

TELEFONOS DE MEXICO S A B DE C V  
Form 6-K  
July 20, 2007

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Report of Foreign Private Issuer

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

For the month of **July 2007**

Commission File Number: 333-13580

Teléfonos de México, S.A. de C.V.

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

Telephones of Mexico

(Translation of Registrant's Name into English)

Parque Vía 190

Colonia Cuauhtémoc

México City 06599, México, D.F.

(Address of principal executive offices)

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

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

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

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

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

Yes ..... No... ..

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

TELÉFONOS DE MÉXICO, S.A. DE C.V.

STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-01

CONSOLIDATED BALANCE SHEETS

AT JUNE 30, 2006 & 2007

(Thousands of Mexican Pesos)

Final printing

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| REF<br>S | CONCEPTS                           | QUARTER OF<br>PRESENT |     | QUARTER OF<br>PREVIOUS |     |
|----------|------------------------------------|-----------------------|-----|------------------------|-----|
|          |                                    | FINANCIAL YEAR        |     | FINANCIAL YEAR         |     |
|          |                                    | Amount                | %   | Amount                 | %   |
| s01      | TOTAL ASSETS                       | 286,476,040           | 100 | 269,846,715            | 100 |
| s02      | CURRENT ASSETS                     | 76,405,532            | 27  | 54,738,460             | 20  |
| s03      | CASH AND SHORT-TERM<br>INVESTMENTS | 29,429,828            | 10  | 15,051,681             | 6   |

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|      |  |                    |            |                    |            |
|------|--|--------------------|------------|--------------------|------------|
| s04  | ACCOUNTS AND NOTES RECEIVABLE (NET)                                  | 29,287,976         | 10         | 28,857,381         | 11         |
| s05  | OTHER ACCOUNTS AND NOTES RECEIVABLE (NET)                            | 9,650,040          | 3          | 6,282,761          | 2          |
| s06  | INVENTORIES  | 1,836,970          | 1          | 1,222,571          | 0          |
| s07  | OTHER CURRENT ASSETS   | 6,200,718          | 2          | 3,324,066          | 1          |
| s08  | LONG - TERM  | 5,855,154          | 2          | 1,823,124          | 1          |
| s09  | ACCOUNTS AND NOTES RECEIVABLE (NET)                                  | 0                  | 0          | 0                  | 0          |
| s10  | INVESTMENT IN SHARES OF NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES | 5,844,557          | 2          | 1,815,717          | 1          |
| s11  | OTHER INVESTMENTS  | 10,597             | 0          | 7,407              | 0          |
| s12  | PROPERTY, PLANT AND EQUIPMENT (NET)                                  | 158,649,900        | 55         | 166,694,852        | 62         |
| s13  | LAND AND BUILDINGS   | 0                  | 0          | 0                  | 0          |
| s14  | MACHINERY AND INDUSTRIAL EQUIPMENT                                   | 493,659,084        | 172        | 495,930,473        | 184        |
| s15  | OTHER EQUIPMENT  | 0                  | 0          | 0                  | 0          |
| s16  | ACCUMULATED DEPRECIATION   | 344,406,181        | 120        | 338,366,183        | 125        |
| s17  | CONSTRUCTIONS IN PROGRESS  | 9,396,997          | 3          | 9,130,562          | 3          |
| s18  | OTHER INTANGIBLE ASSETS AND DEFERRED ASSETS (NET)                    | 18,496,632         | 6          | 16,235,192         | 6          |
| s19  | OTHER ASSETS   | 27,068,822         | 9          | 30,355,087         | 11         |
| s20  | <b>TOTAL LIABILITIES</b>   | <b>169,460,072</b> | <b>100</b> | <b>145,194,928</b> | <b>100</b> |
| s21  | CURRENT LIABILITIES  | 45,956,337         | 27         | 39,189,847         | 27         |
| s22  | SUPPLIERS  | 0                  | 0          | 0                  | 0          |
| s23  | BANK LOANS   | 4,700,551          | 3          | 6,502,188          | 4          |
| s24  | STOCK MARKET LOANS   | 4,250,000          | 3          | 1,743,060          | 1          |
| s103 | OTHER LOANS WITH COST  | 0                  | 0          | 0                  | 0          |
| s25  | TAXES PAYABLE  | 1,586,999          | 1          | 3,512,422          | 2          |
| s26  | OTHER CURRENT LIABILITIES  | 35,418,787         | 21         | 27,432,177         | 19         |
| s27  | LONG - TERM LIABILITIES  | 104,343,690        | 62         | 86,852,786         | 60         |

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|     |  |              |      |              |      |
|-----|--|--------------|------|--------------|------|
| s28 | BANK LOANS                                 | 59,464,040   | 35   | 43,759,510   | 30   |
| s29 | STOCK MARKET LOANS                         | 44,879,650   | 26   | 43,093,276   | 30   |
| s30 | OTHER LOANS WITH COST                      | 0            | 0    | 0            | 0    |
| s31 | DEFERRED LIABILITIES                       | 0            | 0    | 0            | 0    |
| s32 | OTHER NON CURRENT LIABILITIES              | 19,160,045   | 11   | 19,152,295   | 13   |
| s33 | <b>CONSOLIDATED STOCKHOLDERS' EQUITY</b>   | 117,015,968  | 100  | 124,651,787  | 100  |
| s34 | MINORITY INTEREST                          | 2,281,209    | 2    | 13,175,182   | 11   |
| s35 | MAJORITY INTEREST                          | 114,734,759  | 98   | 111,476,605  | 89   |
| s36 | CONTRIBUTED CAPITAL                        | 47,048,369   | 40   | 48,077,644   | 39   |
| s79 | CAPITAL STOCK (NOMINAL)                    | 26,762,232   | 23   | 27,791,507   | 22   |
| s39 | PREMIUM ON SALES OF SHARES                 | 20,286,137   | 17   | 20,286,137   | 16   |
| s40 | CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES | 0            | 0    | 0            | 0    |
| s41 | CAPITAL INCREASE (DECREASE)                | 67,686,390   | 58   | 63,398,961   | 51   |
| s42 | RETAINED EARNINGS AND CAPITAL RESERVE      | 137,479,439  | 117  | 128,233,605  | 103  |
| s44 | OTHER ACCUMULATED COMPREHENSIVE RESULT     | (69,793,049) | (60) | (64,834,644) | (52) |
| s80 | SHARES REPURCHASED                         | 0            | 0    | 0            | 0    |

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MEXICAN STOCK EXCHANGE

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STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-02

CONSOLIDATED BALANCE SHEETS

- BREAKDOWN OF MAIN CONCEPTS -

(Thousands of Mexican Pesos)

Final printing

| REF<br>S | CONCEPTS  | QUARTER OF<br>PRESENT |            | QUARTER OF<br>PREVIOUS |            |
|----------|---|-----------------------|------------|------------------------|------------|
|          |   | FINANCIAL YEAR        |            | FINANCIAL YEAR         |            |
|          |   | Amount                | %          | Amount                 | %          |
| s03      | CASH AND SHORT-TERM INVESTMENTS                   | 29,429,828            | 100        | 15,051,681             | 100        |
| s46      | CASH  | 2,911,878             | 10         | 1,899,412              | 13         |
| s47      | SHORT-TERM INVESTMENTS                            | 26,517,950            | 90         | 13,152,269             | 87         |
| s07      | OTHER CURRENT ASSETS                              | 6,200,718             | 100        | 3,324,066              | 100        |
| s81      | DERIVATIVE FINANCIAL INSTRUMENTS                  | 0                     | 0          | 369,516,000            | 11         |
| s82      | DISCONTINUED OPERATIONS                           | 0                     | 0          | 0.000                  | 0          |
| s83      | OTHER   | 6,200,718             | 100        | 2,954,550              | 89         |
| s18      | OTHER INTANGIBLE ASSETS AND DEFERRED ASSETS (NET) | 18,496,632            | 100        | 16,235,192             | 100        |
| s48      | AMORTIZED OR REDEEMED EXPENSES                    | 4,664,191             | 25         | 5,072,211              | 31         |
| s49      | GOODWILL  | 12,620,763            | 68         | 11,162,981             | 69         |
| s51      | OTHERS  | 1,211,678             | 7          | 0                      | 0          |
| s19      | OTHER ASSETS                                      | 27,068,822            | 100        | 30,355,087             | 100        |
| s84      | INTANGIBLE ASSET FROM LABOR OBLIGATIONS           | 17,159,082            | 63         | 21,612,147             | 71         |
| s85      | DERIVATIVE FINANCIAL INSTRUMENTS                  | 0                     | 0          | 0                      | 0          |
| s50      | DEFERRED TAXES                                    | 6,845,893             | 25         | 6,116,778              | 20         |
| s86      | DISCONTINUED OPERATIONS                           | 0                     | 0          | 0                      | 0          |
| s87      | OTHER   | 3,063,847             | 11         | 2,626,162              | 9          |
| s21      | <b>CURRENT LIABILITIES</b>                        | <b>45,956,337</b>     | <b>100</b> | <b>39,189,847</b>      | <b>100</b> |
| s52      |   | 4,700,551             | 10         | 5,128,868              | 13         |

|     |  |                    |            |                    |            |
|-----|--|--------------------|------------|--------------------|------------|
|     | FOREIGN CURRENCY LIABILITIES                     |                    |            |                    |            |
| s53 | MEXICAN PESOS LIABILITIES                        | 41,255,786         | 90         | 34,060,979         | 87         |
| s26 | OTHER CURRENT LIABILITIES                        | 35,418,787         | 100        | 27,432,177         | 100        |
| s88 | DERIVATIVE FINANCIAL INSTRUMENTS                 | 3,262,147          | 9          | (2,096,264)        | (8)        |
| s89 | INTEREST LIABILITIES                             | 1,576,295          | 4          | 1,736,778          | 6          |
| s68 | PROVISIONS                                       | 0                  | 0          | 0                  | 0          |
| s90 | DISCONTINUED OPERATIONS                          | 0                  | 0          | 0                  | 0          |
| s58 | OTHER CURRENT LIABILITIES                        | 30,580,345         | 86         | 27,791,663         | 101        |
| s27 | <b>LONG-TERM LIABILITIES</b>                     | <b>104,343,690</b> | <b>100</b> | <b>86,852,786</b>  | <b>100</b> |
| s59 | FOREIGN CURRENCY LIABILITIES                     | 86,343,690         | 83         | 76,869,806         | 89         |
| s60 | MEXICAN PESOS LIABILITIES                        | 18,000,000         | 17         | 9,982,980          | 11         |
| s31 | DEFERRED LIABILITIES                             | 0                  | 0          | 0                  | 0          |
| s65 | GOODWILL   | 0                  | 0          | 0                  | 0          |
| s67 | OTHERS   | 0                  | 0          | 0                  | 0          |
| s32 | OTHER NON CURRENT LIABILITIES                    | 19,160,045         | 100        | 19,152,295         | 100        |
| s66 | DEFERRED TAXES                                   | 16,684,095         | 87         | 16,639,493         | 87         |
| s91 | OTHER LIABILITIES IN RESPECT OF SOCIAL INSURANCE | 2,475,950          | 13         | 2,512,802          | 13         |
| s92 | DISCONTINUED OPERATIONS                          | 0                  | 0          | 0                  | 0          |
| s69 | OTHER LIABILITIES                                | 0                  | 0          | 0                  | 0          |
| s79 | CAPITAL STOCK                                    | 26,762,232         | 100        | 27,791,507         | 100        |
| s37 | CAPITAL STOCK (NOMINAL)                          | 247,011            | 1          | 261,203            | 1          |
| s38 | RESTATEMENT OF CAPITAL STOCK                     | 26,515,221         | 99         | 27,530,304         | 99         |
| s42 | <b>RETAINED EARNINGS AND CAPITAL RESERVES</b>    | <b>137,479,439</b> | <b>100</b> | <b>128,233,605</b> | <b>100</b> |
| s93 | LEGAL RESERVE                                    | 15,659,802         | 11         | 15,659,802         | 12         |

|      |   |              |      |              |        |
|------|---|--------------|------|--------------|--------|
| s43  | RESERVE FOR REPURCHASE OF SHARES                        | 0            | 0    | 0            | 0      |
| s94  | OTHER RESERVES  | 0            | 0    | 0            | 0      |
| s95  | RETAINED EARNINGS                                       | 104,981,418  | 76   | 97,549,613   | 76     |
| s45  | NET INCOME FOR THE YEAR                                 | 16,838,219   | 12   | 15,024,190   | 12     |
| s44  | OTHER ACCUMULATED COMPREHENSIVE RESULT                  | (69,793,049) | 100  | (64,834,644) | 100.00 |
| s70  | ACCUMULATED MONETARY RESULT                             | (14,703,711) | 21   | (14,704,446) | 23     |
| s71  | RESULT FROM HOLDING NON-MONETARY ASSETS                 | (65,036,268) | 93   | (57,737,044) | 89     |
| s96  | CUMULATIVE RESULT FROM FOREIGN CURRENCY TRANSLATION     | 9,045,803    | (13) | 7,734,269    | (12)   |
| s97  | CUMULATIVE RESULT FROM DERIVATIVE FINANCIAL INSTRUMENTS | (108,971)    | 0    | 189,651      | 0      |
| s98  | CUMULATIVE EFFECT OF DEFERRED INCOME TAXES              | 1,010,098    | (1)  | (317,074)    | 0      |
| s99  | LABOR OBLIGATION ADJUSTMENT                             | 0            | 0    | 0            | 0      |
| s100 | OTHERS  | 0            | 0    | 0            | 0      |

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## MEXICAN STOCK EXCHANGE

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STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-03

CONSOLIDATED BALANCE SHEETS

**- OTHER CONCEPTS -**

(Thousands of Mexican Pesos)

Final printing



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| REF<br>S  | CONCEPTS   | QUARTER OF<br>PRESENT | QUARTER OF<br>PREVIOUS |
|---|--|-----------------------|------------------------|
|   |  | FINANCIAL YEAR        | FINANCIAL YEAR         |
|   |  | Amount                | Amount                 |
| s72   | WORKING CAPITAL                                  | 30,449,195            | 15,548,613             |
| s73   | PENSIONS FUND AND SENIORITY<br>PREMIUMS          | 0                     | 0                      |
| s74   | EXECUTIVES (*)                                   | 118                   | 118                    |
| s75   | EMPLOYEES (*)                                    | 29,688                | 24,323                 |
| s76   | WORKERS (*)                                      | 50,074                | 50,992                 |
| s77   | OUTSTANDING SHARES (*)                           | 19,760,895,570        | 20,896,273,470         |
| s78   | REPURCHASE OF OWN SHARER(*)                      | 442,222,600           | 1,148,808,800          |
| s101  | RESTRICTED CASH                                  | 0                     | 0                      |
| s102  | DEBT WITH COST OF AFFILIATES NON<br>CONSOLIDATED | 0                     | 0                      |
| (*) THESE CONCEPTS SHOULD BE EXPRESSED IN UNITS |  |                       |                        |

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-04

CONSOLIDATED STATEMENTS OF INCOME

- FROM JANUARY 01 TO JUNE 30, 2006 & 200 -

(Thousands of Mexican Pesos)

Final printing

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| REF<br>R | CONCEPTS   | QUARTER OF<br>PRESENT<br>FINANCIAL YEAR |     | QUARTER OF<br>PREVIOUS<br>FINANCIAL<br>YEAR |     |
|----------|--|---|-----|---|-----|
|          |  | Amount                                  | %   | Amount                                      | %   |
| r01      | OPERATING REVENUES   | 91,256,744                              | 100 | 89,264,972                                  | 100 |
| r02      | COST OF SALES AND SERVICES   | 49,058,472                              | 54  | 47,749,939                                  | 53  |
| r03      | GROSS INCOME   | 42,198,272                              | 46  | 41,515,033                                  | 47  |
| r04      | OPERATING EXPENSES   | 16,086,792                              | 18  | 15,491,726                                  | 17  |
| r05      | OPERATING INCOME   | 26,111,480                              | 29  | 26,023,307                                  | 29  |
| r08      | OTHER EXPENSES AND INCOMES (NET)                                     | 627,548                                 | 1   | (1,354,223)                                 | (2) |
| r06      | COMPREHENSIVE FINANCING COST   | (3,178,433)                             | (3) | (2,179,502)                                 | (2) |
| r12      | EQUITY IN NET INCOME OF NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES | 373,923                                 | 0   | 173,818                                     | 0   |
| r48      | NON-ORDINARY ITEMS   | 0                                       | 0   | 0   | 0   |
| r09      | INCOME BEFORE INCOME TAX AND EMPLOYEE PROFIT SHARING                 | 23,934,518                              | 26  | 22,663,400                                  | 25  |
| r10      | PROVISIONS FOR INCOME TAX AND EMPLOYEE PROFIT SHARING                | 6,909,250                               | 8   | 7,022,380                                   | 8   |
| r11      | NET INCOME AFTER INCOME TAX AND EMPLOYEE PROFIT SHARING              | 17,025,268                              | 19  | 15,641,020                                  | 18  |
| r14      | INCOME FROM DISCONTINUED OPERATIONS (NET)                            | 0                                       | 0   | 0   | 0   |
| r18      | NET INCOME   | 17,025,268                              | 19  | 15,641,020                                  | 18  |
| r19      | NET INCOME OF MINORITY INTEREST                                      | 187,049                                 | 0   | 616,830                                     | 1   |
| r20      | NET INCOME OF MAYORITY INTEREST                                      | 16,838,219                              | 18  | 15,024,190                                  | 17  |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-05

## CONSOLIDATED STATEMENTS OF INCOME

## - BREAKDOWN OF MAIN CONCEPTS -

(Thousands of Mexican Pesos)

Final printing

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| REF<br>R | CONCEPTS                               | QUARTER OF PRESENT<br>FINANCIAL YEAR |       | QUARTER OF<br>PREVIOUS<br>FINANCIAL YEAR |       |
|----------|--|--------------------------------------|-------|--|-------|
|          |  | Amount                               | %     | Amount                                   | %     |
| r01      | OPERATING REVENUES                     | 91,256,744                           | 100   | 89,264,972                               | 100   |
| r21      | DOMESTIC                               | 62,915,600                           | 69    | 62,481,729                               | 70    |
| r22      | FOREIGN                                | 28,341,144                           | 31    | 26,783,243                               | 30    |
| r23      | TRANSLATION INTO DOLLARS<br>(***)      | 2,625,979                            | 3     | 2,224,502                                | 2     |
| r08      | OTHER EXPENSES AND INCOMES<br>(NET)    | 627,548                              | 100   | (1,354,223)                              | 100   |
| r49      | OTHER EXPENSES AND INCOMES<br>(NET)    | 2,187,564                            | 349   | 188,354                                  | (14)  |
| r34      | EMPLOYEE PROFIT SHARING                | 1,560,016                            | 249   | 1,542,577                                | (114) |
| r35      | DEFERRED EMPLOYEE PROFIT<br>SHARING    | 0                                    | 0     | 0  | 0     |
| r06      | COMPREHENSIVE FINANCING<br>COST        | (3,178,433)                          | 100   | (2,179,502)                              | 100   |
| r24      | INTEREST EXPENSE                       | 3,919,626                            | (123) | 2,659,670                                | (122) |
| r42      | LOSS (GAIN) ON RESTATEMENT OF<br>UDI'S | 0                                    | 0     | 0  | 0     |
| r45      | OTHER FINANCIAL COSTS                  | 0                                    | 0     | 0  | 0     |

|  |   |           |      |           |      |
|--|---|-----------|------|-----------|------|
| r26  | INTEREST INCOME   | 1,074,999 | (34) | 949,664   | (44) |
| r46  | OTHER FINANCIAL PRODUCTS                                | 0         | 0    | 0         | 0    |
| r25  | FOREIGN EXCHANGE LOSS (GAIN)<br>(NET)                   | (835,258) | 26   | (989,082) | 45   |
| r28  | RESULT FROM MONETARY<br>POSITION                        | 501,452   | (16) | 519,586   | (24) |
|  |   |           |      |           |      |
| r10  | PROVISION FOR INCOME TAX AND<br>EMPLOYEE PROFIT SHARING | 6,909,250 | 100  | 7,022,380 | 100  |
| r32  | INCOME TAX  | 6,241,605 | 90   | 7,954,159 | 113  |
| r33  | DEFERRED INCOME TAX                                     | 667,645   | 10   | (931,779) | (13) |
|  |   |           |      |           |      |
| (***) THOUSAND DOLLARS AT THE PREVAILING EXCHANGE RATE AT THE END OF THE REPORTING PERIOD. |   |           |      |           |      |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-06

CONSOLIDATED STATEMENTS OF INCOME

- OTHER CONCEPTS -

(Thousands of Mexican Pesos)

Final printing

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| REF<br>R | CONCEPTS       | QUARTER OF<br>PRESENT<br>FINANCIAL<br>YEAR | QUARTER OF<br>PREVIOUS<br>FINANCIAL<br>YEAR |
|----------|----------------|--|---|
|          |                | Amount                                     | Amount                                      |
| r36      | TOTAL REVENUES | 91,256,744                                 | 89,264,972                                  |
|          |                |  |   |

|      |  |             |             |
|------|--|-------------|-------------|
| r37  | TAX RESULT FOR THE YEAR                | 0           | 0           |
| r38  | OPERATING REVENUES (**)                | 183,035,606 | 180,010,046 |
| r39  | OPERATING INCOME (**)                  | 50,044,832  | 64,420,231  |
| r40  | NET INCOME OF MAJORITY INTEREST (**)   | 31,332,416  | 31,684,640  |
| r41  | NET INCOME (**)                        | 31,448,713  | 32,762,408  |
| r47  | OPERATIVE DEPRECIATION AND ACCUMULATED | 11,141,336  | 11,950,916  |
| (**) | INFORMATION OF THE PAST TWELVE MONTHS  |             |             |

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## MEXICAN STOCK EXCHANGE

Index

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-07

## CONSOLIDATED QUARTERLY STATEMENTS OF INCOME

- FROM APRIL 01 TO JUNE 30, 2006 &amp; 200 -

(Thousands of Mexican Pesos)

Final printing

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| REF<br>RT | CONCEPTS                   | QUARTER OF PRESENT |     | QUARTER OF PREVIOUS |     |
|-----------|----------------------------|--------------------|-----|---------------------|-----|
|           |                            | FINANCIAL YEAR     |     | FINANCIAL YEAR      |     |
|           |                            | Amount             | %   | Amount              | %   |
| rt01      | OPERATING REVENUES         | 45,693,171         | 100 | 44,833,815          | 100 |
| rt02      | COST OF SALES AND SERVICES | 24,892,130         | 54  | 24,714,876          | 55  |
|           |                            |                    |     |                     |     |

|      |  |             |     |             |     |
|------|--|-------------|-----|-------------|-----|
| rt03 | GROSS INCOME   | 20,801,041  | 46  | 20,118,939  | 45  |
| rt04 | OPERATING EXPENSES   | 8,097,344   | 18  | 7,772,726   | 17  |
| rt05 | OPERATING INCOME   | 12,703,697  | 28  | 12,346,213  | 28  |
| rt08 | OTHER EXPENSES AND INCOMES (NET)   | 1,219,798   | 3   | (621,511)   | (1) |
| rt06 | COMPREHENSIVE FINANCING COST   | (2,055,099) | (4) | (1,016,835) | (2) |
| rt12 | EQUITY IN NET INCOME OF<br>NON-CONSOLIDATED SUBSIDIARIES<br>AND AFFILIATES | 56,533      | 0   | 107,878     | 0   |
| rt48 | NON-ORDINARY ITEMS   | 0           | 0   | 0           | 0   |
| rt09 | INCOME BEFORE INCOME TAX AND<br>EMPLOYEE PROFIT SHARING                    | 11,924,929  | 26  | 10,815,745  | 24  |
| rt10 | PROVISIONS FOR INCOME TAX AND<br>EMPLOYEE PROFIT SHARING                   | 3,769,314   | 8   | 3,609,265   | 8   |
| rt11 | NET INCOME AFTER INCOME TAX AND<br>EMPLOYEE PROFIT SHARING                 | 8,155,615   | 18  | 7,206,480   | 16  |
| rt14 | INCOME FROM DISCONTINUED<br>OPERATIONS (NET)                               | 0           | 0   | 0           | 0   |
| rt18 | NET INCOME   | 8,155,615   | 18  | 7,206,480   | 16  |
| rt19 | NET INCOME OF MINORITY INTEREST  | 111,223     | 0   | 293,197     | 1   |
| rt20 | NET INCOME OF MAJORITY INTEREST  | 8,044,392   | 18  | 6,913,283   | 15  |

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## MEXICAN STOCK EXCHANGE

Index

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-08

CONSOLIDATED QUARTERLY STATEMENTS OF INCOME

- BREAKDOWN OF MAIN CONCEPTS -

(Thousands of Mexican Pesos)

Final printing

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| REF<br>RT  | CONCEPTS  | QUARTER OF PRESENT |      | QUARTER OF PREVIOUS |       |
|--|---|--------------------|------|---------------------|-------|
|  |   | FINANCIAL YEAR     |      | FINANCIAL YEAR      |       |
|  |   | Amount             | %    | Amount              | %     |
| rt01   | OPERATING REVENUES                                      | 45,693,171         | 100  | 44,833,815          | 100   |
| rt21   | DOMESTIC  | 30,980,086         | 68   | 30,961,826          | 69    |
| rt22   | FOREIGN   | 14,713,085         | 32   | 13,871,989          | 31    |
| rt23   | TRANSLATION INTO DOLLARS (***)                          | 1,403,991          | 3    | 1,121,806           | 3     |
| rt08   | OTHER REVENUES AND (EXPENSES),<br>NET                   | 1,219,798          | 100  | (621,511)           | 100   |
| rt49   | OTHER REVENUES AND (EXPENSES),<br>NET                   | 1,938,339          | 159  | 77,978              | (13)  |
| rt34   | EMPLOYEE PROFIT SHARING                                 | 718,541            | 59   | 699,489             | (113) |
| rt35   | DEFERRED EMPLOYEE PROFIT<br>SHARING                     | 0                  | 0    | 0                   | 0     |
| rt06   | COMPREHENSIVE FINANCING COST                            | (2,055,099)        | 100  | (1,016,835)         | 100   |
| rt24   | INTEREST EXPENSE  | 2,041,574          | (99) | 1,255,450           | (123) |
| rt42   | LOSS (GAIN) ON RESTATEMENT OF<br>UDI'S                  | 0                  | 0    | 0                   | 0     |
| rt45   | OTHER FINANCIAL COSTS                                   | 0                  | 0    | 0                   | 0     |
| rt26   | INTEREST INCOME   | 641,397            | (31) | 456,120             | (45)  |
| rt46   | OTHER FINANCIAL PRODUCTS                                | 0                  | 0    | 0                   | 0     |
| rt25   | FOREIGN EXCHANGE LOSS (GAIN)<br>(NET)                   | (430,586)          | 21   | (96,186)            | 9     |
| rt28   | RESULT FROM MONETARY POSITION                           | (224,336)          | 11   | (121,319)           | 12    |
| rt10   | PROVISION FOR INCOME TAX AND<br>EMPLOYEE PROFIT SHARING | 3,769,314          | 100  | 3,609,265           | 100   |
| rt32   | INCOME TAX  | 3,022,108          | 80   | 3,657,742           | 101   |
| rt33   | DEFERRED INCOME TAX                                     | 747,206            | 20   | (48,477)            | (1)   |
| (***) THOUSAND DOLLARS AT THE PREVAILING EXCHANGE RATE AT THE END OF THE REPORTING PERIOD. |   |                    |      |                     |       |

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MEXICAN STOCK EXCHANGE

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-09

**CONSOLIDATED QUARTERLY STATEMENTS OF INCOME**

**- OTHER CONCEPTS -**

(Thousands of Mexican Pesos)

Final printing

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| REF<br>RT | CONCEPTS  | QUARTER OF<br>PRESENT | QUARTER OF<br>PREVIOUS |
|-----------|---|-----------------------|------------------------|
|           |   | FINANCIAL<br>YEAR     | FINANCIAL<br>YEAR      |
|           |   | Amount                | Amount                 |
| rt47      | OPERATIVE DEPRECIATION AND<br>ACCUMULATED IMPAIRMENT LOSSES | 5,536,925             | 6,113,429              |
|           |   |                       |                        |

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MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-10

**CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION**

**- FROM JANUARY 01 TO JUNE 30, 2006 & 200 -**

(Thousands of Mexican Pesos)

Final printing



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| REF<br>C | CONCEPTS  | QUARTER OF<br>PRESENT | QUARTER OF<br>PREVIOUS |
|----------|---|-----------------------|------------------------|
|          |   | FINANCIAL YEAR        | FINANCIAL YEAR         |
|          |   | Amount                | Amount                 |
| c01      | NET INCOME  | 17,025,268            | 15,641,020             |
| c02      | (+)(-) ITEMS ADDED TO INCOME WHICH DO NOT REQUIRE USING RESOURCES | 14,959,248            | 15,021,505             |
| c03      | CASH FLOW FROM NET INCOME FOR THE YEAR                            | 31,984,516            | 30,662,525             |
| c04      | CASH FLOW FROM CHANGES IN WORKING CAPITAL                         | (4,848,925)           | (7,639,187)            |
| c05      | RESOURCES PROVIDED BY (USED FOR) OPERATING ACTIVITIES             | 27,135,591            | 23,023,338             |
| c06      | RESOURCES PROVIDED BY (USED FOR) EXTERNAL FINANCING ACTIVITIES    | 8,080,893             | (1,740,224)            |
| c07      | RESOURCES PROVIDED BY (USED FOR) INTERNAL FINANCING ACTIVITIES    | (11,963,654)          | (18,829,136)           |
| c08      | RESOURCES PROVIDED BY (USED FOR) FINANCING ACTIVITIES             | (3,882,761)           | (20,569,360)           |
| c09      | RESOURCES PROVIDED BY (USED FOR) INVESTMENT ACTIVITIES            | (10,531,464)          | (12,113,720)           |
| c10      | NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS        | 12,721,366            | (9,659,742)            |
| c11      | CASH AND SHORT-TERM INVESTMENTS AT THE BEGINNING OF PERIOD        | 16,708,462            | 24,711,423             |
| c12      | CASH AND SHORT-TERM INVESTMENTS AT THE END OF PERIOD              | 29,429,828            | 15,051,681             |
|          |   |                       |                        |

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MEXICAN STOCK EXCHANGE

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SIFIC/ICS

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-11

## CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

## - BREAKDOWN OF MAIN CONCEPTS -

(Thousands of Mexican Pesos)

Final printing

| REF<br>C | CONCEPTS  | QUARTER OF<br>PRESENT<br>FINANCIAL<br>YEAR | QUARTER OF<br>PREVIOUS<br>FINANCIAL<br>YEAR |
|----------|---|--|---|
|          |   | Amount                                     | Amount                                      |
| c02      | +(-) ITEMS ADDED TO INCOME WHICH DO NOT REQUIRE USING RESOURCES       | 14,959,248                                 | 15,021,505                                  |
| c13      | DEPRECIATION AND AMORTIZATION FOR THE YEAR                            | 12,312,862                                 | 13,259,742                                  |
| c41      | +(-) OTHER ITEMS  | 2,646,386                                  | 1,761,763                                   |
|          |   |  |   |
| c04      | CASH FLOW FROM CHANGES IN WORKING CAPITAL                             | (4,848,925)                                | (7,639,187)                                 |
| c18      | +(-) DECREASE (INCREASE) IN ACCOUNT RECEIVABLE                        | 495,457                                    | (3,432,795)                                 |
| c19      | +(-) DECREASE (INCREASE) IN INVENTORIES                               | (191,017)                                  | (616,134)                                   |
| c20      | +(-) DECREASE (INCREASE) IN OTHER ACCOUNT RECEIVABLE AND OTHER ASSETS | (1,205,077)                                | (1,597,167)                                 |
| c21      | +(-) INCREASE (DECREASE) IN SUPPLIERS ACCOUNT                         | 0  | 0   |
| c22      | +(-) INCREASE (DECREASE) IN OTHER LIABILITIES                         | (3,948,288)                                | (1,993,091)                                 |
|          |   |  |   |
| c06      | RESOURCES PROVIDED BY (USED FOR) EXTERNAL FINANCING ACTIVITIES        | 8,080,893                                  | (1,740,224)                                 |
| c23      | + BANK FINANCING  | 17,218,738                                 | 7,523,341                                   |
| c24      | + STOCK MARKET FINANCING  | 223,915                                    | 256,572                                     |
|          |   |  |   |

|     |  |              |              |
|-----|--|--------------|--------------|
| c25 | + DIVIDEND RECEIVED  | 0            | 0            |
| c26 | + OTHER FINANCING  | 0            | 0            |
| c27 | (-) BANK FINANCING AMORTIZATION                                      | (4,694,706)  | (13,669,894) |
| c28 | (-) STOCK MARKET FINANCING AMORTIZATION                              | (1,531,175)  | (211,338)    |
| c29 | (-) OTHER FINANCING AMORTIZATION                                     | 0            | 0            |
| c42 | + (-) OTHER ITEMS  | (3,135,879)  | 4,361,095    |
|     |  |              |              |
| c07 | RESOURCES PROVIDED BY (USED FOR)<br>INTERNAL FINANCING ACTIVITIES    | (11,963,654) | (18,829,136) |
| c30 | + (-) INCREASE (DECREASE) IN CAPITAL STOCK                           | (401,419)    | (1,038,725)  |
| c31 | (-) DIVIDENDS PAID   | (4,260,372)  | (4,353,648)  |
| c32 | + PREMIUM ON SALE OF SHARES  | 0            | 0            |
| c33 | + CONTRIBUTION FOR FUTURE CAPITAL<br>INCREASES                       | (7,301,863)  | (13,436,763) |
| c43 | + (-) OTHER ITEMS  | 0            | 0            |
|     |  |              |              |
| c09 | RESOURCES PROVIDED BY (USED FOR )<br>INVESTMENT ACTIVITIES           | (10,531,464) | (12,113,720) |
| c34 | +(-) DECREASE (INCREASE) IN STOCK<br>INVESTMENTS OF PERMANENT NATURE | (3,964,907)  | (2,544,021)  |
| c35 | (-) ACQUISITION OF PROPERTY, PLANT AND<br>EQUIPMENT                  | (7,060,998)  | (8,602,054)  |
| c36 | (-) INCREASE IN CONSTRUCTIONS IN PROGRESS                            | 0            | 0            |
| c37 | + SALE OF OTHER PERMANENT INVESTMENT                                 | 0            | 0            |
| c38 | + SALE OF TANGIBLE FIXED ASSETS                                      | 0            | 0            |
| c39 | + (-) OTHER ITEMS  | 494,441      | (967,645)    |

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MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FI-01

DATA PER SHARE

## - CONSOLIDATED INFORMATION -

(Thousands of Mexican Pesos)

Final printing

| REF<br>D | CONCEPTS   | QUARTER OF<br>PRESENT<br>FINANCIAL<br>YEAR |        | QUARTER<br>OF<br>PREVIOUS<br>FINANCIAL<br>YEAR |        |
|----------|--|--|--------|--|--------|
|          |  | Amount                                     |        | Amount   |        |
| d01      | BASIC INCOME PER<br>ORDINARY SHARE<br>(**)   | \$1.59                                     |        | \$1.52   |        |
| d02      | BASIC INCOME PER<br>PREFERENT SHARE<br>(**)  | \$0.00                                     |        | \$0.00   |        |
| d03      | DILUTED INCOME<br>PER ORDINARY<br>SHARE (**)   | \$0.00                                     |        | \$0.00   |        |
| d04      | INCOME FROM<br>CONTINUOUS<br>OPERATIONS PER<br>ORDINARY SHARE<br>(**)  | \$1.59                                     |        | \$1.52   |        |
| d05      | EFFECT OF<br>DISCONTINUOUS<br>OPERATIONS ON<br>INCOME FROM<br>CONTINUOUS<br>OPERATIONS PER<br>ORDINARY SHARE<br>(**) | \$0.00                                     |        | \$0.00   |        |
| d08      | CARRYING VALUE<br>PER SHARE  | \$5.81                                     |        | \$5.33   |        |
| d09      | ACUMULATED CASH<br>DIVIDEND PER SHARE  | \$0.22                                     |        | \$0.21   |        |
| d10      | SHARE DIVIDENDS<br>PER SHARE   | 0.00                                       | shares | 0.00   | shares |
| d11      | MARKET PRICE TO<br>CARRYING VALUE  | 3.53                                       | times  | 2.35   | times  |
|          |  |  |        |  |        |

|                                       |   |       |       |      |       |
|---------------------------------------|---|-------|-------|------|-------|
| d12                                   | MARKET PRICE TO BASIC INCOME PER ORDINARY SHARE (**)  | 12.89 | times | 8.24 | times |
| d13                                   | MARKET PRICE TO BASIC INCOME PER PREFERENT SHARE (**) | 0.00  | times | 0.00 | times |
| (**)                                  |   |       |       |      |       |
| INFORMATION OF THE PAST TWELVE MONTHS |   |       |       |      |       |

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MEXICAN STOCK EXCHANGE

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STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FI-02

RATIOS

- CONSOLIDATED INFORMATION -

(Thousands of Mexican Pesos)

Final printing

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| REF | CONCEPTS                                | QUARTER OF PRESENT FINANCIAL YEAR |  | QUARTER OF PREVIOUS FINANCIAL YEAR |  |
|-----|---|-----------------------------------|--|------------------------------------|--|
| P   |   |                                   |  |                                    |  |
|     | YIELD                                   |                                   |  |                                    |  |
| p01 | NET INCOME TO OPERATING REVENUES        | 18.65%                            |  | 17.52%                             |  |
| p02 | NET INCOME TO STOCKHOLDERS' EQUITY (**) | 27.30%                            |  | 28.42%                             |  |
| p03 |   | 10.97%                            |  | 12.14%                             |  |

|     |  |        |       |        |       |
|-----|--|--------|-------|--------|-------|
|     | NET INCOME TO TOTAL ASSETS (**)                      |        |       |        |       |
| p04 | CASH DIVIDENDS TO PREVIOUS YEAR NET INCOME           | 14.43% |       | 14.05% |       |
| p05 | INCOME DUE TO MONETARY POSITION TO NET INCOME        | 2.94%  |       | 3.32%  |       |
|     | ACTIVITY   |        |       |        |       |
| p06 | OPERATING REVENUES TO TOTAL ASSETS (**)              | 0.63   | times | 0.66   | times |
| p07 | OPERATING REVENUES TO FIXED ASSETS (**)              | 1.15   | times | 1.07   | times |
| p08 | INVENTORIES ROTATION (**)                            | 39.84  | times | 72.32  | times |
| p09 | ACCOUNTS RECEIVABLE IN DAYS OF SALES                 | 50.23  | days  | 50.59  | days  |
| p10 | INTEREST PAID TO TOTAL LIABILITIES WITH COST (**)    | 8.49%  |       | 7.18%  |       |
|     | LEVERAGE   |        |       |        |       |
| p11 | TOTAL LIABILITIES TO TOTAL ASSETS                    | 59.15% |       | 53.80% |       |
| p12 | TOTAL LIABILITIES TO STOCKHOLDERS' EQUITY            | 1.44   | times | 1.16   | times |
| p13 | FOREIGN CURRENCY LIABILITIES TO TOTAL LIABILITIES    | 53.72% |       | 56.47% |       |
| p14 | LONG-TERM LIABILITIES TO FIXED ASSETS                | 65.76% |       | 52.10% |       |
| p15 | OPERATING INCOME TO INTEREST PAID                    | 6.66   | times | 9.78   | times |
| p16 | OPERATING REVENUES TO TOTAL LIABILITIES (**)         | 1.08   | times | 1.23   | times |
|     | LIQUIDITY  |        |       |        |       |
| p17 | CURRENT ASSETS TO CURRENT LIABILITIES                | 1.66   | times | 1.39   | times |
| p18 | CURRENT ASSETS LESS INVENTORY TO CURRENT LIABILITIES | 1.62   | times | 1.36   | times |
| p19 | CURRENT ASSETS TO TOTAL LIABILITIES                  | 0.45   | times | 0.37   | times |
| p20 | AVAILABLE ASSETS TO CURRENT LIABILITIES              | 64.03% |       | 38.40% |       |
|     |  |        |       |        |       |

|  | STATEMENT OF CHANGES IN FINANCIAL POSITION   |          |       |        |       |
|--|--|----------|-------|--------|-------|
| p21  | CASH FLOW FROM NET INCOME TO OPERATING REVENUES  | 35.04%   |       | 34.35% |       |
| p22  | CASH FLOW FROM CHANGES IN WORKING CAPITAL TO OPERATING REVENUES  | -5.31%   |       | -8.55% |       |
| p23  | RESOURCES PROVIDED BY OPERATING ACTIVITIES TO INTEREST PAID  | 6.92     | times | 8.65   | times |
| p24  | EXTERNAL FINANCING TO RESOURCES PROVIDED BY (USED FOR) FINANCING                                       | -208.12% |       | 8.46%  |       |
| p25  | INTERNAL FINANCING TO RESOURCES PROVIDED BY (USED FOR) FINANCING                                       | 308.12%  |       | 91.53% |       |
| p26  | ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT TO RESOURCES PROVIDED BY (USED FOR) INVESTMENT ACTIVITIES | 67.04%   |       | 73.62% |       |
| (**) INFORMATION OF THE PAST TWELVE MONTHS |  |          |       |        |       |

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MEXICAN STOCK EXCHANGE

Index

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 1

CHIEF EXECUTIVE OFFICER REPORT

Consolidated

Final printing

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Highlights

2nd Quarter 2007

- Worldwide, **convergence** is clearly one of the main contributors to the development of societies. It provides benefits across economic sectors as it multiplies growth, opens up new possibilities, and, of course, raises the level of competition. **This new era is just starting in Mexico** while in most countries it has been present for more than four years.
- In nominal terms, TELMEX has reduced rates on all of its services for **25 consecutive quarters**. According to *Communications Outlook 2007*, TELMEX's average residential rates are fourth lowest among all countries that are members of the OECD.
- Our current **rate for 1Mbps** broadband service is **260 pesos** (plus VAT), equivalent to **26 pesos per 100 Kbps unit**. Of the members of the OECD, Mexico is among those with the higher growth rates for broadband services. Specifically, TELMEX has expanded at an annual rate of **73.2%** and now serves **2.4** million users. That represents approximately 60% of the market, excluding broadband services offered by cellular companies. Penetration for broadband service has risen close to 15% of homes compared with approximately 9% in June 2006.
- Mexico requires more computers in homes to increase Internet access. Currently, **four out of five homes do not have a computer**. This is why TELMEX is offering computers and broadband Internet access at attractive prices.
- TELMEX introduced a computer sales program to the market with desktops that can be acquired in monthly installments **starting at 173 pesos** (plus VAT) over a period of 36 months without the obligation of acquiring Internet access. This initiative seeks to provide more homes with computer equipment. To date, **TELMEX has made it possible for customers to buy more than 1.3 million PC's**.
- At the end of the second quarter, TELMEX had 18 million 202 thousand lines in service, representing **23%** of a market of more than **80 million fixed and mobile telephone services in Mexico**. Of TELMEX's lines, approximately 8.3 million are in markets segments with competition where cable companies are also beginning to offer telecommunications services. The remaining 9.9 million lines that represent 54% of total lines are in segments without competition and rural areas. These customers generated revenues of approximately 6.966 billion pesos (22 percent of total revenues), an operating loss of 119 million pesos (a negative operating margin of 1.7%) and EBITDA of 1.716 billion pesos.
- In the second quarter, consolidated revenues reached **45.7 billion pesos, 1.9% higher than the same period of 2006**. Revenues from the operations in Mexico totaled 32.3 billion pesos, an increase of 1.6% compared with last year's second quarter. In Brazil, revenues totaled the equivalent of 11.8 billion pesos (2.1 billion reais) in the quarter, 3.0% higher than the same quarter of 2006. In the other Latin American operations total revenues were the equivalent of 1.6 billion pesos.
- Consolidated EBITDA (1) totaled **18.8 billion pesos**, a decrease of 1.7%. Cost reductions in Mexico were not enough to offset the decrease of unit revenues from voice services. The results also reflected the impact of the



integration of the cable TV companies in Colombia. The consolidated EBITDA margin was 41.2%. Consolidated operating income totaled 12.7 billion pesos, an increase of 2.9% compared with the second quarter of 2006.

- Majority net income in the quarter totaled 8.0 billion pesos. In the second quarter, earnings per share were 41 Mexican cents, an increase of 24.2% compared with the same period of last year, and earnings per ADR were 75 US cents, an increase of 27.1%, compared with the second quarter of 2006.

## Consolidated Income Statements

### Revenues:

In the second quarter, consolidated revenues increased 1.9% compared with the same period of the previous year, reaching 45.693 billion pesos, mainly due to the increase of 12.2% in Internet revenues, 30.9% in interconnection revenues related to revenues from domestic and international calling party pays service, and 52.9% in other revenues, comprised primarily of Tiendas TELMEX (TELMEX stores) and Yellow Pages. On the other hand, local service revenues, domestic long distance and international long distance revenues decreased 2.7%, 8.1% and 8.6%, respectively.

### Costs and expenses

: In the second quarter, costs and expenses increased 1.5% compared with the same period of 2006, totaling 32.989 billion pesos. Major factors in those results were the increase in interconnection expenses in Mexico from domestic and international calling party pays and higher costs related to computer sales and the integration of cable TV companies in Colombia. These effects were partially offset by initiatives that were carried out to optimize resource use.

### EBITDA (1) and operating income:

Consolidated EBITDA (1) totaled 18.848 billion pesos in the second quarter, a decrease of 1.7% compared with the same period of 2006. The EBITDA margin was 41.2%. Consolidated operating income totaled 12.704 billion pesos, 2.9% higher than the second quarter of 2006 producing a margin of 27.8%.

### Other revenues and expenses:

In the second quarter, revenues for 1.938 billion pesos were recognized mainly comprised of the non-recurring recognition of revenues for 1.475 billion pesos as a result of the favorable resolution obtained by the company in Mexico, regarding the deduction of Employee Profit Sharing paid in 2004 and 2005.

Comprehensive financing result:

Comprehensive financing cost produced a charge of 2.055 billion pesos in the quarter. This resulted from: i) net interest expense of 1.400 billion pesos, reflecting an increase in the level of debt from a year earlier and a change in the market value of 14.160 billion pesos of interest rate swaps, ii) a net exchange loss of 431 million pesos from the second-quarter exchange rate appreciation of 0.26 pesos per dollar, as well as for the effect related to 6.709 billion dollars in dollar-peso hedges (weighted average exchange rate: 11.0162 pesos per dollar) and 1.003 billion dollars in dollar-reais hedges (weighted average exchange rate: 2.0793 reais per dollar), and iii) a loss in the monetary position of 224 million pesos.

Majority net income:

Majority net income in the second quarter totaled 8.044 billion pesos, 16.4% higher than the same period of the previous year. Earnings per share were 41 Mexican cents, an increase of 24.2% compared with the same period of the previous year, and earnings per ADR were 75 US cents, an increase of 27.1% compared with the same period of 2006.

Investments:

In the quarter, consolidated capital expenditures (capex) was the equivalent of 376 million dollars, of which 78.8% was used for growth projects in the voice, data and transport infrastructure, 19.7% for operational support projects and operating needs, and 1.5% for social telephony.

Debt:

Gross total debt at June 30 was the equivalent of 10.497 billion dollars, an increase of 2.599 billion dollars from a year ago. Consolidated net debt (3) decreased in the quarter the equivalent of approximately 99 million dollars, totaling 7.547 billion dollars.

Repurchase of shares:

In the first half, the company used 7.703 billion pesos to repurchase its own shares. Of that total, 2.196 billion pesos were applied during the second quarter to repurchase 108,957,500 shares

(3) Net debt is defined as total debt less cash and cash equivalents and marketable securities.

## Mexico Operating Results

### Lines in service

At the end of the second quarter, there was a loss of 82 thousand lines mainly due to more competition in the most attractive segments of the market, as well as to the non-recurring deactivation of 40 thousand trunks related to Internet dial-up services that migrated to broadband services. At June 30, there were 18.2 million lines in service.

### Local traffic

During the second quarter, local traffic decreased 6.0% compared with the same period in 2006, with a total of 6.295 billion local calls. Local traffic volume is still affected by competition from local and wireless telephony and by the migration of our switched traffic to corporate networks, a trend that strengthens the data business although it adversely affects local traffic. Also affecting local traffic results is the migration of dial-up Internet services to Infinitum broadband services (ADSL).

### Long distance traffic

Domestic long distance (DLD) traffic increased 2.2% compared with the second quarter of 2006, totaling 4.599 billion minutes, mainly due to the introduction of packages that provide incentives for usage but at the same time reduce revenue per unit and for the integration of domestic calling party pays service in November 2006, which reached 616 million minutes in the quarter.

In the quarter, outgoing international long distance (ILD) traffic was at a level similar to last year's second quarter, totaling 474 million minutes. ILD incoming long distance traffic including international calling party pays traffic, increased 10.7% compared with the same period of the previous year, totaling 1.971 billion minutes. The incoming-outgoing ratio was 4.2.

### Interconnection

In the second quarter, interconnection traffic increased 19.1% compared with the second quarter of the previous year, totaling 11.373 billion minutes. Calling party pays traffic increased 67.8% as a result of incorporating traffic from domestic and international calling party pays. If this effect were eliminated, local calling party pays traffic shows an increase of 8.6%, as a result of mobile telephony growth. In the second quarter, traffic from local and international operators, as well as traffic generated by cellular companies that is terminated in TELMEX's network increased 4.0% and 22.3%, respectively, compared with the same period of the previous year.

### Internet and Corporate networks

In Mexico during the second quarter, we added 139 thousand Internet services, including the migration of 46 thousand dial-up Internet services. As a result, 81% of Internet access accounts are broadband Infinitum.

TELMEX introduced a computer sales program to the market with desktops that can be acquired in monthly installments starting at 173 pesos (plus VAT) over a period of 36 months without the obligation of acquiring Internet access. This initiative seeks to provide more homes with computer equipment. To date, TELMEX has made it possible for customers to buy more than 1.3 million PC's.

Billed line equivalents for data transmission increased 16.1% compared with last year's second quarter, bringing the total to 2.5 million line equivalents of 64 Kbps.

## Mexico Financial Results

### Revenues:

In the second quarter, revenues from the operations in Mexico totaled 32.325 billion pesos, an increase of 1.6% compared with the same period of the previous year. Revenues from Internet access services and Interconnection increased 6.6% and 35.3%, respectively. Interconnection revenues increased due to domestic and international calling party pays services. Other revenues increased 31.4% mainly due to higher sales in Tiendas TELMEX (TELMEX Stores) and to the Yellow Pages business. The increase in revenues partially offset the reduction in real terms of local and long distance prices.

- Local:

Local revenues totaled 13.342 billion pesos in the second quarter, a decrease of 6.1% compared with the second quarter of 2006, due to the reduction in real terms of 3.9% of the revenue per local billed call, to the decrease of public telephony traffic due to competition from both mobile telephony and other public telephony operators and to the migration of dial-up Internet access to broadband services.

- DLD:

DLD revenues totaled 4.270 billion pesos in the second quarter, 4.2% lower than the second quarter of 2006 since the average revenue per minute was 6.9% lower in real terms and was not offset by the 2.2% increase in traffic.

- ILD:

In the second quarter, ILD revenues totaled 2.334 billion pesos, a decrease of 12.5% compared with the second quarter of 2006. Revenues from outgoing traffic declined 13.2% to 1.4 billion pesos compared with the second quarter of 2006 due to the 14.0% decrease in the average revenue per minute in real terms. Incoming international long distance revenues totaled 895 million pesos, a decrease of 11.2% compared with the same period of 2006.

- Interconnection:

In the second quarter, interconnection revenues increased 35.3% to 5.749 billion pesos compared with the same period of 2006, due to the introduction of domestic and international calling party pays. If this effect were eliminated, interconnection revenues would have decreased 2.6%, because of the 10% reduction of the local calling party pays rate.

- Corporate networks:

In the second quarter, revenues from services related to data transmission through private and managed networks totaled 2.628 billion pesos, a decrease of 4.1% compared with the same period of 2006. This reduction was due to intense competition in this business, which has led to a reduction in prices of these services.

- Internet:

Revenues from services related to the Internet platform rose 6.6% in the second quarter, or 2.586 billion pesos, due to the increase in the number of broadband services, offset by the reduction of prices of broadband Infinitum (ADSL) services that took effect in April 2007.

Costs and expenses:

In the second quarter, total costs and expenses were 21.261 billion pesos, an increase of 1.6% compared with the second quarter of 2006. This increase was mainly due to higher interconnection costs (domestic and international calling party pays) and higher costs of telephone handsets and equipment for customers. If costs from domestic and international calling party pays were eliminated, costs and expenses would have decreased 4.9% as a result of cost control initiatives, as well as lower depreciation and amortization charges.

- Cost of sales and services:

In the second quarter, cost of sales and services decreased 1.6%, totaling 7.724 billion pesos, due to higher computer and telecommunications equipment costs related to higher sales, offset by the initiatives that were carried out to optimize resource use.

- Commercial, administrative and general:

Commercial, administrative and general expenses decreased 2.9% compared with the same period of the previous year to 4.922 billion pesos due to lower advertising and prepaid cards expenses.

- Transport and interconnection:

In the second quarter, transport and interconnection costs totaled 4.169 billion pesos, an increase of 36.2% compared with the same period of 2006 due to the new domestic and international calling party pays service that reached 1.370 billion pesos in the quarter.

- Depreciation and amortization:

In the quarter, depreciation and amortization decreased 10.1% to 4.446 billion pesos compared with the same period of 2006, due to less impact from restatement of the value of fixed assets.

#### EBITDA (1) and operating income

: EBITDA (1) totaled 15.510 billion pesos in the second quarter, a decrease of 2.0% compared with the same period of last year. The EBITDA margin was 48.0%. Operating income totaled 11.064 billion pesos, 1.6% higher than the second quarter of 2006, and the operating margin was 34.2%.

#### Investments:

In Mexico, total capital expenditures (capex) were 226 million dollars, of which 80% was used for growth and modernization projects for the voice, data and transport infrastructure, 17.4% for operational support projects and operating needs, and 2.6% for social telephony.

#### Debt:

At June 30, total debt was the equivalent of 9.060 billion dollars, an increase of 2.062 billion dollars compared with last year's second quarter. Net debt (3) in Mexico increased the equivalent of 611 million dollars to a total of 6.670 billion dollars compared with the second quarter of 2006.

(3) Net debt is defined as total debt less cash and cash equivalents and marketable securities.

#### International Operations Results

The following financial information is presented in the local currency of each country, according to that country's generally accepted accounting principles, before eliminating inter-company operations among companies of the TELMEX Group.

##### Brazil

Our operations in Brazil show the evolution of a company focused on long distance to an integrated telecommunications company. This evolution has resulted in long distance revenues decreasing from 65% of total revenues in 2004 to 54% in 2007. As a result of this strategy, local access voice services and line equivalents for data in the quarter had increases of 30.1% and 31.2%, respectively compared with the same period of 2006.

At June 30, the company provided Net Fone (triple play services) through Net Serviços to 354 thousand customers. This service represents an important growth opportunity since currently Net Serviços network covers approximately 8.9 million households. In addition more than 62% of its network is bi-directional and serves 2.3 million cable TV users, as well as 1.1 million broadband customers.

## Revenues

: In the second quarter, revenues totaled 2.1 billion reais, 3.0% higher than the same quarter of the previous year. Higher revenues were mainly due to the 34.8% increase in local service revenues that offset the 5.4% decrease in domestic long distance revenues.

- Local

: In the second quarter, local revenues reached 303 million reais, 34.8% higher than the same period of 2006 due to the 30.1% increase in local lines in service.

- Domestic long distance

: Domestic long distance revenues totaled 993 million reais, 5.4% lower than the second quarter of 2006. The average revenue per domestic long distance minute decreased 3.6% and for traffic 1.9%.

- International long distance

: In the quarter, international long distance revenues totaled 122 million reais, 4.5% higher than the same period of 2006, since the average revenue per long distance minute increased 5.6% compared with the same period of the previous year.

## Corporate networks and Internet

: Revenues generated by data service and Internet access totaled 576 million reais, at a level similar to the second quarter of 2006. The increase in services helped offset the reduction of unit prices resulting from the price decrease trend in this market.

## Costs and expenses

: Costs and expenses were 1.839 billion reais in the quarter, an increase of 1.0%, mainly due to higher personnel expenses and higher costs of telephone handsets related to growth in local services.

## EBITDA (1) and operating income

: EBITDA (1) totaled 539 million reais in the second quarter an increase of 5.2% compared with the same period of the previous year, with a margin of 25.7%. Operating income totaled 377 million reais in the quarter, an increase of 67.1% compared with the same period of 2006. The operating margin was 18.0%

Investments:

In Brazil, total capital expenditures (capex) were the equivalent of 210 million dollars, of which 29.9% was used for growth projects for the local service infrastructure, 36% for growth of the data platform and 30.2% for transport projects.

Colombia

In Colombia, efforts in the voice and data businesses have been focused on consolidating the corporate and SME segments. Those initiatives are reflected in the increase of 72.3% in line equivalents compared with last year's second quarter. This growth has been offset by more competition in this segment, which has decreased the revenue per line equivalent 12.4%.

In the cable TV business, we are in the process of integrating the operations of the recently acquired companies. Through these companies' integrated network, we currently cover more than 2 million homes. During 2007 and 2008, investments will be focused on updating the infrastructure to modernize the network and offer double and triple play services and to expand our coverage.

In Colombia, revenues totaled 119.933 billion Colombian pesos in the second quarter, 178.6% higher than the same period of 2006. Higher revenues were mainly due to the integration of sites for several corporate customers and the integration of the cable TV companies, which contributed 74 billion Colombian pesos to second-quarter results.

Costs and expenses increased 231.8%, totaling 104.862 billion Colombian pesos, mainly due to the incorporation of the cable companies, which accounted for 67 billion Colombian pesos, and to higher personnel expenses to serve the small and medium-sized market. Operating income totaled 15.071 billion Colombian pesos compared with operating income of 11.448 billion Colombian pesos in the year-ago second quarter, an increase of 31.6%, mainly due to the integration of the cable companies. The operating margin was 12.6%. EBITDA (1) totaled 35.972 billion Colombian pesos with a margin of 30%, compared with EBITDA (1) of 19.412 billion Colombian pesos in the same period of the previous year.

Argentina

In Argentina, we launched products and services over the PreWimax platform in the 3.3 GHz frequency in 26 cities that represent more than 65 percent of the economic activity of this country. Currently, we have 8,148 multi-service packages (voice services and broadband Internet access).



In the quarter, revenues from the operations in Argentina totaled 92.2 million Argentinean pesos, an increase of 7.8% compared with the same period of the previous year, due to increases in revenues in the corporate and Internet businesses and local services of 20.7% and 56.4%, respectively, offset by the decrease in interconnection revenues with other operators.

Operating costs and expenses totaled 91.2 million Argentinean pesos in the quarter, an increase of 1.8% due to the decline in transport and interconnection costs, offset by higher network maintenance costs due to growth in local services. In the quarter, EBITDA (1) totaled 17.6 million Argentinean pesos, an increase of 128.6% compared with the same period of 2006 with a margin of 19.1%. Operating income reached 1.0 million Argentinean pesos in the quarter compared with a loss of 4.1 million Argentinean pesos in the same period of the previous year.

#### Chile

In March, we launched products and services over the WiMax platform in the 3.5 GHz frequency. To date, we have coverage in 20 cities and we expect to have the possibility to serve more than 90% of the population at year-end 2007. Currently, we are adding approximately 136 customers per day with multi-service packages (voice services and broadband Internet access) reaching 5,043 customers at the end of the quarter.

Revenues from the operations in Chile reached 17.364 billion Chilean pesos, 1.2% more than the second quarter of 2006. Revenues from corporate networks, Internet access and local services increased 16.0%, 6.3%, and 51.9%, respectively, compared with the second quarter of 2006. The Chilean long distance market continues to decrease due to the migration to mobile services and private networks, which caused a decline in long distance revenues of 8.1% compared with the second quarter of the previous year.

Costs and expenses totaled 19.015 billion Chilean pesos, an increase of 13.5% compared with the same period of the previous year. Costs of sales and services increased 29.7% due to higher network maintenance costs related to growth in local services. Commercial, administrative and general expenses increased 14.9% due to higher personnel and advertising expenses for the launch of the new multi-service packages over the WiMax platform. In the quarter, there was an operating loss of 1.651 billion Chilean pesos compared with operating income of 410 million Chilean pesos in the same period of the previous year. EBITDA (1) totaled 2.088 billion Chilean pesos, producing a margin 12.0%.

#### Peru

In the cable TV business, through the acquired network, we cover 262 thousand households, representing a growth opportunity in the double and triple play market. Additionally, we will continue to promote our X-plor@ product that is focused on the SME segment with multi-service packages (voice services and broadband Internet access).

In the second quarter, revenues totaled 62.1 million New Soles, 16.9% higher than the same period of the previous year. The data business, which represents 35% of total revenues, increased 30.4%. Voice business revenues were at the same level as the same period of 2006 due to the 9.1% increase in local revenues, offset by the decrease in long distance revenues due to more competition.

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In the second quarter, costs and expenses increased 27.7% due to the increase of 13.7% in transport and interconnection costs and to the increase of 52.3% in commercial, administrative and general expenses due to higher personnel expenses and to the integration of the cable TV companies. The operating loss in the quarter was 2.9 million New Soles compared with operating income of 2.2 million New Soles in the second quarter of 2006. EBITDA (1) totaled 12.0 million New Soles, 18.9% lower than the same period of 2006, with a margin of 19.3%.

Mexico Local and Long Distance Accounting Separation

Based on Condition 7-5 of the Amendments of the Concession Title of Teléfonos de México, the

commitment to present the accounting of the local and long distance services is presented below for the first quarter of 2007 and 2006.

| Mexico Local Service Business                           |     |        |     |        |        |     |             |     |             |        |
|---|-----|--------|-----|--------|--------|-----|-------------|-----|-------------|--------|
| Income Statements                                       |     |        |     |        |        |     |             |     |             |        |
| [ millions of Mexican constant pesos as of June, 2007 ] |     |        |     |        |        |     |             |     |             |        |
|   |     |        |     | %      |        |     |             |     | %           |        |
|   |     | 2Q2007 |     | 2Q2006 | Inc.   |     | 6 months 07 |     | 6 months 06 | Inc.   |
| Revenues  |     |        |     |        |        |     |             |     |             |        |
| Access, rent and measured service                       | Ps. | 13,085 | Ps. | 14,057 | (6.9)  | Ps. | 26,374      | Ps. | 28,196      | (6.5)  |
| LADA interconnection                                    |     | 966    |     | 1,181  | (18.2) |     | 1,940       |     | 2,255       | (14.0) |
| Interconnection with operators                          |     | 412    |     | 396    | 4.0    |     | 788         |     | 751         | 4.9    |
| Interconnection with cellular                           |     | 3,647  |     | 3,807  | (4.2)  |     | 7,114       |     | 7,451       | (4.5)  |
| Other   |     | 3,348  |     | 3,042  | 10.1   |     | 6,218       |     | 5,288       | 17.6   |
| Total   |     | 21,458 |     | 22,483 | (4.6)  |     | 42,434      |     | 43,941      | (3.4)  |
| Costs and expenses                                      |     |        |     |        |        |     |             |     |             |        |
| Cost of sales and services                              |     | 5,742  |     | 5,826  | (1.4)  |     | 10,736      |     | 10,822      | (0.8)  |
| Commercial, administrative and general                  |     | 4,253  |     | 4,448  | (4.4)  |     | 8,218       |     | 8,661       | (5.1)  |
| Interconnection   |     | 2,634  |     | 2,889  | (8.8)  |     | 5,189       |     | 5,668       | (8.5)  |
| Depreciation and amortization                           |     | 2,895  |     | 3,319  | (12.8) |     | 5,830       |     | 6,446       | (9.6)  |
| Total   |     | 15,524 |     | 16,482 | (5.8)  |     | 29,973      |     | 31,597      | (5.1)  |

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|   |     |        |     |        |       |     |             |     |             |        |
|---|-----|--------|-----|--------|-------|-----|-------------|-----|-------------|--------|
| Operating income  | Ps. | 5,934  | Ps. | 6,001  | (1.1) | Ps. | 12,461      | Ps. | 12,344      | 0.9    |
| EBITDA (1)  | Ps. | 8,829  | Ps. | 9,320  | (5.3) | Ps. | 18,291      | Ps. | 18,790      | (2.7)  |
| EBITDA margin (%)                                       |     | 41.1   |     | 41.5   | (0.4) |     | 43.1        |     | 42.8        | 0.3    |
| Operating margin (%)                                    |     | 27.7   |     | 26.7   | 1.0   |     | 29.4        |     | 28.1        | 1.3    |
| Mexico Long Distance Service Business                   |     |        |     |        |       |     |             |     |             |        |
| Income Statements                                       |     |        |     |        |       |     |             |     |             |        |
| [ millions of Mexican constant pesos as of June, 2007 ] |     |        |     |        |       |     |             |     |             |        |
|   |     |        |     |        | %     |     |             |     |             | %      |
|   |     | 2Q2007 |     | 2Q2006 | Inc.  |     | 6 months 07 |     | 6 months 06 | Inc.   |
| Revenues  |     |        |     |        |       |     |             |     |             |        |
| Domestic long distance                                  | Ps. | 5,135  | Ps. | 4,221  | 21.7  | Ps. | 10,054      | Ps. | 8,455       | 18.9   |
| International long distance                             |     | 2,732  |     | 2,281  | 19.8  |     | 5,433       |     | 4,514       | 20.4   |
| Total   |     | 7,867  |     | 6,502  | 21.0  |     | 15,487      |     | 12,969      | 19.4   |
| Costs and expenses                                      |     |        |     |        |       |     |             |     |             |        |
| Cost of sales and services                              |     | 1,268  |     | 1,327  | (4.4) |     | 2,692       |     | 2,789       | (3.5)  |
| Commercial, administrative and general                  |     | 1,384  |     | 1,408  | (1.7) |     | 2,604       |     | 2,755       | (5.5)  |
| Interconnection to the local network                    |     | 2,234  |     | 1,034  | 116.1 |     | 4,414       |     | 1,979       | 123.0  |
| Depreciation and amortization                           |     | 586    |     | 650    | (9.8) |     | 1,126       |     | 1,270       | (11.3) |
| Total   |     | 5,472  |     | 4,419  | 23.8  |     | 10,836      |     | 8,793       | 23.2   |
| Operating income  | Ps. | 2,395  | Ps. | 2,083  | 15.0  | Ps. | 4,651       | Ps. | 4,176       | 11.4   |
| EBITDA (1)  | Ps. | 2,981  | Ps. | 2,733  | 9.1   | Ps. | 5,777       | Ps. | 5,446       | 6.1    |
| EBITDA margin (%)                                       |     | 37.9   |     | 42.0   | (4.1) |     | 37.3        |     | 42.0        | (4.7)  |
| Operating margin (%)                                    |     | 30.4   |     | 32.0   | (1.6) |     | 30.0        |     | 32.2        | (2.2)  |

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MEXICAN STOCK EXCHANGE

Index

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Mexican Pesos)

Consolidated

Final printing

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QUARTER 2 YEAR 2007

S 87 OTHERS

In this item there are included the inventories for telephone plant operation that at June 31, 2007 and 2006 rose \$3,063,847, and \$2,626,162, respectively which are valued by the average cost method and are updated based on the specific index method, without exceeding their market value.

S 84 INTANGIBLE ASSETS FOR LABOR OBLIGATIONS

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

PROJECTED NET ASSETS (D-3)

At June 30, 2007 and 2006, the market value of the established pensions and seniority premium fund was greater than the accumulated benefit obligation (ABO) in Mexico, and pursuant to Bulletin D-3, it is not recognized neither any

additional liability nor the related intangible asset and effect of labor obligation on stockholders' equity. As a result of the foregoing, the balance sheet presents a projected net asset.

#### S 23 AND S 28 BANK LOANS

In this item, there are included the banks' credits related to purchase programs to suppliers that have been traditionally reported in the suppliers' credits item of the Balance Sheet because long-term opening to suppliers does not exist in EMISNET.

On October 20, 2005, TELMEX entered into an agreement to restructure the syndicated loan contracted on July 15, 2004 for 2.425 billion dollars to improve the credit conditions and increase the total amount to 2.5 billion dollars in two tranches, the first one for 1.5 billion dollars and has a four-year maturity and the second one for 1 billion dollars and has a six-year maturity. No penalties were assessed for the restructuring of the syndicated loan.

On August 11, 2006 the loan was restructured again in order to improve the credit terms and increasing the total loan amount to 3 billion dollars divided in three tranches, the first one for 1.3 billion dollars with a three-year maturity, the second one for 1 billion dollars with a five-year maturity years and the third one for 700 million dollars with a seven-year maturity

On June 30, 2006 Telmex entered into a syndicated loan agreement in the amount for 500 million dollars divided into two tranches of 250 million dollars each, with a four-year and six-year maturity, respectively.

#### S 24 AND S 29 STOCK MARKET LOANS

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

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

On January 26, 2006, TELMEX placed abroad a senior note in the amount of Ps. 4.5 billion, maturing in 2016 and bearing interest at 8.75%. Interest will be paid semi-annually.

On april 23, 2007, Telmex placed Certificados Bursátiles for Ps. 9.5 billion in two tranches, the first one for Ps. 5.0 billion due in 30 years at a fixed interest rate of 8.36% and the second one for Ps. 4.5 billion due in 5 years at a rate of "TIIE" Interbank rate less 10 basis points.

In the second half of year 2006, the Company entered into cross currency swaps to hedge the exchange rate and interest rate risks related to the issuance of bonds with maturity in 2010 and 2015 for a total of 1.750 billion dollars, with interest rate of 4.75% and 5.5%, respectively, and the 500 million dollars syndicated loan divided in two tranches with maturity in 2010 and 2012 (with interest rates of three-month Libor plus 20 basis points and three-month Libor plus 25 basis points, respectively). These hedges fixed the exchange rate of 10.9275 Mexican pesos per US dollar for the entire life of the bonds and the exchange rate of 10.8458 Mexican pesos per US dollar for the entire life of the syndicated loan. It also allowed Telmex to set a fixed rate of 7.52% and 8.57% for the bonds, respectively, and an interest rate of 28-day "TIIE" interbank rate plus 4 basis points for the syndicated loan.

In June , 2007 the Company entered into a cross currency swaps agreement to hedge the exchange rate and interest rate risks related to the syndicated loan with maturity in 2009 for a total amount of 200 million dollars (with interest rate of six-month Libor plus 20 basis points). This hedge allowed to fix the exchange rate of 10.75 mexican pesos per US dollar and an interest rate of 28-day "TIIE" Interbank rate less 10 basis points.

#### S 29 STOCK MARKET LOANS (LONG-TERM)

At June 30, 2007 and 2006, this item rose to \$ 44,879,650 and \$ 43,093,276, respectively and is comprised by the following:

|                          | 2007              | 2006          |
|--------------------------|-------------------|---------------|
| Domestic Senior Notes    | P s<br>10,700,000 | Ps. 5,229,180 |
| Bonds                    | 29,679,650        | 33,110,296    |
| Global peso Senior Notes | P s<br>4,500,000  | 4,753,800     |

#### S 32 OTHER LIABILITIES

At June 30, 2007 and 2006, this item rose to Ps 2,247,059 and Ps. 2,265,804, respectively, that corresponds to Embratel's labor obligations, as well as the actuarial obligations for labor termination in Mexico in the amount of Ps. 228,891 and 246,998, based on the requirements of Bulletin D-3.

#### S 42 RETAINED EARNINGS AND CAPITAL RESERVES

In April 27, 2007 the Ordinary Shareholders Meeting approved to increase in Ps. 15 billion (face value), the amount authorized to acquire its own shares, bringing the total maximum amount to be used for this purpose to Ps. \$

23,046,597 (face value).

From January to June 2007, the Company acquired 440.9 billion Series L shares for Ps 7,679,842 (historical cost of Ps. 7,692,967) and 1.3 million Series A shares for Ps. 23,440 (historical cost of Ps. 23,468).

From January to June 2006, the Company acquired 1,145.9 million Series L shares for Ps. 14,437,711 (historical cost of Ps. 13,898,963) and 2.9 million Series A shares for Ps. 37,778 (historical cost of Ps. 36,332).

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

#### S 58 OTHER CURRENT LIABILITIES

At June 30, 2007 and 2006, this item rose to Ps. 30,580,345 and Ps. 27,791,663 respectively and is comprised by the following concepts:

|                              | 2007                | 2006              |
|------------------------------|---------------------|-------------------|
| A c c o u n t s<br>payable   | P s .<br>17,505,606 | P s<br>21,571,772 |
| A c c r u e d<br>liabilities | 10,357,810          | 3,838,334         |
| D e f e r r e d<br>credits   | 2,716,929           | 2,381,557         |

#### S 73 PENSION FUND AND SENIORITY PREMIUMS

The Company has pensions plans and seniority benefit premiums that are established in defined pension plans that cover substantially all employees in Mexico.

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

The Company established an irrevocable trust fund to cover the payment of these obligations and has the policy of making annual contributions to such fund. These contributions are deductible for Mexican corporate income tax purposes. During the period comprised from January to June 2007, there were not contributions to the trust fund.

The transition liability, past services and variations in assumptions are being amortized over a period of twelve years, that is the estimated average remaining working-life of the Company's employees.

NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

C 39 OTHER ITEMS

Includes inventories for operation of the telephone plant, marketable securities and instruments available for sale, deferred assets, as well as decreases of fixed assets.

RATIOS

P 08 INVENTORY TURNOVER RATE-COST

EMISNET automatically calculates the inventory turnover rate-cost by dividing the cost of sales and services (Ref. R 2) by the inventory of goods for sale (Ref. S 6), fact that affects the actual turnover.

RECLASIFICACIONES

Some of the figures of the 2006 financial statements have been reclassified to conform the presentation with the same used in the 2007 year.

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STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 3a



## SHARE INVESTMENTS SUBSIDIARIES

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| COMPANY NAME                                    | MAIN ACTIVITIES                            | NUMBER OF SHARES | OWNERSHIP |
|---|--|------------------|-----------|
|   |  |                  | %         |
| Consertel, S.A. de C.V.                         | Investments in all types of businesses     | 106,419,052,434  | 100.00    |
| Cía. de Teléfonos y Bienes Raíces, S.A. de C.V. | Real estate acquisition & leasing          | 1,034,000,000    | 100.00    |
| Alquiladora de Casas, S.A. de C.V.              | Real estate acquisition & leasing          | 686,001,490      | 100.00    |
| Construcciones y Canalizaciones, S.A. de C.V.   | Construction & maint. of telephone network | 28,369,000       | 100.00    |
| Empresa de Limpieza Mexicana, S.A. de C.V.      | Cleaning Service Company                   | 50,000           | 100.00    |
| Renta de Equipo, S.A. de C.V.                   | Equipment, vehicles & real estate leasing  | 769,595,000      | 100.00    |
| Multicomunicación Integral, S.A. de C.V.        | Trunking, installation & sales services    | 662,482          | 100.00    |
| Teleconstructora, S.A. de C.V.                  | Construction & maint. of telephone network | 19,400,000       | 100.00    |
| Anuncios en Directorios, S.A. de C.V.           | Sale of advertising space in yellow pages  | 1,081,750        | 100.00    |
| Operadora Mercantil, S.A. de C.V.               | Marketing services                         | 50,000           | 100.00    |
| Impulsora Mexicana de Telecomunicaciones, S.A.  | Network projects                           | 4,602,225        | 100.00    |
| Fuerza y Clima, S.A. de C.V.                    | Air conditioning installation & maint.     | 4,925,000        | 100.00    |
| Teléfonos del Noroeste, S.A. de C.V.            | Telecommunication services                 | 110,000,000      | 100.00    |
| Aerocomunicaciones, S.A. de C.V.                | Aeronautic radiocom. mobile serv.          | 89,034,600       | 99.99     |
| Tecmarketing, S.A. de C.V.                      | Telemarketing services                     | 6,850,000        | 100.00    |
| Comertel Argos, S.A. de C.V.                    | Personnel services                         | 6,000            | 100.00    |

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|  |  |                 |        |
|--|--|-----------------|--------|
| Telmex International, Inc.                           | Telecommunication services               | 1,000           | 100.00 |
| Instituto Tecnológico de Teléfonos de México, S.C    | Training & research services             | 1,000           | 100.00 |
| Buscatel, S.A. de C.V.                               | Paging services                          | 142,445         | 100.00 |
| Consortio Red Uno, S.A. de C.V.                      | Design & integrated telecom. Services    | 279,634,377     | 100.00 |
| Uninet, S.A. de C.V.                                 | Data transmission services               | 67,559,615      | 100.00 |
| Aerofrisco, S.A. de C.V.                             | Air Taxi services                        | 6,360,624,600   | 100.00 |
| Grupo Técnico de Administración, S.A. de C.V.        | Management, consulting & org. Services   | 50,000          | 100.00 |
| Teninver, S.A. de C.V.                               | Investments in all types of businesses   | 5,296,722       | 100.00 |
| Telcoser, S.A. de C.V.                               | Investments in all types of businesses   | 17,230,931      | 100.00 |
| Fintel Holdings, L.L.C.                              | Investments in all types of businesses   | 1,490           | 100.00 |
| Servicios Administrativos Tecmarketing, S.A. de C.V. | Software development, sales & management | 60,687,728      | 100.00 |
| Metrored Holdings S. R. L.                           | Telecommunication services               | 389,961,289     | 100.00 |
| Arrendadora de Servicios de Telecomunicaciones S.A.  | Leasing                                  | 200,000         | 100.00 |
| Telmex Chile Holding S.A.                            | Telecommunication services               | 158,829,369,072 | 100.00 |
| Telmex Colombia S. A.                                | Telecommunication services               | 196,648,366     | 100.00 |
| Superview Telecomunicaciones, S.A.                   | Cable TV operator                        | 57,447,495      | 99.15  |
| Telmex Perú S. A.                                    | Telecommunication services               | 4,187,416       | 100.00 |
| Creo Sistemas S.A.C.                                 | Software development, sales & management | 193,084         | 100.00 |
| Embratel Participações, S.A.                         | Telecommunication services               | 968,451,217,889 | 97.46  |
| TV Cable, S. A.                                      | Cable TV operator                        | 2,361,500,432   | 100.00 |
| TV Cable del Pacífico, S.A.E.S.P.                    | Cable TV operator                        | 614,126         | 100.00 |
| Boga Comunicaciones, S. A.                           | Cable TV operator                        | 79,299,831      | 100.00 |
| Ecuador Telecom, S. A.                               | Telecommunication services               | 1,000,000       | 100.00 |

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## ANNEX 3b

## SHARE INVESTMENTS AFFILATES

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| COMPANY NAME                                      | MAIN ACTIVITIES                 | NUMBER OF SHARES | OWNERSHIP | TOTAL AMOUNT<br>(Thousands of Mexican Pesos) |               |
|---|---------------------------------|------------------|-----------|--|---------------|
|   |                                 |                  |           | ACQUISITION COST                             | PRESENT VALUE |
| Grupo Telvista, S.A. de C.V.                      | Telemarketing in Mexico and USA | 450              | 45.00     | 510,138                                      | 464,822       |
| Centro Histórico de la Ciudad de México, SA de CV | Real estate services            | 80,020,000       | 21.77     | 80,020                                       | 106,228       |
| TM and MS, LLC                                    | Internet portal (TIMSN)         | 1                | 50.00     | 29,621                                       | 68,311        |
| Net Serviços de Comunicação, S.A.                 | Cable TV operator               | 117,755,397      | 38.98     | 5,488,548                                    | 5,019,980     |
| Eidon Software, S.A. de C.V.                      | Software development            | 35,567,911       | 22.74     | 35,568                                       | 57,563        |
| 2Wire, Inc.                                       | Broadband Services              | 8,619,242        | 13.00     | 648,400                                      | 127,653       |
| TOTAL INVESTMENT IN ASSOCIATES                    |                                 |                  |           | 6,792,295                                    | 5,844,557     |
| OTHER PERMANENT INVESTMENTS                       |                                 |                  |           |  | 10,597        |
| TOTAL   |                                 |                  |           | 6,792,295                                    | 5,855,154     |

NOTES:

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 5

## CREDITS BREAKDOWN

(Thousands of Mexican Pesos)

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| Signature date | Amortization Date | Interest Rate | Amortization of Credits Denominated in Pesos |              |              |              |              |                       | Amortization of Credits in |              |              |   |
|----------------|-------------------|---------------|--|--------------|--------------|--------------|--------------|-----------------------|----------------------------|--------------|--------------|---|
|                |                   |               | Time Interval                                |              |              |              |              |                       | Time Inter                 |              |              |   |
|                |                   |               | Current Year                                 | Until 1 Year | Until 2 Year | Until 3 Year | Until 4 Year | Until 5 Years or more | Current Year               | Until 1 Year | Until 2 Year | U |
|                |                   |               |  |              |              |              |              |                       |                            |              |              |   |
|                |                   |               |  |              |              |              |              |                       |                            |              |              |   |
| 05/04/2002     | 22/12/2009        | 5.59          | 0  | 0            | 0            | 0            | 0            | 0                     | 15,248                     | 3,482        | 3,971        |   |
| 11/05/2001     | 22/04/2009        | 5.94          | 0  | 0            | 0            | 0            | 0            | 0                     | 20,780                     | 12,965       | 14,324       |   |
| 16/03/2006     | 22/07/2011        | 5.69          | 0  | 0            | 0            | 0            | 0            | 0                     | 16,728                     | 16,728       | 33,457       |   |
| 27/03/2003     | 10/10/2011        | 6.27          | 0  | 0            | 0            | 0            | 0            | 0                     | 462,549                    | 462,549      | 925,098      | 9 |
| 15/01/2007     | 15/01/2016        | 5.73          | 0  | 0            | 0            | 0            | 0            | 0                     | 179,880                    | 179,880      | 359,761      | 3 |
| 28/02/1986     | 31/03/2022        | 2.00          | 0  | 0            | 0            | 0            | 0            | 0                     | 10,793                     | 10,793       | 21,585       |   |

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|            |            |       |           |   |         |           |   |           |           |           |           |     |
|------------|------------|-------|-----------|---|---------|-----------|---|-----------|-----------|-----------|-----------|-----|
| 30/05/1996 | 30/11/2013 | 6.92  | 0         | 0 | 0       | 0         | 0 | 0         | 766,589   | 457,227   | 2,311,766 | 1,9 |
| 01/08/1996 | 01/07/2027 | 7.15  | 0         | 0 | 0       | 0         | 0 | 0         | 1,640,647 | 400,543   | 3,055,080 | 0   |
|            |            |       |           |   |         |           |   |           |           |           |           |     |
|            |            |       |           |   |         |           |   |           |           |           |           |     |
| 20/02/2007 | 22/02/2010 | 7.36  | 0         | 0 | 0       | 1,500,000 | 0 | 0         | 0         | 0         | 0         | 0   |
| 26/02/2007 | 26/02/2010 | 7.66  | 0         | 0 | 0       | 1,300,000 | 0 | 0         | 0         | 0         | 0         | 0   |
| 30/06/2006 | 30/06/2010 | 5.59  | 0         | 0 | 0       | 0         | 0 | 0         | 0         | 0         | 0         | 2,  |
| 30/06/2006 | 30/06/2012 | 5.64  | 0         | 0 | 0       | 0         | 0 | 0         | 0         | 0         | 0         | 0   |
| 11/08/2006 | 20/10/2009 | 5.59  | 0         | 0 | 0       | 0         | 0 | 0         | 0         | 0         | 0         | 14, |
| 11/08/2006 | 20/10/2011 | 5.64  | 0         | 0 | 0       | 0         | 0 | 0         | 0         | 0         | 0         | 0   |
| 11/08/2006 | 11/08/2013 | 5.71  | 0         | 0 | 0       | 0         | 0 | 0         | 0         | 0         | 0         | 0   |
| 25/04/2007 | 22/04/2012 | 4.50  | 0         | 0 | 0       | 0         | 0 | 0         | 21,585    | 21,585    | 43,170    |     |
|            |            |       |           |   |         |           |   |           |           |           |           |     |
|            |            |       | 0         | 0 | 0       | 2,800,000 | 0 | 0         | 3,134,799 | 1,565,752 | 6,768,212 | 20, |
|            |            |       |           |   |         |           |   |           |           |           |           |     |
|            |            |       |           |   |         |           |   |           |           |           |           |     |
|            |            |       |           |   |         |           |   |           |           |           |           |     |
| 26/10/2001 | 31/05/2012 | 11.05 | 1,000,000 | 0 | 400,000 | 0         | 0 | 300,000   | 0         | 0         | 0         | 0   |
| 26/10/2001 | 26/10/2007 | 8.34  | 3,250,000 | 0 | 0       | 0         | 0 | 0         | 0         | 0         | 0         | 0   |
| 21/09/2006 | 15/09/2011 | 7.79  | 0         | 0 | 0       | 0         | 0 | 500,000   | 0         | 0         | 0         | 0   |
| 23/04/2007 | 16/03/2037 | 8.36  | 0         | 0 | 0       | 0         | 0 | 5,000,000 | 0         | 0         | 0         | 0   |

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|  |            |      |            |   |         |           |   |            |           |           |            |
|--|------------|------|------------|---|---------|-----------|---|------------|-----------|-----------|------------|
| 23/04/2007                                   | 16/04/2012 | 7.61 | 0          | 0 | 0       | 0         | 0 | 4,500,000  | 0         | 0         | 0          |
| 19/11/2003                                   | 19/11/2008 | 4.50 | 0          | 0 | 0       | 0         | 0 | 0          | 0         | 0         | 10,792,600 |
| 27/01/2005                                   | 27/01/2015 | 5.50 | 0          | 0 | 0       | 0         | 0 | 0          | 0         | 0         | 0          |
| 27/01/2005                                   | 27/01/2010 | 4.75 | 0          | 0 | 0       | 0         | 0 | 0          | 0         | 0         | 0          |
| 31/01/2006                                   | 31/01/2016 | 8.75 | 0          | 0 | 0       | 0         | 0 | 4,500,000  | 0         | 0         | 0          |
|  |            |      |            |   |         |           |   |            |           |           |            |
|  |            |      |            |   |         |           |   |            |           |           |            |
|  |            |      |            |   |         |           |   |            |           |           |            |
|  |            |      |            |   |         |           |   |            |           |           |            |
|  |            |      | 4,250,000  | 0 | 400,000 | 0         | 0 | 14,800,000 | 0         | 0         | 10,792,600 |
|  |            |      |            |   |         |           |   |            |           |           |            |
|  |            |      |            |   |         |           |   |            |           |           |            |
| <b>TERM LOANS WITH COST (S103) AND (S30)</b> |            |      |            |   |         |           |   |            |           |           |            |
| /A   |            |      | 0          | 0 | 0       | 0         | 0 | 0          | 0         | 0         | 0          |
| <b>SHORT TERM LOANS WITH</b>                 |            |      | 0          | 0 | 0       | 0         | 0 | 0          | 0         | 0         | 0          |
|  |            |      |            |   |         |           |   |            |           |           |            |
| <b>IES WITHOUT COST (S26)</b>                |            |      |            |   |         |           |   |            |           |           |            |
| /A   |            |      | 35,418,787 | 0 | 0       | 0         | 0 | 0          | 0         | 0         | 0          |
| <b>LIABILITIES WITHOUT</b>                   |            |      | 35,418,787 | 0 | 0       | 0         | 0 | 0          | 0         | 0         | 0          |
|  |            |      |            |   |         |           |   |            |           |           |            |
|  |            |      | 39,668,787 | 0 | 400,000 | 2,800,000 | 0 | 14,800,000 | 3,134,799 | 1,565,752 | 17,560,812 |

NOTES:

A.- Interest rates:

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

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

B.- The following rates were considered:

1. Libor at 6 months in US dollars is equivalent to 5.3863 at June 29, 2007

2. TIIE

at 28 days is equivalent to 7.7050 at June 29, 2007

3. TIIE

at 91 days is equivalent to 7.8100 at June 28, 2007

4. CETES

at 182 days is equivalent to 7.4400 at June 28, 2007

C.- The suppliers' Credits are reclassified to Bank Loans because in this document, Emisnet, Long-Term opening to Suppliers' does not exist.

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

June 30, 2007 were as follows:

| CURRENCY     | AMOUNT    | E.R.  |
|--------------|-----------|-------|
| DOLLAR (USD) | 8,257,361 | 10.79 |
| EURO (EUR)   | 24,750    | 14.58 |

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

P. 1,564,960 thousand pesos.

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 6

FOREIGN EXCHANGE MONETARY POSITION

(Thousands of Mexican Pesos)

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| FOREIGN CURRENCY POSITION | DOLLARS     |              | OTHER CURRENCIES |            | TOTAL        |
|---------------------------|-------------|--------------|------------------|------------|--------------|
|                           | THOUSAND    | THOUSAND     | THOUSAND         | THOUSAND   | THOUSAND     |
|                           | DOLLARS     | PESOS        | DOLLARS          | PESOS      | PESOS        |
| MONETARY ASSETS           | 708,071     | 7,641,923    | 2,099,821        | 22,662,523 | 30,304,446   |
| LIABILITIES               | 8,432,547   | 91,009,109   | 1,974,901        | 21,314,313 | 112,323,422  |
| SHORT-TERM LIABILITIES    | 535,064     | 5,774,734    | 1,872,116        | 20,204,998 | 25,979,732   |
| LONG-TERM LIABILITIES     | 7,897,483   | 85,234,375   | 102,785          | 1,109,315  | 86,343,690   |
| NET BALANCE               | (7,724,476) | (83,367,186) | 124,920          | 1,348,210  | (82,018,976) |

## NOTES:

Assets and Liabilities in foreign currency were exchanged at the prevailing exchange rate at the end of the reporting period.

At the end of the quarter the exchange rates were as follows:

| CURRENCY         | E.R.   |
|------------------|--------|
| DOLLAR (USD)     | 10.79  |
| EURO             | 14.59  |
| CHILEAN PESO     | 0.02   |
| ARGENTINEAN PESO | 3.50   |
| BRAZILIAN REAL   | 5.60   |
| PERUVIAN SOL     | 3.41   |
| COLOMBIAN PESO   | 0.0049 |

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

## ANNEX 7

## CALCULATION AND RESULT FROM MONETARY POSITION

(Thousands of Mexican Pesos)

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| MONTH                                    | MONETARY<br>ASSETS | MONETARY<br>LIABILITIES | (ASSETS)<br>LIABILITIES<br>MONETARY<br>POSITION | MONTHLY<br>INFLATION | MONTHLY<br>EFFECT<br>(ASSET)<br>LIABILITIES |
|--|--------------------|-------------------------|---|----------------------|---|
| JANUARY                                  | 39,083,633         | 106,804,261             | 67,720,628                                      | 0.50                 | 338,603                                     |
| FEBRUARY                                 | 39,747,487         | 104,755,373             | 65,007,886                                      | 0.30                 | 195,024                                     |
| MARCH                                    | 41,376,801         | 104,362,500             | 62,985,699                                      | 0.20                 | 125,971                                     |
| APRIL                                    | 40,785,947         | 110,361,353             | 69,575,406                                      | 0.03                 | 20,873                                      |
| MAY                                      | 50,522,200         | 115,730,698             | 65,208,498                                      | (0.48)               | (313,001)                                   |
| JUNE                                     | 51,041,297         | 114,237,901             | 63,196,604                                      | 0.08                 | 50,557                                      |
| RESTATEMENT                              | 0                  | 0                       | 0   | 0.00                 | (725)                                       |
| CAPITALIZATION                           | 0                  | 0                       | 0   | 0.00                 | 0   |
| FOREIGN CORP.                            | 0                  | 0                       | 0   | 0.00                 | 99,304                                      |
| OTHER                                    | 0                  | 0                       | 0   | 0.00                 | (15,154)                                    |
| TOTAL                                    |                    |                         |   |                      | 501,452                                     |
| <b>FIGURES FOR INFORMATION PURPOSES:</b> |                    |                         |   |                      |   |
| CAPITALIZED MONETARY<br>GAIN             |                    |                         |   |                      |   |

NOTE:

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

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ANNEX 8

DEBT INSTRUMENTS

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|  |
|--|
| FINANCIAL LIMITED BASED IN ISSUED DEED AND/OR TITLE  |
| Part of the long-term debt is subject to certain restrictive covenants with respect to maintaining certain financial ratios and the sale of assets, among others.  |
| A portion of the debt is also subject to early maturity or repurchase at the option of the holders in the event of change of control of the Company, as defined in the related instruments. The definition of change of control varies from instrument to instrument; however, no change in control shall be considered to have occurred as long as Carso Global Telecom, S.A.B. de C.V. (TELMEX' controlling company) or its current stockholders continue to hold the majority of the Company's voting shares. |
| CURRENT SITUATION OF FINANCIAL LIMITED   |
| At June 30, 2007, the Company has complied with such restrictive covenants.  |

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ANNEX 9

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

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

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ANNEX 10

RAW MATERIALS

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

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ANNEX 11a

## SALES DISTRIBUTION BY PRODUCT

## SALES

(Thousands of Mexican Pesos)

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| MAIN PRODUCTS            | NET SALES |            | MARKET<br>PART.<br>(%) | MAIN       |           |
|--------------------------|-----------|------------|------------------------|------------|-----------|
|                          | VOLUME    | AMOUNT     |                        | TRADEMARKS | CUSTOMERS |
| DOMESTIC SALES           |           |            |                        |            |           |
| LOCAL SERVICE            | 0         | 26,929,264 | 0.0                    |            |           |
| LONG DISTANCE<br>SERVICE | 0         | 11,308,324 | 0.0                    |            |           |
| INTERCONNECTION          | 0         | 11,132,386 | 0.0                    |            |           |
| CORPORATE<br>NETWORKS    | 0         | 5,262,509  | 0.0                    |            |           |
| INTERNET                 | 0         | 5,194,286  | 0.0                    |            |           |
| OTHERS                   | 0         | 3,088,831  | 0.0                    |            |           |
| FOREIGN SALES            |           |            |                        |            |           |
| NET SETTLEMENT           | 0         | 1,782,310  | 0                      |            |           |
| LOCAL SERVICE            | 0         | 3,172,918  | 0                      |            |           |
|                          | 0         | 13,514,967 | 0                      |            |           |

|                       |   |            |   |  |  |
|-----------------------|---|------------|---|--|--|
| LONG DISTANCE SERVICE |   |            |   |  |  |
| INTERCONNECTION       | 0 | 365,050    | 0 |  |  |
| CORPORATE NETWORKS    | 0 | 6,630,365  | 0 |  |  |
| INTERNET              | 0 | 1,806,132  | 0 |  |  |
| OTHERS                | 0 | 1,069,402  | 0 |  |  |
| TOTAL                 |   | 91,256,744 |   |  |  |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 11b

SALES DISTRIBUTION BY PRODUCT

FOREIGN SALES

(Thousands of Mexican Pesos)

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| MAIN PRODUCTS         | NET SALES |            | DESTINATION | MAIN       |           |
|-----------------------|-----------|------------|-------------|------------|-----------|
|                       | VOLUME    | AMOUNT     |             | TRADEMARKS | CUSTOMERS |
| EXPORT                |           |            |             |            |           |
| NET SETTLEMENT        | 0         | 1,782,198  |             |            |           |
| FOREIGN SUBSIDIARIES  |           |            |             |            |           |
| NET SETTLEMENT        | 0         | 112        |             |            |           |
| LOCAL SERVICE         | 0         | 3,172,918  |             |            |           |
| LONG DISTANCE SERVICE | 0         | 13,514,967 |             |            |           |

|                    |   |            |  |  |  |
|--------------------|---|------------|--|--|--|
| INTERCONNECTION    | 0 | 365,050    |  |  |  |
| CORPORATE NETWORKS | 0 | 6,630,365  |  |  |  |
| INTERNET           | 0 | 1,806,132  |  |  |  |
| OTHERS             | 0 | 1,069,402  |  |  |  |
| TOTAL              |   | 28,341,144 |  |  |  |
| NOTES:             |   |            |  |  |  |

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## MEXICAN STOCK EXCHANGE

Index

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANALYSIS OF PAID CAPITAL STOCK

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| SERIES  | NOMINAL VALUE | VALID COUPON | NUMBER OF SHARES |                  |               |                     | CAPITAL STOCK<br>(Thousand pesos) |          |
|---|---------------|--------------|------------------|------------------|---------------|---------------------|-----------------------------------|----------|
|   |               |              | FIXED PORTION    | VARIABLE PORTION | MEXICAN       | PUBLIC SUSSCRIPTION | FIXED                             | VARIABLE |
| A   | 0.01250       | 0            | 438,790,538      | 0                | 0             | 438,790,538         | 5,485                             | 0        |
| AA  | 0.01250       | 0            | 8,114,596,082    | 0                | 8,114,596,082 | 0                   | 101,432                           | 0        |
| L   | 0.01250       | 0            | 11,207,508,950   | 0                | 0             | 11,207,508,950      | 140,094                           | 0        |
| TOTAL   |               |              | 19,760,895,570   | 0                | 8,114,596,082 | 11,646,299,488      | 247,011                           | 0        |
| TOTAL NUMBER OF SHARES REPRESENTING CAPITAL STOCK ON THE REPORTING DATE OF THE INFORMATION: |               |              |                  |                  |               |                     | 19,760,895,570                    |          |
| NOTES:  |               |              |                  |                  |               |                     |                                   |          |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 13

PROJECT INFORMATION

(Thousands of Mexican Pesos)

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| ITEM | Thousand of Mexican Pesos |  |
|------|---------------------------|--|
|      | 2nd<br>Quarter 07         |  |

Apr-Jun

% of

Advance

Amount used

2007

Budget

2007

% of

Advance

DATA

1,058,487

|                      |           |
|----------------------|-----------|
|                      | 25.1      |
|                      | 1,790,349 |
|                      | 4,214,516 |
|                      | 42.5      |
| INTERNAL PLANT       |           |
|                      | 73,017    |
|                      | 8.8       |
|                      | 95,809    |
|                      | 825,964   |
|                      | 11.6      |
| OUTSIDE PLANT        |           |
|                      | 268,445   |
|                      | 20.0      |
|                      | 406,421   |
|                      | 1,339,619 |
|                      | 30.3      |
| TRANSMISSION NETWORK |           |
|                      | 442,514   |
|                      | 17.3      |
|                      | 691,967   |
|                      | 2,557,714 |
|                      | 27.1      |
| SYSTEMS              |           |
|                      | 21,425    |
|                      | 5.9       |
|                      | 23,217    |
|                      | 56        |



|                                |            |
|--------------------------------|------------|
|                                | 361,636    |
|                                | 6.4        |
| OTHERS                         |            |
|                                | 582,354    |
|                                | 12.7       |
|                                | 911,891    |
|                                | 4,598,279  |
|                                | 19.8       |
| TOTAL INVESTMENT TELMEX MEXICO |            |
|                                | 2,446,242  |
|                                | 17.6       |
|                                | 3,919,654  |
|                                | 13,897,728 |
|                                | 28.2       |
| LATINOAMERICA                  |            |
|                                | 473,612    |
|                                | 16.3       |
|                                | 808,377    |
|                                | 2,896,968  |
|                                | 27.9       |
| EMBRATEL                       |            |
|                                | 1,185,725  |
|                                | 15.0       |
|                                | 2,332,967  |
|                                | 7,901,454  |
|                                | 29.5       |
|                                | 57         |

TOTAL INVESTMENT

4,105,579  
16.6  
7,060,998  
24,696,150  
28.6

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STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 14

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

Consolidated

Final printing

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Translation of financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries and affiliates were translated into Mexican pesos, as follows:

The financial statements as reported by the foreign subsidiaries are adjusted to conform to Mexican Financial Reporting Standards, in their local currency, and are subsequently restated to local currency with purchasing power as of the balance sheet date, based on the inflation rate of the country in which the subsidiary operates.

All balance sheet amounts, except for stockholders' equity, are translated into Mexican pesos at the prevailing exchange rate at year-end; stockholders' equity accounts are translated at the prevailing exchange rate at the time

capital contributions were made and earnings were generated. The restated amounts of the income statement are translated into Mexican pesos at the prevailing exchange rate at the end of the period being reported.

Exchange rate changes and the monetary position effect derived from intercompany monetary items are included in the consolidated income statements.

The difference resulting from the translation process is called "Effect of translation of foreign entities" and is included in stockholders' equity as part of the caption "Other comprehensive income items".

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MEXICAN STOCK EXCHANGE

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STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

GENERAL INFORMATION

Consolidated

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ISSUER GENERAL INFORMATION

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

|                   |                |
|-------------------|----------------|
| INTERNET<br>PAGE: | www.telmex.com |
|-------------------|----------------|

ISSUER FISCAL INFORMATION

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

OFFICERS INFORMATION

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

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

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

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

|               |   |
|---------------|---|
| POSITION BMV: | DISTRIBUTION OF CORPORATE INFORMATION DELEGATE                      |
| POSITION:     | COMPTROLLER   |
| NAME:         | LIC. ROLANDO REYNIER VALDES   |
| ADDRESS:      | PARQUE VIA 198 - 5 <sup>TH</sup> . FLOOR OFFICE 502, COL. CUAUHEMOC |
| ZIP:          | 06599   |
| CITY:         | MEXICO, D.F.  |
| TELEPHONE:    | 52 22 92 92   |
| FAX:          | 57 05 62 31   |
| E-MAIL:       | rreynier@telmex.com   |

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

|            |  |
|------------|--|
| POSITION:  | SHAREHOLDER SERVICES MANAGER   |
| NAME:      | LIC. MIGUEL ANGEL PINEDA CATALAN                                     |
| ADDRESS:   | PARQUE VIA 198 - 2 <sup>ND</sup> . FLOOR OFFICE 202, COL. CUAUHTEMOC |
| ZIP:       | 06599  |
| CITY:      | MEXICO, D.F.   |
| TELEPHONE: | 52 22 53 22  |
| FAX:       | 55 46 21 11  |
| E-MAIL:    | mpineda@telmex.com   |

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

|               |  |
|---------------|--|
| POSITION BMV: | DISTRIBUTION OF FINANCIAL INFORMATION DELEGATE                       |
| POSITION:     | COMPTROLLER  |
| NAME:         | LIC. ROLANDO REYNIER VALDES  |
| ADDRESS:      | PARQUE VIA 198 - 5 <sup>TH</sup> . FLOOR OFFICE 502, COL. CUAUHTEMOC |
| ZIP:          | 06599  |
| CITY:         | MEXICO, D.F.   |
| TELEPHONE:    | 52 22 92 92  |
| FAX:          | 57 05 62 31  |

E-MAIL: rreynier@telmex.com

POSITION BMV: DISTRIBUTION OF MATERIAL FACTS DELEGATE

POSITION: INVESTORS RELATIONS MANAGER

NAME: ING. RUY ECHAVARRIA AYUSO

ADDRESS: PARQUE VIA 198 - 7<sup>TH</sup>. FLOOR OFFICE 701, COL. CUAUHTEMOC

ZIP: 06599

CITY: MEXICO, D.F.

TELEPHONE: 57 03 39 90

FAX: 55 45 55 50

E-MAIL: rechavar@telmex.com

POSITION BMV: INVESTOR INFORMATION RESPONSIBLE

POSITION: INVESTORS RELATIONS MANAGER

NAME: ING. RUY ECHAVARRIA AYUSO

ADDRESS: PARQUE VIA 198 - 7<sup>TH</sup>. FLOOR OFFICE 701, COL. CUAUHTEMOC

ZIP: 06599

CITY: MEXICO, D.F.

TELEPHONE: 57 03 39 90

FAX: 55 45 55 50

E-MAIL: ri@telmex.com

POSITION BMV: SECRETARY OF THE BOARD OF DIRECTORS

POSITION: LEGAL DIRECTOR

NAME: LIC. SERGIO F. MEDINA NORIEGA

ADDRESS: PARQUE VIA 190 - 2<sup>ND</sup>. FLOOR OFFICE 202, COL. CUAUHTEMOC

ZIP: 06599

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

|               |  |
|---------------|--|
| POSITION BMV: | PAYMENT RESPONSIBLE  |
| POSITION:     | COMPTROLLER  |
| NAME:         | LIC. ROLANDO REYNIER VALDES  |
| ADDRESS:      | PARQUE VIA 198 - 5 <sup>TH</sup> . FLOOR OFFICE 502, COL. CUAUHTEMOC |
| ZIP:          | 06599  |
| CITY:         | MEXICO, D.F.   |
| TELEPHONE:    | 52 22 92 92  |
| FAX:          | 57 05 62 31  |
| E-MAIL:       | rreynier@telmex.com  |

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

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



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

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MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 2 YEAR: 2007

TELÉFONOS DE MÉXICO, S.A. DE C.V.

BOARD OF DIRECTORS

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| POSITION                       | NAME |              |           |       |
|--------------------------------|------|--------------|-----------|-------|
| CHAIRMAN OF THE BOARD          | ING. | JAIME        | CHICO     | PARDO |
| VICEPRESIDENT                  | LIC. | CARLOS       | SLIM      | DOMIT |
| VICEPRESIDENT                  | C.P. | JUAN ANTONIO | PEREZ     | SIMON |
| BOARD PROPIETORS (INDEPENDENT) | C.P. | ANTONIO      | DEL VALLE | RUIZ  |

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|                                   |      |                  |                  |             |
|-----------------------------------|------|------------------|------------------|-------------|
| BOARD PROPIETORS<br>(INDEPENDENT) | ING. | ANTONIO          | COSIO            | ARIÑO       |
| BOARD PROPIETORS<br>(INDEPENDENT) | SRA. | LAURA            | DIEZ BARROSO     | DE LAVIADA  |
| BOARD PROPIETORS<br>(INDEPENDENT) | DRA. | AMPARO           | ESPINOSA         | RUGARCIA    |
| BOARD PROPIETORS<br>(INDEPENDENT) | ING. | ELMER            | FRANCO           | MACIAS      |
| BOARD PROPIETORS<br>(INDEPENDENT) | LIC. | ANGEL            | LOSADA           | MORENO      |
| BOARD PROPIETORS                  | C.P. | OSCAR            | VON HAUSKE       | SOLIS       |
| BOARD PROPIETORS<br>(INDEPENDENT) | LIC. | FERNANDO         | SOLANA           | MORALES     |
| BOARD PROPIETORS                  | LIC. | MARCO<br>ANTONIO | SLIM             | DOMIT       |
| BOARD PROPIETORS<br>(INDEPENDENT) | SR.  | RAYFORD          | WILKINS JR.      |             |
| BOARD PROPIETORS                  | LIC. | HECTOR           | SLIM             | SEADE       |
| BOARD PROPIETORS<br>(INDEPENDENT) | SR.  | LARRY            | I.               | BOYLE       |
| BOARD PROPIETORS<br>(INDEPENDENT) | C.P. | RAFAEL           | KALACH           | MIZRAHI     |
| BOARD PROPIETORS<br>(INDEPENDENT) | LIC  | RICARDO          | MARTIN           | BRINGAS     |
| BOARD PROPIETORS<br>(INDEPENDENT) | SR.  | ERIC             | BOYER            |             |
|                                   |      |                  |                  |             |
| BOARD ALTERNATES                  | LIC. | PATRICK          | SLIM             | DOMIT       |
| BOARD ALTERNATES                  | LIC. | ARTURO           | ELIAS            | AYUB        |
| BOARD ALTERNATES                  | C.P. | JOSÉ<br>HUMBERTO | GUTIERREZ-OLVERA | ZUBIZARRETA |
| BOARD ALTERNATES<br>(INDEPENDENT) | LIC. | JORGE C.         | ESTEVE           | RECOLONS    |
| BOARD ALTERNATES<br>(INDEPENDENT) | ING. | ANTONIO          | COSIO            | PANDO       |
| BOARD ALTERNATES<br>(INDEPENDENT) | SR.  | EDUARDO          | TRICIO           | HARO        |
| BOARD ALTERNATES<br>(INDEPENDENT) | SRA. | ANGELES          | ESPINOSA         | YGLESIAS    |
| BOARD ALTERNATES<br>(INDEPENDENT) | ING. | AGUSTIN          | FRANCO           | MACIAS      |

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|  |      |           |         |         |
|--|------|-----------|---------|---------|
| BOARD ALTERNATES<br>(INDEPENDENT)      | LIC. | JAIME     | ALVERDE | GOYA    |
| BOARD ALTERNATES<br>(INDEPENDENT)      | LIC. | JOSE      | KURI    | HARFUSH |
| BOARD ALTERNATES                       | LIC. | EDUARDO   | VALDES  | ACRA    |
| BOARD ALTERNATES<br>(INDEPENDENT)      | LIC. | CARLOS    | BERNAL  | VEREA   |
| BOARD ALTERNATES<br>(INDEPENDENT)      | LIC. | FEDERICO  | LAFFAN  | FANO    |
| BOARD ALTERNATES                       | SR.  | JORGE A.  | CHAPA   | SALAZAR |
| BOARD ALTERNATES<br>(INDEPENDENT)      | C.P. | FRANCISCO | MEDINA  | CHAVEZ  |
|  |      |           |         |         |
| SECRETARY OF THE<br>BOARD OF DIRECTORS | LIC. | SERGIO    | MEDINA  | NORIEGA |
|  |      |           |         |         |
| ASSISTANT<br>SECRETARY                 | LIC. | RAFAEL    | ROBLES  | MIAJA   |
|  |      |           |         |         |

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SIGNATURE

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

Date: **July 19, 2007.**

TELÉFONOS DE MÉXICO, S.A. DE C.V.

By: /s/ \_\_\_\_\_

Name: Adolfo Cerezo Pérez  
Title: Chief Financial Officer

Ref: Teléfonos de México, S.A. de C.V. - **Second Quarter 2007.**