TELEFONOS DE MEXICO S A DE C V
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**PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED DECEMBER 10, 2003**

# Ps.4,500,000,000

# Teléfonos de México, S.A. de C.V.

# 8.75% Senior Notes Due 2016

The notes will mature on January 31, 2016. We will pay interest on the notes on January 31 and July 31 of each year. The first interest payment will be made on July 31, 2006. Payments of interest are currently subject to Mexican withholding tax. We will pay additional amounts of interest so that the amount received by holders of the notes after Mexican withholding tax will equal the amount that would have been received if no withholding tax had been applicable, subject to some exceptions described in this prospectus supplement. Payment of principal, interest, additional amounts and all other amounts in respect of notes will be made in U.S. dollars, unless a holder of notes elects to be paid in Mexican pesos by following the procedures described in this prospectus supplement. The notes will rank equally in right of payment with all our other senior, unsecured debt obligations.

In the event of certain changes in our controlling shareholders, each holder of notes will have the right to require us to repurchase its notes at a price equal to 100% of their principal amount plus accrued interest to the repurchase date.

In the event of certain changes in the applicable rate of Mexican withholding taxes on interest, we may redeem the notes before their stated maturity at a price equal to 100% of their principal amount plus accrued interest to the redemption date.

We have applied to list the notes on the New York Stock Exchange.

**Investing in the notes involves risks. See Risk Factors beginning on page S-5 of this prospectus supplement.**

| | Price to Public[(1)(2)] | Underwriting Discount and Commissions | Proceeds to Telmex |
|---|---|---|---|
| Per Note | 100.00% | 0.20% | 99.80% |
| Per Note in U.S. Dollars[(3)] | U.S.$ 95,193.85 | U.S.$ 190.39 | U.S.$ 95,003.46 |
| Total | U.S.$428,372,338 | U.S.$856,745 | U.S.$427,515,593 |

(1) Purchasers of notes may make the payment of the price to public in U.S. dollars based on an exchange rate on January 25, 2006 of Ps.10.50488 = U.S.$1.00. Alternatively, purchasers of notes may make the payment of the price to public in Mexican pesos (Ps.1,000,000 per note).
(2) Plus accrued interest, if any, from January 31, 2006.
(3) The per note minimum denomination is Ps.1,000,000.

Delivery of the notes will be made in book-entry form only through the facilities of Clearstream Banking, Société Anonyme and Euroclear Bank S.A./N.V. on or about January 31, 2006.

**THE INFORMATION CONTAINED IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS IS SOLELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION (*COMISIÓN NACIONAL BANCARIA Y DE VALORES*, OR CNBV ). THE NOTES HAVE BEEN REGISTERED WITH THE SPECIAL SECTION (*SECCIÓN ESPECIAL*) OF THE NATIONAL SECURITIES REGISTRY (*REGISTRO NACIONAL DE VALORES*) MAINTAINED BY THE CNBV. SUCH REGISTRATION DOES NOT CONSTITUTE A CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES, OUR SOLVENCY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION INCLUDED IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS. THE NOTES HAVE NOT BEEN REGISTERED WITH THE SECURITIES SECTION (*SECCIÓN DE VALORES*) OF THE NATIONAL SECURITIES REGISTRY (*REGISTRO NACIONAL DE VALORES*), AND THEREFORE, THE NOTES MAY NOT BE PUBLICLY OFFERED OR SOLD IN MEXICO. ANY MEXICAN INVESTOR WHO ACQUIRES THE NOTES DOES SO AT HIS OR HER OWN RISK.**

**Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

*Joint Book-Running Managers*

**Credit Suisse** **Deutsche Bank Securities**

The date of this prospectus supplement is January 25, 2006

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**You should rely only on the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference therein. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference therein may only be accurate as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.**

## PROSPECTUS SUPPLEMENT SUMMARY

*This summary highlights key information described in greater detail elsewhere or in this prospectus supplement or the accompanying prospectus, including the documents incorporated by reference. You should read carefully the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference before making an investment decision.*

### Telmex

For a description of our business and results of operation, you should carefully consider the information contained in the following documents:

- our annual report on Form 20-F for the year ended December 31, 2004, filed with the SEC on June 28, 2005 (SEC File No. 1-10749), and

- our report on Form 6-K, containing information regarding recent developments in our business and results of operation for the nine-month period ended September 30, 2005 and our unaudited condensed consolidated interim financial statements and notes thereto for the nine-month periods ended September 30, 2005 and 2004, furnished to the SEC on January 23, 2006 (SEC File No. 333-13580).

These and other documents are incorporated by reference into the accompanying prospectus. The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of the accompanying prospectus.

## SUMMARY OF THE OFFERING

The following summary contains basic information about the notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the notes, please refer to Description of Notes in this prospectus supplement and Description of Debt Securities in the accompanying prospectus.

| | |
|---|---|
| **Notes being offered** | Ps.4,500,000,000 aggregate principal amount of 8.75% Senior Notes due January 31, 2016. |
| **Issuer** | Teléfonos de México, S.A. de C.V. |
| **Price to public** | 100%. The price to the public may be paid in U.S. dollars based on an exchange rate on January 25, 2006 of Ps.10.50488 = U.S.$1.00. Alternatively, the price to the public may be paid in Mexican pesos. |
| **Maturity** | January 31, 2016. |
| **Interest rate** | The notes will bear interest at the rate of 8.75% per year from January 31, 2006. |
| **Interest payment dates** | Interest on the notes will be payable semi-annually on January 31 and July 31 of each year, beginning on July 31, 2006. |
| **Payment currency** | Payment of principal, interest, additional amounts and any other amounts due in respect of the notes will be made, except as provided below, in U.S. dollars in amounts determined by the calculation agent by translating the Mexican peso amounts into U.S. dollars at the Settlement Rate on the applicable Rate Calculation Date. See Description of Notes General Payment Currency Payment in U.S. Dollars in this prospectus supplement. |
| | A holder of the notes may elect to receive payments in Mexican pesos by providing notice as set forth under Description of Notes General Payment Currency Election for Payment in Mexican Pesos in this prospectus supplement. |
| | We anticipate that holders who own beneficial interests in the notes through S.D. Indeval, S.A. de C.V., Institución para el Depósito de Valores ( Indeval ), in Mexico will receive payments in Mexican pesos (rather than U.S. dollars). See Legal Ownership of Notes Indeval in this prospectus supplement. |
| **Ranking** | The notes will be our unsecured and unsubordinated obligations and will rank equally in right of payment with all of our other unsecured and unsubordinated debt. |

| | |
|---|---|
| **Use of proceeds** | We intend to use the net proceeds from the sale of the notes for general corporate purposes. |
| **Payment of additional amounts** | If you are not a resident of Mexico for tax purposes, payments of interest on the notes to you will generally be subject to Mexican withholding tax at a rate of 4.9% (subject to certain exceptions). See Taxation Mexican Tax Considerations in this prospectus supplement and Taxation Mexican Tax Considerations in the accompanying prospectus. We only will pay additional amounts in respect of those payments of interest made to non-Mexican residents so that the amount such holders receive after Mexican withholding tax will equal the amount that such holders would have received if no such Mexican withholding tax had been applicable, subject to some exceptions as described under Description of Notes General Payment of Additional Amounts in this prospectus supplement and Description of Debt Securities Payment of Additional Amounts in the accompanying prospectus. |
| **Tax redemption** | If, due to changes in Mexican laws relating to Mexican withholding taxes applicable to payments of interest, we are obligated to pay additional amounts on the notes in excess of those attributable to a Mexican withholding tax rate of 10%, we may redeem the outstanding notes in whole (but not in part) at any time, at a price equal to 100% of their principal amount plus accrued interest to the redemption date. |
| **Redemption at the option of holders** | In the event of certain changes in our controlling shareholders, you will have the right to require us to repurchase your notes at a price equal to 100% of their principal amount plus accrued interest to the repurchase date. |
| **Form and denomination** | It is expected that delivery of the notes will be made on or about January 31, 2006, as described below. All of the notes sold in the offering will be delivered against payment in immediately available funds.<br><br>Except as described below, the notes will be issued only in fully registered form, without interest coupons and in denominations of Ps.1,000,000 (equivalent to U.S.$95,193.85 based on an exchange rate on January 25, 2006 of Ps.10.50488 = U.S.$1.00) and integral multiples of Ps.100,000 (equivalent to U.S.$9,519.39 based on such exchange rate) in excess of Ps.1,000,000. The notes will be represented by a global note. We will not issue certificated notes to you except in limited circumstances described in this prospectus supplement. Beneficial interest in the global note will be shown on, and transfers of beneficial interest in that global note will be made through, records maintained at Clearstream Banking, Société Anonyme and Euroclear Bank S.A./N.V. |

| | |
|---|---|
| **New York Stock Exchange listing** | We have applied to list the notes on the New York Stock Exchange. |
| **Trustee, registrar, principal paying agent, transfer agent and calculation agent** | JPMorgan Chase Bank, N.A. |
| **Governing law** | State of New York. |
| **Risk factors** | Prospective purchasers of notes should consider carefully all of the information included in or incorporated by reference into this prospectus supplement and the accompanying prospectus and, in particular, the information set forth under Risk Factors in this prospectus supplement before making an investment in the notes. |

## RISK FACTORS

You should carefully consider the following risks described below, as well the other information included in or incorporated by reference into this prospectus supplement and the accompanying prospectus, before making a decision to invest in the notes.

### Risks Relating to Our Business Generally

***Increasing competition in Mexico and the other countries in which we operate could adversely affect our revenues and profitability***

We face significant competition in Mexico and the other countries in which we operate, which could result in decreases in current and potential customers, revenues and profitability. Governmental authorities in many of these countries continue to grant new licenses and concessions to new market entrants, which results in increased competition in those countries. In addition, technological developments are increasing cross-competition in certain markets, such as between wireless providers and fixed-line operators.

In Mexico, competition in local service, principally from wireless service providers, has been developing since 1999. In December 2004, there were approximately 38 million cellular lines in service, compared with approximately 18.1 million fixed lines in service (17.2 million of which are part of our network). At present, 18 fixed-line local operators have been granted licenses, primarily in Mexico City, Guadalajara, Monterrey, Puebla and other large cities.

We have also begun to face new competition in Mexico from cable television providers, who have recently been authorized by the Communications Ministry (*Secretaría de Comunicaciones y Transportes*) to provide voice-transmission services to local fixed-line telecommunications operators and data and broadband Internet services to the Mexican public.

The effects of competition on our business are highly uncertain and will depend on a variety of factors, including economic conditions; regulatory developments; the behavior of our customers and competitors; and the effectiveness of measures we take.

***Dominant carrier regulations and other regulatory developments could hurt our business by limiting our ability to pursue competitive and profitable strategies***

Our business is subject to extensive regulation, and it can be adversely affected by changes in law, regulation or regulatory policy. The Mexican Competition Commission has determined that we are a dominant provider of certain telecommunications services, and Mexican law provides for the regulatory authorities to impose additional regulations on a dominant provider. In the past several years, the Mexican Competition Commission and the Mexican Federal Telecommunications Commission (*Comisión Federal de Telecomunicaciones*, or Cofetel) have adopted resolutions and regulations that apply specifically to us as a dominant carrier. We have successfully challenged these resolutions and regulations in Mexican federal court. We cannot predict whether the Mexican Competition Commission or Cofetel will issue new resolutions or regulations that are substantially similar to the successfully challenged dominant carrier provisions, and if so, whether our judicial challenges will be successful in the future. We believe that if dominant carrier regulations are eventually implemented, the new rules and the related regulatory procedures will reduce our flexibility to adopt competitive tariff policies.

***World Trade Organization dispute settlement between the United States and Mexico will result in changes in regulation that may affect our business***

In August 2000, the United States initiated a World Trade Organization, or WTO, dispute settlement against Mexico regarding alleged illegal barriers to competition in the Mexican telecommunications market. In June 2004, the United States and Mexico reached an agreement under which Mexico has eliminated its uniform settlement rate system, its proportional return system and its requirement that the Mexican carrier with the greatest share of outgoing traffic to a particular country negotiate the settlement rate on behalf of all Mexican carriers for that country. Mexico also agreed to introduce new regulations authorizing the resale of outgoing international long distance service. In August 2005, Mexico adopted regulations authorizing resale by third parties of domestic and outgoing international long distance service. We expect that these new regulations will likely affect our business and competition in the future and will put downward pressure on the prices we charge our customers for those services.

***Shifting usage patterns could adversely affect our revenues***

Our fixed-line network services face increasing competition due to shifting usage patterns resulting from the adoption of popular new technologies, including wireless devices for voice and other communications, and the subsequent substitution of these technologies for fixed-line phones. For example, we estimate that an increasing proportion of calls that previously would have been made over our fixed-line network are now being made on wireless telephones and voice over IP, or VoIP, services outside our network, for which we receive no revenue. There can be no assurance that this process will not adversely affect our traffic volume and our results of operations.

***We have invested in countries in which we have limited experience, and we may be unsuccessful in addressing the new challenges and risks they present***

We have invested in a growing number of telecommunications businesses outside our historical core activity of providing fixed-line telecommunications services in Mexico, and we plan to continue to do so in the rest of Latin America. These investments have been made in some countries in which we have little experience and may involve risks to which we have not previously been exposed. Some of the investments are in countries that may present different or greater risks than Mexico, such as Brazil, Chile, Argentina, Peru and Colombia. We cannot assure you that these investments will be successful.

**Risks Relating to Our Controlling Shareholder and Capital Structure**

***We are controlled by one shareholder***

A majority of the voting shares of our company (73.9% as of December 31, 2005) is owned by Carso Global Telecom, S.A. de C.V., or Carso Global Telecom, which is controlled by Carlos Slim Helú and members of his immediate family who, taken together, own a majority of the common stock. Carso Global Telecom has the effective power to designate a majority of the members of our Board of Directors and to determine the outcome of other actions requiring a vote of the shareholders, except in very limited cases that require a vote of the holders of L Shares.

***We engage in transactions with related parties that may create the potential for conflicts of interest***

We engage in transactions with certain subsidiaries of Grupo Carso, S.A. de C.V., or Grupo Carso, and Grupo Financiero Inbursa, S.A. de C.V., or Grupo Financiero Inbursa. Transactions with subsidiaries of Grupo Carso include the purchase of network construction services and materials, and transactions with Grupo Financiero Inbursa include banking services and insurance. We also have ongoing operational relationships with América Móvil, S.A. de C.V., which is controlled by América Telecom, S.A. de C.V., or América Telecom. América Telecom, Carso Global Telecom, Grupo Carso and Grupo Financiero Inbursa are controlled by Carlos Slim Helú and members of his immediate family who, taken together, own a majority of the common stock of each company.

We also make investments jointly with related parties, sell our investments to related parties and buy investments from related parties. Recent investment transactions with related parties include our investment in the equity securities of MCI, Inc., or MCI, which we and others who may be deemed to be under common control with us sold to Verizon Communications, Inc. on May 17, 2005, and our transfer in October 2005 to Embratel Participações S.A., or Embratel, of our interest in Telmex do Brasil Ltda. and Net Serviços de Comunicação S.A. in exchange for new common shares of Embratel.

Our transactions with related parties may create the potential for conflicts of interest.

***It may be difficult to enforce civil liabilities against us or our directors, officers and controlling persons***

Telmex is organized under the laws of Mexico, and most of our directors, officers and controlling persons reside outside the United States. In addition, a substantial portion of our assets and their assets are located in Mexico. As a result, it may be difficult for investors to effect service of process within the United States on such persons or to enforce judgments against them, including in any action based on civil liabilities under the U.S. federal securities laws. There is doubt as to the enforceability against such persons in Mexico, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

**Risks Relating to Developments in Mexico and Other Countries**

***Economic and political developments may adversely affect our business***

Our business operations and assets are principally located in Mexico. As a result, our business may be significantly affected by the general condition of the Mexican economy, by devaluation of the peso, by inflation and high interest rates in Mexico and by political developments in Mexico.

***Mexico has experienced adverse economic conditions***

In the past, Mexico has experienced both prolonged periods of weak economic conditions and deterioration in economic conditions that have had a negative impact on our company. If the Mexican economy falls into a recession or if inflation and interest rates increase significantly, our business, financial condition and results of operations could suffer material adverse consequences because, among other things, demand for telecommunications services may decrease and consumers may find it difficult to pay for the services we offer.

***Depreciation or fluctuation of the currencies in which we conduct operations could adversely affect our financial condition and results of operations***

We are affected by fluctuations in exchange rates.

Changes in the value of the various currencies in which we conduct operations against the Mexican peso or changes in the value of the Mexican peso or the various currencies in which we conduct operations against the U.S. dollar may result in exchange losses or gains on our indebtedness and accounts payable. At September 30, 2005, our U.S. dollar-denominated indebtedness amounted to Ps.83,037 million. In 2004, the peso depreciated against the U.S. dollar at year-end by approximately 0.3%, but our loss in Mexico was more than offset by a gain at our non-Mexican subsidiaries, particularly Embratel Participações S.A. As a result, we had a net foreign exchange gain of Ps.26 million. In 2003, the peso depreciated against the U.S. dollar at year-end by approximately 9.0% and we had a net exchange loss of Ps.3,296 million. In addition, currency fluctuations between the Mexican peso and the currencies of our non-Mexican subsidiaries affect our results as reported in Mexican pesos. Currency fluctuations may continue to affect our financial income and expense and our revenues from international settlements.

Major devaluation or depreciation of any such currencies may also result in disruption of the international foreign exchange markets and may limit our ability to transfer or to convert such currencies into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal on our indebtedness. While the Mexican government does not currently restrict, and for many years has not restricted, the right or ability of Mexican or foreign persons or entities to convert pesos into U.S. dollars or to transfer other currencies out of Mexico, the government could institute restrictive exchange rate policies in the future.

***High levels of inflation and high interest rates in Mexico could adversely affect our financial condition and results of operations***

Mexico has experienced high levels of inflation and high domestic interest rates. The annual rate of inflation, as measured by changes in the National Consumer Price Index, was 5.2% for 2004. The annual rate of inflation was 3.3% for 2005. If Mexico experiences high levels of inflation, our profitability could be adversely affected, and more generally, high inflation might result in lower demand or lower growth in demand for telecommunications services. Increases in interest rates could adversely affect our financing costs.

***Developments in the U.S. economy may adversely affect our business***

Economic conditions in Mexico are heavily influenced by the condition of the U.S. economy due to various factors, including commercial trade pursuant to the North American Free Trade Agreement, or NAFTA, U.S. investment in Mexico and emigration from Mexico to the United States. Events and conditions affecting the U.S. economy may adversely affect our business, results of operations, prospects and financial condition.

***Political events in Mexico could adversely affect Mexican economic policy and our operations***

The national elections held in July 2000 ended 71 years of rule by the Institutional Revolutionary Party, or PRI, with the election of President Vicente Fox, a member of the National Action Party, or PAN, and resulted in the increased representation of opposition parties in the Mexican Congress and in mayoral and gubernatorial positions. The next Mexican presidential election will be held in July 2006. The outcome of the election and other political events in Mexico may adversely affect the Mexican economy and our business.

***Developments in other Latin American countries in which we operate may adversely affect our business***

We have expanded our operations through our investment in telecommunications companies and our acquisition of telecommunications assets in Brazil, Chile, Argentina, Peru and Colombia. These countries expose us to different or greater country risk than Mexico. Our future results may be affected by the economic and financial condition of the countries in which we operate, the devaluation of the local currency, inflation and high interest rates, or political developments, changes in law or changes in labor conditions. Devaluation of the local currency against the U.S. dollar may increase the operating costs in that country, and a depreciation against the Mexican peso may negatively affect the results of our operations in that country.

**Risks Relating to the Notes**

***There may not be a liquid trading market for the notes***

The notes are new securities with no established trading market. We have applied to list the notes on the New York Stock Exchange. There can be no assurance that a liquid trading market for the notes will develop or, if one develops, that it will be maintained. If an active market for the notes does not develop, the price of the notes and the ability of a holder of notes to find a ready buyer will be adversely affected.

***Judgments of Mexican courts enforcing our obligations in respect of the notes would be payable in pesos; conversions in the event of bankruptcy***

If proceedings are brought in Mexico seeking to enforce in Mexico our obligations in respect of the notes, we would be entitled to discharge our obligations in Mexican pesos. This is because under the Mexican Monetary Law (*Ley Monetaria de los Estados Unidos Mexicanos*), an obligation denominated in a currency other than Mexican pesos that is payable in Mexico may be satisfied in Mexican pesos at the rate of exchange in effect on the date of payment. This rate is currently determined by the Bank of Mexico (*Banco de México*, or Central Bank ) and published in the Official Gazette of Mexico (*Diario Oficial de la Federación*). As a result, the amount paid by us in pesos to holders of the notes may not be convertible into the amount of U.S. dollars that we are obligated to pay under the indenture and supplemental indentures. Also, our obligation to indemnify against exchange losses may be unenforceable in Mexico.

In addition, under Mexico s Law on Mercantile Reorganization (*Ley de Concursos Mercantiles*), if we are declared bankrupt or in *concurso mercantil*, our obligations under the notes (1) would be converted into pesos and then from pesos into inflation-adjusted units, or *unidades de inversión* (known as UDIs), (2) would be satisfied at the time claims of all our creditors are satisfied to the extent funds are available, (3) would be subject to the outcome of, and priorities recognized in, the relevant proceedings, (4) would cease to accrue interest and (5) would not be adjusted to take into account any depreciation of the peso against the dollar occurring after such declaration.

***Developments in other countries may adversely affect prices for the notes***

The market value of securities of Mexican companies is, to varying degrees, affected by economic and market conditions in other countries. Although economic conditions in such countries may differ significantly from economic conditions in Mexico, investors reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers. In October 1997, prices of both Mexican debt securities and Mexican equity securities dropped substantially, precipitated by a sharp drop in the value of Asian markets. Similarly, in the second half of 1998, prices of Mexican securities were adversely affected by the economic crises in Russia and in Brazil. The market value of the notes could be adversely affected by events elsewhere, especially in emerging market countries.

## USE OF PROCEEDS

The net proceeds from the sale of the notes, after payment of underwriting discounts and commissions and transaction expenses, are expected to be approximately U.S.$427.4 million. We intend to use the net proceeds from the sale of the notes for general corporate purposes.

## CAPITALIZATION

The following table sets forth our consolidated capitalization under Mexican GAAP (1) as of September 30, 2005, and (2) as adjusted to reflect the issuance of the notes.

| | As of September 30, 2005 | | |
|---|---|---|---|
| | Actual | As adjusted | As adjusted |
| | (millions of pesos) | (millions of pesos) | (millions of U.S. dollars)[1] |
| **Debt:** | | | |
| Unsecured, denominated in foreign currency: | | | |
| Banks | Ps. 38,726 | Ps. 38,726 | U.S.$ 3,569 |
| Suppliers credits | 334 | 334 | 31 |
| Financial leases | 787 | 787 | 73 |
| Senior notes | 44,380 | 44,380 | 4,090 |
| Total | 84,227 | 84,227 | 7,763 |
| Unsecured, denominated in Mexican pesos: | | | |
| Banks | 1,300 | 1,300 | 120 |
| Domestic senior notes (*certificados bursátiles*) | 6,600 | 6,600 | 608 |
| Notes offered hereby | | 4,500 | 415 |
| Total | 7,900 | 12,400 | 1,143 |
| Total debt | 92,127 | 96,627 | 8,906 |
| Less current portion of long-term debt[2] | 16,187 | 16,187 | 1,492 |
| Long-term debt | 75,940 | 80,440 | 7,414 |
| **Stockholders equity:**[3] | | | |
| Capital stock[4] | 27,555 | 27,555 | 2,540 |
| Premium on sale of shares | 19,093 | 19,093 | 1,760 |
| Retained earnings | 121,884 | 121,884 | 11,234 |
| Accumulated other comprehensive income | (65,904) | (65,904) | (6,074) |
| Minority interest | 12,326 | 12,326 | 1,136 |
| Total stockholders equity | 114,954 | 114,954 | 10,596 |
| Total capitalization (total debt and stockholders equity) | Ps.207,081 | Ps.211,581 | U.S.$ 19,502 |
| Total debt as a percentage of total capitalization. | 44.5% | 45.7% | 45.7% |

(1) U.S. dollar amounts provided are translations from the peso amounts, solely for the convenience of the reader, at an exchange rate of Ps.10.8495 per U.S. dollar, the Central Bank exchange rate at September 30, 2005.
(2) Includes short-term debt.
(3) See Note 11 to the unaudited condensed consolidated interim financial statements included in our report on Form 6-K, filed with the SEC on January 23, 2006.
(4) All of our capital stock is fully paid and non-assessable.

In October 2005, we entered into a new facility that replaced our U.S.$2.425 billion syndicated bank facility obtained in July 2004. Under the new facility, we agreed to pay a smaller margin above LIBOR and increased the total loan amount to U.S.$2.5 billion in two tranches, one for U.S.$1.5 billion maturing in 2009 and one for U.S.$1.0 billion maturing in 2011.

In the fourth quarter of 2005, Embratel s principal operating subsidiary entered into bilateral credit agreements with four banks for loans totaling an aggregate principal amount of U.S.$130 million. In addition, it extended the maturity of a bank loan in an aggregate principal amount of U.S.$25 million from December 2005 to November 2006.

Except as set forth above, there has been no other material change in our consolidated capitalization since September 30, 2005.

The following table sets forth our capital structure as of September 30, 2005:

| Class | Number of Shares (millions) | Percentage of Capital | Percentage of Voting[(1)] |
|---|---|---|---|
| L Shares (no par value) | 13,929 | 61.79% | |
| AA Shares (no par value) | 8,127 | 36.06 | 94.37 |
| A Shares (no par value) | 485 | 2.15 | 5.63 |
| Total | 22,541 | 100.0% | 100.0% |

(1) Except on limited matters for which L Shares have voting rights.

## DESCRIPTION OF NOTES

The following description of the particular terms of the notes supplements the description of the general terms set forth in the accompanying prospectus under the heading Description of Debt Securities. It is important for you to consider the information contained in the accompanying prospectus and this prospectus supplement before making your decision to invest in the notes. If any specific information regarding the notes in this prospectus supplement is inconsistent with the more general terms of the notes described in the accompanying prospectus, you should rely on the information contained in this prospectus supplement.

In this section, references to we, us and our are to Teléfonos de México, S.A. de C.V. only and do not include our subsidiaries or affiliates. References to holders mean those who have notes registered in their names on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in notes issued in book-entry form through Clearstream Banking, Société Anonyme ( Clearstream, Luxembourg ) or Euroclear Bank S.A./N.V. ( Euroclear ). Owners of beneficial interests in the notes should refer to Legal Ownership of Notes in this prospectus supplement.

### General

***The Notes Will Be Issued Under an Indenture and a Supplemental Indenture***

The notes will be issued under an indenture, dated as of November 19, 2003, as amended, supplemented and otherwise modified by the second supplemental indenture, dated as of January 27, 2005, and the fourth supplemental indenture, to be dated as of January 31, 2006. The indenture, the second supplemental indenture and the fourth supplemental indenture are agreements between us and JPMorgan Chase Bank, N.A., as trustee. The trustee has the following two main roles:

- First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, which are described under Description of Debt Securities Default, Remedies and Waiver of Default in the accompanying prospectus.
- Second, the trustee performs administrative duties for us, such as making interest payments and sending notices.

***Principal and Interest***

The aggregate principal amount of the notes will be Ps.4,500,000,000. The notes will mature on January 31, 2016.

The notes will bear interest at a rate of 8.75% per year from January 31, 2006. Interest on the notes will be payable semi-annually on January 31 and July 31 of each year, beginning on July 31, 2006, to the holders in whose names the notes are registered at the close of business on the January 16 or July 16 immediately preceding the related interest payment date.

We will pay interest on the notes on the interest payment dates stated above and at maturity. Each payment of interest due on an interest payment date or at maturity will include interest accrued from and including the last date to which interest has been paid or made available for payment, or from the issue date, if none has been paid or made available for payment, to but excluding the relevant payment date. We will compute interest on the notes on the basis of the actual number of days during the relevant interest period and a 360-day year.

If any payment is due on the notes on a day that is not a business day (as defined below), we will make the payment on the next business day. Payments postponed to the next business day in this situation will be treated as if they were made on the original due date, and postponement of this kind will not result in a default under the notes or the indenture. However, interest will accrue on the principal amount of the notes at the applicable interest rate (8.75% per year) from the original due date to (but excluding) that next business day. This paragraph supersedes the first paragraph under Description of Debt Securities Payment Mechanics Payment When Offices Are Closed in the accompanying prospectus.

When we refer to a business day , we mean each Monday, Tuesday, Wednesday, Thursday and Friday that is (i) not a day on which banking institutions in New York City or Mexico City generally are authorized or obligated by law, regulation or executive order to close and (ii) a day on which banks and financial institutions in Mexico are open for business with the general public. This paragraph supersedes the second paragraph under Description of Debt Securities Payment Mechanics Payment When Offices Are Closed in the accompanying prospectus.

***Payment Currency***

*Payment in U.S. Dollars*. Payment of principal, interest, additional amounts and any other amounts due in respect of the notes will be made, except as provided below, in U.S. dollars, in amounts determined by the calculation agent by translating the Mexican peso amounts into U.S. dollars at the Settlement Rate on the applicable Rate Calculation Date.

For the purposes of translating Mexican peso amounts into U.S. dollars:

Settlement Rate means the Mexican peso / U.S. dollar exchange rate (the FIX FX Rate ) reported by the Central Bank on its website (which, at the date hereof, is located at *http://www.banxico.gob.mx*) on the applicable Rate Calculation Date as the average of quotes in the wholesale foreign exchange market in Mexico for transactions payable in 48 hours. In the event that the FIX FX Rate is not so available by 3:00 p.m. (Mexico City time) on any Rate Calculation Date, then the Settlement Rate for such Rate Calculation Date will be determined by the calculation agent by taking the arithmetic mean (such mean, the Alternative Rate ) of the Mexican peso / U.S. dollar exchange rate for the foreign exchange market in Mexico for transactions payable in 48 hours offered at or about such time on such date by (i) Banco Nacional de México, S.A., Institución de Banca Múltiple, Integrante del Grupo Financiero Banamex, (ii) Banco Inbursa, S.A., Institución de Banca Múltiple, Grupo Financiero Inbursa, (iii) Bank of America Global FX, (iv) Banco Credit Suisse (México) S.A., Institución de Banca Múltiple, Grupo Financiero Credit Suisse (México), and (v) JPMorgan Chase Bank, N.A. (the Reference Banks ); *provided*, *however*, that if any of the Reference Banks ceases to offer such an exchange rate, that bank will be replaced by us, for the purpose of determining the Alternative Rate, with another leading bank or financial institution. In the event that the calculation agent determines (in its sole and absolute discretion) that neither the FIX FX Rate nor the Alternative Rate can be ascertained on a Rate Calculation Date in accordance with the foregoing, we will determine the Settlement Rate (and method of determining the Settlement Rate) in respect of such date in its sole and absolute discretion, taking into consideration all available information that in good faith it deems relevant.

Rate Calculation Date means the second Mexican FX Day immediately preceding an interest payment date, maturity date or redemption date, as applicable. Notwithstanding the preceding sentence, if the Rate Calculation Date is not a business day, then the Rate Calculation Date will be the immediately preceding Mexican FX day (*i.e.*, prior to such second Mexican FX Day) that is a business day.

Mexican FX Day means each Monday, Tuesday, Wednesday, Thursday and Friday that is (i) not a day on which banking institutions or foreign exchange markets in Mexico City generally are authorized or obligated by law, regulation or executive order to close and (ii) a day on which banking institutions and foreign exchange markets in Mexico City are open for business with the general public.

The FIX FX Rate for each Rate Calculation Date is also published in the Official Gazette (the *Diario Oficial de la Federación*) on the succeeding Mexican FX Day.