, in connection with its investment in Equity Broadcasting Corporation. The Company was not entitled to and therefore did not record dividend income in 2003.
- The Company did not record Entravision equity income or loss in its results of operating in 2004, but did record equity income in unconsolidated subsidiary related to Entravision of approximately \$1,800,000 (\$1,100,000 net of tax) and an equity loss of \$2,800,000 (\$1,700,000 net of tax) in the second quarter and six months ended June 30, 2003, respectively.
- In the second quarter of 2004, the Company recorded a tax benefit of \$4,737,000 due to the resolution of various federal and state income tax audits.
- Under the guidelines of FIN 46, the Company began consolidating its investment in Disa and WLII, which owns two television stations in Puerto Rico, as variable interest entities as of March 31, 2004. The Company consolidated the balance sheets of the variable interest entities as of March 31, 2004 and their results of operations beginning April 1, 2004. The impact of the variable interest entities on the results of operations of the Company is explained below for the three and six months ended June 30, 2004.

Six Months Ended June 30, 2004 ("2004"), Compared to Six Months Ended June 30, 2003 ("2003")

Revenues. Net revenues were \$848,175,000 in 2004 compared to \$581,842,000 in 2003, an increase of \$266,333,000 or 45.8%. Existing operations accounted for 14%, while 26.5% was attributable to the radio business, resulting from our acquisition of HBC on September 22, 2003, and 5.3% to the variable interest entities that began to be consolidated by the Company on March 31, 2004. The Company's television segment revenues were \$608,950,000 in 2004 compared to \$519,361,000 in 2003, an increase of \$89,589,000 or 17.2%. The growth was primarily attributable to the Company's three television networks, resulting primarily from increased viewership and higher rates for advertising spots. The owned-and-operated stations also had increased revenues, attributable primarily to the Los Angeles, Phoenix, New York, Austin, and Sacramento markets, as well as to our new station in Raleigh, offset in part by small decreases in the San Francisco, Houston and Dallas markets. The variable interest entity, WLII, added \$14,254,000, or 2.7% to the net revenues of the television segment. The Company's radio segment, which began operating for the Company following the acquisition of HBC on September 22, 2003, generated revenues of \$154,312,000 in 2004. The Company's music segment generated revenues of \$76,773,000 in 2004 compared to \$56,613,000 in 2003, an increase of \$20,160,000 or 35.6%. The variable interest entity, Disa, added \$16,350,000, or 28.9%, to the net revenues of the music segment. The remainder of the increase is due primarily to the success of certain album releases in 2004. The Company's Internet segment had revenues of \$8,140,000 in 2004 compared to \$5,868,000 in 2003, an increase of \$2,272,000 or 38.7%, primarily related to an increase in advertisers.

Expenses. Direct operating expenses increased to \$318,791,000 in 2004 from \$242,741,000 in 2003, an increase of \$76,050,000 or 31.3%. Existing operations accounted for 11.8%, while 12.4% was attributable to the radio business and 7.1% to the variable interest entities. The Company's television segment direct operating expenses were \$239,231,000 in 2004 compared to \$203,396,000 in 2003, an

increase of \$35,835,000 or 17.6%. The increase is due to increased programming costs of \$11,905,000, increased license fees of \$11,392,000 paid under our Program License Agreements, increased news and technical costs of \$3,990,000, sports-related programming costs of \$503,000 and variable interest entity costs related to WLII of \$8,045,000. The Company's radio segment had direct operating expenses of \$30,221,000 in 2004. The Company's music segment's direct operating expenses were \$42,711,000 in 2004 compared to \$32,502,000 in 2003, an increase of \$10,209,000. The music segment's variable interest entity cost related to Disa was \$9,155,000. The Company's Internet segment had direct operating expenses of \$6,628,000 in 2004 compared to \$6,843,000 in 2003, an improvement of \$215,000 or 3.1%. As a percentage of net revenues, the Company's direct operating expenses decreased from 41.7% in 2003 to 37.6% in 2004.

Selling, general and administrative expenses increased to \$261,740,000 in 2004 from \$163,703,000 in 2003, an increase of \$98,037,000 or 59.9%. Existing operations accounted for 10.6%, while 44.9% was attributable to the radio business and 4.4% to the variable interest entities. The Company's television segment selling, general and administrative expenses were \$160,322,000 in 2004 compared to \$140,817,000 in 2003, an increase of \$19,505,000 or 13.9%. The increase is due in part to increased compensation costs of \$6,511,000, increased selling costs of \$2,408,000 reflecting higher sales in 2004, increased research costs of \$1,692,000, increased employee benefit costs of \$1,163,000 and variable interest entity costs related to WLII of \$4,445,000. The Company's radio segment had selling, general and administrative expenses of \$73,460,000 in 2004. The Company's music segment had selling, general and administrative expenses of \$21,893,000 in 2004 compared to \$17,762,000 in 2003, an increase of \$4,131,000. The music segment's variable interest entity cost related to Disa was \$2,777,000. The Company's Internet segment had selling, general and administrative expenses of \$6,065,000 in 2004 compared to \$5,124,000 in 2003, an increase of \$941,000, in part related to increased selling costs. As a percentage of net revenues, the Company's selling, general and administrative expenses increased from 28.1% in 2003 to 30.9% in 2004.

Depreciation and Amortization. Depreciation and amortization increased to \$51,989,000 in 2004 from \$39,240,000 in 2003, an increase of \$12,749,000 or 32.5%. The radio business accounted for 25.9%, the variable interest entities accounted for 9.6%, while existing operations accounted for a decrease of 3%. The Company's depreciation expense increased to \$40,356,000 in 2004 from \$33,543,000 in 2003, an increase of \$6,813,000 primarily due to increased capital expenditures and acquisitions. The variable interest entities accounted for \$444,000 of the increase. The Company had amortization of intangible assets of \$11,633,000 and \$5,697,000 in 2004 and 2003, respectively, an increase of \$5,936,000, which is due primarily to an increase of \$4,165,000 related to the acquisition of HBC on September 22, 2003 and \$3,305,000 related to the variable interest entities, offset in part by a reduction of intangible assets being amortized, primarily artist contracts, acquired as a result of our acquisition of Fonovisa in April 2002 of \$1,536,000. Depreciation and amortization expense for the television segment increased by \$1,093,000 to \$32,332,000 in 2004 from \$31,239,000 in 2003 due to increased depreciation primarily related to higher capital expenditures and station assets acquired. Depreciation and amortization related to the television variable interest entity, WLII, was \$387,000. Depreciation and amortization expense for the radio segment was \$10,179,000 in 2004, \$6,014,000 related to depreciation expense and \$4,165,000 to intangible amortization related to the preliminary valuation of amortizable identified intangibles, primarily advertising contracts, acquired as a result of our acquisition of HBC in September 2003. Advertiser contracts are being amortized over a nine-month period that expired in June 2004. Depreciation and amortization expense for the music segment increased by \$2,033,000 to \$7,425,000 in 2004 from \$5,392,000 in 2003. The music variable interest entity, Disa, accounted for \$3,362,000 of the increase, which was offset by decrease of \$1,329,000 related to the reduction of intangible assets being amortized, primarily related to artist contracts. These contracts acquired from Fonovisa are being amortized over 10 years, but most will be amortized in the first three years following the acquisition. Depreciation and amortization expense for the Internet segment decreased by \$556,000 to \$2,053,000 in 2004 from \$2,609,000 in 2003.

Operating Income. As a result of the above factors, operating income increased to \$215,655,000 in 2004 from \$136,158,000 in 2003, an increase of \$79,497,000 or 58.4%. Existing operations accounted for 26.9%, while 29.7% was attributable to the radio business and 1.8% to the variable interest entities. The Company's television segment had operating income of \$177,065,000 in 2004 and \$143,909,000 in 2003, an increase of \$33,156,000. Operating income related to the television variable interest entity, WLII, was \$1,377,000. The Company's radio segment had operating income of \$40,452,000 in 2004. The Company's music segment had operating income of \$4,744,000 in 2004 and \$957,000 in 2003, an increase of \$3,787,000. Operating income related to the music variable interest entity, Disa, was \$1,056,000. The Company's Internet segment had an operating loss of \$6,606,000 in 2004 and \$8,708,000 in 2003, an improvement of \$2,102,000. The Company's Internet segment is expected to generate an operating loss in 2004. This loss is not expected to have a material impact on the financial condition of the Company. As a percentage of net revenues, the Company's operating income increased from 23.4% in 2003 to 25.4% in 2004.

Interest Expense, Net. Interest expense decreased to \$31,079,000 in 2004 from \$37,211,000 in 2003, a decrease of \$6,132,000 or 16.5%. The decrease is due primarily to lower interest rates on borrowings.

Stock dividend. In January 2004, the Company, Equity Broadcasting Corporation ("EBC") and others agreed to amend EBC's Articles of Incorporation to allow shares of Series A convertible preferred stock of EBC to receive a stock dividend of 7% of the original issue price commencing on the date of the initial issuance, which was June 8, 2001. The dividend would be paid in preference to all other junior stock as and when declared or on liquidation, would be added to amounts received on redemption and would be converted on conversion into common stock. Since the Company was not entitled to the dividend prior to January 2004, the Company recorded a stock dividend of \$5,094,000 in the first quarter of 2004 based on the Company's initial investment of approximately \$26,000,000 made in June 2001. The Series A convertible preferred stock has a mandatory redemption date of June 8, 2008. The stock dividend income for the six months ended June 30, 2004 was \$5,547,000. The EBC stockholders approved the Articles amendment in July 2004.

Noncontrolling interest. Under the guidelines of FIN 46, the Company is required to consolidate the assets, liabilities and operating results of Disa, which is owned 50% by the Company and 50% by the Chavez family, and WLII, which is owned 100% by Raycom (See Note 7 to the Condensed Consolidated Financial Statements). Consequently, the Company recorded a noncontrolling interest charge of \$1,496,000 in 2004, which consists of \$417,000 related to the Chavez family's 50% ownership of Disa and \$1,079,000 related to Raycom's 100% ownership of WLII. By recording noncontrolling interest (the portion not owned by the Company), the results of operations of the VIEs do not have an impact on our net income. The equity method of accounting and the VIE consolidation of Disa have the same effect on the Company's net income. WLII's net income has no impact on our net income since Raycom owns 100% of WLII.

Equity Loss in Unconsolidated Subsidiaries and Other. Equity loss in unconsolidated subsidiaries and other decreased to \$1,967,000 in 2004 from \$8,018,000 in 2003, an improvement of \$6,051,000 due to lower equity losses of \$6,628,000, offset by net losses of \$577,000 related to other various items. In September 2003, the Company began accounting for its investment in Entravision under the cost method of accounting, as a result of the HBC acquisition. Therefore, the Company did not record an Entravision equity income or loss in its results of operating in 2004, but did record an equity loss in unconsolidated subsidiary related to its Entravision investment of \$4,273,000 in 2003. Under the guidelines of FIN 46, the Company began consolidating the VIE, Disa, as of March 31, 2004, which had been previously reported under the equity method. As a result, the Company had a decrease of \$3,275,000 in equity loss in unconsolidated subsidiaries in 2004 when compared to 2003. There were other equity loss increases of \$920,000 when comparing 2004 to 2003.

Gain on Change in Entravision Ownership Interest. The gain on change in Entravision ownership interest was \$1,457,000 in 2003. These gains were derived in accordance with Securities and Exchange Commission guidelines, Staff Accounting Bulletin No. 51 "Accounting for the Sale of Stock by a Subsidiary," which allowed the Company to recognize gains and losses from its unconsolidated subsidiaries' stock issuances. In September 2003, the Company began accounting for its investment in Entravision under the cost method of accounting, as a result of the HBC acquisition, and stopped recognizing these gains and losses.

Provision for Income Taxes. In 2004, the Company reported an income tax provision of \$69,593,000, representing \$40,612,000 of current tax expense and \$28,981,000 of deferred tax expense. In 2003, the Company reported an income tax provision of \$36,112,000, representing \$19,100,000 of current tax expense and \$17,012,000 of deferred tax expense. The total effective tax rate was 37.6% in 2004 and 40% in 2003. The Company's effective tax rate of 37.6% for 2004 is lower than the 40% for 2003 due primarily to a tax benefit recorded in the second quarter of 2004 of \$4,737,000, resulting from the resolution of various federal and state income tax audits, offset in part by the favorable settlement of various state tax audits in the first quarter of 2003.

Net Income. As a result of the above factors, the Company reported net income in 2004 of \$115,297,000 compared to net income of \$54,372,000 in 2003, an increase of \$60,925,000 or 112.1%. Following the adoption of FIN 46 on March 31, 2004, the Company's inclusion of the variable interest entities, Disa and WLII, in the Company's results of operations did not have an impact on our net income. The equity method of accounting and the VIE consolidation of Disa have the same effect on the Company's net income. WLII's net income had no impact on our net income since Raycom owns 100% of WLII. As a percentage of net revenues, the Company's net income increased from 9.3% in 2003 to 13.6% in 2004.

Operating Income before Depreciation and Amortization. Operating income before depreciation and amortization increased to \$267,644,000 in 2004 from \$175,398,000 in 2003, an increase of \$92,246,000 or 52.6%. Existing operations accounted for 20.2%, while 28.9% was attributable to the radio business and 3.5% to the variable interest entities. As a percentage of net revenues, the Company's operating income before depreciation and amortization increased from 30.1% in 2003 to 31.6% in 2004.

The Company uses the key indicator of "operating income before depreciation and amortization" primarily to evaluate the Company's operating performance and for planning and forecasting future business operations. In addition, this key indicator is commonly used as a measure of performance for broadcast companies, is used by investors to measure a company's ability to service debt and other cash needs, and provides investors the opportunity to evaluate the Company's performance as it is viewed by management. Operating income before depreciation and amortization is not, and should not be used as, an indicator of or an alternative to operating income, net income or cash flow as reflected in the consolidated financial statements, is not a measure of financial performance under generally accepted accounting principles ("GAAP") and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Since the definition of operating income before depreciation and amortization may vary among companies and industries it should not be used as a measure of performance among companies. In accordance with SEC guidelines, the Company is providing on a consolidated basis a reconciliation of the non-GAAP term operating income before

depreciation and amortization to net income, which is the most directly comparable GAAP financial measure, and to operating income for the segments for the six months ended June 30, 2004 and 2003:

| (Dollars in thousands) | Six Months Ended June 30, | |
|---|------------------------------|-------------|
| | 2004 | 2003 |
| | (unaudited) | (unaudited) |
| Operating income before depreciation and amortization | \$ 267,644 | \$ 175,398 |
| Depreciation and amortization | 51,989 | 39,240 |
| Operating income | 215,655 | 136,158 |
| Other expense / (income): | | |
| Interest expense, net | 31,079 | 37,211 |
| Amortization of deferred financing costs | 1,770 | 1,902 |
| Stock dividend | (5,547) | — |
| Equity loss in unconsolidated subsidiaries and other | 1,967 | 8,018 |
| Gain on change in Entravision ownership interest | — | (1,457) |
| Noncontrolling interest | 1,496 | — |
| Provision for income taxes | 69,593 | 36,112 |
| Net income | \$ 115,297 | \$ 54,372 |

Six Months Ended June 30, 2004

| (Dollars in thousands) | Consolidated | Television | Radio | Music | Internet |
|--|---------------|---------------|-----------|--------------|------------|
| Operating income (loss) before depreciation and amortization | \$ 267,644(a) | \$ 209,397(a) | \$ 50,631 | \$ 12,169(a) | \$ (4,553) |
| Depreciation and amortization | 51,989 | 32,332 | 10,179 | 7,425 | 2,053 |
| Operating income (loss) | \$ 215,655 | \$ 177,065 | \$ 40,452 | \$ 4,744 | \$ (6,606) |

- (a) Consolidated VIE operating income before depreciation and amortization totaled \$6,182, the television and music VIEs contributed \$1,764 and \$4,418 to the total, respectively.

Six Months Ended June 30, 2003

| | Consolidated | Television | Radio(b) | Music | Internet |
|--|--------------|------------|----------|----------|------------|
| Operating income (loss) before depreciation and amortization | \$ 175,398 | \$ 175,148 | \$ — | \$ 6,349 | \$ (6,099) |
| Depreciation and amortization | 39,240 | 31,239 | — | 5,392 | 2,609 |
| Operating income (loss) | \$ 136,158 | \$ 143,909 | \$ — | \$ 957 | \$ (8,708) |

- (b) Univision Radio acquired 9/22/03

Three Months Ended June 30, 2004 ("2004"), Compared to Three Months Ended June 30, 2003 ("2003")

Revenues. Net revenues were \$495,291,000 in 2004 compared to \$320,187,000 in 2003, an increase of \$175,104,000 or 54.7%. Existing operations accounted for 16.7%, while 28.4% was attributable to the radio business, resulting from our acquisition of HBC on

September 22, 2003, and 9.6% to the variable interest entities that began to be consolidated by the Company on March 31, 2004. The Company's television segment revenues were \$349,644,000 in 2004 compared to \$287,922,000 in 2003, an increase of \$61,722,000 or 21.4%. The growth was primarily attributable to the Company's three television networks, resulting primarily from increased viewership and higher rates for advertising spots. The

owned-and-operated stations also had increased revenues, attributable primarily to the Los Angeles, Phoenix, New York, Houston and Austin markets, offset in part by a small decrease in the Dallas market. The variable interest entity, WLII, added \$14,254,000, or 5% to the net revenues of the television segment. The Company's radio segment, which began operating for the Company following the acquisition of HBC on September 22, 2003, generated revenues of \$91,047,000 in 2004. The Company's music segment generated revenues of \$50,375,000 in 2004 compared to \$29,130,000 in 2003, an increase of \$21,245,000 or 72.9%. The variable interest entity, Disa, added \$16,350,000, or 56.1% to the net revenues of the music segment. The remainder of the increase is due primarily to the success of certain album releases in 2004. The Company's Internet segment had revenues of \$4,225,000 in 2004 compared to \$3,135,000 in 2003, an increase of \$1,090,000 or 34.8%, primarily related to an increase in advertisers.

Expenses. Direct operating expenses increased to \$171,275,000 in 2004 from \$124,680,000 in 2003, an increase of \$46,595,000 or 37.4%. Existing operations accounted for 11.3%, while 12.3% was attributable to the radio business and 13.8% to the variable interest entities. The Company's television segment direct operating expenses were \$125,378,000 in 2004 compared to \$104,486,000 in 2003, an increase of \$20,892,000 or 20%. The increase is due to increased programming costs of \$3,413,000, increased license fees paid of \$7,426,000 under our Program License Agreements, increased news and technical costs of \$2,008,000 and variable interest entity costs related to WLII of \$8,045,000. The Company's radio segment had direct operating expenses of \$15,290,000 in 2004. The Company's music segment's direct operating expenses were \$27,275,000 in 2004 compared to \$17,077,000 in 2003, an increase of \$10,198,000. The music segment's variable interest entity cost related to Disa was \$9,155,000. The Company's Internet segment had direct operating expenses of \$3,332,000 in 2004 compared to \$3,117,000 in 2003, an increase of \$215,000 or 6.9%. As a percentage of net revenues, the Company's direct operating expenses decreased from 38.9% in 2003 to 34.6% in 2004.

Selling, general and administrative expenses increased to \$146,509,000 in 2004 from \$87,316,000 in 2003, an increase of \$59,193,000 or 67.8%. Existing operations accounted for 12.6%, while 46.9% was attributable to the radio business and 8.3% to the variable interest entities. The Company's television segment selling, general and administrative expenses were \$89,924,000 in 2004 compared to \$75,523,000 in 2003, an increase of \$14,401,000 or 19.1%. The increase is due in part to increased compensation costs of \$5,401,000, increased selling costs of \$1,042,000 reflecting higher sales in 2004, increased research costs of \$758,000 and variable interest entity costs related to WLII of \$4,445,000. The Company's radio segment had selling, general and administrative expenses of \$40,939,000 in 2004. The Company's music segment had selling, general and administrative expenses of \$12,690,000 in 2004 compared to \$9,271,000 in 2003, an increase of \$3,419,000. The music segment's variable interest entity cost related to Disa was \$2,777,000. The Company's Internet segment had selling, general and administrative expenses of \$2,956,000 in 2004 compared to \$2,522,000 in 2003, an increase of \$434,000, in part related to increased selling costs. As a percentage of net revenues, the Company's selling, general and administrative expenses increased from 27.3% in 2003 to 29.6% in 2004.

Depreciation and Amortization. Depreciation and amortization increased to \$27,303,000 in 2004 from \$19,448,000 in 2003, an increase of \$7,855,000 or 40.4%. The radio business accounted for 25.9% and the variable interest entities for 19.3%, while existing operations accounted for a decrease of 4.8%. The Company's depreciation expense increased to \$20,129,000 in 2004 from \$16,952,000 in 2003, an increase of \$3,177,000 primarily due to increased capital expenditures and acquisitions. The variable interest entities accounted for \$444,000 of the increase. The Company had amortization of intangible assets of \$7,174,000 and \$2,496,000 in 2004 and 2003, respectively, an increase of \$4,678,000, which is due primarily to an increase of \$2,028,000 related to the acquisition of HBC on September 22, 2003 and \$3,305,000 related to the variable interest entities, offset in part by a reduction of intangible assets being amortized, primarily artist contracts, acquired as a result of our acquisition of Fonovisa in April 2002 of \$661,000. Depreciation and amortization expense for the television segment increased by

\$293,000 to \$16,083,000 in 2004 from \$15,790,000 in 2003 due to increased depreciation primarily related to higher capital expenditures and station assets acquired. Depreciation and amortization related to the television variable interest entity, WLII, was \$387,000. Depreciation and amortization expense for the radio segment was \$5,044,000 in 2004, \$3,016,000 related to depreciation expense and \$2,028,000 to intangible amortization related to the preliminary valuation of amortizable identified intangibles, primarily advertising contracts, acquired as a result of our acquisition of HBC in September 2003. Advertiser contracts are being amortized over a nine-month period that expired in June 2004. Depreciation and amortization expense for the music segment increased by \$2,775,000 to \$5,151,000 in 2004 from \$2,376,000 in 2003. The music variable interest entity, Disa, accounted for \$3,362,000 of the increase, which was offset by decrease of \$587,000 related to the reduction of intangible assets being amortized, primarily related to artist contracts. These contracts acquired from Fonovisa are being amortized over 10 years, but most will be amortized in the first three years following the acquisition. Depreciation and amortization expense for the Internet segment decreased by \$257,000 to \$1,025,000 in 2004 from \$1,282,000 in 2003.

Operating Income. As a result of the above factors, operating income increased to \$150,204,000 in 2004 from \$88,743,000 in 2003, an increase of \$61,461,000 or 69.3%. Existing operations accounted for 33%, while 33.6% was attributable to the radio business and 2.7% to the variable interest entities. The Company's television segment had operating income of \$118,259,000 in 2004 and \$92,123,000 in 2003, an increase of \$26,136,000. Operating income related to the television variable interest entity, WLII was \$1,377,000. The Company's radio segment had operating income of \$29,774,000 in 2004. The Company's music segment had an operating income of \$5,259,000 in 2004 and \$406,000 in 2003, an increase of \$4,853,000. Operating income related to the music variable interest entity, Disa, was \$1,056,000. The Company's Internet segment had an operating loss of \$3,088,000 in 2004 and \$3,786,000 in 2003, an improvement of \$698,000. The Company's Internet segment is expected to generate an operating loss in 2004. This loss is not expected to have a material impact on the financial condition of the Company. As a percentage of net revenues, the Company's operating income increased from 27.7% in 2003 to 30.3% in 2004.

Interest Expense, Net. Interest expense decreased to \$15,396,000 in 2004 from \$18,619,000 in 2003, a decrease of \$3,223,000 or 17.3%. The decrease is due primarily to lower interest rates on borrowings.

Stock dividend. The Company recorded a stock dividend income for the three months ended June 30, 2004 of \$453,000.

Noncontrolling interest. The Company recorded a noncontrolling interest charge of \$1,496,000 in 2004, which consists of \$417,000 related to the Chavez family's 50% ownership of Disa and \$1,079,000 related to Raycom's 100% ownership of WLII. By recording noncontrolling interest (the portion not owned by the Company), the results of operations of the VIEs do not have an impact on our net income. The equity method of accounting and the VIE consolidation of Disa have the same effect on the Company's net income. WLII's net income has no impact on our net income since Raycom owns 100% of WLII.

Equity Loss in Unconsolidated Subsidiaries and Other. Equity loss in unconsolidated subsidiaries and other decreased to \$864,000 in 2004 from \$1,522,000 in 2003, an improvement of \$658,000 due to lower equity losses of \$1,180,000, offset by net losses of \$522,000 related to other various items. Under the guidelines of FIN 46, the Company began consolidating the VIE, Disa, as of March 31, 2004, which had been previously reported under the equity method. As a result, the Company had a decrease of \$1,319,000 in equity loss in unconsolidated subsidiaries in 2004 when compared to 2003. There were other equity loss increases of \$139,000 when comparing 2004 to 2003.

Gain on Change in Entravision Ownership Interest. The gain on change in Entravision ownership interest was \$1,753,000 in 2003. These gains were derived in accordance with Securities and Exchange

Commission guidelines, Staff Accounting Bulletin No. 51 "Accounting for the Sale of Stock by a Subsidiary," which allowed the Company to recognize gains and losses from its unconsolidated subsidiaries' stock issuances. In September 2003, the Company began accounting for its investment in Entravision under the cost method of accounting, as a result of the HBC acquisition, and stopped recognizing these gains and losses.

Provision for Income Taxes. In 2004, the Company reported an income tax provision of \$48,266,000, representing \$27,175,000 of current tax expense and \$21,091,000 of deferred tax expense. In 2003, the Company reported an income tax provision of \$27,791,000, representing \$13,958,000 of current tax expense and \$13,833,000 of deferred tax expense. The total effective tax rate was 36.6% in 2004 and 40% in 2003. The Company's effective tax rate of 36.6% for 2004 is lower than the 40% for 2003 due primarily to a tax benefit recorded in the second quarter of 2004 of \$4,737,000, resulting from the resolution of various federal and state income tax audits.

Net Income. As a result of the above factors, the Company reported net income in 2004 of \$83,744,000 compared to net income of \$41,613,000 in 2003, an increase of \$42,131,000 or 101.2%. Following the adoption of FIN 46 on March 31, 2004, the Company's inclusion of the variable interest entities, Disa and WLII, in the Company's results of operations did not have an impact on our net income. The equity method of accounting and the VIE consolidation of Disa have the same effect on the Company's net income. WLII's net income had no impact on the our net income since Raycom owns 100% of WLII. As a percentage of net revenues, the Company's net income increased from 13% in 2003 to 16.9% in 2004.

Operating Income before Depreciation and Amortization. Operating income before depreciation and amortization increased to \$177,507,000 in 2004 from \$108,191,000 in 2003, an increase of \$69,316,000 or 64.1%. Existing operations accounted for 26.2%, while 32.2% was attributable to the radio business and 5.7% to the variable interest entities. As a percentage of net revenues, the Company's operating income before depreciation and amortization decreased from 33.8% in 2003 to 35.8% in 2004.

The Company uses the key indicator of "operating income before depreciation and amortization" primarily to evaluate the Company's operating performance and for planning and forecasting future business operations. In addition, this key indicator is commonly used as a measure of performance for broadcast companies, is used by investors to measure a company's ability to service debt and other cash needs, and provides investors the opportunity to evaluate the Company's performance as it is viewed by management. Operating income before depreciation and amortization is not, and should not be used as, an indicator of or an alternative to operating income, net income or cash flow as reflected in the consolidated financial statements, is not a measure of financial performance under GAAP and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Since the definition of operating income before depreciation and amortization may vary among companies and industries it should not be used as a measure of performance among companies. In accordance with SEC guidelines, the Company is providing on a consolidated basis a reconciliation of the non-GAAP term operating income before depreciation and amortization to net income, which is

the most directly comparable GAAP financial measure, and to operating income for the segments for the three months ended June 30, 2004 and 2003:

| (Dollars in thousands) | Three Months Ended June 30, | |
|---|--------------------------------|-------------|
| | 2004 | 2003 |
| | (unaudited) | (unaudited) |
| Operating income before depreciation and amortization | \$ 177,507 | \$ 108,191 |
| Depreciation and amortization | 27,303 | 19,448 |
| Operating income | 150,204 | 88,743 |
| Other expense / (income): | | |
| Interest expense, net | 15,396 | 18,619 |
| Amortization of deferred financing costs | 891 | 951 |
| Stock dividend | (453) | — |
| Equity loss in unconsolidated subsidiaries and other | 864 | 1,522 |
| Gain on change in Entravision ownership interest | — | (1,753) |
| Noncontrolling interest | 1,496 | — |
| Provision for income taxes | 48,266 | 27,791 |
| Net income | \$ 83,744 | \$ 41,613 |

| (Dollars in thousands) | Three Months Ended June 30, 2004 | | | | |
|--|----------------------------------|---------------|-----------|--------------|------------|
| | Consolidated | Television | Radio | Music | Internet |
| Operating income (loss) before depreciation and amortization | \$ 177,507(a) | \$ 134,342(a) | \$ 34,818 | \$ 10,410(a) | \$ (2,063) |
| Depreciation and amortization | 27,303 | 16,083 | 5,044 | 5,151 | 1,025 |
| Operating income (loss) | \$ 150,204 | \$ 118,259 | \$ 29,774 | \$ 5,259 | \$ (3,088) |

(a) Consolidated VIE operating income before depreciation and amortization totaled \$6,182, the television and music VIEs contributed \$1,764 and \$4,418 to the total, respectively.

| (Dollars in thousands) | Three Months Ended June 30, 2003 | | | | |
|--|----------------------------------|------------|----------|----------|------------|
| | Consolidated | Television | Radio(b) | Music | Internet |
| Operating income (loss) before depreciation and amortization | \$ 108,191 | \$ 107,913 | \$ — | \$ 2,782 | \$ (2,504) |
| Depreciation and amortization | 19,448 | 15,790 | — | 2,376 | 1,282 |
| Operating income (loss) | \$ 88,743 | \$ 92,123 | \$ — | \$ 406 | \$ (3,786) |

(b) Univision Radio acquired 9/22/03

Liquidity and Capital Resources

The Company's primary source of cash flow is its television and radio operations. Funds for debt service, capital expenditures and operations historically have been, and we expect will continue to be provided by, funds from operations and by borrowings. Cash flow from operations was \$172,255,000 for the six months ended June 30, 2004 and cash on hand at June 30, 2004 was \$79,733,000, including \$16,070,000 from the variable interest entities.

Capital Expenditures

Capital expenditures totaled \$82,543,000 for the six months ended June 30, 2004. This amount includes the purchase of a building used primarily by its Los Angeles television stations for \$52,500,000 in March 2004. The Company had previously capitalized the Los Angeles building lease as a fixed asset for approximately \$42,000,000. The Company's capital expenditures exclude the capitalized lease obligations of the Company. In 2004, the Company plans on spending approximately \$122,500,000, excluding the purchase of the Los Angeles building, which consists of \$18,000,000 for the build-out of the Houston, Puerto Rico, Austin and Fresno stations, \$26,000,000 for Univision Network upgrades and facilities expansion, \$17,500,000 for radio station facility upgrades, \$15,500,000 for towers, transmitters, antennas and digital technology, \$10,000,000 for TeleFutura Network upgrades and facilities expansion and approximately \$35,500,000 for normal capital improvements and management information systems.

Debt Instruments

The Company's 7.85% senior notes due 2011 have a face value of \$500,000,000 and bear simple interest at 7.85%. These senior notes pay interest on January 15 and July 15 of each year. On October 15, 2003, the Company issued three-, four- and five-year senior notes due 2006, 2007 and 2008 with a face value of \$700,000,000. The Company's 2.875%, 3.5% and 3.875% senior notes have a face value of \$250,000,000, \$200,000,000 and \$250,000,000, respectively. These senior notes pay simple interest on April 15 and October 15 of each year. As part of the \$700,000,000 note transaction the Company entered into a fixed-to-floating interest rate swap that results in a fair value hedge that is perfectly effective and the accounting is not expected to have a material impact on future earnings.

All of the Company's senior notes are the Company's senior unsecured obligations, are equal in right of payment with all of the Company's existing and future senior unsecured indebtedness, are senior in right of payment to any of the Company's future subordinated indebtedness and are fully and unconditionally guaranteed by all of the Company's guarantors, who are described below. The Company has the option to redeem all or a portion of the senior notes at any time at the redemption prices set forth in the note indenture. The indenture does not contain any provisions that would require us to repurchase or redeem or otherwise modify the terms of the senior notes upon a change of control. The indenture does not limit our ability to incur indebtedness or require the maintenance of financial ratios or specified levels of net worth or liquidity.

At June 30, 2004, the Company had a \$600,000,000 credit facility with a syndicate of commercial lenders. The credit facility consists of a \$100,000,000 term loan and a \$500,000,000 revolving credit facility. Both the term loan and the credit facility will mature on July 18, 2006. At June 30, 2004, the Company had borrowings of \$100,000,000 outstanding under its term loan and \$30,000,000 outstanding under its revolving credit facility. In addition, the Company has approximately \$30,000,000 of letters of credit outstanding, which primarily include \$20,000,000 that can be drawn upon under certain circumstances if the Company does not exercise its option to acquire the two Puerto Rico stations described below and \$8,000,000 related to the FIFA World Cup Agreement.

Loans made under the revolving credit facility and term loan bear interest determined by reference to LIBOR or a base rate equal to the higher of the prime rate of Chase Manhattan Bank or 0.50% per annum over the federal funds rate. Depending on the rating assigned by rating agencies to our senior

unsecured debt, the LIBOR interest rate margin on the Company's term loans ranges from 0.75% to 1.5% per annum and the base rate margin ranges from 0% to 0.50% per annum. The Company's LIBOR interest rate margin on its term loans was 1.25% for the six months ended June 30, 2004. During the six months ended June 30, 2004, the interest rates applicable to the Company's bank credit facilities ranged from approximately 2.34% to 2.77% for LIBOR rate loans and 4.25% for prime rate loans. The Company borrows at the prime rate from time to time but attempts to maintain these loans at a minimum. Interest is generally payable quarterly. During the six months ended 2004, the Company's effective interest rate on its bank debt and senior notes was approximately 4%.

The credit agreement contains customary covenants, including restrictions on liens and dividends, and financial covenants relating to interest coverage and maximum leverage. Under the credit agreement, the Company is also limited in the amount of other debt it can incur and in its ability to engage in mergers, sell assets and make material changes to its Program License Agreements in a manner the lenders determine is materially adverse to the Company. At June 30, 2004, the Company was in compliance with its financial covenants.

The subsidiaries that guarantee the Company's obligations under its credit agreement also guarantee the senior notes. The subsidiary guarantors under the credit facilities are all of our domestic subsidiaries other than certain immaterial subsidiaries. The guarantees are full and unconditional and joint and several and any subsidiaries of the Company other than the subsidiary guarantors are minor. Univision Communications Inc. is not a guarantor and has no independent assets or operations. The Company's variable interest entities, which are not owned by the Company, do not guarantee the Company's bank credit agreement or senior notes. The guarantees of the obligations under the revolving credit facility, term loan and the senior notes will be released if our senior unsecured debt is rated BBB or better by Standard & Poor's Rating Services and Baa2 or better by Moody's Investor Service, Inc. The guarantees of such subsidiary will be reinstated if such ratings fall below BBB- by Standard & Poor's or Baa3 by Moody's. The Company's senior unsecured debt is currently rated BBB- by Standard & Poor's Rating Services and Baa2 by Moody's Investor Service, Inc.

Acquisitions

On September 22, 2003, the Company completed its acquisition of HBC in which each share of HBC common stock was exchanged for 0.85 of a share of the Company's Class A common stock. See Note 2 to the Condensed Consolidated Financial Statements.

In the six months of 2004, the Company acquired the assets of two radio stations in Long Island, New York and Fresno, California for an aggregate amount of approximately \$68,000,000 and the assets of a television station in Sacramento, California for an aggregate amount of approximately \$65,000,000. In the six months of 2003, the Company acquired the stock or assets of three full-power television stations in Fresno, California, Raleigh, North Carolina and Albuquerque, New Mexico for an aggregate amount of approximately \$74,000,000.

The Company expects to explore additional acquisition opportunities to complement and capitalize on our existing business and management. The purchase price for any future acquisitions may be paid with (a) cash derived from operating cash flow, (b) proceeds available under bank facilities, (c) proceeds from future debt or equity offerings, or (d) any combination thereof.

Contractual Obligations & Other Pending Transactions

The Company has an option that expires on December 31, 2004 to acquire for \$190,000,000 two television stations in Puerto Rico that it is currently operating under a time brokerage agreement. If the Company decides to exercise its option, the funds will come primarily from the Company's revolving credit facility. On December 23, 2003, the Company entered into a 40-year lease for a three-story building with approximately 92,500 square feet for the relocation of its owned and/or operated

television and radio stations and studio facilities in Puerto Rico. The building will be constructed and owned by the landlord, with occupancy of the premises expected during the latter part of 2005. The sum of the lease payments will be approximately \$67,000,000 over 40 years beginning on the expected lease commencement date of August 31, 2005. The lease has been capitalized by the Company at its estimated fair value of \$30,385,000. Additionally, if the Company acquires the Puerto Rico stations, it will be required to offer Televisa the right to acquire a 15% interest in those stations and an affiliate of Venevision the right to acquire a 10% interest in those stations. Such options will be exercisable at a price equal to the pro rata portion of the Company's purchase price for the stations (including costs) during a period of 90 days from the closing of the Company's acquisition of the stations.

In April 2001, the Company launched a music recording and publishing division, Univision Music Group. In June 2001, the Company acquired a 50% interest in Disa. The Company has a call right and the Chavez family, who own the other 50% interest in Disa, has a put right starting in June 2006, which will require the Company to purchase the remaining 50% interest for \$75,000,000, subject to certain upward adjustments.

In January 2004, the Company amended its employment arrangement with José Behar, President and Chief Executive Officer of Univision Music Group, and assigned the employment agreement to Univision Music LLC, and as a result has amended the operating agreement of Univision Music LLC. Under the terms of the amended operating agreement, in 2006, Diara Inc., which is wholly-owned by José Behar, has a put right and the Company has a call right that would require the Company to purchase a portion of Diara's interest in Univision Music LLC. In 2009, Diara has a put right and the Company has a call right that would require the Company to purchase the remainder of Diara's interest in Univision Music LLC.

In August 2004, the Company and Televisa finalized working capital adjustments related to the Company's Fonovisa acquisition completed in April 2002. The Company received approximately \$16,500,000 which has been accounted for as an adjustment to the Fonovisa purchase price resulting in a reduction to goodwill and minor adjustments to certain current assets and liabilities.

In August 2000, the Company acquired the Spanish-language television rights in the U.S. to the 2002 and 2006 FIFA World Cup soccer games and other 2000-2006 FIFA events. A series of payments totaling \$150,000,000 are due over the term of the agreement with the remaining payments due as follows:

| | | |
|--|----|------------|
| March 5, 2005 | \$ | 8,000,000 |
| 30 days before start of 2006 World Cup | | 33,000,000 |
| 45 days after last day of 2006 World Cup | | 33,000,000 |
| | | <hr/> |
| | \$ | 74,000,000 |
| | | <hr/> |

As the Company makes each payment, the next scheduled payment under the contract will be supported by a letter of credit. In addition to these payments, and consistent with past coverage of the World Cup games, the Company will be responsible for all costs associated with advertising, promotion and broadcast of the World Cup games, as well as the production of certain television programming related to the World Cup games. The rights fees are being amortized over the 2002/2006 World Cups and other interim FIFA events based on the flow of income method. Under the flow of income method, the costs for the 2006 World Cup games, excluding advertising, promotion and broadcast costs, will be approximately \$100,000,000 for the rights fees.

The funds for any payments discussed above are expected to come from funds from operations, borrowings from the Company's bank facilities and/or proceeds from future debt of equity offerings.

At June 30, 2004, the Company had a non-voting ownership interest in Entravision of approximately 30%. The Company owns 369,266 shares of Entravision Series U preferred stock, which are convertible into 36,926,623 of Entravision's Class A common stock shares. As part of the consent decree pursuant to which the United States Department of Justice approved our acquisition of HBC, we are required to sell enough of our Entravision stock so that our ownership of Entravision on a fully-converted basis, which includes full conversion of employee options and all convertible securities, does not exceed 15% by March 26, 2006 and 10% by March 26, 2009. The Company's ownership of Entravision on a fully converted basis is approximately 27%. At this time, the Company cannot determine the timing of the sale of the Entravision stock, the cash that will be realized or whether the transactions will result in gains or losses in our results of operations. The Entravision Class A common stock has been trading below our cost price per share since early May 2004. The Company is monitoring Entravision's stock price, overall business and media market to determine if the decline in the value of our investment in Entravision is other than temporary. If the Company concludes that the decline in the investment is other than temporary, we will book an impairment loss in the future. The sale of the stock will have no impact on the Company's existing television station affiliation agreements with Entravision. Entravision is restricted under its credit agreement from making dividend payments.

Based on our current level of operations, planned capital expenditures, expected future acquisitions and major contractual obligations listed below, the Company believes that its cash flow from operations, together with available cash and available borrowings under the bank credit facility, will be adequate to meet liquidity needs in the near and foreseeable future.

Below is a summary of the Company's major contractual payment obligations as of June 30, 2004:

**Major Contractual Obligations
As of June 30, 2004**

| \$ in thousands | Payments Due By Period | | | | | | |
|-----------------------------------|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| | 2004 | 2005(a) | 2006(b) | 2007 | 2008 | Thereafter | TOTAL |
| Bank debt | \$ — | \$ — | \$ 100,000 | \$ — | \$ — | \$ — | \$ 100,000 |
| Estimated bank debt interest | 2,513 | 144 | — | — | — | — | 2,657 |
| Senior notes principal | — | — | 250,000 | 200,000 | 250,000 | 500,000 | 1,200,000 |
| Senior notes interest-fixed | 19,625 | 39,250 | 39,250 | 39,250 | 39,250 | 117,750 | 294,375 |
| Senior notes interest-variable | 6,228 | 12,455 | 12,455 | 8,286 | 4,631 | — | 44,055 |
| Operating leases | 17,241 | 33,439 | 31,363 | 28,089 | 25,734 | 153,958 | 289,824 |
| Capital leases | 3,793 | 7,680 | 7,460 | 7,260 | 7,260 | 51,530 | 84,983 |
| Puerto Rico building lease | — | 432 | 1,296 | 1,296 | 1,296 | 62,780 | 67,100 |
| Spanish programming(c) | 33,754 | 37,183 | 88,500 | 17,736 | 12,976 | 22,185 | 212,334 |
| English programming(d) | 2,889 | 4,914 | 3,470 | 1,350 | 1,361 | 1,574 | 15,558 |
| Research tools, primarily Nielsen | 12,314 | 21,166 | 16,478 | 465 | — | — | 50,423 |
| Acquisition/Construction permit | 24,538 | — | — | — | — | — | 24,538 |
| Music license fees | 6,028 | 7,544 | 7,802 | 3,450 | — | — | 24,824 |
| TuTV LLC(e) | 1,000 | 2,000 | 1,000 | — | — | — | 4,000 |
| | \$ 129,923 | \$ 166,207 | \$ 559,074 | \$ 307,182 | \$ 342,508 | \$ 909,777 | \$ 2,414,671 |

- (a) The Company has an option that expires on December 31, 2004 to acquire for \$190,000,000 WLII in Puerto Rico.
- (b) The Company, who owns 50% of Disa, has a call right and the Chavez family, who own the other 50% interest in Disa, has a put right starting in June 2006, which will require the Company to purchase the remaining 50% interest for \$75,000,000, subject to certain upward adjustments.

- (c) Amounts exclude the license fees that will be paid in accordance with the Program License Agreements, which is based on approximately 15% of Combined Net Time Sales.
- (d) Programming costs relates to the USA Broadcasting acquisition in 2001.
- (e) The Company has a contractual obligation to fund up to \$20,000,000 in the first three years. As of June 30, 2004, the Company has funded \$3,500,000 and does not anticipate spending more than \$4,000,000 through March 31, 2006.

Forward-Looking Statements

Certain statements contained within this report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases you can identify forward-looking statements by terms such as "plan," "may," "intend," "will," "expect," "believe" or the negative of these terms, and similar expressions intended to identify forward-looking statements.

These forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Also, these forward-looking statements present our estimates and assumptions only as of the date of this report. Except for our ongoing obligation to disclose material information as required by federal securities laws, we do not intend to update you concerning any future revisions to any forward-looking statements to reflect events or circumstances occurring after the date of this report.

Factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, cancellation or reductions in advertising; failure of our new or existing businesses to produce projected revenues or cash flow; failure to obtain the benefits expected from cross-promotion of media; regional downturns in economic conditions in those areas where our stations are located; changes in the rules and regulations of the FCC; a decrease in the supply or quality of programming; an increase in the cost of programming; an increase in the preference among Hispanics for English-language programming; the need for any unanticipated expenses; competitive pressures from other broadcasters and other entertainment and news media; potential impact of new technologies; and unanticipated interruption in our broadcasting for any reason, including acts of terrorism. Actual results may differ materially due to these risks and uncertainties and those described in the Company's filings with the Securities and Exchange Commission.

Part I**UNIVISION COMMUNICATIONS INC. AND SUBSIDIARIES****Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The Company's primary interest rate exposure results from changes in the short-term interest rates applicable to the Company's LIBOR loans. The Company borrows at the U.S. prime rate from time to time but attempts to maintain these loans at a minimum. Based on the Company's overall interest rate exposure on its variable rate instruments (its bank loan of \$130,000,000 and its senior notes of \$700,000,000) at June 30, 2004, a change of 10% in interest rates would have an impact of approximately \$1,700,000 on pre-tax earnings and pre-tax cash flows over a one-year period. The Company has immaterial foreign exchange exposure in Mexico.

On October 15, 2003, the Company issued three-, four- and five-year senior notes due 2006, 2007 and 2008 with a face value of \$700,000,000. The Company's 2.875%, 3.5% and 3.875% senior notes have a face value of \$250,000,000, \$200,000,000 and \$250,000,000, respectively. These senior notes pay simple interest on April 15 and October 15 of each year. In connection with the transaction, the Company entered into a fixed-to-floating interest rate swap that results in a perfectly effective fair value hedge. The accounting for the fair value hedge is not expected to have a material impact on future earnings.

Under the interest rate swap contract, the Company agreed to receive a fixed rate payment for a floating rate payment. Since the fair value hedge is perfectly effective under the guidelines of Financial Accounting Standards Board No. 133 "Accounting for Derivative Instruments and Hedging Activities", the changes in the fair value of interest rate swap are expected to perfectly offset the changes in the fair value of the senior notes. On a quarterly basis, the Company adjusts the carrying amount of the swap to its fair value and adjusts the carrying amount of the senior notes by the same amount to reflect its change in its fair value attributable to the hedged risk. There is no hedge ineffectiveness to be recorded to earnings. The Company will monitor the credit ratings of the counter party and obtain fair value swap valuations from the counter parties and third parties on a quarterly basis.

Item 4. Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in our periodic reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the required time periods. As of June 30, 2004, the end of the period covered by this report, the Company carried out an evaluation under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that such controls and procedures were effective. The Company reviews its disclosure controls and procedures, on an ongoing basis, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that they evolve with the Company's business.

Part II**Item 4. Submission of Matters to a Vote of Security Holders**

The Annual Meeting of Stockholders was held on May 12, 2004, at which stockholders elected Directors and two Alternate Directors and ratified the appointment of Ernst & Young LLP as the Company's independent public accountant for the fiscal year 2004 and approved the 2004 Performance Award Plan. The number of shares of the Company's Class A, Class P, Class T and Class V Stock present at the meeting, by proxy or in person, collectively represented 94% of the voting interest of classes of stock outstanding and eligible to vote at the Annual Meeting.

The holders of the Class A and Class P elected all seven Class A/P Directors as follows:

| Nominees | Votes For | Votes Withheld |
|--------------------------|-------------|----------------|
| A. Jerrold Perenchio | 503,387,738 | 84,450,028 |
| Fernando Aguirre | 574,108,455 | 13,729,311 |
| Harold Gaba | 566,174,756 | 21,663,010 |
| Alan F. Horn | 551,850,799 | 35,986,967 |
| John G. Perenchio | 503,239,183 | 84,598,583 |
| Ray Rodriguez | 506,076,126 | 81,761,640 |
| McHenry T. Tichenor, Jr. | 506,097,251 | 81,740,515 |

The holders of the Class V Common Stock elected Gustavo Cisneros as the Class V Director and Alejandro Rivera as the Class V Alternate Director. All 17,837,164 shares of Class V Common Stock present at the meeting were voted in favor of their election.

The holders of the Class T Common Stock elected Emilio Azcárraga Jean as the Class T Director and Alfonso De Angoitia as the Class T Alternate Director. All 13,593,034 shares of Class T Common Stock present at the meeting were voted in favor of their election.

The votes cast by the holders of the Class A, Class P, Class T and Class V for the ratification of the appointment of Ernst & Young LLP as the Company's independent public accountant were as follows: 581,479,414 for, 4,921,030 against and 1,437,322 abstained.

The votes cast by the holders of the Class A, Class P, Class T and Class V for the adoption of the 2004 Performance Award Plan were as follows: 502,406,664 for, 63,354,683 against and 1,524,572 abstained.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 10.1 Employment Agreement dated as of July 1, 2004 between Univision Management Company and Andrew Hobson
- 31.1 Certification of CEO pursuant to Section 302 of Sarbanes-Oxley Act of 2002
- 31.2 Certification of CFO pursuant to Section 302 of Sarbanes-Oxley Act of 2002
- 32.1 Certification of CEO and CFO pursuant to Section 906 of Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

On May 6, 2004, the Company furnished a Form 8-K issuing a press release setting forth its financial results for the three months ended March 31, 2004. The information was provided on Item 12, "Results of Operations and Financial Condition."

UNIVISION COMMUNICATIONS INC. AND SUBSIDIARIES

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNIVISION COMMUNICATIONS INC.
(Registrant)

August 6, 2004

By: /s/ JEFFREY T. HINSON

Jeffrey T. Hinson
Executive Vice President and Chief Financial Officer

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Exhibit 10.1

**Amendment No. 10 (the "Amendment") To
Employment Agreement (the "Employment Agreement") between
Andrew Hobson ("Employee") and Univision Management Co. ("Company")**

Employee and Company agree to amend the Employment Agreement as follows:

1. **Salary** . The annual Base Salary rate will be: Seven Hundred Fifty Thousand Dollars (\$750,000).
2. **Title** . Employee's title will be Senior Executive Vice President and Chief Strategic Officer.

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[Amendment No. 10 \(the "Amendment"\) To Employment Agreement \(the "Employment Agreement"\) between Andrew Hobson \("Employee"\) and Univision Management Co. \("Company"\)](#)

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Exhibit 31.1

CERTIFICATION

I, A. Jerrold Perenchio, Chairman and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Univision Communications Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 6, 2004

/s/ A. JERROLD PERENCHIO

A. Jerrold Perenchio
Chairman and Chief Executive Officer

[QuickLinks](#)[Exhibit 31.1](#)[CERTIFICATION](#)[QuickLinks](#) -- Click here to rapidly navigate through this document**Exhibit 31.2****CERTIFICATION**

I, Jeffrey T. Hinson, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Univision Communications Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrants internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 6, 2004

/s/ JEFFREY T. HINSON

Jeffrey T. Hinson

Chief Financial Officer

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[CERTIFICATION](#)

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Exhibit 32.1

WRITTEN STATEMENT PURSUANT TO 18 U.S.C. SECTION 1350

The undersigned officers of Univision Communications Inc. (the "Company"), pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, to their knowledge:

- (i) The quarterly report on Form 10-Q for the six months ended June 30, 2004 of the Company, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 15(d) of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 6, 2004

/s/ A. JERROLD PERENCHIO

A. Jerrold Perenchio
Chairman and Chief Executive Officer

Dated: August 6, 2004

/s/ JEFFREY T. HINSON

Jeffrey T. Hinson
Chief Financial Officer

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[WRITTEN STATEMENT PURSUANT TO 18 U.S.C. SECTION 1350](#)

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