

The AzA Gazette



The Azteca America Monthly Newsletter for Clients, Friends and Associates

February 2003

Events & Features

- Affiliate Meeting Hosted in Mexico City
- Special Hispanic Market Overview

p.3
p.5-6

Azteca America Restructures Affiliation with Pappas Telecasting

Azteca America, the fastest growing Hispanic network in the United States, finalized a restructuring of its affiliate agreement with Visalia, CA-based Pappas Telecasting.

Under the new framework, the affiliate agreements will continue as a time split instead of the prior revenue split. This applies to all the stations currently affiliated to Azteca America: Los Angeles, Houston, San Francisco-Sacramento, and Reno. In addition, a group of smaller stations will be affiliated to the network.

(cont'd p. 2)



Strengthening Relationships

We are featuring a photo of the Ángel de Independencia on our cover this month as a metaphor for values at Azteca America. The Ángel celebrates international friendship and freedom.

These values are paramount with our partners, who joined us to celebrate our network level this month at our first annual Affiliate Meeting in Mexico City. Aside from great business potential, I'm sure our affiliates can attest to the warmth of the relationship we are forging.

In addition to discussing business plans, I hope our partners and guests had a great time visiting our Azteca facilities:

our news and entertainment show sets, our La Academia compound, and our novela factory Azteca Digital. Our full integration can offer a level of programming customizing that isn't available anywhere else, a feature that we'll be increasingly harnessing as we grow.

This month also marks the restructuring of our relationship with Pappas Telecasting. The agreement moves us to a time-sharing basis and marks a total divestment of capital stakes in affiliate stations (see accompanying article).

Although building a US network from scratch is a great challenge, it is equally rewarding. For me, we're already halfway there thanks to our great team of partners.

Aside from more details on our Affiliate Meeting and the Pappas restructuring, we have a special peek into the life of one of the top La Academia contestants, thanks to a brief interview with her mom. Our featured affiliate is Palm Springs, and we are also including a special Hispanic market overview. Enjoy this issue of your AzA Gazette!

Sincerely,
Luis J. Echarte • CEO Azteca America

Content

Station Spotlight: KYAV Channel 12, Palm Springs, California	2
Names & Faces: Our Operations Team	4
La Academia Contestant's Mother Shines Light on Rosalía	4
Aza Coverage	7
Contacts	7

Station Spotlight: KYAV- 12 Palm Springs, CA

Sim Farar • Owner

What is a former investment banker who doesn't speak Spanish doing as the owner of Azteca America's affiliate station in Palm Springs? Well it appears that he's doing what it takes to build a successful organization.

"It takes sales, programming and promotion," says station owner Sim Farar in reference to his three station priorities.

Sim describes his decision to buy KYAV as initially an emotional one. Although he currently lives in Beverly Hills, he actually grew up in the desert paradise of Palm Springs.

His first job was in broadcasting as a disk jockey for KDES radio and then as a KESQ television dance show host in Palm Springs. He then went to host a game show at KMIR and moved to Los Angeles as a disk jockey alongside Wolfman Jack at KDAY radio and then to KROQ radio.

He started a successful investment banking career by taking Matthews Studio Equipment public. But his success in raising capital doesn't end with small cap companies. He is also a major political fundraiser.

With a history of jumpstarting campaigns it's no wonder that he gave a big start to KYAV. He ran 400 television spots per week, as well as an intensive billboard and print media campaign to launch his station. Promotion even led Sim to market KYAV with T-shirts and bars of soap at the Date Festival and the Tamale Festival held in Palm Springs.

KYAV is equipped with its own studio, and has snatched local anchorman Ernesto González from competing Univision station. KYAV's newscast is in the pilot stage and will be ready to air in coming months. Aside from the local newscast, KYAV is broadcasting games of the Palm Springs area Hispanic soccer league, which has been an effective strategy for a strong local identification with the community.

Sim said the initial experience as an Azteca America affiliate has been exceptional. Following the launch of programming, he said he received constant viewers call ins to congratulate the station, not to mention advertisers looking to buy space. "I've never seen anything like this in my life," said Sim. "It's very exhilarating."

He also grabbed Rusty Kirkland, former sales manager of ABC affiliate KESQ, from his competition and tapped him as station manager. Rusty brought with him the traffic manager from the same station. For sales, KYAV sends out a team of executives armed with notebook computers to tell the story of Azteca America.

Palm Springs has a population of 350,000, about half of which is

continued from p. 1

As part of this agreement, Azteca America has sold to Pappas Telecasting its 25% stake in the Houston and San Francisco-Sacramento stations and rolled over \$52 million in debt, all these in exchange for an interest bearing note for \$128 million, issued by Pappas' station in Los Angeles (KAZA).

In the event that the note were not repaid before June 30 of 2003, Azteca America and Pappas would enter into a local marketing agreement (LMA) for KAZA, representing 16% of the coverage of Hispanic households.

If the LMA were in place, Azteca would also have an option, exercisable at the end of the LMA period, to purchase KAZA. As foreign entity, Azteca America could purchase up to the legal limit of 25% and designate a third party for the remaining stake.

Hispanic. About 90% of the Spanish speakers in the community are of Mexican origin.

Great luck to you Sim and Rusty!





First Annual Affiliate Meeting Held in Mexico City

There was electricity in the air on Feb. 6 and 7, as Azteca America affiliate owners and managers got an up-close

look at parent company TV Azteca and discussed future network plans.

After an initial day of conferences, which included traffic control, programming, and sales strategies, affiliates were given tours the next day of our Ajusco news and entertainment studios, the auditorium and learning/living compound of La Academia, and finally our telenovela factory, Azteca Digital.

After station groups posed for pictures on the set of our Hechos news program, affiliates got an in-your-face view of the filming of a scene of *Enamórate*, a new telenovela starring La Academia finalist Yahir. The studio tour was capped off with a lunch, where top Azteca talent ate and chatted with affiliates.



Aside from the presentation of Azteca's facilities, the meeting served to unite affiliates and promote exchanges of ideas among affiliates and network executives.

We look forward to similar events in the future.

Names & Faces

Our Operations Team

Jorge Jaidar joined TV Azteca in 1997, following eight years in the banking industry. He began in the finance department, as director of information, where he compiled data for Azteca's CFO. Following an innovative rate-card pricing strategy, he moved to sales, where he was director of strategy and planning. As COO of Azteca America since 2001, Jorge is in charge of honing Azteca's pro-

gramming grid, in addition to overseeing general operational and technical issues. With the company's recent critical mass of coverage, Jorge's efforts will increasingly be toward promotion.

At his side is Juan Pablo Álvarez, Azteca America's operations



manager. Juan Pablo joined TV Azteca two years ago as an analyst under Jorge in the strategy and planning area, where he focused on special project analysis. Aside from assisting affiliates with daily operating needs, Juan Pablo is responsible for organizing local and network events with Azteca talent.

La Academia

Contestant's Mother Shines Light on Rosalía

Like many Mexican immigrants living in the United States, Rosalía –who was chosen as a contestant for Azteca's musical starmaker reality show from a 1,000-strong casting held in Los Angeles- was looking for a better way of life.

The middle daughter of three, Rosalía left her home in Mexico City six years ago to pursue her dream of becoming a singing star. A graduate of the Escuela Nacional de Música of the Universidad Nacional Autónoma de México, Rosalía decided early on that music was her calling.

She originally left Mexico City with her husband/ promised manager to "make it" in Los Angeles. However, when her marriage turned sour, she

was pleased to see that she could still support herself with local gigs.

"In the United States working people are taken into account, which is why many Mexicans consider it a second *patria*," said Francisca Oviedo, Rosalía's mother, who hadn't seen her daughter since she left for California.



In the working-class LA suburb of Hawthorne, Rosalía was able to

rent a modest apartment and buy her *camionetita* with earnings from singing in local restaurants. Rosalía also sang in Hollywood's Farmers' Market frequently to earn extra money.

Rosalía continues to be one of the crowd favorites with weekly standings that have ranged from fifth to second place (the audience votes by phone every week to decide who leaves the show). Francisca said she is impressed with the professional level and care of the teachers at La Academia. "They treat her as if she were in her home," she said.

After a surprise reunion of Rosalía with her family that was hosted by La Academia, her mother says that current contact is limited to sending *bisitos* during Sunday concerts that the family has faithfully attended since the start.

La Academia airs daily at 10:00 pm CST and PST, as well as at 11:00 EST. The Sunday concert airs at 7:00 pm CST and PST, as well as at 8:00 pm EST.

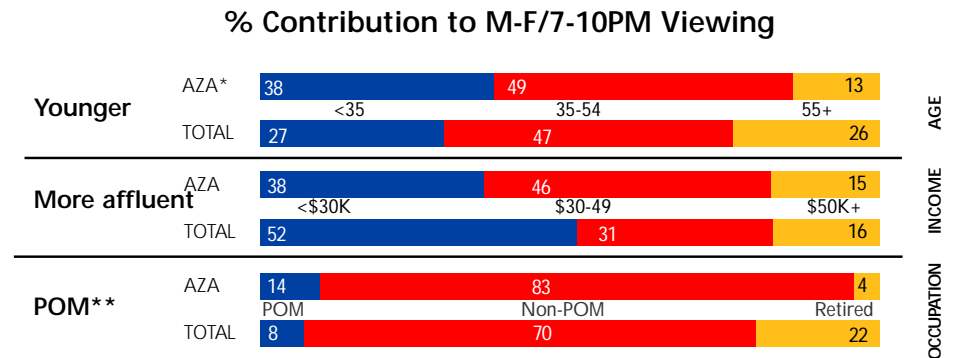
A Quick Overview of the US Hispanic Market

Héctor Romero and José Martín Samano

If the US Hispanic market were a country, it would represent the largest economy in Latin America. With over \$560 billion in purchasing power¹ and over 38 million people at the close of 2001, this market is huge, both in terms of population and economic power. It's no wonder it is called a nation within a nation.

The largest minority group in the United States is also the fastest-growing one. Between 1990 and 2000, the Hispanic population increased 58%, about eight times the growth of the rest of the US population. Within this period, Hispanics accounted for 40% of total US Hispanic growth, and nearly 1 in every 5 newborns

Graph 2: AzA Viewer Characteristics Compared to Hispanic Competition



* Based on data from our LA Affiliate KAZA

TOTAL= Average for Univision, Telemundo, Telefuturo and AzA

** POM= Professional / Owner/ Manager

Source: Franco Research Group with data from NHTI Cutback Sample, Nov. 02 (AzA) and NHTI Nov. 02 (other stations)

was Hispanic. The rest of the growth is explained by immigration.

The compounded annual growth rate of the Hispanic population has been 4.7% for the last 10 years. If the Hispanic population keeps growing at that pace, it will double in size in about 15 years. This compares to nearly 60 years that it will take for the total US population to double. Even considering more modest projections by the US Census, as shown in the graph 1, the Hispanic population will double by 2030.

Concentrated Youth

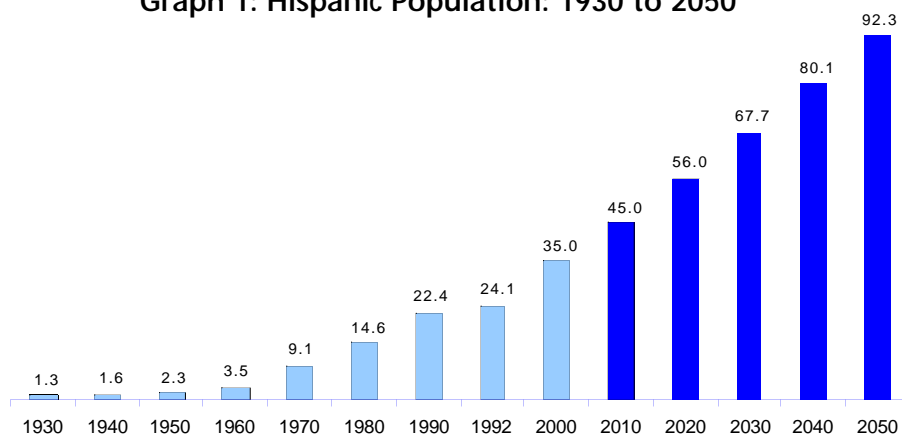
The Hispanic population is highly metropolitan, an easy group to reach –if you speak the language, and know the culture. Of the population, 15 cities concentrate two-thirds of all Hispanics, and 25 cities represent more than three-quarters. Of the top 15 and 25 cities, Azteca America now has presence in eight and eleven, respectively.

Within metropolitan areas, Hispanics are more likely to reside within the city limits. Thus, the concentrated ethnic enclaves known as *barrios* or *colonias* continue to characterize Hispanic living patterns¹.

Hispanic population growth in the Pacific Northwest (Washington and Oregon) and the Mountain States (Nevada and Utah) continue to increase the Hispanic visibility in the West. And the Hispanic population is moving towards non-traditional places like Georgia, North Carolina, Nebraska and Iowa².

- 1 Source: Hispanic Association on Corporate Responsibility (HACR).
- 2 Source: National Census Bureau

Graph 1: Hispanic Population: 1930 to 2050



Note: Data for 1930 include only "Mexicans" data for 1940 include persons of Spanish mother tongue", and data for 1950 and 1960 include persons of "Spanish surname."

Source: Bureau of the Census

Demographics of the US Hispanic population are appealing. Hispanic households are younger and larger. The typical Hispanic household is roughly 40% larger than the average US household. According to 2000 Census data, 36% of Hispanics were under 18 years old, versus 24% for Caucasians. The median age of Hispanics is 26 years, versus 38 years for Caucasians and 30 years for African-Americans. The typical Hispanic household has nearly twice as many children under age 18, and 50% fewer persons over 65 years of age compared to average US households.

Let us mention that, according to Franco Research Group, Azteca America captures a larger portion of the most attractive Hispanic audience. KAZA, our affiliate in Los Angeles has viewers that are younger, more affluent and more likely to be employed as Professionals, Owners or Managers (POMs).

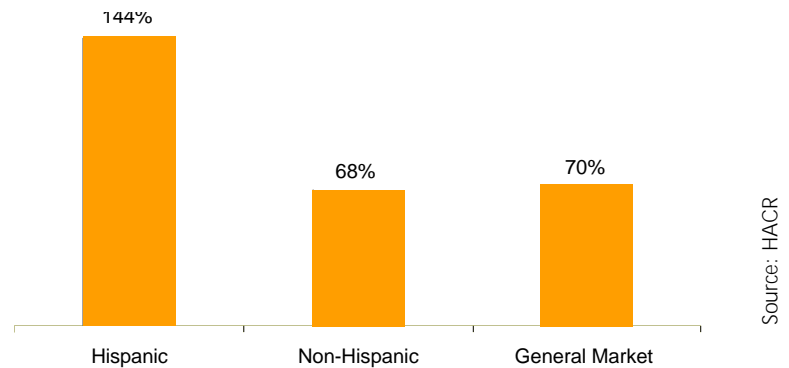
Please refer to Graph 2 to see how 38% of KAZA's viewers are younger than 35, in contrast with the market's 27% average –average includes KAZA to add four Spanish Language network stations in the market. In the same token, only 13% of KAZA's audience is 55 years

and older, versus the Spanish-language networks' average that doubles this figure. Speaking about employment, 14% of AzA's viewers are POMs, versus 8% for the market average, and they have a 4% likelihood to be retired, versus more than five times this figure for the entire market's typical audience. Finally, 61% of AzA's audience (46+15%) earns more than \$30 thousand a year, versus only 47% for the market audience.

Where the money is

Hispanic trends translate into the fastest-growing mass of purchasing power. Hispanic purchasing power has soared to more than US\$560 billion. It is estimated that this figure represents a 144% growth over the 1990 value³, which is 2.1 times the non-Hispanic growth rate. This buying power can make the competitive difference for companies that successfully harness this market.

Graph 4: Hispanic Purchasing Power Growth



Hispanic Purchasing Power Growth

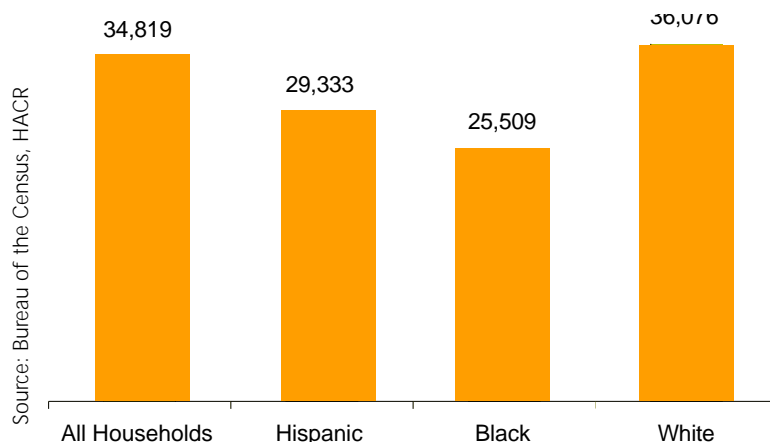
In 1999, annual expenditures for Hispanic households averaged US\$29,333⁴, which is 15.8% lower than the general population's.

And their expenditures in some categories is higher than average. Hispanics spent 12.3% of their income on food at home, as compared to the general market that spends 8.3%. Hispanics spend US\$102.6 at the grocery store per week, or 23.9% more than the general market does.

It is also well known that this market is under-advertised. The gap is outstanding: Hispanic consumer spending is around 8% of the US total and growing. Nevertheless, advertising directed to Hispanics is just 2% of the US total.

A nation within a nation is quickly evolving, and is more exciting every day. Very soon this nation will be composed of over 40 million individuals, most of them young and ready to be integrated into the greater nation and live the American Dream, without losing their roots nor their language. This is a segment of the population that should capture the attention of every corporation trying to thrive in this country. Serving this market is a great opportunity for Azteca America and its partners.

Graph 3: Average Household Annual Expenditures

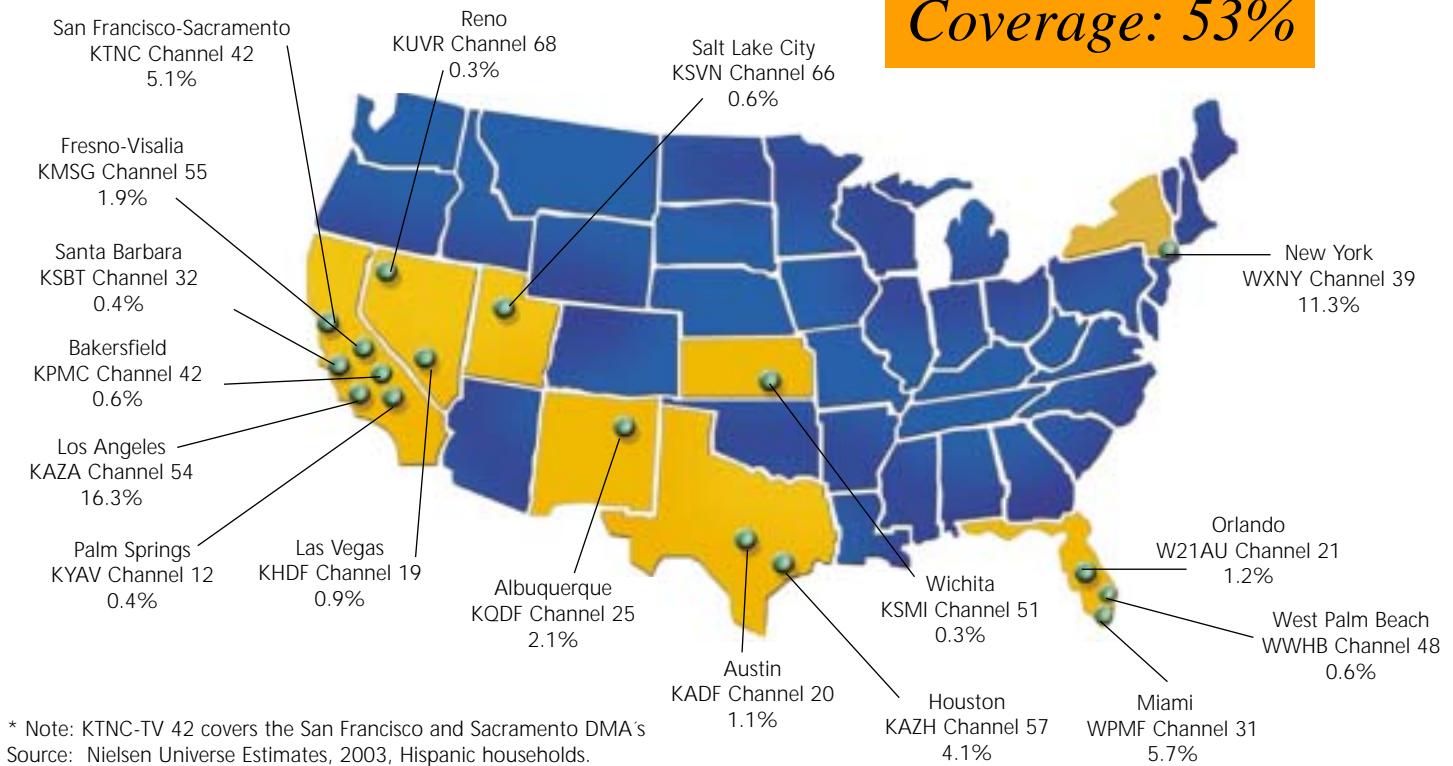


• 3 Source: HACR.

• 4 Source: Hispanic Association on Corporate Responsibility.

The Fastest Growing Hispanic Network in the U.S.

Coverage: 53%



Contacts:

Sales:
Gustavo Guzmán
Vice President of Sales
011(5255) 3099-1350

Vincent Laliere
011(5255) 3099-9182
vlaliere@tvazteca.com.mx

Phillip Woodie
(212) 207-8535
pwoodie@tvazteca.com.mx

Editorial Committee

Héctor Romero
Francisco Boy
Daniel McCosh
Linda Garcidueñas
Elena Arceo
Juan Pablo Álvarez
Omar Ávila
Carmen Lawrence

Executives:
Luis J. Echarte
President and CEO
(212) 207-8839
011(5255) 3099-5777

Operations:
Jorge Jaidar
(212) 207-8623
011(5255) 3099-5739
jjaidar@tvazteca.com.mx

Distribution and Affiliate Relations:
Luis M. Cortés
(212) 207-8839
011(5255) 3099-9256
lcortess@tvazteca.com.mx

A Grupo Salinas Company
www.gruposalinas.com.mx



About TV Azteca

TV Azteca, listed on both the Mexican Bolsa and the New York Stock Exchange, is the second largest producer of Spanish-language programming in the world, and one of two nationwide broadcasters in Mexico.

Today TV Azteca broadcasts four networks: the family-driven Azteca 13, with 278 signals in Mexico; the youth-focused Azteca 7, with 270 signals in Mexico; Azteca International for 13 countries in Central and South America; and Azteca America the fastest growing network in the U.S.