

TELEFONOS DE MEXICO S A DE C V
Form 6-K
May 03, 2005

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

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

For the month of [May 2005](#)

Commission File Number: 333-13580

Teléfonos de México, S.A. de C.V.

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

Telephones of Mexico

(Translation of Registrant's Name into English)

Parque Vía 190

Colonia Cuauhtémoc

México City 06599, México, D.F.

(Address of principal executive offices)

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

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

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

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

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

Yes No... ..

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

TELÉFONOS DE MÉXICO, S.A. DE C.V.

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2004

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MEXICAN STOCK EXCHANGE

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2004

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-01

CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31, 2004 & 2003

(Thousand Pesos)

Judged information

Final printing

REF S	CONCEPTS	QUARTER OF PRESENT		QUARTER OF PREVIOUS	
		FINANCIAL YEAR		FINANCIAL YEAR	
		Amount	%	Amount	%
1	TOTAL ASSETS	253,308,405	100	195,403,039	100
2	CURRENT ASSETS	60,411,770	24	41,681,510	21
3	CASH AND SHORT-TERM INVESTMENTS	20,499,003	8	10,717,647	5
4	ACCOUNTS RECEIVABLE, NET	24,530,998	10	17,677,290	9
5	OTHER ACCOUNTS RECEIVABLE, NET	5,887,859	2	2,781,621	1

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6	INVENTORIES	1,355,505	1	945,367	0
7	OTHER CURRENT ASSETS	8,138,405	3	9,559,585	5
8	LONG - TERM	793,599	0	876,634	0
9	ACCOUNTS RECEIVABLE, NET	0	0	0	0
10	INVESTMENT IN SHARES OF SUBSIDIARIES AND AFFILIATES NON-CONSOLIDATED	732,663	0	726,718	0
11	OTHER INVESTMENTS	60,936	0	149,916	0
12	PLANT, PROPERTY AND EQUIPMENT, NET	151,988,780	60	127,344,984	65
13	PROPERTY	0	0	0	0
14	MACHINERY AND INDUSTRIAL EQUIPMENT	412,351,970	163	315,612,653	162
15	OTHER EQUIPMENTS	0	0	0	0
16	ACCUMULATED DEPRECIATION	264,166,228	104	189,156,079	97
17	CONSTRUCTIONS IN PROGRESS	3,803,038	2	888,410	0
18	DEFERRED ASSETS, NET	12,305,635	5	703,477	0
19	OTHER ASSETS	27,808,621	11	24,796,434	13
20	TOTAL LIABILITIES	145,480,706	100	111,619,833	100
21	CURRENT LIABILITIES	48,807,785	34	39,175,104	35
22	SUPPLIERS	0	0	0	0
23	BANK LOANS	12,344,448	8	11,753,963	11
24	STOCK MARKET LOANS	850,000	1	9,559,635	9
25	TAXES PAYABLE	7,264,015	5	1,325,322	1
26	OTHER CURRENT LIABILITIES	28,349,322	19	16,536,184	15
27	LONG - TERM LIABILITIES	76,846,696	53	50,928,961	46
28	BANK LOANS	42,084,696	29	13,544,435	12
29	STOCK MARKET LOANS	34,762,000	24	37,384,526	33
30	OTHER LOANS	0	0	0	0
31	DEFERRED CREDITS	18,101,653	12	21,515,768	19
32	OTHER LIABILITIES	1,724,572	1	0	0
33	CONSOLIDATED STOCKHOLDERS' EQUITY	107,827,699	100	83,783,206	100
34	MINORITY INTEREST	13,957,810	13	0	0

35	MAJORITY INTEREST	93,869,889	87	83,783,206	100
36	CONTRIBUTED CAPITAL	46,753,772	43	41,131,539	49
37	CAPITAL STOCK (NOMINAL)	295,811	0	302,730	0
38	RESTATEMENT OF CAPITAL STOCK	27,706,007	26	28,825,270	34
39	PREMIUM ON SALES OF SHARES	18,751,954	17	12,003,539	14
40	CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES	0	0	0	0
41	CAPITAL INCREASE (DECREASE)	47,116,117	44	42,651,667	51
42	RETAINED EARNINGS AND CAPITAL RESERVE	85,840,003	80	83,132,681	99
43	RESERVE FOR REPURCHASE OF OWN SHARES	0	0	0	0
44	EXCESS (SHORTFALL) FROM RESTATEMENT OF STOCKHOLDERS' EQUITY	(66,220,487)	(61)	(64,095,920)	(77)
45	NET INCOME	27,496,601	26	23,614,906	28

MEXICAN STOCK EXCHANGE

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2004

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-02

CONSOLIDATED BALANCE SHEETS

- BREAKDOWN OF MAIN CONCEPTS -

(Thousand Pesos)

Judged information

Final printing

REF S	CONCEPTS	QUARTER OF PRESENT FINANCIAL YEAR		QUARTER OF PREVIOUS FINANCIAL YEAR	
		Amount	%	Amount	%
		3	CASH AND SHORT- TERM INVESTMENTS	20,499,003	100
46	CASH	1,093,127	5	1,144,609	11
47	SHORT-TERM INVESTMENTS	19,405,876	95	9,573,038	89
18	DEFERRED ASSETS, NET	12,305,635	100	703,477	100
48	AMORTIZED OR REDEEMED EXPENSES	3,193,161	26	617,395	88
49	GOODWILL	3,782,899	31	86,082	12
50	DEFERRED TAXES	5,329,575	43	0	0
51	OTHERS	0	0	0	0
21	CURRENT LIABILITIES	48,807,785	100	39,175,104	100
52	FOREIGN CURRENCY LIABILITIES	11,544,448	24	19,945,518	51
53	MEXICAN PESOS LIABILITIES	37,263,337	76	19,229,586	49
24	STOCK MARKET SHORT-TERM SECURITIES	850,000	100	9,559,635	100
54	COMMERCIAL PAPER	0	0	0	0
55	MEDIUM-TERM NOTES	0	0	0	0
56	CURRENT MATURITIES OF SECURITIES	850,000	100	9,559,635	100
26	OTHER CURRENT LIABILITIES	28,349,322	100	16,536,184	100
57	OTHER CURRENT LIABILITIES WITH COST	0	0	0	0
58	OTHER CURRENT LIABILITIES WITHOUT COST	28,349,322	100	16,536,184	100
27	LONG - TERM LIABILITIES	76,846,696	100	50,928,961	100
59	FOREIGN CURRENCY LIABILITIES	69,746,696	91	43,092,306	85
60	MEXICAN PESOS LIABILITIES	7,100,000	9	7,836,655	15
29	STOCK MARKET LONG-TERM SECURITIES	34,762,000	100	37,384,526	100
61	BONDS	34,762,000	100	37,384,526	100

62	MEDIUM-TERM NOTES	0	0	0	0
	OTHER LOANS	0	100	0	100
63	OTHER LOANS WITH COST	0	0	0	0
64	OTHER LOANS WITHOUT COST	0	0	0	0
31	DEFERRED CREDITS	18,101,653	100	21,515,768	100
65	GOODWILL	0	0	0	0
66	DEFERRED TAXES	18,101,653	100	21,515,768	100
67	OTHERS	0	0	0	0
32	OTHER LIABILITIES	1,724,572	100	0	100
68	RESERVES	1,724,572	100	0	0
69	OTHERS LIABILITIES	0	0	0	0
44	EXCESS (SHORTFALL) FROM RESTATEMENTS OF STOCKHOLDERS' EQUITY	(66,220,487)	100	(64,095,920)	100
70	ACCUMULATED MONETARY POSITION INCOME	(13,591,711)	(21)	(13,591,715)	(21)
71	RESULT FROM HOLDING NON-MONETARY ASSETS	(52,628,776)	(79)	(50,504,205)	(79)

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-03

CONSOLIDATED BALANCE SHEETS

- OTHER CONCEPTS -

(Thousand Pesos)

Judged information

Final printing

REF S	CONCEPTS	QUARTER OF PRESENT FINANCIAL YEAR	QUARTER OF PREVIOUS FINANCIAL YEAR
		Amount	Amount
72	WORKING CAPITAL	11,603,985	2,506,406
73	PENSIONS FUND AND SENIORITY PREMIUMS	1,724,572	0
74	EXECUTIVES (*)	121	133
75	EMPLOYEES (*)	24,620	11,337
76	WORKERS (*)	51,942	50,633
77	OUTSTANDING SHARES (*)	11,832,452,155	12,109,205,252
78	REPURCHASE OF OWN SHARES (*)	709,542,600	672,214,910
(*)	THESE CONCEPTS SHOULD BE EXPRESSED IN UNITS.		

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-04

CONSOLIDATED STATEMENTS OF INCOME

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

(Thousand Pesos)

Judged information

REF R	CONCEPTS	QUARTER OF PRESENT		QUARTER OF PREVIOUS	
		FINANCIAL YEAR		FINANCIAL YEAR	
		Amount	%	Amount	%
1	OPERATING REVENUES	138,801,957	100	122,912,368	100
2	COST OF SALES AND SERVICES	73,027,440	53	62,989,632	51
3	GROSS INCOME	65,774,517	47	59,922,736	49
4	OPERATING COSTS	22,118,624	16	18,141,084	15
5	OPERATING INCOME	43,655,893	31	41,781,652	34
6	COMPREHENSIVE FINANCING COST	521,493	0	4,472,314	4
7	INCOME AFTER COMPREHENSIVE FINANCING COST	43,134,400	31	37,309,338	30
8	OTHER FINANCIAL OPERATIONS	0	0	0	0
9	INCOME BEFORE INCOME TAX AND EMPLOYEE PROFIT SHARING	43,134,400	31	37,309,338	30
10	PROVISIONS FOR INCOME TAX AND EMPLOYEE PROFIT SHARING	15,184,218	11	13,506,467	11
11	INCOME AFTER INCOME TAX AND EMPLOYEE PROFIT SHARING	27,950,182	20	23,802,871	19
12	EQUITY IN RESULTS OF SUBSIDIARIES AND AFFILIATES	(114,856)	0	(187,965)	0
13	INCOME FROM CONTINUOUS OPERATIONS	27,835,326	20	23,614,906	19
14	INCOME FROM DISCONTINUOUS OPERATIONS, NET	0	0	0	0
15	NET INCOME BEFORE EXTRAORDINARY ITEMS	27,835,326	20	23,614,906	19
16	EXTRAORDINARY ITEMS NET EXPENDITURES (REVENUES)	0	0	0	0
17	NET EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	0	0	0	0
18	NET INCOME	27,835,326	20	23,614,906	19
19	MINORITY INTEREST	338,725	0	0	0
20	MAJORITY INTEREST	27,496,601	20	23,614,906	19

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2004

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-05

CONSOLIDATED STATEMENTS OF INCOME

- BREAKDOWN OF MAIN CONCEPTS -

(Thousand Pesos)

[Judged information](#)

Final printing

REF R	CONCEPTS	QUARTER OF PRESENT		QUARTER OF PREVIOUS	
		FINANCIAL YEAR		FINANCIAL YEAR	
		Amount	%	Amount	%
1	OPERATING REVENUES	138,801,957	100	122,912,368	100
21	DOMESTIC	120,513,660	87	120,467,161	98
22	FOREIGN	18,288,297	13	2,445,207	2
23	TRANSLATION INTO DOLLARS (***)	1,623,491	1	210,632	0
6	COMPREHENSIVE FINANCING COST	521,493	100	4,472,314	100
24	INTEREST EXPENSE	6,378,483	1,223	6,059,381	135
25	EXCHANGE LOSS	0	0	3,295,569	74
26	INTEREST INCOME	2,981,301	572	3,144,931	70
27	EXCHANGE GAIN	26,119	5	0	0
28	INCOME DUE TO MONETARY POSITION	(2,849,570)	(546)	(1,737,705)	(39)
42	RESTATEMENT OF UDIS'S LOSS	0	0	0	0
43	RESTATEMENT OF UDIS'S PROFIT	0	0	0	0

8	OTHER FINANCIAL OPERATIONS	0	100	0	100
29	OTHER INCOME AND EXPENSES, NET	0	0	0	0
30	LOSS (PROFIT) ON SALE OF OWN SHARES	0	0	0	0
31	LOSS (PROFIT) ON SALE OF SHORT-TERM INVESTMENTS	0	0	0	0
10	PROVISION FOR INCOME TAX AND EMPLOYEE PROFIT SHARING	15,184,218	100	13,506,467	100
32	INCOME TAX	15,076,089	99	10,143,850	75
33	DEFERRED INCOME TAX	(2,714,066)	(18)	643,248	5
34	EMPLOYEE PROFIT SHARING	2,822,195	19	2,719,369	20
35	DEFERRED EMPLOYEE PROFIT SHARING	0	0	0	0
(***)	THOUSAND DOLLARS				

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-06

CONSOLIDATED STATEMENTS OF INCOME

- OTHER CONCEPTS -

(Thousand Pesos)

Judged information

Final printing

REF R	CONCEPTS	QUARTER OF PRESENT FINANCIAL YEAR		QUARTER OF PREVIOUS FINANCIAL YEAR	
		Amount		Amount	
36	TOTAL REVENUES	138,801,956		122,912,367	
37	NET INCOME	0		0	
38	OPERATING REVENUES (**)	138,801,957		122,912,368	
39	OPERATING INCOME (**)	43,655,893		41,781,652	
40	NET INCOME OF MAJORITY INTEREST (**)	27,496,601		23,614,906	
41	NET INCOME (**)	27,835,326		23,614,906	
(**)	INFORMATION OF THE PAST TWELVE MONTHS				

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-07

CONSOLIDATED STATEMENTS OF INCOME

- FROM OCTOBER 01 TO DECEMBER 31, 2004 & 2003 -

(Thousand Pesos)

Judged information

Final printing

REF RT	CONCEPTS	QUARTER OF PRESENT FINANCIAL YEAR		QUARTER OF PREVIOUS FINANCIAL YEAR	
		Amount		Amount	
		%		%	

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1	OPERATING REVENUES	40,800,609	100	31,745,172	100
2	COST OF SALES AND SERVICES	21,817,439	53	16,135,894	51
3	GROSS INCOME	18,983,170	47	15,609,278	49
4	OPERATING COST	6,630,549	16	4,452,582	14
5	OPERATING INCOME	12,352,621	30	11,156,696	35
6	COMPREHENSIVE FINANCING COST	(1,185,221)	(3)	1,378,208	4
7	INCOME AFTER COMPREHENSIVE FINANCING COST	13,537,842	33	9,778,488	31
8	OTHER FINANCIAL OPERATIONS	0	0	0	0
9	INCOME BEFORE INCOME TAX AND EMPLOYEE PROFIT SHARING	13,537,842	33	9,778,488	31
10	PROVISIONS FOR INCOME TAX AND EMPLOYEE PROFIT SHARING	2,757,548	7	3,863,894	12
11	INCOME AFTER INCOME TAX AND EMPLOYEE PROFIT SHARING	10,780,294	26	5,914,594	19
12	EQUITY IN RESULTS OF SUBSIDIARIES AND AFFILIATES	(38,541)	0	(40,917)	0
13	INCOME FROM CONTINUOUS OPERATIONS	10,741,753	26	5,873,677	19
14	INCOME FROM DISCONTINUOUS OPERATIONS, NET	0	0	0	0
15	NET INCOME BEFORE EXTRAORDINARY ITEMS	10,741,753	26	5,873,677	19
16	EXTRAORDINARY ITEMS NET EXPENDITURES (REVENUES)	0	0	0	0
17	NET EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	0	0	0	0
18	NET INCOME	10,741,753	26	5,873,677	19
19	MINORITY INTEREST	315,031	1	0	0
20	MAJORITY INTEREST	10,426,722	26	5,873,677	19

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2004

FS-08

CONSOLIDATED STATEMENTS OF INCOME, FOURTH QUARTER

- BREAKDOWN OF MAIN CONCEPTS -

(Thousand Pesos)

Judged information

Final printing

REF RT	CONCEPTS	QUARTER OF PRESENT		QUARTER OF PREVIOUS	
		FINANCIAL YEAR		FINANCIAL YEAR	
		Amount	%	Amount	%
1	OPERATING REVENUES	40,800,609	100	31,745,172	100
21	DOMESTIC	30,614,441	75	30,747,476	97
22	FOREIGN	10,186,168	25	997,696	3
23	TRANSLATION INTO DOLLARS (***)	925,856	2	83,230	0
6	COMPREHENSIVE FINANCING COST	(1,185,221)	100	1,378,208	100
24	INTEREST EXPENSE	1,863,758	157	1,348,954	98
25	EXCHANGE LOSS	0	0	1,020,568	74
26	INTEREST INCOME	1,239,704	105	388,727	28
27	EXCHANGE GAIN	462,541	39	0	0
28	INCOME DUE TO MONETARY POSITION	(1,346,734)	(114)	(602,587)	(44)
42	RESTATEMENT OF UDI'S LOSS	0	0	0	0
43	RESTATEMENT OF UDI'S PROFIT	0	0	0	0
8	OTHER FINANCIAL OPERATIONS	0	100	0	100
29	OTHER INCOME AND EXPENSES, NET	0	0	0	0
30	LOSS (PROFIT) ON SALE OF OWN SHARES	0	0	0	0
31	LOSS (PROFIT) ON SALE OF SHORT-TERM INVESTMENTS	0	0	0	0
10		2,757,548	100	3,863,894	100

	PROVISION FOR INCOME TAX AND EMPLOYEE PROFIT SHARING				
32	INCOME TAX	4,179,422	152	2,031,063	53
33	DEFERRED INCOME TAX	(2,224,436)	(81)	1,011,111	26
34	EMPLOYEE PROFIT SHARING	802,562	29	821,720	21
35	DEFERRED EMPLOYEE PROFIT SHARING	0	0	0	0
(***)	THOUSANDS OF DOLLARS				

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-09

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

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

(Thousand Pesos)

Judged information

Final printing

REF C	CONCEPTS	QUARTER OF PRESENT	QUARTER OF PREVIOUS
		FINANCIAL YEAR	FINANCIAL YEAR
		Amount	Amount
1	NET INCOME	27,835,326	23,614,906
2	ADD (DEDUCT) ITEMS NOT REQUIRING THE USE OF RESOURCES	20,348,233	22,598,642

3	CASH FLOW FROM NET INCOME FOR THE YEAR	48,183,559	46,213,548
4	CASH FLOW FROM CHANGES IN WORKING CAPITAL	12,761,591	(18,583,990)
5	RESOURCES PROVIDED BY OPERATING ACTIVITIES	60,945,150	27,629,558
6	CASH FLOW FROM OUTSIDE FINANCING	(1,017,397)	(92,161)
7	CASH FLOW FROM OWN FINANCING	(14,723,221)	(20,044,823)
8	RESOURCES PROVIDED BY FINANCING ACTIVITIES	(15,740,618)	(20,136,984)
9	RESOURCES PROVIDED BY INVESTMENT ACTIVITIES	(35,423,176)	(10,728,226)
10	NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	9,781,356	(3,235,652)
11	CASH AND SHORT-TERM INVESTMENTS AT THE BEGINNING OF PERIOD	10,717,647	13,953,299
12	CASH AND SHORT-TERM INVESTMENTS AT THE END OF PERIOD	20,499,003	10,717,647

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2004

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FS-10

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

- BREAKDOWN OF MAIN CONCEPTS -

(Thousand Pesos)

[Judged information](#)

Final printing

REF C	CONCEPTS	QUARTER OF PRESENT	QUARTER OF PREVIOUS
		FINANCIAL YEAR	FINANCIAL YEAR
		Amount	Amount
2	ADD (DEDUCT) ITEMS NOT REQUIRING THE USE OF RESOURCES	20,348,233	22,598,642
13	(+)DEPRECIATION AND AMORTIZATION FOR THE YEAR	22,947,443	21,767,427
14	+(-) NET INCREASE (DECREASE) IN PENSIONS FUND AND SENIORITY PREMIUMS	0	0
15	+(-) NET LOSS (PROFIT) IN MONEY EXCHANGE	0	0
16	+(-) NET LOSS (PROFIT) IN ASSETS AND LIABILITIES ACTUALIZATION	0	0
17	+(-) OTHER ITEMS	0	0
40	(+) OHTER ITMES NOT CONSIDERED FOR EBITDA CALCULATION	(2,599,210)	831,215
4	CASH FLOW FROM CHANGES IN WORKING CAPITAL	12,761,591	(18,583,990)
18	+(-) DECREASE (INCREASE) IN ACCOUNT RECEIVABLE	86,113	1,163,833
19	+(-) DECREASE (INCREASE) IN INVENTORIES	(321,168)	284,775
20	+(-) DECREASE (INCREASE) IN OTHER ACCOUNT RECEIVABLE AND OTHER ASSETS	4,647,925	(14,020,701)
21	+(-) INCREASE (DECREASE) IN SUPPLIERS ACCOUNT	0	0
22	+(-) INCREASE (DECREASE) IN OTHER LIABILITIES	8,348,721	(6,011,897)
6	CASH FLOW FROM OUTSIDE FINANCING	(1,017,397)	(92,161)
23	+ SHORT-TERM BANK FINANCING AND DEBT SECURITIES	47,685,539	37,301,415
24	+ LONG-TERM BANK FINANCING AND DEBT SECURITIES	377,782	0
25	+ DIVIDEND RECEIVED	0	0
26	+ OTHER FINANCING	0	1,958,880

27	(-) BANK FINANCING AMORTIZATION	(36,197,499)	(38,281,911)
28	(-) DEBT SECURITIES AMORTIZATION	(5,910,626)	(1,070,545)
29	(-) OTHER FINANCING AMORTIZATION	(6,972,593)	0
7	CASH FLOW FROM OWN FINANCING	(14,723,221)	(20,044,823)
30	+(-) INCREASE (DECREASE) IN CAPITAL STOCK	(1,126,182)	(1,157,984)
31	(-) DIVIDENS PAID	(8,144,246)	(8,018,201)
32	+ PREMIUM ON SALE OF SHARES	6,748,415	0
33	+ CONTRIBUTION FOR FUTURE CAPITAL INCREASES	(12,201,208)	(10,868,638)
9	RESOURCES PROVIDED BY INVESTMENT ACTIVITIES	(35,423,176)	(10,728,226)
34	+(-) DECREASE (INCREASE) IN STOCK INVESTMENTS OF PERMANENT NATURE	(12,736,615)	(39,701)
35	(-) ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT	(18,885,802)	(11,653,246)
36	(-) INCREASE IN CONSTRUCTIONS IN PROCESS	0	0
37	+ SALE OF OTHER PERMANENT INVESTMENTS	0	0
38	+ SALE OF TANGIBLE FIXED ASSETS	0	0
39	+(-) OTHER ITEMS	(3,800,759)	964,721

MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2004

TELÉFONOS DE MÉXICO, S.A. DE C.V.

FI-01

RATIOS

- CONSOLIDATED INFORMATION -

(Thousand Pesos)

Judged information

Final printing

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

STATEMENT OF CHANGES IN FINANCIAL POSITION					
21	CASH FLOW FROM NET INCOME TO OPERATING REVENUES	34.71	%	37.60	%
22	CASH FLOW FROM CHANGES IN WORKING CAPITAL TO OPERATING REVENUES	9.19	%	(15.12)	%
23	RESOURCES PROVIDED BY OPERATING ACTIVITIES TO INTEREST EXPENSES	9.55	times	4.56	times
24	OUTSIDE FINANCING TO RESOURCES PROVIDED BY FINANCING ACTIVITIES	6.46	%	0.46	%
25	OWN FINANCING TO RESOURCES PROVIDED BY FINANCING ACTIVITIES	93.54	%	99.54	%
26	ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT TO RESOURCES PROVIDED BY INVESTMENT ACTIVITIES	53.31	%	108.62	%
(**)	INFORMATION OF THE PAST TWELVE MONTHS				

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

FI-02

DATA PER SHARE

- CONSOLIDATED INFORMATION -

(Thousand Pesos)

Judged information

Final printing

REF D	CONCEPTS	QUARTER OF PRESENT FINANCIAL YEAR	QUARTER OF PREVIOUS FINANCIAL YEAR
		Amount	Amount

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

MEXICAN STOCK EXCHANGE

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 1

CHIEF EXECUTIVE OFFICER REPORT

[Judged information](#)

Consolidated

Fourth Quarter 2004

Mexico City, February 3, 2005.

Consolidated Financial Results

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

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

Revenues

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

Costs and Expenses:

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

EBITDA and Operating Income:

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

Comprehensive Financing Cost (Product):

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

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

Net Income:

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

Debt:

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

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

Total Investment:

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

Dividends:

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

Repurchase of Shares

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

Net liabilities

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

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

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

Lines in service

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

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

Local

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

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

Long Distance

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

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

Corporate Networks

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

Internet

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

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

Revenues:

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

• **Local**

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

• **DLD**

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

• **ILD**

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

• **Interconnection**

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

• **Data transmission**

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

- Other:

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

Costs and expenses:

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

- Cost of sales and services:

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

- Commercial, administrative and general expenses:

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

- Transport and interconnection:

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

- Depreciation and Amortization:

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

EBITDA and Operating Income:

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

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

International Operations

Results based on Continuing Operations

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

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

Brazil

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

Argentina

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

Chile

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

Colombia

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Revenues from these operations during the fourth quarter totaled 22,159.0 million Colombian pesos, 12.8% higher than in 2003. Costs and expenses were 20,014.2 million Colombian pesos, 10.7% lower than in 2003, of which 27% was related to transport and interconnection that increased 1.9%. Depreciation in the quarter decreased 27.6% as a result of a lower valuation in the value of the telephone plant, which decreased 20,153.6 million Colombian pesos. Colombian Accounting Principles indicate that this reduction must be faced, in the case that it exists, against the surplus in the valuation of the asset. In the case of TELMEX Colombia, this criteria was observed. Commercial, administrative and general expenses decreased 16.0% compared with the fourth quarter of the previous year. Operating income for the quarter totaled 2,144.8 million Colombian pesos compared with an operating loss of 2,768.8 million Colombian pesos in the same period of last year. The operating margin was 9.7%. EBITDA totaled 7,895.8 million Colombian pesos in the quarter, 52.7% more than the same period of last year producing a margin of 35.6%.

Peru

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

Annex 1

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

Local Service Business Mexico

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

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Interconnection with operators	352	328	7.3	1,437	1,119	28.4
Interconnection with cellular	4,312	4,271	1.0	17,283	17,357	(0.4)
Other	2,228	2,414	(7.7)	8,899	9,094	(2.1)
Total	21,555	22,536	(4.4)	89,548	89,940	(0.4)
Costs and expenses						
Cost of sales and services	5,671	5,086	11.5	21,057	19,709	6.8
Commercial, administrative and general	3,315	3,478	(4.7)	14,821	14,993	(1.1)
Interconnection	3,163	3,198	(1.1)	12,936	12,910	0.2
Depreciation and amortization	3,043	4,003	(24.0)	13,523	14,797	(8.6)
Total	15,192	15,765	(3.6)	62,337	62,409	(0.1)
Operating income	6,363	6,771	(6.0)	27,211	27,531	(1.2)
EBITDA	9,406	10,774	(12.7)	40,734	42,328	(3.8)
EBITDA Margin (%)	43.6	47.8	(4.2)	45.5	47.1	(1.6)
Operating Margin (%)	29.5	30.0	(0.5)	30.4	30.6	(0.2)

Long Distance Business Mexico

Income Statements	4Q2004	4Q2003	%	12 months 2004	12 months 2003	%

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(Millions of Mexican constant pesos as of December 2004)			Inc.			Inc.
Revenues						
Domestic long distance	4,068	4,312	(5.7)	16,396	18,013	(9.0)
International long distance	2,244	2,109	6.4	7,930	7,772	2.0
Total	6,312	6,421	(1.7)	24,326	25,785	(5.7)
Costs and expenses						
Cost of sales and services	1,112	1,046	6.3	4,593	4,756	(3.4)
Commercial, administrative and general	1,399	1,464	(4.4)	4,933	5,288	(6.7)
Interconnection to the local network	939	942	(0.3)	3,871	3,654	5.9
Cost of LADA special projects	54	494	(89.1)	1,588	1,916	(17.1)
Depreciation and amortization	596	661	(9.8)	2,776	2,931	(5.3)
Total	4,100	4,607	(11.0)	17,761	18,545	(4.2)
Operating income	2,212	1,814	21.9	6,565	7,240	(9.3)

EBITDA	2,808	2,475	13.5	9,341	10,171	(8.2)
EBITDA Margin (%)	44.5	38.5	6.0	38.4	39.4	(1.0)
Operating Margin (%)	35.0	28.3	6.7	27.0	28.1	(1.1)

MEXICAN STOCK EXCHANGE

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TELÉFONOS DE MÉXICO, S.A. DE C.V.

ANNEX 2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousand Pesos)

Judged information

Consolidated

Final printing

1. Description of the business and significant accounting policies

I. Description of business

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

TELMEX obtains its revenues primarily from telecommunications services, including, among others, domestic and international long-distance and local telephone services, data transmission and internet services, and the interconnection of the subscribers with cellular networks, as well as the interconnection of domestic long-distance

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operators', cellular telephone companies' and local service operators' networks with the TELMEX local network. The Company also obtains revenues from other activities related to its telephone operations, such as the sale of advertising in the published telephone directory and the sale of telephone equipment.

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

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

Star One S.A.	Brazil	72.2 ²	
Telmex do Brasil Ltda.	Brazil	100.0	
Telmex Chile Holding S.A.	Chile	100.0	
Telmex Corp (previously Chilesat Corp S.A.)	Chile	99.3	
Techtel LMDS Comunicaciones			
Interactivas, S.A.	Argentina	83.4	
Telmex Argentina S.A.	Argentina	100.0	
Metrored Telecomunicaciones S.R.L.	Argentina	83.4	
Telmex Colombia S.A.	Colombia	100.0	
Telmex Perú S.A.	Perú	100.0	

Corresponds to controlling interests

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Indirect controlling interest

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

	Country	Equity investment at December 31, 2004	Equity investment at December 31, 2003

Associated companies:			
Grupo Telvista, S.A. de C.V.	Mexico	45.0	45.0
Technology and Internet LLC	U.S.A.	50.0	50.0

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

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

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

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

II. Significant accounting policies

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

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

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

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

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

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

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

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

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

b) Recognition of revenues

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