BOULDER GROWTH & INCOME FUND
Form 40-17G
June 16, 2015

INVESTMENT COMPANY BLANKET BOND

St. Paul Fire and Marine Insurance Company

St. Paul, Minnesota 55102-1396

(A Stock Insurance Company, herein called Underwriter)

DECLARATIONS
NO. ZBN-15S88376-15-N2

Item 1. Name of Insured (herein called Insured):

BOULDER GROWTH & INCOME FUND, INC.

Principal Address:

2344 SPRUCE STREET, SUITE A

BOULDER, CO 80302

Item 2. Bond Period from 12:01 a.m. on 06/01/15 to 12:01 a.m. on 06/01/16 the effective date of the termination or cancellation of the bond, standard time at the Principal Address as to each of said dates.

Item 3. Limit of Liability

Subject to Sections 9, 10, and 12 hereof:

	Limit of Liability	Deductible Amount

Insuring Agreement A - FIDELITY	$1,250,000	$25,000
Insuring Agreement B - AUDIT EXPENSE	$25,000	$1,000
Insuring Agreement C - PREMISES	$1,250,000	$25,000
Insuring Agreement D - TRANSIT	$1,250,000	$25,000
Insuring Agreement E - FORGERY OR ALTERATION	$1,250,000	$25,000
Insuring Agreement F - SECURITIES	$1,250,000	$25,000
Insuring Agreement G - COUNTERFEIT CURRENCY	$1,250,000	$25,000
Insuring Agreement H - STOP PAYMENT	$100,000	$10,000
Insuring Agreement I - UNCOLLECTIBLE ITEMS OF DEPOSIT	$100,000	$10,000

OPTIONAL COVERAGES ADDED BY RIDER:		
COMPUTER SYSTEMS	$1,250,000	$25,000
UNAUTHORIZED SIGNATURE	$1,250,000	$25,000
EXTORTION-THREATS TO PERSONS AND PROPERTY	$1,250,000	$25,000

If "Not Covered" is inserted above opposite any specified Insuring Agreement or Coverage, such Insuring Agreement or Coverage and any other reference thereto in this bond shall be deemed to be deleted therefrom.

Item 4. Offices or Premises Covered - Offices acquired or established subsequent to the effective date of this bond are covered according to the terms of General Agreement A. All the Insured's offices or premises in existence at the time this bond becomes effective are covered under this bond except the offices or premises located as follows:

Item 5. The liability of the Underwriter is subject to the terms of the following endorsements or riders attached hereto: Endorsements or Riders No. 1 through

ICB010 07-04
ICB011 02-10
ICB012 07-04
ICB015 07-04
ICB016 07-04
ICB026 07-04
ICB031 07-04
ICB037 07-04
MEL2956 05-05
MEL3282 05-05

Item 6. The Insured by the acceptance of this bond gives notice to the Underwriter terminating or canceling prior bonds or policy(ies) No.(s) ZBN-14P46110-14-N2 such termination or cancellation to be effective as of the time this bond becomes effective.

IN WITNESS WHEREOF, the Company has caused this bond to be signed by its President and Secretary and countersigned by a duly authorized representative of the Company.

ST. PAUL FIRE AND MARINE INSURANCE COMPANY

Countersigned:

/s/ Brian MacLean /s/ Wendy C. Sly
President Secretary

Authorized Representative Countersigned At

Countersignature Date

ST. PAUL FIRE AND MARINE INSURANCE COMPANY

INVESTMENT COMPANY BLANKET BOND

The Underwriter, in consideration of an agreed premium, and subject to the De clarations made a part hereof, the General Agreements, Conditions and Limitations and other terms of this bond, agrees with the Insured, in accordance with the Insuring Agreements hereof to which an amount of insurance is applicable as set forth in Item 3 of the Declarations and with respect to loss sustained by the Insured at any time but discovered during the Bond Period, to indemnify and hold harmless the Insured for:

INSURING AGREEMENTS

(A) FIDELITY

Loss resulting from any dishonest or fraudulent act(s), including Larceny or Embezzlement, committed by an Employee, committed anywhere and whether committed alone or in collusion with others, including loss of Property resulting from such acts of an Employee, which Property is held by the Insured for any purpose or in any capacity and whether so held gratuitously or not and whether or not the Insured is liable therefor.

Dishonest or fraudulent act(s) as used in this Insuring Agreement shall mean only dishonest or fraudulent act(s) committed by such Employee with the manifest intent:

(a) to cause the Insured to sustain such loss; and

(b) to obtain financial benefit for the Employee, or for any other Person or organization intended by the Employee to receive such benefit, other than salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions or other employee benefits earned in the normal course of employment.

(B) AUDIT EXPENSE

Expense incurred by the Insured for that part of the costs of audits or examinations required by any governmental regulatory authority to be conducted either by such authority or by an independent accountant by reason of the discovery of loss sustained by the Insured through any dishonest or fraudulent act(s), including Larceny or Embezzlement, of any of the Employees. The total liability of the Underwriter for such expense by reason of such acts of any Employee or in which such Employee is concerned or implicated or with respect to any one audit or examination is limited to the amount stated opposite Audit Expense in Item 3 of the Declarations; it being understood, however, that such expense shall be deemed to be a loss sustained by the Insured through any dishonest or fraudulent act(s), including Larceny or Embezzlement, of one or more of the Employees, and the liability under this paragraph shall be in addition to the Limit of Liability stated in Insuring Agreement (A) in Item 3 of the Declarations.

(C) ON PREMISES

Loss of Property (occurring with or without negligence or violence) through robbery, burglary, Larceny, theft, holdup, or other fraudulent means, misplacement, mysterious unexplainable disappearance, damage thereto or destruction thereof, abstraction or removal from the possession, custody or control of the Insured, and loss of subscription, conversion, redemption or deposit privileges through the misplacement or loss of Property, while the Property is (or is supposed or believed by the Insured to be) lodged or deposited within any offices or premises located anywhere, except in an office listed in Item 4 of the Declarations or amendment thereof or in the mail or with a carrier for hire, other than an armored motor vehicle company, for the purpose of transportation.

Office and Equipment

(1) loss of or damage to furnishings, fixtures, stationery, supplies or equipment, within any of the Insured's offices covered under this bond caused by Larceny or theft in, or by burglary, robbery or hold-up of, such office, or attempt thereat, or by vandalism or malicious mischief; or

(2) loss through damage to any such office by Larceny or theft in, or by burglary, robbery or hold-up of, such office, or attempt thereat, or to the interior of any such office by vandalism or malicious mischief provided, in any event, that the Insured is the owner of such offices, furnishings, fixtures, stationery, supplies or equipment or is legally liable for such loss or damage always excepting, however, all loss or damage through fire.

(D) IN TRANSIT

Loss of Property (occurring with or without negligence or violence) through robbery, Larceny, theft, hold-up, misplacement, mysterious unexplainable disappearance, being lost or otherwise made away with, damage thereto or destruction thereof, and loss of subscription, conversion, redemption or deposit privileges through the misplacement or loss of Property, while the Property is in transit anywhere in the custody of any person or persons acting as messenger, except while in the mail or with a carrier for hire, other than an armored motor vehicle company, for the purpose of transportation, such transit to begin immediately upon receipt of such Property by the transporting person or persons, and to end immediately upon delivery thereof at destination.

(E) FORGERY OR ALTERATION

Loss through Forgery or alteration of or on:

(1) any bills of exchange, checks, drafts, acceptances, certificates of deposit, promissory notes, or other written promises, orders or directions to pay sums certain in money, due bills, money orders, warrants, orders upon public treasuries, letters of credit; or

(2) other written instructions, advices or applications directed to the Insured, authorizing or acknowledging the transfer, payment, delivery or receipt of funds or Property, which instructions, advices or applications purport to have been signed or endorsed by any:

(a) customer of the Insured, or

(b) shareholder or subscriber to shares, whether certificated or uncertificated, of any Investment Company, or

(c) financial or banking institution or stockbroker,

but which instructions, advices or applications either bear the forged signature or endorsement or have been altered without the knowledge and consent of such customer, shareholder or subscriber to shares, or financial or banking institution or stockbroker; or

(3) withdrawal orders or receipts for the withdrawal of funds or Property, or receipts or certificates of deposit for Property and bearing the name of the In sured as issuer, or of another Investment Company for which the Insured acts as agent,

excluding, however, any loss covered under Insuring Agreement (F) hereof whether or not coverage for Insuring Agreement (F) is provided for in the Declarations of this bond.

Any check or draft (a) made payable to a fictitious payee and endorsed in the name of such fictitious payee or (b) procured in a transaction with the maker or drawer thereof or with one acting as an agent of such maker or drawer or anyone impersonating another and made or drawn payable to the one so impersonated and endorsed by anyone other than the one impersonated, shall be deemed to be forged as to such endorsement.

Mechanically reproduced facsimile signatures are treated the same as handwritten signatures.

(F) SECURITIES

Loss sustained by the Insured, including loss sustained by reason of a violation of the constitution by-laws, rules or regulations of any Self Regulatory Organization of which the Insured is a member or which would have been imposed upon the Insured by the constitution, by-laws, rules or regulations of any Self Regulatory Organization if the Insured had been a member thereof,

(1) through the Insured's having, in good faith and in the course of business, whether for its own account or for the account of others, in any representative, fiduciary, agency or any other capacity, either gratuitously or otherwise, purchased or otherwise acquired, accepted or received, or sold or delivered, or given any value, extended any credit or assumed any liability, on the faith of, or otherwise acted upon, any securities, documents or other written instruments which prove to have been:

(a) counterfeited, or

(b) forged as to the signature of any maker, drawer, issuer, endorser, assignor, lessee, transfer agent or registrar, acceptor, surety or guarantor or as to the signature of any person signing in any other capacity, or

(c) raised or otherwise altered, or lost, or stolen, or

(2) through the Insured's having, in good faith and in the course of business, guaranteed in writing or witnessed any signatures whether for valuable consideration or not and whether or not such guaranteeing or witnessing is ultra vires the Insured, upon any transfers,

assignments, bills of sale, powers of attorney, guarantees, endorsements or other obligations upon or in connection with any securities, documents or other written instruments and which pass or purport to pass title to such securities, documents or other written instruments; excluding losses caused by Forgery or alteration of, on or in those instruments covered under Insuring Agreement (E) hereof.

Securities, documents or other written instruments shall be deemed to mean original (including original counterparts) negotiable or non-negotiable agreements which in and of themselves represent an equitable interest, ownership, or debt, including an assignment thereof, which instruments are, in the ordinary course of business, transferable by delivery of such agreements with any necessary endorsement or assignment.

The word "counterfeited" as used in this Insuring Agreement shall be deemed to mean any security, document or other written instrument which is intended to deceive and to be taken for an original.

Mechanically reproduced facsimile signatures are treated the same as handwritten signatures.

(G) COUNTERFEIT CURRENCY

Loss through the receipt by the Insured, in good faith, of any counterfeited money orders or altered paper currencies or coin of the United States of America or Canada issued or purporting to have been issued by the United States of America or Canada or issued pursuant to a United States of America or Canada statute for use as currency.

(H) STOP PAYMENT

Loss against any and all sums which the Insured shall become obligated to pay by reason of the liability imposed upon the Insured by law for damages:

For having either complied with or failed to comply with any written notice of any customer, shareholder or subscriber of the Insured or any Authorized Representative of such customer, shareholder or subscriber to stop payment of any check or draft made or drawn by such customer, shareholder or subscriber or any Authorized Representative of such customer, shareholder or subscriber, or

For having refused to pay any check or draft made or drawn by any customer, shareholder or subscriber of the Insured or any Authorized Representative of such customer, shareholder or subscriber.

(I) UNCOLLECTIBLE ITEMS OF DEPOSIT

Loss resulting from payments of dividends or fund shares, or withdrawals permitted from any customer's, shareholder's, or subscriber's account based upon Uncollectible I tems of Deposit of a customer, shareholder or subscriber credited by the Insured or the Insured's agent to such customer's, shareholder's or subscriber's Mutual Fund Account; or loss resulting from an Item of Deposit processed through an Automated Clearing House which is reversed by the customer, shareholder or subscriber and deemed uncollectible by the Insured.

Loss includes dividends and interest accrued not to exceed 15% of the Uncollectible Items which are deposited.

This Insuring Agreement applies to all Mutual Funds with "exchange privileges" if all Fund(s) in the exchange program are insured by the Underwriter for Uncollectible Items of Deposit. Regardless of the number of transactions between Fund(s), the minimum number of days of deposit within the Fund(s) before withdrawal as declared in the Fund(s) prospectus shall begin from the date a deposit was first credited to any Insured Fund(s).

GENERAL AGREEMENTS

A. ADDITIONAL OFFICES OR EMPLOYEES - CONSOLIDATION OR MERGER - NOTICE

(1) If the Insured shall, while this bond is in force, establish any additional office or offices, such offices shall be automatically covered hereunder from the dates of their establishment, respectively. No notice to the Underwriter of an increase during any premium period in the number of offices or in the number of Employees at any of the offices covered hereunder need be given and no additional premium need be paid for the remainder of such premium period.

(2) If an Investment Company, named as Insured herein, shall, while this bond is in force, merge or consolidate with, or purchase the assets of another institution, coverage for such acquisition shall apply automatically from the date of acquisition. The Insured shall notify the Underwriter of such acquisition within 60 days of said date, and an additional premium shall be computed only if such acquisition involves additional offices or employees.

B. WARRANTY

No statement made by or on behalf of the Insured, whether contained in the application or otherwise, shall be deemed to be a warranty of anything except that it is true to the best of the knowledge and belief of the person making the statement.

C. COURT COSTS AND ATTORNEYS' FEES (Applicable to all Insur ing Agreements or Coverages now or hereafter forming part of this bond)

The Underwriter will indemnify the Insured against court costs and reasonable attorneys' fees incurred and paid by the Insured in defense, whether or not successful, whether or not fully litigated on the merits and whether or not settled, of any suit or legal proceeding brought against the Insured to enforce the Insured's liability or alleged liability on account of any loss, claim or damage which, if established against the Insured, would constitute a loss sustained by the Insured covered under the terms of this bond provided, however, that with respect to Insuring Agreement (A) this indemnity shall apply only in the event that:

(1) an Employee admits to being guilty of any dishonest or fraudulent act(s), including Larceny or Embezzlement; or

(2) an Employee is adjudicated to be guilty of any dishonest or fraudulent act(s), including Larceny or Embezzlement;

(3) in the absence of (1) or (2) above an arbitration panel agrees, after a review of an agreed statement of facts, that an Employee would be found guilty of dishonesty if such Employee were prosecuted.

The Insured shall promptly give notice to the Underwriter of any such suit or legal proceedings and at the request of the Underwriter shall furnish it with copies of all pleadings and other papers therein. At the Underwriter's election the Insured shall permit the Underwriter to conduct the defense of such suit or legal proceeding, in the Insured's name, through attorneys of the Underwriter's selection. In such event, the Insured shall give all reasonable information and assistance which the Un derwriter shall deem necessary to the proper defense of such suit or legal proceeding.

If the amount of the Insured's liability or alleged liability is greater than the amount recoverable under this bond, or if a Deductible Amount is applicable, or both, th e liability of the Underwriter under this General Agreement is limited to the proportion of court costs and attorneys' fees incurred and paid by the Insured or by the Underwriter that the amount recoverable under this bond bears to the total of such amount plus the amount which is not so recoverable. Such indemnity shall be in addition to the Limit of Liability for the applicable Insuring Agreement or Coverage.

D. FORMER EMPLOYEE

Acts of an Employee, as defined in this bond, are covered under Insuring Agreement (A) only while the Employee is in the Insured's employ. Should loss involving a former Employee of the Insured be discovered subsequent to the termination of employment, coverage would still apply under Insuring Agreement (A) if the direct proximate cause of the loss occurred while the former Employee performed duties within the scope of his/her employment.

THE FOREGOING INSURING AGREEMENTS AND GENERAL AGREEMENTS ARE SUBJECT TO THE FOLLOWING CONDITIONS AND LIMITATIONS:

SECTION 1. DEFINITIONS

The following terms, as used in this bond have the respective meanings stated in this Section:

(a) "Employee" means:

(1) any of the Insured's officers, partners, or employees, and

(2) any of the officers or employees of any predecessor of the Insured whose principal assets are acquired by the Insured by consolidation or merger with, or purchase of assets or capital stock of, such predecessor, and

(3) attorneys retained by the Insured to perform legal services for the Insured and the employees of such attorneys while such attorneys or employees of such attorneys are performing such services for the Insured, and

(4) guest students pursuing their studies or duties in any of the Insured's offices, and

(5) directors or trustees of the Insured, the investment advisor, underwriter (distributor), transfer agent, or shareholder accounting record keeper, or administrator authorized by written agreement to keep financial and/or other required records, but only while performing acts coming within the scope of the usual duties of an officer or employee or while acting as a member of any committee duly elected or appointed to examine or audit or have custody of or access to the Property of the Insured, and

(6) any individual or individuals assigned to perform the usual duties of an employee within the premises of the Insured, by contract, or by any agency furnishing temporary personnel on a contingent or part- time basis, and

(7) each natural person, partnership or corporation authorized by written agreement with the Insured to perform services as electronic data processor of checks or other accounting records of t he Insured, but excluding any such processor who acts as transfer agent or in any other agency capacity in issuing checks, drafts or securities for the Insured, unless included under sub-section (9) hereof, and

(8) those persons so designated in Section 15, Central Handling of Securities, and

(9) any officer, partner, or Employee of:

(a) an investment advisor,
(b) an underwriter (distributor),

(c) a transfer agent or shareholder accounting record-keeper, or

(d) an administrator authorized by written agreement to keep financial and/or other required records,

for an Investment Company named as Insured while performing acts coming within the scope of the usual duties of an officer or Employee of any investment Company named as Insured herein, or while acting as a member of any committee duly elected or appointed to examine or audit or have custody of or access to the Property of any such Investment Company, provided that only Employees or partners of a transfer agent, shareholder accounting record-keeper or administrator which is an affiliated person, as defined in the Investment Company Act of 1940, of an Investment Company named as Insured or is an affiliated person of the advisor, underwriter or administrator of such Investment Company, and which is not a bank, shall be included within the definition of Employee.

Each employer of temporary personnel or processors as set forth in sub -sections (6) and (7) of Section 1(a) and their partners, officers and employees shall collectively be deemed to be one person for all the purposes of this bond, excepting, however, the last paragraph of Section 13.

Brokers, or other agents under contract or representatives of the same general character shall not be considered Employees.

(b) "Property" means money (i.e. currency, coin, bank notes, Federal Reserve notes), postage and revenue stamps, U.S. Savings Stamps, bullion, precious metals of all kinds and in any form and articles made therefrom, jewelry, watches, necklaces, bracelets, gems, precious and semi-precious stones, bonds, securities, evidences of debts, debentures, scrip, certificates, interim receipts, warrants, rights, puts, calls, straddles, spreads, transfers, coupons, drafts, bills of exchange, acceptances, notes, checks, withdrawal orders, money orders, warehouse receipts, bills of lading, conditional sales contracts, abstracts of title, insurance policies, deeds, mortgages under real estate and/or chattels and upon interests therein, and assignments of such policies, mortgages and instruments, and other valuable papers, including books of account and other records used by the Insured in the conduct of its business, and all other instruments similar to or in the nature of the foregoing including Electronic Representations of such instruments enumerated above (but excluding all data processing records) in which the Insured has an interest or in which the Insured acquired or should have acquired an interest by reason of a predecessor's declared financial condition at the time of the Insured's consolidation or merger with, or purchase of the principal assets of, such predecessor or which are held by the Insured for any purpose or in any capacity and whether so held gratuitously or not and whether or not the Insured is liable therefor.

(c) "Forgery" means the signing of the name of another with intent to deceive; it does not include the signing of one's own name with or without authority, in any capacity, for any purpose.

(d) "Larceny and Embezzlement" as it applies to any named Insured means those acts as set forth in Section 37 of the Investment Company Act of 1940.

(e) "Items of Deposit" means any one or more checks and drafts. Items of Deposit shall not be deemed uncollectible until the Insured's collection procedures have failed.

SECTION 2. EXCLUSIONS THIS BOND, DOES NOT COVER:

(a) loss effected directly or indirectly by means of forgery or alteration of, on or in any instrument, except when covered by Insuring Agreement (A), (E), (F) or (G).

(b) loss due to riot or civil commotion outside the United States of America and Canada; or loss due to military, naval or usurped power, war or insurrection unless s uch loss occurs in transit in the circumstances recited in Insuring Agreement (D), and unless, when such transit was initiated, there was no knowledge of such riot, civil commotion, military, naval or usurped power, war or insurrection on the part of any person acting for the Insured in initiating such transit.

(c) loss, in time of peace or war, directly or indirectly caused by or resulting from the effects of nuclear fission or fusion or radioactivity; provided, however, that this paragraph shall not apply to loss resulting from industrial uses of nuclear energy.

(d) loss resulting from any wrongful act or acts of any person who is a member of the Board of Directors of the Insured or a member of any equivalent body by whatsoever name knownunless such person is also an Employee or an elected official, partial owner or partner of the Insured in some other capacity, nor, in any event, loss resulting from the act or acts of any person while acting in the capacity of a member of such Board or equivalent body.

(e) loss resulting from the complete or partial non-payment of, or default upon, any loan or transaction in the nature of, or amounting to, a loan made by or obtained from the Insured or any of its partners, directors or Employees, whether authorized or unauthorized and whether procured in good faith or through trick, artifice fraud or false pretenses, unless such loss is covered under Insuring Agreement (A), (E) or (F).

(f) loss resulting from any violation by the Insured or by any Employee:

(1) of law regulating (a) the issuance, purchase or sale of securities, (b) securities transactions upon Security Exchanges or over the counter market, (c) Investment Companies, or (d) Investment Advisors, or

(2) of any rule or regulation made pursuant to any such law.

unless such loss, in the absence of such laws, rules or regulations, would be covered under Insuring Agreements (A) or (E).

(g) loss of Property or loss of privileges through the misplacement or loss of Property as set forth in Insuring Agreement (C) or (D) while the Property is in the custody of any armored motor vehicle company, unless such loss shall be in excess of the amount recovered or received by the Insured under (a) the Insured's contract with said armored motor vehicle company, (b) insurance carried by said armored motor vehicle company for the benefit of users of its service, and (c) all other insurance and indemnity in force in whatsoever form carried by or for the benefit of users of said armored motor vehicle company's service, and then this bond shall cover only such excess.

(h) potential income, including but not limited to interest and dividends, not realized by the Insured because of a loss covered under this bond, except as included under Insuring Agreement (I).

(i) all damages of any type for which the Insured is legally liable, except direct compensatory damages arising from a loss covered under this bond.

(j) loss through the surrender of Property away from an office of the Insured as a result of a threat:

(1) to do bodily harm to any p erson, except loss of Property in transit in the custody of any person acting as messenger provided that when such transit was initiated there was no knowledge by the

Insured of any such threat, or

(2) to do damage to the premises or Property of the Insured, except when covered under Insuring Agreement (A).

(k) all costs, fees and other expenses incurred by the Insured in establishing the existence of or amount of loss covered under this bond unless such indemnity is provided for under Insuring Agreement (B).

(l) loss resulting from payments made or withdrawals from the account of a customer of the Insured, shareholder or subscriber to shares involving funds erroneously credited to such account, unless such payments are made to or withdrawn by such depositors or representative of such person, who is within the premises of the drawee bank of the Insured or within the office of the Insured at the time of such payment or withdrawal or unless such payment is covered under Insuring Agreement (A).

(m) any loss resulting from Uncollectible Items of Deposit which are drawn from a financial institution outside the fifty states of the United States of America, District of Columbia, and territories and possessions of the United States of America, and Canada.

SECTION 3. ASSIGNMENT OF RIGHTS

This bond does not afford coverage in favor of any Employers of temporary personnel or of processors as set forth in sub-sections (6) and (7) of Section 1(a) of this bond, as aforesaid, and upon payment to the Insured by the Underwrite r on account of any loss through dishonest or fraudulent act(s) including Larceny or Embezzlement committed by any of the partners, officers or employees of such Employers, whether acting alone or in collusion with others, an assignment of such of the I nsured's rights and causes of action as it may have against such Employers by reason of such acts so committed shall, to the extent of such payment, be given by the Insured to the Underwriter, and the Insured shall execute all papers necessary to secure to th e Underwriter the rights herein provided for.

SECTION 4. LOSS - NOTICE - PROOF - LEGAL PROCEEDINGS

100

24

INTEREST EXPENSE

1,863,758

157

1,348,954

98

25

EXCHANGE LOSS

0

0

1,020,568

74

26

INTEREST INCOME

1,239,704

105

388,727

28

27

EXCHANGE GAIN

462,541

39

0

0

28

INCOME DUE TO MONETARY POSITION

(1,346,734)

(114)

(602,587)

(44)

42

RESTATEMENT OF UDI'S LOSS

0

0

0

0

43

RESTATEMENT OF UDI'S PROFIT

0

0

0

0

8

OTHER FINANCIAL OPERATIONS

0

100

0

100

29

OTHER INCOME AND EXPENSES, NET

0

0

0

0

30

LOSS (PROFIT) ON SALE OF OWN SHARES

0

0

0

0

31

LOSS (PROFIT) ON SALE OF SHORT-TERM INVESTMENTS

0

0

0

0

10

PROVISION FOR INCOME TAX AND EMPLOYEE PROFIT SHARING

2,757,548

100

3,863,894

100

32

INCOME TAX

4,179,422

152

2,031,063

53

33

DEFERRED INCOME TAX

(2,224,436)

(81)

1,011,111

26

34

EMPLOYEE PROFIT SHARING

802,562

29

821,720

21

35

DEFERRED EMPLOYEE PROFIT SHARING

0

0

0

0

(***)

THOUSANDS OF DOLLARS

MEXICAN STOCK EXCHANGE

Index

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2004

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-09

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

- FROM **JANUARY 01** TO **DECEMBER 31, 2004** & **2003** -

(Thousand Pesos)

Judged information

Final printing

REF C	CONCEPTS	QUARTER OF PRESENT FINANCIAL YEAR	QUARTER OF PREVIOUS FINANCIAL YEAR
		Amount	Amount
1	NET INCOME	27,835,326	23,614,906
2	ADD (DEDUCT) ITEMS NOT REQUIRING THE USE OF RESOURCES	20,348,233	22,598,642
3	CASH FLOW FROM NET INCOME FOR THE YEAR	48,183,559	46,213,548
4	CASH FLOW FROM CHANGES IN WORKING CAPITAL	12,761,591	(18,583,990)
5	RESOURCES PROVIDED BY OPERATING ACTIVITIES	60,945,150	27,629,558

6	CASH FLOW FROM OUTSIDE FINANCING	(1,017,397)	(92,161)
7	CASH FLOW FROM OWN FINANCING	(14,723,221)	(20,044,823)
8	RESOURCES PROVIDED BY FINANCING ACTIVITIES	(15,740,618)	(20,136,984)
9	RESOURCES PROVIDED BY INVESTMENT ACTIVITIES	(35,423,176)	(10,728,226)
10	NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	9,781,356	(3,235,652)
11	CASH AND SHORT-TERM INVESTMENTS AT THE BEGINNING OF PERIOD	10,717,647	13,953,299
12	CASH AND SHORT-TERM INVESTMENTS AT THE END OF PERIOD	20,499,003	10,717,647

MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2004

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-10

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

- **BREAKDOWN OF MAIN CONCEPTS** -

(Thousand Pesos)

Judged information

Final printing

REF C	CONCEPTS	QUARTER OF PRESENT FINANCIAL YEAR	QUARTER OF PREVIOUS FINANCIAL YEAR
		Amount	Amount
2		20,348,233	22,598,642

	ADD (DEDUCT) ITEMS NOT REQUIRING THE USE OF RESOURCES		
13	(+)DEPRECIATION AND AMORTIZATION FOR THE YEAR	22,947,443	21,767,427
14	+(-) NET INCREASE (DECREASE) IN PENSIONS FUND AND SENIORITY PREMIUMS	0	0
15	+(-) NET LOSS (PROFIT) IN MONEY EXCHANGE	0	0
16	+(-) NET LOSS (PROFIT) IN ASSETS AND LIABILITIES ACTUALIZATION	0	0
17	+(-) OTHER ITEMS	0	0
40	(+) OHTER ITMES NOT CONSIDERED FOR EBITDA CALCULATION	(2,599,210)	831,215
4	CASH FLOW FROM CHANGES IN WORKING CAPITAL	12,761,591	(18,583,990)
18	+(-) DECREASE (INCREASE) IN ACCOUNT RECEIVABLE	86,113	1,163,833
19	+(-) DECREASE (INCREASE) IN INVENTORIES	(321,168)	284,775
20	+(-) DECREASE (INCREASE) IN OTHER ACCOUNT RECEIVABLE AND OTHER ASSETS	4,647,925	(14,020,701)
21	+(-) INCREASE (DECREASE) IN SUPPLIERS ACCOUNT	0	0
22	+(-) INCREASE (DECREASE) IN OTHER LIABILITIES	8,348,721	(6,011,897)
6	CASH FLOW FROM OUTSIDE FINANCING	(1,017,397)	(92,161)
23	+ SHORT-TERM BANK FINANCING AND DEBT SECURITIES	47,685,539	37,301,415
24	+ LONG-TERM BANK FINANCING AND DEBT SECURITIES	377,782	0
25	+ DIVIDEND RECEIVED	0	0
26	+ OTHER FINANCING	0	1,958,880
27	(-) BANK FINANCING AMORTIZATION	(36,197,499)	(38,281,911)
28	(-) DEBT SECURITIES AMORTIZATION	(5,910,626)	(1,070,545)
29	(-) OTHER FINANCING AMORTIZATION	(6,972,593)	0
7	CASH FLOW FROM OWN FINANCING	(14,723,221)	(20,044,823)
30		(1,126,182)	(1,157,984)

	+(-) INCREASE (DECREASE) IN CAPITAL STOCK		
31	(-) DIVIDENS PAID	(8,144,246)	(8,018,201)
32	+ PREMIUM ON SALE OF SHARES	6,748,415	0
33	+ CONTRIBUTION FOR FUTURE CAPITAL INCREASES	(12,201,208)	(10,868,638)
9	RESOURCES PROVIDED BY INVESTMENT ACTIVITIES	(35,423,176)	(10,728,226)
34	+(-) DECREASE (INCREASE) IN STOCK INVESTMENTS OF PERMANENT NATURE	(12,736,615)	(39,701)
35	(-) ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT	(18,885,802)	(11,653,246)
36	(-) INCREASE IN CONSTRUCTIONS IN PROCESS	0	0
37	+ SALE OF OTHER PERMANENT INVESTMENTS	0	0
38	+ SALE OF TANGIBLE FIXED ASSETS	0	0
39	+(-) OTHER ITEMS	(3,800,759)	964,721

MEXICAN STOCK EXCHANGE

Index

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2004

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FI-01

RATIOS

- CONSOLIDATED INFORMATION -

(Thousand Pesos)

Judged information

Final printing

REF P	CONCEPTS	QUARTER OF PRESENT FINANCIAL YEAR		QUARTER OF PREVIOUS FINANCIAL YEAR	
	YIELD				
1	NET INCOME TO OPERATING REVENUES	20.05	%	19.21	%
2	NET INCOME TO STOCKHOLDERS' EQUITY (**)	29.29	%	28.19	%
3	NET INCOME TO TOTAL ASSETS (**)	10.99	%	12.09	%
4	CASH DIVIDENDS TO PREVIOUS YEAR NET INCOME	34.49	%	37.46	%
5	INCOME DUE TO MONETARY POSITION TO NET INCOME	10.24	%	7.36	%
	ACTIVITY				
6	OPERATING REVENUES TO TOTAL ASSETS (**)	0.55	times	0.63	times
7	OPERATING REVENUES TO FIXED ASSETS (**)	0.91	times	0.97	times
8	INVENTORIES ROTATION (**)	53.87	times	66.63	times
9	ACCOUNTS RECEIVABLE IN DAYS OF SALES	55	days	45	days
10	INTEREST PAID TO TOTAL LIABILITIES WITH COST (**)	7.08	%	8.39	%
	LEVERAGE				
11	TOTAL LIABILITIES TO TOTAL ASSETS	57.43	%	57.12	%
12	TOTAL LIABILITIES TO STOCKHOLDERS' EQUITY	1.35	times	1.33	times
13	FOREIGN CURRENCY LIABILITIES TO TOTAL LIABILITIES	55.88	%	56.48	%
14	LONG-TERM LIABILITIES TO FIXED ASSETS	50.56	%	39.99	%
15	OPERATING INCOME TO INTEREST EXPENSE	6.84	times	6.90	times
16	OPERATING REVENUES TO TOTAL LIABILITIES (**)	0.95	times	1.10	times
	LIQUIDITY				
17	CURRENT ASSETS TO CURRENT LIABILITIES	1.24	times	1.06	times
18	CURRENT ASSETS LESS INVENTORY TO CURRENT LIABILITIES	1.21	times	1.04	times
19	CURRENT ASSETS TO TOTAL LIABILITIES	0.42	times	0.37	times
20	AVAILABLE ASSETS TO CURRENT LIABILITIES	42.00	%	27.36	%
	STATEMENT OF CHANGES IN FINANCIAL POSITION				
21	CASH FLOW FROM NET INCOME TO OPERATING REVENUES	34.71	%	37.60	%
22	CASH FLOW FROM CHANGES IN WORKING CAPITAL TO OPERATING REVENUES	9.19	%	(15.12)	%

23	RESOURCES PROVIDED BY OPERATING ACTIVITIES TO INTEREST EXPENSES	9.55	times	4.56	times
24	OUTSIDE FINANCING TO RESOURCES PROVIDED BY FINANCING ACTIVITIES	6.46	%	0.46	%
25	OWN FINANCING TO RESOURCES PROVIDED BY FINANCING ACTIVITIES	93.54	%	99.54	%
26	ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT TO RESOURCES PROVIDED BY INVESTMENT ACTIVITIES	53.31	%	108.62	%
(**)	INFORMATION OF THE PAST TWELVE MONTHS				

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

FI-02

DATA PER SHARE

- **CONSOLIDATED INFORMATION** -

(Thousand Pesos)

Judged information

Final printing

REF D	CONCEPTS	QUARTER OF PRESENT FINANCIAL YEAR		QUARTER OF PREVIOUS FINANCIAL YEAR	
		Amount		Amount	
1	BASIC INCOME PER ORDINARY SHARE (**)	2.33	$	1.95	$
2	BASIC INCOME PER PREFERENT SHARE (**)	0.00	$	0.00	$
3	INCOME PER DILUTED SHARE (**)	0.00	$	0.00	$

4	INCOME FROM CONTINUOUS OPERATIONS PER ORDINARY SHARE (**)	2.33	$	1.95	$
5	EFFECT OF DISCONTINUOUS OPERATIONS ON INCOME FROM CONTINUOS OPERATIONS PER ORDINARY SHARE (**)	0.00	$	0.00	$
6	EFFECT OF EXTRAORDINARY INCOME ON INCOME FROM CONTINOUS OPERATIONS PER ORDINARY SHARE (**)	0.00	$	0.00	$
7	EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES ON INCOME FROM CONTINOUS OPERATIONS PER ORDINARY SHARE (**)	0.00	$	0.00	$
8	CARRYING VALUE PER SHARE	7.93	$	6.92	$
9	ACUMULATED CASH DIVIDEND PER SHARE	0.69	$	0.66	$
10	SHARE DIVIDENDS PER SHARE	0.00	shares	0.00	shares
11	MARKET PRICE TO CARRYING VALUE	2.49	times	2.71	times
12	MARKET PRICE TO BASIC INCOME PER ORDINARY SHARE (**)	8.48	times	9.61	times
13	MARKET PRICE TO BASIC INCOME PER PREFERENT SHARE (**)	0.00	times	0.00	times
(**)	INFORMATION OF THE PAST TWELVE MONTHS				

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 1

CHIEF EXECUTIVE OFFICER REPORT

Judged information

Consolidated

Final printing

Fourth Quarter 2004

Mexico City, February 3, 2005.

Consolidated Financial Results

(in 2004, the results of the subsidiaries in Latin America are consolidated)

- In the fourth quarter, revenues increased 28.5% and 12.9% for the full year
- EBITDA increased 8.7% in the quarter and 4.8% for the twelve months
- Operating income increased 10.7% compared with the fourth quarter of 2003 and 4.5% for the full year
- Earnings per share in the fourth quarter were $0.88 pesos and $1.56 dollars per ADR

Revenues

: At December 31, revenues for Telefonos de Mexico and its subsidiaries in Mexico and Latin America rose to 40,801 million pesos, an increase of 28.5% compared with the same period of 2003. For the twelve months, revenues increased 12.9%, totaling 138,802 million pesos.

Costs and Expenses:

Operating costs and expenses totaled 28,448 million pesos, 38.2% higher than the fourth quarter of the previous year. For the twelve months, operating costs and expenses increased 17.3%, totaling 95,146 million pesos.

EBITDA and Operating Income:

EBITDA rose to 18,384 million pesos in the fourth quarter, 8.7% higher than the same period of 2003 and the EBITDA margin was 45.1%. Operating income totaled 12,353 million pesos, an increase of 10.7%, and the margin was 30.3% in the quarter. For the twelve months, EBITDA and operating income totaled 66,603 million pesos and 43,656 million pesos, reflecting increases of 4.8% and 4.5%, respectively. The EBITDA margin was 48.0% and the operating margin was 31.5%.

Comprehensive Financing Cost (Product):

Comprehensive financing cost was positive by 1,186 million pesos in the quarter. This result was due to a net interest charge of 624 million pesos, partially offset by an exchange gain of 463 million pesos resulting from the 1.3% appreciation of the peso to the US dollar (11.2648 pesos per dollar in 4Q04 vs. 11.4106 pesos per dollar in 3Q04) and the 7.1% appreciation of the Brazilian real to the US dollar (2.6544 reais per dollar in 4Q04 vs. 2.8586 reais per dollar in 3Q04), as well as for a monetary gain of 1,347 million pesos. At December 31, comprehensive financing cost was 521 million pesos, 88.3% lower than the same period of 2003.

In the fourth quarter, a credit of deferred taxes of 2,485 million pesos was charged due to the recognition of the annual gradual reduction of the income tax rate since January 2005.

Net Income:

Net income rose to 10,427 million pesos in the fourth quarter, 77.5% higher than the same period of the previous year that was mainly due to the effect of the credit of 2,485 million pesos related to deferred taxes as well as for the variation of the comprehensive financing cost of 2,564 million pesos. For the twelve months, net income totaled 27,497 million pesos, 16.4% higher than the same period of 2003. The minority interest, primarily reflecting the 66.4% minority ownership in Embratel, was 315 million pesos. Earnings per share for the fourth quarter, based on the number of shares outstanding at period end, were 0.88 pesos, and earnings per ADR were 1.56 dollars.

Debt:

Debt rose 30.8% to 7.993 billion dollars compared with 6.112 billion dollars at December 31, 2003 due to the consolidation of Embratel's debt of 1.219 billion dollars, to the syndicated bank loan that TELMEX obtained in July 2004 and the amortization of liabilities. Of total debt, 14.7% is short-term, 85.1% is in foreign currency (40.9% considering hedges), and 39.7% carries a fixed rate (53.4% considering interest rate swaps). At December 31, 2004, TELMEX carried out interest rate swaps for 12,390 million pesos, producing a new fixed rate of 9.2%, and currency hedges for 3.536 billion dollars, of which 91.1% is related to hedges of pesos to dollars and 8.9% to hedges of reais to dollars.

Of debt especially related to TELMEX Mexico, 6.2% is short-term, 88.5% is foreign denominated (40.7% considering hedges), and 39.8% carries a fixed rate (56.1% considering interest rate swaps). In the case of Embratel, 61.0% of its debt is short-term, 68.4% is foreign denominated (42.4% considering hedges) and 37.6% of the total has fixed rates.

Total Investment:

At December 31, total investment was 1.635 billion dollars, of which 136 million dollars were used for the operations in Latin America.

Dividends:

In December 2004, the quarterly dividend payment of 17 Mexican cents was made. The amount paid was 2,013 million pesos.

Repurchase of Shares

From October 1st to December 31st , 2004 the company repurchased 140.4 million of its own shares outstanding, representing 1.2% of outstanding shares at the beginning of the fourth quarter. From January to December, 709.5 million shares were repurchased.

Net liabilities

In 2004, the company's consolidated net liabilities increased by 1.591 billion dollars. This amount includes 902 million dollars from indebtedness of the Latin American companies

The analysis of net debt in 2004 should consider the capitalization of the convertible bond for 570 million dollars, the acquisition of companies for 1.166 billion dollars, investments in the telecommunications plant for 1.499 billion dollars in Mexico and 136 million dollars in Latin America, as well as the repurchase of the company's own shares for 1.150 billion dollars and dividend payments for the equivalent of 721 million dollars.

On January 27, 2005 the company sold two series of senior notes in aggregate amount of 1.3 billion dollars in two tranches of 650 million dollars each. One series maturing in 2010 and bearing interest of 4.75% and the other series maturing in 2015 and bearing interest at 5.50%.

Lines in service

Net line gain for the quarter was 355,798 as a result of 590,389 connections and 234,591 disconnections. At December 31st, there were 17,172,278 lines in service, an annual increase of 9.5%. Of the additions during the quarter, the prepaid system generated 48.4%, bringing the total of Multifon Hogar lines to 1,187,593, 85.8% more than the previous year and representing 6.9% of lines in service.

In the fourth quarter, digital services attained market penetration of 38.2% of lines in service, 3.2 percentage points higher than the same period of the previous year. At December 31, there were 7,252,166 free voice mails (Buzon TELMEX) in operation, an increase of 35.4% compared with the previous year and representing penetration of 42.2% of lines in service.

Local

During the quarter, 6,583 million local calls were made, an annual decrease of 1.7%. For the full year, total local traffic was 26,782 million calls, 0.6% higher than the same period of 2003.

Interconnection traffic totaled 8,089 million minutes during the quarter, 23.1% more than in the same period of the previous year. For the twelve months, interconnection traffic increased 17.4% compared with the same period of last year, totaling 30,271 million minutes.

Long Distance

In the fourth quarter, DLD traffic totaled 4,190 million minutes, 11.3% higher than the same period of 2003. For the twelve months, DLD traffic totaled 16,700 million minutes, an increase of 8.6% compared with the same period of the previous year.

ILD outgoing minutes increased 6.7%, totaling 413 million minutes. Incoming ILD minutes totaled 1,261 million minutes, 23.8% higher than the same period of 2003. The incoming-outgoing ratio was 3.1 compared with 2.6 last year. For the full year, ILD outgoing minutes totaled 1,676 million and incoming 4,580 million, providing increases of 7.9% and 54.8%, respectively, compared with the same period of 2003.

Corporate Networks

In the corporate data transmission market, 340,453 line equivalents were added during the fourth quarter, an annual increase of 45.2%, bringing the total to 3,327,293 line equivalents for data transmission at the end of December.

Internet

At December 31, Internet access accounts - both dial-up and broadband - rose to 1,741,296, an increase of 19.9% compared with the same period of the previous year. From October to December, 104,281 ADSL customers were added to the Prodigy Infinitum service. For the full year, there were 560,293 Prodigy Infinitum accounts in operation, 212.5% more than the same period of 2003.

Internet dial-up customers totaled 1,167,278 at year-end. Prodigy Hogar customers (paying for the service on a per minute basis), had 59,737 accounts.

Revenues:

In the fourth quarter of 2004, total revenues from operations in Mexico totaled 31,560 million pesos, 0.6% lower than the same period of the previous year. For the twelve months, revenues for Mexico totaled 123,076 million pesos, an annual increase of 0.1%.

- **Local**

: Revenues decreased 3.1%. Line increases were offset by the lack of growth in local traffic, producing a reduction in real terms in revenue per line. For the twelve months, these revenues decreased 1.1% compared with the same period of the previous year.

- **DLD**

: Revenues decreased 6.1% in the fourth quarter due to the reduction of the rate per minute in real terms, which was not offset by higher traffic volume. For the twelve months, the decrease was 8.5%.

- **ILD**

: Revenues increased 0.6% compared with the fourth quarter of 2003 due to the reduction of the rate per minute in real terms, partially offset by growth of international settlement due to more incoming traffic. For the twelve months, these revenues decreased 0.4%.

- **Interconnection**

: Revenues increased 1.5% in the quarter as a result of higher traffic originated by long distance and cellular operators. For the twelve months, interconnection revenues increased 1.4% compared with the same period of 2003.

- **Data transmission**
  : Revenues related to data transmission services increased 13.6% in the fourth quarter due to the increase in the number of broadband users (Infinitum). For the twelve months, these revenues increased 13.9%.

- Other:

Other revenues decreased 3.8% in the fourth quarter due to lower revenues from advertising in yellow pages. For the twelve months, these revenues increased 3.3%.

Costs and expenses:

Costs and expenses totaled 19,670 million pesos in the fourth quarter, a decrease of 4.5% compared with the same period of 2003. For the twelve months, operating costs and expenses in Mexico totaled 79,761 million pesos, a decrease of 1.7% compared with the previous year.

- Cost of sales and services:

  The cost of sales and services increased 6.8% due to higher expenses originated by the expansion of the telephone plant and expenses related to maintenance of the data network. For the twelve months, these costs increased 1.1%.

- Commercial, administrative and general expenses:

  Commercial, administrative and general expenses decreased 2.7% in the quarter due to lower advertising expenses, commission payments and insurance savings. For the twelve months, these expenses decreased 0.7% compared with the previous year.

- Transport and interconnection:

  Transport and interconnection costs decreased 1.7% compared with the fourth quarter of the previous year, due to the decrease of termination traffic in the cellular network from Calling Party Pays that is the main component of this item. For the twelve months, these expenses increased 0.3%.

- Depreciation and Amortization:

Depreciation and amortization decreased 21.3% due to the appreciation of the peso to the US dollar compared with the third quarter of 2004 and inflation increased 5.2% for the full year. The company's depreciation policy is based on the guidelines established in the fifth document as amended of Bulletin B-10 of the Mexican Institute of Public Accountants.

EBITDA and Operating Income:

EBITDA and operating income totaled 16,423 million pesos and 11,890 million pesos, respectively, reflecting a decrease of 2.9% in EBITDA and an increase of 6.6% in operating income compared with 2003. In the quarter, the EBITDA margin decreased 1.3 percentage points and the operating margin increased 2.6 percentage points, reaching 52.0% and 37.7%, respectively.

For the full year, the EBITDA margin was 51.6%, similar to the previous year and totaled 63,502 million pesos, 0.1% lower than in 2003. The operating margin increased 1.2 percentage points to 35.2%, reflecting operating income of 43,315 million pesos, 3.7% higher than in 2003.

International Operations

Results based on Continuing Operations

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

The figures of the results include the adjustments by registered valuation since the acquisition date, that are considered in goodwill in TELMEX's Consolidated Financial Statements.

Brazil

Revenues from the operations in Brazil during the fourth quarter totaled 1,895.4 million reais, 1.0 lower than in 2003, of which 64% was related to long distance, mainly from Embratel, that decreased 7.8% in the quarter and 24% to data transmission services that increased 2.1%. Revenues from local services increased 82.7% compared with the fourth quarter of 2003 due to the incorporation of Vesper. Costs and expenses were 1,832.7 million reais in the fourth quarter, 6.2% higher than in 2003. Transport and termination of traffic represented 47% of total costs and expenses that decreased 2.6% in the quarter. In Embratel contingencies for 214 million reais were recognized related to labor, civil and fiscal contingencies. Additionally, At year-end, the probable contingencies balance was 477 million reais compared with a balance of 74 million reais last year. Also, income before income tax decreased 65 million reais due to other charges and credits related to the agreements with telecommunications operators, Brasil Telecom and Telemar, the impairment of Vesper's telephone plant and an adjustment in the pension fund of the company. Specifically, depreciation of TELMEX Brasil was due to an impairment of the value of the telephone plant of 200.7 million reais. This charge was reflected in the income statement below the operating profit line. Operating income in the quarter was 62.6 million reais producing an operating margin of 3.3%. EBITDA for the quarter was 346.4 million reais, 29.2% lower than the same period of 2003, representing a margin of 18.3%.

Argentina

Revenues from the operations in Argentina during the fourth quarter totaled 70.0 million Argentinean pesos, 26.8% higher than in 2003. Specifically, the data business increased 23.0%; the voice business increased 12.1%. Operating costs and expenses increased 3.0% and totaled 71.0 million Argentinean pesos in the quarter. In particular, depreciation in the quarter decreased 44.5% due to an impairment of the value of the telephone plant of 289.4 million Argentinean pesos. This charge was reflected in the income statement below the operating profit line. In the quarter, there was an operating loss of 1.0 million Argentinean pesos. EBITDA for the quarter was 9.3 million Argentinean pesos, 92.9% higher than the same period of 2003 producing a margin of 13.2%.

Chile

Revenues from the operations in Chile during the fourth quarter totaled 14,730.6 million Chilean pesos, 0.4% higher than the previous year. The data business increased 18.0%, that partially offset the decrease of 1.2% of local revenues. Costs and expenses were 16,020.5 million Chilean pesos in the quarter, 16.6% lower than in 2003 of which transport and interconnection increased 10.0%, partially offset by a valuation of 43.0% in depreciation in the quarter and affected the value of the telephone plant which decreased 39,090.4 million Chilean pesos. This valuation was registered in TELMEX Chile Holdings, S.A. balance sheet that is a TELMEX subsidiary. The loss in operating income was 1,289.9 million Chilean pesos in the fourth quarter that compares with an operating loss of 4,536.1 million Chilean pesos last year. EBITDA totaled 1,169.3 million Chilean pesos with a margin of 7.9% in the quarter.

Colombia

Revenues from these operations during the fourth quarter totaled 22,159.0 million Colombian pesos, 12.8% higher than in 2003. Costs and expenses were 20,014.2 million Colombian pesos, 10.7% lower than in 2003, of which 27% was related to transport and interconnection that increased 1.9%. Depreciation in the quarter decreased 27.6% as a result of a lower valuation in the value of the telephone plant, which decreased 20,153.6 million Colombian pesos.

Colombian Accounting Principles indicate that this reduction must be faced, in the case that it exists, against the surplus in the valuation of the asset. In the case of TELMEX Colombia, this criteria was observed. Commercial, administrative and general expenses decreased 16.0% compared with the fourth quarter of the previous year. Operating income for the quarter totaled 2,144.8 million Colombian pesos compared with an operating loss of 2,768.8 million Colombian pesos in the same period of last year. The operating margin was 9.7%. EBITDA totaled 7,895.8 million Colombian pesos in the quarter, 52.7% more than the same period of last year producing a margin of 35.6%.

Peru

Revenues from operations in Peru during the fourth quarter totaled 38.3 million new soles, 3.2% higher than the previous year. The voice business increased 8.8%. Costs and expenses in the quarter increased 38.8% due to the increase of 35.7% in transport and interconnection costs, as well as for higher depreciation charges. The telephone plant was reduced in 21.8 million new soles due to the valuation of depreciation. According to Peruvian Accounting Principles, the effect of this valuation had a non-recurring impact in depreciation of the period that increased 118.1% in the quarter. The operating loss was 20.8 million new soles. If the extraordinary charge was eliminated, operating income would have been 1 million new soles. EBITDA totaled 9.0 million new soles producing a margin of 23.6%.

Annex 1

Based on Condition 7-5 of the Amendments of the Concession Title, the commitment to present the accounting separation of the local and long distance services is presented below for 2003 and 2004.

Local Service Business Mexico

Income Statements (Millions of Mexican constant pesos as of December 2004)	4Q2004	4Q2003	% yoy	12 months 2004	12 months 2003	% yoy
Revenues						
Access, rent and measured service	13,525	13,984	(3.3)	55,825	56,510	(1.2)
Recovery of LADA special projects	69	532	(87.0)	1,786	2,026	(11.8)
LADA interconnection	1,069	1,007	6.2	4,318	3,834	12.6
Interconnection with operators	352	328	7.3	1,437	1,119	28.4

Interconnection with cellular	4,312	4,271	1.0	17,283	17,357	(0.4)
Other	2,228	2,414	(7.7)	8,899	9,094	(2.1)
Total	21,555	22,536	(4.4)	89,548	89,940	(0.4)
Costs and expenses						
Cost of sales and services	5,671	5,086	11.5	21,057	19,709	6.8
Commercial, administrative and general	3,315	3,478	(4.7)	14,821	14,993	(1.1)
Interconnection	3,163	3,198	(1.1)	12,936	12,910	0.2
Depreciation and amortization	3,043	4,003	(24.0)	13,523	14,797	(8.6)
Total	15,192	15,765	(3.6)	62,337	62,409	(0.1)
Operating income	6,363	6,771	(6.0)	27,211	27,531	(1.2)
EBITDA	9,406	10,774	(12.7)	40,734	42,328	(3.8)
EBITDA Margin (%)	43.6	47.8	(4.2)	45.5	47.1	(1.6)
Operating Margin (%)	29.5	30.0	(0.5)	30.4	30.6	(0.2)

Long Distance Business Mexico

Income Statements (Millions of Mexican constant pesos as of December 2004)	4Q2004	4Q2003	% Inc.	12 months 2004	12 months 2003	% Inc.
Revenues						

Domestic long distance	4,068	4,312	(5.7)	16,396	18,013	(9.0)
International long distance	2,244	2,109	6.4	7,930	7,772	2.0
Total	6,312	6,421	(1.7)	24,326	25,785	(5.7)
Costs and expenses						
Cost of sales and services	1,112	1,046	6.3	4,593	4,756	(3.4)
Commercial, administrative and general	1,399	1,464	(4.4)	4,933	5,288	(6.7)
Interconnection to the local network	939	942	(0.3)	3,871	3,654	5.9
Cost of LADA special projects	54	494	(89.1)	1,588	1,916	(17.1)
Depreciation and amortization	596	661	(9.8)	2,776	2,931	(5.3)
Total	4,100	4,607	(11.0)	17,761	18,545	(4.2)
Operating income	2,212	1,814	21.9	6,565	7,240	(9.3)
EBITDA	2,808	2,475	13.5	9,341	10,171	(8.2)
EBITDA Margin (%)	44.5	38.5	6.0	38.4	39.4	(1.0)
Operating Margin (%)	35.0	28.3	6.7	27.0	28.1	(1.1)

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2004

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousand Pesos)

Judged information

Consolidated

Final printing

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1. Description of the business and significant accounting policies

I. Description of business

Teléfonos de México, S.A. de C.V. and its subsidiaries (collectively "the Company" or "TELMEX") provide telecommunications services, primarily in Mexico. However, as a result of a number of business acquisitions throughout Latin America, starting in 2004, the Company also provides its services in Argentina, Brazil, Chile, Colombia and Peru.

TELMEX obtains its revenues primarily from telecommunications services, including, among others, domestic and international long-distance and local telephone services, data transmission and internet services, and the interconnection of the subscribers with cellular networks, as well as the interconnection of domestic long-distance operators', cellular telephone companies' and local service operators' networks with the TELMEX local network. The Company also obtains revenues from other activities related to its telephone operations, such as the sale of advertising in the published telephone directory and the sale of telephone equipment.

An analysis of the principal subsidiaries and associated companies of TELMEX at December 31, 2004 and 2003 is as follows:

		Equity investment at December 31 ,	
Company	Country	2004	2003
Subsidiaries:			
Controladora de Servicios de			
Telecomunicaciones, S.A. de C.V.	Mexico	100.0	100.0
Alquiladora de Casas, S.A. de C.V.	Mexico	100.0	100.0
Anuncios en Directorios, S.A. de C.V.	Mexico	100.0	100.0
Cía. de Teléfonos y Bienes Raíces, S.A. de C.V.	Mexico	100.0	100.0
Consorcio Red Uno, S.A. de C.V.	Mexico	100.0	100.0
Teléfonos del Noroeste, S.A. de C.V.	Mexico	100.0	100.0
Uninet, S.A. de C.V.	Mexico	100.0	100.0
Latam Telecomunicaciones LLC	U.S.A.	100.0	100.0
Embratel Participacoes S.A	Brazil	90.3	
Empresa Brasileira de Telecomunicações S.A.	Brazil	90.3[1]	
Star One S.A.	Brazil	72.2[2]	
Telmex do Brasil Ltda.	Brazil	100.0	

Telmex Chile Holding S.A.	Chile	100.0	
Telmex Corp (previously Chilesat Corp S.A.)	Chile	99.3	
Techtel LMDS Comunicaciones			
Interactivas, S.A.	Argentina	83.4	
Telmex Argentina S.A.	Argentina	100.0	
Metrored Telecomunicaciones S.R.L.	Argentina	83.4	
Telmex Colombia S.A.	Colombia	100.0	
Telmex Perú S.A.	Perú	100.0	

Corresponds to controlling interests

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Indirect controlling interest

1. Description of the business and significant accounting policies (continued)

	Country	Equity investment at December 31, 2004	Equity investment at December 31, 2003
Associated companies:			
Grupo Telvista, S.A. de C.V.	Mexico	45.0	45.0

Technology and Internet LLC	U.S.A.	50.0	50.0

The amended Mexican government concession under which the Company operates was signed on August 10, 1990. The concession runs through the year 2026, but it may be renewed for an additional period of fifteen years. The concession defines, among other things, the quality standards for telephone service and establishes the basis for regulating rates.

Under this concession, the Company's basic telephone service rates are subject to a ceiling determined by the Federal Telecommunications Commission (COFETEL). During the last four years, TELMEX management decided not to raise its rates for basic services.

Empresa Brasileira de Telecomunicações S.A. (Embratel) provides domestic and international long-distance services, which include voice and data transmission, and Star One S.A. (Star One), a subsidiary of Embratel, provides satellite services. Both companies operate under two separate concessions granted by the Brazilian federal government via the Brazilian Telecommunications Agency (Anatel). Both concessions expire in December 31, 2005. Embratel's concession for domestic and international long-distance services may be renewed for an additional 20 years and Star One's concession for satellite use may be renewed for an additional 15 years, subject to certain restrictions. In June 2003, Anatel announced the general terms and conditions under which the licenses will be renewed. Both companies formally notified Anatel of their approval of such terms and conditions and expressed their intention to renew the concessions. The companies have not yet received renewals on the agreements, though management is certain that such concessions will be renewed subject to certain rules.

The rest of the countries operate under concessions and government licenses.

II. Significant accounting policies

The accompanying consolidated financial statements were prepared in conformity with accounting principles generally accepted in Mexico. The significant accounting policies and practices followed in the preparation of the financial statements are described below:

2.

1. Description of the business and significant accounting policies (continued)

a) Consolidation and basis of translation of financial statements of foreign subsidiaries

The consolidated financial statements include the accounts of Teléfonos de México, S.A. de C.V. and subsidiaries (see Note 1). All the companies operate in the telecommunications sector or they provide services to companies operating in this sector.

All significant intercompany accounts and transactions have been eliminated in consolidation. Minority interest refers to certain foreign subsidiaries.

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

The financial statements as reported by the subsidiaries abroad were adjusted to conform to accounting principles accepted in Mexico. Such conversion includes, among other areas, the recognition of the effects of inflation as required by Mexican accounting Bulletin B-10, using restatement factors of each country.

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

Translation differences are included in the caption *Effect of translation of foreign entities* and are included in stockholders' equity as part of the caption *other comprehensive income items*.

b) Recognition of revenues

Revenues are recognized as they accrue and are subject to management's estimates at the date of the financial statements to the accompanying financial statements.

Local service revenues are derived from new-line installation charges, monthly service fees, measured usage charges based on the number of calls made, and other service charges to subscribers. Local service revenues also include measured usage charges based on the number of minutes in the case of prepayment plans.

b) Recognition of revenues (continued)

Revenues from domestic and international long-distance telephone services are determined on the basis of the duration of the calls and the type of service used. All these services are billed monthly, based on the rates authorized by the relevant regulatory bodies of each country. International long-distance service revenues also include the revenues earned under agreements with foreign telephone service providers or operators for the use of facilities in interconnecting international calls. These agreements specify the rates for the use of such international interconnecting facilities. These service revenues represent the net settlement between the parties and include costs of Ps. 1,212,960 and Ps. 1,677,282 in 2004 and 2003, respectively.

Interconnection service revenues include charges for interconnecting fixed-system users with cellular users, as well as the interconnection of domestic long-distance operations, cellular telephone companies and local service operations networks with the Telmex local network.

Revenues from the sale of prepaid telephone service cards are recognized based on an estimate of the usage of time covered by the prepaid card. Revenues from corporate networks are those related to data transmission services. Revenues form prepaid internet plans are recorded as the service is provided.

c) Recognition of the effects of inflation on financial information

The Company recognizes the effects of inflation on financial information as required by Bulletin B-10, *Accounting Recognition of the Effects of Inflation on Financial Information*, issued by the Mexican Institute of Public Accountants (MIPA). Consequently, the amounts shown in the accompanying financial statements and in these notes are expressed in thousands of constant Mexican pesos as of December 31, 2004. The restatement factor applied to the financial statements for the year ended December 31, 2003 was 1.0519 corresponding to the percentage inflation for the period January 1 through December 31, 2004 based on the Mexican National Consumer Price Index (NCPI) published by Banco de México (the Central Bank).

Plant, property and equipment and construction in progress were restated as described in Note 4. Telephone plant and equipment are mainly depreciated using the straight-line method based on the estimated useful lives of the related assets (see Note 4 d).

Inventories for the operation of the telephone plant are valued at average cost and are restated on the basis of specific indexes. The restated value of inventories is similar to replacement value, not in excess of market.

Other non-monetary assets were restated using adjustment factors obtained from the NCPI.

1. Description of the business and significant accounting policies (continued)

c) Recognition of the effects of inflation on financial information (continued)

Capital stock, premium on sale of shares, and retained earnings were restated using adjustment factors obtained from the NCPI.

Other accumulated comprehensive income items includes the deficit from restatement of stockholders' equity, which consists of the accumulated monetary position loss at the time the provisions of Bulletin B-10 were first applied, which was Ps. 13,591,715, and of the result from holding non-monetary assets, which represents the net difference between restatement by the specific indexation method (see Note 4) and restatement based on the NCPI. This item is included in stockholders' equity as part of the caption *Other comprehensive income items*.

The net monetary gain of each year is included in the statements of income as a part of the comprehensive financing cost. The net monetary gain represents the effect of inflation on monetary assets and liabilities.

Bulletin B-12, *Statement of Changes in Financial Position*, specifies the appropriate presentation of the statement of changes in financial position based on financial statements restated in constant pesos. Bulletin B-12 identifies the sources and applications of resources representing differences between beginning and ending financial statement balances in constant pesos. In accordance with this bulletin, monetary and foreign exchange gains and losses are not treated as non-cash items in the determination of resources provided by operations.

d) Cash equivalents, marketable securities and instruments available for sale

Cash equivalents consist basically of time deposits in financial institutions with original maturities of 90 days or less.

Marketable securities are represented by equity securities and corporate bonds for trading and instrument available for sale. Both are stated at market value. Change in the fair value of instruments classified as available for sale are included in comprehensive income caption of stockholders' equity through the time they are sold (see paragraph t).

e) Hedging instruments

To protect itself against fluctuations in interest and exchange rates, the Company uses derivatives including interest-rate swaps and short-term currency exchange hedges. The determined gains or losses on these transactions are credited or charged to income using the accrual method, net of the gains or losses on the related liabilities covered, as required by Bulleting C-2, *Financial Instrument*, issued by the MIPA (see Note 8).

5.

1. Description of the business and significant accounting policies (continued)

f) Allowance for doubtful accounts

The Company's policy with respect to the allowance for doubtful accounts is basically to provide for accounts receivable more than 90 days old.

g) Equity investments in affiliates

The investment in shares of affiliates is valued using the equity method. This accounting method consists basically of recognizing the investor's equity interest in the results of operations and in the stockholders' equity of investees at the time such results are determined (see Note 6).

h) Goodwill

Goodwill represents the excess purchase price paid for shares of acquired companies over the fair value of the acquired net assets. Goodwill is being amortized using the straight-line method over periods of from 5 to 20 years (see paragraph t).

i) Impairment of assets

Effective January 1, 2004, the Company adopted the requirements of Bulletin C-15, *Accounting for the Impairment or Disposal of Long-lived Assets*, issued by the MIPA in March 2003.

Such Bulletin C-15 establishes that if there are any indications of impairment in the value of long-lived assets, the related loss should be determined based on the recovery value of the related assets, which is defined as the difference between the assets' fair value and its carrying amount. An impairment loss is recognized if the net carrying amount of the assets exceeds the recovery value.

The application of this new pronouncement had no material effect on the Company's financial position or on its results of operations.

j) Exchange differences

Transactions in foreign currencies are recorded at the prevailing exchange rate at the time of the related transactions. Foreign currency denominated assets and liabilities are translated at the prevailing exchange rate at the balance sheet date. Exchange rate differences are charged or credited to income of the year.

k) Labor obligations

Pension, seniority premiums and medical assistance costs are recognized periodically during the years of service of personnel, based on actuarial computations made by independent actuaries, using the projected unit-credit method (see

Note 7). Termination payments are charged to income in the year in which the decision to dismiss an employee is made.

1. Description of the business and significant accounting policies (continued)

l) Liability provisions

Bulletin C-9, *Liabilities, Provisions, Contingent Assets and Liabilities and Commitments* issued by the MIPA went into effect on January 1, 2003. This Bulletin establishes the rules for valuing, presenting and disclosing both liabilities and provisions. This pronouncement also establishes the specific rules for valuing and disclosing contingent assets and liabilities. It includes also the rules for disclosing commitments contracted by the Company in its day-to-day activities.

The initial accumulated effect of applying this accounting pronouncement and of creating the provision for vacations represented a charge to retained earnings at the beginning of 2003 of Ps. 748,489 (net of deferred taxes).

m) Income tax and employee profit sharing

The Company recognizes deferred taxes using the liability method. Under this method, deferred taxes are recognized on virtually all temporary differences in balance sheet accounts for financial and tax reporting purposes, using the enacted income tax rate at the time the financial statements are issued or the income tax rate that will be in force at the time the temporary differences giving rise to deferred tax assets and liabilities are expected to reverse.

The Company evaluates periodically the possibility of recovering deferred tax assets and, if necessary, creates a valuation allowance for those assets that are unlikely to be recovered.

Deferred employee profit sharing is provided on temporary non-recurring differences with a known turnaround time.

n) Comprehensive income

In conformity with Bulletin B-4, *Comprehensive Income,* issued by the MIPA, comprehensive income consists of current year net income plus the effects of deferred taxes, labor obligations, the translation of financial statements of foreign entities, minority interest, the result from holding non-monetary assets and changes in the value of instruments classified as available for sale applied directly to stockholders' equity.

o) Earnings per share

The Company determined earnings per share by dividing net income majority interest by the weighted average number of shares issued and outstanding during the period. The diluted earnings per share was determined by adjusting earnings per share for the effect of the shares that may be delivered (potentially dilutive shares) (see Note 15), as specified in Mexican accounting Bulletin B-14, *Earnings per share*.

7.

1. Description of the business and significant accounting policies (continued)

p) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions in certain areas. Actual results could differ from those estimates.

q) Concentration of risk

The Company invests a portion of its surplus cash in cash deposits in financial institutions with strong credit ratings. TELMEX does not believe it has significant concentrations of credit risks in its accounts receivable because it has a broad and geographically diverse customer base.

r) Segment information

Segment information is prepared based on information used by the Company in its decision making processes based on the services provided and the geographical areas in which TELMEX operates, in conformity with the requirements of Mexican accounting Bulletin B-5, *Financial Information by Segment* (see Note 18).

s) Financial instruments with characteristics of liabilities, equity or both

Requirements of Bulletin C-12, *Accounting for Certain Financial Instruments with Characteristics of liabilities, equity or both*, issued by the MIPA went into effect on January 1, 2004. The objective of Bulletin C-12 is to specify the differences between liabilities and equity. This Bulletin C-12 also establishes the rules for classifying and valuing the initial recognition of the components of liabilities and equity of combined financial instruments, as well as the rules for disclosing information about such instruments. The application of this new accounting pronouncement on the Company's convertible debt resulted in no change in the accounting treatment given such instruments (see Note 8).

t) New accounting pronouncements

The new accounting pronouncements which go into effect in 2005, are as follows:

Business acquisitions

In May 2004, the MIPA issued Mexican accounting Bulletin B-7, *Business Acquisitions*. The observance of Bulletin B-7 is compulsory for fiscal years beginning on or after January 1, 2005, although earlier observance is recommended. This Bulletin addresses the financial accounting and reporting for business and entity acquisitions and requires that all business combinations be accounted for using the purchase method. It also eliminates the option of amortizing goodwill and provides specific rules related to the acquisition of minority interest and to the transfer of net assets or exchange of equity interests between entities under common control.

1. Description of the business and significant accounting policies (concluded)

t) New accounting pronouncements (continued)

Management believes that the adoption of this accounting pronouncement will give rise to a decrease in the Company's operating expenses for 2005 of approximately Ps. 200,000, derived from the proscribed amortization of goodwill.

Financial instruments

In April 2004, the MIPA amended Mexican accounting Bulletin C-2, *Financial Instruments*. The amendments establish changes in the rules for valuing instruments classified as *available-for-sale* at their fair value and, unlike the previous Bulletin C-2, require the disclosure of such instruments at fair value in stockholders' equity. The amended Bulletin C-2 also provides the requirements and rules for the accounting treatment of transfers between financial asset categories. The amendments are also more precise in establishing the guidelines for the accounting treatment to be given to impairment in the fair value of financial instruments. Furthermore, the amended bulletin requires that such instruments be classified as either short-term or long-term and clarifies the rules for presenting in the statement of changes in financial position changes associated with the purchase, sale and maturity of financial instruments. Finally, the amendments broaden the disclosure rules established under Bulletin C-2.

The observance of this pronouncement is compulsory for fiscal years beginning on or after January 1, 2005, although earlier observance is recommended. The Company has adopted the requirements of this new accounting pronouncement, which gave rise to a charge to stockholders' equity, as part of comprehensive income, of Ps. 1,104,876.

Financial instruments derived from hedging activities

In April 2004, the MIPA issued Bulletin C-10, *Accounting for Derivative Instruments and Hedging Activities*. The observance of this pronouncement is compulsory for fiscal years beginning on or after January 1, 2005, although earlier observance is recommended. Bulletin C-10 establishes the defining characteristics that financial instruments must have to be considered derivatives, as well as the conditions that must be met for specifically designating derivatives as hedges. Bulletin C-10 also provides guidelines for assessing the effectiveness of hedging derivatives and the rules for their valuation and the accounting for changes in their fair value. Management does not believe the adoption of this new accounting requirement will have a material effect on the Company's financial position or on its results of operations.

9.

1. Description of the business and significant accounting policies (continued)

t) New accounting pronouncements (continued)

Labor Obligations

In January 2004, the MIPA issued the revised accounting Bulletin D-3, *Labor Obligations*. The revised bulletin establishes the overall rules for the valuation, presentation and disclosure of so-called other post-retirement benefits and the reduction and early extinguishment of such benefits, thus nullifying the provisions of Circular 50. Bulletin D-3 also provides rules applicable to *Employee termination pay*. The observance of these new rules is compulsory for fiscal years beginning on or after January 1, 2005. Management does not believe the adoption of this new accounting requirement will have a material effect on the Company's financial position or on its results of operations.

u) Reclassifications

Certain amounts shown in the 2003 financial statements as originally issued have been reclassified for uniformity of presentation with 2004.

2. Marketable Securities and Instruments Available for Sale

An analysis of the Company's investments in financial instruments at December 31, 2004 and 2003 is as follows:

	At December 31, 2004		At December 31, 2003	
	Cost	Market Value	Cost	Market value
Marketable Securities				
Shares	Ps.N19,894	Ps.J09,633	Ps.J,056,195	Ps.O31,712
Corporate bonds	N0,262	I17,839	L,975,478	O,005,689
	N80,156	K27,472	O,031,673	O,737,401
Instruments available for sale				
MCI shares	N,923,149	M,818,273		
Total	Ps.O,603,305	Ps.N,145,745	Ps.O,031,673	Ps.O,737,401

Marketable securities

On April 21, 2004, the Company converted US$ 597.9 million (market value) in bonds issued by MCI Inc. (MCI) (nominal value of US$ 1,759 million) to 25.6 million common MCI shares, which were classified as available for sale.

MCI is a U.S.-based telecommunications company that recently emerged from Chapter 11 proceedings under the U.S. bankruptcy code.

2. Marketable Securities and Instruments Available for Sale (continued)

At December 31, 2004, the net unrealized loss on marketable securities was Ps. 352,684 (a net unrealized gain of Ps. 705,728 in 2003). In 2004, the conversion of MCI bonds gave rise to a realized gain of Ps. 2,015,880, which corresponds to the difference between the original cost and the market value of the bonds at the time of their conversion. The realized loss on the sale of shares in 2004 was Ps. 1,389,454 (Ps. 690,476 in 2003).

Instruments available for sale

At December 31, 2004, the Company held 25.6 million MCI shares. The unrealized loss on instruments available for sale in 2004 was Ps. 1,104,876, which was recognized as a charge to stockholders' equity in comprehensive income. In 2004, TELMEX received dividends from MCI in the amount of US$ 20.5 million. At February 28, 2005, the market value of this investment is Ps. 6,467,082.

In January and February 2005, MCI received purchase proposals from both Verizon Communications, Inc. and Qwest Communications International, Inc. The stockholders of MCI are in the process of evaluating both proposals.

Subsequent event

On April 9, 2005 TELMEX and other related entities have entered into an agreement to sell to Verizon Communications, Inc (Verizon) the shares of MCI, Inc (MCI) that they hold. The sale agreement provides that Verizon will pay US$25.72 in cash per share of MCI common stock. The consummation of the sale is subject to customary closing conditions, including the receipt of regulatory approval.

In addition, these selling shareholders also have the right to receive from Verizon a complementary cash payment to the extent the trading value of Verizon'z common stock is greater than US$35.52 during a measurement period ending immediately prior to the first anniversary of the date of the sale agreement.

3. Accounts Receivable

Accounts receivable consist of the following:

	2004	2003
Subscribers	Ps.K5,929,186	Ps.I9,983,933
Net settlement receivables	J,480,476	O38,036
Related parties	L88,364	L33,466
Other	J,919,019	I,610,118
	L1,817,045	J2,765,553
Less:		
Allowance for doubtful accounts	I1,398,188	J,306,642
Total	Ps.K0,418,857	Ps.J0,458,911

11.

An analysis of activity in the allowance for doubtful accounts in the years ended December 31, 2004 and 2003 is as follows:

	2004	2003
Beginning balance at January 1	Ps.J,306,642	Ps.J,027,023
Effect of acquired companies	9,470,123	
Increase through charge to expenses	I,852,483	I,017,606
Increase through charge to other accounts	J84,236	L26,710
Charges to allowance	(J,515,296)	(I,164,697)
Ending balance at December 31	Ps.I1,398,188	Ps.J,306,642

4. Plant, Property and Equipment

a) Plant, property and equipment consist of the following:

	2004	2003
Telephone plant and equipment	Ps. K17,434,811	Ps. J53,978,311

Land and buildings	L1,168,685	K0,403,586
Computer equipment and other assets	M3,748,474	K1,230,756
	L12,351,970	K15,612,653
Less:		
Accumulated depreciation	J64,166,228	I89,156,079
Net	I48,185,742	I26,456,574
Construction in progress and advances to equipment suppliers	K,803,038	888,410
Total	Ps. I51,988,780	Ps. I27,344,984

Included in plant, property and equipment are the following assets held under capital leases:

	2004	2003
Assets under capital leases	Ps. L,178,863	Ps. L,462,735
Less accumulated depreciation	I,473,849	I,119,498
	Ps. J,705,014	Ps. K,343,237

b) Through December 31, 1996, items comprising the telephone plant were restated based on the acquisition date and cost, applying the factors derived from the specific indexes determined by the Company and validated by an independent appraiser registered with the National Banking and Securities Commission (NBSC).

Effective January 1, 1997, Bulletin B-10 eliminated the use of appraisals to present plant, property and equipment in the financial statements. This caption was restated at December 31, 2004 and 2003 in each different country, as follows:

- The December 31, 1996 appraised value of the imported telephone plant, as well as the cost of subsequent additions to such plant, were restated based on the rate of inflation in the respective country of origin and the prevailing exchange rate at the balance sheet date (specific indexation factors).

4. Plant, Property and Equipment (conclude)

- The appraised value of land, buildings and other fixed assets of domestic origin at December 31, 1996, and the cost of subsequent additions to such assets were restated based on the NCPI.

At December 31, 2004, approximately 61% (57% in 2003) of the value of the plant, property and equipment has been restated using specific indexation factors.

c) Following are the plant, property and equipment amounts at December 31, 2004 and 2003, restated on the basis of the 2004 NCPI (starting with the appraised values at December 31, 1996) to meet NBSC disclosure requirements with respect to the restatement of fixed assets based on specific indexation factors:

	2004	2003
Telephone plant and equipment	Ps.K56,327,094	Ps. J84,034,275
Land and buildings	L1,168,685	K0,403,586
Computer equipment and other assets	M7,604,185	K3,194,910
	L55,099,964	K47,632,771
Less:		
Accumulated depreciation	K01,335,591	J18,239,664
Net	I53,764,373	I29,393,107
Construction in progress and advances to equipment suppliers	K,799,602	887,378
Total	Ps.I57,563,975	Ps. I30,280,485

Depreciation of the telephone plant has been calculated at annual rates ranging from 3.3% to 16.7%. The rest of the Company's assets are depreciated at rates ranging from 3.3% to 33.3%. Depreciation charged to costs and expenses was Ps. 22,602,381 in 2004 and Ps. 21,561,390 in 2003.

5. Licenses

An analysis of licenses and amortization as of December 31, 2004 and 2003 is as follows:

	2004	2003
Investment	Ps.K,575,429	Ps. 862,231

Accumulated amortization	K82,268	J44,836
Net	Ps.K,193,161	Ps.N17,395

In May 1998, TELMEX acquired from the Mexican Government concessions to operate radio spectrum wave frequency bands to provide fixed wireless telephone services at a cost of Ps. 663,572. In December 1997, the Company also acquired from the Mexican Government concessions to operate radio spectrum wave frequency bands for point-to-point and point-to-multipoint microwave communications at a cost of Ps. 198,659. These costs are being amortized over a period of twenty years.

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5. Licenses (conclude)

Amortization expense in each year was Ps. 43,112.

In 2004, as a result of the Company's acquisition of foreign entities, TELMEX acquired software licenses and license for use of point to point and point to multi-point links, which are being amortized in periods from 5 to 29 years. Amortization expense for these licenses for 2004 was Ps. 89,777.

An analysis of changes in this item during 2004 is as follows:

	Balance at January 1 2004	Effect of acquired companies	Changes for the year	Balance at December 31 2004
Investment	Ps. 862,231	Ps.J,579,514	Ps. I33,684	Ps. K,575,429
Accumulated amortization	J44,836		I37,432	K82,268
Net	Ps.N17,395	Ps.J,579,514	Ps. (K,748)	Ps. K,193,161

6. Equity Investments

I. Investments in associated companies

a) An analysis of the equity investment in affiliated and other companies at December 31, 2004 and 2003, together with a brief description is as follows:

	2004	2003
Equity investments in:		
Grupo Telvista, S.A. de C.V.	Ps.K85,954	Ps.L49,703
Technology and Internet, LLC	I96,963	J28,989
Other	J10,682	I97,942
	Ps.O93,599	Ps. 876,634

TELMEX holds 45% of the capital stock of Grupo Telvista, S.A. de C.V., whose principal asset is Telvista, Inc. that provides telemarketing services in the U.S.A. In June 2004, the Company made a capital contribution to this company in the amount of Ps. 52,773 so as to maintain its historical percentage equity interest.

TELMEX holds 50% of the capital stock of Technology and Internet, LLC, which has made investments in companies engaged in e-commerce, located basically in the U.S.A. and Latin America.

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6. Equity Investments (continued)

Total equity investments in affiliated companies during 2003 aggregated approximately US$ 3 million, mostly engaged in telecommunications companies. Goodwill generated on these investments was not material.

TELMEX's equity interest in the results of operations of affiliated companies represented a charge to operations of Ps. 114,856 in 2004 (charge of Ps. 187,965 in 2003).

II. Investments in subsidiaries

During 2004, the Company acquired several Latin American subsidiaries. The results of operations of the new subsidiaries were incorporated in the financial statements of TELMEX starting a month later of acquisition date.

All acquisitions were recorded using the purchase method. An analysis of the purchase price of the net assets acquired per company based on fair values is as follows:

	Values at acquisition date						
	Holding companies of Embrapar July 2004	Embrapar December 2004	Chilesat April 2004	Chilesat June 2004	Techtel (1) and Metrored April and June	Assets of ATT February	Total
Current assets	Ps. 13,001,044	Ps. 17,335,254	Ps. 558,005	Ps. 624,787	Ps. 166,381	Ps. 828,402	
Fixed assets	23,235,982	25,121,450	768,529	777,341	438,494	1,914,453	
Licensees		2,326,238			64,135	175,337	
Less:							
Current liabilities	6,641,208	15,287,055	931,344	1,005,394	239,997	380,694	
Long-term liabilities	26,725,817	10,051,806	372,248	378,645	244,964	274,797	
Fair value of net assets acquired	2,870,001	19,444,081	22,942	18,089	184,049	2,262,701	
% of equity acquired	100%	14.31%	40%	59.28%	85.99% (2)	100%	
Net assets acquired	2,870,001	2,782,448	9,177	10,723	158,259	2,262,701	8,093,309
Amount paid	4,505,920	3,059,362	592,663	875,298	1,262,018	2,210,590	12,505,851
Goodwill generated	1,635,919	276,914	583,486	864,575	1,103,759	(52,111)	4,412,542

Less: Goodwill charged to stockholders' equity					562,057		562,057
Goodwill generated, net	1,635,919	276,914	583,486	864,575	541,702	(52,111)	3,850,485
Amortization of the period	32,172	1,149	16,537	21,750	7,029	(11,051)	67,586
Goodwill, net	Ps. 1,603,747	Ps. 275,765	Ps. 566,949	Ps. 842,825	Ps. 534,673	Ps. (41,060)	Ps. 3,782,899

(1) The figures of Techtel are presented at book value.

(2) This is the weighted average of the 80% and 95% equity interest acquired by Techtel and Metrored, respectively.

The Company determined the fair value of fixed assets by means of an appraisal performed by independent experts based on the value in use of each asset.

15.

6. Equity Investments (continued)

Embrapar and Embratel (Brazil)

In July 2004, through an agreement between MCI and TELMEX, the Company acquired for US$400 million all of MCI's direct and indirect holdings in Startel Participações Ltda and New Startel Participações Ltda, the controlling shareholders of Embratel Participações S.A. (Embrapar), representing 51.8% of the voting shares and 19.3% of total outstanding shares of Embrapar. In December 2004 TELMEX, through a public offering of US$ 271.6 million, acquired an additional 14.3% interest in Embrapar, increasing its ownership to 90.3% of the voting shares and to 33.6% of the outstanding shares of Embrapar. Embrapar, in turn, holds 98.8% of the capital stock of Embratel.

In December 2004, the Board of Directors' of Embrapar approved an increase in the company's capital stock of approximately US$ 700 million. Depending on market conditions at the time, TELMEX expects to exercise its right to subscribe the Embrapar shares to which it is entitled in accordance with Brazilian law in an amount ranging from US$ 210 million to US$ 700 million based on the amount subscribed by other investors. TELMEX is under no obligation to buy shares.

Subsequent event

On March 16 and April 8, 2005, TELMEX subscribed US$231.5 million during the initial meeting to increase Embrapar's capital stock, increasing its ownership to 94.9% of the voting shares and 48.6% of the outstanding shares. In addition, TELMEX expects to exercise its right to subscribe the remaining unsubscribed shares in subsequent meetings that will take place during the period from April 15 to May 3; the outcome could increase its equity interest in Embrapar.

Chilesat (Chile)

In April 2004 TELMEX acquired in a private transaction a 40% interest in Chilesat Corp. S.A. (Chilesat) for US$ 47 million. Chilesat provides telecommunications services primarily in Chile. Pursuant to a cash tender offer required by Chilean law, in June 2004 TELMEX purchased for US$ 67 million an additional 59.3% interest, increasing its ownership of Chilesat to 99.3%.

Techtel (Argentina)

In April 2004, TELMEX acquired an 80% equity interest in Techtel LMDS Comunicaciones Interactivas, S.A. and Telstar (Techtel), which provides telecommunication services in Argentina and Uruguay. A 60% equity interest was acquired from América Móvil, S.A. de C.V. (América Móvil) for US$ 75 million, and the remaining 20% equity interest was acquired from Intelec, S.A. for US$ 25 million. Since TELMEX and América Móvil are entities under common control, the excess of the cost over the book value was charged to retained earnings.

16.

6. Equity Investments (continued)

Metrored (Argentina)

In June 2004, TELMEX acquired most of the assets of Metrored, a company engaged in providing telecommunications services in Argentina. The purchase price was
US$ 12 million.

AT&T Latin America Corp. assets (Argentina, Brazil, Chile, Colombia and Peru)

In February 2004, TELMEX acquired most of the assets of AT&T Latin America Corp., a company engaged in providing telecommunications services to companies in Argentina, Brazil, Chile, Colombia and Peru. The purchase price was
US$ 196.3 million.

Net

TELMEX agreed with Globo Comunicações e Participações S.A., Distel Holding S.A. and Roma Participações Ltda. (together, "Globo"), to acquire an equity interest in Net Serviços de Comunicações S.A. ("Net"), which is the largest cable television operator in Brazil. Net is currently engaged in restructuring its debt, on which it ceased making payments in December 2002.

TELMEX and Globo have agreed that, subject to the closing of Net's debt restructuring on specified terms and the satisfaction of other conditions, TELMEX will (a) purchase 49% of the voting interests and all the non-voting interests in GB Empreendimentos e Participações S.A. ("GB"), a special-purpose company that will own 51% of the common shares of Net and (b) purchase additional common or non-voting preferred shares of Net from Globo. These transactions are currently expected to close in March 2005. The total cost of these transactions will be between US$ 250 million and US$ 370 million. The Company's total direct and indirect equity interest in Net will be between 30% and 60%.

Subsequent event

On February 1, 2005, TELMEX purchased from Globo 7.3% of the voting shares of Net for which it paid US$ 20.3 million. On March 21, 2005, the Company completed the transactions, subject to the purchase agreement with Globo, investing US$290.6 million, increasing TELMEX's equity interest to 36.6% of the voting shares and 7.9% of the non-voting preferred shares, which represent 19.6% of the Net outstanding shares at the end of the increasing stockholders equity process, additionally to the indirect interest in common shares of Net, through GB. It was also agreed with Globo the TELMEX would acquired all the shares that would be offered during the increasing stockholders equity process and that would be not subscribed by a third party, by a public offering of o.35 reais per share.

17.

6. Equity Investments (continued)

Pro forma Financial Data

The following pro forma unaudited combined financial data for 2004 and 2003 are based on the Company's historical financial statements, adjusted to give effect to (i) the series of acquisitions mentioned in the preceding paragraphs; and (ii) certain accounting adjustments related to the amortization of goodwill and licenses and adjustments to depreciation of the net fixed assets of the acquired companies.

The pro forma adjustments assume that acquisitions were made at the beginning of 2004 and the immediately preceding year and are based upon available information and other assumptions that management believes are reasonable.

The pro forma financial information data does not purport to represent what the effect on the Company's consolidated operations would have been had the transactions in fact occurred at the beginning of each year, nor are they intended to predict the Company's results of operations.

	Unaudited Pro Forma Combined Financial Data for the years ended December 31	
	2004	2003
Operating revenues	Ps. I59,422,418	Ps. I61,254,582
Net majority income	J7,574,919	J4,004,183
Earnings per share (in Mexican pesos)		
Basic	2.307	1.927
Diluted	2.299	1.875

7. Employee Pensions and Seniority Premiums

Mexico

Substantially all of the Company's employees are covered under defined benefit retirement and seniority premium plans.

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

The Company has set up an irrevocable trust fund and adopted the policy of making annual contributions to such fund, which totaled Ps. 1,649,066 in 2004, and
Ps. 8,410,768 in 2003. These contributions are deductible for Mexican corporate income tax purposes.

The transition liability, past services and variances in assumptions are being amortized over a period of twelve years, which is the estimated average remaining working lifetime of Company employees.

18.

7. Employee Pensions and Seniority Premiums (continued)

The most important information related to labor obligations is as follows:

Analysis of the net period cost:

	2004	2003
Labor cost	Ps.J,511,593	Ps. J,439,654
Financial cost of projected benefit obligation	M,610,044	M,189,241
Projected return on plan assets	(M,781,889)	(L,800,811)
Amortization of past service costs	I,203,609	I,203,609
Amortization of variances in assumptions	O96,623	I,114,195
Net period cost	Ps.L,339,980	Ps. M,145,888

Projected benefit obligation:

	2004	2003
Present value of labor obligations:		
Vested benefit obligations	Ps.L6,653,645	Ps.L1,155,445
Unvested benefit obligations	L5,021,379	K8,653,817
Current benefit obligations	91,675,024	O9,809,262
Effect of salary projection	K,769,906	L,628,360
Projected benefit obligations	Ps. 95,444,930	Ps. 84,437,622

Change in projected benefit obligations:

	2004	2003
Projected benefit obligations at beginning of year	Ps. 84,437,622	Ps. O7,705,293
Labor cost	J,511,593	J,439,654
Financial cost on projected benefit obligations	M,610,044	M,189,241
Actuarial loss	O,703,907	K,475,005
Payments	(L,818,236)	(L,371,571)
Projected benefit obligations at end of year	Ps. 95,444,930	Ps. 84,437,622

Change in plan assets:

	2004	2003
Established fund at beginning of year	Ps. 83,500,760	Ps. N4,827,670
Return on plan assets	M,781,889	L,800,811
Actuarial gain	9,394,134	M,461,511
Contributions to trust fund	I,649,066	8,410,768
Established fund at end of year	Ps.I00,325,849	Ps. 83,500,760

7. Employee Pensions and Seniority Premiums (continued)

Asset for employee pensions and seniority premiums:

	2004	2003
Projected benefits in excess (short of) plan assets	Ps.L,880,919	Ps. (936,862)
Unamortized actuarial loss	I5,614,910	I8,101,760
Transition liability	L,853,673	N,026,108
Past services and changes in plan	J73,099	K04,273
Projected net asset	Ps.J5,622,601	Ps. J3,495,279

At December 31, 2004 and 2003, the market value of the trust fund for pensions and seniority premiums exceeded the current benefit obligation by Ps. 8,650,825 and
Ps. 3,691,498, respectively. In conformity with Mexican accounting Bulletin D-3, *Labor Obligations*, the balance sheets show a net projected asset of Ps. 25,622,601 and
Ps. 23,495,279 in 2004 and 2003, respectively.

-

En 2004, the net actuarial gain of Ps. 1,690,227 was derived primarily from an actuarial gain of Ps. 9,394,134, due to the favorable effect on plan assets of the overall behavior of the Mexican Stock Exchange and the increase in fixed-yield interest rates, as well as and an actuarial loss of Ps. 7,703,907, attributable to the increase in the projected benefit obligation due primarily to the fact that: (i) the number of employees that retired exceeded estimates made at the beginning of the year, (ii) that the Company modified the estimated retirement age based on experience with retiring personnel (iii) and the Company updated the plans mortality rates.

-

In 2003, the net actuarial gain of Ps. 1,986,506 was derived primarily from an actuarial gain of Ps. 5,461,511, due to the favorable effect on plan assets of the overall behavior of the Mexican Stock Exchange, and an actuarial loss of Ps. 3,475,005 attributable to the increase in the projected benefit obligation due primarily to the fact that the number of employees who retired exceeded the estimated number at the beginning of the year.

The rates used in the actuarial studies as of December 31, 2004 and 2003 were as follows:

	2004	2003
	%	%
Discount of labor obligations:		
Long-term average	5.82	5.85

Increase in salaries:		
Long-term average	0.94	0.96
Annual return on fund	6.82	6.84

At December 31, 2004, 55.6% (59.4% in 2003) of plan assets were invested in fixed-income securities and the remaining 44.4% (40.6% in 2003) in variable-yield securities.

20.

7. Employee Pensions and Seniority Premiums (continued)

Brazil

The Company has established a defined benefits pension plan (DBP) and a defined contribution plan (DCP) that covers virtually all of its employees, as well as a medical assistance plan (MAP) for its DBP participants. Liabilities recorded at December 31, 2004 for such plans are as follows:

	2004
Pension plan (DPB)	Ps.I95,038
Medical assistance plan (MAP)	O90,714
Defined contribution plan (DCP)	O38,820
Total	Ps.I,724,572

Pension amounts are determined on the basis of compensations of employees in their final year of employment, their seniority, and their age at the time of retirement. The Company has established funds through Telos - Fundación Embratel de Seguridad Social, an independent entity that manages the fund.

The transition liability for the DPB is being amortized over a period of 20 years, which is the estimated remaining working lifetime of the Company's employees. Variances in assumptions are being amortized over a period of 19 years, which is the expected remaining lifetime of the Company's retired personnel.

Defined benefits and medical assistance plans

An analysis of the net period cost for the five-month period ended December 31, 2004 is as follows:

	DBP	MAP
Labor cost	Ps.J46	Ps.K4
Financial cost of benefit obligations	I93,217	M7,623
Projected return on plan assets	(I94,439)	(I1,327)
Amortization of variances in assumptions	I,226	K,819
Net period cost	Ps.J50	Ps.M0,149

An analysis of the projected benefit obligations and medical assistance plan at December 31, 2004 and 2003 is as follows:

21.

7. Employee Pensions and Seniority Premiums (continued)

	DBP	MAP
Present value of labor obligations:		
Vested benefit obligations	Ps.L,655,303	Ps.I,556,447
Unvested benefit obligations	8,844	N,234
Current benefit obligations	L,664,147	I,562,681
Effect of salary projection		
Projected benefit obligation and obligation under medical assistance plan	Ps.L,664,147	Ps.I,562,681

An analysis of the changes in the projected benefit obligations and medical assistance plan for the five-month period ended December 31, 2004 is as follows:

	DBP	MAP
Projected benefit obligations and medical		

assistance plan at August 1, 2004	Ps.L,465,159	Ps.I,405,210
Labor cost	J46	K4
Financial cost on projected benefit obligations	I93,217	M7,623
Actuarial loss	I79,488	I19,896
Payments	(I73,963)	(J0,082)
Projected benefit obligations and medical assistance plan at end of period	Ps.L,664,147	Ps.I,562,681

An analysis of the changes in plan assets for the five-month period ended December 31, 2004 is as follows

	DBP	MAP
Established fund (balance at August 1, 2004)	Ps.L,893,237	Ps.J55,113
Return on plan assets	I94,439	I1,327
Actuarial gain	O9,160	I,663
Payments from trust fund	(I73,963)	(J0,082)
Established fund at end of period	Ps.L,992,873	Ps.J48,021

An analysis of assets for the pension plan and medical assistance plan at December 31, 2004 is as follows:

7. Employee Pensions and Seniority Premiums (continued)

	DBP	MAP
Plan assets in excess (short of) projected benefit obligations and medical assistance plan	Ps. K28,726	Ps. (I,314,661)
Transition liability	9,430	
Unamortized actuarial loss (gain)	(M33,194)	M23,947

Projected net liability	Ps. (I95,038)	Ps. (O90,714)

-

In 2004, the net actuarial loss of Ps. 100,328 in the DBP and Ps. 118,233 in the MAP is due principally to the actuarial losses of Ps. 179,488 and Ps. 119,896, respectively, attributable to the adjustments for past experience and plan changes and actuarial gains of Ps. 79,160 and Ps. 1,663, respectively, due to the favorable effect on plan assets of the general behavior of fixed-yield instruments.

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The rates used in the actuarial studies were as follows:

	%
Discount of labor obligations:	
Long-term average	11.3
Increase in salaries:	
Long-term average	5.0
Annual return on fund	11.3
Annual inflation	
long-term average	5.0

At December 31, 2004, 77.8% of plan assets are represented by fixed-yield instruments, 13.9% by variable-yield instruments and the remaining 8.3% by other assets.

Defined contribution plan

The unfunded liability represents Embratel's obligation for those participants that migrated from DBP to the DCP. Such liability is being amortized over a period of 20 years starting on January 1, 1999. Any unpaid balance is adjusted monthly based on portfolio asset returns at that date subject to an increase based on the Brazilian consumer price index plus 6 percentage points for the year. At December 31, 2004, the balance of the obligation of the DCP Ps. 738,820.

23.

8. Long-term Debt

a) Long-term debt consists of the following:

	Average weighted interest rates at December 31,		Maturities from **2005 to**	Balance at December 31,	
	2004	2003		2004	2003
Debt denominated in U.S. dollars:					
Consolidated except Embratel:					
Convertible debt		4.2%			Ps. 9,559,635
Bonds	6.7%	6.7%	2008	Ps. 28,162,000	J9,547,871
Banks	3.4%	2.2%	2014	37,332,880	J0,671,408
Suppliers' credits	3.8%	2.1%	2007	224,411	N66,302
Financial leases	4.1%	2.2%	2011	1,183,438	J,162,325
Mexican Government	3.6%	2.0%	2006	51,871	I08,422
Total				66,954,600	N2,715,963
Debt of Embratel denominated in U.S. dollars :					
Bonds	11.0%		2008	3,097,820	
Banks	5.3%		2013	5,519,912	
Suppliers' credits	8.4%		2007	74,054	
Financial leases	13.6%		2006	71,582	
Total debt denominated in U.S. dollars				75,717,968	N2,715,963
Debt denominated in Mexican pesos:					
Domestic senior notes ("Certificados Bursatiles")	9.9%	8.3%	2012	7,450,000	O,836,655
Banks	9.0%	6.3%	2007	1,300,000	I,367,470
Financial leases		6.5%			N10

Total debt denominated in Mexican pesos				8,750,000	9,204,735
Debt denominated in Brazilian reales:					
Banks	15.0%		2008	87,098	
Financial leases	19.7%		2007	12,951	
Commercial paper	18.0%		2005	4,243,821	
Total debt denominated in Brazilian reales				4,343,870	
Debt denominated in other currencies:					
Banks	5.4%		2017	720,248	
Financial leases	8.3%		2027	200,759	
Suppliers' credits	2.0%	2.0%	2022	308,299	321,861
Total debt denominated in other currencies				1,229,306	321,861
Total debt				90,041,144	72,242,559
Less short-term debt and Current portion of long-term Debt excluding Embratel				4,821,023	21,313,598
Embratel				8,373,425	
Long-term debt				Ps. 76,846,696	Ps. 50,928,961

24.

8. Long-term Debt (continued)

The above-mentioned rates are subject to variances in international and local rates and do not include the effect of the Company's agreement to reimburse certain lenders for Mexican taxes withheld. The Company's weighted average cost of borrowed funds at December 31, 2004 (including interest, fees and reimbursement of such lenders for Mexican taxes withheld), excluding Embratel, was approximately 6.3% (6.2% at December 31, 2003), and 7.2% including

Embratel.

Convertible debt

On June 11, 1999, the Company issued US$ 1,000 million in convertible senior debentures that matured on June 15, 2004. During 2004 and 2003, TELMEX repurchased US$ 424.7 million of its convertible debentures, while some investors exercised their rights to convert debentures in the amount of US$ 5 million to 3,417,540 series "L" shares. On the maturity date, the outstanding balance on the debentures was US$ 570.3 million, which was amortized as follows: US$ 569.8 million was converted to 385,285,200 shares at a ratio of 33.8110 ADR's (one ADR equals 20 series "L" shares) per US$ 1 thousand in principal and US$ 0.5 million was repaid in cash. Interest accrued on the debentures was Ps. 748,558 in 2004 (Ps. 731,582 in 2003).

Bonds:

a. On January 26, 2001, TELMEX issued senior notes for US$ 1,000 million, maturing in 2006 and bearing 8.25% annual interest payable semiannually. Additionally, on May 8, 2001, TELMEX issued supplemental senior notes for US$ 500 million with similar characteristics. In 2004, accrued interest on the bonds was Ps. 1,513,187 (Ps. 1,502,756 in 2003).

b. On November 19, 2003, TELMEX issued senior notes for US$ 1,000 million maturing in 2008 and bearing 4.50% annual interest payable semiannually. In 2004, accrued interest on the bonds was Ps. 550,690 (Ps. 90,856 in 2003).

Syndicated loan

On July 15, 2004 the Company entered into syndicated loan agreements for US$ 2,425 million structured into two tranches. The first loan is for US$ 1,525 million, has a three-year maturity and bears interest at the LIBOR plus 0.45%. The second loan is for US$ 900 million, has a five-year maturity and bears interest at the LIBOR plus 0.525%. The balance of these loans is included under Banks (U.S. dollar denominated liabilities).

25.

8. Long-term Debt (continued)

Domestic senior notes

At December 31, 2004, TELMEX has placed domestic senior notes ("Certificados Bursatiles") for a total of Ps. 7,450,000 million under the Ps. 10,000 million program authorized by the National Banking and Securities Commission.

Lines of credit

At December 31, 2004, the Company has long-term lines of credit with certain foreign finance institutions. The unused portion of committed lines of credit at December 31, 2004 totaled approximately Ps. 2,331,100, at a floating interest rate of approximately LIBOR plus 49 basis points at the time of use. At December 31, 2004, Embratel has unused lines of credit in the amount of US$ 143,515 that bear 3.5% interest at the time of use.

Prepaid debt

During 2004, TELMEX prepaid a portion of its debt with a number of financial institutions, excluding the repurchase of convertible bonds, in the amount of approximately US$ 948 million.

In December 2004, Embratel concluded its prepayment of the debt included in its 2003 refinancing program. During the second half of 2004, Embratel prepaid approximately US$ 558 million, thus settling loans bearing annual interest at the LIBOR plus 4% and the ICD (Interbank certificate of deposit) plus 4%. Such loans were paid using proceeds from issuing commercial paper and from other financing obtained during the fourth quarter 2004. The purpose of repaying such loans was to reduce Embratel's cost of financing and release the guarantees provided under the debt refinancing program.

Embratel also repaid early US$ 22 million in other debt not included in the refinancing program that bore annual interest of approximately the LIBOR plus 3.5%.

In November 2004, Embratel issued R$1,000 million in promissory notes (commercial paper) to substitute the local debt agreed on in the 2003 debt refinancing plan. Such notes represent 102.3% of the ICD and have 180-day maturities that may be rolled over for additional 180-day terms. Also, during the last quarter of 2004, Embratel obtained loans in the amount of US$ 165 million with one-year maturities that bear annual interest at the LIBOR plus 1.2%.

Restrictions

The above-mentioned debt is subject to certain restrictive covenants with respect to maintaining certain financial ratios and the sale of assets, among others. At December 31, 2004, the Company has complied with such restrictive covenants.

26.

An analysis of the foreign currency denominated debt at December 31, 2004 is as follows:

	Foreign currency (in thousands)	Exchange rate at December 31, 2004 (in units)	Mexican peso Equivalent
U.S. dollar	N,721,643	Ps.I1.26	Ps. O5,717,968
Brazilian real	I,023,575	L.24	L,343,870
Other currencies			I,229,306
Total			Ps. 81,291,144

Long-term debt maturities at December 31, 2004 are as follows:

Year	Excluding Embratel	Embratel	Total
2006	Ps. I9,217,898	Ps. N99,778	Ps. I9,917,676
2007	J5,137,303	N76,378	J5,813,681
2008	I7,575,082	K,431,674	J1,006,756
2009	N,683,503	I91,101	N,874,604
2010 onward	J,879,185	K54,794	K,233,979
Total	Ps. O1,492,971	Ps. M,353,725	Ps. O6,846,696

Subsequent event

On January 27, 2005, TELMEX made a bond placement of US$ 1,300 million divided into two issuances of US$ 650 million each. The first placement matures in 2010 and bears 4.75% annual interest and the second matures in 2015 and bears 5.50 annual interest. Interest is payable semi-annually. On February 22, such placements were reopened and the bonds issued were increased to US$ 950 and US$ 800 million, respectively.

In January and February 2005, TELMEX repurchased a total of US$ 218.7 million (nominal value) of its own bonds for US$ 1,500 million. Such bonds mature in January 2006. The difference between the repurchase price and the nominal value of the bonds is US$ 10.3 million.

8. Long-term Debt (continued)

Hedges

As part of its currency hedging strategy, the Company (excluding Embratel) uses derivatives to minimize the impact of exchange rate fluctuations on U.S. dollar denominated transactions. During 2004, the Company entered into short-term exchange rate hedges which, at December 31, 2004, cover liabilities of US$ 3,220 million (US$ 585 million in 2003). In 2004, the Company recognized a charge of Ps. 499,679 (credit of Ps. 826,886 in 2003) to results of operations for these hedges corresponding to exchange differences.

To offset its exposure to financial risks, the Company entered into interest-rate swaps. Under these contracts, the Company agreed to receive 182-day "TIIE" interbank rate and the treasury certificate (CETES) rate for contracts in Mexican pesos and to pay fixed rates on the amount determined by applying agreed interest rates to the base amount. The effect of interest-rate swaps was recorded in results of operations.

At December 31, 2004, the Company had interest-rate swaps for a total base amount of Ps. 12,390 million. The Company had interest-rate swaps for a total base amount of US$ 1,050 million paying fixed rates and receiving a six-month LIBOR rate, and of US$ 1,050 million under which it pays a six-month LIBOR rate and receives a fixed rate. At December 31, 2003, the Company had interest-rate swaps for a total base amount of Ps. 12,390 million and US$ 1,200 million. In the year ended December 31, 2004, the Company recognized a net expense for these swaps in comprehensive financing cost of Ps. 418,632 (Ps. 481,054 in 2003). Additionally, in 2003 the Company replaced some of its Mexican peso-denominated hedges, recognizing a charge to comprehensive financing cost of Ps. 1,012,210.

The subsidiary Embratel also uses financial instruments with banks (swaps and forwards) to minimize the effects of exchange rate fluctuations on the Brazilian real due to foreign currency denominated loans and interest. Such hedges cover the amounts of Brazilian real necessary to pay exchange rate fluctuations on foreign currency denominated liabilities. At December 31, 2004, the Company paid liabilities of US$ 323.9 million. Under these contracts, Embratel recognized during the period from August through December 2004 a charge of Ps. 767,817 corresponding to exchange differences.

9. Deferred Credits

Deferred credits consist of the following at December 31, 2004 and 2003:

	2004	2003

Advance billings	Ps.I,912,632	Ps.I,236,327
Advances from subscribers and others	I54,433	I01,102
Total	Ps.J,067,065	Ps.I,337,429

28.

10. Accounts Payable

An analysis is as follows:

	December 31	
	2004	2003
Suppliers	Ps.I2,424,874	Ps.N,602,325
Sundry creditors	J,739,192	I,345,098
Link services	O15,960	I1,164
Related parties	I,842,524	I,739,970
Other	J72,166	J11,291
	Ps.I7,994,716	Ps. 9,909,848

11. Foreign Currency Position and Transactions

a) At December 31, 2004 and 2003, the Company had the following foreign-currency denominated assets and liabilities:

	Foreign currency in million			
		Exchange rate		Exchange rate
	2004	at December 31, 2004	2003	at December 31, 2003
Assets:				
U.S. dollar	I,305	Ps. I1.26	I,252	Ps. I1.24

Argentinean peso	I07	K.79		
Brazilian real	K,060	L.24		
Chilean peso	J0,168	H.02		
Colombian peso	I0,433	H.0047		
Peruvian sol	80	K.43		
Liabilities:				
U.S. dollar	O,485	Ps. I1.26	M,434	Ps. I1.24
Argentinean peso	N2	K.79		
Brazilian real	K,512	L.24		
Chilean peso	K3,733	H.02		
Colombian peso	I3,277	H.0047		
Peruvian sol	I1	K.43		
Euro	N1	I4.17	J3	Ps. I4.16

29.

11. Foreign Currency Position and Transactions (continued)

At February 28, 2005, exchange rates are as follows:

Currency	Exchange rate (Ps.)
U.S. dollar	11.10
Argentinean peso	3.78
Brazilian real	4.21
Chilean peso	0.02
Colombian peso	0.0048
Peruvian sol	3.41
Euro	14.72

b) In the years ended December 31, 2004 and 2003, TELMEX had the following transactions denominated in foreign currencies. Currencies other than the U.S. dollar were translated to U.S. dollars using the average exchange rate for the year.

	Million of dollars	
	2004	2003
Net revenues	U.S.$I,623	U.S.$J11
Operating costs and expenses	I,353	I06
Interest income	O0	
Interest expense	L09	K61

12. Commitments and Contingencies

Commitments

a) The Company leases certain equipment used in its operations under capital leases. At December 31, 2004, the Company had the following commitments under non-cancelable leases:

Year ended December 31,	
2005	Ps. 972,637
2006	K62,186
2007	K3,372
2008	K2,216
2009	K2,089
2010 and thereafter onward	J40,605
Total	I,673,105
Less interest	J04,375
Present value of minimum net rental payments	I,468,730
Less current portion	921,836
Long-term obligation at December 31, 2004	Ps.M46,894

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12. Commitments and Contingencies (continued)

b) At December 31, 2004, the Company has non-cancelable commitments of Ps. 9,389,669 (Ps. 8,764,530 in 2003) for the purchase of equipment. Payments made under purchase agreements aggregated Ps. 9,059,660 in 2004 and Ps. 3,944,213 in 2003.

c) At December 31, 2004 the Company has outstanding letters of credit for approximately Ps. 122,436 (Ps. 167,000 in 2003), issued to foreign suppliers for purchase of materials and supplies.

Contingencies Mexico

d) In February 1998, the Federal Commission of Economic Competition (COFECO) determined that Teléfonos de México, S.A. de C.V. has substantial power in what it referred to as five telecommunications markets so that, in conformity with Article 63 of the Federal Telecommunications Act, COFETEL may impose specific obligations with respect to rates charged and quality of services and information.

The Company's external lawyers who are handling this matter are of the opinion that this finding is unjustified. Consequently, Teléfonos de México, S.A. de C.V. filed an appeal in the Federal District Court and obtained protection and shelter under Mexican Federal law. In September 2004, COFECO handed down a new ruling supporting the findings with respect to the substantial power that Teléfonos de México, S.A. de C.V. exercises over five telecommunications markets. Teléfonos de México, S.A. de C.V. filed an appeal in the Federal District Court. In October 2004, such appeal was admitted by the court and the final ruling is still pending.

As a result, the COFECO has initiated other proceedings against Teléfonos de México, S.A. de C.V. that have also being appealed.

e) In December 1995, a competitor that provides cellular telephone services reported Teléfonos de México, S.A. de C.V. to the COFECO for alleged monopolistic practices and undue concentration.

In July 2001, the COFECO ruled that Teléfonos de México, S.A. de C.V. was responsible for monopolistic practices and undue concentration. Teléfonos de México, S.A. de C.V. filed an appeal for reconsideration against the ruling, but the appeal was declared unfounded and the ruling confirmed.

The respective defense against the confirmation of the ruling has been presented before the Federal Court of Justice for Tax and Administrative Matters.

31.

12. Commitments and Contingencies (continued)

f) The Mexican Social Security Institute (IMSS) audited Teléfonos de México, S.A. de C.V. for the 1997-2001 period. At the conclusion of the audit, it was determined that Teléfonos de México, S.A. de C.V. owed a total of approximately Ps. 330 million (historical amount) in both taxes, fines, surcharges and restatements at July 2, 2003. Teléfonos de México, S.A. de C.V. filed an appeal before the Federal Court of Justice for Tax and Administrative Matters, and in accordance with Mexican laws, by means of a bank trust guaranteed payment of such tax liability through July 1, 2005. The Company's external lawyers who are handling this matter are of the opinion that although the Company's appeal is well founded, there is no guarantee that it will prevail.

Contingencies of Embratel and Star One

Brazilian value-added goods and services tax (ICMS)

The subsidiary Embratel received a number of fines for non-payment of ICMS for services provided, including international services and others, considered by the subsidiary Embratel as partially or entirely exempt or nontaxable. Amounts of approximately Ps. 368,000 are considered as probable losses in the cases and were duly provided for in the subsidiary's financial statements. Amounts considered as corresponding to claims in which the lawyer's consider Embratel will prevail are approximately Ps. 3,793,000. As a result, such amount have not been provided for.

In July 2002, the subsidiary Star One received two assessments by the tax authorities in the state of Rio de Janeiro for payment of ICMS in the amount of approximately
Ps. 1,001,000. These assessments refer to the ICMS tax on internet and satellite use. In March 2004, Star One was required to pay approximately Ps. 84,000 in the Brazilian Federal District for ICMS not paid on satellite use and other obligations. Based on management's and the lawyers' estimates, Star One faces little risk of losing these above-mentioned suits and consequently, has not provided for such amounts in its financial statements.

The Company's external lawyers who are handling this matter are of the opinion that although the Company's case is well founded, there is no guarantee that it will prevail.

32.

12. Commitments and Contingencies (continued)

Income Tax on Inbound International Income

Based on its legal advisors' opinion, the subsidiary Embratel believes that the foreign operating income from telecommunications services (inbound traffic) is not subject to taxation. In connection with this matter, in late March 1999, the Brazilian Federal Tax Agency (SRF) assessed the subsidiary in the amount of Ps. 1,219,000 approximately for failing to pay the related income tax for the years 1996 and 1997. Embratel appealed to the Taxpayers' Council against this decision, which is still pending.

In June 1999, the subsidiary Embratel was further assessed for nonpayment of income tax on net foreign source income for 1998 amounting to approximately Ps. 273,000.

As a result of an unfavorable ruling of the administrative defense contesting this assessment, the Company requested a writ of mandamus, which was initially rejected by the court. However, such ruling was subsequently modified so as to reflect a favorable decision for Embratel. Based on the opinion of the subsidiary's management and its legal advisors, who consider the probability of loss as unlikely, the related amounts of the suits have not been provided for.

The Company's external lawyers who are handling this matter are of the opinion that although the Company's case is well founded, there is no guarantee that it will prevail.

Brazilian Social Welfare Tax on Service Exports (PIS)

In August 2001, Embratel received a tax claim from the Brazilian Federal Revenue Service (SRF) totaling approximately Ps. 675,000 for payment of the PIS prior to 1995, which had been offset in accordance with Brazilian tax law. Based on the facts and arguments provided, and also on the opinion of the Company's external lawyers, Embratel's management considers the probability of a loss and no provision was recorded in the financial statements for this matter. The Company's external lawyers who are handling this matter are of the opinion that although the Company's case is well founded, there is no guarantee that it will prevail.

Brazilian Finance Tax for Service Export Security Tax (COFINS)

There is also a claim against Embratel amounting approximately Ps. 1,451,000 related to the COFINS exemption on the exportation of telecommunication services for revenues through the end of 1999. According to management, there were several errors in the computation of this tax made by the government auditor and, consequently, such amount was later reduced to approximately Ps. 934,000. Embratel appealed the case in the highest administrative court and in July 2003, a ruling was issued requiring the claim to be returned to the first administrative level. A final decision was made by the first administrative level and the remaining restated amount is approximately Ps. 1,004,000.

33.

12. Commitments and Contingencies (continued)

Based on the facts and arguments provided, and also on the opinion of the Company's external lawyers, Embratel's management considers the probability of a loss in this case as unlikely. Accordingly, no provision was recorded in the financial statements for this matter.

The Company's external lawyers who are handling this matter are of the opinion that although the Company's case is well founded, there is no guarantee that it will prevail.

Disputes with third parties

Certain cases are in an advanced stage of the litigation process and, according to Embratel's external lawyers, the subsidiary stands a chance of losing at least some of the cases; consequently, Ps. 700,060 (restated) has been provided for possible unfavorable rulings. For other litigation totaling Ps. 62,809, Embratel provided guarantee deposits of Ps. 45,982. According to the Company's external lawyers, although the Company's arguments in this case are well-grounded, there is no guarantee of a favorable outcome.

13. Related Parties

In the years ended December 31, 2004 and 2003, the Company had the following significant transactions with related parties:

	2004	2003
Investment and expenses		
Purchase of materials, inventories and fixed assets (1)	Ps.M,885,234	Ps.L,028,643
Acquisition of 60% of Techtel	874,580	
Payment of insurance premiums and fees for administrative and operating services, security trading and others (2)	K,156,263	K,999,089
Payment of CPP interconnection fees (3)	I0,318,946	9,510,571
Revenues		
Sale of materials and other services (4)	989,070	N85,776
Sale of long distance and other telecommunications services (5)	L,318,212	K,577,668

(1) In, 2004 includes Ps. 3,792,497 (Ps. 2,490,625 in 2003) for fiber optic and satellite network services with a subsidiary of the Condumex group.

34.

13. Related Parties (continued)

(2) In 2004, includes Ps. 828,172 (Ps. 817,320 in 2003) for insurance premiums with Seguros Inbursa, S.A., which, in turn, provides reinsurance to most of its third parties, and Ps. 128,506 (Ps. 140,119 in 2003) for security trading fees paid to Inversora Bursátil, S.A. as well as Ps. 334,083 (Ps. 344,734 in 2003) for fees paid for administrative and operating services to technology partners.

(3) Interconnection expenses under the "Calling Party Pays" program (CPP); outgoing calls from a fixed lined telephone to a cellular telephone paid to a subsidiary of América Móvil.

(4) Includes Ps. 243,304 in 2004 (Ps. 130,791 in 2003) from the sale of construction materials to a subsidiary of the Condumex group.

(5) Revenues from billings an América Móvil's subsidiaries.

At December 31, 2004, TELMEX had amounts due to a subsidiary of the Condumex group and a subsidiary of América Móvil of Ps. 138,688 and Ps. 990,353, respectively (Ps. 271,567 and Ps. 868,961 in 2003). Embratel had a loan from a subsidiary of Grupo Financiero Inbursa for Ps. 563,240.

TELMEX purchases materials and services from several subsidiaries of Grupo Carso, S.A. de C.V. and América Móvil, S.A. de C.V. Additionally, Grupo Financiero Inbursa, S.A. de C.V. and subsidiaries provide banking and insurance services to TELMEX. Contracted prices of materials and considerations for services are similar to those that would be used with unrelated parties in comparable transactions.

The companies mentioned in this note are considered to be related parties, since the Company's principal stockholders also directly or indirectly hold a percentage equity interest in such companies.

14. Provisions

The following are the main provisions for the Company, wich are included as part of the caption Accrued liabilities.

The activity in provisions for other contractual employee benefits for the years ended December 31, 2004 and 2003 was as follows:

	2004	2003
Beginning balance at January 1	Ps. 934,413	Ps. I,136,345
Effect of acquired companies	I36,943	
Increase through charge to expenses	K,365,827	K,339,111
Charges to provision	(K,281,625)	(K,541,043)
Ending balance at December 31	Ps. I,155,558	Ps. 934,413

35.

14. Provisions (continued)

The activity in the provision for vacations for the years ended December 31, 2004 and 2003 was as follows:

	2004	2003
Beginning balance at January 1	Ps. I,095,700	
Effect of acquired companies	K17,290	
Increase through charge to expenses	I,556,507	Ps. I,448,972
Increase through charge to other accounts		I,095,700
Charges to provision	(I,547,817)	(I,448,972)
Ending balance at December 31	Ps. I,421,680	Ps. I,095,700

The activity in provisions for Embratel's contingencies for the period from August through December 2004, is as follows:

	2004

Balance at the date of purchase	Ps.J,024,691
Increase through charge to expenses	O8,167
Charges to provision	(O7,430)
Ending balance at December 31	Ps.J,025,428

15. Stockholders' Equity

a) At December 31, 2004, capital stock is represented by 11,832 million common shares issued and outstanding with no par value, representing the Company's fixed capital (12,109 million in 2003). An analysis is as follows:

	2004	2003
4,063 million Series "AA" shares (4,136 in 2003)	Ps.I4,476,409	Ps.I4,736,706
252 million Series "A" shares (265 in 2003)	I,052,998	I,104,545
7,517 million Series "L" shares with limited voting rights (7,708 in 2003)	I2,472,411	I3,286,749
Total	Ps.J8,001,818	Ps.J9,128,000

Series "AA" shares, which may be subscribed only by Mexican individuals and corporate entities, must represent at all times no less than 20% of capital stock and no less than 51% of the common shares. Common Series "A" shares, which may be freely subscribed, must account for no more than 19.6% of capital stock and no more than 49% of the common shares. Series "AA" and "A" shares combined may not represent more than 51% of capital stock. The combined number of Series "L" shares, which have limited voting rights and may be freely subscribed, and Series "A" shares may not exceed 80% of capital stock.

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15. Stockholders' Equity (continued)

b) In 1994, TELMEX initiated a program to purchase its own shares. A charge is made to retained earnings for the excess cost of the shares purchased over the percentage of capital stock represented by the shares acquired.

At meetings held on November 30, 2004, March 1, 2004 and April 29, 2003, the stockholders approved an increase of Ps. 8,000,000, Ps. 12,000,000 and Ps. 7,601,474 (historical), respectively, in the total authorized historical amount to be used by the Company to acquire its own shares, bringing the total maximum amount to be used for this purpose to Ps. 9,384,119, Ps. 12,001,362 and Ps. 10,000,000 (historical), respectively.

During 2004, the Company acquired 707.8 million Series "L" shares for Ps. 13,860,547 (historical cost of Ps. 13,482,173) and 1.7 million Series "A" shares for Ps. 33,036 (historical cost of Ps. 32,134).

During 2003, the Company acquired 668.3 million Series "L" shares for Ps. 12,007,515 (historical cost of Ps. 11,197,226) and 3.9 million Series "A" shares for Ps. 70,720 (historical cost of Ps. 65,805).

c) In conformity with the Mexican Corporations Act, at least 5% of net income of the year must be appropriated to increase the legal reserve. This practice must be continued each year until the legal reserve reaches at least 20% of capital stock issued and outstanding.

d) In 2004, as a result of the maturity of the convertible senior debentures, the Company issued 388.7 million Series "L" shares (see Note 8).

e) Earnings per share are obtained by dividing net income for the year by the average weighted number of shares issued and outstanding during the period. To determine the average weighted number of shares issued and outstanding, the shares held by the Company have been excluded from the computation.

The diluted earnings per share were determined considering the effect of the shares that may be delivered (potentially dilutive shares) as a result of the convertible senior debentures described in Note 8 and of the stock options described in Note 17. The computation was made by decreasing net income for the year, by comprehensive financing costs, net of income tax and employee profit sharing derived from the convertible debentures. The adjusted income was divided by the average weighted number of shares issued and outstanding, taking into account the number of potentially dilutive shares.

An analysis is as follows:

	2004	2003
Earnings per basic share:		
Net majority income	Ps.J7,496,601	Ps.J3,614,906
Weighted average number of shares issued and outstanding (millions)	I1,953	I2,454
Earnings per basic share (in pesos)	Ps.J.300	Ps.I.896
Earnings per diluted share:		
Net majority income	Ps.J7,496,601	Ps.J3,614,906
Comprehensive financing cost (net of income tax and employee profit sharing)	L80,406	M59,020
Adjusted income	Ps.J7,977,007	Ps.J4,173,926
Weighted average number of shares issued and outstanding (millions)	I1,953	I2,454
Add:		
Potentially dilutive shares	J49	N47
Weighted average number of diluted shares issued and outstanding (millions)	I2,202	I3,101
Earnings per diluted share (in pesos)	Ps.J.293	Ps.I.845

f) At December 31, 2004, other accumulated comprehensive income items include the deficit from the restatement of stockholders' equity, net of deferred taxes, effect of securities available for sale and effect of translation of foreign entities of
Ps.(65,884,933), Ps.(1,104,876) and Ps. 769,322, respectively (deficit from the restatement of stockholders' equity, net of deferred taxes Ps. (64,095,920 in 2003).

g) On March 9, 2005, the Company announced that on April 28, 2005, submit for consideration of the Extraordinary and the Annual Shareholders' meeting, among other matters, a proposal to: (i) restructure the number of "AA", "A" and "L" outstanding shares, through a two-for-one stock "split", and (ii) increase in Ps.6,000,000, in addition to the maximum authorized amount for the acquisition of own shares.

16. Income Tax, Asset Tax and Employee Profit Sharing

a) The Ministry of Finance and Public Credit authorized TELMEX to consolidate the group tax returns effective January 1, 1995. The Instituto Tecnológico de Teléfonos de México, S.C. and the subsidiaries acquired during the year are excluded from this tax consolidation.

On November 1, 2004, the Ministry of Finance and Public Credit (Hacienda) authorized the transmission of the tax consolidation of Teléfonos de México, S.A. de C.V. to that of Carso Global Telecom, S.A. de C.V. (controlling company of TELMEX) starting in 2005 in conformity with the Mexican Income Tax Law. However, this does not result in the tax deconsolidation of Teléfonos de México, S.A. de C.V. or its subsidiaries, nor in their ceasing to consolidate for tax purposes.

38.

16. Income Tax, Asset Tax and Employee Profit Sharing (continued)

b) The 1.8% asset tax, which is a minimum income tax, is payable on the average value of most assets net of certain liabilities. Since asset tax may be credited against income tax, the former is actually payable only to the extent that it exceeds income tax. Asset tax for the years ended December 31, 2004 and 2003 was Ps. 2,706,462 and Ps. 3,004,233, respectively. In both years TELMEX credited against these amounts the corporate income tax paid in such years.

c) An analysis of income tax provisions is as follows:

	2004	2003
Current year	Ps.I5,076,089	Ps. I0,143,851
Deferred tax, net of related monetary position gain of Ps. 1,148,898 (Ps. 868,088 in 2003)	(J28,929)	N43,248
Effect of change in statutory rate	(J,485,137)	
Total	Ps.I2,362,023	Ps. I0,787,099

A reconciliation of the statutory corporate income tax rate to the effective rate recognized for financial reporting purposes is as follows:

	Year ended December 31,	
	2004 %	2003 %
Statutory income tax rate	K3.0	34.0
Effect of change in rate	(5.9)	

Depreciation	(0.5)	(0.6)
Financial cost	H.1	(4.0)
Other	H.9	(0.5)
Effective tax rate for Mexican operations	J7.6	28.9
Income and costs of foreign subsidiaries	I.1	
Effective tax rate	J8.7	28.9

On December 1, 2004, an annual gradual decrease in the corporate income tax rate was approved, starting in 2005 until the rate reaches 28% in 2007. The effect of such rate reduction represented a credit to the results of operations for 2004 of Ps. 2,485,137.

The temporary differences, on which the Company (excluding the new Latin American subsidiaries) recognized deferred taxes in the years ended December 31, 2004 and 2003, were as follows:

39.

16. Income Tax, Asset Tax and Employee Profit Sharing (continued)

	2004	2003
Deferred tax asset:		
Allowance for doubtful accounts and slow-moving inventories	Ps. N95,565	Ps. O85,103
Tax loss carryforwards	O7,679	M,915
Advance billings	K51,664	K46,123
Liability reserves	925,290	N88,330
	J,050,198	I,825,471
Deferred tax liability:		
Fixed assets	(I2,037,402)	(I5,268,850)
Inventories	(L04,448)	(K93,501)
Licenses	(I34,164)	(I56,403)

Net projected asset	(O,166,712)	(O,519,427)
Prepayments	(L09,125)	(K,058)
	(J0,151,851)	(J3,341,239)
Net deferred tax, (liability)	Ps. (I8,101,653)	Ps. (J1,515,768)

At December 31, 2004, the balance of the restated contributed capital account (CUCA) and the net tax profit account (CUFIN) was Ps. 26,694,100 and Ps. 58,952,931, respectively. These amounts are for Teléfonos de México, S.A. de C.V. computed on a stand-alone basis.

d) The temporary differences, on which the new Latin American subsidiaries recognized deferred taxes in the years ended December 31, 2004 were as follows:

	2004
Deferred tax asset:	
Fixed assets	Ps. I,044,800
Allowance for doubtful accounts	J,654,421
Tax loss carryforwards	I,501,764
Advance billings	N5,020
Liability reserves	O75,121
	N,041,126
Deferred tax liability:	
Licenses	(N62,485)
Inventories	(L9,066)
	(O11,551)
Net deferred tax, asset	Ps. M,329,575

e) TELMEX is subject to payment of employee profit sharing in addition to its contractual compensations and benefits. Employee profit sharing is computed at 10% of tax results, excluding the inflationary component and the restatement of depreciation expense.

40.

17. Stock Option Plan

In September 2001, as approved by the stockholders in an ordinary meetings held on February 6, 2001, TELMEX introduced a stock option plan for its officers for which up to 50 million Series "L" shares. From September 2001 through December 2004, 31,416,905 shares were exercised. Of the 50 million Series "L" shares approved by the stockholders, 18,583,095 have still not been exercised.

Subsequent event

In a session of the Company's Evaluation and Compensation Committee held on February 8, 2005, the Series "L" stock option plan was revoked and the remaining unexercised shares were canceled.

18. Segments

TELMEX operates primarily in two segments: local and long-distance telephone services and in2004 starting operating in two geographical segments: Mexico and Latin America. Local telephone service corresponds to fixed local wired service. The long-distance service includes both domestic and international services, exclusive of the long-distance calls originated in public and rural telephones, corporate networks, internet, directories and other services. Additional information related to the Company's operations is provided in Note 1. The following summary shows the most important segment information, which has been prepared on a consistent basis:

	(Amounts in millions of Mexican pesos with purchasing power at December 31, 2004)					
	Mexico					
	Local service	Long distance	Other segments	Latin America (1)	Adjustments	Consolidated total
At December 31, 2004						
Revenues:						
External revenues	Ps.O8,271	Ps.J4,326	Ps.J0,423	Ps.I5,782		Ps.I38,802
Intersegment revenues	I1,277		I,188		Ps. (12,465)	
Depreciation and amortization	I3,523	J,776	K,888	J,760		J2,947

Operating income	J7,211	N,565	9,539	K41		L3,656
Segment assets	J39,719	L8,355	L3,061	87,206		L18,341
At December 31, 2003						
Revenues:						
External revenues	Ps.O8,870	Ps.J5,785	Ps.I8,257			Ps.I22,912
Intersegment revenues	I1,070		I,192		Ps. (12,262)	
Depreciation and amortization	I4,797	J,931	L,039			J1,767
Operating income	J7,531	O,240	O,011			L1,782
Segment assets	J27,882	L8,767	L1,153			K17,802

41.

18. Segments (conclude)

(1) Revenues of the recently acquired Latin American subsidiaries derive principally from long-distance services.

Intersegmental transactions are reported at fair value. Comprehensive financing cost and provisions for income tax and employee profit sharing are not assigned to the segments; they are handled at the corporate level.

Segment assets include plant property and equipment (on a gross basis) construction in progress, advances to suppliers of equipment and inventories for operation of the telephone plant.

19. Generally accepted accounting principles in the United States reconciliation

'The Company's consolidated financial statements are prepared in accordance with Mexican GAAP, which differ in certain significant respects from Generally Accepted Accounting Principles in the United States ("U.S. GAAP"). The principal differences between Mexican GAAP and U.S. GAAP, as they relate to the Company, consist of the accounting for pension plan costs, deferred income taxes and deferred employee profit sharing (deferred taxes), and the restatement of plant, property and equipment. Other differences are the accounting for interest on assets under construction, accrued vacation costs and the effect of derivated instruments.

'The reconciliation to U.S. GAAP does not include the reversal of the adjustments to the financial statements for the effects of inflation required under Mexican GAAP (Bulletin B-10), because the application of Bulletin B-10 represents a comprehensive measure of the effects of price level changes in the Mexican economy and, as such, is considered a more meaningful presentation than historical cost- based financial reporting for both Mexican and U.S. accounting purposes.

'A summary reconciliation of net income, comprehensive income and total stockholders' equity between Mexican and U.S.GAAP, is as follows:

	2004	2003
Net income as reported under Mexican GAAP	Ps.J7,835,326	Ps.J3,614,906
Total U.S. GAAP adjustments, net	399,327	(O81,638)
Net income under U.S. GAAP	28,234,653	22,833,268
Other comprehensive income	J32,241	11,167,876
Comprehensive income under U.S. GAAP	Ps.J8,466,894	Ps.K4,001,144
Weighted average common shares outstanding (in millons):		
Basic	11,953	12,454
Diluited	I2,202	13,101
Net income per share under U.S. GAAP (in pesos):		
Basic	Ps. 2.362	Ps. 1.833
Diluited	Ps. 2.353	Ps. 1.786
Total stockholders' equity under Mexican GAAP	Ps.107,827,699	Ps. 83,783,206
Total U.S. GAAP adjusment, net	(I7,315,591)	(N,590,911)
Total stockhoders' equity under U.S. GAAP	Ps. 90,512,108	Ps.O7,192,295

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 3

SHARE INVESTMENTS

Judged information

Consolidated

Final printing

	COMPANY NAME	MAIN ACTIVITIES	NUMBER OF SHARES	OWNERSHIP %	TOTAL AMOUNT (Thousand Pesos) ACQUISITION COST	PRESENT VALUE
SUBSIDIARIES						
1	Consertel, S.A. de C.V.	Investments in all types of businesses	28,444,797,340	100.00	16,374,507	30,957,387
2	Cía. de Teléfonos y Bienes Raíces, S.A. de C.V.	Real estate acquisition & leasing	1,034,000,000	100.00	1,040,903	7,452,474
3	Alquiladora de Casas, S.A. de C.V.	Real estate acquisition & leasing	686,001,490	100.00	702,096	3,263,984
4	Construcciones y Canalizaciones, S.A. de C.V.	Construction & maint. of telephone network	28,369,000	100.00	28,636	534,659
5	Empresa de Limpieza Mexicana, S.A. de C.V.	Cleaning Service Company	50	100.00	49	60

6	Renta de Equipo, S.A. de C.V.	Equipment, vehicles & real estate leasing	769,595,000	100.00	769,645	880,228
7	Multicomunicación Integral, S.A. de C.V.	Trunking, installation & sales services	186,000,000	100.00	137,877	170,830
8	Teleconstructora, S.A. de C.V.	Construction & maint. of telephone network	19,400,000	100.00	19,397	120,947
9	Anuncios en Directorios, S.A. de C.V.	Sale of advertising space in yellow pages	1,081,750	100.00	1,240	70,448
10	Operadora Mercantil, S.A. de C.V.	Sales agent advertising space in yellow pages	50,000	100.00	54	1,412
11	Impulsora Mexicana de Telecomunicaciones, S.A.	Network projects	4,602,225	100.00	4,602	30,262
12	Fuerza y Clima, S.A de C.V.	Air conditioning installation & maint.	4,925,000	100.00	4,944	76,107
13	Teléfonos del Noroeste, S.A. de C.V.	Telecommunications services	110,000,000	100.00	75,279	922,358
14	Aerocomunicaciones, S.A. de C.V.	Aeronautic radiocom. mobile serv.	76,723,650	99.99	76,724	82,819
15	Tecmarketing, S.A. de C.V.	Telemarketing services	6,850,000	100.00	138,972	195,756
16	Comertel Argos, S.A. de C.V.	Personnel services	6,000	100.00	13	2,842
17	Telmex International, Inc.	Holding Company in the U S A.	5	100.00	220,153	263,946
18	Instituto Tecnológico de Teléfonos de México, A.C	Trainning & research services	1,000	100.00	1	4
19	Buscatel, S.A. de C.V.	Paging services	111,645	100.00	142,445	269,192
20	Consorcio Red Uno, S.A. de C.V.	Design & integrated telecom. Services	167,691,377	100.00	360,533	574,327
21	Uninet, S.A. de C.V.	Data transmission services	67,559,613	100.00	6,755,961	7,457,803
22	Aerofrisco, S.A. de C.V.	Air Taxi services	4,477,798,600	100.00	447,298	705,485
23	Grupo Técnico de Administración, S.A. de C.V.	Management, consulting & org. Services	61,952	100.00	62	72

24	Teninver, S.A. de C.V.	Managment of yellow pages	9,108,921	100.00	409,687	856,541
25	Latam Telecomunicaciones, L.L.C.	Telecommunications services	100	100.00	13,149,799	13,496,836
26	Financial Ventures, L.L.C.	Investments in all types of businesses	1,000	100.00	6,719,137	8,086,064
27	Telcoser, S.A. de C.V.	Investments in all types of businesses	14,176,389	100.00	14,176,389	14,480,453
28	Telmex Internet Investments, L.L.C.	Investments in Internet companies	1,000	100.00	998,867	1,253,860
29	Fintel Holdings, L.L.C.	Investments in all types of businesses	100	100.00	99	101
	TOTAL INVESTMENT IN SUBSIDIARIES				62,755,369	92,207,257
	ASSOCIATES					
1	Technology and Internet , LLC	Internet services	500	50.00	974,989	196,963
2	Technology Fund I, LLC	Communication services	500	50.00	20,898	17,711
3	Grupo Telvista, S.A. de C.V.	Telemarketing in Mexico and USA	450	45.00	510,138	385,954
4	Centro Histórico de la Ciudad de México, SA de CV	Real estate services	80,020,000	21.77	80,020	107,418
5	TM & MS, LLC	Internet portal (T1MSN)	1	50.00	29,621	24,617
	TOTAL INVESTMENT IN ASSOCIATES				1,615,666	732,663
	OTHER PERMANENT INVESTMENTS					60,936
	T O T A L					93,000,856

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2004

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 5

CREDITS BREAKDOWN

(Thousand Pesos)

Judged information

Consolidated

Final printing

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rtization Date	Rate of Interest	Denominated in Pesos		Amortization of Credits in Foreign Currency With National Entities (Thousands Of Pesos)						Amortization of Credits in Foreign Curr (Thousands Of Pe			
				Time Interval						Time Interval			
		Until 1 Year	More Than 1 Year	Current Year	Until 1 Year	Until 2 Years	Until 3 Years	Until 4 Years	Until 5 Years or more	Current Year	Until 1 Year	Until 2 Years	Until Year
/12/05	3.78	0	0	0	0	0	0	0	0	0	19,324	0	
/12/06	3.59	0	0	0	0	0	0	0	0	0	4,050	4,049	
/12/06	3.59	0	0	0	0	0	0	0	0	0	2,116	2,117	
/12/07	3.53	0	0	0	0	0	0	0	0	0	181,208	181,208	181
/12/06	3.59	0	0	0	0	0	0	0	0	0	5,149	5,149	
/12/08	2.98	0	0	0	0	0	0	0	0	0	31,830	31,830	31
/04/06	3.03	0	0	0	0	0	0	0	0	0	121,697	20,808	
/12/06	3.59	0	0	0	0	0	0	0	0	0	25,424	25,425	

/12/05	3.78	0	0	0	0	0	0	0	0	0	97,569	0	
/12/06	3.59	0	0	0	0	0	0	0	0	0	79,941	79,940	
/07/07	3.23	0	0	0	0	0	0	0	0	0	0	0	17,178
/07/09	3.31	0	0	0	0	0	0	0	0	0	0	0	
/12/14	3.78	0	0	0	0	0	0	0	0	0	278,751	278,751	278
/04/09	3.33	0	0	0	0	0	0	0	0	0	385,409	306,459	53
/12/06	3.59	0	0	0	0	0	0	0	0	0	1,081	1,081	
/10/11	3.66	0	0	0	0	0	0	0	0	0	965,573	965,574	965
/03/22	2.00	0	0	0	0	0	0	0	0	0	22,679	22,679	22
/12/06	3.59	0	0	0	0	0	0	0	0	0	4,455	4,455	
/12/06	3.59	0	0	0	0	0	0	0	0	0	4,738	4,738	
/05/07	3.53	0	0	0	0	0	0	0	0	0	21,533	869	
/06/05	3.78	0	0	0	110,107	0	0	0	0	0	0	0	
/10/06	3.68	0	0	0	127,031	130,864	0	0	0	0	0	0	
/10/06	3.78	0	0	0	248,034	0	0	0	0	0	0	0	
/08/05	8.95	800,000	0	0	0	0	0	0	0	0	0	0	
/12/06	3.59	0	0	0	13,254	13,253	0	0	0	0	0	0	
/05/07	9.18	0	500,000	0	0	0	0	0	0	0	0	0	
/06/06	3.66	0	0	0	301,854	155,277	0	0	0	0	0	0	
/12/06	3.59	0	0	0	25,935	25,936	0	0	0	0	0	0	
/06/13	11.31	0	0	0	0	0	0	0	0	0	7,609,782	250,649	238

/08/27	9.16	0	0	0	0	0	0	0	0	0	855,924	509,365	462
		800,000	500,000	0	826,215	325,330	0	0	0	0	10,718,233	2,695,146	19,413
/01/06	8.25	0	0	0	0	0	0	0	0	0	0	16,897,200	
/11/08	4.50	0	0	0	0	0	0	0	0	0	0	0	
/02/05	9.81	850,000	0	0	0	0	0	0	0	0	0	0	
/02/07	9.46	0	1,650,000	0	0	0	0	0	0	0	0	0	
/05/12	11.05	0	1,700,000	0	0	0	0	0	0	0	0	0	
/10/07	9.56	0	3,250,000	0	0	0	0	0	0	0	0	0	
		850,000	6,600,000	0	0	0	0	0	0	0	0	16,897,200	
LITIES AND OTHER CREDITS													
LITIES AND		28,349,322	0	0	0	0	0	0	0	0	0	0	
T LIABILITIES		28,349,322	0	0	0	0	0	0	0	0	0	0	
		29,999,322	7,100,000	0	826,215	325,330	0	0	0	0	10,718,233	19,592,346	19,413

NOTES:

A.- Interest rates:

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

1. Libor plus margin
2. Fixed Rate
3. TIIE plus margin
4. TIIE plus margin
5. CETES plus margin
6. CETES plus margin
7. Local rate plus margin

B.- The following rates were considered:

1. Libor

at 6 months in U S dollars is equivalent to 2.7806 at December 31, 2004
• TIIE
at 28 days is equivalent to 8.9500 at December 31, 2004
• TIIE
at 91 days is equivalent to 9.1100 at December 30, 2004
• CETES
at 91 days is equivalent to 8.8100 at December 30, 2004
• CETES
at 182 days is equivalent to 8.6600 at December 30, 2004

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

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

December 31,2004 were as follows:

CURRENCY	AMOUNT	E.R.
DOLLAR (USD)	6,721,643	11.2648
EURO (EUR)	61,100	15.3201
BRAZILIAN REAL (BRL)	1,023,575	4.2438

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

P. 293,284 thousand pesos.

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2004

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 6

FOREIGN EXCHANGE MONETARY POSITION

(Thousand Pesos)

Judged information

Consolidated

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	DOLLARS		OTHER CURRENCIES		TOTAL
TRADE BALANCE	THOUSAND	THOUSAND	THOUSAND	THOUSAND	THOUSAND
	DOLLARS	PESOS	DOLLARS	PESOS	PESOS
TOTAL ASSETS	1,304,924	14,699,710	1,253,626	14,121,846	28,821,556
LIABILITIES	7,484,758	84,314,307	1,496,459	16,857,313	101,171,620
SHORT-TERM LIABILITIES	1,381,331	15,560,419	1,405,904	15,837,229	31,397,648
LONG-TERM LIABILITIES	6,103,427	68,753,888	90,555	1,020,084	69,773,972
NET BALANCE	(6,179,834)	(69,614,597)	(242,833)	(2,735,467)	(72,350,064)

NOTES:

Assets and Liabilities in foreign currency were exchanged at the prevailing exchange rate at the end of the quarter, as follows:

CURRENCY	E.R.
DOLLAR (U.S.)	11.2648
EURO	15.3201
CHILEAN PESO	0.0203
ARGENTINEAN PESO	3.7897
BRAZILIAN REAL	4.2438
PERUVIAN SOL	3.4320
COLOMBIAN PESO	0.0048

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 7

CALCULATION OF MONETARY POSITION

(Thousand Pesos)

Judged information

Consolidated

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MONTH	MONETARY ASSETS	MONETARY LIABILITIES	(ASSET) LIABILITIES MONETARY POSITION	MONTHLY INFLATION	MONTHLY (EFFECT) (ASSET) LIABILITIES
JANUARY	39,624,973	85,658,395	46,033,422	0.62	285,407
FEBRUARY	39,882,677	83,525,438	43,642,761	0.60	261,857
MARCH	40,488,616	86,043,360	45,554,744	0.34	154,886
APRIL	40,758,086	86,616,943	45,858,857	0.15	68,788
MAY	36,597,526	86,863,622	50,266,096	(0.25)	(125,665)
JUNE	36,821,957	86,283,761	49,461,804	0.16	79,139
JULY	35,424,831	81,927,729	46,502,898	0.26	120,908
AUGUST	44,671,285	94,908,995	50,237,710	0.62	311,474
SEPTEMBER	45,109,555	92,544,768	47,435,213	0.83	393,712
OCTOBER	47,098,008	97,864,636	50,766,628	0.69	350,290
NOVEMBER	53,726,277	102,823,710	49,097,433	0.85	417,328
DECEMBER	54,961,610	102,212,943	47,251,333	0.21	99,228
ACTUALIZATION :	0	0	0	0.00	52,798
CAPITALIZATION :	0	0	0	0.00	0
FOREIGN CORP. :	0	0	0	0.00	499,089
OTHER	0	0	0	0.00	(119,669)

TOTAL					2,849,570

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 8

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

Judged information

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

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 9

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

Judged information

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

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 10

RAW MATERIALS

Judged information

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DOMESTIC	MAIN SUPPLIERS	IMPORT	MAIN SUPPLIERS	DOM. SUBS.	PRODUCTION COST (%)

NOT AVAILABLE					
NOTES :					

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 11

DOMESTIC SALES - MAIN SERVICES -

(Thousand Pesos)

Judged information

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MAIN PRODUCTS	TOTAL PRODUCTION		NET SALES		MARKET (%)	MAIN	
	VOLUME	AMOUNT	VOLUME	AMOUNT		TRADEMARKS	CUSTUMERS
LOCAL SERVICE				56,021,047			
LONG DISTANCE SERVICE				19,000,777			
INTERCONNECTION				18,719,107			
CORPORATE NETWORKS				13,283,645			
INTERNET				7,818,109			
OTHERS				5,670,975			
TOTAL				120,513,660			

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 11b

FOREIGN SALES - MAIN SERVICES -

(Thousand Pesos)

Judged information

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MAIN PRODUCTS	TOTAL PRODUCTION		NET SALES		DESTINATION	MAIN	
	VOLUME	AMOUNT	VOLUME	AMOUNT		TRADEMARKS	CUSTUMERS
NET SETTLEMENT				2,633,386			
LOCAL SERVICE				932,072			
LONG DISTANCE SERVICE				13,945,190			
INTERCONNECTION				479,920			
CORPORATE NETWORKS				0			
INTERNET				0			
OTHERS				297,729			
TOTAL				18,288,297			
NOTES:							

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 13

PROJECT INFORMATION

(Thousand Pesos)

Judged information

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ITEM	Thousand Mexican Pesos				
	4th. Quarter 04 Oct-Dec	% of Advance	Amount used 2004	Budget 2004	% of Advance
DATA	952,685	30.9	2,821,844	3,082,007	91.6
INTERNAL PLANT	1,241,442	35.4	3,507,638	3,506,865	100.0
OUTSIDE PLANT	1,732,702	35.2	4,749,970	4,925,817	96.4
TRANSMISSION NETWORK	1,773,995	44.6	3,790,983	3,979,679	95.3
SYSTEMS	392,473	62.8	599,456	624,669	96.0
OTHERS	1,020,964	32.4	1,850,591	3,153,882	58.7
TOTAL INVESTMENT TELMEX MEXICO	7,114,261	36.9	17,320,482	19,272,919	89.9
LATINOAMERICA	946,282	33.7	1,565,320	2,806,954	55.8
TOTAL INVESTMENT	8,060,543	36.5	18,885,802	22,079,873	85.5

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 14

BASIS OF TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

Judged information

Consolidated

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

The financial statements as reported by the subsidiaries abroad were adjusted to conform to accounting principles accepted in Mexico. Such conversion includes, among other areas, the recognition of the effects of inflation as required by Mexican accounting Bulletin B-10, using restatement factors of each country.

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

Translation differences are included in the caption *Effect of translation of foreign entities* and are included in stockholders' equity as part of the caption *other comprehensive income items*.

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2004

TELÉFONOS DE MÉXICO, S.A. DE C.V.

INTEGRATION OF PAID CAPITAL STOCK

Judged information

Consolidated

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SERIES	NOMINAL VALUE	VALID CUPON	NUMBER OF SHARES				CAPITAL STOCK (Thousand Pesos)	
			FIXED PORTION	VARIABLE PORTION	MEXICAN	PUBLIC SUBSCRIPTION	FIXED	VARIABLE
A	0.02500		252,228,494	0		252,228,494	6,306	
AA	0.02500		4,063,417,276	0	4,063,417,276	0	101,585	
L	0.02500		7,516,806,385	0		7,516,806,385	187,920	
TOTAL	0.02500		11,832,452,155	0	4,063,417,276	7,769,034,879	295,811	0
TOTAL NUMBER OF SHARES REPRESENTING CAPITAL STOCK ON THE REPORTING DATE OF THE INFORMATION:								
	11,832,452,155							
SHARES PROPORTION BY:								
CPO'S :								
T.VINC.:								
ADRS's :								
GDRS's :								
ADS's :								
GDS's :								
	REPURCHASE OF OWN SHARES							
		NUMBER OF	MARKET VALUE OF THE SHARE					
	SERIES	SHARES	AT REPURCHASE		AT QUARTER			
	A & L	709,542,600	19.64220		19.75880			
NOTES:								

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

GENERAL INFORMATION

Judged information

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ISSUER GENERAL INFORMATION

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

ISSUER FISCAL INFORMATION

TAX PAYER FEDERAL ID: FISCAL ADDRESS: ZIP:	TME 840315KT6 PARQUE VIA 198, COL. CUAUHTEMOC

CITY:	06599 MEXICO, D.F.

PAYMENT RESPONSIBLE

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

OFFICERS INFORMATION

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

POSITION BMV:	CHIEF EXECUTIVE OFFICER
POSITION:	CHIEF EXECUTIVE OFFICER

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

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

POSITION BMV:	QUATERLY FINANCIAL INFORMATION RESPONSIBLE
POSITION:	COMPTROLLER
NAME:	C.P. EDUARDO ROSENDO GIRARD
ADDRESS:	PARQUE VIA 198 - 5TH. FLOOR OFFICE 501, COL. CUAUHTEMOC
ZIP:	06599
CITY:	MEXICO, D.F.
TELEPHONE:	52 22 53 95

FAX:	52 50 80 54
E-MAIL:	erosendo@telmex.com

POSITION BMV:	RESPONSIBLE FOR SENDING INFORMATION THROUGH EMISNET
POSITION:	SHAREHOLDER SERVICES MANAGER
NAME:	LIC. MIGUEL ANGEL PINEDA CATALAN
ADDRESS:	PARQUE VIA 198 - 2ND. FLOOR OFFICE 202, COL. CUAUHTEMOC
ZIP:	06599
CITY:	MEXICO, D.F.
TELEPHONE:	52 22 53 22
FAX:	55 46 21 11
E-MAIL:	mpineda@telmex.com

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

POSITION BMV:	SECRETARY OF BOARD OF DIRECTORS
POSITION:	SECRETARY OF BOARD OF DIRECTORS
NAME:	LIC. SERGIO F. MEDINA NORIEGA
ADDRESS:	PARQUE VIA 190 - 2ND. FLOOR OFFICE 202, COL. CUAUHTEMOC

ZIP:	06599
CITY:	MEXICO, D.F.
TELEPHONE:	52 22 14 25 & 52 22 57 42
FAX:	55 46 43 74
E-MAIL:	smedinan@telmex.com

POSITION BMV:	RESPONSIBLE OF PROVIDE INFORMATION TO INVESTORS
POSITION:	INVESTORS RELATIONS MANAGER
NAME:	ING. RUY ECHAVARRIA AYUSO
ADDRESS:	PARQUE VIA 198 - 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
	& ri@telmex.com

POSITION BMV:	RESPONSIBLE FOR SENDING FINANCIAL INFORMATION THROUGH EMISNET
POSITION:	COMPTROLLER
NAME:	C.P. EDUARDO ROSENDO GIRARD
ADDRESS:	PARQUE VIA 198 - 5TH. FLOOR OFFICE 501, COL. CUAUHTEMOC
ZIP:	06599
CITY:	MEXICO, D.F.
TELEPHONE:	52 22 53 95
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POSITION BMV:	RESPONSIBLE FOR SENDING RELEVANT INFORMATION THROUGH EMISNET
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.
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TELÉFONOS DE MÉXICO, S.A. DE C.V.

BOARD OF DIRECTORS

Judged information

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POSITION	NAME			
CHAIRMAN OF THE BOARD	LIC.	CARLOS	SLIM	DOMIT
VICEPRESIDENT	ING.	JAIME	CHICO	PARDO

VICEPRESIDENT	C.P.	JUAN ANTONIO	PEREZ	SIMON
HONORARY BOARD MEMBER	ING.	CARLOS	SLIM	HELU
BOARD PROPIETORS	SR.	EMILIO	AZCARRAGA	JEAN
BOARD PROPIETORS	ING.	ANTONIO	COSIO	ARIÑO
BOARD PROPIETORS	MTRA.	AMPARO	ESPINOSA	RUGARCIA
BOARD PROPIETORS	ING.	ELMER	FRANCO	MACIAS
BOARD PROPIETORS	C.P.	RAFAEL	KALACH	MIZRAHI
BOARD PROPIETORS	SR.	ROBERT	L.	HENRICHS
BOARD PROPIETORS	LIC.	ANGEL	LOSADA	MORENO
BOARD PROPIETORS	LIC.	RICARDO	MARTIN	BRINGAS
BOARD PROPIETORS	SR.	ROMULO	O FARRIL JR.	
BOARD PROPIETORS	SR.	RICHARD	P.	RESNICK
BOARD PROPIETORS	LIC.	FERNANDO	SENDEROS	MESTRE
BOARD PROPIETORS	LIC.	MARCO ANTONIO	SLIM	DOMIT
BOARD PROPIETORS	SR.	JAMES	W.	CALLAWAY
BOARD ALTERNATES	SR.	JAIME	ALVERDE	GOYA
BOARD ALTERNATES	LIC.	CARLOS	BERNAL	VEREA
BOARD ALTERNATES	SR.	JORGE A.	CHAPA	SALAZAR
BOARD ALTERNATES	ING.	ANTONIO	COSIO	PANDO
BOARD ALTERNATES	C.P.	ANTONIO	DEL VALLE	RUIZ
BOARD ALTERNATES	LIC.	ARTURO	ELIAS	AYUB
BOARD ALTERNATES	SRA.	ANGELES	ESPINOSA	YGLESIAS
BOARD ALTERNATES	LIC.	JORGE C.	ESTEVE	RECOLONS
BOARD ALTERNATES	ING.	AGUSTIN	FRANCO	MACIAS
BOARD ALTERNATES	C.P.	HUMBERTO	GUTIERREZ	OLVERA Z.
BOARD ALTERNATES	LIC.	JOSE	KURI	HARFUSH
BOARD ALTERNATES	LIC.	FEDERICO	LAFFAN	FANO
BOARD ALTERNATES	C.P.	FRANCISCO	MEDINA	CHAVEZ
BOARD ALTERNATES	ING.	BERNARDO	QUINTANA	ISAAC
BOARD ALTERNATES	LIC.	PATRICK	SLIM	DOMIT
BOARD ALTERNATES	LIC.	FERNANDO	SOLANA	MORALES
BOARD ALTERNATES	LIC.	EDUARDO	VALDES	ACRA

STATUTORY AUDITOR	C.P.	ALBERTO	TIBURCIO	CELORIO
ALTERNATE STATUTORY AUDITOR	C.P.	FERNANDO	ESPINOSA	LOPEZ
SECRETARY OF BOARD OF DIRECTORS	LIC.	SERGIO	MEDINA	NORIEGA
ASISTANT SECRETARY	LIC.	RAFAEL	ROBLES	MIAJA

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

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

Judged information

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

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

ING. ADOLFO CEREZO PEREZ	C.P. EDUARDO ROSENDO GIRARD
CHIEF FINANCIAL OFFICER	COMPTROLLER

MEXICO CITY, May 3, 2005.
