

TELEFONOS DE MEXICO S A B DE C V  
Form 6-K  
May 04, 2011

## 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 2011**

Commission File Number: 333-13580

### TELÉFONOS DE MÉXICO, S.A.B. 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.B. DE C.V.**

**STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010**

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-01

CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31, 2010 &amp; 2009

(Thousands of Mexican Pesos)

Final printing

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| REF | CONCEPTS   | QUARTER OF PRESENT |     | QUARTER OF PREVIOUS |     |
|-----|--|--------------------|-----|---------------------|-----|
|     |  | FINANCIAL YEAR     |     | FINANCIAL YEAR      |     |
|     |  | Amount             | %   | Amount              | %   |
| s01 | TOTAL ASSETS   | 157,754,332        | 100 | 178,396,801         | 100 |
| s02 | CURRENT ASSETS   | 37,004,589         | 23  | 51,782,251          | 29  |
| s03 | CASH AND SHORT-TERM INVESTMENTS                                      | 7,493,465          | 5   | 14,379,768          | 8   |
| s04 | ACCOUNTS AND NOTES RECEIVABLE (NET)                                  | 15,368,112         | 10  | 15,612,825          | 9   |
| s05 | OTHER ACCOUNTS AND NOTES RECEIVABLE (NET)                            | 2,280,421          | 1   | 4,812,731           | 3   |
| s06 | INVENTORIES  | 1,783,579          | 1   | 1,448,102           | 1   |
| s07 | OTHER CURRENT ASSETS   | 10,079,012         | 6   | 15,528,825          | 9   |
| s08 | LONG - TERM  | 1,392,042          | 1   | 1,775,380           | 1   |
| s09 | ACCOUNTS AND NOTES RECEIVABLE (NET)                                  | 0                  | 0   | 0                   | 0   |
| s10 | INVESTMENT IN SHARES OF NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES | 1,268,275          | 1   | 1,650,890           | 1   |
| s11 | OTHER INVESTMENTS  | 123,767            | 0   | 124,490             | 0   |
| s12 | PROPERTY, PLANT AND EQUIPMENT (NET)                                  | 99,421,332         | 63  | 106,047,642         | 59  |
| s13 | LAND AND BUILDINGS   | 0                  | 0   | 0                   | 0   |

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|            |   |                    |            |                    |            |
|------------|---|--------------------|------------|--------------------|------------|
| s14        | MACHINERY AND INDUSTRIAL EQUIPMENT                | 410,205,148        | 260        | 402,629,777        | 226        |
| s15        | OTHER EQUIPMENT                                   | 1,992,335          | 1          | 1,742,893          | 1          |
| s16        | ACCUMULATED DEPRECIATION                          | 313,020,620        | 198        | 298,734,102        | 167        |
| s17        | CONSTRUCTIONS IN PROGRESS                         | 244,469            | 0          | 409,074            | 0          |
| s18        | OTHER INTANGIBLE ASSETS AND DEFERRED ASSETS (NET) | 2,594,169          | 2          | 2,360,671          | 1          |
| s19        | OTHER ASSETS                                      | 17,342,200         | 11         | 16,430,857         | 9          |
|            |   |                    |            |                    |            |
| <b>s20</b> | <b>TOTAL LIABILITIES</b>                          | <b>113,530,400</b> | <b>100</b> | <b>140,076,028</b> | <b>100</b> |
|            |   |                    |            |                    |            |
| <b>s21</b> | <b>CURRENT LIABILITIES</b>                        | <b>32,689,187</b>  | <b>29</b>  | <b>37,330,307</b>  | <b>27</b>  |
| s22        | SUPPLIERS   | 0                  | 0          | 0                  | 0          |
| s23        | BANK LOANS  | 1,272,982          | 1          | 7,363,129          | 5          |
| s24        | STOCK MARKET LOANS                                | 4,500,000          | 4          | 12,405,765         | 9          |
| s103       | OTHER LOANS WITH COST                             | 6,178,550          | 5          | 0                  | 0          |
| s25        | TAXES PAYABLE                                     | 2,443,268          | 2          | 2,211,626          | 2          |
| s26        | OTHER CURRENT LIABILITIES                         | 18,294,387         | 16         | 15,349,787         | 11         |
| <b>s27</b> | <b>LONG - TERM LIABILITIES</b>                    | <b>62,569,413</b>  | <b>55</b>  | <b>83,105,454</b>  | <b>59</b>  |
| s28        | BANK LOANS  | 20,624,954         | 18         | 35,750,038         | 26         |
| s29        | STOCK MARKET LOANS                                | 41,944,459         | 37         | 47,355,416         | 34         |
| s30        | OTHER LOANS WITH COST                             | 0                  | 0          | 0                  | 0          |
| s31        | DEFERRED LIABILITIES                              | 622,351            | 1          | 466,696            | 0          |
| s32        | OTHER NON CURRENT LIABILITIES                     | 17,649,449         | 16         | 19,173,571         | 14         |
|            |   |                    |            |                    |            |
| <b>s33</b> | <b>CONSOLIDATED STOCKHOLDERS' EQUITY</b>          | <b>44,223,932</b>  | <b>100</b> | <b>38,320,773</b>  | <b>100</b> |
|            |   |                    |            |                    |            |
| s34        | NON-CONTROLLING INTEREST                          | 309,323            | 1          | 41,480             | 0          |
| <b>s35</b> | <b>CONTROLLING INTEREST</b>                       | <b>43,914,609</b>  | <b>99</b>  | <b>38,279,293</b>  | <b>100</b> |
| <b>s36</b> | <b>CONTRIBUTED CAPITAL</b>                        | <b>9,008,985</b>   | <b>20</b>  | <b>9,020,300</b>   | <b>24</b>  |
| s79        | CAPITAL STOCK (NOMINAL)                           | 9,008,985          | 20         | 9,020,300          | 24         |
| s39        | PREMIUM ON SALES OF SHARES                        | 0                  | 0          | 0                  | 0          |
| s40        | CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES        | 0                  | 0          | 0                  | 0          |
| <b>s41</b> | <b>CAPITAL INCREASE (DECREASE)</b>                | <b>34,905,624</b>  | <b>79</b>  | <b>29,258,993</b>  | <b>76</b>  |
| s42        | RETAINED EARNINGS AND CAPITAL RESERVE             | 34,519,515         | 78         | 28,375,768         | 74         |
| s44        | OTHER ACCUMULATED COMPREHENSIVE RESULT            | 386,109            | 1          | 883,225            | 2          |
| s80        | SHARES REPURCHASED                                | 0                  | 0          | 0                  | 0          |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-02

CONSOLIDATED BALANCE SHEETS

- BREAKDOWN OF MAIN CONCEPTS -

(Thousands of Mexican Pesos)

Final printing

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| REF<br>S | CONCEPTS   | QUARTER OF PRESENT |            | QUARTER OF PREVIOUS |            |
|----------|--|--------------------|------------|---------------------|------------|
|          |  | FINANCIAL YEAR     |            | FINANCIAL YEAR      |            |
|          |  | Amount             | %          | Amount              | %          |
| s03      | <b>CASH AND AVAILABLE INVESTMENTS</b>                    | <b>7,493,465</b>   | <b>100</b> | <b>14,379,768</b>   | <b>100</b> |
| s46      | CASH   | 817,630            | 11         | 1,010,973           | 7          |
| s47      | AVAILABLE INVESTMENTS                                    | 6,675,835          | 89         | 13,368,795          | 93         |
|          |  |                    |            |                     |            |
| s07      | <b>OTHER CURRENT ASSETS</b>                              | <b>10,079,012</b>  | <b>100</b> | <b>15,528,825</b>   | <b>100</b> |
| s81      | DERIVATIVE FINANCIAL INSTRUMENTS                         | 6,957,018          | 69         | 12,225,550          | 79         |
| s82      | DISCONTINUED OPERATIONS                                  | 0                  | 0          | 0                   | 0          |
| s83      | OTHER  | 3,121,994          | 31         | 3,303,275           | 21         |
|          |  |                    |            |                     |            |
| s18      | <b>OTHER INTANGIBLE ASSETS AND DEFERRED ASSETS (NET)</b> | <b>2,594,169</b>   | <b>100</b> | <b>2,360,671</b>    | <b>100</b> |
| s48      | AMORTIZED OR REDEEMED EXPENSES                           | 1,183,363          | 46         | 1,442,330           | 61         |
| s49      | GOODWILL   | 103,289            | 4          | 0                   | 0          |
| s51      | OTHERS   | 1,307,517          | 50         | 918,341             | 39         |
|          |  |                    |            |                     |            |
| s19      | <b>OTHER ASSETS</b>                                      | <b>17,342,200</b>  | <b>100</b> | <b>16,430,857</b>   | <b>100</b> |
| s85      | DERIVATIVE FINANCIAL INSTRUMENTS                         | 0                  | 0          | 0                   | 0          |
| s50      | DEFERRED TAXES   | 0                  | 0          | 0                   | 0          |
| s104     | BENEFITS FOR EMPLOYEES                                   | 17,342,200         | 100        | 16,430,857          | 100        |
| s86      | DISCONTINUED OPERATIONS                                  | 0                  | 0          | 0                   | 0          |
| s87      | OTHER  | 0                  | 0          | 0                   | 0          |
|          |  |                    |            |                     |            |
| s21      | <b>CURRENT LIABILITIES</b>                               | <b>32,689,187</b>  | <b>100</b> | <b>37,330,307</b>   | <b>100</b> |
| s52      | FOREIGN CURRENCY LIABILITIES                             | 10,124,601         | 31         | 18,294,695          | 49         |
| s53      | MEXICAN PESOS LIABILITIES                                | 22,564,586         | 69         | 19,035,612          | 51         |
|          |  |                    |            |                     |            |

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|            |   |                   |            |                   |            |
|------------|---|-------------------|------------|-------------------|------------|
| <b>s26</b> | <b>OTHER CURRENT LIABILITIES</b>                        | <b>18,294,387</b> | <b>100</b> | <b>15,349,787</b> | <b>100</b> |
| s88        | DERIVATIVE FINANCIAL INSTRUMENTS                        | 1,561,294         | 9          | 848,910           | 6          |
| s89        | INTEREST LIABILITIES                                    | 625,986           | 3          | 936,516           | 6          |
| s68        | PROVISIONS  |                   |            |                   | 0          |
| s90        | DISCONTINUED OPERATIONS                                 |                   |            |                   | 0          |
| s58        | OTHER CURRENT LIABILITIES                               | 10,652,668        | 58         | 8,244,814         | 54         |
| s105       | BENEFITS FOR EMPLOYEES                                  | 5,454,439         | 30         | 5,319,547         | 35         |
|            |   |                   |            |                   |            |
| <b>s27</b> | <b>LONG-TERM LIABILITIES</b>                            | <b>62,569,413</b> | <b>100</b> | <b>83,105,454</b> | <b>100</b> |
| s59        | FOREIGN CURRENCY LIABILITIES                            | 36,669,413        | 59         | 52,705,454        | 63         |
| s60        | MEXICAN PESOS LIABILITIES                               | 25,900,000        | 41         | 30,400,000        | 37         |
|            |   |                   |            |                   |            |
| <b>s31</b> | <b>DEFERRED LIABILITIES</b>                             | <b>622,351</b>    | <b>100</b> | <b>466,696</b>    | <b>100</b> |
| s65        | GOODWILL  | 0                 | 0          | 0                 | 0          |
| s67        | OTHERS  | 622,351           | 100        | 466,696           | 100        |
|            |   |                   |            |                   |            |
| <b>s32</b> | <b>OTHER NON CURRENT LIABILITIES</b>                    | <b>17,649,449</b> | <b>100</b> | <b>19,173,571</b> | <b>100</b> |
| s66        | DEFERRED TAXES  | 14,132,763        | 80         | 15,060,058        | 79         |
| s91        | OTHER LIABILITIES IN RESPECT OF SOCIAL INSURANCE        | 3,516,686         | 20         | 4,113,513         | 21         |
| s92        | DISCONTINUED OPERATIONS                                 | 0                 | 0          | 0                 | 0          |
| s69        | OTHER LIABILITIES                                       | 0                 | 0          | 0                 | 0          |
|            |   |                   |            |                   |            |
| <b>s79</b> | <b>CAPITAL STOCK</b>                                    | <b>9,008,985</b>  | <b>100</b> | <b>9,020,300</b>  | <b>100</b> |
| s37        | CAPITAL STOCK (NOMINAL)                                 | 78,398            | 1          | 78,545            | 1          |
| s38        | RESTATEMENT OF CAPITAL STOCK                            | 8,930,587         | 99         | 8,941,755         | 99         |
|            |   |                   |            |                   |            |
| <b>s42</b> | <b>RETAINED EARNINGS AND CAPITAL RESERVES</b>           | <b>34,519,515</b> | <b>100</b> | <b>28,375,768</b> | <b>100</b> |
| s93        | LEGAL RESERVE   | 1,880,513         | 5          | 1,880,513         | 7          |
| s43        | RESERVE FOR REPURCHASE OF SHARES                        | 0                 | 0          | 0                 | 0          |
| s94        | OTHER RESERVES  | 0                 | 0          | 0                 | 0          |
| s95        | RETAINED EARNINGS                                       | 17,254,840        | 50         | 6,026,566         | 21         |
| s45        | NET INCOME FOR THE YEAR                                 | 15,384,162        | 45         | 20,468,689        | 72         |
|            |   |                   |            |                   |            |
| <b>s44</b> | <b>OTHER ACCUMULATED COMPREHENSIVE RESULT</b>           | <b>386,109</b>    | <b>100</b> | <b>883,225</b>    | <b>100</b> |
| s70        | ACCUMULATED MONETARY RESULT                             | 0                 | 0          | 0                 | 0          |
| s71        | RESULT FROM HOLDING NON-MONETARY ASSETS                 | 0                 | 0          | 0                 | 0          |
| s96        | CUMULATIVE RESULT FROM FOREIGN CURRENCY TRANSLATION     | 242,918           | 63         | 187,552           | 21         |
| s97        | CUMULATIVE RESULT FROM DERIVATIVE FINANCIAL INSTRUMENTS | 326,761           | 85         | 1,155,361         | 131        |
| s98        | CUMULATIVE EFFECT OF DEFERRED INCOME TAXES              | (183,570)         | (48)       | (459,688)         | (52)       |
| s100       | OTHERS  | 0                 | 0          | 0                 | 0          |

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TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-03

**CONSOLIDATED BALANCE SHEETS**

**- OTHER CONCEPTS -**

(Thousands of Mexican Pesos)

Final printing

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| REF  | CONCEPTS                                      | QUARTER OF PRESENT | QUARTER OF PREVIOUS |
|------|---|--------------------|---------------------|
| S    |   | FINANCIAL YEAR     | FINANCIAL YEAR      |
|      |   | Amount             | Amount              |
| s72  | WORKING CAPITAL                               | 4,315,402          | 14,451,944          |
| s73  | PENSIONS FUND AND SENIORITY PREMIUMS          | 0                  | 0                   |
| s74  | EXECUTIVES (*)                                | 83                 | 84                  |
| s75  | EMPLOYEES (*)                                 | 9,260              | 9,269               |
| s76  | WORKERS (*)                                   | 42,719             | 43,593              |
| s77  | OUTSTANDING SHARES (*)                        | 18,158,000,000     | 18,191,892,260      |
| s78  | REPURCHASE OF OWN SHARER(*)                   | 33,892,260         | 363,161,100         |
| s101 | RESTRICTED CASH                               | 0                  | 0                   |
| s102 | DEBT WITH COST OF AFFILIATES NON CONSOLIDATED | 0                  | 0                   |

(\*) DATA IN UNITS

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-04

## CONSOLIDATED STATEMENTS OF INCOME

- FROM JANUARY 01 TO DECEMBER 31, 2010 &amp; 2009 -

(Thousands of Mexican Pesos)

Final printing

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| REF<br>R | CONCEPTS   | QUARTER OF PRESENT |     | QUARTER OF PREVIOUS |     |
|----------|--|--------------------|-----|---------------------|-----|
|          |  | FINANCIAL YEAR     |     | FINANCIAL YEAR      |     |
|          |  | Amount             | %   | Amount              | %   |
| r01      | OPERATING REVENUES   | 113,563,365        | 100 | 119,100,212         | 100 |
| r02      | COST OF SALES AND SERVICES   | 62,214,213         | 55  | 63,126,884          | 53  |
| r03      | GROSS INCOME   | 51,349,152         | 45  | 55,973,328          | 47  |
| r04      | OPERATING EXPENSES   | 22,931,931         | 20  | 21,609,269          | 18  |
| r05      | OPERATING INCOME   | 28,417,221         | 25  | 34,364,059          | 29  |
| r08      | OTHER EXPENSES AND INCOMES (NET)   | (78,337)           | (0) | (1,349,680)         | (1) |
| r06      | COMPREHENSIVE FINANCING COST   | (4,755,396)        | (4) | (4,314,554)         | (4) |
| r12      | EQUITY IN NET INCOME OF NON-CONSOLIDATED SUBSIDIARIES, JOINT BUSINESSES AND AFFILIATES | 195,910            | 0   | 254,680             | 0   |
| r48      | NON-ORDINARY ITEMS   | 0                  | 0   | 0                   | 0   |
| r09      | INCOME BEFORE INCOME TAX AND EMPLOYEE PROFIT SHARING                                   | 23,779,398         | 21  | 28,954,505          | 24  |
| r10      | PROVISIONS FOR INCOME TAX AND EMPLOYEE PROFIT SHARING                                  | 8,407,940          | 7   | 8,485,522           | 7   |
| r11      | NET INCOME AFTER INCOME TAX AND EMPLOYEE PROFIT SHARING                                | 15,371,458         | 14  | 20,468,983          | 17  |
| r14      | INCOME FROM DISCONTINUED OPERATIONS (NET)  | 0                  | 0   | 0                   | 0   |
| r18      | NET INCOME   | 15,371,458         | 14  | 20,468,983          | 17  |
| r19      | NET INCOME OF NON-CONTROLLING INTEREST   | (12,704)           | 0   | 294                 | 0   |
| r20      | NET INCOME OF CONTROLLING INTEREST   | 15,384,162         | 14  | 20,468,689          | 17  |
|          |  |                    |     |                     |     |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-05

## CONSOLIDATED STATEMENTS OF INCOME

- BREAKDOWN OF MAIN CONCEPTS -

(Thousands of Mexican Pesos)



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| REF | CONCEPTS   | QUARTER OF PRESENT |         | QUARTER OF PREVIOUS |       |
|-----|--|--------------------|---------|---------------------|-------|
|     |  | FINANCIAL YEAR     |         | FINANCIAL YEAR      |       |
|     |  | Amount             | %       | Amount              | %     |
| r01 | OPERATING REVENUES                                   | 113,563,365        | 100     | 119,100,212         | 100   |
| r21 | DOMESTIC   | 110,286,651        | 97      | 114,413,138         | 96    |
| r22 | FOREIGN  | 3,276,714          | 3       | 4,687,074           | 4     |
| r23 | TRANSLATION INTO DOLLARS (***)                       | 259,120            | 0       | 346,021             | 0     |
|     |  |                    |         |                     |       |
| r08 | OTHER EXPENSES AND INCOMES (NET)                     | (78,337)           | 100     | (1,349,680)         | 100   |
| r49 | OTHER EXPENSES AND INCOMES (NET)                     | 1,401,365          | (1,789) | 260,126             | (19)  |
| r34 | EMPLOYEE PROFIT SHARING                              | 1,998,105          | (2,551) | 2,217,482           | (164) |
| r35 | DEFERRED EMPLOYEE PROFIT SHARING                     | (518,403)          | 662     | (607,676)           | 45    |
|     |  |                    |         |                     |       |
| r06 | COMPREHENSIVE FINANCING COST                         | (4,755,396)        | 100     | (4,314,554)         | 100   |
| r24 | INTEREST EXPENSE                                     | 5,733,627          | (121)   | 6,122,328           | (142) |
| r42 | LOSS (GAIN) ON RESTATEMENT OF UDI'S                  | 0                  | 0       | 0                   | 0     |
| r45 | OTHER FINANCIAL COSTS                                | 0                  | 0       | 0                   | 0     |
| r26 | INTEREST INCOME                                      | 583,761            | (12)    | 711,243             | (16)  |
| r46 | OTHER FINANCIAL PRODUCTS                             | 0                  | 0       | 0                   | 0     |
| r25 | FOREIGN EXCHANGE LOSS (GAIN) (NET)                   | 394,470            | (8)     | 1,096,531           | (25)  |
| r28 | RESULT FROM MONETARY POSITION                        | 0                  | 0       | 0                   | 0     |
|     |  |                    |         |                     |       |
| r10 | PROVISION FOR INCOME TAX AND EMPLOYEE PROFIT SHARING | 8,407,940          | 100     | 8,485,522           | 100   |
| r32 | INCOME TAX   | 9,269,487          | 110     | 9,560,860           | 113   |
| r33 | DEFERRED INCOME TAX                                  | (861,547)          | (10)    | (1,075,338)         | (13)  |
|     |  |                    |         |                     |       |

(\*\*\*) THOUSAND DOLLARS AT THE PREVAILING EXCHANGE RATE AT THE END OF THE REPORTING PERIOD.

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## MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-06

**CONSOLIDATED STATEMENTS OF INCOME**

**- OTHER CONCEPTS -**

(Thousands of Mexican Pesos)

Final printing

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| REF | CONCEPTS                                | QUARTER OF PRESENT | QUARTER OF PREVIOUS |
|-----|---|--------------------|---------------------|
| R   |   | FINANCIAL YEAR     | FINANCIAL YEAR      |
|     |   | Amount             | Amount              |
| r36 | TOTAL REVENUES                          | 113,563,365        | 119,100,212         |
| r37 | TAX RESULT FOR THE YEAR                 | 0                  | 0                   |
| r38 | OPERATING REVENUES (**)                 | 113,563,365        | 119,100,212         |
| r39 | OPERATING INCOME (**)                   | 28,417,221         | 34,364,059          |
| r40 | NET INCOME OF CONTROLLING INTEREST (**) | 15,384,162         | 20,468,689          |
| r41 | NET INCOME (**)                         | 15,371,458         | 20,468,983          |
| r47 | OPERATIVE DEPRECIATION AND ACCUMULATED  | 16,942,580         | 17,152,939          |
|     |   |                    |                     |

(\*\*) INFORMATION OF THE LAST TWELVE MONTHS

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-07

**CONSOLIDATED QUARTERLY STATEMENTS OF INCOME**

**- FROM OCTOBER 01 TO DECEMBER 31, 2010 & 2009 -**

(Thousands of Mexican Pesos)

Final printing

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| REF  | CONCEPTS   | QUARTER OF PRESENT |     | QUARTER OF PREVIOUS |     |
|------|--|--------------------|-----|---------------------|-----|
|      |  | FINANCIAL YEAR     |     | FINANCIAL YEAR      |     |
|      |  | Amount             | %   | Amount              | %   |
| rt01 | <b>OPERATING REVENUES</b>  | 27,958,237         | 100 | 29,746,853          | 100 |
| rt02 | COST OF SALES AND SERVICES   | 15,322,294         | 55  | 16,462,795          | 55  |
| rt03 | <b>GROSS INCOME</b>  | 12,635,943         | 45  | 13,284,058          | 45  |
| rt04 | OPERATING EXPENSES   | 5,958,269          | 21  | 5,508,554           | 19  |
| rt05 | <b>OPERATING INCOME</b>  | 6,677,674          | 24  | 7,775,504           | 26  |
| rt08 | OTHER EXPENSES AND INCOMES (NET)   | 120,602            | 0   | (136,858)           | (0) |
| rt06 | COMPREHENSIVE FINANCING COST   | (846,042)          | (3) | (1,221,101)         | (4) |
| rt12 | EQUITY IN NET INCOME OF NON-CONSOLIDATED SUBSIDIARIES, JOINT BUSINESSES AND AFFILIATES | 46,562             | 0   | 91,718              | (0) |
| rt48 | NON-ORDINARY ITEMS   | 0                  | 0   | 0                   | 0   |
| rt09 | <b>INCOME BEFORE INCOME TAX AND EMPLOYEE PROFIT SHARING</b>                            | 5,998,796          | 21  | 6,509,263           | 22  |
| rt10 | PROVISIONS FOR INCOME TAX AND EMPLOYEE PROFIT SHARING                                  | 2,603,142          | 9   | 1,515,659           | 5   |
| rt11 | <b>NET INCOME AFTER INCOME TAX AND EMPLOYEE PROFIT SHARING</b>                         | 3,395,654          | 12  | 4,993,604           | 17  |
| rt14 | INCOME FROM DISCONTINUED OPERATIONS (NET)  | 0                  | 0   | 0                   | 0   |
| rt18 | <b>NET INCOME</b>  | 3,395,654          | 12  | 4,993,604           | 17  |
| rt19 | NET INCOME OF NON-CONTROLLING INTEREST   | 7,148              | 0   | (655)               | (0) |
| rt20 | NET INCOME OF CONTROLLING INTEREST   | 3,388,506          | 12  | 4,994,259           | 17  |
|      |  |                    |     |                     |     |

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TELÉFONOS DE MÉXICO, S.A.B. 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 | CONCEPTS | QUARTER OF PRESENT | QUARTER OF PREVIOUS |
|-----|----------|--------------------|---------------------|
| RT  |          | FINANCIAL YEAR     | FINANCIAL YEAR      |

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|      |  | Amount     | %     | Amount      | %     |
|------|--|------------|-------|-------------|-------|
| rt01 | OPERATING REVENUES                                   | 27,958,237 | 100   | 29,746,853  | 100   |
| rt21 | DOMESTIC   | 27,115,303 | 97    | 28,265,238  | 95    |
| rt22 | FOREIGN  | 842,934    | 3     | 1,481,615   | 5     |
| rt23 | TRANSLATION INTO DOLLARS (***)                       | 67,866     | 0     | 113,796     | 0     |
|      |  |            |       |             |       |
| rt08 | OTHER REVENUES AND (EXPENSES), NET                   | 120,602    | 100   | (136,858)   | 100   |
| rt49 | OTHER REVENUES AND (EXPENSES), NET                   | 506,045    | 420   | 71,203      | (52)  |
| rt34 | EMPLOYEE PROFIT SHARING                              | 395,257    | 328   | 463,264     | (338) |
| rt35 | DEFERRED EMPLOYEE PROFIT SHARING                     | (9,814)    | (8)   | (255,203)   | 186   |
|      |  |            |       |             |       |
| rt06 | COMPREHENSIVE FINANCING COST                         | (846,042)  | 100   | (1,221,101) | 100   |
| rt24 | INTEREST EXPENSE                                     | 1,012,452  | (120) | 1,425,901   | (117) |
| rt42 | LOSS (GAIN) ON RESTATEMENT OF UDI'S                  | 0          | 0     | 0           | 0     |
| rt45 | OTHER FINANCIAL COSTS                                | 0          | 0     | 0           | 0     |
| rt26 | INTEREST INCOME                                      | 179,921    | (21)  | 149,403     | (12)  |
| rt46 | OTHER FINANCIAL PRODUCTS                             | 0          | 0     | 0           | 0     |
| rt25 | FOREIGN EXCHANGE LOSS (GAIN) (NET)                   | (13,511)   | 2     | 55,397      | (5)   |
| rt28 | RESULT FROM MONETARY POSITION                        | 0          | 0     | 0           | 0     |
|      |  |            |       |             |       |
| rt10 | PROVISION FOR INCOME TAX AND EMPLOYEE PROFIT SHARING | 2,603,142  | 100   | 1,515,659   | 100   |
| rt32 | INCOME TAX   | 2,782,561  | 107   | 1,885,766   | 124   |
| rt33 | DEFERRED INCOME TAX                                  | (179,419)  | (7)   | (370,107)   | (24)  |
|      |  |            |       |             |       |

(\*\*\*) THOUSAND DOLLARS AT THE PREVAILING EXCHANGE RATE AT THE END OF THE REPORTING PERIOD.

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-09

CONSOLIDATED QUARTERLY STATEMENTS OF INCOME

- OTHER CONCEPTS -

(Thousands of Mexican Pesos)

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| REF  | CONCEPTS   | QUARTER OF PRESENT | QUARTER OF PREVIOUS |
|------|--|--------------------|---------------------|
| RT   |  | FINANCIAL YEAR     | FINANCIAL YEAR      |
|      |  | Amount             | Amount              |
| rt47 | OPERATIVE DEPRECIATION AND ACCUMULATED IMPAIRMENT LOSSES | 4,229,002          | 4,286,016           |
|      |  |                    |                     |

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## SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

## FS-12

## DATA PER SHARE

## - CONSOLIDATED INFORMATION -

(Thousands of Mexican Pesos)

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| REF | CONCEPTS   | QUARTER OF PRESENT | QUARTER OF PREVIOUS |
|-----|--|--------------------|---------------------|
| D   |  | FINANCIAL YEAR     | FINANCIAL YEAR      |
|     |  | Amount             | Amount              |
| d01 | BASIC INCOME PER ORDINARY SHARE (**)   | \$0.85             | \$1.11              |
| d02 | BASIC INCOME PER PREFERENT SHARE (**)  | \$0.00             | \$0.00              |
| d03 | DILUTED INCOME PER ORDINARY SHARE (**)   | \$0.00             | \$0.00              |
| d04 | INCOME (LOSS) FROM CONTINUOUS OPERATIONS PER ORDINARY SHARE (**)                                       | \$0.85             | \$1.11              |
| d05 | EFFECT OF DISCONTINUOUS OPERATIONS ON INCOME (LOSS) FROM CONTINUOUS OPERATIONS PER ORDINARY SHARE (**) | \$0.00             | \$0.00              |
| d08 | CARRYING VALUE PER SHARE   | \$2.42             | \$2.10              |
| d09 | ACUMULATED CASH DIVIDEND PER SHARE   | \$0.48             | \$0.83              |

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|     |   |       |        |      |        |
|-----|---|-------|--------|------|--------|
| d10 | SHARE DIVIDENDS PER SHARE                             | 0.00  | shares | 0.00 | shares |
| d11 | MARKET PRICE TO CARRYING VALUE                        | 4.14  | times  | 5.22 | times  |
| d12 | MARKET PRICE TO BASIC INCOME PER ORDINARY SHARE (**)  | 11.78 | times  | 9.87 | times  |
| d13 | MARKET PRICE TO BASIC INCOME PER PREFERENT SHARE (**) | 0.00  | times  | 0.00 | times  |

(\*\*) INFORMATION OF THE LAST TWELVE MONTHS

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TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-13

**RATIOS**

**- CONSOLIDATED INFORMATION -**

(Thousands of Mexican Pesos)

Final printing

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| REF | CONCEPTS                                      | QUARTER OF PRESENT |       | QUARTER OF PREVIOUS |       |
|-----|---|--------------------|-------|---------------------|-------|
| P   |   | FINANCIAL YEAR     |       | FINANCIAL YEAR      |       |
|     |   |                    |       |                     |       |
|     | <b>YIELD</b>                                  |                    |       |                     |       |
| p01 | NET INCOME (LOSS) TO OPERATING REVENUES       | 13.54%             |       | 17.19%              |       |
| p02 | NET INCOME TO STOCKHOLDERS' EQUITY (**)       | 34.76%             |       | 53.41%              |       |
| p03 | NET INCOME TO TOTAL ASSETS ( **)              | 9.74%              |       | 11.46%              |       |
| p04 | CASH DIVIDENDS TO PREVIOUS YEAR NET INCOME    | 42.68              |       | 74.80               |       |
| p05 | INCOME DUE TO MONETARY POSITION TO NET INCOME | 0.00%              |       | 0.00%               |       |
|     | <b>ACTIVITY</b>                               |                    |       |                     |       |
| p06 | OPERATING REVENUES TO TOTAL ASSETS (**)       | 0.72               | times | 0.67                | times |
| p07 | OPERATING REVENUES TO FIXED ASSETS (**)       | 1.17               | times | 1.14                | times |
| p08 | INVENTORIES ROTATION (**)                     | 35.33              | times | 43.59               | times |

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|     |  |        |       |        |       |
|-----|--|--------|-------|--------|-------|
| p09 | ACCOUNTS RECEIVABLE IN DAYS OF SALES                 | 42     | days  | 41     | days  |
| p10 | INTEREST PAID TO TOTAL LIABILITIES WITH COST (**)    | 7.69%  |       | 5.95%  |       |
|     | <b>LEVERAGE</b>                                      |        |       |        |       |
| p11 | TOTAL LIABILITIES TO TOTAL ASSETS                    | 71.97% |       | 78.54% |       |
| p12 | TOTAL LIABILITIES TO STOCKHOLDERS' EQUITY            | 2.57   | times | 3.66   | times |
| p13 | FOREIGN CURRENCY LIABILITIES TO TOTAL LIABILITIES    | 41.22% |       | 50.64% |       |
| p14 | LONG-TERM LIABILITIES TO FIXED ASSETS                | 62.93% |       | 79.68% |       |
| p15 | OPERATING INCOME (LOSS) TO INTEREST PAID             | 4.96   | times | 5.61   | times |
| p16 | OPERATING REVENUES TO TOTAL LIABILITIES (**)         | 1.00   | times | 0.85   | times |
|     | <b>LIQUIDITY</b>                                     |        |       |        |       |
| p17 | CURRENT ASSETS TO CURRENT LIABILITIES                | 1.13   | times | 1.39   | times |
| p18 | CURRENT ASSETS LESS INVENTORY TO CURRENT LIABILITIES | 1.08   | times | 1.35   | times |
| p19 | CURRENT ASSETS TO TOTAL LIABILITIES                  | 0.33   | times | 0.36   | times |
| p20 | AVAILABLE ASSETS TO CURRENT LIABILITIES              | 22.92% |       | 38.38% |       |

(\*\*) INFORMATION OF THE LAST TWELVE MONTHS

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-14

STATE OF CASH FLOW (INDIRECT METHOD)

MAIN CONCEPTS

- CONSOLIDATED INFORMATION -

(Thousands of Mexican Pesos)

Final printing

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| REF | CONCEPTS | QUARTER OF PRESENT | QUARTER OF PREVIOUS |
|-----|----------|--------------------|---------------------|
|-----|----------|--------------------|---------------------|

| <b>E</b> |  | <b>FINANCIAL YEAR</b> | <b>FINANCIAL YEAR</b> |
|----------|--|-----------------------|-----------------------|
|          |  | <b>Amount</b>         | <b>Amount</b>         |
|          | <b>OPERATION ACTIVITIES</b>  |                       |                       |
| e01      | <b>INCOME (LOSS) BEFORE INCOME TAXES</b>                               | 23,779,398            | 28,954,505            |
| e02      | +(-) ITEMS NOT REQUIRING CASH  | 7,028,200             | 6,716,527             |
| e03      | +(-) ITEMS RELATED TO INVESTING ACTIVITIES                             | 17,006,002            | 17,696,088            |
| e04      | +(-) ITEMS RELATED TO FINANCING ACTIVITIES                             | 5,086,718             | 4,889,657             |
| e05      | <b>CASH FLOWS BEFORE INCOME TAX</b>                                    | 52,900,318            | 58,256,777            |
| e06      | CASH FLOW PROVIDED OR USED IN OPERATION                                | (13,423,922)          | (18,021,609)          |
| e07      | <b>NET CASH FLOWS PROVIDED OF OPERATING ACTIVITIES</b>                 | 39,476,396            | 40,235,168            |
|          | <b>INVESTMENT ACTIVITIES</b>   |                       |                       |
| e08      | NET CASH FLOW FROM INVESTING ACTIVITIES                                | (8,766,862)           | (9,759,128)           |
| e09      | <b>CASH IN EXCESS (REQUIRED) TO BE APPLIED IN FINANCING ACTIVITIES</b> | 30,709,534            | 30,476,040            |
|          | <b>FINANCING ACTIVITIES</b>  |                       |                       |
| e10      | NET CASH FROM FINANCING ACTIVITIES                                     | (37,595,837)          | (22,232,835)          |
| e11      | <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>            | (6,886,303)           | 8,243,205             |
| e12      | <b>TRANSLATION DIFFERENCES IN CASH AND CASH EQUIVALENTS</b>            | 0                     | 0                     |
| e13      | CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD                   | 14,379,768            | 6,136,563             |
| e14      | <b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>                  | 7,493,465             | 14,379,768            |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-15

STATE OF CASH FLOW (INDIRECT METHOD)

BREAKDOWN OF MAIN CONCEPTS

- CONSOLIDATED INFORMATION -

(Thousands of Mexican Pesos)

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| REF        | CONCEPTS   | QUARTER OF PRESENT  | QUARTER OF PREVIOUS |
|------------|--|---------------------|---------------------|
| E          |  | FINANCIAL YEAR      | FINANCIAL YEAR      |
|            |  | Amount              | Amount              |
| <b>e02</b> | <b>+(-) ITEMS NOT REQUIRING CASH</b>                                   | <b>7,028,200</b>    | <b>6,716,527</b>    |
| e15        | +ESTIMATES FOR THE PERIOD  | 9,462               | 69,669              |
| e16        | +PROVISIONS FOR THE PERIOD   | 7,018,738           | 6,646,858           |
| e17        | +(-) OTHER UNREALIZED ITEMS  | 0                   | 0                   |
|            |  |                     |                     |
| <b>e03</b> | <b>+(-) ITEMS RELATED TO INVESTING ACTIVITIES</b>                      | <b>17,006,002</b>   | <b>17,696,088</b>   |
| e18        | +DEPRECIATION AND AMORTIZATION FOR THE PERIOD (*)                      | 17,523,330          | 17,950,768          |
| e19        | (-)+GAIN OR LOSS ON SALE OF PROPERTY, PLANT AND EQUIPMENT              | 0                   | 0                   |
| e20        | +IMPAIRMENT LOSS   | 0                   | 0                   |
| e21        | (-)+EQUITY RESULTS OF ASSOCIATES AND JOINT VENTURES                    | (195,910)           | (254,680)           |
| e22        | (-)DIVIDENDS RECEIVED  | 0                   | 0                   |
| e23        | (-)INTEREST INCOME   | 0                   | 0                   |
| e24        | (-)+ OTHER ITEMS   | (321,418)           | 0                   |
|            |  |                     |                     |
| <b>e04</b> | <b>+(-) ITEMS RELATED TO FINANCING ACTIVITIES</b>                      | <b>5,086,718</b>    | <b>4,889,657</b>    |
| e25        | +ACCRUED INTERESTS   | 5,733,627           | 6,122,328           |
| e26        | +(-) OTHER ITEMS   | (646,909)           | (1,232,671)         |
|            |  |                     |                     |
| <b>e06</b> | <b>CASH FLOW PROVIDED OR USED IN OPERATION</b>                         | <b>(13,423,922)</b> | <b>(18,021,609)</b> |
| e27        | +(-) DECREASE (INCREASE) IN ACCOUNTS RECEIVABLE                        | 820,670             | 335,214             |
| e28        | +(-) DECREASE (INCREASE) IN INVENTORIES                                | (335,477)           | 370,658             |
| e29        | +(-) DECREASE (INCREASE) IN OTHER ACCOUNTS RECEIVABLE AND OTHER ASSETS | 467,424             | (6,190,987)         |
| e30        | +(-) INCREASE (DECREASE) IN SUPPLIERS                                  | 580,475             | (1,391,737)         |
| e31        | +(-) INCREASE (DECREASE) IN OTHER LIABILITIES                          | (8,040,139)         | (944,122)           |
| e32        | +(-) INCOME TAXES PAID OR RETURNED                                     | (6,916,875)         | (10,200,635)        |
|            |  |                     |                     |
| <b>e08</b> | <b>NET CASH FLOWS OF INVESTING ACTIVITIES</b>                          | <b>(8,766,862)</b>  | <b>(9,759,128)</b>  |
| e33        | - PERMANENT INVESTMENT IN SHARES                                       | 384,206             | (116,640)           |
| e34        | +DISPOSITION OF PERMANENT INVESTMENT IN SHARES                         | 0                   | 0                   |
| e35        | - INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT                         | (9,270,448)         | (9,657,071)         |
| e36        | + SALE OF PROPERTY, PLANT AND EQUIPMENT                                | 0                   | 0                   |
| e37        | - INVESTMENT IN INTANGIBLE ASSETS                                      | (6,620)             | (14,168)            |
| e38        | + DISPOSITION OF INTANGIBLE ASSETS                                     | 0                   | 0                   |
| e39        | - OTHER PERMANENT INVESTMENTS  | 0                   | 0                   |
| e40        | + DISPOSITION OF OTHER PERMANENT INVESTMENTS                           | 0                   | 0                   |
| e41        | + DIVIDENDS RECEIVED   | 126,000             | 28,751              |
| e42        | + INTERESTS RECEIVED   | 0                   | 0                   |
| e43        | +(-) DECREASE (INCREASE) ADVANCES AND LOANS TO THIRD PARTS             | 0                   | 0                   |
| e44        | +(-) OTHER ITEMS   | 0                   | 0                   |
|            |  |                     |                     |
| <b>e10</b> | <b>NET CASH FLOWS OF FINANCING ACTIVITIES</b>                          | <b>(37,595,837)</b> | <b>(22,232,835)</b> |

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|     |  |              |              |
|-----|--|--------------|--------------|
| e45 | + BANK FINANCING                             | 46,000       | 573,835      |
| e46 | + STOCK MARKET FINANCING                     | 1,500,000    | 23,115,400   |
| e47 | + OTHER FINANCING                            | 8,589,980    | 0            |
| e48 | (-) BANK FINANCING AMORTIZATION              | (19,459,153) | (19,152,238) |
| e49 | (-) STOCK MARKET FINANCING AMORTIZATION      | (13,794,140) | (5,400,000)  |
| e50 | (-) OTHER FINANCING AMORTIZATION             | (2,474,400)  | 0            |
| e51 | + (-) INCREASE (DECREASE) IN CAPITAL STOCK   | 0            | 0            |
| e52 | (-) DIVIDENDS PAID                           | (8,736,965)  | (15,093,082) |
| e53 | + PREMIUM ON ISSUANCE OF SHARES              | 0            | 0            |
| e54 | + CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES | 0            | 0            |
| e55 | - INTEREST EXPENSE                           | (3,754,187)  | (4,200,480)  |
| e56 | (-) REPURCHASE OF SHARES                     | (339,822)    | (4,095,320)  |
| e57 | +(-) OTHER ITEMS                             | 826,850      | 2,019,050    |
|     |  |              |              |

(\* ) IN CASE THAT THIS AMOUNT IS DIFFERENT FROM ACCOUNT R47 IT SHOULD BE EXPLAINED IN NOTES

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-16

Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2010 and 2009

BREAKDOWN OF MAIN CONCEPTS

- CONSOLIDATED INFORMATION -

(Thousands of Mexican Pesos)

Final printing

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|   | Capital stock | Legal reserve | Retained earnings |               | Accumulated   | Controlling   | Total         |
|---|---------------|---------------|-------------------|---------------|---------------|---------------|---------------|
|   |               |               |                   |               | other         |               |               |
|   |               |               |                   |               | comprehensive |               |               |
|   |               |               | Unappropriated    | Total         | income        | interest      | stockholders' |
|   |               |               |                   |               | items         |               | equity        |
| Balance at December 31, 2008  | P. 9,138,632  | P. 1,880,513  | P. 25,494,143     | P. 27,374,656 | P. 2,816,625  | P. 39,329,913 | P. 39,371,099 |
| Appropriation of earnings approved at regular stockholders' meetings:                             |               |               |                   |               |               |               |               |
| Cash dividends declared   |               |               | ( 15,447,559)     | ( 15,447,559) |               | ( 15,447,559) | ( 15,447,559) |
| Cash purchase of Company's own shares   | ( 118,332)    |               | ( 3,976,988)      | ( 3,976,988)  |               | ( 4,095,320)  | ( 4,095,320)  |
| Excess of purchase price over book value of entities acquired from companies under common control |               |               | ( 43,030)         | ( 43,030)     |               | ( 43,030)     | ( 43,030)     |
| Comprehensive income:   |               |               |                   |               |               |               |               |
| Net income for the year   |               |               | 20,468,689        | 20,468,689    |               | 20,468,689    | 20,468,983    |
| Other comprehensive income items:   |               |               |                   |               |               |               |               |
| Changes in fair value of swaps, net of deferred taxes   |               |               |                   |               | ( 1,866,847)  | ( 1,866,847)  | ( 1,866,847)  |
| Effect of translation of foreign entities, net of deferred taxes                                  |               |               |                   |               | ( 66,553)     | ( 66,553)     | ( 66,553)     |
| Comprehensive income  |               |               |                   |               |               |               |               |
| Balance at December 31, 2009  | 9,020,300     | 1,880,513     | 26,495,255        | 28,375,768    | 883,225       | 38,279,293    | 38,320,773    |
| Appropriation of earnings approved at regular stockholders' meetings:                             |               |               |                   |               |               |               |               |
| Cash dividends declared   |               |               | ( 8,911,908)      | ( 8,911,908)  |               | ( 8,911,908)  | ( 8,911,908)  |
| Cash purchase of Company's own shares   | ( 11,315)     |               | ( 328,507)        | ( 328,507)    |               | ( 339,822)    | ( 339,822)    |
| Noncontrolling interest arising on a business combination   |               |               |                   |               |               |               | 280,547       |
| Comprehensive income:   |               |               |                   |               |               |               |               |
| Net income for the year   |               |               | 15,384,162        | 15,384,162    |               | 15,384,162    | 15,371,458    |
| Other comprehensive income items:   |               |               |                   |               |               |               |               |
| Changes in fair value of swaps, net of deferred taxes   |               |               |                   |               | ( 536,933)    | ( 536,933)    | ( 536,933)    |
| Effect of translation of foreign entities, net of deferred taxes                                  |               |               |                   |               | 39,817        | 39,817        | 39,817        |
| Comprehensive income  |               |               |                   |               |               |               |               |

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|  |                     |                     |                      |                      |                   |                      |                      |
|--|---------------------|---------------------|----------------------|----------------------|-------------------|----------------------|----------------------|
| Balance at December 31, 2010 (Note 14) | <b>P. 9,008,985</b> | <b>P. 1,880,513</b> | <b>P. 32,639,002</b> | <b>P. 34,519,515</b> | <b>P. 386,109</b> | <b>P. 43,914,609</b> | <b>P. 44,223,932</b> |
|--|---------------------|---------------------|----------------------|----------------------|-------------------|----------------------|----------------------|





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MEXICAN STOCK EXCHANGE

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

ANNEX 1

CHIEF EXECUTIVE OFFICER REPORT

Consolidated

Final printing

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Highlights

4th Quarter 2010

- **20 years of technological development.**- At TELMEX, we are celebrating 20 years as a private-sector company. During this time, we have modernized, upgraded and transformed from a company that only offered telephony services to become the leading telecommunications services company in the country in a highly competitive market. For the past two decades our commitment has been to connect Mexico through the best technological platform, offering our customers the best services and conditions, and driving technological innovation through information technology and communications.
- As the leading telecommunications company in Mexico, TELMEX will continue to reduce the prices of our services and transfer to our customers the benefits derived from our significant investments, innovation, higher productivity and technological advances.
- Additionally, we continue promoting **infinitum** high-speed Internet access and, thanks to our customers' preference, at December 31, 2010, we served 7.4 million broadband accesses in which **infinitum** is appreciated as the best connection for its quality, service, price and consistently high speed.
- At year-end 2010, we had 15.6 million lines, 291,000 fewer compared with December 2009. Of these, 13.8 million lines are in 198 LSA (Local Service Areas) where competitors are present. The remaining 1.8 million lines are in 199 LSA (Local Service Areas) in communities where competitors are not present and which cover more than 900 thousand square kilometers, or 46% of the national territory. These lines generate revenues mainly from long distance and call termination. Extending service across the large expanse of our country requires significant investments for network growth and modernization and ongoing maintenance and operating expenses.
- Our Driving Technological Innovation Program has achieved a number of significant milestones:
  - Information Technologies: 1,242 IT professionals have been trained at no cost to the participants.
  - Education and Digital Culture: At year-end we had 3,500 Bibliotecas and Aulas Digitales TELMEX in operation (TELMEX Digital Libraries and Computer Class Rooms) nationwide, benefiting more than 2 million people.
  - Connectivity in the Country: We have more than 3,500 WiFi Móvil en **infinitum** sites installed.

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· **Universidad Tecnológica Digital (Digital Technological University).**- During 2011 its operations will expand to offer higher-education courses through the Internet.

· During the fourth quarter of 2010, revenues totaled 27.958 billion pesos, a decrease of 6.0% compared with the same period of 2009. Revenues from local services, long distance and interconnection decreased 7.3%, 8.2% and 8.9%, respectively. For the twelve months, revenues decreased 4.6% compared with 2009.

· From October to December, EBITDA (1) totaled 11.087 billion pesos, producing a margin of 39.7%, because the initiatives to reduce operating costs were not able to offset the decrease in revenues. Operating income totaled 6.678 billion pesos, with a margin of 23.9%.

· Net income in the fourth quarter totaled 3.389 billion pesos. In the quarter, earnings per share were 19 Mexican cents, 29.6% lower than the same period of last year, and earnings per ADR (2) were 30 US cents, a decrease of 26.8% compared with the fourth quarter of 2009.

· At year-end, 2010, total debt was the equivalent of 6.031 billion dollars. Total net debt (3) was equivalent to 5.425 billion dollars, 1.352 billion dollars less than December 31, 2009.

· Capital expenditures (Capex) were the equivalent of 323.7 million dollars in the fourth quarter. Of this investment, 65.5% was used for growth and infrastructure projects in the data business, connectivity and transmission networks. For the twelve months, Capex totaled 839.6 million dollars.

· During the fourth quarter, the company used 328.779 million pesos to repurchase 32.885 million shares.

(1) EBITDA: defined as operating income plus depreciation and amortization. Go to [www.telmex.com](http://www.telmex.com) in the Investor Relations section where you will find the conciliation of EBITDA to operating income.

(2) One ADR represents 20 shares.

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

### Operating Results

#### Lines and local traffic

At year-end 2010, we had 15.6 million lines, 291,000 fewer compared with December 2009. Of these, 13.8 million lines are in 198 LSA (Local Service Areas) where competitors are present. The remaining 1.8 million lines are in 199 LSA (Local Service Areas) in communities where competitors are not present and which cover more than 900 thousand square kilometers, or 46% of the national territory. These lines generate revenues mainly from long distance and call termination. Extending service across the large expanse of our country requires significant investments for network growth and modernization and ongoing maintenance and operating expenses.

During the fourth quarter, local calls decreased 6.5% compared with the same period of 2009, totaling 4.675 billion local calls. The decline reflected the lower number of billed lines due to the growth in cellular telephony services and competition from other operators, as well as the customers' changing consumption profile.

#### Long distance

From October to December, domestic long distance (DLD) traffic decreased 7.6% compared with the same quarter of 2009, totaling 4.446 billion minutes, mainly due to the decrease in termination traffic with cellular telephony operators and other long distance operators.

In the quarter, outgoing international long distance (ILD) traffic increased 20.0% compared with the fourth quarter of 2009, totaling 368.9 million minutes. Among factors contributing to this increase were the inclusion of this service in the **infinitum** packages and the increase of termination traffic from cellular operators. Incoming international long distance traffic increased 14.5% compared with the fourth quarter of 2009, totaling 2.015 billion minutes. The incoming-outgoing ratio was 5.5 times .



## Interconnection

In the fourth quarter, interconnection traffic totaled 10.554 billion minutes, 1.2% lower than the same quarter of 2009, due to the 1.3% decrease in interconnection traffic with other local and long distance operators and the 1.5% decrease in traffic related to calling party pays services.

## Internet access

At TELMEX, we remain committed to offering the best services to our customers and driving the nation's digital culture through advancing information technology and communications (ITC). We continue promoting **infinitem** high-speed Internet access. Thanks to our customers' preference, we served 7.359 million broadband accesses at December 31, 2010. **infinitem** is appreciated as the best connection for its quality, service, price and consistently high speed.

This growth has been supported by the sales of more than 2.8 million computers since 1999 and by the promotion of our telecommunications service packages, which offer broadband Internet access and several voice services at attractive prices.

## Financial Results

**The following financial information for 2010 and 2009 is presented in nominal pesos, according to Mexican Financial Reporting Standards.**

**Revenues:** In the fourth quarter, revenues totaled 27.958 billion pesos, a decrease of 6.0% compared with the same period of the previous year. Revenues related to data services decreased 7.4% because revenues from a significant security and information technologies project were recognized in the fourth quarter of 2009, which affected the comparison with revenues of the fourth quarter of 2010. Local, long distance and interconnection revenues decreased 7.3%, 8.2% and 8.9%, respectively.

- **Local:** Local service revenues totaled 10.012 billion pesos in the quarter, a decrease of 7.3% compared with the fourth quarter of 2009, due to decreases of 8.4% in revenue per local billed call and 6.5% in local traffic volume.
- **DLD:** DLD revenues totaled 2.988 billion pesos, 9.4% lower than the fourth quarter of 2009, due to the 7.6% decrease in traffic and the 2.0% decline in average revenue per minute. The total also was affected by lower revenue per minute in termination traffic with long distance operators and higher penetration of service packages that include domestic long distance service.
- **ILD:** ILD revenues totaled 1.359 billion pesos in the fourth quarter, a decrease of 5.4% compared with the same quarter of the previous year. Contributing factors included the 32.5% decrease in the average revenue per minute in outgoing traffic and the 20.0% increase in outgoing traffic due to the integration of ILD minutes in packages with **infinitem**. Incoming international long distance traffic revenues totaled 628 million pesos, an increase of 17.7% compared with the fourth quarter of the previous year, due to the increase of 14.5% in incoming traffic and the increase of 2.8% in average revenue per minute.
- **Interconnection:** In the quarter, interconnection revenues decreased 8.9% to 3.622 billion pesos compared with the fourth quarter of 2009, due to the 1.5% decline in calling party pays services and the decrease of 7.1% in average revenue of these services.
- **Data:** Data revenues are comprised mainly of Internet access services, services related to private networks and value-added services for corporate customers. Revenues from data services in the fourth quarter were 8.164 billion pesos, 7.4% lower compared with the same quarter of 2009 because revenues from a significant security and information technologies project were recognized in the fourth quarter of 2009, which affected the comparison with 2010 fourth quarter revenues. This decrease was offset by the increase of 12% in revenues related to our expanding inventory of Internet access services and ongoing marketing of value-added services for the corporate market.

**Costs and expenses:** In the fourth quarter of 2010, total costs and expenses were 21.280 billion pesos, 3.1% lower than the same period of the previous year, mainly due to lower expenses related to information technology and communications (ITC) projects,

lower charges for uncollectables and lower interconnection costs.

- **Cost of sales and services:** In the fourth quarter, cost of sales and services decreased 8.5% compared with the same period of 2009, totaling 8.502 billion pesos, due to lower costs related to ITC projects, partly offset by higher costs of products and services for corporate customers and computer sales at Tiendas TELMEX (TELMEX Stores).
- **Commercial, administrative and general:** In the period from October to December 2010, commercial, administrative and general expenses totaled 5.778 billion pesos, 8.5% higher than the same period a year ago, mainly due to higher maintenance expenses.
- **Interconnection:** Interconnection costs were 2.591 billion pesos, a decrease of 10.1% compared with the fourth quarter of 2009 due to the 8.3% decrease in the amount paid to cellular telephony operators for calling party pays services and the decrease of 1.5% in calling party pays traffic.
- **Depreciation and amortization:** In the quarter, depreciation and amortization decreased 1.3% compared with the same quarter of 2009, to 4.409 billion pesos, as a result of lower amounts of investments in recent years.

**EBITDA (1) and operating income :** EBITDA (1) totaled 11.087 billion pesos in the fourth quarter of 2010, a decrease of 9.4% compared with the same period of the prior year. The EBITDA margin was 39.7%. Operating income totaled 6.678 billion pesos in the fourth quarter and the operating margin was 23.9%.

**Financing cost:** In the fourth quarter, financing cost produced a charge of 847 million pesos. This was a result of: i) a net interest charge of 833 million pesos, 34.7% lower than the October-December period of 2009 which included debt reduction and recognition of the market value of interest rate swaps, and ii) a net exchange loss of 14 million pesos due to the fourth-quarter exchange rate appreciation of 0.144 pesos per dollar and the 3.527 billion dollars in dollar-peso hedges in effect at the end of December 2010.

**Net income:** In the fourth quarter, net income was 3.389 billion pesos, 32.1% lower than the same period of the previous year. Earnings per share were 19 Mexican cents, 29.6% lower than the fourth quarter of 2009, and earnings per ADR (2) were 30 US cents, a decrease of 26.8% compared with the same period of the previous year.

**Investments:** In the fourth quarter, capital expenditures (Capex) were the equivalent of 323.7 million dollars, of which 65.5% was used for growth and infrastructure projects in the data business, connectivity and transmission networks. For the twelve months, investments totaled 839.6 million dollars.

**Repurchase of own shares :** During the fourth quarter, the company used 328.799 million pesos to repurchase 32.885 million shares.

**Debt:** Total debt at December 31, 2010, was the equivalent of 6.031 billion dollars, of which 84.0% is long-term, 50.1% has fixed rates considering interest rate swaps, and 59.1% is in foreign currency, equivalent to 3.567 billion dollars. To minimize risks from variations in the exchange rate, at December 31, 2010, we had dollar-peso hedges for 3.527 billion dollars.

During the quarter, we amortized 1.0 billion dollars corresponding to the anticipated payment of tranche B of the syndicated loan which was issued in August 2006 and scheduled to mature in October 2011. TELMEX used 500 million dollars of its own resources and the rest was refinanced.

Total net debt (3) decreased during the last 12 months the equivalent of 1.352 billion dollars, bringing the total to 5.425 billion dollars.

|   |  |  |  |  |  |  |  |  |  |
|---|--|--|--|--|--|--|--|--|--|
| <b>Mexico Local and Long Distance Accounting Separation</b>   |  |  |  |  |  |  |  |  |  |
|   |  |  |  |  |  |  |  |  |  |
| <b>Based on Condition 7-5 of the Amendments of the Concession Title of Teléfonos de México, the</b>         |  |  |  |  |  |  |  |  |  |
| <b>commitment to present the accounting separation of the local and long distance services is presented</b> |  |  |  |  |  |  |  |  |  |
| <b>below for the fourth quarter of 2010 and 2009.</b>   |  |  |  |  |  |  |  |  |  |

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| <b>Mexico Local Service Business</b>    |           |               |    |        |               |    |                     |    |              |               |
|---|-----------|---------------|----|--------|---------------|----|---------------------|----|--------------|---------------|
| <b>Income Statements</b>                |           |               |    |        |               |    |                     |    |              |               |
| [ In millions of Mexican pesos ]        |           |               |    |        |               |    |                     |    |              |               |
|   |           |               |    |        | %             |    |                     |    |              | %             |
|   |           | <b>4Q2010</b> |    | 4Q2009 | <b>Inc.</b>   |    | <b>12 months 10</b> |    | 12 months 09 | <b>Inc.</b>   |
| Revenues                                |           |               |    |        |               |    |                     |    |              |               |
| Access, rent and measured service       | <b>P.</b> | <b>9,970</b>  | P. | 10,724 | <b>(7.0)</b>  | P. | <b>40,727</b>       | P. | 44,641       | <b>(8.8)</b>  |
| LADA interconnection                    |           | <b>1,180</b>  |    | 1,244  | <b>(5.1)</b>  |    | <b>4,749</b>        |    | 5,154        | <b>(7.9)</b>  |
| Interconnection with operators          |           | <b>339</b>    |    | 377    | <b>(10.1)</b> |    | <b>1,491</b>        |    | 1,754        | <b>(15.0)</b> |
| Interconnection with cellular operators |           | <b>2,464</b>  |    | 2,683  | <b>(8.2)</b>  |    | <b>10,059</b>       |    | 11,119       | <b>(9.5)</b>  |
| Other                                   |           | <b>3,357</b>  |    | 3,166  | <b>6.0</b>    |    | <b>14,801</b>       |    | 14,212       | <b>4.1</b>    |
| <b>Total</b>                            |           | <b>17,310</b> |    | 18,194 | <b>(4.9)</b>  |    | <b>71,827</b>       |    | 76,880       | <b>(6.6)</b>  |
| Costs and expenses                      |           |               |    |        |               |    |                     |    |              |               |
| Cost of sales and services              |           | <b>6,191</b>  |    | 6,106  | <b>1.4</b>    |    | <b>24,298</b>       |    | 24,059       | <b>1.0</b>    |
| Commercial, administrative and general  |           | <b>4,146</b>  |    | 4,651  | <b>(10.9)</b> |    | <b>17,410</b>       |    | 17,851       | <b>(2.5)</b>  |
| Interconnection                         |           | <b>1,602</b>  |    | 1,788  | <b>(10.4)</b> |    | <b>6,483</b>        |    | 7,306        | <b>(11.3)</b> |
| Depreciation and amortization           |           | <b>2,311</b>  |    | 2,412  | <b>(4.2)</b>  |    | <b>9,335</b>        |    | 9,818        | <b>(4.9)</b>  |
| <b>Total</b>                            |           | <b>14,250</b> |    | 14,957 | <b>(4.7)</b>  |    | <b>57,526</b>       |    | 59,034       | <b>(2.6)</b>  |
| Operating income                        |           |               |    |        |               |    |                     |    |              |               |
| Operating income                        | <b>P.</b> | <b>3,060</b>  | P. | 3,237  | <b>(5.5)</b>  | P. | <b>14,301</b>       | P. | 17,846       | <b>(19.9)</b> |
| EBITDA (1)                              |           |               |    |        |               |    |                     |    |              |               |
| EBITDA (1)                              | <b>P.</b> | <b>5,371</b>  | P. | 5,649  | <b>(4.9)</b>  | P. | <b>23,636</b>       | P. | 27,664       | <b>(14.6)</b> |
| EBITDA margin (%)                       |           |               |    |        |               |    |                     |    |              |               |
| EBITDA margin (%)                       |           | <b>31.0</b>   |    | 31.0   | <b>(0.0)</b>  |    | <b>32.9</b>         |    | 36.0         | <b>(3.1)</b>  |
| Operating margin (%)                    |           |               |    |        |               |    |                     |    |              |               |
| Operating margin (%)                    |           | <b>17.7</b>   |    | 17.8   | <b>(0.1)</b>  |    | <b>19.9</b>         |    | 23.2         | <b>(3.3)</b>  |

| <b>Mexico Long Distance Service Business</b> |           |               |    |        |              |           |                     |    |              |               |
|--|-----------|---------------|----|--------|--------------|-----------|---------------------|----|--------------|---------------|
| <b>Income Statements</b>                     |           |               |    |        |              |           |                     |    |              |               |
| [ In millions of Mexican pesos ]             |           |               |    |        |              |           |                     |    |              |               |
|  |           |               |    |        |              |           |                     |    |              |               |
|  |           |               |    |        | %            |           |                     |    |              | %             |
|  |           | <b>4Q2010</b> |    | 4Q2009 | <b>Inc.</b>  |           | <b>12 months 10</b> |    | 12 months 09 | <b>Inc.</b>   |
| Revenues                                     |           |               |    |        |              |           |                     |    |              |               |
| Domestic long distance                       | <b>P.</b> | <b>3,636</b>  | P. | 3,824  | <b>(4.9)</b> | <b>P.</b> | <b>14,650</b>       | P. | 16,259       | <b>(9.9)</b>  |
| International long distance                  |           | <b>1,269</b>  |    | 1,397  | <b>(9.2)</b> |           | <b>5,406</b>        |    | 6,284        | <b>(14.0)</b> |
| Total  |           | <b>4,905</b>  |    | 5,221  | <b>(6.1)</b> |           | <b>20,056</b>       |    | 22,543       | <b>(11.0)</b> |
|  |           |               |    |        |              |           |                     |    |              |               |
| Costs and expenses                           |           |               |    |        |              |           |                     |    |              |               |
| Cost of sales and services                   |           | <b>1,161</b>  |    | 1,281  | <b>(9.4)</b> |           | <b>4,541</b>        |    | 5,189        | <b>(12.5)</b> |
| Commercial, administrative and general       |           | <b>1,230</b>  |    | 1,316  | <b>(6.5)</b> |           | <b>5,005</b>        |    | 5,515        | <b>(9.2)</b>  |
| Interconnection to the local network         |           | <b>1,767</b>  |    | 1,833  | <b>(3.6)</b> |           | <b>7,203</b>        |    | 7,514        | <b>(4.1)</b>  |
| Depreciation and amortization                |           | <b>421</b>    |    | 431    | <b>(2.3)</b> |           | <b>1,698</b>        |    | 1,788        | <b>(5.0)</b>  |
| Total  |           | <b>4,579</b>  |    | 4,861  | <b>(5.8)</b> |           | <b>18,447</b>       |    | 20,006       | <b>(7.8)</b>  |
|  |           |               |    |        |              |           |                     |    |              |               |
| Operating income                             | <b>P.</b> | <b>326</b>    | P. | 360    | <b>(9.4)</b> | <b>P.</b> | <b>1,609</b>        | P. | 2,537        | <b>(36.6)</b> |
|  |           |               |    |        |              |           |                     |    |              |               |
| EBITDA (1)                                   | <b>P.</b> | <b>747</b>    | P. | 791    | <b>(5.6)</b> | <b>P.</b> | <b>3,307</b>        | P. | 4,325        | <b>(23.5)</b> |
|  |           |               |    |        |              |           |                     |    |              |               |
| EBITDA margin (%)                            |           | <b>15.2</b>   |    | 15.2   | <b>(0.0)</b> |           | <b>16.5</b>         |    | 19.2         | <b>(2.7)</b>  |
| Operating margin (%)                         |           | <b>6.6</b>    |    | 6.9    | <b>(0.3)</b> |           | <b>8.0</b>          |    | 11.3         | <b>(3.3)</b>  |

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MEXICAN STOCK EXCHANGE

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Internet access

SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

ANNEX 2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Mexican Pesos)

Consolidated

Final printing

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TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

AND SUBSIDIARIES

**Consolidated Financial Statements**

Years Ended December 31, 2010 and 2009  
with Report of Independent Auditors

**TELÉFONOS DE MÉXICO, S.A.B. DE C.V.**

**AND SUBSIDIARIES**

**Consolidated Financial Statements**

Years Ended December 31, 2010 and 2009

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Consolidated Statements of Income

Consolidated Statements of Changes in Stockholders' Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

**REPORT OF INDEPENDENT AUDITORS**

To the Stockholders of

Teléfonos de México, S.A.B. de C.V.

We have audited the accompanying consolidated balance sheets of Teléfonos de México, S.A.B. de C.V. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are prepared in conformity with Mexican Financial Reporting Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Teléfonos de México, S.A.B. de C.V. and subsidiaries at December 31, 2010 and 2009, and the consolidated results of their operations, changes in their stockholders' equity and cash flows for the years then ended, in conformity with Mexican Financial Reporting Standards.

Mancera, S.C.

A Member Practice of

Ernst & Young Global

C.P.C. David Sitt Cofradía

Mexico City, Mexico

March 15, 2011

**TELÉFONOS DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES****Consolidated Balance Sheets**

(In thousands of Mexican pesos, see Note 1 II.b)

|  | December 31    |                |
|--|----------------|----------------|
|  | 2010           | 2009           |
| <b>Assets</b>  |                |                |
| Current assets:  |                |                |
| Cash and cash equivalents (Note 2)                             | P. 7,493,465   | P. 14,379,768  |
| Accounts receivable, net (Note 3)                              | 17,648,533     | 20,425,556     |
| Derivative financial instruments (Note 7)                      | 6,957,018      | 12,225,550     |
| Inventories for sale, net                                      | 1,783,579      | 1,448,102      |
| Prepaid expenses and others                                    | 3,121,994      | 3,303,275      |
| Total current assets   | 37,004,589     | 51,782,251     |
| Plant, property and equipment, net (Note 4)                    | 99,421,332     | 106,047,642    |
| Licenses and trademarks, net (Note 5)                          | 1,307,517      | 918,341        |
| Equity investments (Note 6)                                    | 1,392,042      | 1,775,380      |
| Net projected asset (Note 10)                                  | 17,342,200     | 16,430,857     |
| Goodwill (Note 6)  | 103,289        |                |
| Deferred charges and prepaid expenses, net                     | 1,183,363      | 1,442,330      |
| Total assets   | P. 157,754,332 | P. 178,396,801 |
| <b>Liabilities and stockholders' equity</b>                    |                |                |
| Current liabilities:   |                |                |
| Short-term debt and current portion of long-term debt (Note 7) | P. 11,951,532  | P. 19,768,894  |
| Accounts payable and accrued liabilities (Note 8)              | 17,377,010     | 14,245,612     |
| Taxes payable  | 2,443,268      | 2,211,626      |
| Deferred revenues (Note 9)                                     | 917,377        | 1,104,175      |
| Total current liabilities                                      | 32,689,187     | 37,330,307     |
| Long-term debt (Note 7)  | 62,569,413     | 83,105,454     |
| Labor obligations (Note 10)                                    | 3,516,686      | 4,113,513      |
| Deferred taxes (Note 15)                                       | 14,132,763     | 15,060,058     |
| Deferred revenues (Note 9)                                     | 622,351        | 466,696        |
| Total liabilities  | 113,530,400    | 140,076,028    |
| Stockholders' equity (Note 14):                                |                |                |

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|  |                |                |
|--|----------------|----------------|
| Capital stock                                | 9,008,985      | 9,020,300      |
| Retained earnings:                           |                |                |
| Prior years                                  | 19,135,353     | 7,907,079      |
| Current year                                 | 15,384,162     | 20,468,689     |
|  | 34,519,515     | 28,375,768     |
| Accumulated other comprehensive income items | 386,109        | 883,225        |
| Controlling interest                         | 43,914,609     | 38,279,293     |
| Noncontrolling interest                      | 309,323        | 41,480         |
| Total stockholders' equity                   | 44,223,932     | 38,320,773     |
| Total liabilities and stockholders' equity   | P. 157,754,332 | P. 178,396,801 |

The accompanying notes are an integral part of these financial statements.

**TELÉFONOS DE MÉXICO, S.A.B. D E C.V. AND SUBSIDIARIES**

**Consolidated Statements of Income**

(In thousands of Mexican pesos, except for earnings per share, see Note 1 II.b)

|  | For the year ended December 31 |                   |
|--|--------------------------------|-------------------|
|  | 2010                           | 2009              |
| <b>Operating revenues:</b>   |                                |                   |
| Local service  | P. 41,006,772                  | P. 45,027,811     |
| Long distance service:   |                                |                   |
| Domestic   | 12,264,837                     | 14,142,688        |
| International  | 5,646,278                      | 6,662,102         |
| Interconnection service  | 15,022,721                     | 16,572,941        |
| Data   | 32,878,968                     | 30,817,715        |
| Other  | 6,743,789                      | 5,876,955         |
|  | 113,563,365                    | 119,100,212       |
| <b>Operating costs and expenses:</b>   |                                |                   |
| Cost of sales and services   | 34,710,580                     | 34,177,782        |
| Commercial, administrative and general expenses  | 22,351,181                     | 20,811,440        |
| Interconnection  | 10,561,053                     | 11,796,163        |
| Depreciation and amortization (Notes 4 and 5) (includes P.16,942,580 in 2010 and P.17,152,939 in 2009, not included in cost of sales and services) | 17,523,330                     | 17,950,768        |
|  | 85,146,144                     | 84,736,153        |
| <b>Operating income</b>  | <b>28,417,221</b>              | <b>34,364,059</b> |
|  |                                |                   |
| Other expenses, net (Note 1 II.s)  | 78,337                         | 1,349,680         |
|  |                                |                   |
| Financing cost:  |                                |                   |



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|   |                      |                      |
|---|----------------------|----------------------|
| Interest income   | ( 583,761)           | ( 711,243)           |
| Interest expense  | 5,733,627            | 6,122,328            |
| Exchange gain, net  | ( 394,470)           | ( 1,096,531)         |
|   | 4,755,396            | 4,314,554            |
|   |                      |                      |
| Equity interest in net income of affiliates                         | 195,910              | 254,680              |
|   |                      |                      |
| Income before taxes on profits                                      | 23,779,398           | 28,954,505           |
| Provision for income tax (Note 15)                                  | 8,407,940            | 8,485,522            |
|   |                      |                      |
| <b>Net income</b>   | <b>P. 15,371,458</b> | <b>P. 20,468,983</b> |
|   |                      |                      |
| Distribution of net income:   |                      |                      |
| Controlling interest  | P. 15,384,162        | P. 20,468,689        |
| Noncontrolling interest   | ( 12,704)            | 294                  |
|   | P. 15,371,458        | P. 20,468,983        |
| Weighted average number of shares issued and outstanding (millions) | 18,189               | 18,383               |
|   |                      |                      |
| <b>Earnings per share</b>   | <b>P. 0.85</b>       | <b>P. 1.11</b>       |

The accompanying notes are an integral part of these financial statements.

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TELÉFONOS DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2010 and 2009

(In thousands of Mexican pesos, except for dividends per share, see Note 1 II.b)

|  |                  |                  |                |                  | Accumulated<br>other<br>comprehensive<br>income | Controlling<br>interest | Noncontrolling<br>interest | Comprehensive<br>income | Total<br>stockholders'<br>equity |
|--|------------------|------------------|----------------|------------------|---|-------------------------|----------------------------|-------------------------|----------------------------------|
|  | Capital<br>stock | Legal<br>reserve | Unappropriated | Total            | items   | interest                | interest                   | income                  | equity                           |
| Balance at<br>December 31,<br>2008   | P.<br>9,138,632  | P.<br>1,880,513  | P. 25,494,143  | P.<br>27,374,656 | P. 2,816,625                                    | P.<br>39,329,913        | P. 41,186                  |                         | P. 39,371,099                    |
| Appropriation of<br>earnings<br>approved at<br>regular<br>stockholders'<br>meetings:                                   |                  |                  |                |                  |   |                         |                            |                         |                                  |
| Cash dividends<br>declared   |                  |                  | ( 15,447,559 ) | ( 15,447,559 )   |   | ( 15,447,559 )          |                            |                         | ( 15,447,559 )                   |
| Cash purchase<br>of Company's<br>own shares  | ( 118,332 )      |                  | ( 3,976,988 )  | ( 3,976,988 )    |   | ( 4,095,320 )           |                            |                         | ( 4,095,320 )                    |
| Excess of<br>purchase price<br>over book value<br>of entities<br>acquired from<br>companies<br>under common<br>control |                  |                  | ( 43,030 )     | ( 43,030 )       |   | ( 43,030 )              |                            |                         | ( 43,030 )                       |
| Comprehensive<br>income:   |                  |                  |                |                  |   |                         |                            |                         |                                  |
| Net income for<br>the year   |                  |                  | 20,468,689     | 20,468,689       |   | 20,468,689              | 294                        | P. 20,468,983           | 20,468,983                       |
| Other<br>comprehensive<br>income items:  |                  |                  |                |                  |   |                         |                            |                         |                                  |
| Changes in fair<br>value of swaps,<br>net of deferred<br>taxes   |                  |                  |                |                  | ( 1,866,847 )                                   | ( 1,866,847 )           |                            | ( 1,866,847 )           | ( 1,866,847 )                    |
| Effect of<br>translation of<br>foreign entities,<br>net of deferred<br>taxes   |                  |                  |                |                  | ( 66,553 )                                      | ( 66,553 )              |                            | ( 66,553 )              | ( 66,553 )                       |
| Comprehensive<br>income  |                  |                  |                |                  |   |                         |                            | P. 18,535,583           |                                  |
| Balance at<br>December 31,<br>2009   | 9,020,300        | 1,880,513        | 26,495,255     | 28,375,768       | 883,225   | 38,279,293              | 41,480                     |                         | 38,320,773                       |

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|   |              |              |               |               |            |               |            |               |               |
|---|--------------|--------------|---------------|---------------|------------|---------------|------------|---------------|---------------|
| Appropriation of earnings approved at regular stockholders' meetings: |              |              |               |               |            |               |            |               |               |
| Cash dividends declared   |              |              | ( 8,911,908)  | ( 8,911,908)  |            | ( 8,911,908)  |            |               | ( 8,911,908)  |
| Cash purchase of Company's own shares                                 | ( 11,315)    |              | ( 328,507)    | ( 328,507)    |            | ( 339,822)    |            |               | ( 339,822)    |
| Noncontrolling interest arising on a business combination             |              |              |               |               |            |               | 280,547    |               | 280,547       |
| Comprehensive income:   |              |              |               |               |            |               |            |               |               |
| Net income for the year   |              |              | 15,384,162    | 15,384,162    |            | 15,384,162    | ( 12,704 ) | P. 15,371,458 | 15,371,458    |
| Other comprehensive income items:                                     |              |              |               |               |            |               |            |               |               |
| Changes in fair value of swaps, net of deferred taxes                 |              |              |               |               | ( 536,933) | ( 536,933)    |            | ( 536,933)    | ( 536,933)    |
| Effect of translation of foreign entities, net of deferred taxes      |              |              |               |               | 39,817     | 39,817        |            | 39,817        | 39,817        |
| Comprehensive income  |              |              |               |               |            |               |            | P. 14,874,342 |               |
| Balance at December 31, 2010 (Note 14)                                | P. 9,008,985 | P. 1,880,513 | P. 32,639,002 | P. 34,519,515 | P. 386,109 | P. 43,914,609 | P. 309,323 |               | P. 44,223,932 |

The accompanying notes are an integral part of these financial statements.

## TELÉFONOS DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

(In thousands of Mexican pesos, see Note 1 II.b)

|   | For the years ended  |               |
|---|----------------------|---------------|
|   | December 31          |               |
|   | 2010                 | 2009          |
| <b>Operating activities</b>   |                      |               |
| Income before taxes on profits  | <b>P. 23,779,398</b> | P. 28,954,505 |
| Add (deduct) items not requiring the use of cash:                     |                      |               |
| Depreciation  | <b>17,392,411</b>    | 17,828,006    |
| Amortization  | <b>130,919</b>       | 122,762       |
| Reserve for obsolete inventories for operation of the telephone plant | <b>9,462</b>         | 69,669        |
| Equity interest in net income of affiliates                           | <b>( 195,910)</b>    | ( 254,680)    |
| Gain on sale of affiliated company                                    | <b>( 322,500)</b>    |               |
| Net periodic cost of labor obligations                                | <b>7,018,738</b>     | 6,646,858     |
| Interest expense  | <b>5,733,627</b>     | 6,122,328     |
| Exchange gain, net  | <b>( 646,909)</b>    | ( 1,232,671)  |
| Other   | <b>1,082</b>         |               |
|   | <b>52,900,318</b>    | 58,256,777    |
| Changes in operating assets and liabilities:                          |                      |               |
| Decrease (increase) in:   |                      |               |
| Accounts receivable   | <b>820,670</b>       | 335,214       |
| Inventories for sale  | <b>( 335,477)</b>    | 370,658       |
| Prepaid expenses and others   | <b>183,267</b>       | ( 463,577)    |
| Deferred charges  | <b>284,446</b>       | 24,537        |
| (Decrease) increase in:   |                      |               |
| Labor obligations:  |                      |               |
| Contributions to trust fund   | <b>( 289)</b>        | ( 5,751,947)  |
| Benefits paid to employees  | <b>( 6,445,654)</b>  | ( 218,816)    |
| Accounts payable and accrued liabilities                              | <b>( 994,803)</b>    | ( 2,924,775)  |
| Taxes on profits paid   | <b>( 6,916,875)</b>  | ( 10,200,635) |
| Taxes payable   | <b>13,942</b>        | 1,428,082     |
| Deferred revenues   | <b>( 33,149)</b>     | ( 620,350)    |
| Net cash flows provided by operating activities                       | <b>39,476,396</b>    | 40,235,168    |

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|  |               |               |
|--|---------------|---------------|
|  |               |               |
| <b>Investing activities</b>                          |               |               |
| Acquisition of plant, property and equipment         | ( 9,270,448)  | ( 9,657,071)  |
| Acquisition of licenses                              | ( 6,620)      | ( 14,168)     |
| Acquisition of long-term equity investments          | ( 285,181)    | ( 116,640)    |
| Sale of long-term equity investments                 | 669,387       |               |
| Dividends received from affiliated companies         | 126,000       | 28,751        |
| Net cash flows used in investing activities          | ( 8,766,862)  | ( 9,759,128)  |
| Cash surplus to be applied to financing activities   | 30,709,534    | 30,476,040    |
|  |               |               |
| <b>Financing activities</b>                          |               |               |
| New loans  | 10,135,980    | 23,689,235    |
| Repayment of loans                                   | ( 35,727,693) | ( 24,552,238) |
| Cash purchase of Company's own shares                | ( 339,822)    | ( 4,095,320)  |
| Dividends paid                                       | ( 8,736,965)  | ( 15,093,082) |
| Derivative financial instruments                     | 826,850       | 2,019,050     |
| Interest paid  | ( 3,754,187)  | ( 4,200,480)  |
| Net cash flows used in financing activities          | ( 37,595,837) | ( 22,232,835) |
|  |               |               |
| Net (decrease) increase in cash and cash equivalents | ( 6,886,303)  | 8,243,205     |
| Cash and cash equivalents at beginning of year       | 14,379,768    | 6,136,563     |
| Cash and cash equivalents at end of year             | P. 7,493,465  | P. 14,379,768 |

The accompanying notes are an integral part of these financial statements.

## 1. Description of the Business and Significant Accounting Policies

### I. Description of the Business

Teléfonos de México, S.A.B. de C.V. and its subsidiaries (collectively “the Company” or “TELMEX”) provide telecommunications services, primarily in Mexico, including domestic and international long distance and local telephone services, data services, the interconnection of subscribers with cellular networks (calling party pays), as well as the interconnection of domestic long distance carriers’, cellular telephone companies’ and local service carriers’ networks with the TELMEX local network. TELMEX also obtains revenues from the sale of telephone equipment and personal computers.

The amended Mexican government concession under which TELMEX 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. Among other significant aspects, the concession stipulates the requirements for providing telephony services and establishes the basis for regulating rates.

The rates to be charged for basic telephone services are subject to a cap determined by the Federal Telecommunications Commission (COFETEL). During the last ten years, TELMEX management decided not to raise its rates for basic services.

TELMEX has concessions in Mexico to operate radio spectrum wave frequency bands to provide fixed wireless telephone services and to operate radio spectrum wave frequency bands for point-to-point and point-to-multipoint microwave communications.

The foreign subsidiary has licenses for use of point-to-point and point-to-multipoint links in the U.S.A.

On May 11, 2010, América Móvil, S.A.B. de C.V. (América Móvil) launched two concurrent public exchange offers to acquire the outstanding shares of Carso Global Telecom, S.A.B. de C.V. (Carso Global Telecom) (TELMEX’s controlling stockholder) and Telmex Internacional, S.A.B de C.V. (Telmex Internacional). Carso Global Telecom was the direct holder of 59.4% of the outstanding shares of TELMEX. On June 16, 2010, América Móvil completed the acquisition of 99.4% of the outstanding shares of Carso Global Telecom by means of a first public exchange offer, thus, América Móvil indirectly owned 59.1% of the outstanding shares of TELMEX by then. América Móvil launched an additional offer on November 19, 2010, which ended on December 17, 2010, increasing to 59.5% its indirect ownership of the outstanding shares of TELMEX.

On March 15, 2011, TELMEX’s Audit Committee and management authorized the issuance of the accompanying consolidated financial statements and these notes as of December 31, 2010 and 2009. These financial statements also must be approved by the Company’s Board of Directors and stockholders at their next meetings.

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### 1. Description of the Business and Significant Accounting Policies (continued)

At December 31, 2010 and 2009, TELMEX's equity interest in its principal subsidiaries and affiliated companies is as follows:

| Company   | Country | % equity interest at |      |
|---|---------|----------------------|------|
|   |         | December 31          |      |
|   |         | 2010                 | 2009 |
| <b>Subsidiaries:</b>                            |         |                      |      |
| Integración de Servicios TMX, S.A. de C.V.      | Mexico  | 100%                 | 100% |
| Alquiladora de Casas, S.A. de C.V.              | Mexico  | 100%                 | 100% |
| Cía. de Teléfonos y Bienes Raíces, S.A. de C.V. | Mexico  | 100%                 | 100% |
| Consortio Red Uno, S.A. de C.V.                 | Mexico  | 100%                 | 100% |
| Teléfonos del Noroeste, S.A. de C.V.            | Mexico  | 100%                 | 100% |
| Uninet, S.A. de C.V.                            | Mexico  | 100%                 | 100% |
| Telmex USA, L.L.C.                              | U.S.A.  | 100%                 | 100% |
|   |         |                      |      |
| <b>Affiliated companies:</b>                    |         |                      |      |
| Grupo Telvista, S.A. de C.V.                    | Mexico  | 45%                  | 45%  |
| 2Wire, Inc.                                     | U.S.A.  |                      | 13%  |

### II. Significant Accounting Policies and Practices

The principal accounting policies and practices followed by the Company in the preparation of these consolidated financial statements, in conformity with Mexican Financial Reporting Standards, are described below:

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

##### i) Consolidation and equity method

The consolidated financial statements include the accounts of Teléfonos de México, S.A.B. de C.V. and those of the subsidiaries over which the Company exercises control. All the companies operate in the telecommunications sector or provide services to companies operating in this sector.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which TELMEX obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as TELMEX, using consistent accounting policies.

**1. Description of the Business and Significant Accounting Policies (continued)**

All intercompany balances and transactions have been eliminated in the consolidated financial statements. Noncontrolling interest refers to certain subsidiaries in which the Company does not hold 100% of the shares.

Equity investments in affiliated companies over which the Company exercises significant influence is accounted for using the equity method, which basically consists of recognizing TELMEX's proportional share in the net income or loss and the stockholders' equity of the investee (see Note 6).

The results of operations of the subsidiaries and affiliates were included in TELMEX's financial statements as of the month following their acquisition.

**ii) Translation of financial statements of foreign subsidiary and affiliate**

Beginning January 1, 2008, the financial statements of the foreign subsidiary and affiliate are either consolidated or accounted for based on the equity method, as the case may be, once the financial statements have been adjusted to conform to Mexican Financial Reporting Standards in the corresponding local currency, and are then translated to the reporting currency. All the assets and liabilities of the foreign subsidiary are translated to 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. Revenues, costs and expenses are translated at the historical exchange rate. Translation differences are recorded in stockholders' equity in the line item "Effect of translation of foreign entities" under "Accumulated other comprehensive income items."

**b) Recognition of the effects of inflation on financial information**

Upon adoption of Mexican FRS B-10, *Effects of Inflation*, which became effective on January 1, 2008, the Company ceased to recognize the effects of inflation in its financial information because it currently operates in a "non-inflationary economic environment".

The financial statements for the years ended December 31, 2010 and 2009 are expressed in nominal pesos, except for those non-monetary items that included inflation effects through December 31, 2007. Subsequent additions are recognized at historical cost.

Capital stock and retained earnings were re-expressed for inflation through December 31, 2007 based on the Mexican National Consumer Price Index (NCPI).



**1. Description of the Business and Significant Accounting Policies (continued)**

**c) Recognition of revenues**

Revenues are recognized at the time services are provided. Local service revenues are related to new-line installation charges, monthly service fees, measured usage charges based on the number of calls made, and other service charges to subscribers. Local service revenues also include measured usage charges for prepayment plans, based on the number of minutes.

Revenues from the sale of prepaid telephone service cards are recognized based on an estimate of the usage of time covered by the prepaid card. Revenues from the sale of equipment are recorded when the product is delivered to the customer.

Revenues from domestic and international long distance telephone services are determined on the basis of the duration of the calls and the type of service used, which are billed monthly based on the authorized rates. International long distance and interconnection service revenues also include the revenues earned under agreements with foreign carriers for the use of the Company's facilities in interconnecting international calls. These services are regulated by agreements with these operators, in which the rates to be paid are defined.

Data revenues include revenues from services related to data transmission through private and managed networks and revenues from Internet access.

**d) Use of estimates**

The preparation of financial statements in conformity with Mexican Financial Reporting Standards requires the use of estimates and assumptions in certain areas. Actual results could differ from these estimates. TELMEX based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of TELMEX. Such changes are reflected in the estimates and assumptions and the related effect in the financial statements when they occur.

**e) Cash and cash equivalents**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Cash equivalents are represented by short-term deposits made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. Such investments are stated at acquisition cost plus accrued interest, which is similar to their market value.

**1. Description of the Business and Significant Accounting Policies (continued)**

**f) Derivative financial instruments and hedging activities**

The Company is exposed to interest rate and foreign currency risks, which are mitigated through a controlled risk management program that includes the use of derivative financial instruments. The Company uses primarily cross-currency swaps and when necessary foreign currency forwards to offset the short-term risk of exchange rate fluctuations. In order to reduce the risks due to fluctuations in interest rates, the Company utilizes interest-rate swaps, through which it either pays or receives the difference between the net amount of either paying or receiving a fixed interest rate and the cash flow from receiving or paying a floating interest rate, based on a notional amount denominated in Mexican pesos or U.S. dollars. Most of these derivative financial instruments qualify and have been designated as cash flow hedges.

The Company's policy includes: i) formal documentation of all hedging relationships between the hedging instrument and the hedged position; ii) the objectives for risk management; and iii) the strategy for conducting hedging transactions. This process takes into account the relationship between the cash flow of the derivatives with the cash flows of the corresponding assets and liabilities recognized in the balance sheet.

The effectiveness of the Company's derivatives used for hedging purposes is evaluated prior to their designation as hedges, as well as during the hedging period, which is performed at least quarterly based on recognized statistical techniques. Whenever it is determined that a derivative is not highly effective as a hedge or that the derivative ceases to be a highly effective hedge, the Company ceases to apply hedge accounting for the derivative on a prospective basis. During the years ended December 31, 2010 and 2009, there were no gains or losses recognized due to changes in the accounting treatment for hedges.

Derivative financial instruments are recognized in the balance sheet at their fair values, which are obtained from the financial institutions with which the Company has entered into the related agreements. The Company's policy is to verify such fair values against valuations provided by an independent valuation agent contracted by the Company. The effective portion of the cash flow hedge's gain or loss is recognized in "Accumulated other comprehensive income items" in stockholders' equity, while the ineffective portion is recognized in current year earnings. Changes in the fair value of derivatives that do not qualify as hedges are immediately recognized in earnings.

The change in fair value recognized in earnings related to derivatives that are accounted for as hedges is presented in the same income statement caption as the gain or loss of the hedged item.

**1. Description of the Business and Significant Accounting Policies (continued)**

**g) Allowance for doubtful accounts**

The allowance for doubtful accounts is determined based on the Company's historical experience, the aging of the balances and general economic trends, as well as an evaluation of accounts receivable in litigation seeking recovery. The allowance for doubtful accounts primarily covers the balances of accounts receivable greater than 90 days old.

The risk of uncollectibility of accounts receivable from related parties is evaluated annually based on an examination of each related party's financial situation and the markets in which they operate.

**h) Inventories**

Inventories for sale are valued at average cost. The carrying value of inventories is not in excess of their net realizable value.

**i) Plant, property and equipment**

Through December 31, 1996, plant, property and equipment and construction in progress were re-expressed based on the acquisition date and cost, applying the factors derived from the specific indexes determined by the Company and validated by an independent appraiser.

From January 1, 1997 through December 31, 2007, plant, property and equipment and construction in progress acquired abroad were re-expressed based on the rate of inflation of the respective country of origin and the prevailing exchange rate at the balance sheet date (specific indexation factors). Plant, property and equipment of domestic origin were re-expressed based on the NCPI.

Telephone plant and equipment are depreciated using the straight-line method based on the estimated useful lives of the related assets (see Note 4 b).

The carrying value of plant, property, plant and equipment is reviewed whenever there are indicators of impairment in the carrying value of such assets. Whenever an asset's recovery value, which is the greater of the asset's selling price and its value in use (the present value of future cash flows) is less than the asset's net carrying amount, the difference is recognized as an impairment loss. For the years ended December 31, 2010 and 2009, there were no indicators of impairment in the value of the Company's plant, property and equipment.

An item of plant, property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

**1. Description of the Business and Significant Accounting Policies (continued)**

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Company has not capitalized any financing costs since it has no significant qualifying assets with prolonged acquisition periods.

*Reclassification of comparative information*

TELMEX has reclassified the caption inventories for operation of the telephone plant, net as part of the caption plant, property and equipment, net. The Company concluded that this classification better reflects the underlying nature of the asset.

Inventories for the operation of the telephone plant are valued at average cost, and through December 31, 2007 were re-expressed on the basis of specific indexes. The carrying value of inventories is similar to replacement value, which is not in excess of their market value.

**j) Leases**

When the risks and benefits inherent to the ownership of the leased asset remain mostly with the lessor, they are classified as operating leases and rent expense is charged to results of operations when incurred.

Lease agreements are recognized as capital leases if (i) the ownership of the leased asset is transferred to the lessee upon termination of the lease; (ii) the agreement includes an option to purchase the asset at a reduced price; (iii) the term of the lease is substantially the same as the remaining useful life of the leased asset; or (iv) the present value of minimum lease payments is substantially the same as the market value of the leased asset, net of any future benefit or residual value.

**k) Licenses and trademarks**

TELMEX records licenses at acquisition cost and, through December 31, 2007, re-expressed them based on the inflation rate of the country in which the license was acquired. The amortization period is based on the terms of the licenses, which range from 5 to 20 years. Trademarks are recorded at their estimated fair values at the date of acquisition, as determined by independent appraisers, and are amortized using the straight-line method over a sixteen-year period (see Note 5).

**1. Description of the Business and Significant Accounting Policies (continued)**

**l) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value of acquisition date and the amount of any noncontrolling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in administrative expenses.

The subsequent acquisition of noncontrolling interest is considered a transaction between entities under common control and any difference between the purchase price and the carrying value of net assets acquired is recognized as an equity transaction.

Goodwill is initially measured as the excess of the acquisition price and the amount recognized for noncontrolling interest, as measured at their fair value, over the net identifiable assets acquired and liabilities assumed.

**m) Accrued liabilities**

Accrued liabilities are recognized whenever (i) the Company has current obligations (legal or assumed) resulting from a past event, (ii) when it is probable the obligation will give rise to a future cash disbursement for its settlement and (iii) the amount of the obligation can be reasonably estimated.

When the effect of the time value of money is significant, the amount of the liability is determined as the present value of the expected future disbursements to settle the obligation. The discount rate applied is determined on a pre-tax basis and reflects current market conditions at the balance sheet date and, where appropriate, the risks specific to the liability. When discounting is used, an increase in the liability is recognized as a finance expense.

Contingent liabilities are recognized only when it is probable they will give rise to a future cash disbursement for their settlement. Also, commitments are only recognized when they will generate a loss.

**n) Labor obligations**

The cost of pension, seniority premium and termination benefits (severance) are recognized periodically during the years of service of personnel, based on actuarial computations made by independent actuaries using the projected unit-credit method (see Note 10).

**1. Description of the Business and Significant Accounting Policies (continued)**

Actuarial (losses) gains are being amortized over a period of 11 years, which is the estimated average remaining working lifetime of Company employees.

Beginning January 1, 2008, the Company adopted Mexican FRS D-3 *Employee Benefits*, which replaced Mexican accounting Bulletin D-3, *Labor Obligations*. As a result of the MFRS D-3 adoption, the transition liability for labor obligations and prior service costs at December 31, 2007 are being amortized over a maximum period of 5 years. Prior to December 31, 2007, such amounts were being amortized over the estimated average remaining working lifetime of Company employees (12 years) (see Note 10).

**o) Employee profit sharing**

Current-year and deferred employee profit sharing expense is presented as an ordinary expense in the income statement.

Beginning January 1, 2008, in connection with the adoption of Mexican FRS D-3, the Company recognizes deferred employee profit sharing using the asset and liability method. Under this method, deferred profit sharing is computed by applying the 10% rate to all temporary differences between the values of all assets and liabilities for financial and tax reporting purposes. The Company periodically evaluates the possibility of recovering deferred employee profit sharing assets and, if necessary, creates a valuation allowance for those assets that do not have a high probability of being realized (see Note 10).

**p) Exchange differences**

Transactions in foreign currency are recorded at the prevailing exchange rate on the day of the related transactions. Foreign currency denominated monetary assets and liabilities are valued at the prevailing exchange rate at the balance sheet date. Exchange differences from the transaction date to the time foreign currency denominated monetary assets and liabilities are settled, as well as those arising from the translation of foreign currency denominated balances at the balance sheet date are charged or credited to results of operations.

See Note 11 for the Company's consolidated foreign currency position at the end of each year and the exchange rates used to translate foreign currency denominated balances.

**q) Comprehensive income**

Comprehensive income consists of current year net income, the effect of translation of the financial statements of foreign entities, the changes in noncontrolling interest, the changes in the fair value of cash flow hedges and the effect of deferred taxes and deferred employee profit sharing related to these items.

**1. Description of the Business and Significant Accounting Policies (continued)****r) Taxes on profits***Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

*Deferred tax*

Deferred taxes on profits are recognized using the asset and liability method. Under this method, deferred taxes on profits are recognized on all differences between the financial reporting and tax values of assets and liabilities, applying the enacted income tax rate effective as of the balance sheet date, or the enacted rate at the balance sheet date that will be in effect when the deferred tax assets and liabilities are expected to be recovered or settled.

The Company periodically evaluates the possibility of recovering deferred tax assets and, if necessary, creates a valuation allowance for those assets that do not have a high probability of being realized.

**s) Statement of income presentation**

Costs and expenses shown in the Company's income statement are presented on a combined basis between their nature and function, in accordance with industry practice since such classification allows for an appropriate evaluation of gross profit and operating margin.

The "Operating income" caption is shown in the income statement since it is an important indicator used for evaluating the Company's operating results.

An analysis of the "Other expenses, net" caption for the years ended December 31, 2010 and 2009 is as follows:

|                                  | 2010            | 2009            |
|----------------------------------|-----------------|-----------------|
| Employee profit sharing, current | P.<br>1,998,105 | P.<br>2,217,482 |
| Other income (Note 10)           | (<br>1,919,768) | ( 867,802)      |
| Other expenses, net              | P. 78,337       | P.<br>1,349,680 |

**1. Description of the Business and Significant Accounting Policies (continued)**

**t) Statement of cash flows**

Effective January 1, 2008, the Company adopted Mexican FRS B-2 *Statement of cash flows*. The statement of cash flows shows the entity's cash inflows and outflows during the period. Also, the statement of cash flows presents first income before taxes on profits, followed by cash flows from operating activities, then cash flows from investing activities and finally cash flows from financing activities.

The statement of cash flows for the years ended December 31, 2010 and 2009 were prepared using the indirect method.

**u) Earnings per share**

Earnings per share are determined by dividing the controlling interest in net income by the weighted-average number of shares outstanding during the year. In determining the weighted-average number of shares outstanding during the year, shares repurchased by the Company have been excluded.

**v) Concentration of risk**

The main risks associated with the Company's financial instruments are cash flow risk, liquidity risk, market risk and credit risk. The Company performs sensitivity analyses to measure potential losses in its operating results based on a theoretical increase of 100 basis points in interest rates and a 10% change in exchange rates. The Board of Directors approves the risk management policies that are proposed by the Company's management.

Credit risk represents the potential loss from the failure of counterparties to completely comply with their contractual obligations. The Company is also exposed to market risks related to fluctuations in interest rates and exchange rates. In order to reduce the risks related to fluctuations in interest rates and exchange rates, the Company uses derivative financial instruments as hedges against its debt obligations.

Financial instruments which potentially subject the Company to concentrations of credit risk are cash and cash equivalents, trade accounts receivable, debt and derivative financial instruments. Pension fund assets are subject to market risk. The Company's policy is designed to not restrict its exposure to any one financial institution; therefore, the Company's financial instruments are maintained in different financial institutions located in different geographical areas.



**1. Description of the Business and Significant Accounting Policies (continued)**

The credit risk in accounts receivable is diversified, because the Company has a broad customer base that is geographically dispersed. The Company continuously evaluates the credit conditions of its customers and does not require collateral to guarantee collection of its accounts receivable. In the event the collection of accounts receivable deteriorates significantly, the Company's results of operations could be adversely affected.

**w) Segments**

Segment information is presented based on information used by the Company in its decision-making processes (see Note 16).

Local and long distance segment information differs from the information presented in the consolidated financial statements due to:

- Segment information only includes those companies that are directly involved in rendering local and long distance telephone services in Mexico.
- Local service includes: revenues from basic rent, measured service, installation charges, equipment sales and interconnection.
- Long distance service includes: revenues from basic services of domestic and international long distance services; it does not include revenues from rural and public telephony and data services.
- The services being disclosed include the corresponding attributes for interconnection, billing, collecting, co-location and leased lines.
- Interconnection with cellular operators includes revenues from calling party pays.

**x) Reclassifications**

Certain captions shown in the 2009 financial statements as originally issued have been reclassified for uniformity of presentation with the 2010 financial statements.

**1. Description of the Business and Significant Accounting Policies (continued)**

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|   |        | As originally reported |                   | As reclassified      |
|---|--------|------------------------|-------------------|----------------------|
|   |        | 2009                   | Reclassifications | 2009                 |
| <b>Assets</b>                                     |        |                        |                   |                      |
| Current assets:                                   |        |                        |                   |                      |
| Accounts receivable, net                          | (1)    | P. 21,113,323          | P. ( 687,767)     | <b>P. 20,425,556</b> |
| Derivative financial instruments                  | (2)    | 11,496,359             | 729,191           | <b>12,225,550</b>    |
| Inventories for sale, net                         | (3)    | 1,543,648              | ( 95,546)         | <b>1,448,102</b>     |
| Plant, property and equipment, net                | (3)    | 104,304,749            | 1,742,893         | <b>106,047,642</b>   |
| Inventories for operation of telephone plant, net | (3)    | 1,647,347              | ( 1,647,347)      |                      |
| <b>Liabilities</b>                                |        |                        |                   |                      |
| Current liabilities:                              |        |                        |                   |                      |
| Accounts payable and accrued liabilities          | (1, 2) | 14,204,188             | 41,424            | <b>14,245,612</b>    |
| <b>Statement of income</b>                        |        |                        |                   |                      |
| Operating costs and expenses:                     |        |                        |                   |                      |
| Cost of sales and services                        | (4)    | 34,158,977             | 18,805            | <b>34,177,782</b>    |
| Commercial, administrative and general expenses   | (4)    | 20,830,245             | ( 18,805)         | <b>20,811,440</b>    |

- (1) Reclassification to accounts receivable, net.
- (2) Reclassification of derivative financial instruments.
- (3) Reclassification of inventories for operation of telephone plant.
- (4) Reclassification of administrative expenses.

**y) New accounting pronouncements**

Following is a discussion of the new accounting pronouncements issued by the Mexican Financial Reporting Standards Research and Development Board ( *Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera, A.C.* or "CINIF") that became effective on January 1, 2010 and that affected TELMEX's accounting policies:

**Mexican FRS C-1, *Cash and Cash equivalents***

In November 2009, the CINIF issued Mexican FRS C-1, which became effective for fiscal years beginning on or after January 1, 2010. Mexican FRS C-1 replaces Mexican accounting Bulletin C-1, *Cash* .. The main changes compared to Mexican accounting Bulletin are the presentation of restricted cash and the substitution of the term "short-term demand investments" with the new term "liquid demand investments", which, among other characteristics, must be readily convertible to cash and have maturities of no more than three months.

**1. Description of the Business and Significant Accounting Policies (concluded)**

The adoption of this accounting standard must be made retrospectively. The adoption of the requirements of this standard had no effect on the Company's financial position or on its results of operations.

**Interpretation to Mexican FRS 19, *Changes derived from the adoption of International Financial Reporting Standards***

In August 2010, the CINIF issued Interpretation to Mexican FRS 19, which became effective for financial statements issued on or after September 30, 2010. This interpretation establishes the disclosures that must be made in the notes to the financial statements prepared under Mexican Financial Reporting Standards prior to the adoption of International Financial Reporting Standards.

The National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores or "CNBV") requires securities issuers registered with the National Securities Registry to prepare and disclose their financial information in conformity with International Financial Reporting Standards (IFRS) beginning on January 1, 2012, allowing early adoption. As a result of this requirement, the Company plans to adopt IFRS as the basis for preparing its financial information beginning on January 1, 2011.

Based on an analysis performed to identify the accounting effects upon adoption, the items which the Company has identified will have a significant impact on its financial statements are labor obligations, deferred taxes, stockholders' equity and inflation effects. The Company is in the process of quantifying the impact on its financial statements.

**2. Cash and Cash Equivalents**

Cash and cash equivalents consist of the following at December 31, 2010 and 2009:

|                        | <b>2010</b>         |
|------------------------|---------------------|
| Cash and bank accounts | <b>P. 817,630</b>   |
| Cash equivalents       | <b>6,675,835</b>    |
| Total                  | <b>P. 7,493,465</b> |

**3. Accounts Receivable**

An analysis of accounts receivable at December 31, 2010 and 2009 is as follows:

|                                 | <b>2010</b>          | <b>2009</b>   |
|---------------------------------|----------------------|---------------|
| Customers                       | <b>P. 19,589,206</b> | P. 19,112,062 |
| Recoverable taxes               | <b>623,876</b>       | 2,728,510     |
| Related parties (Note 13)       | <b>892,786</b>       | 894,535       |
| Net settlement receivables      | <b>181,856</b>       | 417,152       |
| Other                           | <b>1,396,115</b>     | 1,582,178     |
|                                 | <b>22,683,839</b>    | 24,734,437    |
| Less:                           |                      |               |
| Allowance for doubtful accounts | <b>5,035,306</b>     | 4,308,881     |
| Total                           | <b>P. 17,648,533</b> | P. 20,425,556 |

An analysis of activity in the allowance for doubtful accounts for the years ended December 31, 2010 and 2009 is as follows:

|                                | <b>2010</b>         | <b>2009</b>  |
|--------------------------------|---------------------|--------------|
| Beginning balance at January 1 | <b>P. 4,308,881</b> | P. 2,522,842 |
| Increase charged to expenses   | <b>2,218,564</b>    | 2,986,891    |
| Write-offs                     | <b>( 1,492,139)</b> | ( 1,200,852) |
| Ending balance at December 31  | <b>P. 5,035,306</b> | P. 4,308,881 |

**4. Plant, Property and Equipment**

a) An analysis of plant, property and equipment at December 31, 2010 and 2009 is as follows:

|                               | <b>2010</b>           | <b>2009</b>    |
|-------------------------------|-----------------------|----------------|
| Telephone plant and equipment | <b>P. 320,261,936</b> | P. 315,548,924 |
| Land and buildings            | <b>37,496,994</b>     | 37,128,186     |

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|   |                      |                |
|---|----------------------|----------------|
| Computer equipment and other assets                   | 52,446,218           | 49,952,667     |
|   | <b>410,205,148</b>   | 402,629,777    |
| Less:   |                      |                |
| Accumulated depreciation                              | 313,020,620          | 298,734,102    |
| Net   | <b>97,184,528</b>    | 103,895,675    |
| Construction in progress and advances to equipment    |                      |                |
| suppliers   | 244,469              | 409,074        |
| Inventories for operation of the telephone plant, net | 1,992,335            | 1,742,893      |
| Total   | <b>P. 99,421,332</b> | P. 106,047,642 |

**4. Plant, Property and Equipment (concluded)**

Construction in progress refers mainly to projects related to telephone plant, which are scheduled to be completed and transferred to the plant mostly during the first half of 2011.

b) Depreciation of the telephone plant and equipment is calculated at annual rates ranging from 3.3% to 20.0%. The rest of the Company's assets, excluding land, are depreciated at rates ranging from 10% to 33.3%. Depreciation charged to operating costs and expenses was P.17,392,411 in 2010 and P. 17,828,006 in 2009.

**5. Licenses and Trademarks**

An analysis of licenses and trademarks at December 31, 2010 and 2009 is as follows:

|                 |                     |            |
|-----------------|---------------------|------------|
|                 | <b>2010</b>         | 2009       |
| Licenses, net   | <b>P. 850,809</b>   | P. 918,341 |
| Trademarks, net | <b>456,708</b>      |            |
| Total           | <b>P. 1,307,517</b> | P. 918,341 |

An analysis of licenses cost and their amortization at December 31, 2010 and 2009 is as follows:

|                          |                     |              |
|--------------------------|---------------------|--------------|
|                          | <b>2010</b>         | 2009         |
| Investment               | <b>P. 1,824,790</b> | P. 1,777,464 |
| Less:                    |                     |              |
| Accumulated amortization | <b>973,981</b>      | 859,123      |
| Net                      | <b>P. 850,809</b>   | P. 918,341   |

An analysis of the changes in 2010 and 2009 is as follows:

|                             | Balance at<br>January 1,<br>2010 | Translation<br>effect | Effect of<br>acquired<br>companies | Investment and<br>amortization for<br>the year | Balance at<br>December 31,<br>2010 |
|-----------------------------|----------------------------------|-----------------------|------------------------------------|--|------------------------------------|
| Investment                  | P. 1,777,464                     | P. 19,281             | P. 21,425                          | P. 6,620                                       | P. 1,824,790                       |
| Accumulated<br>amortization | 859,123                          | 2,447                 |                                    | 112,411  | 973,981                            |
| Net                         | P. 918,341                       | P. 16,834             | P. 21,425                          | P. ( 105,791)                                  | P. 850,809                         |

**5. Licenses and Trademarks (concluded)**

|                          | Balance at<br>January 1,<br>2009 | Investment and<br>amortization for<br>the year | Balance at December<br>31, 2009 |
|--------------------------|----------------------------------|--|---------------------------------|
| Investment               | P. 1,763,296                     | P. 14,168                                      | P. 1,777,464                    |
| Accumulated amortization | 738,269                          | 120,854  | 859,123                         |
| Net                      | P. 1,025,027                     | P. ( 106,686)                                  | P. 918,341                      |

**Trademarks**

At December 31, 2010, the Company has well-known trademarks of certain acquired companies, which were recognized at their fair value, based on appraisals performed by independent experts.

An analysis of trademarks and their amortization at December 31, 2010 is as follows:

|                                       | 2010       |
|---------------------------------------|------------|
| Investment                            | P. 473,310 |
| A c c u m u l a t e d<br>amortization | 16,602     |
| Net                                   | P. 456,708 |

The amortization expense of other deferred charges was P.1,906 and P.1,908 for the years ended December 31, 2010 and 2009, respectively.

**6. Investments****I. Equity investments**

An analysis of equity investments in affiliates and other companies at December 31, 2010 and 2009, and a brief description of each, is as follows:

|                               | 2010         | 2009         |
|-------------------------------|--------------|--------------|
| <b>Equity investments in:</b> |              |              |
| Grupo Telvista, S.A. de C.V.  | P. 784,875   | P. 907,973   |
| 2Wire, Inc.                   |              | 301,035      |
| Other affiliates              | 607,167      | 566,372      |
|                               | P. 1,392,042 | P. 1,775,380 |

**6. Investments (continued)**

**Grupo Telvista**

TELMEX holds 45% of the capital stock of Grupo Telvista, S.A. de C.V. (Grupo Telvista) which, through its subsidiaries, provides telemarketing services in Mexico and the U.S.A. For the year ended December 31, 2010, TELMEX's equity interest in the net income of Grupo Telvista gave rise to a credit to results of operations of P.24,022 (credit of P.195,498 in 2009) and a charge to stockholders' equity of P.21,120 (charge of P.13,867 in 2009). In September 2010, TELMEX received a dividend of P.126,000.

**2Wire**

On October 20, 2010, TELMEX sold to Pace, Plc its 13% equity interest in 2Wire, Inc. (2Wire) for P. 744,231. Such sale gave rise to a gain of P.322,500. For the year ended December 31, 2010, TELMEX's equity interest in the results of 2Wire gave rise to a credit to results of operations of P.120,697 (credit of P.25,035 in 2009).

**Other affiliates**

For the year ended December 31, 2010, equity interest in other affiliates represented a net credit to results of operations of P.51,191 (net credit of P.34,147 in 2009) and a charge to stockholders' equity of P.10,396 (charge of P.4,427 in 2009).

**II. Investment in subsidiary**

**Scitum**

On May 24, 2010, TELMEX acquired for P.296,334 the 51.5% equity interest in Scitum, S.A. de C.V. (Scitum), which offers services in the design, implementation and management of infrastructures of security of information in Mexico.

The allocation of the acquisition price over fair value of the net assets acquired at the acquisition date is as follows:

|                                   | May 2010   |
|-----------------------------------|------------|
| Current assets                    | P. 142,736 |
| Fixed assets                      | 41,389     |
| Deferred assets                   | 22,991     |
| Trademarks                        | 473,310    |
| Less:                             |            |
| Current liabilities               | 78,934     |
| Long-term liabilities             | 128,972    |
| Fair value of net assets acquired | 472,520    |
| Acquisition price at 100%         | 575,809    |
| Goodwill arising on acquisition   | P. 103,289 |



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**6. Investments (concluded)**

Goodwill includes P.50,350 which corresponds to the noncontrolling interest.

From the date of acquisition, Scitum has contributed P.230,453 to operating revenues and P.(61,389) to net income of the Company.

**7. Debt**

Short-term and long-term debt consist of the following:

|  | Weighted average interest rate at |      | Maturities from | Balance at December 31 |               |      |
|--|-----------------------------------|------|-----------------|------------------------|---------------|------|
|  | December 31                       |      |                 | 2011 through           | 2010          | 2009 |
|  | 2010                              | 2009 |                 |                        |               |      |
| <i>Debt denominated in foreign currency:</i> |                                   |      |                 |                        |               |      |
| Senior notes                                 | <b>5.5%</b>                       | 5.2% | 2019            | <b>P. 16,044,459</b>   | P. 29,361,181 |      |
| Bank loans                                   | <b>0.8%</b>                       | 0.7% | 2018            | <b>21,665,623</b>      | 40,074,814    |      |
| Others                                       | <b>0.6%</b>                       | 2.0% | 2022            | <b>6,364,863</b>       | 238,353       |      |
| Total debt denominated in foreign currency   |                                   |      |                 | <b>44,074,945</b>      | 69,674,348    |      |
| <i>Debt denominated in Mexican pesos:</i>    |                                   |      |                 |                        |               |      |
| Senior notes                                 | <b>8.8%</b>                       | 8.8% | 2016            | <b>4,500,000</b>       | 4,500,000     |      |
| Domestic senior notes                        | <b>6.3%</b>                       | 6.3% | 2037            | <b>25,900,000</b>      | 25,900,000    |      |
| Bank loans                                   | <b>5.5%</b>                       | 4.8% | 2011            | <b>46,000</b>          | 2,800,000     |      |
| Total debt denominated in Mexican pesos      |                                   |      |                 | <b>30,446,000</b>      | 33,200,000    |      |
| Total debt                                   |                                   |      |                 | <b>74,520,945</b>      | 102,874,348   |      |
| Less short-term debt and current portion     |                                   |      |                 |                        |               |      |
| of long-term debt                            |                                   |      |                 | <b>11,951,532</b>      | 19,768,894    |      |
| Long-term debt                               |                                   |      |                 | <b>P. 62,569,413</b>   | P. 83,105,454 |      |

The above-mentioned rates are subject to market variances and do not include the effect of the Company's agreement to reimburse certain lenders for Mexican withholding taxes. The Company's weighted-average cost of debt at December 31, 2010 (including interest expense, interest rate swaps, fees and withholding taxes, and excluding exchange rate variances) was approximately 6.6% (5.9% in 2009).

**7. Debt (continued)**

Short-term debt and current portion of long-term debt consist of the following:

|   | <b>Balance at December 31</b> |               |
|---|-------------------------------|---------------|
|   | <b>2010</b>                   | <b>2009</b>   |
| <b>Short-term debt:</b>                   |                               |               |
| Bank loans                                | <b>P. 46,000</b>              |               |
| Others                                    | <b>6,178,550</b>              |               |
|   | <b>6,224,550</b>              |               |
| <b>Current portion of long-term debt:</b> |                               |               |
| Senior notes                              |                               | P. 12,405,765 |
| Domestic Senior notes                     | <b>4,500,000</b>              |               |
| Bank loans                                | <b>1,226,982</b>              | 7,363,129     |
|   | <b>5,726,982</b>              | 19,768,894    |
| Total                                     | <b>P. 11,951,532</b>          | P. 19,768,894 |

**Senior notes:**

a) In the first quarter of 2005, TELMEX issued bonds in the amount of P.21,892,381 <sup>(1)</sup> (U.S.\$1,750 million) divided into two issuances of P.11,870,243 <sup>(1)</sup> and P.10,022,138 <sup>(1)</sup> (U.S.\$950 million and U.S.\$800 million, respectively), the first maturing in January 2010 and bearing an annual interest of 4.75%, and the second maturing in 2015 and bearing an annual interest of 5.5%. Interest is payable semiannually.

On January 27, 2010, TELMEX repaid the first issuance for P.12,294,140 (U.S.\$950 million). For the year ended December 31, 2010, interest expense on these bonds was P.628,617 (P.1,274,163 in 2009).

b) On January 26, 2006, TELMEX issued abroad a bond denominated in Mexican pesos in the amount of P.4,500,000 (nominal amount), which matures in 2016 and bears an annual interest of 8.75%. For the year ended December 31, 2010, interest expense on the bond was P.406,656 (P.407,708 in 2009).

c) On November 12, 2009, TELMEX issued a bond in the amount of P.6,615,400 (U.S.\$500 million, nominal amount), which matures in 2019 and bears an annual interest of 5.5%, payable semiannually. For the year ended December 31, 2010, interest expense on the bond was P.367,648 (P.49,823 in 2009)

<sup>(1)</sup> Amounts re-expressed in constant pesos as of December 31, 2007.

**7. Debt (continued)**

On February 2, 2011, América Móvil launched a private offer to exchange any and all outstanding senior notes of TELMEX with maturity in 2015 and 2019, for new senior notes of América Móvil. The offer expired on March 3, 2011. As a result of the offer, on March 8, 2011, U.S.\$243.6 million of senior notes due in 2015 and U.S.\$122.6 million of senior notes due in 2019 were exchanged for América Móvil senior notes. On March 10, 2011, TELMEX paid América Móvil U.S.\$394.0 million, which includes a premium of U.S.\$27.8 million, to extinguish the exchanged senior notes. The consideration paid by TELMEX was based on the same market conditions under which the TELMEX senior notes were exchanged by América Móvil.

***Syndicated loans:***

In 2004, the Company entered into a syndicated loan, which was restructured in 2005 and 2006 to improve the credit conditions and increase the total loan amount to P.34,531,521 <sup>(1)</sup> (U.S.\$3,000 million), split into three tranches. Tranche A for P.14,963,659 <sup>(1)</sup> (U.S.\$1,300 million) with a three-year maturity. Tranche B for P.11,510,507 <sup>(1)</sup> (U.S.\$1,000 million) with a five-year maturity. Tranche C for P.8,057,355 <sup>(1)</sup> (U.S.\$700 million) with a seven-year maturity. In August 2009, TELMEX prepaid the total amount of tranche A, which was scheduled to mature in October 2009. In November 2010, TELMEX prepaid the total amount of tranche B, which was scheduled to mature in October 2011. The balance of tranche C at December 31, 2010 is included under banks loans (debt denominated in foreign currency), and is scheduled to mature in October 2013.

On June 30, 2006, TELMEX entered into a syndicated loan agreement in the amount of P.5,986,554 <sup>(1)</sup> (U.S.\$500 million), split into two tranches in equal amounts of P.2,993,277 <sup>(1)</sup> (U.S.\$250 million), with maturities of four years and six years, respectively. In March 2010, TELMEX prepaid the total amount of the first tranche, for which the original maturity was scheduled for June 2010.

<sup>(1)</sup> Amounts re-expressed in constant pesos as of December 31, 2007.

Substantially all of the bank loans bear interest equal to the London Inter-Bank Offered Rate (LIBOR) plus a specified margin. For the year ended December 31, 2010, interest expense on these loans was P.162,539 (P.556,305 in 2009).

***Others:***

On November 12, 2010, TELMEX entered into two loan agreements with América Móvil, the first one in the amount of P.2,454,280 (U.S.\$200 million) maturing in December 2010, and the second in the amount of P.6,135,700 (U.S.\$500 million), maturing in October 2011. These loans bear interest equal to the LIBOR plus a specified margin. The first loan was repaid on its maturity. In 2010, interest expense on this loan was P.6,048.

**7. Debt (continued)**

**Domestic senior notes (“Certificados Bursátiles”):**

On December 19, 2007, TELMEX obtained authorization from the CNBV for a program to issue long-term domestic senior notes in a total amount of P.10,000,000 (nominal amount). In April 2008, domestic senior notes in the amount of P.1,600,000 were issued. In July 2009, TELMEX placed domestic senior notes in two issuances for a total amount of P.8,000,000.

On September 18, 2009, TELMEX obtained authorization from the CNBV for a dual program to issue short and long-term domestic senior notes in a total amount of P.15,000,000 (nominal amount). In November 2009, TELMEX placed long-term domestic senior notes in two issuances for a total amount of P.6,000,000.

Some domestic senior notes bear fixed-rate interest, while others bear interest equal to the Mexican interbank equilibrium interest rate (“TIIE”) plus a specified margin. For the year ended December 31, 2010, interest expense on long-term domestic senior notes was P.1,663,516 (P.1,194,213 in 2009).

**Restrictions:**

The above-mentioned debt is subject to certain restrictions with respect to maintaining certain financial ratios, as well as restrictions on selling a significant portion of groups of assets, among others. At December 31, 2010, the Company was in compliance with all these requirements.

A portion of the debt is also subject to early maturity or repurchase at the option of the holders in the event of a change in control of the Company, as so defined in each instrument. The definition of change in control varies from instrument to instrument; however, no change in control shall be considered to have occurred as long as Carso Global Telecom or its current stockholders continue to hold the majority of the Company’s voting shares.

**Foreign currency debt:**

An analysis of the foreign currency denominated debt at December 31, 2010 is as follows:

|              | Foreign currency | Exchange rate at<br>December 31, 2010 | Equivalent in |
|--------------|------------------|---------------------------------------|---------------|
|              | (in thousands)   | (in units)                            | Mexican pesos |
| U.S. dollar  | 3,306,054        | P. 12.3571                            | P. 40,853,235 |
| Japanese yen | 19,891,200       | 0.1526                                | 3,035,397     |
| Euro         | 11,242           | 16.5733                               | 186,313       |
| Total        |                  |                                       | P. 44,074,945 |

**7. Debt (continued)**

Long-term debt maturities at December 31, 2010 are as follows:

| Years               | Amount        |
|---------------------|---------------|
| 2012                | P. 11,936,560 |
| 2013                | 11,153,036    |
| 2014                | 8,331,893     |
| 2015                | 10,673,067    |
| 2016 and thereafter | 20,474,857    |
| Total               | P. 62,569,413 |

**Derivative financial instruments and hedging activities:**

At December 31, 2010 and 2009, the derivative financial instruments held by the Company are as follows:

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2010

Fair value

| <b>Instrument</b>             | <b>Notional<br/>(in millions)</b> | <b>asset (liability)</b> |
|-------------------------------|-----------------------------------|--------------------------|
| Cross currency swaps          | U.S.\$ 3,487                      | P. 6,957                 |
| Forwards dollar-peso (Note 8) | U.S.\$ 40                         | ( 21)                    |
| Interest-rate swaps in pesos  |                                   |                          |
| (Note 8)                      | <b>P. 16,649</b>                  | <b>( 1,540)</b>          |
| Cross currency coupon swaps   |                                   |                          |
| Total                         |                                   | <b>P. 5,396</b>          |

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To reduce the risks related to fluctuations in exchange and interest rates, the Company uses derivative financial instruments as hedges associated with its debt. The derivative financial instruments principally used by the Company are as follows:

### *Cross currency swaps*

At December 31, 2010, the Company had cross currency swaps that hedge foreign currency denominated liabilities of P.43,091,161 (U.S.\$3,487 million) (P.54,557,723 or U.S.\$4,178 million in 2009). These cross currency swaps hedge the exchange rate and interest rate risks associated with bonds that mature in 2015 and 2019 in the total amount of U.S.\$1,310 million and bank loans that mature from 2011 to 2018 of U.S.\$2,177 million. These agreements allow TELMEX to fix the parity of such debt at a weighted-average exchange rate of P.10.7645 per U.S. dollar, as well as to set a fixed interest rate of 8.57% for the bond maturing in 2015 and a floating rate equal to the average 28-day TIEE less a specified margin for the bond maturing in 2019 and for the bank loans.

### **7. Debt (concluded)**

The change in the fair value of these cross currency swaps that offset the exchange gain on the foreign-currency denominated debt for the year ended December 31, 2010 was a net charge of P.2,108,445 (charge of P.5,682,263 in 2009).

### *Forwards dollar-peso*

At December 31, 2010, the Company had short term foreign currency forwards with a notional amount of P.494,284 (U.S.\$40 million) (P.3,199,382 or U.S.\$245 million in 2009). For the year ended December 31, 2010, the Company recognized a net charge of P.97,295 (charge of P.520,733 in 2009) as part of the net exchange gain, due to changes in the fair value of these forwards.

### *Interest-rate swaps*

At December 31, 2010, the Company had interest-rate swaps for an aggregate notional amount of P.16,649,250 (P.23,752,125 in 2009) to hedge the floating interest rate risk of its debt in Mexican pesos, fixing such rate at an average of 8.48%.

At December 31, 2010, the Company had no cross currency coupon swap contracts outstanding. At December 31, 2009 the Company had cross currency coupon swaps that covered interest payments flows of P.652,935 (U.S.\$50 million).

For the year ended December 31, 2010, the Company recognized a net expense for these swaps in interest expense of P.1,687,679 (P.1,941,649 in 2009).

The ineffective portion of the cash flow hedges was a net expense of P.506,815 for the year ended December 31, 2010 (P.115,190 in 2009), recognized in interest expense.

The Company's derivatives are acquired in over-the counter markets, mostly from the same financial institutions with which it has contracted its debt.

Several of the Company's agreements under which it has negotiated its derivative financial instruments require margin calls when the fair value of the derivatives exceeds the Company's existing credit lines of P.5,251,768 (U.S.\$425 million). At December 31, 2010, 61% of the Company's outstanding derivatives correspond to these types of agreements; however, no margin calls had been required at such date.

### **8. Accounts Payable and Accrued Liabilities**

An analysis of accounts payable and accrued liabilities is as follows:

|   | <b>December 31</b>  |              |
|---|---------------------|--------------|
|   | <b>2010</b>         | <b>2009</b>  |
| Suppliers                                       | <b>P. 4,426,398</b> | P. 2,081,727 |
| Employee benefits                               | <b>3,017,073</b>    | 2,804,324    |
| Derivative financial instruments (Note 7)       | <b>1,561,294</b>    | 848,910      |
| Related parties (Note 13)                       | <b>1,314,356</b>    | 1,602,128    |
| Vacation accrual                                | <b>1,333,231</b>    | 1,284,578    |
| Accrual for other contractual employee benefits | <b>1,104,135</b>    | 1,230,645    |
| Dividend pending payment                        | <b>1,123,388</b>    | 1,106,119    |
| Sundry creditors                                | <b>956,722</b>      | 750,440      |
| Interest payable                                | <b>625,986</b>      | 936,516      |
| Other   | <b>1,914,427</b>    | 1,600,225    |

P. 17,377,010 P. 14,245,612

The activity in the main accruals for the years ended December 31, 2010 and 2009 is as follows:

**Vacation accrual:**

|                                | <b>2010</b>         | 2009         |
|--------------------------------|---------------------|--------------|
| Beginning balance at January 1 | <b>P. 1,284,578</b> | P. 1,284,578 |
| Increase charged to expenses   | <b>1,701,334</b>    | 1,652,681    |
| Payments                       | <b>( 1,652,681)</b> | ( 1,652,681) |
| Ending balance at December 31  | <b>P. 1,333,231</b> | P. 1,284,578 |

**Accrual for other contractual employee benefits:**

|                                | <b>2010</b>         | 2009         |
|--------------------------------|---------------------|--------------|
| Beginning balance at January 1 | <b>P. 1,230,645</b> | P. 1,230,645 |
| Increase charged to expenses   | <b>3,528,045</b>    | 3,750,000    |
| Payments                       | <b>( 3,654,555)</b> | ( 3,800,000) |
| Ending balance at December 31  | <b>P. 1,104,135</b> | P. 1,180,645 |

**9. Deferred Revenues**

Deferred revenues consist of the following at December 31, 2010 and 2009:

|                         | <b>2010</b>         | 2009         |
|-------------------------|---------------------|--------------|
| <b>Short-term:</b>      |                     |              |
| Advance billings        | <b>P. 891,108</b>   | P. 1,009,603 |
| Advances from customers | <b>26,269</b>       | 94,572       |
|                         | <b>917,377</b>      | 1,104,175    |
| <b>Long-term:</b>       |                     |              |
| Advance billings        | <b>622,351</b>      | 466,696      |
| Total                   | <b>P. 1,539,728</b> | P. 1,570,871 |

**10. Labor Obligations****a) Pensions plans and seniority premiums**

The majority of the Company's employees are covered under defined benefits pension plans and seniority premiums. Pension benefits and seniority premiums are determined on the basis of compensation of employees in their final year of employment, their seniority, and their age at the time of retirement.

TELMEX has set up an irrevocable trust fund to finance these labor obligations and has adopted the policy of making contributions to such fund, which are deductible for Mexican corporate income tax and employee profit sharing purposes. The most important information related to labor obligations is as follows:

Analysis of net periodic cost:

|  | <b>2010</b>          | 2009          |
|--|----------------------|---------------|
| Labor cost   | <b>P. 4,850,844</b>  | P. 4,431,755  |
| Finance cost on defined benefit obligation             | <b>17,751,583</b>    | 15,861,542    |
| Projected return on plan assets                        | <b>( 19,632,161)</b> | ( 17,524,795) |
| Amortization of past services and transition liability | <b>69,533</b>        | 69,526        |
| Amortization of variances in actuarial assumptions     | <b>2,488,132</b>     | 2,183,763     |
| Net periodic cost                                      | <b>P. 5,527,931</b>  | P. 5,021,791  |

**10. Labor Obligations (continued)**

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Analysis of the defined benefit obligation:

|   | 2010           | 2009           |
|---|----------------|----------------|
| Present value of labor obligations:                           |                |                |
| Vested benefit obligation                                     | P. 120,520,269 | P. 105,002,007 |
| Non-vested benefit obligation and effect of salary projection | 96,406,898     | 92,330,826     |
| Defined benefit obligation at end of year                     | P. 216,927,167 | P. 197,332,833 |

Analysis of changes in the defined benefit obligation:

|   | 2010           | 2009           |
|---|----------------|----------------|
| Defined benefit obligation at beginning of year | P. 197,332,833 | P. 176,182,835 |
| Labor cost                                      | 4,850,844      | 4,431,755      |
| Finance cost on defined benefit obligation      | 17,751,583     | 15,861,542     |
| Actuarial loss                                  | 7,608,718      | 10,200,996     |
| Benefits paid to employees                      | ( 6,438,985 )  | ( 215,298 )    |
| Payments from trust fund                        | ( 4,177,826 )  | ( 9,128,997 )  |
| Defined benefit obligation at end of year       | P. 216,927,167 | P. 197,332,833 |

Analysis of changes in plan assets:

|                                       | 2010           | 2009           |
|---------------------------------------|----------------|----------------|
| Established fund at beginning of year | P. 163,995,375 | P. 145,475,893 |
| Projected return on plan assets       | 19,632,161     | 17,524,795     |
| Actuarial gain                        | 1,130,129      | 4,371,737      |
| Contributions to trust fund           | 289            | 5,751,947      |
| Payments from trust fund              | ( 4,177,826 )  | ( 9,128,997 )  |
| Established fund at end of year       | P. 180,580,128 | P. 163,995,375 |

Analysis of the net projected asset:

|   | 2010              | 2009              |
|---|-------------------|-------------------|
| Insufficiency of plan assets for defined benefit obligation | P. ( 36,347,039 ) | P. ( 33,337,458 ) |
| Unamortized actuarial loss                                  | 53,506,227        | 49,515,770        |
| Transition liability  | 86,987            | 121,815           |
| Past service cost and changes to plan                       | 96,025            | 130,730           |
| Net projected asset   | P. 17,342,200     | P. 16,430,857     |



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## 10. Labor Obligations (continued)

In 2010, the net actuarial loss of P.6,478,589 resulted from (i) the effect of a favorable actuarial variance of P.1,130,129 due to the behavior of the plan assets resulting from an increase in the value of investments in shares of companies and in fixed-yield investments due to variances in reference rates, and (ii) an actuarial loss of P.7,608,718, attributable principally to the fact that the number of employees who retired was greater than the number estimated at the beginning of the year, and the salary and pension benefits of the retired employees were higher than estimated at the beginning of the year.

In 2009, the net actuarial loss of P.5,829,259 resulted from (i) the effect of a favorable actuarial variance of P.4,371,737 due to the behavior of the plan assets resulting from an increase in the value of investments in shares of companies and in fixed-yield investments due to variances in reference rates, and (ii) an actuarial loss of P.10,200,996, attributable principally to the fact that the number of employees who retired was greater than the number estimated at the beginning of the year, and the salary and pension benefits of the retired employees were higher than estimated at the beginning of the year.

At December 31, 2010 and 2009, the rates used in the actuarial study are as follows:

|                                       | <b>Nominal rates</b> |
|---------------------------------------|----------------------|
|                                       | %                    |
| <b>Discount of labor obligations:</b> |                      |
| Long-term average                     | 9.2                  |
| <b>Increase in salaries:</b>          |                      |
| Long-term average                     | 4.5                  |

At December 31, 2010, 46.4% (45.9% in 2009) of plan assets were invested in fixed-yield securities and the remaining 53.6% (54.1% in 2009) in variable-yield securities.

### b) Termination benefits

The most important information related to the liability for termination benefits is as follows:

Analysis of net periodic cost:

|  | <b>2010</b>      | 2009      |
|--|------------------|-----------|
| Labor cost                                 | <b>P. 13,134</b> | P. 12,630 |
| Finance cost on defined benefit obligation | <b>13,508</b>    | 12,498    |
| Amortization of variances in assumptions   | <b>( 15,537)</b> | ( 9,867)  |
| Net periodic cost (gain)                   | <b>P. 11,105</b> | P. 15,261 |

## 10. Labor Obligations (concluded)

The activity in the termination pay liability is as follows:

|                              | <b>2010</b>       | 2009       |
|------------------------------|-------------------|------------|
| Balance at beginning of year | <b>P. 159,377</b> | P. 147,634 |
| Net periodic cost (gain)     | <b>11,105</b>     | 15,261     |
| Payments                     | <b>( 6,669)</b>   | ( 3,518)   |
| Balance at end of year       | <b>P. 163,813</b> | P. 159,377 |

### c) Employee profit sharing

TELMEX is obligated to pay profit sharing to its employees in Mexico, in addition to their contractual compensation and benefits. For the years ended December 31, 2010 and 2009, employee profit sharing was based on 10% of the Company's taxable income, excluding certain inflation effects and the re-expression of depreciation expense.

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For the year ended December 31, 2010, the deferred employee profit sharing provision represented a credit to results of operations of P.518,403 (P.607,676 in 2009), which was recognized in the statement of income under the caption "Other expenses, net."

At December 31, 2010 and 2009, the Company recognized deferred employee profit sharing on the following temporary items:

|  | 2010                    | 2009             |
|--|-------------------------|------------------|
| <b>Deferred employee profit sharing assets:</b>      |                         |                  |
| Allowance for bad debts and slow-moving              |                         |                  |
| inventories  | <b>P. 434,813</b>       | P. 310,287       |
| Advance billings                                     | <b>146,480</b>          | 147,750          |
| Accrued liabilities                                  | <b>405,470</b>          | 515,522          |
| Exchange loss on debt                                | <b>397,925</b>          | 347,123          |
| Derivative financial instruments                     | <b>31,756</b>           |                  |
|  | <b>1,416,444</b>        | 1,320,682        |
| <b>Deferred employee profit sharing liabilities:</b> |                         |                  |
| Fixed assets   | <b>( 2,959,631)</b>     | ( 3,437,606)     |
| Inventories  | <b>( 5,420)</b>         | ( 4,881)         |
| Licenses   | <b>( 38,889)</b>        | ( 44,852)        |
| Labor obligations                                    | <b>( 1,707,402)</b>     | ( 1,609,552)     |
| Prepaid expenses                                     | <b>( 57,975)</b>        | ( 86,043)        |
| Derivative financial instruments                     |                         | ( 91,884)        |
|  | <b>( 4,769,317)</b>     | ( 5,274,818)     |
| Deferred employee profit sharing liability, net      | <b>P. ( 3,352,873 )</b> | P. ( 3,954,136 ) |

**11. Foreign Currency Position**

At December 31, 2010 and 2009, the Company had the following foreign currency denominated assets and liabilities:

| <b>Foreign currency in millions</b> |               |   |             |   |
|-------------------------------------|---------------|---|-------------|---|
|                                     | <b>2010</b>   | <b>Exchange rate at<br/>December 31, 2010</b> | <b>2009</b> | <b>Exchange rate at<br/>December 31, 2009</b> |
| <b>Assets:</b>                      |               |   |             |   |
| U.S. dollar                         | <b>139</b>    | <b>P. 12.36</b>                               | 669         | P. 13.06                                      |
| <b>Liabilities:</b>                 |               |   |             |   |
| U.S. dollar                         | <b>3,553</b>  | <b>12.36</b>                                  | 5,205       | 13.06   |
| Japanese yen                        | <b>19,904</b> | <b>0.15</b>                                   | 19,891      | 0.14  |
| Euro                                | <b>11</b>     | <b>16.57</b>                                  | 13          | 18.74   |

At March 15, 2011, the applicable exchange rates are as follows:

| <b>Foreign currency</b> | <b>Exchange rate</b> |
|-------------------------|----------------------|
| U.S. dollar             | P. 11.94             |
| Japanese yen            | 0.15                 |
| Euro                    | 16.68                |

**12. Commitments and Contingencies****Commitments**

At December 31, 2010, TELMEX has non-cancelable commitments for the purchase of equipment of P.5,346,417 (P.3,372,975 in 2009), which include P.1,579,895 (P.977,637 in 2009) of non-cancelable commitments with related parties. Payments made under the related purchase agreements aggregated to P.2,832,019 in 2010 (P.2,858,996 in 2009).

**Contingencies**

a) In November 2005, COFETEL issued the guidelines for making changes to local service areas. In April 2006, Teléfonos de México, S.A.B. de C.V. filed a motion for an administrative review of COFETEL's guidelines for modifying the local service areas. Such motion was denied by the Communications Ministry ( *Secretaría de Comunicaciones y Transportes* , or SCT) and is currently in litigation before the Third Regional Metropolitan Chamber of the Federal Tax and Administrative Court.

**12. Commitments and Contingencies (continued)**

In March 2007, COFETEL ordered the consolidation of a package of 70 local service areas and a package of 2 local service areas while, in September 2008 it ordered the consolidation of another package of 125 local service areas and in December 2008, it ordered the consolidation of one local service area, each with its own schedule. Teléfonos de México, S.A.B. de C.V. has challenged COFETEL's orders through the corresponding legal procedures.

In November 2009, in compliance with the ruling issued by the Full Circuit Court in Administrative Matters, the court declared the resolutions issued by COFETEL to be null and void.

If the validity of COFETEL's ruling is eventually recognized, COFETEL may be able to re-initiate proceedings to require the consolidation of the local service areas.

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Should the consolidation requirement ever become effective, there could be an adverse effect on the Company's long-distance revenues.

The Company's external lawyers who are handling this matter are of the opinion that although the Company's arguments are well-founded, there is no guarantee that Teléfonos de México, S.A.B. de C.V. will actually obtain favorable results.

b) Since 2007, the Federal Commission of Economic Competition (COFECO) initiated eight investigations to evaluate if Teléfonos de México, S.A.B. de C.V. has substantial power and engages in monopolistic practices in certain markets.

Final resolutions in four of these investigations have been issued, in which COFECO has determined that Teléfonos de México, S.A.B. de C.V. has substantial power in the following areas: (i) termination of public commuted traffic; (ii) origination of public commuted traffic; (iii) local transit services; and (iv) leasing of lines or circuits. Teléfonos de México, S.A.B. de C.V. has expressed its disagreement with the proceedings, objected to the findings and submitted evidence against the resolutions.

In the four markets in question, COFECO has already confirmed its resolutions and Teléfonos de México, S.A.B. de C.V. filed the applicable motions for appeal, which COFECO denied. Teléfonos de México, S.A.B. de C.V. has filed relief ( *amparo* ) proceedings against the COFECO's rejection of the motions for appeal, and the rulings on these relief proceedings are currently still pending. If the disputed resolutions are determined to be final, COFETEL, after completing the applicable procedure, may establish specific obligations for the Company regarding tariffs, quality of services and information in such markets, such as additional information and service quality disclosure requirements. The exact nature of these regulations and their impact on the business cannot be known in advance, but they will likely reduce the Company's flexibility and its ability to adopt competitive market policies. It is also impossible to predict how long the Company will have to adopt the new regulations and whether it will actually be able to do so.

**12. Commitments and Contingencies (continued)**

In the four remaining investigations, COFECO is attempting to determine if TELMEX engaged in the alleged monopolistic practices in the following markets: (i) the broad-band internet market for domestic residential customers; and (ii) the local and national long-distance dedicated links wholesale leasing services market. These investigations are currently in the submission of evidence stage. For the inter-urban transport for commuted long-distance traffic services market and the fixed-network interconnection services market, COFECO has already issued and delivered Probable Fault Notices. Teléfonos de México, S.A.B. de C.V. promptly responded to these notices and contested the findings objecting to its considerations. There is no certainty as to the outcome of these investigations and notices and they may be unfavorable, which could result in regulations, restrictions or monetary fines being imposed on the Company.

Although the arguments of Teléfonos de México, S.A.B. de C.V. are considered well-founded, the Company's external lawyers handling these cases do not believe that there is any certainty that the Company will obtain favorable rulings.

c) The Mexican Social Security Institute (IMSS) audited Teléfonos de México, S.A.B. de C.V. for the 1997-2001 period. At the conclusion of the audit, it was determined that Teléfonos de México, S.A.B. de C.V. owed a total of approximately P.330,000 (historical amount) in taxes, fines, surcharges and re-expression for inflation at July 2, 2003. Teléfonos de México, S.A.B. de C.V. filed an appeal to nullify these findings and related assessment with the Federal Court of Justice for Tax and Administrative Matters. In accordance with Mexican law, by means of a trust fund established with a banking institution, the Company guaranteed payment of the tax assessment in the amount of P.568,869 through July 19, 2010. The Regional Metropolitan Chamber court nullified the ruling; however, IMSS filed a motion for appeal. In October 2009, the court handling the appeal ruled in favor of the Company. Therefore, the ruling issued on the nullity of the fee settlement schedules became final. Consequently, Teléfonos de México, S.A.B. de C.V. initiated proceedings to dissolve the trust fund guaranteeing the payment of the amounts sought by IMSS. The trust was dissolved on January 22, 2010, which was the date on which Teléfonos de México, S.A.B. de C.V. recognized the income from canceling this contingency.

As a result, since the tax liabilities have been annulled and the amount pledged in guaranty was returned to Teléfonos de México, S.A.B. de C.V. on January 22, 2010, this matter is considered closed.

d) In accordance with Mexican law, Teléfonos de México, S.A.B. de C.V. shall be severally liable for all of the obligations transferred to Telmex Internacional, S.A.B. de C.V. as a result of the split-up, for a three-year period, with respect to the terms of the split-up agreement approved by the shareholders of Teléfonos de México, S.A.B. de C.V. on December 21, 2007. This responsibility, however, does not apply to obligations with those creditors who have given their express consent relieving Teléfonos de México, S.A.B. de C.V. from these liabilities and approving the split-up.

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### 12. Commitments and Contingencies (concluded)

e) On February 10, 2009, COFETEL published the Fundamental Technical Interconnection and Interoperability Plan in the *Official Gazette* .. Such plan could have a negative impact on Teléfonos de México, S.A.B. de C.V. and on the telecommunications sector in general, since it establishes additional obligations to concessionaries.

Teléfonos de México, S.A.B. de C.V. has legally challenged the plan through a number of available channels and has presented its evidence as to the illegality and unconstitutionality of the plan.

Although the arguments of Teléfonos de México, S.A.B. de C.V. are considered well-founded, the Company's external lawyers handling these cases do not believe that there is any certainty that the Company will obtain favorable rulings.

f) In November 2010, the Communications Ministry submitted the guidelines issued by COFETEL for review by the Federal Commission for the Improvement of Regulations (COFEMER) in order for the latter to develop the cost models to be used to set the interconnection rates for providing interconnection services by the public telecommunications network concessionaires. After COFEMER has issued its Complete Final Ruling on such guidelines, they will be published by COFETEL in the *Official Gazette* and will become effective. This situation may have a negative effect on the Company's revenues from interconnection services and on its results of operations.

### 13. Related Parties

a) An analysis of balances due from/to related parties at December 31, 2010 and 2009 is provided below. All the companies are considered affiliates since TELMEX's primary stockholders are also either direct or indirect stockholders of the related parties:

|   | December 31       |                   |
|---|-------------------|-------------------|
|   | 2010              | 2009              |
| <b>Accounts receivable:</b>                                   |                   |                   |
| Alestra, S. de R.L. de C.V.                                   | P. 490,773        | P. 454,762        |
| Sercotel, S.A. de C.V.  | 165,824           | 193,316           |
| Anuncios en Directorios, S.A. de C.V.                         | 44,319            | 27,662            |
| AT&T Inc.   | 25,897            | 87,885            |
| Telmex Colombia, S.A.   | 25,162            |                   |
| Sears Roebuck de México, S.A. de C.V.                         | 16,874            | 14,231            |
| Sanborn Hermanos, S.A.  | 15,495            | 6,397             |
| Fundación Telmex, A.C.  | 13,018            | 1,052             |
| Controladora de Servicios de Telecomunicaciones, S.A. de C.V. | 5,647             | 18,235            |
| Banco Inbursa, S.A.   | 1,315             | 4,256             |
| Sección Amarilla USA, L.L.C.                                  |                   | 54                |
| Others  | 88,462            | 86,685            |
|   | <b>P. 892,786</b> | <b>P. 894,535</b> |

### 13. Related Parties (continued)

|   | December 31 |             |
|---|-------------|-------------|
|   | 2010        | 2009        |
| <b>Accounts payable:</b>                                  |             |             |
| RadioMóvil Dipsa, S.A. de C.V.                            | P.501,699   | P.1,027,048 |
| Operadora Cicsa, S.A. de C.V.                             | 134,040     | 5,940       |
| Inversora Bursátil, S.A.                                  | 131,813     | 127,472     |
| Eidon Services, S.A. de C.V.                              | 106,186     |             |
| PC Industrial, S.A. de C.V.                               | 98,735      | 29,614      |
| Grupo Financiero Inbursa, S.A.B. de C.V.                  | 59,723      | 50,695      |
| Microm, S.A. de C.V.                                      | 52,008      | 65,349      |
| Conductores Mexicanos Eléctricos y de Telecomunicaciones, | 42,812      | 34,161      |

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|   |                    |             |
|---|--------------------|-------------|
| S.A. de C.V.  |                    |             |
| Acer Computec México, S.A. de C.V.                      | <b>34,739</b>      |             |
| Sinergia Soluciones Integrales de Energía, S.A. de C.V. | <b>13,121</b>      | 23,629      |
| Carso Infraestructura y Construcción, S.A.B de C.V.     | <b>293</b>         | 25,459      |
| Eidon Software, S.A. de C.V.                            |                    | 103,738     |
| Others  | <b>139,187</b>     | 109,023     |
|   | <b>P.1,314,356</b> | P.1,602,128 |
| <b>Short-term debt:</b>                                 |                    |             |
| América Móvil, S.A.B. de C.V.                           | <b>P.6,178,550</b> |             |

b) For the years ended December 31, 2010 and 2009, the Company had the following transactions with related parties:

|   | 2010                | 2009         |
|---|---------------------|--------------|
| <b>Investment and expenses:</b>                                 |                     |              |
| Construction services, purchase of materials, inventories       |                     |              |
| and fixed assets (1)  | <b>P. 2,948,738</b> | P. 2,163,205 |
| Insurance premiums, fees for administrative and                 |                     |              |
| operating services, security trading and others (2)             | <b>2,877, 506</b>   | 3,318, 218   |
| Calling Party Pays interconnection fees and other               |                     |              |
| telecommunication services (3)                                  | <b>7,069,638</b>    | 7,944,362    |
| Cost of termination of international calls (6)                  | <b>730,292</b>      | 715,780      |
| <b>Revenues:</b>  |                     |              |
| Sale of materials and other services (4)                        | <b>1,830,032</b>    | 1,879,051    |
| Sale of long distance and other telecommunications services (5) | <b>4,866,957</b>    | 5,727,833    |
| Revenues from termination of international calls (6)            | <b>709,844</b>      | 1,074,419    |

**13. Related Parties (continued)**

(1) Includes P.2,720,123 in 2010 (P.1,591,531 in 2009) for network construction services and purchase of construction materials from subsidiaries of Grupo Carso, S.A.B. de C.V. (Carso Group), which is an entity under common control with Carso Global Telecom. Also includes P.97,204 in 2010 (P.453,348 in 2009) for the purchase of equipment for broadband platform services from 2Wire.

(2) Includes P.343,810 in 2010 (P.571,338 in 2009) for network maintenance services from subsidiaries of Carso Group; P.632,059 in 2010 (P.714,242 in 2009) for software services received from affiliates; P.327,674 in 2010 (P.327,500 in 2009) for the production and distribution of white pages telephone directories and advertising in the yellow pages with subsidiaries of Telmex Internacional; P.518,680 in 2010 (P.482,598 in 2009) for insurance premiums with Seguros Inbursa, S.A. (Seguros), which, in turn, places most of this amount in reinsurance with third parties; P.196,417 in 2010 (P.208,942 in 2009) for telemarketing services with Grupo Telvista; P.1,816 in 2010 (P.40,602 in 2009) for security trading fees with Inversora Bursátil, S.A. (Inversora); and P.159,083 in 2010 (P.335,975 in 2009) for fees paid for administrative and operating services to AT&T Mexico, Inc. and Carso Global Telecom. Telmex Internacional, Seguros, Grupo Telvista and Inversora are entities under common control with Carso Global Telecom. AT&T Inc. is a noncontrolling stockholder of the Company.

(3) Includes P.7,068,477 in 2010 (P.7,944,083 in 2009) for interconnection expenses under the "Calling Party Pays" program for outgoing calls from fixed line telephones to cellular telephones paid to subsidiaries of América Móvil.

(4) Includes P.33,206 in 2010 (P.47,462 in 2009) for the sale of materials and other services rendered to subsidiaries of Carso Group; P.235,742 in 2010 (P.230,397 in 2009) for billing and collection services rendered to subsidiaries of Grupo Financiero Inbursa, S.A.B. de C.V. (Inbursa); P.301,440 in 2010 (P.301,440 in 2009) for the use and updating of the telephone directory customer database, as well as P.317,945 in 2010 (P.373,648 in 2009) for billing, collection, administrative services and others rendered to subsidiaries of Telmex Internacional; and P.562,852 (P.494,785 in 2009) for property leases and other services rendered to subsidiaries of América Móvil. Inbursa is an entity under common control with Carso Global Telecom.

(5) Includes P.3,767,925 in 2010 (P.4,397,574 in 2009) for revenues invoiced to a subsidiary of América Móvil for the rental of private circuits and long distance services.

(6) Includes costs and revenues with companies of AT&T Inc. and with subsidiaries of América Móvil and Telmex Internacional.



**13. Related Parties (concluded)**

c) An analysis of employee benefits granted to the Company's key management or directors is as follows:

|                                     | 2010      | 2009      |
|-------------------------------------|-----------|-----------|
| Short and long-term direct benefits | P. 45,461 | P. 51,371 |
| Post-retirement benefits            | 4,831     | 3,154     |
| Total                               | P. 50,292 | P. 54,525 |

**14. Stockholders' Equity**

a) At December 31, 2010, capital stock is represented by 18,158 million shares issued and outstanding with no par value, representing the Company's fixed capital (18,192 million in 2009). An analysis is as follows:

|  | 2010         |
|--|--------------|
| 7,840 million Series "AA" common shares                    |              |
| (8,115 million in 2009)                                    | P. 5,380,966 |
| 383 million Series "A" common shares                       |              |
| (395 million in 2009)                                      | 308,440      |
| 9,935 million Series "L" shares with limited voting rights |              |
| (9,682 in 2009)  | 3,319,579    |
| Total  | P. 9,008,985 |

At December 31, 2010 and 2009, the historical value of the Company's capital stock was P.78,398 and P.78,545, respectively.

An analysis of the changes in 2010 and 2009 is as follows:

|                                       | Capital stock (1) |              |            |            |            |              |
|---------------------------------------|-------------------|--------------|------------|------------|------------|--------------|
|                                       | Series "AA"       |              | Series "A" |            | Series "L" |              |
|                                       | Number            | Amount       | Number     | Amount     | Number     | Amount       |
| Balance at January 1, 2009            | 8,115             | P. 5,569,721 | 407        | P. 327,734 | 10,033     | P. 3,241,177 |
| Cash purchase of Company's own shares |                   |              | ( 2)       | ( 1,551)   | ( 361)     | ( 116,781)   |
| Conversion of shares                  |                   |              | ( 10)      | ( 8,391)   | 10         | 8,391        |
| Balance at December 31, 2009          | 8,115             | 5,569,721    | 395        | 317,792    | 9,682      | 3,132,787    |
| Cash purchase of Company's own shares |                   |              |            | ( 5)       | ( 34)      | ( 11,310)    |
| Conversion of shares                  | ( 275)            | ( 188,755)   | ( 12)      | ( 9,347)   | 287        | 198,102      |
| Balance at December 31, 2010          | 7,840             | P. 5,380,966 | 383        | P. 308,440 | 9,935      | P. 3,319,579 |

(1) Number of shares in millions

**14. Stockholders' Equity (continued)**

The Company's capital stock must be represented by (i) no less than 20% of Series "AA" common shares, which may be subscribed and acquired only by Mexican investors, and at all times must represent at least 51% of the common shares of total capital stock; (ii) Series "A" common shares, which may be freely subscribed, that must not exceed more than 19.6% of capital stock and no more than 49% of the common shares of total capital stock; (iii) both Series "AA" and "A" shares combined may not represent more than 51% of capital stock; and (iv) Series "L" shares, which have limited voting rights and may be freely subscribed, in a percentage when combined with the Series "A" shares may not exceed 80% of capital stock.

**Voting rights**

Each ordinary share of the Series "AA" and "A" entitles the holder to one vote at the general stockholders' meetings. Each Series "L" share entitles the holder to one vote at all stockholders' meetings in which holders of Series "L" shares are authorized to vote. In accordance with the Eighth Clause of the Company's bylaws, holders of Series "L" shares only have the right to vote to designate two directors on the Board of Directors and their corresponding alternate directors, and on the following matters:

- The transformation of TELMEX from one type of entity to another;
- Any merger in which TELMEX is not the surviving entity or any merger with an entity whose principal corporate purposes are different from those of TELMEX (when TELMEX is the surviving entity); and
- Cancellation of the registration of the TELMEX's shares in the securities or special sections of the Mexican National Securities Registry and in any foreign stock exchanges in which they are registered.

In order for the resolutions adopted in extraordinary stockholders' meetings related to any of the matters on which the Series "L" shares are entitled to vote to be validated, the approval by a majority vote of the Series "AA" and Series "A" stockholders will be required.

Under Mexican law, the stockholders of any Series of shares are also entitled to vote as one class on any proposal that could adversely affect the rights of the stockholders of that particular series and the Company's stockholders (including the Series "L" stockholders), which individually or collectively represent 20% or more of all capital stock could judicially oppose any stockholders' resolution with respect to those resolutions for which such stockholders have the right to vote. The determination of whether a matter requires the vote

**14. Stockholders' Equity (continued)**

by the holders of Series "L" under such basis would initially be made by the board of directors or by any other party that calls a stockholders' meeting to decide on the resolution. A negative decision would be subject to judicial challenge by any affected stockholder, and a court would ultimately determine the necessity for a class vote. There are no other procedures for determining whether a proposal requires a class vote, and Mexican law does not provide extensive guidance on the criteria to be applied in making such a determination.

b) In 1994, the Company initiated a program to purchase its own shares. The cost of the repurchased shares, in the amount that exceeds the portion of capital stock corresponding to the repurchased shares, is charged to retained earnings.

At a regular stockholders' meeting held on March 3, 2009, the stockholders approved an increase of P.10,000,000 in the total authorized nominal amount for the repurchase of the Company's own shares. The remainder of the previously authorized amount was P.340,868, bringing the total maximum amount to be used for this purpose to P.10,340,868.

In 2010, the Company acquired 33.9 million Series "L" shares for P.339,746 and 6,906 Series "A" shares for P.76.

In 2009, the Company acquired 361.2 million Series "L" shares for P.4,073,625 and 1.9 million Series "A" shares for P.21,695.

At December 31, 2010 and 2009, the Company had 14,074 million (14,032 million Series "L" and 42 million Series "A") and 14,040 million (13,998 million Series "L" and 42 million Series "A") treasury shares, respectively.

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

d) At December 31, 2010, "Accumulated other comprehensive income items" include P.211,741 for the effective portion of the fair value of swaps designated as cash flow hedges and P.174,368 for the effect of translation of foreign entities, net of deferred taxes (P.748,675 and P.134,550 in 2009, respectively).

e) At a regular meeting held on April 29, 2010, the stockholders agreed to declare a cash dividend of P.0.50 per outstanding share, to be paid in four installments of P.0.1250 each in June, September and December 2010 and in March 2011. In March 2010, the Company paid the fourth installment of P.0.1150 per outstanding share, which was authorized at the regular meeting held on April 28, 2009.

**14. Stockholders' Equity (concluded)**

At a regular meeting held on April 28, 2009, the stockholders agreed to declare a cash dividend of P.0.46 per outstanding share, to be paid in four installments of P.0.1150 each in June, September and December 2009 and in March 2010. In March 2009, the Company paid the fourth installment of P.0.10 per outstanding share, which was authorized at the regular meeting held on April 25, 2008. At a regular meeting held on December 1, 2009, the stockholders agreed to declare an extraordinary cash dividend of P.0.40 per outstanding share, paid in a single payment beginning on December 17, 2009.

The cash dividends paid in 2010 and 2009 were P.8,736,965 and P.15,093,082, respectively.

**15. Income Tax and Flat-Rate Business Tax**

a) Through December 31, 2009 the corporate income tax rate was 28%. Under the Mexican Tax Reform Law approved on December 7, 2009, the corporate income tax rate was increased from 28% to 30% for the period from January 1, 2010 through December 31, 2012, and will be scaled back to 29% in 2013, and to 28% in 2014 and future years.

b) On October 1, 2007, the Flat-Rate Business Tax (FRBT) Law was published and became effective as of January 1, 2008.

Beginning January 1, 2008, the FRBT is computed by applying the applicable rate to income determined on the basis of cash flows, which is determined by deducting authorized deductions from all income collected from those activities that are subject to the tax. As established under the Law, certain FRBT credits also may be deducted from the FRBT payable. Under the Law's transitory provisions, the FRBT rate is 16.5% in 2008, 17% in 2009 and 17.5% in 2010 and succeeding years.

When the FRBT base is negative because deductions exceed taxable income, there is no FRBT payable. The amount of the negative base multiplied by the FRBT rate results in a FRBT credit, which in 2008 and 2009 could be applied against income tax for the same year or, if applicable, may be applied against FRBT payable in the next ten years.

FRBT creditable concepts result mainly from the negative FRBT base to be amortized, salary and social security contribution credits, and credits arising from the deduction of certain assets, such as inventories and fixed assets, during the transition period as of the date on which the FRBT became effective.

FRBT is payable only to the extent it exceeds income tax for the same period. To determine FRBT payable, income tax paid in a given period is first subtracted from the FRBT of the same period.

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**15. Income Tax and Flat-Rate Business Tax (continued)**

For the years ended December 31, 2010 and 2009, the Company had no FRBT payable and, based on its tax projections, estimates that it will not be subject to the payment of FRBT in subsequent years.

c) An analysis of the income tax provision is as follows:

|                         | <b>2010</b>         | 2009   |
|-------------------------|---------------------|--------|
| Current year income tax | <b>P. 9,269,487</b> | P. 9,5 |
| Deferred tax            | <b>( 861,547 )</b>  | ( 1,07 |
| Total                   | <b>P. 8,407,940</b> | P. 8,4 |

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

|                           | <b>2010</b>   | 2009 |
|---------------------------|---------------|------|
|                           | %             |      |
| Statutory income tax rate | <b>30.0</b>   |      |
| Depreciation              | <b>( 1.1)</b> |      |
| Social security benefits  | <b>1.6</b>    |      |
| Monetary gain             | <b>4.2</b>    |      |
| Tax benefits              |               |      |
| Other                     | <b>0.7</b>    |      |
| Effective income tax rate | <b>35.4</b>   |      |

At December 31, 2010 and 2009, the Company recognized deferred income taxes on the following temporary differences:

|   | <b>2010</b>         | 2009       |
|---|---------------------|------------|
| <b>Deferred tax assets:</b>                         |                     |            |
| Allowance for bad debts and slow-moving inventories | <b>P. 1,233,739</b> | P. 877,847 |
| Tax loss carryforwards                              | <b>112,731</b>      | 87,365     |
| Advance billings                                    | <b>381,538</b>      | 435,521    |
| Accrued liabilities                                 | <b>1,201,475</b>    | 1,492,471  |
| Employee profit sharing                             | <b>1,499,763</b>    | 1,728,654  |
| Derivative financial instruments                    | <b>82,708</b>       |            |
|   | <b>4,511,954</b>    | 4,621,858  |

**15. Income Tax and Flat-Rate Business Tax (concluded)**

|   | 2010             | 2009             |
|---|------------------|------------------|
| <b>Deferred tax liabilities:</b>          |                  |                  |
| Fixed assets                              | ( 13,257,546)    | ( 14,357,100)    |
| Inventories                               | ( 15,174)        | ( 13,667)        |
| Licenses and trademarks                   | ( 231,365)       | ( 118,903)       |
| Labor obligations                         | ( 4,809,996)     | ( 4,566,155)     |
| Prepaid expenses                          | ( 262,086)       | ( 300,552)       |
| Derivative financial instruments          |                  | ( 272,538)       |
| Effect of translation of foreign entities | ( 68,550)        | ( 53,001)        |
|   | ( 18,644,717)    | ( 19,681,916)    |
| Deferred tax liability, net               | P. ( 14,132,763) | P. ( 15,060,058) |

d) At December 31, 2010, the balance of the re-expressed contributed capital account (CUCA) and the net tax profit account (CUFIN) was P.12,108,643 and P.17,315,061, respectively. These amounts correspond to Teléfonos de México, S.A.B. de C.V. on an individual basis.

**16. Segments**

TELMEX primarily operates in two segments: local and long distance telephone service. The local telephone service segment corresponds principally to local fixed-line wired service, including interconnection service. The long distance service segment includes domestic and international service. Other segments include long distance calls made from public and rural telephones, data services and other services. Additional information related to the Company's operations is provided in Note 1. The following summary shows the most important segment information, which has been prepared on a consistent basis:

|                                      | (Amounts in millions of Mexican pesos) |               |                |              |                    |
|--------------------------------------|--|---------------|----------------|--------------|--------------------|
|                                      | Local service                          | Long distance | Other segments | Adjustments  | Consolidated total |
| <b>December 31, 2010</b>             |  |               |                |              |                    |
| <b>Revenues:</b>                     |  |               |                |              |                    |
| <b>External revenues</b>             | P. 60,489                              | P. 20,056     | P. 33,018      |              | P. 113,563         |
| <b>Intersegment revenues</b>         | 11,338                                 |               | 885            | P. ( 12,223) |                    |
| <b>Depreciation and amortization</b> | 9,335                                  | 1,698         | 6,490          |              | 17,523             |
| <b>Operating income</b>              | 14,301                                 | 1,609         | 12,507         |              | 28,417             |
| <b>Segment assets</b>                | 261,594                                | 35,214        | 115,634        |              | 412,442            |
| <b>December 31, 2009</b>             |  |               |                |              |                    |
| <b>Revenues:</b>                     |  |               |                |              |                    |
| <b>External revenues</b>             | P. 65,158                              | P. 22,543     | P. 31,399      |              | P. 119,100         |
| <b>Intersegment revenues</b>         | 11,722                                 |               | 929            | P. ( 12,651) |                    |
| <b>Depreciation and amortization</b> | 9,818                                  | 1,788         | 6,345          |              | 17,951             |
| <b>Operating income</b>              | 17,846                                 | 2,537         | 13,981         |              | 34,364             |
| <b>Segment assets</b>                | 260,597                                | 35,094        | 109,091        |              | 404,782            |

**16. Segments (concluded)**

Inter-segmental transactions are reported based on terms offered to third parties. Employee profit sharing, other expenses, financing cost, equity interest in net income of affiliates and the income tax provision are not allocated to each segment, because they are handled at the corporate level.

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Segment assets include plant, property and equipment (excluding accumulated depreciation), construction in progress and advances to equipment suppliers, and inventories for operation of the telephone plant.

### 17. Subsequent Event

On March 8, 2011, TELMEX announced that its Board of Directors approved a corporate restructuring to segregate the business into two companies, one of which will be named TELMEX Social that will provide telecommunications and interconnection services in low income and rural areas where competitors do not invest, and the other company will provide these services in the other areas of Mexico. With this restructuring, the assets, liabilities and equity would be divided accordingly, and the labor rights of the employees of both companies will be respected.

The restructuring is subject, if needed, to the approval of the Communications Ministry ( *Secretaría de Comunicaciones y Transportes* , or SCT), as well as the authorization and confirmation of the rest of the corresponding authorities and governmental entities, in addition to the authorizations required under the Mexican Corporations Act.

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### MEXICAN STOCK EXCHANGE

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### SIFIC/ICS

#### STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010

#### TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

#### ANNEX 3a

#### SHARE INVESTMENTS SUBSIDIARIES

Consolidated

Final printing

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| COMPANY NAME                                    | MAIN ACTIVITIES                            | NUM<br>SH |
|---|--|-----------|
| Integración de Servicios TMX, S.A. de C.V.      | Investments in all types of businesses     | 106,4     |
| Aerocomunicaciones, S.A. de C.V.                | Aeronautic radiocom. mobile serv.          | 1         |
| Aerofrisco, S.A. de C.V.                        | Air Taxi services                          | 7,2       |
| Alquiladora de Casas, S.A. de C.V.              | Real estate acquisition & leasing          | 6         |
| Buscatel, S.A. de C.V.                          | Paging services                            |           |
| Cía. de Teléfonos y Bienes Raíces, S.A. de C.V. | Real estate acquisition & leasing          | 1,0       |
| Comertel Argos, S.A. de C.V.                    | Personnel services                         |           |
| Consortio Red Uno, S.A. de C.V.                 | Design & integrated telecom. Services      | 2         |
| Construcciones y Canalizaciones, S.A. de C.V.   | Construction & maint. of telephone network |           |
| Empresa de Limpieza Mexicana, S.A. de C.V.      | Cleaning Service Company                   |           |

|  |  |      |
|--|--|------|
| Fintel Holdings, L.L.C.                            | Investments in all types of businesses     |      |
| Fuerza y Clima, S.A de C.V.                        | Air conditioning installation & maint.     |      |
| Grupo Técnico de Administración, S.A. de C.V.      | Management, consulting & org. Services     |      |
| Impulsora Mexicana de Telecomunicaciones, S.A.     | Network projects                           |      |
| Instituto Tecnológico de Teléfonos de México, S.C  | Training & research services               |      |
| Multicomunicación Integral, S.A. de C.V.           | Trunking, installation & sales services    |      |
| Operadora Mercantil, S.A. de C.V.                  | Marketing services                         |      |
| Renta de Equipo, S.A. de C.V.                      | Equipment, vehicles & real estate leasing  | 15,3 |
| Servicios Administrativos Tecmarketing, SA de CV   | Software development, sales & management   | 1    |
| Tecmarketing, S.A. de C.V.                         | Telemarketing services                     |      |
| Telecomunicaciones Controladora de Servicios, S.A. | Investments in all types of businesses     |      |
| Teleconstructora, S.A. de C.V.                     | Construction & maint. of telephone network |      |
| Teléfonos del Noroeste, S.A. de C.V.               | Telecommunication services                 | 1    |
| Telmex Holdings, Inc.                              | Telecommunication services                 |      |
| Teninver, S.A. de C.V.                             | Investments in all types of businesses     | 2,8  |
| Uninet, S.A. de C.V.                               | Data transmission services                 |      |

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**TELÉFONOS DE MÉXICO, S.A.B. DE C.V.**

**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                                  | PRESENT |
|              |                 |                  |           |  |         |



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|   |                                 |             |          | <b>COST</b>    | <b>VALUE</b>     |
|---|---------------------------------|-------------|----------|----------------|------------------|
|   |                                 |             | <b>%</b> |                |                  |
| Grupo Telvista, S.A. de C.V.                      | Telemarketing in Mexico and USA | 510,138,000 | 45.00    | 510,138        | 784,875          |
| Centro Histórico de la Ciudad de México, SA de CV | Real estate services            | 16,004,000  | 12.79    | 80,020         | 102,401          |
| TM and MS, L.L.C.                                 | Internet portal (Prodigy MSN)   | 1           | 50.00    | 29,621         | 213,265          |
| Hildebrando, S.A. de C.V.                         | Information Technology Services | 462,768     | 17.63    | 155,737        | 167,734          |
|   |                                 |             |          |                |                  |
| <b>TOTAL INVESTMENT IN ASSOCIATES</b>             |                                 |             |          | <b>775,516</b> | <b>1,268,275</b> |
| <b>OTHER PERMANENT INVESTMENTS</b>                |                                 |             |          |                | <b>123,767</b>   |
| <b>T O T A L</b>                                  |                                 |             |          |                | <b>1,392,042</b> |

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**TELÉFONOS DE MÉXICO, S.A.B. DE C.V.**

**ANNEX 5**

**CREDITS BREAKDOWN**

(Thousands of Mexican Pesos)

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| Debt / Instrument | Foreign Institution | Signature date | Amortization Date | Interest Rate | Amortization of Credits Denominated in Pesos |              |              |              |              |                       | Amortization of Credits in Foreign Currency |              |              |              |              |
|-------------------|---------------------|----------------|-------------------|---------------|--|--------------|--------------|--------------|--------------|-----------------------|---|--------------|--------------|--------------|--------------|
|                   |                     |                |                   |               | Time Interval                                |              |              |              |              |                       | Time Interval                               |              |              |              |              |
|                   |                     |                |                   |               | Current Year                                 | Until 1 Year | Until 2 Year | Until 3 Year | Until 4 Year | Until 5 Years or more | Current Year                                | Until 1 Year | Until 2 Year | Until 3 Year | Until 4 Year |
|                   |                     |                |                   |               |  |              |              |              |              |                       |   |              |              |              |              |
| DEBT              | Y                   | 16/03/2006     | 22/07/2014        | 0.8452        | 0  | 0            | 0            | 0            | 0            | 0                     | 0   | 172,681      | 134,375      | 134,375      | 44,480       |
| DEBT              | Y                   | 15/01/2007     | 10/03/2018        | 0.8022        | 0  | 0            | 0            | 0            | 0            | 0                     | 0   | 782,625      | 782,625      | 782,625      | 782,625      |
| DEBT              | Y                   | 28/02/1986     | 31/03/2022        | 2.0000        | 0  | 0            | 0            | 0            | 0            | 0                     | 0   | 24,534       | 24,495       | 24,534       | 24,534       |
| DEBT              |                     |                |                   |               |  |              |              |              |              |                       |   |              |              |              |              |
| DEBT              |                     |                |                   |               |  |              |              |              |              |                       |   |              |              |              |              |
| DEBT              | N/A                 | 28/06/2010     | 28/06/2011        | 5.6006        | 0  | 46,000       | 0            | 0            | 0            | 0                     | 0   | 0            | 0            | 0            | 0            |
| DEBT              | Y                   | 13/06/2008     | 13/06/2014        | 0.6528        | 0  | 0            | 0            | 0            | 0            | 0                     | 0   | 0            | 0            | 247,142      | 370,713      |
| DEBT              | Y                   | 12/02/2008     | 18/02/2014        | 0.5181        | 0  | 0            | 0            | 0            | 0            | 0                     | 0   | 0            | 0            | 0            | 3,035,397    |
| DEBT              | Y                   | 30/06/2006     | 30/06/2012        | 0.5528        | 0  | 0            | 0            | 0            | 0            | 0                     | 0   | 0            | 3,089,275    | 0            | 0            |
| DEBT              | Y                   | 11/08/2006     | 11/08/2013        | 0.6278        | 0  | 0            | 0            | 0            | 0            | 0                     | 0   | 0            | 2,883,323    | 5,766,647    | 0            |
| DEBT              | Y                   | 25/04/2007     | 30/09/2014        | 4.5000        | 0  | 0            | 0            | 0            | 0            | 0                     | 0   | 247,142      | 222,428      | 197,714      | 74,142       |
| DEBT              |                     |                |                   |               |  |              |              |              |              |                       |   |              |              |              |              |
| DEBT              |                     |                |                   |               | 0  | 46,000       | 0            | 0            | 0            | 0                     | 0   | 1,226,982    | 7,136,521    | 7,153,037    | 4,331,897    |
| DEBT              |                     |                |                   |               |  |              |              |              |              |                       |   |              |              |              |              |
| DEBT              |                     |                |                   |               |  |              |              |              |              |                       |   |              |              |              |              |
| DEBT              | N/A                 | 31/05/2002     | 31/05/2012        | 10.2000       | 0  | 0            | 300,000      | 0            | 0            | 0                     | 0   | 0            | 0            | 0            | 0            |
| DEBT              | N/A                 | 21/09/2006     | 15/09/2011        | 4.9400        | 0  | 500,000      | 0            | 0            | 0            | 0                     | 0   | 0            | 0            | 0            | 0            |
| DEBT              | N/A                 | 23/04/2007     | 16/03/2037        | 8.3600        | 0  | 0            | 0            | 0            | 0            | 5,000,000             | 0   | 0            | 0            | 0            | 0            |
| DEBT              | N/A                 | 23/04/2007     | 16/04/2012        | 4.7750        | 0  | 0            | 4,500,000    | 0            | 0            | 0                     | 0   | 0            | 0            | 0            | 0            |

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|   |     |            |            |        |   |            |           |           |           |            |   |           |           |           |           |
|---|-----|------------|------------|--------|---|------------|-----------|-----------|-----------|------------|---|-----------|-----------|-----------|-----------|
| RAT (3)   | N/A | 21/04/2008 | 05/04/2018 | 8.2700 | 0 | 0          | 0         | 0         | 0         | 1,600,000  | 0 | 0         | 0         | 0         | 0         |
| RAT (4)   | N/A | 10/07/2009 | 07/07/2011 | 5.6150 | 0 | 4,000,000  | 0         | 0         | 0         | 0          | 0 | 0         | 0         | 0         | 0         |
| RAT 2 (4)   | N/A | 10/07/2009 | 04/07/2013 | 5.8250 | 0 | 0          | 0         | 4,000,000 | 0         | 0          | 0 | 0         | 0         | 0         | 0         |
| RAT 3 (4)   | N/A | 03/11/2009 | 30/10/2014 | 5.8250 | 0 | 0          | 0         | 0         | 4,000,000 | 0          | 0 | 0         | 0         | 0         | 0         |
| RAT 4 (4)   | N/A | 03/11/2009 | 27/10/2016 | 6.1250 | 0 | 0          | 0         | 0         | 0         | 2,000,000  | 0 | 0         | 0         | 0         | 0         |
| R OS  | N/A | 31/01/2006 | 31/01/2016 | 8.7500 | 0 | 0          | 0         | 0         | 0         | 4,500,000  | 0 | 0         | 0         | 0         | 0         |
| R   | Y   | 27/01/2005 | 27/01/2015 | 5.5000 | 0 | 0          | 0         | 0         | 0         | 0          | 0 | 0         | 0         | 0         | 0         |
| R   | Y   | 12/11/2009 | 15/11/2019 | 5.5000 | 0 | 0          | 0         | 0         | 0         | 0          | 0 | 0         | 0         | 0         | 0         |
| DEBT  |     |            |            |        |   |            |           |           |           |            |   |           |           |           |           |
| E NTS   |     |            |            |        |   |            |           |           |           |            |   |           |           |           |           |
| D   |     |            |            |        |   |            |           |           |           |            |   |           |           |           |           |
| DEBT  |     |            |            |        |   |            |           |           |           |            |   |           |           |           |           |
| OCK E   |     |            |            |        | 0 | 4,500,000  | 4,800,000 | 4,000,000 | 4,000,000 | 13,100,000 | 0 | 0         | 0         | 0         | 0         |
| RS  |     |            |            |        |   |            |           |           |           |            |   |           |           |           |           |
|   |     |            |            |        |   |            |           |           |           |            |   |           |           |           |           |
| <b>LONG AND SHORT TERM LOANS WITH COST (S30)</b>            |     |            |            |        |   |            |           |           |           |            |   |           |           |           |           |
| NS (2)  | N/A | 12/11/2010 | 20/10/2011 | 0.5528 | 0 | 0          | 0         | 0         | 0         | 0          | 0 | 6,178,550 | 0         | 0         | 0         |
| <b>OTHER LONG AND SHORT TERM LOANS WITH COST (S103) AND</b> |     |            |            |        | 0 | 0          | 0         | 0         | 0         | 0          | 0 | 6,178,550 | 0         | 0         | 0         |
| <b>CURRENT LIABILITIES WITH COST (S26)</b>                  |     |            |            |        |   |            |           |           |           |            |   |           |           |           |           |
| OST   |     |            |            | 0.0000 | 0 | 18,294,387 | 0         | 0         | 0         | 0          | 0 | 0         | 0         | 0         | 0         |
| HER   |     |            |            |        | 0 | 18,294,387 | 0         | 0         | 0         | 0          | 0 | 0         | 0         | 0         | 0         |
| NS  |     |            |            |        |   |            |           |           |           |            |   |           |           |           |           |
|   |     |            |            |        | 0 | 22,840,387 | 4,800,000 | 4,000,000 | 4,000,000 | 13,100,000 | 0 | 7,405,532 | 7,136,521 | 7,153,037 | 4,331,899 |

A.- Interest rates:

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

- (1) 6 months USD Libor rate plus margin
- (2) 3 months USD Libor rate plus margin
- (3) Fixed Rate
- (4) 28 days TIE rate plus margin
- (5) 91 days TIE rate plus margin
- (6) 3 months JPY LIBOR plus margin

B.- The following rates were considered:

- Libor at 6 months in US dollars is equivalent to a 0.4559 at December 31, 2010
- Libor at 3 months in US dollars is equivalent to 0.3028 at December 31, 2010
- TIE at 28 days is equivalent to 4.8750 at December 31, 2010
- TIE at 91 days is equivalent to 4.9600 at December 31, 2010
- Libor at 3 months in JPY is equivalent to 0.1881 at December 31, 2010

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 December 31, 2010 were as follows:

| CURRENCY           | AMOUNT     | E.R.  |
|--------------------|------------|-------|
| DOLLAR (USD)       | 3,306,054  | 12.36 |
| EURO (EUR)         | 11,242     | 16.57 |
| JAPANESE YEN (JPY) | 19,891,200 | 0.15  |

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010

TELÉFONOS DE MÉXICO, S.A.B. 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 DOLLARS | THOUSAND PESOS | THOUSAND DOLLARS | THOUSAND PESOS | THOUSAND PESOS |
| MONETARY ASSETS           | 138,722          | 1,714,207      | 0                | 0              | 1,714,207      |
|                           |                  |                |                  |                |                |
| LIABILITIES               | 3,552,633        | 43,900,239     | 260,931          | 3,224,348      | 47,124,587     |
| SHORT-TERM LIABILITIES    | 843,888          | 10,428,006     | 2,199            | 27,168         | 10,455,174     |
| LONG-TERM LIABILITIES     | 2,708,745        | 33,472,233     | 258,732          | 3,197,180      | 36,669,413     |
|                           |                  |                |                  |                |                |
| NET BALANCE               | (3,413,911)      | (42,186,032)   | (260,931)        | (3,224,348)    | (45,410,380)   |

## FOREIGN CURRENCY USED:

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) | 12.36 |
| EURO         | 16.57 |
| JAPANESE YEN | 0.15  |

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TELÉFONOS DE MÉXICO, S.A.B. 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        | 0                  | 0                       | 0   | 0.00                 | 0   |
| FEBRUARY       | 0                  | 0                       | 0   | 0.00                 | 0   |
| MARCH          | 0                  | 0                       | 0   | 0.00                 | 0   |
| APRIL          | 0                  | 0                       | 0   | 0.00                 | 0   |
| MAY            | 0                  | 0                       | 0   | 0.00                 | 0   |
| JUNE           | 0                  | 0                       | 0   | 0.00                 | 0   |
| JULY           | 0                  | 0                       | 0   | 0.00                 | 0   |
| AUGUST         | 0                  | 0                       | 0   | 0.00                 | 0   |
| SEPTEMBER      | 0                  | 0                       | 0   | 0.00                 | 0   |
| OCTOBER        | 0                  | 0                       | 0   | 0.00                 | 0   |
| NOVEMBER       | 0                  | 0                       | 0   | 0.00                 | 0   |
| DECEMBER       | 0                  | 0                       | 0   | 0.00                 | 0   |
| RESTATEMENT    | 0                  | 0                       | 0   | 0.00                 | 0   |
| CAPITALIZATION | 0                  | 0                       | 0   | 0.00                 | 0   |
| FOREIGN CORP.  | 0                  | 0                       | 0   | 0.00                 | 0   |
| OTHER          | 0                  | 0                       | 0   | 0.00                 | 0   |
| <b>TOTAL</b>   |                    |                         |   |                      | <b>0</b>                                    |

|  |  |  |  |
|--|--|--|--|
| <b>FIGURES FOR INFORMATION PURPOSES:</b> |  |  |  |
| CAPITALIZED MONETARY GAIN                |  |  |  |

Not applicable

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**TELÉFONOS DE MÉXICO, S.A.B. DE C.V.**

**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's controlling company) or its current stockholders continue to hold the majority of the Company's voting shares.

**CURRENT SITUATION OF FINANCIAL LIMITED**

At December 31, 2010, 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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| RAW MATERIALS | MAIN SUPPLIERS | ORIGIN | DOM. SUBST. | TOTAL PRODUCTION COST (%) |
|---------------|----------------|--------|-------------|---------------------------|
| NOT AVAILABLE |                |        |             |                           |
|               |                |        |             |                           |



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

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TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

## ANNEX 11a

## SALES DISTRIBUTION BY PRODUCT

## SALES

(Thousands of Mexican Pesos)

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| MAIN PRODUCTS         | NET SALES |            | MARKET PART.<br>(%) | MAIN TRADEMARKS | CUSTOMERS |
|-----------------------|-----------|------------|---------------------|-----------------|-----------|
|                       | VOLUME    | AMOUNT     |                     |                 |           |
| <b>DOMESTIC SALES</b> |           |            |                     |                 |           |
| LOCAL SERVICE         | 0         | 41,006,772 | 0.0                 |                 |           |
| LONG DISTANCE SERVICE | 0         | 14,875,503 | 0.0                 |                 |           |
| INTERCONNECTION       | 0         | 15,022,721 | 0.0                 |                 |           |
| DATA                  | 0         | 32,705,331 | 0.0                 |                 |           |
| OTHERS                | 0         | 6,676,324  | 0.0                 |                 |           |
| <b>FOREIGN SALES</b>  |           |            |                     |                 |           |
| NET SETTLEMENT        | 0         | 2,434,130  | 0                   |                 |           |
| LONG DISTANCE SERVICE | 0         | 601,482    | 0                   |                 |           |
| DATA                  | 0         | 173,637    | 0                   |                 |           |
| OTHERS                | 0         | 67,465     | 0                   |                 |           |

|       |  |             |  |  |  |
|-------|--|-------------|--|--|--|
| TOTAL |  | 113,563,365 |  |  |  |
|-------|--|-------------|--|--|--|

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TELÉFONOS DE MÉXICO, S.A.B. 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         | 2,434,130        |             |            |           |
| DATA                  | 0         | 173,637          |             |            |           |
| OTHERS                | 0         | 7,407            |             |            |           |
| FOREIGN SUBSIDIARIES  |           |                  |             |            |           |
| LONG DISTANCE SERVICE | 0         | 601,482          |             |            |           |
| DATA                  | 0         | 0                |             |            |           |
| OTHERS                | 0         | 60,058           |             |            |           |
| <b>TOTAL</b>          |           | <b>3,276,714</b> |             |            |           |

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TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

**ANALYSIS OF PAID CAPITAL STOCK**

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| SERIE        | VALOR   | CUPON   | NUMERO DE ACCIONES    |          |                      |                       | CAPITAL SOCIAL   |          |
|--------------|---------|---------|-----------------------|----------|----------------------|-----------------------|------------------|----------|
|              | NOMINAL | VIGENTE | PORCION               | PORCION  |                      | LIBRE                 | (Miles de Pesos) |          |
|              | (\$)    |         | FIJA                  | VARIABLE | MEXICANOS            | SUSCRIPCION           | FIJO             | VARIABLE |
| A            | 0.00432 |         | 383,477,871           | 0        |                      | 383,477,871           | 1,656            | 0        |
| AA           | 0.00432 |         | 7,839,596,082         | 0        | 7,839,596,082        | 0                     | 33,848           | 0        |
| L            | 0.00432 |         | 9,934,926,047         | 0        |                      | 9,934,926,047         | 42,894           | 0        |
| <b>TOTAL</b> |         |         | <b>18,158,000,000</b> | <b>0</b> | <b>7,839,596,082</b> | <b>10,318,403,918</b> | <b>78,398</b>    | <b>0</b> |

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**MEXICAN STOCK EXCHANGE**

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SIFIC/ICS

STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

ANNEX 13

**PROJECT INFORMATION**

(Thousands of Mexican Pesos)

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| ITEM                                  | Thousand of Mexican Pesos  |                 |                     | Budget<br>2010    | % of<br>Advance |
|---------------------------------------|----------------------------|-----------------|---------------------|-------------------|-----------------|
|                                       | 4th. Quarter 10<br>Oct-Dec | % of<br>Advance | Amount used<br>2010 |                   |                 |
|                                       |                            |                 |                     |                   |                 |
| DATA                                  | 1,833,462                  | 47.0            | 4,354,915           | 3,901,693         | 111.6           |
| INTERNAL PLANT                        | 30,182                     | 12.5            | 475,485             | 240,681           | 197.6           |
| NETWORKS                              | 289,864                    | 37.8            | 917,634             | 766,756           | 119.7           |
| TRANSMISSION NETWORK                  | 600,454                    | 31.1            | 1,599,683           | 1,932,968         | 82.8            |
| SYSTEMS                               | 269,651                    | 126.0           | 309,214             | 213,979           | 144.5           |
| OTHERS                                | 936,569                    | 30.9            | 2,813,860           | 3,028,845         | 92.9            |
| TELMEX USA                            | 78,858                     | 68.5            | 117,216             | 115,078           | 101.9           |
|                                       |                            |                 |                     |                   |                 |
| <b>TOTAL INVESTMENT TELMEX MEXICO</b> | <b>4,039,040</b>           | <b>39.6</b>     | <b>10,588,007</b>   | <b>10,200,000</b> | <b>103.8</b>    |

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## MEXICAN STOCK EXCHANGE

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## SIFIC/ICS

## STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010

## TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

## ANNEX 14

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

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**Exchange differences**

Transactions in foreign currency are recorded at the prevailing exchange rate on the day of the related transactions. Foreign currency denominated monetary assets and liabilities are valued at the prevailing exchange rate at the balance sheet date. Exchange differences from the transaction date to the time foreign currency denominated monetary assets and liabilities are settled, as well as those arising from the translation of foreign currency denominated balances at the balance sheet date are charged or credited to results of operations.

**Translation of financial statements of foreign subsidiary and affiliate**

The financial statements of the foreign subsidiary and affiliate are either consolidated or accounted for based on the equity method, as the case may be, once the financial statements have been adjusted to conform to Mexican Financial Reporting Standards in the corresponding local currency, and are then translated to the reporting currency. All the assets and liabilities of our foreign subsidiary and affiliate are translated to Mexican pesos at the prevailing exchange rate at the end of the period. Stockholders' equity accounts are translated at the prevailing exchange rate at the time capital contributions were made and earnings were generated. Revenues, costs and expenses are translated at the historical exchange rate. Translation differences are recorded in stockholders' equity in the line item "Effect of translation of foreign entities" under "Accumulated other comprehensive income items."

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**SIFIC/ICS**

**STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010**

**TELÉFONOS DE MÉXICO, S.A.B. DE C.V.**

**COMPLIANCE WITH THE REQUIREMENT ISSUED BY THE COMISION BANCARIA Y DE VALORES (BANKING AND SECURITIES COMMISSION OF MEXICO)**

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Final printing

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**Quarterly Report of Derivative Financial Instruments**

**I. Executive Summary**

As of December 31, 2010, Teléfonos de México, S.A.B. de C.V. ("Telmex" or the "Company") had cross currency swap agreements in the equivalent of U.S.\$3,487 million, which have hedged the exchange rate and interest rate risks related to the bonds with maturity in 2015 and 2019 for a total amount of U.S.\$1,310 million and loans with maturities from 2011 to 2018 for a total amount of U.S.\$ 2,177 million. These hedges allowed us to fix the exchange rate of our debt on a weighted average exchange rate of P.10.7645 Mexican pesos per U.S. dollar and an average interest rate of the 28-day Mexican interbank equilibrium interest rate ("TIIE") less a specified margin, as well as to set a fixed rate of 8.57% for the bond maturing in 2015.

At the end of the fourth quarter, the Company had forward contracts for U.S.\$40 million at a exchange rate of P.12.9114 Mexican pesos per US dollar.

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At December 31, 2010, the Company had interest rate swaps in Mexican pesos for P.16,649 million to hedge the floating rate risk in local currency, fixing it at an average of 8.48%.

These transactions have been carried out based on the policies, strategies and guidelines of the Company.

### **II .. Qualitative and Quantitative Information**

#### **i. Management discussion on the policies for using derivative instruments**

The policies for using derivative instruments indicated below, are part of the Financial Risk Management Policies approved by the Board of Directors, which establish the general guidelines for the identification, management, measurement, monitoring and control of financial risks that may affect the operation or expected results of Telmex.

The Audit Committee, as a delegated body of the Board of Directors, is responsible to analyze and define the strategy to hedge or mitigate risks related to exchange rate and interest rate fluctuations of the Company's debt, assess the Management's results in handling derivative instruments according to the established policies and inform the Board of Directors for their knowledge and, if appropriate, ratification.

#### *Objective to enter into derivative transactions and selected instruments*

With the purpose of reducing the risks related to the variations of exchange rate and interest rate, the Company uses derivative instruments associating the hedges with the debt. The derivative instruments that have been selected are, mainly:

- (a) instruments for purchasing US dollars at a specified future time (forwards);
- (b) instruments that involve the exchange of principal and interest from one currency to another (cross currency swaps); and
- (c) instruments to fix the floating interest rates of the debt (interest rate swaps).

The Company uses these instruments in a conservative manner, without any speculative purpose.

*Hedge strategies*

When the market conditions are favorable, the Company's Management determines the amounts and goal parameters under which the hedge agreements are contracted. This strategy seeks to reduce the risk exposure of abnormal market fluctuations in the main variables that affect our debt, including exchange rate and interest rate, to maintain a solid and healthy financial structure. Most of our derivative instruments have been designated and qualify as cash flow hedges.

*Trading markets and eligible counterparties*

The derivative instruments are traded in over-the-counter-markets, i.e. out of an institutionalized exchange market. The financial institutions and counterparties with which the Company enters into such derivative instruments are considered to have a proven reputation and solvency in the market, which allows us to balance our risk positions with such counterparties.

It is a policy of the Company to try to avoid the concentration of more than 25% (twenty five per cent) of the total derivatives position in a single counterparty.

Also, the Company only uses derivative instruments that are of common use in the markets, and therefore, can be quoted by two or more financial institutions to assure the best conditions in the negotiation.

*Policies for the appointment of calculation and valuation agents*

Given that the Company uses derivative instruments of common use in the market, it appoints a third independent party that is responsible to provide the market price of such instruments. These prices are compared by the Company with the prices provided by the financial intermediaries; and, in certain transactions, the counterparty is able to act as valuation agent under the applicable documentation if it is a financial institution with a proven reputation.

*Main terms and conditions of the agreements*

It is a policy of the Company that the amount, date and interest rate conditions of the debt to be hedged, if possible, have to coincide with the terms of the hedges, that is usual for this type of transactions in the different markets where it operates.

All the transactions with derivative instruments are made under the ISDA Master Agreement (International Swap Dealers Association) standardized and duly executed by the legal representatives of the Company and the financial institutions, and in the

case of counterparties in México, pursuant to the uses and practices of the market in our country.

*Margin policies, collaterals and lines of credit*

In some cases, the Company has entered into an accessory agreement to the ISDA Master Agreement with the financial institutions, the Credit Support Annex, which sets forth an obligation to grant collaterals for margin calls in case the mark to market value exceeds certain credit limits (threshold amount).

The Company has the policy to keep a close watch of the volume of the transactions entered into with each financial institution in order to avoid, if possible, any margin call.

*Processes of levels of authorization required by type of negotiation*

All derivative instrument transactions are executed by the Chief Financial Officer, the Subdirector of Budget and Financial Evaluation or the Treasury Operation Manager, who are the only individuals registered with the financial institutions for such purposes.

*Existence of an independent third party that reviews such processes*

Both, the fulfillment of the Corporate Governance Guidelines and the measurement of effectiveness of the derivative instruments, to comply with the International Financial Reporting Standards, are discussed with the independent auditors that validate the reasonable accounting application of the effect of such instruments in the financial statements of the Company.

**ii. Generic description of the valuation techniques and accounting policies**

As previously stated, derivative instruments are carried out by the Company only for hedging purposes. The measurement of the effectiveness of the hedges is made in a prospective and retrospective manner. For the prospective valuation, we use statistic techniques that allow us to measure in what proportion the change in the value of the hedged debt (primary position) is compensated by the change in the value of the derivative instrument. The retrospective valuation is made by comparing the historic results of the debt flows with the flows of the respective hedges.

The effectiveness of the Company's derivatives used for hedging purposes is evaluated prior to their designation as hedges, as well as during the hedging period, which is performed at least quarterly. Whenever it is determined that a derivative is not highly effective as a hedge or that the derivative ceases to be a highly effective hedge, the Company ceases to apply hedge accounting for the derivative on a prospective basis. During 2010 and 2009, there were no gains or losses recognized due to changes in the



accounting treatment for hedges.

Derivative financial instruments are recognized in the balance sheet at their fair values. The effective portion of the cash flow hedge's gain or loss is recognized in "Accumulated other comprehensive income items" in stockholders' equity, while the ineffective portion is recognized in current year earnings. Changes in the fair value of derivatives that do not qualify as hedges are immediately recognized in earnings.

The change in fair value recognized in earnings related to derivatives that are accounted for as hedges is presented in the same income statement caption as the gain or loss of the hedged item.

At December 31, 2010, our cross currency swaps position is deemed to be highly effective, with an effectiveness factor of approximately 96.1%

Also, P.11,649 million of our interest rate swaps are deemed to be highly effective, with an effectiveness factor of approximately 95.6%, while the remaining P.5,000 million were considered ineffective.

### **iii. Management discussion on internal and external liquidity sources to meet the requirements related to derivative instruments**

It is estimated that the Company's cash generation has been enough to service debt and the established derivative instruments to hedge the risks associated with such debt.

### **iv. Changes in the exposure to the main identified risks and its management**

The identified risks are those related to the variations of the exchange rate and interest rate. Given the direct relationship between the hedged debt and the derivative instruments and that they do not have any variables that could affect or terminate the hedge in advance, the Company does not foresee any risk that such hedges could differ from the original purpose for which the hedges were contracted.

During 2010, the change in the fair value of the cross currency swaps that offset the exchange gain of the foreign-currency denominated debt was a net charge of P.2,108 million (net charge of P.5,682 million in 2009).

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For the year ended December 31, 2010, the Company recognized a net charge of P.97 million (charge of P.521 million in 2009) as part of the net exchange gain, due to changes in the fair value of short term foreign currency forwards.

Additionally, in 2010 the Company recognized in interest expense a net expense for interest rate swaps of P.1,688 million (net expense of P.1,942 million in 2009).

In 2010, the ineffective portion of the cash flow hedges was a net expense of P.507 million (net expense of P.115 million in 2009), recognized in interest expense.

During the fourth quarter, no margin calls had been required. To date, there has not been any breach in the terms and conditions of the respective agreements.

**v. Quantitative information**

| Derivative instruments summary at December 31 and September 30, 2010 |   |                 |                  |   |                      |                 |                  |                           |                                  |
|--|---|-----------------|------------------|---|----------------------|-----------------|------------------|---------------------------|----------------------------------|
| Figures in thousands of Mexican Pesos and US Dollars                 |   |                 |                  |   |                      |                 |                  |                           |                                  |
| Type of Derivative   | Purpose of Hedging, Negotiation or Others | Notional Amount |                  | Value of Underlying Asset Variable of Reference |                      | Fair Value      |                  | Maturity Amounts per year | Collateral / Lines of Credit (*) |
|  |   | Current Quarter | Previous Quarter | Current Quarter                                 | Previous Quarter     | Current Quarter | Previous Quarter |                           |                                  |
| Exchange Rate Hedges   |   |                 |                  |   |                      |                 |                  |                           |                                  |
| (Principal and interests)  |   |                 |                  |   |                      |                 |                  |                           |                                  |
| Cross Currency Swap  | Hedging                                   | US Dollar       | US Dollar        | <u>TIE</u>                                      | <u>TIE</u>           | MXN             | MXN              | (1)                       |                                  |
|  |   | 3,241,518       | 3,586,518        | 4.8750  | 4.8733               | 5,883,596       | 8,211,129        |                           |                                  |
|  |   |                 |                  | <u>EXCHANGE RATE</u>                            | <u>EXCHANGE RATE</u> |                 |                  |                           |                                  |
|  |   |                 |                  | 12.3571   | 12.5011              |                 |                  |                           |                                  |
| Forwards   | Hedging                                   | US Dollar       | US Dollar        | <u>EXCHANGE RATE</u>                            | <u>EXCHANGE RATE</u> | (20,695)        | (12,742)         | (2)                       |                                  |
|  |   | 40,000          | 50,000           | 12.3571   | 12.5011              |                 |                  |                           |                                  |
| Total  |   | 3,281,518       | 3,636,518        |   |                      | 5,862,901       | 8,198,387        |                           |                                  |

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|                            |         |                                 |                           |  |                                 |                                  |                    |     |  |
|----------------------------|---------|---------------------------------|---------------------------|--|---------------------------------|----------------------------------|--------------------|-----|--|
| Cross Currency Swap        | Hedging | <b>YEN</b><br><b>19,891,200</b> | YEN<br>19,891,200         | <u>TIIE</u><br><b>4.8750</b>           | <u>TIIE</u><br>4.8733           | <b>1,073,422</b>                 | 1,029,815          | (3) |  |
|                            |         |                                 |                           | <u>EXCHANGE RATE</u><br><b>0.1526</b>  | <u>EXCHANGE RATE</u><br>0.15    |                                  |                    |     |  |
| Exchange Rate Hedges       |         |                                 |                           |  |                                 |                                  |                    |     |  |
| (Interests only)           |         |                                 |                           |  |                                 |                                  |                    |     |  |
| Cross Currency Coupon Swap | Hedging | <b>US Dólar</b><br>-            | <b>US Dólar</b><br>50,000 | <u>TIIE</u><br><b>4.8750</b>           | <u>TIIE</u><br>4.8733           | <b>MXN</b><br>-                  | <b>MXN</b><br>170  | (4) |  |
|                            |         |                                 |                           | <u>EXCHANGE RATE</u><br><b>12.3571</b> | <u>EXCHANGE RATE</u><br>12.5011 |                                  |                    |     |  |
| Exchange Rate Hedges       |         |                                 |                           |  |                                 |                                  |                    |     |  |
| (Interests only)           |         |                                 |                           |  |                                 |                                  |                    |     |  |
| Interest Rate Swap         | Hedging | <b>MXN</b><br><b>16,649,250</b> | MXN<br>16,649,250         | <u>TIIE</u><br><b>4.8750</b>           | <u>TIIE</u><br>4.8733           | <b>MXN</b><br><b>(1,540,599)</b> | MXN<br>(2,110,919) | (5) |  |
| Total                      |         |                                 |                           |  |                                 | <b>5,395,724</b>                 | 7,117,453          |     |  |

(\*) Of our hedge agreements, 64% of the total hedge amount include margin calls, when the market value exceeds the amounts of the lines of credit that we have in the amount of U.S.\$425 million.

(1) These swaps hedge the debt position in U.S. dollars, with the obligation of paying floating rate in Mexican pesos at an average of TIIE less a specified margin and with an average life of 3 years.

(2) This forward position mainly hedge debt service flows in U.S. dollars, with maturity in 2011.

(3) These swaps hedge debt position in Yens with the obligation of paying P.2,000 million in Mexican pesos (equivalent to U.S.\$246 million) at a floating rate and with maturity in February 2014.

(4) These swaps hedged the interest payment of debt in US dollar which became due on November 2010, with the obligation of paying floating rate in Mexican pesos at an average of TIIE less a specified margin.

5. These agreements hedge debt position in Mexican pesos at a floating rate, fixing it at an average of 8.48% and with an average life of 6 years.

### III. Sensitivity Analysis

The sensitivity analysis for changes in the fair value of derivative financial instruments that are in the correlation range of 80% to 125% of effectiveness is not presented, since they are carried out for hedging purposes and therefore, any change in variables (i.e. exchange rates and

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interest rate) that affect the cash flows of the hedged debt (primary position) would be offset by the changes in the cash flows of the derivative instruments.

Sensitivity analysis for potential losses in fair value considering scenarios of hypothetical, instantaneous and unfavorable changes in interest rates is presented for derivative financial instruments deemed ineffective.

A hypothetical decrease in the underlying asset (interest rate) of 100 basis points, would result in a charge in the Company's income statements of P.373 million.

**Sensitivity Analysis**

Underlying Asset Changes

(figures in million)

| Type of Derivative      | Purpose of Hedging/Negotiation | Type of Currency | Notional Amount | At December 31, 2010      |                    | Additional Potential Loss (Pesos) |         |           |
|-------------------------|--------------------------------|------------------|-----------------|---------------------------|--------------------|-----------------------------------|---------|-----------|
|                         |                                |                  |                 | Value of Underlying Asset | Fair Value (Pesos) | - 30bps                           | - 50bps | - 100 bps |
| Cross currency swap (1) | Hedging                        | U.S.Dollar       | 3,241           | 4.875%<br>T.C.12.3571     | 5,884              | -                                 | -       | -         |
| Cross currency swap (1) | Hedging                        | YEN              | 19,981          | 4.875%<br>T.C.0.1526      | 1,073              | -                                 | -       | -         |
| Forwards (1)            | Hedging                        | .S.Dollar        | 40              | 12.3571                   | -21                |                                   |         |           |
| Interest rate swap (1)  | Hedging                        | Peso             | 11,649          | 4.875%                    | (1,114)            | -                                 | -       | -         |

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|                        |         |      |       |        |              |              |              |              |
|------------------------|---------|------|-------|--------|--------------|--------------|--------------|--------------|
| Interest rate swap (2) | Hedging | Peso | 5,000 | 4.875% | -426         | (112)        | (187)        | (373)        |
| <b>Total</b>           |         |      |       |        | <b>5,396</b> | <b>(112)</b> | <b>(187)</b> | <b>(373)</b> |

(1) Hedges deemed as highly effective (a sensitivity analysis is not applicable).

(2) Hedges deemed as ineffective.

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**TELÉFONOS DE MÉXICO, S.A.B. DE C.V.**

**GENERAL INFORMATION**

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**ISSUER GENERAL INFORMATION**

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

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ISSUER FISCAL INFORMATION

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

OFFICERS INFORMATION

|               |  |
|---------------|--|
| POSITION BMV: | CHAIRMAN OF THE BOARD                    |
| POSITION:     | CHAIRMAN OF THE BOARD                    |
| NAME:         | LIC. CARLOS SLIM DOMIT                   |
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| POSITION:     | CHIEF EXECUTIVE OFFICER   |
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| POSITION:     | CHIEF FINANCIAL OFFICER   |
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|---------------|---|
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| POSITION:     | SHAREHOLDER SERVICES MANAGER  |
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|---------------|---|
| POSITION BMV: | IN-HOUSE LEGAL COUNSEL  |
| POSITION:     | LEGAL DIRECTOR  |
| NAME:         | LIC. SERGIO F. MEDINA NORIEGA                                       |
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|---------------|---|
| POSITION BMV: | SECRETARY OF THE BOARD OF DIRECTORS                                 |
| POSITION:     | LEGAL DIRECTOR  |
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|---------------|---|
| POSITION BMV: | PAYMENT RESPONSIBLE   |
| POSITION:     | COMPROLLER  |
| 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   |

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MEXICAN STOCK EXCHANGE

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STOCK EXCHANGE CODE: TELMEX QUARTER: 4 YEAR: 2010

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

BOARD OF DIRECTORS

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| POSITION                            | NAME               |                  |             |  |
|-------------------------------------|--------------------|------------------|-------------|--|
| CHAIRMAN OF THE BOARD               | LIC. CARLOS        | SLIM             | DOMIT       |  |
| VICE CHAIRMAN (INDEPENDENT)         | C.P. JUAN ANTONIO  | PEREZ            | SIMON       |  |
| BOARD PROPIETORS (INDEPENDENT)      | ING. ANTONIO       | COSIO            | ARIÑO       |  |
| BOARD PROPIETORS (INDEPENDENT)      | DRA. AMPARO        | ESPINOSA         | RUGARCIA    |  |
| BOARD PROPIETORS (INDEPENDENT)      | ING. ELMER         | FRANCO           | MACIAS      |  |
| BOARD PROPIETORS (INDEPENDENT)      | LIC. JOSE          | KURI             | HARFUSH     |  |
| BOARD PROPIETORS (INDEPENDENT)      | LIC. ANGEL         | LOSADA           | MORENO      |  |
| BOARD PROPIETORS                    | LIC. MARCO ANTONIO | SLIM             | DOMIT       |  |
| BOARD PROPIETORS                    | LIC. PATRICK       | SLIM             | DOMIT       |  |
| BOARD PROPIETORS                    | LIC. HECTOR        | SLIM             | SEADE       |  |
| BOARD PROPIETORS (INDEPENDENT)      | SR. MICHAEL        | J.               | VIOLA       |  |
| BOARD PROPIETORS (INDEPENDENT)      | SR. LARRY          | I.               | BOYLE       |  |
| BOARD PROPIETORS (INDEPENDENT)      | C.P. RAFAEL        | KALACH           | MIZRAHI     |  |
| BOARD PROPIETORS (INDEPENDENT)      | LIC. RICARDO       | MARTIN           | BRINGAS     |  |
| BOARD ALTERNATES                    | C.P. JOSÉ HUMBERTO | GUTIERREZ-OLVERA | ZUBIZARRETA |  |
| BOARD ALTERNATES (INDEPENDENT)      | ING. ANTONIO       | COSIO            | PANDO       |  |
| BOARD ALTERNATES (INDEPENDENT)      | ING. MARCOS        | FRANCO           | HERNAIZ     |  |
| BOARD ALTERNATES (INDEPENDENT)      | SR. EDUARDO        | TRICIO           | HARO        |  |
| BOARD ALTERNATES (INDEPENDENT)      | LIC. JAIME         | ALVERDE          | GOYA        |  |
| BOARD ALTERNATES                    | LIC. EDUARDO       | VALDES           | ACRA        |  |
| BOARD ALTERNATES                    | C.P. OSCAR         | VON HAUSKE       | SOLIS       |  |
| BOARD ALTERNATES                    | SR. JORGE A.       | CHAPA            | SALAZAR     |  |
| BOARD ALTERNATES (INDEPENDENT)      | LIC. JORGE C.      | ESTEVE           | RECOLONS    |  |
| SECRETARY OF THE BOARD OF DIRECTORS | LIC. SERGIO        | MEDINA           | NORIEGA     |  |
| ASSISTANT SECRETARY                 | LIC. RAFAEL        | ROBLES           | MIAJA       |  |

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SIGNATURE

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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: **May 03, 2010.**

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

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

Name: Adolfo Cerezo Pérez  
Title: Chief Financial Officer

Ref: TELÉFONOS DE MÉXICO, S.A.B. DE C.V. - **FOURTH QUARTER 2010 (AUDITED INFORMATION).**