

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

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

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

For the month of

February 2006

Commission File Number: 333-13580

Teléfonos de México, S.A. de C.V.

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

Telephones of Mexico

(Translation of Registrant's Name into English)

Parque Vía 190

Colonia Cuauhtémoc

México City 06599, México, D.F.

(Address of principal executive offices)

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

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

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

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

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

Yes No...

√..

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

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

- In the fourth quarter of 2005 Prodigy Infinitum (ADSL) services increased 84.4%, billed line equivalents for data increased 32.5% and lines in service increased 7%. Domestic long distance traffic increased 6.9%, outgoing international distance traffic increased 8.7% and local traffic increased 0.8%.
 - In Mexico, the EBITDA margin for the twelve months was 51.7%, 0.7 percentage points higher than in 2004. The operating margin increased 1.8 percentage points reaching 36.5%. The consolidated EBITDA and operating margins were 44.9% and 29.9%, respectively.
 - At Embratel, total revenues increased 4.2% in the fourth quarter, generating an EBITDA margin of 18.3% and an operating margin of 5.6%, compared with last year's 18.1% and 3.1%, respectively.
 - For the twelve months, all of the operations in Latin American reflected revenue growth and positive EBITDA.
 - For the twelve months, consolidated investment in the expansion and modernization of the telecommunications platform was 2.109 billion dollars. Of that total, 65.5% was invested in Mexico, 28.1% in Embratel and 6.4% in the rest of the companies in Latin America.
 - The company's consolidated net debt (4) increased 12.3% or the equivalent of 692 million dollars, totaling 6.320 billion dollars.
 - Earnings per share in the quarter were 0.35 pesos and 0.66 dollars per ADR. For the twelve months, earnings per share were 1.28 pesos and 2.39 dollars per ADR.

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

Highlights

Increase of Funds for Share Repurchase:

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

10.149 billion pesos.

4.5 billion pesos Senior Notes:

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

Payment of Outstanding Balance of Senior Notes due 2006

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

Consolidated

Income Statements

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

Revenues

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

Costs and expenses:

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

EBITDA (1) and operating income:

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

Comprehensive financing cost:

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

Majority net income:

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

Investments:

In 2005, consolidated investments totaled 2.109 billion dollars. In Mexico, 1.382 billion dollars were invested, of which 51.9% was used to develop and expand the platform for new generation services and services for access to the data network, 40.3% for the expansion, maintenance and support of the telephone plant and 7.8% for social telephony. In Embratel, investments totaled 593 million dollars, of which 20.6% were used for access infrastructure and local services, 27.1% in data and Internet services, 5.6% in network infrastructure, 26.5% in two satellites to replace the equipment scheduled to be removed from service in 2006 and 2007 and 20.2% on other items. In the rest of the operations in Latin America, 134 million dollars were used for the expansion and support of the infrastructure of the various companies.

Repurchase of shares

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

Debt:

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

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

Mexico Operating Results

Lines in service

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

disconnections.

Local traffic

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

Long distance traffic

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

Interconnection

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

Corporate networks

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

Internet

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

*64 Kbps billed line equivalents

Mexico Financial Results

Revenues

: For the full year, total revenues from operations in Mexico totaled 124,669 million pesos, 2.9% lower than the same period of the previous year. In the fourth quarter, the company's revenues totaled 31,844 million pesos, a decrease of 3.2% compared with the same period of the previous year, mainly due to lower international long distance and interconnection revenues.

• Local

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

• DLD

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

• ILD

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

• Interconnection

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

• Corporate networks

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

• Internet:

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

Costs and expenses:

For the full year, costs and expenses from the operations in Mexico totaled 79,104 million pesos, an annual decrease of 5.6%. This decrease was due to lower commercial, administrative and general expenses, lower interconnection

costs related to the reduction of the calling party pays rate, and lower depreciation and amortization. In the fourth quarter, total costs and expenses totaled 19,859 million pesos, 4% lower than the same period of 2004.

- **Cost of sales and services:**

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

- **Commercial, administrative and general:**

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

- **Transport and interconnection:**

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

- **Depreciation and amortization:**

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

EBITDA (1) and operating income:

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

Investments:

In Mexico total investments were 1.382 billion dollars, of which 51.9% was used for the development and expansion of new generation services platforms and services related to transport and access the data network. Additionally, 40.3% was invested in expansion, maintenance and support of the telephone plant and 7.8% in social telephony.

Debt:

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

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

Latin America Financial Results

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

Brazil

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

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

Chile

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

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

Argentina

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

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

Colombia

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

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

Peru

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

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

Consolidated Relevant
Figures

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

(millions of Mexican constant pesos as of December 2005 unless otherwise indicated)

| | | 4Q 2005 | 4Q 2004 | % Inc. | 12 months 2005 | 12 months 2004 | % Inc. |
|-------------------|-----|---------|------------|-----------|----------------------|----------------------|-----------|
| Revenues | Ps. | 41,335 | Ps. 42,456 | (2.6) | Ps. 162,948 | Ps. 144,677 | 12.6 |
| EBITDA (1) | | 18,332 | 18,662 | (1.8) | 73,111 | 68,427 | 6.8 |
| EBITDA margin (%) | | 44.3 | 44.0 | 0.3 | 44.9 | 47.3 | (2.4) |

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| | | | | | | |
|-----------------------------------|--------|--------|--------|--------|--------|-------|
| Operating income | 12,429 | 12,430 | 0.0 | 48,694 | 44,715 | 8.9 |
| Operating margin (%) | 30.1 | 29.3 | 0.8 | 29.9 | 30.9 | (1.0) |
| Net income | 7,780 | 10,773 | (27.8) | 28,180 | 28,412 | (0.8) |
| Earnings per share (pesos) | 0.35 | 0.46 | (23.9) | 1.28 | 1.20 | 6.7 |
| Earnings per ADR (dollars) (2) | 0.66 | 0.78 | (15.4) | 2.39 | 2.06 | 16.0 |
| Outstanding shares (millions) | 22,045 | 23,665 | (6.8) | 22,045 | 23,665 | (6.8) |
| Equivalent ADRs (millions) (2) | 1,102 | 1,183 | (6.8) | 1,102 | 1,183 | (6.8) |

(1) EBITDA: defined as operating income plus depreciation and amortization. Go to telmex.com in the Investor Relations

section where you will find the reconciliation of EBITDA to operating income.

(2) One ADR represents 20 shares.

Mexico Financial Results

[millions of Mexican constant pesos as of September 2005]

| | | 4Q 2005 | 4Q 2004 | % Inc. | 12 months 2005 | 12 months 2004 | % Inc. |
|----------------------|-----|---------|------------|-----------|-------------------|----------------------|-----------|
| Revenues | Ps. | 31,844 | Ps. 32,908 | (3.2) | Ps. 124,669 | Ps. 128,428 | (2.9) |
| EBITDA | | 16,566 | 16,900 | (2.0) | 64,435 | 65,486 | (1.6) |
| EBITDA margin (%) | | 52.0 | 51.4 | 0.6 | 51.7 | 51.0 | 0.7 |
| Operating income | | 11,985 | 12,217 | (1.9) | 45,565 | 44,626 | 2.1 |
| Operating margin (%) | | 37.6 | 37.1 | 0.5 | 36.5 | 34.7 | 1.8 |

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

| | 4Q 2005 | 4Q 2004 | % Inc. | 12 months 2005 | 12 months 2004 | % Inc. |
|--|------------|------------|-----------|-------------------|----------------------|-----------|
| (millions of Brazilian reais of each period) | | | | | | |
| Revenues | \$ 1,947.7 | \$ 1,895.4 | 2.8 | \$ 7,689.0 | \$ 7,473.9 | 2.9 |
| EBITDA | 356.7 | 346.4 | 3.0 | 1,727.8 | 1,408.5 | 22.7 |
| EBITDA margin (%) | 18.3 | 18.3 | 0.0 | 22.5 | 18.8 | 3.7 |
| Operating Income | 110.7 | 62.6 | 76.8 | 664.0 | 231.0 | 187.4 |
| Operating margin (%) | 5.7 | 3.3 | 2.4 | 8.6 | 3.1 | 5.5 |

Chile

| | 4Q 2005 | 4Q 2004 | % Inc. | 12 months 2005 | 12 months 2004 | % Inc. |
|---|-------------|-------------|-----------|-------------------|----------------------|-----------|
| (millions of Chilean constant pesos as of September 2005) | | | | | | |
| Revenues | \$ 16,207.0 | \$ 16,038.2 | 1.1 | \$ 65,000.0 | \$ 59,500.0 | 9.2 |
| EBITDA | 3,077.8 | 2,649.7 | 16.2 | 13,128.0 | 6,769.8 | 93.9 |
| EBITDA margin (%) | 19.0 | 16.5 | 2.5 | 20.2 | 11.4 | 8.8 |
| Operating Income | 404.1 | 100.7 | 301.3 | 2,649.1 | (3,463.6) | NA |
| Operating margin (%) | 2.5 | 0.6 | 1.9 | 4.1 | (5.8) | 9.9 |

Argentina

| | % | 12 months | 12 months | % |
|--|---|-----------|--------------|---|
|--|---|-----------|--------------|---|

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| | 4Q 2005 | 4Q 2004 | Inc. | 2005 | 2004 | Inc. |
|--|---------|---------|--------|----------|----------|-------|
| (millions of Argentinean pesos of each period) | | | | | | |
| Revenues | \$ 84.4 | \$ 68.8 | 22.7 | \$ 300.8 | \$ 230.3 | 30.6 |
| EBITDA | (1.1) | 6.2 | NA | 30.8 | 14.5 | 112.4 |
| EBITDA margin (%) | (1.3) | 9.0 | (10.3) | 10.2 | 6.3 | 3.9 |
| Operating Income | (6.4) | (5.1) | NA | 1.0 | (26.6) | NA |
| Operating margin (%) | (7.6) | (7.4) | (0.2) | 0.3 | (11.5) | 11.8 |

Colombia

| | 4Q 2005 | 4Q 2004 | % Inc. | 12 months 2005 | 12 months 2004 | % Inc. |
|--|-------------|-------------|-----------|-------------------|----------------------|-----------|
| (millions of Colombian pesos of each period) | | | | | | |
| Revenues | \$ 35,769.4 | \$ 20,829.0 | 71.7 | \$ 112,842.5 | \$ 81,299.0 | 38.8 |
| EBITDA | 16,052.6 | 7,668.9 | 109.3 | 44,857.6 | 27,220.0 | 64.8 |
| EBITDA margin (%) | 44.9 | 36.8 | 8.1 | 39.8 | 33.5 | 6.3 |
| Operating Income | 9,238.6 | (418.4) | NA | 21,582.0 | (189.3) | NA |
| Operating margin (%) | 25.8 | (2.0) | 27.8 | 19.1 | (0.2) | 19.3 |

Peru

| | 4Q 2005 | 4Q 2004 | % Inc. | 12 months 2005 | 12 months 2004 | % Inc. |
|--|---------|---------|-----------|-------------------|----------------------|-----------|
| (millions of New Soles of each period) | | | | | | |
| Revenues | \$ 51.5 | \$ 38.4 | 34.1 | \$ 185.0 | \$ 157.0 | 17.8 |
| EBITDA | 13.9 | 7.9 | 75.9 | 45.4 | 28.3 | 60.4 |
| EBITDA margin (%) | 27.0 | 20.6 | 6.4 | 24.5 | 18.1 | 6.4 |
| Operating Income | 1.5 | (15.5) | NA | (1.3) | (27.8) | NA |
| Operating margin (%) | 2.9 | (40.4) | 43.3 | (0.7) | (17.7) | 17.0 |

Consolidated Financial
Statements

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

Consolidated Statements
of Income

[millions of Mexican
constant pesos as of
September 2005]

| | 4Q 2005 | | 4Q 2004 | | % Inc. | 12 months 2005 | | 12 months 2004 | | % Inc. |
|--|---------|--------|---------|---------|-----------|----------------------|---------|----------------------|---------|-----------|
| Revenues | | | | | | | | | | |
| Local | Ps. | 14,557 | Ps. | 14,567 | (0.1) | Ps. | 58,464 | Ps. | 58,850 | (0.7) |
| Domestic long distance | | 9,115 | | 9,123 | (0.1) | | 36,941 | | 25,741 | 43.5 |
| International long distance | | 3,144 | | 3,952 | (20.4) | | 13,171 | | 12,289 | 7.2 |
| Interconnection | | 4,337 | | 5,242 | (17.3) | | 18,394 | | 19,838 | (7.3) |
| Corporate networks | | 4,705 | | 4,831 | (2.6) | | 18,420 | | 13,715 | 34.3 |
| Internet | | 2,978 | | 2,512 | 18.6 | | 11,067 | | 8,077 | 37.0 |
| Others | | 2,499 | | 2,229 | 12.1 | | 6,491 | | 6,167 | 5.2 |
| Total | | 41,335 | | 42,456 | (2.6) | | 162,948 | | 144,677 | 12.6 |
| Costs and Expenses | | | | | | | | | | |
| Cost of sales and services | | 8,707 | | 8,909 | (2.3) | | 33,858 | | 32,466 | 4.3 |
| Commercial, administrative and general | | 7,010 | | 7,359 | (4.7) | | 27,397 | | 23,181 | 18.2 |
| Transport and interconnection | | 7,286 | | 7,526 | (3.2) | | 28,582 | | 20,603 | 38.7 |
| Depreciation and amortization | | 5,903 | | 6,232 | (5.3) | | 24,417 | | 23,712 | 3.0 |
| Total | | 28,906 | | 30,026 | (3.7) | | 114,254 | | 99,962 | 14.3 |
| Operating income | | 12,429 | | 12,430 | (0.0) | | 48,694 | | 44,715 | 8.9 |
| Comprehensive financing cost (income) | | | | | | | | | | |
| Net interest | | 1,299 | | 312 | 316.3 | | 3,916 | | 3,116 | 25.7 |
| Exchange loss (gain), net | | 1,607 | | (478) | (436.2) | | 3,400 | | (27) | (*) |
| Monetary gain, net | | (866) | | (1,391) | (37.7) | | (1,980) | | (2,945) | (32.8) |
| Total | | 2,040 | | (1,557) | (231.0) | | 5,336 | | 144 | (*) |
| Income before tax and employee profit sharing | | 10,389 | | 13,987 | (25.7) | | 43,358 | | 44,571 | (2.7) |

| | | | | | | | | | |
|---|-----|--------|----|--------|---------|-----------|----|--------|---------|
| Provisions for income tax and employee profit sharing | | 2,618 | | 2,849 | (8.1) | 14,424 | | 15,690 | (8.1) |
| Income before equity in results of affiliates and minority interest | | 7,771 | | 11,138 | (30.2) | 28,934 | | 28,881 | 0.2 |
| Equity in results of affiliates | | 124 | | (40) | (410.0) | 65 | | (119) | (154.6) |
| Minority interest | | (115) | | (325) | (64.6) | (819) | | (350) | 134.0 |
| Majority net income | Ps. | 7,780 | \$ | 10,773 | (27.8) | \$ 28,180 | \$ | 28,412 | (0.8) |
| EBITDA (1) | Ps. | 18,332 | \$ | 18,662 | (1.8) | \$ 73,111 | \$ | 68,427 | 6.8 |
| EBITDA margin (%) | | 44.3 | | 44.0 | 0.3 | 44.9 | | 47.3 | (2.4) |
| Operating margin (%) | | 30.1 | | 29.3 | 0.8 | 29.9 | | 30.9 | (1.0) |

(*) Percentage higher than 1,000%.

International Operations

| Company | Country | % of ownership | Acquisition date | Consolidation date | Local exchange rate to US dollar | Inflation 3rd quarter |
|-------------------------|-----------|----------------|-------------------|--------------------|----------------------------------|-----------------------|
| TELMEX Argentina | Argentina | 100.0 | February 24, 2004 | March 1, 2004 | 3.032 | 4.13% |
| Techtel | Argentina | 100.0 | April 19, 2004 | May 1, 2004 | 3.032 | 4.13% |
| Metrored | Argentina | 100.0 | June 30, 2004 | July 1, 2004 | 3.032 | 4.13% |
| TELMEX do Brasil | Brazil | 100.0 | February 24, 2004 | March 1, 2004 | 2.341 | 1.00% |
| Embratel | Brazil | 72.3 | July 23, 2004 | August 1, 2004 | 2.341 | 1.00% |
| TELMEX Chile | Chile | 100.0 | February 24, 2004 | March 1, 2004 | 512.500 | 1.24% |
| TELMEX Corp. (Chilesat) | Chile | 99.7 | June 8, 2004 | July 1, 2004 | 512.500 | 1.24% |
| TELMEX Colombia | Colombia | 100.0 | February 24, 2004 | March 1, 2004 | 2,284.220 | 0.83% |

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| | | | | | | |
|-------------|--------|-------|-------------------|------------------|-------|-------|
| TELMEX Peru | Peru | 100.0 | February 24, 2004 | March 1, 2004 | 3.431 | 1.39% |
| Net | Brazil | 37.1 | January 31, 2005 | February 1, 2005 | 2.341 | 1.00% |

The results of international operations were converted from local currency to US dollars and for consolidation to Mexican pesos. The exchange rate used from pesos to US dollars was 10.7109 Mexican pesos per US dollar.

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

Consolidated Balance Sheets

[millions of Mexican constant pesos as of December 2005]

| | | December 2005 | | December 2004 |
|---|-----|------------------|-----|------------------|
| Assets | | | | |
| Cash and cash equivalents | Ps. | 23,211 | Ps. | 21,182 |
| Other current assets | | 31,719 | | 40,921 |
| Plant, property and equipment, net | | 150,577 | | 157,050 |
| Other assets | | 8,032 | | 6,378 |
| Goodwill, net | | 8,185 | | 3,909 |
| Net projected asset | | 22,477 | | 26,476 |
| Deferred taxes | | 5,788 | | 5,507 |
| Total assets | Ps. | 249,989 | Ps. | 261,423 |
| Liabilities and stockholders' equity | | | | |
| Current portion of long-term debt | Ps. | 14,595 | Ps. | 13,634 |
| Other current liabilities | | 30,183 | | 36,479 |
| Long-term debt | | 76,364 | | 79,406 |
| Labor obligations | | 1,995 | | 1,782 |
| Deferred taxes | | 15,505 | | 18,704 |
| Total liabilities | | 138,642 | | 150,005 |

| | | | |
|--|-----|---------|-------------|
| Stockholders' equity | | | |
| Majority stockholders' equity | | 101,439 | 96,996 |
| Minority interest | | 9,908 | 14,422 |
| Total stockholders' equity | | 111,347 | 111,418 |
| Total liabilities and stockholders' equity | Ps. | 249,989 | Ps. 261,423 |

Consolidated Free (5) and Net Cash Flow
(millions of Mexican constant pesos as of December 2005)

| | | September-December 2005 |
|--|-----|----------------------------|
| Majority Net Income | Ps. | 28,180 |
| + Depreciation and amortization | | 24,417 |
| + Items not requiring the use of resources | | (7,080) |
| Resources provided by operating activities | | 45,517 |
| - Working capital | | 3,328 |
| - Investment in the telephone plant | | 22,851 |
| - Inventories for the operation | | 125 |
| Free cash flow | | 19,213 |
| Resources used: | | |
| - Share repurchase | | 17,281 |
| - Dividend payments | | 8,508 |
| - Acquisition of companies | | 3,353 |
| - Financing amortizations | | 18,519 |
| Resources provided: | | |
| + New financing | | 23,157 |
| + Embratel capital increase | | 945 |
| + Sale of MCI shares | | 7,058 |
| Net cash flow | Ps. | \$2,712 |

(5) Free cash flow is calculated by resources provided by operating activities resulting from variations in working capital, investment in the telephone plant and inventories for the operation.

Mexico Financial Results

Mexico Income Statements

[millions of Mexican constant pesos as of December 2005]

| | | | | % | 12 months | 12 months | % |
|--|-----|---------|------------|--------|------------|------------|--------|
| | | 4Q 2005 | 4Q 2004 | Inc. | 2005 | 2004 | Inc. |
| Revenues | | | | | | | |
| Local | Ps. | 13,786 | Ps. 14,037 | (1.8) | Ps. 55,802 | Ps. 57,892 | (3.6) |
| Domestic long distance | | 4,355 | 4,240 | 2.7 | 17,515 | 17,792 | (1.6) |
| International long distance | | 2,394 | 2,973 | (19.5) | 9,771 | 10,630 | (8.1) |
| Interconnection | | 4,168 | 4,954 | (15.9) | 17,425 | 19,366 | (10.0) |
| Corporate networks | | 2,748 | 2,670 | 2.9 | 10,294 | 9,944 | 3.5 |
| Internet | | 2,159 | 1,845 | 17.0 | 8,149 | 6,950 | 17.3 |
| Others | | 2,234 | 2,189 | 2.1 | 5,713 | 5,854 | (2.4) |
| Total | | 31,844 | 32,908 | (3.2) | 124,669 | 128,428 | (2.9) |
| Costs and Expenses | | | | | | | |
| Cost of sales and services | | 7,484 | 7,981 | (6.2) | 29,481 | 30,723 | (4.0) |
| Commercial, administrative and general | | 4,614 | 4,722 | (2.3) | 18,422 | 18,678 | (1.4) |
| Transport and interconnection | | 3,180 | 3,305 | (3.8) | 12,331 | 13,541 | (8.9) |
| Depreciation and amortization | | 4,581 | 4,683 | (2.2) | 18,870 | 20,860 | (9.5) |
| Total | | 19,859 | 20,691 | (4.0) | 79,104 | 83,802 | (5.6) |
| Operating income | Ps. | 11,985 | Ps. 12,217 | (1.9) | Ps. 45,565 | Ps. 44,626 | 2.1 |
| EBITDA (1) | Ps. | 16,566 | Ps. 16,900 | (2.0) | Ps. 64,435 | Ps. 65,486 | (1.6) |
| EBITDA margin (%) | | 52.0 | 51.4 | 0.6 | 51.7 | 51.0 | 0.7 |
| Operating margin (%) | | 37.6 | 37.1 | 0.5 | 36.5 | 34.7 | 1.8 |

Mexico Balance Sheets

[millions of Mexican constant pesos as of December 2005]

| | December 2005 | December 2004 |
|--------|---------------|---------------|
| Assets | | |

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| | | | | |
|--|-----|---------|-----|---------|
| Cash and cash equivalents | Ps. | 20,230 | Ps. | 17,210 |
| Other current assets | | 21,710 | | 29,745 |
| Investment in non-consolidated subsidiaries (6) | | 30,301 | | 13,373 |
| Plant, property and equipment, net | | 120,383 | | 127,697 |
| Other assets | | 3,949 | | 3,567 |
| Net projected asset | | 22,477 | | 26,476 |
| Total assets | Ps. | 219,050 | Ps. | 218,068 |
| Liabilities and stockholders' equity | | | | |
| Current portion of long-term debt | Ps. | 13,432 | Ps. | 4,886 |
| Other current liabilities | | 18,419 | | 23,946 |
| Long-term debt | | 70,115 | | 73,536 |
| Labor obligations | | 140 | | 0 |
| Deferred taxes | | 15,505 | | 18,704 |
| Total liabilities | | 117,611 | | 121,072 |
| Total stockholders' equity | | 101,439 | | 96,996 |
| Total liabilities and stockholders' equity | Ps. | 219,050 | Ps. | 218,068 |

(6) Corresponds to subsidiaries in Latin America.

Mexico Operating Results

| | 4Q 2005 | 3Q 2005 | 2Q 2005 | 1Q 2005 | 4Q 2004 | % Inc. vs. 4Q 2004 |
|-----------------------------------|---------|---------|---------|---------|---------|--------------------------|
| Lines in service (thousand units) | 18,375 | 18,135 | 17,852 | 17,536 | 17,172 | 7.0 |
| Connections | 497 | 458 | 485 | 501 | 590 | (15.8) |
| Disconnections | 258 | 174 | 169 | 138 | 235 | 10.1 |
| Gain | 239 | 284 | 316 | 363 | 356 | (32.8) |
| Multifon Hogar + Kit | 1,801 | 1,676 | 1,541 | 1,372 | 1,188 | 51.6 |
| Penetration (%) | | | | | | |
| Digital services | 41.4 | 40.9 | 40.1 | 39.2 | 38.2 | 3.2 |
| Free voice mail (Buzón TELMEX) | 49.3 | 47.9 | 46.1 | 43.7 | 42.2 | 7.1 |

Local Traffic

[million units]

| | | | | | | |
|-------------------------|-------|-------|-------|-------|-------|-----|
| Local calls | 6,638 | 6,778 | 6,622 | 6,642 | 6,583 | 0.8 |
| Interconnection minutes | 8,807 | 8,804 | 8,812 | 8,373 | 8,089 | 8.9 |

Long Distance Traffic

[million minutes]

| | | | | | | |
|--|-------|-------|-------|-------|-------|-------|
| Domestic long distance | 4,478 | 4,577 | 4,501 | 4,297 | 4,190 | 6.9 |
| International long distance (incoming and outgoing) | 2,011 | 1,815 | 1,627 | 1,677 | 1,628 | 23.5 |
| Billed line equivalents 64kbps (thousands) | 2,011 | 1,738 | 1,668 | 1,604 | 1,517 | 32.5 |
| Internet (thousands) | 2,116 | 2,025 | 1,927 | 1,855 | 1,741 | 21.5 |
| Prodigy (Dial-up) | 1,082 | 1,121 | 1,156 | 1,190 | 1,181 | (8.3) |
| Infinitum (ADSL) | 1,033 | 904 | 772 | 665 | 560 | 84.4 |
| Penetration (%) | 13.8 | 13.3 | 12.8 | 12.4 | 11.8 | 2.0 |

Mexico Local and Long Distance Accounting Separation

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

Mexico Local Service Business

Income Statements

[millions of Mexican constant pesos as of December 2005]

| | 4Q 2005 | 4Q 2004 | % Inc. | 12 months 2005 | 12 months 2005 | % Inc. |
|--------------------------------------|------------|------------|-----------|----------------------|----------------------|-----------|
| Revenues | | | | | | |
| Access, rent and measured service | Ps. 13,666 | Ps. 13,973 | (2.2) | Ps. 55,530 | Ps. 57,684 | (3.7) |
| Recovery of LADA special projects | - | 71 | NA | - | 1,845 | NA |
| LADA interconnection | 1,060 | 1,105 | (4.1) | 4,224 | 4,462 | (5.3) |
| Interconnection with operators | 246 | 365 | (32.6) | 1,424 | 1,485 | (4.1) |

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| | | | | | | | | | | |
|--|-----|--------|-----|--------|--------|-----|--------|-----|--------|--------|
| Interconnection with cellular | | 3,884 | | 4,456 | (12.8) | | 15,916 | | 17,859 | (10.9) |
| Other | | 2,526 | | 2,303 | 9.7 | | 8,896 | | 9,195 | (3.3) |
| Total | | 21,382 | | 22,273 | (4.0) | | 85,990 | | 92,530 | (7.1) |
| Costs and expenses | | | | | | | | | | |
| Cost of sales and services | | 5,360 | | 5,860 | (8.5) | | 21,789 | | 21,758 | 0.1 |
| Commercial, administrative and general | | 3,692 | | 3,486 | 5.9 | | 15,193 | | 15,376 | (1.2) |
| Interconnection | | 3,051 | | 3,268 | (6.6) | | 12,017 | | 13,367 | (10.1) |
| Depreciation and amortization | | 3,000 | | 3,143 | (4.5) | | 12,591 | | 13,973 | (9.9) |
| Total | | 15,103 | | 15,757 | (4.2) | | 61,590 | | 64,474 | (4.5) |
| Operating income | Ps. | 6,279 | Ps. | 6,516 | (3.6) | Ps. | 24,400 | Ps. | 28,056 | (13.0) |
| EBITDA (1) | Ps. | 9,279 | Ps. | 9,659 | (3.9) | Ps. | 36,991 | Ps. | 42,029 | (12.0) |
| EBITDA margin (%) | | 43.4 | | 43.4 | 0.0 | | 43.0 | | 45.4 | (2.4) |
| Operating margin (%) | | 29.4 | | 29.3 | 0.1 | | 28.4 | | 30.3 | (1.9) |

Mexico Long Distance Service Business

Income Statements

[millions of Mexican constant pesos as of December 2005]

| | | 4Q 2005 | | 4Q 2004 | % Inc. | | 12 months 2005 | | 12 months 2005 | % Inc. |
|--|-----|---------|-----|---------|-----------|-----|----------------------|-----|----------------------|-----------|
| Revenues | | | | | | | | | | |
| Domestic long distance | Ps. | 4,142 | Ps. | 4,203 | (1.5) | Ps. | 16,661 | Ps. | 16,942 | (1.7) |
| International long distance | | 2,099 | | 2,605 | (19.4) | | 8,555 | | 9,401 | (9.0) |
| Total | | 6,241 | | 6,808 | (8.3) | | 25,216 | | 26,343 | (4.3) |
| Costs and expenses | | | | | | | | | | |
| Cost of sales and services | | 1,340 | | 1,437 | (6.8) | | 5,416 | | 5,953 | (9.0) |
| Commercial, administrative and general | | 1,372 | | 1,445 | (5.1) | | 5,181 | | 5,097 | 1.6 |
| Interconnection to the local network | | 931 | | 971 | (4.1) | | 3,720 | | 4,000 | (7.0) |
| Cost of LADA special projects | | - | | 55 | NA | | - | | 1,640 | NA |
| Depreciation and amortization | | 629 | | 615 | 2.3 | | 2,582 | | 2,868 | (10.0) |
| Total | | 4,272 | | 4,523 | (5.5) | | 16,899 | | 19,558 | (13.6) |

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| | | | | | | | | | | |
|----------------------|-----|-------|-----|-------|--------|-----|--------|-----|-------|------|
| Operating income | Ps. | 1,969 | Ps. | 2,285 | (13.8) | Ps. | 8,317 | Ps. | 6,785 | 22.6 |
| EBITDA (1) | Ps. | 2,598 | Ps. | 2,900 | (10.4) | Ps. | 10,899 | Ps. | 9,653 | 12.9 |
| EBITDA margin (%) | | 41.6 | | 42.6 | (1.0) | | 43.2 | | 36.6 | 6.6 |
| Operating margin (%) | | 31.5 | | 33.6 | (2.1) | | 33.0 | | 25.8 | 7.2 |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 13, 2005.

TELÉFONOS DE MÉXICO, S.A. DE C.V.

By: _____

Name: Adolfo Cerezo Pérez
Title: Chief Financial Officer

Ref: Teléfonos de México, S.A. de C.V. - **Press Release Forth Quarter 2005.**