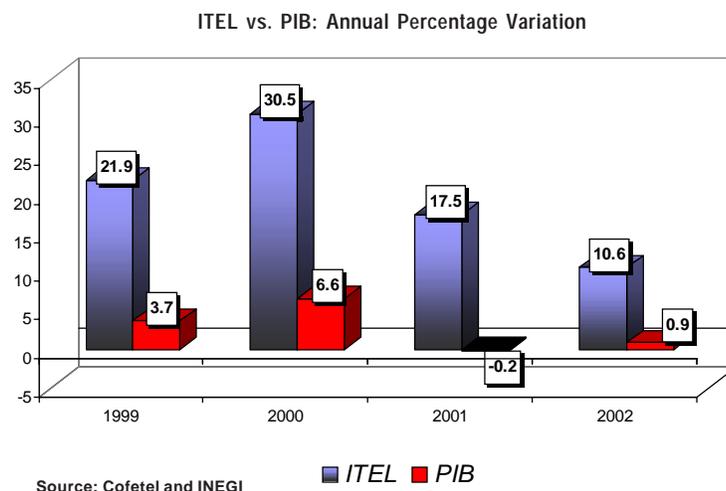
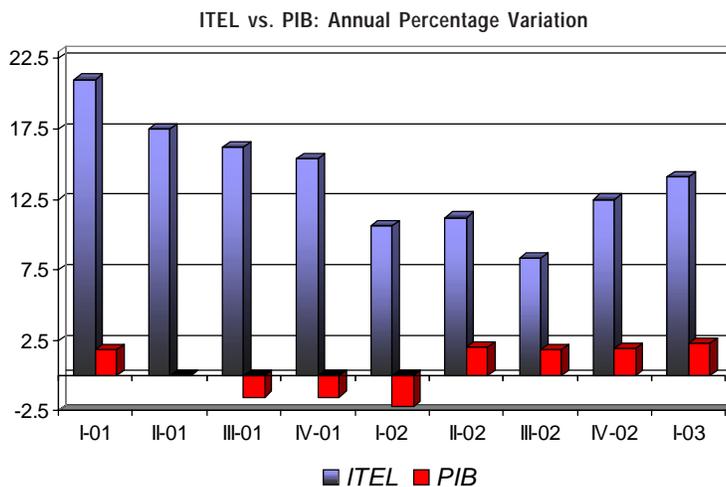


# Index of Telecommunications Sector Production - ITEL -

## 2003 FIRST QUARTER (PRELIMINARY FIGURES)

### I. GENERAL ANALYSIS



The Index of Telecommunications Sector Production (ITEL) includes all telecommunications services offered in Mexico: local fixed telephony, mobile telephony, paging, trunked mobile radio push-to-talk (PTT), national long-distance, international long-distance and subscription TV.

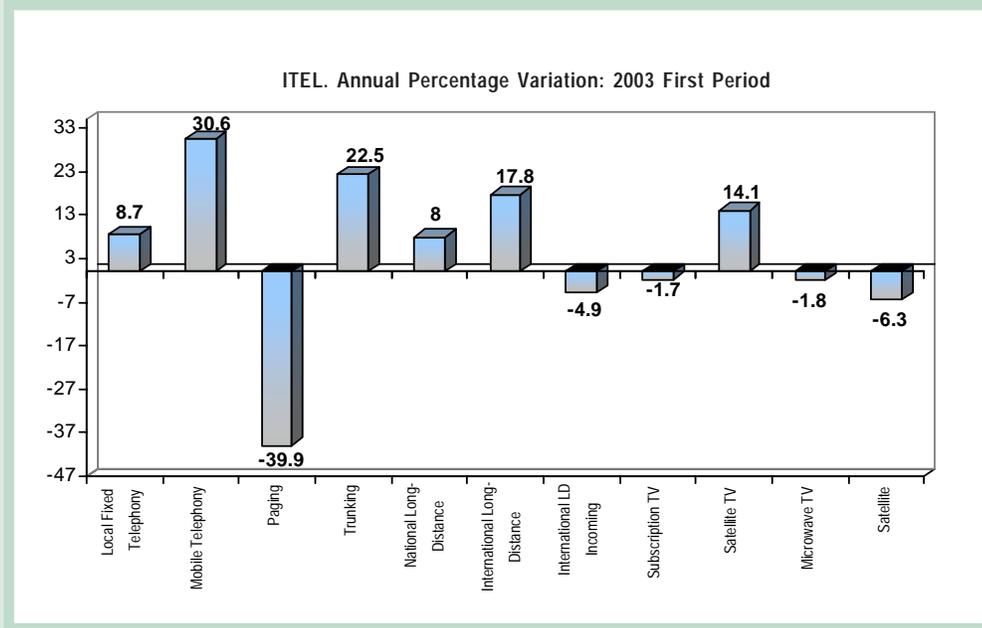
During the first quarter of 2003, ITEL grew 14.1 per cent year-on-year, outperforming national economic growth for the same period (which was 2.3 per cent).

The continuing growth in ITEL was driven by an increase in national and outgoing international call traffic, the growth in mobile telephony and the recovery in subscription TV, especially in the satellite and microwave segments.

At the end of the first quarter of 2003, there were 15,146,579 local telephony lines, 26,723,203 mobile telephony subscribers and 656,789 PTT users. National long-distance traffic grew compared with the same period in 2002, while outgoing international long-distance calls registered the highest growth since 2000. Subscription TV services finished the first quarter of 2003 with a total of 3,671,000 users.

- Among the most significant changes were:
- 8.7 per cent increase in local telephony lines
  - 30.6 per cent increase in mobile telephony traffic (minutes)
  - 22.5 per cent increase in PTT users
  - 8 per cent increase in national long-distance traffic (minutes)
  - 17.8 per cent growth in outgoing international long-distance traffic (minutes)
  - 3.5 per cent increase in subscription TV users.

## II. ANALYSIS BY SERVICE SEGMENT



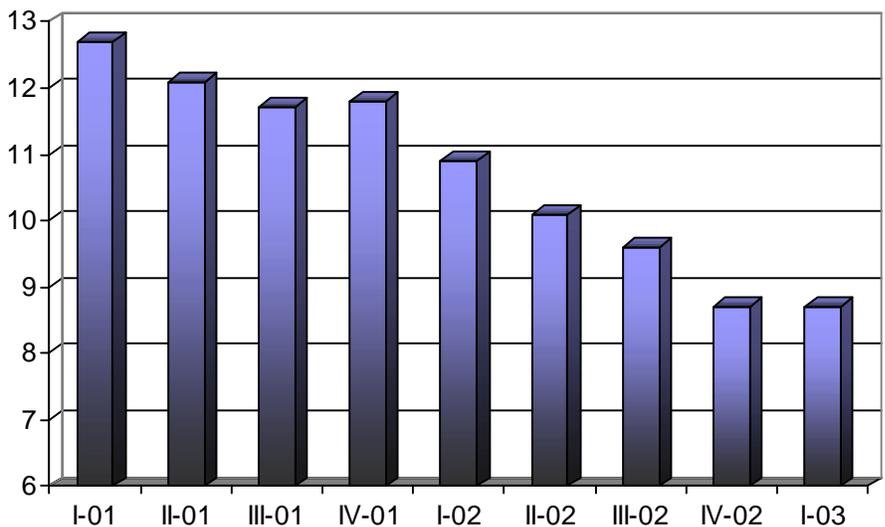
Source: Cofetel

An analysis of the ITEL service segments reveals that growth patterns are not uniform: mobile telephony, PTT and outgoing international long-distance calls all showed substantial growth. By contrast, the paging and satellite segments have slowed down.

### LOCAL FIXED TELEPHONY

This segment has suffered a slow-down over the past two years, because of low investment by the main local telephony operators. As a result, growth in the number of lines has plateaued, as infrastructure development has been concentrated in low-income regions. However, this sector finished the first quarter of 2003 with 15,146,579 lines (equating to 15 per cent teledensity), representing an 8.7 per cent year-on-year increase in the number of lines.

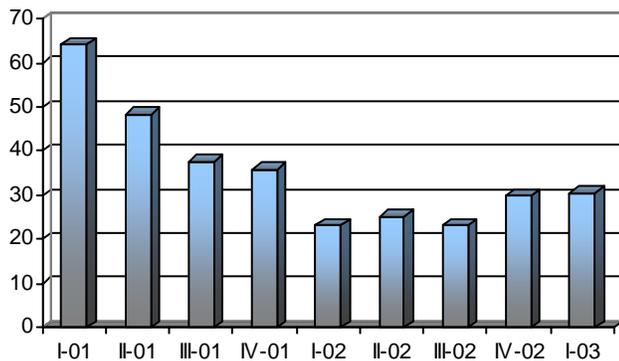
Local Fixed Telephony (number of lines): Annual Percentage Variation



Source: Cofetel

## MOBILE TELEPHONY

Mobile Telephony (thousand of minutes): Annual Percentage Variation



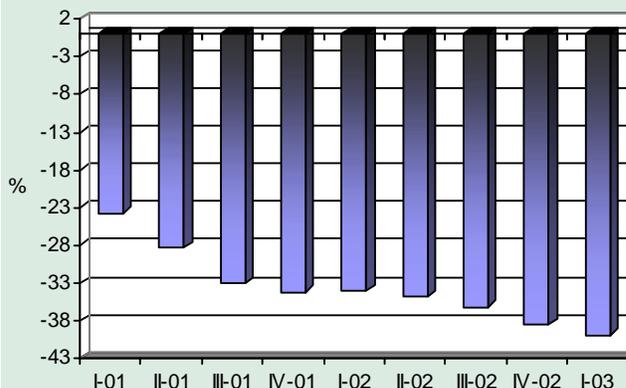
Source: Cofetel

This sector has begun to recover as a result of the intense competition between mobile operators, the expansion of new services and the introduction of new technologies, such as Short Message Service (SMS) and other GSM services. The tariff reduction that followed the introduction of the Production and Service Special Tax has also had an effect. Mobile traffic showed a 30.6 per cent year-on-year increase for the first quarter of 2003.

## PAGING

The falling number of paging subscribers is the result of consumers being attracted away from pagers to mobile phones, because of the "calling party pays" program and the introduction of new mobile services, such as pre-pay and SMS. This explains the 39.9 per cent year-on-year fall in paging subscriptions for the first quarter of 2003.

Paging (number of users): Annual Percentage

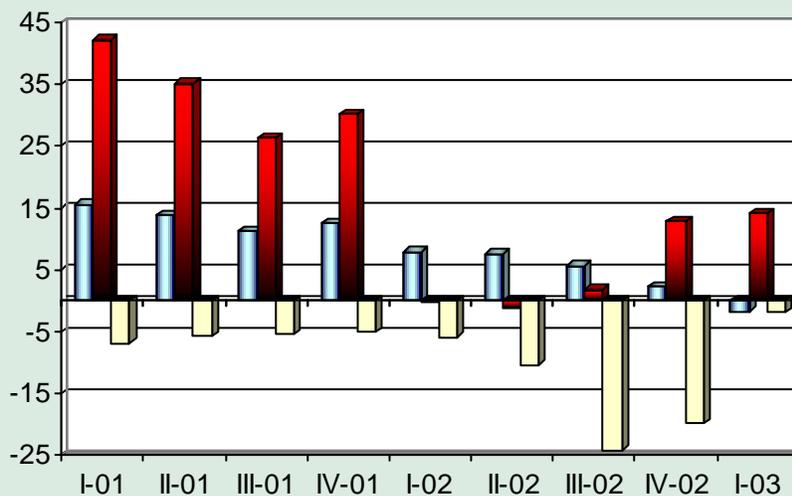


Source: Cofetel

## SUBSCRIPTION TV

The subscription TV segment – which includes satellite, cable and microwave – has begun to recover thanks to aggressive tariff reductions, especially in the microwave and satellite sectors. For the first quarter of 2003, cable subscriptions shrank 1.7 per cent year-on-year. Satellite TV subscriptions grew 14.1 per cent, while microwave subscriptions shrank 1.8 per cent, which was much less than the 19.8 per cent fall registered in the fourth quarter of 2002.

Subscription TV (number of subscribers): Annual Percentage Variation

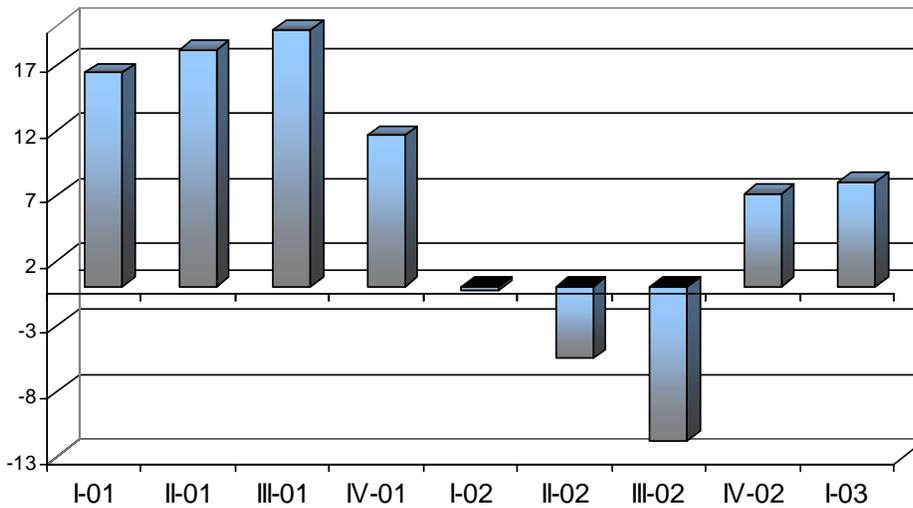


Source: Cofetel

■ Cable TV ■ Satellite ■ Microwave

## NATIONAL LONG-DISTANCE (MINUTES)

National LD (thousand of minutes): Annual Percentage Variation



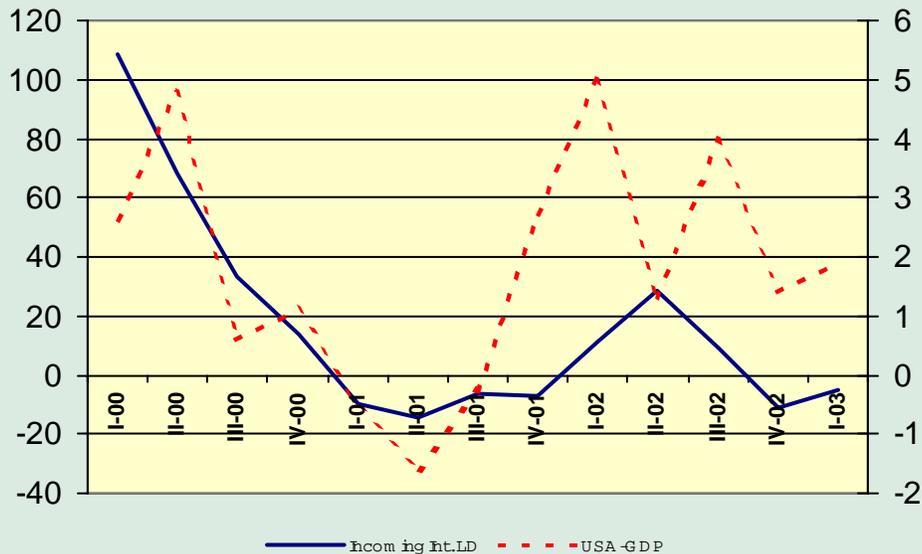
The national long-distance segment showed signs of recovery in the first quarter of 2003, reflecting the growth in the national economy over the past two quarters. The segment grew 8 per cent in the first quarter compared with the same period last year.

Source: Cofetel

## INCOMING INTERNATIONAL LONG-DISTANCE (MINUTES)

In the international long-distance segment, incoming calls have declined since last year, because of uncertainty about the recovery of the United States economy and an increase in by-pass traffic. During the first quarter of 2003, incoming international traffic fell 4.9 per cent year-on-year.

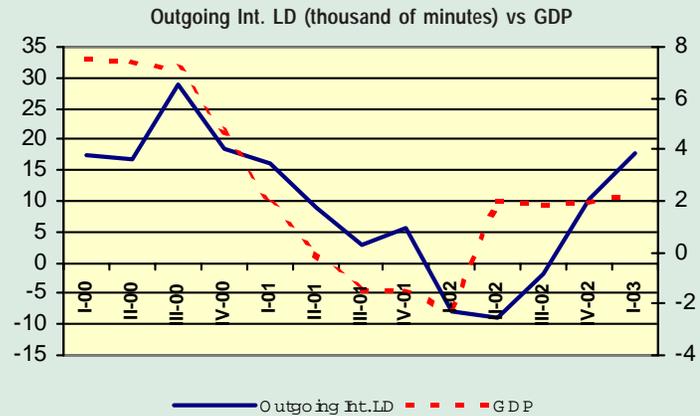
Incoming International LD (thousand of minutes) vs USA-GDP: Annual Percentage Variation



Source: Cofetel and Bureau of Economic Analysis

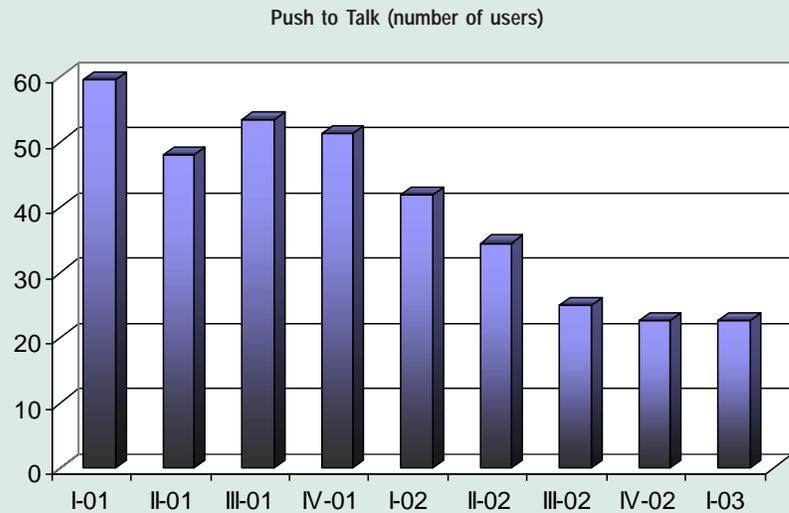
## OUTGOING INTERNATIONAL LONG-DISTANCE (MINUTES)

As with national long-distance services, this segment has been affected by the slow recovery in the Mexican economy. However, outgoing international traffic grew 17.8 per cent in the first quarter of 2003 year-on-year, building on the 10.5 per cent increase in the last quarter of 2002.



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

As with other telecommunications segments, PTT has been growing steadily, but at the same time has evolved from being mainly a service for vehicle fleets to one that competes with mobile telephony. Moreover, there were some legal problems that limited the use of additional radio spectrum for trunked mobile radio PTT services. However, PTT is one of the highlights of the industry and during the first quarter of 2003, enjoyed 22.5 per cent year-on-year growth.



## FINAL COMMENTS

The recent improvement in ITEL's performance as whole, and within certain individual service segments, can be linked to the moderate recovery in the Mexican economy. However, ITEL continues to outperform the economy as a whole.

Operators too have had a key role in driving growth, by expanding their ranges of products and services, introducing new technologies, making special tariff offers, reorienting their businesses and following up on investment programs.

The performance of the US and Mexican economies naturally have an important influence on the

telecommunications industry. According to the latest survey published by Banco de México,<sup>1</sup> Mexican Gross Domestic Product is expected to grow 2.25 per cent overall this year – an improvement on the growth for 2002. The US economy is expected to grow 2.29 per cent in 2003. Both these figures point to stable growth in the Mexican telecommunications sector for the rest of 2003.

<sup>1</sup>Survey of Specialists' Expectations for Private Sector Economy. May 2003. Banco de México