

# Index of Telecommunications Sector Production

## – ITEL –

2003 THIRD QUARTER (PRELIMINARY FIGURES)

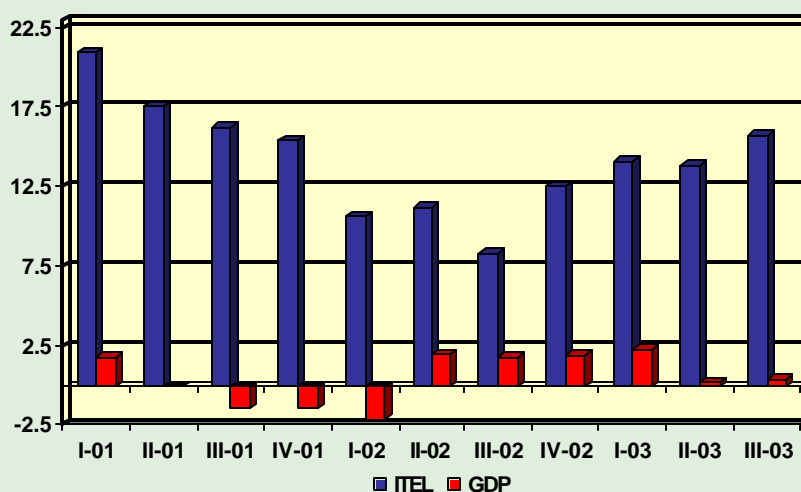
### I. GENERAL ANALYSIS

ITEL, the Index of Telecommunications Sector Production in Mexico, grew 15.7 per cent year-on-year for the third quarter of 2003, outperforming national economic growth for the same period (which was 0.4 per cent). This is the highest increase in recent years. For the first nine months of the year, the telecommunications sector grew 14.5 per cent year-on-year.

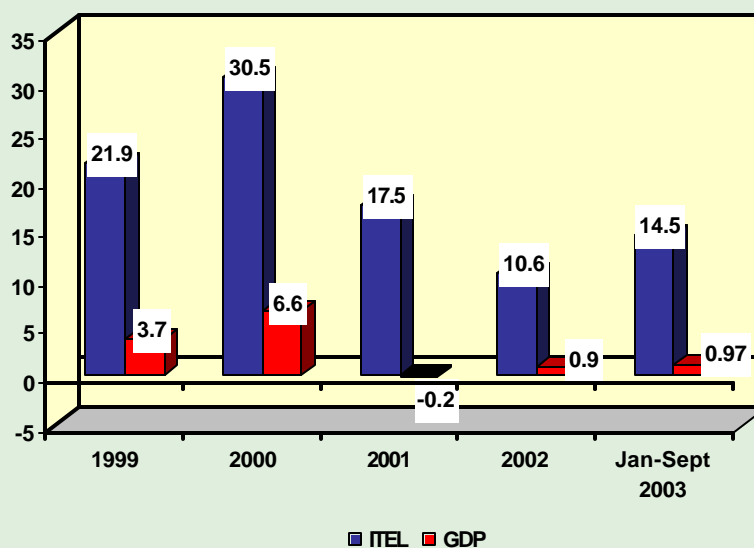
Despite stagnation in the Mexican economy as a whole, the telecommunications sector has performed well, driven largely by significant growth in the Services<sup>1</sup> sector, which grew by 4.2 per cent, while the Manufacturing sector suffered a 3.6 per cent decline during the quarter.

<sup>1</sup> The Services Sector mainly comprises financial services, insurance and real estate activities. Transportation, storage and communications grew at an annual rate of 2.7 per cent during this quarter.

ITEL vs GDP: ANNUAL PERCENTAGE VARIATION



ITEL vs GDP: ANNUAL PERCENTAGE VARIATION



## II. ANALYSIS BY SERVICE SEGMENT

Expansion of the telecommunications sector was also driven by a rise in Microwave TV subscriptions, which increased by 59.3 per cent year-on-year for the quarter. Similarly, Incoming International Long Distance traffic grew 9 per cent year-on-year for the quarter – the first time this segment has grown since the third quarter of 2002. National Long Distance traffic is also continuing to show signs of recovery, registering 11.2 per cent year-on-year growth for the quarter.

Among the most significant changes for the third quarter of 2003 were:

- Wireless mobile telephony (mobile and trunking Push

to Talk) maintained similar growth as in the second quarter of 2003; mobile telephony traffic grew 30.4 per cent, while the number of Push to Talk users increased 18 per cent.

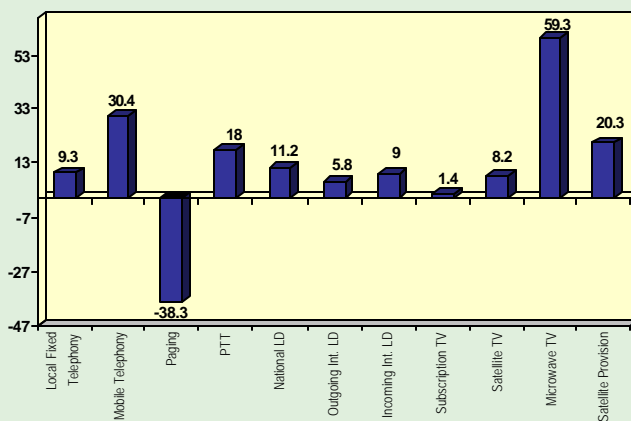
- There was a 9.3 per cent increase in fixed telephony lines, bringing the total to 15,862,882 lines.

- Outgoing International Long Distance traffic grew 5.8 per cent (compared with 13.2 per cent growth registered for the second quarter of 2002).

- There was an 8.2 per cent increase in Satellite TV subscribers.

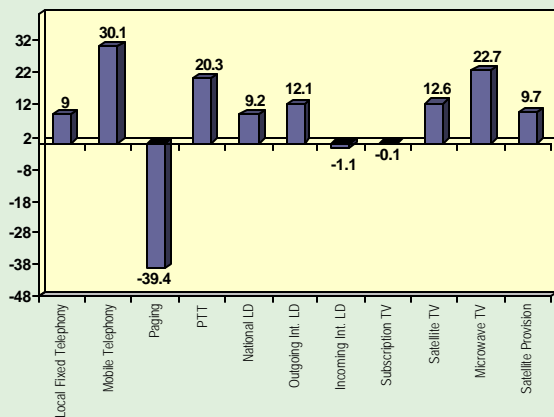
- The provision of satellite services (measured in megahertz) increased 20.3 per cent.

**ITEL BY SERVICE SEGMENT: ANNUAL PERCENTAGE VARIATION  
3RD QUARTER 2003**



Source: Cofetel

**ITEL BY SERVICE SEGMENT:  
ANNUAL PERCENTAGE VARIATION**

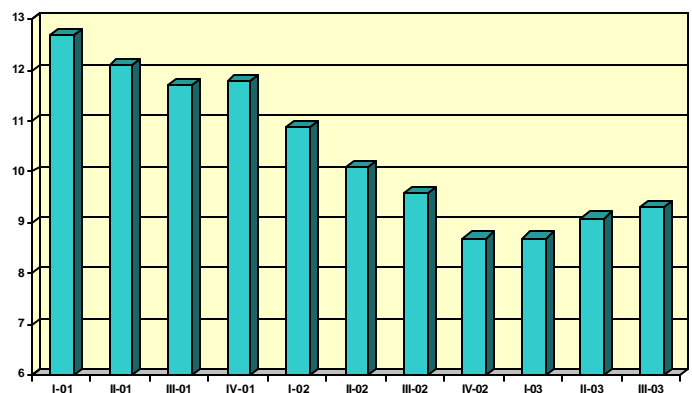


Source: Cofetel

### LOCAL FIXED TELEPHONY

In spite of the slow-down in this segment over the past two years – mainly because of low investment by the main local telephony operators– Local Fixed Telephony registered 346,000 new lines in the quarter, bringing the total to 15,862,882 lines (representing a teledensity of 15.6 per cent). This equates to 9.3 per cent year-on-year growth for the quarter, and 9 per cent year-on-year growth for the first nine months of 2003.

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

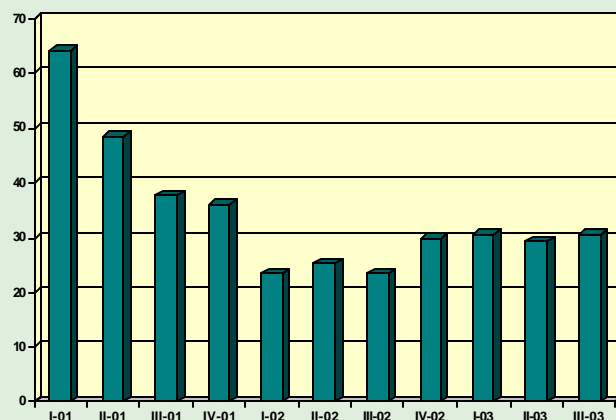


Source: Cofetel

## MOBILE TELEPHONY (MINUTES)

This segment maintains its high growth rates, thanks to strong competition between mobile operators, the expansion of new services, and the introduction of new technologies such as Short Message Service (SMS)<sup>2</sup> and other GSM services. The tariff reduction that followed the introduction of the Production Service Special Tax has also had an effect during this quarter. Mobile traffic grew 30.4 per cent year-on-year for the quarter, while for the first nine months of 2003 it grew 30.1 per cent year-on-year. At the end of the third quarter, there were 28,124,747 mobile telephony users, representing a 12.6 per cent year-on-year increase.

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



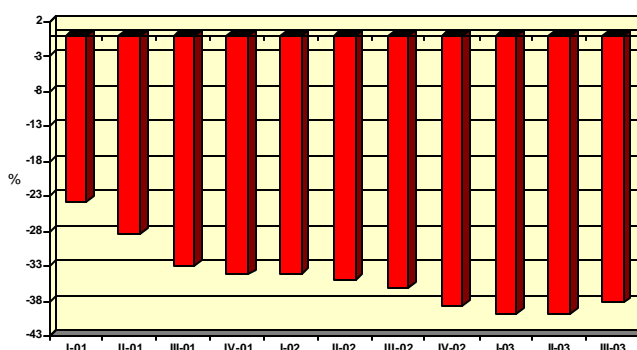
Source: Cofetel

<sup>2</sup> On 8 th October 2003, Cofetel resolved an interconnection dispute between Iusacell and Telcel, which enabled SMS messages to be sent between the two networks.

## PAGING (# OF USERS)

As in the second quarter of 2003, the decline in paging subscribers is the result of consumers being attracted away from pagers to mobile telephones, because of the "calling party pays" program and the introduction of new mobile services (such as pre-pay and SMS). At the end of the third quarter of 2003, there were 191,191 pager users in Mexico, representing a 38.3 per cent year-on-year decline.

**PAGING (# DE USUARIOS): ANNUAL PERCENTAGE VARIATION**

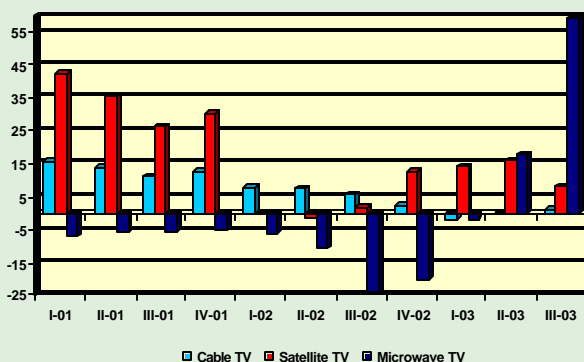


Source: Cofetel

## SUBSCRIPTION TV (# OF SUBSCRIBERS)

Overall, the Subscription TV segment grew 7 per cent year-on-year for the third quarter of 2003, thanks to an upturn in microwave and satellite subscriptions (resulting from aggressive tariff reductions) and a re-orientation of the microwave TV market. Cable TV grew 1.4 per cent year-on-year; Satellite TV increased 8.2 per cent year-on-year, while Microwave TV enjoyed a 59.3 per cent increase for the quarter.

**SUBSCRIPTION TV (# OF SUBSCRIBERS):  
ANNUAL PERCENTAGE VARIATION**

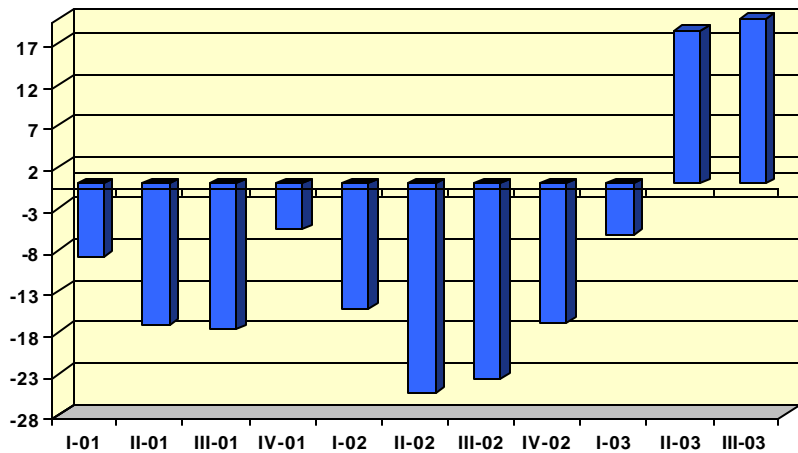


Source: Cofetel

## SATELLITE (MEGAHERTZ)

The provision of satellite bandwidth grew by 20.3 per cent year-on-year for the third quarter, and by 9.7 per cent year-on-year for the first nine months of 2003.

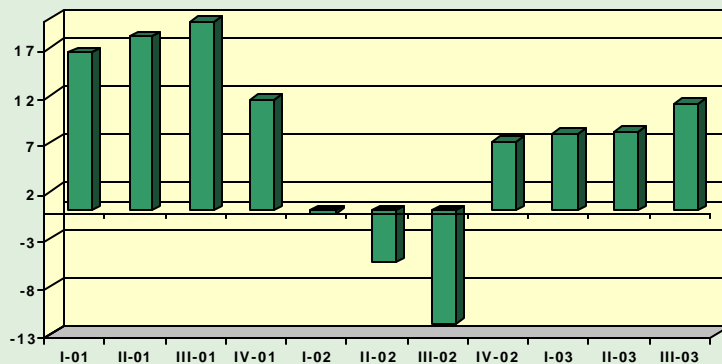
**SATELLITE PROVISION (MEGAHERTZ): ANNUAL PERCENTAGE VARIATION**



Source: Cofetel

## NATIONAL LONG DISTANCE (MINUTES)

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



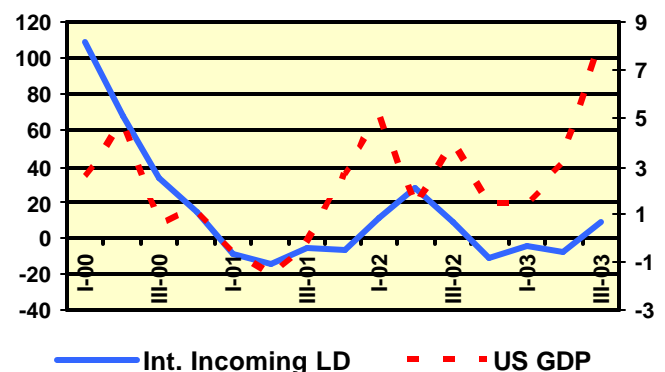
Source: Cofetel

National Long Distance traffic continues to show signs of recovery, reflecting the growth in the national economy. It grew 11.2 per cent year-on-year for the quarter the highest growth rate since the end of 2001. For the first nine months of 2003, this segment grew 9.2 per cent year-on-year.

## INCOMING INTERNATIONAL LONG DISTANCE (MINUTES)

Incoming international long-distance traffic grew by 9 per cent year-on-year for the third quarter of 2003, despite continued uncertainty about recovery in the US economy and an increase in by-pass traffic. A major contributor to this increase is the 8.2 per cent year-on-year growth in the US economy for the quarter – the highest in the last two decades.

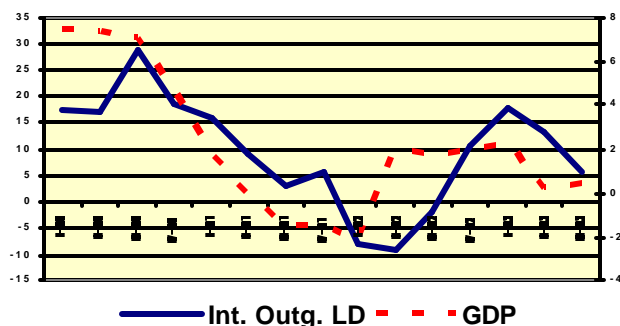
**INT. INCOMING LD (THOUSAND OF MINUTES) VS US GDP: ANNUAL PERCENTAGE VARIATION**



Source: Cofetel and Bureau of Economic Analysis

## OUTGOING INTERNATIONAL LONG DISTANCE (MINUTES)

INTERNATIONAL OUTGOING LD (THOUSAND OF MINUTES)  
VS US GDP: ANNUAL PERCENTAGE VARIATION



Outgoing International Long Distance traffic has benefited from the recent moderate recovery in the Mexican economy. The segment grew 5.8 per cent year-on-year for the third quarter of 2003, while for the first nine months of the year, it grew 12.1 per cent year-on-year.

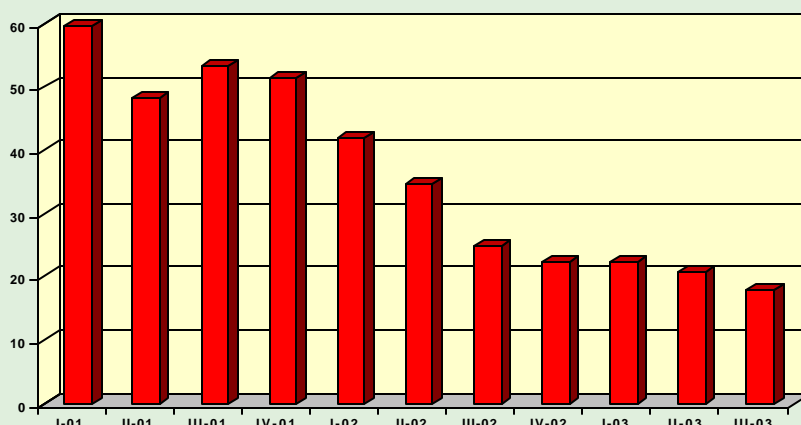
Source: Cofetel and INEGI

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

TRUNKING (# OF USERS): ANNUAL PERCENTAGE VARIATION

The number of push-to-talk users increased 18 per cent year-on-year for the third quarter of 2003. For the first nine months, the segment grew 20.3 per cent year-on-year.

Source: Cofetel



## FINAL CONSIDERATIONS

The positive performance of the telecommunications sector during the third quarter of 2003 reflects the moderate growth in both the US and the Mexican economies – especially in the Services sector – and the tariff reductions across several telecommunications services.

The expansion of new services, the introduction of new technologies and a number of special promotions have led to a general reduction in tariffs in real terms<sup>3</sup> over the past year:

- Mobile telephony tariffs fell 21 per cent for post-paid and 23 per cent for pre-paid services by the end of the third quarter of 2003.
- Long Distance tariffs fell 6.4 per cent year-on-year.

- Local telephony tariffs fell 2.6 per cent year-on-year.

The uncertainty in the US economy, and therefore in Mexican production, has an important influence on the telecommunications industry. However, the healthy growth in the US economy for the third quarter, as well as strengthening private consumption and moderate growth in private investment in Mexico, point to a better outlook for the Mexican economy.

<sup>3</sup> Variations: 1. Mobile: Telcel case. Post pay, number of minutes included; prepay, outgoing minutes. 2. Long Distance: all operators except Avantel and Marcotel 3. Local: Telmex: basic services

