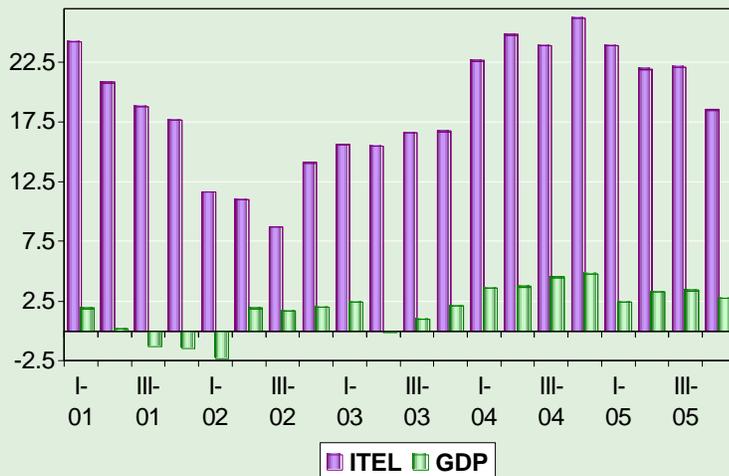


# Index of Telecommunications Sector Production - ITEL -

2005 FOURTH QUARTER (PRELIMINARY FIGURES)

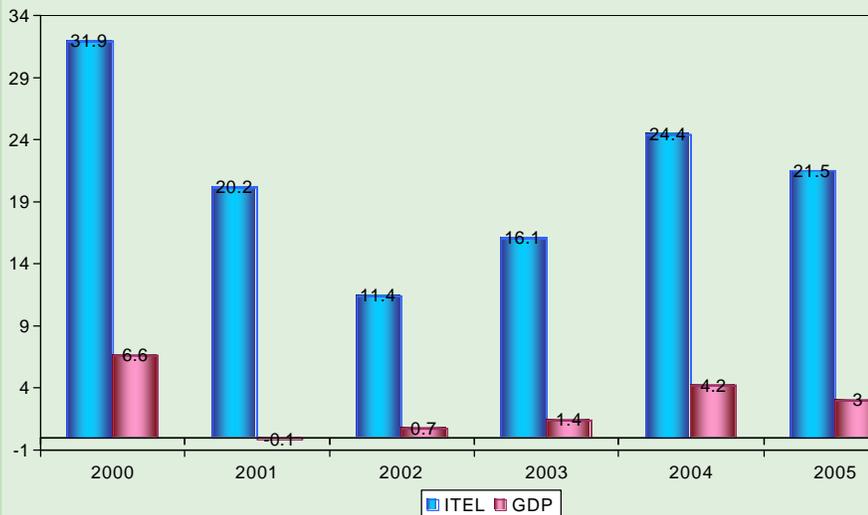
## I. GENERAL ANALYSIS

ITEL vs GDP: ANNUAL PERCENTAGE VARIATION



Source: Dirección General Adjunta de Tecnologías de la Información y Comunicaciones, Cofetel with information provided by the operators

ITEL vs GDP: ANNUAL PERCENTAGE VARIATION



Source: Dirección General Adjunta de Tecnologías de la Información y Comunicaciones, Cofetel with information provided by the operators

Telecommunications sector<sup>1</sup> kept the positive performance that has been experiencing during the recent years until the end of 2005, when it had a 21.5 per cent annual growth.

During the fourth quarter of the year 2005, telecommunications sector grew 18.5 per cent year-on-year.

In general terms, telecommunications sector shows the same trend as Mexican economy: at the end of 2005, the annual growth rate declined from 4.2 per cent registered in 2004 to 3 per cent.

<sup>1</sup> Measured with the ITEL, a global indicator made by COFETEL which evaluates the behavior of the main services offered in telecommunications sector. It is important to mention that for this quarter, ITEL variations were determined based in 2004=1 indexes, unlikely to previous publications, which were based in the year 1998.

## II. ANALYSIS BY SERVICE

Among the most significant changes for the fourth quarter of 2005 were:

-Incoming International Long Distance traffic segment stands out with a 60.3 per cent year-on-year growth. This increase was driven by the expansion of the United States' economy and the reduction in tariffs for calling from United States to Mexico.

-Mobile telephony keeps its dynamic behavior and by the end of 2005 it reached 47.5 million subscribers. In traffic terms, this segment had a 35 per cent year-on-year increase. In fact, 71.2 per cent of the whole increase in telecommunications sector belongs to mobile segment.

-Subscription TV registered a 13.6 per cent year-on-year increase in terms of users. In this segment, the number of Microwave TV subscribers grew 29.5 per cent.

-Trunking / Push to Talk (PTT) segment registered a 26.3 per cent year-on-year increase in users terms.

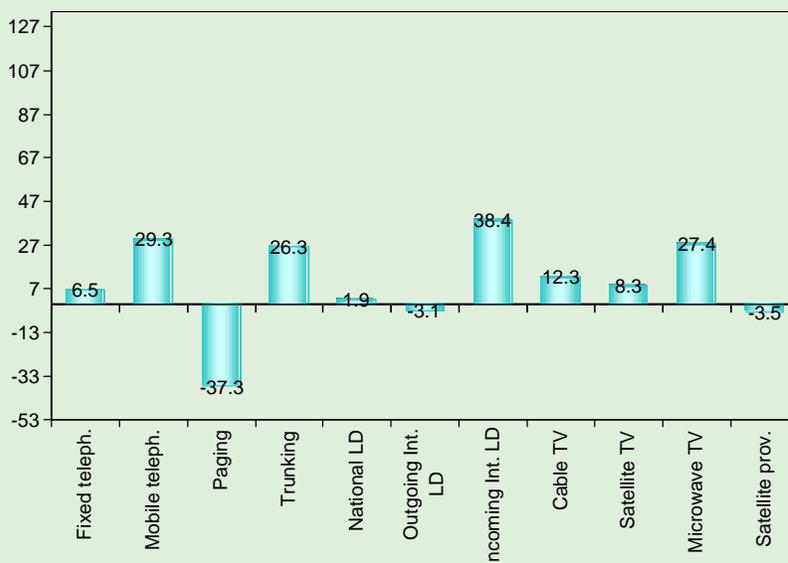
-By the end of the year 2005 there were in Mexico 19,515,000 fixed lines, which represent a 8 per cent year-on-year increase.

-Cable TV users grew 12.3 per cent year-on-year; this service reaches 3.2 million households.

-National Long Distance traffic increased 2.8 per cent year-on-year, a positive performance that can be explained by Mexican economy's behavior.

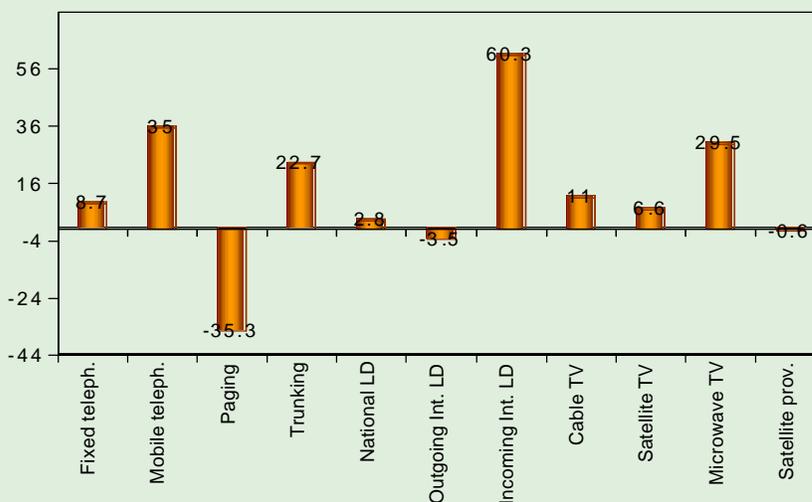
-Satellite TV grew 8.3 per cent year-on-year.

### ITEL BY SECTOR: ANNUAL PERCENTAGE VARIATION: FOURTH QUARTER 2005



Source: Dirección General Adjunta de Tecnologías de la Información y Comunicaciones, Cofetel with information provided by the operators

### ITEL BY SECTOR: ANNUAL PERCENTAGE VARIATION: JAN-DEC 2005



Source: Dirección General Adjunta de Tecnologías de la Información y Comunicaciones, Cofetel with information provided by the operators

The following segments moved back during this quarter:

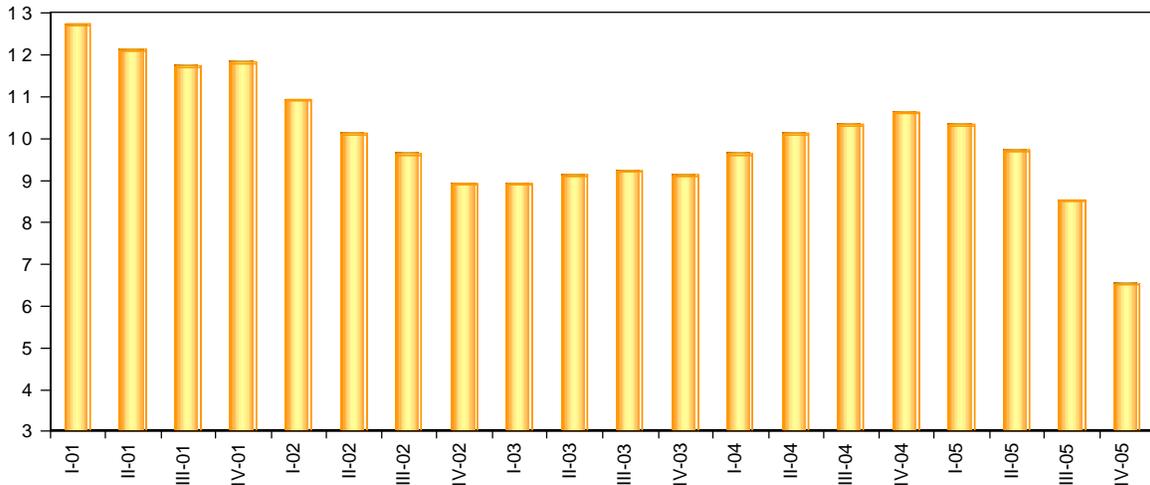
-Paging keeps showing a negative performance; the number of users fell 35.3 per cent year-on-year.

-Outgoing International Long Distance Traffic declined 3.5 per cent year-on-year.

-Satellite provision (measured in megahertz) fell 0.6 per cent year-on-year.

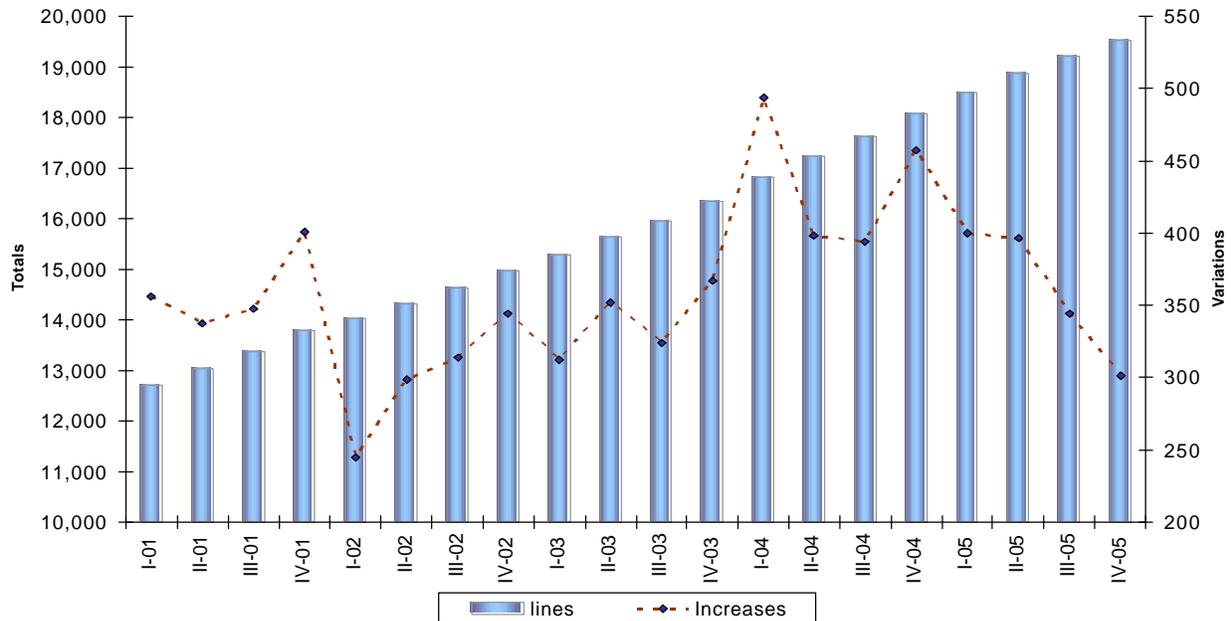
## LOCAL FIXED TELEPHONY

**LOCAL FIXED TELEPHONY (# OF LINES): ANNUAL PERCENTAGE VARIATION**



Source: Dirección General Adjunta de Tecnologías de la Información y Comunicaciones, Cofetel with information provided by the operators

**LOCAL FIXED TELEPHONY: LINES AND INCREASES(THOUSANDS)**

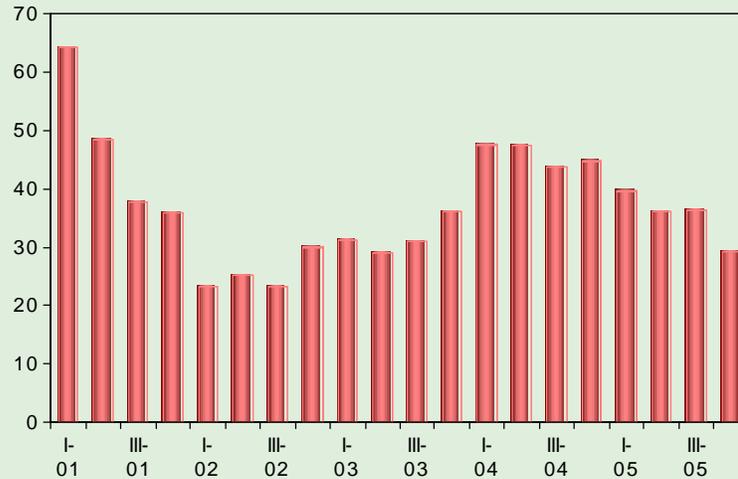


Source: Dirección General Adjunta de Tecnologías de la Información y Comunicaciones, Cofetel with information provided by the operators

During this quarter, 298,000 fixed lines were installed, which represents a 6.5 per cent year-on-year increase; 19.7 per cent of those lines belong to Telmex competitors, who have increased their presence in this market. By the end of 2005 there were in Mexico 19,515,000 fixed lines (18.9 percent teledensity); this equates to 8 per cent year-on-year growth for this quarter.

## MOBILE TELEPHONY (THOUSAND OF MINUTES)

**MOBILE TELEPHONY (THOUSAND OF MINUTES):  
ANNUAL PERCENTAGE VARIATION**



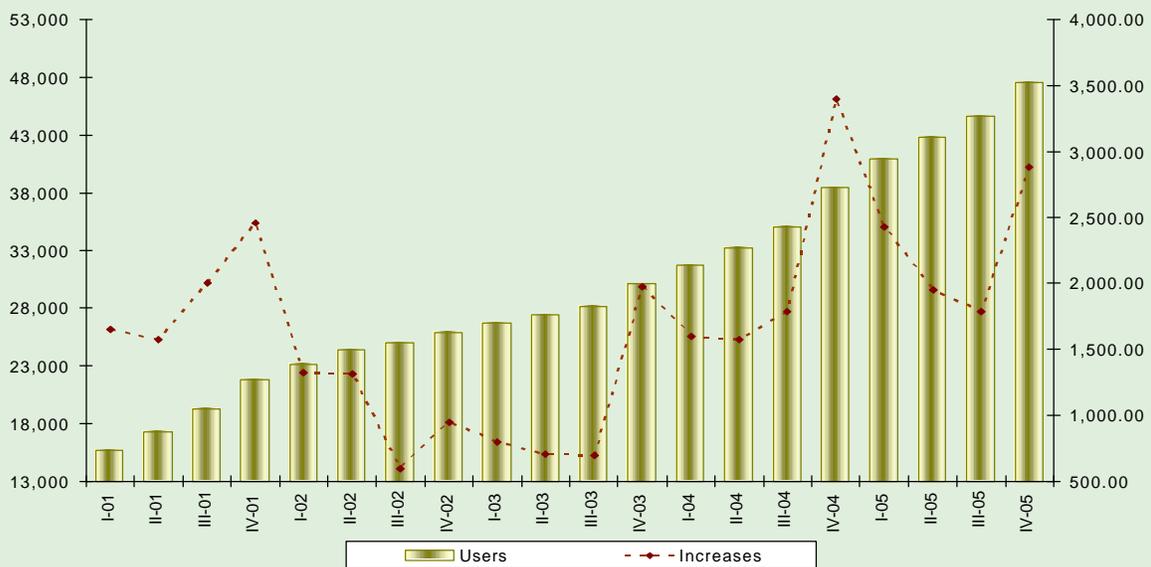
Source: Dirección General Adjunta de Tecnologías de la Información y Comunicaciones, Cofetel with information provided by the operators

Mobile telephony keeps its place as one of the most dynamic segments in telecommunications sector, helped by the increase in both, traffic and number of subscribers. Mobile operators face strong competition, offering special tariffs and benefits, which aim to increase their market share. This competition has caused a tariff reduction: 6.2 per cent in post-paid service and 6.5 per cent in pre-paid mode. The number of minutes sent

through mobile operators networks during this quarter increased 29.3 per cent year-on-year. The annual increase in terms of minutes was 35 per cent.

During the fourth quarter of the year 2005, there were 2.88 million new mobile subscribers. By the end of last year, there were in Mexico 47.5 million users of mobile telephony; this equates to 23.4 per cent year-on-year increase (46.1 percent teledensity)

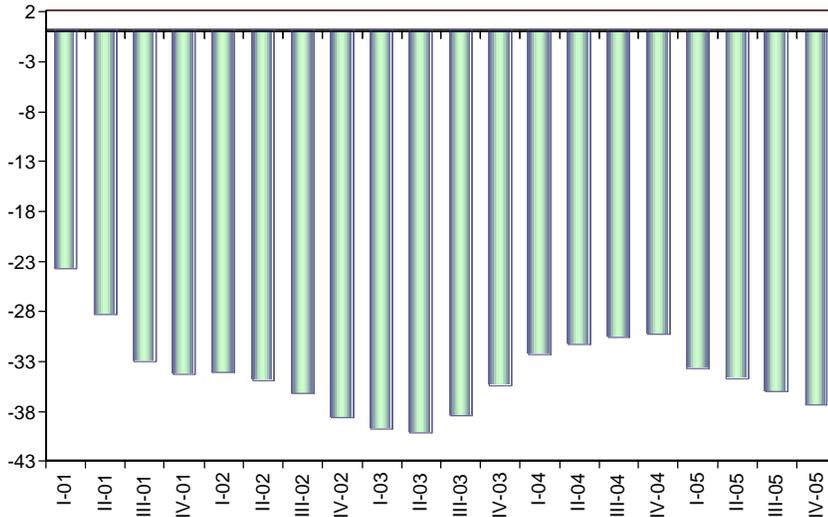
**MOBILE TELEPHONY. TOTAL OF USERS AND INCREASES (THOUSAND)**



Source: Dirección General Adjunta de Tecnologías de la Información y Comunicaciones, Cofetel with information provided by the operators

## PAGING (NUMBER OF USERS)

PAGING (# OF USERS): ANNUAL PERCENTAGE VARIATION

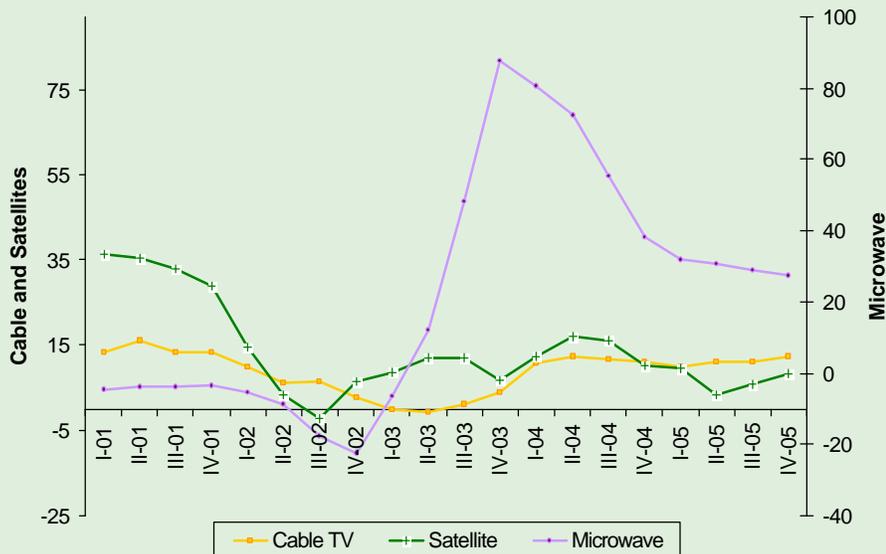


Source: Dirección General Adjunta de Tecnologías de la Información y Comunicaciones, Cofetel with information provided by the operators

This segment keeps experiencing a slowdown as a result of consumers being attracted away by the mobile “calling party pays” program and the availability of Short Message Service provided by mobile and Trunking (Push-To-Talk) operators. For this quarter, paging users in Mexico declined 37.9 per cent, the highest reduction since 2003. By December 2005, there were 74,031 paging users.

## SUBSCRIPTION TV (NUMBER OF USERS)

SUBSCRIPTION TV (# OF SUBSCRIBERS): ANNUAL PERCENTAGE VARIATION



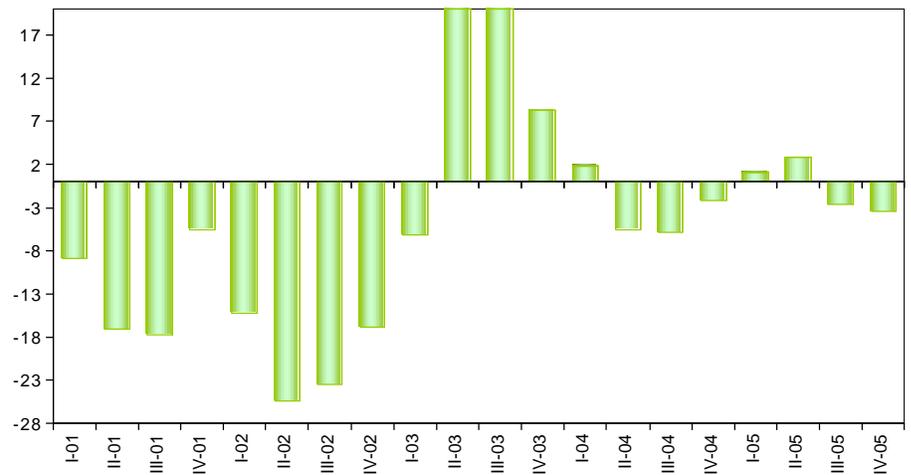
Source: Dirección General Adjunta de Tecnologías de la Información y Comunicaciones, Cofetel with information provided by the operators

The number of Subscription TV users increased 13.1 per cent year-on-year. Microwave TV (MMDS) subscribers grew 26.7 per cent and reached 876,000 users by the end of 2005. The increase in MMDS subscribers was driven by the successful marketing strategies used towards low-income users and the introduction of wireless Internet service. Cable TV users grew 13.2 per cent year-on-year and reached 3,320,000 subscribers. Satellite TV users increased 4.7 per cent year-on-year. By the end of the year there were 1,180,000 subscribers.

## SATELLITE PROVISION (MEGAHERTZ)

### SATELLITE PROVISION (MEGAHERTZ): ANNUAL PERCENTAGE VARIATION

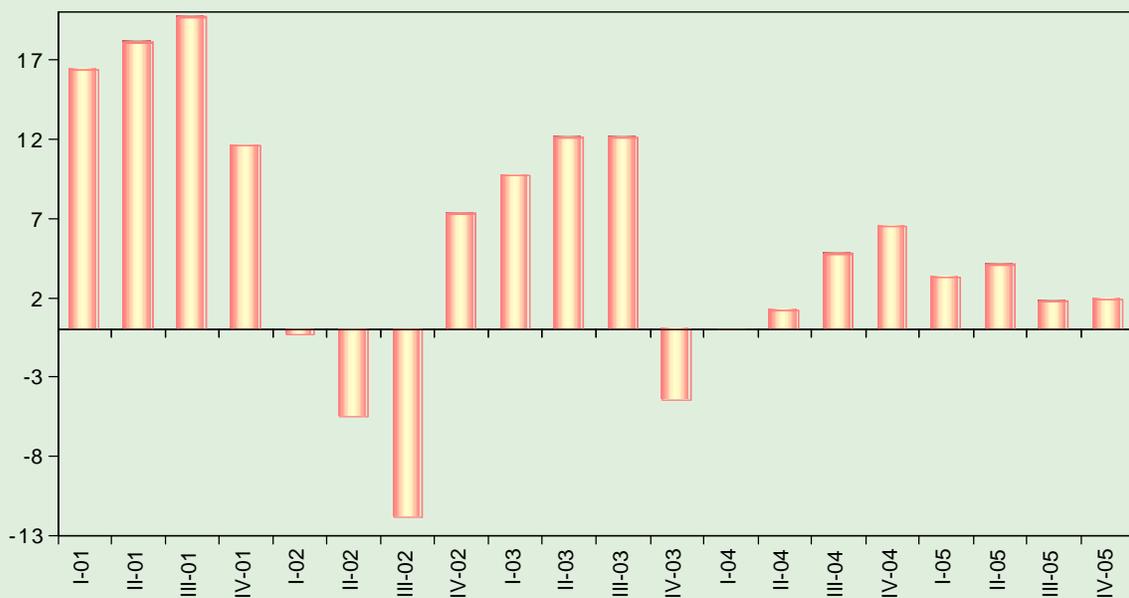
The provision of satellite bandwidth fell 0.6 per cent year-on-year.



Source: Dirección General Adjunta de Tecnologías de la Información y Comunicaciones, Cofetel with information provided by the operators

## NATIONAL LONG DISTANCE (THOUSAND OF MINUTES)

### NATIONAL LD (THOUSAND OF MINUTES): ANNUAL PERCENTAGE VARIATION



Source: Dirección General Adjunta de Tecnologías de la Información y Comunicaciones, Cofetel with information provided by the operators

National Long Distance traffic, measured in minutes, grew 1.9 per cent year-on-year in this quarter. During 2005, this segment registered a 2.8 per cent year-on-year increase, due to the low growth rates in national economy during the last quarters.

## INTERNATIONAL LONG DISTANCE (THOUSAND OF MINUTES)

This segment shows mixed results. During this quarter, Incoming International Long Distance registered a 38.4 per cent year-on-year growth. During the whole year, this segment grew 60.3 per cent year-on-year. Both rates are the highest in telecommunications sector in those periods.

This increase was possible thanks to the tariff reduction in calls from United States to Mexico, and also to the application of International Telecommunications Rules, because they liberated this market.

Outgoing International Long Distance traffic, measured in minutes, declined 3.1 per cent during this quarter. For the whole of 2005, this segment had a 3.5 per cent year-on-year reduction.

The relation among incoming/outgoing international traffic was 8 times during this quarter. This reflects certain replacement among both traffics, which helps to prove that the World Trade Organization's Panel that solved the telecommunications dispute among Mexico and United States, made a vague definition of this market.

**INCOMING INT. LD (THOUSAND OF MINUTES) VS USA GDP: ANNUAL PERCENTAGE VARIATION**



Source: Dirección General Adjunta de Tecnologías de la Información y Comunicaciones, Cofetel with information provided by the operators and U.S. Bureau of Economic Analysis

**OUTGOING INT. LD (THOUSAND OF MINUTES) VS GDP: ANNUAL PERCENTAGE VARIATION**

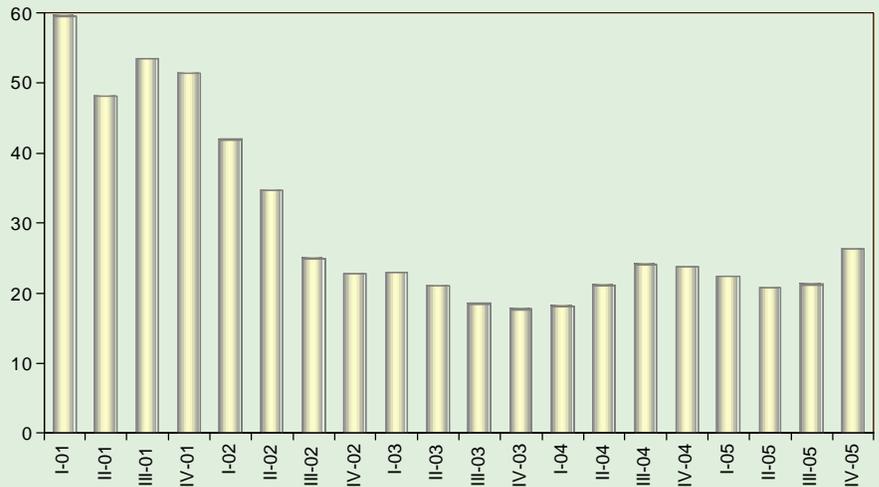


Source: Dirección General Adjunta de Tecnologías de la Información y Comunicaciones, Cofetel with information provided by the operators and INEGI

## TRUNKING (PUSH-TO-TALK) (NUMBER OF USERS)

### TRUNKING (NUMBER OF USERS): ANNUAL PERCENTAGE VARIATION

By the end of 2005, the number of Trunking users increased 27.9 per cent year-on-year, which represents the highest rate since the second quarter of the year 2002. This increase was driven by the fact that now, operators have access to more spectrum to offer their services, after the bidding process that Cofetel carried out last year.



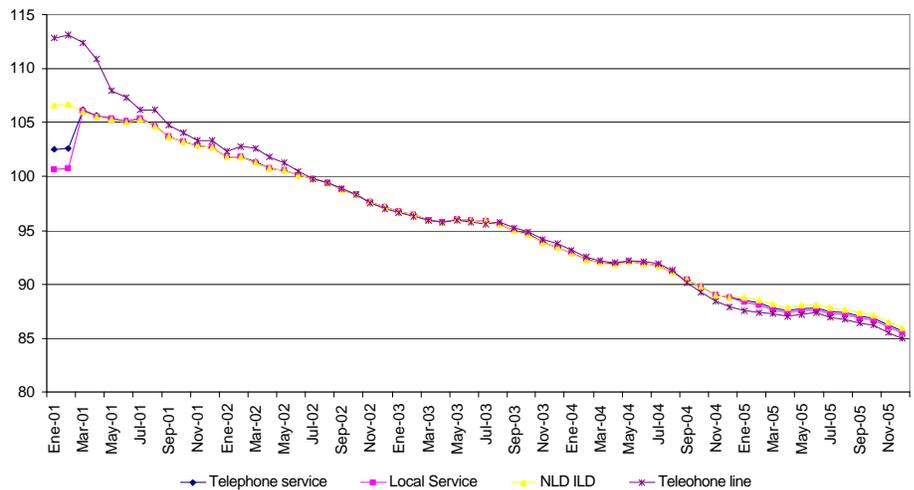
Source: Dirección General Adjunta de Tecnologías de la Información y Comunicaciones, Cofetel with information provided by the operators

## III. TARIFFS EVOLUTION

### TELEPHONY SERVICES (CONSTANT PRICES DURING JUNE 2002)

The strong competition in telecommunication sector has forced the operators to keep attractive tariffs and special benefits for subscribers; this has influenced tariffs behavior which have been decreasing in real and nominal terms<sup>2</sup>. This behavior helped to expand services, reduce tariffs and to promote the introduction of new technologies.

The Index of Prices for Telephone Services<sup>3</sup>, reported by el Banco

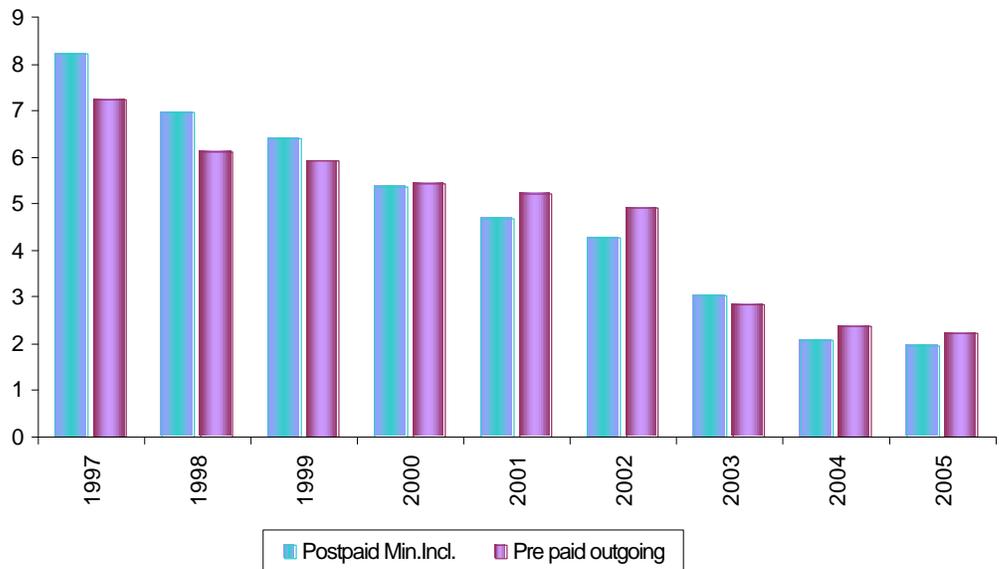


Source: Dirección General Adjunta de Tecnologías de la Información y Comunicaciones, Cofetel with information from Banco de Mexico

<sup>2</sup> Year on year variations: 1.-Mobile: the whole industry: Preliminary figures. Post-paid: minutes included; pre-paid outgoing minutes. 2.- LD: the whole industry but Avantel and Marcotel. 3.- Local Telephony: Telmex basic services.

<sup>3</sup> Banco de México Índice de Precios de Servicio Telefónico: includes Local Service, National and International Long Distance, Telephone line and it is carried out based in tariffs reported by operators.

### MOBILE TELEPHONY TARIFFS (POST PAID AND PRE PAID)

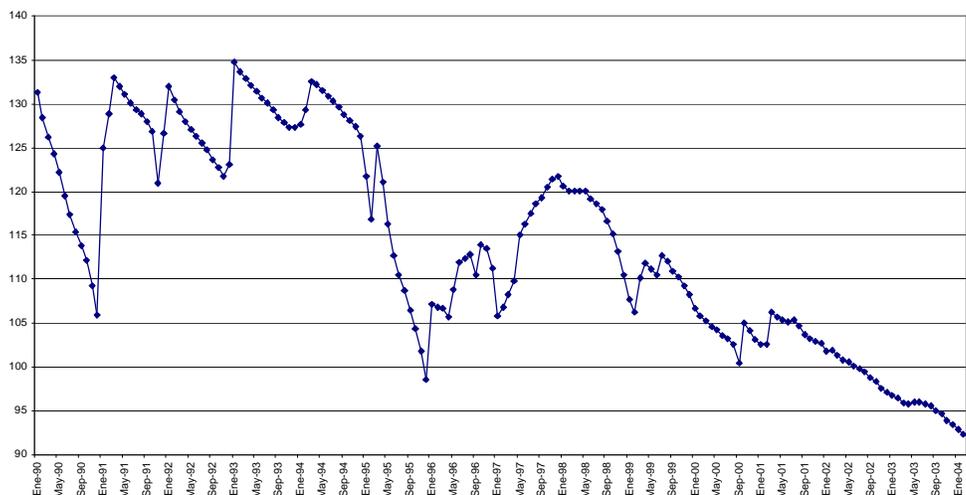


de Mexico declined 3.5 per cent year-on-year in real terms. From December 2002 to December 2005 there was a 16.9 per cent decline.

According to telecommunications tariffs registered in Cofetel<sup>4</sup>, as of 2000, Local Telephony tariffs fell 17.2 per cent. In the case of Long Distance tariffs, they declined 32.8 per cent.

Mobile telephony tariffs fell 6.2 per cent for post-paid service and 6.5 per cent for pre-prepaid service during 2005.

### TELEPHONY SERVICE TARIFFS (JUNE 2002, SECOND HALF)



Source: Cofetel with information provided by operators

<sup>4</sup> This index, elaborated by Comisión Federal de Telecomunicaciones, considers special discounts and tariffs that operators apply for real in Mexican telecommunications market.

## IV. FINAL CONSIDERATIONS

Telecommunications sector has been one of the most dynamic segments in Mexican economy during the last five years. Here are some facts:

-From December 2000 to the end of 2005, the number of fixed lines increased 58.3 per cent and now Mexico has 19.5 million fixed lines (18.9 per cent teledensity vs.12.6 teledensity in 2002).

-The number of mobile subscribers increased 3.4 times and reached 47.5 million users (46.1 per cent teledensity vs 14.4 per cent teledensity in the year 2000).

-Investments in telecommunications sector reached 18.8 million dollars.

-Internet users increased 3.7 times; now Mexico has 18.6 million users.

-Mobile telephony tariffs have felt 59 per cent in real terms for outgoing minutes and 18.0 per cent for incoming minutes.

-In Post paid mode, tariffs declined 64.4 per cent in real terms for minutes included and 36 per cent for additional minutes. The Organization for Economic Cooperation and Development (OECD) establishes in the "OECD Communications Outlook: Information and Communications Technologies" that in Mexico, the package of services for low consumption users declined 48 per cent in dollars terms between years 2002 and 2004. This decline gave Mexico the position of the cheaper country in this category, among OECD<sup>5</sup> members.

Packages offered to average and high consumption users have also registered important declines in dollar terms; Mexico is one of OECD members with lower tariffs, as it is shown in the charts below:

<sup>5</sup> OECD uses Movistar's Prepago +300 package to make the international comparison

### OECD TARIFFS COMPARISON – TELEPHONY SERVICES

#### OECD PACKAGE OF RESIDENTIAL TELEPHONY CHARGES (WITHOUT INTERNATIONAL LONG DISTANCE AND MOBILES CALLS)

	Fijo				Uso				Total		
	2002	2004	%		2002	2004	%		2002	2004	%
Mexico	239.87	220.31	-8.2%		169.11	150.32	-11.1%		408.98	370.63	-9.4%
OECD	182.78	235.61	28.9%		158.11	197.82	25.1%		340.96	433.43	27.1%
Mexico's position among 30 countries members of the OECD	Place 3 of 30 among the most expensive countries	Place 8 of 30 among the cheaper countries			Place 16 of 30 among the cheaper countries	Place 7 of 30 among the cheaper countries			Place 3 of 30 among the most expensive countries	Place 5 of 30 among the cheaper countries	

#### OECD PACKAGE OF RESIDENTIAL TELEPHONY CHARGES (INCLUDING INTERNATIONAL LONG DISTANCE AND MOBILES CALLS)

	Fijo				Uso				Total		
	2002	2004	%		2002	2004	%		2002	2004	%
Mexico	239.87	220.31	-8.2%		508.1	450.89	-11.3%		747.97	671.2	-10.3%
OECD	183.22	237.35	29.5%		304.91	358.19	17.5%		340.96	433.43	27.1%
Mexico's position among 30 countries members of the OECD	Place 3 of 30 among the most expensive countries	Place 8 of 30 among the cheaper countries			Most expensive	Place 7 of 30 among the most expensive countries			Most expensive	Place 8 of 30 among the most expensive countries	

**OECD PACKAGE OF COMMERCIAL TELEPHONY CHARGES (WITHOUT INTERNATIONAL LONG DISTANCE CALLS AND MOBILE TELEPHONY)  
(INCLUDES TAX)**

	Fijo				Uso				Total		
	2002	2004	%		2002	2004	%		2002	2004	%
Mexico	279.16	239.93	-14.1%		1,061.5	943.5	-11.1%		1,340.6	1,183.4	-11.7%
OECD	197.64	245.87	24.4%		522.5	654.6	25.3%		720.1	900.5	25.1%
Mexico's position among 30 countries members of the OECD	Place 6 among the most expensive countries	Place 13 of 30 among the most expensive			More expensive	More expensive			More expensive	Place 4 of 30 among the most expensive	

**OECD PACKAGE OF COMMERCIAL TELEPHONY CHARGES (INCLUDING LONG DISTANCE CALLS AND MOBILE TELEPHONY) (INCLUDES TAX)**

	Fijo				Uso				Total		
	2002	2004	%		2002	2004	%		2002	2004	%
Mexico	279.16	239.93	-14.1%		1,909.9	1,695.8	-11.2%		2,189.0	1,935.7	-11.6%
OECD	197.64	245.87	24.4%		877.3	1,044.6	19.1%		1,075.0	1,290.5	20.1%
Mexico's position among 30 countries members of the OECD	Place 6 among the most expensive countries	Place 16 of 30 among the most expensive			More expensive	More expensive			More expensive	More expensive	

**OECD PACKAGE OF MOBILE TELEPHONY CHARGES FOR LOW CONSUMPTION USERS**

	Fijo				Uso				Total		
	2002	2004	%		2002	2004	%		2002	2004	%
Mexico	0	0	0.0%		228.0	116.7	-48.8%		228.0	116.7	-48.8%
Mexico's position among 30 countries members of the OECD	Cheaper	Cheaper			Place 4 of 30 among the most expensive countries	Place 7 of 30 among the cheaper countries			Place 6 of 30 among the most expensive	Cheaper	

\*In the year 2002, OECD used the Pegaso's Tarjetas Básica package.

\*In the year 2004, OECD used Movistar's Prepago+300 package

**OECD PACKAGE OF MOBILE TELEPHONY CHARGES FOR HIGH CONSUMPTION USERS**

	Fijo				Uso				Total		
	2002	2004	%		2002	2004	%		2002	2004	%
Mexico	368.66	314.04	-14.8%		659.0	411.5	-37.6%		1,028.0	725.5	-29.4%
Mexico's position among 30 countries members of the OECD	Place 15 of 30 among the most expensive countries	Place 10 of 30 among the cheaper countries			Place 8 of 30 among the most expensive	Place 15 of 30 among the most expensive			Place 4 of 30 among the most expensive	Place 9 of 30 among the cheaper	

\*In the year 2002, OECD used the Pegaso's Tarjetas Básica package.

\*In the year 2004, OECD used Movistar's Prepago+300 package

### OECD PACKAGE OF MOBILE TELEPHONY FOR LOW CONSUMPTION USERS

		Total	
	2002	2004	%
Mexico	228.0	116.7	-48.8%
Mexico's position among 30 countries members of the OECD	Place 6 of 30 among the most expensive countries	Cheaper	

\*In the year 2002, OECD used the Pegaso's Tarjetas Básica package

\*In the year 2004, OECD used Movistar's Prepago+300 package

### OECD PACKAGE OF MOBILE TELEPHONY FOR HIGH CONSUMPTION USERS

		Total	
	2002	2004	%
Mexico	1,028.0	725.5	-29.4%
Mexico's position among 30 countries members of the OECD	Place 4 of 30 among the most expensive countries	Place 7 of 30 among the cheaper countries	

\*In the year 2002, OECD used the Pegaso's Tarjetas Básica package

\*In the year 2004, OECD used Movistar's Prepago+300 package

### OECD PACKAGE OF MOBILE TELEPHONY FOR AVERAGE CONSUMPTION USERS

		Total	
	2002	2004	%
Mexico	606.7	487.1	-19.7%
Mexico's position among 30 countries members of the OECD	Place 3 of 30 among the most expensive countries	Place 10 of 30 among the cheaper countries	

\*In the year 2002, OECD used the Pegaso's Tarjetas Básica package

\*In the year 2004, OECD used Movistar's Prepago+300 package

Since the year 2000, telecommunications sector has been growing in an average rate of 18.7 per cent, outperforming Mexican economy behavior. This proves the important increase registered in the number of subscribers in the main telecommunications segments. The constant tariff reduction in different segments of telecommunications sector supports Mexican economy performance.

This has been possible thanks to the achievements in terms of competition in telecommunications sector. It is necessary to endure the efforts and government programs aimed to improve competition, because this will help to provide telecommunications services to a larger number of Mexicans.