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GRUPO RADIO CENTRO SA DE CV

Form 20-F

July 01, 2004

As filed with the Securities and Exchange Commission on June 30, 2004

The following exhibit has been omitted pursuant to Rule 12b-25: Exhibit 4.10, Amendment, dated as of June 29, 2004, to the loan agreement between Grupo Radio Centro, S.A. de C.V. and Scotiabank Inverlat, S.A.

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT

For the fiscal year ended December 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
for the transition period from to

Commission File Number: 1-12090

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Grupo Radio Centro, S.A. de C.V.  
(Exact name of registrant as specified in its charter)

Radio Center Group  
(Translation of registrant's name into English)

United Mexican States  
(Jurisdiction of incorporation or organization)

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Constituyentes 1154 (7(degree) Piso)  
Col. Lomas Altas  
C.P. 11950, Mexico, D.F., Mexico  
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered
Series A Shares, without par value ("Series A Shares")	New York Stock Exchange*
Ordinary Participation Certificates ("CPOs"), each CPO representing one Series A Share	New York Stock Exchange*
American Depositary Shares ("ADSs"),	New York Stock Exchange

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each representing nine CPOs

\*Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 162,667,561 Series A Shares

Indicate by check mark whether the Registrant (1) has filed all reports required to be file 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 which financial statement item the Registrant has elected to follow:

Item 17  Item 18

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### INTRODUCTION

Grupo Radio Centro is a corporation organized under the laws of the United Mexican States. As used in this Annual Report and except as the context otherwise requires, the terms "Grupo Radio Centro" and "the Company" refer to Grupo Radio Centro, S.A. de C.V. and its consolidated subsidiaries.

### PRESENTATION OF FINANCIAL INFORMATION

In this Annual Report references to "pesos" or "Ps." are to the lawful currency of the United Mexican States ("Mexico"). References herein to "U.S. dollars" or "\$" are to United States dollars.

The Company publishes its financial statements in pesos. Pursuant to generally accepted accounting principles in Mexico ("Mexican GAAP"), financial data for all periods in the financial statements included in Item 18 (the "Consolidated Financial Statements") and, unless otherwise indicated, throughout this Annual Report, have been restated in constant pesos (having the same purchasing power for each period indicated taking into account inflation) as of December 31, 2003.

This Annual Report contains translations of certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from pesos at an exchange rate of Ps. 11.24 to \$1.00, the noon buying rate for pesos at December 31, 2003 as published by the Federal Reserve Bank of New York. The peso/U.S. dollar exchange rate is volatile and, accordingly, the translation to U.S. dollars at the December 31, 2003 exchange rate may not accurately represent the financial condition of the Company in U.S. dollar terms as of a subsequent date. On June 23, 2004, the noon buying rate for pesos was Ps. 11.345 to \$1.00. See Item 3, "Key

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Information--Exchange Rate Information," for information regarding exchange rates since January 1, 1999.

The term "billion" as used in this Annual Report means one thousand million.

### FORWARD-LOOKING STATEMENTS

This Annual Report contains words, such as "believe," "expect" and "anticipate" and similar expressions that identify forward-looking statements that reflect the Company's views about future events and financial performance. Actual results could differ materially from those projected in such forward-looking statements as a result of various factors that may be beyond the Company's control, including, but not limited to, effects on the Company from competition with its broadcasting and other operations, material changes in the performance or popularity of key radio stations or broadcast programs, significant developments in the Mexican economic or political situation or changes in the Company's regulatory environment. Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. In any event, these statements speak only as of their dates, and the Company undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

### PART I

Item 1. Identity of Directors, Senior Management, Advisers and Auditors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

### SELECTED FINANCIAL DATA

The following table presents selected consolidated financial information of the Company and its subsidiaries for each of the periods indicated. This information, to the extent applicable, should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated Financial Statements, including the notes thereto, included elsewhere in this Annual Report. Grupo Radio Centro's financial statements are prepared in accordance with Mexican GAAP, which differ in certain respects from generally accepted accounting principles in the United States ("U.S. GAAP"). Note 25 to the Consolidated Financial Statements provides a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to Grupo Radio Centro and a reconciliation to U.S. GAAP of operating income, net income and shareholders' equity.

Grupo Radio Centro's financial statements were prepared giving effect to Bulletin B-10 and Bulletin B-12 issued by the Mexican Institute of Public Accountants. Generally, Bulletin B-10 is designed to provide for the recognition of certain effects of inflation by requiring Grupo Radio Centro to restate non-monetary assets and liabilities using the Mexican Consumer Price Index (the "INPC"), to restate the components of shareholders' equity using the INPC, to restate its fixed assets using the INPC and to record gains or losses in purchasing power from holding monetary assets or liabilities. Bulletin B-12 requires that the statement of changes in financial position reconcile changes from the restated historical balance sheet for the prior year to the current

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balance sheet. Pursuant to Mexican GAAP, the selected consolidated financial information set forth below, and all data in the related Consolidated Financial Statements, have been restated in constant pesos at December 31, 2003. The effect of the inflation accounting principles described above has not been reversed in the reconciliation to U.S. GAAP. See Note 25 to the Consolidated Financial Statements.

In 1999, Grupo Radio Centro elected early to adopt the provisions of Bulletin D-4, issued by the Mexican Institute of Public Accountants and officially effective beginning January 1, 2000. In accordance with Bulletin D-4, the Company's financial statements recognize the income tax effects of the differences in bases of assets and liabilities between financial accounting and accounting for tax reporting purposes. In prior years through December 31, 1998, Grupo Radio Centro recognized the effects of deferred taxes for certain timing differences expected to reverse over a definite period of time. However, the Company's adoption of Bulletin D-4 gave rise to additional deferred taxes resulting in a net deferred tax expense of Ps. 64.1 million recognized in the statement of income for the year ended December 31, 1999. The cumulative effect of adopting Bulletin D-4 for years prior to December 31, 1998 resulted in the recognition of additional deferred tax liabilities of Ps. 90.6 million in 1999. This cumulative effect is presented as a separate component in shareholders' equity.

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	Year Ended December			
	2003(1)	2003	2002	2001
	(in thousands, except per-ADS data)			
<b>Operating Data:</b>				
<b>Mexican GAAP:</b>				
Broadcasting Revenue.....	\$ 73,406	Ps. 825,084	Ps. 738,376	Ps. 779,950
Broadcasting Expenses, Excluding Depreciation and Amortization.....	43,904	493,593	479,624	504,300
Broadcasting Income.....	29,502	331,491	258,752	275,650
Depreciation and Amortization.....	10,089	113,405	112,327	122,190
Corporate, General and Administrative Expenses.....	5,354	60,183	46,911	52,390
Operating Income(2) (3).....	14,059	157,903	99,514	101,050
Comprehensive Financing Expense.....	2,925	32,898	53,210	12,590
Other (Expense), Net.....	(5,870)	(65,982)	(52,487)	(75,993)
Extraordinary Item(3).....	30,322	340,705	0	0
Net (Loss) Income(4).....	(21,865)	(245,795)	2,271	18,470
Minority Interest.....	1	6	14	1
Net (Loss) Income per ADS(4) (5).....	(1.21)	(13.60)	0.12	1.0
Common Shares Outstanding(5).....	162,722	162,722	163,235	163,910
<b>U.S. GAAP:</b>				
Broadcasting Revenue.....	\$ 73,406	Ps. 825,084	Ps. 738,376	Ps. 779,950
Operating (Loss) Income(2) (3).....	(28,591)	(321,346)	120,896	179,300
Net (Loss) Income(2) (4).....	(28,361)	(318,777)	76,214	96,900
Net (Loss) Income per ADS(2) (4) (5)...	(1.53)	(17.64)	4.23	5.3
Dividends per ADS(6).....	0.28	3.15	0.00	6.9

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Common Shares Outstanding(5).....	162,722	162,722	163,235	163,91
 Balance Sheet Data:				
Mexican GAAP:				
Working Capital.....	\$ (11,271)	Ps. (126,701)	Ps. (315)	Ps. (49,897)
Property and Equipment, Net.....	41,805	469,892	495,940	527,16
Excess Cost over Fair Value of				
Assets of Subsidiaries.....	67,802	762,088	841,603	917,50
Total Assets(2).....	138,197	1,553,336	1,788,752	1,930,35
Long Term Debt Excluding Current				
Portion.....	15,112	169,855	164,789	234,46
Total Debt.....	20,149	226,473	354,942	414,28
Shareholders' Equity(2).....	79,869	897,720	1,200,486	1,204,01
 U.S. GAAP:				
Total Assets(2).....	\$ 138,002	Ps. 1,551,148	Ps. 1,841,561	Ps. 1,986,08
Shareholders' Equity(2).....	78,029	877,058	1,252,806	1,259,25

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- (1) Peso amounts have been translated into U.S. dollars solely for the convenience of the reader at the rate of Ps. 11.24 per U.S. dollar, the noon buying rate for pesos on December 31, 2003, as published by the Federal Reserve Bank of New York. See "--ExchangeRate Information."
- (2) Pursuant to Statement of Financial Accounting Standard No. 142 (SFAS 142) under U.S. GAAP, amortization of goodwill ceased as of January 1, 2002. For purposes of presentation and comparison, SFAS 142 was applied to the financial data for the years ended 2001, 2000 and 1999. The operating loss under U.S. GAAP for the year ended December 31, 2003 includes a goodwill impairment loss of Ps. 152.5 million determined under SFAS 142. See Note 25 to the Consolidated Financial Statements.
- (3) Extraordinary item reflects a provision of Ps. 340.7 million for the contingent liability related to the Infored arbitration proceeding. Unlike treatment under Mexican GAAP, for purposes of U.S. GAAP, such provision is charged against operating income. See Notes 10 and 25 to the Consolidated Financial Statements.
- (4) In accordance with Mexican GAAP, net income does not give effect to minority interest. In contrast, net income under U.S. GAAP does give effect to minority interest. See Note 25 to the Consolidated Financial Statements.
- (5) Amounts shown are the weighted average number of Series A Shares outstanding, which was used for purposes of computing net income per ADS under both Mexican and U.S. GAAP.
- (6) The Company's dividend payment in any particular year relates to the immediately preceding fiscal year. The Company did not pay any dividends in 2002 with respect to 2001.
- (7) In December 2000, the Company reduced its capital by Ps. 343.0 million (nominal amount) through a payment to its shareholders of that amount. See Item 5, "Operating and Financial Review and Prospects--Liquidity and Capital Resources."
- (8) In 1999, the Company elected to adopt early the provisions of Bulletin D-4 issued by the Mexican Institute of Public Accountants, which became effective on January 1, 2000. The cumulative effect of adopting Bulletin D-4 for years prior to December 31, 1998 was the recognition in 1999 of Ps. 90.6 million in additional deferred tax liabilities. See Note 20 to the Consolidated Financial Statements.

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Mexico has a free market for foreign exchange, and the Mexican government allows the peso to float freely against the U.S. dollar. For much of 1998, the foreign exchange markets were volatile as a result of financial crises in Asia and Russia and financial turmoil in certain Latin American countries, including Brazil and Venezuela. The peso declined during this period, but was relatively stable from 1999 until 2001. In 2002 the peso declined significantly and continued to decline through 2003. In 2004 to date, the peso has depreciated slightly. There can be no assurance that the government will maintain its current policies with regard to the peso or that the peso will not further depreciate or appreciate significantly in the future.

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rate for the purchase of U.S. dollars, expressed in pesos per U.S. dollar.

Period	Exchange Rate(1)			
-----	-----	-----	-----	-----
Year Ended December 31,	High	Low	Average (2)	Period End
-----	-----	-----	-----	-----
1999.....	10.60	9.24	9.56	9.48
2000.....	10.09	9.18	9.47	9.62
2001.....	9.97	8.95	9.33	9.16
2002.....	10.43	9.00	9.75	10.43
2003.....	11.41	10.11	10.85	11.24
Month Ended 2003:				
December.....	11.41	11.17		
Month Ended 2004:				
January.....	11.10	10.81		
February.....	11.25	10.91		
March.....	11.23	10.92		
April.....	11.43	11.16		
May.....	11.63	11.38		

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- (1) Source: Noon buying rate for pesos reported by the Federal Reserve Bank of New York.
- (2) Average of month-end rates.

Fluctuations in the exchange rate between the peso and the U.S. dollar will affect the U.S. dollar equivalent of the peso price of Series A Shares on the Bolsa Mexicana de Valores, S.A. de C.V. (the "Mexican Stock Exchange") and the price of ADSs on the New York Stock Exchange ("NYSE"). The Company pays cash dividends in pesos, and exchange rate fluctuations will affect the U.S. dollar amounts received by holders of ADSs upon conversion by Citibank N.A., as depositary for the ADSs (the "Depositary"), of cash dividends on the Series A Shares underlying the CPOs represented by the ADSs.

On June 23, 2004, the noon buying rate was Ps. 11.345 to \$1.00.

### RISK FACTORS

Risks Relating to Our Operations

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If the Company fails to prevail in its challenge in the Mexican courts to the damage award granted in the arbitration proceedings with Infored and Mr. Gutierrez Vivo, our financial condition would be materially and adversely affected

In 2002, an arbitration proceeding was initiated against the Company by Infored, S.A. de C.V. ("Infored"), the producer of the news program Monitor, and Jose Gutierrez Vivo, the principal anchor of Monitor, seeking rescission of contract and damages. On March 1, 2004, an arbitration panel of the International Chamber of Commerce (the "ICC") notified the Company of the ICC panel's decision to rescind the contract and to award Infored and Mr. Gutierrez Vivo together a total of \$21.1 million, which represents the amount the Company would be required to pay after taking into account the amounts prepaid by the Company under the contract. The Company plans to challenge the validity of this decision in the Mexican courts. Pending the Company's challenge of the arbitration award, the Company will seek a stay of the enforcement of the damage award. If the Mexican courts refuse to grant the Company a stay of enforcement, it is likely that the Company will not have sufficient financial resources to pay the award unless it is able to obtain additional financing. The Company is currently engaged in talks with lenders in an effort to obtain standby financing that could be drawn upon in the event the Company is obligated to make a payment in connection with the damage award. In addition, should the Company fail in its challenge, it expects to pursue various potential sources of funds to cover its obligations with respect to such award, including medium-term or long-term financing up to \$21.1 million. No assurance can be given that such funds will be obtained. Failure by the Company to win a stay of enforcement and, ultimately, to prevail in its challenge to the damage award would materially and adversely affect its financial condition.

If the Company does not comply with the financial covenants in our loan agreement, the lender under that agreement could accelerate the maturity of the loan

We have indebtedness with an outstanding principal amount of Ps. 198.1 million at June 23, 2004 under a loan agreement with Scotiabank Inverlat, S.A. This loan agreement contains covenants requiring us to maintain certain quarterly and year-end financial ratios. If we breach any of these covenants, the amount then outstanding under the loan agreement could be accelerated by the lender. In the past, including for the year ending December 31, 2003 and for the first quarter of 2004, we have obtained from the lender waivers of our failure to comply with these covenants. There can be no assurance that we will be able to comply with these covenants in the future or that, if we fail to comply, we will be able to obtain waivers of such failures.

Increased competition or a decline in popularity of any of our radio formats could reduce our audience share and result in a loss of revenue

Radio broadcasting in Mexico is highly competitive, and programming popularity, an important factor in advertising sales, is readily susceptible to change. In the last five years, our average Mexico City audience share decreased from 34.3% in 1999 to 32.0% in 2003. See Item 4, "Information on the Company--Business Overview--Competition." There can be no assurance that increased competition within, or a decline in the popularity of, a given format segment will not decrease our aggregate audience share in the future. In addition, we face strong competition from both television and various print media for advertising revenues. If we are unable to respond to an increase in competition or a decline in the popularity of any of our radio formats, our revenue and profitability could suffer material adverse consequences.



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If we lose one or more of our key customers, we could lose a significant amount of our revenue

Our two largest individual customers in 2003 and 2002 were Comercial Mexicana, S.A. de C.V. ("Comercial Mexicana") and Gigante, S.A. de C.V. ("Gigante"). In 2003, Comercial Mexicana and Gigante accounted for 3.6% and 3.5%, respectively, of our total broadcasting revenue. In 2002, Comercial Mexicana and Gigante accounted for 5.5% and 5.3%, respectively, of our total broadcasting revenue. Gigante was our largest individual customer in 2001 and accounted for 7.7% of our total broadcasting revenue in that year. In 2003, the companies comprising Grupo Carso accounted for 5.2% of total broadcasting revenue, while in 2002 and 2001, the companies comprising Grupo Gigante, S.A. de C.V. ("Grupo Gigante") accounted for 7.3% and 9.3%, respectively, of our total broadcasting revenue. We cannot assure you that Comercial Mexicana and Gigante or the companies comprising Grupo Carso or Grupo Gigante will continue to purchase advertising from us at current levels. The loss of our relationship with any one of our principal customers could have a material adverse effect on our results of operations. See Item 4, "Information on the Company--Business Overview--Broadcasting Operations--Sale of Air Time and Marketing."

A decrease in advertising expenditures by political campaigns could substantially reduce our revenue

Our business is significantly affected by the advertising expenditures of political parties during election campaigns in Mexico. While our revenue has increased significantly during congressional elections, including 2003, which occur every three years, our revenue has increased even more significantly during presidential elections, which occur every six years (coinciding with congressional elections), including 2000. In 2001, 2002 and 2003, advertising by political parties accounted for 0.1%, 6.1% and 21.1% of total broadcasting revenue, respectively. A decrease in advertising expenditures by political campaigns during an election year could have a material adverse impact on our results of operations. See Item 4, "Information on the Company--Business Overview--Broadcasting Operations--Sale of Air Time and Marketing," and Item 5, "Operating and Financial Review and Prospects--Seasonality of Sales."

The seasonal nature of our business affects our revenue

Our business is seasonal. Our revenue from advertising sales, which we recognize when the advertising is aired, is generally highest in the fourth quarter because of the high level of advertising during the holiday season. Accordingly, our results of operations depend disproportionately on revenue recognized in the fourth quarter, and a low level of fourth quarter advertising revenue could have a material adverse effect on our results of operations for the year. See Item 4, "Information on the Company--Business Overview--Broadcasting Operations--Sale of Air Time and Marketing" and Item 5, "Operating and Financial Review and Prospects--Seasonality of Sales."

Termination of the operating agreement for XHFO-FM could reduce our revenue

We manage and operate, but do not own, one of Mexico City's most popular radio stations, XHFO-FM. That station is an important source of revenue. The agreement pursuant to which we operate XHFO-FM is scheduled to terminate on January 2, 2005. There can be no assurance that we will be able to extend this agreement or what the terms of any such extension might be. See Item 4, "Information on the Company--Business Overview--Broadcasting Operations--Radio Stations."

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The Mexican Federal Competition Commission may prohibit us from making any further investments in radio operations in Mexico

We, like all Mexican radio licensees, are subject to regulation by several Mexican governmental agencies. As a result of such regulation, radio licenses are subject to review and possible revocation, and licensees are prohibited from transferring or assigning their radio broadcasting licenses without prior governmental approval of both the transfer and its terms. As a result of the increase in our share of the Mexico City radio market following completion of the acquisition of Radiodifusion RED in 1996, we are required by the Mexican Comision Federal de Competencia (the "Federal Competition Commission") to seek its prior approval in connection with any future investments in radio operations in Mexico, including, without limitation, purchases and leases of radio stations, interests in other radio concerns or transmission sites, irrespective of the size of such investments or their related audience share. To the best of our knowledge, other Mexican radio broadcasting companies are not generally subject to this requirement. No assurance can be given that we will be permitted by the Federal Competition Commission to make any particular investment should we desire to do so. See Item 4, "Information on the Company--Regulatory Framework--Regulation of Radio Broadcasting by Mexico--Other."

If the Mexican government does not renew our broadcasting licenses, our business could be harmed

To broadcast commercial radio in Mexico, a broadcaster must have a license from the Secretaria de Comunicaciones y Transportes (the Secretary of Communication and Transportation or "SCT"). Because the SCT generally grants renewals to licensees that have substantially complied with applicable law, we expect our renewal applications that are currently pending to be granted. However, if we are unable to renew these licenses, our business could be significantly harmed.

Our investments in non-radio businesses may not be successful due to our limited experience outside the radio broadcasting industry

In addition to our ownership and operation of radio stations and the radio network, Organizacion Impulsora de Radio, we may invest from time to time in other media or communications businesses. Our experience in these businesses may be limited, and there can be no assurance that any such business venture would succeed.

### Risks Relating to Our Principal Shareholders and Capital Structure

Holders of ADSs are not entitled to attend shareholders meetings and have no voting rights

Holders of the CPOs, and therefore holders of the ADSs, have no voting rights with respect to the underlying Series A Shares. Pursuant to the trust agreement under which the CPOs are issued, the trustee for the CPOs will vote the Series A Shares held in the trust in the same manner as the majority of the Series A Shares that are not held in the trust and that are voted at the relevant shareholders meeting. Holders of the CPOs are not entitled to attend or to address our shareholders meetings. See Item 7, "Major Shareholders and Related Party Transactions--Major Shareholders" and Item 10, "Additional Information--Bylaws--Voting Rights" and "Additional Information--Bylaws--Limitations Affecting Non-Mexican Holders--Voting Rights."

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Certain members of the Aguirre family effectively control our management and the decisions of the shareholders, and their interests may differ from those of other shareholders

Certain members of the Aguirre family have the power to elect a majority of our directors and control our management because they own a substantial majority of the outstanding Series A Shares not held in the form of CPOs. These Aguirre family members have established two Mexican trusts, which they control, that together hold 84,020,646 Series A Shares, or 51.6% of all outstanding Series A Shares. See Item 7, "Major Shareholders and Related Party Transactions--Major Shareholders" and Item 10, "Additional Information--Bylaws--Voting Rights" and "Additional Information--Bylaws--Limitations Affecting Non-Mexican Holders--Voting Rights."

Our bylaws include provisions that could delay or prevent a takeover and thus deprive you of a premium over the market price of the ADSs or otherwise adversely affect the market price of the ADSs

The bylaws include certain provisions that could delay, defer or prevent a third party from acquiring us, despite the possible benefit to our shareholders. These provisions include restrictions on the acquisition, without the approval of the Board of Directors, of shares or other securities of the Company representing 30% or more of our capital stock and restrictions on agreements and other arrangements, without the approval of the Board of Directors, for the exercise of voting rights in respect of shares representing 30% or more of the Company's capital stock. These provisions may deprive you of a premium over the market price of the ADSs or otherwise adversely affect the market price of the ADSs. See Item 10, "Additional Information--Bylaws--Other Provisions--Anti-Takeover Provisions."

Future sales of Series A Shares by the controlling shareholders may affect future market prices of the Series A Shares, CPOs and ADSs

Actions by members of the Aguirre family, directly or through the two Mexican trusts through which they hold their Series A Shares, with respect to the disposition of their Series A Shares, may adversely affect the trading price of the Series A Shares or the CPOs on the Mexican Stock Exchange and the price of the ADSs on the NYSE. There are no contractual restrictions on the rights of members of the Aguirre family to sell ADSs, CPOs or Series A Shares.

You may not be able to participate in any future preemptive rights offering and, as a result, your equity interest in us may be diluted

Under Mexican law, if we issue new shares for cash as a part of a capital increase, we must generally grant our shareholders the right to purchase a sufficient number of shares to maintain their existing ownership percentage. Rights to purchase shares in these circumstances are known as preemptive rights. We may not legally be permitted to allow holders of ADSs in the United States to exercise any preemptive rights in any future capital increases unless (i) we file a registration statement with the U.S. Securities and Exchange Commission (the "SEC") with respect to that future issuance of shares or (ii) the offering qualifies for an exemption from the registration requirements of the U.S. Securities Act of 1933 (the "Securities Act"). At the time of any future capital increase, we will evaluate the costs and potential liabilities associated with filing a registration statement with the SEC, the benefits of preemptive rights to holders of ADSs in the United States and any other factors that we consider important in determining whether to file a registration statement.

There can be no assurance that we will file a registration statement with the SEC to allow holders of ADSs in the United States to participate in a preemptive rights offering. In addition, under current Mexican law, sales by the

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Depository of preemptive rights and distribution of the proceeds from such

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sales to the ADS holders is not possible. As a result, the equity interest of ADS holders in us would be diluted proportionately. See Item 10, "Additional Information--Bylaws--Preemptive Rights."

### Risks Relating to Mexico

Economic developments in Mexico may adversely affect our business

Our financial condition and results of operations are generally affected by the strength of the Mexican economy, as the demand for advertising, revenue from which is the principal source of our earnings, generally declines during periods of economic difficulty.

In 2002 and 2003, Mexico's gross domestic product, or GDP, grew by 0.9% and 1.3%, respectively, and inflation rose to 5.7% and decreased to 3.98%, respectively. In 2004, according to preliminary estimates of the Mexican government, GDP is expected to grow by 3.1% and inflation is expected to be 4.08%. If the Mexican economy contracts or if inflation and interest rates increase significantly, our business, financial condition and results of operations could suffer material adverse consequences.

Economic conditions in Mexico are heavily influenced by the condition of the U.S. economy due to various factors, including commercial trade pursuant to the North American Free Trade Agreement (NAFTA), U.S. investment in Mexico and emigration from Mexico to the United States. Events and conditions affecting the U.S. economy may adversely affect our business, results of operations, prospects and financial condition.

In addition, in recent years, economic crises in Asia, Russia, Brazil and other emerging markets have adversely affected the Mexican economy and could do so again.

High levels of inflation and high interest rates in Mexico could adversely affect our financial condition and results of operations

Mexico has experienced high levels of inflation and high domestic interest rates. The annual rate of inflation, as measured by changes in the National Consumer Price Index, was 3.98% for 2003. Inflation for the first quarter of 2004 was 1.57%. If inflation in Mexico does not remain within the government's projections, we might not be able to raise our broadcast advertising rates to keep pace with inflation. More generally, the adverse effects of high inflation on the Mexican economy might result in lower demand for broadcast advertising.

Interest rates on 28-day Mexican treasury bills, or Cetes, averaged 6.23% during 2003. On June 23, 2004, the 28-day Cetes rate was 6.58%. High interest rates in Mexico could adversely affect our financing costs.

Political events in Mexico could affect Mexican economic policy and our operations

Mexican political events may significantly affect our operations and the performance of Mexican securities, including our securities. In the Mexican national elections held in July 2000, Vicente Fox of the opposition Partido Accion Nacional (National Action Party or PAN) won the presidency. His victory ended more than 70 years of presidential rule by the Partido Revolucionario Institucional (the Institutional Revolutionary Party or PRI). Neither the PRI

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nor the PAN currently has a majority in the Congress or Senate. The lack of a majority party in the legislature and the lack of alignment between the legislature and the President has resulted in deadlock and prevented the timely implementation of

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economic reforms. Continued delays could have a material adverse effect on the Mexican economy and on our business.

Depreciation of the peso relative to the U.S. dollar could adversely affect our financial condition and results of operations

The value of the peso has been subject to significant fluctuations with respect to the U.S. dollar in the past and may be subject to significant fluctuations in the future. In 2003, the peso depreciated against the U.S. dollar by year-end by 7.77% and the average value of the peso against the U.S. dollar during 2003 was 11.28% lower than in 2002. In 2002, the peso depreciated against the U.S. dollar at year-end by approximately 12.8%, and the average value of the peso against the U.S. dollar during 2002 was 4.2% lower than in 2001. In 2001, the peso appreciated against the U.S. dollar by 4.8% at year-end, and the average value of the peso against the U.S. dollar during 2001 was 1.7% higher than in 2000. No assurance can be given that the peso will not depreciate in value relative to the U.S. dollar in the future.

Fluctuations in the exchange rate between the peso and the U.S. dollar will affect the U.S. dollar value of an investment in our equity securities and of dividend and other distribution payments on those securities. See "--Exchange Rate Information."

On March 1, 2004, as a result of the Infored Arbitration Proceeding, the Company was ordered to pay \$21.1 million in damages. The Company plans to challenge the validity of this decision in the Mexican courts. Pending this challenge, the Company will seek a stay of the enforcement of the damage award. There can be no assurance that we will prevail on any of these challenges. Any award that we are ultimately obligated to pay as a result of the Infored Arbitration Proceeding would be payable in U.S. dollars.

A small portion of our operating costs is also payable in U.S. dollars. Although at December 31, 2003 and at May 31, 2004, we had no U.S. dollar-denominated indebtedness, we may in the future incur non-peso-denominated indebtedness. Declines in the value of the peso relative to other currencies increase our obligations payable in U.S. dollars, increase our operating costs, increase our interest costs in pesos relative to any U.S. dollar-denominated indebtedness, result in foreign exchange losses and could adversely affect our ability to meet our U.S. dollar-denominated obligations. Additionally, since substantially all our revenue is denominated in pesos, increased costs resulting from a decline in the value of the peso relative to the U.S. dollar will not be offset by any exchange-related increase in revenue. See Item 11, "Quantitative and Qualitative Disclosure About Market Risk."

Severe devaluation or depreciation of the peso may also result in disruption of the international foreign exchange markets and may limit our ability to transfer or to convert pesos into U.S. dollars and other currencies for the purpose of making timely payments of our obligations or our operating costs payable in U.S. dollars.

Developments in other emerging market countries may affect prices of the ADSs

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The market value of securities of Mexican companies is, to varying degrees, affected by economic and market conditions in other emerging market countries. Although economic conditions in such countries may differ significantly from economic conditions in Mexico, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers. In late October 1997, prices of both Mexican debt securities and Mexican equity securities dropped substantially, precipitated by a sharp drop in value of Asian markets. Similarly, in the second half of 1998, prices of Mexican securities were adversely affected by the economic crises in

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Russia and Brazil. There can be no assurance that the market value of our securities would not be adversely affected by events elsewhere, especially in emerging market countries.

### Item 4. Information on the Company

#### THE COMPANY

##### Organization

Grupo Radio Centro is a corporation (sociedad anonima de capital variable) organized under the laws of Mexico. Grupo Radio Centro is a holding company that operates through its subsidiaries.

Grupo Radio Centro's principal executive offices are located at Constituyentes 1154 (7(degree) Piso), Col. Lomas Altas, C.P. 11950, Mexico, D.F., Mexico. The telephone number of Grupo Radio Centro at this location is (525) 55-728-4800.

##### History

Grupo Radio Centro is a family-controlled radio broadcasting company with roots in Mexican radio broadcasting dating back over 50 years. Francisco Aguirre J., the founder of Grupo Radio Centro, initiated his radio broadcasting activities in 1946. In 1952, he founded Organizacion Radio Centro ("ORC"), the sole owner and operator of two radio stations, Radio Centro and Radio Exitos. In 1965, the Company formed Organizacion Impulsora de Radio ("OIR"), to provide national sales representation to affiliated radio stations outside Mexico City. It was incorporated as Tecnica de Desarrollo Publicitario, S.A. de C.V. on June 8, 1971, and renamed Grupo Radio Centro, S.A. de C.V. on July 14, 1992. The bylaws of the Company provide for its existence until 2070. In 1973, Grupo Radio Centro expanded its broadcasting activities by establishing three new FM radio stations, thus consolidating its position as the market leader in Mexico City radio broadcasting. In 1983, Grupo Radio Centro began broadcasting outside Mexico and in 1986 created Cadena Radio Centro ("CRC") to provide programming and network sales representation to affiliated radio stations serving primarily the rapidly growing Spanish-speaking population of the United States. The Company sold CRC in August 1994. In 1989, the Aguirre family began a comprehensive process of corporate reorganization designed to consolidate Grupo Radio Centro's radio operations under the common ownership of the Company and the family's non-radio-related operations under the common ownership of another company controlled by the Aguirre family outside Grupo Radio Centro. The purpose of the reorganization was to permit Grupo Radio Centro to focus on radio-related operations and to acquire the balance of shares of its radio broadcasting subsidiaries that were owned directly or indirectly by members of the Aguirre family outside Grupo Radio Centro. As a result of the reorganization, the Company acquired substantially all of the shares of its radio broadcasting

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subsidiaries with the last transfer of shares occurring in March 1993. In the third quarter of 1993, the Company completed an initial public offering of its ADSs and CPOs, listing such securities on the NYSE and the Mexican Stock Exchange, respectively. The Company completed a subsequent public offering of ADSs and CPOs during the third quarter of 1996. On June 30, 2003, all CPOs held by holders that qualified as Mexican investors, as defined in the Company's bylaws (see Item 10, "Additional Information--Bylaws--Limitations Affecting Non-Mexican Holders"), were exchanged for Series A Shares held in the CPO Trust (see Item 9, "The Offer and Listing"). In connection with the Amended CPO Trust, the Series A Shares commenced trading on the Mexican Stock Exchange under the symbol "RCENTRO.A" on June 30, 2003. The Series A Share listing is deemed to include the CPOs, such that the Series A Share trading line will reflect trading of both Series A Shares and CPOs.

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### Capital Expenditures and Divestitures

#### Capital Expenditures

Capital expenditures in 2003, 2002, and 2001 were Ps. 18.7 million, Ps. 33.4 million and Ps. 152.5 million respectively. In 2003, capital expenditures were financed from working capital. In 2002, capital expenditures were financed from working capital. In 2001, capital expenditures were financed from working capital and short-term bank loans.

The Company's principal capital expenditures in 2001 were made in connection with its purchase of the Mexico City radio station XEN-AM on December 31, 2001. The total purchase price was approximately \$6.0 million, including approximately \$1.0 million in monthly payments under an operating agreement effective up to the consummation of the purchase, \$3.4 million in deposits and cash delivered upon consummation of the purchase and \$1.6 million in payments to a third party, primarily in connection with the termination of a marketing services contract between the third party and the previous owners of XEN-AM. Approximately \$4.8 million of the total purchase price was paid in 2001 and the remaining balance of \$1.2 million was paid during 2002. See "--Business Overview--Business Strategy--Maintenance of Leading Market Position," Item 10, "Additional Information--Material Contracts" and Note 23 to the Consolidated Financial Statements.

Additionally, in February 2001 the Company purchased To2, a company owning an Internet portal, for a total purchase price of \$2.15 million, including the assumption of certain liabilities totaling \$1.25 million. In March 2001, the Company purchased Palco Deportivo, a company providing sports-related content for various media, for a total purchase price of \$4.7 million, including the assumption of certain liabilities totaling \$0.7 million. These acquisitions were financed with short-term bank loans. See Item 5, "Operating and Financial Review and Prospects--Liquidity and Capital Resources" and Note 24 to the Consolidated Financial Statements.

The balance of the Company's capital expenditures in the 2001-2003 period were primarily for broadcasting equipment.

#### Capital Divestitures

The Company's capital divestitures from 2001 to 2003 amounted to Ps. 19.5 million in 2003, reflecting primarily the sale of used company automobiles, Ps. 25.0 million in 2002, reflecting primarily the sale of real estate and Ps. 3.7 million in 2001, reflecting primarily the sale of obsolete equipment (see Notes 1 and 11 to the Consolidated Financial Statements).

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### BUSINESS OVERVIEW

Grupo Radio Centro is a leading radio-broadcasting company in Mexico and for each of the last 32 years has been the leading radio broadcaster, in terms of audience share, in Mexico City, the most populous city in North America. Grupo Radio Centro's principal activities are the production and broadcasting of musical programs, news, interviews and special event programs. The Company's revenue is derived primarily from the sale of commercial air time to advertising agencies and businesses. The Company's Mexico City average audience share for the year ended December 31, 2003 was 32.0%, almost twice that of the next most popular radio-broadcasting company in Mexico City for the same period. See "--Broadcasting Operations" and "--Competition."

Grupo Radio Centro currently owns eight AM and five FM radio stations, and manages and operates an additional FM station. Of the 14 radio stations it owns or operates, Grupo Radio Centro

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operates five AM and six FM stations in Mexico City. The remaining three AM radio stations, including one in Mexico City, are currently managed and operated by third parties pursuant to operating agreements.

The Company manages the 11 radio stations it operates in Mexico City as a portfolio, combining in-depth market research and programming innovation with continuous investment in state-of-the-art technology and human resources to produce high-quality, popular programs that target substantially all of the demographic segments of the Mexico City radio audience sought by advertisers. For the year ended December 31, 2003, Grupo Radio Centro's radio stations ranked as four of the top ten FM radio stations out of a total of 29 FM stations and three of the top ten AM stations out of a total of 34 AM stations. The Company's station portfolio includes one or more of the leading stations, in terms of audience share, in most of the major station format categories (such as Juvenil--Youth Oriented and News/Talk Show) in Mexico City. See "--Business Strategy."

In addition to its radio-broadcasting activities, the Company, under the trade name Organizacion Impulsora de Radio, acts as the national sales representative for, and provides programming to, a network of affiliates in Mexico. At December 31, 2003, the Company had 111 affiliates in 73 cities throughout Mexico.

#### Business Strategy

The Company's strategy is to optimize cash flow from operations through maintaining its leading market position, offering advertisers top-ranked stations in almost every major station format, and continuing its focus on operating efficiency and cost control.

#### Maintenance of Leading Market Position

The Company is focused on maintaining its current position as the leading radio broadcaster in Mexico City, offering advertisers top-ranked stations in almost all of the major station formats, including Spanish Language--Contemporary Music, Spanish Language--Classics, English Language--Music, English Language--Contemporary Music, English Language--Classic Rock, Juvenil--Youth Oriented, Gruper--Diverse Musical Genres and News/Talk Show. By maintaining a strong presence in the major station formats, management believes that the Company will maximize its share of total radio advertising



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expenditures. Management bases such belief on the following rationale: (i) a broadcaster's revenue is correlated with its ability to maximize the number of listeners within an advertiser's given demographic parameters and (ii) the Company's stations currently cover almost all of the demographic segments of the radio audience sought by advertisers. In addition, by managing its stations as a portfolio and offering a broad range of advertising packages, the Company believes that it differentiates itself from its smaller competitors, who cannot offer as comprehensive coverage of the Mexican radio audience. The Company is able to offer advertisers exposure to listening audiences targeted to correspond with the demographic profiles they seek, and is able to provide advertisers with their choice of either focused or broad audience exposure across a comprehensive range of income classes and age segments.

In order to maximize the audience share of its portfolio of stations, the Company recognizes the need to be responsive to the requirements of its listeners and advertisers, tailoring its stations to the changing circumstances of the market. The Company seeks to manage its station portfolio by (i) balancing the mix of its station formats to correspond to the needs of the overall market and (ii) being proactive in the management of each individual station format and adjusting to the evolution of its particular market segment.

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### OIR Network Strategy

As a complement to its radio-broadcasting activities, Grupo Radio Centro operates, and continues its efforts to expand, its OIR radio network. The Company simultaneously transmits its news program La Red from 5:45 a.m. to 10:00 a.m. to the 32 largest commercial markets in Mexico outside the Mexico City metropolitan area. While increasing programming and service revenue, the operation of OIR also facilitates the Company's overall marketing efforts, offering advertisers access to radio stations on a nationwide basis. See "--Business Overview--OIR Network."

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### Broadcasting Operations

#### Radio Stations

Except as noted, the following table sets forth certain information about the Mexico City radio stations operated by Grupo Radio Centro as of December 31, 2003:

Station	Frequency	Power (Watts)	Station Format	INRA (1) 2003 Total Market Rank (3)	INRA (1) 2003 Tot Audience Share (4)
-----	-----	-----	-----	-----	-----
XEQR-FM.....	107.3 mhz	100,000	Grupera--Diverse Musical Genres	1	9.33%
XEJP-FM.....	93.7 mhz	100,000	Spanish Language--Contemporary Music	4	4.19%

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XERC-FM.....	97.7 mhz	100,000	Juvenil--Youth Oriented	3	5.35%
XHFO-FM(6).....	92.1 mhz	150,000	English Language--Classic Rock	15	2.74%
XHFAJ-FM.....	91.3 mhz	100,000	English Language--Contemporary Music	9	3.59%
XHRED-FM.....	88.1 mhz	100,000	News / English Language--Music	26	1.16%
XERED-AM.....	1110 khz	50,000	News / Talk Show	19	2.13%
XERC-AM(7).....	790 khz	50,000	News	44	0.28%
XEQR-AM.....	1030 khz	50,000	Spanish Language--Talk Show / Contemporary Music	25	1.25%
XECMQ-AM(7).....	1150 khz	20,000	Spanish Language Classics	21	1.73%
XEN-AM(8).....	690 khz	50,000	News / Talk Show	46	0.24%

Station	Arbitron(2) 2003 Total Audience Share(4)	Arbitron(2) 2003 Band Rank(5)	Target Demographic Segments
XEQR-FM.....	13.90%	1	13-44 years
XEJP-FM.....	6.70%	2	18-44 years
XERC-FM.....	6.10%	4	8-34 years
XHFO-FM(6).....	4.10%	7	18-44 years
XHFAJ-FM.....	2.90%	10	13-24 years
XHRED-FM.....	1.60%	16	25+ years
XERED-AM.....	1.70%	6	25+ years
XERC-AM(7).....	0.30%	23	25+ years
XEQR-AM.....	1.70%	5	25+ years
XECMQ-AM(7).....	2.20%	2	35+ years
XEN-AM(8).....	0.40%	13	25+ years

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- (1) Source: International Research Associates Mexicana, S.A. de C.V. ("INRA").
  - (2) Source: Arbitron Inc.
  - (3) Total market rank is determined based on each station's annual average share of the total radio audience.
  - (4) Total audience share represents each station's annual average share of the total radio audience.
  - (5) Band rank is determined based on each station's annual average share of the radio audience within its broadcasting frequency band (i.e., either AM or FM).
  - (6) XHFO-FM is operated by Grupo Radio Centro pursuant to an operating agreement that will terminate on January 2, 2005.

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- (7) In October 22, 2001 the Company switched the programming of the stations XERC-AM and XECMQ-AM.
- (8) On March 1, 2001, the Company began operating XEN-AM. On December 31, 2001, the Company acquired XEN-AM. The Company's ownership of this station was approved by the SCT on April 8, 2003.

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XHFO-FM is operated by Grupo Radio Centro pursuant to an operating agreement that will terminate on January 2, 2005. For the year ended December 31, 2003, XHFO-FM accounted for approximately 8.8 % of Grupo Radio Centro's broadcasting revenue. There can be no assurance that the Company will be able to extend this agreement beyond January 2, 2005 or what the terms of any such extension might be.

### Programming

The Company currently produces all of the programming for the stations it owns or operates. Prior to March 3, 2004, however, the Monitor news program, which was Mexico City's most popular radio news program in 2003, and Red Vial, a Mexico City traffic report were produced by Infored (see "--Production of Programming by Infored"). The news program that replaced Monitor and the traffic report that replaced Red Vial are produced by the Company itself. In addition, the Company provides programming to its network of affiliates.

Programming produced by the Company includes playing recorded music, coverage of live music events (such as concerts), special musical programs and news and talk show programs. For example, through its Noticentro news division, the Company produces daily news programs consisting of three-minute updates and ten-minute summaries of local, national and international news that are broadcast through Formato 21, the Company's 24-hour, all-news station, and a majority of its other stations in Mexico City.

Grupo Radio Centro's programming strategy is to tailor the format of each of its stations to attract targeted demographic segments of the radio audience sought by advertisers. To ensure that its programming remains responsive to shifting demographic trends and audience tastes, Grupo Radio Centro uses its internal research division (which conducts daily door-to-door interviews throughout Mexico City) as well as commercially available data to assess the listening habits and tastes of the Mexico City population. In 2003, Grupo Radio Centro conducted approximately 658,000 interviews. Grupo Radio Centro believes that no competitor has developed an internal research capability as extensive as its own.

### Production and Transmission of Programming

Grupo Radio Centro has 18 production studios in which musical material, advertisements and promotional spots are recorded on digital audio tape ("DAT"). During the first half of 2004, the Digital Recording System was updated for advertisements and music. In addition, Grupo Radio Centro maintains 13 on-air studios, each of which is linked to Grupo Radio Centro's new automated programming computer network via optical fiber. In most cases, Grupo Radio Centro has maintained a consistent design for both production and on-air studios to provide a familiar work environment for employees and to reduce the risk of error. Grupo Radio Centro's primary studio operations are substantially all digital and utilize state-of-the-art computer networks for the recording, scheduling and playing of all news, music, promotional and advertising material. Currently, the Company has a single network with a velocity measured in Gigabytes installed in both on-air studios and production studios, totaling 30 workstations.

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The new Digital Recording System records the audio of music, news and promotional and advertising material on hard disks from a storage system thereby transferring the audio directly to each workstation and then to an audio console. This programming feed is then processed and sent to one of several transmitter sites via VHF digital or analog studio transmitter links or via digital linear high-speed E1 links. Each signal is periodically monitored for quality.

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During 2004, the Company plans to replace six analog mixer consoles with digital mixer consoles. The replacements will occur at radio stations XECMQ-AM, XERC-AM (two consoles) and at one studio and two transmitter cabins used by OIR. The Company will also install a new news module (including new hardware and software) named "News Room" to modernize the operations of the news division of the Company and facilitate the rapid distribution of news information to all of the Company's radio stations.

Each station has a main transmitter and two back-up transmitters. All AM transmitters incorporate solid-state design. Each transmitter site has a diesel generator with automatic transfer that allows rapid switchover to back-up power in the event of power outages. In addition, the main FM transmitter facility is equipped with an uninterruptible power supply to prevent the loss of air time during a cutover to back-up power. Grupo Radio Centro uses sophisticated multiplexing networks for transmission, which allows five of its AM stations to operate at two sites, each site using one antenna. Similarly, five FM stations are multiplexed into a common eight-bay panel antenna situated on Cerro del Chiquihuite, which Grupo Radio Centro believes is ideally located at 540 meters above the average terrain level in Mexico City. A sixth FM station operated by the Company transmits from the World Trade Center in Mexico City.

Currently all AM and FM radio broadcast signals in Mexico are analog. There are various efforts underway around the world to develop, test and implement digital audio broadcasting ("DAB"). If implemented, DAB would largely eliminate fading, static and other interference that adversely affects the listening experience. Various DAB proposals have focused upon either the United States "in-band" broadcasting model (using existing allocations of AM or FM spectrum) or the European "out-of-band" broadcasting model. The Camara Nacional de la Industria de Radio y Television (the Mexican Trade Association for Broadcasters or "CIRT"), of which the Company is a member, is in the process of analyzing such proposals, particularly the European model. The Company is an active participant in CIRT's efforts to obtain favorable regulation of DAB when, and if, such technology is implemented in Mexico. CIRT has created a task force with the Secretaria de Comunicaciones y Transportes (the Secretary of Communication and Transportation or "SCT") in order to introduce DAB in Mexico in the future.

In March 2000, the SCT issued an order reserving a certain band of radio frequency (the "L" band) for research and development of digital audio broadcasting. In October 2000, the SCT issued an order amending all existing AM and FM band radio licenses to allow licensees to engage in DAB using technologies to be approved in the future by the SCT. There can be no assurance, however, as to whether or when DAB will be introduced.

In October, 2003, the Company was granted by the SCT permission to install in its Cerro del Chiquihuite plant, a digital radio system named DAB Eureka 147 which simultaneously transmits the programming of the radio stations Radio Red-FM, Stereo Joya, Alfa Radio, Stereo 97.7 and La Z. The Company also installed a digital transmitter system through which the Company broadcasts the

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programming of the radio station Alfa Radio. The results of such tests will be provided to the SCT. In addition, the Company plans to continue testing "IBOC-AM", an in-band on-channel AM system for transmitting digital information over existing stations.

In 2003, Grupo Radio Centro completed a project to increase the power of several radio stations--XERED-AM, XECMQ-AM and XEN-AM, from 50 to 100 kilowatts, 20 to 50 kilowatts and 50 to 100 kilowatts, respectively. The objective of this effort is to improve the stations' presence, coverage and quality of reception in Mexico City's metropolitan area. Definitive authorization from the SCT was granted in April 2004.

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### Production of Programming by Infored

Through a series of transactions effected in 1995 and early 1996, the Company acquired five radio stations owned by RED as well as the exclusive radio broadcasting rights to Monitor, the most popular news and talk radio program in Mexico. Contemporaneously with the acquisition of RED, the Company assumed a programming services agreement between RED and Infored pursuant to which Infored provided news programming and production services, including the production of Monitor, to the Company. Broadcasting revenue from XERED-AM and XHRED-FM attributable to Monitor represented a significant portion of Grupo Radio Centro's total broadcasting revenue. Approximately 23.0% and 22.9% and 27.8% of the Company's broadcasting revenue for 2001, 2002 and 2003, respectively, was attributable to Monitor.

On December 23, 1998, the Company entered into a programming services agreement (the "Infored Agreement") with Infored and Mr. Gutierrez Vivo, the principal anchor of Monitor, to provide the Company with original news programs and special-event productions for radio until 2015. The Infored Agreement provided that Mr. Gutierrez Vivo would continue as Monitor's host until at least the end of 2003.

Under the Infored Agreement, the Company agreed to make a one-time payment to Infored totaling approximately \$15.4 million, of which \$4.0 million and Ps. 4.0 million (nominal amount) was paid at signing and the balance of \$11.0 million was paid over the course of 1999. In addition, Grupo Radio Centro paid Infored monthly production fees based on the revenues derived from Monitor and the amount of budgeted expenses, which generally reflected increases due to Mexico's inflation rate, to cover Infored's radio programming operations. The Company also agreed to transfer to Infored two AM radio stations, XEFAJ-AM and XEJP-AM. These transfers were completed in April 2000.

In May 2002, however, Mr. Gutierrez Vivo and Infored initiated an arbitration proceeding pursuant to which they sought rescission of the Infored Agreement and damages. On March 1, 2004, the International Chamber of Commerce (the "ICC") notified the Company that, by majority vote of two of the three arbitrators, the ICC panel held that the Company was in breach of its contract with Infored and Mr. Gutierrez Vivo. As a result, the contract was rescinded and Infored and Mr. Gutierrez Vivo together were awarded a total of \$21.1 million in damages, which represents the amount the Company would be required to pay after taking into account prepayments made by the Company. The Company plans to challenge the validity of this decision in the Mexican courts. Pending this challenge, the Company will seek a stay of the enforcement of the damage award. There can be no assurance that we will prevail on any of these challenges.

In March 2004, the Company replaced its Infored-produced programming, including Monitor, with similar programming that the Company itself produces.

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### Investment in Technology

Grupo Radio Centro consistently has invested in state-of-the-art equipment, the development and deployment of new operating systems and the training of its engineering and operating personnel. Grupo Radio Centro believes these investments enable it to produce high quality programming with few scheduling or on-air errors and to broadcast a superior signal to listeners' radios. In addition, Grupo Radio Centro's computer system allows it to maintain a certifiable log of advertising and to generate real-time affidavits certifying that advertisements have been aired when and as requested, thereby reducing its clients' monitoring costs and enhancing client goodwill. Grupo Radio Centro believes that its state-of-the-art equipment and engineering staff give it a competitive edge in Mexico City radio broadcasting.

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### Sale of Air Time and Marketing

Commercial air time for Grupo Radio Centro's radio stations is sold both to advertising agencies and directly to businesses. The top ten customers in each of 2003, 2002 and 2001 accounted for approximately 33.4%, 31.4% and 37.7%, respectively, of total broadcasting revenue of the Company. Our two largest individual customers in 2003 and 2002 were Comercial Mexicana and Gigante. In 2003, Comercial Mexicana and Gigante accounted for 3.6% and 3.5%, respectively, of our total broadcasting revenue. In 2002, Comercial Mexicana and Gigante accounted for 5.5% and 5.3%, respectively, of our total broadcasting revenue. Gigante was our largest individual customer in 2001 and accounted for 7.7% of our total broadcasting revenue in that year. In 2003, the companies comprising Grupo Carso accounted for 5.2% of total broadcasting revenue, while in 2002 and 2001, the companies comprising Grupo Gigante, S.A. de C.V. accounted for 7.3% and 9.3%, respectively, of our total broadcasting revenue.

In addition to the Company's corporate clients, Instituto Federal Electoral, a public organization responsible for organizing presidential and congressional elections, accounted for 8.1% of our total broadcasting revenue in 2003. The two largest Mexican political parties, the PRI and the PAN, together accounted for 8.5% of the Company's total broadcasting revenue in 2003, reflecting the significant campaign advertising expenditures associated with the triennial congressional elections that year. By contrast, in 2002, the two political parties accounted for 1.3% of broadcasting revenue, while in 2001, they contributed virtually no revenue.

Sales of commercial air time vary throughout the year and are generally highest in the fourth quarter of the year and lowest in the first quarter of the year. See Item 5, "Operating and Financial Review and Prospects--Seasonality of Sales."

At December 31, 2003, the Company had a sales force of 33 individuals, of which 19 marketed primarily to advertising agencies and major customer accounts and 14 marketed to small and mid-sized accounts.

Grupo Radio Centro establishes its advertising rates by considering the cost per thousand listeners as a reference to ensure that its rates are competitive. The Company offers package discounts to its clients who purchase air time on multiple stations, offering the largest discounts to clients who purchase air time on all of its stations. Higher rates apply to clients who purchase commercial air time for "special events," such as live concerts and special news features.

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In addition, the Company sells commercial air time in advance under a plan pursuant to which advertisers who deposit cash with Grupo Radio Centro in an amount equal to their advertising commitment for an agreed period are guaranteed the rate in effect at the time of the purchase for the agreed period, and are granted bonus advertising time in addition to the time purchased. The Company invests cash deposited pursuant to advance sales, and includes interest generated on such investments in broadcasting revenue. In 2003, revenue recognized under advance-sale arrangements, including related interest income, accounted for approximately 43.8% of total broadcasting revenue, as compared to 41.4% for 2002 and 53.3% for 2001. See Note 15 to the Consolidated Financial Statements.

The effect of such advance sales is to substitute the increased interest income earned on the advance sale payments for a portion of the operating income foregone because of the reduced effective rate on the advertising time subject to the advance-sale arrangements. The Company believes that such advance sales are advantageous to Grupo Radio Centro because the interest income generated by the proceeds of such advance sales offsets in part the effective reduction in advertising rates associated with such sales, and because the bonus advertising time granted to purchasers is "dead time" (i.e., time that would not otherwise be sold). The Company also believes that its advance-sales plan attracts advertisers

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who would not otherwise purchase advertising time because of the benefits of guaranteed rates and bonus time. However, any decrease in the inflation rate for 2004 may reduce the attractiveness of these plans for such advertisers.

### OIR Network

Grupo Radio Centro, under the trade name OIR, provides national sales representation, programming and broadcast-related services to a network of affiliates. At December 31, 2003, Grupo Radio Centro had 111 affiliates located in 73 cities throughout Mexico. During the last three years, broadcasting revenue from OIR-related activities was 2.5% to 1.5% of total broadcasting revenue. In 2003, approximately 2.5% of the Company's revenue was attributable to its work through OIR, and no single affiliate represented more than 7.4% of total OIR-related revenue.

At December 31, 2003, 17 of the Company's OIR-related affiliates were owned or controlled by shareholders of the Company. Except as disclosed elsewhere (see Item 7, "Major Shareholders and Related Party Transactions--Related Party Transactions" and Note 6 to the Consolidated Financial Statements), all commercial relations between such shareholder-owned or shareholder-controlled stations and Grupo Radio Centro are on an arm's-length basis.

Outside Mexico City, virtually all national radio advertising (i.e., advertising aimed at a national audience) is sold through networks of affiliated radio stations. Pursuant to its standard affiliate agreement, terminable at will by either party on 60 days notice, OIR agrees to purchase commercial air time from affiliated stations, compensating such stations for their air time with a percentage of the revenue obtained on the resale of commercial air time to national advertisers. The affiliates agree to broadcast certain programs at specified times with advertising spots of specified duration. Compensation paid to affiliates varies depending on the size of the affiliate's market.

OIR transmits special event programs, including national advertising, directly to certain affiliates via satellite. As of December 31, 2003, 55

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affiliates were able to receive such programs via satellite from Mexico City and the remaining affiliates received recorded programming on conventional or DAT cassettes.

### Internet and Other Media

On February 16, 2001, the Company acquired To2, an Internet portal company. The Company used this acquisition to evaluate the possibilities of leveraging the Internet as a complementary medium to radio for distribution of the Company's content. In October 2002, the Company decided to cease operations of this Internet subsidiary because of its limited profitability and to control costs.

On March 14, 2001, the Company acquired Palco Deportivo, a company providing sports-related content for radio, television, various print media and its own Internet portal. In addition to using this acquisition to explore the use of other media, the Company broadcasts Palco Deportivo radio programming daily on XEQR-AM and broadcasts Palco Deportivo radio spots and advertisements on other Company stations. See "--The Company--Capital Expenditures and Divestitures--Capital Expenditures," Item 5, "Operating and Financial Review and Prospects--Liquidity and Capital Resources" and Note 24 to the Consolidated Financial Statements.

### Competition

Radio broadcasting in Mexico is highly competitive, and programming popularity, an important factor in advertising sales, is readily susceptible to change. As of December 31, 2003, there were 56

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commercial radio stations in Mexico City (30 AM and 26 FM stations) and seven not-for-profit, public-service stations (consisting of four AM and three FM). These constitute all of the currently available radio broadcast channels within Mexico City's AM and FM frequency spectrum.

Set out below is a table showing the number of stations in Mexico City operated by Grupo Radio Centro and each of its six main competitors at June 23, 2004, and a chart depicting the audience share of each, including the audience share of the stations owned by RED until 1994 and by the Company thereafter.

Operation of Mexico City Stations by Grupo Radio Centro  
and its Principal Competitors(1)

	AM Stations	FM Stations	Total
	-----	-----	-----
Grupo Radio Centro (GRC) .....	5	6	11
Grupo ACIR (ACIR) (2) .....	3	4	7
Nucleo Radio Mil (NRM) .....	3	3	6
Radiopolis (TVR) (3) .....	3	3	6
Organizacion Radio Formula (ORF) .....	3	2	5
Grupo Imagen(4) .....	0	2	2
Multivision Radio (MVS) (5) .....	0	2	2
	-----	-----	-----
Total .....	17	22	39

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(1) Source: Grupo Radio Centro.

(2) In September 2000, Grupo Televisa S.A. de C.V. offered to acquire a 50.05% interest in Grupo ACIR. As of May 2001, the Federal Competition Commission



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had rejected the proposed acquisition and a subsequent appeal of that rejection by Grupo Televisa. Grupo Televisa has appealed the rejection in the Mexican courts, which have not decided the matter.

- (3) A subsidiary of Grupo Televisa.
- (4) Formerly part of MVS.
- (5) Formerly known as Frecuencia Modulada Mexicana.

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### Mexico City Radio Audience Share (1970-2003) (1)

#### GRAPH

- (1) Source: INRA.
- (2) In 1995, the Company began operating the three stations owned by Radio Programas de Mexico. Accordingly, the Company's audience share includes the audience share of these three stations beginning in 1995. In 1996, the Company acquired these stations.
- (3) In 1994, NRM no longer owned XECO-AM and XEUR-AM, and in 1995, NRM purchased XHMM-FM.
- (4) In 1995, the three stations owned by Grupo Arta were acquired by Grupo Acir.
- (5) Includes average audience share of stations owned by Grupo Imagen until Grupo Imagen's separation from MVS in December 1999.

Since 1995, the Company's average Mexico City audience share has declined from 37.1% to 32.0% in 2003. This decline is mainly attributable to increased competition from other radio stations that have adopted formats similar to the Company's most successful formats, including Juvenil--Youth Oriented, Gruper--Diverse Musical Genres and News/Talk Show.

Although the Company believes that its balanced portfolio of station formats following the RED acquisition reduces the impact of a decline in audience share of any one format segment or station (for example, the Company's most popular station, which was the top-ranked station in Mexico City for the year ended December 31, 2003, represented only 9.2% of the total radio audience), there can be no assurance that competition within, or a decline in the popularity of, a given format segment will not decrease the Company's aggregate audience share in the future. In addition, the Company faces strong competition from both television and various print media for advertising revenue.

#### OIR Network Competition

As with radio broadcasting, the Mexican radio-network market is highly competitive. As of December 31, 2003, there were 27 radio networks serving 743 AM radio stations and 403 FM radio

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stations outside Mexico City. The Company believes that the popularity of its programming, its long-standing experience in the Mexican radio broadcasting market and the quality of its broadcast-related services enable the Company's affiliates that are serviced by OIR to compete effectively.

#### Significant Subsidiaries

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The following table sets forth the Company's significant subsidiaries at December 31, 2003:

Name of the Company	Jurisdiction of Establishment	Percentage Ownership and Voting Interests
XEQR, S.A. de C.V	Mexico	99.9%
XERC, S.A. de C.V	Mexico	99.9%
XEEST, S.A. de C.V	Mexico	99.9%
XEQR-FM, S.A. de C.V	Mexico	99.9%
XERC-FM, S.A. de C.V	Mexico	99.9%
XEJP-FM, S.A. de C.V	Mexico	99.9%
XEDKR-AM, S.A. de C.V	Mexico	99.2%
Radio Red, S.A. de C.V	Mexico	99.9%
Radio Red-FM, S.A. de C.V	Mexico	99.9%
Radio Sistema Mexicano, S.A	Mexico	99.9%
Estacion Alfa, S.A. de C.V	Mexico	99.9%
Emisora 1150, S.A. de C.V	Mexico	99.9%
Grupo Radio Centro, S.A. de C.V	Mexico	99.9%
Radio Centro Publicidad, S.A. de C.V	Mexico	99.9%
GRC Publicidad, S.A. de C.V	Mexico	99.9%
GRC Medios, S.A. de C.V	Mexico	99.9%
Promotora Tecnica de Servicios Profesionales, S.A. de C.V	Mexico	99.9%
Publicidad y Promociones Internacionales, S.A. de C.V	Mexico	99.9%

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Name of the Company	Jurisdiction of Establishment	Percentage Ownership and Voting Interests
Promo Red, S.A. de C.V	Mexico	99.9%
Universal de Muebles e Inmuebles, S.A. de C.V	Mexico	99.8%
Inmobiliaria Radio Centro, S.A. de C.V	Mexico	99.9%
Desarrollos Empresariales, S.A. de C.V	Mexico	99.9%
Radiodifusion Red, S.A. de C.V	Mexico	99.9%
Enlaces Troncales, S.A. de C.V	Mexico	99.9%

### Property and Equipment

All of Grupo Radio Centro's tangible assets are located in Mexico. At December 31, 2003, the net book value of all property and equipment was approximately Ps. 469.9 million (\$41.8 million).

Grupo Radio Centro's principal executive offices and studios are located in Mexico City and are owned by Grupo Radio Centro. In 1992 Grupo Radio Centro purchased the Constituyentes building, a modern, 102,000 square foot building of which, at December 31, 2003, the Company occupied approximately 81,000 square feet with the remainder available for leasing to third parties. In March 1994, Grupo Radio Centro moved its principal offices and broadcasting operations (excluding transmitter antennae and related equipment) into the Constituyentes building. Grupo Radio Centro also owns the transmitter sites and antenna sites

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used by most of its Mexico City radio stations, including related back-up facilities. In addition, Grupo Radio Centro currently leases satellite-transmission facilities in Mexico City from the Mexican government. As a result of a 1993 change in applicable Mexican law, Grupo Radio Centro purchased and received authorization from Telecomunicaciones de Mexico, a state-owned entity, to operate its own up-link equipment. This up-link equipment has been operational since the end of 1994. Grupo Radio Centro continues to own the building in which its administrative offices and studios were located immediately prior to its move into the Constituyentes building. Grupo Radio Centro also owns the land in Mexico City on which the transmission facilities of XERED-AM are located.

Grupo Radio Centro believes that its facilities are adequate for its present needs and are suitable for their intended purpose.

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### REGULATORY FRAMEWORK

The business of Grupo Radio Centro is subject to regulation and oversight by the SCT. The SCT is part of the executive branch of the Mexican federal government. Regulation and oversight are governed by the Ley Federal de Radio y Television (the "Federal Radio and Television Law"), the Ley Federal de Telecomunicaciones (the "Federal Telecommunications Law"), the regulations issued pursuant to these laws and the licenses granted by the SCT.

#### Regulation of Radio Broadcasting by Mexico

Licenses. Under the Federal Radio and Television Law, owners and operators of radio stations in Mexico must obtain a license from the Mexican government through the SCT to broadcast over a specified channel. Applications are submitted to the SCT and, after a formal review process of all competing applications and an objection period by third parties, a license is granted to an applicant with a specific term of up to 30 years. The SCT may terminate or revoke the license at any time upon the occurrence of, among others, the following events: failure to construct broadcasting facilities within a specified time period; changes in the location of the broadcasting facilities or changes in the frequency assigned without prior governmental authorization; failure to broadcast for more than 60 days without reasonable justification; and any violation of any of the other terms of the license. Under Mexican law, in the event of revocation of the license for certain specified reasons, Grupo Radio Centro would forfeit its transmission and antenna facilities with respect to the license. In the event of early termination of the license for other causes, the Mexican government would have a right of first refusal to purchase all these assets at a price fixed by an independent appraiser. In addition, in the event that the SCT terminates or revokes a license, the licensee may not obtain a new license for five years and, in some cases, may be forbidden from obtaining a new license. Under current law governing the regulation of the licensing and use of the respective AM and FM frequency spectrums, no additional licenses may be granted for the Mexico City market.

The licensee has rights to renew the license for periods of up to 30 years (with most terms for renewal currently being up to 12 years) under a non-competitive renewal process. Renewals are generally granted to licensees that have substantially complied with the applicable law. The licenses for nine of Grupo Radio Centro's radio stations are set to expire in 2004. The licenses for XEDKR-AM (in Guadalajara) and XESTN-AM (in Monterrey) expired in October 2003 and November 2003, respectively. The Company submitted an application to the SCT for the renewal of the licenses that expired in 2003 as well as an application for the renewal of the licenses that are set to expire in 2004;

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approval of the renewals is still pending. In addition, the license for XHRED-FM is set to expire in 2007, and the license for XEJP-FM is set to expire in 2012.

The licenses contain restrictions on the transfer of shares of the licensee, including the following: the transfer must be to a qualifying Mexican person; the transfer cannot result in a concentration of radio broadcasting holdings that may be contrary to the public interest; and the transfer cannot result in a gain to the seller. All such transfers are subject to prior notice to the SCT. In addition, any transfer of the license itself is subject to the prior approval of the SCT. A license may only be assigned if it has been in effect for more than three years and the licensee has complied with all of its obligations under the license.

Supervision of Operations. The SCT conducts regular inspections of the operations of the radio stations, and the companies or persons to which licenses have been granted must file annual technical, statistical, financial and legal reports with the SCT.

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Under Mexican law, radio programming is not subject to judicial or administrative censorship, except that programming is subject to various regulations, including prohibitions on foul language and programming that is contrary to the general principles of right conduct, national security or public order.

Radio programming is required to promote Mexico's cultural, social and ideological identity, and each licensee is required to make available each day up to 30 minutes of cultural or educational programming, or programming regarding family counseling or other social matters. The programming to be used to fulfill this requirement is provided to the broadcaster by the Mexican government.

Each licensee is required, during political campaigns, to provide a limited amount of broadcast time free of charge to all registered political parties.

Networks. There are no Mexican regulations governing the ownership and operation of a radio broadcasting network, such as OIR's network, separate from the regulations applicable to operating a radio station.

Restrictions on Advertising. Mexican law regulates the type and contents of advertising that may be broadcast on radio. In addition, licensees are prohibited from broadcasting advertisements that are misleading. The advertisements of certain products and services are subject to restrictions or require government approval prior to their broadcast. Moreover, the Mexican government must approve any advertisement of lotteries or raffles, or any advertisement that promotes bonuses to consumers for purchasing products or services.

Mexican law also regulates the amount of advertising that may be broadcast in any day. Under Mexican regulations, no more than 40% of broadcast time may be used for advertisements, divided proportionately among broadcasting hours. Generally, radio stations can have up to 12 two-minute breaks for advertisements per hour. Grupo Radio Centro, from time to time, has obtained waivers from the Mexican government with respect to these regulations.

The Company sets its minimum advertising rates and registers such rates with the SCT. No advertising may be sold at rates lower than those so registered. There are no restrictions on maximum rates that may be charged.

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Broadcast Tax. Since 1969, all radio stations in Mexico have been subject to a tax payable by granting the Mexican government the right to use a portion of broadcast time. Historically, the Mexican government was entitled to use up to 12.5% of all daily radio broadcast time. Beginning on October 10, 2002, radio stations must satisfy this tax by providing the Mexican government 35 minutes of broadcasting time between the hours of 6:00 a.m. and midnight, in spots lasting between 20 to 30 seconds. The use of this time is not cumulative and any time not used by the Mexican government in any day is forfeited. The time must be distributed on a proportional and equitable basis throughout the relevant programming period. The programming of public service announcements provided by the Mexican government is prohibited from competing with the licensee's programming and, if it is made to promote the consumption of products or services, must be limited to general promotions of Mexico's goods and services.

Other. In June 1993, the Ley Federal de Competencia Economica (Federal Economic Competition Law), a law to promote fair competition and to prevent monopolistic practices, became effective, and regulations thereunder were published in March 1998. As a result of the increase in Grupo Radio Centro's share of the Mexico City radio market following completion of the RED acquisition, the Company is required by the Federal Competition Commission to seek its prior approval in connection with any future acquisitions of radio stations in Mexico, including, without limitation, purchases or leases

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of radio stations, interests in other radio concerns or transmission sites, irrespective of the size of such investments or their related audience share, a requirement to which, to the best knowledge of the Company, other Mexican broadcasting companies are not subject generally. Although the Company received Federal Competition Commission approval of its acquisition of XEN-AM in July 2001 (see Note 23 to the Consolidated Financial Statements) because the Company sold two of its AM stations in 2000 (see "--Business Overview--Broadcasting Operations--Production of Programming by Infored"), no assurance can be given that the Company will be permitted by the Federal Competition Commission to make any additional investments should it desire to do so.

The Federal Telecommunications Law became effective in Mexico on June 8, 1995. Although this law does not affect the transmission of radio signals of the type transmitted by the Company's radio stations, it does cover the transmission of radio signals at certain frequencies at which the Company may wish to transmit in the future. Among other requirements, this new law provides that licenses for the transmission of radio signals at certain frequencies be granted pursuant to a competitive bidding procedure.

There is a general prohibition on the ownership of radio broadcasting companies by non-Mexicans and Mexican corporations that allow foreign ownership of their voting securities. The adoption of the North American Free Trade Agreement has not changed these Mexican regulations.

### Intellectual Property

Mexico. Grupo Radio Centro (directly or through its subsidiaries) has registered or filed for registration with the Instituto Mexicano de la Propiedad Industrial (the Mexican Institute of Industrial Property) of the Secretaria de Economia (the "Ministry of Economy") the following service marks (and their corresponding design, where indicated): "Radio Red," "Joya," "El Fonografo del Recuerdo," "Variedades," "Stereo Joya," "NotiCentro" (and design), "Sensacion" (and design), "Universal" (and design), "Stereo 97.7," "Alegria," "Centro," "Formato 21," "Hoy," "OIR," "Palco Deportivo" and "To2." In addition,

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Grupo Radio Centro (directly or through its subsidiaries) has registered or filed for registration the following commercial slogans: "CRC Radiodifusion Internacional," "Grupo Radio Centro Radiodifusion de Mexico al Mundo," "ORC Radiodifusion Valle de Mexico," "OIR Radiodifusion Nacional," "Radio Centro, la Estacion de la Gran Familia Mexicana" and "SER Servicios Especializados de Radiodifusion." Grupo Radio Centro also obtained the following service marks in connection with the acquisition of RED: "Radio Programas de Mexico," "RPM," "ALFA 91.3," "BANG," "UNIREN," "SERVIREN" and "AUTOREN."

United States. Grupo Radio Centro has registered on the principal register of the United States Patent and Trademark Office (the "USPTO") the following service marks: "Radio Exitos," "Radio Centro," "En Concierto," "Reinas de la Popularidad," "Frente a Frente . . . Fuera Mascaras," "Radio Sensacion," "Radio Variedades" and "Cadena Radio Centro CRC." Grupo Radio Centro has also registered on the principal register of the USPTO a sound mark consisting of a series of musical notes and the words "Radio Variedades."

### Item 5. Operating and Financial Review and Prospects

The following discussion should be read in conjunction with the Consolidated Financial Statements and the Notes thereto included elsewhere in this Annual Report. Grupo Radio Centro's Consolidated Financial Statements have been prepared in accordance with Mexican GAAP, which differ in certain respects from U.S. GAAP. Note 25 to the Consolidated Financial Statements provides a description of the principal differences between Mexican GAAP and U.S. GAAP, as they relate to Grupo

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Radio Centro, and a reconciliation to U.S. GAAP of operating income, net income and shareholders' equity.

Among other things, Mexican GAAP requires that financial statements recognize certain effects of inflation. In accordance with these requirements, the Company has restated non-monetary assets and liabilities using the INPC, restated the components of shareholders' equity using the INPC, recorded gains or losses in purchasing power from holding monetary assets or liabilities and restated financial data for all periods in the Consolidated Financial Statements, and throughout this Annual Report, in constant pesos as of December 31, 2003. See Item 3, "Key Information--Selected Financial Data."

#### General

Grupo Radio Centro's operating performance is dependent on a number of factors, including its ability to produce popular radio programs that attract the demographic segments of the radio audience sought by advertisers, its share of the total radio audience, the relative advertising cost efficiency of radio compared to other media, competition, the strength of its radio signals and the quality of its sound, the rate of growth of the local and national economies and government regulation and policies. Grupo Radio Centro's revenue is generated mainly from the sale of commercial air time. The primary operating expenses involved in owning and operating radio stations are employee salaries, programming expenses, promotion and advertising expenses and depreciation and amortization.

#### Seasonality of Sales

Grupo Radio Centro's revenue varies throughout the year. Sales of commercial air time, Grupo Radio Centro's primary source of revenue, are generally highest in the fourth quarter of the year and lowest in the first

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quarter of the year. However, Grupo Radio Centro historically has had sufficient cash flow from operations to meet its operating needs in all four calendar quarters. In 2003, there was a departure from this general pattern in that the revenue from the sale of commercial air time was highest in the second quarter, instead of fourth quarter, of the year because of increased advertising expenditures related to congressional political campaigns, and lowest in the third quarter of the year.

Advertising expenditures by political campaigns represent an important part of the Company's total broadcasting revenue. While the Company's revenue increases significantly during congressional elections, which occur every three years, including 2003, an even more significant increase in revenue results from presidential elections, which occur every six years (coinciding with congressional elections), including 2000. In 1997, advertising by political parties in connection with congressional elections and the Mexico City gubernatorial election represented 9.0% of the Company's total broadcasting revenue. In 1998 and 1999, advertising by political parties decreased to 1.1% and 6.5%, respectively, of total broadcasting revenue. In 2000, in connection with the presidential and congressional elections, political advertising increased to 20.9% of the Company's total broadcasting revenue. Advertising by political parties decreased to 0.1% of total broadcasting revenue in 2001 and increased to 6.1% of total broadcasting revenue in 2002, mainly due to the elections in the State of Mexico, which occurred in the first quarter of 2003. In 2003, in connection with congressional elections that took in July 2003, advertising by political parties increased to 21.1%. See Item 4, "Information on the Company--Business Overview--Broadcasting Operations--Sale of Air Time and Marketing."

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The following table sets forth the Company's broadcasting revenue and broadcasting income (excluding depreciation and amortization) on a quarterly basis, in each case as a percentage of its respective total, for 2003, 2002 and 2001.

	Broadcasting Revenue			Broadcasting Income, Excluding Depreciation and Amortization		
	2003	2002	2001	2003	2002	2001
First Quarter .....	22.8%	16.6%	20.1%	23.2%	(0.3%)	15.4%
Second Quarter .....	31.0	24.8	23.2	37.6	19.7	23.2
Third Quarter .....	21.3	20.9	25.1	14.5	10.3	21.5
Fourth Quarter .....	24.9	37.7	31.6	24.7	70.3	39.9
Total .....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

### Economic Conditions in Mexico

Grupo Radio Centro's financial condition and results of operations are generally affected by the strength of the Mexican economy, as demand for advertising, revenue from which is the principal source of the Company's earnings, generally declines during periods of economic difficulty. The annual rate of inflation in Mexico, as measured by changes in the National Consumer Price Index, was 3.98% for 2003. Inflation for the first quarter of 2004 was 1.57%. The adverse effects of high inflation on the Mexican economy might result in lower demand for broadcast advertising.

### Cost-Control Measures

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An important element of the Company's operating strategy is cost control. In 2001, personnel expenses decreased 2.0% from the previous year as a result of decreased sales commissions paid to sales personnel in connection with decreased sales. In 2002, personnel expenses decreased 6.7% mainly as a result of decreased sales commissions paid to sales personnel in connection with decreased sales. The Company also ceased the operations of its Internet portal company, To2. In 2003, personnel expenses decreased 1.9% mainly as a result of a reduction in personnel. The changes in personnel in 2003 and 2001 resulted in severance payments of Ps. 3.9 and Ps. 4.7 million, respectively, which are included in other expenses (net). See Note 22 to the Consolidated Financial Statements.

### Production of Programming

In March 2004, as a result of the outcome of the arbitration proceeding with Infored and Mr. Gutierrez Vivo, the Company replaced its Infored-produced programming, including Monitor, with similar programming that the Company itself produces. The Company currently produces all of the programming for the stations it owns or operates (see "--Business Overview--Broadcasting Operations--Production of Programming by Infored").

### Loss Contingency

As a result of the damages awarded in the arbitration proceeding with Infored and Mr. Gutierrez Vivo, we have recorded a provision for this contingent liability in the amount of \$21.1 million. The Company plans to challenge the validity of the arbitration award in the Mexican courts. There can be no assurance that we will prevail in this challenge. (see "--Business Overview--Broadcasting Operations--Production of Programming by Infored").

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### 2003 vs. 2002 Results of Operations

For the year ended December 31, 2003, broadcasting revenue was Ps. 825.1 million, representing a 11.7% increase compared to Ps. 738.4 million reported for the same period of 2002. This increase was mainly attributable to higher advertising expenditures from political parties in connection with the congressional elections that took place in July 2003.

The Company's broadcasting expenses (excluding depreciation, amortization and corporate, general and administrative expenses) for the year ended December 31, 2003, were Ps. 493.6 million, a 2.9% increase compared to Ps. 479.6 million reported for the same period of 2002, principally as a result of fees paid in connection with new programming for one of the Company's radio stations.

Broadcasting income (broadcasting revenue minus broadcasting expenses, excluding depreciation, amortization and corporate, general and administrative expenses) for the year ended December 31, 2003 was Ps. 331.5 million, an increase of 28.1% compared to broadcasting income of Ps. 258.8 million reported for the same period of 2002. This increase was mainly attributable to higher broadcasting revenue.

Depreciation and amortization expenses for the year ended December 31, 2003 were Ps. 113.4 million, representing an increase of 1.0% compared to Ps. 112.3 million reported for the same period of 2002.

The Company's corporate, general and administrative expenses during 2003 were Ps. 60.2 million, an increase of 28.3% compared to Ps. 46.9 million



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reported for the same period of 2002. This increase was mainly due to higher executive compensation and higher revenue-based fees paid to Infored in connection with the production of the radio news program Monitor during 2003.

As a result of the foregoing, the Company's operating income for the year ended December 31, 2003 was Ps. 157.9 million, an increase of 58.7% compared to operating income of Ps. 99.5 million reported for the same period of 2002.

The Company's comprehensive financing cost decreased from Ps. 53.2 million during 2002 to Ps. 32.9 million reported for 2003. This favorable change of 38.2% is mainly attributable to a decrease in the foreign exchange loss, net, from Ps. 43.7 million for 2002 to Ps. 6.5 million for 2003, resulting from the Company's conversion of its U.S. dollar-denominated bank loans to Mexican peso-denominated bank loans during the fourth quarter of 2002. The improvement in foreign exchange loss, net, was partially offset by a loss on monetary position of Ps. 0.31 million in 2003 compared to a gain on monetary position of Ps. 9.03 million in 2002, as well as an increase in interest expense resulting from higher interest rates in 2003.

Other expenses, net, were Ps. 66.0 million in 2003, representing an increase of 25.7% compared to Ps. 52.5 million reported for 2002. This increase is mainly due to the sale of certain non-broadcasting assets at a gain during 2002 compared to the sale of certain non-broadcasting assets at a loss during 2003, combined with an increase in expenses related to the arbitration proceeding with Infored.

For the year ended December 31, 2003, the Company reported income before extraordinary items and provisions for income tax and employee profit sharing of Ps. 59.0 million compared to a loss before extraordinary items and provisions for income tax and employee profit sharing of Ps. 6.2 million reported for 2002.

As a result of the provision for the contingent liability under Mexican GAAP resulting from the damages award granted in the arbitration proceeding with Infored and Mr. Gutierrez Vivo, the Company

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reported an extraordinary item charge in the amount of Ps. 340.7 million for 2003, resulting in a loss before provisions for income tax and employee profit sharing of Ps. 281.7 million for 2003 compared to a loss before provisions for income tax and employee profit sharing of Ps. 6.2 million reported for 2002.

The Company recorded an income tax and employee profit sharing credit of Ps. 35.9 million for 2003 compared to Ps. 8.5 million for 2002.

As a result of the foregoing factors, the Company recorded a net loss for 2003 of Ps. 245.8 million compared to a net gain of Ps. 2.3 million reported for 2002.

### 2002 vs. 2001 Results of Operations

For the year ended December 31, 2002, broadcasting revenue was Ps. 738.4 million, a 5.3% decrease as compared with Ps. 780.0 million reported for 2001. This decrease is mainly due to the slowdown of the Mexican economy in 2002 compared with 2001, which was partially offset by advertising revenues generated from political parties during the fourth quarter of 2002.

The Company's broadcasting expenses (excluding depreciation and amortization and corporate, general and administrative expenses) for the year ended December 31, 2002 were Ps. 479.6 million, a 4.9% decrease as compared with

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Ps. 504.3 million reported for 2001. This decrease is primarily attributable to the cancellation of non-productive programs and better control of operating and advertising expenses of the Company in the fourth quarter of 2002.

Broadcasting income for the year ended December 31, 2002 was Ps. 258.8 million, a 6.1% decrease as compared with Ps. 275.7 million reported for 2001. This decrease is primarily due to the decrease in broadcasting revenue, which was partially offset by the reduction in broadcasting expenses during 2002.

Depreciation and amortization for the year ended December 31, 2002 decreased 8.0% to Ps. 112.3 million, from Ps. 122.2 million reported for 2001. This decrease is primarily attributable to the write-off of goodwill in connection with some of the Company's subsidiaries in the fourth quarter of 2002. See Notes 13, 23 and 24 to the Consolidated Financial Statements.

Corporate, general and administrative expenses for the year ended December 31, 2002 were Ps. 46.9 million, a decrease of 10.5% as compared with Ps. 52.4 million reported for 2001. This decrease was mainly due to lower executive compensation.

Operating income for 2002 was Ps. 99.5 million, representing a decrease of 1.5% compared with Ps. 101.1 million reported for 2001. This decrease is primarily attributable to the decrease in depreciation and amortization during 2002.

Comprehensive financing cost increased from Ps. 12.6 million during 2001 to Ps. 53.2 million reported for 2002. This increase is primarily attributable to a foreign exchange loss of Ps. 43.7 million for 2002, as compared with a foreign exchange gain of Ps. 17.9 million for 2001, as a result of the weakening of the peso against the U.S. dollar in the fourth quarter of 2002. This unfavorable change was partially offset by a decline in interest expense from Ps. 36.8 million in 2001 to Ps. 20.8 million in 2002, primarily resulting from a decrease in bank debt during 2002.

Other expenses, net, were Ps. 52.5 million in 2002, compared with Ps. 76.0 million reported for 2001. This 30.9% decrease is mainly attributable to the closing of operations of To2, one of our

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subsidiaries engaged in Internet activities, which resulted in expense savings compared to expenses incurred for that subsidiary for the fourth quarter of 2001.

As a result, loss before provisions for income tax and employees profit sharing for the year ended December 31, 2002 was Ps. 6.2 million compared with an income before provisions for income tax and employee profit sharing of Ps. 12.5 million for 2001. The Company reported a credit for income tax and employees profit sharing of Ps. 8.5 million for 2002, compared to a credit of Ps. 6.0 million for 2001 that primarily resulted from the use of tax loss carryforwards in 2001. See Note 20 to the Consolidated Financial Statements.

As a result of the foregoing factors, net income for 2002 decreased 87.7% to Ps. 2.3 million, compared with Ps. 18.5 million reported for 2001.

### Liquidity and Capital Resources

The Company's primary source of liquidity is cash flow from operations. The Company's operating activities provided Ps. 221.8 million in 2003, Ps. 40.2 million in 2002 and Ps. 155.1 million in 2001. Cash flow from operations

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historically has been sufficient to cover the Company's working capital needs. However, at December 31, 2001, the working capital deficit was Ps. 49.9 million, due primarily to the Company's acquisitions of XEN-AM, Palco Deportivo and To2, which were financed mainly through short-term loans (see Notes 23 and 24 to the Consolidated Financial Statements). At December 31, 2002, the working capital deficit was Ps. 0.3 million. At December 31, 2003, the working capital deficit was Ps. 126.7 million, due primarily to the recorded provision for the contingent liability in connection with the arbitration proceeding with Infored and Mr. Gutierrez Vivo.

As a result of the damages awarded in this arbitration proceeding, we have recorded a provision for this contingent liability in the amount of \$21.1 million. The Company plans to challenge the validity of this award in the Mexican courts. Should the Company fail in its challenge, it expects to pursue various potential sources of funds to cover its obligations with respect to such award, including medium-term or long-term financing up to \$21.1 million. No assurance can be given that such funds will be obtained.

The Company expects to be able to meet its additional working capital needs in 2004 with cash flow from its operations.

Grupo Radio Centro invests its cash balances generally in short-term peso instruments, including overnight and time deposits, repurchase agreements, certificates of deposit and commercial paper of certain Mexican issuers.

### Indebtedness

Scotiabank Inverlat Loan Agreement. On October 30, 2000, the Company obtained a five-year, \$35 million loan from Banco Inverlat, S.A. (now Scotiabank Inverlat, S.A.), with interest payable quarterly, at an annual rate equal to the 90-day London Interbank Offered Rate (LIBOR) plus 3.25%, and principal payable bi-annually. As amended by a letter agreement, dated April 17, 2001, the loan agreement provided for an annual interest rate of LIBOR plus 3.00% (beginning May 1, 2001) and the payment of principal beginning October 31, 2001. The Company used the proceeds of the loan to fund a capital reduction in the amount of Ps. 372.3 million (Ps. 343 million, nominal amount), resulting in a payment of that amount to shareholders.

The Scotiabank Inverlat loan agreement contains covenants requiring the Company to maintain certain financial ratios and to comply with other financial conditions that, among other things, limit the Company's ability to incur additional indebtedness, pay dividends, pledge its assets and enter into transactions with affiliates. If we breach any of these covenants, the amount then outstanding under the loan agreement could be accelerated by the lender. As of December 31, 2001, the Company was not in compliance with the covenants requiring that the Company maintain a certain ratio of total liabilities to EBITDA (earnings before interest, taxes, depreciation and amortization) and a certain level of tangible capital, each as defined in the loan agreement. The Company obtained a waiver from Scotiabank Inverlat of its non-compliance with the tangible capital financial covenant through December 31, 2001 and the total liabilities to EBITDA financial covenant through March 31, 2002. Scotiabank Inverlat additionally agreed to amend the total liabilities to EBITDA financial covenant in the loan agreement to increase the ratio permitted through December 31, 2002. As a condition to the granting of the waiver and the amendment, the Company agreed to convert the denomination of \$13.6 million of the amount outstanding under the loan agreement from U.S. dollars into Mexican pesos, to pay interest equal to the Mexican Interbank Equilibrium Interest Rate (Tasa de Interes Interbancaria de Equilibrio or TIIE) plus 2.00% on the converted portion

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of the loan and not to pay any dividends for so long as the Company is not in compliance with any of the financial covenants in the loan agreement as amended. See Note 14 to the Consolidated Financial Statements.

Under a subsequent amendment to the Scotiabank Inverlat loan agreement on December 10, 2002, the Company agreed to convert the remaining \$23.3 million of the outstanding balance under the loan agreement from U.S. dollars into Mexican pesos, to pay interest equal to TIIE plus a variable rate ranging from 2.0% to 3.25%, depending on the ratio of the Company's total liabilities to EBITDA, and not to pay any dividends for so long as the Company is not in compliance with financial covenants in the loan agreement during three consecutive quarters starting with the fourth quarter of 2002.

On December 3, 2003, the Company and Scotiabank Inverlat signed an amendment to the Scotiabank Inverlat loan agreement to increase the principal amount outstanding of the loan by Ps. 50 million, to extend the loan's maturity to October 31, 2007 and to fix the annual interest rate of the consolidated loan at 10.3%, subject to the Company's compliance with a certain ratio of total liabilities to EBITDA, as defined in the amendment to the loan agreement. Failure to comply with such ratio will result in incremental quarterly adjustments to the annual interest rate up to a maximum interest rate of 11.55%. Due to noncompliance in the first quarter of 2004 (described below), the loan is currently subject to an annual interest rate of 11.05%. The proceeds of the additional loan described above were used to pay in full the outstanding principal of a short-term loan with BBVA Bancomer, S.A.

As a result of the provision recorded for the contingent liability in connection with the damages award granted in the arbitration proceeding with Infored, (i) at December 31, 2003 and at the end of the first quarter of 2004, the Company was not in compliance with the covenant under the Scotiabank Inverlat loan agreement requiring it to maintain a certain ratio of total liabilities to shareholders' equity, as defined in the loan agreement and (ii) at the end of the first quarter of 2004, the Company was not in compliance with the covenant requiring the Company to maintain a certain ratio of total liabilities to EBITDA, as defined in the loan agreement. On June 15, 2004, the Company obtained from Scotiabank Inverlat a waiver of its failure to comply with these covenants for these periods. On June 29, 2004, Scotiabank Inverlat agreed to amend the total liabilities to shareholders' equity financial covenant and the total liabilities to EBITDA financial covenant in the loan agreement to increase the corresponding ratios permitted through December 31, 2004.

At December 31, 2003, the Company's total indebtedness was Ps. 226.5 million, all of which was related to the Scotiabank Inverlat loan described above. The Company's short-term indebtedness was Ps. 56.6 million relating to the current portion of the Scotiabank Inverlat loan, while the Company's long-

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term indebtedness was Ps. 169.9 million relating to the non-current portion of the Scotiabank Inverlat loan. The Company's total indebtedness is Ps. 198.1 million at June 23, 2004, all of which is related to the Scotiabank Inverlat loan described above.

Short-term Indebtedness. Between 2001 and 2003, the Company's short-term indebtedness was related to the current portion of the Scotiabank Inverlat loan and to several short-term promissory notes issued by the Company. The first promissory note, dated July 24, 2002, represented indebtedness owing to BBVA Bancomer, S.A. in the principal amount of \$5.0 million, bore interest at an annual interest rate equal to LIBOR plus 1.35% and matured on January 17, 2003.

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The second promissory note, dated August 2, 2002, represented indebtedness owing to BBVA Bancomer, S.A. in the principal amount of \$1.5 million, bore interest at an annual rate of LIBOR plus 1.2% and matured on January 17, 2003. On January 17, 2003, both promissory notes owing to BBVA Bancomer, S.A. were combined and their maturities extended. The combined promissory note, dated January 17, 2003, represented indebtedness owing to BBVA Bancomer, S.A. in the principal amount of \$6.5 at an annual interest rate of 2.5% and matured on May 19, 2003. On May 19, 2003, the Company paid the \$6.5 million to BBVA Bancomer, S.A. and agreed to a new short-term loan in the amount of Ps. 50.0 million (nominal amount), which bore interest at an annual rate of 6.9% and was scheduled to mature on July 17, 2003. BBVA Bancomer, S.A. subsequently agreed to extend the maturity of the loan to January 26, 2004. The principal and interest were paid off on December 4, 2003.

The third promissory note, dated November 12, 2002, represented indebtedness owing to Banco Nacional de Mexico, S.A. in the principal amount of \$3.5 million, bore interest at an annual rate of 3.2% and matured on January 10, 2003. On January 10, 2003, the promissory note was extended until March 11, 2003 and the annual interest rate lowered to 2.78%. The principal and interest were paid off at maturity on March 11, 2003. See Note 14 to the Consolidated Financial Statements. The proceeds of the promissory notes described above were used to finance the Company's acquisitions of XEN-AM, Palco Deportivo and To2. See Item 4, "Information on the Company--The Company--Capital Expenditures and Divestitures--Capital Expenditures" and Notes 23 and 24 to the Consolidated Financial Statements.

The Company has not entered into any arrangements for the purpose of hedging interest rate or currency risk.

During 2003, the Company's principal use of funds, other than for operating purposes and capital expenditures, was the payment of indebtedness totaling Ps. 61.8 million and the payment of dividends totaling Ps. 56.4 million (Ps. 55.0 million, nominal amount). In 2003, the Company repurchased on the open market 57,000 shares of the Company at an aggregate cost of Ps. 370,000 (Ps. 360,000 nominal amount). During 2002, the Company's principal use of funds, other than for operating purposes and capital expenditures, was for the payment of indebtedness totaling Ps. 79.0 million. In 2002, the Company repurchased from the public market 1,230,400 shares at an aggregate cost of Ps. 5.0 million (Ps. 4.6 million, nominal amount), representing approximately 0.7% of outstanding capital stock. During 2001, the Company's principal use of funds, other than for operating purposes and capital expenditures (see Item 4, "Information on the Company--The Company--Capital Expenditures and Divestitures--Capital Expenditures"), was the payment of dividends totaling Ps. 130.7 million (Ps. 115.0 million, nominal amount). Grupo Radio Centro may from time to time repurchase its outstanding equity securities if market conditions and other relevant considerations make such repurchases appropriate.

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Contractual Obligations. In the table below we set forth certain contractual obligations as of December 31, 2003, consisting of debt, and the period in which the contractual obligations come due. The table below does not include pension liabilities, deferred taxes or current accounts payable.

Payments Due b  
(in thousan  
(as of December

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	Total	2004	2005-2006
	-----	-----	-----
Contractual Obligations			
Long-Term Debt Obligations .....	Ps. 226,473	Ps. 56,618	Ps. 113,237
	-----	-----	-----
Total .....	Ps. 226,473	Ps. 56,618	Ps. 113,237

U.S. GAAP Reconciliation

Net (loss) income under U.S. GAAP for 2003, 2002 and 2001 was Ps. (318.8 million), Ps. 76.2 million and Ps. 97.0 million, respectively. The difference between net income under U.S. GAAP and Mexican GAAP was primarily attributable in 2003, 2002 and 2001, to the amortization of goodwill with respect to companies purchased from related parties. Under current Mexican GAAP, goodwill is amortized using a straight-line method based on an asset's estimated useful life. In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets." As a result of SFAS 142, amortization of goodwill under U.S. GAAP ceased as of January 1, 2002, and U.S. GAAP requires testing goodwill for impairment at least once a year. The Company was required to adopt this standard for the year ending December 31, 2002 on its consolidated financial statements under U.S. GAAP. In accordance with the requirements of SFAS 142, the Company performed an analysis for impairment of its goodwill as of December 31, 2002 and December 31, 2003. For the year ending December 31, 2002, no impairment adjustment was necessary. For the year ending December 31, 2003, a goodwill impairment adjustment under U.S. GAAP was necessary in the amount of Ps. 152.5 million (\$13.6 million) relating to the rescission of the Infored Agreement and the associated decline in anticipated advertising revenues.

Operating (loss) income under U.S. GAAP for the years ended December 31, 2003, 2002 and 2001 was Ps. (321.3) million, Ps. 120.9 million and Ps. 102.4, respectively. The principal difference between operating (loss) income under Mexican GAAP and U.S. GAAP is that certain expenses, net of the Company that are classified as non-operating charges under Mexican GAAP are charged against operations under U.S. GAAP. For the year ended December 31, 2003, the Company's extraordinary item relating to the provision for the contingent arbitration losses is classified as a non-operating charge to earnings under Mexican GAAP, whereas for U.S. GAAP reporting purposes this represents an operating charge against the Company's earnings.

Shareholders' equity under U.S. GAAP at December 31, 2003, December 31, 2002 and December 31, 2001 was approximately Ps. 0.9 billion, Ps. 1.3 billion and Ps. 1.3 billion, respectively. In 2003, 2002 and 2001, the difference between shareholders' equity under U.S. GAAP and Mexican GAAP was mainly due to the treatment of amortization of goodwill with respect to companies purchased from related parties and the prohibition against amortization of goodwill under U.S. GAAP as of January 1, 2002.

For a further discussion of the differences between Mexican GAAP and U.S. GAAP as they relate to Grupo Radio Centro, see Note 25 to the Consolidated Financial Statements. Pursuant to Mexican GAAP, Grupo Radio Centro's financial statements recognize certain effects of inflation in accordance with Bulletin B-10 and Bulletin B-12; these effects have not been reversed in the reconciliation to U.S. GAAP. Due to the Company's adoption of Bulletin D-4 in 1999, the Company's financial statements for

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2003, 2002 and 2001 include an expanded recognition of deferred taxes under Mexican GAAP that more closely parallels U.S. GAAP. Accordingly, there were no differences related to deferred taxes that had to be reconciled between Mexican and U.S. GAAP for purposes of the Consolidated Financial Statements (see Note 25 to the Consolidated Financial Statements).

### Item 6. Directors, Senior Management and Employees

#### Directors

Management of the business of the Company is vested in the Board of Directors. At the shareholders meeting held on April 25, 2003, the Company amended its bylaws. See Item 10, "Additional Information--Bylaws." The bylaws, as amended, provide that the Board of Directors shall consist of a minimum of seven and a maximum of twenty directors and an equal number of their respective alternate directors. Each director and alternate director is elected by the Company's shareholders by simple majority vote at the annual ordinary general meeting for a term of one year. Alternate directors are authorized to serve on the Board of Directors in place of directors who are unable to attend meetings or otherwise participate in the activities of the Board of Directors. Directors and alternate directors may be Mexican or foreign, but both the majority of directors and the majority of alternate directors must be Mexican.

Of the total number of directors, and their respective alternate directors, at least 25% must be independent directors. Independent directors may not be individuals related to the Company, such as, among others, employees or officers of the Company, shareholders with directive power over officers of the Company, important clients, suppliers, debtors or creditors of the Company, or their respective shareholders, directors or employees. Alternate directors only serve in place of their respective regular directors and, in the case of alternate directors of independent directors, must also meet the requirements for independent directors.

The Board of Directors currently consists of twelve members. Alejandro Sepulveda de la Fuente is the Secretary to the Board of Directors. The current members of the Board of Directors were elected at the annual shareholders meeting on April 16, 2004. Their names, positions, ages and information on their principal business activities outside Grupo Radio Centro are listed below. In addition to the "other directorships" listed below, the Aguirre members of the Board of Directors, except for Ana Maria Aguirre and Rafael Aguirre, sit on the boards of directors of various radio stations in Mexico.

Francisco Aguirre G. (Chairman)	Age: Years as director: Principal occupation: Other directorships:	62 4 Private Investor Chairman of the board of S.A. de C.V.
Maria Esther Aguirre G. (Vice President)	Age: Years as director: Principal occupation:	64 4 Private Investor
Maria Adriana Aguirre G. (Vice President)	Age: Years as director: Principal occupation:	57 4 Private Investor

Ana Maria Aguirre G.	Age:	59
	Years as director:	33
	Principal occupation:	Private Investor
	Other directorships:	Director of Avon Cosmetic
Carlos Aguirre G.	Age:	49
	Years as director:	4
	Principal occupation:	General Director of Grupo
Rafael Aguirre G.	Age:	46
	Years as director:	11
	Principal occupation:	Private Investor
	Other directorships:	Chairman of the Board of branch of Bancrecer, S Quintana Roo branch of (formerly Banco Intern Director of the Yucata of Banco Nacional de M
Jose Manuel Aguirre G.	Age:	41
	Years as director:	4
	Principal occupation:	Private Investor
Pedro Beltran N.	Age:	60
	Years as director:	2
	Principal occupation:	Finance and Administrativ Financial Officer of G
Sergio Nino M.	Age:	63
	Years as director:	2
	Principal occupation:	Financial Advisor
Jose Raymundo Leal M.	Age:	58
	Years as director:	2
	Principal occupation:	Financial Advisor
Thomas Harold Raymond Moffet	Age:	62
	Years as director:	4
	Principal occupation:	President of Amsterdam Pa LLC (a financial advis
Luis de la Fuente Baca	Age:	58
	Years as director:	4
	Principal occupation:	Financial Advisor

Ms. Maria Esther G. de Aguirre is the Honorary Chairperson for life of the Board of Directors of the Company and also is the mother of Francisco Aguirre G., Maria Adriana Aguirre G., Maria Esther Aguirre G., Ana Maria Aguirre G., Carlos Aguirre G., Rafael Aguirre G. and Jose Manuel Aguirre G.



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The bylaws require that any of the following transactions be previously approved by the Board of Directors: (i) transactions entered into between the Company and/or its subsidiaries and any related party of the Company and/or its subsidiaries outside the ordinary course of business; (ii) the purchase or sale of 10% or more of the Company's and/or its subsidiaries' assets; (iii) the granting of a guarantee resulting in a potential liability exceeding 30% of the Company's and/or its subsidiaries' assets; and (iv) any transaction, other than the transactions described above, involving an amount in excess of one percent of the Company's and/or its subsidiaries' assets.

The bylaws provide that the Board of Directors shall meet at least once every three months and that either the Chairman of the Board of Directors, the Secretary, at least 25% of the members of the Board of Directors or any statutory auditor of the Company shall be entitled to call for a meeting of the Board.

The bylaws provide that holders of Series A Shares representing 10% of the capital stock of the Company shall be entitled to appoint one regular member of the Board of Directors and such member's alternate.

The bylaws also provide that the Board of Directors shall present to the shareholders at the annual shareholders meeting the reports of the Audit Committee and that the Board of Directors shall be entitled to appoint and remove the external auditor, taking into consideration the recommendation of the Audit Committee.

### Executive Committee

The Company's bylaws provide that at an ordinary general meeting, the shareholders may elect, by simple majority vote, an Executive Committee of five to seven members from among the Company's directors or alternate directors elected or designated at such shareholders meeting. The bylaws of the Company provide that the Executive Committee, with certain exceptions, is vested with all powers of the Board of Directors. Alternate Executive Committee members are authorized to serve on the Executive Committee in place of members who are unable to attend meetings or otherwise participate in the activities of the Executive Committee.

The current members of the Executive Committee are Francisco Aguirre G. (chairman), Jose Manuel Aguirre G. (vice president), Ana Maria Aguirre G., Maria Esther Aguirre G., Maria Adriana Aguirre G., Carlos Aguirre G. and Rafael Aguirre G.

### Audit Committee

The Audit Committee consists of three regular members of the Board of Directors appointed to the Audit Committee by the shareholders at the annual shareholders meeting. The chairman of the Audit Committee and a majority of its members must be independent directors, as independent is defined under Mexican securities market law.

The Audit Committee makes non-binding recommendations to the Board of Directors with respect to certain transactions, including any transactions entered into by the Company and/or its

subsidiaries with related parties, any purchase or sale of more than 10% of the Company's and/or its subsidiaries' assets, any guarantee for an amount exceeding

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30% of the Company's and/or its subsidiaries' assets and transactions involving more than 1% of the Company's and/or its subsidiaries' assets. The Audit Committee may make recommendations to the Board of Directors for the hiring or removal of the external auditor and the approval of any additional non-audit services to be rendered by the external auditors, and to propose the hiring of independent advisors as it may deem necessary in order to make recommendations. The Audit Committee must prepare an annual report on its activities for presentation to the shareholders at the annual shareholders meeting and to the Board of Directors. All resolutions of the Audit Committee must be approved by at least a majority of its independent members. The Company's statutory auditor must attend all meetings of the Audit Committee but is not entitled to vote at such meetings. There can be no assurance that recommendations of the Audit Committee will ensure that any arrangements with related parties are on an arm's-length basis.

Currently, the Audit Committee consists of three members: Sergio Nino M., Thomas Harold Raymond Moffet and Luis de la Fuente Baca, as committee chairman. As required by our bylaws and Mexican law, the chairman and two of the three members, Mr. Moffet and Mr. de la Fuente Baca, are independent members, as independent is defined under Mexican securities market law.

### Statutory Auditors

The Company's bylaws provide for one or more statutory auditors to be elected at the ordinary general meeting of shareholders and, if determined at such meeting, their respective alternates. Additionally, the bylaws provide that holders of shares, with or without voting rights, representing 10% of the capital stock of the Company shall be entitled to appoint one statutory auditor, and such statutory auditor may not be removed until all other statutory auditors are removed. Under Mexican law, the duties of statutory auditors include, among other things, the examination of the operations, books, records and any other documents of a company and the presentation of a report of such examination at the annual ordinary general meeting of shareholders. The statutory auditors are required to attend all meetings of the Board of Directors, Executive Committee, Audit Committee and shareholders of the Company.

The Company currently has one statutory auditor, Alejandro Martinez C., and one alternate statutory auditor, Patricio Montiel F.

### Executive Officers

The executive officers of Grupo Radio Centro are as follows:

Carlos Aguirre G.	Years as officer:	25
General Director	Years of service:	30
Pedro Beltran N.	Years as officer:	18
Finance and Administrative Director and Chief Financial Officer	Years of service:	18
Arturo Yanez F.	Years as officer:	20
Administrative Sub-Director	Years of service:	20
Sergio Gonzalez L.	Years as officer:	20
Operations Director	Years of service:	20
Luis Cepero A.	Years as officer:	21
Audio Engineering Director	Years of service:	43

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Eduardo Stevens A.	Years as officer:	14
Transmission Engineering Director	Years of service:	24
Gonzalo Yanez V.	Years as officer:	4
Marketing Director	Years of service:	7
Rodolfo Nava C.	Years as officer:	4
Audit and Information Manager	Years of service:	18
Alvaro Fajardo de la Mora	Years as officer:	19
General Counsel	Years of service:	19
Luis Miguel Carrasco N.	Years as officer:	6
Commercial Director	Years of service:	11

### Compensation

For the year ended December 31, 2003, the aggregate compensation for the executive officers of the Company paid or accrued in that year for services in all capacities was Ps. 22.0 million, of which approximately Ps. 3.9 million was paid in the form of bonus awards. These bonus awards were determined based on various factors, including quarterly financial results and station ratings and rankings.

The total of payments to Executive Committee members for attendance at Executive Committee meetings during 2003 was Ps. 17 million. The total of payments to directors for attendance at Board of Director meetings during 2003 was Ps. 283,140.

### Employees

At December 31, 2003, Grupo Radio Centro employed a total of 394 full-time employees, fewer than half of whom are members of the Sindicato de Trabajadores de la Industria de Radio y Television, Similares y Conexos de la Republica Mexicana (the Radio and Telecommunications Workers Union or the "Union"). At each of December 31, 2002 and December 31, 2001, the Company employed a total of 394 and 406 full-time employees, respectively. Grupo Radio Centro also employs a varying number of temporary employees. During 2003, the Company employed an average of 99 temporary employees.

Negotiations with Union employees are conducted at the industry level pursuant to a national contract (the "Contrato Ley") that is administered by the Union and that provides for general employment terms applicable to all Union employees, although particular enterprises within the radio broadcasting industry may negotiate separate contractual arrangements with the Union in the event exceptions from the Contrato Ley are desired. All of Grupo Radio Centro's current contractual relations with Union employees are pursuant to the stated terms of the Contrato Ley. The current Contrato Ley will expire on January 31, 2006; however, salary increases are implemented annually. On February 1, 2004, the Company and the Union agreed to a 4.5% increase in salaries. Relations between Grupo Radio Centro, its workers and the Union have historically been good; there have been no material disputes between any of the radio broadcasting subsidiaries of Grupo Radio Centro and any of their employees since the founding of Grupo Radio Centro.

### Share Ownership

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As of June 23, 2004, the Aguirre members of the Board of Directors had beneficial ownership, through the two Mexican trusts through which they hold their Series A Shares, of 84,020,646 Series A Shares of the Company, representing 51.6% of the outstanding Series A Shares. See Item 7, "Major Shareholders and Related Party Transactions--Major Shareholders."

None of the Company's other directors or officers is the beneficial owner of more than 1% of the Company's outstanding capital stock.

### Significant Differences between New York Stock Exchange Corporate Governance Standards and our Corporate Governance Practices

Pursuant to Section 303A.11 of the Listed Company Manual of the New York Stock Exchange (NYSE), we are required to provide a summary of the significant ways in which our corporate governance practices differ from those required for U.S. companies under the NYSE listing standards. We are a Mexican corporation with shares listed on the Mexican Stock Exchange (Bolsa Mexicana de Valores S.A. de C.V.). Our corporate governance practices are governed by our bylaws, the Mexican Securities Market Law (Ley del Mercado de Valores) and the regulations issued by the Mexican Banking and Securities Commission (Comision Nacional Bancaria y de Valores). We also generally comply on a voluntary basis with the Mexican Code of Best Corporate Practices (Codigo de Mejores Practicas Corporativas) as indicated below, which was created in January 2001 by a group of Mexican business leaders and was endorsed by the Mexican Banking and Securities Commission. On an annual basis, we file a report with the Mexican Banking and Securities Commission and the Mexican Stock Exchange regarding our compliance with the Mexican Code of Best Corporate Practices.

The table below discloses the significant differences between our corporate governance practices and the NYSE standards.

NYSE Standards	Our Corporate Governance Practices
<p>Director Independence. Majority of board of directors must be independent. "Controlled companies," which would include our company if it were a U.S. issuer, are exempt from this requirement. A controlled company is one in which more than 50% of the voting power is held by an individual, group or another company, rather than the public.ss.303A.01</p> <p>A director is not independent if such director is:</p> <p style="margin-left: 20px;">(i) a person who the board determines has a material direct or indirect relationship with the company, its parent or a consolidated subsidiary;</p>	<p>Pursuant to the Mexican Securities Market Law and our bylaws, our shareholders are required to elect a board of directors of between seven and nine members, of whom at least 25% must be independent. Our board of directors is not required to determine as to the independence of its directors.</p> <p>Under Article 14 Bis of the Mexican Securities Market Law and our bylaws, a director is independent if such director is:</p> <p style="margin-left: 20px;">(i) an employee or officer of the company (one-year cooling off period);</p>

(ii) an employee, or an immediate family member of an executive officer, of the company, its parent or a consolidated subsidiary, other than employment as interim chairman or CEO;

(iii) a person who receives, or whose immediate family member receives, more than \$100,000 per year in direct compensation from the company, its parent or a consolidated subsidiary, other than director and committee fees or deferred compensation for prior services only (and other than compensation for service as interim chairman or CEO or received by an immediate family member for service as a non-executive employee);

(iv) a person who is affiliated with or employed, or whose immediate family member is affiliated with or employed in a professional capacity, by a present or former internal or external auditor of the company, its parent or a consolidated subsidiary;

(v) an executive officer, or an immediate family member of an executive officer, of another company whose compensation committee's membership includes an executive officer of the listed company, its parent or a consolidated subsidiary; or

(vi) an executive officer or employee of a company, or an immediate family member of an executive officer of a company, that makes payments to, or receives payments from, the listed company, its parent or a consolidated subsidiary for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues (charities are not included, but any such payments must be disclosed in the company's proxy (or, if no proxy is prepared, its Form 10-K / annual report)).

(ii) a shareholder that, without employee or officer of the company or authority over the company's

(iii) a consultant, or partner or consultant, to the company or its where the income from the company or more of the overall income of

(iv) an important client, supplier, a partner, director or employee supplier is considered important purchases from the company represent client's or supplier's total sales or creditor is considered important financing represents more than 10% or of the debtor's or creditor's

(v) an employee of a fund, associated company that receives contributions from company that represent more than 10% contributions received;

(vi) a CEO or other high ranking officer of another company in which the issuer's high ranking officer is a member of the board of directors; or

NYSE Standards

"Immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law and anyone (other than domestic employees) who shares the person's home. Individuals who are no longer immediate family members due to legal separation, divorce or death (or incapacity) are excluded. ss.303A.02(b)

Our Corporate Governance Practices

(vii) a "family member" related to those mentioned above in (i) through (vi) includes a person's spouse, concubine up to three degrees of consanguinity in the case of (i) and (ii) above, and any other relative of up to one degree of affinity in the case of (iii) through

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Executive Sessions. Non-management directors must meet regularly in executive sessions without management. Independent directors should meet alone in an executive session at least once a year.ss.303A.03

Audit committee. Audit committee satisfying the independence and other requirements of Rule 10A-3 under the Securities Exchange Act of 1934 and the more stringent requirements under the NYSE standards is required. ss.ss.303A.06, 303A.07

There is no similar requirement under applicable Mexican law.

We will be required to comply with Rule 10A-3 under the Securities Exchange Act of 1934 by July 1, 2003. Some members of our audit committee are not independent under the NYSE independence and other audit committee requirements that are not prescribed by Rule 10A-3.

Our audit committee complies with the requirements of the Mexican Securities Market Law and has the following attributes:

We have a three-member audit committee consisting of three regular members of the board of directors, all of whom are appointed by the shareholders at the annual general shareholders meeting.

Under our bylaws, the chairman of our audit committee and the majority of its members are independent directors. Two of the three members of our audit committee are independent as defined under the Mexican Securities Market Law.

Our audit committee operates pursuant to the Mexican Securities Market Law, the regulations of the National Securities and Banking Commission and our bylaws.

Pursuant to our bylaws and Mexican law, the audit committee submits an annual report regarding its activities to our board of directors, and the board of directors presents the report to our shareholders at the annual ordinary general shareholders meeting.

NYSE Standards

Nominating/corporate governance committee. Nominating/corporate governance committee of independent directors is required. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. "Controlled companies," which would include our company if it were a U.S. issuer, are exempt from these requirements. ss.303A.04

Compensation committee. Compensation committee of independent directors is required, which must approve executive officer compensation. The committee must have a charter specifying the purpose, duties and evaluation

Our Corporate Governance Practices

We are not required to have a nominating and corporate governance committee, and it is not required by the Mexican Code of Best Corporate Practices.

We are not required to have a compensation committee. Our bylaws require that our directors' compensation be determined by the shareholders at the annual general shareholders meeting.

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procedures of the committee. "Controlled companies," which would include our company if it were a U.S. issuer, are exempt from this requirement. ss.303A.05

Equity compensation plans. Equity compensation plans require shareholder approval, subject to limited exemptions.ss.303A.08

Code of Ethics. Corporate governance guidelines and a code of business conduct and ethics is required, with disclosure of any waiver for directors or executive officers. ss.303A.10

Shareholder approval is not required by law or our bylaws for the adoption of an equity compensation plan. Current have an equity compensation plan.

We have adopted a code of ethics applicable to our chief executive officer, chief financial officer, principal accounting officer or person performing similar functions. We are required by Form 20-F to disclose any waivers granted to our directors and executive officers. A copy of our code of ethics is available on our website at [www.radiocentro.com](http://www.radiocentro.com)

### Item 7. Major Shareholders and Related Party Transactions

#### Major Shareholders

The Company was incorporated as Tecnica de Desarrollo Publicitario, S.A. de C.V. on June 8, 1971, with its principal shareholders being members of the Aguirre family. The Company has undergone several changes in nominal ownership, but ultimate control has always resided with the Aguirre family.

On June 3, 1998, all of the Series A Shares and CPOs owned by the Aguirre family, which were held in a trust established by the Aguirre family in 1992 (the "Old Controlling Trust"), were divided into two trusts (the Old Controlling Trust and the "New Controlling Trust" and, together, the "Controlling Trusts"). Prior to the division, 50% of the Series A Shares and CPOs of the Company held by the Old Controlling Trust was held for the benefit of Maria Esther G. de Aguirre, with the remainder divided equally among her children. Simultaneously with the division, Maria Esther G. de Aguirre acquired a

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50% interest in each of the Controlling Trusts and transferred those interests to her children in equal parts, but reserved her rights to vote and receive dividends in respect of the Series A Shares and CPOs previously held for her benefit (the "reserved rights").

On May 25, 1999, four members of the Aguirre family made a gift of their interest in the Company's Series A Shares and CPOs held by the Controlling Trusts to Maria Esther G. de Aguirre. On the same date, the Aguirre family amended the terms of the Controlling Trusts to transfer, on such date, the reserved rights held by Maria Esther G. de Aguirre to her children in equal parts and to transfer, upon the occurrence of certain events, the trust interests gifted to her by her four children to her seven other children--Maria Esther Aguirre G., Francisco Aguirre G., Maria Adriana Aguirre G., Ana Maria Aguirre G., Carlos Aguirre G., Rafael Aguirre G. and Jose Manuel Aguirre G.

On April 5, 2000, Maria Esther G. de Aguirre made a gift of her approximate 36% interest in the Controlling Trusts to her seven children holding interests in such trusts. Following this gift and an amendment of the terms of the Controlling Trusts to remove Maria Esther G. de Aguirre as grantor and beneficiary, those seven children owned, in equal parts, 100% of the interests in the Controlling Trusts. Under the terms of the Controlling Trusts, the Series A Shares held by each trust are ordinarily voted as directed by a majority of

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the beneficiaries of the trust.

The following table sets forth certain information regarding the ownership of Series A Shares by holders of more than 5% of the outstanding Series A Shares as of June 23, 2004. All CPOs previously held by the Controlling Trusts were converted to Series A Shares in 2003.

Name of Person or Group -----	Series A Shares Owned -----	Percentage of Series A Shares (1) -----
Old Controlling Trust.....	11,669,527	7.2%
New Controlling Trust.....	72,351,119	44.4%

-----  
(1) Percentages are based on 162,667,561 Series A Shares issued and outstanding as of June 23, 2004.

The voting rights of the holders of Series A Shares not held in the form of CPOs or ADSs are identical.

The bylaws of the Company prohibit the ownership of Series A Shares by persons who do not qualify as Mexican investors. See Item 10, "Additional Information--Bylaws--Limitations Affecting Non-Mexican Holders." At June 23, 2004, to the best knowledge of the Company, approximately 34% of the outstanding Series A Shares were represented by ADSs. It is not practical for the Company to determine the number of U.S. holders of CPOs or ADSs.

### Related Party Transactions

#### Family Control of OIR Network Affiliates

In addition to their participation in the Company, members of the Aguirre family owned or controlled 17 of the 111 affiliates in the network serviced by OIR at December 31, 2003. Affiliated stations owned or controlled by members of the Aguirre family accounted for approximately 18.9%, 25.6% and 24.4% of OIR revenue (or 0.5%, 0.3% and 0.3% of Grupo Radio Centro's total broadcasting revenue) for the fiscal years ended December 31, 2003, 2002 and 2001, respectively. Grupo Radio Centro has provided administrative and other services to such family-owned stations in the OIR network and under certain circumstances has provided commercial air time to related parties, on terms that are

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more favorable than those provided to unrelated parties. The Company does not believe that such transactions have been material.

#### Service Contract

On January 5, 2000, Grupo Radio Centro entered into a contract with an entity owned by Francisco Aguirre Gomez, chairman of the Board of Directors of the Company, for an indefinite term pursuant to which this entity is compensated for consulting services and the sale of air time provided to the Company by Mr. Aguirre. The Company incurred expenses under this contract totaling Ps. 10.0 million, Ps. 7.9 million and Ps. 7.8 million in 2003, 2002 and 2001, respectively. See Note 6 to the Consolidated Financial Statements.

#### Sale of Goods and Services

The Company makes available to employees, including key management personnel, and directors and directors' family members goods and services



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obtained by the Company in barter transactions. These goods and services are offered to executive officers and directors at discounts that are comparable to the discounts offered to the Company's employees. In 2003, the Company received a total of Ps. 3.2 million from executive officers and directors and their families in connection with these transactions. See Note 6 to the Consolidated Financial Statements.

Attention to Aguirre Family Matters

Carlos Aguirre G., the General Director, and to a lesser extent, Pedro Beltran, the Chief Financial Officer, Arturo Yanez, the Administrative Sub-Director, and Alvaro Fajardo, the General Counsel, have spent a portion of their time on Aguirre family matters for which Grupo Radio Centro has not been separately compensated.

For further information regarding transactions between Grupo Radio Centro and related parties, see Note 6 to the Consolidated Financial Statements.

Item 8. Financial Information

Consolidated Financial Statements

See Item 18, "Financial Statements" and pages F-1 through F-44.

Other Financial Information

Legal and Arbitration Proceedings

As required by a decree of a Mexican civil judge in connection with a litigation proceeding brought in 2002 by the Company to clarify the amounts owed in a contract dispute with Infored regarding the compensation of certain sportscasters for programming produced by Infored, the Company paid Ps. 13.1 million to Infored in June 2004. The amounts were paid from provisions that had been created in 2002 by the Company for such purpose. This matter was unrelated to the March 2004 arbitration decision regarding the Monitor news program.

As of June 23, 2004, other than proceedings related to the arbitration with Infored described under Item 4, "Business Overview--Broadcasting Operations--Production of Programming by Infored," neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration, and no

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material litigation or claim is known to the Company to be pending or threatened against the Company or any of its subsidiaries.

Dividend Policy

The table below sets forth each of the dividends paid by the Company during the period 1999-2003, together with per-Series A Share (in nominal pesos and U.S. dollars) and per-ADS amounts translated into U.S. dollars at the exchange rate in effect on each of the respective payment dates.

Date Dividend Paid	Fiscal Year with Respect to which Dividend Paid(1)	Aggregate Amount of Dividend Paid (Nominal Pesos)	Dividend Per Series A Share (Nominal Pesos) (2)	Di Ser (U.S
-----	-----	-----	-----	-----

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March 3, 2000.....	1999	42,700,000	0.24
March 9, 2001.....	2000	115,000,000	0.70
August 22, 2003.....	2002	55,000,000	0.34

- 
- (1) The Company paid no dividends with respect to 2001.
  - (2) Per Series A Share and ADS amounts calculated based on weighted average number of shares outstanding during the year in which the dividend was paid.
  - (3) Nominal peso amounts have been translated to U.S. dollar amounts at the noon buying rate for pesos on the date of payment of the dividend, as published by the Federal Reserve Bank of New York.

The amount of future dividends will depend upon Grupo Radio Centro's operating results, financial condition and capital requirements and upon general business conditions. The declaration, amount and payment of dividends are determined by a majority vote of the holders of the Series A Shares, generally upon the recommendation of the Company's Board of Directors. At the annual shareholders meeting of April 16, 2004, no dividend was declared with respect to 2003. Depending on the Company's financial position and compliance with the covenants in its loan agreement with Scotiabank Inverlat, the Company may declare dividends in the future. See Item 10, "Additional Information--Bylaws--Dividends."

Item 9. The Offer and Listing

Since July 1, 1993, the CPOs and the ADSs have been listed on the Mexican Stock Exchange and the NYSE, respectively. The ADSs have been issued by the Depositary. Each ADS represents nine CPOs. Each CPO represents a financial interest in one Series A Share.

The CPOs were originally issued by Nacional Financiera, S.N.C., Institucion de Banca de Desarrollo, Direccion Fiduciaria ("Nafin") as trustee for the trust (the "CPO Trust") created by the trust agreement, dated May 24, 1993, as amended, among the Old Controlling Trust and the Company, as grantors, and Nafin as CPO trustee. At a general meeting of the Company's shareholders on April 25, 2003 and a general meeting of the CPO holders on May 19, 2003, the shareholders and CPO holders approved several amendments to the CPO Trust. On June 27, 2003, the parties to the CPO Trust agreement entered into an amended and restated CPO Trust agreement (the "Amended CPO Trust Agreement"), reflecting those amendments, including the following:

- o Nafin was replaced as the CPO trustee by GE Capital Bank, S.A., Institucion de Banca Multiple, GE Capital Grupo Financiero, Division Fiduciaria, as successor trustee for the CPO Trust (the "CPO Trustee").
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- o The term of the CPO Trust was extended 20 years until June 29, 2023 (which term may be further extended).
  - o On June 30, 2003, all CPOs held by holders that qualified as Mexican investors, as defined in the Company's bylaws (see Item 10, "Additional Information--Bylaws--Limitations Affecting Non-Mexican Holders"), were exchanged for Series A Shares held in the CPO Trust. As of June 30, 2003, qualifying Mexican investors held Series A Shares and no longer held CPOs. Non-Mexican holders of CPOs as of

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June 30, 2003 continued to hold CPOs and, as holders of CPOs, are not entitled to withdraw the Series A Shares held in the CPO Trust.

In connection with the Amended CPO Trust, the Series A Shares commenced trading on the Mexican Stock Exchange under the symbol "RCENTRO.A" on June 30, 2003. The Series A Share listing is deemed to include the CPOs, such that the Series A Share trading line will reflect trading of both Series A Shares and CPOs.

Holders of CPOs are able to sell their CPOs (i) to a non-Mexican investor, in which event the non-Mexican investor would receive such CPOs, or (ii) to a Mexican investor, in which event the Mexican investor would receive the Series A Shares underlying such CPOs, directly or by keeping them deposited at an account at Indeval, maintained by such investor or by an authorized institution. Indeval or Institucion para el Deposito de Valores, S.A. de C.V. is a privately-owned securities depository that acts as a clearinghouse for Mexican Stock Exchange transactions.

The 2003 amendments to the CPO Trust did not affect the rights or interests of holders of ADSSs.

Price History

The following table sets forth, for the periods indicated, the reported high and low sale prices for the Series A Shares and the CPOs on the Mexican Stock Exchange (on a nominal basis) and the reported high and low sale prices for the ADSSs on the NYSE.

	Mexican Stock Exchange		New York Stock Exchange	
	Amounts per Series A Share and per CPO (in nominal pesos)		Amounts per ADS (in U.S. dollars)	
	High	Low	High	Low
1999.....	10.00	4.20	9.00	3.75
2000.....	15.00	6.90	14.50	5.75
2001.....	9.00	5.30	8.25	5.20
2002				
First Quarter.....	6.30	5.05	6.24	5.10
Second Quarter .....	5.95	2.61	6.00	2.61
Third Quarter.....	3.55	3.30	3.63	2.65
Fourth Quarter.....	3.49	2.25	2.64	1.76
2003				
First Quarter.....	3.00	2.40	2.52	1.61
Second Quarter .....	6.65	3.00	5.75	2.40
Third Quarter.....	8.41	5.95	7.45	4.95
Fourth Quarter.....	8.50	7.16	7.00	5.86

	Mexican Stock Exchange	New York Stock Exchange
	Amounts per Series A	

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	Share and per CPO (in nominal pesos)		Amounts per ADS (in U.S. dollars)	
	High ----	Low ---	High ----	Low ---
2004				
First Quarter .....	8.45	5.70	7.14	4.63
Most Recent Six Months				
December 2003.....	8.50	8.40	6.98	6.75
January 2004.....	8.45	8.40	7.14	6.49
February 2004.....	8.45	8.45	6.96	6.70
March 2004.....	8.45	5.70	6.50	4.63
April 2004.....	6.30	5.40	4.83	4.20
May 2004.....	7.40	5.30	5.88	4.05

### Trading on the Mexican Stock Exchange

The Mexican Stock Exchange, located in Mexico City, is the only stock exchange in Mexico. Founded in 1907, it is organized as a corporation whose shares are held by brokerage firms that are exclusively authorized to trade on the Exchange. Trading on the Mexican Stock Exchange takes place through the Sentra, an automated system; the Exchange's opening and closing times are fixed so that the Exchange's trading day coincides with the trading day of the NYSE. The Mexican Stock Exchange operates a system of automatic suspension of trading in shares of a particular issuer as a means of controlling excessive price volatility, but under current regulations this system does not apply to securities, such as the CPOs, that are directly or indirectly (for example, through ADSs) quoted on a stock exchange (including, for these purposes, the NYSE) outside Mexico.

Settlement is effected two business days after a share transaction on the Mexican Stock Exchange. Deferred settlement, even by mutual agreement, is not permitted without the approval of the Comision Nacional Bancaria y de Valores (National Banking and Securities Commission, the "CNBV"). Most securities traded on the Mexican Stock Exchange, including those of Grupo Radio Centro, are on deposit with Indeval.

### Item 10. Additional Information

#### BYLAWS

Set forth below is certain information concerning the Company's capital stock and a brief summary of certain significant provisions of the Company's bylaws and Mexican law. This description does not purport to be complete and is qualified by reference to the bylaws of the Company, which have been filed as an exhibit to this Annual Report, and Mexican law. For a description of the Company's bylaws relating to the Board of Directors, Executive Committee and statutory auditors, see Item 6, "Directors, Senior Management and Employees."

At the annual shareholders meeting held on April 25, 2003, the Company amended its bylaws. The amendments were intended, among other things, to comply with the general provisions applicable to issuers and other participants in the securities market, published by the CNBV on March 19, 2003.

### Organization, Register and Purpose

The Company was incorporated on June 8, 1971, as a Mexican limited

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liability stock company (sociedad anonima de capital variable) in accordance with Chapter V of the Ley General de Sociedades Mercantiles (the "Mexican Companies Law"). It was registered in the Public Registry of Commerce of Mexico City on August 28, 1992 under number 20694.

The capital stock of the Company consists of Series A Shares. In addition to Series A Shares, the bylaws permit the issuance, upon the approval of the CNBV, of special series of shares with limited or no voting rights. Additionally, the bylaws permit the Company to issue and sell debt securities (certificados bursatiles).

### Voting Rights

Each Series A Share entitles the holder thereof to one vote at any meeting of the shareholders of the Company. Holders of CPOs are not entitled to exercise the voting rights corresponding to the Series A Shares held in the CPO Trust. Such voting rights are exercisable only by the CPO Trustee, which is required to vote all such Series A Shares in the same manner as the holders of a majority of the Series A Shares that are not held in the CPO Trust and that are voted at a shareholders meeting. See "--Limitations Affecting Non-Mexican Holders--Voting Rights."

### Shareholders Meetings

General shareholders meetings may be ordinary meetings or extraordinary meetings. Extraordinary general meetings are those called to consider certain matters specified in Article 182 of the Mexican Companies Law and the Company's bylaws, including, principally, amendments of the bylaws, liquidation, and merger and transformation from one form of company to another. In addition, the Company's bylaws require an extraordinary general meeting to consider the removal of the Company's capital stock from listing on the Mexican Stock Exchange or any foreign stock exchange. General meetings called to consider all other matters are ordinary meetings, which are held at least once each year.

An ordinary general meeting of the holders of Series A Shares must be held at least once each year to consider the approval of the financial statements of the Company and certain of its subsidiaries for the preceding fiscal year, to elect directors for holders of Series A Shares (all of whom are elected annually for terms of one year), statutory auditors and members of the Executive Committee, to determine the allocation of the profits or losses of the preceding year and to consider approval of the report on the Company's repurchase and sale of shares and the report on the actions of the Audit Committee.

The quorum for an ordinary general meeting of the Series A Shares in first call is 50% of such shares, and action may be taken by a majority of the Series A Shares present. If a quorum is not available, a second meeting may be called at which action may be taken by a majority of the Series A Shares present, regardless of the number of such shares. The quorum for an extraordinary general meeting is 75% of the Series A Shares. If a quorum is not available, a second meeting may be called, provided that at least 50% of the Series A Shares entitled to vote are present. Actions at an extraordinary general meeting may be taken by a 50% vote of all outstanding Series A Shares on first and successive calls.

Shareholders meetings may be called by the Board of Directors, the statutory auditors or a court. The Board of Directors or the statutory auditors may be required to call a meeting of the shareholders by the holders of 33% of the Series A Shares. Additionally, holders of shares, with full or limited voting rights, representing 10% of the capital stock of the Company may require the Board of Directors or the

statutory auditors to call shareholders meetings and, in the event that such holders do not have sufficient information on the matters to be voted on, request postponements of shareholders meetings. Notice of meetings must be published in the Diario Oficial de la Federacion or a newspaper of general circulation in Mexico City at least 15 days prior to the meeting. In order to attend a meeting, shareholders must deposit their Series A Shares with the Company's Secretary at its office in Mexico City or any appointed registrar, or submit certificates evidencing a deposit with Indeval. If entitled to attend the meeting, a shareholder may be represented by proxy. The directors and statutory auditors of the Company may not act as proxies. Holders of the Company's shares, with full or limited voting rights, representing 20% of the capital stock of the Company have the right to seek judicial remedies to block any actions taken by the shareholders with respect to which such holders have the right to vote. Holders of CPOs and ADSs representing CPOs are not entitled to call shareholders meetings or seek judicial remedies to block actions taken by the shareholders.

#### Dividends

At the annual ordinary general meeting of holders of Series A Shares, the Board of Directors submits the financial statements of the Company for the previous fiscal year, together with a report thereon by the Board, to the holders of Series A Shares for approval. The holders of Series A Shares, once they have approved the financial statements, determine the allocation of the Company's net profits for the preceding year. They are required by law to allocate at least 5% of such net profits to a legal reserve, which is not thereafter available for distribution except as a stock dividend, until the amount of the legal reserve equals 20% of the Company's historical capital stock (before effect of restatement). See Note 19 to the Consolidated Financial Statements. Thereafter, the shareholders may determine and allocate a certain percentage of net profits to any special reserve, including a reserve for open-market purchases of the Company's Series A Shares. The remainder of net profits is available for distribution. All Series A Shares outstanding and fully paid at the time a dividend or other distribution is declared are entitled to share equally in such dividend or other distribution. Series A Shares that are only partially paid participate in dividends or other distributions in the same proportion that such Series A Shares have been paid at the time of the dividends or other distributions.

#### Liquidation

Upon liquidation of the Company, one or more liquidators may be appointed to wind up its affairs. All fully paid and outstanding Series A Shares will be entitled to participate equally in any distribution upon liquidation. Series A Shares that are only partially paid participate in such distribution upon liquidation in the proportion that they have been paid at the time of liquidation.

#### Preemptive Rights

Except as described below, in the event of a capital increase, a holder of existing Series A Shares has a preferential right to subscribe for a sufficient number of Series A Shares to maintain the holder's existing proportionate holdings of Series A Shares. Shareholders will not have preemptive rights to subscribe for Series A Shares issued (i) in connection with mergers, (ii) on the conversion of convertible debentures or (iii) for placement in a public offering, if an extraordinary general shareholders meeting called for such purpose approved such issuance and waived preemptive rights in connection therewith in accordance with the procedures specified in the Company's bylaws. Preemptive rights must be exercised within 15 days following the publication of

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notice of the capital increase in the Diario Oficial de la Federacion. Under Mexican law, preemptive rights cannot be waived in advance and cannot be represented by an instrument that is negotiable separately from the corresponding share. Holders of CPOs or ADSs that are U.S. persons or located in the United States will be unable to participate in the exercise

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of such preemptive rights absent registration of the preemptive rights offering under the Securities Act, which the Company is not obligated to do.

### Variable Capital

Under the Company's bylaws and Mexican law, the Company's capital stock must consist of fixed capital and may have, in addition, variable capital. Shares of the Company's fixed capital stock are called Class I shares and shares of the Company's variable capital stock are called Class II shares. The fixed portion of the Company's capital stock may only be increased or decreased by resolution of an extraordinary general meeting of shareholders, whereas the variable portion of the Company's capital stock may be increased or decreased by resolution of an ordinary or extraordinary general meeting of shareholders. Increases and decreases in the variable portion of the capital stock must be recorded in the Company's book of capital variations.

Currently, the Company's outstanding capital stock consists only of fixed capital. In the event the Company should have any outstanding variable capital, its outstanding shares will not be specifically assigned to the fixed or variable portion.

### Limitations Affecting Non-Mexican Holders

#### Share Ownership

Ownership by non-Mexican investors of shares of Mexican enterprises is regulated by the 1993 Ley de Inversion Extranjera (the "Foreign Investment Law"), as amended, and the 1998 Reglamento de la Ley de Inversion Extranjera y del Registro Nacional de Inversiones Extranjeras (the "Foreign Investment Regulations") thereunder. The Ministry of Economy and the Comision Nacional de Inversiones Extranjeras (the "Foreign Investment Commission") are responsible for the administration of the Foreign Investment Law and the Foreign Investment Regulations.

The Foreign Investment Law reserves certain economic activities exclusively for the state and reserves certain other activities (such as radio broadcasting) exclusively for Mexican individuals or Mexican corporations the bylaws of which contain a prohibition on ownership by non-Mexicans of the corporation's voting securities. However, the Foreign Investment Law allows foreign investors to own non-voting securities, such as the CPOs, of companies subject to foreign investment restrictions.

In addition to the limitations established by the Foreign Investment Law, the Federal Radio and Television Law and the licenses granted by the SCT provide restrictions on ownership by non-Mexicans of shares of Mexican enterprises holding licenses for radio, such as those held by Grupo Radio Centro.

In order to comply with these restrictions, the Company's bylaws limit ownership of Series A Shares to qualifying Mexican investors. The Company, however, has received approval from the Foreign Investments Commission to have up to 73.5% of its capital stock represented by CPOs issued by the CPO Trust. The CPOs do not have any restrictions on non-Mexican ownership, except that

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foreign governments or their agencies may not own them. The foregoing restriction does not prevent foreign state-owned enterprises organized as separate entities with their own assets to own CPOs. Pursuant to the Amended CPO Trust Agreement, the CPOs may be owned only by holders that do not qualify as Mexican investors as defined in the Company's bylaws. A holder that acquires CPOs in violation of the restrictions on Mexican ownership will have none of the rights of a CPO holder with respect to those CPOs.

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The Series A Shares may be owned only by holders that qualify as Mexican investors as defined in the Company's bylaws. A holder that acquires Series A Shares in violation of the restrictions on non-Mexican ownership will have none of the rights of a shareholder with respect to those Series A Shares.

The Foreign Investment Law and Foreign Investment Regulations also require that the Company register any foreign owner of its shares, or the depository with respect to ADSs or global depository shares representing its shares or ordinary participation certificates representing such shares, with the Registro Nacional de Inversiones Extranjeras (National Registry of Foreign Investment). A foreign owner of Series A Shares that has not been registered is not entitled to vote such Series A Shares or to receive dividends with respect to such Series A Shares. The Direccion General de Inversion Extranjera (General Directorate of Foreign Investment) has informed Grupo Radio Centro that it is not required to register any foreign owner of CPOs.

### Voting Rights

Each Series A Share entitles the holder thereof to one vote at any meeting of the shareholders of the Company. Holders of CPOs (and holders of ADSs representing CPOs) are not entitled to exercise voting rights with respect to the Series A Shares underlying such CPOs. Pursuant to the terms of the Amended CPO Trust Agreement, the CPO Trustee votes the Series A Shares held in the CPO Trust in the same manner as holders of a majority of the Series A Shares not held in the CPO Trust and voted at the relevant shareholders meeting. The Controlling Trusts hold a substantial majority of the Series A Shares not held in the form of CPOs. As a result, the Controlling Trusts and, indirectly, members of the Aguirre family have the power to elect a majority of the directors of, and control, the Company. Additionally, holders of CPOs or ADSs are not entitled to attend or to address the Company's shareholders meetings.

### Rights of Appraisal

Whenever the shareholders approve a change of corporate purpose, change of nationality or restructuring from one type of corporate form to another, any shareholder who has voted against such change or restructuring has the right to withdraw from the Company and receive the amount calculated as specified in Mexican law attributable to its shares, provided such shareholder exercises its right to withdraw during the 15-day period following the meeting at which such change was approved. Because the CPO Trustee is required to vote the Shares held in the CPO Trust in the same manner as the holders of a majority of the Series A Shares that are not held in the CPO Trust and that are voted at the shareholders meeting, under no circumstances will the Series A Shares underlying the CPOs be voted against any such change and therefore appraisal rights will not be available to holders of CPOs or ADSs.

### Termination of the CPO Trust

The Amended CPO Trust Agreement and the CPOs issued under the public deed evidencing the issuance of CPOs pursuant to the Amended CPO Trust Agreement



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(which deed is registered with the Public Registry of Commerce of the Federal District of Mexico) are scheduled to expire 20 years after the date of execution of the Amended CPO Trust Agreement. The CPO Trust may be extended by the CPO Trustee upon receipt six months prior to termination of written notice from the CPO Technical Committee (as defined below). If no such notice is received, the CPO Trustee will commence the procedure for the termination of the Amended CPO Trust Agreement. At the time of such termination, the CPO Trustee will proceed to sell the Series A Shares held in the CPO Trust and distribute the proceeds of such sale to the holders of the CPOs on a pro rata basis in accordance with the number of CPOs owned by each holder. Notwithstanding the foregoing, the Amended CPO Trust Agreement cannot be terminated if any dividends or other distributions previously received by the CPO Trustee remain unpaid to the CPO holders.

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Upon the expiration of the Amended CPO Trust Agreement, subject to obtaining the applicable authorizations from the Mexican government, the CPO Trustee and any CPO holder may execute a new trust agreement with the same terms as the Amended CPO Trust Agreement. There can be no assurance that a new trust agreement will be executed.

### Administration of the CPO Trust

Pursuant to the terms of the Amended CPO Trust Agreement, the CPO Trust will continue to be administered by the CPO Trustee under the direction of a technical committee. The technical committee of the CPO Trust (the "CPO Technical Committee") consists of four members and their respective alternates. Each of the following appoints one member: the Mexican National Foreign Investment Commission, the Mexican Stock Exchange, the Mexican Association of Securities Brokerage Firms, and the common representative of the CPO holders (HSBC, S.A., Institucion de Banca Multiple, Grupo Financiero HSBC). Actions taken by the CPO Technical Committee are required to be approved by a majority of the members present at any meeting of such committee at which at least the majority of the members are present.

### Other Provisions

#### Redemption

The Series A Shares are subject to redemption in connection with either (i) a reduction of share capital or (ii) a redemption with retained earnings, which, in either case, must be approved by the Company's shareholders at an extraordinary shareholders meeting. The Series A Shares subject to any such redemption would be selected by the Company by lot or, in the case of redemption with retained earnings, by purchasing Series A Shares by means of a tender offer conducted on the Mexican Stock Exchange, in accordance with the Mexican Companies Law.

#### Purchase by the Company of its Shares

The Company generally may not repurchase its shares, subject to certain exceptions. First, the Company may repurchase shares for cancellation with distributable earnings pursuant to a decision of an extraordinary general meeting of shareholders. Second, pursuant to judicial adjudication, the Company may acquire the shares of a shareholder in satisfaction of a debt owed by such shareholder to the Company. The Company must sell any shares acquired pursuant to judicial adjudication within three months; otherwise, the Company's capital stock will be reduced and such shares will be cancelled. Third, in accordance with its bylaws, the Company is permitted to repurchase its own shares on the Mexican Stock Exchange under certain circumstances with funds from a special

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reserve created for such purpose. Shares repurchased by the Company may be held by the Company only for a stated period of time. If, at the expiration of such period, the shares have not been sold to investors, the capital stock must be reduced proportionally. The maximum amount that may be authorized by the shareholders to be spent by the Company for the repurchase of shares (see "--Bylaws--Shareholders Meetings" above) may not exceed the sum of net income for the prior year plus retained earnings.

### Purchase of Shares by Subsidiaries of the Company

Subsidiaries or other entities controlled by the Company may not purchase, directly or indirectly, shares of the Company, or shares of companies that are majority shareholders of the Company or of subsidiaries of the Company.

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### Withdrawal Rights

In the event the Company should have any outstanding variable capital, the outstanding variable portion of the Company's capital stock may be fully or partially withdrawn by the shareholders. The minimum fixed portion of the Company's capital stock (the "Minimum Capital") specified in the Company's corporate charter cannot be withdrawn. A shareholder who wishes to effect a total or partial withdrawal of its Series A Shares must notify the Company in an authenticated written notice to that effect. If notice of withdrawal is received prior to the last quarter of the fiscal year, the withdrawal becomes effective at the end of the fiscal year in which the notice is given. Otherwise, the withdrawal becomes effective at the end of the following fiscal year.

Reimbursement of withdrawn Series A Shares is made at the lower of (i) 95% of the average Series A Share price quoted on the Mexican Stock Exchange, taking into account the trading volume during the 30 days prior to the date on which the withdrawal becomes effective for a period up to six months; and (ii) the book value per share as calculated from the Company's financial statements (as approved at the annual ordinary general meeting of shareholders) for the fiscal year immediately preceding that in which withdrawal becomes effective. In the event that the period in which the shares were traded is less than 30 days, the actual number of days in which the shares were traded will be taken into account. If the shares are not traded during such period, the book value of the shares will be used. Any such amount to be paid by the Company becomes due on the day following the annual ordinary general meeting of shareholders referred to in clause (ii) above.

Because the Minimum Capital cannot be withdrawn, requests for withdrawals are satisfied only to the extent of the available variable capital and in the order in which they are received; requests which are received simultaneously are fulfilled pro rata to the extent of the available variable capital. Currently, all Series A Shares of the Company constitute Minimum Capital.

### Conflict of Interest

A shareholder that votes on a business transaction in which its interest conflicts with that of the Company may be liable for damages, but only if the transaction would not have been approved without its vote.

### Actions against Directors

Actions for civil liabilities against directors may be initiated by resolution passed at a general ordinary shareholders meeting. In the event the shareholders decide to bring such action, the directors against whom such action

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is to be brought immediately cease to be directors. Shareholders representing not less than 33% of the outstanding Series A Shares may directly bring such action against directors, provided that (i) such shareholders did not vote in favor of abstaining from such action at a relevant shareholders meeting and (ii) the claim covers all damages allegedly suffered by the Company and not only by such shareholders. Shareholders representing 15% of capital stock of the Company have the right to directly bring actions for civil liabilities against directors, statutory auditors and members of the Audit Committee in their capacity as such. Any recovery of damages with respect to actions for civil liabilities against directors will be for the benefit of the Company and not for the shareholders bringing such actions.

### Obligations of Majority Shareholders

In compliance with CNBV regulations, the Company's bylaws include a provision whereby the shareholders holding the majority of the voting shares or having the power to control decisions in the

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general shareholders meeting or appoint the majority of the Board of Directors (the "Controlling Shareholders") will be required to make a public offer to purchase all outstanding shares in case the Company requests cancellation of the registration of its securities with the Registro Nacional de Valores (National Registry of Securities and or "RNV") or such registry is cancelled by the CNBV. If the Controlling Shareholders make such a purchase offer but do not acquire 100% of the shares of the Company's capital stock, then, prior to cancellation of the registration of its securities from the RNVI, the Company shall place in trust for a minimum of six months an amount of funds necessary to acquire the remaining shares at the purchase offer price.

According to the bylaws of the Company, the price of the offer must be at least the higher of (i) the average trading price during the previous 30 days on which the shares may have been quoted for a period up to six months prior to the effective date of the offer, or (ii) the book value of the shares in accordance with the most recent quarterly report submitted to the CNBV and to the Mexican Stock Exchange.

The trade value in the Mexican Stock Exchange shall be the average price for the volume of operations that have been carried out during the last 30 days in which the shares of the issuer have been traded, prior to the date of the offer during a period that cannot exceed six months. In the event that the period in which the shares were traded is less than 30 days, the actual number of days in which the shares were traded will be taken into account. If the shares are not traded within such period of time, the book value of the shares will be used.

The Board of Directors of the Company must provide its opinion regarding the price of the public offer within the five business days prior to the commencement of the offer, taking into account the interests of the minority shareholders and the opinion of the Audit Committee. In case that the Board has a conflict of interest, it shall present an opinion issued by an independent expert appointed by the Audit Committee.

In the event that the Controlling Shareholders obtain the consent of the shareholders representing 95% of the capital stock of the Company by means of resolution adopted at a shareholders meeting, and the price offered for the shares is less than 300,000 investment units (as defined under Mexican law), it will not be necessary that the Controlling Shareholders carry out a public offer in the understanding that in order to the request of cancellation, the Company

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shall place in trust for a minimum of six months an amount of funds necessary to acquire the remaining shares at the same price of the offer.

Finally, the bylaws provide that the Controlling Shareholders may request authorization from the CNBV to use a different basis for the determination of the price provided that the Board of Directors presents a recommendation to establish a different price, after taking into account the opinion of the Audit Committee, together with the report of an independent expert confirming that the price is consistent with article 16 of the Securities Market Law.

### Duration

The Company's existence under the bylaws continues until 2070.

### Anti-Takeover Provisions

The bylaws contain certain provisions intended to delay or prevent a takeover of the Company by any person or persons. The bylaws require the approval of two-thirds of the members of the Board of Directors for (i) the acquisition by any person or related persons, through one or more consecutive transactions of any nature, of shares or other securities with full voting rights representing 30% or more of

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the capital stock of the Company and (ii) the entering into by any person or persons of any agreement or arrangement for the exercise of voting rights in respect of 30% or more of the capital stock of the Company.

Any acquisition of shares or other securities of the Company which has not been approved by the Board of Directors as required will not be recorded in the stock registry book of the Company, will not be acknowledged by the Company and will not entitle the acquiring person to vote or exercise any other rights in respect of the acquired shares or securities. Similarly, any person entering into any voting agreement or arrangement which has not been approved by the Board of Directors as required will not be entitled to exercise the relevant voting rights whether in the general shareholders meeting or the Board of Directors meetings. In the event of either an acquisition of shares or securities of the Company or the entering into of a voting agreement or arrangement without the required approval of the Board of Directors, the Board of Directors will have the right to take certain actions including requiring the acquirer of shares to sell such shares through a public offering, requiring such acquirer to acquire all or part of the remaining shares of the Company, the rescission of the acquisition of shares and the termination of such voting agreement or arrangement.

To the extent that the Board of Directors has the right to approve any acquisition of shares or other securities or any agreement for the exercise of voting rights, the Board of Directors shall decide to approve such transaction based on the following factors: (i) the nationality, moral and financial status and other characteristics of the contemplated acquirer, (ii) the potential advantages and disadvantages of the contemplated acquirer's participation in the Company and (iii) the contemplated acquirer's experience in the radio broadcasting industry.

The Chairman and the Secretary of the Board of Directors must be notified, within five days, of any acquisition of shares or other securities or the entering into of any voting agreements or arrangements involving 5% or more of the capital stock of the Company.

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### MATERIAL CONTRACTS

The Company entered into a \$35 million loan agreement with Banco Inverlat, S.A. (now Scotiabank Inverlat, S.A.) on October 30, 2000 and amended the agreement on April 17, 2001. On December 10, 2002, the Company amended the loan agreement and converted 100% of the indebtedness from U.S. dollars to Mexican pesos. On December 3, 2003, the Company amended the loan agreement to increase the principal amount outstanding of the underlying loan by Ps. 50 million, to extend the loan's maturity to October 31, 2007 and to fix the annual interest rate of the consolidated loan at 10.3%, which is contingent upon the Company's compliance with a certain ratio of total liabilities to EBITDA as defined in the amendment to the loan agreement. Failure to comply with such ratio will result in incremental adjustments quarterly to the annual interest rate as set forth in the amendment up to a maximum interest rate of 11.55%. The consolidated loan has an aggregate principal amount of Ps. 198.1 million at June 23, 2004. Due to noncompliance with a financial covenant in the first quarter of 2004, the loan is currently subject to an annual interest rate of 11.05%. See Item 5, "Operating and Financial Review and Prospects--Liquidity and Capital Resources".

On June 29, 2001, the Company entered into an agreement to extend the term of the Operating Agreement, dated as of December 14, 1998, between the Company and Comercializadora Siete, S.A. de C.V., under which the Company operates the radio station XHFO-FM. The agreement is scheduled to terminate on January 2, 2005. See Note 8 to the Consolidated Financial Statements.

Other than the foregoing, the only material contracts entered into by the Company in the two-year period prior to this filing have been entered into in the ordinary course of business.

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### EXCHANGE CONTROLS

Mexico has had a free market for foreign exchange since 1991, and the government has allowed the peso to float freely against the U.S. dollar since December 1994. There can be no assurance that the government will maintain its current foreign exchange policies. See Item 3, "Key Information--Exchange Rate Information."

### TAXATION

The following summary contains a description of the principal U.S. federal income and Mexican federal tax consequences of the purchase, ownership and disposition of CPOs or ADSs by a holder that is a citizen or resident of the United States or a U.S. domestic corporation or that otherwise will be subject to U.S. federal income tax on a net income basis in respect of the CPOs or ADSs (a "U.S. holder"), but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to an investment in CPOs or ADSs. In particular, this summary deals only with U.S. holders that will hold CPOs or ADSs as capital assets and does not address the tax treatment of U.S. holders that are subject to special tax rules or that own or are treated as owning 10% or more of the voting shares (including CPOs) of the Company. This summary also includes a limited description of certain U.S. tax consequences with respect to non-U.S. holders.

The summary is based upon tax laws of the United States and Mexico as in effect on the date of this Annual Report, which are subject to change. Holders of CPOs or ADSs should consult their own tax advisers as to the U.S., Mexican or other tax consequences of the purchase, ownership and disposition of CPOs or ADSs, including, in particular, the effect of any foreign, state or local tax

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law.

In general, for U.S. federal tax purposes, and for purposes of the Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion and the Protocols thereto (the "Tax Treaty") between the United States and Mexico, entered into force on January 1, 1994, holders of CPOs or ADSs will be treated as the beneficial owners of the Series A Shares represented by those CPOs or ADSs.

### Taxation of Dividends

#### Mexican Tax Considerations

During 2004, there will be no Mexican income or withholding tax levied on holders of the CPOs or ADSs who are non-residents of Mexico for tax purposes (as described below) on dividends paid, either in cash or in any other form, by the Company.

For purposes of Mexican taxation, an individual is considered to be a resident of Mexico if he or she has established a home in Mexico. However, if such individual has a home in a foreign country as well, he or she will be considered a resident of Mexico if his or her center of vital interests is located in Mexico. A Mexican citizen is presumed to be a resident of Mexico for tax purposes unless such person can demonstrate otherwise. A legal entity is considered to be a resident of Mexico if it has been incorporated under the laws of Mexico or if its principal administrative office is located in Mexico.

#### U.S. Tax Considerations

The gross amount of any dividends paid with respect to the Series A Shares represented by CPOs or ADSs, to the extent paid out of the Company's current or accumulated earnings and profits, as determined for U.S. tax purposes, generally will be includible in the gross income of a U.S. holder as

ordinary income on the day on which the dividends are received by the CPO Trustee and will not be eligible for the dividends received deduction allowed to corporations under the Internal Revenue Code of 1986, as amended. Dividends, which will be paid in pesos, will be includible in the income of a U.S. holder in a U.S. dollar amount calculated in general by reference to the exchange rate in effect on the day they are received by the CPO Trustee. U.S. holders should consult their own tax advisors regarding the treatment of foreign currency gain or loss, if any, on any pesos received that are converted into U.S. dollars on a date subsequent to the date of receipt by the CPO Trustee. Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual prior to January 1, 2009 with respect to the ADSs will be subject to taxation at a maximum rate of 15% if the dividends are "qualified dividends." Dividends paid on the ADSs will be treated as qualified dividends if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) the Company was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company ("PFIC"), foreign personal holding company ("FPHC") or foreign investment company ("FIC"). The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on the Company's audited financial statements and relevant market and shareholder data, the Company believes that it was not treated as a PFIC, FPHC or FIC for U.S. federal income tax purposes with respect to its 2003 taxable year. In addition, based on the Company's audited financial

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statements and its current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market and shareholder data, the Company does not anticipate becoming a PFIC, FPFC or FIC for its 2004 taxable year. Based on existing guidance, it is not entirely clear whether dividends received with respect to the CPOs will be treated as qualified dividends, because it is not clear that the CPOs are readily tradable on a U.S. exchange. In addition, the U.S. Treasury has announced its intention to promulgate rules pursuant to which holders of ADSs or common stock and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividends. Because such procedures have not yet been issued, it is not clear whether the Company will be able to comply with them. Holders of ADSs or CPOs should consult their own tax advisers regarding the availability of the reduced dividend tax rate in the light of their own particular circumstances.

A holder of CPOs or ADSs that is, with respect to the United States, a foreign corporation or nonresident alien individual (a "non-U.S. holder") generally will not be subject to U.S. federal income or withholding tax on dividends received on CPOs or ADSs, unless such income is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States.

### Taxation of Capital Gains

#### Mexican Tax Considerations

Gains on the sale or other disposition of ADSs by holders who are non-residents of Mexico for tax purposes will generally not be subject to Mexican income or withholding tax. Deposits of CPOs in exchange for ADSs and withdrawals of CPOs in exchange for ADSs will not give rise to any Mexican tax or transfer duties.

Income generated on the sale of CPOs during 2004 by individuals or legal entities who are non-residents of Mexico for tax purposes through the Mexican Stock Exchange or any other stock exchange or securities market in Mexico that is recognized by the Mexican Ministry of Finance, are generally exempt from Mexican taxes. However, sales effected through a public offering must comply with certain restrictions in order to benefit from this exemption.

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Notwithstanding the Mexican taxes on capital gains described above, capital gains realized on the disposition of CPOs by a U.S. holder who is eligible for tax benefits under the Tax Treaty generally will not be subject to Mexican tax, unless such gains are attributable to a permanent establishment or fixed base of such U.S. holder in Mexico or if the U.S. holder owned, directly or indirectly, 25% or more of the issuer's capital stock within the 12-month period preceding such sale or other disposition.

Exemption under the Tax Treaty requires that the U.S. holder appoints a legal representative in Mexico for income tax purposes prior to the sale and provides such a representative with a U.S. tax residence certificate issued by the U.S. Internal Revenue Service. Additionally, the U.S. holder must file a notice with the Mexican tax authorities within 30 days after the appointment has been made.

Gains on sales or other dispositions of CPOs made in circumstances other than those described above, generally would be subject to Mexican tax, regardless of the nationality or residence of the transferor.

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### U.S. Tax Considerations

Gain or loss realized by a U.S. holder on the sale or other disposition of CPOs or ADSs will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between the amount realized on the disposition and such U.S. holder's tax basis in the ADSs or the CPOs. Gain, if any, realized by a U.S. holder on the sale or other disposition of CPOs or ADSs generally will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, if a Mexican withholding tax is imposed on the sale or disposition of CPOs or ADSs, a U.S. holder that does not receive significant foreign source income from other sources may not be able to derive effective U.S. foreign tax credit benefits in respect of these Mexican taxes. U.S. holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, CPOs or ADSs.

Gain or loss realized by a U.S. holder on such sale, redemption or other disposition generally will be long-term capital gain or loss if, at the time of disposition, the CPOs or ADSs have been held for more than one year. The net amount of long-term capital gain recognized by an individual holder is taxed at a reduced rate.

Deposits and withdrawals of CPOs by U.S. holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes. Such an exchanging U.S. holder will have a tax basis in the securities received equal to the basis such holder had in the exchanged securities. A U.S. holder's holding period for securities received in such an exchange will include the holding period such U.S. holder had in the securities prior to such exchange.

A non-U.S. holder of CPOs or ADSs will not be subject to U.S. federal income or withholding tax on gain realized on the sale of CPOs or ADSs, unless (i) such gain is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States or (ii) in the case of gain realized by an individual non-U.S. holder, the non-U.S. holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

### Other Mexican Taxes

There are no inheritance, gift, succession or value added taxes applicable to the ownership, transfer, exchange or disposition of CPOs or ADSs by holders that are non-residents of Mexico for tax purposes. There are no Mexican stamp, issue, registration or similar taxes or duties payable by holders of CPOs or ADSs.

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Unless it can be proved that the services were not utilized in Mexico, commissions paid in brokerage transactions for the sale of CPOs on the Mexican Stock Exchange are subject to a value added tax rate of 15%.

### U.S. Backup Withholding Tax and Information Reporting Requirements

In general, information reporting requirements will apply to payments by a paying agent within the United States to a non-corporate (or other non-exempt) U.S. holder of dividends in respect of the CPOs or ADSs or the proceeds received on the sale or other disposition of the CPOs or ADSs, and a backup withholding tax may apply to such amounts if the U.S. holder fails to provide an accurate taxpayer identification number to the paying agent. Amounts withheld as backup withholding tax will be creditable against the U.S. holder's U.S. federal income



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tax liability, provided that the required information is furnished to the U.S. Internal Revenue Service.

### DOCUMENTS ON DISPLAY

Grupo Radio Centro is subject to the information requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, Grupo Radio Centro files reports, including annual reports on Form 20-F, and other information with the SEC. These materials, including this Annual Report, and the exhibits thereto, may be inspected and copied at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20459. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Any materials filed by Grupo Radio Centro may also be read and copied at the SEC's regional office at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. As a foreign private issuer, Grupo Radio Centro has been required to make filings with the SEC by electronic means since November 2002. Any filings the Company makes electronically will be available to the public over the Internet at the SEC's web site at <http://www.sec.gov> and Grupo Radio Centro's website at [www.radiocentro.com.mx](http://www.radiocentro.com.mx). (This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to our web site. The information on our web site, which might be accessible through a hyperlink resulting from this URL, is not and shall not be deemed to be, incorporated into this Annual Report.)

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#### Item 11. Quantitative and Qualitative Disclosure About Market Risk

The Company is exposed to market risk from changes in currency exchange rates.

##### Foreign Currency Exchange Risk

The Company's principal foreign currency exchange risk involves changes in the value of the peso relative to the U.S. dollar. Provided below is a summary of the Company's net foreign currency exposure. For the year ended December 31, 2003, the U.S. dollar-denominated assets represented bank deposits. The U.S. dollar-denominated contingent liabilities in 2003 represented a potential obligation in connection with the arbitration proceeding with Infored described under Item 4, "Business Overview--Broadcasting Operations--Production of Programming by Infored." See Notes 4, 10 and 14 to the Consolidated Financial Statements.

	At December 31, 2003 (in thousands)
U.S. dollar-denominated assets.....	\$ 601
U.S. dollar-denominated contingent liabilities.....	(21,016)
Net liability position including contingent liabilities.....	\$ (20,415)

Decreases in the value of the peso relative to the U.S. dollar will increase the cost in pesos of the Company's foreign currency-denominated costs and expenses and of any obligation the Company might with respect to any foreign currency-denominated liabilities. A depreciation of the peso relative to the U.S. dollar also will result in foreign exchange losses, as the peso value of the Company's foreign currency-denominated contingent liability would increase. The Company generally does not hedge or enter into derivative transactions with

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respect to its foreign currency exposure.

Although the Company had no foreign-currency denominated indebtedness at December 31, 2003, the Company's total foreign currency-denominated contingent liabilities at such date amounted to \$21.1 million in connection with the Infored Arbitration Award. See Item 4, "Information on the Company--Business Overview--Broadcasting Operations--Production of Programming by Infored." and Note 10 to the Consolidated Financial Statements. Additionally, a small portion of the Company's operating expenses are payable in U.S. dollars.

A hypothetical and unfavorable 10% change in the currency exchange rate would result in total additional operating expenses of approximately Ps. 2.9 million in 2003. A hypothetical and unfavorable 10% change in the currency exchange rate on December 31, 2003 would have resulted in an estimated foreign exchange loss of approximately Ps. 22.9 million for 2003, reflecting the increased value in pesos of the Company's net foreign currency-denominated liability position including contingent liabilities.

### Item 12. Description of Securities other than Equity Securities

Not applicable.

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## PART II

### Item 13. Defaults, Dividend Arrearages And Delinquencies

None.

### Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

#### Material Modifications to Security Holders' Rights

None.

#### Use of Proceeds

Not applicable.

### Item 15. Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2003. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and chief financial officer concluded that the disclosure controls and procedures as of December 31, 2003 were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported as and when required. There has been no change in our internal control over financial reporting during 2003 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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### Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Luis de la Fuente Baca qualifies as an "audit committee financial expert" within the meaning of this Item 16A.

### Item 16B. Code of Ethics

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Securities Exchange Act of 1934, as amended. Our code of ethics applies to our chief executive officer, chief financial officer and principal accounting officer or persons performing similar functions. Our code of ethics is available on our website at [www.radiocentro.com.mx](http://www.radiocentro.com.mx). If we amend the provisions of our code of ethics that apply to our chief executive officer, chief financial officer, principal accounting officer or persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

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### Item 16C. Principal Accountant Fees and Services

#### Audit Fees

The following table sets forth the fees billed to us by our independent auditors, BDO Hernandez, Marron y Cia., SC, for the fiscal years ended December 31, 2002 and 2003:

	Year ended December 31,	
	2002	2003
	(in thousands)	
Audit fees.....	Ps. 1,765	Ps. 1,660
Audit-related fees.....	0	0
Tax fees.....	0	0
Other fees.....	0	0
	-----	-----
Total fees.....	Ps. 1,765	Ps. 1,660

Audit fees in the above table are the aggregate fees billed in connection with the audit of our annual financial statements and the review of our interim financial statements and statutory and regulatory audits.

#### Audit Committee Approval Policies and Procedures

Our audit committee has not established pre-approval policies and procedures for the engagement of our independent auditors for services. Our audit committee expressly approves on a case-by-case basis any engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or to us.

### PART III

### Item 17. Financial Statements

Not applicable.

### Item 18. Financial Statements

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See pages F-1 through F-44, incorporated by reference herein.

Item 19. Exhibits

Documents filed as exhibits to this annual report:

(a) List of Financial Statements

Consolidated Financial Statements of Grupo Radio Centro, S.A. de C.V. for the Years Ended December 31, 2003, 2002 and 2001

Report of independent auditors.....	F-1
Consolidated balance sheets as of December 31, 2003 and 2002.....	F-3

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Consolidated statements of income for the years ended December 31, 2003, 2002 and 2001.....	F-4
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Consolidated statements of changes in stockholders' equity for the years ended December 31, 2003, 2002 and 2001.....	F-5
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Consolidated statements of changes in financial position for the years ended December 31, 2003, 2002 and 2001.....	F-6
--	-----

Notes to the consolidated financial statements as of and for the years ended December 31, 2003, 2002 and 2001.....	F-7
--	-----

All other supplemental schedules relating to the Company are omitted because they are not required or because the required information, where material, is contained in the Consolidated Financial Statements or Notes thereto.

(b) List of Exhibits

Charter (Escritura Constitutiva), together with an English translation(a).....	1.1
--	-----

Amended and Restated Bylaws of Grupo Radio Centro, S.A. de C.V., dated April 25, 2003, filed as an English translation(h).....	1.2
--	-----

Amended and Restated Controlling Trust Agreement, No. F/23020-1, dated April 24, 1992, with amendments dated September 2, 1992, May 18, 1993 and September 14, 1993, between certain members of the Aguirre family and Bancomer, S.A., as trustee, together with an English translation (b).....	3.1
--	-----

Amended and Restated CPO Trust Agreement, dated as of June 27, 2003, between GE Capital Bank S.A., Institucion de Banca Multiple, GE Capital Grupo Financiero, as CPO Trustee, and Grupo Radio Centro, S.A. de C.V., filed as an English translation(h).....	3.2
--	-----

Trust Agreement, dated June 3, 1998, among certain principal shareholders of Grupo Radio	
--	--

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Centro, S.A. de C.V., together with an English translation(c).....	3.3
Deposit Agreement, dated June 30, 1993, among Grupo Radio Centro, S.A. de C.V., Citibank N.A. and holders from time to time of American Depositary Receipts issued thereunder, including the form of American Depositary Receipt (d).....	4.1
Amended and Restated Public Deed, dated as of June 27, 2003 (the "Amended and Restated CPO Deed"), filed as an English translation(h).....	4.2
Modifying Agreement, dated December 14, 1998, between Grupo Radio Centro, S.A. de C.V. and Comercializadora Siete, S.A. de C.V., modifying Service Agreement, dated October 2, 1995 with respect to XHFO-FM, together with an English translation(e).....	4.3
Programming Services Agreement, dated December 23, 1998, among Grupo Radio Centro, S.A. de C.V., Infored and Jose Gutierrez Vivo, together with an English translation(e).....	4.4
Loan Agreement, dated October 30, 2000, between Grupo Radio Centro, S.A. de C.V. and Banco Inverlat, S.A., (the "Loan Agreement"), together with an English translation(f).....	4.5
Letter Agreement, dated April 17, 2001, between Grupo Radio Centro, S.A. de C.V. and Scotiabank Inverlat, S.A. (formerly Banco Inverlat, S.A.), amending Loan Agreement, together with an English translation(f).....	4.6
65	
Waiver and Amendment Letter, dated June 19, 2002, executed by Scotiabank Inverlat and Grupo Radio Centro, S.A. de C.V. in connection with the Loan Agreement (g).....	4.7
Amendment, dated December 10, 2002, to the Loan Agreement, filed as an English translation(h).....	4.8
Amendment, dated December 3, 2003, to the Loan Agreement, filed as an English translation.....	4.9
Amendment, dated as of June 29, 2004, to the Loan Agreement, to be filed as an English translation pursuant to Rule 12b-25.....	4.10
Modifying Agreement, dated June 29, 2001, between Grupo Radio Centro, S.A. de C.V. and Comercializadora Siete, S.A. de C.V., modifying Service Agreement, dated October 2, 1995, with respect to XHFO-FM, together with an English translation(g).....	4.11

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List of Subsidiaries of the Company(h)..... 8.1

Certification pursuant to Section 302 of the  
Sarbanes-Oxley Act of 2002..... 12.1

Certification pursuant to Section 302 of the  
Sarbanes-Oxley Act of 2002..... 12.2

Certification pursuant to Section 906 of the  
Sarbanes-Oxley Act of 2002..... 13.1

- 
- (a) Incorporated by reference to the Company's Registration Statement on Form F-1 (Reg. No. 333-63878) filed on June 4, 1993.
  - (b) Incorporated by reference to the Company's Annual Report on Form 20-F (Commission File No. 001-12090) filed on December 31, 1993.
  - (c) Incorporated by reference to the Company's Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 30, 1998.
  - (d) Incorporated by reference to the Company's Registration Statement on Form F-6 (Reg. No. 333-8224) filed on January 16, 1998.
  - (e) Incorporated by reference to the Company's Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 30, 1999.
  - (f) Incorporated by reference to the Company's Annual Report on Form 20-F (Commission File No. 001-12090) filed on May 9, 2001.
  - (g) Incorporated by reference to the Company's Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 24, 2002.
  - (h) Incorporated by reference to the Company's Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 30, 2003.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: June 30, 2004

GRUPO RADIO CENTRO, S.A. de C.V.

By: /s/ Pedro Beltran Nasr  
-----  
Pedro Beltran Nasr  
Chief Financial Officer

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CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

TOGETHER WITH

AUDITORS' REPORT

GRUPO RADIO CENTRO, S.A. DE C.V.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Financial Statements:	
Consolidated Balance Sheets as of December 31, 2003 and 2002	F-3
Consolidated Statements of Income for the years ended December 31, 2003, 2002 and 2001	F-4
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2003, 2002, and 2001	F-5
Consolidated Statements of Changes in Financial Position for the years ended December 31, 2003, 2002, and 2001	F-6
Notes to the Consolidated Financial Statements	F-7 to F-44

Report of Independent Auditors

To the Board of Directors and Shareholders of  
Grupo Radio Centro, S.A. de C.V.

We have audited the accompanying consolidated balance sheets of Grupo Radio Centro, S.A. de C.V. and subsidiaries (as defined in Note 1 to the consolidated financial statements) as of December 31, 2003 and 2002, and the related consolidated statements of (loss) income, changes in shareholders' equity and changes in financial position for each of the years in the three year period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Grupo Radio Centro, S.A. de C.V. and subsidiaries as of December 31, 2003 and 2002, and the results of their operations, the changes in their shareholders' equity and the changes in their financial position for each of the years in the three year period ended December 31, 2003, in conformity with accounting principles generally accepted in Mexico.

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Accounting principles generally accepted in Mexico vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the results from operations for each of the years in the three year period ended December 31, 2003, and the shareholders' equity and changes in financial position as of December 31, 2003 and 2002, to the extent summarized in Note 27 to the accompanying consolidated financial statements.

These consolidated financial statements have been translated into English solely for the convenience of readers of this language.

Hernandez, Marron y Cia., S.C.

Salvador Dacal Alonso, CPA  
Partner

Mexico City  
March 17, 2004,  
except for the matter described in the last  
paragraph of Note 14, sub-paragraph a)  
which dates are June 15, 2004 and June 29, 2004

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GRUPO RADIO CENTRO, S.A. DE C.V.  
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2003 AND 2002

(Unless otherwise specified, all amounts bearing the symbol "Ps" are expressed in thousands of constant Mexican pesos with purchasing power as of December 31, 2003. Amounts bearing the symbol "US\$" are expressed in thousands of US dollars.)

	2003	2003	2002
	-----	-----	-----
ASSETS			
-----			
CURRENT:			
Cash and temporary investments (Note 5)	US \$6,111	Ps 68,676	Ps 40,878
Accounts receivable:			
Broadcasting, net of allowance for doubtful			
accounts of Ps7,411 and Ps1,663	19,238	216,232	223,789
Other receivables (Note 7)	351	3,946	6,183
Income taxes recoverable	--	--	18,120
	-----	-----	-----



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	19,589	220,178	248,092
	-----	-----	-----
Guarantee deposits (Note 8)	615	6,915	7,190
Others prepaid expenses	843	9,480	7,387
Prepaid expenses (Note 10)	--	--	9,454
	-----	-----	-----
Total current assets	27,158	305,249	313,001
	-----	-----	-----
Prepaid expenses (Note 10)	--	--	108,729
Property and equipment, net (Notes 11)	41,805	469,892	495,940
Deferred charges, net (Note 12)	1,102	12,391	18,424
Excess cost over net book value of net assets of			
subsidiaries, net (Note 13)	67,802	762,088	841,603
Guarantee deposits (Note 8)	51	576	7,789
Other assets	279	3,140	3,266
	-----	-----	-----
	US \$138,197	Ps 1,553,336	Ps 1,788,752
	=====	=====	=====
	-----	-----	-----
	2003	2003	2002
	-----	-----	-----
LIABILITIES			
-----			
CURRENT:			
Notes payable (Note 14)	US \$5,037	Ps 56,618	Ps 190,153
Advances from customers (Note 15)	5,307	59,657	42,446
Suppliers and other accounts payable (Note 16)	4,759	53,491	66,868
Taxes payable (Note 17)	2,318	26,051	13,849
Contingent liability (Note 10)	21,008	236,133	--
	-----	-----	-----
Total current liabilities	38,429	431,950	313,316
LONG-TERM:			
Notes payable (Note 14)	15,112	169,855	164,789
Reserve for labor obligations (Note 18)	2,352	26,445	26,168
Deferred taxes (Note 20)	2,435	27,366	83,993
	-----	-----	-----
Total liabilities	58,328	655,616	588,266
	-----	-----	-----
SHAREHOLDERS' EQUITY			
-----			
(Note 19):			
Capital stock	95,360	1,071,841	1,072,142

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Retained (deficit) earnings	(11,223)	(126,147)	176,087
Reserve for repurchase of shares	3,377	37,952	38,021
Surplus on restatement of capital	385	4,332	4,332
Cumulative effect on prior years of initial recognition of deferred income taxes (Note 20)	(8,060)	(90,597)	(90,597)
Effect from labor liability	(15)	(168)	--
	-----	-----	-----
Majority shareholders' equity	79,824	897,213	1,199,985
Minority interest	45	507	501
	-----	-----	-----
Total shareholders' equity	79,869	897,720	1,200,486
	-----	-----	-----
	US \$138,197	Ps 1,553,336	Ps 1,788,752
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

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GRUPO RADIO CENTRO, S.A. DE C.V.  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

(Unless otherwise specified, all amounts bearing the symbol "Ps" are expressed in thousands of constant Mexican pesos with purchasing power as of December 31, 2003. Amounts bearing the symbol "US\$" are expressed in thousands of US dollars.)

	2003	2003	2002
	-----	-----	-----
	(Note 2)		
BROADCASTING REVENUES	US\$ 73,406	Ps 825,084	Ps 738,37
Broadcasting expenses, excluding depreciation and amortization	43,904	493,593	479,62
	-----	-----	-----
Broadcasting income	29,502	331,491	258,75
Depreciation and amortization	10,089	113,405	112,32
General and administrative corporate expenses (Note 21)	5,354	60,183	46,91
	-----	-----	-----
Operating income	14,059	157,903	99,51
	-----	-----	-----
COMPREHENSIVE COST OF FINANCING			
Interest expense	2,409	27,098	20,82
Interest income	(87)	(973)	(2,31)

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Loss (gain) on foreign currency exchange, net (Note 4)	575	6,463	43,73
Loss (gain) on net monetary position	28	310	(9,03)
	-----	-----	-----
	2,925	32,898	53,21
	-----	-----	-----
Other expenses, net (Note 22)	5,870	65,982	52,48
	-----	-----	-----
Income (loss) before extraordinary item and provisions	5,264	59,023	(6,18)
Extraordinary item (Note 10)	30,322	340,705	--
	-----	-----	-----
(Loss) income before provisions	(25,058)	(281,682)	(6,18)
Benefit for income taxes and employee profit sharing (Note 20)	(3,193)	(35,887)	(8,45)
	-----	-----	-----
Net (loss) income	US\$ (21,865)	Ps (245,795)	Ps 2,27
	=====	=====	=====
NET (LOSS) INCOME APPLICABLE TO:			
Majority interest	US\$ (21,866)	Ps (245,801)	Ps 2,25
Minority interest	1	6	1
	-----	-----	-----
	US\$ (21,865)	Ps (245,795)	Ps 2,27
	=====	=====	=====
NET (LOSS) INCOME PER SHARE	US\$ (0.134)	Ps (1.511)	Ps 0.01
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

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GRUPO RADIO CENTRO, S.A. DE C.V.  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

(Unless otherwise specified, all amounts bearing the symbol "Ps" are expressed in thousands of constant Mexican pesos with purchasing power as of December 31, 2003. Amounts bearing the symbol "US\$" are expressed in thousands of US dollars.)

Capital stock	Retained earnings	Reserve for repurchase of shares	Effect from labor liabilities
-----	-----	-----	-----

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Balances as of December 31, 2000 (Note 19)	Ps 1,078,998	Ps 308,733	Ps 13,447	Ps --
Increase to the reserve for the repurchase of shares	--	(22,706)	22,706	--
Repurchase of shares	(1,338)	--	(169)	--
Net income for the year	--	18,470	--	--
Dividends paid	--	(130,650)	--	--
Sales of shares	1,338	--	132	--
Cumulative effect of recognition of deferred income taxes	--	--	--	--
Minority interest	--	(17)	--	--
-----				
Balances as of December 31, 2001 (Note 19)	1,078,998	173,830	36,116	--
Repurchase of shares	(6,856)	-	1,905	--
Net income for the year	--	2,271	--	--
Cumulative effect of recognition of deferred income taxes	--	--	--	--
Minority interest	--	(14)	--	--
-----				
Balances as of December 31, 2002 (Note 19)	1,072,142	176,087	38,021	--
Repurchase of shares	(301)	-	(69)	--
Net loss for the year	--	(245,795)	--	--
Effect of additional liability from labor liabilities	--	--	--	(168)
Dividends paid	--	(56,433)	--	--
Minority interest	--	(6)	--	--
-----				
Balances as of December 31, 2003 (Note 19)	Ps 1,071,841	Ps (126,147)	Ps 37,952	Ps (168)
=====				

	Minority interest	Cumulative effect on prior years of initial recognition of deferred income taxes	Total	Comprehens income (lo
	-----	-----	-----	-----
Balances as of December 31, 2000 (Note 19)	Ps 470	Ps (89,614)	Ps 1,316,286	Ps 32,87
=====				
Increase to the reserve for the repurchase of shares	--	--	--	--
Repurchase of shares	--	--	(1,507)	--
Net income for the year	--	--	18,470	18,47
Dividends paid	--	--	(130,650)	--
Sales of shares	--	--	1,470	--
Cumulative effect of recognition of deferred income taxes	--	(59)	(59)	(5
Minority interest	17	--	--	--
-----				
Balances as of December 31, 2001 (Note 19)	487	(89,673)	1,204,010	Ps 18,41
=====				

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Repurchase of shares	--	--	(4,951)	--
Net income for the year	--	--	2,271	2,271
Cumulative effect of recognition of deferred income taxes	--	(924)	(844)	(844)
Minority interest	14	--	--	--
	-----	-----	-----	-----
Balances as of December 31, 2002 (Note 19)	501	(90,597)	1,200,486	Ps 1,420,390
	=====	=====	=====	=====
Repurchase of shares	--	--	(370)	--
Net loss for the year	--	--	(245,795)	(245,795)
Effect of additional liability from labor liabilities	--	--	(168)	(168)
Dividends paid	--	--	(56,433)	--
Minority interest	6	--	--	--
	-----	-----	-----	-----
Balances as of December 31, 2003 (Note 19)	Ps 507	Ps (90,597)	Ps 897,720	Ps (245,795)
	=====	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

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GRUPO RADIO CENTRO, S.A. DE C.V.  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

(Unless otherwise specified, all amounts bearing the symbol "Ps" are expressed in thousands of constant Mexican pesos with purchasing power as of December 31, 2003. Amounts bearing the symbol "US\$" are expressed in thousands of US dollars.)

	2003	2003
	-----	-----
	(Note 2)	
OPERATING ACTIVITIES:		
-----		
Net (loss) income for the year	US\$ (21,865)	Ps (245,795)
Increases (decreases) to income not affecting resources:		
Depreciation and amortization	3,015	33,800
Amortization of goodwill	7,074	79,500
Deferred income taxes	(5,037)	(56,600)
Advance payments	10,514	118,100
Reduction in book value of buildings held for sale (Note 12)	125	1,400
	-----	-----

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	(6,174)	(69,4
Net change in accounts receivable, accounts payable and other	25,908	291,2
	-----	-----
Resources provided by operating activities	19,734	221,7
	-----	-----
FINANCING ACTIVITIES:		
-----		
Repurchase of shares	(33)	(3
Repayments (proceeds) in bank loans	(11,430)	(128,4
Dividends paid	(5,020)	(56,4
	-----	-----
Resources used in financing activities	(16,483)	(185,2
	-----	-----
INVESTING ACTIVITIES:		
-----		
Excluding the recognition of the effects of inflation:		
Equipment	(776)	(8,7
Buildings held for sale	--	--
Guarantee deposits	--	--
Purchase of equity securities	--	--
Effects of inflation	--	--
	-----	-----
Resources used in investing activities	(776)	(8,7
	-----	-----
Increase (decrease) in cash and temporary investments	2,475	27,7
Cash and temporary investments at beginning of year	3,636	40,8
	-----	-----
Cash and temporary investments at end of year	US\$ 6,111	Ps 68,6
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

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GRUPO RADIO CENTRO, S.A. DE C.V.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2003, 2002 AND 2001

(Unless otherwise specified, all amounts bearing the symbol "Ps" are expressed in thousands of constant Mexican pesos with purchasing power as of December 31, 2003. Amounts bearing the symbol "US\$" are expressed in thousands of US dollars.)

NOTE 1 Line of business and composition of the companies

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Grupo Radio Centro, S.A. de C.V. ("Grupo Radio Centro" or "the Company") is a Mexican radio broadcasting enterprise incorporated on June 8, 1971. Its principal line of business is the production and radio broadcasting of musical programs, news, interviews and special events. Its revenues are derived primarily from the sale of commercial airtime to advertising agencies and businesses. The Company also operates a radio network in Mexico.

The following companies, which comprise or formerly comprised Grupo Radio Centro, operate in various sectors of the radio broadcasting industry. Grupo Radio Centro owns approximately 99.9% of most of its subsidiaries.

Companies	Notes	2003	2002
Radio stations:			
XEQR, S.A. de C.V.		X	X
XERC, S.A. de C.V.		X	X
XEEST, S.A. de C.V.	a	X	X
XEQR-FM, S.A. de C.V.		X	X
XERC-FM, S.A. de C.V.		X	X
XEJP-FM, S.A. de C.V.		X	X
XEDKR-AM, S.A. de C.V.		X	X
XESTN-AM	b	X	X
Radio Red, S.A. de C.V.		X	X
Radio Red-FM, S.A. de C.V.		X	X
Estacion Alfa, S.A. de C.V.		X	X
Emisora 1150, S.A. de C.V. (formerly XECMQ)		X	X
Radio Sistema Mexicano, S.A.	c	X	X
Marketing companies:			
Grupo Radio Centro, S.A. de C.V.		X	X
Radio Centro Publicidad, S.A. de C.V.		X	X
GRC Publicidad, S.A. de C.V.		X	X
GRC Medios, S.A. de C.V.	d	X	X
Service companies:			
Promotora Tecnica de Servicios Profesionales, S.A. de C.V.		X	X
Publicidad y Promociones Internacionales, S.A. de C.V.		X	X

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GRUPO RADIO CENTRO, S.A. DE C.V.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2003, 2002 AND 2001

Companies	Notes	2003	2002
Promo Red, S.A. de C.V.		X	X

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### Real estate companies:

Universal de Muebles e Inmuebles, S.A. de C.V.	e	X	X
Inmobiliaria Radio Centro, S.A. de C.V.	e	X	X

### Sub-holding companies:

Desarrollos Empresariales, S.A. de C.V.		X	X
Radiodifusion Red, S.A. de C.V.		X	X
Enlaces Troncales, S.A. de C.V.	f	X	X

### Non-operating companies:

Musica, Musica, Musica, S.A. de C.V.		X	X
Promotora de Exitos, S.A. de C.V.		X	X
Producciones Artisticas Internacionales, S.A. de C.V.	g	X	X

### Internet companies:

To2 Mexico, S.A. de C.V.	h	X	X
--------------------------	---	---	---

---

### Notes:

- a Radio station managed and operated by Comercializadora Siete de Mexico, S.A. de C.V.
- b Radio station acquired by Radio Red, S.A. de C.V. on September 6, 2000 to operate in Monterrey, Nuevo Leon.
- c Subsidiary as of December 31, 2001 (see Note 23).
- d Subsidiary as of April 2, 2001 (see Note 24).
- e On July 8, 2000, Grupo Radio Centro established Trust N(degree)151548, with Banco Internacional, S.A., as trustee, to act as the real estate administrator for Universal de Muebles e Inmuebles, S.A. de C.V. and Inmobiliaria Radio Centro, S.A. de C.V. On September 30, 2002 the Trust was terminated and consequently the real estate is administered by the above-mentioned real estate companies.
- f Includes Palco Deportivo.Com, S.A. de C.V. and related companies, all of which were merged into this subsidiary on October 1, 2001 (see Note 24).
- g The subsidiary was incorporated as a result of the merger between Grupo Radio Centro (the merging company) and Centraltena (the merged company) effective October 13, 1999.
- h Subsidiary as of February 16, 2001 (see Note 24).

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GRUPO RADIO CENTRO, S.A. DE C.V.  
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The Company's radio-station operations include the production and broadcasting of musical programs, news, interviews, special events and



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advertising in Mexico City's metropolitan area. They are based on limited-term concessions, subject to renewal, granted by Mexico's Ministry of Communications and Transportation ("SCT"). One of the station concessions granted to the Company expired in October 2003 and one in November 2003. Renewed applications for both these concessions have been filed as described below. Nine will be up for renewal in July 2004, one in December 2007 and one in December 2012.

In November 2002, renewal applications for the two concessions that expired in 2003 and in May 2003 renewal applications for the nine concessions that are set to expire in 2004 were submitted to the Ministry of Communication and Transportation (Secretaria de Comunicaciones y Transportes). Renewal of these concessions is still pending.

The Company's marketing companies are or were responsible for the programming and sale of commercial airtime for broadcast by the Company's radio stations in Mexico City's metropolitan area and, beginning in 1995, in the rest of Mexico.

The Company's service companies provide commercial, technical and administrative personnel to the companies comprising Grupo Radio Centro.

The Company's real estate companies described in Note 1e, own the land and buildings where the transmission facilities of the Company's radio stations and its commercial companies are located, including the building where the head offices and studios of Grupo Radio Centro and its subsidiaries are located.

The Company's non-operating companies were incorporated for the purpose of developing new investment projects and are not currently active.

The Internet companies were acquired to explore the Company's opportunities for distributing its content through the Internet. On October 1, 2002 the Internet companies To2 Mexico and Palco Deportivo ceased operations.

In October 2001, the Company restructured itself to decrease the number of holding companies and simplify management. This restructuring resulted in mergers and acquisitions among subsidiaries of the Company as follows:

\* Desarrollos Empresariales, S.A. de C.V. acquired from Grupo Radio Centro, S.A. de C.V. 99.99% of the shares of Radiodifusion Red, S.A. de C.V. and is the surviving entity following mergers with each of the following subsidiaries:

- o Mensajes Digitales, S.A. de C.V.
- o Industrias Telecentro, S.A. de C.V.

\* Enlaces Troncales, S.A. de C.V. acquired 99.99% of the shares of Promo Red, S.A. de C.V. from Radiodifusion Red, S.A. de C.V. and is the surviving entity following mergers with each of the following subsidiaries (see Note 13):

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- o Palco Deportivo.Com, S.A. de C.V.
- o Palco Shop, S.A. de C.V.
- o Palco Deportivo Multimedia, S.A. de C.V.
- o Palco Deportivo Mexico, S.A. de C.V.

\* Promo Red, S.A. de C.V. is the surviving entity following a merger with

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Servicios Corporativos Palco, S.A. de C.V. (see Note 13).

\* Radio Centro Publicidad, S.A. de C.V. is the surviving entity following mergers with the following subsidiaries:

- o Publicidad Mega, S.A. de C.V.
- o Organizacion Impulsora de Radio, S.A. de C.V.
- o Compania de Servicios Publicitarios, S.A. de C.V.

\* GRC Medios, S.A. de C.V. is the surviving entity following a merger with Expertopolis, S.A. de C.V. (acquired by Grupo Radio Centro, S.A. de C.V. for Ps 50 in June 2001).

### NOTE 2 Basis of consolidation and presentation

The accompanying consolidated financial statements include the accounts of Grupo Radio Centro and its subsidiaries, listed in Note 1, as of December 31, 2003 and 2002, and for the years ended December 31, 2003, 2002 and 2001. All intercompany balances and transactions have been eliminated in consolidation.

#### Convenience statements:

The 2003 US dollar amounts (denoted by the symbol "US\$") shown in the financial statements have been included solely for the convenience of the reader and were translated at the rate of Ps 11.24/US\$1.00, the noon buying rate of Mexican pesos on December 31, 2003, as published by the Federal Reserve Bank of New York. Such translation should not be construed as a representation that the Mexican peso amounts have been or could be converted into US dollars at this or any other rate.

Certain amounts reported to the consolidated financial statements as of December 31, 2002 and 2001 have been reclassified to conform to the 2003 presentation.

### NOTE 3 Summary of significant accounting policies

The most significant accounting policies followed by Grupo Radio Centro in the preparation of its consolidated financial statements, are summarized below:

#### a. Recognition of the effects of inflation:

- The consolidated financial statements have been prepared in accordance with the guidelines set out in Bulletin B-10, "Recognition of the Effects of Inflation on Financial Information," and its amendments, issued by the Mexican Institute of

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Public Accountants. Therefore, the consolidated financial statements for the years ended December 31, 2003, 2002 and 2001, are expressed in constant Mexican pesos with purchasing power as of December 31, 2003, as determined by applying factors derived from the National Consumer Price Index ("NCPI") published by the Banco de Mexico.

2003	2002	2001
-----	-----	-----

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Restatement factor using Mexican Inflation      1.0397    1.057      1.044

- Capital stock, retained earnings (deficit), reserve for repurchase of shares and cumulative effect on prior years of recognition of deferred income tax include their restatement effects, determined by applying factors derived from the NCPI from the date of their contribution or generation. These restatements reflect the reserves required to maintain shareholders' equity accounts at constant levels.
- Surplus on restatement of capital represents the accumulated gain from holding non-monetary assets. This gain represents the difference between the value of non-monetary assets, recorded at acquisition cost as compared to the value of the assets as restated using factors derived from the NCPI.
- (Gain) loss on net monetary position represents the effects of inflation, as measured by the NCPI, on the net monetary assets and liabilities held during the year.
- Comprehensive cost of financing consists of interest income and expense, foreign-exchange gains or losses, and the gain or loss on net monetary position.

b. Temporary investments:

Stated at cost, plus interest earned, which does not exceed market value.

c. Property and equipment:

The Company recognizes the effects of inflation through adjustments in general price levels by applying factors derived from the NCPI. Related depreciation is calculated based on estimated useful lives of assets, as determined by independent appraisers, both for acquisition costs and restatement increases.

During 2003, 2002 and 2001, impairment losses relating to buildings held for sale and amounting to Ps 1,407, Ps 1,754 and Ps 1,428, respectively, were recognized in other expenses in the accompanying statements of (loss) income (see Note 22).

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d. Excess cost over net book value of net assets of subsidiaries:

Goodwill can be amortized over a period no greater than 20 years from the date of acquisition. Amortization is calculated on the straight-line method.

e. Income Tax ("IT"), Business Assets Tax ("BAT"), Employees Statutory Profit-Sharing ("ESPS") and Deferred Income Taxes:

IT, BAT and ESPS expense are recognized in the period incurred, and the effects of deferred IT and ESPS are recognized, in accordance with Bulletin D-4, Accounting treatment of income tax, business

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assets tax and employees profit sharing ("Bulletin D-4"), effective January 1, 2000. Bulletin D-4 requires deferred IT to be determined by applying the enacted statutory income tax rate to the total temporary differences between the book value and tax value of assets and liabilities, considering when available, and subject to a recoverability analysis, tax loss carryforwards as well as other recoverable taxes and tax credits. Bulletin D-4 also requires a determination of the effect of deferred ESPS for those temporary differences, which are of non-recurring nature, arising from the reconciliation of the net income of the period and the taxable income of the period for ESPS.

Income taxes are computed based on the consolidated return basis and employee profit sharing is computed on a separate return basis for each entity in the consolidated group. The effect of a statutory tax rate change is recognized in the income statement of the period in which the change occurs and is officially declared (see Note 20).

f. Advances from customers:

Recognized as income when the corresponding airtime is transmitted.

g. Employee benefits:

The costs related to benefits to which employees are entitled as a result of seniority premiums and pension plans in the case of union personnel, or by law or by Company grant, are recognized in the results of operations on the basis of the present value of the benefits determined under actuarial estimates, as services are rendered. The amortization of unrecognized prior service cost, changes in assumptions and adjustments based on experience that have not been recognized, is based on the employee's estimated active service life. Other benefits, to which employees may be entitled, principally severance benefits and vacations, are recognized as an expense in the year in which they are paid.

On January 1, 2000, the Company established a pension plan for union personnel. The Company has recorded a reserve for the estimated accrued seniority premium and pension benefits, the amount of which was determined also through actuarial estimates (see Note 18).

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Other indemnities or compensation based on length of service, to which, under the terms of Mexico's current Federal Labor Law, employees may be entitled in the event of dismissal or death are charged to income in the year in which they become payable.

h. Earnings per share:

Net income per share is computed on the basis of the weighted average number of shares outstanding for the years ended December 31, 2003, 2002 and 2001.

i. Transactions in foreign currencies:

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Recorded at the buying rate published by the Banco de Mexico (Central Bank) in 2003 and 2002, which rate is comparable to the Federal Reserve Bank of New York on the dates they are entered into and/or settled. For 2001, the rate used was at the noon buying rate of the Federal Reserve Bank of New York. Monetary assets and liabilities in foreign currencies are stated in Mexican pesos at the year-end closing rates of exchange. The exchange differences are applied to the year's results from operations.

j. Recognition of broadcasting income:

Recognized when the corresponding airtime is broadcast.

k. Barter transactions:

The Company exchanges advertising time for products and services. Broadcasting revenue and the related airtime cost in connection with the barter of advertising time are recognized when the advertising is aired, and the cost of the goods and services received in such a barter transaction are recognized when the goods and services are used. The Company estimates that the value of these operations does not exceed market value.

l. Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

m. Concentration of credit risk

Broadcasting Revenue:

The Company's principal source of revenue is generated from radio broadcasting of advertising and promotions for its customers. Although the

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Company has several large customer accounts, none comprised more than 10% of the Company's total broadcasting revenue in 2003, 2002 and 2001.

n. Repurchase of shares:

In accordance with Mexico's current Stock Market Law, the Company has created a capital reserve from retained earnings, called "Reserve for repurchase of shares", to be used if the Company repurchases its shares. Shares repurchased by the Company are treated as treasury shares. Should these shares not be offered anew to the investing public within one year, the Law requires that the treasury shares be canceled, thus resulting in a reduction of common stock.

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o. Comprehensive Income:

The Company follows the practice of recognizing "Comprehensive Income" per the guidelines of Bulletin B-4, issued by the Mexican Institute of Public Accountants, which sets out disclosure and presentation rules concerning comprehensive income and its components.

The total comprehensive income presented in the statement of changes in shareholders' equity, results from the performance of the Company for the period ended December 31, 2003 and is included on the balance sheet as part of shareholders' equity, pursuant to generally accepted accounting principles in Mexico as net income (loss), plus deferred income tax and any additional liability for retirement payments.

p. New pronouncements:

In December 2001, the Mexican Institute of Public Accountants issued Bulletin C-9, "Liabilities, Accruals, Contingent Assets and Liabilities and Commitments." This Bulletin was effective January 1, 2003 and supersedes former Bulletin C-9, "Liabilities" and Bulletin C-12, "Contingencies and Commitments." Bulletin C-9 establishes additional guidance clarifying the accounting for liabilities, accruals and contingent assets and liabilities, and establishes new standards for the use of present value techniques to measure liabilities, and the accounting for the early settlement of liabilities and convertible debt. Additionally, Bulletin C-9 establishes new rules for disclosing commitments arising from current business operations. The adoption of this Bulletin did not have a material effect on the Company's financial statements.

The Mexican Institute of Public Accountants published Bulletin C-15, "Impairment in the Value of Long-Lived Assets and Their Disposal," which became effective as of January 1, 2004. The application of Bulletin C-15 is mandatory for fiscal years beginning on or after January 1, 2004, but early adoption is encouraged. Bulletin C-15 establishes, among other things, new principles for the calculation and recognition of impairment losses for long-lived assets and including any subsequent reversals of such impairment losses. It also provides examples of indicators of possible

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impairment in the carrying amount of tangible and intangible long-lived assets in use, including goodwill. The calculation of such losses requires the determination of recoverable value, which is now defined as the greater of the net selling price of a cash-generating unit and its usable value, which is the present value of discounted future net cash flows, using an appropriate discount rate.

The financial statements were not affected from the adoption of this Bulletin or from the corresponding study performed.

The Company has engaged an independent business valuation firm and

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an appraisal firm to assess impairment of its long-lived assets, principally its goodwill, as of December 31, 2003 for U.S. GAAP purposes. Based on the results of these independent firms' valuations, the Company recognized an impairment loss of Ps 152,491 for U.S. GAAP purposes (See note 25.)

### NOTE 4 Position in foreign currencies

The consolidated balance sheets as of December 31, 2003 and 2002, include the following assets and liabilities in US dollars, valued at the closing year-end foreign exchange rates of Ps 11.2360 / US\$ 1.00 and Ps 10.3125/US\$1.00, respectively:

	2003	2002
	-----	-----
Cash and marketable securities	US\$ 601	US\$ 1,187
Liabilities (including contingent liabilities)	(21,016)	(10,000)
	-----	-----
Net liabilities (including contingent liabilities)	US\$ (20,415)	US\$ (8,813)
	=====	=====

At March 17, 2004, the date of these financial statements, the foreign-exchange rate was Ps 11.10/US\$ 1.00. As of December 31, 2003 and 2002, the net book value of the Company's property and equipment denominated in foreign currencies was as follows:

	2003	2002
	-----	-----
Transmission equipment	US\$ 1,776	US\$ 1,929
Studio equipment	1,171	1,575
Helicopters	391	500
Other	402	355
	-----	-----
Net assets in US dollars	US\$ 3,740	US\$ 4,359
	=====	=====

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### NOTE 5 Cash and temporary investments

	2003	2002
	-----	-----
Cash	Ps 1,411	Ps 227
Short-term investments, mainly at fixed interest rates	67,265	40,651
	-----	-----
	Ps 68,676	Ps 40,878
	=====	=====

Temporary investments as of December 31, 2003 and 2002 consisted primarily of deposits at fixed interest rates, with maturities of less than 90 days. Grupo Radio Centro invests its temporary excess cash in such deposits.

### NOTE 6 Related parties

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In the normal course of business, the Company may sell broadcast time or programming services to various other companies that are related through common ownership. These sales are recorded at rates not materially different from those charged to non-related entities for these types of services.

The Company may also purchase assets or services from these related parties. Grupo Radio Centro believes that the costs of such assets or services do not exceed the prices that could be obtained from non-related entities.

The Company also provides certain services to affiliated companies on terms that are more favorable than those available to non-related companies. The Company does not believe that any such service arrangements with related parties are material.

The Company also engages in various leasing or lending activities with such related parties. The Company believes that the terms of such leasing or lending arrangements do not significantly differ from the terms which could be obtained from or charged to non-related companies.

During the years ended December 31, 2003, 2002 and 2001, the Company conducted the following transactions with related parties:

	2003		2002		2001
	-----		-----		-----
Income:					
-----					
Sale of airtime and services rendered	Ps 176		Ps 193		Ps 795
Building rent	276		275		299
Sale of transportation equipment	427		185		--
Sale of computer equipment	14		3		160
Other	169		196		304
Recovery of expenses	--		317		--

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	2003		2002		2001
	-----		-----		-----
Expenses:					
-----					
Purchase of airtime and services received	Ps (1,914)		Ps (2,194)		Ps (1,442)
Fees paid (1)	(10,016)		(7,881)		(7,857)

(1) On January 5, 2000 the Company entered into a contract with an entity owned by Francisco Aguirre Gomez, the president and a shareholder of the Company. This entity provides promotional services to the Company. The Company incurred expenses for such services under this contract totaling Ps 10,016 (historical amount), Ps 7,881 (Ps 7,580 historical amount) and Ps 7,858 (Ps 7,150 historical amount) in 2003, 2002 and 2001, respectively.

During the years ended 2003, 2002 and 2001, the shareholders made personal use of goods and services that the Company acquired from barter operations for which they paid Ps 3,664, Ps 2,897 and Ps 2,476, respectively.



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### NOTE 7 Other receivables

At December 31, 2003 and 2002, the balances in other receivables consisted of the following:

		2003		2002
		-----		-----
Officers and employees	Ps	2,855	Ps	3,461
Other (1)		1,091		2,722
		-----		-----
	Ps	3,946	Ps	6,183
		=====		=====

(1) At December 31, 2003 and 2002, the amounts include Ps 157 and Ps 1,792, respectively, for receivables from shareholders.

### NOTE 8 Service agreements

In order to manage the operations of XHFO-FM, S.A. de C.V. (the "Station"), Desarrollos Empresariales, S.A. de C.V. ("Desa"), a wholly-owned subsidiary of the Company entered on October 2, 1995 into a Service Agreement (the "Agreement") with the Station and with Comercializadora Siete de Mexico, S.A. de C.V. ("Comercializadora"). Under the terms of the Agreement, Desa was granted the right to sell the airtime of the Station in exchange for providing operating and administrative services to Comercializadora and the Station.

On December 14, 1998, the Company entered into a Modifying Agreement (the "First Modifying Agreement") renewing and modifying the Agreement with Comercializadora and the Station. On December 30, 1998, a 24 month rights-ceding contract was signed in which the Company replaced Desa, in order to continue the operation of the Station by the Company beginning January 3, 1999. On December 15, 2000, the parties renewed the First Modifying Agreement for a term of one year.

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On June 29, 2001, the parties entered into a second Modifying Agreement renewing and modifying the First Modifying Agreement, effective January 3, 2002 for a term of thirty-six-months. Under this agreement, the Company is entitled to a monthly fee equal to Ps 166 plus US\$ 207 from the total revenues generated by the Station for providing operating and administrative services. On July 17, 2001, the Company made a deposit of US\$ 2,250 to guarantee its compliance with this agreement, which deposit is to be refunded in monthly installments over the thirty-six month term.

### NOTE 9 Acquisition of Radiodifusion Red

Through a series of transactions effected in May 1995 and January 1996, the Company acquired from Corporacion Medcom, S.A. de C.V. all of the outstanding capital stock of Radiodifusion Red. The purchase price consisted of US\$ 23 million (Ps 146,308 historical amount) paid in May 1995 and a fixed payment of Ps 241,610 (historical amount) with a contingent payment of Ps 80,500 (historical amount) paid in January 1996. The contingent payment was subject to

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the attainment by the radio stations owned by Radiodifusion Red of certain audience-share targets for each of the following five years.

For the years ended December 31, 1998, 1997 and 1996, the audience-share targets were reached. Therefore, the Company was not entitled to any refund of the contingent payment for those years. In December 1998, in connection with the Company's entering into a programming-services agreement with Infored, S.A. de C.V., ("Infored") and Jose Gutierrez Vivo ("Mr. Gutierrez") (see Note 10), the Company surrendered its rights to any refund of the remaining contingent payments for 2000 and 1999. The aggregate amount of Ps 80,500 corresponding to the contingent payments was capitalized as part of the purchase price and included in goodwill.

On September 30, 2001, the Company sold its shares of Radiodifusion Red to Desarrollos Empresariales, a subsidiary of the Company. This sale resulted in a loss for tax purposes of Ps 175,626 (Ps 159,805 historical amount) (see Note 20).

NOTE 10 Infored production contract

On December 23, 1998, in order to continue collaborating in the production of radio shows and to establish two new joint ventures, the Company signed a new contract (the "Production Contract" or the "Infored Agreement") with Infored, the producer at that time of the Monitor news and talk-show, and Mr. Gutierrez, Monitor's host at that time, to provide the Company with exclusive production services for news and special-event radio shows until June 30, 2015. The Company committed to air these programs on XERED-AM and XHRED-FM and affiliated radio stations.

The Production Contract, in addition to requiring the Company to continue paying Infored for the cost of producing its shows, required the Company to pay Infored an aggregate of approximately US\$ 15,400. Of this amount, US\$ 4,400 and Ps 4,593 (Ps 4,003 historical amount) was paid upon signing the Production Contract, US\$ 4,000 was paid on January 31, 1999, and US\$ 7,000 was paid in eleven equal monthly payments starting February 28, 1999. The aggregate amount of these advance payments is being amortized monthly in equal amounts through June 2015. In addition, the Company paid Infored monthly production fees based on the revenues

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derived from Monitor and the amount of budgeted expenses, which generally reflected increases due to Mexico's inflation rate, to cover Infored's radio programming operations.

Prepayments made under the Production Contract as of December 31, 2003 and 2002, were as follows:

	2003	2002
	-----	-----
Short-term	Ps           --	Ps           9,454
Long-term	--	108,729
	-----	-----
	Ps           --	Ps           118,183
	=====	=====

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The Company also transferred to Mr. Gutierrez two AM radio stations, XEFAJ-AM, S.A. de C.V. and Emisora 1320, S.A. de C.V., at book value. The Company continues rendering maintenance services, leasing transmission engineering, and leasing broadcasting building for these stations under separate agreements.

On May 7, 2002, Mr. Gutierrez and Infored notified the Company that they were initiating an arbitration proceeding pursuant to which they sought the rescission of the Production Contract entered into on December 23, 1998 (see Note 9), and damages.

On March 1, 2004 the International Chamber of Commerce ("ICC") notified the Company that a final decision had been made in the arbitration proceeding initiated in 2002 by Infored and Mr. Gutierrez against Grupo Radio Centro. Based on a majority vote of two of the three arbitrators, the ICC panel held that the Company had breached the agreement with Infored and Mr. Gutierrez. As a result, the agreement has been rescinded and Infored and Mr. Gutierrez together have been awarded Ps 236,133 (US\$21,016) in damages which represents the amount the Company would be required to pay after taking into account the amounts prepaid by the Company under the contract. Although the Company intends to contest this ruling, a contingent liability has been recorded at December 31, 2003 and the prepayment, which at December 31, 2003 was Ps 104,572, was written off. The total amount of both awards stood at Ps 340,705, which is presented in the consolidated statement of loss for the year ended December 31, 2003 as an extraordinary item.

The Company will appeal the validity of the decision before the Mexican courts. Pending this challenge, the Company will seek a stay of the enforcement of the damage award.

In addition, news programming produced by Infored and hosted by Mr. Gutierrez has been discontinued. The Company now produces its news programming on its own. The Company believes that any resulting reduction in advertising revenue will be offset by a reduction in programming costs.

### NOTE 11 Property and equipment

As of December 31, 2003 and 2002, the balances in property and equipment consisted of the following:

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	Depreciation per annum		2003		2002
	-----		-----		-----
Buildings	2.22%	Ps	292,855	Ps	291,487
Transmission equipment	11.87%		113,828		109,698
Studio equipment	15.94%		114,323		113,925
Office furniture and equipment	16.48%		41,455		41,317
Computer equipment	32.22%		58,563		56,394
Transportation equipment	28.30%		32,795		33,310

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Helicopters	18.18%	30,791	30,791
Leasehold improvements	5.00%	11,099	11,085
		-----	-----
		695,709	688,007
Less -- Accumulated depreciation		(380,868)	(352,113)
		-----	-----
		314,841	335,894
Land		127,249	127,249
Buildings held for sale, net		27,592	29,361
Equipment in transit		210	3,436
		-----	-----
		Ps 469,892	Ps 495,940
		=====	=====

During 2003 and 2002, Inmobiliaria Radio Centro, S.A. de C.V. (see Note 1e) rented to Maxcom part of the building in which the main executive offices and studios of the Company are located. Rental income for 2003, 2002 and 2001 amounted to Ps 220, Ps 218 and Ps 214, respectively.

During the years ended December 31, 2003, 2002 and 2001, the Company reviewed the realizable values of those buildings held for sale, and determined that a reduction was required in their book values of Ps 1,407, Ps 1,754 and Ps 1,428, respectively. These amounts have been recognized in other expenses in the accompanying statements of income (see Note 22).

On September 10, 2002, the Company sold some of its obsolete fixed assets for US\$2,163, resulting in a gain on sale of Ps 9,039.

NOTE 12 Deferred charges

As of December 31, 2003 and 2002, deferred charges consisted of the following:

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	2003	2002
	-----	-----
Systems development projects	Ps 5,597	Ps 5,597
Installation expenses	8,876	8,872
Licenses and patents	1,024	1,699
	-----	-----
	15,497	16,168
Less -- Accumulated amortization	(10,127)	(9,496)
	-----	-----
	5,370	6,672
Labor liabilities (see Note 18):		
Intangible assets	7,021	11,752
	-----	-----
	Ps 12,391	Ps 18,424

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NOTE 13 Excess cost over net book value of net assets of subsidiaries

The Company purchased 33% and 67% of the outstanding shares of Radiodifusion Red on May 12, 1995 and January 9, 1996, respectively. On September 30, 2001, Grupo Radio Centro sold these shares to Desarrollos Empresariales, one of its subsidiaries. As a result of these purchases and sales, the Company recorded excess cost over book value of net assets (or goodwill) amounting to Ps 424,750 (Ps 146,308 historical amount) and Ps 743,863 (Ps 313,101), respectively (see Note 9).

On October 18, 1996, the Company acquired from related parties 100% of the outstanding shares of Compania de Servicios Publicitarios, S.A. de C.V. (formerly Fuerza Vital). The purchase price was in excess of the book value of net assets and resulted in goodwill recorded by the Company of Ps 24,431 (Ps 12,099 historical amount), which has been amortized.

On February 16, 2001, the Company acquired To2 Mexico, S.A. de C.V. and recorded goodwill in the amount of Ps 17,184 (see Notes 1 and 24), which was amortized over two years from the date of acquisition.

On December 31, 2001, the Company acquired Radio Sistema Mexicano, S.A. de C.V. and recorded goodwill in the amount of Ps 52,654 (see Notes 1 and 23), which is being amortized over 20 years from the date of acquisition.

On March 14, 2001, the Company acquired Palco Deportivo.Com, S.A. de C.V., Palco Shop, S.A. de C.V., Palco Deportivo Multimedia, S.A. de C.V., and Palco Deportivo Mexico, S.A. de C.V. On October 1, 2001, these companies were merged with Enlaces Troncales, S.A. de C.V. On March 14, 2001, the Company acquired Servicios Corporativos Palco, S.A. de C.V., which was merged with Promo Red, S.A. de C.V. on October 1, 2001 (see Notes 1 and 24). As a result of these acquisitions the Company recorded goodwill in an aggregate amount of Ps 43,951 (Ps 38,715 historical amount), which is being amortized over 20 years from the date of acquisition.

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At December 31, 2003 and 2002, the Company had total goodwill of Ps 762,088 and Ps 841,603, respectively, which, except as otherwise noted above, is being amortized over 20 years from the date of acquisition of the relevant subsidiary.

NOTE 14 Notes payable

At December 31, 2003 and 2002, notes payable consisted of the following:

		2003		2002
		-----		-----
Short-term:				
Scotiabank Inverlat, S.A.	(a)	Ps 56,618	Ps	82,928
BBVA Bancomer, S.A.	(b)	--		69,696
Banco Nacional de Mexico, S.A.	(c)	--		37,529
		-----		-----
		56,618		190,153

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Long-term:

Scotiabank Inverlat, S.A.	(a)	169,855	164,789
		-----	-----
		Ps 226,473	Ps 354,942
		=====	=====

Notes:

- (a) Represents payment obligations under a loan agreement and related promissory note initially in the amount of US\$ 35,000 dated October 31, 2000.

The loan agreement contains covenants requiring the Company to maintain certain financial ratios and to comply with other financial conditions that, among other things, limit the Company's ability to incur additional indebtedness, pay dividends, pledge its assets and enter into transactions with affiliates except those required in the normal course of its operations. Scotiabank Inverlat agreed to amend the financial covenant requiring that Company maintain a certain ratio of total liabilities to EBITDA (operating income before deducting depreciation and amortization) to increase the ratio permitted through March 31, 2003. As a condition to the granting of the waiver and the amendment, the Company agreed to convert US\$ 13,600 of the amount outstanding under the loan agreement from U.S. dollars into Mexican pesos, to pay interest equal to the Mexican Interbank Equilibrium Interest Rate (Tasa de Interes Interbancaria de Equilibrio or TIIE) plus 2.00% on the converted portion of the loan and to not pay any dividends for so long as the Company is not in compliance with any of the financial covenants in the loan agreement as amended.

On December 10, 2002 the loan agreement was amended to convert the denomination of the remaining US\$23,300 of the outstanding balance from U.S. dollars to Mexican pesos at a variable interest rate of TIIE + 2.00% to 3.25%, depending on certain financial ratios. Principal payments are due semi-annually beginning April 30, 2003 and interest payments are due quarterly.

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On July 17, 2003, the loan agreement was further amended to extend the term of payment from October 31, 2005 to October 31, 2007.

On December 3, 2003, a new amendment to the loan agreement was signed, establishing an increase of Ps 50,000 (historical amount) in the principal amount of the loan, an interest rate which is fixed between 10.30% and 11.55% depending on the financial indicator of total liabilities to EBITDA, the payment of principal every six months from April 30, 2004 maturing on October 31, 2007 and the payment of interest quarterly.

As of the date of this report, as a result of recognizing a provision for the contingent liability due to the International Chamber of Commerce's award of damages in the arbitration proceeding brought by Infored and Mr.

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Gutierrez, the Company was not in compliance with the financial covenant to maintain a certain ratio of total liabilities to EBITDA and total liabilities to total shareholders' equity. The Company has informed the bank of this situation and requested a waiver of its non-compliance of certain of these financial ratios (see Note 10). On June 15, 2004, the Company obtained a waiver from Scotiabank Inverlat solely and exclusively for non-compliance with the financial covenant to maintain a certain ratio of total liabilities to total shareholders' equity reflected in the audited financial statements for 2003 and the internal financial statements as of March 2004 as well as the maximum total liabilities to EBITDA for the internal financial statements as of March 2004. On June 29, 2004, the Company reached an agreement with Scotiabank Inverlat in which the bank temporarily amends solely and exclusively the financial ratios with which the Company has been in noncompliance. This agreement will be in force until December 31, 2004.

- (b) Represents payment obligations under two promissory notes. The first promissory note, dated July 30, 2001, is in the amount of US\$ 5,000 at an annual interest rate equal to LIBOR + 0.97745% (4.95% as at December 31, 2001) and principal and interest payable January 25, 2002. On January 25, 2002, the maturity of the first promissory note was extended to July 24, 2002 and the annual interest rate was decreased to annual interest rate to LIBOR + 1.06364% (3.14% as at January 25, 2002). On July 24, 2002, the first promissory note was extended to January 17, 2003 and the annual interest rate was modified to LIBOR + 1.35% (3.403% as of December 31, 2002). The second promissory note, dated April 5, 2002, was in the amount of US\$ 700 with an annual interest rate of LIBOR + 0.63135% and principal and interest payable on August 2, 2002. On August 2, 2002, the promissory note was increased to US\$ 1,500 at an annual interest rate of LIBOR + 1.1985% (3.50421% as of December 31, 2002). Principal and interest on the second promissory note were payable on January 17, 2003. On January 17, 2003, both promissory notes were combined and their maturities extended. This combined promissory note, in the amount of US\$6,500 with an annual interest rate of 2.5%, was paid on May 19, 2003. On this date, the Company contracted a new short-term loan in the amount of Ps 50.0 million, bearing interest at an annual rate of 6.90%, scheduled to mature on July 17, 2003. On July 17, 2003, the promissory note was renewed at an interest rate of 6.44% maturing on September 12, 2003. On that September date, the promissory note was renewed at an interest rate of 5.95% maturing on October 31. On October 31, the promissory note was renewed at an interest rate of 6.15% maturing on November 28, 2003. On that date the promissory note was renewed at an interest rate of 7.0% maturing on January 26, 2004. The promissory note was paid in full on December 3, 2003.

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- (c) Represents a payment obligation under a promissory note dated March 19, 2002, in the amount of US\$ 3,500 with an annual interest rate of 3.58% and principal and interest initially payable on September 13, 2002. On September 13, 2002, the maturity date of the promissory note was extended and its annual interest rate decreased to 3.21% with principal and interest payable on November 12, 2002. On November 12, 2002, the maturity date of the promissory note was extended to January 10, 2003 and the annual interest rate lowered to 3.20%. On January 10, 2003, the maturity date of the promissory note was extended and its annual interest rate was lowered to 2.78%. The principal and interest were paid at maturity on

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March 11, 2003.

### NOTE 15 Advances from customers

Advances from customers amounted to Ps 59,657 and Ps 42,446 as of December 31, 2003 and 2002, respectively, representing deposits from customers for future advertising. These advances are recognized as income when the corresponding air time is broadcast. For tax purposes, income is recognized when the advances are received.

### NOTE 16 Suppliers and other accounts payable

At December 31, 2003 and 2002, suppliers and other accounts payable consisted of the following:

	2003		2002
	-----		-----
Media and service suppliers	Ps 42,926		Ps 55,163
Salaries and fees payable	6,506		5,356
Interest	1,815		2,912
Employee profit sharing	540		1,027
Other	1,704		2,410
	-----		-----
	Ps 53,491		Ps 66,868
	=====		=====

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### NOTE 17 Income taxes and other taxes payable

At December 31, 2003 and 2002, income tax and other taxes payable were comprised of the following:

	2003		2002
	-----		-----
Taxes on wages and salaries	Ps 5,043		Ps 5,890
Value-added tax	19,433		7,959
Income tax	1,575		--
	-----		-----
	Ps 26,051		Ps 13,848
	=====		=====

### NOTE 18 Seniority premiums

The Company maintains a reserve to cover seniority premiums and pension plan liabilities. This reserve was determined through actuarial studies using the projected unitary cost method, in accordance with Bulletin D-3, issued by the Mexican Institute of Public Accountants.

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The actuarial calculations as of December 31, 2003 and 2002, are summarized below:

	2003			P p
	Seniority premium	Pension Plan	Total	
Changes in projected-benefit liabilities				
Projected-benefit liabilities at the beginning of the year	Ps 26,877	Ps 1,087	Ps 27,964	Ps
Service cost	1,690	68	1,758	
Interest cost	895	42	937	
Actuarial gain	(2,187)	198	(1,989)	
Benefits paid	(409)	(20)	(429)	
Projected-benefit liabilities at the end of the year	Ps 26,866	Ps 1,375	Ps 28,241	Ps
Assets of the plan	Ps 0	Ps 0	Ps 0	Ps
Funded status	Ps (26,866)	Ps (1,375)	Ps (28,241)	Ps
Unrecognized net actuarial loss	(177)	407	230	
Unrecognized prior service costs	8,740	58	8,798	
Net accrued benefit obligation	Ps (18,303)	Ps (910)	Ps (19,213)	Ps
Accrued benefit obligation	Ps 25,189	Ps 1,256	Ps 26,445	Ps
Additional liability (seniority premiums)	Ps 6,886	Ps 346	Ps 7,232	Ps
Intangible assets (see Note 12)	Ps 6,834	Ps 187	Ps 7,021	Ps
Total labor liabilities	Ps 25,189	Ps 1,256	Ps 26,445	Ps

Weighted-average assumptions at December 31,

2003			2
Seniority Premium	Pension Plan		Se P

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Discount rate (real rates)	4.00%	4.00%	4.00%
Increase in compensation rates (real rates)	1.00%	1.00%	1.00%
Amortization period of the transition liability (years)	3.09	17.03	5.08

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Components of net cost of benefits for the year

	2003			2002
	Seniority premium	Pension Plan	Total	Seniority Premium
Service cost	Ps 1,690	Ps 68	Ps 1,758	Ps
Interest cost	895	42	937	
Amortization of prior service cost	2,585	17	2,602	
Net cost for the year	Ps 5,170	Ps 127	Ps 5,297	Ps

NOTE 19 Shareholders' equity

The shareholders of the Company approved the following changes in the Company's capital structure during 2003 and 2002:

During 2003:

- a) Payment of dividends totaling Ps 56,433 (Ps 55,000 historical amount).
- b) Repurchase from the public market of 57,000 shares, representing 0.03% of outstanding shares and totaling Ps 370 (Ps 360 historical amount).

During 2002:

- a) Repurchase from the public market of 1,230,400 shares, representing 0.7% of outstanding shares and totaling Ps 4,951 (Ps 4,576 historical amount).

After the aforementioned changes, as of December 31, 2003, the capital stock of the Company was comprised of 247,414,768 authorized common shares, representing the minimum fixed capital with no withdrawal rights, of which 162,667,561 shares were outstanding and fully paid for and 84,747,207 shares were treasury shares. Shares of stock may be owned only by Mexican investors. Capital stock is represented by shares with no par value, and valued as follows:

Amount Shares

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Total authorized capital stock	247,414,768
Treasury shares	(84,747,207)
<hr/>	
Total outstanding capital stock	162,667,561
<hr/>	
Fixed capital stock, subscribed to and paid for	Ps 840,823
Increase from restatement to express in constant	
Mexican pesos with purchasing power as of	
December 31, 2003	231,018
<hr/>	
	Ps 1,071,841
<hr/>	

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The changes in the number of outstanding shares as of ended December 31, 2003 and 2002, were as follows:

	2003	2002
	<hr/>	<hr/>
Shares outstanding at the beginning of the year	162,724,561	163,000,000
	<hr/>	<hr/>
Shares outstanding at the end of the year	162,667,561	162,000,000
	<hr/>	<hr/>
Capital stock at the end of the year, expressed in constant Mexican pesos with purchasing power as of December 31, 2003	Ps 1,071,841	Ps 1,071,841
	<hr/>	<hr/>

Net income for the year is subject to a legal requirement that 5% thereof be transferred to a legal reserve each year until the reserve equals 20% of the capital stock. The legal reserve included as part of retained earnings as of December 31, 2003 and 2002, was Ps 23,172 and Ps 23,061, respectively.

If earnings for which no corporate tax has been paid are distributed, the Company must pay corporate tax on such earnings upon the distribution of the dividends (see discussion of CUFIN and CUFINRE in Note 20). In accordance with the new Mexican Income Tax Law, the statutory income tax rate was 35% for 2002 and 34% for 2003. However this rate will change to 33% for 2004 and 32% for 2005 and subsequent years.

NOTE 20 Income taxes

Taxable income differs from accounting income due both to permanent

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differences, principally among which are the treatment of non-deductible expenses (primarily for goodwill) and the reflection in the income statement of the effects of inflation, and to timing differences affecting accounting and taxable income in different periods.

A reconciliation of the statutory rate to the effective income tax rate for the years ending December 31, 2003 and 2002 is as follows:

	2003	2002
	-----	-----
Statutory tax rate	(34.0%)	35.0%
Recognition of the effects of inflation	1%	50.2%
Nondeductible expenses (primarily goodwill)	37.5%	392.4%
Utilization of tax loss carryforwards	(17.0%)	(615.6%)
	-----	-----
Effective income tax (benefit) rate	(12.6%)	(138.0%)
	=====	=====

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Provisions for income tax and employee profit sharing for the years ending December 31, 2003 and 2002 were as follows:

	2003	2002
	-----	-----
Current income tax payable	Ps 64,920	Ps 32,215
Tax on assets	3,500	2,245
Amortization of tax loss carryforwards	(48,120)	(29,538)
Deferred income tax benefit	(55,773)	(13,464)
	-----	-----
Total income tax (benefit)	(35,473)	(8,542)
	-----	-----
Current employee profit sharing	440	762
Deferred employee profit sharing	(854)	(674)
	-----	-----
Total employee profit sharing	(414)	88
	-----	-----
Total	Ps (35,887)	Ps (8,454)
	=====	=====

Beginning in 1999, determination of the consolidated income tax for the Mexican companies took into account a maximum of 60% of the taxable income or loss of each of the subsidiaries. In addition, commencing in 1999, the taxable income of those subsidiaries that have tax loss carryforwards generated before 1999 have been included in proportion to the Company's equity ownership of such subsidiaries at the end of the period. The controlling entity which in any fiscal year prior to January 1, 1999 had individual tax losses generated during consolidation for tax purposes and pending deduction and deducted them in any fiscal year to determine its consolidated taxable profit or tax loss shall

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determine their consolidated taxable income in fiscal years concluded as of 2002 by adding 100% of its taxable profits until said tax losses at the company-held level are exhausted.

The current income tax liability corresponds to the tax on 40% of the taxable income of the subsidiaries that is not subject to consolidation for income tax purposes and excluded from any operating loss carryforward benefits available at the consolidated level.

Beginning in 2002, a new income tax law became effective in Mexico, establishing that the income tax rate will be decreased from 35% by 1% each year, beginning in 2003 until it reaches 32% in 2005.

Grupo Radio Centro elected early to adopt the provisions of Bulletin D-4, issued by the Mexican Institute of Public Accountants, which requires recognizing the income tax effects of the differences in bases of assets and liabilities between financial accounting and accounting for tax reporting purposes.

In prior years through December 31, 1998, Grupo Radio Centro had recognized the effects of deferred taxes for certain timing differences expected to reverse over a definite period of time. The Company's early adoption of Bulletin D-4 gave rise to additional deferred taxes resulting in a net deferred tax expense of Ps 3,190 recognized in the statement of income for the year ended

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December 31, 1999. The cumulative effect of adopting Bulletin D-4 for years prior to December 31, 1998 resulted in additional deferred tax liabilities of Ps 89,614 to be recognized. The cumulative effects of deferred income tax from companies acquired during 2002 and 2001 was (Ps 59) and (Ps 924), respectively. This cumulative effect as of December 31, 2003 stands at (Ps 90,597) and is presented as a separate component in shareholders' equity.

The balance of deferred taxes as of December 31, 2003 and 2002, consists of the following components:

	2003	2002
	-----	-----
Prepaid expenses for Infored services	Ps       --	Ps (41,881)
Property and equipment	(76,898)	(78,767)
Advances from customers	19,687	14,431
Labor liabilities	12,716	11,416
Tax loss carryforwards	16,742	8,568
Other	387	2,240
	-----	-----
Net deferred tax liability	Ps (27,366)	Ps (83,993)
	=====	=====

Income taxes and employee profit sharing are calculated using the liability method which requires recognizing deferred tax assets and liabilities based on differences in bases of assets and liabilities between financial accounting and accounting for tax reporting purposes. The current tax rate is used to determine the deferred tax assets and liabilities.

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In accordance with Mexico's Income Tax Law, tax loss carryforwards are subject to restatement for inflation and may be used to offset taxable income over the ten years following their generation. As of December 31, 2003, the Company's restated cumulative tax loss carryforwards were as follows:

Fiscal year incurred -----	Amount -----	Expiration year -----
1994	Ps 2,716	2004
1995	5,801	2005
1996	1,724	2006
1997	5	2007
1998	2,040	2008
1999	269	2009
2000	567	2010
2001	455	2011
2002	7,090	2012
2003	933	2013
	-----	
	Ps 21,6000	
	=====	

The Company is authorized to consolidate for tax purposes its subsidiary companies; as of December 31, 2003 the Company has the following consolidated tax loss carryforwards:

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Fiscal year incurred -----	Amount -----	Expiration year -----
2001	Ps 53,633	2011
2002	202	2012
	-----	
	Ps 53,835	
	=====	

In accordance with Mexico's Income Tax Law, if, in any given year, the Company pays an amount of tax on assets in excess of the amount of income tax payable, this excess may be used to offset income taxes payable in excess of tax on assets payable in any of the ten years following such year. As of December 31, 2003, the excess of tax on assets paid over income taxes payable was as follows:

Fiscal year incurred -----	Amount -----	Expiration year -----
1994	Ps 5,864	2004
1995	2,943	2005
1996	1,612	2006
1997	505	2007
	-----	
	Ps 10,924	
	=====	

During 2003, the Company amortized Ps 110,035 of tax loss carryforwards in

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consolidation, resulting from the period ended December 31, 2001.

During 2002, the Company offset its taxable income by utilizing tax loss carryforwards in the amount of Ps 76,604 (historical amounts) from GRC Medios, S.A. de C.V. and Ps 99 from Radio Sistema Mexicano, S.A. de C.V.

In 2001, the Company offset its taxable income by utilizing tax loss carryforwards in the amounts of Ps 5,488 from Palco Deportivo Multimedia, S.A. de C.V., Ps 10,162 from Palco Deportivo Mexico, S.A. de C.V., Ps 1,270 from Palco Deportivo.Com, S.A. de C.V. and Ps 58,765 from GRC Medios, S.A. de C.V. In addition, in 2001, the Company had a tax deduction of Ps 159,805 as a result of the tax loss incurred in the sale of its shares of Radiodifusion Red, S.A. de C.V. (see Note 9).

The net fiscal profit account for tax purposes (the "CUFIN") represents the amount of accumulated earnings that may be distributed without additional corporate tax charge to the Company. As of December 31, 2003, this account amounted to Ps 224,278.

The reinvested net fiscal profit account for tax purposes (the "CUFINRE") represents the amount of accumulated earnings which, when distributed, will be subject to the payment of additional income tax by the Company (at rates of approximately 5% multiplied by a factor of 1.5385 on amounts earned in 2000 and 3% multiplied by a factor of 1.5385 on amounts earned in 1999), until such time as the total additional income tax equals 35% of the taxable earnings corresponding to the year of generation. As of December 31, 2003 and 2002, this account amounted to Ps 0.

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### GRUPO RADIO CENTRO, S.A. DE C.V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003, 2002 AND 2001

As of December 31, 2003, capital stock, restated for tax purposes, which constituted the capital contributions account, amounted to Ps 1,093,498.

#### NOTE 21 Provisions for senior management bonuses

The Company has a policy of awarding bonuses to its senior executives based on, among other factors, the results of the Company's annual operations and individual performance. For the year ended December 31, 2003, provisions for senior management bonuses were Ps 6,306 and are recorded in general corporate and administrative expenses. For the year ended December 31, 2002, there were no provisions for senior management bonuses made.

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### GRUPO RADIO CENTRO, S.A. DE C.V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003, 2002 AND 2001

#### NOTE 22 Other expenses, net

The components of other expenses, net, during the years ended December 31, 2003, 2002 and 2001 were as follows:

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	2003		2002
	-----		-----
Income:			
Other	Ps 1,386	Ps	4,677
Sale of surplus broadcasting supplies to affiliates of Organizacion de Impulsora de Radio	178		1,916
Leasing and maintenance of properties	276		275
Sale of equipment	--		7,046
	-----		-----
Total other income	1,840		13,914
	-----		-----
Expenses:			
Fees to Executive Committee	(17,016)		(15,871)
Maintenance and leasing costs	(10,989)		(10,761)
Arbitration costs (c)	(10,322)		(6,216)
Compliance with securities regulations and corporate restructuring expenses	(9,384)		(6,830)
Other	(4,366)		(4,057)
Losses incurred by affiliated start-up Internet companies (a)	(4,299)		(17,102)
Indemnities to employees (b)	(3,919)		--
Write-off of tax credits	(2,904)		--
Loss on sale of equipment	(1,718)		--
Internet subscription	(1,498)		(1,729)
Reduction in book value of buildings held for sale (see Note 12)	(1,407)		(1,754)
Donation	--		(2,081)
Cancellation of projects	--		--
	-----		-----
Total other expenses	(67,822)		(66,401)
	-----		-----
Net other expenses	Ps (65,982)	Ps	(52,487)
	=====		=====

Notes:

- (a) During 2001, the Company acquired To2 Mexico, S.A. de C.V., a company owning the Internet website www.to2.com, and Palco Deportivo.Com, S.A. de C.V., a company owning the Internet website www.palcodeportivo.com (see Note 24). In 2003, 2002 and 2001, these companies and certain related companies owned by the Company incurred losses of Ps 4,299, Ps 17,102 and Ps 25,218, respectively.

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- (b) In recent years the Company restructured and downsized its administrative and operating departments, with a consequent reduction in personnel. This resulted in severance payments, which were charged to other expenses.



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(c) In 2003 and 2002, the Company paid legal fees for arbitration commenced by Infored and Mr. Gutierrez in May 2002.

### NOTE 23 XEN-AM agreement

On March 31, 2001, the Company entered into two agreements in contemplation of its acquisition of Radio Sistema Mexicano, S.A. ("RSM"), the owner of the concession for the radio station XEN-AM.

Pursuant to an operating agreement entered into with La Telera Post, S.A. de C.V., the Company agreed to manage and operate XEN-AM. To guarantee the performance of its obligations under the operating agreement, the Company paid to the Sellers (as defined below), on behalf of La Telera Post, a deposit of US\$ 3,500, from which a monthly fee of US\$ 80 was deducted and paid to La Telera Post.

Pursuant to a stock purchase agreement entered into with Teresa Guadalupe Vale Castilla, Javier Vale Castilla and Juan Antonio Hernandez Venegas (together, the "Sellers"), the Company agreed to purchase, through its subsidiary Desarrollos Empresariales, S.A. de C.V., all of the capital stock of RSM on March 1, 2002, subject to the approvals of the Mexican Ministry of Communication and Transport and the Federal Competition Commission, for a purchase price of approximately US\$ 3,400. To guarantee its performance under the stock purchase agreement, the Company agreed to make monthly deposits of US\$ 167 up to the closing date, which amounts would be applied to the purchase price.

The agreements provided that, on the closing date, the Company would use approximately US\$ 1,630 of the deposit under the operating agreement to pay La Telera Post primarily in connection with the termination of a marketing services contract between La Telera Post and RSM (US\$ 1,100) and facilitation of the transaction (US\$ 530), and would pay the remaining balance of the deposit, together with US\$ 500 in cash, to the Sellers in satisfaction of the balance of the purchase price after application of the deposits under the stock purchase agreement.

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On July 12, 2001, the Federal Competition Commission approved the purchase of RSM by the Company, and on December 31, 2001, the parties consummated the transaction. Upon consummation of the transaction, the Company credited US\$1,630 of the deposit under the operating agreement to La Telera Post as described above. As of December 31, 2001, Ps 11,873 was liquidated during 2002 by the Company to the Sellers, including the remaining deposits under the purchase agreement to be credited against the purchase price and US\$ 500 in cash to be paid in satisfaction of the balance of the purchase price. This amount is accounted for under Suppliers and other accounts payable (See Note 17). The purchase of RSM by the Company remains subject to the approval of the Mexican Ministry of Communication and Transport.

### NOTE 24 Investments in Palco Deportivo and To2 Mexico

#### Palco Deportivo

On March 14, 2001 the Company acquired Palco Deportivo.Com, S.A. de C.V.

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(which was merged with Enlaces Troncales, S.A. de C.V. on October 1, 2001, a company providing sports-related content for radio, television, various print media and its own Internet portal (see Note 1)). In connection with this acquisition, the Company paid a purchase price of US\$ 4,000 and assumed liabilities of US\$ 700.

Also on March 14, 2001, in connection with its purchase of Palco Deportivo.Com, the Company acquired Servicios Corporativos Palco, S.A. de C.V. (which was merged with Promo Red, S.A. de C.V. on October 2, 2001 (see Note 1)) and assumed an exclusive employment contract with Alfredo Dominguez Muro providing that he will continue to be host of Palco Deportivo radio programming through 2015.

To2 Mexico

On February 16, 2001, the Company purchased from Polom, S.A. de C.V. 100% of the shares of To2 Mexico, S.A. de C.V., an Internet portal company and owner of the website www.to2.com. In connection with this acquisition, the Company paid a purchase price of US\$ 900 and assumed liabilities owing to various Mexican and foreign companies in an aggregate amount of up to US\$ 1,250.

As of March 26, 2001, GRC Medios, S.A. de C.V. had Ps 155,985 (Ps 139,681 historical amount) of tax loss carryforwards that could be used to offset future taxable income of the Company on its consolidated tax return.

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NOTE 25 Significant differences between Mexican and US GAAP

The financial statements of the Company are presented on the basis of accounting principles generally accepted in Mexico ("Mexican GAAP").

Except for inflation accounting, Mexican GAAP are, in general terms, similar to generally accepted accounting principles in the United States ("US GAAP"). However, there are other areas in which Mexican accounting standards and practices differ from the requirements of US GAAP.

The major differences between Mexican and US GAAP are as follows:

Recognition of the effects of inflation on financial information:

The provisions of Bulletin B-10 and its amendments relating to the recognition of the effects of inflation on financial information have no counterpart under US GAAP. However, as Mexican GAAP includes the effects of inflation in the primary financial statements, the US Securities and Exchange Commission does not require the reversal of the restatement of the financial statements recognizing the effects of inflation.

Deferred income taxes:

In 1999, the Company elected early to adopt the provisions of Bulletin D-4, issued by the Mexican Institute of Public Accountants, which requires recognizing the income tax effects of the differences in bases of assets and liabilities for financial accounting and accounting for tax reporting purposes, similar to US GAAP.

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As under US GAAP, the Company recognized deferred taxes in prior years for Mexican GAAP purposes for certain timing differences, such as advances from customers and certain prepaid expenses, expected to reverse over a definite period of time (see Note 20).

As a result of the Company's early adoption of Bulletin D-4 in 1999, there were no differences related to deferred taxes that had to be reconciled between Mexican and US GAAP for financial statement purposes for the years ended December 31, 2003 and 2002, except for the balance sheet classification of deferred taxes, under US GAAP, as current and non-current.

Mexican GAAP requires that all deferred taxes be classified as long term on the balance sheet; however, under US GAAP, balances of deferred taxes are classified as either current or non-current, based on the classification of the related asset or liability for financial reporting. An analysis of the balance of deferred taxes in accordance with US GAAP, as of December 31, 2003 and 2002, is as follows:

	2003		2003		2002	
	-----		-----		-----	-----
Current deferred tax:						
Advances from customers	US\$ 1,751		Ps 19,687		US\$ 1,331	Ps
Tax loss carryforwards	1,489		16,742			
Other reserves	34		387		207	
Prepaid expenses for Infored services	--		--		(309)	
	-----		-----		-----	-----
Net current deferred asset	3,274		36,816		1,229	
Non-current deferred tax						
Liability:						
Long-term						
Tax loss carryforwards	--		--		790	
Prepaid expenses and labor liabilities	1,131		12,716		(2,501)	
Property and equipment, net	(6,840)		(76,898)		(7,266)	
	-----		-----		-----	-----
Net long-term deferred tax liability	US\$ (2,435)		Ps (27,366)		US\$ (7,748)	Ps
	=====		=====		=====	=====

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Statement of changes in financial position:

Under Mexican GAAP, the Company presents statements of changes in financial position in constant Mexican pesos. This presentation identifies the generation and application of resources resulting in differences between beginning and ending financial statement balances in constant Mexican pesos.

The changes in the consolidated financial statement balances included in this statement constitute cash-flow activity stated in constant Mexican pesos (including monetary gains, which are considered cash gains in the financial

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statements presented in constant Mexican pesos).

In accordance with Mexican GAAP, the reduction in current and long-term debt due to restatement in constant Mexican pesos is presented as a resource applied to financing activities, and the gain from monetary position is presented as a component of operating activities. SFAS No. 95, "Statement of Cash Flows," under US GAAP however, does not provide guidance with respect to inflation-adjusted financial statements. If the gain from net monetary position were treated as a component of financing activities for US GAAP purposes, funds provided by operating and financing activities would be as follows:

	2003 -----	2003 -----	2002 -----
Operating activities:			
Resources provided by operations, per Mexican GAAP	US\$ 19,734	Ps 221,795	Ps 40,2
Less-- gain on monetary position on current and long-term debt	(987)	(11,095)	(21,4
	-----	-----	-----
Resources provided by operations, per US GAAP	US\$ 18,747	Ps 210,700	Ps 18,8
	=====	=====	=====
Financing activities:			
Resources applied to financing activities, per Mexican GAAP	US\$ (16,483)	Ps (185,272)	Ps (64,2
Plus-- gain on monetary position on current and long-term debt	987	11,095	21,4
	-----	-----	-----
Resources applied to financing activities, per US GAAP	US\$ (15,496)	Ps (174,177)	Ps (42,8
	=====	=====	=====
Supplemental cash-flow information:			
Interest paid	US\$ 2,508	Ps 28,195	Ps 19,9
	=====	=====	=====
Taxes paid	US\$ 1,509	Ps 16,966	Ps 12,2
	=====	=====	=====

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Personnel compensation and seniority premiums:

Under Mexican GAAP, vacation expense is recognized when taken rather than in the period it is earned by the employee, as is required under US GAAP.

The Company is required under the Mexican Labor Law to pay seniority premiums to certain employees upon termination of employment. Beginning in 2000, the Company established a pension plan for unionized personnel. The Company

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determines its liabilities with respect to such benefits based upon actuarial studies, which is similar to the US GAAP criteria of SFAS 87, "Employee Accounting for Pensions".

Minority interest:

Under Mexican GAAP, the minority interest in subsidiaries must be included as a component of shareholders' equity. In accordance with US GAAP, minority interest in subsidiaries is generally shown below liabilities on the balance sheet.

Goodwill:

Under Mexican and US GAAP, the excess of cost over net fair value of the net assets in subsidiaries acquired is recognized as an intangible asset ("goodwill"). Under US GAAP, however, goodwill arising from entities under common control is not recognizable. In addition, under US GAAP, effective January 1, 2002, goodwill is no longer amortized but instead is tested for impairment at least annually. For Mexican GAAP purposes, goodwill is amortized based on the estimated useful lives of the assets calculated on the straight-line method. It also establishes, among other things, new principles for the calculation and recognition of impairment losses for long-lived assets and including any subsequent reversals of such impairment losses.

Under U.S. GAAP, in accordance with the requirements of FAS 142, the Company performed an analysis for impairment of its goodwill as of December 31, 2003 resulting in an impairment charge of Ps 152,491; there was no impairment charge required under Mexican GAAP.

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Other expenses, net:

Under Mexican GAAP, certain net expenses are classified as non-operating on the Company's statement of income. Under US GAAP, some of these net expenses are classified as operating expenses.

In addition, for the year ended December 31, 2003, the Company's extraordinary item relating to the provisions for contingent arbitration losses is classified as a non-operating charge to earnings under Mexican GAAP whereas for U.S. GAAP reporting purposes, this represents an operating charge against the Company's earnings.

Convenience statements:

The 2002 US dollar amounts (denoted by the symbol "US\$") shown in the financial statements have been included solely for the convenience of the reader and were translated at the rate of Ps 11.24/US\$1.00, the noon buying rate of Mexican pesos on December 31, 2003, as published by the Federal Reserve Bank of New York. Such translation should not be construed as a representation that the Mexican peso amounts have been or could be converted into US dollars at this or any other rate.

The following is a summary of the estimated adjustments to net income (loss) and shareholders' equity that would have been required had the Company applied US GAAP instead of Mexican GAAP:

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	2003 -----	2003 -----	2002 -----	2001 -----
Net (loss) income, as recorded under Mexican GAAP	US\$ (21,865)	Ps (245,795)	Ps 2,271	Ps 18,
US GAAP adjustments:				
Amortization of goodwill arising from entities under common control	141	1,585	1,585	1,
Amortization of goodwill	6,933	77,930	72,372	-
Goodwill impairment	(13,569)	(152,491)	--	-
Minority interest	(1)	(6)	(14)	-
Net (loss) income under US GAAP	US\$ (28,361) =====	Ps (318,777) =====	Ps 76,214 =====	Ps 20, =====
Net (loss) income per share (basic and diluted) under US GAAP	US\$ (0.17) =====	Ps (1.96) =====	Ps 0.46 =====	Ps 0 =====
Average common shares outstanding (000's)	162,722 =====	162,722 =====	163,235 =====	163, =====

If SFAS No. 142 had been in effect prior to January 1, 2002, our reported net income, net income per share and shareholders' equity would have been as follows:

	2003 -----	2003 -----	2002 -----	2001 -----
Net (loss) income under US GAAP:	US\$ (28,361)	Ps (318,777)	Ps 76,214	Ps
Goodwill amortization	--	--	--	--
Adjusted	US\$ (28,361) =====	Ps (318,777) =====	Ps 76,214 =====	Ps =====
Net (loss) income per share under US GAAP:	US\$ (0.17)	Ps (1.96)	Ps 0.46	Ps
Effect of goodwill amortization	--	--	--	--
Adjusted	US\$ (0.17) =====	Ps (1.96) =====	Ps 0.46 =====	Ps =====
Shareholders' equity under Mexican GAAP	US\$ 79,869	Ps 897,720	Ps 1,200,486	Ps 1,2
US GAAP adjustments:				
Goodwill arising from entities under common control	(1,598)	(17,966)	(19,551)	(

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Amortization of goodwill	13,372	150,302	72,372	
Goodwill impairment	(13,569)	(152,491)		
Minority interest	(45)	(507)	(501)	
	-----	-----	-----	-----
	(1,840)	(20,662)	52,320	(
	-----	-----	-----	-----
Shareholders' equity under US GAAP	US\$ 78,029	Ps 877,058	Ps 1,252,806	Ps 1,1
	=====	=====	=====	=====
Shareholders' equity under US GAAP	US\$ 78,029	Ps 877,058	Ps 1,252,806	Ps 1,1
Goodwill amortization	--	--	--	
	-----	-----	-----	-----
Adjusted	US\$ 78,029	Ps 877,058	Ps 1,252,806	Ps 1,2
	=====	=====	=====	=====

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In the income statement, employee profit sharing is classified as a component of the tax provisions and certain net expenses are classified as non-operating under Mexican GAAP. Under US GAAP, these items should be included or excluded as operating expenses, as applicable. The following is a reconciliation of operating income:

	2003		2003		2002	
	US\$		Ps		Ps	
Operating (loss) income under Mexican GAAP	14,059		157,903		99,514	
Amortization of goodwill arising from entities under common control		141		1,585		1,585
Other expenses, net		(5,870)		(65,982)		(52,487)
Provisions for contingent arbitration losses		(30,322)		(340,705)		--
Amortization of other goodwill		6,933		77,930		72,372
Goodwill impairment		(13,569)		(152,491)		--
Employee profit sharing		37		414		(88)
Operating (loss) income under US GAAP	US\$ (28,591)		Ps (321,346)		Ps 120,896	

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If SFAS No. 142 had been in effect prior to January 1, 2002, our operating income would have been as follows:

	2003		2003		2002		2001
	-----		-----		-----		-----
Operating (loss) income under US GAAP:	US\$ (28,591)	Ps	(321,346)	Ps	120,896	Ps	102,4
Goodwill amortization	--		--		--		76,8
Adjusted	US\$ (28,591)	Ps	(321,346)	Ps	120,896	Ps	179,3
	=====		=====		=====		=====

The basic net (loss) income per common share is computed by dividing the net income (loss) available to common shareholders by the weighted average number of common shares outstanding.

Diluted net (loss) income per common share is computed by dividing the net (loss) income available to common shareholders, adjusted on an "as if" converted basis, by the weighted average number of common shares outstanding plus potential dilutive securities.

For the years ended December 31, 2003, 2002 and 2001, there were no outstanding potential dilutive securities of the Company.

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Effect of recently issued Accounting Standards:

In July 2001, the FASB issued Statement of Financial Accounting Standard No. 141 (SFAS 141), "Business Combinations," and Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS 141 also sets forth criteria for recognizing and reporting separately from goodwill intangible assets acquired in a business combination accounted for under the purchase method. SFAS 141 applies to all business combinations closing after June 30, 2001, except for business combinations initiated prior to June 30, 2001 that contemplate the pooling method of accounting. As the Company's previous business combinations have been accounted for under the purchase method, the Company does not expect the adoption of SFAS 141 to have a material impact on its financial position or results of operations.

For purposes of the reconciliation to U.S. GAAP, the Company adopted SFAS 142 and SFAS 144 effective January 1, 2002. SFAS 142 eliminates the amortization of goodwill and intangible assets with indefinite life, and addresses the amortization of intangible assets with finite lives and impairment testing and recognition for goodwill and intangible assets. SFAS 144 establishes a single model for the impairment of long-lived assets and broadens the presentation of discontinued operations to include disposal of individual businesses. As a result of such adoption, beginning January 1, 2002, amortization ceased for



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goodwill under U.S. GAAP.

As a result of the implementation of SFAS 142 and 144 during 2002, pursuant to which goodwill is defined as an intangible asset with indefinite life and is no longer amortized, the Company ceased the amortization of the net amounts of goodwill as of January 1, 2002; therefore such amounts will be fixed and subject to impairment testing as required by the new rules. For the year ended December 31, 2003 and 2002, goodwill under Mexican GAAP continued to be an amortizable intangible asset. In compliance with the accounting rules set forth by SFAS 142, the Company assesses goodwill and indefinite-lived intangibles for impairment annually, unless events occur that require more frequent reviews. Long-lived assets, including amortizable intangibles, are tested for impairment if impairment triggers occur. Discounted cash flow analyses are used to assess the possible impairment of both amortizable and non-amortizable intangible assets, while undiscounted cash flow analyses are used to assess long-lived asset impairment.

If an assessment indicates impairment, the impaired asset is written down to its fair market value based on the best information available. Estimated fair market value is generally measured with discounted estimated future cash flows. The useful lives of amortizable intangibles are evaluated periodically, and subsequent to impairment reviews, to determine whether revision is warranted. If cash flows related to a nonamortizable intangible are not expected to continue for the foreseeable future, a useful life would be assigned. Considerable management judgment is necessary to estimate undiscounted and discounted future cash flows. Assumptions used for these cash flows are consistent with internal forecasts and industry practices.

The Company adopted the provisions of SFAS 142 for US GAAP purposes reported in 2002 and determined that no impairment adjustment was required.

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In June 2001, the FASB issued Statement of Financial Accounting Standard No. 143 (SFAS 143), "Accounting for Asset Retirement Obligations," which applies the requirements of Statement of Financial Accounting Standard No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies" to all companies. SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets resulting from the acquisition, construction, development and/or normal use of such assets and the associated asset retirement costs. SFAS 143 applies to asset retirement obligations that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract, or by legal construction of a contract under the doctrine of estoppel. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. The liability is accreted at the end of each period through charges to operating expense. If the obligation is settled for an amount other than the carrying amount of the liability, the Company will recognize a gain or loss on settlement. While the Company is not yet required to adopt SFAS 143, it does not expect that the adoption will have a material effect on the financial condition or results of operations of the Company.

In April 2002, the FASB issued SFAS 145, "Rescission of FASB Statements

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No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections". SFAS No. 145 amends existing guidance on reporting gains and losses on the extinguishment of debt to prohibit the classification of the gain or loss as extraordinary, as the use of such extinguishments have become part of the risk management strategy of many companies. SFAS No. 145 also amends SFAS No. 13 to require sale-leaseback accounting for certain lease modifications that have economic effects similar to sale-leaseback transactions. The adoption of SFAS No. 145 is not expected to have a material effect on the Company's financial statements.

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and supercedes Emerging Issues Task Force (EITF) Issue 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity." The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The adoption of SFAS 146 is not expected to have a material effect on the Company's financial statements.

In November 2002, the FASB issued Interpretation 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements 5, 57 and 107 and a rescission of FASB Interpretation 34." This interpretation elaborates on the disclosures required by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, the fair value of the obligation undertaken as a liability. The initial recognition and measurement provisions of the interpretation are applicable to guarantees issued or modified after December 31, 2002 and are not expected to have a material effect on the Company's financial statements.

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123." This

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statement amends FASB Statement 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure F-56 requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements. The adoption of SFAS 148 is not expected to have a material effect on the Company's financial statements.

In May 2003, the FASB issued SFAS No. 149, "Amendments of Statement 133 of Derivative Instruments and hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. As the Company has no such instruments, the adoption of this statement did not have an impact on the

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Company's financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer measures certain financial instruments with characteristics of both liabilities and equity and requires that an issuer classify a financial instrument within its scope as a liability (or asset in some circumstances). SFAS No. 150 was effective for financial instruments entered into or modified after May 31, 2003 and otherwise was effective and adopted by the Company on July 1, 2003. As the Company has no such instruments, the adoption of this statement did not have an impact on the Company's financial condition or results of operations.

During December 2003, the FASB issued Interpretation No. 46R, "Consolidation of Variable Interest Entities" ("FIN 46"), which requires the consolidation of certain entities that are determined to be variable interest entities ("VIE"). An entity is considered to be a VIE when either (i) the entity lacks sufficient equity to carry on its principal operations, (ii) the equity owners of the entity cannot make decisions about the entity's activities or (iii) the entity's equity neither absorbs losses or benefits from gains. The Company owns no interests in variable interest entities, and therefore this new interpretation has not affected the Company's consolidated financial statements.

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### Exhibit Index

Exhibit Number -----	Description of Exhibit -----
1.1	Charter (Escritura Constitutiva), together with an English translation (incorporated by reference to our Registration Statement on Form F-1 (Reg. No. 333-63878) filed on June 4, 1993).
1.2	Amended and Restated Bylaws of Grupo Radio Centro, S.A. de C.V. dated April 25, 2003, filed as English translation (incorporated by reference to our Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 30, 2003).
3.1	Amended and Restated Controlling Trust Agreement, No. F/23020-1, dated April 24, 1992, with amendments dated September 2, 1992, May 18, 1993 and September 14, 1993, between certain members of the Aguirre family and Bancomer, S.A., as trustee, together with an English translation (incorporated by reference to our Annual Report on Form 20-F (Commission File No. 001-12090) filed on December 31, 1993).
3.2	Amended and Restated CPO Trust Agreement, dated as of June 27, 2003, between GE Capital Bank S.A., Institucion de Banca Multiple, GE Capital Grupo Financiero, as CPO Trustee, and Grupo Radio Centro, S.A. de C.V., filed as an English translation (incorporated by reference to our Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 30, 2003).
3.3	Trust Agreement, dated June 3, 1998, among certain principal shareholders of Grupo Radio Centro, S.A. de C.V., together with an English translation (incorporated by reference to our Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 30, 1998).

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- 4.1 Deposit Agreement, dated June 30, 1993, among Grupo Radio Centro, S.A. de C.V., Citibank N.A. and holders from time to time of American Depositary Receipts issued thereunder, including the form of American Depositary Receipt (incorporated by reference to our Registration Statement on Form F-6 (Reg. No. 333-8224) filed on January 16, 1998).
- 4.2 Amended and Restated Public Deed, dated as of June 27, 2003 (the "Amended and Restated CPO Deed"), filed as an English translation (incorporated by reference to our Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 30, 2003).
- 4.3 Modifying Agreement, dated December 14, 1998, between Grupo Radio Centro, S.A. de C.V. and Comercializadora Siete, S.A. de C.V., modifying Service Agreement, dated October 2, 1995 with respect to XHFO-FM, together with an English translation (incorporated by reference to our Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 30, 1999).

### Exhibit Index (continued)

- 4.4 Programming Services Agreement, dated December 23, 1998, among Grupo Radio Centro, S.A. de C.V., Infored and Jose Gutierrez Vivo, together with an English translation (incorporated by reference to our Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 30, 1999) (incorporated by reference to our Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 30, 2003).
- 4.5 Loan Agreement, dated October 30, 2000, between Grupo Radio Centro, S.A. de C.V. and Banco Inverlat, S.A., (the "Loan Agreement") together with an English translation (incorporated by reference to our Annual Report on Form 20-F (Commission File No. 001-12090) filed on May 9, 2001).
- 4.6 Letter Agreement, dated April 17, 2001, between Grupo Radio Centro, S.A. de C.V. and Scotiabank Inverlat, S.A. (formerly Banco Inverlat, S.A.), amending Loan Agreement, together with an English translation (incorporated by reference to our Annual Report on Form 20-F (Commission File No. 001-12090) filed on May 9, 2001).
- 4.7 Waiver and Amendment Letter, dated June 19, 2002, executed by Scotiabank Inverlat and Grupo Radio Centro, S.A. de C.V. in connection with the Loan Agreement (incorporated by reference to our Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 24, 2002).
- 4.8 Amendment, dated December 10, 2002, to the Loan Agreement, filed as an English translation (incorporated by reference to our Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 30, 2003).
- 4.9 Amendment, dated December 3, 2003, to the Loan Agreement, filed as an English translation.
- 4.10 Amendment, dated as of June 29, 2004, to the Loan Agreement, to be filed as an English translation pursuant to Rule 12b-25.
- 4.11 Modifying Agreement, dated June 29, 2001, between Grupo Radio Centro, S.A. de C.V. and Comercializadora Siete, S.A. de C.V., modifying Service Agreement, dated October 2, 1995, with respect to XHFO-FM, together with an English translation (incorporated by reference to our Annual Report on Form 20-F (Commission File No. 001-12090) filed on

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June 24, 2002).

- 8.1 List of Subsidiaries of the Company (incorporated by reference to our Annual Report on Form 20-F (Commission File No. 001-12090) filed on June 30, 2003).
- 12.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 12.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 13.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.