

Reason for report: Initiating coverage

August 5, 2003

BUY

Telmex

Do not fight your competitors, become their carrier!

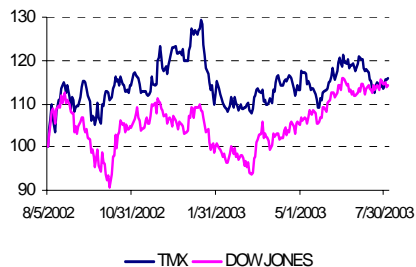
TMX

Target price: USD\$ 43.3
Current price: USD\$ 30.9

TELMEX-L

Target price: MXP\$ 22.5
Current price: MXP\$ 16.5

Price Chart - TMX



Continuing the regional cover on Latin America, Unibanco is starting to look at Telmex, the largest privately-owned company in Mexico and the largest wireline telecom company in Latin America, with 15.1 million LIS (lines in service) compared to Telemar's 14.9 million. **Our recommendation is to BUY, with a target price of US\$43.30 and MXP\$22.50.**

Telmex, which had been state-owned as from 1972, was privatized in November 1990 and is now owned by Carso Global Telecom, part of the Carso Group, which also controls companies in the retail, tobacco, media, data transmission and mobile telephone segments, and in other industries as well.

The company is listed on the Mexican, New York, Nasdaq and Latibex stock exchanges. Free-float is 58%. The Carso Group holds 72.5% of the AA shares, with voting rights, and 33% of the total capital. Southwestern Bell Corporation - SBC - has 23.5% of the AA shares with voting rights and 7.7% of the total capital.

Telmex operates in the Mexican market as a carrier of carriers and holds a 95% share of the local market and 97% of the traffic volume. In the National Long-distance (NLD) market Telmex has a 73% market share, whereas in the International Long-distance (ILD) segment it accounts for 65% of the market. The predominance of the incumbent's cash cow is indisputable.

Just like Telemar in Brazil, therefore, Telmex is also the most heavily-traded share on the local stock exchange. With sales of US\$10.8 billion, it is also the second largest company in revenue terms in Mexico, after Pemex.

Since it is not possible to increase tariffs in Mexico, growth in tele-density is linked to an improvement in macro-economic variables. In Brazil, on the other hand, growth is more linked to price hikes, since the networks probably will not grow significantly from now on.

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1. Investment Case

This is the main issue: is there room for profitable growth in Mexico? The answer to this question is not trivial.

There are three known ways for improving the revenues of a telecom company. The first one is by expanding the user base; the second one is broadening the scope of services rendered and the third one consists of increasing tariffs.

Having analyzed Telmex, we came to the conclusion that raising tariffs would be difficult, given that this would not be compatible with current circumstances and macroeconomic indicators. To provide further support for our thesis, we compared the price of services in the two largest Latin American countries. In our study, we took into account the fact that GNP (Gross National Product) per capita as measured by PPP (Purchasing Power Parity) stands at US\$ 8,240 for Mexico, vs. a GNP per capita of US\$ 5,530 (a ratio of 1.49x), whereas the current ARPU in US dollars for Mexico is US\$ 65.00. Thus, the current Mexican ARPU in PPP terms is US\$ 96.8. On the other hand, the GNP per capita measured through PPP for Brazil is US\$ 7,070, vs. a GDP per capita of US\$ 3,070 (a ratio of 2.3x). Therefore, the current Brazilian ARPU in dollars is US\$ 24.00, or US\$ 55.2 in PPP terms. **Consequently, in real terms, Mexican tariffs are 75% more expensive than the Brazilian ones relative to GNP per capita as measure by PPP.**

If we compare the Mexican wireline tele-density (17%) to that of Brazil (23% LIS; 29% Installed Capacity), we find

that there is a substantial gap, providing optimists with an argument as to why Mexican networks should grow, although this would be subject to an improvement in macroeconomic variables.

On the other hand, in Brazil, which is clearly no longer a growth case (we rocketed to the current 84 million lines from 23 million in 1998), the number of wireline terminals has no room for growth, whereas tariffs, in real terms, have lagged behind.

The conclusion, therefore, is that Mexico does not offer the conditions necessary to increase tariffs, so that tele-density growth is dependent on macroeconomic variables improving, which in turn could lead to higher purchasing power among the lower-income families that do not yet have a telephone. In Brazil, however, growth is connected with tariff increases, given that the networks are unlikely to expand significantly from now on.

A major stress test for Telmex would be a scenario in which the ARPU is a given and the number of lines in service rises modestly. Admitting this hypothesis, we ran our model assuming an increase in the number of lines in service of the order of 0.5% per quarter up to 2004 and 2% per year as from 2005, reaching 2013 with an estimate of 18.5 million lines in service (in other words, with a growth of slightly more than 22% in a decade), which generates a fair equity of US\$ 26.9 billion and, even so, an upside of 36% over the current price.

2. Valuation

Discounted cash flow.

We discounted cash flow for a ten-year period by an average WACC of 12% (in reals, including an exchange rate devaluation of 1% per annum) and perpetuity growth of 3% per annum. At the end of 2Q03 the company had net debt of US\$4.9 billion, corresponding to a 43% Debt/ Total Capital ratio. Our valuation results in a fair equity of US\$26.9 B for Telmex or the equivalent of US\$43.3 per ADR, or MXP\$22.5 per share. We also analyzed the sensitivity of our discounted cash flow (DCF) model to various discount rates between 10% and 14% and to

different future growth rates of between 2% and 4%. For all these alternatives the target price is always greater than the current price of the share as quoted on the stock market. In the worst case scenario (practically non-viable) in which the discount price is the highest, 14%, and future growth is the lowest, 2%, the target price reaches MXP\$17.6 per share, offering an upside of 7%, always keeping in mind that inflation estimates are 3% a year in the long term.

Adjusted cash flow statement - MXP\$ M

MXP\$ MM	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net Sales	112,603	116,496	119,308	122,189	125,142	128,167	131,267	134,443	137,697	141,032	144,449
Operating profit	37,521	39,144	40,650	42,182	43,742	45,331	47,023	48,751	50,513	52,312	54,148
(+) Depreciation, Amort.	19,258	19,158	18,967	18,777	18,589	18,403	18,219	18,037	17,857	17,678	17,502
Ebitda	56,779	58,302	59,616	60,959	62,331	63,734	65,243	66,788	68,370	69,990	71,650
(-) Corporate tax on Ebit	11,938	11,339	11,536	11,998	12,418	12,869	13,376	13,919	14,498	15,115	15,773
(-) Working capital investment	6,344	1,743	1,485	1,395	1,455	1,518	1,583	1,651	1,721	1,793	1,868
(-) Fixed capital investment	11,600	13,979	13,124	13,441	13,766	14,098	14,439	14,789	15,147	15,514	15,889
Cash flow from operations	26,896	31,241	33,472	34,126	34,693	35,248	35,843	36,429	37,005	37,569	38,120

WACC	EV	Net Debt	Equity value	Per share
10.0%	427,806	50,864	376,942	30.4
11.0%	372,486	50,864	321,622	25.9
12.0%	330,087	50,864	279,223	22.5
13.0%	296,522	50,864	245,658	19.8
14.0%	269,267	50,864	218,403	17.6

Valuation			
Corporate value	330,087		
(-) Net Debt	50,864		
Equity value MXP\$(MM)	279,223	US\$	26,877
Number of shares	12418.46		620.923
Target price per share MXP\$	22.5	Target US\$	43.3
Current Price	16.5		30.79
Upside	36.3%		40.6%

Valuation per multiples

EV/EBITDA: As a standard for comparison purposes, we used incumbent wireline companies (coming out of the former state systems) in Latin American, Europe and the United States. The average EV/EBITDA ratio of the sector is 6.45. We consider the current trading ratio to be fair; therefore, taking as a discount the potential upside offered by the ratio of the other companies, we arrive at a fair equity for Telmex of US\$30.2 billion, the equivalent of US\$48.6 per ADR and MXP\$25.3 per share, representing 53% upside.

Multiples EV/Ebitda	
MKT Cap. MXP\$	204,905
Current EV/Ebitda	4.5
EV/Ebitda 04	4.4
Fair EV/Ebitda Ratio	6.45
Fair Corporate Value MXP\$	366,224.81
Net Debt 03 (e)	50,864
Fair Equity Value MXP\$	313,783
Number of Shares	12,418
Fair Target MXP\$	25.27
Current Price	16.5
Upside MXP\$	53.1%
Fair Target US\$	48.60

Firm Value/Terminal: for this analysis we used the same companies and arrived at MXP\$22.500 per terminal, the current value for foreign companies. We assumed this to be the fair value for the Firm Value/Terminal ratio, creating an upside of 40%, a target price of US\$44.4 and MXP\$23.1 per share, and a Fair Equity of US\$27.6 billion.

Valuation EV/Terminal	
Lines in Service	15,065.356
MKT Cap. MXP\$	204,905
Current EV/Terminal MXP\$	17,082
Current EV/Terminal USD\$	1,643
Fair EV/Terminal Ratio MXP\$	22,500
Fair Corporate Value MXP\$	338,971
Net Debt 03 (e)	52,442
Fair Equity Value MXP\$	286,529
Number of Shares	12,418
Fair Target MXP\$	23.1
Current Price	16.5
Upside	39.8%
Fair Target US\$	44.4

3. Profile of the Mexican Market

Privatization of the telecommunication sector, which had been state-controlled since 1972, took place in November 1990.

Currently Mexico has 18.5 million wirelines installed and 26 million mobile lines. Considering a population of nearly 100 million people in the whole country, wireline tele-density (LIS - Lines in Service) is nearly 17%, while mobile tele-density is 26%. There are those in the market who bet that once the macro-economic variables improve wireline tele-density in Mexico will have the potential to rise to 30%, whereas in the mobile sector this potential is limited to approximately 40%. Only time will tell.

The pillars of wireline service in Latin America are Telmex in Mexico (15.1 million LIS) and the companies that came out of the Telebras system in Brazil: Telesp Wireline (12.4 million LIS), Brasil Telecom (9.7 million LIS) and Telemar (14.9 million LIS). Telmex has once again taken over the lead in size in the continent.

Telmex operates in the Mexican market as a carrier of carriers and has a 95% share of the local market and 97% of the traffic volume. In the National Long-distance (NLD) market

Telmex has a 73% market share. In the International Long-distance (ILD) segment it accounts for 65% of the market.

Its competitors are:

- Maxcom - owned by investors such as Bank of America, BankBoston, Latinvest, Bachow, CT Communications and the Aguirre Gómez family.
- Alestra - owned by BBVA Bancomer and AT&T
- Avantel - owned by Banamex and MCI
- Pegaso - owned by Telefónica S.A., TV Azteca and the Salinas family.
- Axtel - owned by investors such as AIG, GE, Nortel, MetLife and WorldTel

The CLECs (Competitor Local Exchange Carriers) have to focus their strategies on high value added segments, maintaining their margins of return instead of trying to fight for market share with Telmex, which will cost them dearly and not allow them to grow profitably and receive the resultant payback on the investments they have made. The predominance of Telmex's cash-cow over the last few years guarantees its ability to stay ahead of the competition not only as far as financial indicators are concerned but also in market share.

Latin America Main Wireline Operators (1,000 LIS)



The mobile phone market in Mexico has 26 million lines. The main operator is TelCel (a company originating in 2001 from a spin-off from Telmex itself), which has a 76% market share, or 21 million customers, operating with TDMA and GSM technology (at a frequency of 1.9ghz). Right behind comes Pegaso with almost 3.5 million customers using CDMA and

GSM. The third company is Unefon, with 1.2 million customers, operating with GSM. This particular moment in time merits special attention because for the first time TelCel will come up against a real competitor, in the shape of Pegaso (and other companies operating under the umbrella of the Telefonica S.A Group), using the brand name Movistar.

America Movil (Subscribers by country) Total 36 Million



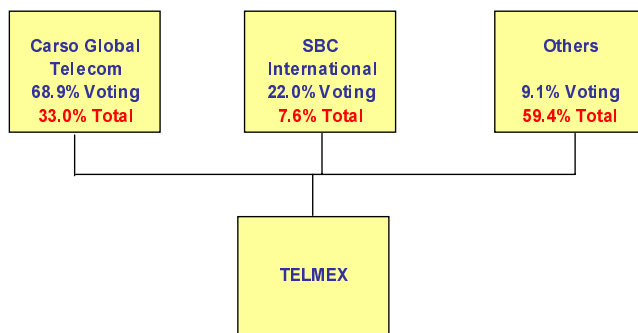
* rights to purchase controlling interest

4. Company profile

Telmex, which had been state-owned as from 1972, was privatized in November, 1990 and today is owned by Carso Global Telecom, part of the Carso Group, which also controls companies in the retail, tobacco, media, data transmission and mobile telephone segments, and in other industries as well.

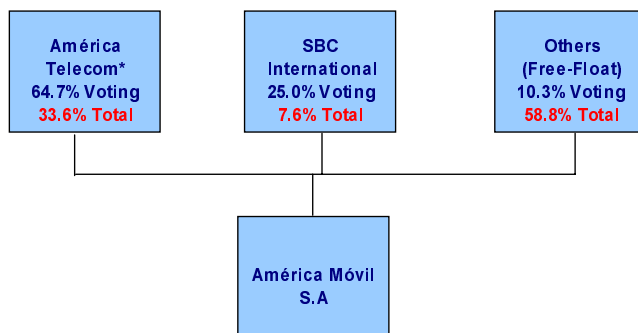
The company is listed on the Mexican, New York, Nasdaq and Latibex stock exchanges. Free-float is 58%. The controlling group comprises the Carso Group (72.5% of the AA shares, with voting rights and 33% of the total capital) and Southwestern Bell Corporation - SBC - (23.5% of the AA shares with voting rights and 7.7% of the total capital).

Telmex shareholders structure



When it was privatized the company had wireline and mobile phone services under its umbrella. In 2001 the mobile phone activities were spun off and America Movil was set up. This is also owned by the Slim family, via America Telecom, which holds 65% of the voting shares and 33% of the capital. SBC also controls the mobile phone operations, with 25% of the voting shares. The company's free-float is 59%.

America Movil shareholders structure



*America Telecom is owned by Carso Group

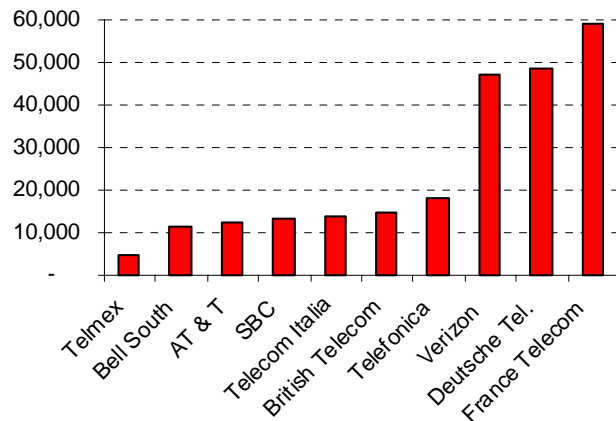
The company has again become the largest wireline business in Latin America, with 15.1 million LIS compared to Telemar's 14.9 million. So just like Telemar, Telmex's shares are also the most heavily traded ones on the local stock exchange. With sales of US\$10.8 billion, it is also the second largest company in revenue terms in Mexico, after Pemex.

As mentioned above, Telmex operates in the Mexican market as a carrier of carriers and has a 95% share of the local market and 97% of the traffic volume. In the National Long-distance (NLD) market Telmex has a 73% market share, while in the International Long-distance (ILD) segment it accounts for 65% of the market. Its competitors are: Maxcom, Alestra, Avante!, Pegaso and Axtel. The good thing for the shareholder is that the market in the country is already open and the company continues to be predominant. In fact, when it became the carrier for its competitors, it increased their dependency on the company by transforming them into customers.

At present, the company has 122,000 ADSL customers. Much more than a value added service, this has shown itself to be an instrument for ring-fencing its customer base and also for protecting against traffic "drain".

The company's cash generation capability is also very great - US\$5.6 billion and with a margin greater than 50%; this is therefore undoubtedly a "safe harbor". Telmex's net debt at the end of the second quarter of 2003 was US\$4.9 billion, which yields a net debt/EBITDA 2003 (est.) ratio of 0.88x.

Net Debt Incumbents (USD Million)



Source: Unibanco

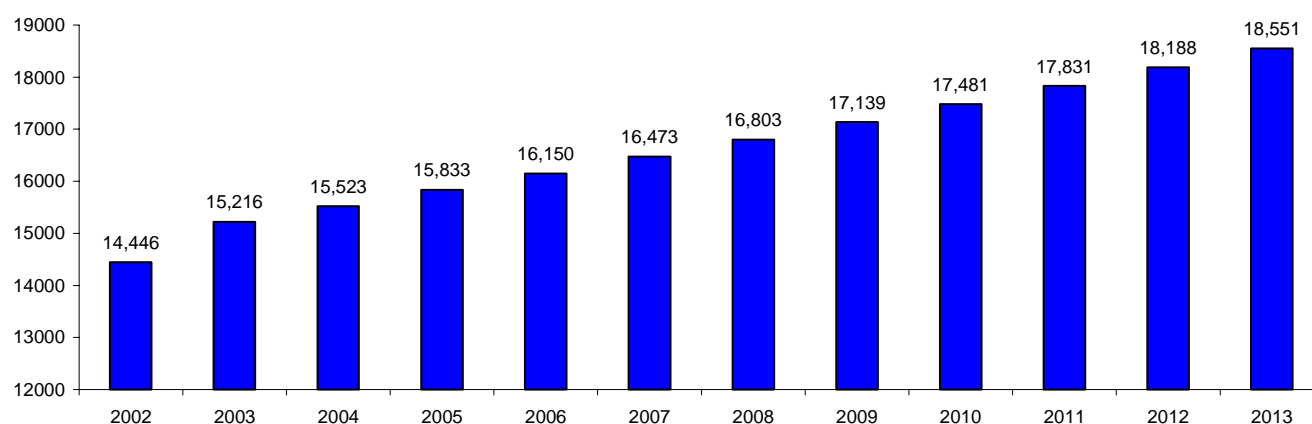
5. Future

Lines in service

We foresee that the company will reach **2005 with 15.7 million revenue-generating lines**. Obviously the accuracy of our estimate will depend on factors other than the company's own corporate activities, such as improvements in the

country's social, economic and financial circumstances. In any event we believe that this forecast is somewhat conservative and that the number of lines in service will exceed this number.

Lines in Service Estimates (Thousand)



ARPU (Average Revenue per User)

Here it is important to underline that the company finds itself somewhat limited as far as its possibility of increasing tariffs is concerned. Moreover, growth in the user base will probably mean a weighted drop in its ARPU, since when we separate the company into segments those customers who are potentially the most interesting ones are already being serviced. In fact, over the last two years there have been no

tariff increases in the country. When we realize that the company's ARPU is some US\$65.00, we can see an enormous gap in comparison with other countries like Brazil, for example, where the ARPU is roughly US\$24.00, or countries in Western Europe, with ARPUs of US\$51.00. **Therefore, although we recognize that the present ARPU is strong, we see no future upside.**

ARPU as of 2002 (USD)

	Revenues in 2002 (local currency)	Avg Lines in Service	ARPU (local currency)	ARPU (USD)/month
France Telecom	28,892	44,722	53.84	50.94
British telecom	18,447	29,233	52.59	84.14
Telecom Italia	17,022	27,248	52.06	49.25
Telefonica	10,272	20,913	40.93	38.73
SBC	38,392	58,308	54.87	54.87
Verizon	40,765	58,097	58.47	58.47
Telmex	111,906	13,909	670.46	69.35
Brasil Telecom	7,071	9,052	65.10	22.21
Telesp	10,088	12,561	66.93	22.83
Telemar	11,496	14,984	63.93	21.81
CTC	594,000	2,705	18,300	26.53

Tariff Differences and Cannibalization

If we further consider that in Brazil one wireline pulse, or three minutes, costs on average R\$0.09 (nine cents of a Real) we conclude that one minute is worth R\$0.03 (three cents of a Real) or US\$0.01 (one US cent). In Mexico wireline costs are not charged per minute but per call. The average call time is 5 minutes. The first 100 calls are already included in the monthly account of MXP\$198.00. Extra calls cost MXP1.50 (One peso, fifty cents). Thus, every extra minute costs MXP\$0.30 (thirty cents of a peso) or US\$0.03 (three US cents). **Therefore, the average cost per minute of wireline services in Brazil corresponds to a third of the cost in Mexico.**

In the case of mobile phone companies, this tariff imbalance is almost non-existent, since one minute of mobile phone calls in Mexico costs roughly MXP\$2.60 (two pesos and sixty cents) or US\$0.26 (twenty six US cents). In Brazil, one minute of mobile phone calls can cost as much as R\$0.70 (seventy cents of a Real) or US\$0.23 (twenty three US cents). **In the case of mobiles there is a certain tariff equity between the two countries.**

The tariff gap between wireline and mobile is very large. In the case of Mexico, the difference between the average cost per minute of wireline and mobile services can reach eight times, but may be less depending on the customers' tariff plan. In Brazil this difference can be as high as 23 times. There is a historical explanation for this. The fact is that when the business cases for mobile phone companies in Brazil were made, a very significant part of their revenue was

attributed to interconnection charges - TUM and VUM. To this day, in some cases, half of the revenue of the operators comes from this segment and there is no way of reducing the charges for using the mobile network very much. In fact, the aim is to make the business platforms profitable and reach levels of return on invested capital (ROIC) in line with the companies' respective cost of capital (WACC). **Therefore we defend the argument that mobile-wireline cannibalization is inevitable, although in the case of Brazil it will most likely be slower than in places such as Mexico and some countries in Western Europe.**

Interconnection

Telmex has a great advantage over Brazilian companies in the interconnection segment. In reality, the wireline incumbents in Brazil simply pass on the interconnection charges to the mobile phone companies without practically any mark-up. In Mexico it is a little different, because when they pass over the revenue from the wireline-mobile interconnection to the mobile phone operators, Telmex keeps part of this revenue. On average, out of every MXP\$2.50 that should be passed on to the mobile operators, Telmex keeps MXP\$0.60, i.e. a 24% margin. In Brazil, where wireline-mobile interconnections accounts for almost a quarter of the revenue, if this type of situation were to arise it would be a very strong trigger for wireline company shares, although for historical reasons, we cannot see this possibility materializing in the foreseeable future.

Interconnection tariffs

Company	Currency	Fixed-Mobile (net revenue)	Interconnection	Gross Profit	Gross Margin
Telemar*	Real	0.4642	0.3856	0.0786	16.9%
Brasil Telecom*	Real	0.4522	0.3609	0.0913	20.2%
Telesp	Real	0.4166	0.3296	0.087	20.9%
Telmex	Mexican Peso	2.5	1.9	0.6	24.0%

*Considering interconnection tariffs of Band A operators in Rio de Janeiro(Telemar) and Brasilia (Brasil Telecom)

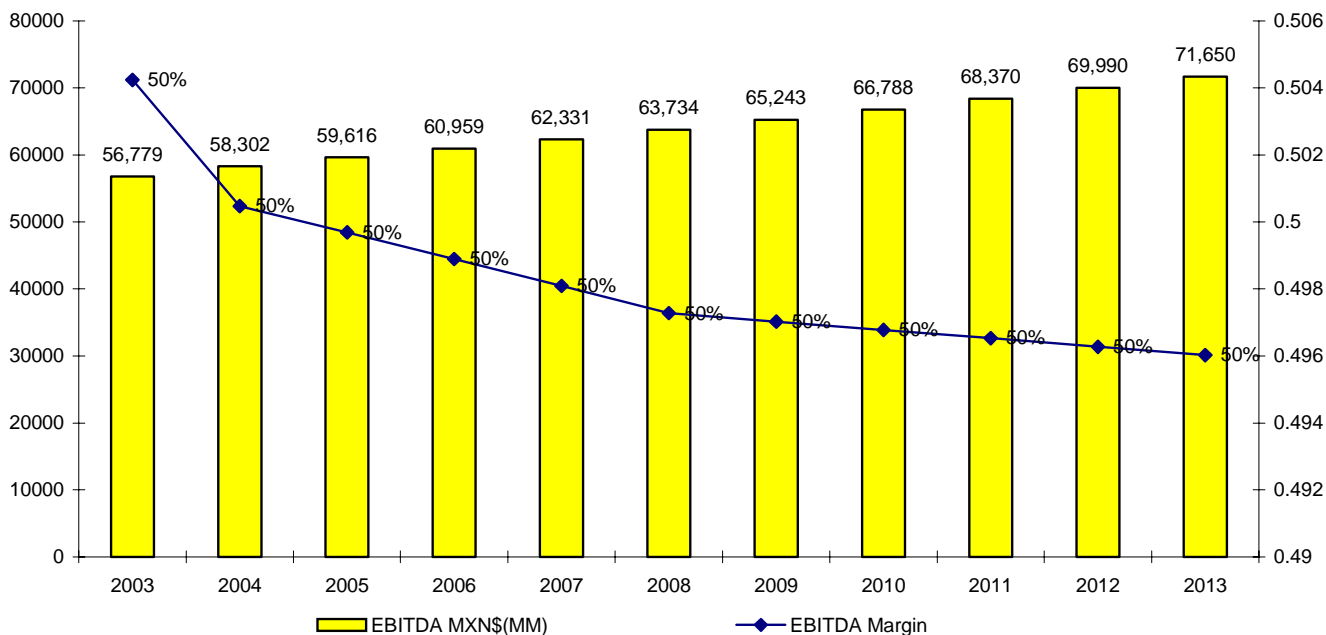
**From the Brazilian companies we have to discount the tax, which in some cases leads to negative margins

Margins

Of all the wireline incumbents in Latin America, Europe and the United States, Telmex stands out because of its ability to maintain very strong operating margins. Its EBITDA margin has been above 50% for a very long time and the long-term tendency does not indicate any significant drop, since the

domestic market has already got over the stage of opening up to competition and the company has established itself as the carrier of carriers. For the future we forecast that the margin will stay close to 50%.

Ebitda and Ebitda Margin forecasts



Free Cash Flow

The company should achieve free cash flow of nearly US\$2.5 billion in 2003. This is a very comfortable position. The Net Debt/EBITDA ratio is also very comfortable, given that it does not reach 0.9. Interest cover (cash generation / interest) is

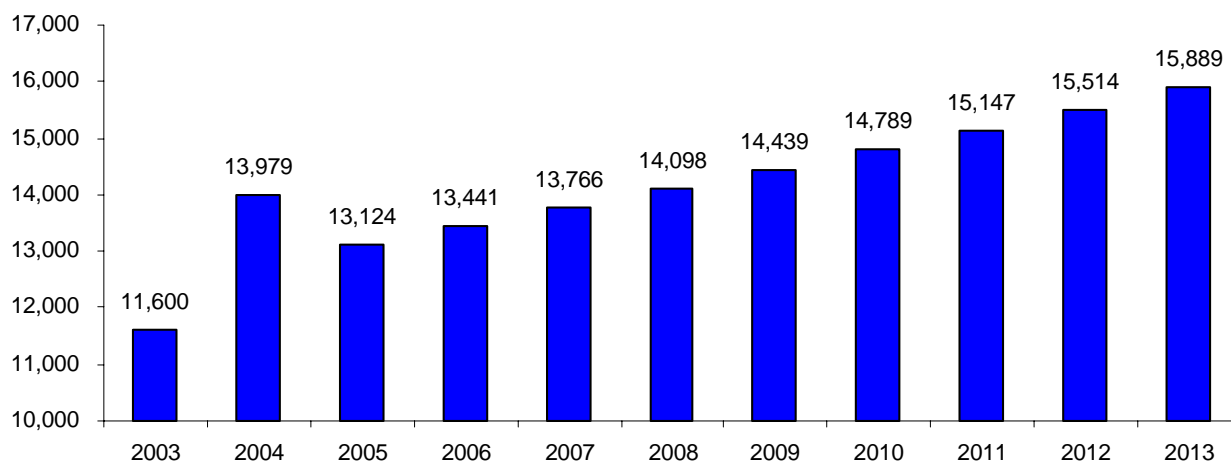
more than 9 times. Over the next few years the company will have free cash flow that will leave it no alternative but to increase its dividend payout policy.

Capital expenditure and acquisitions

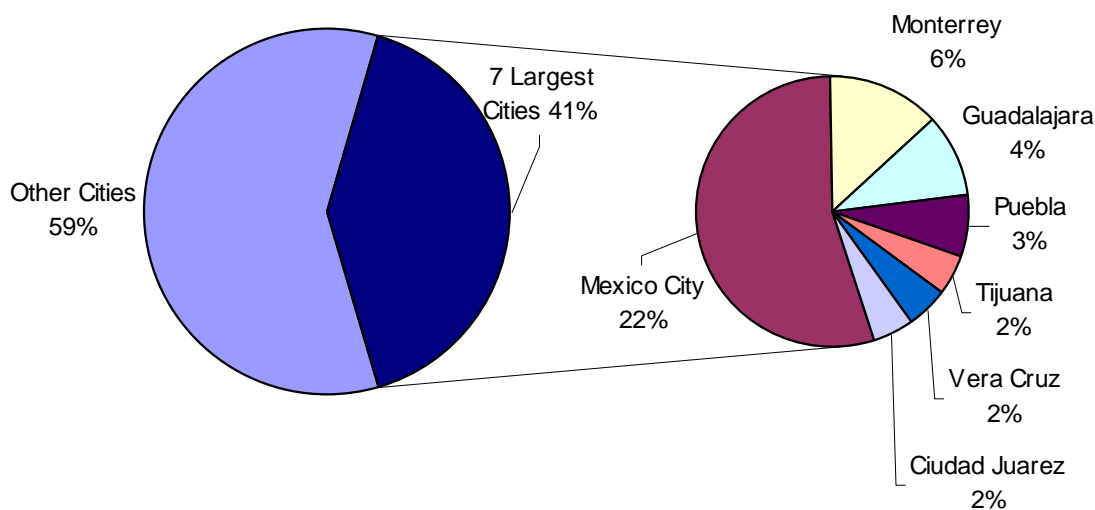
The company has shown itself to be fairly mature when it comes to taking decisions about new acquisitions and projects. The perception is that the quest for opportunities that add value to the consolidated company always exist, although it must be guided by coherent decision variables. In terms of acquisitions, **the company's focus seems to be very much more on operations that are small in size but offer major potential, such as those in neighboring countries that are undergoing privatization.** For 2003, we have worked with a level of investment of nearly US\$1.1

billion, i.e., slightly more than 10% of revenue. This means capex should not be a source of major worry. Something that is worth underlining also is that 41% of the population of the country lives in its seven largest cities. In other words, given an outlook of macro-economic indicator improvement, potential capex necessary for significantly increasing tele-density would be reasonably modest because of the geographic concentration and the pre-existing presence of the company network in those localities.

CAPEX Estimates (MXN Million)



Population Distribution (Total = 100 million inhabitants)



6. Regulatory Context

The regulatory context in the country is not the issue it has recently become in Brazil. Cofetel (the regulatory agency) relies on the self-regulation prerogative of the markets where competition has already started. That means that in markets where there is already competition prices tend to self-regulate without the need for any interference from an external mediator, since companies tend to optimize the delicate balance between charging the most they can while reducing to a minimum the number of bad payers and loss of traffic volume.

There is no way to introduce tariff adjustments in the current recessionary macro-economic situation. Over the last two years the legally permitted tariff adjustments were not

introduced because it was believed that the average person in the population had no way of living with such an increase in their expenses.

Taxes are also not an issue, as they are in Brazil, where rates (collected in a "hidden" way) are in excess of than 40%. The IVA rate is 15% on revenue.

In the specific case of Telmex the CLEC companies (new entrants) ended up becoming customers of the carrier, something that favors a competitive situation that allows other players to survive without the need to get into a destructive price war.

7. Annexes

Consolidated Revenues Telmex

	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Local	55,408	53,190	12,905	13,027	13,216	13,505	52,653	13,572	13,708	13,776	13,914	54,971	56,345	57,754	59,198	60,678	62,195	63,749	65,343	66,977	68,651
Long-Distance	40,086	38,056	9,524	9,519	9,529	9,538	38,110	9,538	9,586	9,634	9,682	38,439	39,208	39,992	40,792	41,608	42,440	43,289	44,155	45,038	45,939
Long-Dist. (DLD)	30,127	28,900	7,519	7,416	7,423	7,431	29,789	7,431	7,468	7,505	7,543	29,947	30,546	31,157	31,780	32,416	33,064	33,725	34,400	35,088	35,789
International	9,959	9,474	2,005	2,103	2,105	2,107	8,320	2,107	2,118	2,128	2,139	8,492	8,662	8,835	9,012	9,192	9,376	9,564	9,755	9,950	10,149
Interconnection	15,546	15,560	4,210	4,345	4,432	4,543	17,530	4,543	4,543	4,588	4,726	18,399	18,951	19,520	20,105	20,709	21,330	21,970	22,629	23,308	24,007
Other	6,252	5,736	1,038	1,059	1,080	1,134	4,311	1,146	1,163	1,180	1,198	4,686	4,803	4,923	5,047	5,173	5,302	5,435	5,570	5,710	5,852
Net Rev. in MXN\$ (000)	117,292	111,906	27,677	27,950	28,257	28,720	112,603	28,799	28,999	29,178	29,520	116,496	119,308	122,189	125,142	128,167	131,267	134,443	137,697	141,032	144,449
Net Rev. in US\$ (000)	11,278	10,760	2,661	2,688	2,717	2,762	10,827	2,769	2,788	2,806	2,838	11,202	11,472	11,749	12,033	12,324	12,622	12,927	13,240	13,561	13,889

Consolidated Expenses Telmex

	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating Expenses	72,273	73,243	18,365	18,688	18,889	19,140	75,083	19,252	19,316	19,381	19,402	77,352	78,658	80,007	81,400	82,836	84,243	85,692	87,184	88,720	90,301
COGS	25,546	25,649	6,409	6,625	6,675	6,775	26,483	6,809	6,843	6,877	6,883.82	27,412	28,097	28,800	29,520	30,258	31,014	31,790	32,584	33,399	34,234
Sales and SG&A	18,115	16,547	4,079	4,270	4,291	4,356	16,996	4,377	4,399	4,421	4,425.80	17,624	17,977	18,336	18,703	19,077	19,458	19,848	20,245	20,649	21,062
Intercon (fixed-mobile)	10,370	11,479	2,952	3,039	3,145	3,208	12,345	3,240	3,272.8	3,305.5	3,338.5	13,157.1	13,618	14,094	14,588	15,098	15,551	16,018	16,498	16,993	17,503
Financial Expenses	(2,540)	(6,470)	(1,683)	911	(1,275)	(1,273)	(3,321)	(1,231)	(1,185)	(1,185)	(1,182)	(4,783)	(5,692)	(5,826)	(6,112)	(6,334)	(6,488)	(6,572)	(6,580)	(6,509)	(6,352)
Income Tax	17,191	13,327	2,621	3,906	2,670	2,741	11,938	2,744	2,804	2,842	2,949	11,339	11,536	11,998	12,418	12,869	13,376	13,919	14,498	15,115	15,773
Participations	(455)	(252)	(36)	(63)	(88)	(89)	(276)	(88)	(89)	(90)	(92)	(358)	(383)	(396)	(412)	(427)	(441)	(455)	(469)	(481)	(492)
Depr. & Amortization	18,242	19,568	4,925	4,754	4,778	4,802	19,258	4,826	4,802	4,778	4,754	19,158	18,967	18,777	18,589	18,403	18,219	18,037	17,857	17,678	17,502
Oper.income MXN\$(MM)	45,019	38,663	9,312	9,262	9,367	9,579	37,521	9,546	9,683	9,797	10,118	39,144	40,650	42,182	43,742	45,331	47,023	48,751	50,513	52,312	54,148
EBITDA MXN\$(MM)	63,261	58,231	14,237	14,016	14,145	14,381	56,779	14,372	14,484	14,575	14,872	58,302	59,616	60,959	62,331	63,734	65,243	66,788	68,370	69,990	71,650
EBITDA US\$(MM)	6,083	5,599	1,369	1,348	1,360	1,383	5,460	1,382	1,393	1,401	1,430	5,606	5,732	5,861	5,993	6,128	6,273	6,422	6,574	6,730	6,889
EBITDA Margin	53.9%	52.0%	51.4%	50.1%	50.1%	50.1%	50.4%	49.9%	49.9%	50.0%	50.4%	50.0%	50.0%	49.9%	49.8%	49.7%	49.7%	49.7%	49.7%	49.6%	49.6%
Net Profit MXN\$(MM)	24,833	25,588	4,972	6,204	5,334	5,476	21,986	5,483	5,605	5,681	5,896	22,663	23,038	23,962	24,800	25,701	26,717	27,804	28,966	30,208	31,532
Net Profit US\$(MM)	2,388	2,460	478	597	513	527	2,114	527	539	546	567	2,179	2,215	2,304	2,385	2,471	2,569	2,673	2,785	2,905	3,032
EPS MXN\$	2,000	2,060	400	500	430	441	1,770	441	451	457	475	1,825	1,855	1,930	1,997	2,070	2,151	2,239	2,333	2,432	2,539
EPS US\$	192.3	198.1	38.5	48.0	41.3	42.4	170.2	42.5	43.4	44.0	45.6	175.5	178.4	185.5	192.0	199.0	206.9	215.3	224.3	233.9	244.1
EPADR US\$	3.85	3.96	0.77	0.96	0.83	0.85	3.40	0.85	0.87	0.88	0.91	3.51	3.57	3.71	3.84	3.98	4.14	4.31	4.49	4.68	4.88

Adjusted cash flow statement - MXP\$ M

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net Sales	112,603	116,496	119,308	122,189	125,142	128,167	131,267	134,443	137,697	141,032	144,449
Operating profit	37,521	39,144	40,650	42,182	43,742	45,331	47,023	48,751	50,513	52,312	54,148
(+) Depreciation, Amort.	19,258	19,158	18,967	18,777	18,589	18,403	18,219	18,037	17,857	17,678	17,502
Ebitda	56,779	58,302	59,616	60,959	62,331	63,734	65,243	66,788	68,370	69,990	71,650
(-) Corporate tax on Ebit	11,938	11,339	11,536	11,998	12,418	12,869	13,376	13,919	14,498	15,115	15,773
(-) Working capital investment	6,344	1,743	1,485	1,395	1,455	1,518	1,583	1,651	1,721	1,793	1,868
(-) Fixed capital investment	11,600	13,979	13,124	13,441	13,766	14,098	14,439	14,789	15,147	15,514	15,889
Cash flow Operat. MXP\$	26,896	31,241	33,472	34,126	34,693	35,248	35,843	36,429	37,005	37,569	38,120
	2,586	3,004	3,218	3,281	3,336	3,389	3,446	3,503	3,558	3,612	3,665

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