Annual Report 2000

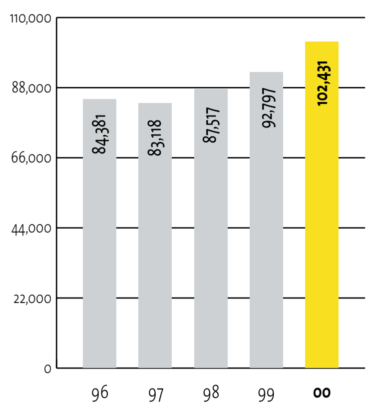
Teléfonos de México

TELMEX

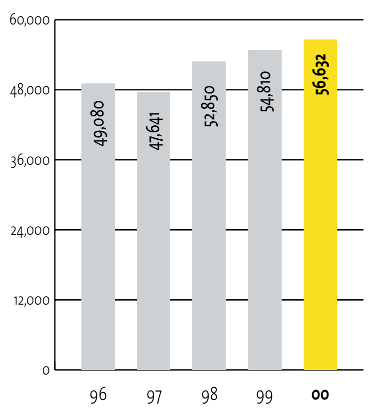
I n d e x

Highlights

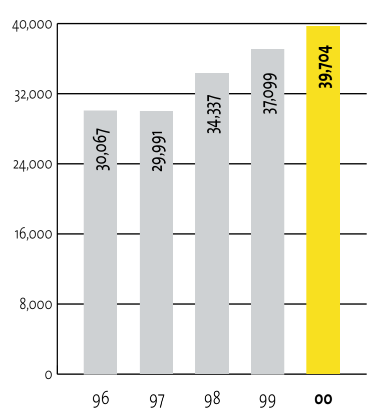
Total Revenues
(million pesos)



EBITDA
(million pesos)



Operating Income
(million pesos)



(Figures in millions of pesos, unless otherwise indicated, with purchasing power as of December 31, 2000)

Financial Results	**2000**	1999	1998	1997	1996
Total Revenues	102,431	92,797	87,517	83,118	84,381
Cost of Sales and Services	21,615	19,297	18,716	19,288	18,028
Commercial, Administrative and General Expenses	16,942	15,935	15,951	16,189	17,273
Interconnection	7,242	2,755	-	-	-
Depreciation and Amortization	16,928	17,711	18,513	17,650	19,013
Total Costs and Expenses	62,727	55,698	53,180	53,127	54,314
Operating Income	39,704	37,099	34,337	29,991	30,067
EBITDA	56,632	54,810	52,850	47,641	49,080
Income from Continuing Operations	24,998	22,714	15,688	16,492	18,921
Assets from Continuing Operations	156,886	148,835	159,041	163,667	175,354
Debt from Continuing Operations	74,414	53,259	59,352	60,132	54,501
Stockholders´ Equity	49,450	133,255	129,602	128,073	149,857

Statistics					
Lines in Service (1)	12,069	10,878	9,927	9,254	8,826
Internet Access Accounts (1)	634	403	146	34	-
Line Equivalents for Data Transmission (1)	997	507	371	224	93
Domestic L.D. Minutes (2)	12,309	10,419	9,077	8,232	7,867
International L.D. Minutes (2) (3)	5,521	4,192	3,286	3,768	3,558

Data per share (pesos) (4)					
Average Income from Continuing Operations:					
Basic	1.70	1.51	0.99	0.98	1.03
Diluted	1.61	1.47	0.99	0.98	1.03
Nominal Market Value at Year-End (TELMEX L)	21.85	26.50	12.20	11.38	6.49
Nominal Dividend Paid	0.445	0.388	0.350	0.263	0.175
Outstanding Shares at the End of each Year (2)	14,010	14,949	15,449	16,236	17,749

(1) Thousands
(2) Millions
(3) Includes incoming and outgiong traffic
(4) Considers in retroactive form the effect of the stock split approved since February 1, 2000

Maintaining TELMEX's leadership role in telecommunications and technology requires a solid commitment with investments for expansion, modernization and the creation of new businesses by always focusing on the priorities of our customers. It also implies the responsibility, as a strategic national company, of creating an infrastructure that allows fast development of the country, while ensuring that such investments have the profitability to guarantee the company's long-term viability. At TELMEX, this commitment defines our strategy and marks our daily tasks.

In 1999, the company made a commitment to a two-year plan named TELMEX 20/20, focused on continuing modernization of the infrastructure and expansion. The goal of the program was to have 20 million telecommunications services, including fixed lines, cellular telephones, Internet access accounts and line equivalents for data transmission in operation at year-end 2000. TELMEX accomplished the plan six months ahead of schedule, achieving a growth rate of 41.6% in services during the 1999-2000 period, even as the company carried out its international expansion and the modernization of its infrastructure.

Another milestone in Telmex's history occurred in 2000 with the spin-off of América Móvil, made up of the cellular business in Mexico and most of the international businesses. The decision to split the company recognized that the two independent companies could most fully realize their competitive advantages if they solidified their business focus and had greater financial flexibility to execute their different strategies.

When América Móvil's shares began trading on the Stock Exchanges of Mexico, New York and Madrid on February 7, 2001, the new company positioned itself as the largest wireless company in Latin America and one of the 10 largest in the world. For its part, TELMEX enhanced its position as the leading telecommunications company in Mexico, providing its customers integrated voice, data and video services and at the same time offering these services to its competitors, customized for their needs. In this manner, TELMEX expands its market.

During the past year, the company has made substantial progress in maintaining a high pace of growth in the core business, increasing coverage and technical efficiency in the access and transport networks. Simultaneously, the capacities of the company have increased to provide an integrated solution for the voice and data needs of its customers.

In the retail market, the company introduced the Prodigy Internet Plus service where customers can acquire a computer with Internet access in monthly installments paid with their telephone bills over a two-year period. This kind of innovation has allowed TELMEX to increase its Internet development and penetration, enhancing its service offerings to the market.

The data business offers a wide market for a new spectrum of services. Connectivity is the first link of the data business value chain. At the same time, new broadband technologies, for example, DSL, will allow TELMEX to significantly increase transmission quality and capacity. In this manner, we can offer advanced Internet services to our customers.

Our strategic alliances in information technologies provide a solid base for the next step in the data business value chain: colocation and hosting functions. The demand for these information technology services has increased rapidly. TRIARA, an Internet Data Center, allows TELMEX to provide several hosting, colocation and outsourcing services in Mexico. Even more important for TELMEX's growth strategy is the opportunity that initiatives like TRIARA provide to serve other segments of this market, such as small and medium-sized businesses.

Our alliance with Microsoft, formed in March 2000, resulted in the creation of the T1MSN portal that rapidly made us the market leader, with 5.9 million unique users a month, much higher than our competitors.

The next link of the value chain is content, and we are working at that level as well. TELMEX and Grupo Carso, along with Oracle and KPMG, have begun the operation of a horizontal market for the indirect exchange of supplies. The current volume of transactions has made Eficentrum, as we refer to this initiative the biggest horizontal portal in Mexico. Based on the experience gained with Eficentrum, other new e-commerce initiatives are being implemented in different market sectors, continuing to broaden TELMEX's range of services to the corporate sector.

Today's telecommunications marketplace requires the ability to form and operate within effective alliances. That, too, is a skill TELMEX has developed since the beginning, as T1MSN, TRIARA and Eficentrum demonstrate, at the same time we continue to evolve as a customer-focused company.

TELMEX is the leading telecommunications services company in Mexico, and we have ongoing contact with more than 12 million customers. This customer base represents impressive potential to enhance service offerings that we provide today. An example of this is the evolution of our customer service centers that have gone beyond their traditional purpose as places for customers to pay their bills to TELMEX stores that offer telecommunications products and services.

Through constant investment in state-of-the-art technology, public telephony has allowed us to fully meet social telephony needs and grow at a pace that today places us as one of the leading companies in the world in the use of multimodal intelligent cards.

It is important to mention that in 2000 we reached important agreements with our major competitors on how TELMEX is to be paid for investments in our infrastructure that expedite their interconnection. We also conducted productive conversations with regulators about preserving fair competition in our market. Having put these distractions behind us, we are in an excellent position to pursue TELMEX's strategic initiatives that are completely focused on our customers and that contribute to the development of telecommunications in Mexico.

All these actions were carried out in a year in which the financial results confirmed TELMEX´s progress, as revenues increased 10.4% and income from continuing operations 10.1%. Earnings per share from continuing operations were 13.2% higher than the previous year. The increase in revenues in large part was attributable to the higher number of local and long distance users, continued growth of cellular telephony and the data business that continues adding customers in an accelerated manner in line equivalents and Internet access accounts. Revenues from data services were 40.7% higher than in 1999, reaching 8.991 billion pesos.

A comparison of the revenue mix in 2000 and 1997 shows a substantial change reflecting TELMEX´s continued evolution. In 1997 local service accounted for 50% of revenues and domestic and international long distance contributed 46%. In 2000, local service accounted for 59% of revenues, fueled by a higher number of lines, public telephony and "calling party pays", as well as value-added services such as Three-way calling, Call waiting, and Caller identification, among others. However, long distance dropped as a proportion of the total as domestic and international long distance together accounted for 28% of total revenues. The fastest-growing businesses, data and Internet, reached close to 9 percent of total revenues.

TELMEX, as the only nationwide integrated telecommunications provider, maintained its dynamic development during the decade of the 1990s. Mexico's gross domestic product expanded almost 40%, and in the same period, Telmex grew 155%, including fixed lines, Internet access accounts and line equivalents for data transmission. This means that more Mexicans are connected among themselves and with the world.

Evolving from a commodity business to a fully integrated service provider means unprecedented challenges to serve our customers. In this regard, we provide a variety of services from simple telephone access to a wide range of broadband access and streaming services. At TELMEX, our purpose is to maintain a vigorous set of offerings for the business market to meet the distinct needs of large corporations, medium-sized businesses, entrepreneurs and home-based businesses as well as the important residential market.

Serving the Mexican market efficiently requires not only a focused management and world class products and services but also continuing investment in infrastructure. In 2000 capital expenditures totaled US$1.788 billion dollars. Nevertheless, this technological investment would have been useless if the company had not also had the capacity to adjust to the specific needs of our market. In order to maintain leadership, we have developed technological solutions in accordance with our customers' needs by enhancing TELMEX´s strategic alliances. During 2000, the TELMEX Research Center was established with MIT´s Media Lab, including a facility in Mexico City, where initiatives of the new technical environment are being developed to apply in the Mexican market and diffuse the digital culture in our country.

All of the above would not have succeeded had we not simultaneously undertaken technological training of our labor force. The effort, dedication and commitment of our labor force made it possible to evolve in this dynamic environment, reach our operating and financial goals, and maintain our leadership in the industry.

In 2000, The Mexican government recognized this joint effort by awarding TELMEX the National Technology Award for outstanding use and management of state-of-the-art technological resources in telecommunications for the benefit of the country.

Additionally, year after year we renewed our social commitment through Fundación TELMEX that actively and permanently continues to develop its research, education, nutrition, health, justice, culture, sports and environment conservation programs to actively contribute to overcome deficiencies in our country.

In 2000, Fundación TELMEX provided financial aid to more than 10,000 outstanding students and equipped 1,200 schools with Internet access. The health programs increased their coverage through a surgery program and a child nutrition program that together benefited a total of 63,168 persons. During the year, a total of 4,217 bail bonds were given to free people whose lack of financial resources prevented them from posting bail. Fundación TELMEX, aside from funding several programs like the National Scholarship Fund, The Octavio Paz Foundation, The Mexican History Center and the UNAM Foundation, at December 31, 2000, had resources totaling 7.189 billion pesos.

During the last 10 years, TELMEX has seized opportunities to develop a world-class infrastructure, introduced new services, and reinvented itself as needed to match changing priorities among customers and in the market. Therefore, in 10 years of TELMEX´s privatization, our achievements have been notable as the following table demonstrates:

	December 1990	**December 2000***
Human Resources		
Personnel Academic Level (years of schooling)	6.8	14.3
Technical and Professional Personnel (employees)	9,255	38,104
Technological Resources		
Investment in the 1990-2000 period (millions of dollars)	-	24,259
Digitalization of the Local Network (percentage)	31	100
Digitalization of the Long Distance Network (percentage)	23	100
Installed Fiber Optic (kilometers)	360	68,165
Connection via Submarine Cables (countries)	-	35
Operating		
Line Equivalents in Service	5,388,638	24,162,444
Fixed	5,352,824	12,068,993
Wireless (cellular)	34,944	10,462,171
Data	870	997,278
Internet Access	-	634,002
Installed Capacity (fixed lines)	5,901,365	13,703,325
Public Phones in Service	69,025	1,534,035
Telephone Cards Sold	821,000	256,389,224
Communities with Service	10,297	25,610
Communities with Coverage (includes cellular)	10,297	105,888
Local Calls (thousands) (without cellular)	8,529,431	24,738,482
DLD Minutes (thousands) (without cellular)	4,375,088	12,308,982
ILD Minutes (thousands) (without cellular)	1,293,034	5,520,744
Voice Traffic (Mbps) (without cellular)	35,343	110,279
Data Traffic (Mbps) (without cellular)	6,997	57,397
Quality		
Lines with Failure (percentage)	13.5	1.9
Lines repaired in the Same Day (percentage)	50.1	74.3
Calls with Tone in 4 Seconds (percentage)	94.3	99.9
Public Booths in Service (percentage)	83.5	98.4
Average Waiting Period for a Line (months)	23.9	1.1
Financial		
Monthly Revenue per Fixed Line (pesos Dec. 2000)	861	744
Monthly Revenue per Fixed Line and Cellular User (pesos Dec. 2000)	877	540
Number of Competitors	-	696
Long Distance Traffic in Competition (percentage)	-	90.2
Value Added Tax (thousands of pesos Dec. 2000)	2,664,748	8,124,178
Income Tax (thousands of pesos Dec. 2000)	1,762,756	11,010,277
Market Value (millions of dollars)	7,340	31,742
Basic Earnings per Share (pesos Dec. 2000) (considers split)	0.7856	1.773

*Proforma including TELMEX and América Móvil

The ability to adapt to these changes—both motivating and accelerating them--the focus on our customers and commitment to generate shareholder value are TELMEX's main strengths. Those attributes define a solid foundation for continued growth for TELMEX.

Carlos Slim Helú
Chairman of the Board

Jaime Chico Pardo
Chief Executive Officer

Voice

Throughout the past 10 years, TELMEX's commitment with its customers has been to provide telecommunications solutions that adjust to their needs and expectations. Delivering on that commitment has led us to evolve into an integrated provider capable of offering a range of services from the most essential voice services to products where voice, data and video converge.

Local Service

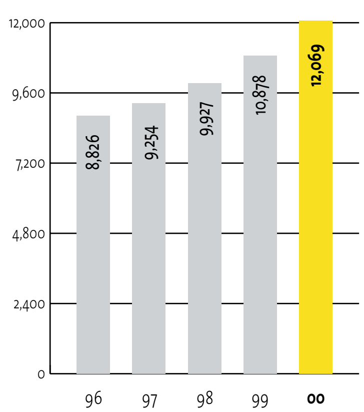
In local telephony, two significant goals drove the tasks related to carrying out this commitment to customers: first, expand basic telecommunications so that more people have access to them. Second, increase value-added services in the residential and corporate markets so that lines provide several functions and therefore are more productive.

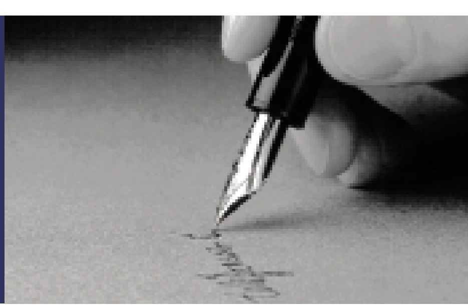
TELMEX´s commitment to expansion was evident in 2000 as we reached double-digit growth in lines in service. During the year, 1 million 190 thousand 838 lines were installed, the result of 1 million 688 thousand 921 installations and 498 thousand 83 disconnections. The customer base at the end of December rose to 12 million 68 thousand 993 lines in service.

In the last four years, the growth rate of lines in service has been increasing. From 1996 to 1999, we grew an average of 7.2% annually. In 2000, the growth rate was 10.9%.

Value-added services like Call waiting, Caller ID, Three-way calling, Call forwarding and Voice mail increased their penetration. At the end of 2000, 27.2% of lines had at least one of these services. The number of lines with these types of services increased 58.6% compared with the previous year. The total number of digital services employed by customers rose to 3 million 284 thousand in 2000. Supported by the quality of our 100% digital local network, 24.738 billion local calls were made in 2000, 5.6% more than in 1999.

Lines in Service
(thousands)





1990

The privatization of Teléfonos de México (TELMEX) was accompanied by objectives for growth and modernization set forth in the Three Year Plan (1990-1993) and intended to extend telecommunications benefits to more Mexicans as well as deliver the highest-quality TELMEX products and services.

In its first year as an independent company, TELMEX had 5.4 million lines installed, 31% digitalization in the local telephony infrastructure and 23% in the long distance network, and 35,000 cellular telephony customers.

1991

The Technological Institute of Teléfonos de México (Inttelmex) was established to develop the knowledge and skills of the labor force at a pace paralleling the technological modernization of the company.

Competition in the Mexican local market continues to increase. In the two years since the market was opened to competition, 18 local telephony concessionaires have begun operating fixed and wireless telephony.

Long Distance

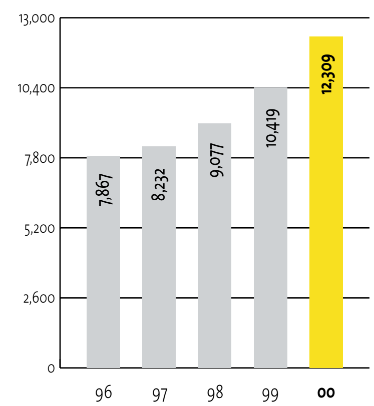
In this more competitive environment, we continued to invest in our long distance network. During 2000, the Submarine Cable System Maya 1 began operation, connecting Mexico (Cancun, Quintana Roo) with Colombia, Panama, Costa Rica, The Cayman Islands, Honduras and the United States. It allows us to offer more connectivity, coverage and quality to transmit voice, data and video, especially in Central America. We participate in a total of 29 submarine cables, through which our customers have guaranteed connectivity with the world. Domestically, TELMEX´s installed fiber optic network expanded to more than 68 thousand kilometers across the entire country.

Domestic long distance increased 18.1%, totaling 12.309 billion minutes in 2000. International long distance traffic also increased, reaching 5.521 billion minutes, an annual increase of 31.7%.

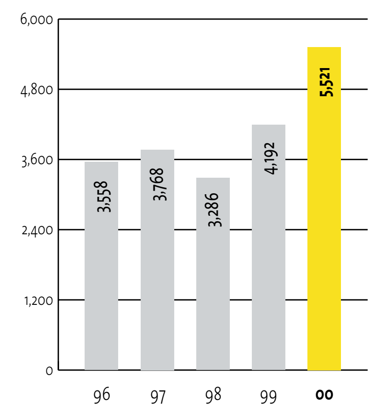
Since the beginning of 2000, 50 cities have been opened to long distance competition, raising the total to 200 cities with competitive markets. Within these 200 cities are 84.5% of TELMEX's fixed lines in service, and they represent approximately 90.2% of long distance minutes in competition. Based on information provided by NCS, an independent company that verifies changes in long distance operators, customers have carried out 16 million 129 thousand 468 long distance operator changes since competition began in 1997.

In spite of intense competition and the higher number of providers operating in the local and long distance markets, traffic, lines and digital services statistics indicate a strong and

DLD Minutes
(millions)



ILD Minutes
(millions)



Voice

The Quality and Productivity Program of Teléfonos de México began, the first of its kind with incentive rewards for employees who excelled in productivity and quality performance.

1992

The Three Year Plan met its goals for the installation of new lines in service, telephone density, digitalization and public telephony.

TELMEX began issuing multipurpose chip debit cards in place of magnetic band cards used to activate public telephony.

1993

The goals established in the Title of Concession under which TELMEX was privatized were exceeded in the number of lines in service, public telephony and number of communities with service. Additionally, important advances were achieved in the construction of the fiber optic

1994

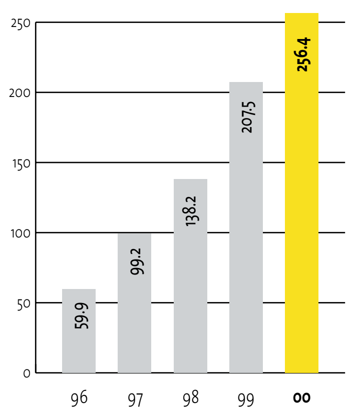
Voice

growing telecommunications market in Mexico that also contributes to the improvement of the economy in general.

Public Telephony

For an important part of the Mexican population, public telephony is essential. In TELMEX, we have developed several initiatives to provide telephone service to people in small towns, rural areas and suburbs of large cities.

Sold Telephone Cards
(millions)



TELMEX has put together the largest public telephony network in the country in order to broaden communications means available to our customers. During 2000, we installed 133 thousand 833 public phones, bringing the total to 625 thousand 593 public wireline phones in service, an increase of 27.2% compared with 1999. At the end of 2000, there were 308 thousand 492 wireline shared phones in service. Adding in the 908 thousand 442 public wireless phones, the total number of public phones in service was 1 million 534 thousand 35.

We have continued providing support to 10 thousand 119 lines that several public telephony commercial companies operated at the end of 2000 in order to contribute to providing telecommunications services to a higher total number of Mexicans and to support a healthy competitive environment.

During 2000, 256 million 389 thousand telephone cards were sold through an integrated distribution network of 111 thousand 700 points of sale, 23.6% more than the total sold in 1999. The volume places TELMEX among the leading companies in the world in the use of intelligent multimodal cards.

Innovative solutions and the technology to offer them have helped make public telephony a market that generates 8.8% of TELMEX´s revenues.

As part of the development of the digital culture, we have begun to install Internet kiosks in public places so that our customers have access to Internet products and services by using the Ladatel card. The kiosks house computers with touch screens and integrate hardware and software to support various means of communications, including video, photography, text and sound.

network and in digitalization. The Columbus II Submarine Cable System began operations, linking 57 telephone system administrations in 41 countries. This cable facilitated higher communications quality and new services.

1994

Not withstanding the recessionary economic environment, TELMEX continued its expansion by investing 1.118 billion dollars in its infrastructure during the year.

1995

The National Supervision Center of the Long Distance Network began to operate in Querétaro, as well as two new Local Management Centers in the cities of Guadalajara and Monterrey.

In Cellular Telephony, the prepaid systems "Sistema Amigo" and "Amigo Kit" were launched. Both systems function with prepaid cards and programmed phones with predetermined air time instead of monthly charges.

1996

Services for Telecommunications Operators

Since 1997, when long distance was opened to competition in Mexico, TELMEX has operated a support center staffed by 289 persons who provide service 24 hours a day, 365 days a year specifically for long distance operators. The Attention Center for Telecommunications Operators (CAT, as per its initials in Spanish) executed 572,669 service orders in 2000 and the Commercial Attention Center for Telecommunications Operators (CAO, as per its initials in Spanish) handled 20,028 failure reports. These two centers are the most important among other services provided to long distance operators in the area.

The services offered to these type of customers incorporate several packages, such as those associated with interconnection, services using TELMEX infrastructure and specialized products. Interconnection services include access from TELMEX´s transport network to the customer's home or business what has come to be called the last mile in telecommunications services. Among interconnection services are public switched traffic, ports, links, signaling, colocation and transit between different operators.

TELMEX´s infrastructure is available to the long distance operators through the last mile, enabling them to provide integrated telecommunications services to their customers. To meet the needs of these direct customers of TELMEX and, ultimately the telecommunications needs of their customers, we provide incoming, outgoing and dual mode digital trunks, different types of point-to-point and point- to multi-point links and other services like direct commercial lines, 800 and digital services.

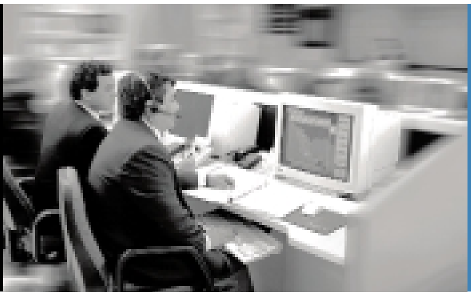
Specialized products that are offered to these customers include the sale of lines to public telephony operators, infrastructure support to ISP´s, ending calls of public switched traffic from long distance operators, personal phone directory services, billing and collecting, 800 services to public telephony concessionaires and international long distance services charged to credit cards.

The Internet Directo Personal service began operations, providing access to the World Wide Web.

Fundación TELMEX, A.C., was established with three basic programs -- education, health and justice.

TELMEX carried out all the requirements established by the Mexican authorities to make a smooth transition to competition in the nation's telecommunications industry.

With TELMEX´s technological platform prepared for interconnection of the new long distance operators in the country, on January 1st competition began in the 60



1997

In order to serve increasing demand for services among our own customers as well as the Mexican telecommunications operators, in 2000 TELMEX adjusted all the local switching centers of the country (489 switching centers), to accommodate extending the numbering plan to 8 digits in Mexico City, Guadalajara and Monterrey and to 7 digits in the rest of the country. This effort included 2,297 communities throughout the country and necessitated an investment of approximately 28 million dollars. In the present year, the numbering plan will evolve further to reach 10-digit numbering nationwide.

Growth in traffic originated by the different operators accelerated the expansion of our infrastructure to meet the requirements of the growing telecommunications market. This is the case in Mexico City's metropolitan area, where, in 2000, the capacity of Tandem centers increased 45% to guarantee service quality for our customers. This represented an investment of 47 million dollars.

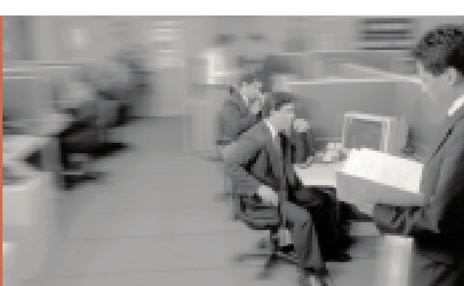
Additionally, it was necessary to simplify local calling plans by reducing 2,206 local areas in existence in 1999 to 1,399 local areas at year-end 2000. An investment of 25 million dollars was made for this process and benefited operators since local traffic increased as a result of enlarging the zones in which calls are classified as local.

The introduction of competition in the Mexican market has made TELMEX the carrier of carriers. The following tables demonstrate the extent of this task as TELMEX has changed to accommodate this important customer category.

Concessionaries by Segment	1999	**2000**
Long Distance		
Long Distance	17	19
Operation of International Ports	9	9
Other (Videoconference, Teleports, Network Capacity, Land Mobile Services and Sea Satellite Services)	2	6
Local and Celullar		
Local (Fixed and Wireless)	17	18
Cellular and Mobile	15	15
Public Telephony	34	44
Paging	136	136
Trunking	48	48
Internet and Other Value Added Services	365	401

Source: Informe de Labores 2000 Comisión Federal de Telecomunicaciones

Type of Service Provided by TELMEX	1999	**2000**
Interconnection Ports	4,319	8,044
Local Interconnection Links	1,233	2,521
Termination Ports	428	560
Lines Equivalents for Data Transmission		
LD and Local Operators	79,843	97,067
Cellular, Data Network and Other Operators	100,681	343,700
Digital Trunks	11,070	31,028
Public Telephony Lines	7,225	10,119
Interconnection Minutes (Millions)	8.722	13,874
Minutes of LD Traffic Completion (Millions)	1,313	1,600
ISP Ports	-	18,000
Level of Network Availability (Ports)(%)	99.90	99.97



largest cities of the country, with 75% of customers deciding to stay with TELMEX.

TELMEX's telecommunications network supported the introduction of advanced services, particularly digital services that provide added value to conventional telephone lines.

In order to adequately meet the needs of competitors, TELMEX created specific areas to serve telecommunications operators, such as the Service Center for Telecommunications Operators.

TELMEX launched a new telephone bill with detailed measured service information for customers and began allowing them to monitor posted charges through the Internet. A billing analysis system named (SI@NA) was

1997

1998

Data

Today, we have a telecommunications infrastructure that is capable of offering a wide range of voice, data and video services nationwide. Additionally, we have expanded and strengthened our IP network in order to accommodate the growing demand for Internet service. Examples of this capability include services like Virtual Private Network (VPN) and Virtual Private Data Network (VPDN).

TELMEX's telecommunications network is in constant evolution. Thus, we soon will have a New Generation Network (NGN), capable of handling voice, data and video packages.

A strategy focused on the various needs of customers, the use of state-of-the-art technology and intelligent network management are the main advantages for TELMEX in the data business.

In the last year we have increased the data network´s capacity by 358%, at the same time we improved our infrastructure to enhance traffic efficiency in the network by 30%, elevated customer service performance measures 40%, and introduced high speed connectivity in the "last mile."

The nature of the business has changed radically in the last five years. We are participating in a new economy that is more nimble, better informed and more efficient, with voice yielding to data transmission as the central capability.

The rapid conversion of technologies has conceived a new way of doing business: e-business, which incorporates not only electronic commerce but also technological solutions that can make any process more efficient. Only companies with a solid Internet presence will be able to compete in the environment of the new economy.

E-business completely transforms the business processes it touches, making them more productive, allowing complete integration along the value chain and thereby reducing costs, and increasing marketing opportunities for companies by extending their distribution channels regardless of their geographic location.

In this regard, TELMEX´s commitment is to ensure that telecommunications means are available for companies, regardless of their size, and that they have access to integrated solutions to reinforce their own positions in e-business.

Our strategy is based on three levels of customer needs. First is connectivity, through which we put our customers in contact with the opportunities that Internet access provides for specific kinds of services and data transmission. The next level is colocation and hosting, and the third step is content, the basis of e-commerce.

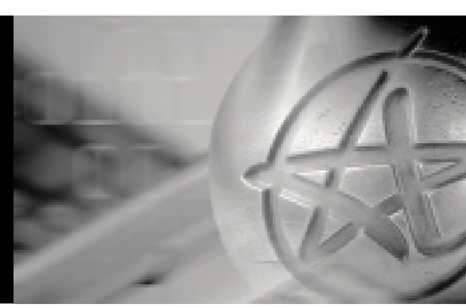
introduced for corporate customers.

The company began its internationalization by acquiring a stake in Prodigy Communications Corporation and becoming Telgua´s telecommunications operator.

TELMEX´s international strategy was strengthened in the United States and in Latin America with participation in Topp Telecom, Cellular Communications of Puerto Rico, Williams Communications, Comm South Companies and ATL.

Fundación TELMEX helped advance development of the digital culture in our country. The common goal is to provide computer equipment and Internet access to public schools, libraries and rural areas.

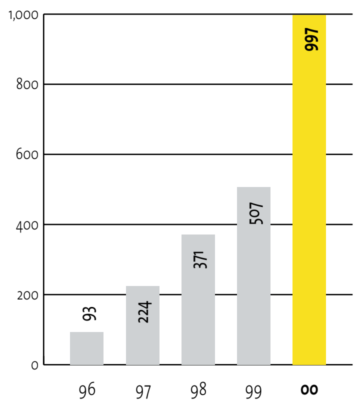
The Prodigy Internet Plus service was launched, expanding the Internet market and accelerating computer penetration in the country.



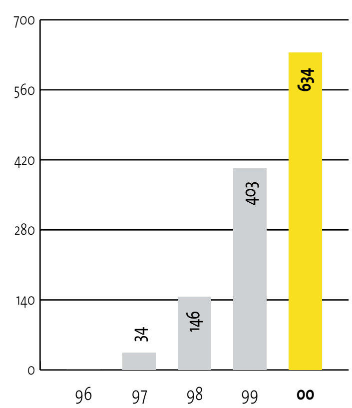
1999

Data

Line Equivalents for Data Transmission
(thousands)



Internet Access Accounts
(thousands)



During 2000, we became the leading ISP company in Mexico at the same time we expanded our efforts in the data business to incorporate not only transmission but also applications and integrated services. At the end of the year, revenues generated by the data business rose to 8.991 billion pesos, an annual increase of 40.7% compared with the previous year.

Connectivity

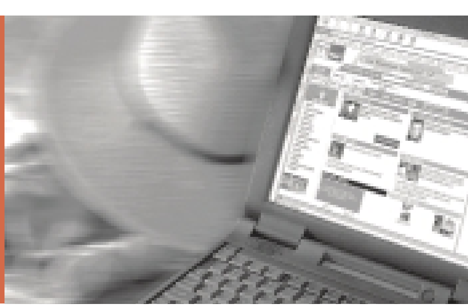
In 2000, we intensified our Prodigy Internet Plus offering. Besides having unlimited access for two years, a personal Web page and e-mail service, customers gained access to 16 different PC options.

By the end of 2000, we had sold 204 thousand 118 Prodigy Internet Plus packages, 87.2% more than in 1999. This and other actions to attract new customers produced growth of 57.4%, ending the year with 634 thousand 2 access services, of which 78% were residential and 22% commercial.

Line equivalents for data transmission also increased compared with 1999. At the end of 2000, TELMEX had in operation 997 thousand 278 line equivalents for data transmission, an increase of 96.7% compared with the previous year. The year-over-year gain in line equivalents of 490 thousand 357 was the biggest increase in any single year.

Hosting and Colocation

TRIARA is TELMEX´s company dedicated to providing infrastructure services for developments in Internet services. TRIARA´s mission is to expedite companies' Internet presence in Mexico in an accelerated, cost-effective and reliable manner through advanced services with high security and availability.



The company's internationalization process continued, with participation in CONECEL, TECHINT and the creation of Telecom Américas, in association with Bell Canada International and SBC Communications.

In association with Microsoft, the T1msn portal was introduced throughout Hispanic America. The new portal offers consumers valuable content and the best services in Spanish in order to bring the Internet closer to

Latin American consumers and Spanish-speaking people throughout the western hemisphere.

TELMEX´s 20/20 Plan for the 1999-2000 period accomplished its goals: 1.

Continued modernization, 2. Growth and coverage and 3. International development. Specifically, it achieved 100% digitalization of the local telephony infrastructure and reached 20 million services in fixed telephony, wireless,

2000

TRIARA´s scale and flexibility offer our corporate customers significant savings in the computer infrastructure and telecommunications investments necessary to have a Web site or carry out high-performance Internet projects. TRIARA opened its first Internet Data Center (IDC) in Apodaca, Nuevo León, with an initial investment of 49 million dollars. The technological and administrative platform of the IDC was developed along with Hewlett-Packard, TRIARA´s technological partner.

Content

In March 2000, TELMEX and Microsoft created the T1MSN Portal. It generated a total of 1.760 billion page views during the year, of which 28.4% were registered outside Mexico. At year-end 2000, T1MSN had an average of 5.9 million unique users—3.5 million in Mexico and 2.4 million in the rest of the world, making it the number one portal in our country and one of the most important in Latin America. The quality of T1MSN was recognized by its users, who named it the best portal in the iBest awards.

The Internet has also become a growing point of contact with our customers. As a matter of fact, our home site, www.telmex.com, also received the iBest award for the best telecommunications page. With 72 million pages views in the year, 1.2 million unique users—of which 0.8 million are in Mexico and 0.4 million in the rest of the world—our page communicates TELMEX products and services to the Internet world.

Services and Applications (ASP)

Another initiative in the data business is Eficentrum, a project where Proveedora Inbursa´s companies participate as controllers, KPMG participates in the integration and development of the business, and Oracle provides the technological platform. Eficentrum is a horizontal market dedicated to the indirect buying and selling of goods and services (e-procurement).

Eficentrum will expand to include other Mexican corporations and extend its business-to-business spectrum to optimize the supply chain, the joint design of products, financial and logistical services, as well as other processes that technology can make more efficient.

Eficentrum´s business plan emphasizes economies of scale, administrative savings, better purchasing management, fast payment, a more nimble delivery of products and services, and direct contact with manufacturers.

Internet and data transmission, 6 months ahead of schedule.

TELMEX inaugurated the Maya 1 Submarine Cable System that joins North, Central and South America with state-of-the-art technology, increasing transmission quality and capacity for international communications of the region.

TELMEX opened Mexico's first Digital Culture Center, which will work jointly with MIT´s Media Lab. TELMEX announced the spin-off of its cellular businesses as well as most of its international investments to create a new company, América Móvil, that will be the largest cellular service provider in Latin America.

At year-end, TELMEX had 12 million 68 thousand 993 lines in service, 634 thousand Internet access accounts and 997 thousand 278 line equivalents for data transmission. Additionally, it had coverage in 105 thousand

Data

Human Resources

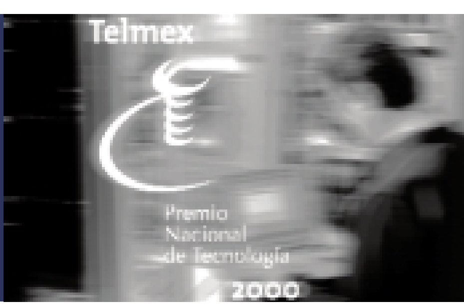
Our data strategy as well as TELMEX itself continue to evolve as new technologies are being developed and we identify useful applications for our customers.

Our technological strength was recognized in 2000 with the National Technology Award, the most important award in Mexico, for the exceptional use and management of technological resources as well as for improvement in products, services and processes to benefit customers.

The National Technology Award represents an important achievement for our personnel. Our employees have developed technical abilities and the necessary commercial knowledge to make technology work to benefit our customers through a culture of service and commitment.

During 2000, The Technological Institute of Teléfonos de México (INTTELMEX) continued to shape the knowledge of our labor force. During the year, INTTELMEX conducted 18 thousand 80 courses with 119 thousand 265 participants, reflecting and reinforcing the human resources transformation that the company has experienced in recent years.

This is how we build long-term value for our shareholders—by serving our customers any time, any place, and by continuing to make improvements with the support of our advanced technological platform and a committed and well-trained labor force.



communities, which include 98.6% of the country's inhabitants, and its local and long distance networks were 100% digital. TELMEX´s fiber optic network expanded to 68 thousand kilometers.

TELMEX received the National Technology Award, the country's most important award for a company's productive use and management of state-of-the-art technological resources as well as for improvements in products, services and production processes to benefit customers.

In the 1990-2000 period, TELMEX carried out investments of more than 24.259 billion dollars.

2000

Fundación TELMEX

Our tasks to achieve the technological transformation of the country are carried out not only through a state-of-the-art infrastructure but also by cooperating in services that further social development.

Fundación TELMEX is an entity through which our company maintains its commitment to society by developing and promoting research, education, nutrition, health, justice, culture, sports and environmental conservation programs.

Education is the key element in human and economic development. Fundación TELMEX supports outstanding students nationwide with an integrated academic program that encompasses scholarships, study centers and libraries.

In 2000, 10 thousand 24 scholarships were granted to college-level students throughout the country. In the four years that the program has existed, Fundación TELMEX has granted more than 61 thousand scholarships. The financial aid is further complemented by different activities and programs that are carried out in 14 Scholarship Houses located nationwide.

The Scholarship Houses have educational facilities like libraries, computer services, Internet and video conferencing capabilities in order to provide a comprehensive education for the students.

In 2000, Fundación TELMEX sponsored a government program to provide eyeglasses for children at the elementary school level. More than 40 thousand eyeglasses were given to children in public schools.

Additionally, Fundación TELMEX cooperates in the task of introducing new technologies to the Mexican population, for example by providing computer equipment and Internet access to 1,200 public schools during 2000.

Also in 2000, TELMEX joined with MIT´s Media Lab to develop new technologies in accordance with the country's needs. A program initiated in the past year enables TELMEX to participate in technological projects that are developed by young Mexicans to benefit our country.

Fundación TELMEX created the Digital Culture Center through which the most advanced U.S. institutions and universities offer Mexican students opportunities to acquire knowledge about new technologies and promote the digital culture.

Today, Fundación TELMEX works in several programs designed to complement and finance the efforts of the Health Ministry, Mexico's Children Hospital and the Mexican Health Foundation, among other institutions.

In 2000, 114 surgery campaigns were carried out throughout the country, leading to almost 13 thousand procedures in ophthalmology, orthopedic surgery, reconstructive and general surgery. Additionally, approximately 50 thousand children benefited from the child nutrition program.

Fundación TELMEX actively cooperates with the Mexican Foundation of Social Reintegration in the Social Bail program. Its objective is to help free first-time offenders accused of small crimes whose economic situation prevents them from meeting the conditions of bail. In 2000, Fundación TELMEX provided bail bonds to 4 thousand 217 persons.

In the last months of the year 2000, the Popocatépetl volcano, located near the borders of the states of Mexico, Puebla and Morelos, began to erupt. Fundación TELMEX provided medicines and food to several shelters that were opened for people who were evacuated from their homes close to the volcano.

Fundación TELMEX also sent food to help during the drought in Chihuahua and severe floods in September in the states of Coahuila and Durango.

Fundación TELMEX has delivered aid in the form of human and other resources to Central America during natural disasters as was the case in El Salvador.

In these ways, through Fundación TELMEX our company maintains its commitment to society, our country and our sister countries.

Comments on the Operating Results and the Financial Position

TELMEX is a corporation made up of Teléfonos de México, S.A. de C.V., its subsidiaries and affiliates. Along with them, TELMEX provides telecommunications services throughout the country. In addition to other services, this includes operation of the nation's most complete local network, domestic and international long distance. Additionally, TELMEX offers services like connectivity, Internet access, colocation, dedicated web-hosting and interconnection services to other telecommunications operators.

TELMEX increased lines in service during 2000, producing an annual increase of 25.2% compared with the previous year, with a net addition of 1 million 191 thousand lines. In an accumulated manner, TELMEX grew 10.9 % compared with 1999, reaching 12 million 68 thousand 993 lines.

During 2000, the strong economic growth, the win-back of customers and improvement of call completion resulted in higher long distance traffic volumes. Total domestic long distance traffic rose to 12.309 billion minutes, 18.1 % higher than in 1999. International long distance billed minutes reached 5.521 billion, equivalent to an annual growth rate of 31.7 %.

On September 25, 2000, TELMEX´s shareholders approved the spin-off of the wireless telecommunications segment and most of its international operations. As a result of the spin-off, América Móvil was constituted as an independent Mexican company apart from TELMEX, where some assets, liabilities and stockholders equity related to these operations were transferred. With the spin-off, each TELMEX shareholder became shareholders of América Móvil and as a result, both companies are controlled by the same group of shareholders.

The consolidated financial results of TELMEX reported in the following pages should be analyzed in conjunction with the consolidated financial statements and accompanying notes, which are an integral part of this annual report, that were restated to present continuing operations apart from the spinned-off operations, in order to achieve an adequate comparability, as well as to comply with the current accounting principles. Revenues and costs of the spinned off operations are presented in the income from discontinued operations, net of income tax and employee profit sharing line.

The consolidated financial statements were prepared as required by Mexican Accounting Principles Bulletin B-10, as amended, issued by the Mexican Institute of Public Accountants, the figures shown in the consolidated financial statements and its accompanying notes and the ones included in this section are expressed in pesos with purchasing power as of December 31, 2000.

TELMEX
Years ended December 31

	2000		1999		1998	
	Million pesos	% of operating revenues	Million pesos	% of operating revenues	Million pesos	% of operating revenues
Operating revenues:						
Local service	46,956	45.9	46,326	49.9	47,632	54.4
Long distance service :						
Domestic	25,610	25.0	23,167	25.0	21,828	24.9
International	11,372	11.1	12,572	13.5	10,583	12.1
Interconnection	13,152	12.8	5,814	6.3	2,930	3.4
Other	5,341	5.2	4,918	5.3	4,544	5.2
	102,431	100.0	92,797	100.0	87,517	100.0
Operating costs and expenses:						
Cost of sales and services	21,615	21.1	19,297	20.8	18,716	21.4
Commercial, administrative and general	16,942	16.5	15,935	17.2	15,951	18.2
Interconnection	7,242	7.1	2,755	3.0	-	-
Depreciation and amortization	16,928	16.5	17,711	19.0	18,513	21.2
	62,727	61.2	55,698	60.0	53,180	60.8
Operating income	39,704	38.8	37,099	40.0	34,337	39.2
Comprehensive financing cost:						
Interest income	(3,228)	(3.2)	(1,506)	(1.6)	(1,445)	(1.6)
Interest expense	9,989	9.8	10,753	11.6	10,974	12.5
Exchange (gain) lost, net	(81)	(0.1)	(1,012)	(1.1)	5,020	5.7
Monetary gain, net	(3,430)	(3.3)	(5,197)	(5.6)	(7,794)	(8.9)
	3,250	3.2	3,038	3.3	6,755	7.7
Income from continuing operations before income tax and employee profit sharing	36,454	35.6	34,061	36.7	27,582	31.5
Provisions for:						
Income tax	7,837	7.7	8,516	9.2	8,976	10.2
Employee profit sharing	3,306	3.2	2,715	2.9	2,871	3.3
	11,143	10.9	11,231	12.1	11,847	13.5
Income before equity in results of affiliates	25,311	24.7	22,830	24.6	15,735	18.0
Equity in loss of affiliates	(313)	(0.3)	(116)	(0.1)	(47)	(0.1)
Income from continuing operations	24,998	24.4	22,714	24.5	15,688	17.9
Income from discontinued operations, net of income tax and employee profit sharing	1,473	1.4	4,664	5.0	4,384	5.0
Net income	26,471	25.8	27,378	29.5	20,072	22.9

Revenues from Local Service

In 2000, total revenues for local service were 46.956 billion pesos, 1.4% higher than in 1999. The increase was due to the higher number of lines in service as well as the increase in local traffic, offset by a reduction of local rates in real terms.

At December 31, 2000, market penetration of digital services (call waiting, caller ID, three-way calling, call forwarding and voice mail) increased 58.6% compared with the previous year. At year-end 2000, 27.2 % of lines had at least one digital service.

In 1999, local service revenues decreased 2.7% compared with the previous year. The decline in 1999 was mainly due to the reduction of local rates in real terms, partially offset by growth in lines in service and traffic. Growth in lines and traffic were partially attributable to the strength of the Mexican economy in 1999.

Revenues from Domestic Long Distance (DLD)

In 2000, total domestic long distance revenues were 25.610 billion pesos, 10.5% higher than in 1999. This growth was due to increased billed traffic, higher penetration of lines in competition, higher revenues from the data business, mainly in connectivity and Internet services but was partially offset by the decrease in real terms of long distance rates. The DLD contribution to TELMEX´s total revenues was 25.0% in both 2000 and 1999.

In 2000, TELMEX adjusted its accounting policy regarding revenues from the sale of LADATEL cards, deferring these revenues based on an estimate in time consumption that the prepaid card provides. This adjustment generated a non-recurring reduction in DLD revenues of 339 million pesos and previous years were not adjusted. Similar effects were recognized in revenues of local service and International long distance, by recognizing adjustments reducing these revenues by 194 million pesos and 111 million pesos, respectively.

During 1999, the negative trend reflected in this service for the past two years was reversed. In 1999, DLD consolidated revenues increased 6.1% compared with the decrease of 0.6% in 1998. The increase in 1999 was due to growth of 14.8% in billed minutes and to the increase in data services, partially offset by the reduction of long distance rates in real terms. Growth in traffic is explained by the strength of the Mexican economy, the effect of lower real rates and recovery of significant customers. Data services increased due to higher connectivity demands and for the accessible plans that the company offers to customers to acquire PC´s and have Internet access.

Revenues from International Long Distance (ILD)

For the year ended December 31, 2000, ILD revenues were 11.372 billion pesos, 9.5% lower than the previous year. The decrease was mainly due to international settlement revenues of 5.105 billion pesos, 12.2% lower than in 1999, the reduction of long distance rates in real terms and the illegal practice of by-pass carried out by some competitors. In 1999, a retroactive payment of international settlements corresponding to 1998 were recognized for the amount of 131.5 million dollars (see next paragraph). In the last quarter of 2000, a non-recurring payment to Alestra and Avantel was registered in long distance revenues of approximately 229 million pesos. ILD revenues decreased their contribution to TELMEX's total revenues to 11.1% in 2000 compared with 13.5% in 1999.

In a competitive environment, in 1999 ILD revenues increased 18.8% compared with the previous year. In 1998, these revenues decreased 36.3% compared with 1997. The comparison between 1999 and 1998 was affected by the delay in reaching an agreement on international settlement rates with U.S. carriers for 1998. Since no agreement was in effect during 1998, TELMEX only recognized as revenues the amounts that the U.S. carriers actually paid. In March 1999, an agreement was reached that was retroactive to January 1998 where we received and recognized approximately 131.5 million dollars in addition to settlement revenues of 1998. If payments corresponding to traffic in 1998 had been recognized in the same year, international long distance revenues would have decreased 27.6% in 1998 and 7.6% in 1999. These changes reflect a reduction of rates in real terms in both periods as a result of discounts to customers and the effect of inflation. In 1999, the reduction in rates was partially offset by higher traffic since the number of billed minutes increased 27.6%.

Revenues from Interconnection

This category includes revenues from interconnection to TELMEX´s local network by long distance and local operators and cellular companies. The contribution of this category to total revenues of the Company increased to 12.8% in 2000 from 6.3% in 1999, reflecting an increase of 126.2% in revenues in 2000 primarily attributable to the introduction of "calling party pays" in May, 1999. Revenues from fixed to mobile calls represented 58.1% of interconnection revenues in 1999 and 73.2% in 2000. Revenues from interconnection with competing long distance operators increased 55.8% compared with the previous year.

Revenues from interconnection almost doubled in 1999 to 98.5% higher than in 1998. The increase in 1999 was due to the introduction of "calling party pays", partially offset by the reduction of interconnection charges for long distance competitors.

Other Revenues

In 2000 and 1999, the other revenues category achieved increases of 8.6% and 8.2%, respectively, compared with the previous year. Yellow Pages and sales of equipment and accessories continue to be the main components of this category.

Cost of Sales and Services

In 2000, cost of sales and services increased 12.0%, compared with the prior year's 3.1%. In 2000 and 1999 the higher expense levels were mainly due to higher labor costs and a higher volume of Internet customers and in 2000 to the increase in expenses for services from third parties.

Commercial, Administrative and General Expenses

In 2000, commercial, administrative and general expenses were 6.3% higher than the same period of 1999. This growth was mainly due to the increase in labor costs and higher promotional expenses focused on market gain, market expansion and the introduction of new services, offset by a reduction in provisions for uncollectables.

In 1999, commercial, administrative and general expenses reflected relative stability compared with the previous year, due to a substantial reduction of uncollectables that offset higher labor costs and promotional expenses.

Interconnection

In 2000 and 1999, interconnection expenses represented payments to cellular operators (including Telcel). In 2000 these expenses increased 162.9%, compared with the previous year when "calling party pays" began.

Depreciation and Amortization

During 2000 and 1999, depreciation and amortization charges decreased 4.4% and 4.3%, respectively, compared with the previous year. The decreases in both years were due to a lower restatement index regarding inflation, partially offset by new investments in 2000 and in the case of 1999 as related to changes in higher useful lives of some fixed assets.

Operating Income

Operating income for 2000 increased 7.0% compared with 1999. This is the result of a 10.4% increase in operating revenues, offset by an increase of 12.6 % in operating costs and expenses. As a result, the operating margin decreased from 40.0% in 1999 to 38.8% in 2000.

Comprehensive Financing Cost

In 2000, comprehensive financing cost rose 7.0%, totaling 3.250 billion pesos. In 1999, a cost of 3.038 billion pesos was registered. During 2000, interest revenues increased 114.3%, due to a higher average level of interest-bearing assets. Interest gain remained virtually unchanged during 1999 since the higher average level of interest-bearing assets was offset by lower domestic interest rates. Interest expenses decreased 7.1% and 2.0% in 2000 and 1999, respectively. The reduction of interest rates in 2000 were due to similar average levels of debt in Mexican pesos compared with 1999, a decrease in domestic interest rates and higher foreign debt. In 1999, the reduction was mainly due to lower domestic interest rates. In 2000, appreciation of the peso to the US. dollar resulted in a net exchange gain of 81 million pesos, while in 1999, the appreciation of the Mexican peso to the U.S. dollar resulted in a net exchange gain of 1.012 billion pesos . The profits obtained by the monetary position during 2000 and 1999 reflected the lower inflation rate and a reduction in net monetary liabilities compared with the respective previous years.

Net Income from Continuing Operations

For 2000, consolidated net income reached 24.998 billion pesos, an increase of 10.1% compared with the previous year. In 1999, consolidated net income was 22.714 billion pesos, reflecting an increase of 44.8% compared with 1998.

Capital Expenditures

During 2000, total consolidated investments reached 19.708 billion pesos, an increase of 60.8% compared with the previous year, when investments totaled 12.258 billion pesos. In 2000, the investment in the telephone network was 17.680 billion pesos compared with 9.997 billion pesos in 1999. The important change in 2000 compared with 1999 was due to higher investments that were carried out in voice and data services.

Financial Structure

The debt to capitalization ratio of 60.1% in 2000 is within the range of most telecommunications companies.

Share Repurchase

In 2000, TELMEX repurchased 939 million shares (500 million shares in 1999), equivalent to 6.3% of outstanding shares at the beginning of the year. The outstanding shares at year-end 2000 were 14,010 million, comprised of 3,266.2 million Series "AA" shares, 339.1 million Series "A" Shares and 10,404.7 million Series "L" shares.

To the Stockholders of
Teléfonos de México, S.A de C.V.

In my capacity as statutory auditor and in compliance with Article 166 of the Mexican Corporations Act and the bylaws of Teléfonos de México, S.A. de C.V., I am pleased to submit my report on the consolidated financial statements for the year ended December 31, 2000, presented to you by the board of directors.

Among the auditing procedures applied, I personally (or in my absence the alternate statutory auditor) attended the stockholders' and the board of directors' meetings to which I was summoned. I reviewed, to the extent that I considered necessary in the circumstances, the unqualified report of the Company's independent auditors, dated March 9, 2001, issued as a result of their audit of the financial statements made in accordance with auditing standards generally accepted in Mexico. Such financial statements are the responsibility of the Company's management.

In my opinion, based on my review and that of the independent auditors, the accounting and reporting policies and criteria observed by the Company in the preparation of the consolidated financial statements that are being presented to the stockholders are adequate and sufficient and were applied on a basis consistent with that of the prior year, except for what is mentioned in the following paragraph. Consequently, it is also my opinion that the above-mentioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of Teléfonos de México, S.A. de C.V. and subsidiaries at December 31, 2000, the consolidated results of their operations, changes in their stockholders' equity and changes in their financial position for the year then ended in conformity with accounting principles generally accepted in Mexico.

As mentioned in Note 1 to the accompanying consolidated financial statements, effective January 1, 2000, the Company adopted the requirements of the new Mexican accounting Bulletin D-4, "Accounting for Income Tax, Asset Tax and Employee Profit Sharing", issued by the Mexican Institute of Public Accountants, with the effects described in Note 15.

C.P.C. Víctor Aguilar Villalobos
Statutory Auditor

Mexico City, Mexico
March 9, 2001

MANCERA, S.C.
ERNST & YOUNG

To the Stockholders of
Teléfonos de México, S.A. de C.V.

We have audited the accompanying consolidated balance sheets of Teléfonos de México, S.A. de C.V. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in stockholders' equity and changes in financial position 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 that the financial statements are free of material misstatement and are prepared in conformity with accounting principles generally accepted in Mexico. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Teléfonos de México, S.A. de C.V. and subsidiaries at December 31, 2000 and 1999, and the consolidated results of their operations, changes in their stockholders' equity, and changes in their financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

As mentioned in Note 1 to the acccompanying financial statements, effective January 1, 2000, the Company adopted the requirements of the new Mexican accounting Bulletin D-4 "Accounting for Income Tax, Asset Tax and Employee Profit Sharing", issued by the Mexican Institute of Public Accounting. The effects are described in Note 15.

Mancera, S.C.
Member of
Ernst & Young International

C.P.C. Alberto Tiburcio

Mexico City, Mexico
March 9, 2001

(Amounts in thousands of constant pesos as of December 31, 2000, except for earnings per share)

	Year ended December 31 2000	1999
Operating revenues:		
Local Service	Ps. 46,955,795	Ps. 46,325,897
Long-distance service:		
Domestic	25,610,008	23,167,210
International	11,372,119	12,572,058
Interconnection service	13,152,243	5,813,465
Other	5,341,154	4,917,934
	102,431,319	92,796,564
Operating costs and expenses:		
Cost of sales and services	28,856,754	22,051,661
Commercial, administrative and general	16,942,379	15,934,887
Depreciation and amortization (Notes 5 to 7)	16,928,386	17,710,735
	62,727,519	55,697,283
Operating income	39,703,800	37,099,281
Comprehensive financing cost:		
Interest income	(3,227,719)	(1,505,889)
Interest expense	9,989,227	10,753,105
Exchange gain, net	(81,345)	(1,012,560)
Monetary gain, net	(3,430,316)	(5,196,761)
	3,249,847	3,037,895
Income before income tax and employee profit sharing	36,453,953	34,061,386
Provisions for (Note 15):		
Income tax	7,836,354	8,516,278
Employee profit sharing	3,306,346	2,715,185
	11,142,700	11,231,463
Income before equity in results of affiliates	25,311,253	22,829,923
Equity in results of affiliates	(313,653)	(116,003)
Income from continuing operations	24,997,600	22,713,920
Income from discontinued operations, net of income tax and employee profit sharing (Note 2)	1,473,443	4,664,070
Net income	Ps. 26,471,043	Ps. 27,377,990
Income per share from continuing operations:		
Basic	Ps. 1.704	Ps. 1.505
Diluted	Ps. 1.612	Ps. 1.469
Net income per share:		
Basic	Ps. 1.805	Ps. 1.814
Diluted	Ps. 1.709	Ps. 1.774

See accompanying notes.

(Amounts in thousands of constant pesos as of December 31, 2000)

	Year ended December 31 2000	1999
Operating activities:		
Net income	Ps. 26,471,043	Ps. 27,377,990
Add (deduct) items not requiring the use of resources:		
Depreciation	16,602,467	17,447,272
Amortization	325,919	263,463
Deferred taxes	1,787,038	555,719
Equity in results of affiliates	313,653	116,003
Net income from discontinued operation	(1,473,443)	(4,664,070)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(3,639,846)	(3,160,295)
Prepaid expenses	(500,491)	499,108
Increase (decrease) in:		
Employee pensions and seniority premiums:		
Reserve	3,387,388	3,282,593
Contributions to trust fund	(1,807,562)	(2,582,159)
Payments to employees	(2,495,882)	(2,162,014)
Accounts payable and accrued liabilities	3,432,980	1,078,188
Taxes payable	(1,284,936)	948,305
Deferred credits	722,601	(376,945)
Resources provided by operating activities of continuing operations	41,840,929	38,623,158
Financing activities:		
New loans	54,212,617	24,702,865
Repayment of loans	(25,183,052)	(24,648,815)
Effect of inflation and of exchange rate differences on debt	(7,874,349)	(6,147,831)
Decrease in capital stock and retained earnings due to purchase of Company's own shares.	(23,632,363)	(8,556,109)
Cash dividends paid	(6,714,608)	(6,575,811)
Resources used in financing activities of continuing operations	(9,191,755)	(21,225,701)
Investing activities:		
Investment in plant, property and equipmet	(17,680,015)	(9,997,041)
Investment in inventories	(299,466)	(217,631)
Investment in affiliated companies	(1,365,918)	(442,126)
Investment in subsidiary companies	(207,624)	(354,950)
Other investments	(154,892)	(1,246,018)
Resources used in investing activities of continuing operations	(19,707,915)	(12,257,766)
Net change in assets and liabilities of discontinued operations	(6,412,665)	(1,730,877)
Net increase in cash and short-term investments	6,528,594	3,408,814
Cash and short-term investments at beginning of year	6,633,609	3,224,795
Cash and short-term investments at end of year	Ps. 13,162,203	Ps. 6,633,609

See accompanying notes.

(Amounts in thousands of constant pesos as of December 31, 2000)

	December 31			
	2000		1999	
Assets				
Current assets:				
Cash and short-term investments	Ps.	13,162,203	Ps.	6,633,609
Marketable securities		340,485		194,020
Accounts receivable, net (Note 4)		21,221,842		20,435,299
Prepaid expenses		1,444,620		965,170
Current assets from discontinued operations (Note 2)				45,878,807
Total current assets		36,169,150		74,106,905
Plant, property and equipment, net (Note 5)		106,518,665		106,713,371
Inventories, primarily for use in construction of the telephone plant		2,439,906		2,115,808
Licenses, net (Note 6)		618,669		654,403
Equity Investments (Note 7)		2,020,965		1,340,751
Intangible asset (Note 8)		8,249,622		8,895,577
Goodwill, net (Note 7)		869,084		886,673
Non current asets from discontinued operations (Note 2)				20,844,377
Total assets `	Ps.	156,886,061	Ps.	215,557,865

See accompanying notes.

	December 31 2000	1999
Liabilities and stockholders' equity		
Current liabilities:		
Short-term debt and current portion of long-term debt (Note 9)	Ps. 44,118,009	Ps. 26,562,505
Accounts payable and accrued liabilities	13,176,377	9,749,176
Taxes payable	688,033	1,984,009
Current liabilities from discontinued operations (Note 2)		6,688,553
Total current liabilities	57,982,419	44,984,243
Long-term debt (Note 9)	30,295,868	26,696,156
Employee pensions and seniority premiums (Note 8)	6,493,880	5,405,591
Deferre taxes (Note 15)	11,395,208	1,938,566
Deferred credits (Note 10)	1,268,352	545,751
Long-term liabilities from discontinued operations (Note 2)		2,732,466
Total liabilities	107,435,727	82,302,773
Stockholders' equity (Note 14)		
Capital Stock		
Historical	350,250	747,472
Restatement increment	26,507,653	55,676,568
	26,857,903	56,424,040
Premium on sale of shares	9,945,103	9,945,103
Retained earnings		
Unappropriated earnings of prior years	48,384,906	100,716,152
Net income for the year	26,471,043	27,377,990
	74,855,949	128,094,142
Minimum pension and seniority premium liability adjustment (Note 8)	(3,177,844)	(527,546)
Deficit from restatement of stockholders' equity	(59,030,777)	(61,411,093)
Total majority stockholders' equity	49,450,334	132,524,646
Minority interest		730,446
Total stockholders' equity	49,450,334	133,255,092
Total liabilities and stockholders' equity	Ps. 156,886,061	Ps. 215,557,865

Consolidated Statements of Changes in Stockholders' Equity

(Amounts in thousands of constant pesos as of December 31, 2000, except for dividends per share)

	Capital stock	Premium on sale of shares	Retained earnings: Legal reserve	Retained earnings: Reserve for purchase of Company´s own shares	Retained earnings: Unappropriated
Balance at December 31, 1998	Ps. 56,549,154	Ps. 9,945,103	Ps. 13,669,599	Ps. 16,785,508	Ps. 85,267,852
Appropriation of earnings approved at stockholders' meetings held in March and April, 1999:					
Cash dividends paid, at Ps.0.388 per share					(6,575,811)
Increase in reserve for purchase of Company's own shares				26,261,326	(26,261,326)
Increase in legal reserve			11,157		(11,157)
Cash purchase of Company's own shares	(125,114)			(8,122,676)	(308,320)
Minimum pension and seniority premium liability adjustment (Note 8)					
Minority interest					
Deficit from holding nonmonetary assets					
Net income for the year					27,377,990
Balance at December 31, 1999	56,424,040	9,945,103	13,680,756	34,924,158	79,489,228
Cumulative effect of accounting change (Notes 1 and 15)					**(13,257,049)**
Appropriation of earnings approved at stockholders' meeting held in April, 2000:					
Cash dividends paid, at Ps.0.445 per share					**(6,714,608)**
Increase in legal reserve			**80,553**		**(80,553)**
Cash purchase of Company's own shares	**(2,008,618)**			**(21,785,344)**	**161,599**
Minimum pension and seniority premium liability adjustment (Note 8)					
Minority interest in subsidiaries transferred to América Móvil					
Deficit from holding nonmonetary assets					
Deferred tax for deficit from holding nonmonetary assets					
Net income for the year:					
From continuing operations					**24,997,600**
From discontinued operations					**1,473,443**
Spun-off sotckholders' equity	**(27,557,519)**		**(42,364)**	**(8,259,458)**	**(29,812,012)**
Balance at December 31, 2000 (Note 14)	**Ps. 26,857,903**	**Ps. 9,945,103**	**Ps. 13,718,945**	**Ps. 4,879,356**	**Ps. 56,257,648**

See accompanying notes.

Total	Deficit from restatement of stockholders' equity	Minimum pension and seniority premium liability adjustment	Total majority stockholders´ equity	Minority interest	Total stockholders´ equity
Ps. 115,722,959	Ps. (51,224,025)	Ps. (1,391,607)	Ps. 129,601,584		Ps. 129,601,584
(6,575,811)			(6,575,811)		(6,575,811)
(8,430,996)			(8,556,110)		(8,556,110)
		864,061	864,061		864,061
				Ps. 754,911	754,911
	(10,187,068)		(10,187,068)	208,986	(9,978,082)
27,377,990			27,377,990	(233,451)	27,144,539
128,094,142	(61,411,093)	(527,546)	132,524,646	730,446	133,255,092
(13,257,049)	**4,100,347**		**(9,156,702)**		**(9,156,702)**
(6,714,608)			**(6,714,608)**		**(6,714,608)**
(21,623,745)			**(23,632,363)**		**(23,632,363)**
		(2,650,298)	**(2,650,298)**		**(2,650,298)**
				1,542,389	**1,542,389**
	(1,398,002)		**(1,398,002)**		**(1,398,002)**
	160,635		**160,635**		**160,635**
24,997,600			**24,997,600**		**24,997,600**
1,473,443			**1,473,443**		**1,473,443**
(38,113,834)	**(482,664)**		**(66,154,017)**	**(2,272,835)**	**(68,426,852)**
Ps. 74,855,949	**Ps. (59,030,777)**	**Ps. (3,177,844)**	**Ps. 49,450,334**	**Ps.**	**Ps. 49,450,334**

December 31, 2000 and 1999
(Amounts in thousands of constant pesos as of December 31, 2000)

1. Description of the Business and Significant Accounting Policies

I. Description of business
Teléfonos de México, S.A. de C.V. and its subsidiaries (collectively "the Company" or "TELMEX") provide telecommunications services. After the spin-off later described in Note 2 below, these services are provided primarily in Mexico.

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

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

At the end of 1996 and gradually during 1997, the competition was allowed to provide domestic and international long-distance telephone services. In 1999, the competition began to provide basic local telephone service.

At a special shareholders' meeting held on September 25, 2000, TELMEX's shareholders approved the spin-off of the Company's wireless telecommunication business and most of its international operations into América Móvil, to which specified assets and liabilities were allocated. See Note 2 for additional information.

II. Significant accounting policies
The significant accounting policies and practices followed in the preparation of these financial statements are described below:

a) Consolidation
The consolidated financial statements include the accounts of Teléfonos de México, S.A. de C.V. and its subsidiaries all of which are wholly owned, except for one subsidiary, in which the Company holds a 70% equity interest. Related minority interest is not significant in these financial statements. All the companies operate in the telecommunications sector or they provide services to companies operating in this sector.

All significant intercompany accounts and transactions have been eliminated in consolidation.

b) Recognition of revenues
Revenues are recognized as they accrue.

Local service revenues are derived from new-line installation charges, monthly service fees, measured usage charges based on the number of calls made and other service charges to subscribers, including, among others, charges for interconnecting fixed-system users with cellular users.

Revenues from domestic and international long-distance telephone calls are determined on the basis of the duration of the calls and the type of service used. All these services are billed monthly, based on the rates authorized by the Ministry of Communications and Transportation. International long-distance service revenues include the revenues earned under agreements with foreign telephone service providers or operators for the use of facilities in interconnecting international calls. These agreements specify the rates for the use of such international interconnecting facilities. These service revenues represent the net settlement between the parties.

In 1998 revenues obtained from U.S. long-distance service operators were conservatively recognized at the time payments were received because no agreement with respect to settlement rates had been reached at the end of the year. In 1999, based on the agreements reached, the Company recorded as revenue for the year, approximately US$ 131.5 million, as a complement to the interconnection services provided in 1998.

Due to the important growth in the sale of prepaid telephone service cards and their potential in the future, effective in 2000 the Company changed its policy with respect to the recognition of revenues from these cards, providing for the deferral of revenue based on an estimate of the usage of time covered by the prepaid card.

As a result of this change in policy, revenues and net income for the year ended December 31, 2000 were decreased by Ps. 643,707 and Ps. 418,410, respectively.

c) Recognition of the effects of inflation on financial information
The Company recognizes the effects of inflation on financial information as required by Mexican Accounting Principles Bulletin B-10 ("Accounting Recognition of the Effects of Inflation on Financial Information"), issued by the Mexican Institute of Public Accountants (MIPA). Consequently, the amounts shown in the accompanying financial statements and in these notes are expressed in thousands of constant pesos as of December 31, 2000. The December 31, 2000 restatement factor applied to the financial statements at December 31, 1999 was 8.96%, which corresponds to the applicable inflation from January 1 through December 31, 2000, based on the Mexican National Consumer Price Index (NCPI) published by Banco de México.

Plant, property and equipment, and construction in progress were restated as described in Note 5. Telephone plant and equipment depreciation is computed on the restated investment using the composite group method. All other assets are depreciated using the straight-line method based on the estimated useful lives of the related assets.

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

Other nonmonetary assets were restated using adjustment factors obtained from the NCPI.

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

The deficit from restatement of stockholders' equity consists of (i) the accumulated monetary position loss at the time the provisions of Bulletin B-10 were first applied in 1984 (Ps. 11,353,769 at December 31, 2000) and, (ii) the result form holding nonmonetary assets, which represents the net difference between restatement by the specific indexation method (see Note 5) and restatement based on the NCPI.

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

Bulletin B-12 specifies the appropriate presentation of the statement of changes in financial position when the financial statements have been restated in constant pesos in accordance with Bulletin B-10. Bulletin B-12 identifies the sources and applications of resources representing differences between beginning and ending financial statement balances in constant pesos. In accordance with this bulletin, monetary and foreign exchange gains and losses are not treated as noncash items in the determination of resources provided by operations.

d) Short-term investments
Short-term investments, represented basically by time deposits in financial institutions with maturities of three months or less, are stated at market value.

e) Marketable securities
Marketable securities are held for trading purposes and include equity securities.

f) Equity investments in affiliates
The investment in shares of affiliates is valued using the equity method. This accounting method consists basically of recognizing the investor's equity interest in the results of operations and in the result from holding nonmonetary assets of investees at the time such results are incurred (see Note 7).

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

At times the Company enters into short-term forward exchange and option contracts, as hedges for transactions denominated in currencies other than the U.S. dollar. The gains or losses on these contracts are recognized in income as incurred, net of the gains or losses on the liabilities covered.

h) Labor obligations
Pension and seniority premium costs are recognized periodically during the years of service of employees, based on actuarial computations made by independent actuaries, using the projected unit-credit method and financial hypotheses net of inflation, as required by Mexican Accounting Principles Bulletin D-3 ("Labor Obligations," see Note 8). Termination payments are charged to income in the year in which the decision to dismiss an employee is made.

i) Income tax and employee profit sharing
Requirements of the new Mexican accounting Bulletin D-4, "Accounting for Income Tax, Asset Tax and Employee Profit Sharing", went into effect on January 1, 2000. The new bulletin modifies the rules with respect to the determination and presentation of deferred income tax (deferred taxes). Basically, the new bulletin requires that deferred taxes be determined on virtually all temporary differences in balance sheet accounts for financial and tax reporting purposes, using the enacted income tax rate at the time the financial statements are issued. Through December 31, 1999, deferred taxes were recognized only, for temporary differences that were considered to be non-recurring and that had a known turnaround time. Accordingly, the provision for income tax includes both the current year tax and the deferred portion. See Note 15 for additional information.

The new bulletin does not significantly affect how employee profit sharing is accounted for.

j) Basis of translation of financial statements of foreign subsidiaries
The financial statements of the subsidiaries located in the U.S., Guatemala and in Ecuador, which were transferred to America Movil in the spin-off described in Note 2 and represent approximately 18% of net revenues of the discontinued operations and approximately 39% of the total assets of the discontinued operations in 2000 (10% of net revenues of the discontinued operations and 5% of the total assets of the discontinued operations in 1999), are translated into Mexican pesos in conformity with Mexican Accounting Principles Bulletin B-15 "Transactions in Foreign Currency and Translation of Financial Statements of Foreign Operations", issued by the MIPA, as follows:

The figures reported by the subsidiaries abroad were adjusted to conform with accounting principles generally accepted in Mexico.

All balance sheet amounts, except for capital stock and retained earnings, were translated at the prevailing exchange rate at year-end; capital stock and retained earnings were translated at the prevailing exchange rate at the time capital contributions were made and earnings were generated. The statement of income amounts were translated at the prevailing exchange rate at the end of the reporting period. The effect of inflation and changes in exchange rates were not material.

k) Earnings per share
TELMEX determined the earnings per share in conformity with Mexican Accounting Principles Bulletin B-14 "Earnings per Share" issued by the MIPA (see Note 14).

l) Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles, requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

m) Concentration of risk
The Company invests a portion of its excess cash in cash deposits in financial institutions with strong credit ratings and has established guidelines relating to diversification and maturities that maintain safety and liquidity. The Company has not experienced any losses in its short-term investments. The Company does not believe it has significant concentrations of credit risks in its accounts receivable, because the Company's customer base is geographically diverse, thus spreading the trade credit risk.

n) Reclassifications
Certain amounts shown in the 1999 financial statements have been reclassified for uniformity of presentation with 2000.

2. Spin-Off

On September 25, 2000, TELMEX shareholders approved the spin-off of the wireless telecommunication business in Mexico and most of its international operations. As a result of the spin-off, América Móvil was established as a new Mexican corporation, independent of TELMEX, to which related specified assets, liabilities and equity were transfered.

Neither TELMEX nor América Móvil will own any capital stock in the other. As a result of the spin-off, each TELMEX shareholder became a shareholder in América Móvil, and consequently, both companies are controlled by the same group of shareholders. The relationships between the two companies will be limited to: (a) agreements related to the implementation of the spin-off; (b) commercial relationships in the ordinary course of business between a major fixed-line network operator and a major wireless network operator, such as interconnection and co-location of facilities, and (c) certain transitional arrangements that will continue until América Móvil has its own administrative structure in place.

In the accompanying financial statements, the assets and liabilities of the spun-off entities are shown as current and noncurrent assets and liabilities of discontinued operations, and the revenues and expenses of these entities are included in income of discontinued operations, net of income taxes and employee profit sharing. Accordingly, the amounts in the financial statements and related notes for all periods shown have been restated to present the assets and liabilities and the revenues and expenses of the continuing operations of TELMEX, separated of the discontinued operations.

Assets and liabilities of the discontinued operations were transferred to América Móvil at their book value. The amount of stockholders' equity transferred to América Móvil in the spin-of was determined as the difference between the assets and liabilities transferred and will be accounted for as a reduction in TELMEX's equity at the time of the spin-off.

Current assets of discontinued operations include Ps. 17,552,667 as of December 31, 1999 of an affiliate investment in TELMEX commercial paper that prior to the spin-off was eliminated through consolidation. The related liability is included in current liabilities.

Interest earned from the commercial paper and medium-term notes held by the subsidiary, which amounted to Ps. 2,198,280, Ps. 5,641,216 at September 30, 2000 and December 31, 1999, respectively, is included in income from discontinued operations.

This investment was transferred to América Móvil because it was designated to be used primarily in investments related to the line of business of América Móvil. The investment and the related interest earned were accounted for as part of discontinued operations because the terms of the spin-off established that such investment should be transferred to América Movil.

The summarized balance sheet figures as of December 31, 1999 and the summarized statements of income for the nine-month period ended September 30, 2000 and the twelve-month period ended December 31, 1999 are shown following:

Consolidated Balance Sheet as of December 31, 1999

Assets	
Current assets:	
Cash and short-term investments	Ps. 41,804,944
Accounts receivable, net	2,565,143
Prepaid expenses and other	1,508,720
Total current assets	45,878,807
Plant, property and equipment, net	11,770,104
Inventories	2,240,958
Licenses, net	1,623,848
Equity investments	3,312,265
Goodwill, net	1,897,202
Total non current assets	20,844,377
Total assets	Ps. 66,723,184
Liabilities and stockholders' equity	
Current liabilities:	
Current portion of long-term debt	Ps. 908,448
Accounts payable and accrued liabilities	5,363,432
Taxes payable	416,673
Total current liabilities	6,688,553
Long-term debt	2,539,931
Seniority premiums	1,367
Deferred credits	191,168
Total long-term liabilities	2,732,466
Total liabilities	9,421,018
TELMEX investment in net assets of discontinued operations	57,302,166
Total liabilities and TELMEX investment in net assets of discontinued operations	Ps. 66,723,184

Consolidated Statements of Income

	Periods of nine and twelve months ended	
	Sep. 30, 2000	Dec. 31, 1999
Operating revenues	Ps. 19,541,922	Ps. 15,698,614
Operating costs and expenses	16,968,871	13,247,952
Operating income	2,573,051	2,450,662
Comprehensive financing income, net	1,134,555	3,148,738
Income before income tax and employee profit sharing	3,707,606	5,599,400
Provisions for:		
Income tax	1,805,256	1,126,992
Employee profit sharing	114,980	113,613
Income before equity in results of affiliates and minoritary interest	1,787,370	4,358,795
Equity in results of affiliates	(477,813)	71,822
Income before minority interest	1,309,557	4,430,617
Minority interest in loss of subsidiaries	163,886	233,453
Net income of discontinued operations	Ps. 1,473,443	Ps. 4,664,070

3 Marketable Securities

At December 31, 2000, the Company holds shares in the amount of Ps. 340,485 (Ps. 194,020 in 1999) for trading.

The Company included in the comprehensive cost of financing for the year 2000, unrealized losses of Ps. 1,396,431 on the valuation of shares held. The net gain on the sale of equity investments for the same period was Ps. 680,764. Realized and unrealized gains and losses for the year ended December 31, 1999 had no material effect on the accompanying financial statements. During 2000, the Company invested in and sold Ecuadorian government bonds for U.S.$ 177.3 million, obtaining a gain of Ps. 889,984, which is included in the net realized gain for the period on these securities.

4. Accounts Receivable

Accounts receivable consist of the following:

	2000	1999
Subscribers	Ps. 16,661,375	Ps. 16,297,226
Net settlement receivables	1,243,604	849,945
Related Parties	806,471	2,838,903
Other	5,060,098	3,430,820
	23,771,548	23,416,894
Less:		
Allowance for doubtful accounts	2,549,706	2,981,595
Total	Ps. 21,221,842	Ps. 20,435,299

In December 2000, TELMEX and its two major long-distance competitors agreed, among other things, on long-distance interconnection rates, thus settling existing disputes with respect to such rates. They also agreed to submit to the Federal Telecommunications Commission (COFETEL) their proposals for eliminating the by-pass and the transferring of international calls to Mexico. The parties also agreed to withdraw unresolved legal proceedings in connection with the matters in dispute.

Under this agreement, the competitors paid TELMEX U.S.$ 139 million (net of taxes) for interconnecting services provided in the past. As a result, TELMEX reversed approximately Ps. 1,700,000 of the allowance for doubtful accounts that it had conservatively recognized.

5. Plant, Property and Equipment

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

	2000	1999
Telephone plant and equipment	Ps. 166,547,931	Ps. 162,515,564
Land and buildings	23,876,464	23,282,408
Computer equipment and others	18,778,654	17,489,853
	209,203,049	203,287,825
Less:		
Accumulated depreciation	112,679,947	102,454,324
Net	96,523,102	100,833,501
Construction in progress and advances to equipment suppliers	9,995,563	5,879,870
Total	Ps. 106,518,665	Ps. 106,713,371

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

	2000	1999
Assets under capital lease (1)	Ps. 1,607,365	Ps. 126,010
Less accumulated depreciation.	68,723	33,688
	Ps. 1,538,642	Ps. 92,322

(1) In 2000, Ps. 850,636 is included in construction in progress.

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

Effective January 1, 1997, Bulletin B-10 eliminated the use of appraisals to present plant property and equipment in the financial statements. This caption was restated as follows at December 31, 2000 and 1999:

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

At December 31, 2000 and 1999, approximately 51% of the value of the plant, property and equipment has been restated using specific indexation factors.

Following are the figures on plant, property and equipment at December 31, 2000 and 1999, restated on the basis of the NCPI (starting with the appraised values at December 31, 1996) to meet NBSC disclosure requirements with respect to the restatement of fixed assets based on specific indexation factors:

	2000	1999
Telephone plant and equipment	Ps. 201,651,459	Ps. 192,179,982
Land and buildings	23,876,464	23,282,407
Computer equipment and others	21,560,423	19,663,280
	247,088,346	235,125,669
Less:		
Accumulated depreciation	136,739,533	120,395,901
Net	110,348,813	114,729,768
Construction in progress and advances to equipment suppliers	10,092,096	6,064,385
Total	Ps. 120,440,909	Ps. 120,794,153

c) Because of the important progress and the technological advances in telecommunications equipment, the Company makes a periodic assessment of the estimated useful lives of its fixed assets, adjusting annual depreciation whenever it believes this to be appropriate. In

2000, the Company extended the useful lives of certain assets, thereby decreasing depreciation expense for 2000, as compared to 1999, by approximately Ps. 50,000.

Depreciation of the telephone plant has been calculated at annual rates ranging from 3.3% to 16.7%. The other assets are depreciated at rates ranging from 3.3% to 33.3%. Depreciation charged to income was Ps. 16,602,467 in 2000, and Ps. 17,447,272 in 1999.

6. Licenses

In May 1998, TELMEX acquired from the Mexican Government licenses to operate radio spectrum wave frequency bands to provide fixed and mobile wireless telephone services at a cost of Ps. 549,780. In December 1997, the Company also acquired from the Mexican Government concessions to operate radio spectrum wave frequency bands for point-to-point and point-to-multipoint microwave communications at a cost of Ps. 164,591. These costs are being amortized over a period of twenty years (see Note 15).

As of December 31, 2000 and 1999 licenses are as follows:

		2000		1999
Investment	Ps.	714,371	Ps.	714,371
Accumulated amortization		95,702		59,968
Net	Ps.	618,669	Ps.	654,403

Amortization expense for the periods ended December 31, 2000 and 1999 was Ps. 35,734 each.

7. Equity Investments

a) Equity investments in affiliated companies and other

An analysis of the equity investment in affiliated companies and other at December 31, 2000 and 1999, that remain in TELMEX after the spin-off, and a brief description is as follows:

		2000		1999
Prodigy Communications Corporation	Ps.	512,719	Ps.	288,753
Williams Communications Group, Inc.		1,029,783		1,051,998
Technology and Internet, LLC		373,782		
Other		104,681		
		2,020,965		1,340,751
Goodwill		1,471,109		1,154,074
Accumulated amortization		602,025		267,401
Goodwill, net		869,084		886,673
Total	Ps.	2,890,049	Ps.	2,227,424

In July 1998, the Company acquired a 20.9% equity interest in Prodigy Communications Corporation (Prodigy), which is engaged in providing internet services in the United States. In February 1999, Prodigy made a public offering of 9,200,000 shares for approximately U.S.$129 million. At the same time, TELMEX subscribed and paid a capital increase for the equivalent of 2 million shares of Prodigy. In December 1999, the Company acquired 432,600 shares of Prodigy and during 2000 it acquired an additional 668,100 shares for approximately U.S.$ 7 million. In May 2000, other stockholders made capital contributions to Prodigy for more than the book value of the shares acquired. Although this resulted in a reduction in the equity interest of TELMEX to 8.1%, it increased the proportional book value of the investment by Ps. 671,440, which TELMEX credited to income of the year. As a result of these transactions, at December 31, 2000 and 1999, the Company holds an 10.3% and 18.4% equity interest in Prodigy, respectively. The goodwill of Ps. 942,216 (Ps. 878,638 in 1999) generated on these transactions is being amortized over a period of five years.

In May 1999, the Company entered into an agreement with Williams Communications Group, Inc. (Williams), which is engaged in providing telecommunications services in the United States, to acquire approximately 1% of the shares comprising the capital stock of Williams. This transaction was consummated in October 1999. Williams and TELMEX agreed to interconnect their fiber optics and long-distance networks in supplying international telecommunications services.

Since March 2000, TELMEX has made capital contributions to Technology and Internet, LLC (TAI). These contributions, which represent 50% of TAI's capital contributions, total U.S.$ 103 million. TAI has made investments in companies engaged in e-commerce, basically in the United States and Latin America.

Total equity investments in affiliated companies during 2000 aggegated approximately U.S. $ 123 millions (U.S. $ 39 millions in 1999).

TELMEX's equity interest in the results of operations of affiliated companies represented a charge to operations of Ps. 313,653 in 2000 (Ps. 116,003 in 1999).

b) Spun-off companies

A brief description of the equity investments at December 31, 1999 that were transferred to América Móvil, including the cost of each and percent of ownership is as follows:

i) Investments in affiliates and other companies

		1999
SBC International Puerto Rico, Inc.	Ps.	2,448,156
Empresas Cablevisión, S.A. de C.V.		706,409
Other		157,700
Total	Ps.	3,312,265

In October 1999, the Company acquired a 50% equity interest, in SBC International Puerto Rico, Inc. ("SBCI Puerto Rico"), for a total consideration of approximately U.S.$ 244.7 million. SBCI Puerto Rico is the parent company of Cellular Communications of Puerto Rico, Inc. a wireless telephone operator in Puerto Rico and the U.S. Virgin Islands. The remaining 50% equity interest in SBCI Puerto Rico is held by SBC Wireless Puerto Rico, LLC. The goodwill of Ps. 56,524 generated on this transaction will be amortized over a period of five years. The unamortized balance of goodwill at December 31, 1999 was Ps. 54,665.

In 1995, the Company acquired 49% of the capital stock of Empresas Cablevision, S.A. de C.V. ("Cablevision"). Cablevision provides cable TV in the Mexico City metropolitan area. The remaining 51% interest in Cablevision is held by Grupo Televisa, S.A. de C.V.

In June 1999, the Company acquired a 0.08% equity interest in Network Access Solutions Corporation ("Network Access") a provider of broadband network access services. In March 2000, the Company made additional capital contributions to Network Access and as a result, increased its equity in interest to 5.9%. Total 1999 and 2000 equity investments in Network Access were approximately U.S.$ 79 million.

ii) Investments in subsidiaries

Following is a summary of the most important equity investments in spun-off subsidiaries.

In February 1999, the Company acquired a 55.5% equity interest in TracFone, which is engaged in the resale of prepaid cellular telephone service in the United States. In the period June through September 1999, the Company made additional capital contributions to TracFone and, as a result, increased its equity interest to 88.3%. The goodwill of Ps. 1,096,061 generated on these acquisitions was being amortized over a period of five years. The unamortized balance of goodwill at December 31, 1999 was Ps. 940,755. Total equity investments in TracFone made in 1999 amounted to approximately U.S$ 352.6 million.

In 1999, through TracFone, the Company acquired in a step acquisition an 88.3% equity interest in Comm South for a total consideration of approximately U.S.$ 79 million. Comm South is engaged in the resale of prepaid local telephone service in the United States. The goodwill of Ps. 773,724 generated on this acquisition was being amortized over a period of fifteen years. The unamortized balance of goodwill at December 31,1999 was Ps. 766,389.

In May 1999, the Company acquired a 51% equity interest in Global Central America, S.A. de C.V. (GCA), for a total consideration of approximately U.S.$65.8 million. In December 1999 and March 2000, the Company made additional capital contributions to GCA in the amount of U.S.$ 12.4 million and U.S.$ 15.7 million, respectively.

Through the GCA acquisition, the Company acquired 99.9% of the capital stock of seven companies in Guatemala. The goodwill from these acquisitions amounted Ps. 178,688 and was being amortized over a period of five years. The unamortized balance of goodwill at December 31, 1999 was Ps. 145,347.

iii) Goodwill

An analysis of goodwill at December 31, 1999 of the companies transferred to América Movil is as follows:

		1999
Goodwill:		
Subsidiaries	Ps.	2,036,131
Affiliates		56,524
		2,092,655
Accumulated amortization		195,453
	Ps.	1,897,202

c) Other spin-offs during 2000

In addition on the above, from January through September 25, 2000, the date of the spin-off, the company paid approximately U.S.$ 1,244 million for the following acquisitions, all of which have been spun-off to América Móvil:

- A 16.5% equity interest in ATL-Algar Telecom Leste, S.A.("ATL"), the B-band cellular concessionaire in the states of Rio de Janeiro and Espirito Santo in Brazil, was acquired in January 2000, for approximately U.S.$ 248.2 million.

- In March 2000, TELMEX acquired a controlling interest in Consorcio Ecuatoriano de Telecomunicaciones, S.A. Conecel ("Conecel"), a cellular telecommunications provider in Ecuador for U.S.$ 217 million Before the spin-off, the Company indirectly owned 60% of the capital stock of Conecel, and local investors own the remaining interest.

- A 49% equity interest of CompUSA, a retailer of personal computing equipment based in Dallas, Texas was acquired in March 2000. The investment in CompUSA was acquired for approximately U.S.$ 458.9 million, following the completion of a tender offer in which TELMEX and Sanborns acquired 100% of the capital stock of CompUSA. Sanborns is a subsidiary of Grupo Carso, which is an affiliate of the Company.

- TELMEX acquired 85.6% of the capital stock of América Central Tel, S.A. ("América Central", fomerly Luca S.A.), which owns 95% of the capital stock of Telgua, a fixed-line and wireless telecommunications operator in Guatemala. The interest in America Central was acquired in March 2000, for approximately U.S.$ 171.5 million. In connection with the acquisition of the shares of Telgua, América Central is obligated to pay U.S.$ 350 million in October 2001 to a trustee on behalf of the Guatemalan Government, which bears interest at Libor plus 3%. The shares of Telgua are pledged to the trustee to secure the obligations of América Central.

- A 60% interest in Telcel Wireless Argentina, LLC (formerly Telecom Americas, LLC) ("Telcel Argentina"), a joint venture with Techint, one of Argentina's largest industrial groups was acquired in July 2000 for approximately U.S. $ 148.5 million. Telcel Argentina controls Techtel, a company which provides data and video transfer solutions and value-added telecommunications services.

8. Employee Pensions and Seniority Premiums

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

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

In 1990, the Company set up an irrevocable trust fund to cover the payment of these obligations. It adopted the policy of making annual contributions to the fund, which totaled Ps. 1,807,562 in 2000, and Ps. 2,582,159 in 1999. These contributions are deductible for Mexican corporate income tax purposes.

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

The most important information related to labor obligations of the continuing operations is as follows:

Analysis of the net period cost:

		2000		1999
Labor cost	Ps.	1,953,066	Ps.	1,705,769
Financial cost of projected benefit obligation		3,550,578		3,024,843
Return on plan assets		(3,110,985)		(2,418,867)
Amortization of past service costs		997,461		972,195
Amortization of variances in assumptions		(2,732)		(1,347)
Net period cost	Ps.	3,387,388	Ps.	3,282,593

Reserve for employee pensions and seniority premiums:

	2000	1999
Projected benefit obligation	Ps. 53,978,094	Ps. 52,415,896
Plan assets	(44,215,005)	(44,189,910)
Transition liability	(7,920,038)	(8,895,646)
Actuarial loss to be amortized	(6,447,053)	(3,347,873)
Past service costs and plan amendments	(329,584)	-
Net projected asset	(4,933,586)	(4,017,533)
Additional minimum liability	11,427,466	9,423,124
Reserve for employee pensions and seniority premiums	Ps. 6,493,880	Ps. 5,405,591
Accumulated benefit obligation	Ps 50,708,885	Ps 49,596,050
Intangible asset included on balance sheet	Ps 8,249,622	Ps 8,895,646
Minimum pension and seniority premium liability adjustment on stockholders' equity	Ps 3,177,844	Ps 527,546

The increase in the unamortized actuarial loss in 2000 is attributable in part to the negative behavior of plan assets and the positive behavior of the projected benefit obligation, which at December 31, 2000 were approximately Ps. 3,100,000 less than the amount estimated at the beginning of the year. The negative behavior of plan assets was due largely to the pervasive decline in the value of securities traded on the Mexican Stock Exchange.

In the final quarter of 2000, the Company decided to review and modify the actuarial assumptions used for several years to make the actuarial computation of the projected benefit obligations and the current benefit obligation at December 31, 2000, as well as the net period cost for 2001. The net period cost is systematically computed in a prospective manner at the beginning of the year. The changes in actuarial assumptions were based on objective judgmental elements considered by both the Company and the independent actuary, including past experience of the Company and the country in recent years, as well as expectations with respect to the future.

The rates used in the actuarial studies were:

	2000	1999
Discount of labor obligations:		
First year	6.84 %	6.90 %
Long-term average	5.85 %	4.91 %
Increase in salaries:		
First year	1.85 %	0.88 %
Long-term average	0.96 %	1.42 %
Annual return from the fund	7.84 %	6.90 %

The changes in financial assumptions will result in a decrease of approximately Ps. 1,600,000 in the net period cost of 2001, compared to the cost that would have been determined on the basis of the previous actuarial assumptions. For 2000, the change represented a decrease of approximately Ps. 5,900,000 in the projected obligation, the current benefit obligation, and the change to stockholders' equity for labor obligations at December 31, 2000.

At December 31, 2000, 71% (74% in 1999) of plan assets were invested in fixed-income securities and 29% (26% in 1999) in variable-income securities.

9. Long-term Debt

The long-term debt consists of the following

	Average interest rates at December 31, 2000	1999	Maturities from 2001 through	Balance at December 31, 2000	1999
Debt denominated in foreign currency:					
Convertible senior debentures	4.2%	4.2 %	2004	Ps. 9,599,700	Ps. 10,375,389
Banks	7.4%	7.5%	2010	21,297,526	7,126,736
Suppliers' credits	7.6%	6.9%	2021	3,721,141	4,779,593
Financial leases	7.2%	7.1%	2005	1,440,250	311,021
Mexican Government	7.0%	6.9%	2006	203,727	244,320
Total				36,262,344	22,837,059
Debt denominated in Mexican pesos:					
Medium-term notes	20.2%	18.7%	2001	6,000,000	18,523,200
Commercial paper	18.0%	18.5%	2001	25,684,321	10,896,000
Banks	18.1%	18.7%	2002	6,400,664	873,083
Financial leases	19.9%	19.3%	2004	66,548	129,319
Total				38,151,533	30,421,602
Total debt				74,413,877	53,258,661
Less short-term debt and current portion of long-term debt				44,118,009	26,562,505
Long-term debt				Ps. 30,295,868	Ps. 26,696,156

The above mentioned rates are subject to variances in international and local rates and do not include the effect of the Company's agreement to reimburse certain lenders for Mexican taxes withheld. The Company's weighted average cost of borrowed funds at December 31, 2000 (including interest, fees and reimbursement of such lenders for Mexican taxes withheld) was approximately 12.2% (13.7% at December 31, 1999).

An analysis of the foreign currency denominated debt at December 31, 2000 is as follows:

	Foreign Currency (in thousands)		Exchange rate at December 31, 2000 (in units)		Mexican peso equivalent
U.S. dollar	3,749,171	Ps	9.5997	Ps	35,990,921
French franc	199,385		1.3613		271,423
Total				Ps	36,262,344

On June 11, 1999, the Company issued U.S. $ 1,000 million of convertible senior debentures. The debentures are convertible to common stock at the option of the holders, at any time prior to their maturity into American Depositary Shares (ADSs), each representing 20 TELMEX "L" shares. The conversion price is US$ 47.46095 per ADS, after the two-for-one stock split described in Note 14, equal to a conversion ratio of 21.07 "L" shares ADSs per US$ 1,000 principal amount of the convertible debentures, subject to adjustment under certain circumstances. As result of the spin-off, the conversion rate was adjusted from 21.07 to 33.81.

Should any person or group (other than the present controlling stockholders) acquire 50% or more of the issuer's voting shares, the holders of the convertible debentures may ask TELMEX to repurchase the convertible debentures, for 100% of the principal amount plus unpaid accrued interest through the repurchase date.

The maturity date of the convertible debentures is June 15, 2004. The debentures bear 4.25% annual interest, payable semiannually. In 2000 and 1999, accrued interest on these debentures aggregated Ps. 417,369 and Ps. 270,009, respectively.

On September 25, 2000, one of the entities that was part of the spin-off of América Móvil held Ps. 17,237,671 of medium-term notes and commercial paper issued by TELMEX (Ps. 17,552,667 in 1999). See Note 2.

The Company has long-term lines of credit with certain banks that do not require compensating balances. Commitment fees range from 0.5% to 1.5% of available balances. The unused committed lines of credit at December 31, 2000 totaled approximately Ps. 5,700,000, at a floating interest rate of approximately LIBOR plus one point at the time of use.

As a part of its currency hedging strategy, the Company utilized option exchange contracts to minimize the impact of currency fluctuations on transactions against U.S. dollars. During 2000 and 1999, the Company entered into short-term derivatives transactions. At December 31, 2000 and 1999, these transactions are not material.

Long-term debt maturities at December 31, 2000 are as follows:

Year ended December 31,		Amount
2002	Ps.	4,596,449
2003		7,782,516
2004		12,581,203
2005		2,535,595
2006 and beyond		2,800,105
Total	Ps.	30,295,868

Subsequent event

On January 26, 2001, TELMEX placed a 8.25% one billion U.S. dollar bond with a 2006 maturity. The price of the bond was set with a return of 350 base points over treasury bonds with a comparable maturity. The proceeds were applied to partially pay off commercial paper debt.

10. Deferred Credits

Deferred credits consist of the following at December 31, 2000 and 1999:

		2000		1999
Advance billings	Ps.	1,260,704	Ps.	531,166
Advances from subscribers and others		7,648		14,585
Total	Ps.	1,268,352	Ps.	545,751

11. Foreign Currency Position and Transactions

a) At December 31, 2000, TELMEX and its Mexican subsidiaries have a net foreign currency short position of U.S.$ 3,648 million (net foreign currency short position of U.S.$ 2,120 million at December 31, 1999).

The net exchange gain for 2000 and 1999 were Ps. 81,345 and Ps. 1,012,560, respectively. Such amounts were credited to income of such years.

The prevailing exchange rate at December 31, 2000 was Ps. 9.60 per U.S. dollar (Ps. 9.52 per U.S. dollar at December 31, 1999). At March 9, 2001, the exchange rate of the Mexican peso relative to the U.S. dollars was Ps. 9.65 per U.S. dollar.

b) In the years ended December 31, 2000 and 1999, TELMEX and its Mexican subsidiaries had the following transactions denominated in foreign currencies. Currencies other than the U.S. dollar were translated to U.S. dollars using the average exchange rate for the year.

	Millions of U.S. dollars **2000**	1999
Net settlement revenues	US$ 516	US$ 534
Interest expense	123	146
Operating expenses	139	124

12. Commitments and Contingencies

a) The Company leases certain equipment used in its operation under capital leases. At December 31, 2000, the Company had the following commitments under noncancelable leases:

Year ended December 31,		Capital Leases
2001	Ps.	397,348
2002		500,928
2003		467,144
2004		347,582
2005		139,996
Total		1,852,998
Less interest		346,200
Present value of net minimum lease payments		1,506,798
Less current installment		268,547
Long-term obligation at December 31, 2000	Ps.	1,238,251

b) At December 31, 2000, the Company has noncancelable commitments of approximately Ps. 3,604,000 (Ps. 2,310,000 in 1999) for the purchase of equipment.

c) At December 31, 2000, there are outstanding letters of credit in the approximate amount of Ps. 6,000 (Ps. 71,000 in 1999), which were issued to foreign suppliers for the purchase of materials and supplies.

d) In February 1998, the Federal Commission of Economic Competition determined that Teléfonos de México, S.A. de C.V. has substantial power in what it referred to as five telecommunication markets so that, in conformity with Article 63 of the Federal Telecommunications Act, COFETEL may impose specific obligations with respect to rates charged and quality of services and information. At the present time, it is not possible to quantify or estimate the economic consequences, if any, that may derive from this situation.

The Company's external lawyers who are handling this matter are of the opinion that this finding is unjustified. Consequently, Teléfonos de México, S.A. de C.V. filed an appeal for reconsideration by the Federal Commission of Economic Competition, which reconfirmed its initial stance, against which the Company proceeded to undertake relief proceedings and obtained the protection and shelter of the Mexican Federal Justice. This case is currently being reviewed by the Mexican Supreme Court.

e) In December 1995, a competitor that provides cellular telephone services reported Teléfonos de México, S.A. de C.V. and a related company to the Federal Commission of Economic Competition for alleged monopolistic practices.

The Company's external lawyers believe that the probabilities are great that the complaint will be declared unfounded. Although the accusation makes reference to different amounts of damages, there is no mention of the total amount of the claim. Also, the Commission is only empowered to impose fines, the total amount of which cannot be determined at the present time. Accordingly, the financial statements do not include any provision for this contingency.

f) In August 1994, Teléfonos de México, S.A. de C.V. was sued by a former employee, for the alleged illegal use of a system the latter calls the "High Traffic System," which the former employee claims to have created. The suit does not specify the exact amount of the indemnization sought. In the opinion of the Company's external lawyers, Teléfonos de México, S.A. de C.V. will prevail in this matter.

g) Under Mexican law, Teléfonos de México, S.A. de C.V. remains jointly and severally liable for any obligations transferred to América Móvil pursuant to the spin-off for a period of three years beginning on September 25, 2000, the date the spin-off was approved by our shareholders. Such liability, however, does not extend to any obligation with a creditor that has given its express consent relieving TELMEX of such liability and approving the spin-off. In addition, TELMEX has the following specific obligations:

- Creditors of Telgua under a U.S.$ 48 million balance at December 31, 2000 of a loan facility are entitled, upon default by Telgua, to foreclose on shares of certain subsidiaries and to sell those shares to TELMEX at a price equal to the unpaid principal amount under the facility. The Company expects América Móvil to agree that if the option is exercised, it will purchase the shares.

- Teléfonos de México, S.A. de C.V. intends to seek creditor consent to transfer the obligations to América Móvil, but unanimous consent is required and there can be no assurance that it will be forthcoming. The willingness of creditors to consent may be adversely affected by certain pending legal proceedings, in which the current Guatemalan government is challenging the privatization of Telgua by a previous government.

- Teléfonos de México, S.A. de C.V. has guaranteed indebtedness of ATL under certain credit facilities, for up to U.S.$ 100 million. América Móvil has agreed to idemnify Teléfonos de México against any liability under these guarantees.

- Teléfonos de México, S.A. de C.V. has provided a guarantee relating to certain performance obligations of FirstMark, limited to 5,358.8 million Spanish pesetas.

- Teléfonos de México, S.A. de C.V. has agreed with Techint, the other principal shareholder in Techtel, that each will provide its pro rata share of capital contribution of U.S.$ 25 million in March 2002. The Company expects that América Móvil will make these contributions as they arise.

- Teléfonos de México, S.A. de C.V. is required to provide Prodigy with necessary resources in the form of loans or capital contributions, in the event Prodigy fails to meet its obligations derived from lines of credit with Banco Inbursa, S.A. for up to U.S.$ 150 million. As of December 31, 2000, Prodigy has used U.S.$ 137 million of this line of credit.

13. Related Parties

In the years ended December 31, 2000 and 1999 the Company had the following significant transactions with related parties:

	2000	1999
Purchase of materials, inventories and fixed assets	Ps. 5,890,608	Ps. 1,923,679
Payment of insurance premiums and fees for administrative and operating services	1,918,053	1,056,999
Payment of CPP interconnection fees (1)	5,722,460	1,796,900
Donations to a non-profit social welfare organization	1,247,798	1,093,633
Discount on sale of doubtful accounts receivable	-	532,430
Sale of materials, inventories, fixed assets and services	471,693	454,989
Sale of long distance, circuits and others (2)	2,525,831	1,271,255

(1) Interconnection fee from the "Calling Party Pays" program (CPP); incoming calls from a fixed line telephone to a wireless telephone. Prior to the spin-off Telcel had entered into interconnection agreements with TELMEX. Revenues for this item are included in income from discontinued operations, eliminating the effect at a net income level.

(2) Interconnection (revenues): payment of interconnection of outgoing calls from the wireless network to the fixed line network .

14. Stockholders' Equity

a) An extraordinary stockholders' meeting held on December 6, 1999 approved the increase on February 1, 2000, in the number of outstanding series "AA", "A", and "L" shares, by means of a two-for-one stock split.

All per share and shares outstanding data in these financial statements, have been retroactively restated to reflect the two-for-one stock split.

b) At an extraordinary stockholders' meeting held on September 25, 2000, it was decided to merge TELMEX, as the surviving company, with the subsidiary Tenedora Nacional, S.A. de C.V., as the disappearing company. Since the subsidiary consolidated its financial statements with those of TELMEX, the merger had no effect.

c) In addition, at the above-mentioned meeting, the stockholders approved, as described in Note 2, the spin-off of the wireless telecommunications segment and most of its international transactions. When the spin-off took effect and TELMEX made its capital contribution to América Móvil, the capital stock of both TELMEX and América Móvil was represented by an equal number of shares of each of the three series, without any change in the number of shares comprising the capital stock of TELMEX.

d) At December 31, 2000, capital stock is represented by 14,010 million common shares with no par value, representing the fixed capital (14,949 million in 1999 and 7,475 million prior to the stock split), issued and outstanding. An analysis is as follows:

	2000	1999
3,266 million series "AA" shares (4,326 in 1999)	Ps. 10,547,485	Ps. 27,943,921
339 million (369 million in 1999) series "A" shares	1,173,052	2,544,934
10,405 million (10,254 million in 1999) series "L" shares	15,137,366	25,935,185
Total	Ps. 26,857,903	Ps. 56,424,040

e) Series "AA" shares, which may be subscribed only by Mexican individuals and corporate entities, must represent at all times no less than 20% of capital stock and no less than 51% of the common shares. Common series "A" shares, which may be freely subscribed, must account for no more than 19.6% of capital stock and no more than 49% of the common shares. Series "AA" and "A" shares combined may not represent more than 51% of capital stock. The combined number of series "L" shares, which have limited voting rights and may be freely subscribed, and series "A" shares may not exceed 80% of capital stock. The Company's bylaws contemplate the possibility of the holders of series "L" shares exchanging such shares, in certain circumstances, for series "AA" shares, commencing January 1, 2001.

From January 1, 2000 through the date of the audit report on these financial statements 606 million series "L" shares have been exchanged for series "AA" shares.

f) In 1994, TELMEX initiated a program to purchase its own shares. For this purpose, in accordance with the Securities Trading Act, the Company appropriated retained earnings to set up a reserve to purchase its own shares. A charge is made to the reserve for the excess cost of the shares purchased over the portion of capital stock represented by the shares acquired.

In March 1999, the stockholders approved an increase of Ps. 26,261,326 in the reserve for the purchase of the Company's own shares to acquire up to 1,600 million additional shares to those previously authorized (800 million prior to the stock split). In 1999, the Company acquired 500 million series "L" shares, for Ps. 8,247,790 (Ps. 7,116,910 historical). During 2000, the Company acquired 938.6 million series "L" shares for Ps. 23,772,666 (historical cost of Ps. 23,159,299) and 761 thousand series "A" shares for Ps. 17,663 (historical cost of Ps. 17,519).

In February 2001, the stockholders approved an increase of Ps. 10,000,000 in the reserve for the purchase of the Company's own shares.

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

h) Earnings per share are obtained by dividing net income for the year by the average weighted number of shares issued and outstanding during the period. To determine the average weighted number of shares issued and outstanding in 2000 and 1999, the shares acquired by the Company have been excluded from the computation.

The diluted earnings per share in 2000 and 1999, were determined considering the effect of the shares that may be delivered (potentially dilutive shares) as a result of the convertible senior debentures described in Note 9. The computation was made by deducting from net income for the year, the net comprehensive financing income, net of income tax and employee profit sharing, derived from the convertible debentures. The adjusted income was divided by the average weighted number of shares issued and outstanding, taking into account the number of shares that could be capitalized.

An analysis is as follows:

Income from continuing operations	**2000**	1999
Income per basic share:		
Income from continuing operations	Ps. 24,997,600	Ps. 22,713,920
Weighted average number of shares issued and outstanding (millions)	14,669	15,092
Income per basic share (in pesos)	Ps. 1.704	Ps. 1.505
Income per diluted share:		
Income from continuing operations	Ps. 24,997,600	Ps. 22,713,920
Comprehensive financing income (net of income tax and employee profit sharing)	(254,481)	(197,330)
Adjusted income	Ps. 24,743,119	Ps. 22,516,590
Weighted average number of shares issued and outstanding (millions)	14,669	15,092
Add: Potentially dilutive shares	676	234
Weighted average number of diluted shares issued and outstanding (millions)	15,345	15,326
Income per diluted share (in pesos)	Ps. 1.612	Ps. 1.469

Net income	**2000**	1999
Income per basic share:		
Net income	Ps. 26,471,043	Ps. 27,377,990
Weighted average number of shares issued and outstanding (millions)	14,669	15,092
Income per basic share (in pesos)	Ps. 1.805	Ps. 1.814
Income per diluted share:		
Net Income	Ps. 26,471,043	Ps. 27,377,990
Comprehensive financing income (net of income tax and employee profit sharing)	(254,481)	(197,330)
Adjusted income	Ps. 26,216,562	Ps. 27,180,660
Weighted average number of shares issued and outstanding (millions)	14,669	15,092
Add: Potentially dilutive shares	676	234
Weighted average number of diluted shares issued and outstanding (millions)	15,345	15,326
Income per diluted share (in pesos)	Ps. 1.709	Ps. 1.774

15. Income Tax

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

Various changes in the tax consolidation methodology went into effect on January 1, 1999. The most important of these changes reduces the consolidation equity percentage to 60%. These new provisions did not have a significant impact on the Company's tax results.

b) The asset tax is a minimum tax levied on the average value of most assets net of certain liabilities. Income tax may be credited against the asset tax so that the asset tax is payable only to the extent that it exceeds income tax. The asset tax on continuing operations for the years ended December 31, 2000 and 1999 was Ps. 2,257,201, and Ps. 2,350,012, respectively. In both years TELMEX credited against these amounts the income tax paid in such years.

c) Effective January 1, 1999, the corporate income tax rate was increased from 34% to 35%. However, corporate taxpayers have the option of deferring a portion, so that the tax payable for the year will represent 30% of taxable income (32% in 1999). The earnings on which there is a deferral of taxes must be controlled in a so-called "net reinvested tax profit" account ("CUFINRE"), to clearly identify the earnings on which the taxpayer has opted to defer payment of corporate income tax.

Since the Company opted for this tax deferral, earnings will be considered to be distributed first from the "CUFINRE" account, and any excess will be distributed from the "net tax profit" account ("CUFIN"), so as to pay the 5% deferred tax (3% for 1999).

Any distribution of earnings in excess of the above-mentioned account balances will be subject to payment of 35% corporate income tax.

In addition, effective January 1, 1999, cash dividends obtained by individuals or residents abroad from corporate entities in Mexico, will be subject to a 5% withholding tax, on the amount of the dividend multiplied by 1.5385 (1.515 for dividends paid from the determined balance of the "CUFIN" account at December 31, 1998).

d) The cumulative effect derived from the adoption of Bulletin D-4 at the beginning of 2000 was Ps. 9,156,702, applied to stockholders' equity, without restructuring the financial statements of prior years.

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

	2000	1999
Current year	Ps. 6,054,823	Ps. 7,960,559
Deferred	1,781,531	555,719
Total	Ps. 7,836,354	Ps. 8,516,278

The following items represent the principal reasons for the differences between Mexican income taxes computed at the statutory tax rate and the Company's provision for income tax:

	Year ended December 31, 2000	1999
Statutory income tax rate	35.0 %	35.0 %
Depreciation	(8.5)%	(4.6)%
Financing costs	(4.2)%	(4.9)%
Other	(0.8)%	(0.5)%
Provision for income tax	21.5 %	25.0 %

In 2000, the effect generated by the new Bulletin D-4 is included in each presented item.

f) The following table shows activity in deferred taxes applied to stockholders' equity in the year ended December 31, 2000, based on the requirements of the new Mexican accounting Bulletin D-4, including the accumulated effect for the change at the beginning of the period.

Accumulated effect of change in accounting at January 1, 2000:

Applied to stockholders' equity related to temporary differences from prior years, other than those indicated in the following line	Ps. (13,257,049)
Deferred income tax for difference between indexed cost and replacement cost of fixed assets and inventories applied to stockholders' equity	4,100,347
	(9,156,702)
Deferred income tax for difference between indexed cost and replacement cost of inventories and fixed assets attributable to 2000, net of inflation	160,635
Total amount transferred to América Móvil as a result of spin-off	1,278,364
Deferred tax included in stockholders' equity (in the captions retained earnings and deficit from restatement of stockholders' equity) at December 31, 2000	Ps. (7,717,703)

An analysis of the deferred tax liability for the year ended December 31, 2000 is as follows:

Balance at December 31, 1999	Ps. 1,938,566
Accumulated effect of accounting change at January 1, 2000	9,156,702
Current year deferred income tax for continuing operations, net of related monetary position gain (Ps. 1,179,935)	1,781,530
Current year deferred income tax for spun-off operations, net of related monetary position gain (Ps. 76,571)	677,290
Deferred tax for difference between indexed cost and replacement cost of fixed assets and inventories applied to stockholders' equity, net of effects of inflation	(160,635)
Monetary effect for deferred taxes recognized in statement of income	(87,798)
Deferred taxes transferred to América Móvil	(1,910,447)
Balance at December 31, 2000	Ps. 11,395,208

Has the requirements of the new Mexican accounting Bulletin D-4 been in force in 1999, income from continuing operations and the net income for such year would have been increased by Ps. 977,960 and decreased by Ps. 335,756, respectively. Earnings per basic share would have been Ps. 1.570 and Ps. 1.792, respectively and earnings per diluted share would have been Ps. 1.533 and Ps. 1.752, respectively.

g) The temporary differences on which the Company has recognized deferred taxes, are as follows:

	2000	1999
Deferred tax asset:		
Allowance for doubtful accounts and slow-moving inventories	Ps. 790,834	
Tax loss carry forwards	39,790	
Deferred revenues	426,967	
Liability reserves	71,951	
Excess cost over appraised value of Federal Microwave Network	13,889	Ps. 60,839
	1,343,431	60,839
Deferred tax liability:		
Fixed assets	(10,494,987)	
Inventories	(300,326)	
Licenses	(216,534)	(797,388)
Pensions	(1,726,792)	(1,202,017)
	(12,738,639)	(1,999,405)
Net deferred tax liability	Ps. (11,395,208)	Ps. (1,938,566)

h) At December 31, 2000, the balance of the restated contributed capital account (CUCA), the net tax profit account (CUFIN) and the net reinvested tax profit account (CUFINRE) are Ps. 22,146,371, Ps. 55,682,526 and Ps. 5,017,621, respectively. These amounts are for Teléfonos de México, S.A. de C.V. computed on a standalone basis.

16. Segments

After the spin-off described in Note 2, TELMEX operates primarily in two segments: local and long-distance telephone services. Local telephone service corresponds to fixed local wired service. The long-distance service includes both domestic and international services, exclusive of the long-distance calls originated in public and rural telephones and private circuits. 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 following the accounting policies described in Note 1 on a consistent basis:

(Amount in millions of constant pesos as of December 31, 2000)

	Local Service	Long Distance	Others, adjustments and eliminations	Total Consolidated
At December 31, 2000				
Revenues:				
External revenues	Ps. **55,712**	Ps. **26,195**	Ps. **20,524**	Ps. **102,431**
Intrersegment revenues	**13,156**		**(13,156)**	
Depreciation and amortization	**12,510**	**2,089**	**2,329**	**16,928**
Operating income	**28,717**	**7,658**	**3,329**	**39,704**
Segment assets	**164,407**	**30,106**	**27,126**	**221,639**
At December 31, 1999				
Revenues:				
External revenues	52,320	26,880	13,597	92,797
Intersegment revenues	11,256		(11,256)	
Depreciation and amortization	13,293	2,160	2,258	17,711
Operating income	25,221	9,643	2,235	37,099
Segment assets	164,741	25,418	21,124	211,283

Others include the yellow and white pages directories and other services. Transactions between segments are reported at fair value. Comprehensive financing (income) cost and provisions for income tax and employee profit sharing are not assigned to the segments; they are managed at corporate.

17. Generally Accepted Accounting Principales in the United States Reconciliation

The Company's consolidated financial statements are prepared in accordance with Mexican GAAP, which differ in certain significant respects from Generally Accepted Accounting Principles in the United States ("U.S. GAAP"). The principal differences between Mexican GAAP and U.S. GAAP, as they relate to the Company, consist of the accounting for pension plan costs, deferred income taxes and deferred employee profit sharing (deferred taxes), and the restatement of plant, property and equipment. Other differences are the accounting for interest on assets under construction and accrued vacation costs. As mentioned in Note 15, new Mexican accounting Bulletin D-4 went into effect on January 1, 2000. This new bulletin modifies the rules with respect to the accounting treatment for deferred income tax, and differences with U.S. GAAP in deferred taxes were reduced solely to the accounting treatment for deferred employee profit sharing, which was not significantly affected by the new Mexican accounting Principle. The reconciliation to U.S. GAAP does not include the reversal of the adjustments to the financial statements for the effects of inflation required under Mexican GAAP (Bulletin B-10), because the application of Bulletin B-10 represents a comprehensive measure of the effects of price level changes in the Mexican economy and, as such, is considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

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

	2000	1999
Income from continuing operations as reported under Mexican GAAP	Ps. 24,997,600	Ps. 22,713,920
Total approximate U.S. GAAP adjustments from continuing operations, net	(1,861,724)	(1,073,649)
Approximate income from continuing operations under U.S. GAAP	23,135,876	21,640,271
Approximate income from discontinued operations under U.S. GAAP	1,247,611	3,900,434
Approximate net income under U.S. GAAP	24,383,487	25,540,705
Other comprehensive income from continuing operations	864,813	(503,119)
Other comprehensive income from discontinued operations	1,291,425	(282,382)
Approximate comprehensive income under U.S. GAAP	Ps. 26,539,725	Ps. 24,755,204
Weighted average common shares outstanding (in millions):		
Basic	14,669	15,092
Diluted	15,345	15,326
Approximate income per share from continuing operations under U.S. GAAP (in pesos):		
Basic	Ps. 1.577	Ps. 1.434
Diluted	Ps. 1.491	Ps. 1.399
Approximate net income per share under U.S. GAAP (in pesos):		
Basic	Ps. 1.662	Ps. 1.692
Diluted	Ps. 1.572	Ps. 1.654
Total stockholders' equity under Mexican GAAP	Ps. 49,450,334	Ps. 133,255,092
Total approximate U.S. GAAP adjustments from continuing operations, net	(1,012,570)	(8,291,290)
Total approximate U.S. GAAP adjustments from discontinued operations, net	-	(1,692,021)
Approximate total stockholders' equity under U.S. GAAP	Ps. 48,437,764	Ps. 123,271,781

(thousands of Mexican pesos with purchasing power at December 31, 2000)

Regarding divident payments for the 2000 fiscal year, and according to Clause forty-five of Teléfonos de México, S.A. de C.V. by-laws, the following amounts are available to the Shareholders:

	Amount
Prior year's unappropriated earnings according to the unconsolidated balance at December 31, 2000	$ 37,401,948
Less: Separation for one dividend payment in cash to shareholders beginning March 22, 2001, of Ps. 0.115 per share by presenting coupon 16, according with the Shareholders' Meeting held on April 28, 2000	1,595,173
Less: Increase in the reserve for the stock repurchase program according with the Shareholders´Meeting held February 6, 2000	10,000,000
	25,806,775
Unconsolidated net income for the year	23,212,025
Total	$ 49,018,800

It is proposed that the balance of Ps. 49,018,800 made available to the shareholders to be allocated as follows:

	Amount	
There will be no increase to the legal reserve due to the fact that is has reached the 20% limit established in Article 20 of the Mexican Corporations Act		
To pay as a cash dividend of Ps. 0.50 per share comming fron the Net Tax Profit Account dividend in four payments of Ps. 0.125 each	$ 6,924,181	(1)
To the retained earnings account	42,094,619	
Total	$ 49,018,800	

The cash dividend proposed to the Shareholders´Meeting will be paid starting June 21, 2001, September 20, 2001, December 20, 2001 and March 20, 2002, for all outstanding shares which make up the capital stock of the company, by pesenting coupons 18,19, 20 and 21, respectively. The dividend payments are subject to the corresponding withholding tax. While the amounts of the dividends are not allocated to the shareholders, they will continue in the Company´s retained earnings account.

(1) Estimated figure considering a total of 13,848,361,090 outstanding shares at March 31, 2001.

Significant Results of Accounting Separation of Local and Long -Distance Telephone Service

For the years ended December 31
(millions of Mexican Pesos with purchasing power at December 31, 2000)

Based in Condition 7-5 of the Amendments to the Concession Title, the commitment to present independent accounting records for local and long-distance services is presented below for 2000 and 1999.

	Local Service		Long-Distance Service	
	2000	1999	**2000**	1999
Operating Revenues:				
Access, Rent, Measured Service and Others	$ 53,099	$ 52,393		
Domestic Long-Distance			$ 16,787	$ 16,990
International Long-Distance			9,408	9,890
LADA Interconection	9,673	8,061		
Interconection with Long-Distance Carriers	2,697	1,896		
Interconection with Cellular Companies	3,399	1,226		
Total Revenues	68,868	63,576	26,195	26,880
Operating Costs and Expenses:				
Cost of Sales and Services	15,337	13,598	2,482	2,307
Commercial, Administrative and General	12,304	11,464	4,876	5,104
Depreciation and Amortization	12,510	13,293	2,089	2,160
Interconection			9,090	7,666
Total Costs and Expenses	40,151	38,355	18,537	17,237
Operating Income	$ 28,717	$ 25,221	$ 7,658	$ 9,643
Estimation of Revenues due to illegal "by-pass"			$ 2,751	$ 2,468
Gross Fixed Asset	$ 164,407	$ 164,741	$ 30,106	$ 25,418
Personnel	42,835	42,849	7,670	8,109

Notes:
This information varies to the one presented in the consolidated financial statements of this Annual Report due to:

1) The information that was considered in its elaboration was only the one corresponding to companies that are directly involved in rendering local and long-distance telephone services, as follows: Teléfonos de México, S.A. de C.V.; Teléfonos del Noroeste, S.A. deC.V.; Compañía de Teléfonos y Bienes Raíces, S.A. de C.V. and Alquiladora de Casas, S.A. de C.V.

2) Local Service: Revenues for monthly rent, measured service, installation charges, equipment sales and interconnection.

3) Long-Distance Service: Revenues for basic services of domestic and international long-distance do not include rural and public telephony services and data transmission services.

4) The services being disclosed consider the corresponding imputations for interconnection, billing, collecting, leased ports, colocation and leased lines.

5) Settlement revenues in 2000 recognizes accrued revenues and in 1999, settlement revenues are recognized according to the negotiated rate for that period.

6) The results of long-distance do not include the operating income associated to rural telephone services of Ps. 53 million pesos in 2000 and a loss of Ps. 302 million pesos in 1999.

Board Members Appointed by Common Shares

Carlos Slim Helú
Chairman of the Board

Emilio Azcárraga Jean
Chairman of the Board
Grupo Televisa, S.A. de C.V.

James W. Callaway
Group President
SBC Communications, Inc.

Antonio Cosío Ariño
Chief Executive Officer
Compañía Industrial Tepeji del Río, S.A. de C.V.

Jaime Chico Pardo
Chief Executive Officer
Teléfonos de México, S.A. de C.V.

Janet M. Duncan
Chief Financial Officer
SBC International Management Services, Inc.

Arturo Elías Ayub
Director of Strategic Alliances, Communication and Institutional Relations
Teléfonos de México, S.A. de C.V.

Amparo Espinosa Rugarcía
Director
Documentación y Estudios de Mujeres, A.C.

Elmer Franco Macías
Director
Infra, S.A. de C.V.

Angel Losada Moreno
Executive President
Grupo Gigante, S.A. de C.V.

Laurent Mialet
International Executive Vice President
France Telecom

Rómulo O´Farrill Jr.
President and Chief Executive Officer
Novedades Editores, S.A.de C.V.

Juan Antonio Pérez Simón
Vice Chairman of the Board
Teléfonos de México, S.A. de C.V.

Mark E. Royse
President
SBC International Management Services, Inc.

Fernando Senderos Mestre
Chairman of the Board and Executive President
DESC, S.A. de C.V.

Carlos Slim Domit
Chairman of the Board
Grupo Carso, S.A. de C.V.

Marco Antonio Slim Domit
President and Chief Executive Officer
Grupo Financiero Inbursa, S.A. de C.V.

Board Members Appointed by Series "L"

Ricardo Martín Bringas
Chief Executive Officer
Organización Soriana, S.A. de C.V.

Bernardo Quintana Isaac
Chairman of the Board
Grupo ICA, S.A. de C.V.

Secretary

Sergio F. Medina Noriega
General Counsel
Teléfonos de México, S.A. de C.V.

Statutory Auditor

Víctor Aguilar Villalobos
Partner
Mancera, S.C. Ernst & Young

Common Share Alternates

Jaime Alverde Goya
Executive President
Alverde Tiendas, S.A. de C.V.

Carlos Bernal Verea
Partner
Noriega y Escobedo

Orlando E. Castillo
Associated Director-Regulatory
SBC International, Inc.

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Grupo Financiero Bital, S.A. de C.V.

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Director
Museo Amparo

Jorge Esteve Campdera
Chairman of the Board
Agro Industrias Unidas, S.A. de C.V.

Agustín Franco Macías
Chairman of the Board
Cryoinfra, S.A. de C.V.

José Kuri Harfush
Chief Executive Officer
Janel, S.A. de C.V.

Federico Laffan Fano
Partner
Laffan, Mues y Garay, S.C.

Patrick Slim Domit
Commercial Residential Market Director
Teléfonos de México, S.A. de C.V.

Eduardo Valdés Acra
Chief Executive Officer
Inversora Bursátil, S.A. de C.V.

Series "L" Alternates

Rafael Kalach Mizrahi
Chief Executive Officer
Grupo Kaltex, S.A. de C.V.

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General Counsel
Teléfonos de México, S.A. de C.V.

Assistant Secretary

Rafael Robles Miaja
Partner
Franck, Galicia Duclaud y Robles, S.C.

Alternate Statutory Auditor

Alberto Tiburcio Celorio
Partner
Mancera, S.C. Ernst & Young

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Board Member
Proyección Corporativa, S.A. de C.V.

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Lintel, S.A. de C.V.

Jorge A. Chapa Salazar
Board Member
Grupo Chapa, S.A. de C.V.

Javier López del Bosque
President of Operations
Grupo Industrial Saltillo, S.A. de C.V.

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Grupo Empresarial Sonorense, S.A. de C.V.

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Chairman of the Board
American Industries

Juan Manuel Ley López
Chairman of the Board
Casa Ley, S.A. de C.V.

Gastón Luken Aguilar
Chairman of the Board
GE Capital México, S.A.

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Chairman of the Board and Chief Executive Officer
Grupo Libra, S.A. de C.V.

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Board Member
Teléfonos de México, S.A. de C.V.

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Chairman of the Board
Grupo Cementos de Chihuahua, S.A. de C.V.

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Chairman of the Board
Grupo Industrial Lala, S.A. de C.V.

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Chief Executive Officer
Desarrollo Integrado, S.A. de C.V.

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Laboratorios Pisa, S.A. de C.V.

Luis Aranguren Tréllez
Executive President
Arancia Industrial, S.A. de C.V.

Alfonso Barba González
Chairman of the Board
Barba Apparel International

José Berrondo Mir
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Mabe México, S. de R.L. de C.V.

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Chairman of the Board
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José Martínez Ramírez
Chairman of the Board
Loma Textil, S.A. de C.V.

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Roberto Ruiz Rubio
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Fomento Queretano, S.A. de C.V.

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Súper San Francisco de Asis, S.A. de C.V.

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La Italiana, S.A. de C.V.

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Chairman of the Board
Grupo Comercial Chedraui, S.A. de C.V.

Juan Manuel Diez Francos
Chairman of the Board
Grupo Diez-Fénix, S.A. de C.V.

Rómulo Farrera Escudero
Chairman of the Board and Chief Executive Officer
Grupo Farrera, S.A. de C.V.

Juan José Gutiérrez Ruiz
Chairman of the Board
Grupo Gutiérrez Embotellador, S.A. de C.V.

Nicolás Madahuar Cámara
Chief Executive Officer
Operadora de Tiendas Voluntarias, S.A. de C.V.

Armando José Millet Molina
Chairman of the Board
Operadora Real Maya, S.A. de C.V.

Enrique Montoto Arámburo
Chief Executive Officer
C. Montoto, S.A. de C.V.

Miguel Quintana Pali
Chairman of the Board and Chief Executive Officer
Promotora XCaret, S.A. de C.V.

D i r e c t o r y

Jaime Chico Pardo
Chief Executive Officer

Corporate Directors

Isidoro Ambe Attar
Commercial Corporate Market

Adolfo Cerezo Pérez
Finance and Administration

Arturo Elías Ayub
Strategic Alliances, Communication and Institutional Relations

Javier Elguea Solís
Dean of INTTELMEX

Eduardo Gómez Chibli
Technical and Long Distance

Javier Mondragón Alarcón
Legal Affairs

Jaime Pérez Gómez
Human Resources

Patrick Slim Domit
Commercial Residential Market

Héctor Slim Seade
Operational Support

Andrés Vázquez del Mercado Benshimol
Strategic Development

Oscar Von Hauske Solís
Telecommunications Operators, Systems and Processes

Divisional Directors

Facundo Alonso García
Northeast

José Covarrubias Bravo
East Metro

Darío Fernández Lizardi
Gulf-Pacific

Miguel Ángel González Arriaga
West

Gerardo Leal Garza
South Metro

Rafael Mendoza Ortíz
West Metro

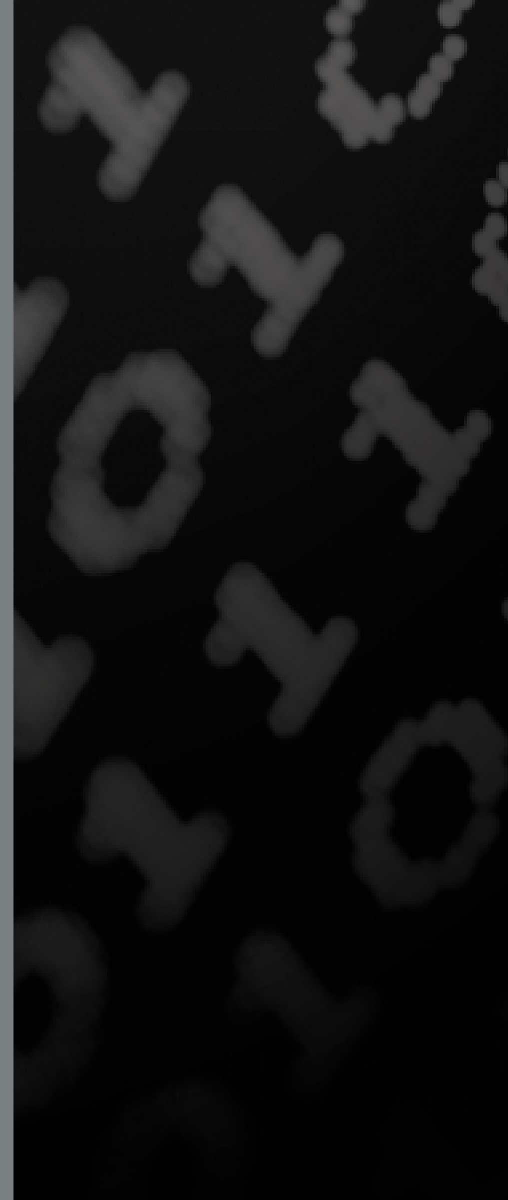
Francisco Niembro González
Telnor

Raymundo Paulín Velasco
Northwest

Jorge Luis Suástegui Esquivel
Center

Miguel ngel Vera García
Southwest

Jesús Gerardo Zozaya
North



Telmex
Premio Nacional de Tecnología
2000

Shareholder Information

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Shareholder Services:
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52(5) 222 6159
Fax: 52(5) 254 5955
e-mail: valores@telmex.net

Independent Auditors:
Mancera, S.C. Ernst&Young

Shares Traded in Mexico:
"A": Bolsa Mexicana de Valores
Symbol: TELMEX A
"L" : Bolsa Mexicana de Valores
Symbol: TELMEX L

Shares Traded in the U.S.:
ADS : New York Stock Exchange
Symbol: TMX
One ADS represents 20 "L" shares

ADS : NASDAQ
Symbol: TFONY
One ADS represents 20 "A" shares

Transfer and Depository Agent in the U.S.:
JP Morgan
Morgan Guaranty Trust Company
60 Wall Street
New York, NY 10260-0060
Tel. 1 (212) 648 6801
Fax: 1 (212) 648 5104

Stock Information

TELMEX	:	BMV Ticker Symbol
TMX	:	NYSE Ticker Symbol
TFONY	:	NASDAQ Ticker Symbol
XTMXL	:	LATIBEX Ticker Symbol

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