

TELEFONOS DE MEXICO S A DE C V
Form 6-K
October 26, 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 **October 2006**

Commission File Number: 333-13580

Teléfonos de México, S.A. de C.V.

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

Telephones of Mexico

(Translation of Registrant's Name into English)

Parque Vía 190

Colonia Cuauhtémoc

México City 06599, México, D.F.

(Address of principal executive offices)

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

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

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

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

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

Yes No... ..

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

TELÉFONOS DE MÉXICO, S.A. DE C.V.

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-01

CONSOLIDATED BALANCE SHEETS

AT SEPTEMBER 30, 2006 & 2005

(Thousands of Mexican Pesos)

Final printing

| REF S | CONCEPTS | QUARTER OF PRESENT | | QUARTER OF PREVIOUS | |
|----------|------------------------------------|-----------------------|-----|------------------------|-----|
| | | FINANCIAL YEAR | | FINANCIAL YEAR | |
| | | Amount | % | Amount | % |
| s01 | TOTAL ASSETS | 265,235,162 | 100 | 268,096,531 | 100 |
| s02 | CURRENT ASSETS | 64,472,829 | 24 | 65,050,916 | 24 |
| s03 | CASH AND SHORT-TERM INVESTMENTS | 23,747,942 | 9 | 28,685,055 | 11 |

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| | | | | | |
|-----|--|--------------------|------------|--------------------|------------|
| s04 | ACCOUNTS AND NOTES RECEIVABLE (NET) | 27,884,094 | 11 | 26,969,092 | 10 |
| s05 | OTHER ACCOUNTS AND NOTES RECEIVABLE (NET) | 5,130,100 | 2 | 5,966,672 | 2 |
| s06 | INVENTORIES | 1,467,530 | 1 | 941,978 | 0 |
| s07 | OTHER CURRENT ASSETS | 6,243,163 | 2 | 2,488,119 | 1 |
| s08 | LONG - TERM | 1,351,574 | 1 | 948,961 | 0 |
| s09 | ACCOUNTS AND NOTES RECEIVABLE (NET) | 0 | 0 | 0 | 0 |
| s10 | INVESTMENT IN SHARES OF NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES | 1,344,924 | 1 | 941,888 | 0 |
| s11 | OTHER INVESTMENTS | 6,650 | 0 | 7,073 | 0 |
| s12 | PROPERTY, PLANT AND EQUIPMENT (NET) | 156,665,244 | 59 | 157,603,421 | 59 |
| s13 | LAND AND BUILDINGS | 0 | 0 | 0 | 0 |
| s14 | MACHINERY AND INDUSTRIAL EQUIPMENT | 469,922,174 | 177 | 445,981,034 | 166 |
| s15 | OTHER EQUIPMENT | 0 | 0 | 0 | 0 |
| s16 | ACCUMULATED DEPRECIATION | 322,112,965 | 121 | 297,012,991 | 111 |
| s17 | CONSTRUCTIONS IN PROGRESS | 8,856,035 | 3 | 8,635,378 | 3 |
| s18 | OTHER INTANGIBLE ASSETS AND DEFERRED ASSETS (NET) | 14,490,885 | 5 | 11,892,245 | 4 |
| s19 | OTHER ASSETS | 28,254,630 | 11 | 32,600,988 | 12 |
| s20 | TOTAL LIABILITIES | 154,206,966 | 100 | 147,849,756 | 100 |
| s21 | CURRENT LIABILITIES | 43,415,166 | 28 | 50,043,887 | 34 |
| s22 | SUPPLIERS | 0 | 0 | 0 | 0 |
| s23 | BANK LOANS | 6,440,539 | 4 | 3,740,070 | 3 |
| s24 | STOCK MARKET LOANS | 1,650,000 | 1 | 13,201,208 | 9 |
| s25 | TAXES PAYABLE | 2,649,721 | 2 | 2,605,923 | 2 |
| s26 | OTHER CURRENT LIABILITIES | 32,674,906 | 21 | 30,496,686 | 21 |
| s27 | LONG - TERM LIABILITIES | 92,646,190 | 60 | 79,479,118 | 54 |
| s28 | BANK LOANS | 52,308,140 | 34 | 41,345,070 | 28 |

| | | | | | |
|-----|--|--------------|------|--------------|------|
| s29 | STOCK MARKET LOANS | 40,338,050 | 26 | 38,134,048 | 26 |
| s30 | OTHER LOANS | 0 | 0 | 0 | 0 |
| s31 | DEFERRED LIABILITIES | 0 | 0 | 0 | 0 |
| s32 | OTHER NON CURRENT LIABILITIES | 18,145,610 | 12 | 18,326,751 | 12 |
| s33 | CONSOLIDATED STOCKHOLDERS' EQUITY | 111,028,196 | 100 | 120,246,775 | 100 |
| s34 | MINORITY INTEREST | 11,543,465 | 10 | 12,914,728 | 11 |
| s35 | MAJORITY INTEREST | 99,484,731 | 90 | 107,332,047 | 89 |
| s36 | CONTRIBUTED CAPITAL | 46,465,417 | 42 | 48,414,019 | 40 |
| s79 | CAPITAL STOCK (NOMINAL) | 26,651,116 | 24 | 28,599,718 | 24 |
| s39 | PREMIUM ON SALES OF SHARES | 19,814,301 | 18 | 19,814,301 | 16 |
| s40 | CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES | 0 | 0 | 0 | 0 |
| s41 | CAPITAL INCREASE (DECREASE) | 53,019,314 | 48 | 58,918,028 | 49 |
| s42 | RETAINED EARNINGS AND CAPITAL RESERVE | 122,114,249 | 110 | 126,675,508 | 105 |
| s44 | OTHER ACCUMULATED COMPREHENSIVE RESULT | (69,094,935) | (62) | (67,757,480) | (56) |
| s80 | SHARES REPURCHASED | 0 | 0 | 0 | 0 |

MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-02

CONSOLIDATED BALANCE SHEETS

- BREAKDOWN OF MAIN CONCEPTS -

(Thousands of Mexican Pesos)

Final printing

| REF S | CONCEPTS | QUARTER OF PRESENT | | QUARTER OF PREVIOUS | |
|----------|---|-----------------------|------------|------------------------|------------|
| | | FINANCIAL YEAR | | FINANCIAL YEAR | |
| | | Amount | % | Amount | % |
| s03 | CASH AND SHORT-TERM INVESTMENTS | 23,747,942 | 100 | 28,685,055 | 100 |
| s46 | CASH | 2,266,107 | 10 | 1,584,530 | 6 |
| s47 | SHORT-TERM INVESTMENTS | 21,481,835 | 90 | 27,100,525 | 94 |
| s07 | OTHER CURRENT ASSETS | 6,243,163 | 100 | 2,488,119 | 100 |
| s81 | DERIVATIVE FINANCIAL INSTRUMENTS | 473,901 | 8 | 259,583 | 10 |
| s82 | DISCONTINUED OPERATIONS | 0 | 0 | 0 | 0 |
| s83 | OTHER | 5,769,262 | 92 | 2,228,536 | 90 |
| s18 | OTHER INTANGIBLE ASSETS AND DEFERRED ASSETS (NET) | 14,490,885 | 100 | 11,892,245 | 100 |
| s48 | AMORTIZED OR REDEEMED EXPENSES | 4,650,996 | 32 | 4,295,937 | 36 |
| s49 | GOODWILL | 9,824,390 | 68 | 7,596,308 | 64 |
| s51 | OTHERS | 15,499 | 0 | 0 | 0 |
| s19 | OTHER ASSETS | 28,254,630 | 100 | 32,600,988 | 100 |
| s84 | INTANGIBLE ASSET FROM LABOR OBLIGATIONS | 19,862,751 | 70 | 23,862,272 | 73 |
| s85 | DERIVATIVE FINANCIAL INSTRUMENTS | 0 | 0 | 0 | 0 |
| s50 | DEFERRED TAXES | 5,951,994 | 21 | 6,126,480 | 19 |
| s86 | DISCONTINUED OPERATIONS | 0 | 0 | 0 | 0 |
| s87 | OTHER | 2,439,885 | 9 | 2,612,236 | 8 |
| s21 | CURRENT LIABILITIES | 43,415,166 | 100 | 50,043,887 | 100 |
| s52 | | 5,140,539 | 12 | 16,941,278 | 34 |

| | | | | | |
|-----|--|--------------------|------------|--------------------|------------|
| | FOREIGN CURRENCY LIABILITIES | | | | |
| s53 | MEXICAN PESOS LIABILITIES | 38,274,627 | 88 | 33,102,609 | 66 |
| s26 | OTHER CURRENT LIABILITIES | 32,674,906 | 100 | 30,496,686 | 100 |
| s88 | DERIVATIVE FINANCIAL INSTRUMENTS | 1,162,432 | 4 | 1,339,821 | 4 |
| s89 | INTEREST LIABILITIES | 1,481,085 | 5 | 2,021,813 | 7 |
| s68 | PROVISIONS | 0 | 0 | 0 | 0 |
| s90 | DISCONTINUED OPERATIONS | 0 | 0 | 0 | 0 |
| s58 | OTHER CURRENT LIABILITIES | 30,031,389 | 92 | 27,135,052 | 89 |
| s27 | LONG-TERM LIABILITIES | 92,646,190 | 100 | 79,479,118 | 100 |
| s59 | FOREIGN CURRENCY LIABILITIES | 82,696,190 | 89 | 71,210,978 | 90 |
| s60 | MEXICAN PESOS LIABILITIES | 9,950,000 | 11 | 8,268,140 | 10 |
| s31 | DEFERRED LIABILITIES | 0 | 0 | 0 | 0 |
| s65 | GOODWILL | 0 | 0 | 0 | 0 |
| s67 | OTHERS | 0 | 0 | 0 | 0 |
| s32 | OTHER NON CURRENT LIABILITIES | 18,145,610 | 100 | 18,326,751 | 100 |
| s66 | DEFERRED TAXES | 15,861,444 | 87 | 16,244,603 | 89 |
| s91 | OTHER LIABILITIES IN RESPECT OF SOCIAL INSURANCE | 2,284,166 | 13 | 2,082,148 | 11 |
| s92 | DISCONTINUED OPERATIONS | 0 | 0 | 0 | 0 |
| s69 | OTHER LIABILITIES | 0 | 0 | 0 | 0 |
| s79 | CAPITAL STOCK | 26,651,116 | 100 | 28,599,718 | 100 |
| s37 | CAPITAL STOCK (NOMINAL) | 254,220 | 1 | 281,757 | 1 |
| s38 | RESTATEMENT OF CAPITAL STOCK | 26,396,896 | 99 | 28,317,961 | 99 |
| s42 | RETAINED EARNINGS AND CAPITAL RESERVES | 122,114,249 | 100 | 126,675,508 | 100 |

| | | | | | |
|------|---|--------------|-----|--------------|--------|
| s93 | LEGAL RESERVE | 20,680,921 | 17 | 19,652,926 | 16 |
| s43 | RESERVE FOR REPURCHASE OF SHARES | 0 | 0 | 0 | 0 |
| s94 | OTHER RESERVES | 0 | 0 | 0 | 0 |
| s95 | RETAINED EARNINGS | 80,992,695 | 66 | 86,262,834 | 68 |
| s45 | NET INCOME FOR THE YEAR | 20,440,633 | 17 | 20,759,748 | 16 |
| s44 | OTHER ACCUMULATED COMPREHENSIVE RESULT | (69,094,935) | 100 | (67,757,480) | 100.00 |
| s70 | ACCUMULATED MONETARY RESULT | (14,361,717) | 21 | (14,361,717) | 21 |
| s71 | RESULT FROM HOLDING NON-MONETARY ASSETS | (58,405,405) | 85 | (58,829,374) | 87 |
| s96 | CUMULATIVE RESULT FROM FOREIGN CURRENCY TRANSLATION | 3,848,952 | (6) | 3,963,704 | (6) |
| s97 | CUMULATIVE RESULT FROM DERIVATIVE FINANCIAL INSTRUMENTS | 386,431 | (1) | 346,254 | (1) |
| s98 | CUMULATIVE EFFECT OF DEFERRED INCOME TAXES | (563,196) | 1 | 1,123,653 | (2) |
| s99 | LABOR OBLIGATION ADJUSTMENT | 0 | 0 | 0 | 0 |
| s100 | OTHERS | 0 | 0 | 0 | 0 |

MEXICAN STOCK EXCHANGE

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STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-03

CONSOLIDATED BALANCE SHEETS

- OTHER CONCEPTS -

(Thousands of Mexican Pesos)

| REF S | CONCEPTS | QUARTER OF PRESENT FINANCIAL YEAR | QUARTER OF PREVIOUS FINANCIAL YEAR |
|----------|---|--|--|
| | | Amount | Amount |
| s57 | OTHER CURRENT LIABILITIES WITH COST (s26) | 0 | 0 |
| s63 | OTHER LOANS WITH COST (s32) | 0 | 0 |
| s72 | WORKING CAPITAL | 21,057,663 | 15,007,029 |
| s73 | PENSIONS FUND AND SENIORITY PREMIUMS | 0 | 0 |
| s74 | EXECUTIVES (*) | 119 | 127 |
| s75 | EMPLOYEES (*) | 24,698 | 27,590 |
| s76 | WORKERS (*) | 50,730 | 51,301 |
| s77 | OUTSTANDING SHARES (*) | 20,337,607,170 | 22,540,581,570 |
| s78 | REPURCHASE OF OWN SHARER(*) | 1,707,475,100 | 1,088,322,740 |
| s101 | RESTRICTED CASH (1) | 0 | 0 |
| s102 | DEBT WITH COST OF AFFILIATES NON CONSOLIDATED | 0 | 0 |

(*) THESE CONCEPTS SHOULD BE EXPRESSED IN UNITS.

1. This item shall be filled in when there have been granted guarantees that affects cash and cash equivalents (s03)

NOTE:

In references s57 and s63 it is only included the amount corresponding to the debts of the accounts s26 and s32 respectively.

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STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-04

CONSOLIDATED STATEMENTS OF INCOME

- FROM JANUARY 01 TO SEPTEMBER 30, 2006 & 2005 -

(Thousands of Mexican Pesos)

Final printing

| REF R | CONCEPTS | QUARTER OF PRESENT FINANCIAL YEAR | | QUARTER OF PREVIOUS FINANCIAL YEAR | |
|----------|---|--|-----|---|-----|
| | | Amount | % | Amount | % |
| r01 | OPERATING REVENUES | 128,088,648 | 100 | 127,374,830 | 100 |
| r02 | COST OF SALES AND SERVICES | 67,396,838 | 53 | 68,644,788 | 54 |
| r03 | GROSS INCOME | 60,691,810 | 47 | 58,730,042 | 46 |
| r04 | OPERATING EXPENSES | 24,960,624 | 19 | 21,520,694 | 17 |
| r05 | OPERATING INCOME | 35,731,186 | 28 | 37,209,348 | 29 |
| r06 | COMPREHENSIVE FINANCING COST | 3,786,373 | 3 | 3,372,336 | 3 |
| r07 | INCOME AFTER COMPREHENSIVE FINANCING COST | 31,944,813 | 25 | 33,837,012 | 27 |
| r08 | OTHER EXPENSES AND INCOMES (NET) | 0 | 0 | 0 | 0 |
| r44 | SPECIAL ITEMS | 0 | 0 | 0 | 0 |
| r09 | INCOME BEFORE INCOME TAX AND EMPLOYEE PROFIT SHARING | 31,944,813 | 25 | 33,837,012 | 27 |
| r10 | PROVISIONS FOR INCOME TAX AND EMPLOYEE PROFIT SHARING | 11,528,603 | 9 | 12,230,488 | 10 |
| | | | | | |

| | | | | | |
|-----|--|------------|----|------------|----|
| r11 | NET INCOME AFTER INCOME TAX AND EMPLOYEE PROFIT SHARING | 20,416,210 | 16 | 21,606,524 | 17 |
| r12 | EQUITY IN NET INCOME OF NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES | 315,905 | 0 | (62,361) | 0 |
| r13 | CONSOLIDATED NET INCOME OF CONTINUING OPERATIONS | 20,732,115 | 16 | 21,544,163 | 17 |
| r14 | INCOME FROM DISCONTINUED OPERATIONS (NET) | 0 | 0 | 0 | 0 |
| r15 | CONSOLIDATED NET INCOME BEFORE EXTRAORDINARY ITEMS | 20,732,115 | 16 | 21,544,163 | 17 |
| r16 | EXTRAORDINARY ITEMS, NET EXPENSE (INCOME) | 0 | 0 | 0 | 0 |
| r17 | NET EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | 0 | 0 | 0 | 0 |
| r18 | NET INCOME | 20,732,115 | 16 | 21,544,163 | 17 |
| r19 | NET INCOME OF MINORITY INTEREST | 291,482 | 0 | 784,415 | 1 |
| r20 | NET INCOME OF MAYORITY INTEREST | 20,440,633 | 16 | 20,759,748 | 16 |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-05

CONSOLIDATED STATEMENTS OF INCOME

- BREAKDOWN OF MAIN CONCEPTS -

(Thousands of Mexican Pesos)

Final printing

| REF R | CONCEPTS | QUARTER OF PRESENT FINANCIAL YEAR | | QUARTER OF PREVIOUS FINANCIAL YEAR | |
|----------|---|--|------|---|------|
| | | Amount | % | Amount | % |
| r01 | OPERATING REVENUES | 128,088,648 | 100 | 127,374,830 | 100 |
| r21 | DOMESTIC | 90,984,347 | 71 | 93,395,632 | 73 |
| r22 | FOREIGN | 37,104,301 | 29 | 33,979,198 | 27 |
| r23 | TRANSLATION INTO DOLLARS (***) | 3,357,795 | 3 | 2,992,421 | 2 |
| r06 | COMPREHENSIVE FINANCING COST | 3,786,373 | 100 | 3,372,336 | 100 |
| r24 | INTEREST EXPENSE | 5,295,973 | 140 | 5,851,464 | 174 |
| r42 | LOSS (GAIN) ON RESTATEMENT OF UDI'S | 0 | 0 | 0 | 0 |
| r45 | OTHER FINANCIAL COSTS | 0 | 0 | 0 | 0 |
| r26 | INTEREST INCOME | 1,586,320 | 42 | 3,274,709 | 97 |
| r46 | OTHER FINANCIAL PRODUCTS | 0 | 0 | 0 | 0 |
| r25 | FOREIGN EXCHANGE LOSS (GAIN) (NET) | 1,469,546 | 39 | 1,952,477 | 58 |
| r28 | RESULT FROM MONETARY POSITION | (1,392,826) | (37) | (1,156,896) | (34) |

| | | | | | |
|------------------------|--|-------------|------|-------------|------|
| r10 | PROVISION FOR INCOME TAX AND EMPLOYEE PROFIT SHARING | 11,528,603 | 100 | 12,230,488 | 100 |
| r32 | INCOME TAX | 10,658,145 | 92 | 12,078,214 | 99 |
| r33 | DEFERRED INCOME TAX | (1,343,350) | (12) | (2,202,892) | (18) |
| r34 | EMPLOYEE PROFIT SHARING | 2,213,808 | 19 | 2,355,166 | 19 |
| r35 | DEFERRED EMPLOYEE PROFIT SHARING | 0 | 0 | 0 | 0 |
| (***) THOUSAND DOLLARS | | | | | |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-06

CONSOLIDATED STATEMENTS OF INCOME

- OTHER CONCEPTS -

(Thousands of Mexican Pesos)

Final printing

| REF R | CONCEPTS | QUARTER OF PRESENT FINANCIAL YEAR | QUARTER OF PREVIOUS FINANCIAL YEAR |
|----------|----------------|-----------------------------------|------------------------------------|
| | | Amount | Amount |
| r36 | TOTAL REVENUES | 128,088,648 | 127,374,830 |
| | | | |

| | | | |
|---------------------------------------|--|-------------|-------------|
| r37 | TAX RESULT FOR THE YEAR | 0 | 0 |
| r38 | OPERATING REVENUES (**) | 171,353,073 | 171,169,367 |
| r39 | OPERATING INCOME (**) | 65,203,029 | 50,457,714 |
| r40 | NET INCOME OF MAJORITY INTEREST (**) | 29,190,843 | 31,871,387 |
| r41 | NET INCOME (**) | 29,555,485 | 32,981,289 |
| r47 | OPERATIVE DEPRECIATION AND ACCUMULATED | 16,758,216 | 17,976,797 |
| | | | |
| | | | |
| (**) | | | |
| INFORMATION OF THE PAST TWELVE MONTHS | | | |

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-07

CONSOLIDATED QUARTERLY STATEMENTS OF INCOME

- FROM JULY 01 TO SEPTEMBER 30, 2006 & 2005 -

(Thousands of Mexican Pesos)

Final printing

| REF RT | CONCEPTS | QUARTER OF PRESENT | | QUARTER OF PREVIOUS | |
|-----------|----------------------------|--------------------|-----|---------------------|-----|
| | | FINANCIAL YEAR | | FINANCIAL YEAR | |
| | | Amount | % | Amount | % |
| rt01 | OPERATING REVENUES | 43,261,814 | 100 | 43,037,488 | 100 |
| rt02 | COST OF SALES AND SERVICES | 22,411,833 | 52 | 22,978,938 | 53 |
| rt03 | GROSS INCOME | 20,849,981 | 48 | 20,058,550 | 47 |
| | | | | | |

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| | | | | | |
|------|--|------------|-----|------------|----|
| rt04 | OPERATING EXPENSES | 10,210,847 | 24 | 7,033,963 | 16 |
| rt05 | OPERATING INCOME | 10,639,134 | 25 | 13,024,587 | 30 |
| rt06 | COMPREHENSIVE FINANCING COST | 1,729,800 | 4 | 1,635,854 | 4 |
| rt07 | INCOME AFTER COMPREHENSIVE FINANCING COST | 8,909,334 | 21 | 11,388,733 | 26 |
| rt08 | OTHER EXPENSES AND INCOMES (NET) | 0 | 0 | 0 | 0 |
| rt44 | SPECIAL ITEMS | 0 | 0 | 0 | 0 |
| rt09 | INCOME BEFORE INCOME TAX AND EMPLOYEE PROFIT SHARING | 8,909,334 | 21 | 11,388,733 | 26 |
| rt10 | PROVISIONS FOR INCOME TAX AND EMPLOYEE PROFIT SHARING | 3,330,206 | 8 | 3,792,574 | 9 |
| rt11 | NET INCOME AFTER INCOME TAX AND EMPLOYEE PROFIT SHARING | 5,579,128 | 13 | 7,596,159 | 18 |
| rt12 | EQUITY IN NET INCOME OF NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES | 153,843 | 0 | (16,619) | 0 |
| rt13 | CONSOLIDATED NET INCOME OF CONTINUING OPERATIONS | 5,732,971 | 13 | 7,579,540 | 18 |
| rt14 | INCOME FROM DISCONTINUED OPERATIONS (NET) | 0 | 0 | 0 | 0 |
| rt15 | CONSOLIDATED NET INCOME BEFORE EXTRAORDINARY ITEMS | 5,732,971 | 13 | 7,579,540 | 18 |
| rt16 | EXTRAORDINARY ITEMS, NET EXPENSE (INCOME) | 0 | 0 | 0 | 0 |
| rt17 | NET EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | 0 | 0 | 0 | 0 |
| rt18 | NET INCOME | 5,732,971 | 13 | 7,579,540 | 18 |
| rt19 | NET INCOME OF MINORITY INTEREST | (278,747) | (1) | 365,388 | 1 |
| rt20 | NET INCOME OF MAYORITY INTEREST | 6,011,718 | 14 | 7,214,152 | 17 |

MEXICAN STOCK EXCHANGE

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-08

CONSOLIDATED QUARTERLY STATEMENTS OF INCOME

- BREAKDOWN OF MAIN CONCEPTS -

(Thousands of Mexican Pesos)

Final printing

| REF RT | CONCEPTS | QUARTER OF PRESENT FINANCIAL YEAR | | QUARTER OF PREVIOUS FINANCIAL YEAR | |
|-----------|---|---|------|---|------|
| | | Amount | % | Amount | % |
| rt01 | OPERATING REVENUES | 43,261,814 | 100 | 43,037,488 | 100 |
| rt21 | DOMESTIC | 31,609,707 | 73 | 31,272,509 | 73 |
| rt22 | FOREIGN | 11,652,107 | 27 | 11,764,979 | 27 |
| rt23 | TRANSLATION INTO DOLLARS (***) | 1,133,293 | 3 | 1,068,890 | 2 |
| rt06 | COMPREHENSIVE FINANCING COST | 1,729,800 | 100 | 1,635,854 | 100 |
| rt24 | INTEREST EXPENSE | 2,602,804 | 150 | 2,130,624 | 130 |
| rt42 | LOSS (GAIN) ON RESTATEMENT OF UDI'S | 0 | 0 | 0 | 0 |
| rt45 | OTHER FINANCIAL COSTS | 0 | 0 | 0 | 0 |
| rt26 | INTEREST INCOME | 505,862 | 29 | 1,087,177 | 66 |
| rt46 | OTHER FINANCIAL PRODUCTS | 0 | 0 | 0 | 0 |
| rt25 | FOREIGN EXCHANGE LOSS (GAIN) (NET) | 527,603 | 31 | 1,007,925 | 62 |
| rt28 | | (894,745) | (52) | (415,518) | (25) |

| | RESULT FROM MONETARY POSITION | | | | |
|------------------------|---|-----------|------|-----------|------|
| rt10 | PROVISION FOR INCOME TAX AND EMPLOYEE PROFIT SHARING | 3,330,206 | 100 | 3,792,574 | 100 |
| rt32 | INCOME TAX | 3,040,191 | 91 | 4,050,316 | 107 |
| rt33 | DEFERRED INCOME TAX | (457,877) | (14) | (768,063) | (20) |
| rt34 | EMPLOYEE PROFIT SHARING | 747,892 | 22 | 510,321 | 13 |
| rt35 | DEFERRED EMPLOYEE PROFIT SHARING | 0 | 0 | 0 | 0 |
| (***) THOUSAND DOLLARS | | | | | |

MEXICAN STOCK EXCHANGE

Index

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-09

CONSOLIDATED QUARTERLY STATEMENTS OF INCOME

- OTHER CONCEPTS -

(Thousands of Mexican Pesos)

Final printing

| REF RT | CONCEPTS | QUARTER OF PRESENT FINANCIAL YEAR | QUARTER OF PREVIOUS FINANCIAL YEAR |
|-----------|----------|--|--|
| | | | |

| | | Amount | Amount |
|------|--|-----------|-----------|
| rt47 | OPERATIVE DEPRECIATION AND ACCUMULATED IMPAIRMENT LOSSES | 5,402,765 | 5,920,911 |
| | | | |

MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-10

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

- FROM JANUARY 01 TO SEPTEMBER 30, 2006 & 2005 -

(Thousands of Mexican Pesos)

Final printing

| REF C | CONCEPTS | QUARTER OF PRESENT FINANCIAL YEAR | QUARTER OF PREVIOUS FINANCIAL YEAR |
|----------|---|--|---|
| | | Amount | Amount |
| c01 | NET INCOME | 20,732,115 | 21,544,163 |
| c02 | (+)(-) ITEMS ADDED TO INCOME WHICH DO NOT REQUIRE USING RESOURCES | 20,617,785 | 17,779,209 |
| c03 | CASH FLOW FROM NET INCOME FOR THE YEAR | 41,349,900 | 39,323,372 |
| c04 | CASH FLOW FROM CHANGES IN WORKING CAPITAL | (4,261,938) | (2,210,807) |
| c05 | RESOURCES PROVIDED BY (USED FOR) OPERATING ACTIVITIES | 37,087,962 | 37,112,565 |
| c06 | RESOURCES PROVIDED BY (USED FOR) EXTERNAL FINANCING | 5,484,784 | 1,510,939 |

| | ACTIVITIES | | |
|-----|--|--------------|--------------|
| c07 | RESOURCES PROVIDED BY (USED FOR) INTERNAL FINANCING ACTIVITIES | (27,780,790) | (18,694,485) |
| c08 | RESOURCES PROVIDED BY (USED FOR) FINANCING ACTIVITIES | (22,296,006) | (17,183,546) |
| c09 | RESOURCES PROVIDED BY (USED FOR) INVESTMENT ACTIVITIES | (15,350,638) | (13,088,688) |
| c10 | NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS | (558,682) | 6,840,331 |
| c11 | CASH AND SHORT-TERM INVESTMENTS AT THE BEGINNING OF PERIOD | 24,306,624 | 21,844,724 |
| c12 | CASH AND SHORT-TERM INVESTMENTS AT THE END OF PERIOD | 23,747,942 | 28,685,055 |

MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-11

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

- BREAKDOWN OF MAIN CONCEPTS -

(Thousands of Mexican Pesos)

Final printing

| REF C | CONCEPTS | QUARTER OF PRESENT | QUARTER OF PREVIOUS |
|----------|---|--------------------------|------------------------|
| | | FINANCIAL YEAR | FINANCIAL YEAR |
| | | Amount | Amount |
| c02 | +(-) ITEMS ADDED TO INCOME WHICH DO NOT REQUIRE USING RESOURCES | 20,617,785 | 17,779,209 |
| c13 | DEPRECIATION AND AMORTIZATION FOR THE YEAR | 18,529,350 | 19,725,069 |
| c41 | +(-) OTHER ITEMS | 2,088,435 | (1,945,860) |
| c04 | CASH FLOW FROM CHANGES IN WORKING CAPITAL | (4,261,938) | (2,210,807) |
| c18 | +(-) DECREASE (INCREASE) IN ACCOUNT RECEIVABLE | (2,875,992) | 124,552 |
| c19 | +(-) DECREASE (INCREASE) IN INVENTORIES | (1,048,073) | (338,394) |
| c20 | +(-) DECREASE (INCREASE) IN OTHER ACCOUNT RECEIVABLE AND OTHER ASSETS | (3,139,047) | 3,160,612 |
| c21 | +(-) INCREASE (DECREASE) IN SUPPLIERS ACCOUNT | 0 | 0 |
| c22 | +(-) INCREASE (DECREASE) IN OTHER LIABILITIES | 2,801,174 | (5,157,577) |
| c06 | RESOURCES PROVIDED BY (USED FOR) EXTERNAL FINANCING ACTIVITIES | 5,484,784 | 1,510,939 |
| c23 | + BANK FINANCING | 20,532,166 | 22,853,018 |
| c24 | + STOCK MARKET FINANCING | 377,358 | 221,006 |
| c25 | + DIVIDEND RECEIVED | 0 | 0 |
| c26 | + OTHER FINANCING | 0 | 1,042,718 |
| c27 | (-) BANK FINANCING AMORTIZATION | (14,918,516) | (15,790,666) |
| c28 | (-) STOCK MARKET FINANCING AMORTIZATION | (316,360) | (1,591,381) |
| c29 | (-) OTHER FINANCING AMORTIZATION | (189,864) | (5,223,756) |
| c42 | + (-) OTHER ITEMS | 0 | 0 |
| c07 | RESOURCES PROVIDED BY (USED FOR) INTERNAL FINANCING ACTIVITIES | (27,780,790) | (18,694,485) |
| c30 | + (-) INCREASE (DECREASE) IN CAPITAL STOCK | (1,507,145) | (1,000,634) |

| | | | |
|-----|---|--------------|--------------|
| c31 | (-) DIVIDENDS PAID | (6,342,383) | (6,655,003) |
| c32 | + PREMIUM ON SALE OF SHARES | 0 | 0 |
| c33 | + CONTRIBUTION FOR FUTURE CAPITAL INCREASES | (19,931,262) | (11,038,848) |
| c43 | + (-) OTHER ITEMS | 0 | 0 |
| c09 | RESOURCES PROVIDED BY (USED FOR) INVESTMENT ACTIVITIES | (15,350,638) | (13,088,688) |
| c34 | +(-) DECREASE (INCREASE) IN STOCK INVESTMENTS OF PERMANENT NATURE | (2,261,115) | (3,803,299) |
| c35 | (-) ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT | (14,408,372) | (15,356,906) |
| c36 | (-) INCREASE IN CONSTRUCTIONS IN PROGRESS | 0 | 0 |
| c37 | + SALE OF OTHER PERMANENT INVESTMENT | 0 | 0 |
| c38 | + SALE OF TANGIBLE FIXED ASSETS | 0 | 0 |
| c39 | + (-) OTHER ITEMS | 1,318,849 | 6,071,517 |

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FI-01

DATA PER SHARE

- CONSOLIDATED INFORMATION -

(Thousands of Mexican Pesos)

Final printing

| REF D | CONCEPTS | QUARTER OF PRESENT FINANCIAL YEAR | | QUARTER OF PREVIOUS FINANCIAL YEAR | |
|---------------------------------------|---|--------------------------------------|--------|---|--------|
| | | Amount | | Amount | |
| d01 | BASIC INCOME PER ORDINARY SHARE (**) | \$1.44 | | \$1.41 | |
| d02 | BASIC INCOME PER PREFERENT SHARE (**) | \$0.00 | | \$0.00 | |
| d03 | DILUTED INCOME PER ORDINARY SHARE (**) | \$0.00 | | \$0.00 | |
| d04 | INCOME FROM CONTINUOUS OPERATIONS PER ORDINARY SHARE (**) | \$1.44 | | \$1.41 | |
| d05 | EFFECT OF DISCONTINUOUS OPERATIONS ON INCOME FROM CONTINUOUS OPERATIONS PER ORDINARY SHARE (**) | \$0.00 | | \$0.00 | |
| d06 | EFFECT OF EXTRAORDINARY INCOME ON INCOME FROM CONTINUOUS OPERATIONS PER ORDINARY SHARE (**) | \$0.00 | | \$0.00 | |
| d07 | EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES ON INCOME FROM CONTINUOUS OPERATIONS PER ORDINARY SHARE (**) | \$0.00 | | \$0.00 | |
| d08 | CARRYING VALUE PER SHARE | \$4.89 | | \$4.76 | |
| d09 | ACUMULATED CASH DIVIDEND PER SHARE | \$0.31 | | \$0.30 | |
| d10 | SHARE DIVIDENDS PER SHARE | 0.00 | shares | 0.00 | shares |
| d11 | MARKET PRICE TO CARRYING VALUE | 2.89 | times | 2.50 | times |
| d12 | MARKET PRICE TO BASIC INCOME PER ORDINARY SHARE (**) | 9.81 | times | 8.44 | times |
| d13 | MARKET PRICE TO BASIC INCOME PER PREFERENT SHARE (**) | 0.00 | times | 0.00 | times |
| (**) | | | | | |
| INFORMATION OF THE PAST TWELVE MONTHS | | | | | |

MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FI-02

RATIOS

- CONSOLIDATED INFORMATION -

(Thousands of Mexican Pesos)

Final printing

| REF P | CONCEPTS | QUARTER OF PRESENT | | QUARTER OF PREVIOUS | |
|----------|--|-----------------------|-------|------------------------|-------|
| | | FINANCIAL YEAR | | FINANCIAL YEAR | |
| | YIELD | | | | |
| p01 | NET INCOME TO OPERATING REVENUES | 16.18% | | 16.91% | |
| p02 | NET INCOME TO STOCKHOLDERS' EQUITY (**) | 29.34% | | 29.69% | |
| p03 | NET INCOME TO TOTAL ASSETS (**) | 11.14% | | 12.30% | |
| p04 | CASH DIVIDENDS TO PREVIOUS YEAR NET INCOME | 21.49% | | 22.52% | |
| p05 | INCOME DUE TO MONETARY POSITION TO NET INCOME | 6.71% | | 5.36% | |
| | ACTIVITY | | | | |
| p06 | OPERATING REVENUES TO TOTAL ASSETS (**) | 0.64 | times | 0.63 | times |
| p07 | OPERATING REVENUES TO FIXED ASSETS (**) | 1.09 | times | 1.08 | times |
| p08 | INVENTORIES ROTATION (**) | 52.30 | times | 77.57 | times |
| p09 | ACCOUNTS RECEIVABLE IN DAYS OF SALES | 51.11 | days | 49.71 | days |
| p10 | INTEREST PAID TO TOTAL LIABILITIES WITH COST (**) | 7.07% | | 8.37% | |
| | LEVERAGE | | | | |
| | | | | | |

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| | | | | | |
|--|--|---------|-------|---------|-------|
| p11 | TOTAL LIABILITIES TO TOTAL ASSETS | 58.13% | | 55.14% | |
| p12 | TOTAL LIABILITIES TO STOCKHOLDERS' EQUITY | 1.38 | times | 1.22 | times |
| p13 | FOREIGN CURRENCY LIABILITIES TO TOTAL LIABILITIES | 56.96% | | 59.62% | |
| p14 | LONG-TERM LIABILITIES TO FIXED ASSETS | 59.13% | | 50.42% | |
| p15 | OPERATING INCOME TO INTEREST PAID | 6.74 | times | 6.35 | times |
| p16 | OPERATING REVENUES TO TOTAL LIABILITIES (**) | 1.11 | times | 1.15 | times |
| | LIQUIDITY | | | | |
| p17 | CURRENT ASSETS TO CURRENT LIABILITIES | 1.48 | times | 1.29 | times |
| p18 | CURRENT ASSETS LESS INVENTORY TO CURRENT LIABILITIES | 1.45 | times | 1.28 | times |
| p19 | CURRENT ASSETS TO TOTAL LIABILITIES | 0.41 | times | 0.43 | times |
| p20 | AVAILABLE ASSETS TO CURRENT LIABILITIES | 54.69% | | 57.31% | |
| | STATEMENT OF CHANGES IN FINANCIAL POSITION | | | | |
| p21 | CASH FLOW FROM NET INCOME TO OPERATING REVENUES | 32.28% | | 30.87% | |
| p22 | CASH FLOW FROM CHANGES IN WORKING CAPITAL TO OPERATING REVENUES | -3.32% | | -1.73% | |
| p23 | RESOURCES PROVIDED BY OPERATING ACTIVITIES TO INTEREST PAID | 7.00 | times | 6.34 | times |
| p24 | EXTERNAL FINANCING TO RESOURCES PROVIDED BY (USED FOR) FINANCING | -24.59% | | -8.79% | |
| p25 | INTERNAL FINANCING TO RESOURCES PROVIDED BY (USED FOR) FINANCING | 124.59% | | 108.79% | |
| p26 | ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT TO RESOURCES PROVIDED BY (USED FOR) INVESTMENT ACTIVITIES | 93.86% | | 117.32% | |
| (**) INFORMATION OF THE PAST TWELVE MONTHS | | | | | |

MEXICAN STOCK EXCHANGE

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STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

ANNEX 1

CHIEF EXECUTIVE OFFICER REPORT

Consolidated

Final printing

Highlights

3rd Quarter 2006

- In Mexico, TELMEX's broadband service continues to show growth with an addition of 217 thousand services in the quarter, the highest historic gain. The number of Prodigy Infinitum (ADSL) customers increased 76.1% compared with September 2005, bringing the total to 1.6 million customers. Billed line equivalents for data transmission increased 27.6% compared with last year.
- In Mexico, domestic long distance traffic increased 2.1% compared with the same period of 2005. International outgoing and international incoming traffic increased 3.9% and 32.7%, respectively.
- At September 30, TELMEX had a market share of 25% of fixed and mobile services with 18 million 601 thousand lines, of a total of more than 74 million fixed and mobile services in the country.
- During the quarter, TELMEX continued to clean up prepaid lines that are not producing revenues, reducing their total by 129 thousand in addition to the 202 thousand disconnections of lines that pay rent during the period. Connections totaled 379 thousand, for a net gain of 48 thousand lines in the third quarter. During October, 233 thousand prepaid lines have been disconnected as part of the clean-up program, which will continue for the rest of the year. After this clean-up, we estimate that TELMEX will serve approximately 1.7 million prepaid lines across our markets, including segments that increasingly are served by mobile telephony. In the third quarter, 10.3 million prepaid Multifón cards were sold for the prepaid lines, an increase of 6.7% compared with the same period of 2005.
- In the fixed line business in Mexico, TELMEX competes with 9 operators that are mainly focused on high-income segments A, B, and C+. In these segments with competition, TELMEX has a market share of approximately 70%. On the other hand, the company's commitment to meeting demand for telecommunications services has led us to be the only fixed-line operator with presence in homes of socioeconomic segments C-, D, E and prepaid of the country.
- In Brazil, the main revenue generators continued to increase. Line equivalents of 64 Kbps increased 60.4%, local service access increased 42.7% and domestic long distance traffic increased 14.8%. The Triple Play service that was introduced in March of this year through Net Serviços serves 115 thousand customers.
- In the third quarter, Embratel reached an important agreement in process of approval with most of the Brazilian states regarding ICMS (Imposto Sobre Circulação de Mercadoria e Prestação de Serviços), that reduced the impact of the fiscal contingency related to this tax that the company had for many years. The amount of the non-recurring

charge was approximately 515 million reais.

- In the third quarter, consolidated revenues reached 43.3 billion pesos, 0.5% higher than the same period of 2005, while revenues in Mexico totaled 31.8 billion pesos, a decrease of 1.2%. In Brazil, revenues totaled 2.1 billion reais in the quarter, 8.2% higher than the same quarter of the previous year.
- Consolidated EBITDA (1) totaled 16.8 billion pesos, a decrease of 13.7% due to the charge related to ICMS in Brazil and produced a margin of 38.7%. If the non-recurring charge of ICMS in Brazil were excluded, EBITDA would have reached 19.4 billion pesos, with a margin of 44.8% similar to the same period of 2005.
- Due to the above mentioned charge, operating income totaled 10.6 billion pesos. The operating margin was 24.6%, 5.7 percentage points lower than the same period of 2005. If the non-recurring charge of ICMS in Brazil were eliminated, operating income would have reached 13.3 billion pesos with a margin of 30.6%
- Majority net income in the third quarter totaled 6 billion pesos, 16.7% lower than the same period of the previous year due to the charge related to ICMS in Brazil. If we exclude the ICMS charge, we estimate that majority net income would have reached 7.5 billion pesos, with an increase of 3.6% compared with the same period of 2005. Earnings per share were 30 Mexican cents and 54 US cents per ADR, a decrease of 6.3% and 3.6%, respectively, compared with the third quarter of the previous year.
- Consolidated net debt (3) increased in the quarter to the equivalent of approximately 76 million dollars, totaling 6.715 billion dollars. In the quarter, cross currency swaps were carried out to cover the exchange rate and interest rate risks related to the issuance of bonds with maturity in 2010 and 2015 for a total of 1.75 billion dollars (with interest rates of 4.75% and 5.50%, respectively). This transaction allowed TELMEX to fully hedge the 2010 and 2015 bonds at a strike price of 10.9275 pesos with a fixed rate of 7.52% and 8.57%, respectively.
- Consolidated investment was equivalent to 1.293 billion dollars in the nine months of 2006. Share repurchases rose to 7.3 billion pesos during the quarter.

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

Recent Events

New appointments

On September 20, 2006, the Board of Directors approved a modification of its organizational structure in which the company seeks to enhance the development of its strategic activities as well as to further increase its focus on operations. Jaime Chico Pardo was appointed Chairman of the Board of Directors, Carlos Slim Domit was appointed

Co-chairman of the Board of Directors, Héctor Slim Seade was appointed Chief Executive Officer of TELMEX and Oscar von Hauske was appointed President of TELMEX International. These changes represent an organizational transition that strengthens the company's operating capacity and recognizes the experience of senior management.

Cash tender offer for shares of Embratel.

On September 27, the Comissão de Valores Mobiliários de Brasil (CVM) granted the registration of the Voluntary Tender Offer for TELMEX to acquire all of the common and preferred shares of EMBRAPAR. On October 3, TELMEX announced that it commenced the tender offer that is estimated to expire on November 6, 2006 (unless the tender offer is extended or earlier terminated). Following the tender offer, TELMEX will carry out an auction in the Bolsa de Valores de São Paulo (BOVESPA) on November 7, 2006.

Share repurchase program

On September 20, the Board of Directors resolved to call for the Ordinary Shareholders' Meeting to be held on October 9, 2006, where they approved an increase in funds to purchase the company's own shares by 15 billion pesos. At that date, with the newly authorized funds the available balance was approximately 15.931 billion pesos.

Consolidated Income Statements

Revenues:

In the third quarter, consolidated revenues increased 0.5%, mainly due to the 9.8% and 11.6% increases in Internet and corporate networks revenues, respectively; the 9.9% increase in other revenues, comprised primarily of yellow pages and Tiendas TELMEX (TELMEX stores). Additionally, interconnection revenues decreased 4.2% (calling party pays), domestic long distance revenues decreased 3.5% and international long distance revenues decreased 6.1%. For the nine months, revenues totaled 128.1 billion pesos, an increase of 0.6%.

Costs and expenses

: Costs and expenses increased 8.7%, mainly due to a non-recurring charge of approximately 515 million reais from the agreements that Embratel carried out related to the ICMS tax (Imposto Sobre Circulação de Mercadoria e Prestação de Serviços). If this effect were eliminated, costs would have remained at the same level as the third quarter of 2005. This increase was also due to change in the accounting policy for PC sales in Mexico, offset by improved internal efficiencies reflected in the decrease of maintenance costs and consumption of materials. For the nine months, costs and expenses totaled 92.4 billion pesos, an increase of 2.4% compared with the same period of the previous year.

EBITDA (1) and operating income:

EBITDA (1) totaled 16.8 billion pesos in the third quarter, a decrease of 13.7% compared with the same period of 2005. The EBITDA margin was 38.7%. Operating income totaled 10.6 billion pesos, 18.3% lower than the third

quarter of 2005. The operating margin was 24.6%. If the non-recurring charge related to ICMS in Brazil were eliminated, EBITDA (1) and operating income would have totaled 19.4 billion pesos and 13.3 billion pesos, with margins of 44.8% and 30.6%, respectively. For the nine months, EBITDA totaled 54.3 billion pesos and operating income 35.7 billion pesos.

Comprehensive financing cost:

Comprehensive financing cost totaled 1.7 billion pesos in the quarter, an increase of 5.7% compared with the third quarter of 2005. This resulting from: i) a net interest charge of 2.1 billion pesos in part due to the restructure, in July, of the 15.9 billion pesos of interest rate swaps that generated a charge of 291 million pesos, but improved the weighted fixed interest rate from 9.02% to 8.76%, ii) a net exchange loss of 528 million pesos from the impact of the third-quarter's exchange rate appreciation of 0.35 pesos per dollar. This impact was partially offset by the 5.735 billion dollars in dollar-peso hedges (weighted average exchange rate: 11.1130 pesos per dollar) and the 547 million dollars in dollar-reais hedges (weighted average exchange rate: 2.3925 reais per dollar) and a gain of 215 million pesos from the cross currency swaps acquired during the quarter, and iii) a gain in the monetary position of 895 million pesos, due to a higher inflation rate in Mexico during the quarter compared with the same period of the previous year.

Majority net income:

Majority net income totaled 6.012 billion pesos, 16.7% lower than the same period of the previous year, mainly due to the non-recurring charge related to ICMS in Embratel in Brazil. If we exclude the ICMS charge, we estimate that majority net income would have reached 7.5 billion pesos, with an increase of 3.6% compared with the same period of 2005. Earnings per share at September 30, 2006 were 30 Mexican cents, and earnings per ADR were 54 US cents. For the nine months, majority net income totaled 20.441 billion pesos, a decrease of 1.5% compared with the same period of the last year.

Free cash flow:

At September 30, resources provided by operating activities totaled 40 billion pesos, of which 21.438 billion were used in share repurchases, 6.342 billion in dividend payments and the rest in several investments.

Investments:

In the first nine months of 2006, consolidated investment was the equivalent of 1.293 billion dollars, of which 81% was used for growth projects in the voice, data and transport infrastructure, 15.2% for operational support projects and operating needs and 3.8% for social telephony.

Debt:

Gross total debt at September 30 was the equivalent of 9.116 billion dollars, an increase of 625 million dollars from a year ago. Consolidated net debt (3) increased in the quarter to the equivalent of approximately 76 million dollars,

totaling 6.715 billion dollars. In the quarter, cross currency swaps were carried out to cover the exchange rate and interest rate risks related to the issuance of bonds with maturity in 2010 and 2015 for a total of 1.750 billion dollars (with interest rates of 4.75% and 5.50%, respectively). This transaction allowed TELMEX to hedge the 2010 and 2015 bonds at a strike price of 10.9275 pesos with fixed rates of 7.52% and 8.57%, respectively. Additionally, a syndicated bank loan was carried out for 500 million dollars with an average maturity of 5 years at an average interest rate of Libor +22.5 basis points and the syndicated bank loan of 2.5 billion dollars (issued in 2005) was increased to 3 billion dollars and increased its average maturity to 4.6 years at an average interest rate of Libor +24.6 basis points.

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

Repurchase of shares:

For the nine months, the company used 21.438 billion pesos to repurchase its own shares. During the quarter, 7.3 billion pesos were used to repurchase 558,666,300 shares. On September 20, the Board of Directors resolved to call for the Ordinary Shareholders' Meeting to be held on October 9, 2006, where they approved to increase the funds to purchase the company's own shares by 15 billion pesos, and at that date, the balance was approximately 15.931 billion pesos.

Sección Amarilla (Yellow Pages):

On October 24, TELMEX acquired an 80 percent interest in Cobalt Publishing, LLC, an affiliate of Blue Equity LLC, which publishes Enlace, the largest independent Spanish Yellow Pages directory publisher in the United States with presence in 18 States besides Internet.

TELMEX will rebrand the directories with the Sección Amarilla logo and name, a brand with over 100 years of experience in the directory business and currently publishes 135 directories across Mexico.

Mexico Operating Results

Lines in service

TELMEX competes with other local service providers in Mexico that are mainly focused on the high-income economic segments. That is the case of socioeconomic A and B segments where TELMEX serves 74% of the homes, while cable companies provide service to 93% of the homes. On the other hand, the company's commitment to meeting demand for telecommunications services has led us to be practically the only fixed-line operator with presence in socioeconomic segments C, D and E of the country. Therefore, approximately 60% of our lines generate less than 230 pesos per month.

From July to September 2006, TELMEX continued its growth-with-profitability policy for fixed lines in service, resulting in a clean-up of 129 thousand prepaid lines that were not generating usage. Along with the 202 thousand disconnections of fixed lines that pay rent, that resulted in 331 thousand disconnections. We will continue to clean-up prepaid lines that are not profitable for the rest of the year. At September 30, TELMEX had 18 million 601 thousand lines in service, an increase of 2.6% compared with the same period of the previous year. For the nine months, the line gain was 227 thousand resulting from 1 million 224 thousand connections and 997 thousand disconnections.

Local traffic

During the third quarter, local traffic decreased 0.6% over the same period in 2005, with a total of 6.734 billion local calls. Local traffic volume has been affected by competition from local and wireless telephony and by the migration of our switched traffic to corporate networks, which strengthens the data business. For the nine months, total local traffic was 20.085 billion calls, 0.2% higher than the same period of the previous year.

On the other hand, the measured service packages, Línea Hogar and Línea Más Negocio, totaled 227 thousand and 492 thousand customers, respectively. These figures validate our strategy to evolve toward a more predictable revenue flow produced by package offerings.

Long distance traffic

Domestic long distance (DLD) increased 2.1% compared with the third quarter of 2005, totaling 4.672 billion minutes. In the quarter, outgoing and incoming international long distance traffic maintained its growth trend due to the introduction of packages. Incoming international traffic increased 32.7%, totaling 1.797 billion minutes, and outgoing international traffic increased 3.9%, totaling 479 million minutes. The incoming-outgoing ratio was 3.8. For the nine months, international outgoing traffic totaled 1.421 billion minutes and incoming international traffic totaled 5.227 billion minutes, increases of 5.9% and 38.4%, respectively.

Domestic and international long distance packages totaled 1.6 million customers.

Interconnection

In the third quarter, interconnection traffic increased 14.6%, totaling 10.090 billion minutes. Calling party pays traffic increased 7.1%, and traffic from local and international operators increased 14.4%. Traffic generated by cellular companies that is terminated in TELMEX's network increased 24.3%. For the nine months, interconnection traffic totaled 28.7 billion minutes, an increase of 10.3%.

Internet and Corporate networks

During the third quarter, high-speed Internet Prodigy Infinitum (ADSL) added 217 thousand customers due to higher penetration of TELMEX packages (broadband and voice services), to the enhancement of our products and to the increase of 86.4% in PC sales compared with the same quarter of 2005. At September 30, there were 1 million 592 thousand Prodigy Infinitum (ADSL) customers, an annual increase of 76.1%. The total number of Internet access accounts, including Infinitum and dial-up, increased 23.1% compared with September 2005, totaling 2 million 492 thousand customers. Billed line equivalents of 64 Kbps to corporate customers increased 27.5%, reaching 2 million 217 thousand.

[Mexico Financial Results](#)

Revenues:

Revenues in the third quarter totaled 31.8 billion pesos, a decrease of 1.2% compared with the same period of last year. Increases in revenues of 5.3% from corporate networks and 12.2% from Internet revenues were not enough to offset the decrease in prices in real terms of local and long distance services, which reflected the company's decision not to increase rates; the introduction of packages that promote

usage but generate a decrease in revenues per call; and, finally, the 10% reduction of the calling party pays rate. If revenues from calling party pays were excluded, revenues would have decreased 0.2%. For the nine months, revenues totaled 93.5 billion pesos, a decrease of 1.5% compared with the same period of 2005.

- Local:

Local revenues totaled 13.9 billion pesos in the third quarter, a decrease of 3.6%, reflecting the reduction of the average measured service rate and monthly rent in real terms of 5.5% and 3.2%, respectively, and the decrease of public telephony due to competition from cellular companies and public telephony competitors. For the nine months, local revenues totaled 41.7 billion pesos, a decrease of 3%.

- DLD:

DLD revenues totaled 4.4 billion pesos in the third quarter, 3.1% lower than the third quarter of 2005 due to the 5.1% decrease in the average revenue per minute in real terms. For the nine months, DLD revenues totaled 13.2 billion pesos, a decrease of 2.2%.

- ILD:

In the third quarter, ILD revenues totaled 2.5 billion pesos, a decrease of 2.6% compared with the third quarter of the previous year. Revenues from outgoing traffic declined 7.5% to 1.6 billion pesos due to the 10.9% decline in average revenue per minute in real terms and because the increase in traffic volume was not enough to offset the decrease in prices. International settlement revenues totaled 881 million pesos, an increase of 7.9%. For the nine months, ILD revenues totaled 7.6 billion pesos, an increase of 0.7%.

- Interconnection:

Interconnection revenues in the third quarter decreased 4.6% to 4.3 billion pesos due to the 10% reduction of the calling party pays rate. For the nine months, interconnection revenues totaled 12.4 billion pesos, a decrease of 8.8%.

- Corporate networks:

In the third quarter, revenues from services related to data transmission through private and managed networks totaled 2.7 billion pesos, an increase of 5.3% due to more billed line equivalents in service that offset the decrease in revenue per billed line equivalent. For the nine months, corporate networks revenues totaled 8 billion pesos, an increase of 3.9%.

- Internet:

Revenues from services related to the Internet platform rose 12.2% in the third quarter, or 2.4 billion pesos, due to the increase in the number of broadband customers. For the nine months, Internet revenues totaled 6.9 billion pesos, an increase of 13% compared with the same period of the previous year.

Costs and expenses:

In the third quarter, total costs and expenses were 19.6 billion pesos, a decrease of 4.4%. This decrease was due to lower interconnection costs (calling party pays), lower maintenance expenses and lower depreciation and amortization charges. For the nine months, total costs and expenses were 59 billion pesos, 2.9% lower than the same period of 2005.

- Cost of sales and services:

In the third quarter, cost of sales and services decreased 6.5%, totaling 7.3 billion pesos due to lower maintenance and materials expenses due to tighter expense control and the optimization of resources. For the nine months, costs of sales and services totaled 22 billion pesos, a decrease of 2%.

- Commercial, administrative and general:

Commercial, administrative and general expenses decreased 0.2% to 4.7 billion pesos in the third quarter due to higher advertising and systems expenses. For the nine months, commercial, administrative and general expenses totaled 14.3 billion pesos, an increase of 1.5%.

- Transport and interconnection:

In the third quarter, transport and interconnection costs totaled 3 billion pesos, a decrease of 1% due to the reduction in the calling party pays rate, the main component of this item. For the nine months, transport and interconnection costs decreased 5.4%, totaling 8.9 billion pesos.

- Depreciation and amortization:

In the quarter, depreciation and amortization decreased 7% to 4.5 billion pesos due to less impact from restatement of the value of fixed assets and lower levels of investment carried out in recent years. For the nine months, depreciation and amortization decreased 6.9%, totaling 13.8 billion pesos.

EBITDA (1) and operating income

: EBITDA (1) totaled 16.8 billion pesos in the third quarter, an increase of 1.1%. The EBITDA margin was 52.7%; an increase of 1.1 percentage points compared with the third quarter of 2005. The increase in EBITDA of the operations

in Mexico was due to the increase in the data and Internet businesses, as well as tighter control and optimization of resources. Operating income totaled 12.2 billion pesos, 4.5% higher than the third quarter of 2005, and the operating margin was 38.5%, 2.1 percentage points higher than in the year-earlier period. For the nine months, EBITDA totaled 48.3 billion pesos, a decrease of 1.3%, and operating income totaled 34.5 billion pesos, an increase of 1.1%.

Investments:

In Mexico total investments were 694 million dollars, of which 80.6% was used for growth and modernization projects for the voice, data and transport infrastructure, 12.7% for operational support projects and operating needs and 6.8% for social telephony.

Debt:

At September 30, total debt was the equivalent of 8.066 billion dollars, an increase of 159 million dollars compared with last year. Net debt (3) in Mexico increased the equivalent of 374 million dollars to a total of 6.069 billion dollars.

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

Latin America Financial Results

Brazil

In Brazil, efforts have been focused on consolidating Embratel's position in the data business for the commercial segment and increase local service offerings for the residential segment, resulting in an increase of 60.4% of billed line equivalents and an increase in local customers of 42.7% compared with the third quarter of 2005. At September 30, the company provided Net Fone services through Net's infrastructure to 115 thousand customers.

Local and domestic long distance traffic showed increases of 49.4% and 14.8% in the quarter, respectively, compared with the same period of 2005.

In the third quarter, revenues from the operations in Brazil totaled 2.063 billion reais, 8.2% higher than the same quarter of the previous year. Higher revenues were due to the 20.8% increase in the data business and to the 45.1% increase in local services.

During the quarter, Embratel reached an important agreement in process of approval with most of the Brazilian states regarding the ICMS tax (Imposto Sobre Circulação de Mercadoria e Prestação de Serviços), that reduced the impact of the fiscal contingency related to this tax that the company had for many years. The amount of the non-recurring charge was approximately 515 million reais. This effect, along with higher charges related to the Telecommunications Service Universal Fund (FUST) and the inclusion of Primesys, generated costs and expenses in the quarter of 2.385 billion reais, an increase of 41.1% compared with the third quarter of the previous year. Costs of sales and services increased 42.2%, totaling 272 million reais. Transport and interconnection costs totaled 844 million reais, an increase

of 2.4%, and represented 35.4% of total costs and expenses. Commercial, administrative and general expenses increased 140.5% in the quarter.

EBITDA (1) and operating income had losses of 40 million reais and 348 million reais, respectively. If the non-recurring charge related to ICMS tax were excluded, EBITDA (1) and operating income would have totaled 475 million reais and 167 million reais in each case with margins of 23% and 8.1%, respectively.

Argentina

In the quarter, revenues from the operations in Argentina totaled 88.8 million Argentinean pesos, an increase of 8.3% compared with the same period of the previous year. The voice business that produced 51.5% of total revenues increased 9.1% due to the 30.3% increase in revenues from long distance and the 12.4% increase of local services. The corporate and Internet businesses increased 5%. Operating costs and expenses totaled 89.4 million Argentinean pesos in the quarter, an increase of 12.3% due to the increase of advertising and promotional expenses to increase the customer base. In the quarter, EBITDA (1) totaled 12.8 million Argentinean pesos, an increase of 12.3% compared with the same period of 2005 with a margin of 14.4%. The operating loss was 0.6 million Argentinean pesos in the quarter.

Colombia

In Colombia, revenues totaled 44.769 billion Colombian pesos in the third quarter, 47.6% higher than the same period of 2005. Higher revenues were mainly due to the integration of several corporate customers. Costs and expenses increased 43.4%. Of total costs, 34.4% corresponded to transport and interconnection, which increased 50.5%. Commercial, administrative and general expenses that produced 20.1% of total costs increased 44% due to advertising and promotional costs that were focused on the development of the SME market. Operating income totaled 10.228 billion Colombian pesos compared with operating income of 6.245 billion Colombian pesos in last year's third quarter. The operating margin was 22.8% compared with 20.6% registered in the third quarter of 2005. EBITDA (1) totaled 18.636 billion Colombian pesos with a margin of 41.6%, compared with 11.885 billion Colombian pesos and a margin of 39.2% in the same period of the previous year.

Chile

In the third quarter, revenues totaled 15.942 billion Chilean pesos, a decrease of 4.5% compared with the same period of 2005. The data and local service businesses maintained its growth with increases of 5% and 76.1%, respectively, compared with the same quarter of 2005. The Chilean long distance market continues to decrease due to the migration to mobile services and private networks that caused a decline in long distance revenues of 11.9%.

Costs and expenses in the third quarter totaled 16.716 billion Chilean pesos, an increase of 7.7% compared with the same period of 2005. Transport and interconnection costs increased 2.4% due to the increase of local access and to the

increase of 13.3% in commercial, administrative and general expenses. In the quarter, there was an operating loss of 774 million Chilean pesos compared with operating income of 1.169 billion Chilean pesos in the same period of the previous year. EBITDA (1) totaled 1.872 billion Chilean pesos with a margin of 11.7% compared with 3.814 billion Chilean pesos in 2005.

Peru

In the third quarter, total revenues were 53.3 million New Soles, an increase of 15.6% compared with the same period of 2005. The voice business produced 62.3% of total revenues and increased 10.3% due to the 26.3% increase in lines in service. The corporate networks business increased 30.1%. In the quarter, costs and expenses grew 9.2%, due to the increase of 12.2% of transport and interconnection costs and a 9.5% increase in commercial, administrative and general expenses compared with the third quarter of the previous year. Operating income in the quarter totaled 3.7 million New Soles compared with 0.6 million New Soles in the same period of 2005. The operating margin was 6.8% compared with 1.4% in last year's third quarter. EBITDA (1) in the third quarter totaled 15.6 million new Soles with a margin of 29.3% compared with EBITDA (1) of 12.3 million New Soles and a margin of 26.6% in 2005.

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 2006 and 2005.

Mexico Local Service Business

Income Statements

[millions of Mexican constant pesos as of September, 2006]

| | 3Q 2006 | | 3Q 2005 | | % Inc. | 6 months 2006 | | 6 months 2005 | | % Inc. |
|--|---------|---------------|---------|---------------|--------------|------------------|---------------|------------------|---------------|--------------|
| Revenues | | | | | | | | | | |
| Access, rent and measured service | Ps. | 13,824 | Ps. | 14,307 | (3.4) | Ps. | 41,397 | Ps. | 42,812 | (3.3) |
| LADA interconnection | | 1,146 | | 1,090 | 5.1 | | 3,351 | | 3,236 | 3.6 |
| Interconnection with operators | | 395 | | 348 | 13.5 | | 1,130 | | 1,205 | (6.2) |
| Interconnection with cellular | | 3,851 | | 4,102 | (6.1) | | 11,138 | | 12,304 | (9.5) |
| Other | | 2,330 | | 2,067 | 12.7 | | 7,502 | | 6,513 | 15.2 |
| Total | | 21,546 | | 21,914 | (1.7) | | 64,518 | | 66,070 | (2.3) |
| Costs and expenses | | | | | | | | | | |
| Cost of sales and services | | 5,287 | | 5,851 | (9.6) | | 15,870 | | 16,802 | (5.5) |
| Commercial, administrative and general | | 4,304 | | 3,877 | 11.0 | | 12,774 | | 11,761 | 8.6 |

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| | | | | | | | | | | |
|-------------------------------|-----|--------|-----|--------|--------|-----|--------|-----|--------|-------|
| Interconnection | | 2,836 | | 2,977 | (4.7) | | 8,379 | | 9,169 | (8.6) |
| Depreciation and amortization | | 2,831 | | 3,219 | (12.1) | | 9,134 | | 9,808 | (6.9) |
| Total | | 15,258 | | 15,924 | (4.2) | | 46,157 | | 47,540 | (2.9) |
| Operating income | Ps. | 6,288 | Ps. | 5,990 | 5.0 | Ps. | 18,361 | Ps. | 18,530 | (0.9) |
| EBITDA (1) | Ps. | 9,119 | Ps. | 9,209 | (1.0) | Ps. | 27,495 | Ps. | 28,338 | (3.0) |
| EBITDA margin (%) | | 42.3 | | 42.0 | 0.3 | | 42.6 | | 42.9 | (0.3) |
| Operating margin (%) | | 29.2 | | 27.3 | 1.9 | | 28.5 | | 28.0 | 0.5 |

Mexico Long Distance Service Business

Income Statements

[millions of Mexican constant pesos as of September, 2006]

| | | 3Q 2006 | | 3Q 2005 | % Inc. | 9 months 2006 | | 9 months 2005 | % Inc. | |
|--|-----|---------|-----|---------|-----------|------------------|--------|------------------|-----------|-------|
| Revenues | | | | | | | | | | |
| Domestic long distance | Ps. | 4,239 | Ps. | 4,362 | (2.8) | Ps. | 12,507 | Ps. | 12,802 | (2.3) |
| International long distance | | 2,159 | | 2,218 | (2.7) | | 6,573 | | 6,602 | (0.4) |
| Total | | 6,398 | | 6,580 | (2.8) | | 19,080 | | 19,404 | (1.7) |
| Costs and expenses | | | | | | | | | | |
| Cost of sales and services | | 1,220 | | 1,353 | (9.8) | | 3,948 | | 4,168 | (5.3) |
| Commercial, administrative and general | | 1,371 | | 1,275 | 7.5 | | 4,065 | | 3,896 | 4.3 |
| Interconnection to the local network | | 1,010 | | 961 | 5.1 | | 2,945 | | 2,852 | 3.3 |
| Depreciation and amortization | | 578 | | 672 | (14.0) | | 1,820 | | 1,997 | (8.9) |
| Total | | 4,179 | | 4,261 | (1.9) | | 12,778 | | 12,913 | (1.0) |
| Operating income | Ps. | 2,219 | Ps. | 2,319 | (4.3) | Ps. | 6,302 | Ps. | 6,491 | (2.9) |
| EBITDA (1) | Ps. | 2,797 | Ps. | 2,991 | (6.5) | Ps. | 8,122 | Ps. | 8,488 | (4.3) |
| EBITDA margin (%) | | 43.7 | | 45.5 | (1.8) | | 42.6 | | 43.7 | (1.1) |
| Operating margin (%) | | 34.7 | | 35.2 | (0.5) | | 33.0 | | 33.5 | (0.5) |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Mexican Pesos)

Consolidated

Final printing

S 87 OTHERS

In this item there are included the inventories for telephone plant operation that at September 30, 2006 and 2005 rose \$2,439,885 and \$2,612,236, respectively which are valued by the average cost method and are updated based on the specific index method, without exceeding their market value.

S 84 INTANGIBLE ASSETS FOR LABOR OBLIGATIONS

In this item it is included the projected net asset accordingly with Bulletin D-3 Labor Obligations issued by the Mexican Institute of Public Accountants.

PROJECTED NET ASSETS (D-3)

At September 30, 2006 and 2005, the market value of the established pensions and seniority premium fund was greater than the accumulated benefit obligation (ABO) in Mexico, and pursuant to Bulletin D-3, it is not recognized neither any additional liability nor the related intangible asset and effect of labor obligation 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, there are included the banks' credits related to purchase programs to suppliers that have been reported in the suppliers' credits item of the Balance Sheet because long-term opening to suppliers does not exist in EMISNET.

On October 20, 2005, TELMEX signed an agreement to restructure the syndicated bank loan entered into 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. On August 11, 2006 the loan was restructured again in order to improve the credit conditions and increase the total amount to 3 billion dollars divided in three tranches, the first one for 1.3 billion dollars due in three years, the second one for 1 billion dollars due in five years and the third one for 700 million dollars due in seven years.

On June 30, 2006 Telmex signed a syndicated loan agreement in the amount of 500 million dollars divided into two tranches of 250 million dollars each one, due in four and six years, respectively.

S 24 AND S 29 STOCK MARKET LOANS

During 2001, TELMEX issued senior notes for U.S.\$1.5 billion, maturing in 2006 and bearing 8.25% annual, interest payable semi-annually. From January to December, 2005, TELMEX repurchased in the market a portion of these senior notes in the amount of U.S. \$431.6 million (nominal value). The difference between the repurchase price and the nominal value of the bonds is U.S.\$ 15.6 million. On January 26, 2006, Telmex paid the outstanding balance that amounted U.S.\$1,068.4 million.

On November 19, 2003, TELMEX issued a bond for U.S.\$ 1.0 billion due 2008, with an annual; interest of 4.5%. Interest will be paid every six months.

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

On July 2006, cross currency swaps were carried out to cover the exchange rate and interest rate risks related to the issuance of bonds with maturity in 2010 and 2015 for a total of 1.750 billion dollars (with interest rates of 4.75% and 5.50%, respectively). This transaction allowed TELMEX to hedge the 2010 and 2015 bonds at a strike price of 10.9275 pesos with fixed rates of 7.52% and 8.57%, respectively.

On January 31, 2006, TELMEX placed abroad a senior note in the amount of Ps. 4.5 billion, maturing in 2016 and bearing interest at 8.75%. Interest will be paid semi-annually.

S 29 STOCK MARKET LOANS (LONG-TERM)

At September 30, 2006 and 2005, this item rose to \$ **40,338,050** and \$ **38,134,048**, respectively and is comprised by the following:

| | 2006 | 2005 |
|---------------------------|-----------------|------------------|
| Domestic Senior Notes | Ps 5,450,000 | Ps. 6,907,560 |
| US Dollar Senior Notes | 30,388,050 | 31,226,488 |
| Mexican Peso Senior Notes | Ps 4,500,000 | 0 |

S 32 OTHER LIABILITIES

At September 30, 2006 and 2005, this item rose to Ps 2,039,111

and Ps. **2,082,148**, respectively, that corresponds to Embratel's labor obligations, as well as the actuarial obligations for labor termination in Mexico in the amount of Ps. **245,055 at September 30, 2006**, based on the requirements of Bulletin D-3.

S 42 RETAINED EARNINGS AND CAPITAL RESERVES

In March 30, 2006 the Ordinary Shareholders Meeting approved to increase in Ps. 15 billion (face value), the amount authorized to acquire its own shares, bringing the total maximum amount to be used for this purpose to Ps. \$ 15,215,538 (face value).

From January to September 2006, the Company acquired

1.704 billion Series L shares for Ps **21,393,953** (historical cost of Ps. **21,134,745**) and 3.5 million Series A shares for Ps. **44,453** (historical cost of Ps. **43,828**).

From January to September 2005, the Company acquired

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1,083.9 million Series L shares for Ps. 11,636,193 (historical cost of Ps. 11,120,786) and 4.4 million Series A shares for Ps. 47,764 (historical cost of Ps. 45,641).

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 from January 1, 2005 to May 20, 2005.

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

Subsequent Event

In October 9, 2006 the Ordinary Shareholders Meeting approved to increase in Ps. 15 billion (face value), the amount authorized to acquire its own shares, bringing the total maximum amount to be used for this purpose to Ps. \$ 15,931,293 (face value).

S 58 OTHER CURRENT LIABILITIES

At September 30, 2006 and 2005, this item rose to Ps.

30,254,626 and Ps. 27,135,052 respectively and is comprised by the following concepts:

| | 2006 | 2005 |
|---------------------------|-------------------|-------------------|
| A c c o u n t s payable | Ps. 17,866,269 | Ps. 15,903,208 |
| A c c r u e d liabilities | 9,246,720 | 8,126,899 |
| D e f e r r e d credits | 3,141,637 | 3,104,945 |

S 73 PENSION FUND AND SENIORITY PREMIUMS

The Company has pensions plans and seniority benefit 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 period comprised from January to September 2006, there were not 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.

S 49 GOODWILL

The increase of Ps.

2,228,082 is mainly due to the goodwill for the acquisition of 100% of Primesys Soluções Empresarias, S.A. in November 2005 and for the acquisition of 18.5% of 2Wire, Inc., in January 2006 and for the acquisition 5.9% of additional interest of Net Serviços de Comunicação, S.A.

COMPREHENSIVE INCOME

In the nine-month period ended in September 2006 and 2005, the components of comprehensive income are presented as follows:

| | 2006 | 2005 |
|---------------------------|----------------|----------------|
| Net income for the period | Ps. 20,732,115 | Ps. 21,544,163 |

| | | |
|--|------------|-------------|
| Result from holding non-monetary assets, net of deferred taxes | 292,180 | (2,786,659) |
| Fair value effect in Swaps, net of deferred taxes | 121,701 | (75,980) |
| Effect of instruments available for sale | 0 | 1,177,409 |
| Conversion effect | 4,949,904 | 3,066,075 |
| | | |
| Comprehensive Income | 26,095,900 | 22,925,008 |

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

EMISNET 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.

RECLASIFICACIONES

Some of the figures of the 2005 financial statements have been reclassified to conform the presentation with the same used in the 2006 year.

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 3a

SHARE INVESTMENTS SUBSIDIARIES

Consolidated

Final printing

| COMPANY NAME | MAIN ACTIVITIES | NUMBER OF SHARES | OWNERSHIP |
|---|--|---------------------|-----------|
| | | | % |
| Consertel, S.A. de C.V. | Investments in all types of businesses | 106,419,052,434 | 100.00 |
| Cía. de Teléfonos y Bienes Raíces, S.A. de C.V. | Real estate acquisition & leasing | 1,034,000,000 | 100.00 |
| Alquiladora de Casas, S.A. de C.V. | Real estate acquisition & leasing | 686,001,490 | 100.00 |
| Construcciones y Canalizaciones, S.A. de C.V. | Construction & maint. of telephone network | 28,369,000 | 100.00 |
| Empresa de Limpieza Mexicana, S.A. de C.V. | Cleaning Service Company | 50,000 | 100.00 |
| Renta de Equipo, S.A. de C.V. | Equipment, vehicles & real estate leasing | 769,595,000 | 100.00 |
| Multicomunicación Integral, S.A. de C.V. | Trunking, installation & sales services | 662,482 | 100.00 |
| Teleconstructora, S.A. de C.V. | Construction & maint. of telephone network | 19,400,000 | 100.00 |
| Anuncios en Directorios, S.A. de C.V. | Sale of advertising space in yellow pages | 1,081,750 | 100.00 |
| | Marketing services | 50,000 | 100.00 |

| | | | |
|--|--|-----------------|--------|
| Operadora Mercantil, S.A. de C.V. | | | |
| Impulsora Mexicana de Telecomunicaciones, S.A. | Network projects | 4,602,225 | 100.00 |
| Fuerza y Clima, S.A de C.V. | Air conditioning installation & maint. | 4,925,000 | 100.00 |
| Teléfonos del Noroeste, S.A. de C.V. | Telecommunications services | 110,000,000 | 100.00 |
| Aerocomunicaciones, S.A. de C.V. | Aeronautic radiocom. mobile serv. | 89,034,600 | 99.99 |
| Tecmarketing, S.A. de C.V. | Telemarketing services | 6,850,000 | 100.00 |
| Comertel Argos, S.A. de C.V. | Personnel services | 6,000 | 100.00 |
| Telmex International, Inc. | Holding Company in the U S A. | 1,000 | 100.00 |
| Instituto Tecnológico de Teléfonos de México, S.C | Training & research services | 1,000 | 100.00 |
| Buscatel, S.A. de C.V. | Paging services | 142,445 | 100.00 |
| Consorcio Red Uno, S.A. de C.V. | Design & integrated telecom. Services | 167,691,377 | 100.00 |
| Uninet, S.A. de C.V. | Data transmission services | 67,559,615 | 100.00 |
| Aerofrisco, S.A. de C.V. | Air Taxi services | 6,360,624,600 | 100.00 |
| Grupo Técnico de Administración, S.A. de C.V. | Management, consulting & org. Services | 50,000 | 100.00 |
| Teninver, S.A. de C.V. | Managment of yellow pages | 9,912,982 | 100.00 |
| Telcoser, S.A. de C.V. | Investments in all types of businesses | 17,230,931 | 100.00 |
| Fintel Holdings, L.L.C. | Investments in all types of businesses | 1,490 | 100.00 |
| Servicios Administrativos Tecmarketing, S.A. de C.V. | Software development, sales & management | 60,687,728 | 100.00 |
| Metrored Holdings S. R. L. | Telecommunications services | 369,042,819 | 100.00 |
| Telmex Chile Holding S.A. | Telecommunications services | 158,829,369,072 | 100.00 |
| Telmex Colombia S. A. | Telecommunications services | 176,669,199 | 100.00 |
| Telmex Perú S. A. | Telecommunications services | 4,148,764 | 100.00 |
| Embratel Participações, S.A. | Telecommunications services | 715,018,262,899 | 72.31 |

MEXICAN STOCK EXCHANGE

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 3b

SHARE INVESTMENTS AFFILATES

Consolidated

Final printing

| COMPANY NAME | MAIN ACTIVITIES | NUMBER OF SHARES | OWNERSHIP | TOTAL AMOUNT (Thousands of Mexican Pesos) | |
|---|---------------------------------|------------------|-----------|--|---------------|
| | | | % | ACQUISITION COST | PRESENT VALUE |
| Grupo Telvista, S.A. de C.V. | Telemarketing in Mexico and USA | 450 | 45.00 | 510,138 | 431,567 |
| Centro Histórico de la Ciudad de México, SA de CV | Real estate services | 80,020,000 | 21.77 | 80,020 | 107,345 |
| TM & MS, LLC | Internet portal (T1MSN) | 1 | 50.00 | 29,621 | 41,377 |
| Net Serviços de Comunicação, S.A. | Cable TV operator | 1,731,538,395 | 43.01 | 5,211,434 | 669,739 |
| Eidon Software, S.A. de C.V. | Software development | 35,567,911 | 22.74 | 35,568 | 51,970 |
| 2Wire, Inc. | Broadband Services | 8,619,242 | 13.00 | 648,400 | 42,926 |
| TOTAL INVESTMENT IN ASSOCIATES | | | | 6,515,181 | 1,344,924 |
| OTHER PERMANENT INVESTMENTS | | | | | 6,650 |
| TOTAL | | | | 6,515,181 | 1,351,574 |

NOTES

:

The number of shares in our affiliate company Net Serviços de Comunicação S.A. is 1,731,538,395. The 43.01 % corresponds to the percentage held directly and indirectly by Embratel Participações, S.A. in Net Serviços de Comunicação, S.A., therefore, the TELMEX's indirect effective holding in Net is 31.12%.

MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 5

CREDITS BREAKDOWN

(Thousands of Mexican Pesos)

Consolidated

Final printing

| Amortization Date | Interest Rate | Amortization of Credits Denominated in Pesos | | | | | | Amortization of Credits in Foreign C | | | | |
|-------------------|---------------|--|--------------|--------------|--------------|--------------|-----------------------|--------------------------------------|--------------|--------------|--------------|---|
| | | Time Interval | | | | | | Time Interval | | | | |
| | | Current Year | Until 1 Year | Until 2 Year | Until 3 Year | Until 4 Year | Until 5 Years or more | Current Year | Until 1 Year | Until 2 Year | Until 3 Year | U |
| 22/12/2007 | 6.12 | 0 | 0 | 0 | 0 | 0 | 0 | 88,878 | 88,878 | 88,878 | 0 | |
| 10/10/2006 | 6.27 | 0 | 0 | 0 | 0 | 0 | 0 | 32,451 | 0 | 0 | 0 | |
| 22/12/2009 | 5.57 | 0 | 0 | 0 | 0 | 0 | 0 | 15,612 | 15,612 | 19,177 | 4,065 | |

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| | | | | | | | | | | | | |
|------------|------|---|-----------|---|---|---|---|-----------|-----------|-----------|------------|---|
| 31/12/2014 | 6.37 | 0 | 0 | 0 | 0 | 0 | 0 | 136,720 | 136,720 | 234,768 | 196,095 | |
| 22/04/2009 | 5.92 | 0 | 0 | 0 | 0 | 0 | 0 | 55,756 | 35,228 | 30,155 | 14,666 | |
| 22/07/2011 | 5.67 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 34,255 | 34,255 | 34,255 | |
| 10/10/2011 | 6.25 | 0 | 0 | 0 | 0 | 0 | 0 | 473,589 | 473,589 | 947,179 | 947,179 | |
| 31/03/2022 | 2.00 | 0 | 0 | 0 | 0 | 0 | 0 | 2,706 | 18,010 | 20,716 | 20,716 | |
| 14/05/2007 | 6.12 | 0 | 0 | 0 | 0 | 0 | 0 | 75 | 15 | 0 | 0 | |
| 30/11/2013 | 6.73 | 0 | 0 | 0 | 0 | 0 | 0 | 408,479 | 827,291 | 1,162,363 | 893,194 | 1 |
| 01/07/2027 | 8.49 | 0 | 0 | 0 | 0 | 0 | 0 | 1,025,700 | 1,270,975 | 2,595,571 | 243,225 | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| 26/02/2007 | 7.32 | 0 | 800,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 21/05/2007 | 7.67 | 0 | 500,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 07/07/2010 | 5.57 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| 07/07/2012 | 5.62 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16/08/2009 | 5.57 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14,365,260 | |
| 20/10/2009 | 5.62 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20/10/2011 | 5.70 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | | |
| | | 0 | 1,300,000 | 0 | 0 | 0 | 0 | 2,239,966 | 2,900,573 | 5,133,062 | 16,718,655 | 5 |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |

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 5.3700 at September 30, 2006
2. TIIE
at 28 days is equivalent to 7.3225 at September 29, 2006
3. TIIE
at 91 days is equivalent to 7.5900 at September 28, 2006
4. CETES

at 182 days is equivalent to 7.4100 at September 28, 2006

C.- The suppliers' Credits are reclassified to Bank Loans because in this document, Emisnet, 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, 2006 were as follows:

| CURRENCY | AMOUNT | E.R. |
|--------------|-----------|-------|
| DOLLAR (USD) | 7,843,935 | 11.05 |
| EURO (EUR) | 36,328 | 13.99 |

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

P. 651,305 thousand pesos.

MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 6

FOREIGN EXCHANGE MONETARY POSITION

(Thousands of Mexican Pesos)

| FOREIGN CURRENCY POSITION | DOLLARS | | OTHER CURRENCIES | | TOTAL |
|---------------------------|-------------|--------------|------------------|------------|--------------|
| | THOUSAND | THOUSAND | THOUSAND | THOUSAND | THOUSAND |
| | DOLLARS | PESOS | DOLLARS | PESOS | PESOS |
| MONETARY ASSETS | 1,253,783 | 13,854,558 | 1,486,113 | 16,421,846 | 30,276,404 |
| LIABILITIES | 8,044,703 | 88,895,584 | 1,419,697 | 15,687,933 | 104,583,517 |
| SHORT-TERM LIABILITIES | 628,795 | 6,948,317 | 1,351,922 | 14,939,003 | 21,887,320 |
| LONG-TERM LIABILITIES | 7,415,908 | 81,947,267 | 67,775 | 748,930 | 82,696,197 |
| NET BALANCE | (6,790,920) | (75,041,026) | 66,416 | 733,913 | (74,307,113) |

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 (USD) | 11.05 |
| EURO | 14.00 |
| CHILEAN PESO | 0.02 |
| ARGENTINEAN PESO | 3.56 |
| BRAZILIAN REAL | 5.08 |
| PERUVIAN SOL | 3.40 |
| COLOMBIAN PESO | 0.0047 |

MEXICAN STOCK EXCHANGE

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STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 7

CALCULATION AND RESULT FROM MONETARY POSITION

(Thousands of Mexican Pesos)

Consolidated

Final printing

| MONTH | MONETARY ASSETS | MONETARY LIABILITIES | ASSETS (LIABILITIES) MONETARY POSITION | MONTHLY INFLATION | MONTHLY EFFECT ASSET (LIABILITIES) |
|----------------|-----------------|----------------------|--|-------------------|------------------------------------|
| JANUARY | 42,471,181 | 101,967,712 | (59,496,531) | 0.59 | (351,030) |
| FEBRUARY | 32,992,806 | 92,593,835 | (59,601,030) | 0.25 | (149,003) |
| MARCH | 35,396,169 | 93,820,697 | (58,424,528) | 0.10 | (58,425) |
| APRIL | 33,796,929 | 93,845,126 | (60,048,196) | 0.13 | (78,063) |
| MAY | 35,120,100 | 93,703,248 | (58,583,147) | (0.44) | 257,766 |
| JUNE | 35,607,344 | 94,566,926 | (58,959,582) | 0.16 | (94,335) |
| JULY | 35,511,288 | 95,266,029 | (59,754,741) | 0.12 | (71,706) |
| AUGUST | 42,091,723 | 101,712,741 | (59,621,018) | 0.42 | (250,408) |
| SEPTEMBER | 46,268,990 | 106,383,370 | (60,114,380) | 0.92 | (553,052) |
| RESTATEMENT | 0 | 0 | 0 | 0.00 | (10,121) |
| CAPITALIZATION | 0 | 0 | 0 | 0.00 | 0 |
| FOREIGN CORP. | 0 | 0 | 0 | 0.00 | (85,797) |
| OTHER | 0 | 0 | 0 | 0.00 | 51,348 |
| TOTAL | | | | | (1,392,826) |

NOTE:

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

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 8

DEBT INSTRUMENTS

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| |
|--|
| FINANCIAL LIMITED BASED IN ISSUED DEED AND/OR TITLE |
| Restrictions: The long-term debt is subject to certain restrictive covenants with respect to maintaining certain financial ratios and the sale of assets, among others. A portion of the debt is also subject to early maturity or repurchase at the option of the holders in the event of change of control of the Company, as defined in the related instruments. The definition of change of control varies from instrument to instrument; however, no change in control shall be considered to have occurred as long as Carso Global Telecom, S.A. de C.V. (TELMEX' controlling company) or its current stockholders continue to hold the majority of the Company's voting shares. |
| CURRENT SITUATION OF FINANCIAL LIMITED |
| At September 30, 2006, the Company has complied with such restrictive covenants. |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 9

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

Consolidated

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| PLANT OR CENTER | ECONOMIC ACTIVITY | PLANT CAPACITY | UTILIZATION (%) |
|-----------------|-------------------|----------------|-----------------|
| NOT AVAILABLE | | | |
| | | | |
| NOTES: | | | |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 10

RAW MATERIALS

Consolidated

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

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 11a

SALES DISTRIBUTION BY PRODUCT

SALES

(Thousands of Mexican Pesos)

Consolidated

Final printing

| MAIN PRODUCTS | NET SALES | | MARKET PART. (%) | MAIN | |
|--------------------------|-----------|------------|------------------------|------------|-----------|
| | VOLUME | AMOUNT | | TRADEMARKS | CUSTOMERS |
| DOMESTIC SALES | | | | | |
| LOCAL SERVICE | 0 | 41,676,011 | 0.0 | | |
| LONG DISTANCE SERVICE | 0 | 17,995,806 | 0.0 | | |
| INTERCONNECTION | 0 | 12,476,956 | 0.0 | | |
| CORPORATE NETWORKS | 0 | 7,981,040 | 0.0 | | |
| INTERNET | 0 | 6,922,533 | 0.0 | | |
| OTHERS | 0 | 3,932,001 | 0.0 | | |
| FOREIGN SALES | | | | | |
| NET SETTLEMENT | 0 | 2,882,648 | 0 | | |

| | | | | | |
|-----------------------|---|-------------|---|--|--|
| LOCAL SERVICE | 0 | 3,160,921 | 0 | | |
| LONG DISTANCE SERVICE | 0 | 18,976,358 | 0 | | |
| INTERCONNECTION | 0 | 592,904 | 0 | | |
| CORPORATE NETWORKS | 0 | 8,896,563 | 0 | | |
| INTERNET | 0 | 1,993,488 | 0 | | |
| OTHERS | 0 | 601,419 | 0 | | |
| TOTAL | | 128,088,648 | | | |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 11b

SALES DISTRIBUTION BY PRODUCT

FOREIGN SALES

(Thousands of Mexican Pesos)

Consolidated

Final printing

| MAIN PRODUCTS | NET SALES | | DESTINATION | MAIN | |
|----------------------|-----------|-----------|-------------|------------|-----------|
| | VOLUME | AMOUNT | | TRADEMARKS | CUSTOMERS |
| EXPORT | | | | | |
| NET SETTLEMENT | 0 | 2,756,567 | | | |
| FOREIGN SUBSIDIARIES | | | | | |
| NET SETTLEMENT | 0 | 126,081 | | | |
| LOCAL SERVICE | 0 | 3,160,921 | | | |

| | | | | | |
|-----------------------|---|------------|--|--|--|
| LONG DISTANCE SERVICE | 0 | 18,976,358 | | | |
| INTERCONNECTION | 0 | 592,904 | | | |
| CORPORATE NETWORKS | 0 | 8,896,563 | | | |
| INTERNET | 0 | 1,993,488 | | | |
| OTHERS | 0 | 601,419 | | | |
| TOTAL | | 37,104,301 | | | |
| NOTES: | | | | | |

MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANALYSIS OF PAID CAPITAL STOCK

Consolidated

Final printing

| SERIES | NOMINAL VALUE | VALID COUPON | NUMBER OF SHARES | | | | CAPITAL STOCK (Thousand pesos) | |
|---|---------------|--------------|------------------|------------------|---------------|---------------------|-----------------------------------|----------|
| | | | FIXED PORTION | VARIABLE PORTION | MEXICAN | PUBLIC SUSSCRIPTION | FIXED | VARIABLE |
| A | 0.01250 | 0 | 450,644,058 | 0 | 0 | 450,644,058 | 5,633 | 0 |
| AA | 0.01250 | 0 | 8,114,596,082 | 0 | 8,114,596,082 | 0 | 101,432 | 0 |
| L | 0.01250 | 0 | 11,772,367,030 | 0 | 0 | 11,772,367,030 | 147,155 | 0 |
| TOTAL | | | 20,337,607,170 | 0 | 8,114,596,082 | 12,223,011,088 | 254,220 | 0 |
| TOTAL NUMBER OF SHARES REPRESENTING CAPITAL STOCK ON THE REPORTING DATE OF THE INFORMATION: | | | | | | | 20,337,607,170 | |
| | | | | | | | | |
| | | | | | | | | |

| | | | | | | | | |
|--------|--|--|--|--|--|--|--|--|
| NOTES: | | | | | | | | |
| | | | | | | | | |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 13

PROJECT INFORMATION

(Thousands of Mexican Pesos)

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| | | |
|------|---------------------------|--|
| ITEM | Thousand of Mexican Pesos | |
| | 3th | |
| | Quarter 06 | |

Jul-Sep

% of

Advance

Amount used

2006

Budget

2006

% of

Advance

DATA

732,176

17.1

2,215,950

4,285,501

51.7

INTERNAL PLANT

292,581

18.6

608,001

1,576,684

38.6

OUTSIDE PLANT

778,752

25.4

1,875,025

3,065,241

61.2

TRANSMISSION NETWORK

681,245

28.6

1,039,671

2,378,910

43.7

SYSTEMS

58

| | |
|--------------------------------|------------|
| | 64,542 |
| | 6.4 |
| | 143,167 |
| | 1,011,387 |
| | 14.2 |
| OTHERS | |
| | 979,324 |
| | 23.8 |
| | 1,845,615 |
| | 4,121,301 |
| | 44.8 |
| TOTAL INVESTMENT TELMEX MEXICO | |
| | 3,528,620 |
| | 21.5 |
| | 7,727,429 |
| | 16,439,024 |
| | 47.0 |
| LATINOAMERICA | |
| | 405,424 |
| | 20.8 |
| | 1,268,010 |
| | 1,951,421 |
| | 65.0 |
| EMBRATEL | |
| | 2,288,244 |
| | 34.3 |
| | 59 |

| | |
|------------------|------------|
| | 5,412,933 |
| | 6,680,507 |
| | 81.0 |
| TOTAL INVESTMENT | |
| | 6,222,288 |
| | 24.8 |
| | 14,408,372 |
| | 25,070,952 |
| | 57.5 |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 14

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

Consolidated

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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, as follows:

The financial statements as reported by the subsidiaries abroad were adjusted to conform to accounting principles generally accepted in Mexico.

All balance sheet amounts, except for stockholders' equity, were translated at the prevailing exchange rate at the end of the reporting period; 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. The translation into Mexican pesos is carried out after the related balances or transactions have been restated based on the inflation rate of the country in which the subsidiary operates.

Exchange differences and the monetary position effect derived from intercompany monetary items were not eliminated from the consolidated statements of income.

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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STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

GENERAL INFORMATION

Consolidated

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ISSUER GENERAL INFORMATION

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

| | |
|----------|----------------|
| INTERNET | www.telmex.com |
| PAGE: | |

ISSUER FISCAL INFORMATION

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

OFFICERS INFORMATION

| | |
|---------------|--|
| POSITION BMV: | CHAIRMAN OF THE BOARD |
| POSITION: | CHAIRMAN OF THE BOARD |
| NAME: | ING. JAIME CHICO PARDO |
| ADDRESS: | PARQUE VIA 190 - 10 TH . FLOOR OFFICE 1001, COL. CUAUHTEMOC |
| ZIP: | 06599 |
| CITY: | MEXICO, D.F. |
| TELEPHONE: | 52 22 51 52 |
| FAX: | 55 45 55 50 |
| E-MAIL: | jchico@telmex.com |

| | |
|---------------|--|
| POSITION BMV: | CHIEF EXECUTIVE OFFICER |
| POSITION: | CHIEF EXECUTIVE OFFICER |
| NAME: | LIC. HECTOR SLIM SEADE |
| ADDRESS: | PARQUE VIA 190 - 10 TH . FLOOR OFFICE 1004, COL. CUAUHTEMOC |
| ZIP: | 06599 |

| | |
|------------|------------------|
| CITY: | MEXICO, D.F. |
| TELEPHONE: | 52 22 15 86 |
| FAX: | 55 45 55 50 |
| E-MAIL: | hslim@telmex.com |

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

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

| | |
|---------------|--|
| POSITION BMV: | DISTRIBUTION OF BUYBACK INFORMATION DELEGATE |
|---------------|--|

| | |
|------------|--|
| POSITION: | SHAREHOLDER SERVICES MANAGER |
| NAME: | LIC. MIGUEL ANGEL PINEDA CATALAN |
| ADDRESS: | PARQUE VIA 198 - 2 ND . 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: | IN-HOUSE LEGAL COUNSEL |
| POSITION: | LEGAL DIRECTOR |
| NAME: | LIC. SERGIO F. MEDINA NORIEGA |
| ADDRESS: | PARQUE VIA 190 - 2 ND . FLOOR OFFICE 202, COL. CUAUHTEMOC |
| ZIP: | 06599 |
| CITY: | MEXICO, D.F. |
| TELEPHONE: | 52 22 14 25 |
| FAX: | 55 46 43 74 |
| E-MAIL: | smedinan@telmex.com |

| | |
|---------------|--|
| POSITION BMV: | DISTRIBUTION OF FINANCIAL INFORMATION DELEGATE |
| POSITION: | SUBDIRECTOR OF FINANCE |
| NAME: | C.P. EDUARDO ROSENDO GIRARD |
| ADDRESS: | PARQUE VIA 198 - 5 TH . FLOOR OFFICE 501, COL. CUAUHTEMOC |
| ZIP: | 06599 |
| CITY: | MEXICO, D.F. |
| TELEPHONE: | 52 22 53 95 |
| FAX: | 52 50 80 54 |

E-MAIL: erosendo@telmex.com

POSITION BMV: DISTRIBUTION OF MATERIAL FACTS DELEGATE

POSITION: INVESTORS RELATIONS MANAGER

NAME: ING. RUY ECHAVARRIA AYUSO

ADDRESS: PARQUE VIA 198 - 7TH. 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

POSITION BMV: INVESTOR INFORMATION RESPONSIBLE

POSITION: INVESTORS RELATIONS MANAGER

NAME: ING. RUY ECHAVARRIA AYUSO

ADDRESS: PARQUE VIA 198 - 7TH. FLOOR OFFICE 701, COL. CUAUHTEMOC

ZIP: 06599

CITY: MEXICO, D.F.

TELEPHONE: 57 03 39 90

FAX: 55 45 55 50

E-MAIL: ri@telmex.com

POSITION BMV: SECRETARY OF THE BOARD OF DIRECTORS

POSITION: LEGAL DIRECTOR

NAME: LIC. SERGIO F. MEDINA NORIEGA

ADDRESS: PARQUE VIA 190 - 2ND. FLOOR OFFICE 202, COL. CUAUHTEMOC

ZIP: 06599

| | |
|------------|---------------------|
| CITY: | MEXICO, D.F. |
| TELEPHONE: | 52 22 14 25 |
| FAX: | 55 46 43 74 |
| E-MAIL: | smedinan@telmex.com |

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

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|---------------|--------------------|
| POSITION BMV: | FIDUCIARY DELEGATE |
| POSITION: | |
| NAME: | |
| ADDRESS: | |
| ZIP: | |
| CITY: | |
| TELEPHONE: | |
| FAX: | |
| E-MAIL: | |

| | |
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| POSITION BMV: | OTHER |
|---------------|-------|

| | |
|------------|-------------------------------|
| 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 |

MEXICAN STOCK EXCHANGE

Index

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2006

TELÉFONOS DE MÉXICO, S.A. DE C.V.

BOARD OF DIRECTORS

Consolidated

Final printing

| POSITION | NAME | | | |
|-----------------------|------|--------------|-----------|-------|
| CHAIRMAN OF THE BOARD | ING. | JAIME | CHICO | PARDO |
| VICEPRESIDENT | LIC. | CARLOS | SLIM | DOMIT |
| VICEPRESIDENT | C.P. | JUAN ANTONIO | PEREZ | SIMON |
| HONORARY BOARD MEMBER | ING. | CARLOS | SLIM | HELU |
| BOARD PROPIETORS | SR. | EMILIO | AZCARRAGA | JEAN |

| | | | | |
|-----------------------------------|-------|------------------|------------------|---------------------------|
| (INDEPENDENT) | | | | |
| BOARD PROPIETORS (INDEPENDENT) | ING. | ANTONIO | COSIO | ARIÑO |
| BOARD PROPIETORS (INDEPENDENT) | SRA. | LAURA | DIEZ BARROSO | DE LAVIADA |
| BOARD PROPIETORS (INDEPENDENT) | MTRA. | AMPARO | ESPINOSA | RUGARCIA |
| BOARD PROPIETORS (INDEPENDENT) | ING. | ELMER | FRANCO | MACIAS |
| BOARD PROPIETORS (INDEPENDENT) | LIC. | ANGEL | LOSADA | MORENO |
| BOARD PROPIETORS (INDEPENDENT) | SR. | ROMULO | O FARRIL JR. | (deceased in May 2006) |
| BOARD PROPIETORS (INDEPENDENT) | 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. | LARRY | I. | BOYLE |
| BOARD PROPIETORS (INDEPENDENT) | C.P. | RAFAEL | KALACH | MIZRAHI |
| BOARD PROPIETORS (INDEPENDENT) | 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 (INDEPENDENT) | LIC. | JORGE C. | ESTEVE | RECOLONS |
| BOARD ALTERNATES (INDEPENDENT) | ING. | ANTONIO | COSIO | PANDO |
| BOARD ALTERNATES (INDEPENDENT) | SR. | EDUARDO | TRICIO | HARO |
| BOARD ALTERNATES (INDEPENDENT) | SRA. | ANGELES | ESPINOSA | YGLESIAS |
| BOARD ALTERNATES (INDEPENDENT) | ING. | AGUSTIN | FRANCO | MACIAS |
| BOARD ALTERNATES | SR. | JAIME | ALVERDE | GOYA |

| | | | | |
|--|--------|-----------|-----------|---------|
| (INDEPENDENT) | | | | |
| BOARD ALTERNATES (INDEPENDENT) | C.P. | ANTONIO | DEL VALLE | RUIZ |
| BOARD ALTERNATES (INDEPENDENT) | LIC. | JOSE | KURI | HARFUSH |
| BOARD ALTERNATES (INDEPENDENT) | LIC. | FERNANDO | SOLANA | MORALES |
| BOARD ALTERNATES | LIC. | EDUARDO | VALDES | ACRA |
| BOARD ALTERNATES (INDEPENDENT) | LIC. | CARLOS | BERNAL | VEREA |
| BOARD ALTERNATES (INDEPENDENT) | LIC. | FEDERICO | LAFFAN | FANO |
| BOARD ALTERNATES | SR. | JORGE A. | CHAPA | SALAZAR |
| BOARD ALTERNATES (INDEPENDENT) | ING. | BERNARDO | QUINTANA | ISAAC |
| BOARD ALTERNATES (INDEPENDENT) | C.P. | FRANCISCO | MEDINA | CHAVEZ |
| | | | | |
| STATUTORY AUDITOR | C.P.C. | ALBERTO | TIBURCIO | CELORIO |
| | | | | |
| ALTERNATE STATUTORY AUDITOR | C.P.C. | FERNANDO | ESPINOSA | LOPEZ |
| | | | | |
| SECRETARY OF THE BOARD OF DIRECTORS | LIC. | SERGIO | MEDINA | NORIEGA |
| | | | | |
| ASSISTANT SECRETARY | LIC. | RAFAEL | ROBLES | MIAJA |
| | | | | |

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: **October 25, 2006.**

TELÉFONOS DE MÉXICO, S.A. DE C.V.

By: /s/ _____

Name: Adolfo Cerezo Pérez
Title: Chief Financial Officer

Ref: Teléfonos de México, S.A. de C.V. - **Third Quarter 2006**.