

Index of Telecommunications Sector Production

– ITEL –

2005 THIRD QUARTER (PRELIMINARY FIGURES)

I. GENERAL ANALYSIS

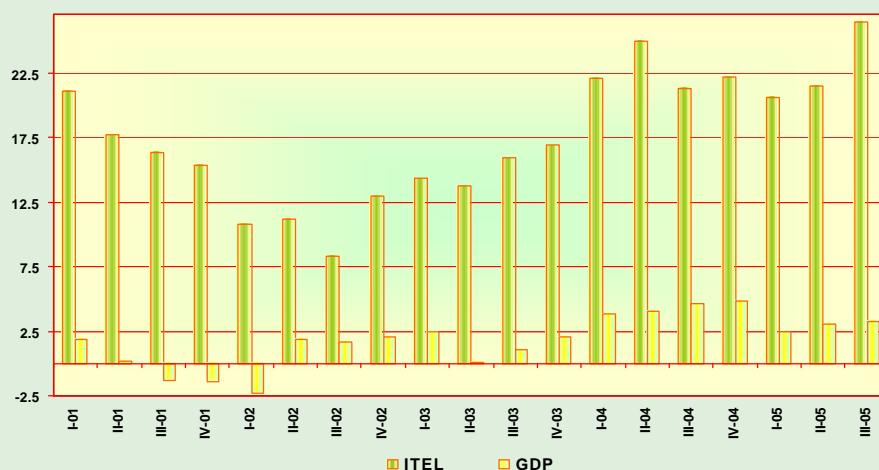
Telecommunications sector¹ grew 26.5 per cent year-on-year, outperforming national economic growth for the same period, which was 3.3 per cent. This is the largest increase in the last five years.

During the first nine months of the year, telecommunications sector registered an accumulated growth of 22.9 per cent. On the other hand, Transport, Storage and Communications sector increased 6.6 per cent year on year, according to INEGI, the National Institute of Statistics and Informatics.

Telecommunications sector remains as one of the most dynamic industries of Mexican economy.

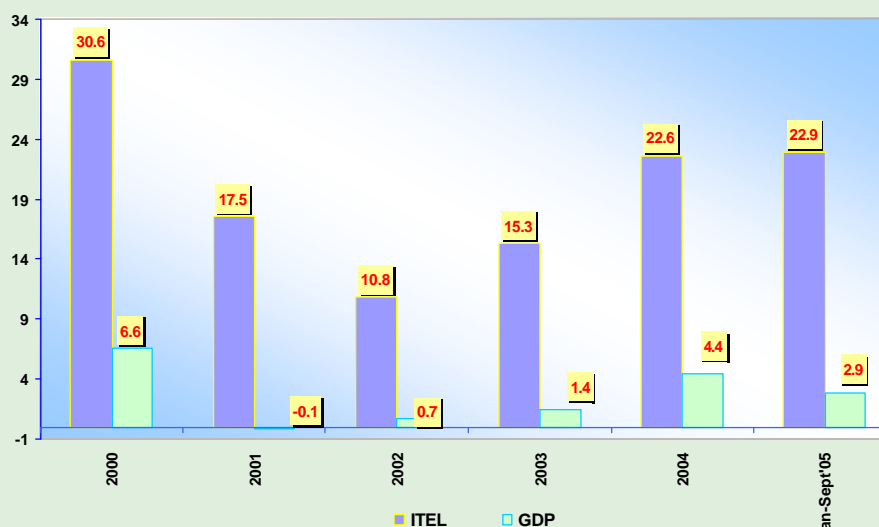
¹ This growth is determined by the Index of Telecommunications Sector Production (ITEL), a global indicator made by Cofetel, which evaluates the behavior of the main services offered in telecommunications sector.

ITEL vs GDP: ANNUAL PERCENTAGE VARIATION



Source: Cofetel with information provided by operators

ITEL vs GDP: ANNUAL PERCENTAGE VARIATION



Source: Cofetel with information provided by operators

II. ANALYSIS BY SERVICE

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

- Incoming international long distance grew 120 per cent year-on-year. This behavior reflects the growth in American economy and the low tariffs in United States-Mexico route, and contributed with 11.6 per cent of the sector's global growth.

- Mobile telephony kept its dynamic trend: it has more than 44 million users; traffic registered a 37.1 per cent year-on-year increase. This segment contributed with 43.6 per cent of the sector's global growth.

- Microwave TV registered a 31.2 per cent year-on-year increase in terms of users.

- Trunking (Push-to-Talk) grew 21.7 per cent year-on-year.

- Fixed telephony segment has 19,213,088 lines; it experienced a 8.5 per cent year-on-year growth.

- Cable TV showed a positive evolution with a 11.2 per cent year-on-year growth and now has 3,000,000 million users.

- National Long Distance increased 1.8 per cent year on year, a lower figure than the one registered on the same period of the year 2004.

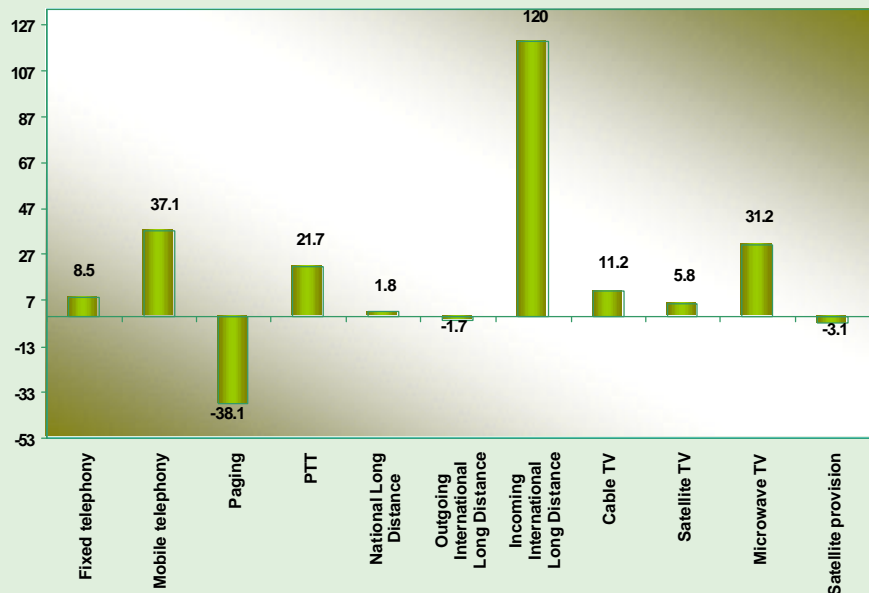
- Satellite TV overcame it's negative rate and registered a 5.8 per cent year-on-year growth.

- Paging fell 38.1 per cent year-on-year.

- Outgoing international long distance registered a 1.7 per cent year-on-year decline, which is the second negative trend since the last quarter of the year 2003.

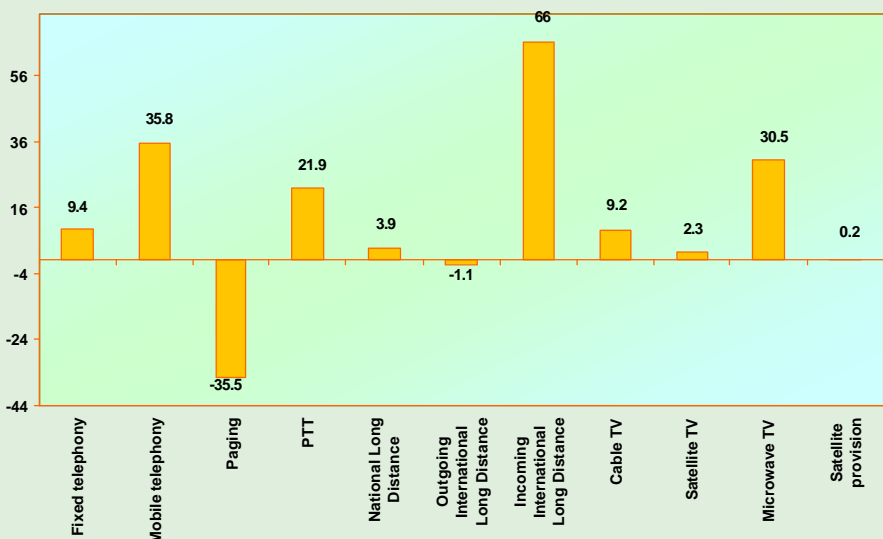
- Satellite provision (measured in mega hertz) declined 3.1 per cent year-on-year.

ITEL: ANNUAL PERCENTAGE VARIATION: 3RD QUARTER 2005



Source: Cofetel with information provided by operators

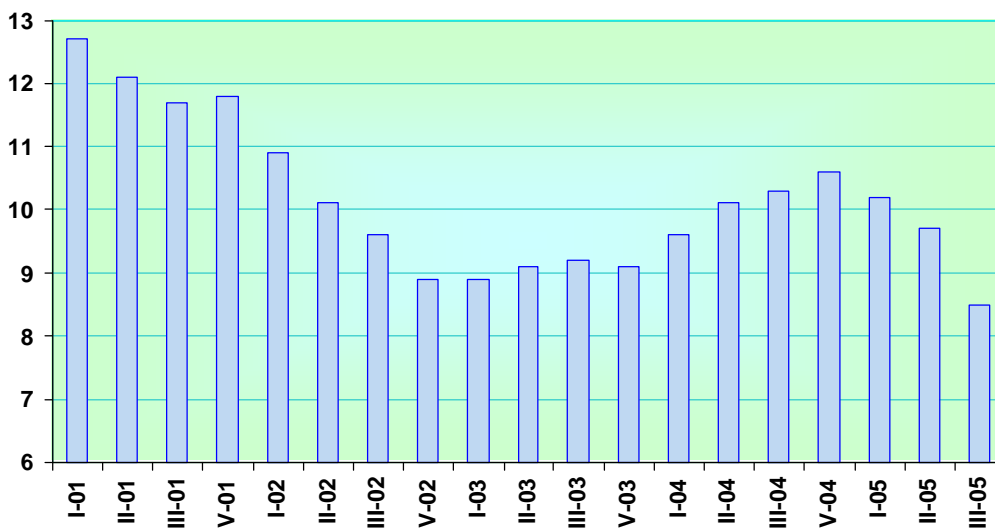
ITEL BY SEGMENT: ANNUAL PERCENTAGE VARIATION: JANUARY-SEPTEMBER 2005



Source: Cofetel with information provided by operators

FIXED TELEPHONY

FIXED TELEPHONY (# OF LINES): ANNUAL PERCENTAGE VARIATION

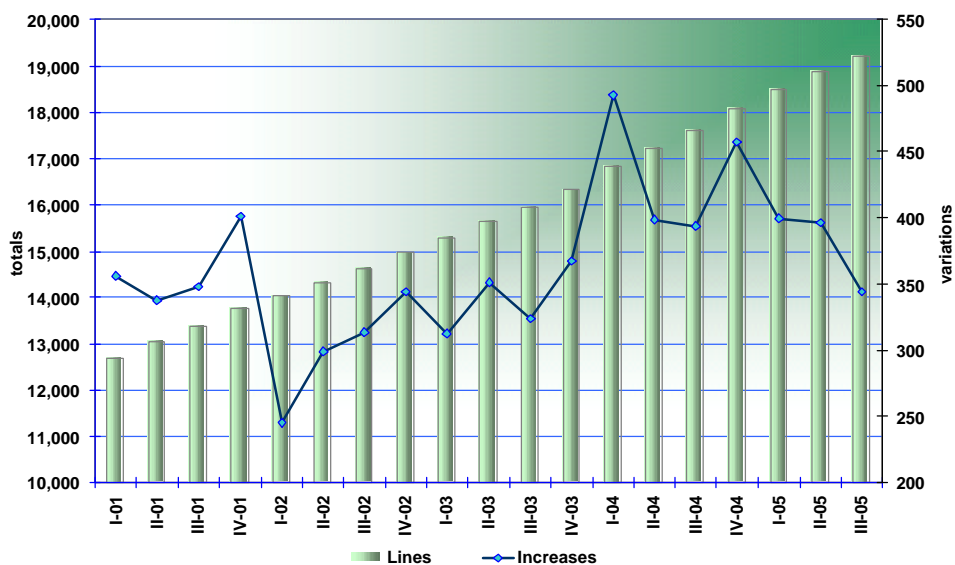


Source: Cofetel with information provided by operators

During the third quarter, 344,286 lines were installed; 11.8 per cent belong to Telmex competitors. There are 19,213,088 fixed lines, figure which means a 8.5 per cent year-on-year increase, the lowest rate registered since 1999. During the period from January to Sep-

tember, the annual increase was of 9.4 per cent. Mexico has a 18 per cent teledensity. It is important to remark that 10 per cent of Telmex users belong to the prepaid system offered by this company, which is growing among low income users.

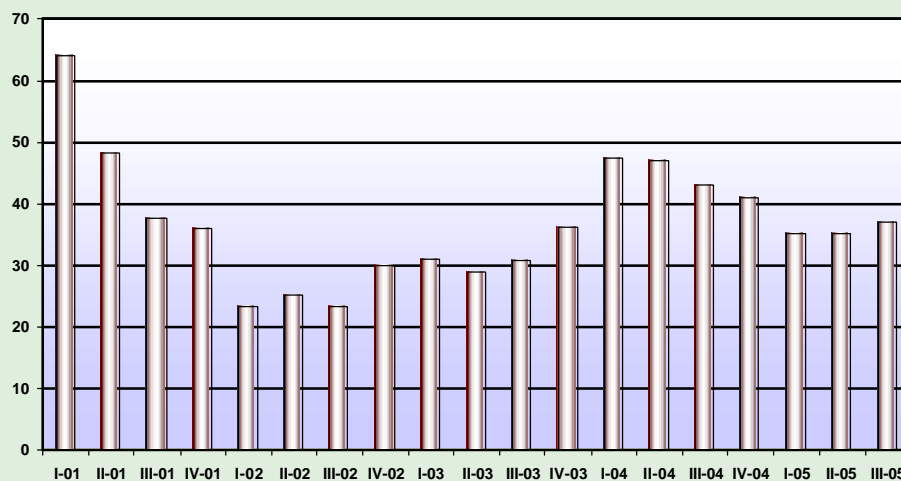
FIXED TELEPHONY: LINES AND INCREASE (THOUSAND)



Source: Cofetel with information provided by operators

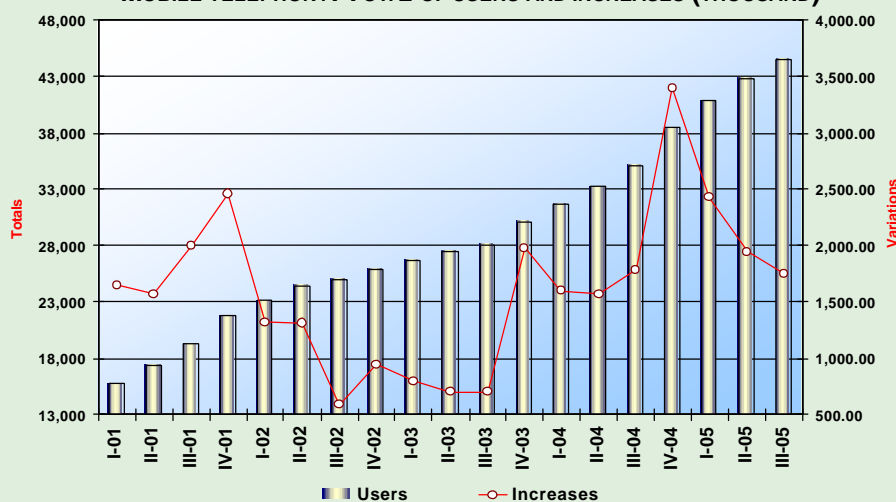
MOBILE TELEPHONY

MOBILE TELEPHONY (THOUSAND OF MINUTES): ANNUAL PERCENTAGE VARIATION



Source: Cofetel with information provided by operators

MOBILE TELEPHONY: TOTAL OF USERS AND INCREASES (THOUSAND)



Source: Cofetel with information provided by operators

This is one of the most dynamic segments of Mexican telecommunications sector, due to the number of users and the minutes of traffic. Mobile operators face strong competition, offering special tariffs and promotions which aim to increase

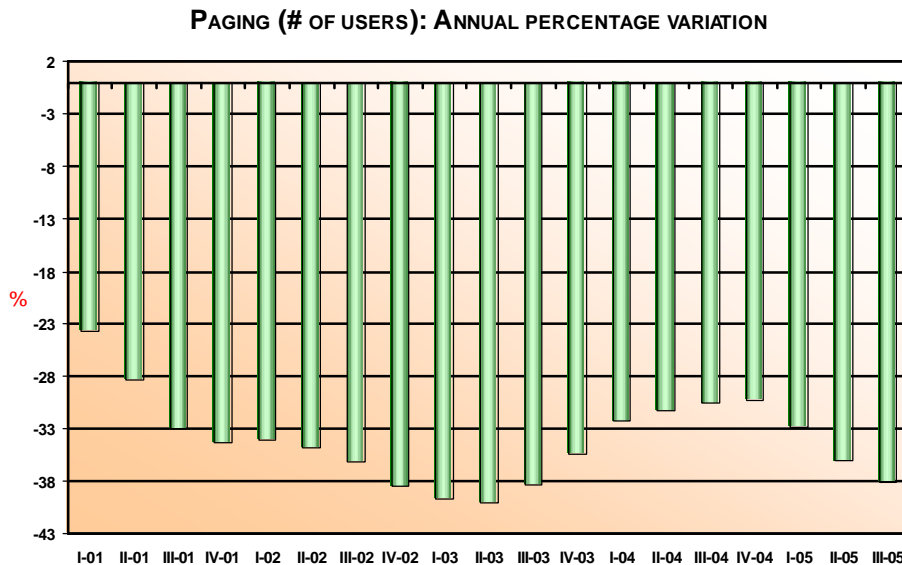
their market share. This competition has caused a tariff reduction: 28.2 per cent in post-paid service and 11.2 per cent in pre-paid service.

The number of minutes registered by mobile operator's networks grew 37.1 per cent year-on-year.

Mobile telephony reached 44,058,000 users by the end of June, which means a 27.2 per cent year-on-year increase. Mobile telephony tele-density reached 41.8 per cent. During the third quarter, this segment registered 1.75 million of new subscribers.

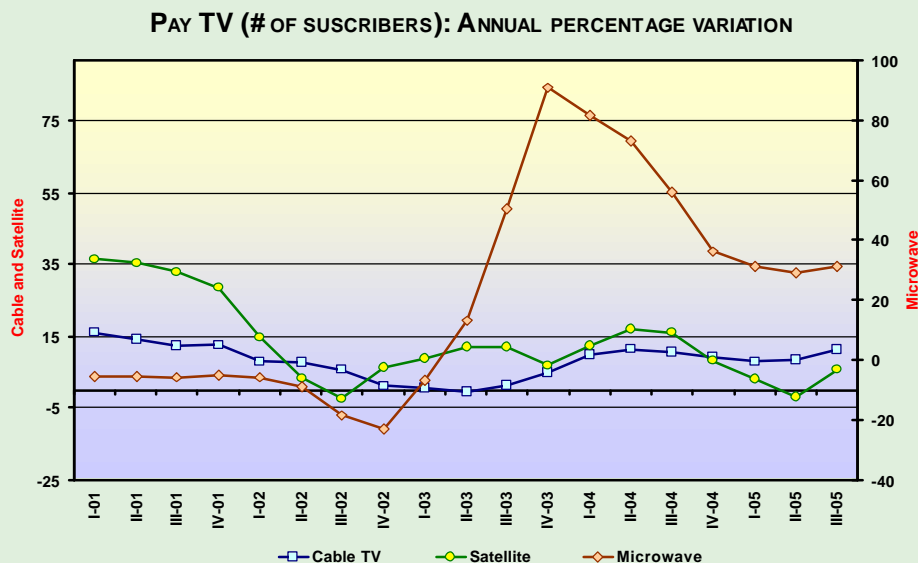
PAGING

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 38.1 per cent, the highest reduction since 2003. By June 2005, there were 81,967 paging users.



Source: Cofetel with information provided by operators

SUBSCRIPTION TV



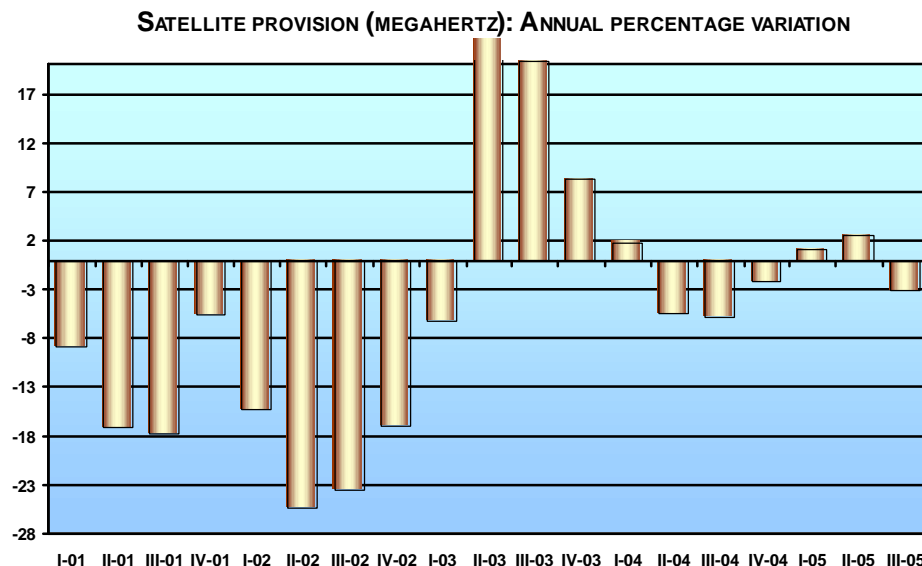
Source: Cofetel with information provided by operators

Subscription TV number of users grew 12.7 per cent year-on-year. Microwave TV (MMDS) users increased 31.2 per cent year-on-year and there are 831,000 subscribers. This growth can be explained by the marketing strategies used towards low-

income users and the introduction of wireless Internet service. Cable TV users grew 11.2 per cent year-on-year, and now there are 3.17 million subscribers. Satellite TV (DTH) grew 5.8 per cent year-on-year and the number of users reached 1.14 million.

SATELLITE PROVISION

Satellite provision fell 3.1 per cent year-on-year.

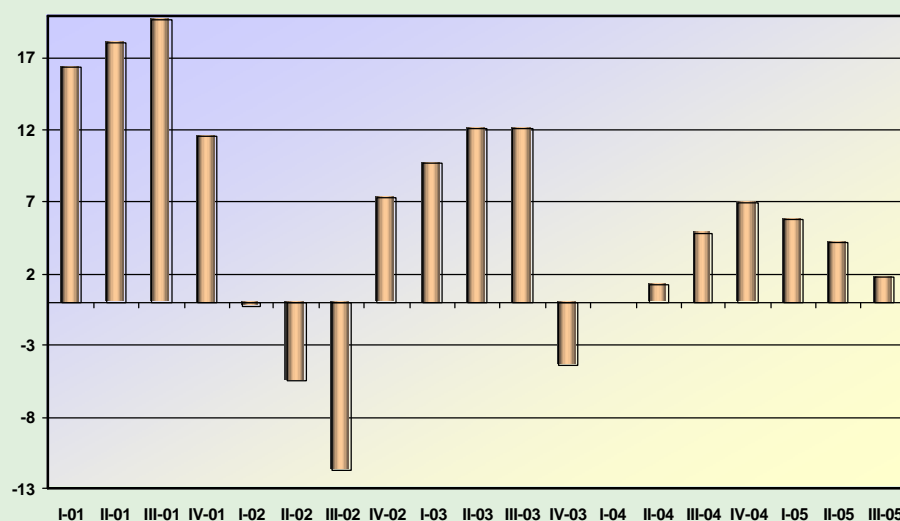


Source: Cofetel with information provided by operators

NATIONAL LONG DISTANCE

National Long Distance traffic, measured in minutes, registered a 1.8 per cent year-on-year growth. This rate was lower to the one registered on the same period of the year 2004 (4.2 per cent), due to the low growth rates in national economy, during the last quarters.

NATIONAL LONG DISTANCE (THOUSAND OF MINUTES): ANNUAL PERCENTAGE VARIATION



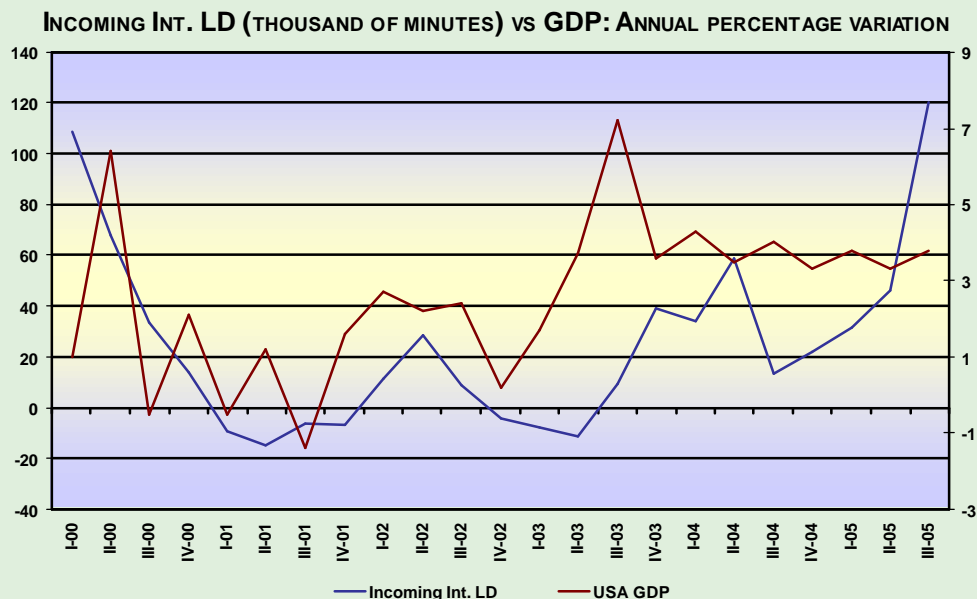
Source: Cofetel with information provided by operators

INTERNATIONAL LONG DISTANCE

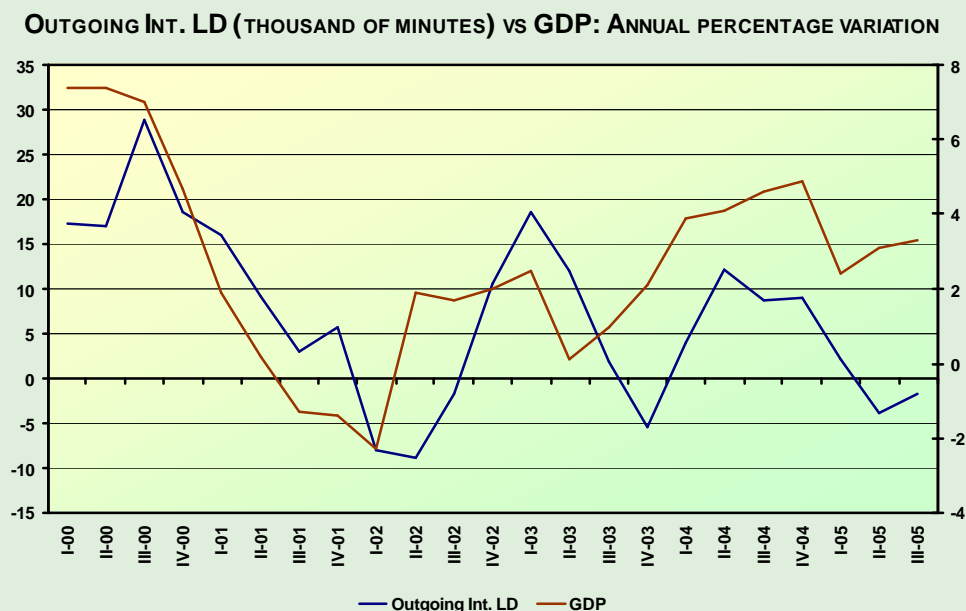
This segment showed different results. Incoming international long distance traffic grew 120 per cent year-on-year and is now one of the main segments in the industry. This increase was pos-

sible thanks to the tariff reduction in calls from United States to Mexico and also, to the positive behavior of American economy. Outgoing international long distance, measured in minutes, de-

clined 1.7 per cent year-on-year, the second negative rate since the end of 2003. The relation among incoming/outgoing international traffic was 7.7 times during this quarter.



Source: Cofetel with information provided by operators and U.S. Bureau of Economic Analysis

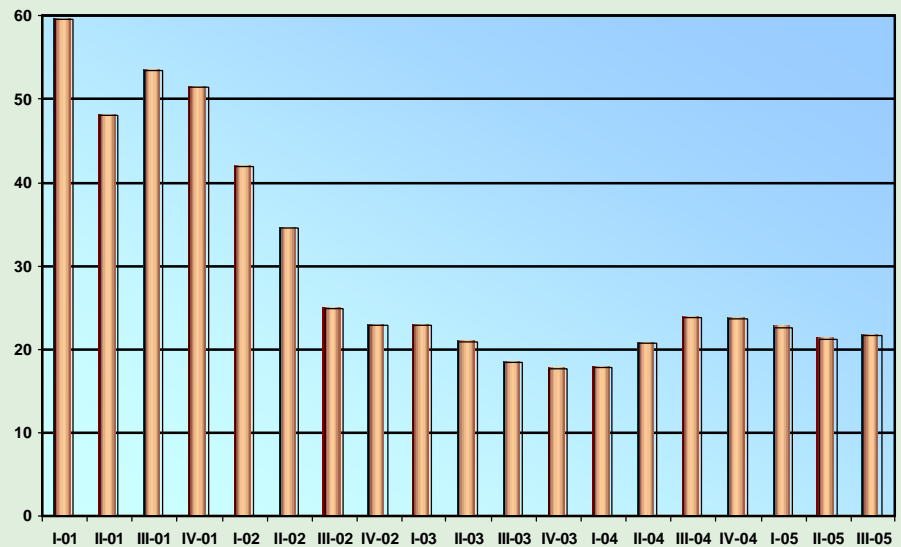


Source: Cofetel with information provided by operators and U.S. Bureau of Economic Analysis

TRUNKING/PTT (PUSH TO TALK)

TRUNKING (# OF USERS): ANNUAL PERCENTAGE VARIATION

During this quarter, the number of trunking users grew 21.7 per cent year-on-year; this increase was driven by the fact that now, operators have more spectrum available to offer their services. By the end of September, there were 1,066,000 trunking users, which means 64,000 new subscribers in comparison to the last year.

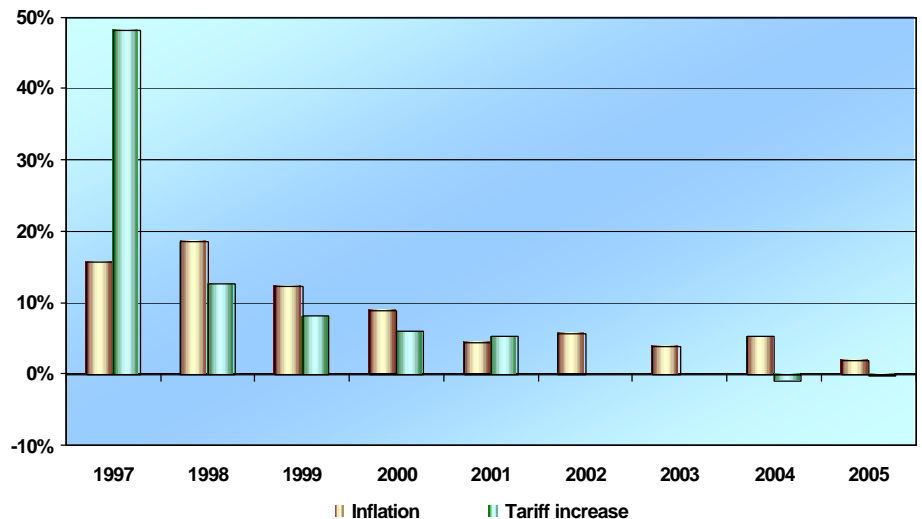


Source: Cofetel with information provided by operators

III. TARIFF EVOLUTION

AVERAGE INCREASE BASED IN BASIC SERVICES

Telecommunications sector tariffs have been decreasing in real and nominal² terms since the liberalization of telecommunications sector; this has helped to expand services and to promote the introduction of new technologies. The Index of prices for telecommunication basic services³ fell 3.7 per cent year-on-year and 2 per cent at the end of the year 2004.



Nominal tariff includes installation costs, basic rent and local service

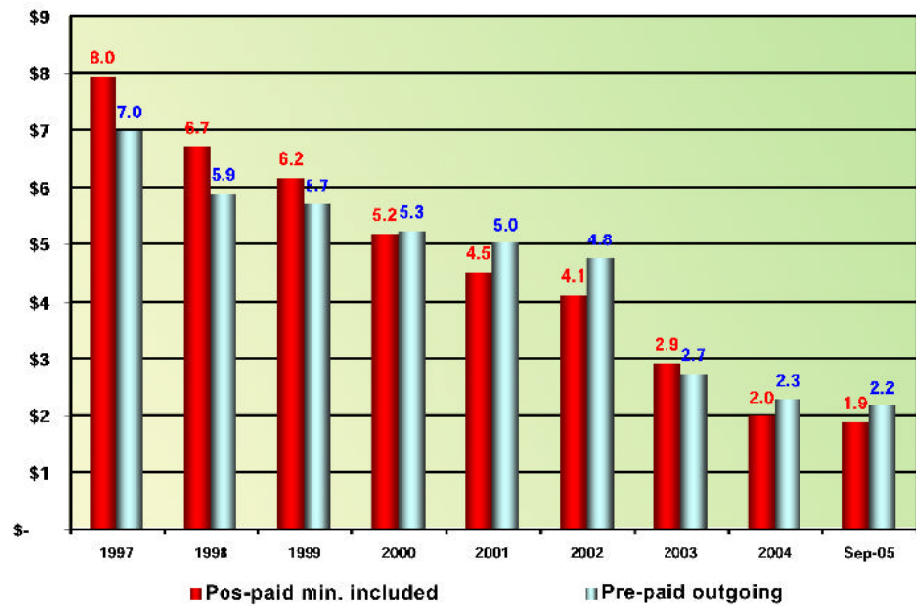
Source: Cofetel with information provided by operators

² Year-on-year variations: 1.-Mobile; the whole industry preliminary figures. Post-paid: minutes included; pre-paid: outgoing minutes. 2.- Long distance: the whole industry but Avantel and Marcotel. 3.- Local: Telmex basic services.

³ Which includes local services, national and international long distance and telephone line. Information provided by El Banco de México.

Mobile telephony tariffs decreased 28.2 per cent in post-paid mode and 11.2 per cent in pre-paid mode.

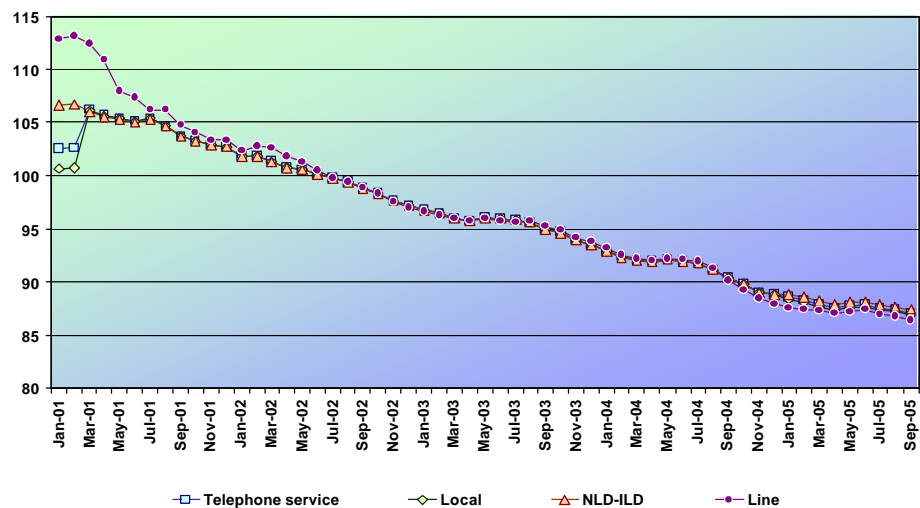
MOBILE TELEPHONY TARIFFS (POST-PAID AND PRE-PAID) (PESOS PER MINUTE, DECEMBER 2004 PRICES)



Source: Cofetel with information provided by operators

During this quarter, National long distance tariffs fell 8.4 per cent and International long distance tariffs declined 18.2 per cent year-on-year. By the end of September, local telephony tariffs fell 2 per cent year-on-year.

INDEX OF PRICES OF TELEPHONE SERVICE (CONSTANT PRICES 2ND WEEK JUNE 2002)



Source: Cofetel with information provided by operators

IV. FINAL CONSIDERATION

Telecommunications sector remains as one of the most dynamic segments of the Mexican economy, due to the positive macroeconomic environment, which has lead to an increase in the number of subscribers and more traffic and signals volume.

This positive behavior can also be explained by the permanence of attractive tariffs plans, alliances among operators and the introduction of new services.

The outlook for telecommunications sector during the second semester is still positive. The forecast for Mexican economy⁴ is that it will have a 3.01 per cent increase for 2005 and a 3.42 per cent for the year 2006. United States economy is expected to grow 3.5 per cent

in 2005 and 3.4 in 2006, which will certainly help to increase the traffic and number of subscribers.

During this quarter, Federal Communications Commission established a program with the industry to ease the obligations that operators have to fulfill. One of them is related to the bails that operators must pay, according to Telecommunications Law. Cofetel and the national Board of Electronics, Communications and Informatics (Canieti) have proposed an scheme where operators have the chance to choose among the normal bail procedure or credit letters. This will help operators to fulfill their obligations, cause nowadays, they face a lot of problems when hiring and buying bails.

⁴ Source: Banco de México; survey among private sector specialists about their economic predictions. September 2005