



Industry Overview

November 9, 2000

Trends in Telephone Services

INDUSTRY

	MEXICO		
	1990	2000 e/	CAGR
Demographics			
Population (Millions)	81.2	99.2	2.0%
Households (Millions)	16.5	22.0	2.9%
Local Service			
Total Minutes Local Service (Millions)	27,563	89,028	12.4%
Total Minutes per inhabitant	339	897	10.2%
Total Minutes per household	1,673	4,048	9.2%
Long Distance			
LD Minutes (Millions)	5,668.0	24,548.0	15.8%
LD Minutes per inhabitant	69.7	247.5	13.5%
LD Minutes per household	344.0	1,116.0	12.5%
e/ Estimate SOURCE: ITU 2000. Statistical Handbook. Telecommunication Services. Time Series 1990-1998. Geneva, Switzerland. México: INEGI, "Censo de Población y Vivienda", 1995. Teléfonos de México Annual and Internal Reports.			

Trends in Telephone Services

(TELMEX)

Services (Thousands)	1990	Sep-00	CAGR
Fixed lines	5,353	11,772	8.2%
Wireless	35	8,900	74.0%
Line equivalents for data (1995-2000)	76	811	60.6%
Internet (1997-2000)	34	577	157.0%
Total Services	5,388	22,061	15.1%

Average Monthly Revenue per line (September 2000 constant pesos)

Fixed lines	838	694	-1.9%
Wireless	2,270	196	-21.7%
Consolidated	854	469	-5.8%

Public Telephones (Thousands)	92	1,229	29.6%
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Source: Telmex

Total Gross Domestic Product vs. Telephone Services

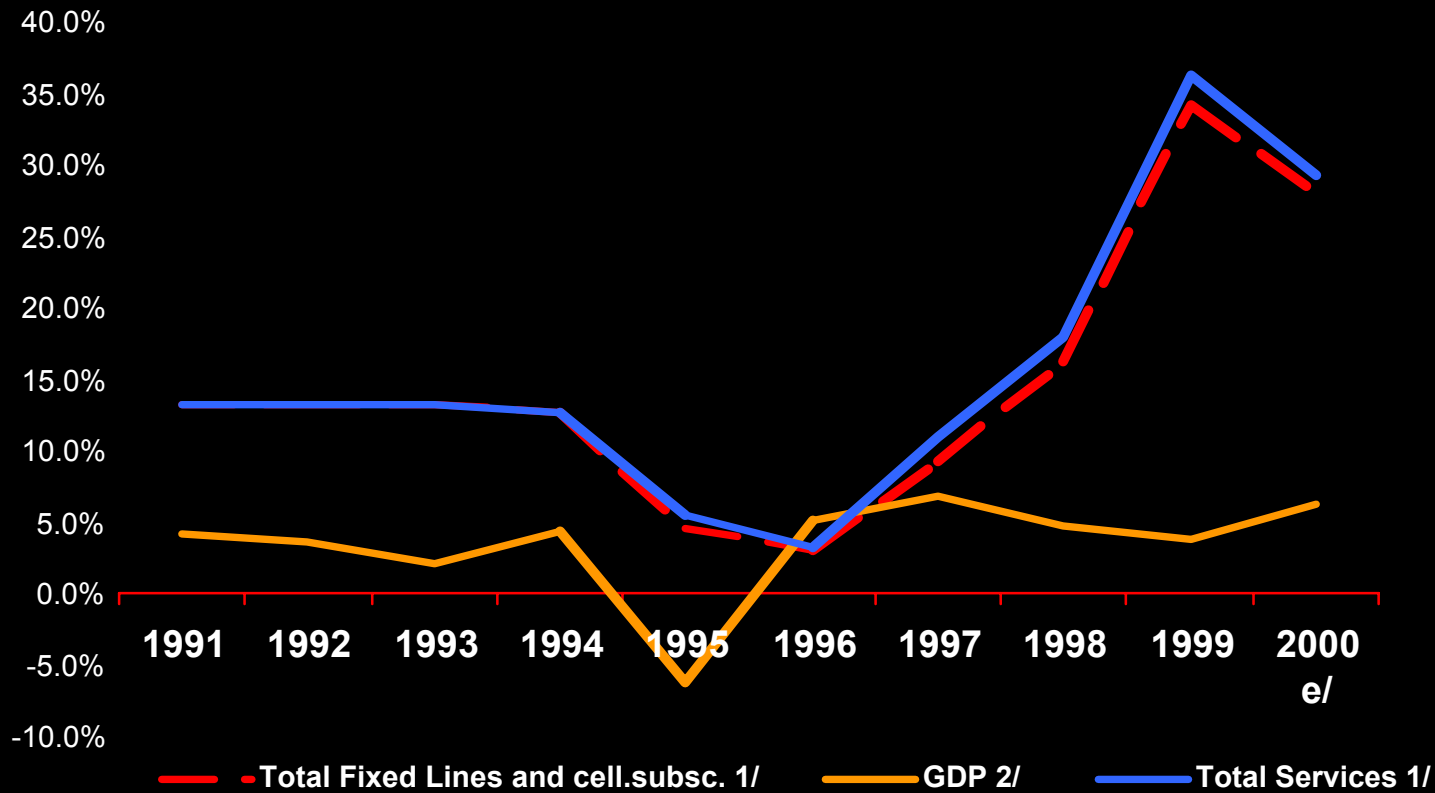
Annual Average Growth

GDP : 3.4%

Total Fixed Lines and Cellular Subscribers: 8.2%

Total Services: 15.1%

Percentages:

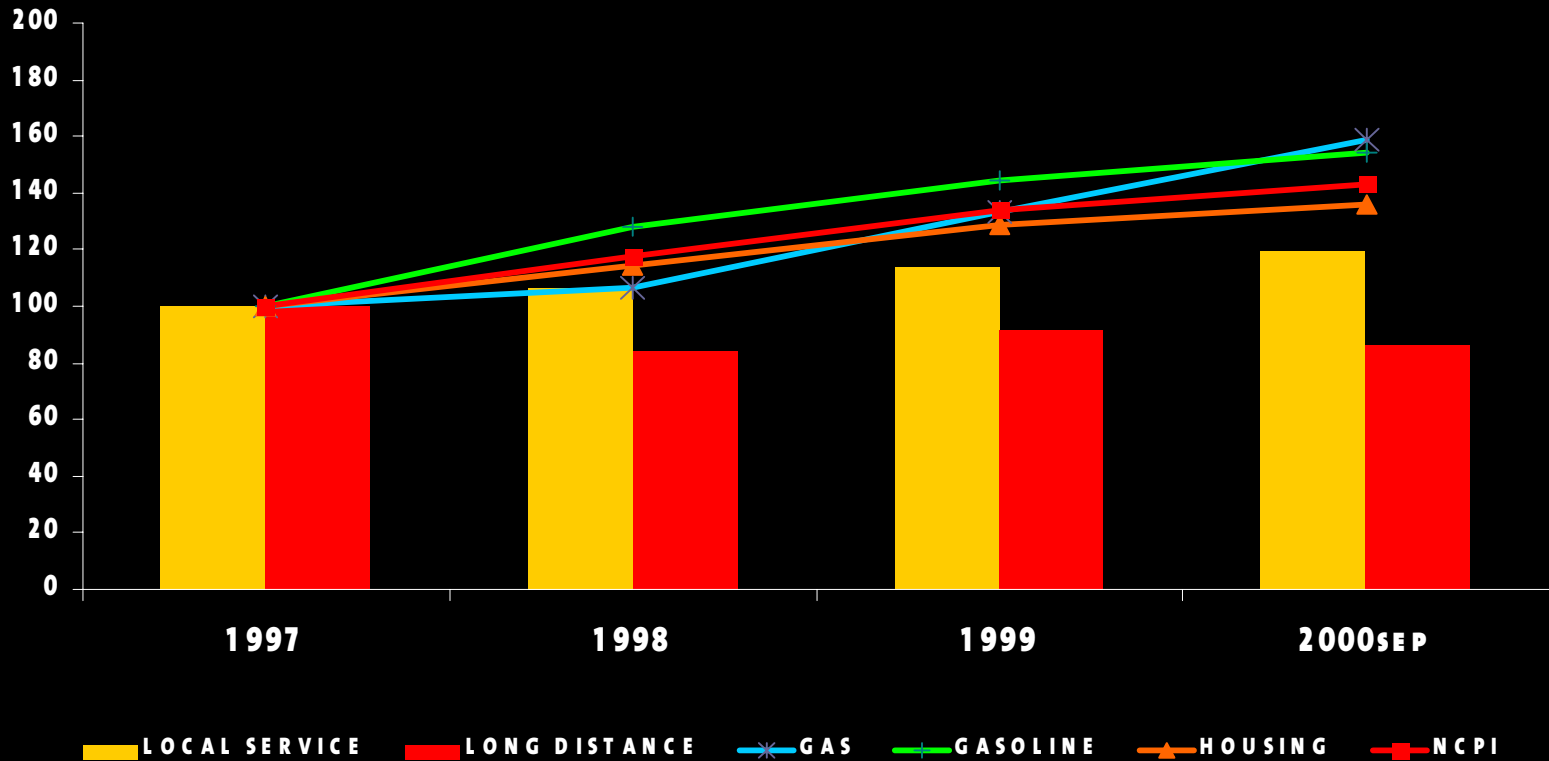


1/ Through September 2/ Estimated

SOURCE: TELMEX AND I

Trends in Local and Long Distance Index

PRICE INDEX TRENDS
(1997=100)



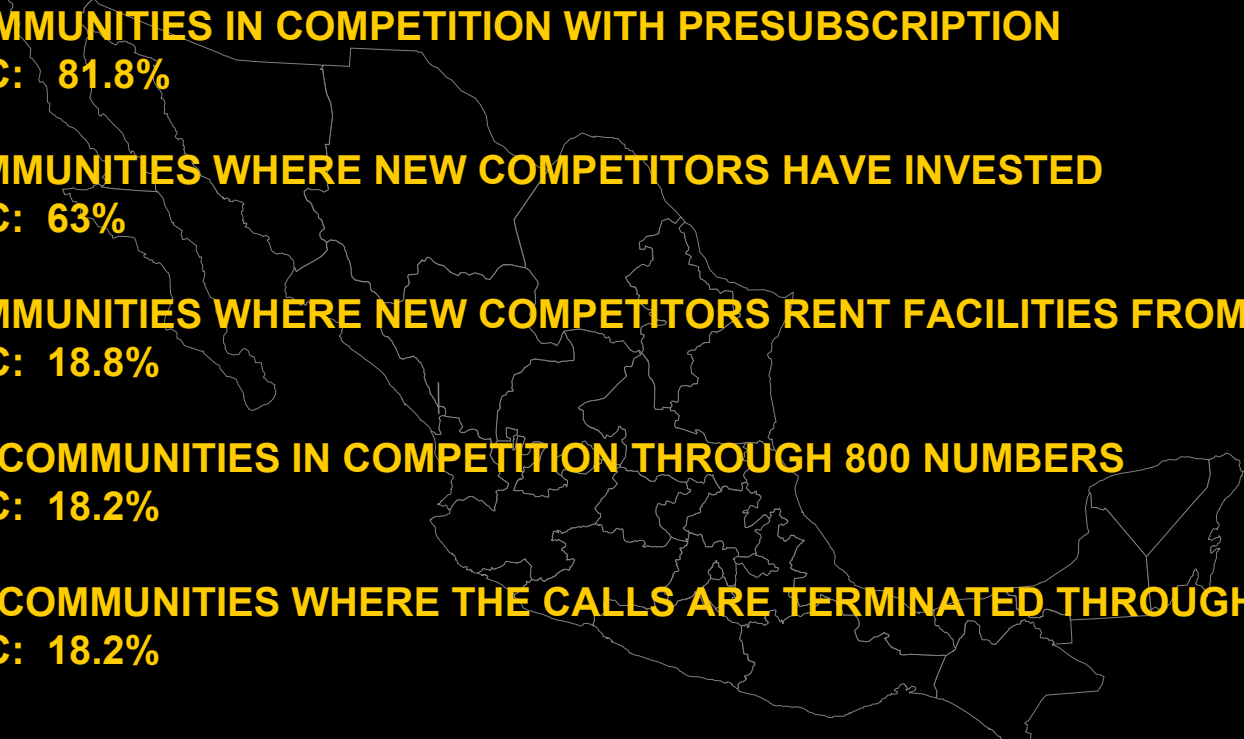
Competition in the Mexican Long Distance Telecommunications Market

Markets	Number of Concessionaires
Long Distance	20
Paging	91
Internet	423
Local	17
Markets	Number of Concessionaires
Cellular	15

Competition in the Mexican Long Distance Telecommunications Market

**20 LONG DISTANCE CONCESSIONAIRES,
INCLUDING TELMEX AND TELNOR**

COMMUNITIES: 105,900

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- **200 COMMUNITIES IN COMPETITION WITH PRESUBSCRIPTION TRAFFIC: 81.8%**
 - **33 COMMUNITIES WHERE NEW COMPETITORS HAVE INVESTED TRAFFIC: 63%**
 - **167 COMMUNITIES WHERE NEW COMPETITORS RENT FACILITIES FROM TELMEX TRAFFIC: 18.8%**
 - **105,700 COMMUNITIES IN COMPETITION THROUGH 800 NUMBERS TRAFFIC: 18.2%**
 - **105,700 COMMUNITIES WHERE THE CALLS ARE TERMINATED THROUGH TELMEX TRAFFIC: 18.2%**
- To secure interconnection according to agreed-upon time and quality levels, Telmex invested 422.9 million dollars in 1996, which must be paid by all the long distance Concessionaires, including LADA.
To date, none of the competitors have reimbursed Telmex.

Competition in the Mexican Long Distance Telecommunications Market

- Telmex's Long Distance market share is 80% in terms of presubscribed lines in service. Instead, Telmex's Long Distance market share must be measured in terms of minutes of use.

TELMEX'S LONG DISTANCE MARKET SHARE IN MINUTES OF USE (200 cities)

	96	Sep-00	%
Domestic	100	70.8	-29.2
International Outgoing	100	60.7	-39.3 (*)
Rest of the World Outgoing	100	47.3	-52.7 (*)

(*) Based on figures provided by Arthur Andersen which is the International Gateway Auditor. For the Rest of the World, the estimate includes refiling.

- Since competition began, there have been 15,459,344 (*) changes to choose a Carrier, which means that 87.05% of customers have selected a carrier at least once.

(**) Source: NCSI; Oct. 4, 2000

Competition in the Mexican Long Distance Telecommunications Market

ILLEGAL BY-PASS AND REFILING

Traffic	1996	Jan-Sep 2000
Illegal By-Pass as % of Industry's Incoming traffic	0	20.6
Refiling as % of Industry's outgoing Rest of the World traffic	0	16.0

Source: Telmex. For refiling, the estimate is based on figures provided by Arthur Andersen which is the International Gateway Auditor.

Interconnection Rates

COMPARING “Apples - to - Apples”

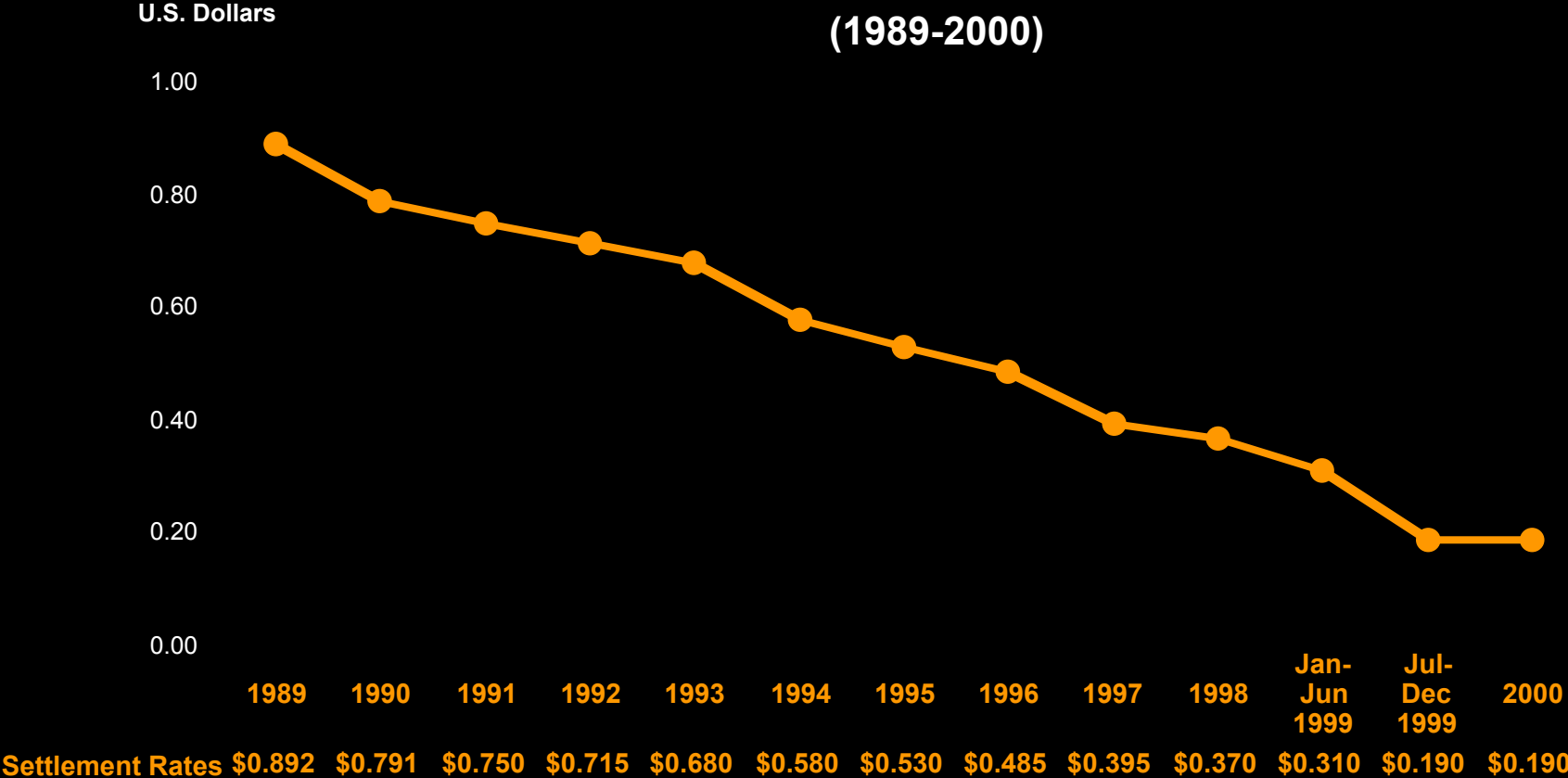
	US	Mexico
Terminating Access	3.43	3.20
Originating Access	4.56	5.75
Weighted Average	3.83	4.11

Source: Charles River. International Comparisons of Interconnection Rates US and Mexico. October 25-26, 2000.

For the US case, the figure includes: a) the Traffic Sensitive Charges, the Non-Traffic Sensitive Charges, the Carrier Common Line Charge and the Presubscribed Interexchange Carrier Charge, which are paid by the long distance Carrier; b) the Subscriber Line Charge, paid by the end user.

Trends in Settlement Rates

**Settlement Rates US-MEXICO
(1989-2000)**

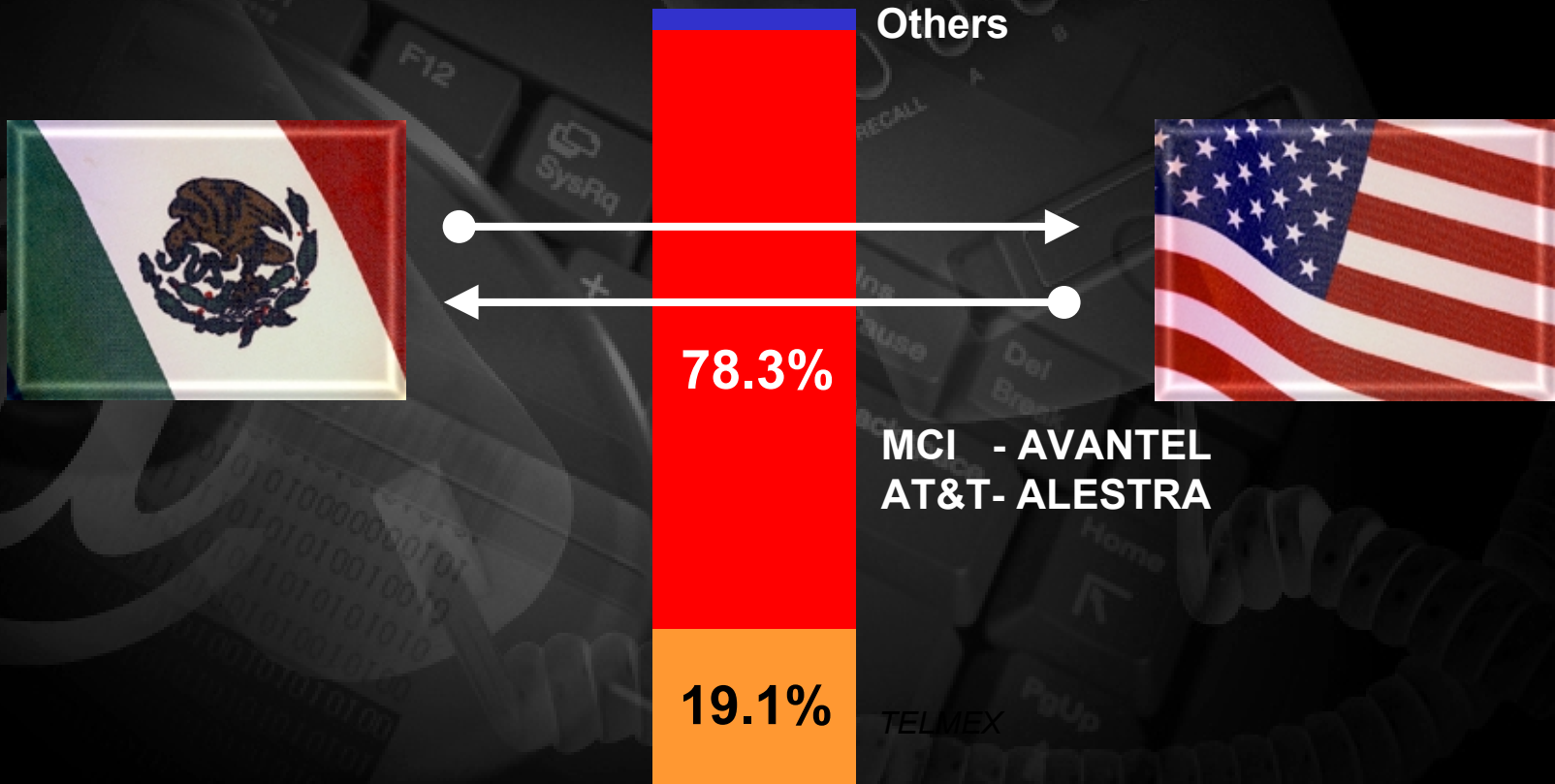


Source: IMTS Accounting Rates of the United States, FCC, August 2000.

Market Share

On the US-Mexico Route

1999 LONG DISTANCE TRAFFIC
5,164 MILLION MINUTES



Dominant Carrier

Status

COFETEL

TELMEX'S POSITION

RATES CONTROL

Telmex considers unacceptable the establishment of additional ceilings and floors different to those stated in its Concession.

QUALITY REQUIREMENTS

Telmex has already implemented some obligations, which will force the company to be more efficient to benefit its customers.

INFORMATION DISCLOSURE

Telmex is disclosing to Cofetel most of what the regulator requires but feels strongly that sensitive information must remain with the regulator and not be disclosed to our competitors.

Conclusions

- **TELECOMMUNICATION SERVICES GROWING FASTER THAN THE ECONOMY AS A WHOLE**
- **CONTINUED STRONG ECONOMY LIKELY TO BRING FURTHER STRONG GROWTH IN TELECOMMUNICATIONS**