

TELEFONOS DE MEXICO S A DE C V
Form 6-K
February 14, 2006

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of February 2006

Commission File Number: 333-13580

Teléfonos de México, S.A. de C.V.

(Exact Name of the Registrant as Specified in the Charter)

Telephones of Mexico

(Translation of Registrant's Name into English)

Parque Vía 190

Colonia Cuauhtémoc

México City 06599, México, D.F.

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.
Form 20-F....

.....Form 40-F.....

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No... ..

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

TELÉFONOS DE MÉXICO, S.A. DE C.V.

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2005

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MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-01

CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31, 2005 & 2004

(Thousand Pesos)

Final printing

| REF S | CONCEPTS | QUARTER OF PRESENT FINANCIAL YEAR | | QUARTER OF PREVIOUS FINANCIAL YEAR | |
|----------|---------------------------------|--------------------------------------|--------------|---------------------------------------|-----|
| | | Amount | % | Amount | % |
| | | 1 | TOTAL ASSETS | 249,989,156 | 100 |
| 2 | CURRENT ASSETS | 54,929,515 | 22 | 62,103,044 | 24 |
| 3 | CASH AND SHORT-TERM INVESTMENTS | 23,211,062 | 9 | 21,181,620 | 8 |
| 4 | ACCOUNTS RECEIVABLE, NET | 23,880,922 | 10 | 22,900,567 | 9 |
| 5 | OTHER ACCOUNTS RECEIVABLE, NET | 5,203,824 | 2 | 8,210,800 | 3 |
| 6 | INVENTORIES | 1,136,062 | 0 | 1,400,643 | 1 |

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| | | | | | |
|----|--|--------------------|------------|--------------------|------------|
| 7 | OTHER CURRENT ASSETS | 1,497,645 | 1 | 8,409,414 | 3 |
| 8 | LONG - TERM | 804,102 | 0 | 820,026 | 0 |
| 9 | ACCOUNTS RECEIVABLE, NET | 0 | 0 | 0 | 0 |
| 10 | INVESTMENT IN SHARES OF SUBSIDIARIES AND AFFILIATES NON-CONSOLIDATED | 797,232 | 0 | 757,061 | 0 |
| 11 | OTHER INVESTMENTS | 6,870 | 0 | 62,965 | 0 |
| 12 | PLANT, PROPERTY AND EQUIPMENT, NET | 150,576,810 | 60 | 157,050,007 | 60 |
| 13 | PROPERTY | 0 | 0 | 0 | 0 |
| 14 | MACHINERY AND INDUSTRIAL EQUIPMENT | 428,487,541 | 171 | 426,083,291 | 163 |
| 15 | OTHER EQUIPMENTS | 0 | 0 | 0 | 0 |
| 16 | ACCUMULATED DEPRECIATION | 286,522,407 | 115 | 272,962,963 | 104 |
| 17 | CONSTRUCTIONS IN PROGRESS | 8,611,676 | 3 | 3,929,679 | 2 |
| 18 | DEFERRED ASSETS, NET | 18,948,855 | 8 | 12,715,413 | 5 |
| 19 | OTHER ASSETS | 24,729,874 | 10 | 28,734,647 | 11 |
| | | | | | |
| 20 | TOTAL LIABILITIES | 138,641,492 | 100 | 150,004,776 | 100 |
| | | | | | |
| 21 | CURRENT LIABILITIES | 44,778,487 | 32 | 50,112,647 | 33 |
| 22 | SUPPLIERS | 0 | 0 | 0 | 0 |
| 23 | BANK LOANS | 3,151,742 | 2 | 12,755,518 | 9 |
| 24 | STOCK MARKET LOANS | 11,443,451 | 8 | 878,305 | 1 |
| 25 | TAXES PAYABLE | 1,684,301 | 1 | 7,185,469 | 5 |
| 26 | OTHER CURRENT LIABILITIES | 28,498,993 | 21 | 29,293,355 | 20 |
| 27 | LONG - TERM LIABILITIES | 76,363,502 | 55 | 79,405,691 | 53 |
| 28 | BANK LOANS | 40,308,527 | 29 | 43,486,116 | 29 |
| 29 | STOCK MARKET LOANS | 36,054,975 | 26 | 35,919,575 | 24 |
| 30 | OTHER LOANS | 0 | 0 | 0 | 0 |
| 31 | DEFERRED CREDITS | 15,504,902 | 11 | 18,704,438 | 12 |
| 32 | OTHER LIABILITIES | 1,994,601 | 1 | 1,782,000 | 1 |
| | | | | | |
| 33 | CONSOLIDATED STOCKHOLDERS' EQUITY | 111,347,664 | 100 | 111,418,361 | 100 |
| | | | | | |
| 34 | MINORITY INTEREST | 9,908,284 | 9 | 14,422,605 | 13 |
| 35 | MAJORITY INTEREST | 101,439,380 | 91 | 96,995,756 | 87 |

| | | | | | |
|----|---|--------------|------|--------------|------|
| 36 | CONTRIBUTED CAPITAL | 46,912,342 | 42 | 48,310,673 | 43 |
| 37 | CAPITAL STOCK (NOMINAL) | 275,564 | 0 | 295,811 | 0 |
| 38 | RESTATEMENT OF CAPITAL STOCK | 27,260,384 | 24 | 28,638,468 | 26 |
| 39 | PREMIUM ON SALES OF SHARES | 19,376,394 | 17 | 19,376,394 | 17 |
| 40 | CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES | 0 | 0 | 0 | 0 |
| 41 | CAPITAL INCREASE (DECREASE) | 54,527,038 | 49 | 48,685,083 | 44 |
| 42 | RETAINED EARNINGS AND CAPITAL RESERVE | 96,968,593 | 87 | 88,698,475 | 80 |
| 43 | RESERVE FOR REPURCHASE OF OWN SHARES | 0 | 0 | 0 | 0 |
| 44 | EXCESS (SHORTFALL) FROM RESTATEMENT OF STOCKHOLDERS' EQUITY | (70,621,423) | (63) | (68,425,630) | (61) |
| 45 | NET INCOME | 28,179,868 | 25 | 28,412,238 | 26 |

MEXICAN STOCK EXCHANGE

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-02

CONSOLIDATED BALANCE SHEETS

- BREAKDOWN OF MAIN CONCEPTS -

(Thousand Pesos)

Final printing

| REF S | CONCEPTS | QUARTER OF PRESENT FINANCIAL YEAR | | QUARTER OF PREVIOUS FINANCIAL YEAR | |
|----------|--|--------------------------------------|----------------------------------|---------------------------------------|-----|
| | | Amount | % | Amount | % |
| | | 3 | CASH AND SHORT- TERM INVESTMENTS | 23,211,062 | 100 |
| 46 | CASH | 2,456,107 | 11 | 1,129,528 | 5 |
| 47 | SHORT-TERM INVESTMENTS | 20,754,955 | 89 | 20,052,092 | 95 |
| 18 | DEFERRED ASSETS, NET | 18,948,855 | 100 | 12,715,413 | 100 |
| 48 | AMORTIZED OR REDEEMED EXPENSES | 4,975,720 | 26 | 3,299,493 | 26 |
| 49 | GOODWILL | 8,185,154 | 43 | 3,908,870 | 31 |
| 50 | DEFERRED TAXES | 5,787,981 | 31 | 5,507,050 | 43 |
| 51 | OTHERS | 0 | 0 | 0 | 0 |
| 21 | CURRENT LIABILITIES | 44,778,487 | 100 | 50,112,647 | 100 |
| 52 | FOREIGN CURRENCY LIABILITIES | 14,595,193 | 33 | 11,928,878 | 24 |
| 53 | MEXICAN PESOS LIABILITIES | 30,183,294 | 67 | 38,183,769 | 76 |
| 24 | STOCK MARKET SHORT-TERM SECURITIES | 11,443,451 | 100 | 878,305 | 100 |
| 54 | COMMERCIAL PAPER | 0 | 0 | 0 | 0 |
| 55 | MEDIUM-TERM NOTES | 0 | 0 | 0 | 0 |
| 56 | CURRENT MATURITIES OF SECURITIES | 11,443,451 | 100 | 878,305 | 100 |
| 26 | OTHER CURRENT LIABILITIES | 28,498,993 | 100 | 29,293,355 | 100 |
| 57 | OTHER CURRENT LIABILITIES WITH COST | 0 | 0 | 0 | 0 |
| 58 | OTHER CURRENT LIABILITIES WITHOUT COST | 28,498,993 | 100 | 29,293,355 | 100 |
| 27 | LONG - TERM LIABILITIES | 76,363,502 | 100 | 79,405,691 | 100 |
| 59 | FOREIGN CURRENCY LIABILITIES | 68,463,502 | 90 | 72,069,261 | 91 |
| 60 | MEXICAN PESOS LIABILITIES | 7,900,000 | 10 | 7,336,430 | 9 |
| 29 | STOCK MARKET LONG-TERM SECURITIES | 36,054,975 | 100 | 35,919,575 | 100 |
| 61 | BONDS | 36,054,975 | 100 | 35,919,575 | 100 |

| | | | | | |
|----|---|--------------|------|--------------|------|
| 62 | MEDIUM-TERM NOTES | 0 | 0 | 0 | 0 |
| | | | | | |
| | OTHER LOANS | 0 | 100 | 0 | 100 |
| 63 | OTHER LOANS WITH COST | 0 | 0 | 0 | 0 |
| 64 | OTHER LOANS WITHOUT COST | 0 | 0 | 0 | 0 |
| | | | | | |
| 31 | DEFERRED CREDITS | 15,504,902 | 100 | 18,704,438 | 100 |
| 65 | GOODWILL | 0 | 0 | 0 | 0 |
| 66 | DEFERRED TAXES | 15,504,902 | 100 | 18,704,438 | 100 |
| 67 | OTHERS | 0 | 0 | 0 | 0 |
| | | | | | |
| 32 | OTHER LIABILITIES | 1,994,601 | 100 | 1,782,000 | 100 |
| 68 | RESERVES | 1,994,601 | 100 | 1,782,000 | 100 |
| 69 | OTHERS LIABILITIES | 0 | 0 | 0 | 0 |
| | | | | | |
| 44 | EXCESS (SHORTFALL) FROM RESTATEMENTS OF STOCKHOLDERS' EQUITY | (70,621,423) | 100 | (68,425,630) | 100 |
| 70 | ACCUMULATED MONETARY POSITION INCOME | (14,044,315) | (20) | (14,044,315) | (21) |
| 71 | RESULT FROM HOLDING NON-MONETARY ASSETS | (56,577,108) | (80) | (54,381,315) | (79) |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-03

CONSOLIDATED BALANCE SHEETS

- OTHER CONCEPTS -

(Thousand Pesos)

| REF S | CONCEPTS | QUARTER OF PRESENT FINANCIAL YEAR | QUARTER OF PREVIOUS FINANCIAL YEAR |
|--|--------------------------------------|---|--|
| | | Amount | Amount |
| 72 | WORKING CAPITAL | 10,151,028 | 11,990,397 |
| 73 | PENSIONS FUND AND SENIORITY PREMIUMS | 0 | 0 |
| 74 | EXECUTIVES (*) | 119 | 121 |
| 75 | EMPLOYEES (*) | 24,217 | 24,620 |
| 76 | WORKERS (*) | 51,148 | 51,942 |
| 77 | OUTSTANDING SHARES (*) | 22,045,082,270 | 23,664,904,310 |
| 78 | REPURCHASE OF OWN SHARES (*) | 1,583,822,040 | 1,419,085,200 |
| (*) THESE CONCEPTS SHOULD BE EXPRESSED IN UNITS. | | | |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-04

CONSOLIDATED STATEMENTS OF INCOME

- FROM OCTOBER 01 TO DECEMBER 31, 2005 & 2004 -

(Thousand Pesos)

| REF R | CONCEPTS | QUARTER OF PRESENT | | QUARTER OF PREVIOUS | |
|----------|--|-----------------------|-----|------------------------|-----|
| | | FINANCIAL YEAR | | FINANCIAL YEAR | |
| | | Amount | % | Amount | % |
| 1 | OPERATING REVENUES | 162,948,104 | 100 | 144,677,412 | 100 |
| 2 | COST OF SALES AND SERVICES | 86,856,089 | 53 | 76,780,359 | 53 |
| 3 | GROSS INCOME | 76,092,015 | 47 | 67,897,053 | 47 |
| 4 | OPERATING COSTS | 27,397,843 | 17 | 23,182,109 | 16 |
| 5 | OPERATING INCOME | 48,694,172 | 30 | 44,714,944 | 31 |
| 6 | COMPREHENSIVE FINANCING COST | 5,335,900 | 3 | 144,169 | 0 |
| 7 | INCOME AFTER COMPREHENSIVE FINANCING COST | 43,358,272 | 27 | 44,570,775 | 31 |
| 8 | OTHER FINANCIAL OPERATIONS | 0 | 0 | 0 | 0 |
| 9 | INCOME BEFORE INCOME TAX AND EMPLOYEE PROFIT SHARING | 43,358,272 | 27 | 44,570,775 | 31 |
| 10 | PROVISIONS FOR INCOME TAX AND EMPLOYEE PROFIT SHARING | 14,424,334 | 9 | 15,689,852 | 11 |
| 11 | INCOME AFTER INCOME TAX AND EMPLOYEE PROFIT SHARING | 28,933,938 | 18 | 28,880,923 | 20 |
| 12 | EQUITY IN RESULTS OF SUBSIDIARIES AND AFFILIATES | 64,852 | 0 | (118,681) | 0 |
| 13 | INCOME FROM CONTINUOUS OPERATIONS | 28,998,790 | 18 | 28,762,242 | 20 |
| 14 | INCOME FROM DISCONTINUOUS OPERATIONS, NET | 0 | 0 | 0 | 0 |
| 15 | NET INCOME BEFORE EXTRAORDINARY ITEMS | 28,998,790 | 18 | 28,762,242 | 20 |
| 16 | EXTRAORDINARY ITEMS NET EXPENDITURES (REVENUES) | 0 | 0 | 0 | 0 |
| 17 | NET EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | 0 | 0 | 0 | 0 |
| 18 | NET INCOME | 28,998,790 | 18 | 28,762,242 | 20 |
| 19 | MINORITY INTEREST | 818,922 | 1 | 350,004 | 0 |
| 20 | MAJORITY INTEREST | 28,179,868 | 17 | 28,412,238 | 20 |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-05

CONSOLIDATED STATEMENTS OF INCOME

- BREAKDOWN OF MAIN CONCEPTS -

(Thousand Pesos)

Final printing

| REF R | CONCEPTS | QUARTER OF PRESENT | | QUARTER OF PREVIOUS | |
|----------|--|-----------------------|------|------------------------|---------|
| | | FINANCIAL YEAR | | FINANCIAL YEAR | |
| | | Amount | % | Amount | % |
| 1 | OPERATING REVENUES | 162,948,104 | 100 | 144,677,412 | 100 |
| 21 | DOMESTIC | 121,652,601 | 75 | 124,526,763 | 86 |
| 22 | FOREIGN | 41,295,503 | 25 | 20,150,649 | 14 |
| 23 | TRANSLATION INTO DOLLARS (***) | 3,855,465 | 2 | 1,731,168 | 1 |
| | | | | | |
| 6 | COMPREHENSIVE FINANCING COST | 5,335,900 | 100 | 144,169 | 100 |
| 24 | INTEREST EXPENSE | 7,726,451 | 145 | 7,196,441 | 4,992 |
| 25 | EXCHANGE LOSS | 3,400,130 | 64 | 0 | 0 |
| 26 | INTEREST INCOME | 3,810,289 | 71 | 4,080,823 | 2,831 |
| 27 | EXCHANGE GAIN | 0 | 0 | 26,989 | 19 |
| 28 | INCOME DUE TO MONETARY POSITION | (1,980,392) | (37) | (2,944,460) | (2,042) |
| 42 | RESTATEMENT OF UDIS'S LOSS | 0 | 0 | 0 | 0 |
| 43 | RESTATEMENT OF UDIS'S PROFIT | 0 | 0 | 0 | 0 |
| | | | | | |
| 8 | OTHER FINANCIAL OPERATIONS | 0 | 100 | 0 | 100 |
| 29 | OTHER INCOME AND EXPENSES, NET | 0 | 0 | 0 | 0 |
| 30 | LOSS (PROFIT) ON SALE OF OWN SHARES | 0 | 0 | 0 | 0 |
| | | | | | |

| | | | | | |
|-------|--|-------------|------|-------------|------|
| 31 | LOSS (PROFIT) ON SALE OF SHORT-TERM INVESTMENTS | 0 | 0 | 0 | 0 |
| 10 | PROVISION FOR INCOME TAX AND EMPLOYEE PROFIT SHARING | 14,424,334 | 100 | 15,689,852 | 100 |
| 32 | INCOME TAX | 13,974,403 | 97 | 15,578,123 | 99 |
| 33 | DEFERRED INCOME TAX | (2,413,754) | (17) | (2,804,445) | (18) |
| 34 | EMPLOYEE PROFIT SHARING | 2,863,685 | 20 | 2,916,174 | 19 |
| 35 | DEFERRED EMPLOYEE PROFIT SHARING | 0 | 0 | 0 | 0 |
| | | | | | |
| | | | | | |
| (***) | THOUSAND DOLLARS | | | | |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-06

CONSOLIDATED STATEMENTS OF INCOME

- OTHER CONCEPTS -

(Thousand Pesos)

Final printing

| REF R | CONCEPTS | QUARTER OF PRESENT FINANCIAL YEAR | QUARTER OF PREVIOUS FINANCIAL YEAR |
|----------|-------------------------|--------------------------------------|--|
| | | Amount | Amount |
| 36 | TOTAL REVENUES | 162,948,103 | 144,677,411 |
| 37 | NET INCOME | 0 | 0 |
| 38 | OPERATING REVENUES (**) | 162,948,104 | 144,677,412 |

| | | | |
|------|---------------------------------------|------------|------------|
| 39 | OPERATING INCOME (**) | 48,694,172 | 44,714,944 |
| 40 | NET INCOME OF MAJORITY INTEREST (**) | 28,179,868 | 28,412,238 |
| 41 | NET INCOME (**) | 28,998,790 | 28,762,242 |
| | | | |
| | | | |
| (**) | INFORMATION OF THE PAST TWELVE MONTHS | | |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-07

CONSOLIDATED STATEMENTS OF INCOME

- FROM OCTOBER 01 TO DECEMBER 31, 2005 & 2004 -

(Thousand Pesos)

Final printing

| REF RT | CONCEPTS | QUARTER OF PRESENT FINANCIAL YEAR | | QUARTER OF PREVIOUS FINANCIAL YEAR | |
|-----------|---|--------------------------------------|--------------------|---------------------------------------|-----|
| | | Amount | % | Amount | % |
| | | 1 | OPERATING REVENUES | 41,334,858 | 100 |
| 2 | COST OF SALES AND SERVICES | 21,895,888 | 53 | 22,665,812 | 53 |
| 3 | GROSS INCOME | 19,438,970 | 47 | 19,790,097 | 47 |
| 4 | OPERATING COST | 7,009,496 | 17 | 7,360,321 | 17 |
| 5 | OPERATING INCOME | 12,429,474 | 30 | 12,429,776 | 29 |
| 6 | COMPREHENSIVE FINANCING COST | 2,040,300 | 5 | (1,557,477) | (4) |
| 7 | INCOME AFTER COMPREHENSIVE FINANCING COST | 10,389,174 | 25 | 13,987,253 | 33 |
| 8 | OTHER FINANCIAL OPERATIONS | 0 | 0 | 0 | 0 |

| | | | | | |
|----|---|------------|----|------------|----|
| 9 | INCOME BEFORE INCOME TAX AND EMPLOYEE PROFIT SHARING | 10,389,174 | 25 | 13,987,253 | 33 |
| 10 | PROVISIONS FOR INCOME TAX AND EMPLOYEE PROFIT SHARING | 2,618,346 | 6 | 2,848,786 | 7 |
| 11 | INCOME AFTER INCOME TAX AND EMPLOYEE PROFIT SHARING | 7,770,828 | 19 | 11,138,467 | 26 |
| 12 | EQUITY IN RESULTS OF SUBSIDIARIES AND AFFILIATES | 123,806 | 0 | (39,822) | 0 |
| 13 | INCOME FROM CONTINUOUS OPERATIONS | 7,894,634 | 19 | 11,098,645 | 26 |
| 14 | INCOME FROM DISCONTINUOUS OPERATIONS, NET | 0 | 0 | 0 | 0 |
| 15 | NET INCOME BEFORE EXTRAORDINARY ITEMS | 7,894,634 | 19 | 11,098,645 | 26 |
| 16 | EXTRAORDINARY ITEMS NET EXPENDITURES (REVENUES) | 0 | 0 | 0 | 0 |
| 17 | NET EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | 0 | 0 | 0 | 0 |
| 18 | NET INCOME | 7,894,634 | 19 | 11,098,645 | 26 |
| 19 | MINORITY INTEREST | 115,042 | 0 | 325,519 | 1 |
| 20 | MAJORITY INTEREST | 7,779,592 | 19 | 10,773,126 | 25 |
| | | | | | |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-08

CONSOLIDATED STATEMENTS OF INCOME, FOURTH QUARTER

- BREAKDOWN OF MAIN CONCEPTS -

(Thousand Pesos)

Final printing

| REF RT | CONCEPTS | QUARTER OF PRESENT | | QUARTER OF PREVIOUS | |
|-----------|---|-----------------------|------|------------------------|-------|
| | | FINANCIAL YEAR | | FINANCIAL YEAR | |
| | | Amount | % | Amount | % |
| 1 | OPERATING REVENUES | 41,334,858 | 100 | 42,455,909 | 100 |
| 21 | DOMESTIC | 32,989,372 | 80 | 31,629,286 | 74 |
| 22 | FOREIGN | 8,345,486 | 20 | 10,826,623 | 26 |
| 23 | TRANSLATION INTO DOLLARS (***) | 863,044 | 2 | 954,200 | 2 |
| 6 | COMPREHENSIVE FINANCING COST | 2,040,300 | 100 | (1,557,477) | 100 |
| 24 | INTEREST EXPENSE | 1,936,248 | 95 | 2,594,134 | (167) |
| 25 | EXCHANGE LOSS | 1,607,421 | 79 | 0 | 0 |
| 26 | INTEREST INCOME | 636,986 | 31 | 2,282,137 | (147) |
| 27 | EXCHANGE GAIN | 0 | 0 | 477,965 | (31) |
| 28 | INCOME DUE TO MONETARY POSITION | (866,383) | (42) | (1,391,509) | 89 |
| 42 | RESTATEMENT OF UDI'S LOSS | 0 | 0 | 0 | 0 |
| 43 | RESTATEMENT OF UDI'S PROFIT | 0 | 0 | 0 | 0 |
| 8 | OTHER FINANCIAL OPERATIONS | 0 | 100 | 0 | 100 |
| 29 | OTHER INCOME AND EXPENSES, NET | 0 | 0 | 0 | 0 |
| 30 | LOSS (PROFIT) ON SALE OF OWN SHARES | 0 | 0 | 0 | 0 |
| 31 | LOSS (PROFIT) ON SALE OF SHORT-TERM INVESTMENTS | 0 | 0 | 0 | 0 |
| 10 | PROVISION FOR INCOME TAX AND EMPLOYEE PROFIT SHARING | 2,618,346 | 100 | 2,848,786 | 100 |
| 32 | INCOME TAX | 2,316,077 | 88 | 4,318,021 | 152 |
| 33 | DEFERRED INCOME TAX | (277,585) | (11) | (2,298,508) | (81) |
| 34 | EMPLOYEE PROFIT SHARING | 579,854 | 22 | 829,273 | 29 |
| 35 | DEFERRED EMPLOYEE PROFIT SHARING | 0 | 0 | 0 | 0 |
| (***) | THOUSANDS OF DOLLARS | | | | |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-09

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

- FROM OCTOBER 01 TO DECEMBER 31, 2005 & 2004 -

(Thousand Pesos)

Final printing

| REF C | CONCEPTS | QUARTER OF PRESENT FINANCIAL YEAR | QUARTER OF PREVIOUS FINANCIAL YEAR |
|----------|---|--|---|
| | | Amount | Amount |
| 1 | NET INCOME | 28,998,790 | 28,762,242 |
| 2 | ADD (DEDUCT) ITEMS NOT REQUIRING THE USE OF RESOURCES | 22,245,097 | 21,025,829 |
| 3 | CASH FLOW FROM NET INCOME FOR THE YEAR | 51,243,887 | 49,788,071 |
| 4 | CASH FLOW FROM CHANGES IN WORKING CAPITAL | (27,931) | 13,186,552 |
| 5 | RESOURCES PROVIDED BY OPERATING ACTIVITIES | 51,215,956 | 62,974,623 |
| 6 | CASH FLOW FROM OUTSIDE FINANCING | (1,093,963) | (1,051,276) |
| 7 | CASH FLOW FROM OWN FINANCING | (26,087,210) | (15,213,504) |
| 8 | RESOURCES PROVIDED BY FINANCING ACTIVITIES | (27,181,173) | (16,264,780) |
| 9 | RESOURCES PROVIDED BY INVESTMENT ACTIVITIES | (22,005,341) | (36,602,768) |
| 10 | NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS | 2,029,442 | 10,107,075 |
| 11 | CASH AND SHORT-TERM INVESTMENTS AT THE BEGINNING OF PERIOD | 21,181,620 | 11,074,545 |

| | | | |
|----|--|------------|------------|
| 12 | CASH AND SHORT-TERM INVESTMENTS AT THE END OF PERIOD | 23,211,062 | 21,181,620 |
|----|--|------------|------------|

MEXICAN STOCK EXCHANGE

Index

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-10

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

- BREAKDOWN OF MAIN CONCEPTS -

(Thousand Pesos)

Final printing

| REF C | CONCEPTS | QUARTER OF PRESENT FINANCIAL YEAR | QUARTER OF PREVIOUS FINANCIAL YEAR |
|----------|--|--|---|
| | | Amount | Amount |
| 2 | ADD (DEDUCT) ITEMS NOT REQUIRING THE USE OF RESOURCES | 22,245,097 | 21,025,828 |
| 13 | (+)DEPRECIATION AND AMORTIZATION FOR THE YEAR | 24,416,504 | 23,711,593 |
| 14 | +(-) NET INCREASE (DECREASE) IN PENSIONS FUND AND SENIORITY PREMIUMS | 0 | 0 |
| 15 | +(-) NET LOSS (PROFIT) IN MONEY EXCHANGE | 0 | 0 |
| 16 | +(-) NET LOSS (PROFIT) IN ASSETS AND LIABILITIES ACTUALIZATION | 0 | 0 |
| 17 | +(-) OTHER ITEMS | 0 | 0 |
| 40 | (+) OHTER ITMES NOT CONSIDERED FOR EBITDA CALCULATION | (2,171,407) | (2,685,765) |

| | | | |
|----|---|--------------|--------------|
| 4 | CASH FLOW FROM CHANGES IN WORKING CAPITAL | (27,931) | 13,186,552 |
| 18 | +(-) DECREASE (INCREASE) IN ACCOUNT RECEIVABLE | 1,278,894 | 2,215,856 |
| 19 | +(-) DECREASE (INCREASE) IN INVENTORIES | (813,334) | (331,863) |
| 20 | +(-) DECREASE (INCREASE) IN OTHER ACCOUNT RECEIVABLE AND OTHER ASSETS | 6,297,484 | 2,675,826 |
| 21 | +(-) INCREASE (DECREASE) IN SUPPLIERS ACCOUNT | 0 | 0 |
| 22 | +(-) INCREASE (DECREASE) IN OTHER LIABILITIES | (6,790,975) | 8,626,733 |
| 6 | CASH FLOW FROM OUTSIDE FINANCING | (1,093,963) | (1,051,276) |
| 23 | + SHORT-TERM BANK FINANCING AND DEBT SECURITIES | 24,545,229 | 49,273,468 |
| 24 | + LONG-TERM BANK FINANCING AND DEBT SECURITIES | 308,229 | 390,362 |
| 25 | + DIVIDEND RECEIVED | 0 | 0 |
| 26 | + OTHER FINANCING | 996,291 | 0 |
| 27 | (-) BANK FINANCING AMORTIZATION | (17,641,717) | (37,402,876) |
| 28 | (-) DEBT SECURITIES AMORTIZATION | (1,777,702) | (6,107,450) |
| 29 | (-) OTHER FINANCING AMORTIZATION | (7,524,293) | (7,204,780) |
| 7 | CASH FLOW FROM OWN FINANCING | (26,087,210) | (15,213,504) |
| 30 | +(-) INCREASE (DECREASE) IN CAPITAL STOCK | (1,398,331) | (1,163,684) |
| 31 | (-) DIVIDENDS PAID | (8,556,115) | (8,415,449) |
| 32 | + PREMIUM ON SALE OF SHARES | 0 | 6,973,137 |
| 33 | + CONTRIBUTION FOR FUTURE CAPITAL INCREASES | (16,132,764) | (12,607,508) |
| 9 | RESOURCES PROVIDED BY INVESTMENT ACTIVITIES | (22,005,341) | (36,602,768) |
| 34 | +(-) DECREASE (INCREASE) IN STOCK INVESTMENTS OF PERMANENT NATURE | (5,793,624) | (13,160,744) |
| 35 | (-) ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT | (23,064,977) | (19,514,699) |
| 36 | | 0 | 0 |

| | | | |
|----|--|-----------|-------------|
| | (-) INCREASE IN CONSTRUCTIONS IN PROCESS | | |
| 37 | + SALE OF OTHER PERMANENT INVESTMENTS | 43,470 | 0 |
| 38 | + SALE OF TANGIBLE FIXED ASSETS | 0 | 0 |
| 39 | +(-) OTHER ITEMS | 6,809,790 | (3,927,325) |

MEXICAN STOCK EXCHANGE

Index

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FI-01

RATIOS

- CONSOLIDATED INFORMATION -

(Thousand Pesos)

Final printing

| REF P | CONCEPTS | QUARTER OF PRESENT FINANCIAL YEAR | | QUARTER OF PREVIOUS FINANCIAL YEAR | |
|----------|---|-----------------------------------|---|------------------------------------|---|
| | | | | | |
| | YIELD | | | | |
| 1 | NET INCOME TO OPERATING REVENUES | 17.80 | % | 19.88 | % |
| 2 | NET INCOME TO STOCKHOLDERS' EQUITY (**) | 27.78 | % | 29.29 | % |
| 3 | NET INCOME TO TOTAL ASSETS (**) | 11.60 | % | 11.00 | % |
| 4 | CASH DIVIDENDS TO PREVIOUS YEAR NET INCOME | 30.11 | % | 34.49 | % |
| 5 | INCOME DUE TO MONETARY POSITION TO NET INCOME | 6.83 | % | 10.24 | % |
| | | | | | |

| | ACTIVITY | | | | |
|------|---|--------|-------|-------|-------|
| 6 | OPERATING REVENUES TO TOTAL ASSETS (**) | 0.65 | times | 0.55 | times |
| 7 | OPERATING REVENUES TO FIXED ASSETS (**) | 1.08 | times | 0.92 | times |
| 8 | INVENTORIES ROTATION (**) | 76.45 | times | 54.82 | times |
| 9 | ACCOUNTS RECEIVABLE IN DAYS OF SALES | 46 | days | 50 | days |
| 10 | INTEREST PAID TO TOTAL LIABILITIES WITH COST (**) | 8.49 | % | 6.66 | % |
| | LEVERAGE | | | | |
| 11 | TOTAL LIABILITIES TO TOTAL ASSETS | 55.46 | % | 57.38 | % |
| 12 | TOTAL LIABILITIES TO STOCKHOLDERS' EQUITY | 1.25 | times | 1.35 | times |
| 13 | FOREIGN CURRENCY LIABILITIES TO TOTAL LIABILITIES | 59.91 | % | 56.00 | % |
| 14 | LONG-TERM LIABILITIES TO FIXED ASSETS | 50.71 | % | 50.56 | % |
| 15 | OPERATING INCOME TO INTEREST EXPENSE | 6.30 | times | 7.22 | times |
| 16 | OPERATING REVENUES TO TOTAL LIABILITIES (**) | 1.18 | times | 0.96 | times |
| | LIQUIDITY | | | | |
| 17 | CURRENT ASSETS TO CURRENT LIABILITIES | 1.23 | times | 1.24 | times |
| 18 | CURRENT ASSETS LESS INVENTORY TO CURRENT LIABILITIES | 1.20 | times | 1.21 | times |
| 19 | CURRENT ASSETS TO TOTAL LIABILITIES | 0.40 | times | 0.41 | times |
| 20 | AVAILABLE ASSETS TO CURRENT LIABILITIES | 51.84 | % | 42.27 | % |
| | STATEMENT OF CHANGES IN FINANCIAL POSITION | | | | |
| 21 | CASH FLOW FROM NET INCOME TO OPERATING REVENUES | 31.45 | % | 34.41 | % |
| 22 | CASH FLOW FROM CHANGES IN WORKING CAPITAL TO OPERATING REVENUES | (0.02) | % | 9.11 | % |
| 23 | RESOURCES PROVIDED BY OPERATING ACTIVITIES TO INTEREST EXPENSES | 6.63 | times | 10.16 | times |
| 24 | OUTSIDE FINANCING TO RESOURCES PROVIDED BY FINANCING ACTIVITIES | 4.02 | % | 6.46 | % |
| 25 | OWN FINANCING TO RESOURCES PROVIDED BY FINANCING ACTIVITIES | 95.98 | % | 93.54 | % |
| 26 | ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT TO RESOURCES PROVIDED BY INVESTMENT ACTIVITIES | 104.82 | % | 53.31 | % |
| (**) | INFORMATION OF THE PAST TWELVE MONTHS | | | | |

MEXICAN STOCK EXCHANGE

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FI-02

DATA PER SHARE

- CONSOLIDATED INFORMATION -

(Thousand Pesos)

Final printing

| REF D | CONCEPTS | QUARTER OF PRESENT | | QUARTER OF PREVIOUS | |
|----------|---|-----------------------|--------|------------------------|--------|
| | | FINANCIAL YEAR | | FINANCIAL YEAR | |
| | | Amount | | Amount | |
| 1 | BASIC INCOME PER ORDINARY SHARE (**) | 1.28 | \$ | 1.20 | \$ |
| 2 | BASIC INCOME PER PREFERENT SHARE (**) | 0.00 | \$ | 0.00 | \$ |
| 3 | INCOME PER DILUTED SHARE (**) | 0.00 | \$ | 0.00 | \$ |
| 4 | INCOME FROM CONTINUOUS OPERATIONS PER ORDINARY SHARE (**) | 1.28 | \$ | 1.20 | \$ |
| 5 | EFFECT OF DISCONTINUOUS OPERATIONS ON INCOME FROM CONTINUOUS OPERATIONS PER ORDINARY SHARE (**) | 0.00 | \$ | 0.00 | \$ |
| 6 | EFFECT OF EXTRAORDINARY INCOME ON INCOME FROM CONTINUOUS OPERATIONS PER ORDINARY SHARE (**) | 0.00 | \$ | 0.00 | \$ |
| 7 | EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES ON INCOME FROM CONTINUOUS OPERATIONS PER ORDINARY SHARE (**) | 0.00 | \$ | 0.00 | \$ |
| 8 | CARRYING VALUE PER SHARE | 4.60 | \$ | 4.10 | \$ |
| 9 | ACUMULATED CASH DIVIDEND PER SHARE | 0.39 | \$ | 0.36 | \$ |
| 10 | SHARE DIVIDENDS PER SHARE | 0.00 | shares | 0.00 | shares |
| 11 | MARKET PRICE TO CARRYING VALUE | 2.86 | times | 2.70 | times |
| 12 | MARKET PRICE TO BASIC INCOME PER ORDINARY SHARE (**) | 10.27 | times | 9.22 | times |

| | | | | | |
|------|---|------|-------|------|-------|
| 13 | MARKET PRICE TO BASIC INCOME PER PREFERENT SHARE (**) | 0.00 | times | 0.00 | times |
| | | | | | |
| (**) | INFORMATION OF THE PAST TWELVE MONTHS | | | | |

MEXICAN STOCK EXCHANGE

Index

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 1

CHIEF EXECUTIVE OFFICER REPORT

Consolidated

Final printing

The analysis presented here includes the results of the subsidiaries in Latin America, including Embratel in the fourth quarter of 2004 and 2005.

- In the fourth quarter of 2005 Prodigy Infinitum (ADSL) services increased 84.4%, billed line equivalents for data increased 32.5% and lines in service increased 7%. Domestic long distance traffic increased 6.9%, outgoing international distance traffic increased 8.7% and local traffic increased 0.8%.
- In Mexico, the EBITDA margin for the twelve months was 51.7%, 0.7 percentage points higher than in 2004. The operating margin increased 1.8 percentage points reaching 36.5%. The consolidated EBITDA and operating margins were 44.9% and 29.9%, respectively.
- At Embratel, total revenues increased 4.2% in the fourth quarter, generating an EBITDA margin of 18.3% and an operating margin of 5.6%, compared with last year's 18.1% and 3.1%, respectively.

- For the twelve months, all of the operations in Latin American reflected revenue growth and positive EBITDA.
- For the twelve months, consolidated investment in the expansion and modernization of the telecommunications platform was 2.109 billion dollars. Of that total, 65.5% was invested in Mexico, 28.1% in Embratel and 6.4% in the rest of the companies in Latin America.
- The company's consolidated net debt (4) increased 12.3% or the equivalent of 692 million dollars, totaling 6.320 billion dollars.
- Earnings per share in the quarter were 0.35 pesos and 0.66 dollars per ADR. For the twelve months, earnings per share were 1.28 pesos and 2.39 dollars per ADR.

(4) Net debt defined as short-term liabilities plus long-term debt, less cash and equivalents.

Highlights

Increase of Funds for Share Repurchase: On November 28, 2005 TELMEX's Ordinary Shareholders' Meeting resolved to increase the amount of funds that can be allocated to purchase the Company's own shares by 10 billion pesos. At that date, the balance was approximately 10.149 billion pesos.

4.5 billion pesos Senior Notes:

In January 2006 TELMEX sold 4.5 billion pesos of 10-year, 8.75% Senior Notes due 2016 abroad. Approximately 62% of the Senior Notes were purchased by Mexican institutions. The Senior Notes were rated BBB+ by Standard & Poor's and A2 by Moody's.

Payment of Outstanding Balance of Senior Notes due 2006

In January 2006 the outstanding balance of the 1.5 billion dollars Senior Notes due 2006 was paid for the amount of 1.068 billion dollars

Consolidated

Income Statements

The analysis presented here includes the results of the subsidiaries in Latin America, including Embratel in the fourth quarter of 2004 and 2005.

Revenues

: In the fourth quarter, revenues from Teléfonos de México and its subsidiaries in Mexico and Latin America totaled 41,335 million pesos, a decrease of 2.6% compared with the same period of 2004 mainly due to the decrease of calling party pays, measured service and international long distance revenues. Of total consolidated revenues, voice revenues represented 75.4% and data transmission revenues represented 18.6%. For the twelve months, consolidated revenues totaled 162,948 million pesos, an increase of 12.6% compared with the same period of last year due to the incorporation of the subsidiaries in Latin America, mainly Embratel since August 2004.

Costs and expenses:

Costs and expenses in the fourth quarter totaled 28,906 million pesos, 3.7% lower than the same period of the previous year. For the full year, costs and expenses increased 14.3% totaling 114,254 million pesos as result of the consolidation of the subsidiaries in Latin America.

EBITDA (1) and operating income:

EBITDA (1) totaled 18,332 million pesos in the fourth quarter, 1.8% lower than the same period of 2004, producing an EBITDA margin of 44.3%. Operating income totaled 12,429 million pesos, at a similar level of the previous year, and the margin was 30.1% in the quarter. For the twelve months, EBITDA (1) and operating income were 73,111 and 48,694 million pesos, producing margins of 44.9% and 29.9%, respectively.

Comprehensive financing cost:

Comprehensive financing cost was 2,040 million pesos in the quarter. This result was due to a net exchange loss of 1,607 million pesos from hedges that eliminated the exchange risk of 88.5% of total debt, to a net charge of 1,299 million pesos for interest rate swaps that have allowed that 68.7% of consolidated debt to have a fixed rate, and accrued interest, and also to a gain of 866 million pesos in the monetary position. For the full year, comprehensive financing cost was 5,336 million pesos. The net interest rate in pesos was 7.7%.

Majority net income:

Majority net income totaled 7,780 million pesos in the fourth quarter, 27.8% lower than the same period of the previous year mainly due to higher comprehensive financing cost. For the twelve months, majority net income totaled 28,180 million pesos, 0.8% lower than last year. Earnings per share for the fourth quarter, based on the number of shares outstanding at December 31, 2005 (22,045,082,270 shares), were 0.35 pesos compared with 0.46 pesos per share in the same period a year ago, and earnings per ADR were 0.66 dollars compared with 0.78 dollars per ADR in last year's fourth quarter.

Investments:

In 2005, consolidated investments totaled 2.109 billion dollars. In Mexico, 1.382 billion dollars were invested, of which 51.9% was used to develop and expand the platform for new generation services and services for access to the data network, 40.3% for the expansion, maintenance and support of the telephone plant and 7.8% for social telephony.

In Embratel, investments totaled 593 million dollars, of which 20.6% were used for access infrastructure and local services, 27.1% in data and Internet services, 5.6% in network infrastructure, 26.5% in two satellites to replace the equipment scheduled to be removed from service in 2006 and 2007 and 20.2% on other items. In the rest of the operations in Latin America, 134 million dollars were used for the expansion and support of the infrastructure of the various companies.

Repurchase of shares

During the quarter, the company used 5,856 million pesos to repurchase 495,499,300 of its own shares.

Debt:

Gross total debt rose to the equivalent of 8.492 billion dollars compared with 7.993 billion dollars at December 31, 2004. The net increase of 499 million dollars or 6.2% primarily relates to the placement of Senior Notes for 1.750 billion dollars, the repurchase of 432 million dollars of the 1.5 billion dollars Senior Notes that matured in January 2006 and prepayments of approximately 700 million dollars of Embratel's debt. Of total gross debt, 16% is short-term, 90.8% is in foreign currency (11.5% considering currency hedges) and 51.2% carries a fixed rate (68.7% considering interest rate swaps). At December 31, 2005 TELMEX carried out interest rate swaps for 15,900 million pesos with a fixed average rate of 9% at an average term of 7 years, and currency hedges for 6.730 billion dollars, of which 93.9% is related to hedges of dollars to pesos and the rest to hedges of dollars to reais. At year-end, the average exchange rate for hedges was 11.09 pesos per dollar and 2.58 reais per dollar, and 67% of total hedges have a term of more than 12 months.

At December 31, 2005 the company's consolidated net debt (4) increased the equivalent of 692 million dollars to a total of 6.320 billion dollars.

Mexico Operating Results

Lines in service

At year-end, there were 18 million 375 thousand lines in service, an annual increase of 7%, as a result of 1 million 941 thousand connections and 739 thousand disconnections. For the twelve months, 1 million 202 thousand lines were added. In the fourth quarter, 239 thousand lines were added, reflecting 497 thousand connections and 258 thousand disconnections.

Local traffic

During the quarter, 6,638 million local calls were made, an increase of 0.8% compared with the same period of the previous year. For the twelve months, local calls totaled 26,680 million, 0.4% lower than the same period of last year, primarily due to higher wireless and Internet competition.

Long distance traffic

For the full year, domestic long distance traffic rose to 17,853 million minutes, an increase of 6.9%. In the fourth quarter, domestic long distance traffic totaled 4,478 million minutes, 6.9% higher than the same period of 2004. For the twelve months, international long distance outgoing minutes increased 6.8%, totaling 1,790 million minutes. Incoming international long distance minutes totaled 5,341 million minutes, 15.6% higher than the same period of 2004. The incoming-outgoing ratio was 3 to 1 in 2005. In the fourth quarter, international long distance outgoing minutes totaled 449 million minutes and international long distance incoming minutes were 1,562 million minutes, an increase of 8.7% and 28.5%, respectively.

Interconnection

Interconnection traffic totaled 34,796 million minutes in the twelve months, 14.9% more than in the same period of the previous year. For the full year, traffic originated by the cellular system and terminated on TELMEX's network increased 18.7%, interconnection traffic generated by local and long distance operators increased 18.2% and calling party pays interconnection traffic increased 2.8%. In the fourth quarter, interconnection traffic totaled 8,807 million minutes, an increase of 8.9% compared with the same period of 2004.

Corporate networks

In the twelve months, the corporate market of data transmission added 494 thousand billed line equivalents*. At December 31, 2005 TELMEX had 2 million 11 thousand billed line equivalents, 32.5% more than the same period of 2004. In the fourth quarter, 273 thousand billed line equivalents were added, 91% higher than the same period of the previous year.

Internet

At December 31, 2005 there were 2 million 116 thousand Internet access accounts, an annual increase of 21.5%. During the quarter, 91 thousand accounts were added and in the twelve months the gain was of 374 thousand accounts. High speed Prodigy Infinitum (ADSL) accounts totaled 1 million 33 thousand at the end of December, an annual increase of 84.4%. Contributing to that total, 473 thousand Prodigy Infinitum (ADSL) accounts were added in the twelve months and 129 thousand in the fourth quarter.

*64 Kbps billed line equivalents

Mexico Financial Results

Revenues

: For the full year, total revenues from operations in Mexico totaled 124,669 million pesos, 2.9% lower than the same period of the previous year. In the fourth quarter, the company's revenues totaled 31,844 million pesos, a decrease of

3.2% compared with the same period of the previous year, mainly due to lower international long distance and interconnection revenues.

- **Local**

: For the twelve months, local revenues decreased 3.6%. In the fourth quarter, local revenues decreased 1.8%, due to the decrease of local rates in real terms and lower local billed traffic.

- **DLD**

: For the full year, DLD revenues decreased 1.6%. In the quarter, DLD revenues increased 2.7% due to higher traffic volume.

- **ILD**

: In 2005, these revenues decreased 8.1% compared with last year even though incoming and outgoing traffic increased during the year. For the twelve months, ILD billed traffic revenues and international settlement revenues decreased 3% and 17%, respectively compared with the same period of 2004. In the fourth quarter, ILD revenues decreased 19.5% compared with the same period of the previous year. ILD billed traffic revenues totaled 1,597 million pesos, 6.1% lower than the same period of last year. International settlement revenues totaled 797 million pesos, 37.4% lower than the fourth quarter of the previous year, in part because the settlement rate decreased 32.1% and also due to a favorable outcome regarding a settlement payment that TELMEX received from international operators in the fourth quarter of 2004 of 279 million pesos. In both cases, revenues declined because incoming and outgoing traffic did not offset the rate reduction per minute in real terms.

- **Interconnection**

: For the twelve months, interconnection revenues decreased 10% due to the decrease of 10.9% in calling party pays revenues and also for the appreciation of the exchange rate that generated lower interconnection revenues from international long distance operators that declined 4.2%. In the fourth quarter, interconnection revenues decreased 15.9%, mainly due to the above mentioned reasons.

- **Corporate networks**

: Revenues from services related to data transmission through private and managed networks increased 3.5% in the twelve months and 2.9% in the fourth quarter due to the increase in billed line equivalents in operation.

- **Internet:**

Revenues from services related to the Internet platform rose 17.3% in the twelve months and 17% in the fourth quarter due to the increase in the number of Prodigy Infinitum (ADSL) customers.

Costs and expenses:

For the full year, costs and expenses from the operations in Mexico totaled 79,104 million pesos, an annual decrease of 5.6%. This decrease was due to lower commercial, administrative and general expenses, lower interconnection costs related to the reduction of the calling party pays rate, and lower depreciation and amortization. In the fourth quarter, total costs and expenses totaled 19,859 million pesos, 4% lower than the same period of 2004.

- **Cost of sales and services:**

For the full year, cost of sales and services totaled 29,481 million pesos, a decrease of 4% mainly due to the change in the accounting policy for PC costs related to Internet services that represented 1.6%, and to the reduction of the settlement cost. In the fourth quarter, cost of sales and services decreased 6.2% totaling 7,484 million pesos.

- **Commercial, administrative and general:**

Commercial, administrative and general expenses decreased 1.4% totaling 18,422 million pesos in 2005 due to lower advertising and prepaid cards expenses, among others. In the fourth quarter, commercial, administrative and general expenses decreased 2.3%

- **Transport and interconnection:**

For the full year, transport and interconnection costs were 12,331 million pesos reflecting a decrease of 1,210 million pesos or 8.9% due to the reduction of the calling party pays rate. In the fourth quarter, transport and interconnection costs totaled 3,180 million pesos, 3.8% lower than the same period of the previous year.

- **Depreciation and amortization:**

For the twelve months, depreciation and amortization decreased 9.5% totaling 18,870 million pesos due to a lower level of assets to be depreciated and to the impact of the appreciation of the exchange rate. In the fourth quarter, depreciation and amortization totaled 4,581 million pesos, a decrease of 2.2%.

EBITDA (1) and operating income:

EBITDA (1) totaled 64,435 million pesos in the twelve months. The EBITDA margin was 51.7%; an increase of 0.7 percentage points compared with last year. Operating income totaled 45,565 million pesos and the operating margin was 36.5% in twelve months, an increase of 1.8 percentage points compared with the same period of the previous year. In the fourth quarter, EBITDA (1) totaled 16,566 million pesos, producing a margin of 52%. The operating margin for the quarter was 37.6%, reflecting operating income of 11,985 million pesos.

Investments:

In Mexico total investments were 1.382 billion dollars, of which 51.9% was used for the development and expansion of new generation services platforms and services related to transport and access the data network. Additionally,

40.3% was invested in expansion, maintenance and support of the telephone plant and 7.8% in social telephony.

Debt:

Gross total debt rose to the equivalent of 7.8 billion dollars. Of the debt, 16.1% is short-term, 90.5% is in foreign currency (9.5% considering currency hedges), and 51.3% carries a fixed rate (70.3% considering interest rate swaps).

Net indebtedness (4) in Mexico increased 25.3% to 5.906 billion dollars, related to the placement of Senior Notes of 1.750 billion dollars and the repurchase of 432 million dollars of the 1.5 billion dollars Senior Notes issued in January 2001 that matured in January 2006.

Latin America Financial Results

The following financial information is presented in the local currency of the country in which each Latin American subsidiary operates, according to each country's generally accepted accounting principles, and is based on continuing operations before eliminating inter-company operations among companies of the TELMEX Group.

Brazil

For the full year, revenues from the operations in Brazil that include 12 months of TELMEX do Brasil totaled 7,689 million reais, 2.9% higher than the same period of 2004. The increase in revenues was mainly due to higher revenues from the data and local businesses. Data and Internet services represented 25% of total revenues and increased 7.2%. For the full year, costs and expenses totaled 7,065 million reais, 2.5% lower than in 2004. Costs of sales and services increased 4.7% and totaled 752 million reais, explained by charges related to network maintenance (out of guarantee equipment) and software licenses. Transport and interconnection costs decreased 0.1% and represented 48.3% of total costs and expenses. Commercial, administrative and general expenses decreased 7% in the twelve months. For the twelve months, operating income rose to 664 million reais compared with operating income of 231 million reais in 2004. The operating margin was 8.6%. EBITDA (1) totaled 1,728 million reais, producing a margin of 22.5%, compared with EBITDA (1) of 1,409 million reais and a margin of 18.8% in 2004. Net income for the full year was 187 million reais that favorably compares with a net loss of 453 million reais in 2004.

In the fourth quarter, revenues totaled 1,948 million reais, an increase of 2.8% compared with the same period of the previous year. Costs and expenses in the quarter increased 2.4% and totaled 1,877 million reais. In the fourth quarter of 2005, Embratel recognized charges related to FUST (Telecommunications Service Universal Fund) tax for 66 million reais, charges for account conciliation for 36 million reais and provisions for contingencies for 15 million reais. Operating income was 111 million reais, an increase of 76.8% producing a margin of 5.7%. EBITDA (1) reached 357 million reais, 3% higher than last year's fourth quarter, with a margin of 18.3%

Chile

In 2005, revenues from the operations in Chile totaled 65,000 million Chilean pesos, 9.2% higher than the previous year. Costs and expenses were 62,351 million Chilean pesos, 1% lower than in 2004. EBITDA (1) totaled 13,128 million Chilean pesos, producing a margin of 20.2%. Operating income for the twelve months was 2,649 million Chilean pesos with a margin of 4.1%.

In the fourth quarter, revenues were 16,207 million Chilean pesos, 1.1% higher than in the same period of 2004. The voice business, representing 66.4% of total revenues, benefited from higher local traffic levels. Costs and expenses totaled 15,803 million Chilean pesos, 0.8% lower than the fourth quarter of last year. Transport and interconnection decreased 3.1%, and commercial, administrative and general expenses increased 3%. In Chile, operating income reached 404 million Chilean pesos compared with operating income of 101 million Chilean pesos in the same quarter of 2004. The operating margin was 2.5% in the fourth quarter of 2005 compared with an operating margin of 0.6% in the same period of 2004. EBITDA (1) in the quarter was 3,078 million Chilean pesos compared with 2,650 million Chilean pesos in the same period of 2004 with margins of 19% and 16.5%, respectively.

Argentina

For the full year, revenues from the operations in Argentina totaled 301 million Argentinean pesos, 30.6% higher than in 2004. The voice business, which produced 53.4% of total revenues, increased 29.5% due to higher interconnection and long distance revenues. The corporate networks and Internet businesses, which represented 46% of total revenues, increased 40.3% due to the addition of several corporate customers as well as monitoring regional managed networks of the TELMEX Group. Operating costs and expenses increased 16.7% and totaled 300 million Argentinean pesos in the twelve months. Transport and interconnection cost had the highest rate of increase, at 26.7%, and represented 47.8% of total costs and expenses. In the year, operating income totaled 1 million Argentinean pesos compared with an operating loss of 27 million Argentinean pesos last year'. The operating margin was 0.3%. For twelve months, EBITDA (1) totaled 31 million Argentinean pesos, compared with 15 million Argentinean pesos in the same period of 2004.

In the fourth quarter, revenues were 84 million Argentinean pesos, 22.7 higher than the same quarter of 2004. Operating costs and expenses totaled 91 million Argentinean pesos, 23% higher than the fourth quarter of last year due to higher advertising and transport and interconnection costs. In the period, EBITDA was negative in 1.1 million Argentinean pesos compared with 6.2 million Argentinean pesos in the fourth quarter of 2004 with margins of negative 1.3% and positive 9%, respectively.

Colombia

Revenues from these operations during 2005 totaled 112,843 million Colombian pesos, 38.8% higher than in 2004. Most of the revenues in Colombia are comprised of services related to data transmission; therefore the increase in revenues was due to the higher number of line equivalents. Costs and expenses increased 12.3%. Among total costs and expenses, 30.3% related to transport and interconnection and reflected an increase of 41.2%. Commercial, administrative and general expenses increased 10.4% and represented 21.2% of total costs and expenses. Depreciation in the twelve months decreased 15.1%. Operating income in the twelve months totaled 21,582 million Colombian pesos compared with an operating loss of 189 million Colombian pesos last year. The operating margin was 19.1%. EBITDA (1) totaled 44,858 million Colombian pesos for the full year and produced a margin of 39.8%, compared with EBITDA (1) of 27,220 million Colombian pesos and a margin of 33.5% in the same period of 2004.

In the fourth quarter, revenues reached 35,769 million Colombian pesos, an increase of 71.7% compared with the same period of 2004. Costs and expenses increased 24.9% and totaled 26,531 million Colombian pesos. Depreciation decreased 15.7% in the quarter. Operating income and EBITDA (1) for the quarter totaled 9,239 million Colombian pesos and 16,053 million Colombian pesos, with margins of 25.8% and 44.9%, respectively.

Peru

In the twelve months, revenues from operations in Peru totaled 185 million New Soles, 17.8% higher than the previous year. Costs and expenses for the full year were 186 million New Soles 0.8% higher than last year. The operating loss was 1 million New Soles and EBITDA (1) was 45 million New Soles producing a margin of 24.5%.

In the fourth quarter, revenues totaled 52 million New Soles, 34.1% higher than the same period of 2004. The voice business, which represented 64.1% of total revenues, increased 40.4% due to growth in local traffic, mainly from the increase in digital trunks serving the corporate market, as well as interconnection traffic. Costs and expenses in the quarter decreased 7.2% because depreciation decreased 47%. Cost control initiatives only allowed a 1% increase in commercial, administrative and general expenses. Operating income for the quarter totaled 2 million New Soles compared with an operating loss of 16 million New Soles in the same period of 2004. The operating margin for the quarter was 2.9%. EBITDA (1) totaled 14 million New Soles in the fourth quarter producing a margin of 27% compared with EBITDA (1) of 8 million New Soles and a margin of 20.6% in the fourth quarter of last year.

Mexico Local and Long Distance Accounting Separation

Based on Condition 7-5 of the Amendments of the Concession Title of Teléfonos de México, the commitment to present the accounting of the local and long distance services is presented below for the fourth quarter of 2005 and 2004.

Mexico Local Service Business

Income Statements

[millions of Mexican constant pesos as of December 2005]

| | 4Q 2005 | | 4Q 2004 | | % Inc. | 12 months 2005 | | 12 months 2005 | | % Inc. |
|--|---------|---------------|---------|---------------|--------------|----------------------|---------------|----------------------|---------------|--------------|
| Revenues | | | | | | | | | | |
| Access, rent and measured service | Ps. | 13,666 | Ps. | 13,973 | (2.2) | Ps. | 55,530 | Ps. | 57,684 | (3.7) |
| Recovery of LADA special projects | | - | | 71 | NA | | - | | 1,845 | NA |
| LADA interconnection | | 1,060 | | 1,105 | (4.1) | | 4,224 | | 4,462 | (5.3) |
| Interconnection with operators | | 246 | | 365 | (32.6) | | 1,424 | | 1,485 | (4.1) |
| Interconnection with cellular | | 3,884 | | 4,456 | (12.8) | | 15,916 | | 17,859 | (10.9) |
| Other | | 2,526 | | 2,303 | 9.7 | | 8,896 | | 9,195 | (3.3) |
| Total | | 21,382 | | 22,273 | (4.0) | | 85,990 | | 92,530 | (7.1) |
| Costs and expenses | | | | | | | | | | |
| Cost of sales and services | | 5,360 | | 5,860 | (8.5) | | 21,789 | | 21,758 | 0.1 |
| Commercial, administrative and general | | 3,692 | | 3,486 | 5.9 | | 15,193 | | 15,376 | (1.2) |

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| | | | | | | | | | | |
|-------------------------------|-----|--------|-----|--------|-------|-----|--------|-----|--------|--------|
| Interconnection | | 3,051 | | 3,268 | (6.6) | | 12,017 | | 13,367 | (10.1) |
| Depreciation and amortization | | 3,000 | | 3,143 | (4.5) | | 12,591 | | 13,973 | (9.9) |
| Total | | 15,103 | | 15,757 | (4.2) | | 61,590 | | 64,474 | (4.5) |
| Operating income | Ps. | 6,279 | Ps. | 6,516 | (3.6) | Ps. | 24,400 | Ps. | 28,056 | (13.0) |
| EBITDA (1) | Ps. | 9,279 | Ps. | 9,659 | (3.9) | Ps. | 36,991 | Ps. | 42,029 | (12.0) |
| EBITDA margin (%) | | 43.4 | | 43.4 | 0.0 | | 43.0 | | 45.4 | (2.4) |
| Operating margin (%) | | 29.4 | | 29.3 | 0.1 | | 28.4 | | 30.3 | (1.9) |

Mexico Long Distance Service Business

Income Statements

[millions of Mexican constant pesos as of December 2005]

| | | 4Q 2005 | | 4Q 2004 | % Inc. | | 12 months 2005 | | 12 months 2005 | % Inc. |
|--|-----|---------|-----|---------|-----------|-----|----------------------|-----|----------------------|-----------|
| Revenues | | | | | | | | | | |
| Domestic long distance | Ps. | 4,142 | Ps. | 4,203 | (1.5) | Ps. | 16,661 | Ps. | 16,942 | (1.7) |
| International long distance | | 2,099 | | 2,605 | (19.4) | | 8,555 | | 9,401 | (9.0) |
| Total | | 6,241 | | 6,808 | (8.3) | | 25,216 | | 26,343 | (4.3) |
| Costs and expenses | | | | | | | | | | |
| Cost of sales and services | | 1,340 | | 1,437 | (6.8) | | 5,416 | | 5,953 | (9.0) |
| Commercial, administrative and general | | 1,372 | | 1,445 | (5.1) | | 5,181 | | 5,097 | 1.6 |
| Interconnection to the local network | | 931 | | 971 | (4.1) | | 3,720 | | 4,000 | (7.0) |
| Cost of LADA special projects | | - | | 55 | NA | | - | | 1,640 | NA |
| Depreciation and amortization | | 629 | | 615 | 2.3 | | 2,582 | | 2,868 | (10.0) |
| Total | | 4,272 | | 4,523 | (5.5) | | 16,899 | | 19,558 | (13.6) |
| Operating income | Ps. | 1,969 | Ps. | 2,285 | (13.8) | Ps. | 8,317 | Ps. | 6,785 | 22.6 |
| EBITDA (1) | Ps. | 2,598 | Ps. | 2,900 | (10.4) | Ps. | 10,899 | Ps. | 9,653 | 12.9 |
| EBITDA margin (%) | | 41.6 | | 42.6 | (1.0) | | 43.2 | | 36.6 | 6.6 |
| Operating margin (%) | | 31.5 | | 33.6 | (2.1) | | 33.0 | | 25.8 | 7.2 |

MEXICAN STOCK EXCHANGE

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousand Pesos)

Consolidated

Final printing

S 12 PLANT, PROPERTY AND EQUIPMENT (NET)

Following, is provided the breakdown for the fixed assets included for the fourth quarter of 2005 by the specific index method and the NCPI ("Mexican National Consumer Price Index"), starting with the appraised values at December 31, 1996 (NCPI 5th. Document).

| CONCEPT | INDEX | NCPI 5 th . DOCUMENT |
|--|--------------------|------------------------------------|
| | | |
| Investment | Ps. 428,487,541 | Ps. 488,262,920 |
| Accumulated Depreciation | (286,522,407) | (338,647,925) |
| Construction in process and advances to equipment suppliers | 8,611,676 | 8,605,332 |
| | | |
| Total | 150,576,810 | 158,220,327 |
| | | |
| Results | 23,527,412 | 26,390,380 |

S 19 OTHER ASSETS

This item rose to

\$ 24,729,874 and \$ 28,734,647 at December 31, 2005 and 2004, respectively, and is comprised by the following concepts:

| | 2005 | 2004 |
|----------------------------|------------------|------------------|
| Inventories | Ps. 2,252,484 | Ps. 2,258,814 |
| Projected net Asset D-3 | 22,477,390 | 26,475,833 |

INVENTORIES

They are used for the operation of the telephone plant and are valued by the average cost method and are updated based on the specific index method, without exceeding their market value.

PROJECTED NET ASSET (D-3):

At

December 31, 2005 and 2004, the market value of the established pensions and seniority premium fund was greater than the Accumulated Benefit Obligation (ABO) in Mexico, accordingly with Bulletin D-3 "Labor Obligations" issued by the Mexican Institute of Public Accountants, it is not recognized neither any additional liability nor the related intangible asset and effect of labor obligations on stockholders' equity. As a result of the foregoing, the balance sheet presents a projected net asset.

S 23 AND S 28 BANK LOANS

In this item, supplier's credits are included in bank credits. The supplier's credits are reclassified to bank loans because in this document, sific/ics, long-term opening to supplier's does not exist.

On October 20, 2005, TELMEX signed an agreement to restructure the syndicated bank loan issued on July 15, 2004 for 2.425 billion dollars to improve the credit conditions and increase the total amount to 2.5 billion dollars in two

tranches, the first one for 1.5 billion dollars due in four years and the second one for 1 billion dollars due in six years.

S 24 AND S 29 STOCK MARKET LOANS

During 2001, TELMEX issued senior notes for U.S.\$1,500 million, maturing in 2006 and bearing 8.25% annual; interest payable semi-annually. From January to December, 2005, TELMEX repurchased in the market a portion of these senior notes in the amount of U.S. \$431.6 million (nominal value). The difference between the repurchase price and the nominal value of the bonds is U.S.\$ 15.6 million. On January 26, 2006, Telmex paid the outstanding balance that amounted U.S.\$1,068.4 million.

On November 19, 2003 TELMEX issued a bond for U.S.\$ 1,000 million due 2008, with an annual; interest of 4.5%. Interest will be paid every six months.

On January 27, 2005 TELMEX placed senior notes in aggregate principal amount of U.S.\$1.3 billion in two issuances of U.S.\$650 million each, the first one maturing in 2010 and bearing interest at 4.75% annual and the second one maturing in 2015 and bearing interest at 5.50% annual. Interest will be paid every six months. On February 22, 2005 there was a reopening of this transaction and the amounts of such issuances increased to U.S. \$950 and U.S. \$800 million, respectively.

On January 31, 2006, TELMEX placed abroad a senior note in the amount of Ps. 4,500 million, maturing in 2016 and bearing interest at 8.75%. Interest will be paid every six months.

S 26 OTHER CURRENT LIABILITIES

At December 31, 2005 and 2004, this item rose to Ps. 28,498,993 and Ps. 29,293,355 respectively and is comprised by the following concepts:

| | 2005 | 2004 |
|---------------------------|-------------------|-------------------|
| A c c o u n t s payable | Ps. 16,628,350 | Ps. 18,593,941 |
| A c c r u e d liabilities | 9,928,831 | 8,563,516 |
| D e f e r r e d credits | 1,941,812 | 2,135,898 |

Short-term deferred credits consist of not accrued accounts receivable and advanced payments from customers and others.

S 29 STOCK MARKET LOANS (LONG-TERM)

At December 31, 2005 and 2004, this item rose to \$

36,054,975 and \$ **35,919,575**, respectively and is comprised by the following:

| | 2005 | 2004 |
|-----------------------|--------------|---------------|
| Domestic Senior Notes | Ps 6,600,000 | Ps. 6,819,780 |
| Bonds | 29,454,975 | 29,099,795 |

S 31 DEFERRED CREDITS

At December 31, 2005 and 2004, this item rose to Ps.

15,504,902 and Ps. **18,704,438**, respectively and corresponds to deferred taxes in Mexico, based on the requirements of Bulletin D-4, issued by the Mexican Institute of Public Accountants.

S 32 OTHER LIABILITIES

At December 31, 2005 and 2004, this item rose to Ps. 1,855,081

and Ps. **1,782,000**, respectively, that corresponds to Embratel's labor obligations, as well as the actuarial obligations for labor termination of TELMEX in the amount of Ps. 139,520, based on the requirements of Bulletin D-3 "Labor Obligations".

S 42 RETAINED EARNINGS AND CAPITAL RESERVES

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At December 31, 2005 and 2004, this item rose to Ps.

96,968,593 and Ps. 88,698,475, respectively and is comprised by the following concepts:

| | 2005 | 2004 |
|--|-------------------|-------------------|
| Legal reserve | Ps. 19,225,999 | Ps. 18,616,818 |
| Unappropriated earnings of prior years | 77,742,594 | 70,081,657 |

From January to December 2005, the Company acquired

1,577.6 million Series "L" shares for Ps. 17,214,265 (historical cost of Ps. 16,926,983) and 6.2 million Series "A" shares for Ps. 67,029 (historical cost of Ps. 65,761).

From January to December 2004, the Company acquired

1,415.7 million Series "L" shares for Ps. 14,322,103 (historical cost of Ps. 13,482,173) and 3.4 million Series "A" shares for Ps. 34,137 (historical cost of Ps. 32,134).

For comparative purposes, there was applied retroactively a two-for-one stock split effect, as approved by the Extraordinary Shareholders Meeting as of April 28, 2005 and effective as of May 25, 2005, to the shares acquired in both years.

The Company's repurchased shares are applied to unappropriated retained earnings in the amount the corresponding shares purchased exceeded capital stock.

S 44 EXCESS (SHORTFALL) IN RESTATEMENT OF STOCKHOLDERS EQUITY

At December 31, 2005 and 2004, this item rose to Ps. (

70,621,423) and Ps. (68,425,630), respectively and is comprised in the following manner:

| | 2005 | 2004 |
|--|---------------------|---------------------|
| Accumulated monetary position loss | Ps. (14,044,315) | Ps. (14,044,315) |
| Result from holding non-monetary assets, net of deferred taxes | (57,633,163) | (55,176,255) |
| Fair value effect in Swaps, net of deferred taxes | 150,120 | |
| Conversion effect | 905,935 | 794,940 |
| | | |

S 73 PENSION FUND AND SENIORITY PREMIUMS

The Company grants pensions and seniority premiums that are established in defined pension plans that cover substantially all employees in Mexico.

Pension benefits are determined on the basis of compensation to employees in their final year employment, their seniority, and their age at the time of retirement.

The Company established an irrevocable trust fund to cover the payment of these obligations and has the policy of making annual contributions to such fund. These contributions are deductible for Mexican corporate income tax purposes. During the year, there has not been contributions to the trust fund.

The transition liability, past services and variations in assumptions are being amortized over a period of twelve years, that is the estimated average remaining working-life of the Company's employees.

S49 GOODWILL

The increase of Ps. 4,276,284 is mainly due to the goodwill for the acquisition of 37.11% of Net Servicios de Comunicaciones, S.A. and the acquisition of 100% of Primesys Soluciones Empresariales, S.A.

S77 OUTSTANDING SHARES

It considers the retroactive effect of the 2 for 1 stock split that was resolved by the Extraordinary Shareholders Meeting held on April 28, 2005 that was carried out on May 25, 2005.

COMPREHENSIVE INCOME

At December 31, 2005 and 2004 this item rose to Ps.

24,802,117 and Ps. 27,863,783, respectively by the application of Bulletin B-4 comprehensive income; and is comprised by the following:

| | 2005 | 2004 |
|--|----------------|----------------|
| Net income for the period | Ps. 28,998,790 | Ps. 28,762,242 |
| Result from holding non-monetary assets, net of deferred taxes | (6,194,486) | (2,625,149) |
| Fair value effect in Swaps, net of deferred taxes | (165,288) | 0 |
| Effect of instruments available for sale | 1,141,668 | (1,141,668) |
| Conversion effect | 1,021,433 | 2,868,358 |
| | | |
| Comprehensive Income | 24,802,117 | 27,863,783 |

NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

C 39 OTHER ITEMS

Includes inventories for operation of the telephone plant, marketable securities and instruments available for sale, deferred assets, as well as decreases of fixed assets.

RATIOS

P 08 INVENTORY TURNOVER RATE-COST

The SIFI/ICS system automatically calculates the inventory turnover rate-cost by dividing the cost of sales and services (Ref. R 2) by the inventory of goods for sale (Ref. S 6), fact that affects the actual turnover.

COMPANY'S ACTIVITIES

A.- RECLASIFICACIONES

Some of the figures of the 2004 financial statements have been reclassified to conform the presentation with the same used in the 2005 year.

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 3

SHARE INVESTMENTS

Consolidated

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| COMPANY NAME | MAIN ACTIVITIES | NUMBER OF SHARES | OWNERSHIP % | TOTAL AMOUNT (Thousand Pesos) |
|--------------|-----------------|------------------|----------------|----------------------------------|
|--------------|-----------------|------------------|----------------|----------------------------------|

| | | | | | ACQUISITION COST | PRESENT VALUE |
|--------------|---|--|-----------------|--------|------------------|---------------|
| SUBSIDIARIES | | | | | | |
| 1 | Consertel, S.A. de C.V. | Investments in all types of businesses | 106,419,052,433 | 100.00 | 28,374,507 | 44,242,668 |
| 2 | Cía. de Teléfonos y Bienes Raíces, S.A. de C.V. | Real estate acquisition & leasing | 1,034,000,000 | 100.00 | 1,040,903 | 7,700,857 |
| 3 | Alquiladora de Casas, S.A. de C.V. | Real estate acquisition & leasing | 686,001,490 | 100.00 | 702,096 | 3,372,780 |
| 4 | Construcciones y Canalizaciones, S.A. de C.V. | Construction & maint. of telephone network | 28,369,000 | 100.00 | 28,636 | 552,478 |
| 5 | Empresa de Limpieza Mexicana, S.A. de C.V. | Cleaning Service Company | 50 | 100.00 | 49 | 62 |
| 6 | Renta de Equipo, S.A. de C.V. | Equipment, vehicles & real estate leasing | 769,595,000 | 100.00 | 769,645 | 909,574 |
| 7 | Multicomunicación Integral, S.A. de C.V. | Trunking, installation & sales services | 186,000,000 | 100.00 | 137,877 | 176,524 |
| 8 | Teleconstructora, S.A. de C.V. | Construction & maint. of telephone network | 19,400,000 | 100.00 | 19,397 | 124,978 |
| 9 | Anuncios en Directorios, S.A. de C.V. | Sale of advertising space in yellow pages | 1,081,750 | 100.00 | 1,240 | 72,796 |
| 10 | Operadora Mercantil, S.A. de C.V. | Marketing services | 50,000 | 100.00 | 54 | 1,459 |
| 11 | Impulsora Mexicana de Telecomunicaciones, S.A. | Network projects | 4,602,225 | 100.00 | 4,602 | 31,270 |
| 12 | Fuerza y Clima, S.A. de C.V. | Air conditioning installation & maint. | 4,925,000 | 100.00 | 4,944 | 78,643 |
| 13 | Teléfonos del Noroeste, S.A. de C.V. | Telecommunications services | 110,000,000 | 100.00 | 75,279 | 953,096 |
| 14 | Aerocomunicaciones, S.A. de C.V. | Aeronautic radiocom. mobile serv. | 89,024,750 | 99.99 | 89,025 | 98,145 |
| 15 | Tecmarketing, S.A. de C.V. | Telemarketing services | 6,850,000 | 100.00 | 138,972 | 202,274 |

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| | | | | | | |
|----|--|--|-----------------|--------|------------|-------------|
| 16 | Comertel Argos, S.A. de C.V. | Personnel services | 6,000 | 100.00 | 13 | 2,936 |
| 17 | Telmex International, Inc. | Holding Company in the U S A. | 10 | 100.00 | 384,813 | 438,624 |
| 18 | Instituto Tecnológico de Teléfonos de México, A.C | Trainning & research services | 1,000 | 100.00 | 1 | 4 |
| 19 | Buscatel, S.A. de C.V. | Paging services | 111,645 | 100.00 | 142,445 | 278,169 |
| 20 | Consortio Red Uno, S.A. de C.V. | Design & integrated telecom. Services | 167,691,377 | 100.00 | 360,533 | 593,471 |
| 21 | Uninet, S.A. de C.V. | Data transmission services | 67,559,613 | 100.00 | 6,755,961 | 7,706,592 |
| 22 | Aerofrisco, S.A. de C.V. | Air Taxi services | 4,666,076,200 | 100.00 | 633,989 | 922,025 |
| 23 | Grupo Técnico de Administración, S.A. de C.V. | Management, consulting & org. Services | 61,952 | 100.00 | 62 | 74 |
| 24 | Teninver, S.A. de C.V. | Managment of yellow pages | 10,717,043 | 100.00 | 794,461 | 1,978,336 |
| 25 | Telcoser, S.A. de C.V. | Investments in all types of businesses | 5,474,494 | 100.00 | 24,842,214 | 25,854,694 |
| 26 | Fintel Holdings, L.L.C. | Investments in all types of businesses | 100 | 100.00 | 165 | 171 |
| 27 | Servicios Administrativos Tecmarketing, S.A. de C.V. | Software development, sales & management | 25,167,872 | 100.00 | 60,714 | 62,030 |
| 28 | Metrored Holding S. de R. L. | Telecommunications services | 12,000 | 100.00 | 2,218,191 | 1,125,822 |
| 29 | Telmex Chile Holding S.A. | Telecommunications services | 122,525,375,256 | 100.00 | 1,895,679 | 3,065,136 |
| 30 | Telmex Colombia S. A. | Telecommunications services | 164,659,136 | 100.00 | 286,701 | 953,308 |
| 31 | Telmex Perú S. A. | Telecommunications services | 3,862,055 | 100.00 | 858,597 | 1,253,819 |
| 32 | Embratel Participacoes, S.A. | Telecommunications services | 715,018,262,899 | 72.31 | 14,436,745 | 43,236,607 |
| | Other Subsidiaries () No. Subsidiaries () | | | | | |
| | TOTAL INVESTMENT IN SUBSIDIARIES | | | | 85,058,510 | 145,989,422 |
| | | | | | | |
| | ASSOCIATES | | | | | |
| | | | | | | |

| | | | | | | |
|---|---|---------------------------------|---------------|-------|-----------|-------------|
| 1 | Grupo Telvista, S.A. de C.V. | Telemarketing in Mexico and USA | 450 | 45.00 | 510,138 | 381,157 |
| 2 | Centro Histórico de la Ciudad de México, SA de CV | Real estate services | 80,020,000 | 21.77 | 80,020 | 107,121 |
| 3 | TM & MS, LLC | Internet portal (T1MSN) | 1 | 50.00 | 29,621 | 29,862 |
| 4 | Net Serviços de Comunicações, S.A. | Cable TV operator | 1,466,390,025 | 37.11 | 3,656,996 | 230,344 |
| 5 | Eidon Software, S.A. de C.V. | Software development | 142,271,642 | 25.00 | 35,568 | 48,748 |
| | Other Associates () No. Associates () | | | | | |
| | TOTAL INVESTMENT IN ASSOCIATES | | | | 4,312,343 | 797,232 |
| | OTHER PERMANENT INVESTMENTS | | | | | 6,870 |
| | TOTAL | | | | | 146,793,524 |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 5

CREDITS BREAKDOWN

(Thousand Pesos)

Consolidated

Final printing

| Amortization Date | Rate of Interest | Denominated in Pesos | Amortization of Credits in Foreign Currency With National Entities (Thousands Of Pesos) | Amortization of Credits in Foreign Currency (Thousands Of Pesos) |
|-------------------|------------------|----------------------|---|--|
| | | | Time Interval | Time Interval |

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| | | Until 1 Year | More Than 1 Year | Current Year | Until 1 Year | Until 2 Years | Until 3 Years | Until 4 Years | Until 5 Years or more | Current Year | Until 1 Year | Until 2 Years | Until 3 Years |
|--------|------|-----------------|------------------------|-----------------|-----------------|---------------------|---------------------|---------------------|-----------------------------------|-----------------|-----------------|------------------|------------------|
| | | | | | | | | | | | | | |
| 2/2007 | 5.45 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 172,297 | 172,298 | 0 |
| 2/2009 | 4.90 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 30,265 | 30,265 | 5,938 |
| 4/2006 | 4.95 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 19,785 | 0 | 0 |
| 0/2009 | 5.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0/2011 | 5.13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2/2014 | 5.70 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 265,044 | 265,044 | 190,074 |
| 4/2009 | 5.25 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 291,390 | 50,508 | 21,475 |
| 0/2011 | 5.58 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 918,096 | 918,096 | 918,095 |
| 3/2022 | 2.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 18,696 | 18,696 | 18,696 |
| 5/2007 | 5.45 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 826 | 14 | 0 |
| 0/2006 | 5.60 | 0 | 0 | 0 | 124,429 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2/2007 | 8.57 | 0 | 800,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5/2007 | 8.52 | 0 | 500,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6/2006 | 5.58 | 0 | 0 | 0 | 147,643 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6/2013 | 5.95 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 595,925 | 847,247 | 786,280 |

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| | | | | | | | | | | | | | |
|-------------------------------|-------|------------|-----------|---|---------|---|---|---|---|---|------------|-----------|------------|
| 8/2027 | 8.02 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 567,346 | 506,260 | 2,177,375 |
| | | 0 | 1,300,000 | 0 | 272,072 | 0 | 0 | 0 | 0 | 0 | 2,879,670 | 2,808,428 | 4,117,933 |
| | | | | | | | | | | | | | |
| S | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| 1/2006 | 8.25 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,443,451 | 0 | 0 |
| 1/2008 | 4.50 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10,710,900 |
| 1/2015 | 5.50 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1/2010 | 4.75 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2/2007 | 8.70 | 0 | 1,650,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5/2012 | 11.05 | 0 | 1,700,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0/2007 | 8.80 | 0 | 3,250,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 0 | 6,600,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,443,451 | 0 | 10,710,900 |
| LIABILITIES AND OTHER CREDITS | | | | | | | | | | | | | |
| LIABILITIES AND | | 28,498,993 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NT | | 28,498,993 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ER CREDITS | | | | | | | | | | | | | |
| | | 28,498,993 | 7,900,000 | 0 | 272,072 | 0 | 0 | 0 | 0 | 0 | 14,323,121 | 2,808,428 | 14,828,833 |

NOTES:

A.- Interest rates:

The credits breakdown is presented with an integrated rate as follows:

1. Libor plus margin
2. Fixed Rate
3. TIE

4. TIE plus margin
5. CETES plus margin
6. Local rate plus margin

B.- The following rates were considered:

1. Libor at 6 months in U S dollars is equivalent to 4.7000 at December 30, 2005

2. TIE

at 28 days is equivalent to 8.5650 at December 30, 2005

3. TIE

at 91 days is equivalent to 8.4400 at December 29, 2005

4. CETES

at 182 days is equivalent to 7.9000 at December 29, 2005

C.- The suppliers' Credits are reclassified to Bank Loans because in this document, SIFIC/ICS, Long-Term opening to Suppliers' does not exist.

D.- Liabilities in foreign currency were exchanged at the prevailing exchange rate at the end of the reporting period, which at

December 31, 2005 were as follows:

| CURRENCY | AMOUNT | E.R. |
|---------------|-----------|---------|
| DOLLAR (U.S.) | 7,653,712 | 10.7109 |
| EURO (EUR) | 46,159 | 12.6540 |

E.- There are other liabilities in foreign currency for an equivalent amount of

P. 497,625 thousand pesos.

MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 6

FOREIGN EXCHANGE MONETARY POSITION

(Thousand Pesos)

Consolidated

| TRADE BALANCE | DOLLARS | | OTHER CURRENCIES | | TOTAL |
|------------------------|-------------|--------------|------------------|------------|--------------|
| | THOUSAND | THOUSAND | THOUSAND | THOUSAND | THOUSAND |
| | DOLLARS | PESOS | DOLLARS | PESOS | PESOS |
| TOTAL ASSETS | 547,307 | 5,862,152 | 1,093,404 | 11,711,337 | 17,573,489 |
| LIABILITIES | 8,833,398 | 94,613,651 | 1,179,467 | 12,633,160 | 107,246,811 |
| SHORT-TERM LIABILITIES | 2,508,129 | 26,864,323 | 1,112,790 | 11,918,986 | 38,783,309 |
| LONG-TERM LIABILITIES | 6,325,269 | 67,749,328 | 66,677 | 714,174 | 68,463,502 |
| NET BALANCE | (8,286,091) | (88,751,499) | (86,063) | (921,823) | (89,673,322) |

NOTES:

Assets and Liabilities in foreign currency were exchanged at the prevailing exchange rate at the end of the reporting period.

At the end of the quarter the exchange rates were as follows:

| CURRENCY | E.R. |
|------------------|---------|
| DOLLAR (U.S.) | 10.7109 |
| EURO | 12.6540 |
| CHILEAN PESO | 0.0209 |
| ARGENTINEAN PESO | 3.5325 |
| BRAZILIAN REAL | 4.5758 |
| PERUVIAN SOL | 3.1218 |
| COLOMBIAN PESO | 0.0047 |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 7

CALCULATION OF MONETARY POSITION

(Thousand Pesos)

Consolidated

Final printing

| MONTH | MONETARY ASSETS | MONETARY LIABILITIES | (ASSET) LIABILITIES MONETARY POSITION | MONTHLY INFLATION | MONTHLY (EFFECT) (ASSET) LIABILITIES |
|------------------|-----------------|----------------------|---------------------------------------|-------------------|--------------------------------------|
| JANUARY | 64,405,843 | 143,756,134 | 79,350,291 | 0.15 | 119,025 |
| FEBRUARY | 75,493,981 | 153,506,183 | 78,012,202 | 0.11 | 85,813 |
| MARCH | 81,304,637 | 156,380,922 | 75,076,285 | 0.46 | 345,351 |
| APRIL | 79,282,842 | 156,465,715 | 77,182,873 | 0.32 | 246,985 |
| MAY | 77,422,567 | 152,286,007 | 74,863,440 | 0.10 | 74,863 |
| JUNE | 70,160,029 | 143,129,438 | 72,969,409 | (0.30) | (218,908) |
| JULY | 67,213,101 | 141,224,114 | 74,011,013 | 0.36 | 266,440 |
| AUGUST | 66,943,392 | 139,373,492 | 72,430,100 | 0.21 | 152,103 |
| SEPTEMBER | 67,083,977 | 139,264,459 | 72,180,482 | 0.39 | 281,504 |
| OCTOBER | 67,266,243 | 139,927,687 | 72,661,444 | 0.30 | 217,984 |
| NOVEMBER | 68,437,132 | 139,958,217 | 71,521,085 | 0.64 | 457,735 |
| DECEMBER | 66,968,797 | 139,329,082 | 72,360,285 | 0.54 | 390,746 |
| ACTUALIZATION : | 0 | 0 | 0 | 0.00 | 34,856 |
| CAPITALIZATION : | 0 | 0 | 0 | 0.00 | 0 |
| FOREIGN CORP. : | 0 | 0 | 0 | 0.00 | 0 |
| OTHER | 0 | 0 | 0 | 0.00 | (474,105) |
| TOTAL | | | | | 1,980,392 |

NOTE:

Telmex's policy applies Mexican National Consumer Prices Index (NCPI) estimated from January to November, and real for December.

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 8

BONDS AND/OR MEDIUM-TERM NOTES LISTED IN STOCK MARKET

Consolidated

Final printing

| | | | | |
|--|--|--|--|--|
| FINANCIAL COVENANTS UNDER ISSUANCE DEED AND/OR TITLE | | | | |
| DOES NOT APPLY | | | | |
| | | | | |
| CURRENT SITUATION OF FINANCIAL COVENANTS | | | | |
| DOES NOT APPLY | | | | |
| | | | | |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 9

PLANTS, - COMMERCIAL, DISTRUBUTION AND/OR SERVICE CENTERS -

Consolidated

Final printing

| PLANT OR CENTER | ECONOMIC ACTIVITY | PLANT CAPACITY (1) | USAGE (%) |
|-----------------|-------------------|--------------------|-----------|
| | | | |
| NOT AVAILABLE | | 0 | 0 |
| | | | |
| NOTES: | | | |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 10

RAW MATERIALS

Consolidated

Final printing

| DOMESTIC | MAIN SUPPLIERS | IMPORT | MAIN SUPPLIERS | DOM. SUBS. | PRODUCTION COST (%) |
|---------------|----------------|--------|----------------|------------|---------------------|
| | | | | | |
| NOT AVAILABLE | | | | | |
| | | | | | |
| NOTES : | | | | | |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 11

DOMESTIC SALES - MAIN SERVICES -

(Thousand Pesos)

Consolidated

Final printing

| MAIN PRODUCTS | TOTAL PRODUCTION | | NET SALES | | MARKET (%) | MAIN | |
|-----------------------|------------------|--------|-----------|-------------|------------|------------|-----------|
| | VOLUME | AMOUNT | VOLUME | AMOUNT | | TRADEMARKS | CUSTOMERS |
| LOCAL SERVICE | | | | 55,801,529 | | | |
| LONG DISTANCE SERVICE | | | | 24,078,393 | | | |
| INTERCONNECTION | | | | 17,478,125 | | | |
| CORPORATE NETWORKS | | | | 10,294,172 | | | |
| INTERNET | | | | 8,148,720 | | | |
| OTHERS | | | | 5,851,662 | | | |
| TOTAL | | | | 121,652,601 | | | |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 11b

FOREIGN SALES - MAIN SERVICES -

(Thousand Pesos)

Consolidated

Final printing

| MAIN PRODUCTS | TOTAL PRODUCTION | | NET SALES | | DESTINATION | MAIN | |
|-----------------------|------------------|--------|-----------|------------|-------------|------------|-----------|
| | VOLUME | AMOUNT | VOLUME | AMOUNT | | TRADEMARKS | CUSTOMERS |
| | | | | | | | |
| NET SETTLEMENT | | | | 3,327,991 | | | |
| LOCAL SERVICE | | | | 2,662,258 | | | |
| LONG DISTANCE SERVICE | | | | 22,706,149 | | | |
| INTERCONNECTION | | | | 916,166 | | | |
| CORPORATE NETWORKS | | | | 8,125,815 | | | |
| INTERNET | | | | 2,918,070 | | | |
| OTHERS | | | | 639,054 | | | |
| TOTAL | | | | 41,295,503 | | | |
| NOTES: | | | | | | | |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 13

PROJECT INFORMATION

(Thousand Pesos)

Consolidated

Final printing

| ITEM | Thousand Mexican Pesos | | | | |
|---|----------------------------|-----------------|---------------------|-------------------|-----------------|
| | 4th. Quarter 05 Oct-Dec | % of Advance | Amount used 2005 | Budget 2005 | % of Advance |
| DATA | 1,050,893 | 28.2 | 2,994,072 | 3,728,996 | 80.3 |
| INTERNAL PLANT | 675,343 | 30.6 | 1,804,645 | 2,209,410 | 81.7 |
| OUTSIDE PLANT | 1,169,202 | 25.0 | 4,544,386 | 4,678,603 | 97.1 |
| TRANSMISSION NETWORK | 1,105,500 | 31.5 | 2,736,600 | 3,513,608 | 77.9 |
| SYSTEMS | 479,805 | 63.4 | 610,663 | 757,258 | 80.6 |
| OTHERS | 1,054,894 | 22.2 | 2,554,994 | 4,750,226 | 53.8 |
| TOTAL INVESTMENT TELMEX MEXICO | 5,535,637 | 28.2 | 15,245,360 | 19,638,101 | 77.6 |
| LATINOAMERICA | 2,705,819 | 36.8 | 7,819,617 | 7,351,831 | 106.4 |
| TOTAL INVESTMENT | 8,241,456 | 30.5 | 23,064,977 | 26,989,932 | 85.5 |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 14

TRANSACTIONS IN FOREIGN CURRENCY AND EXCHANGE OF FINANCIAL STATEMENTS FROM
FOREIGN OPERATIONS

Consolidated

Basis of translation of financial statements of foreign subsidiaries

The financial statements of the subsidiaries located abroad were translated into Mexican pesos in conformity with Mexican Accounting Principles Bulletin B-15, *Transactions in Foreign Currency and Translation of Financial Statements of Foreign Operations*, issued by the Mexican Institute of Public Accountants (MIPA), as follows:

The financial statements as reported by the subsidiaries abroad were adjusted to conform to accounting principles accepted in Mexico. Such conversion includes, among other areas, the recognition of the effects of inflation as required by Mexican Accounting Principles Bulletin B-10, *Accounting Recognition of Effects of Inflation on Financial Information*, issued by the MIPA, using restatement factors of each country.

All balance sheet amounts, except for stockholders' equity, were translated at the prevailing exchange rate at year-end; stockholders' equity accounts were translated at the prevailing exchange rate at the time capital contributions were made and earnings were generated. The statement of income amounts were translated at the prevailing exchange rate at the end of the reporting period.

Translation differences are included in the caption *Effect of translation of foreign entities* and are included in stockholders' equity as part of the caption *Other comprehensive income items*, presented as part of S71 row.

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

INTEGRATION OF PAID CAPITAL STOCK

Consolidated

Final printing

| SERIES | NOMINAL VALUE | VALID CUPON | NUMBER OF SHARES | | | | CAPITAL STOCK | |
|--------|------------------|----------------|------------------|---------------------|---------|------------------------|------------------|----------|
| | | | FIXED PORTION | VARIABLE PORTION | MEXICAN | PUBLIC SUBSCRIPTION | (Thousand Pesos) | |
| | | | | | | | FIXED | VARIABLE |
| A | 0.01250 | | 479,437,546 | 0 | | 479,437,546 | 5,993 | |

| | | | | | | | | |
|-------|---------|--|----------------|---|---------------|----------------|---------|---|
| AA | 0.01250 | | 8,114,596,082 | 0 | 8,114,596,082 | 0 | 101,433 | |
| L | 0.01250 | | 13,451,048,642 | 0 | | 13,451,048,642 | 168,138 | |
| TOTAL | 0.01250 | | 22,045,082,270 | 0 | 8,114,596,082 | 13,930,486,188 | 275,564 | 0 |

TOTAL NUMBER OF SHARES REPRESENTING CAPITAL STOCK ON THE REPORTING DATE OF THE INFORMATION:

| | | | | | | | | |
|--|----------------|--|--|--|--|--|--|--|
| | 22,045,082,270 | | | | | | | |
|--|----------------|--|--|--|--|--|--|--|

SHARES PROPORTION BY:

| | | | | | | | | |
|----------|--|--|--|--|--|--|--|--|
| CPO'S : | | | | | | | | |
| T.VINC.: | | | | | | | | |
| ADRS's : | | | | | | | | |
| GDRS's : | | | | | | | | |
| ADS's : | | | | | | | | |
| GDS's : | | | | | | | | |

REPURCHASE OF OWN SHARES

| SERIES | NUMBER OF SHARES | MARKET VALUE OF THE SHARE | |
|--------|---------------------|---------------------------|---------------|
| | | AT REPURCHASE | AT QUARTER |
| A & L | 1,583,822,040 | 10.7289 | 13.1500 |

Note:

The theoretical nominal value of the outstanding shares is Ps. 0.0125, which consider the two-for one stock split effect, approved since May 25, 2005.

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

GENERAL INFORMATION

Consolidated

ISSUER GENERAL INFORMATION

| | |
|----------------|-----------------------------------|
| COMPANY: | TELEFONOS DE MEXICO, S.A. DE C.V. |
| ADDRESS: | PARQUE VIA 198, COL. CUAUHEMOC |
| ZIP: | 06599 |
| CITY: | MEXICO, D.F. |
| TELEPHONE: | 52 22 12 12 |
| FAX: | |
| E-MAIL: | |
| INTERNET PAGE: | www.telmex.com |

ISSUER FISCAL INFORMATION

| | |
|-----------------------|--------------------------------|
| TAX PAYER FEDERAL ID: | TME 840315KT6 |
| FISCAL ADDRESS: | PARQUE VIA 198, COL. CUAUHEMOC |
| ZIP: | 06599 |
| CITY: | MEXICO, D.F. |

PAYMENT RESPONSIBLE

| | |
|------------|---|
| NAME: | C.P. EDUARDO ROSENDO GIRARD |
| ADDRESS: | PARQUE VIA 198 - 5 TH FLOOR OFFICE 501, COL. CUAUHEMOC |
| ZIP: | 06599 |
| CITY: | MEXICO, D.F. |
| TELEPHONE: | |

| | |
|---------|------------------------------------|
| FAX: | 52 22 53 95 |
| E-MAIL: | 52 50 80 54 erosendo@telmex.com |

OFFICERS INFORMATION

| | |
|---------------|-------------------------------|
| POSITION BMV: | CHAIRMAN OF THE BOARD |
| POSITION: | CHAIRMAN OF THE BOARD |
| NAME: | LIC. CARLOS SLIM DOMIT |
| ADDRESS: | CALVARIO NUM 100 COL. TLALPAN |
| ZIP: | 14000 |
| CITY: | MEXICO, D.F. |
| TELEPHONE: | 53 25 98 01 |
| FAX: | 55 73 31 77 |
| E-MAIL: | slimc@sanborns.com |

| | |
|---------------|---|
| POSITION BMV: | CHIEF EXECUTIVE OFFICER |
| POSITION: | CHIEF EXECUTIVE OFFICER |
| NAME: | ING. JAIME CHICO PARDO |
| ADDRESS: | PARQUE VIA 190 - 10 TH . FLOOR OFFICE 1001, COL. CUAUHEMOC |
| ZIP: | 06599 |
| CITY: | MEXICO, D.F. |
| TELEPHONE: | 55 46 15 46 & 52 22 51 52 |
| FAX: | 57 05 00 39 |
| E-MAIL: | |

| | |
|---------------|---|
| POSITION BMV: | CHIEF FINANCIAL OFFICER |
| POSITION: | CHIEF FINANCIAL OFFICER |
| NAME: | ING. ADOLFO CEREZO PEREZ |
| ADDRESS: | PARQUE VIA 190 - 10 TH . FLOOR OFFICE 1016, COL. CUAUHEMOC |
| ZIP: | 06599 |
| CITY: | MEXICO, D.F. |
| TELEPHONE: | 52 22 57 80 & 52 22 51 44 |
| FAX: | 52 55 15 76 |
| E-MAIL: | acerezo@telmex.com |

| | |
|---------------|---|
| POSITION BMV: | QUATERLY FINANCIAL INFORMATION RESPONSIBLE |
| POSITION: | SUBDIRECTOR OF FINANCE |
| NAME: | C.P. EDUARDO ROSENDO GIRARD |
| ADDRESS: | PARQUE VIA 198 - 5 TH . FLOOR OFFICE 501, COL. CUAUHEMOC |
| ZIP: | 06599 |
| CITY: | MEXICO, D.F. |
| TELEPHONE: | 52 22 53 95 |
| FAX: | 52 50 80 54 |
| E-MAIL: | erosendo@telmex.com |

| | |
|---------------|---|
| POSITION BMV: | RESPONSIBLE FOR SENDING INFORMATION THROUGH EMISNET |
| POSITION: | SHAREHOLDER SERVICES MANAGER |
| NAME: | LIC. MIGUEL ANGEL PINEDA CATALAN |
| ADDRESS: | PARQUE VIA 198 - 2 ND . FLOOR OFFICE 202, COL. CUAUHEMOC |
| ZIP: | 06599 |
| CITY: | MEXICO, D.F. |

| | |
|------------|--------------------|
| TELEPHONE: | 52 22 53 22 |
| FAX: | 55 46 21 11 |
| E-MAIL: | mpineda@telmex.com |

| | |
|---------------|---|
| POSITION BMV: | LEGAL DIRECTOR |
| POSITION: | LEGAL DIRECTOR |
| NAME: | LIC. SERGIO F. MEDINA NORIEGA |
| ADDRESS: | PARQUE VIA 190 - 2 ND . FLOOR OFFICE 202, COL. CUAUHEMOC |
| ZIP: | 06599 |
| CITY: | MEXICO, D.F. |
| TELEPHONE: | 52 22 14 25 & 52 22 57 42 |
| FAX: | 55 46 43 74 |
| E-MAIL: | smedinan@telmex.com |

| | |
|---------------|---|
| POSITION BMV: | SECRETARY OF BOARD OF DIRECTORS |
| POSITION: | SECRETARY OF BOARD OF DIRECTORS |
| NAME: | LIC. SERGIO F. MEDINA NORIEGA |
| ADDRESS: | PARQUE VIA 190 - 2 ND . FLOOR OFFICE 202, COL. CUAUHEMOC |
| ZIP: | 06599 |
| CITY: | MEXICO, D.F. |
| TELEPHONE: | 52 22 14 25 & 52 22 57 42 |
| FAX: | 55 46 43 74 |
| E-MAIL: | smedinan@telmex.com |

| | |
|---------------|---|
| POSITION BMV: | RESPONSIBLE OF PROVIDE INFORMATION TO INVESTORS |
| POSITION: | INVESTORS RELATIONS MANAGER |
| NAME: | ING. RUY ECHAVARRIA AYUSO |

| | |
|------------|--|
| ADDRESS: | PARQUE VIA 198 - 7 TH . FLOOR OFFICE 701, COL. CUAUHTEMOC |
| ZIP: | 06599 |
| CITY: | MEXICO, D.F. |
| TELEPHONE: | 57 03 39 90 |
| FAX: | 55 45 55 50 |
| E-MAIL: | rechavar@telmex.com & ri@telmex.com |

| | |
|---------------|--|
| POSITION BMV: | RESPONSIBLE FOR SENDING FINANCIAL INFORMATION THROUGH EMISNET |
| POSITION: | SUBDIRECTOR OF FINANCE |
| NAME: | C.P. EDUARDO ROSENDO GIRARD |
| ADDRESS: | PARQUE VIA 198 - 5 TH . FLOOR OFFICE 501, COL. CUAUHTEMOC |
| ZIP: | 06599 |
| CITY: | MEXICO, D.F. |
| TELEPHONE: | 52 22 53 95 |
| FAX: | 52 50 80 54 |
| E-MAIL: | erosendo@telmex.com |

| | |
|---------------|--|
| POSITION BMV: | RESPONSIBLE FOR SENDING RELEVANT INFORMATION THROUGH EMISNET |
| POSITION: | INVESTORS RELATIONS MANAGER |
| NAME: | ING. RUY ECHAVARRIA AYUSO |
| ADDRESS: | PARQUE VIA 198 - 7 TH . FLOOR OFFICE 701, COL. CUAUHTEMOC |
| ZIP: | 06599 |
| CITY: | MEXICO, D.F. |
| TELEPHONE: | 57 03 39 90 |
| FAX: | 55 45 55 50 |

| | |
|---------|--|
| E-MAIL: | rechavar@telmex.com & ri@telmex.com |
|---------|--|

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

BOARD OF DIRECTORS

Consolidated

Final printing

| POSITION | NAME | | | |
|-----------------------|-------|---------------|--------------|------------|
| HONORARY BOARD MEMBER | ING. | CARLOS | SLIM | HELU |
| CHAIRMAN OF THE BOARD | LIC. | CARLOS | SLIM | DOMIT |
| VICEPRESIDENT | ING. | JAIME | CHICO | PARDO |
| VICEPRESIDENT | C.P. | JUAN ANTONIO | PEREZ | SIMON |
| BOARD PROPIETORS | SR. | EMILIO | AZCARRAGA | JEAN |
| BOARD PROPIETORS | ING. | ANTONIO | COSIO | ARIÑO |
| BOARD PROPIETORS | SRA. | LAURA | DIEZ BARROSO | DE LAVIADA |
| BOARD PROPIETORS | MTRA. | AMPARO | ESPINOSA | RUGARCIA |
| BOARD PROPIETORS | ING. | ELMER | FRANCO | MACIAS |
| BOARD PROPIETORS | LIC. | ANGEL | LOSADA | MORENO |
| BOARD PROPIETORS | SR. | ROMULO | O FARRIL JR. | |
| BOARD PROPIETORS | LIC. | FERNANDO | SENDEROS | MESTRE |
| BOARD PROPIETORS | LIC. | MARCO ANTONIO | SLIM | DOMIT |

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| BOARD PROPIETORS | SR. | RAYFORD | WILKINS JR. | |
| BOARD PROPIETORS | SR. | RICHARD | P. | RESNICK |
| BOARD PROPIETORS | SR. | ROBERT | L. | HENRICHS |
| BOARD PROPIETORS | C.P. | RAFAEL | KALACH | MIZRAHI |
| BOARD PROPIETORS | LIC. | RICARDO | MARTIN | BRINGAS |
| | | | | |
| BOARD ALTERNATES | LIC. | PATRICK | SLIM | DOMIT |
| BOARD ALTERNATES | LIC. | ARTURO | ELIAS | AYUB |
| BOARD ALTERNATES | C.P. | JOSÉ HUMBERTO | GUTIERREZ-OLVERA | ZUBIZARRETA |
| BOARD ALTERNATES | LIC. | JORGE C. | ESTEVE | RECOLONS |
| BOARD ALTERNATES | ING. | ANTONIO | COSIO | PANDO |
| BOARD ALTERNATES | SR. | EDUARDO | TRICIO | HARO |
| BOARD ALTERNATES | SRA. | ANGELES | ESPINOSA | YGLESIAS |
| BOARD ALTERNATES | ING. | AGUSTIN | FRANCO | MACIAS |
| BOARD ALTERNATES | SR. | JAIME | ALVERDE | GOYA |
| BOARD ALTERNATES | C.P. | ANTONIO | DEL VALLE | RUIZ |
| BOARD ALTERNATES | LIC. | JOSE | KURI | HARFUSH |
| BOARD ALTERNATES | LIC. | FERNANDO | SOLANA | MORALES |
| BOARD ALTERNATES | LIC. | EDUARDO | VALDES | ACRA |
| BOARD ALTERNATES | LIC. | CARLOS | BERNAL | VEREA |
| BOARD ALTERNATES | LIC. | FEDERICO | LAFFAN | FANO |
| BOARD ALTERNATES | SR. | JORGE A. | CHAPA | SALAZAR |
| BOARD ALTERNATES | ING. | BERNARDO | QUINTANA | ISAAC |
| BOARD ALTERNATES | C.P. | FRANCISCO | MEDINA | CHAVEZ |
| | | | | |
| STATUTORY AUDITOR | C.P. | ALBERTO | TIBURCIO | CELORIO |
| | | | | |
| ALTERNATE STATUTORY AUDITOR | C.P. | FERNANDO | ESPINOSA | LOPEZ |
| | | | | |
| SECRETARY OF BOARD OF DIRECTORS | LIC. | SERGIO | MEDINA | NORIEGA |
| | | | | |
| ASISTANT SECRETARY | LIC. | RAFAEL | ROBLES | MIAJA |
| | | | | |

MEXICAN STOCK EXCHANGE

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

DECLARATION BY THE COMPANY'S OFFICERS THAT ARE RESPONSIBLE FOR THE INFORMATION

Consolidated

Final printing

I (We) hereby swear, in the scope of my (our) functions, that I (we) prepared the financial information related with the Issuer's Quarter Report supplied herein, which, to my (our) knowledge, reasonably reflect the situation of the Issuer. I (We) also hereby swear that I (we) have no knowledge of any relevant information that has been omitted or falsely represented in this Quarter Report, or that such report contains information that could mislead the investors.

ING. ADOLFO CEREZO PEREZ
CHIEF FINANCIAL OFFICER

C.P. EDUARDO ROSENDO GIRARD
.SUBDIRECTOR OF FINANCE

MEXICO CITY,

FEBRUARY 13, 2006.
