

TELEFONOS DE MEXICO S A DE C V  
Form 6-K  
October 27, 2005

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 **October 2005**

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: 3 YEAR: 2005

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MEXICAN STOCK EXCHANGE

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STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-01

CONSOLIDATED BALANCE SHEETS

AT SEPTEMBER 30, 2005 & 2004

(Thousand Pesos)

Final printing

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| REF<br>S | CONCEPTS                        | QUARTER OF PRESENT<br>FINANCIAL YEAR |              | QUARTER OF PREVIOUS<br>FINANCIAL YEAR |     |
|----------|---------------------------------|--------------------------------------|--------------|---------------------------------------|-----|
|          |                                 | Amount                               | %            | Amount                                | %   |
|          |                                 | 1                                    | TOTAL ASSETS | 256,871,344                           | 100 |
| 2        | CURRENT ASSETS                  | 62,312,581                           | 24           | 65,147,146                            | 25  |
| 3        | CASH AND SHORT-TERM INVESTMENTS | 27,407,850                           | 11           | 20,030,220                            | 8   |
| 4        | ACCOUNTS RECEIVABLE, NET        | 24,858,456                           | 10           | 24,423,801                            | 10  |
| 5        | OTHER ACCOUNTS RECEIVABLE, NET  | 7,378,846                            | 3            | 9,840,272                             | 4   |
| 6        | INVENTORIES                     | 900,036                              | 0            | 1,160,632                             | 0   |

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|    |  |             |     |             |     |
|----|--|-------------|-----|-------------|-----|
| 7  | OTHER CURRENT ASSETS   | 1,767,393   | 1   | 9,692,221   | 4   |
| 8  | LONG - TERM  | 906,709     | 0   | 1,194,991   | 0   |
| 9  | ACCOUNTS RECEIVABLE, NET   | 0           | 0   | 0           | 0   |
| 10 | INVESTMENT IN SHARES OF<br>SUBSIDIARIES AND AFFILIATES<br>NON-CONSOLIDATED | 899,951     | 0   | 807,894     | 0   |
| 11 | OTHER INVESTMENTS  | 6,758       | 0   | 387,097     | 0   |
| 12 | PLANT, PROPERTY AND EQUIPMENT,<br>NET                                      | 150,586,108 | 59  | 152,250,874 | 59  |
| 13 | PROPERTY   | 0           | 0   | 0           | 0   |
| 14 | MACHINERY AND INDUSTRIAL<br>EQUIPMENT                                      | 426,123,671 | 166 | 418,691,384 | 163 |
| 15 | OTHER EQUIPMENTS   | 0           | 0   | 0           | 0   |
| 16 | ACCUMULATED DEPRECIATION   | 283,788,450 | 110 | 271,824,389 | 106 |
| 17 | CONSTRUCTIONS IN PROGRESS  | 8,250,887   | 3   | 5,383,879   | 2   |
| 18 | DEFERRED ASSETS, NET   | 17,579,104  | 7   | 10,299,402  | 4   |
| 19 | OTHER ASSETS   | 25,486,842  | 10  | 27,862,281  | 11  |
|    |  |             |     |             |     |
| 20 | TOTAL LIABILITIES  | 141,917,127 | 100 | 158,289,739 | 100 |
|    |  |             |     |             |     |
| 21 | CURRENT LIABILITIES  | 48,335,973  | 34  | 55,284,500  | 35  |
| 22 | SUPPLIERS  | 0           | 0   | 0           | 0   |
| 23 | BANK LOANS   | 3,573,543   | 3   | 10,795,310  | 7   |
| 24 | STOCK MARKET LOANS   | 12,613,422  | 9   | 880,855     | 1   |
| 25 | TAXES PAYABLE  | 2,780,023   | 2   | 6,043,984   | 4   |
| 26 | OTHER CURRENT LIABILITIES  | 29,368,985  | 21  | 37,564,351  | 24  |
| 27 | LONG - TERM LIABILITIES  | 75,940,300  | 54  | 79,974,347  | 51  |
| 28 | BANK LOANS   | 39,504,175  | 28  | 43,572,755  | 28  |
| 29 | STOCK MARKET LOANS   | 36,436,125  | 26  | 36,401,592  | 23  |
| 30 | OTHER LOANS  | 0           | 0   | 0           | 0   |
| 31 | DEFERRED CREDITS   | 15,651,414  | 11  | 21,421,646  | 14  |
| 32 | OTHER LIABILITIES  | 1,989,440   | 1   | 1,609,246   | 1   |
|    |  |             |     |             |     |
| 33 | CONSOLIDATED STOCKHOLDERS'<br>EQUITY                                       | 114,954,217 | 100 | 98,464,955  | 100 |
|    |  |             |     |             |     |
| 34 | MINORITY INTEREST  | 12,326,403  | 11  | 8,886,266   | 9   |
| 35 | MAJORITY INTEREST  | 102,627,814 | 89  | 89,578,689  | 91  |

|    |   |              |      |              |      |
|----|---|--------------|------|--------------|------|
| 36 | CONTRIBUTED CAPITAL   | 46,648,610   | 41   | 48,434,712   | 49   |
| 37 | CAPITAL STOCK (NOMINAL)                                     | 281,757      | 0    | 298,281      | 0    |
| 38 | RESTATEMENT OF CAPITAL STOCK                                | 27,273,613   | 24   | 29,043,191   | 29   |
| 39 | PREMIUM ON SALES OF SHARES                                  | 19,093,240   | 17   | 19,093,240   | 19   |
| 40 | CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES                  | 0            | 0    | 0            | 0    |
| 41 | CAPITAL INCREASE (DECREASE)                                 | 55,979,204   | 49   | 41,143,977   | 42   |
| 42 | RETAINED EARNINGS AND CAPITAL RESERVE                       | 102,048,135  | 89   | 90,614,196   | 92   |
| 43 | RESERVE FOR REPURCHASE OF OWN SHARES                        | 0            | 0    | 0            | 0    |
| 44 | EXCESS (SHORTFALL) FROM RESTATEMENT OF STOCKHOLDERS' EQUITY | (65,904,349) | (57) | (66,850,367) | (68) |
| 45 | NET INCOME  | 19,835,418   | 17   | 17,380,148   | 18   |

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MEXICAN STOCK EXCHANGE

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STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-02

CONSOLIDATED BALANCE SHEETS

- BREAKDOWN OF MAIN CONCEPTS -

(Thousand Pesos)

Final printing

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| REF<br>S | CONCEPTS                               | QUARTER OF PRESENT<br>FINANCIAL YEAR |                                  | QUARTER OF PREVIOUS<br>FINANCIAL YEAR |     |
|----------|--|--------------------------------------|----------------------------------|---------------------------------------|-----|
|          |  | Amount                               | %                                | Amount                                | %   |
|          |  | 3                                    | CASH AND SHORT- TERM INVESTMENTS | 27,407,850                            | 100 |
| 46       | CASH                                   | 1,513,979                            | 6                                | 1,556,558                             | 8   |
| 47       | SHORT-TERM INVESTMENTS                 | 25,893,871                           | 94                               | 18,473,662                            | 92  |
| 18       | DEFERRED ASSETS, NET                   | 17,579,104                           | 100                              | 10,299,402                            | 100 |
| 48       | AMORTIZED OR REDEEMED EXPENSES         | 4,467,326                            | 25                               | 1,584,876                             | 15  |
| 49       | GOODWILL                               | 7,258,081                            | 41                               | 4,061,305                             | 39  |
| 50       | DEFERRED TAXES                         | 5,853,697                            | 33                               | 4,653,221                             | 45  |
| 51       | OTHERS                                 | 0                                    | 0                                | 0                                     | 0   |
| 21       | CURRENT LIABILITIES                    | 48,335,973                           | 100                              | 55,284,500                            | 100 |
| 52       | FOREIGN CURRENCY LIABILITIES           | 16,186,965                           | 33                               | 9,966,270                             | 18  |
| 53       | MEXICAN PESOS LIABILITIES              | 32,149,008                           | 67                               | 45,318,230                            | 82  |
| 24       | STOCK MARKET SHORT-TERM SECURITIES     | 12,613,422                           | 100                              | 880,855                               | 100 |
| 54       | COMMERCIAL PAPER                       | 0                                    | 0                                | 0                                     | 0   |
| 55       | MEDIUM-TERM NOTES                      | 0                                    | 0                                | 0                                     | 0   |
| 56       | CURRENT MATURITIES OF SECURITIES       | 12,613,422                           | 100                              | 880,855                               | 100 |
| 26       | OTHER CURRENT LIABILITIES              | 29,368,985                           | 100                              | 37,564,351                            | 100 |
| 57       | OTHER CURRENT LIABILITIES WITH COST    | 0                                    | 0                                | 0                                     | 0   |
| 58       | OTHER CURRENT LIABILITIES WITHOUT COST | 29,368,985                           | 100                              | 37,564,351                            | 100 |
| 27       | LONG - TERM LIABILITIES                | 75,940,300                           | 100                              | 79,974,347                            | 100 |
| 59       | FOREIGN CURRENCY LIABILITIES           | 68,040,300                           | 90                               | 72,616,617                            | 91  |
| 60       | MEXICAN PESOS LIABILITIES              | 7,900,000                            | 10                               | 7,357,730                             | 9   |
| 29       | STOCK MARKET LONG-TERM SECURITIES      | 36,436,125                           | 100                              | 36,401,592                            | 100 |
| 61       | BONDS                                  | 36,436,125                           | 100                              | 36,401,592                            | 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   | 15,651,414   | 100  | 21,421,646   | 100  |
| 65 | GOODWILL   | 0            | 0    | 0            | 0    |
| 66 | DEFERRED TAXES   | 15,651,414   | 100  | 21,421,646   | 100  |
| 67 | OTHERS   | 0            | 0    | 0            | 0    |
|    |  |              |      |              |      |
| 32 | OTHER LIABILITIES  | 1,989,440    | 100  | 1,609,246    | 100  |
| 68 | RESERVES   | 1,989,440    | 100  | 1,609,246    | 100  |
| 69 | OTHERS LIABILITIES   | 0            | 0    | 0            | 0    |
|    |  |              |      |              |      |
| 44 | EXCESS (SHORTFALL) FROM<br>RESTATEMENTS OF STOCKHOLDERS'<br>EQUITY | (65,904,349) | 100  | (66,850,367) | 100  |
| 70 | ACCUMULATED MONETARY<br>POSITION INCOME                            | (13,839,081) | (21) | (13,839,081) | (21) |
| 71 | RESULT FROM HOLDING<br>NON-MONETARY ASSETS                         | (52,065,268) | (79) | (53,011,286) | (79) |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-03

CONSOLIDATED BALANCE SHEETS

- OTHER CONCEPTS -

(Thousand Pesos)

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| REF<br>S | CONCEPTS                                     | QUARTER OF PRESENT<br>FINANCIAL YEAR | QUARTER OF<br>PREVIOUS<br>FINANCIAL YEAR |
|----------|--|--------------------------------------|--|
|          |  | Amount                               | Amount                                   |
| 72       | WORKING CAPITAL                              | 13,976,608                           | 9,862,646                                |
| 73       | PENSIONS FUND AND SENIORITY<br>PREMIUMS      | 1,989,440                            | 1,609,246                                |
| 74       | EXECUTIVES (*)                               | 127                                  | 124                                      |
| 75       | EMPLOYEES (*)                                | 27,590                               | 22,858                                   |
| 76       | WORKERS (*)                                  | 51,301                               | 52,047                                   |
| 77       | OUTSTANDING SHARES (*)                       | 22,540,581,570                       | 23,862,469,708                           |
| 78       | REPURCHASE OF OWN SHARES (*)                 | 1,088,322,740                        | 1,138,325,200                            |
|          |  |                                      |  |
|          |  |                                      |  |
| (*)      | THESE CONCEPTS SHOULD BE EXPRESSED IN UNITS. |                                      |  |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-04

CONSOLIDATED STATEMENTS OF INCOME

- FROM JULY 01 TO SEPTEMBER 30, 2005 &amp; 2004 -

(Thousand Pesos)

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| REF<br>R | CONCEPTS   | QUARTER OF<br>PRESENT |     | QUARTER OF<br>PREVIOUS |     |
|----------|--|-----------------------|-----|------------------------|-----|
|          |  | FINANCIAL YEAR        |     | FINANCIAL YEAR         |     |
|          |  | Amount                | %   | Amount                 | %   |
| 1        | OPERATING REVENUES                                       | 121,705,607           | 100 | 100,720,764            | 100 |
| 2        | COST OF SALES AND SERVICES                               | 65,588,370            | 54  | 53,320,078             | 53  |
| 3        | GROSS INCOME   | 56,117,237            | 46  | 47,400,686             | 47  |
| 4        | OPERATING COSTS  | 20,499,835            | 17  | 15,543,931             | 15  |
| 5        | OPERATING INCOME   | 35,617,402            | 29  | 31,856,755             | 32  |
| 6        | COMPREHENSIVE FINANCING COST                             | 3,296,757             | 3   | 1,722,238              | 2   |
| 7        | INCOME AFTER COMPREHENSIVE<br>FINANCING COST             | 32,320,645            | 27  | 30,134,517             | 30  |
| 8        | OTHER FINANCIAL OPERATIONS                               | 0                     | 0   | 0                      | 0   |
| 9        | INCOME BEFORE INCOME TAX AND<br>EMPLOYEE PROFIT SHARING  | 32,320,645            | 27  | 30,134,517             | 30  |
| 10       | PROVISIONS FOR INCOME TAX AND<br>EMPLOYEE PROFIT SHARING | 11,685,924            | 10  | 12,652,542             | 13  |
| 11       | INCOME AFTER INCOME TAX AND<br>EMPLOYEE PROFIT SHARING   | 20,634,721            | 17  | 17,481,975             | 17  |
| 12       | EQUITY IN RESULTS OF SUBSIDIARIES<br>AND AFFILIATES      | (59,584)              | 0   | (77,702)               | 0   |
| 13       | INCOME FROM CONTINUOUS<br>OPERATIONS                     | 20,575,137            | 17  | 17,404,273             | 17  |
| 14       | INCOME FROM DISCONTINUOUS<br>OPERATIONS, NET             | 0                     | 0   | 0                      | 0   |
| 15       | NET INCOME BEFORE EXTRAORDINARY<br>ITEMS                 | 20,575,137            | 17  | 17,404,273             | 17  |
| 16       | EXTRAORDINARY ITEMS NET<br>EXPENDITURES (REVENUES)       | 0                     | 0   | 0                      | 0   |
| 17       | NET EFFECT OF CHANGES IN<br>ACCOUNTING PRINCIPLES        | 0                     | 0   | 0                      | 0   |
| 18       | NET INCOME   | 20,575,137            | 17  | 17,404,273             | 17  |
| 19       | MINORITY INTEREST  | 739,719               | 1   | 24,125                 | 0   |
| 20       | MAJORITY INTEREST  | 19,835,418            | 16  | 17,380,148             | 17  |
|          |  |                       |     |                        |     |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-05

## CONSOLIDATED STATEMENTS OF INCOME

## - BREAKDOWN OF MAIN CONCEPTS -

(Thousand Pesos)

Final printing

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| REF<br>R | CONCEPTS                               | QUARTER OF<br>PRESENT |      | QUARTER OF<br>PREVIOUS |      |
|----------|--|-----------------------|------|------------------------|------|
|          |  | FINANCIAL YEAR        |      | FINANCIAL YEAR         |      |
|          |  | Amount                | %    | Amount                 | %    |
| 1        | OPERATING REVENUES                     | 121,705,607           | 100  | 100,720,764            | 100  |
| 21       | DOMESTIC                               | 89,239,337            | 73   | 91,533,269             | 91   |
| 22       | FOREIGN                                | 32,466,270            | 27   | 9,187,495              | 9    |
| 23       | TRANSLATION INTO DOLLARS (***)         | 2,992,421             | 2    | 776,968                | 1    |
|          |  |                       |      |                        |      |
| 6        | COMPREHENSIVE FINANCING COST           | 3,296,757             | 100  | 1,722,238              | 100  |
| 24       | INTEREST EXPENSE                       | 5,795,655             | 176  | 4,580,313              | 266  |
| 25       | EXCHANGE LOSS                          | 1,733,202             | 53   | 444,356                | 26   |
| 26       | INTEREST INCOME                        | 3,126,715             | 95   | 1,772,279              | 103  |
| 27       | EXCHANGE GAIN                          | 0                     | 0    | 0                      | 0    |
| 28       | INCOME DUE TO MONETARY POSITION        | (1,105,385)           | (34) | (1,530,152)            | (89) |
| 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<br>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 | 11,685,924  | 100  | 12,652,542 | 100 |
| 32    | INCOME TAX   | 11,540,430  | 99   | 11,094,729 | 88  |
| 33    | DEFERRED INCOME TAX                                  | (2,104,808) | (18) | (498,530)  | (4) |
| 34    | EMPLOYEE PROFIT SHARING                              | 2,250,302   | 19   | 2,056,343  | 16  |
| 35    | DEFERRED EMPLOYEE PROFIT SHARING                     | 0           | 0    | 0          | 0   |
| (***) | THOUSAND DOLLARS                                     |             |      |            |     |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-06

CONSOLIDATED STATEMENTS OF INCOME

- OTHER CONCEPTS -

(Thousand Pesos)

Final printing

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| REF<br>R | CONCEPTS                | QUARTER OF PRESENT<br>FINANCIAL YEAR | QUARTER OF<br>PREVIOUS<br>FINANCIAL YEAR |
|----------|-------------------------|--------------------------------------|--|
|          |                         | Amount                               | Amount                                   |
| 36       | TOTAL REVENUES          | 121,705,606                          | 100,720,763                              |
| 37       | NET INCOME              | 0                                    | 0  |
| 38       | OPERATING REVENUES (**) | 163,548,029                          | 133,545,967                              |

|      |                                       |            |            |
|------|---------------------------------------|------------|------------|
| 39   | OPERATING INCOME (**)                 | 48,211,078 | 43,125,589 |
| 40   | NET INCOME OF MAJORITY INTEREST (**)  | 30,452,309 | 23,360,506 |
| 41   | NET INCOME (**)                       | 31,512,793 | 23,384,631 |
|      |                                       |            |            |
|      |                                       |            |            |
| (**) | INFORMATION OF THE PAST TWELVE MONTHS |            |            |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-07

CONSOLIDATED STATEMENTS OF INCOME

- FROM JULY 01 TO SEPTEMBER 30, 2005 & 2004 -

(Thousand Pesos)

Final printing

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| REF<br>RT | CONCEPTS                                  | QUARTER OF PRESENT<br>FINANCIAL YEAR |                    | QUARTER OF PREVIOUS<br>FINANCIAL YEAR |     |
|-----------|---|--------------------------------------|--------------------|---------------------------------------|-----|
|           |   | Amount                               | %                  | Amount                                | %   |
|           |   | 1                                    | OPERATING REVENUES | 41,125,168                            | 100 |
| 2         | COST OF SALES AND SERVICES                | 21,946,581                           | 53                 | 20,217,937                            | 53  |
| 3         | GROSS INCOME                              | 19,178,587                           | 47                 | 17,606,794                            | 47  |
| 4         | OPERATING COST                            | 6,808,546                            | 17                 | 6,133,795                             | 16  |
| 5         | OPERATING INCOME                          | 12,370,041                           | 30                 | 11,472,999                            | 30  |
| 6         | COMPREHENSIVE FINANCING COST              | 1,602,124                            | 4                  | (53,009)                              | (0) |
| 7         | INCOME AFTER COMPREHENSIVE FINANCING COST | 10,767,917                           | 26                 | 11,526,008                            | 30  |
| 8         | OTHER FINANCIAL OPERATIONS                | 0                                    | 0                  | 0                                     | 0   |

|    |   |            |    |            |    |
|----|---|------------|----|------------|----|
| 9  | INCOME BEFORE INCOME TAX AND EMPLOYEE PROFIT SHARING  | 10,767,917 | 26 | 11,526,008 | 30 |
| 10 | PROVISIONS FOR INCOME TAX AND EMPLOYEE PROFIT SHARING | 3,623,996  | 9  | 4,519,294  | 12 |
| 11 | INCOME AFTER INCOME TAX AND EMPLOYEE PROFIT SHARING   | 7,143,921  | 17 | 7,006,714  | 19 |
| 12 | EQUITY IN RESULTS OF SUBSIDIARIES AND AFFILIATES      | (16,203)   | 0  | (35,023)   | 0  |
| 13 | INCOME FROM CONTINUOUS OPERATIONS                     | 7,127,718  | 17 | 6,971,691  | 18 |
| 14 | INCOME FROM DISCONTINUOUS OPERATIONS, NET             | 0          | 0  | 0          | 0  |
| 15 | NET INCOME BEFORE EXTRAORDINARY ITEMS                 | 7,127,718  | 17 | 6,971,691  | 18 |
| 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  | 7,127,718  | 17 | 6,971,691  | 18 |
| 19 | MINORITY INTEREST                                     | 299,307    | 1  | 24,125     | 0  |
| 20 | MAJORITY INTEREST                                     | 6,828,411  | 17 | 6,947,566  | 18 |
|    |   |            |    |            |    |

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MEXICAN STOCK EXCHANGE

Index

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 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

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| REF<br>RT | CONCEPTS  | QUARTER OF<br>PRESENT |      | QUARTER OF<br>PREVIOUS |         |
|-----------|---|-----------------------|------|------------------------|---------|
|           |   | FINANCIAL YEAR        |      | FINANCIAL YEAR         |         |
|           |   | Amount                | %    | Amount                 | %       |
| 1         | OPERATING REVENUES                                      | 41,125,168            | 100  | 37,824,731             | 100     |
| 21        | DOMESTIC  | 30,275,570            | 74   | 31,056,110             | 82      |
| 22        | FOREIGN   | 10,849,598            | 26   | 6,768,621              | 18      |
| 23        | TRANSLATION INTO DOLLARS (***)                          | 1,068,890             | 3    | 575,728                | 2       |
|           |   |                       |      |                        |         |
| 6         | COMPREHENSIVE FINANCING COST                            | 1,602,124             | 100  | (53,009)               | 100     |
| 24        | INTEREST EXPENSE  | 2,067,024             | 129  | 1,641,254              | (3,096) |
| 25        | EXCHANGE LOSS   | 934,956               | 58   | 0                      | 0       |
| 26        | INTEREST INCOME   | 1,007,375             | 63   | 655,634                | (1,237) |
| 27        | EXCHANGE GAIN   | 0                     | 0    | 265,941                | (502)   |
| 28        | INCOME DUE TO MONETARY POSITION                         | (392,481)             | (24) | (772,688)              | 1,458   |
| 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<br>SHARES                  | 0                     | 0    | 0                      | 0       |
| 31        | LOSS (PROFIT) ON SALE OF<br>SHORT-TERM INVESTMENTS      | 0                     | 0    | 0                      | 0       |
|           |   |                       |      |                        |         |
| 10        | PROVISION FOR INCOME TAX AND<br>EMPLOYEE PROFIT SHARING | 3,623,996             | 100  | 4,519,294              | 100     |
| 32        | INCOME TAX  | 3,926,607             | 108  | 4,065,570              | 90      |
| 33        | DEFERRED INCOME TAX                                     | (804,026)             | (22) | (91,033)               | (2)     |
| 34        | EMPLOYEE PROFIT SHARING                                 | 501,415               | 14   | 544,757                | 12      |
| 35        | DEFERRED EMPLOYEE PROFIT<br>SHARING                     | 0                     | 0    | 0                      | 0       |
|           |   |                       |      |                        |         |
|           |   |                       |      |                        |         |
| (***)     | THOUSANDS OF DOLLARS                                    |                       |      |                        |         |

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MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-09

## CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

- FROM JULY 01 TO SEPTEMBER 30, 2005 &amp; 2004 -

(Thousand Pesos)

Final printing

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| REF<br>C | CONCEPTS  | QUARTER OF<br>PRESENT<br>FINANCIAL<br>YEAR | QUARTER OF<br>PREVIOUS<br>FINANCIAL<br>YEAR |
|----------|---|--|---|
| Amount   | Amount  |  |   |
| 1        | NET INCOME  | 20,575,137                                 | 17,404,273                                  |
| 2        | ADD (DEDUCT) ITEMS NOT REQUIRING THE<br>USE OF RESOURCES      | 16,987,588                                 | 16,778,410                                  |
| 3        | CASH FLOW FROM NET INCOME FOR THE<br>YEAR                     | 37,562,725                                 | 34,182,683                                  |
| 4        | CASH FLOW FROM CHANGES IN WORKING<br>CAPITAL                  | (2,112,371)                                | 8,455,361                                   |
| 5        | RESOURCES PROVIDED BY OPERATING<br>ACTIVITIES                 | 35,450,354                                 | 42,638,044                                  |
| 6        | CASH FLOW FROM OUTSIDE FINANCING                              | 1,551,631                                  | 1,522,054                                   |
| 7        | CASH FLOW FROM OWN FINANCING                                  | (17,862,111)                               | (10,695,380)                                |
| 8        | RESOURCES PROVIDED BY FINANCING<br>ACTIVITIES                 | (16,310,480)                               | (9,173,326)                                 |
| 9        | RESOURCES PROVIDED BY INVESTMENT<br>ACTIVITIES                | (12,604,109)                               | (24,346,915)                                |
| 10       | NET INCREASE (DECREASE) IN CASH AND<br>SHORT-TERM INVESTMENTS | 6,535,765                                  | 9,117,803                                   |
| 11       | CASH AND SHORT-TERM INVESTMENTS AT<br>THE BEGINNING OF PERIOD | 20,872,085                                 | 10,912,417                                  |

|    |  |            |            |
|----|--|------------|------------|
| 12 | CASH AND SHORT-TERM INVESTMENTS AT THE END OF PERIOD | 27,407,850 | 20,030,220 |
|    |  |            |            |

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## MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 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

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| REF<br>C | CONCEPTS   | QUARTER OF<br>PRESENT<br>FINANCIAL<br>YEAR | QUARTER OF<br>PREVIOUS<br>FINANCIAL<br>YEAR |
|----------|--|--|---|
|          |  | Amount                                     | Amount                                      |
| 2        | ADD (DEDUCT) ITEMS NOT REQUIRING THE USE OF RESOURCES                | 16,987,588                                 | 16,778,410                                  |
| 13       | (+)DEPRECIATION AND AMORTIZATION FOR THE YEAR                        | 18,846,808                                 | 17,223,362                                  |
| 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                | (1,859,220)                                | (444,952)                                   |



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|    |   |              |              |
|----|---|--------------|--------------|
|    |   |              |              |
| 4  | CASH FLOW FROM CHANGES IN WORKING CAPITAL                             | (2,112,371)  | 8,455,361    |
| 18 | +(-) DECREASE (INCREASE) IN ACCOUNT RECEIVABLE                        | 119,006      | (1,319,099)  |
| 19 | +(-) DECREASE (INCREASE) IN INVENTORIES                               | (323,327)    | (39,120)     |
| 20 | +(-) DECREASE (INCREASE) IN OTHER ACCOUNT RECEIVABLE AND OTHER ASSETS | 3,019,859    | 5,560,419    |
| 21 | +(-) INCREASE (DECREASE) IN SUPPLIERS ACCOUNT                         | 0            | 0            |
| 22 | +(-) INCREASE (DECREASE) IN OTHER LIABILITIES                         | (4,927,909)  | 4,253,161    |
|    |   |              |              |
| 6  | CASH FLOW FROM OUTSIDE FINANCING                                      | 1,551,631    | 1,522,054    |
| 23 | + SHORT-TERM BANK FINANCING AND DEBT SECURITIES                       | 21,835,484   | 33,004,200   |
| 24 | + LONG-TERM BANK FINANCING AND DEBT SECURITIES                        | 211,166      | 378,046      |
| 25 | + DIVIDEND RECEIVED   | 0            | 0            |
| 26 | + OTHER FINANCING   | 1,104,259    | 0            |
| 27 | (-) BANK FINANCING AMORTIZATION                                       | (15,087,585) | (28,571,441) |
| 28 | (-) DEBT SECURITIES AMORTIZATION                                      | (1,520,525)  | (1,075,107)  |
| 29 | (-) OTHER FINANCING AMORTIZATION                                      | (4,991,168)  | (2,213,644)  |
|    |   |              |              |
| 7  | CASH FLOW FROM OWN FINANCING  | (17,862,111) | (10,695,380) |
| 30 | +(-) INCREASE (DECREASE) IN CAPITAL STOCK                             | (956,081)    | (315,870)    |
| 31 | (-) DIVIDENS PAID   | (6,358,688)  | (6,242,105)  |
| 32 | + PREMIUM ON SALE OF SHARES   | 0            | 6,871,025    |
| 33 | + CONTRIBUTION FOR FUTURE CAPITAL INCREASES                           | (10,547,342) | (11,008,430) |
|    |   |              |              |
| 9  | RESOURCES PROVIDED BY INVESTMENT ACTIVITIES                           | (12,604,109) | (24,346,915) |
| 34 | +(-) DECREASE (INCREASE) IN STOCK INVESTMENTS OF PERMANENT NATURE     | (3,415,255)  | (9,630,935)  |
| 35 | (-) ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT                      | (14,673,138) | (10,175,304) |
| 36 |   | 0            | (791,803)    |

|    |  |           |             |
|----|--|-----------|-------------|
|    | (-) INCREASE IN CONSTRUCTIONS IN PROCESS |           |             |
| 37 | + SALE OF OTHER PERMANENT INVESTMENTS    | 0         | 0           |
| 38 | + SALE OF TANGIBLE FIXED ASSETS          | 0         | 0           |
| 39 | +(-) OTHER ITEMS                         | 5,484,284 | (3,748,873) |

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MEXICAN STOCK EXCHANGE

Index

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FI-01

RATIOS

- CONSOLIDATED INFORMATION -

(Thousand Pesos)

Final printing

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| REF<br>P | CONCEPTS                                      | QUARTER OF PRESENT |   | QUARTER OF PREVIOUS |   |
|----------|---|--------------------|---|---------------------|---|
|          |   | FINANCIAL YEAR     |   | FINANCIAL YEAR      |   |
|          | YIELD   |                    |   |                     |   |
| 1        | NET INCOME TO OPERATING REVENUES              | 16.91              | % | 17.28               | % |
| 2        | NET INCOME TO STOCKHOLDERS' EQUITY (**)       | 29.67              | % | 26.08               | % |
| 3        | NET INCOME TO TOTAL ASSETS ( **)              | 12.27              | % | 9.11                | % |
| 4        | CASH DIVIDENDS TO PREVIOUS YEAR NET INCOME    | 22.71              | % | 25.95               | % |
| 5        | INCOME DUE TO MONETARY POSITION TO NET INCOME | 5.37               | % | 8.79                | % |
|          |   |                    |   |                     |   |

|      | ACTIVITY  |        |       |         |       |
|------|---|--------|-------|---------|-------|
| 6    | OPERATING REVENUES TO TOTAL ASSETS (**)   | 0.64   | times | 0.52    | times |
| 7    | OPERATING REVENUES TO FIXED ASSETS (**)   | 1.09   | times | 0.88    | times |
| 8    | INVENTORIES ROTATION (**)   | 77.57  | times | 47.86   | times |
| 9    | ACCOUNTS RECEIVABLE IN DAYS OF SALES  | 48     | days  | 57      | days  |
| 10   | INTEREST PAID TO TOTAL LIABILITIES WITH COST (**)   | 8.37   | %     | 6.40    | %     |
|      | LEVERAGE  |        |       |         |       |
| 11   | TOTAL LIABILITIES TO TOTAL ASSETS   | 55.25  | %     | 61.65   | %     |
| 12   | TOTAL LIABILITIES TO STOCKHOLDERS' EQUITY   | 1.23   | times | 1.61    | times |
| 13   | FOREIGN CURRENCY LIABILITIES TO TOTAL LIABILITIES   | 59.35  | %     | 52.17   | %     |
| 14   | LONG-TERM LIABILITIES TO FIXED ASSETS   | 50.43  | %     | 52.53   | %     |
| 15   | OPERATING INCOME TO INTEREST EXPENSE  | 6.15   | times | 6.96    | times |
| 16   | OPERATING REVENUES TO TOTAL LIABILITIES (**)  | 1.15   | times | 0.84    | times |
|      | LIQUIDITY   |        |       |         |       |
| 17   | CURRENT ASSETS TO CURRENT LIABILITIES   | 1.29   | times | 1.18    | times |
| 18   | CURRENT ASSETS LESS INVENTORY TO CURRENT LIABILITIES  | 1.27   | times | 1.16    | times |
| 19   | CURRENT ASSETS TO TOTAL LIABILITIES   | 0.44   | times | 0.41    | times |
| 20   | AVAILABLE ASSETS TO CURRENT LIABILITIES   | 56.70  | %     | 36.23   | %     |
|      | STATEMENT OF CHANGES IN FINANCIAL POSITION  |        |       |         |       |
| 21   | CASH FLOW FROM NET INCOME TO OPERATING REVENUES   | 30.86  | %     | 33.94   | %     |
| 22   | CASH FLOW FROM CHANGES IN WORKING CAPITAL TO OPERATING REVENUES                             | (1.74) | %     | 8.39    | %     |
| 23   | RESOURCES PROVIDED BY OPERATING ACTIVITIES TO INTEREST EXPENSES                             | 6.12   | times | 9.31    | times |
| 24   | OUTSIDE FINANCING TO RESOURCES PROVIDED BY FINANCING ACTIVITIES                             | (9.51) | %     | (16.59) | %     |
| 25   | OWN FINANCING TO RESOURCES PROVIDED BY FINANCING ACTIVITIES                                 | 109.51 | %     | 116.59  | %     |
| 26   | ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT TO RESOURCES PROVIDED BY INVESTMENT ACTIVITIES | 116.42 | %     | 41.79   | %     |
| (**) | INFORMATION OF THE PAST TWELVE MONTHS   |        |       |         |       |

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MEXICAN STOCK EXCHANGE

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FI-02

## DATA PER SHARE

## - CONSOLIDATED INFORMATION -

(Thousand Pesos)

Final printing

| REF<br>D | CONCEPTS  | QUARTER OF<br>PRESENT<br><br>FINANCIAL<br>YEAR |        | QUARTER OF<br>PREVIOUS<br><br>FINANCIAL YEAR |        |
|----------|---|--|--------|--|--------|
|          |   | Amount   |        | Amount                                       |        |
| 1        | BASIC INCOME PER ORDINARY SHARE (**)  | 1.31   | \$     | 0.97   | \$     |
| 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<br>ORDINARY SHARE (**)  | 1.31   | \$     | 0.97   | \$     |
| 5        | EFFECT OF DISCONTINUOUS OPERATIONS ON<br>INCOME FROM CONTINUOUS OPERATIONS PER<br>ORDINARY SHARE (**)         | 0.00   | \$     | 0.00   | \$     |
| 6        | EFFECT OF EXTRAORDINARY INCOME ON INCOME<br>FROM CONTINUOUS OPERATIONS PER ORDINARY<br>SHARE (**)             | 0.00   | \$     | 0.00   | \$     |
| 7        | EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES<br>ON INCOME FROM CONTINUOUS OPERATIONS PER<br>ORDINARY SHARE (**) | 0.00   | \$     | 0.00   | \$     |
| 8        | CARRYING VALUE PER SHARE  | 4.55   | \$     | 3.75   | \$     |
| 9        | ACUMULATED CASH DIVIDEND PER SHARE  | 0.28   | \$     | 0.26   | \$     |
| 10       | SHARE DIVIDENDS PER SHARE   | 0.00   | shares | 0.00   | shares |
| 11       | MARKET PRICE TO CARRYING VALUE  | 2.52   | times  | 2.54   | times  |
| 12       | MARKET PRICE TO BASIC INCOME PER ORDINARY<br>SHARE (**)   | 8.75   | times  | 9.82   | times  |

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

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## MEXICAN STOCK EXCHANGE

Index

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 1

CHIEF EXECUTIVE OFFICER REPORT

Consolidated

Final printing

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THIRD QUARTER 2005

Consolidated Relevant Figures

The third quarter 2005 analysis presented here includes the results of the subsidiaries in Latin America, including Embratel. Results for the third quarter of 2004 recognize the assets acquired from AT&T Latin America and Embratel since August.

- In the third quarter of 2005 compared with the same period of 2004, broadband services volume increased 98.3%, line equivalents for data 26.5% and lines in service 7.8%. Domestic long distance traffic increased 5.9%. Outgoing international distance traffic increased 7.4% and local traffic increased 0.6%.
- Growth in volumes notwithstanding, revenues in Mexico did not increase due to the reduction of rates in real terms. Nevertheless, the EBITDA margin was similar to the level of a year ago and the operating margin increased 1 percentage point.
- All of the Latin American operations had positive operating income. At Embratel, total revenues increased 5.5%, generating an EBITDA margin of 25.1% and an operating margin of 10.9% compared with the year-earlier 13.6% and (2.4)%, respectively. The rest of the Latin American operations together increased revenues in 17.3% and produced EBITDA and operating margins of 23.9% and 11.4%, respectively, compared with 21.5% and (2.8)% in the same period of the previous year.

- For the nine months, consolidated investment in the expansion and modernization of the telecommunications platform was 1.331 billion dollars. Of that total, 65.1% was invested in Mexico, 28.9% in Embratel and 6% in the rest of the companies in Latin America.
- The company's consolidated net debt (4) increased the equivalent of approximately 404 million dollars, totaling 5.960 billion dollars.
- Earnings per share in the quarter were 0.30 pesos and 0.56 dollars per ADR, an annual increase of 3.4% and 14.3%, respectively.

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

### Highlights

**Incorporation of TELMEX do Brasil and Participation in Net into Embratel:** On September 30, Embratel's board of directors approved the acquisition of 100% of TELMEX do Brasil Ltda. and 37.1% of Net Serviços de Comunicação S.A. capital stock. On October 24, 2005 the transaction was approved at Embratel's Shareholders Meeting. Embratel will settle this acquisition through the issuance of common shares and TELMEX's participation in this company will increase from 63.4% to 72.3% of the total capital.

### Syndicated Bank Loan:

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.

### Consolidated

#### **Income Statements**

The third quarter 2005 analysis presented here includes the results of the subsidiaries in Latin America, including Embratel. Results for the third quarter of 2004 recognize the assets acquired from AT&T Latin America and Embratel since August.

#### Revenues

: In the third quarter, revenues from Teléfonos de México and its subsidiaries in Mexico and Latin America rose to 41,125 million pesos, an increase of 8.7% compared with the same period of 2004, which included Embratel's revenues in August and September. Of total consolidated revenues, voice revenues represented 77.9% and data transmission revenues represented 18.2%. For the nine months, consolidated revenues totaled 121,706 million pesos, an increase of 20.8% compared with the same period of last year.

#### Costs and expenses:

Costs and expenses in the third quarter totaled 28,755 million pesos, 9.1% higher than the same period of the previous year, which included two months of results at Embratel. For the nine months, costs and expenses increased 25% totaling 86,088 million pesos.

EBITDA and operating income:

EBITDA (1) rose to 18,463 million pesos in the third quarter, 4.5% higher than the same period of 2004, producing an EBITDA margin of 44.9%. Operating income totaled 12,370 million pesos, an increase of 7.8% compared with the previous year, and the margin was 30.1% in the quarter. For the nine months, EBITDA (1) and operating income were 54,465 and 35,618 million pesos, producing margins of 44.8% and 29.3%, respectively.

Comprehensive financing cost:

Comprehensive financing cost was 1,602 million pesos in the quarter. This result was mainly due to hedges that resulted in a charge of 935 million pesos, to net interest from interest rate swaps and paid interest totaling 1,059 million pesos, and to a gain of 392 million pesos in the monetary position due to a lower inflation rate. For the nine months, comprehensive financing cost was 3,297 million pesos.

Majority net income:

Majority net income totaled 6,828 million pesos in the third quarter, 1.7% lower than the same period of the previous year mainly due to higher comprehensive financing cost. Earnings per share for the third quarter, based on the number of shares outstanding at period end, were 0.30 pesos compared with 0.29 pesos per share in the same period a year ago, and earnings per ADR were 0.56 dollars compared with 0.49 dollars per ADR in last year's third quarter.

Investments:

During the nine months, consolidated investments totaled 1.331 billion dollars. In Mexico, 866 million dollars were invested, of which 46.4% was used to develop and expand the platform for new generation services and services for access to the public data network, 46.8% for the expansion and maintenance of the telephone plant and 6.8% for social telephony. In Embratel, investments totaled 385 million dollars, of which 25% were used for access infrastructure and local services, 22.6% in data and Internet services, 4.2% in network infrastructure, 30.3% in new satellites to replace the equipment scheduled to be removed from service in 2006 and 2007 and 17.9% on other items. In the rest of the operations in Latin America, 80 million dollars were used for the expansion of the infrastructure of the various companies.

Repurchase of shares

During the quarter, the company used 4,309 million pesos to repurchase 411,694,480 of its own shares. For comparison purposes, it is important to consider the 2 for 1 stock split that was carried out on May 25, 2005.

Debt:

Total debt rose to the equivalent of 8.491 billion dollars compared with 7.751 billion dollars at September 30, 2004. The increase of 740 million dollars or 9.6% primarily relates to the placement of bonds for 1.750 billion dollars, the repurchase of 337 million dollars of the 1.5 billion dollars bond due 2006 and prepayments of approximately 700 million dollars of Embratel's debt. Of total debt, 17.6% is short-term, 90.8% is in foreign currency (15.6% considering hedges) and 52.4% carries a fixed rate (69.7% considering swaps). At September 30, TELMEX carried out interest rate swaps for 15,900 million pesos, producing a new fixed rate of 9%, and currency hedges for 6.388 billion dollars,

of which 94% is related to hedges of pesos to dollars and the rest to hedges of reais to dollars. At September 30, 2005, the company's consolidated net debt (4) increased the equivalent of 404 million dollars to a total of 5.960 billion dollars.

## Mexico Operating Results

We continue to adapt our commercial strategy for each market segment by integrating offerings that include packages of local calls, preferred domestic and international long distance rates and services related to broadband connectivity. Recently introduced packages with these features include Línea Negocio and Paquete TELMEX.

### Lines in service

From July to September, net line gain was 284 thousand lines, as a result of 458 thousand connections and 174 thousand disconnections. At September 30, TELMEX had 18 million 135 thousand lines in service, an annual increase of 7.8%. For the nine months, 963 thousand lines were added, reflecting 1 million 444 thousand connections and 481 thousand disconnections.

### Local traffic

During the quarter, 6,778 million local calls were made, an increase of 0.6% compared with the same period of the previous year. For the nine months, local calls totaled 20,042 million, 0.8% lower than the same period of last year, primarily due to higher wireless and Internet competition.

### Long distance traffic

In the third quarter, domestic long distance (DLD) traffic totaled 4,577 million minutes, 5.9% higher than the same period of 2004. For the nine months, DLD traffic rose to 13,375 million minutes, an increase of 6.9%. International long distance (ILD) outgoing minutes increased 7.4%, totaling 461 million minutes. Incoming ILD minutes totaled 1,354 million minutes, 7.1% higher than the same period of 2004. The incoming-outgoing ratio was 2.9 in the third quarter. For the nine months, ILD outgoing minutes totaled 1,342 million minutes and ILD incoming minutes were 3,778 million minutes, an increase of 6.3% and 11%, respectively.

### Interconnection

Interconnection traffic totaled 8,804 million minutes during the quarter, 12.6% more than in the same period of the previous year. Traffic originated by the cellular system and terminated on TELMEX's network increased 19.4%. Interconnection traffic generated by local and long distance operators increased 14.4% and calling party pays interconnection traffic increased 2.3%.

### Corporate networks

The corporate market of data transmission added 70 thousand 64 Kbps billed line equivalents during the third quarter. At September 30, TELMEX had 1 million 738 thousand billed line equivalents, 26.5% more than the same period of 2004. Port equivalents related to the corporate networks market totaled 567 thousand units, an annual increase of 92%. In the quarter, 84 thousand services were added.



## Internet

At September 30, there were more than 2 million Internet access accounts, an annual increase of 26.2%. During the quarter, 98 thousand accounts were added and in the nine months, 284 thousand. ADSL accounts totaled 904 thousand at the end of September, an annual increase of 98.3%. Contributing to that total, 132 thousand Infinitum (ADSL) accounts were added in the third quarter and 344 thousand in the nine months.

## Mexico Financial Results

### Revenues

: In the third quarter, total revenues from operations in Mexico totaled 30,973 million pesos, 3.2% lower than the same period of the previous year. For the nine months, the company's revenues decreased 2.8% totaling 91,462 million pesos.

- **Local**

: Local revenues decreased 4% due to the decrease of local billed traffic and local rates in real terms. For the nine months, these revenues decreased 4.2%.

- **DLD**

: Revenues decreased 0.1% as the 5.9 percent increase in traffic did not offset the rate reduction in real terms. For the nine months, the decrease was 2%.

- **ILD**

: Revenues decreased 6.2% compared with last year's third quarter and for the nine months, they decreased 3.7%. ILD billed traffic totaled 1,664 million pesos in the quarter, 2% lower than the same period of 2004. International settlement revenues totaled 786 million pesos, a decrease of 14% compared with the same quarter of the previous year. In both cases, revenues declined because incoming and outgoing traffic did not offset the rate reduction per minute in real terms. For the nine months, revenues from billed traffic and international settlement decreased 1.9%, and 7%, respectively, compared with the same period of last year.

- **Interconnection**

: In the third quarter, interconnection revenues decreased 12.2% due to the decrease of the calling party pays rate and because the long distance operators interconnection rate in pesos has decreased 12.2%. For the nine months, total interconnection revenues decreased 8.8%.

- **Corporate networks**

: Revenues from services related to data transmission through private and managed networks increased 4.5% due to the increase in line equivalents in operation and port equivalents access, notwithstanding the decrease in rates in real terms. For the nine months, these revenues increased 3.7%.

- **Internet:**

Revenues from services related to the Internet platform rose 18% due to the increase in the number of Infinitum (ADSL) customers. These revenues continue to deliver the highest growth rate. For the nine months, Internet revenues increased 17.3%.

Costs and expenses:

In the third quarter, costs and expenses from the operations in Mexico totaled 19,560 million pesos, a decrease of 4.7% compared with the same period of 2004. 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.

- **Cost of sales and services:**

Cost of sales and services increased 1.5% mainly due to the increase in the cost of network maintenance, partially offset by the change in the accounting policy for PC costs related to Internet services that took effect in January 2005, as well as lower charges in pensions and seniority premiums, travel expenses, costs of directories and settlement cost.

- **Commercial, administrative and general:**

Commercial, administrative and general expenses decreased 1.4% in the quarter due to reductions in advertising expenses, lower charges in pensions and seniority premiums and other administrative costs.

- **Transport and interconnection:**

Transport and interconnection costs decreased 13.4% due to the reduction of the calling party pays rate, the main component of this item.

- **Depreciation and amortization:**

Depreciation and amortization decreased 10.9% due to a lower level of assets to be depreciated and to the impact of the exchange rate.

EBITDA and operating income:

EBITDA (1) totaled 15,993 million pesos in the third quarter. The EBITDA margin was 51.6%; an increase of 0.3 percentage points compared with last year's third quarter. Operating income totaled 11,413 million pesos and the operating margin was 36.8% in the quarter, an increase of one percentage point compared with the same period of the previous year.

For the nine months, EBITDA (1) totaled 47,216 million pesos, producing a margin of 51.6%. The operating margin for the nine months was 36%, reflecting operating income of 32,967 million pesos.

#### Investments:

In Mexico total investments were 866 million dollars, of which 46.4% was used for the development and expansion of new generation services platforms and services related to transport and access the public data network. Additionally, 46.8% was invested in expansion and maintenance of the telephone plant and 6.8% in social telephony.

#### Debt:

Debt rose to the equivalent of 7.907 billion dollars. Of the debt, 17.3% is short-term, 90.8% is in foreign currency (14.8% considering hedges), and 51.8% carries a fixed rate (70.3% considering interest rate swaps).

Net indebtedness (4) in Mexico increased 23% to 5.695 billion dollars, related to new debt of 1.750 billion dollars offset by the repurchase of 337 million dollars of Senior Notes due January 2006.

### Latin America Financial Results

The financial information presented here is calculated in the currency of the country in which each Latin America subsidiary operates, according to that country's generally accepted accounting principles, and is based on continuing operations.

#### Brazil

Revenues from the operations in Brazil during the third quarter totaled 1,907 million reais, 5.3% higher than the same period of 2004. The increase in revenues was mainly due to the domestic long distance business. Data services represented 24.8% of total revenues and increased 5%. Costs and expenses in the quarter totaled 1,690 million reais, 9% lower than in 2004. Costs of sales and services increased 3.2% and totaled 189 million reais. Transport and interconnection costs decreased 1.4% and represented 48.8% of total costs and expenses. Commercial, administrative and general expenses decreased 23.5% in the quarter. Operating income in the quarter rose to 217 million reais compared with a loss of 45 million reais in 2004. The operating margin was 11.4%. EBITDA (1) totaled 481 million reais, producing a margin of 25.2%, compared with EBITDA (1) of 253 million reais and a margin of 14% in 2004.

#### Chile

Revenues from the operations in Chile during the third quarter totaled 16,083 million Chilean pesos, 5.5% higher than the previous year. The corporate networks and Internet businesses represented 31.6% of total revenues and increased 4.1% mainly due to the increase of 21.8% in revenues from corporate networks. The voice business, representing 63.6% of total revenues, benefited from higher traffic levels and local rates. Costs and expenses were 15,004 million

Chilean pesos in the quarter, 1.3% lower than in 2004. Transport and interconnection decreased 5.6%, and commercial, administrative and general expenses increased 7.8%. Operating income totaled 1,079 million Chilean pesos compared with operating income of 35 million Chilean pesos in the same period of 2004. The operating margin for the quarter was 6.7% compared with 0.2% in the same period of 2004. EBITDA (1) totaled 3,658 million Chilean pesos compared with 2,558 million Chilean pesos in 2004, producing EBITDA margins of 22.7% and 16.8%, respectively.

#### Argentina

Revenues from the operations in Argentina during the third quarter totaled 82 million Argentinean pesos, 37.4% higher than in 2004. The corporate networks and Internet businesses, which represented 48.4% of total revenues, increased 58.8% due to the addition of several corporate customers as well as monitoring regional managed networks of the TELMEX Group. The voice business, which produced 51.1% of total revenues, increased 21.1% due to higher interconnection revenues. Operating costs and expenses increased 24.4% and totaled 80 million Argentinean pesos in the quarter. Transport and interconnection cost had the highest rate of increase, at 24.8%, and represented 47.5% of total costs and expenses. In the quarter, operating income totaled 2 million Argentinean pesos compared with an operating loss of 4 million Argentinean pesos in last year's third quarter. The operating margin was 2.9%. EBITDA (1) totaled 11 million Argentinean pesos, compared with 7 million Argentinean pesos in the same period of 2004.

#### Colombia

Revenues from these operations during the third quarter totaled 30,333 million Colombian pesos, 51.4% 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 for data transmission. Costs and expenses increased 25.2%. Among total costs and expenses, 32.8% related to transport and interconnection and reflected an increase of 68.4%. Commercial, administrative and general expenses increased 31% and represented 20% of total costs and expenses. Depreciation in the quarter decreased 14.5%. Operating income for the quarter totaled 6,245 million Colombian pesos compared with operating income of 802 million Colombian pesos in the same period of last year. The operating margin was 20.6% compared with the year-earlier 4%. EBITDA (1) totaled 11,885 million Colombian pesos in the quarter and produced a margin of 39.2%, compared with EBITDA (1) of 7,399 million Colombian pesos and a margin of 36.9% in the same period of 2004.

#### Peru

Revenues from operations in Peru during the third quarter totaled 46 million New Soles, 19.4% higher than the previous year. The voice business, which represented 65.3% of total revenues, increased 26.5% due to growth in local telephone traffic, mainly from the increase in digital trunks serving the corporate market, as well as interconnection traffic growth. Costs and expenses in the quarter increased 11.8% due to the increase of 30.7% in transport and interconnection costs, which represented 43.1% of total costs and expenses. Depreciation increased 9.4% due to the restatement in the value of the fixed assets that was carried out in the fourth quarter of 2004. These items were partially offset by cost control initiatives that produced an 11.2% decrease in commercial, administrative and general expenses and by a 6.7% increase in cost of sales and services. Operating income for the quarter totaled 0.6 million New Soles compared with an operating loss of 2 million New Soles in the same period of last year. The operating margin for the quarter was 1.4% compared with an operating loss in the same period of 2004. EBITDA (1) rose to 12 million New Soles compared with EBITDA (1) of 8 million New Soles, producing margins of 26.6% and 21.9%, respectively, in the third quarters of 2005 and 2004.

## 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 third quarter of 2005 and 2004.

## Mexico Local Service Business

## Income Statements

[ millions of Mexican constant pesos as of September 2005 ]

|  |     | 3Q 2005       | 3Q 2004       | %<br>Inc.    | 9 months<br>2005 | 9 months<br>2005 | %<br>Inc.    |
|--|-----|---------------|---------------|--------------|------------------|------------------|--------------|
| <b>Revenues</b>                        |     |               |               |              |                  |                  |              |
| Access, rent and measured service      | Ps. | 13,783        | Ps. 14,402    | (4.3)        | Ps. 41,249       | Ps. 43,069       | (4.2)        |
| Recovery of LADA special projects      |     | -             | 564           | NA           | -                | 1,748            | NA           |
| LADA interconnection                   |     | 1,050         | 1,068         | (1.7)        | 3,118            | 3,308            | (5.7)        |
| Interconnection with operators         |     | 335           | 434           | (22.8)       | 1,161            | 1,104            | 5.2          |
| Interconnection with cellular          |     | 3,952         | 4,466         | (11.5)       | 11,855           | 13,206           | (10.2)       |
| Other                                  |     | 1,992         | 2,109         | (5.5)        | 6,276            | 6,791            | (7.6)        |
| <b>Total</b>                           |     | <b>21,112</b> | <b>23,043</b> | <b>(8.4)</b> | <b>63,659</b>    | <b>69,226</b>    | <b>(8.0)</b> |
| <b>Costs and expenses</b>              |     |               |               |              |                  |                  |              |
| Cost of sales and services             |     | 5,637         | 5,227         | 7.8          | 16,188           | 15,665           | 3.3          |
| Commercial, administrative and general |     | 3,735         | 3,848         | (2.9)        | 11,332           | 11,715           | (3.3)        |
| Interconnection                        |     | 2,869         | 3,347         | (14.3)       | 8,834            | 9,951            | (11.2)       |
| Depreciation and amortization          |     | 3,101         | 3,432         | (9.6)        | 9,450            | 10,671           | (11.4)       |
| <b>Total</b>                           |     | <b>15,342</b> | <b>15,854</b> | <b>(3.2)</b> | <b>45,804</b>    | <b>48,002</b>    | <b>(4.6)</b> |
| <b>Operating income</b>                | Ps. | <b>5,770</b>  | Ps. 7,189     | (19.7)       | Ps. 17,855       | Ps. 21,224       | (15.9)       |
| <b>EBITDA (1)</b>                      | Ps. | <b>8,871</b>  | Ps. 10,621    | (16.5)       | Ps. 27,305       | Ps. 31,895       | (14.4)       |
| <b>EBITDA margin (%)</b>               |     | <b>42.0</b>   | 46.1          | (4.1)        | 42.9             | 46.1             | (3.2)        |
| <b>Operating margin (%)</b>            |     | <b>27.3</b>   | 31.2          | (3.9)        | 28.0             | 30.7             | (2.7)        |

## Mexico Long Distance Service Business

## Income Statements

[ millions of Mexican constant pesos as of September 2005 ]

% 9 months 9 months %

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|  |     | 3Q 2005 |     | 3Q 2004 | Inc.   |     | 2005   |     | 2005   | Inc.   |
|--|-----|---------|-----|---------|--------|-----|--------|-----|--------|--------|
| Revenues                               |     |         |     |         |        |     |        |     |        |        |
| Domestic long distance                 | Ps. | 4,202   | Ps. | 4,202   | 0.0    | Ps. | 12,335 | Ps. | 12,552 | (1.7)  |
| International long distance            |     | 2,137   |     | 2,321   | (7.9)  |     | 6,361  |     | 6,696  | (5.0)  |
| Total                                  |     | 6,339   |     | 6,523   | (2.8)  |     | 18,696 |     | 19,248 | (2.9)  |
| Costs and expenses                     |     |         |     |         |        |     |        |     |        |        |
| Cost of sales and services             |     | 1,304   |     | 1,505   | (13.4) |     | 4,016  |     | 4,450  | (9.8)  |
| Commercial, administrative and general |     | 1,228   |     | 1,076   | 14.1   |     | 3,753  |     | 3,598  | 4.3    |
| Interconnection to the local network   |     | 925     |     | 950     | (2.6)  |     | 2,748  |     | 2,985  | (7.9)  |
| Cost of LADA special projects          |     | -       |     | 497     | NA     |     | -      |     | 1,562  | NA     |
| Depreciation and amortization          |     | 647     |     | 712     | (9.1)  |     | 1,924  |     | 2,220  | (13.3) |
| Total                                  |     | 4,104   |     | 4,740   | (13.4) |     | 12,441 |     | 14,815 | (16.0) |
| Operating income                       | Ps. | 2,235   | Ps. | 1,783   | 25.4   | Ps. | 6,255  | Ps. | 4,433  | 41.1   |
| EBITDA (1)                             | Ps. | 2,882   | Ps. | 2,495   | 15.5   | Ps. | 8,179  | Ps. | 6,653  | 22.9   |
| EBITDA margin (%)                      |     | 45.5    |     | 38.2    | 7.3    |     | 43.7   |     | 34.6   | 9.1    |
| Operating margin (%)                   |     | 35.3    |     | 27.3    | 8.0    |     | 33.5   |     | 23.0   | 10.5   |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousand Pesos)

Consolidated

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## S 12 PLANT, PROPERTY AND EQUIPMENT (NET)

Following, is provided the breakdown for the fixed assets included for the third 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 5<sup>th</sup>. Document).

| CONCEPT  | INDEX              | NCPI 5 <sup>th</sup> .<br>DOCUMENT |
|--|--------------------|------------------------------------|
| Investment   | Ps.<br>426,123,671 | Ps. 482,226,072                    |
| Accumulated<br>Depreciation  | (283,788,450)      | (332,869,783)                      |
| Construction in<br>process and<br>advances to<br>equipment suppliers | 8,250,887          | 8,410,891                          |
| Total  | 150,586,108        | 157,767,180                        |
| Results  | 18,154,847         | 20,182,839                         |

## S 18 DEFERRED ASSETS

At September 30, 2005, deferred assets rose to Ps.

17,579,104 that is comprised mainly by Ps. 551,817, that correspond to the acquisition of concessions to operate radio spectrum frequency bands to provide fixed wireless telephony service in Mexico, that will be amortized in 20 years; Ps. 2,977,888 for deferred assets of Latin America, that are being amortized in periods from 5 to 29 years; Ps. 7,258,081 that corresponds to goodwill that is caused by the share acquisitions of the foreign subsidiaries Embrapar, Data Argentina, Metrored, Chilesat and the foreign affiliated Net and Ps. 5,853,697 for receivable deferred income tax D-4 of foreign subsidiaries.

## S 19 OTHER ASSETS

This item rose to

\$ 25,486,842 and \$ 27,862,281 at September 30, 2005 and 2004, respectively, and is comprised by the following concepts:

|                            | 2005             | 2004             |
|----------------------------|------------------|------------------|
| Inventories                | Ps.<br>2,495,926 | Ps.<br>2,218,045 |
| Projected net Asset<br>D-3 | 22,990,916       | 25,644,236       |

#### 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

September 30, 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 September, 2005, TELMEX repurchased in the market a portion of these senior notes in the amount of U.S. \$337.4 million (nominal value). The difference between the repurchase price and the nominal value of the bonds is U.S.\$ 14.7 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% and the second one maturing in 2015 and bearing interest at 5.50%. 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.

## S 26 OTHER CURRENT LIABILITIES

At September 30, 2005 and 2004, this item rose to Ps. 29,368,985 and Ps. 37,564,351 respectively and is comprised by the following concepts:

|                              | 2005              | 2004             |
|------------------------------|-------------------|------------------|
| A c c o u n t s<br>payable   | Ps.<br>16,705,449 | Ps<br>19,895,770 |
| A c c r u e d<br>liabilities | 9,696,839         | 14,410,641       |
| D e f e r r e d<br>credits   | 2,966,697         | 3,257,940        |

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 September 30, 2005 and 2004, this item rose to \$

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36,436,125 and \$ 36,401,592, respectively and is comprised by the following:

|                       | 2005         | 2004          |
|-----------------------|--------------|---------------|
| Domestic Senior Notes | Ps 6,600,000 | Ps. 6,839,580 |
| Bonds                 | 29,836,125   | 29,562,012    |

S 31 DEFERRED CREDITS

At September 30, 2005 and 2004, this item rose to Ps.

15,651,414 and Ps. 21,421,646, 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 September 30, 2005 and 2004, this item rose to Ps.

1,989,440 and Ps. 1,609,246, respectively, that corresponds to Embratel, and represents the liability for pensions and seniority premiums based on the requirements of Bulletin D-3 "Labor Obligations".

S 42 RETAINED EARNINGS AND CAPITAL RESERVES

At September 30, 2005 and 2004, this item rose to Ps.

102,048,135 and Ps. 90,614,196, respectively and is comprised by the following concepts:

|  | 2005           | 2004           |
|--|----------------|----------------|
| Legal reserve                          | Ps. 18,935,279 | Ps. 17,929,879 |
| Unappropriated earnings of prior years | 83,112,856     | 72,684,317     |

From January to September 2005, the Company acquired

1,083.9 million Series "L" shares for Ps. 11,211,286 (historical cost of Ps. 11,120,786) and 4.4 million Series "A" shares for Ps. 46,020 (historical cost of Ps. 45,641).

From January to September 2004, the Company acquired

1,135.6 million Series "L" shares for Ps. 11,297,696 (historical cost of Ps. 10,731,588) and 2.7 million Series "A" shares for Ps. 26,694 (historical cost of Ps. 25,353).

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 September 30, 2005 and 2004, this item rose to Ps. (

65,904,349) and Ps. (66,850,367), respectively and is comprised in the following manner:

|   | 2005                | 2004                |
|---|---------------------|---------------------|
| Accumulated monetary position loss      | Ps.<br>(13,839,081) | Ps.<br>(13,839,081) |
| Result from holding non-monetary assets | (52,065,268)        | (53,011,286)        |

#### 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 first nine months of 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.

#### COMPREHENSIVE INCOME

At September 30, 2005 and 2004 this item rose to Ps.

22,137,629 and Ps. 15,815,172, respectively by the application of Bulletin B-4 comprehensive income; and is comprised by the following:

|  | 2005           | 2004           |
|--|----------------|----------------|
| Net income for the period                                      | Ps. 20,575,137 | Ps. 17,404,273 |
| Result from holding non-monetary assets, net of deferred taxes | (2,158,869)    | 531,102        |
| Market value of Swaps effect, net of deferred taxes            | 238,202        | 0              |
| Effect of instruments available for sale                       | 1,124,985      | (2,120,203)    |
| Conversion effect  | 2,358,174      | 0              |
|  |                |                |
| Comprehensive Income   | 22,137,629     | 15,815,172     |

#### NOTES TO CONSOLIDATED STATEMENTS OF INCOME

R 33 DEFERRED INCOME TAX

At September 30, 2005 and 2004, Telmex Group recognized a net income of Ps.

(2,104,808) and Ps. (498,530), respectively, for the application of Bulletin D-4 "Accounting treatment of income tax, asset tax and employee profit sharing".

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.

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 3

SHARE INVESTMENTS

| COMPANY NAME | MAIN ACTIVITIES                                 | NUMBER OF SHARES                           | OWNERSHIP      | TOTAL AMOUNT<br>(Thousand Pesos) |               |            |
|--------------|---|--|----------------|----------------------------------|---------------|------------|
|              |   |  | %              | ACQUISITION COST                 | PRESENT VALUE |            |
| SUBSIDIARIES |   |  |                |                                  |               |            |
| 1            | Consertel, S.A. de C.V.                         | Investments in all types of businesses     | 28,444,797,340 | 100.00                           | 16,374,507    | 31,520,812 |
| 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     | 7,588,034  |
| 3            | Alquiladora de Casas, S.A. de C.V.              | Real estate acquisition & leasing          | 686,001,490    | 100.00                           | 702,096       | 3,323,362  |
| 4            | Construcciones y Canalizaciones, S.A. de C.V.   | Construction & maint. of telephone network | 28,369,000     | 100.00                           | 28,636        | 544,383    |
| 5            | Empresa de Limpieza Mexicana, S.A. de C.V.      | Cleaning Service Company                   | 50             | 100.00                           | 49            | 61         |
| 6            | Renta de Equipo, S.A. de C.V.                   | Equipment, vehicles & real estate leasing  | 769,595,000    | 100.00                           | 769,645       | 896,211    |
| 7            | Multicomunicación Integral, S.A. de C.V.        | Trunking, installation & sales services    | 186,000,000    | 100.00                           | 137,877       | 173,932    |
| 8            | Teleconstructora, S.A. de C.V.                  | Construction & maint. of telephone network | 19,400,000     | 100.00                           | 19,397        | 123,147    |
| 9            | Anuncios en Directorios, S.A. de C.V.           | Sale of advertising space in yellow pages  | 1,081,750      | 100.00                           | 1,240         | 71,729     |
| 10           | Operadora Mercantil, S.A. de C.V.               | Marketing services                         | 50,000         | 100.00                           | 54            | 1,438      |
| 11           | Impulsora Mexicana de Telecomunicaciones, S.A.  | Network projects                           | 4,602,225      | 100.00                           | 4,602         | 30,812     |
| 12           | Fuerza y Clima, S.A. de C.V.                    | Air conditioning installation & maint.     | 4,925,000      | 100.00                           | 4,944         | 77,490     |
|              |   |  |                |                                  |               |            |

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|    |  |  |               |        |            |             |
|----|--|--|---------------|--------|------------|-------------|
| 13 | Teléfonos del Noroeste, S.A. de C.V.                 | Telecommunications services              | 110,000,000   | 100.00 | 75,279     | 939,131     |
| 14 | Aerocomunicaciones, S.A. de C.V.                     | Aeronautic radiocom. mobile serv.        | 89,024,750    | 99.99  | 89,025     | 96,708      |
| 15 | Tecmarketing, S.A. de C.V.                           | Telemarketing services                   | 6,850,000     | 100.00 | 138,972    | 199,314     |
| 16 | Comertel Argos, S.A. de C.V.                         | Personnel services                       | 6,000         | 100.00 | 13         | 2,893       |
| 17 | Telmex International, Inc.                           | Holding Company in the U S A.            | 6             | 100.00 | 239,279    | 287,962     |
| 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    | 274,090     |
| 20 | Consortio Red Uno, S.A. de C.V.                      | Design & integrated telecom. Services    | 167,691,377   | 100.00 | 360,533    | 584,767     |
| 21 | Uninet, S.A. de C.V.                                 | Data transmission services               | 67,559,613    | 100.00 | 6,755,961  | 7,593,408   |
| 22 | Aerofrisco, S.A. de C.V.                             | Air Taxi services                        | 4,666,076,200 | 100.00 | 635,575    | 908,499     |
| 23 | Grupo Técnico de Administración, S.A. de C.V.        | Management, consulting & org. Services   | 61,952        | 100.00 | 62         | 73          |
| 24 | Teninver, S.A. de C.V.                               | Managment of yellow pages                | 10,717,043    | 100.00 | 794,461    | 1,947,428   |
| 25 | Latam Telecomunicaciones, L.L.C.                     | Telecommunications services              | 100           | 100.00 | 23,694,636 | 24,375,765  |
| 26 | Telcoser, S.A. de C.V.                               | Investments in all types of businesses   | 5,474,494     | 100.00 | 24,874,498 | 25,488,939  |
| 27 | Fintel Holdings, L.L.C.                              | Investments in all types of businesses   | 100           | 100.00 | 165        | 169         |
| 28 | Servicios Administrativos Tecmarketing, S.A. de C.V. | Software development, sales & management | 25,167,872    | 100.00 | 60,714     | 61,123      |
| 29 | Financial Ventures, L.L.C.                           | Investments in all types of businesses   | 1,000         | 100.00 | 583,017    | 0           |
|    | Other Subsidiaries ( ) No. Subsidiaires ( )          |  |               |        |            |             |
|    | TOTAL INVESTMENT IN SUBSIDIARIES                     |  |               |        | 77,528,586 | 107,111,684 |
|    |  |  |               |        |            |             |
|    | ASSOCIATES   |  |               |        |            |             |

|   |   |                                 |               |       |           |             |
|---|---|---------------------------------|---------------|-------|-----------|-------------|
| 1 | Grupo Telvista, S.A. de C.V.                      | Telemarketing in Mexico and USA | 450           | 45.00 | 510,138   | 346,380     |
| 2 | Centro Histórico de la Ciudad de México, SA de CV | Real estate services            | 80,020,000    | 21.77 | 80,020    | 106,739     |
| 3 | TM & MS, LLC                                      | Internet portal (TIMSN)         | 1             | 50.00 | 29,621    | 29,167      |
| 4 | Net Serviços de Comunicações, S.A.                | Cable TV operator               | 1,421,139,598 | 37.11 | 3,515,536 | 381,358     |
| 5 | Eidon Software, S.A. de C.V.                      | Software development            | 142,271,642   | 25.00 | 35,568    | 36,307      |
|   | Other Associates ( )<br>No. Associates ( )        |                                 |               |       |           |             |
|   | TOTAL INVESTMENT IN ASSOCIATES                    |                                 |               |       | 4,170,883 | 899,951     |
|   | OTHER PERMANENT INVESTMENTS                       |                                 |               |       |           | 6,758       |
|   | TOTAL   |                                 |               |       |           | 108,018,393 |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 5

## CREDITS BREAKDOWN

(Thousand Pesos)

Consolidated

Final printing

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



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|        |      | Pesos        |                  | Time Interval |              |               |               |               |                       | Time Interval |              |               |               |
|--------|------|--------------|------------------|---------------|--------------|---------------|---------------|---------------|-----------------------|---------------|--------------|---------------|---------------|
|        |      | 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 |
|        |      |              |                  |               |              |               |               |               |                       |               |              |               |               |
| 2/2005 | 5.23 | 0            | 0                | 0             | 0            | 0             | 0             | 0             | 0                     | 3,216         | 0            | 0             |               |
| 2/2007 | 4.98 | 0            | 0                | 0             | 0            | 0             | 0             | 0             | 0                     | 87,263        | 87,264       | 174,528       | 87,263        |
| 2/2009 | 4.43 | 0            | 0                | 0             | 0            | 0             | 0             | 0             | 0                     | 15,328        | 15,328       | 30,657        | 18,657        |
| 4/2006 | 4.48 | 0            | 0                | 0             | 0            | 0             | 0             | 0             | 0                     | 55,744        | 20,041       | 0             |               |
| 2/2005 | 5.23 | 0            | 0                | 0             | 0            | 0             | 0             | 0             | 0                     | 46,986        | 0            | 0             |               |
| 7/2007 | 4.68 | 0            | 0                | 0             | 0            | 0             | 0             | 0             | 0                     | 0             | 0            | 16,545,488    |               |
| 7/2009 | 4.76 | 0            | 0                | 0             | 0            | 0             | 0             | 0             | 0                     | 0             | 0            | 0             | 4,882,000     |
| 2/2014 | 5.23 | 0            | 0                | 0             | 0            | 0             | 0             | 0             | 0                     | 134,237       | 134,237      | 268,473       | 230,473       |
| 4/2009 | 4.78 | 0            | 0                | 0             | 0            | 0             | 0             | 0             | 0                     | 62,175        | 240,418      | 89,331        | 29,331        |
| 0/2011 | 5.11 | 0            | 0                | 0             | 0            | 0             | 0             | 0             | 0                     | 464,988       | 464,988      | 929,975       | 929,975       |
| 3/2022 | 2.00 | 0            | 0                | 0             | 0            | 0             | 0             | 0             | 0                     | 2,533         | 16,861       | 19,393        | 19,393        |
| 5/2007 | 4.98 | 0            | 0                | 0             | 0            | 0             | 0             | 0             | 0                     | 6,055         | 763          | 88            |               |
| 0/2006 | 5.13 | 0            | 0                | 30,929        | 94,178       | 31,861        | 0             | 0             | 0                     | 0             | 0            | 0             |               |
| 0/2005 | 5.23 | 0            | 0                | 61,210        | 0            | 0             | 0             | 0             | 0                     | 0             | 0            | 0             |               |
| 2/2007 | 9.48 | 0            | 800,000          | 0             | 0            | 0             | 0             | 0             | 0                     | 0             | 0            | 0             |               |
| 5/2007 | 9.40 | 0            | 500,000          | 0             | 0            | 0             | 0             | 0             | 0                     | 0             | 0            | 0             |               |
| 6/2006 | 5.11 | 0            | 0                | 73,718        | 149,553      | 0             | 0             | 0             | 0                     | 0             | 0            | 0             |               |
| 6/2013 | 5.47 | 0            | 0                | 0             | 0            | 0             | 0             | 0             | 0                     | 527,202       | 204,192      | 415,998       | 278,192       |

|                                      |       |            |           |         |         |        |   |   |   |   |           |            |            |           |
|--------------------------------------|-------|------------|-----------|---------|---------|--------|---|---|---|---|-----------|------------|------------|-----------|
| 8/2027                               | 7.96  | 0          | 0         | 0       | 0       | 0      | 0 | 0 | 0 | 0 | 170,928   | 403,208    | 655,944    | 2,192,875 |
|                                      |       | 0          | 1,300,000 | 165,857 | 243,731 | 31,861 | 0 | 0 | 0 | 0 | 1,576,655 | 1,587,300  | 19,129,875 | 8,668,875 |
|                                      |       |            |           |         |         |        |   |   |   |   |           |            |            |           |
| 1/2006                               | 8.25  | 0          | 0         | 0       | 0       | 0      | 0 | 0 | 0 | 0 | 0         | 12,613,422 | 0          | 0         |
| 1/2008                               | 4.50  | 0          | 0         | 0       | 0       | 0      | 0 | 0 | 0 | 0 | 0         | 0          | 0          | 0         |
| 1/2015                               | 5.50  | 0          | 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          | 0         |
| 2/2007                               | 9.59  | 0          | 1,650,000 | 0       | 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         |
| 0/2007                               | 9.69  | 0          | 3,250,000 | 0       | 0       | 0      | 0 | 0 | 0 | 0 | 0         | 0          | 0          | 0         |
|                                      |       | 0          | 6,600,000 | 0       | 0       | 0      | 0 | 0 | 0 | 0 | 0         | 12,613,422 | 0          | 0         |
| <b>LIABILITIES AND OTHER CREDITS</b> |       |            |           |         |         |        |   |   |   |   |           |            |            |           |
| <b>LIABILITIES AND</b>               |       | 29,368,985 | 0         | 0       | 0       | 0      | 0 | 0 | 0 | 0 | 0         | 0          | 0          | 0         |
| <b>LIABILITIES</b>                   |       | 29,368,985 | 0         | 0       | 0       | 0      | 0 | 0 | 0 | 0 | 0         | 0          | 0          | 0         |
|                                      |       | 29,368,985 | 7,900,000 | 165,857 | 243,731 | 31,861 | 0 | 0 | 0 | 0 | 1,576,655 | 14,200,722 | 19,129,875 | 8,668,875 |

NOTES:

A.- Interest rates:

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

1. Libor plus margin
2. Fixed Rate
3. TIIE
4. TIIE 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 4.2306 at September 30, 2005
2. TIE  
at 28 days is equivalent to 9.4800 at September 30, 2005
3. TIE  
at 91 days is equivalent to 9.3200 at September 30, 2005
4. CETES

at 182 days is equivalent to 8.7900 at September 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

September 30, 2005 were as follows:

| CURRENCY      | AMOUNT    | E.R.    |
|---------------|-----------|---------|
| DOLLAR (U.S.) | 7,653,537 | 10.8495 |
| EURO (EUR)    | 50,773    | 13.1008 |

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

P. 525,063 thousand pesos.

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 6

FOREIGN EXCHANGE MONETARY POSITION

(Thousand Pesos)

Consolidated

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| TRADE BALANCE             | DOLLARS             |                   | OTHER CURRENCIES    |                   | TOTAL<br>THOUSAND<br>PESOS |
|---------------------------|---------------------|-------------------|---------------------|-------------------|----------------------------|
|                           | THOUSAND<br>DOLLARS | THOUSAND<br>PESOS | THOUSAND<br>DOLLARS | THOUSAND<br>PESOS |                            |
| TOTAL ASSETS              | 681,540             | 7,394,364         | 1,309,969           | 14,212,512        | 21,606,876                 |
| LIABILITIES               | 7,818,454           | 84,826,314        | 1,153,600           | 12,515,979        | 97,342,293                 |
| SHORT-TERM<br>LIABILITIES | 1,625,572           | 17,636,641        | 1,075,198           | 11,665,358        | 29,301,999                 |
| LONG-TERM<br>LIABILITIES  | 6,192,882           | 67,189,673        | 78,402              | 850,621           | 68,040,294                 |
| NET BALANCE               | (7,136,914)         | (77,431,950)      | 156,369             | 1,696,533         | (75,735,417)               |

## 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.)       | 10.8495 |
| EURO                | 13.1008 |
| CHILEAN PESO        | 0.0170  |
| ARGENTINEAN<br>PESO | 3.0955  |
| BRAZILIAN<br>REAL   | 4.0660  |
| PERUVIAN SOL        | 2.6964  |
| COLOMBIAN<br>PESO   | 0.0039  |

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## TELÉFONOS DE MÉXICO, S.A. DE C.V.

## ANNEX 7

## CALCULATION OF MONETARY POSITION

(Thousand Pesos)

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| 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                              |
| ACTUALIZATION<br>:  | 0               | 0                    | 0                                     | 0.00              | 9,475                                |
| CAPITALIZATION<br>: | 0               | 0                    | 0                                     | 0.00              | 0                                    |
| FOREIGN CORP. :     | 0               | 0                    | 0                                     | 0.00              | 0                                    |
| OTHER               | 0               | 0                    | 0                                     | 0.00              | (257,266)                            |
| TOTAL               |                 |                      |                                       |                   | 1,105,385                            |

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ANNEX 8

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

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

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ANNEX 9

**PLANTS, - COMMERCIAL, DISTRIBUTION AND/OR SERVICE CENTERS -**

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| 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

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| 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

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| MAIN PRODUCTS         | TOTAL PRODUCTION |        | NET SALES |            | MARKET (%) | MAIN       |           |
|-----------------------|------------------|--------|-----------|------------|------------|------------|-----------|
|                       | VOLUME           | AMOUNT | VOLUME    | AMOUNT     |            | TRADEMARKS | CUSTOMERS |
| LOCAL SERVICE         |                  |        |           | 41,398,667 |            |            |           |
| LONG DISTANCE SERVICE |                  |        |           | 17,853,616 |            |            |           |
| INTERCONNECTION       |                  |        |           | 13,094,969 |            |            |           |
| CORPORATE NETWORKS    |                  |        |           | 7,434,168  |            |            |           |
| INTERNET              |                  |        |           | 5,902,093  |            |            |           |
| OTHERS                |                  |        |           | 3,555,824  |            |            |           |
| TOTAL                 |                  |        |           | 89,239,337 |            |            |           |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 11b

FOREIGN SALES - MAIN SERVICES -

(Thousand Pesos)



Consolidated

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| MAIN PRODUCTS         | TOTAL PRODUCTION |        | NET SALES |            | DESTINATION | MAIN       |           |
|-----------------------|------------------|--------|-----------|------------|-------------|------------|-----------|
|                       | VOLUME           | AMOUNT | VOLUME    | AMOUNT     |             | TRADEMARKS | CUSTOMERS |
|                       |                  |        |           |            |             |            |           |
| NET SETTLEMENT        |                  |        |           | 2,464,746  |             |            |           |
| LOCAL SERVICE         |                  |        |           | 1,987,248  |             |            |           |
| LONG DISTANCE SERVICE |                  |        |           | 16,845,352 |             |            |           |
| INTERCONNECTION       |                  |        |           | 2,076,091  |             |            |           |
| CORPORATE NETWORKS    |                  |        |           | 6,484,131  |             |            |           |
| INTERNET              |                  |        |           | 2,205,167  |             |            |           |
| OTHERS                |                  |        |           | 403,535    |             |            |           |
| TOTAL                 |                  |        |           | 32,466,270 |             |            |           |
| NOTES:                |                  |        |           |            |             |            |           |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 13

PROJECT INFORMATION

(Thousand Pesos)

Consolidated

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| ITEM                                      | Thousand Mexican Pesos     |                 |                        |                   |                 |
|---|----------------------------|-----------------|------------------------|-------------------|-----------------|
|   | 3rd. Quarter 05<br>Jul-Sep | % of<br>Advance | Amount<br>used<br>2005 | Budget<br>2005    | % of<br>Advance |
| DATA                                      | 677,059                    | 19.4            | 1,914,650              | 3,495,940         | 54.8            |
| INTERNAL PLANT                            | 424,915                    | 19.0            | 1,112,726              | 2,238,091         | 49.7            |
| OUTSIDE PLANT                             | 1,023,834                  | 23.4            | 3,325,616              | 4,369,151         | 76.1            |
| TRANSMISSION NETWORK                      | 1,158,740                  | 32.8            | 1,607,135              | 3,533,791         | 45.5            |
| SYSTEMS                                   | 54,558                     | 7.2             | 128,937                | 757,258           | 17.0            |
| OTHERS                                    | 444,758                    | 10.8            | 1,463,567              | 4,109,277         | 35.6            |
| <b>TOTAL INVESTMENT<br/>TELMEX MEXICO</b> | <b>3,783,864</b>           | <b>20.4</b>     | <b>9,552,631</b>       | <b>18,503,508</b> | <b>51.6</b>     |
| <b>LATINOAMERICA</b>                      | <b>1,959,930</b>           | <b>26.7</b>     | <b>5,120,507</b>       | <b>7,351,843</b>  | <b>69.6</b>     |
| <b>TOTAL INVESTMENT</b>                   | <b>5,743,794</b>           | <b>22.2</b>     | <b>14,673,138</b>      | <b>25,855,351</b> | <b>56.8</b>     |

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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

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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*.

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MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2005

TELÉFONOS DE MÉXICO, S.A. DE C.V.

INTEGRATION OF PAID CAPITAL STOCK

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| SERIES | NOMINAL<br>VALUE | VALID<br>CUPON | NUMBER OF SHARES |                     |               |                        | CAPITAL STOCK    |          |
|--------|------------------|----------------|------------------|---------------------|---------------|------------------------|------------------|----------|
|        |                  |                | FIXED<br>PORTION | VARIABLE<br>PORTION | MEXICAN       | PUBLIC<br>SUBSCRIPTION | (Thousand Pesos) |          |
|        |                  |                |                  |                     |               |                        | FIXED            | VARIABLE |
| A      | 0.01250          |                | 485,208,686      | 0                   |               | 485,208,686            | 6,065            |          |
| AA     | 0.01250          |                | 8,126,834,552    | 0                   | 8,126,834,552 | 0                      | 101,585          |          |
| L      | 0.01250          |                | 13,928,538,332   | 0                   |               | 13,928,538,332         | 174,107          |          |
| TOTAL  | 0.01250          |                | 22,540,581,570   | 0                   | 8,126,834,552 | 14,413,747,018         | 281,757          | 0        |
|        |                  |                |                  |                     |               |                        |                  |          |

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

|                       |                          |                     |                           |  |               |  |  |  |
|-----------------------|--------------------------|---------------------|---------------------------|--|---------------|--|--|--|
|                       | 22,540,581,570           |                     |                           |  |               |  |  |  |
| SHARES PROPORTION BY: |                          |                     |                           |  |               |  |  |  |
| CPO'S :               |                          |                     |                           |  |               |  |  |  |
| T.VINC.:              |                          |                     |                           |  |               |  |  |  |
| ADRS's :              |                          |                     |                           |  |               |  |  |  |
| GDRS's :              |                          |                     |                           |  |               |  |  |  |
| ADS's :               |                          |                     |                           |  |               |  |  |  |
| GDS's :               |                          |                     |                           |  |               |  |  |  |
|                       |                          |                     |                           |  |               |  |  |  |
|                       | REPURCHASE OF OWN SHARES |                     |                           |  |               |  |  |  |
|                       |                          |                     |                           |  |               |  |  |  |
|                       | SERIES                   | NUMBER OF<br>SHARES | MARKET VALUE OF THE SHARE |  |               |  |  |  |
|                       |                          |                     | AT<br>REPURCHASE          |  | AT<br>QUARTER |  |  |  |
|                       | A & L                    | 1,088,322,740       | 10.2602                   |  | 10.3781       |  |  |  |
|                       |                          |                     |                           |  |               |  |  |  |
| NOTES:                |                          |                     |                           |  |               |  |  |  |

Notes:

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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MEXICAN STOCK EXCHANGE

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

GENERAL INFORMATION

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ISSUER GENERAL INFORMATION

|                |                                   |
|----------------|-----------------------------------|
| COMPANY:       | TELEFONOS DE MEXICO, S.A. DE C.V. |
| ADDRESS:       | PARQUE VIA 198, COL. CUAUHTEMOC   |
| 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. CUAUHTEMOC |
| ZIP:                  | 06599                           |
| CITY:                 | MEXICO, D.F.                    |

PAYMENT RESPONSIBLE

|            |  |
|------------|--|
| NAME:      | C.P. EDUARDO ROSENDO GIRARD  |
| ADDRESS:   | PARQUE VIA 198 - 5 <sup>TH</sup> 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

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 <sup>TH</sup> . 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 <sup>TH</sup> . FLOOR OFFICE 1016, COL. CUAUHTEMOC |
| 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 <sup>TH</sup> . 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 INFORMATION THROUGH EMISNET                  |
| POSITION:     | SHAREHOLDER SERVICES MANAGER   |
| NAME:         | LIC. MIGUEL ANGEL PINEDA CATALAN                                     |
| ADDRESS:      | PARQUE VIA 198 - 2 <sup>ND</sup> . FLOOR OFFICE 202, COL. CUAUHTEMOC |
| 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<sup>ND</sup>. FLOOR OFFICE 202, COL. CUAUHTEMOC  
 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<sup>ND</sup>. FLOOR OFFICE 202, COL. CUAUHTEMOC  
 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<sup>TH</sup>. 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 &<br>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 <sup>TH</sup> . 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 <sup>TH</sup> . 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 &<br>ri@telmex.com                               |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

## BOARD OF DIRECTORS

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| 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      |
| 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       |
|                                 |      |               |                  |             |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

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

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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,

OCTOBER 26, 2005.

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