This document contains "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "should" and include, but are not limited to, statements about the expected future business and financial performance of TELMEX. Forward-looking statements are based on management's current expectations and assumptions, which are inherently subject to uncertainties, risks and changes in circumstance that are difficult to predict. Actual outcomes and results may differ materially from these expectations and assumptions due to political, economic, business, competitive, market, regulatory and other factors. Additional detailed information concerning these factors is readily available in TELMEX’s Form 20-F and other filings with the Securities and Exchange Commission. These documents are available on both the SEC's and TELMEX's web sites. We undertake no obligation to update publicly or review any forward-looking information, whether as the result of new information, future developments or otherwise.
This new position recognizes the commitment that we have in our international expansion.

He will concentrate on the development of TELMEX’s operations in Mexico.
We know that customers value service above technology. It is important to have service that satisfies their needs and personalized attention according to their expectations.

We must invest in technology and the means to deliver it:

- We must modernize our network so that it provides access to all available technologies
- We must improve and tailor our service-delivery channels
Current situation

Basic objectives

**Number one**, Put a stop to the decline in voice revenues while at the same time accelerating broadband and data revenue growth.

**Number two**, Strengthen our position in Mexico by evolving residential revenues from single voice and data services to multimedia packaged services.

**Number three**, Grow and develop revenues from small and medium-sized businesses.

**Number four**, Expand our partnerships with corporate customers, both domestically and regionally, as they increasingly outsource their telecommunications and information technology.

**Number five**, Put more emphasis on revenues generated outside Mexico.
Situation of the Mexican market

TELMEX’s market share (fixed lines + mobile services)

At September 30, based on our 18.6 million lines compared with the nationwide total of more than 74 million.

TELMEX continued to clean up prepaid lines that do not have usage, reducing their total by 129 thousand in addition to 202 thousand disconnections of lines that pay rent.

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Connections / Disconnections (thousands)

3Q06

Connections

Disconnections

Net gain

379

331

48

3Q06
Situation of the Mexican market

These lines operate in economic segments that increasingly are served by mobile telephony

TELMEX’s market share (A, B and C+ high income segments)

TELMEX's commitment to meeting demand for telecommunications services has made us the only fixed-line operator in Mexico that has a presence in homes in the C-, D, E, and prepaid segments.
Latin American operations

TELMEX currently has presence with:

- Population is 312 million
- There are 84 million homes
- GDP is approximately 1.3 trillion dollars

- Estimated market value of fixed telephony, data and Internet is approximately 36.5 billion dollars.

- From February ‘04 to date, we have invested approximately 2.6 billion dollars.
Latin American generates

- 27% of TELMEX's revenues
- The **compound annual growth rate for revenues** over the last 3 years has been **24%** a year
- Profitability, measured by EBITDA margin, has improved to **22%** from **19%** in the last 3 years
Our growth strategy is mainly focused on maintaining investments in our network to serve the corporate market in an integrated manner and explore different alternatives in cable or wireless to enhance the access infrastructure.
Introduction

In 3Q’06, EBITDA from our operations in Mexico improved 1.1% due to further control and exploitation of operational efficiencies.

Three major commercial achievements

First, we further strengthened our broadband position with the highest quarterly gain of ADSL services.

Second, we sustained our transition toward fixed-price packaged services.

Third, we continue growing with profitability and solidifying our network, especially in the data businesses.
Introduction

We continue improving the performance in Latin American properties producing an EBITDA margin of 22%.

Embratel:

- ICMS agreement (*Imposto sobre Cilculaçao de Mercadorias e Serviços*) that are state value-added taxes

- ICMS originated an *extraordinary charge of approximately 515 million reais*. If we exclude this non-recurring charge, consolidated EBITDA would have been almost flat
We added 217 thousand ADSL accounts during the quarter, our largest quarterly gain, bringing the total to 1.6 million services, 76% ahead of a year ago.

Total Internet access accounts increased 23% compared with last year’s third quarter.
Mexico - Broadband connectivity

Two factors primarily contributed to the increased demand for Internet services.

One is that we enhanced and further differentiated our product offering by doubling the speed to 1 Mbps from 512 Kbps, as well as continue delivering high quality service in addition to other features.

Second one is our successful PC sales program, which enables customers to buy their computers by paying for them in installments through their monthly telephone bills. These schemes allowed us to increase the sales of computers 86% compared with the same quarter of ’05.
Corporate market

- We are growing billed line equivalents 27.5% compared with a year ago
Transition to fixed revenues

How important packages are to TELMEX’s future

Because of:

- the fixed revenues
- the competitive advantage they have for retaining customers

Our high-quality services and competitive prices allow our customers to access telecommunications services as an attractive alternative to mobile, local and VOIP offerings.
Transition to fixed revenues

Customers with one or more service packages:

- 10% are residential customers
- 36% are SME customers

At 3Q’06 we had:

- 800 thousand lines signed up for local service packages
- 1.6 million for long distance and 457 thousand include ADSL
We remain committed to the development of telecommunications services in all market segments including rural communities.

Regarding disconnections, let me point out that there is no impact in revenues since these lines were not generating traffic and in those cases where was a past due balance, we have already set a part the appropriate provisions.
We have invested **US$ 694 million** in **Mexico**, of which **80%** was used for to increase our transport and access capabilities, create service platforms to provide network based services, strengthen the high quality of our network and support the data business.
Mexico’s financial performance

Data services represented a key contributor to third-quarter revenues that were up 8.5% from a year ago.

If we exclude revenues from calling party pays, total revenues would have only decreased 0.2%

Our emphasis on expense control brought costs down 4.4% from the year-ago period.

If we exclude the change in accounting related to computers, costs would have decreased 4.9%.
Mexico’s financial performance

Operating income and Margins (%)
(millions of Mexican pesos as of September 2006) and (%)

<table>
<thead>
<tr>
<th>Metric</th>
<th>3Q05 Mex</th>
<th>3Q06 Mex</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>11,700</td>
<td>12,223</td>
</tr>
<tr>
<td>Margin (%)</td>
<td>36.4</td>
<td>38.5</td>
</tr>
<tr>
<td>EBITDA</td>
<td>16,583</td>
<td>16,762</td>
</tr>
<tr>
<td>Margin (%)</td>
<td>51.6</td>
<td>52.7</td>
</tr>
</tbody>
</table>

Operating income increased 4.5%, producing a margin of 38.5% for the quarter, a notable improvement over the year-earlier margin of 36.4%.

EBITDA increased 1.1% in the quarter, generating a margin of 52.7% compared with 51.6% in the same period of ‘05.
Mexico’s financial performance

In the quarter, our revenue and cost initiatives, produced a return on assets of:

- **2005**: 19.9%
- **2006**: 20.2%

Return on assets defined as net income plus depreciation and amortization

\[ \Delta \text{Y/Y} = 0.3\% \]
Triple play service ended the quarter with more than 115 thousand customers. We are adding customers a rate of 22 thousand per month.

This month, Net Serviços announced an agreement to carry out a share exchange with Vivax.

The new corporation will pass through:

- more than 8.4 million households
- more than 2 million cable
- more than 600 thousand ADSL subs
We purchased an 80% interest in Cobalt Publishing, an affiliate of Blue Equity, which publishes Enlace, the largest independent Spanish Yellow Pages directory publisher in the United States with 21 directories in most of the States with the largest Hispanic population.

TELMEX will rebrand the directories with the Sección Amarilla logo and name, a brand with over 100 years of experience in the directory business with 135 published directories across Mexico.
Our efforts on our other operations in Latin America have been focused on growing and strengthening our service offering in these markets:

- **Increased 10.8% the revenues**, primarily due to increases from data and the stabilization of domestic long distance revenues.

- **EBITDA increased 3.1% with a margin of 22%.**
In 3Q’06 consolidated revenues increased 0.5% from a year ago. Excluding the calling party pays rate reduction in Mexico, revenues would have increased 1.2%.

Total costs increased 8.7% in the quarter, generating a reduction of 18% in the operating income and of 14% in EBITDA.

Without the non-recurring event on Embratel’s ICMS, the operating margin would have increased 1.8% originating a margin of 30.6%, and EBITDA would have remained flat in the quarter with a margin of approximately 45%.
TELMex’s financial position:

First, we acquired 1.75 billion dollars of cross currency swaps to fully hedge the 2010 and 2015 bonds at a strike price of 10.9275 pesos with a fixed rate in pesos of 7.52% and 8.57%, respectively.

Secondly, we restructured the interest rate swaps for 15.9 billion pesos with a reduction of the fixed rate from 9% to 8.8% with an average maturity of 7 years, that resulted in a non recurring charge of 294 million pesos in the quarter.
Net income
(millions of Mexican pesos as of September 2006)

Q/Q = (16.7)%

If the ICMS issue were excluded, net income would have increased 3.6%.

Our profitability, adjusted for the non-recurring event of Embratel remains in great shape. On an annual basis, if we measure it by net income plus depreciation and amortization to assets is around 21%.
Our strategies in Mexico are focused on:

• Improving profitability and capitalize on growing broadband services.

• Our packaging of voice and data services is a win-win situation — enhanced value for customers and a more predictable revenue stream for TELMEX.

• We are committed to our operations in Latin America.

• We will continue leveraging our expertise to further strengthen the value proposition to our customers and improve TELMEX’s operations in the region.

• As always, the key outcomes as we execute these strategies are market-leading service for customers and continue delivering strong financial results and incremental shareholder value.
TELMEC - Webcast

3Q’06 Results

Thursday October 26, 2006