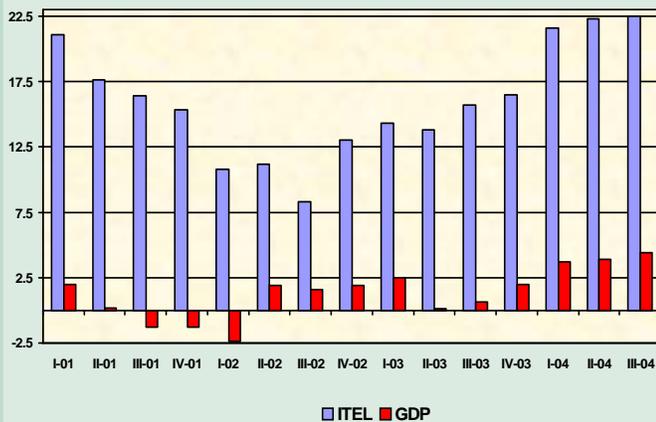


Index of Telecommunications Sector Production - ITEL -

2004 THIRD QUARTER (PRELIMINARY FIGURES)

I. GENERAL ANALYSIS

ITEL vs GDP: ANNUAL PERCENTAGE VARIATION

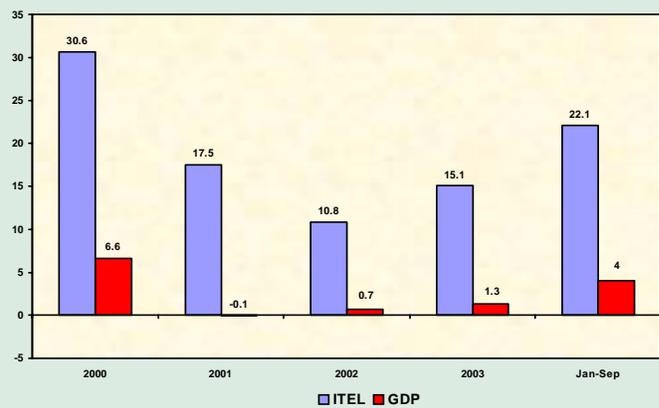


Source: Cofetel and INEGI

During the third quarter of 2004, the Mexican Telecommunications sector continued on the positive course set at the end of 2002. ITEL grew 22.5 per cent year-on-year. This is the highest growth since the fourth quarter of 2000, when the telecommunications sector grew 25.4 per cent.

Transportation, Storage and Communications sector grew 9.3 per cent year on year, according to the figures provided by Mexico's National Institute of Statistics (INEGI), outperforming the national economy from the same period, which grew 4.4 per cent. During the three first quarters of 2004, telecommunications sector experienced a 22.1 per cent year-on-year increase.

ITEL vs GDP: ANNUAL PERCENTAGE VARIATION



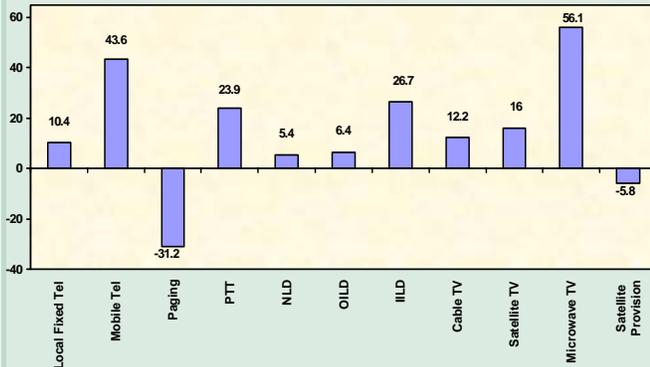
Source: Cofetel and INEGI

The positive trend in telecommunications sector is a result of the recovery that Mexican economy has experienced throughout 2004, especially on this quarter when it grew 4.4 per cent year-on-year, the highest rate since 2001.

This performance can also be explained by the permanence of attractive tariff plans and promotions for users, the successful conclusion of the financial reorganization process in some operators, their participation in the data services market and the search for inland new users. Additionally, the new International Telecommunications Rules, issued recently by Cofetel, give more certainty to this sector.

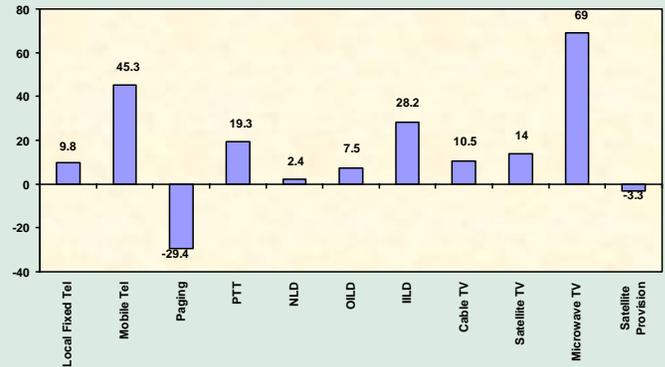
II. ANALYSIS BY SERVICE SEGMENT

ITEL BY SERVICE SEGMENT. ANNUAL PERCENTAGE VARIATION: THIRD QUARTER 2004



Source: Cofetel

ITEL BY SERVICE SEGMENT. ANNUAL PERCENTAGE VARIATION: JAN-SEP 2004



Source: Cofetel

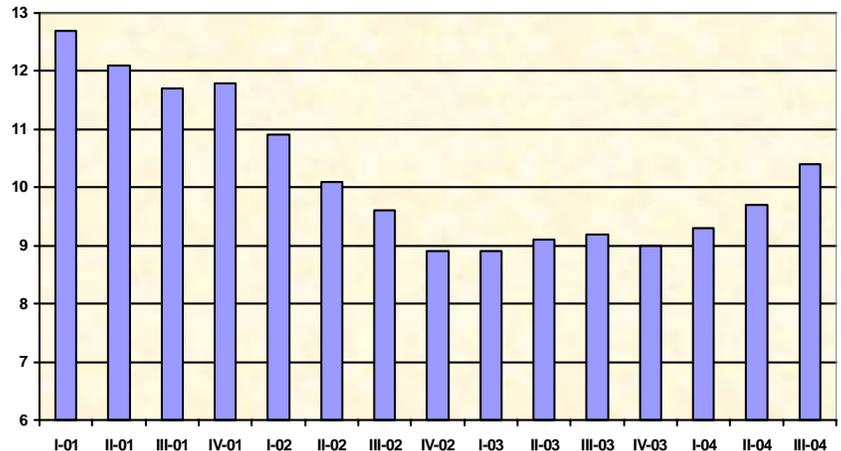
Among the most significant changes for the first quarter of 2004 were:

- Microwave TV increased 56.1 per cent year-on-year.
- A 43.6 per cent year-on-year growth in mobile traffic.
- Incoming international Long Distance traffic experienced a 26.7 per cent year-on-year increase.
- The number of trunking users grew 23.9 per cent year-on-year, the highest increase since the end of the year 2002.
- Satellite TV grew 16 per cent year-on-year.
- A 6.4 per cent year-on-year increase in Outgoing International Long Distance traffic.
- Cable TV subscribers grew 12.2 per cent year-on-year
- A 5.4 per cent year-on-year increase in National Long Distance traffic, a higher figure to the 1.1 per cent registered on the past quarter.
- The number of fixed lines grew 10.4 per cent year-on-year and now there are 17,512,711 lines in Mexico.
- Satellite Provision (megahertz) decreased 5.8 per cent year-on-year and the number of users fell 31.2 per cent year-on-year.

LOCAL FIXED TELEPHONY (# OF LINES)

Local service operators continue the expansion of their networks within the country. During the third quarter 494,000 new lines were installed. At the end of this quarter there were 17,512,771 subscribers, which means a 10.4 per cent year-on-year increase, the most important growth since the first quarter of 2001, when the segment experienced a 10.9 per cent increase. During this year 1,307,700 new lines have been installed. Mexico has a 16.7 per cent teledensity.

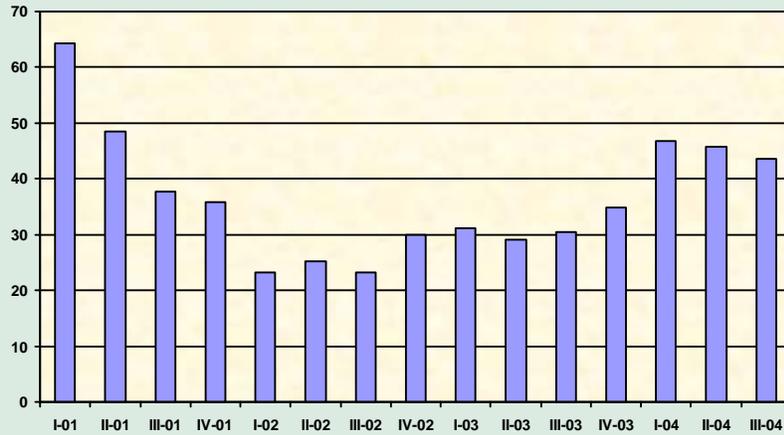
LOCAL FIXED TELEPHONY (NUMBER OF LINES) ANNUAL PERCENTAGE VARIATION



Source: Cofetel

MOBILE TELEPHONY/ PCS (THOUSAND OF MINUTES)

MOBILE TELEPHONY (THOUSAND OF MINUTES):
ANNUAL PERCENTAGE VARIATION



Source: Cofetel

This segment sustained high growth, thanks to strong tariff competition between mobile operators, the expansion of new technologies such as Short Message Service (SMS)¹ and GSM technology.

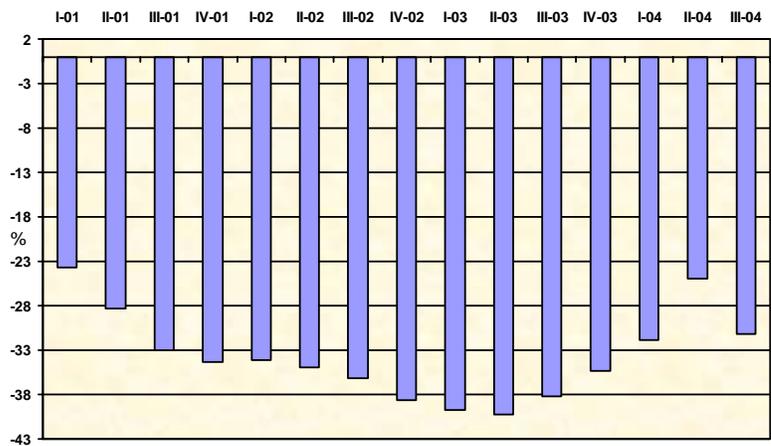
Mobile traffic grew 43.6 per cent year-on-year. At the end of the third quarter there were 35,057,292 mobile telephony users, a 24.2 per cent year-on-year increase. Mexico has a 33 per cent teledensity in mobile telephony.

¹ SMS traffic has grown fivefold since all mobile operators concluded the interconnection of their networks. On 8th October 2003, Cofetel resolved an interconnection dispute between Iusacell and Telcel, which enabled SMS message to be sent between two operators' network.

PAGING (THOUSAND OF USERS)

PAGING (# OF USERS):

ANNUAL PERCENTAGE VARIATION



This segment keeps suffering a slowdown as a result of consumers being attracted away by the mobile "calling party pays" program and the availability of pre-paid mobile, SMS and trunking services.

During the third quarter there was a 31.2 per cent year-on-year fall in the number of paging users and by the end of September there were 131,729 subscribers.

Source: Cofetel

SUBSCRIPTION TV (THOUSAND OF SUBSCRIBERS)

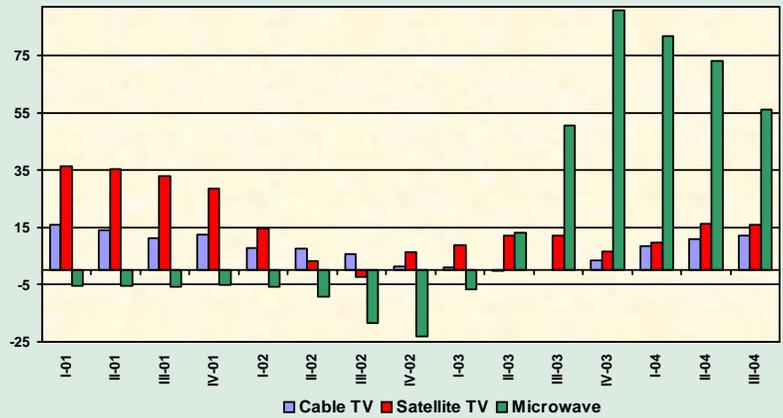
This segment experienced a 17.7 per cent year-on-year increase thanks to aggressive tariff reductions. Microwave TV grew 56.1 per cent year-on-year.

Cable TV experienced a 12.2 per cent year-on-year growth, figure that represents the highest increase since the end of the year 2001, due in part to the fact that new concession titles have been issued and now there are 1,061 villages that can have this service.

Satellite TV (DTH) registered a 16 per cent year-on-year increase.

PAY TV (# OF SUBSCRIBERS):

ANNUAL PERCENTAGE VARIATION



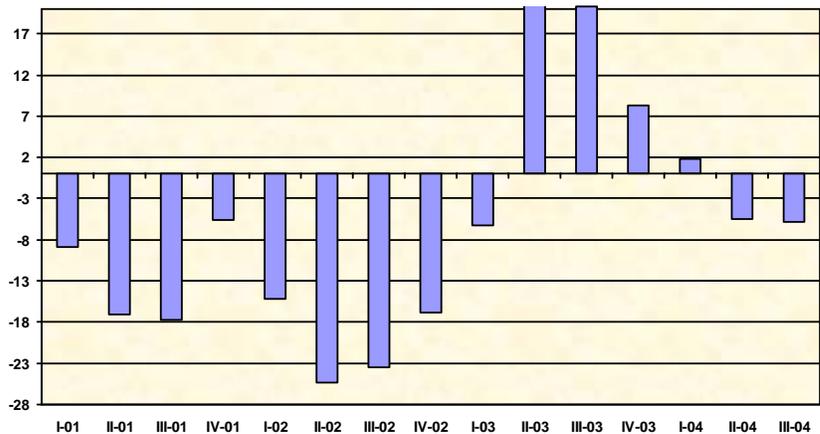
Source: Cofetel

SATELLITE PROVISION (MEGAHERTZ)

Satellite Provision segment experienced a 5.8 per cent year-on-year fall.

SATELLITE PROVISION (MEGAHERTZ):

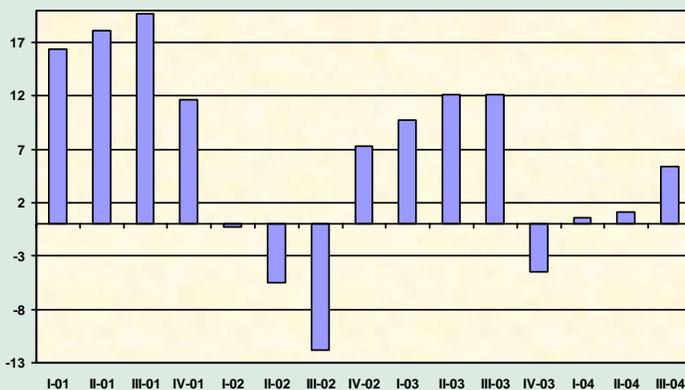
ANNUAL PERCENTAGE VARIATION



Source: Cofetel

NATIONAL LD (THOUSAND OF MINUTES):

ANNUAL PERCENTAGE VARIATION



Source: Cofetel

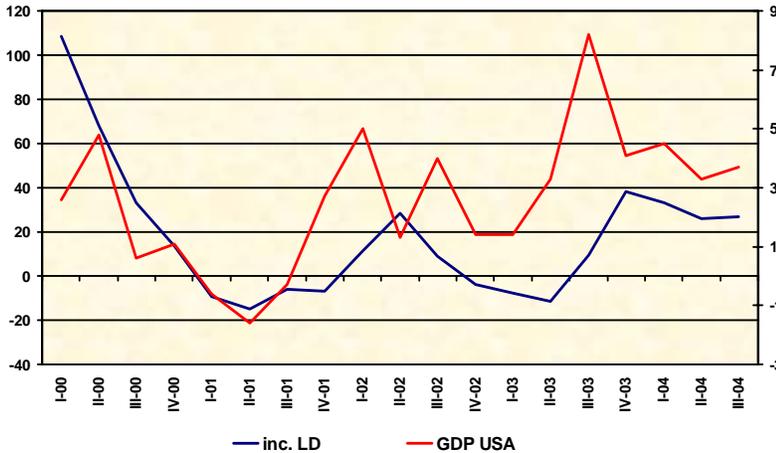
NATIONAL LONG DISTANCE (THOUSAND OF MINUTES)

This segment grew 5.4 per cent year-on-year, which is 1.1 per cent more than the figure registered on the last quarter, reflecting the growth in Mexican economy activity and the introduction of special offers from some operators.

INTERNATIONAL LONG DISTANCE (THOUSAND OF MINUTES)

INCOMING INTERNATIONAL LD vs US GDP (THOUSAND OF MINUTES):

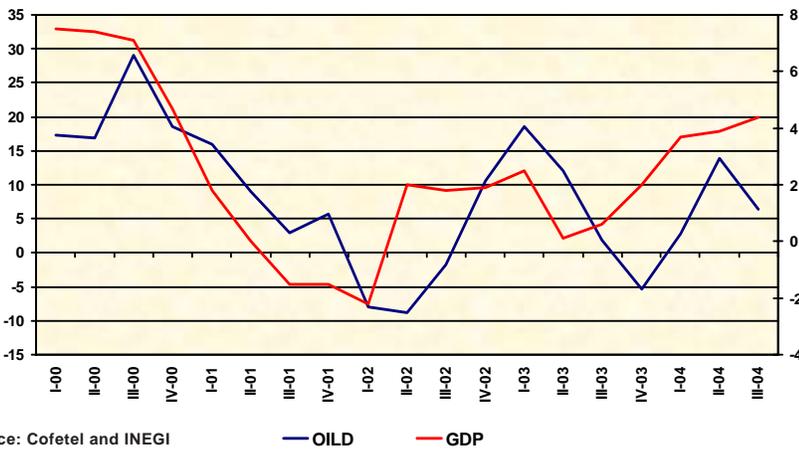
ANNUAL PERCENTAGE VARIATION



Source: Cofetel and Bureau of Economic Analysis

OUTGOING INT. LD vs GDP (THOUSAND OF MINUTES):

ANNUAL PERCENTAGE VARIATION



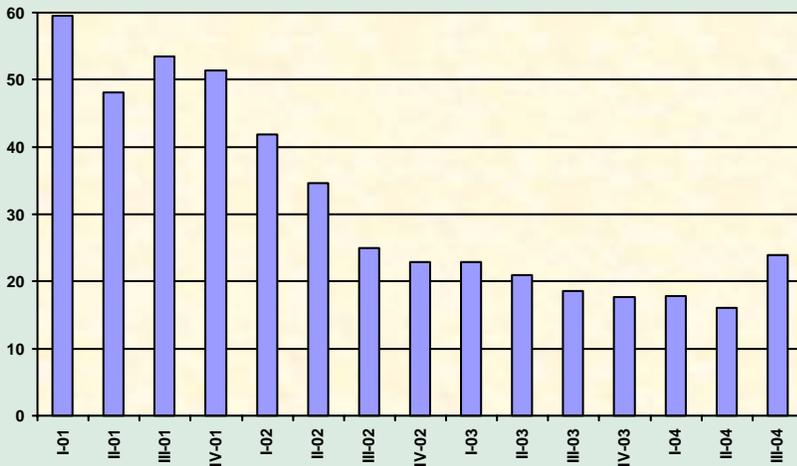
Source: Cofetel and INEGI

This segment shows an important recovery as a result of the 3.7 growth in United States economy and also because some Long Distance operators have adapted their strategies to recoup bypass traffic.

Incoming international Long Distance traffic grew 26.7 per cent year-on-year. International Telecommunications Rules helped the Long Distance operators to recover part of the traffic that was illegally made.

Outgoing Long Distance traffic increased 6.4 per cent year-on-year.

TRUNKING (# OF USERS): ANNUAL PERCENTAGE VARIATION



Source: Cofetel

TRUNKING (NUMBER OF USERS)

During this quarter, trunking subscribers increased 23.9 per cent year-on-year. By the end of September, there were 875,575 users of this service.

III. FINAL CONSIDERATIONS

The positive performance of the telecommunications sector in the third quarter of 2004 and throughout 2003 generally, reflects the moderate growth of both, the US and the Mexican economies, 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 over the past year.²

- Mobile telephony tariffs fell 20.1 per cent for post-paid and 32.1 per cent for pre-paid services.

- In National LD tariffs fell 6.7 per cent and 2.2 per cent for Inter-

national LD calls (except for US and Canada).

- Local telephony tariffs fell 5.2 per cent year-on-year.

Dynamic activity in US industrial services, as well as the strengthening of private consumption and moderate growth in private investment in Mexico, point to a better outlook for the Mexican economy.

The performance of Mexican telecommunications industry suggests recovery and growth in most of the sector services, resulting from new investments –which this year will reach the 3,845 million dollars³ and from the introduction of new services.

An improvement is also expected in operator's financial position, resulting from the restructuring of their liabilities and enabling investment by some operators. New concessionaries aim to increase their presence in a greater number of Mexican cities and focus on new data and broadband services.

On the regulatory side, the new International Telecommunications Rules, the spectrum biddings in PTT, Mobile and Satellite Services and the Social Coverage Fund are expected to contribute to service expansion and the introduction of new technologies in benefit of Mexican users.

² Variations: 1.-Mobile: The whole industry, preliminary figures. Post pay: minutes included; prepay: outgoing minutes. 2.- National LD: the whole industry but Avantel and Marcotel. 3.- Local: Telmex, basket of basic services. ³ Source: Dirección General de Tarifas e Integración Estadística, Cofetel, with information from the operators.