

TELEFONOS DE MEXICO S A B DE C V

Form 6-K

October 27, 2011

**FORM 6-K**

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Report of Foreign Private Issuer**

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of **October** 2011

Commission File Number: 333-13580

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

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

**Telephones of Mexico**

(Translation of Registrant's Name into English)

**Parque Vía 190**

**Colonia Cuauhtémoc**

**México City 06599, México, D.F.**

(Address of principal executive offices)

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

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

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

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

Yes ..... No...P...

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

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

**STOCK EXCHANGE CODE: TELMEX QUARTER: 3 YEAR: 2011**

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BMV: TELMEX, NYSE: TMX, NASDAQ: TFONY, QUARTER: 3 YEAR: 2011

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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AS OF SEPTEMBER 30, 2011, DECEMBER 31, 2010 & JANUARY 1, 2010

(Thousands of Mexican Pesos)

Final printing

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ACCOUNT	SUBACCOUNT	ENDING CURRENT	PREVIOUS YEAR END	HOME PREVIOUS YEAR
		Amount	Amount	Amount
		3Q 2011	4Q 2010	4Q 2009
<b>TOTAL ASSETS</b>		<b>160,159,912</b>	<b>156,273,094</b>	<b>176,803,426</b>
<b>CURRENT ASSETS</b>		<b>40,031,517</b>	<b>36,759,328</b>	<b>51,649,800</b>
CASH AND CASH EQUIVALENTS		1,539,828	7,493,465	14,379,768
SHORT TERM INVESMENT		0	0	0
	HELD-FOR-SALE INVESTMENTS	0	0	0
	HELD-FOR-TRADING INVESTMENTS	0	0	0
	HELD TO MATURITY INVESTMENTS	0	0	0
<b>TRADE RECEIVABLES (NET)</b>		<b>16,851,897</b>	<b>15,368,111</b>	<b>15,612,825</b>
	TRADE RECEIVABLES	21,705,965	20,403,417	19,921,706
	ALLOWANCE FOR DOUBTFUL ACCOUNTS	(4,854,068)	(5,035,306)	(4,308,881)
<b>OTHER RECEIVABLES (NET)</b>		<b>5,944,758</b>	<b>2,280,422</b>	<b>4,812,731</b>
	OTHER RECEIVABLES	5,944,758	2,280,422	4,812,731
	ALLOWANCE FOR DOUBTFUL ACCOUNTS	0	0	0
INVENTORIES		1,753,891	1,783,579	1,448,102
<b>OTHER CURRENT ASSETS</b>		<b>13,941,143</b>	<b>9,833,751</b>	<b>15,396,374</b>
	PREPAYMENTS	4,929,629	3,137,852	3,307,937
	DERIVATIVE FINANCIAL INSTRUMENTS	9,011,514	6,695,899	12,088,437
	ASSETS AVAILABLE FOR SALE	0	0	0
	DISCONTINUED OPERATIONS	0	0	0
	RIGHTS AND LICENSES	0	0	0
	OTHERS	0	0	0
<b>TOTAL NON-CURRENT ASSETS</b>		<b>120,128,395</b>	<b>119,513,766</b>	<b>125,153,626</b>
RECEIVABLES (NET)		0	0	0
<b>INVESTMENTS</b>		<b>1,478,713</b>	<b>1,392,042</b>	<b>1,744,573</b>
	INVESTMENTS IN ASSOCIATES AND JOINT VENTURES	1,354,789	1,268,275	1,620,083
	HELD-TO-MATURITY INVESTMENTS	0	0	0

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	HELD-FOR-SALE INVESTMENTS	0	0	0
	OTHERS INVESTMENTS	123,924	123,767	124,490
<b>PROPERTY, PLANT AND EQUIPMENT</b>		<b>95,424,672</b>	<b>99,421,332</b>	<b>106,047,642</b>
	LAND AND BUILDINGS	19,321,286	19,242,718	18,897,589
	MACHINERY AND INDUSTRIAL EQUIPMENT	85,289,626	80,517,734	74,678,526
	OTHER EQUIPMENT	19,533,303	16,588,449	12,062,453
	ACCUMULATED DEPRECIATION	(29,540,993)	(17,172,038)	0
	CONSTRUCTION IN PROGRESS	821,450	244,469	409,074
INVESTMENT PROPERTY		0	0	0
BIOLOGICAL ASSETS		0	0	0
<b>INTANGIBLE ASSETS</b>		<b>1,178,812</b>	<b>1,252,677</b>	<b>738,548</b>
	GOODWILL	103,289	103,289	0
	BRANDS	435,362	456,707	0
	RIGHTS AND LICENSES	640,161	692,681	738,548
	OTHERS INTANGIBLE ASSETS	0	0	0
DEFERRED TAX ASSETS		0	0	0
<b>OTHERS NON-CURRENT ASSETS</b>		<b>22,046,198</b>	<b>17,447,715</b>	<b>16,622,863</b>
	DERIVATIVE FINANCIAL INSTRUMENTS	0	0	0
	EMPLOYEE BENEFIT	21,057,751	16,290,368	15,214,802
	DISCONTINUED OPERATIONS	0	0	0
	DEFERRED CHARGES	988,447	1,157,347	1,408,061
	OTHERS	0	0	0
<b>TOTAL LIABILITIES</b>		<b>111,938,250</b>	<b>110,496,107</b>	<b>136,610,162</b>
<b>CURRENT LIABILITIES</b>		<b>42,588,671</b>	<b>32,673,661</b>	<b>37,326,097</b>
BANK LOANS		7,564,844	1,272,982	7,363,129
STOCK MARKET LOANS		4,800,000	4,500,000	12,405,765
OTHER LIABILITIES WITH COST		6,710,850	6,178,550	0
TRADE PAYABLES		5,544,516	5,572,154	3,538,048
<b>TAXES PAYABLE</b>		<b>1,523,845</b>	<b>2,443,268</b>	<b>2,211,626</b>
	INCOME TAX PAYABLE	0	219,060	0
	OTHER TAXES PAYABLE	1,523,845	2,224,208	2,211,626
<b>OTHERS CURRENT LIABILITIES</b>		<b>16,444,616</b>	<b>12,706,707</b>	<b>11,807,529</b>
	INTEREST PAYABLE	588,458	630,490	936,516
	DERIVATIVE FINANCIAL INSTRUMENTS	1,531,686	1,547,054	848,824
	ADVANCES AND DEPOSITS FROM CUSTOMERS	64,259	26,269	94,572
	OTHER DEFERRED REVENUE	947,199	889,824	1,005,480
	EMPLOYEE BENEFITS	8,555,424	5,454,440	5,319,547

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	PROVISIONS	0	0	0
	DISCONTINUED OPERATIONS	0	0	0
	OTHERS	4,757,590	4,158,630	3,602,590
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>69,349,579</b>	<b>77,822,446</b>	<b>99,284,065</b>
BANK LOANS		14,538,965	20,624,954	35,750,038
STOCK MARKET LOANS		33,611,776	41,944,459	47,355,416
OTHER LIABILITIES WITH COST		4,100,000	0	0
DEFERRED TAX LIABILITIES		15,872,756	14,641,160	15,720,811
<b>OTHERS NON-CURRENT LIABILITIES</b>		<b>1,226,082</b>	<b>611,873</b>	<b>457,800</b>
	DERIVATIVE FINANCIAL INSTRUMENTS	0	0	0
	ADVANCES AND DEPOSITS FROM CUSTOMERS	0	0	0
	OTHER DEFERRED REVENUE	1,226,082	611,873	457,800
	EMPLOYEE BENEFITS	0	0	0
	PROVISIONS	0	0	0
	DISCONTINUED OPERATIONS	0	0	0
	OTHERS	0	0	0
<b>TOTAL EQUITY</b>		<b>48,221,662</b>	<b>45,776,987</b>	<b>40,193,264</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF PARENT</b>		<b>47,895,796</b>	<b>45,467,630</b>	<b>40,151,174</b>
NON-CONTROLLING INTERESTS		325,866	309,357	42,090
CAPITAL STOCK		5,441,295	5,467,035	5,473,815
SHARES REPURCHASED		0	0	0
PREMIUM ON ISSUANCE OF SHARES		0	0	0
CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES		0	0	0
OTHER CAPITAL CONTRIBUTED		0	0	0
<b>RETAINED EARNINGS (ACCUMULATED LOSSES)</b>		<b>41,832,439</b>	<b>39,887,713</b>	<b>33,944,158</b>
	LEGAL RESERVE	1,094,763	1,094,763	1,094,763
	OTHER RESERVES	0	0	0
	RETAINED EARNINGS	23,886,201	17,250,304	26,495,255
	NET INCOME FOR THE YEAR	10,497,335	15,188,506	0
	OTHERS	6,354,140	6,354,140	6,354,140
<b>OTHER ITEMS OF INCOME (LOSS) ACCUMULATED COMPREHENSIVE</b>		<b>622,062</b>	<b>112,882</b>	<b>733,201</b>
	REVALUATION SURPLUS	0	0	0
	ACTUARIAL EARNINGS (LOSS) FROM LABOR OBLIGATIONS	0	0	0
	FOREING CURRENCY TRANSLATION	112,393	55,367	0
	CHANGES IN THE VALUATION OF FINANCIAL ASSETS HELD-FOR-SALE	0	0	0
	CHANGES IN THE VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS	509,669	57,515	733,201
	CHANGES IN FAIR VALUE OF OTHER ASSETS	0	0	0

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	SHARE OF OTHER COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES AND JOINT VENTURES	0	0	0
	OTHER COMPREHENSIVE INCOME	0	0	0

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MEXICAN STOCK EXCHANGE

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SIFIC/ICS

BMV: TELMEX, NYSE: TMX, NASDAQ: TFONY, QUARTER: 3 YEAR: 2011

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

-INFORMATIONAL DATA -

AS OF SEPTEMBER 30, 2011, DECEMBER 31, 2010 & JANUARY 1, 2010

(Thousands of Mexican Pesos)

Final printing

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Informational data (not part of the Statement)	ENDING CURRENT	PREVIOUS YEAR END	HOME PREVIOUS YEAR
	Amount	Amount	Amount
	3Q 2011	4Q 2010	4Q 2009
SHORT-TERM FOREIGN CURRENCY LIABILITIES	17,195,539	10,124,601	18,294,695
LONG TERM FOREIGN CURRENCY LIABILITIES	27,050,741	36,669,413	52,705,454
CAPITAL STOCK (NOMINAL)	77,843	78,398	78,545
RESTATEMENT OF CAPITAL STOCK	5,363,452	5,388,637	5,395,270
PENSIONS AND SENIORITY PREMIUMS	0	0	0
NUMBER OF EXECUTIVES (*)	81	83	84
NUMBER OF EMPLOYEES (*)	9,733	9,260	9,269
NUMBER OF WORKERS (*)	41,497	42,719	43,593
OUTSTANDING SHARES (*)	18,029,500,000	18,158,000,000	18,191,892,260
REPURCHASED SHARES (*)	128,500,000	33,892,260	0

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RESTRICTED CASH (1)	0	0	0
GUARANTEED DEBT OF ASSOCIATED COMPANIES	0	0	0

(1) This concept must be filled when they are given assurances that affect cash and cash equivalents

(\*) DATA UNITS

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MEXICAN STOCK EXCHANGE

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BMV: TELMEX, NYSE: TMX, NASDAQ: TFONY, QUARTER: 3 YEAR: 2011

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-03

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIODS OF NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2011 & 2010

(Thousands of Mexican Pesos)

Final printing

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ACCOUNT	SUBACCOUNT	CURRENT YEAR		PREVIOUS YEAR	
		3Q 2011		3Q 2010	
		ACCUMULATED	QUARTER	ACCUMULATED	QUARTER
REVENUE NET		82,923,164	27,762,533	85,604,185	28,601,528
	SERVICES	77,974,575	26,128,358	80,673,387	27,030,513
	SALE OF ASSETS	3,454,780	1,180,936	3,455,405	1,144,049
	INTERESTS	0	0	0	0
	ROYALTIES	0	0	0	0
	DIVIDENDS	0	0	0	0
	LEASES	0	0	0	0

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	OTHER	1,493,809	453,239	1,475,393	426,966
COST OF SALES		44,850,062	14,993,010	46,714,705	15,659,063
GENERAL EXPENSES		17,108,376	5,760,063	16,891,802	5,688,267
<b>PROFIT (LOSS) BEFORE OTHER INCOME AND EXPENSES, NET</b>		<b>20,964,726</b>	<b>7,009,460</b>	<b>21,997,678</b>	<b>7,254,198</b>
OTHER INCOME (EXPENSE), NET		(1,316,582)	(287,965)	(707,528)	(153,620)
<b>OPERATING PROFIT (LOSS) (*)</b>		<b>19,648,144</b>	<b>6,721,495</b>	<b>21,290,150</b>	<b>7,100,578</b>
<b>FINANCE INCOME</b>		<b>2,256,473</b>	<b>4,617,181</b>	<b>2,534,421</b>	<b>605,905</b>
	INTEREST INCOME	288,783	80,177	403,840	184,593
	GAIN ON FOREIGN EXCHANGE, NET	0	0	2,130,581	421,312
	GAIN ON DERIVATIVES, NET	1,967,690	4,537,004	0	0
	CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS	0	0	0	0
	OTHER FINANCE INCOME	0	0	0	0
<b>FINANCE COSTS</b>		<b>5,951,915</b>	<b>5,857,199</b>	<b>6,442,702</b>	<b>2,103,968</b>
	INTEREST EXPENSE	2,267,055	729,399	2,696,029	887,794
	LOSS ON FOREIGN EXCHANGE, NET	3,346,027	5,127,800	0	0
	LOSS ON DERIVATIVES, NET	0	0	3,746,673	1,216,174
	REPAYMENT OF EXPENSES FOR ISSUE	0	0	0	0
	CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS	0	0	0	0
	OTHER FINANCE COSTS	338,833	0	0	0
<b>FINANCE INCOME (COSTS) NET</b>		<b>(3,695,442)</b>	<b>(1,240,018)</b>	<b>(3,908,281)</b>	<b>(1,498,063)</b>
SHARE OF PROFIT (LOSS) OF ASSOCIATES AND JOINT VENTURES		72,056	32,988	149,348	74,085
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>		<b>16,024,758</b>	<b>5,514,465</b>	<b>17,531,217</b>	<b>5,676,600</b>
<b>INCOME TAX EXPENSE</b>		<b>5,510,914</b>	<b>1,919,547</b>	<b>5,729,364</b>	<b>1,964,627</b>
	CURRENT TAX	4,455,089	1,693,180	6,486,926	1,948,487
	DEFERRED TAX	1,055,825	226,367	(757,562)	16,140
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>		<b>10,513,844</b>	<b>3,594,918</b>	<b>11,801,853</b>	<b>3,711,973</b>
DISCONTINUED OPERATIONS		0	0	0	0
<b>PROFIT (LOSS), NET</b>		<b>10,513,844</b>	<b>3,594,918</b>	<b>11,801,853</b>	<b>3,711,973</b>
PROFIT (LOSS), ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		16,509	3,513	(19,774)	(21,483)
<b>PROFIT (LOSS), ATTRIBUTABLE TO OWNERS OF PARENT</b>		<b>10,497,335</b>	<b>3,591,405</b>	<b>11,821,627</b>	<b>3,733,456</b>
BASIC EARNINGS (LOSS) PER SHARE		.58	.20	.65	.21
DILUTED EARNINGS (LOSS) PER SHARE		0	0	0	0



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SIFIC/ICS

BMV: TELMEX, NYSE: TMX, NASDAQ: TFONY, QUARTER: 3 YEAR: 2011

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-04

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

- OTHER ITEMS OF COMPREHENSIVE INCOME (LOSS) (NET OF TAX) -

FOR THE PERIODS OF NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2011 & 2010

(Thousands of Mexican Pesos)

Final printing

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ACCOUNT	CURRENT YEAR		PREVIOUS YEAR	
	3Q 2011		3Q 2010	
	ACCUMULATED	QUARTER	ACCUMULATED	QUARTER
<b>PROFIT (LOSS), NET</b>	10,513,844	3,594,918	11,801,853	3,711,973
REVALUATION SURPLUS	0	0	0	0
ACTUARIAL EARNINGS (LOSS) FROM LABOR OBLIGATIONS	0	0	0	0
FOREING CURRENCY TRANSLATION	57,026	151,839	54,092	(19,632)
CHANGES IN THE VALUATION OF FINANCIAL ASSETS HELD-FOR-SALE	0	0	0	0
CHANGES IN THE VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS	452,154	919,238	(83,337)	(363,007)
CHANGES IN FAIR VALUE OF OTHER ASSETS	0	0	0	0
SHARE OF OTHER COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES AND JOINT VENTURES	0	0	0	0
OTHER COMPREHENSIVE INCOME	0	0	0	0
<b>TOTAL OTHER COMPREHENSIVE ITEMS</b>	509,180	1,071,077	(29,245)	(382,639)
<b>TOTAL COMPREHENSIVE INCOME</b>	11,023,024	4,665,995	11,772,608	3,329,334
COMPREHENSIVE INCOME, ATTRIBUTABLE TO OWNERS OF PARENT	11,006,515	4,662,482	11,792,382	3,350,817
COMPREHENSIVE INCOME, ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	16,509	3,513	(19,774)	(21,483)

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BMV: TELMEX, NYSE: TMX, NASDAQ: TFONY, QUARTER: 3 YEAR: 2011

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-05

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

- INFORMATIONAL DATA -

FOR THE PERIODS OF NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2011 & 2010

(Thousands of Mexican Pesos)

Final printing

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ACCOUNT	CURRENT YEAR		PREVIOUS YEAR	
	3Q 2011		3Q 2010	
	ACCUMULATED	QUARTER	ACCUMULATED	QUARTER
OPERATING DEPRECIATION AND AMORTIZATION	12,412,414	4,128,981	12,697,218	4,253,371
EMPLOYEES PROFIT SHARING EXPENSES	1,360,425	340,666	1,602,848	410,423

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BMV: TELMEX, NYSE: TMX, NASDAQ: TFONY, QUARTER: 3 YEAR: 2011

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-06

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**- INFORMATIONAL DATA (12 MONTHS)-**

**FOR THE PERIODS OF NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2011 & 2010**

(Thousands of Mexican Pesos)

Final printing

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Informative data (12 Months)	YEAR	
	CURRENT	PREVIOUS
	3Q 2011	3Q 2010
REVENUE NET (**)	110,881,087	115,350,724
PROFIT (LOSS) FROM OPERATION (**)	26,416,971	25,399,706
PROFIT (LOSS), ATTRIBUTABLE TO OWNERS OF PARENT(**)	13,864,214	16,528,225
PROFIT (LOSS), NET (**)	13,887,790	16,507,756
OPERATING DEPRECIATION AND AMORTIZATION (**)	16,635,989	16,975,501

(\*\*) Information of the last twelve months.

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**SIFIC/ICS**

**BMV: TELMEX, NYSE: TMX, NASDAQ: TFONY, QUARTER: 3 YEAR: 2011**

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-07

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**(Indirect Method)**

**FOR THE PERIOD ENDED SEPTEMBER 30, 2011 & 2010**

(Thousands of Mexican Pesos)

Final printing

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ACCOUNT	SUBACCOUNT	CURRENT YEAR	PREVIOUS YEAR
		Amount	Amount
<b>ACTIVITIES OF OPERATION</b>			
PROFIT (LOSS) BEFORE INCOME TAX		16,024,758	17,531,217
+(-) ITEMS NOT REQUIRING CASH		5,509,145	5,622,141
	+ ESTIMATE FOR THE PERIOD	69,135	68,606
	+ PROVISION FOR THE PERIOD	5,440,010	5,553,535
	+(-) OTHER UNREALIZED ITEMS	0	0
+(-) ITEMS RELATED TO INVESTING ACTIVITIES		12,638,160	12,948,202
	DEPRECIATION AND AMORTIZATION FOR THE PERIOD	12,710,216	13,097,550
	(-)+ GAIN OR LOSS ON SALE OF PROPERTY, PLANT AND EQUIPMENT	0	0
	+(-) LOSS (REVERSAL) IMPAIRMENT	0	0
	(-)+ EQUITY IN RESULTS OF ASSOCIATES AND JOINT VENTURES	(72,056)	(149,348)
	(-) DIVIDENDS RECEIVED	0	0
	(-) INTEREST INCOME	0	0
	(-) EXCHANGE FLUCTUATION	0	0
	(-)+ OTHER INFLOWS (OUTFLOWS) OF CASH	0	0
+(-) ITEMS RELATED TO FINANCING ACTIVITIES		3,992,889	4,200,007
	(+) ACCRUED INTEREST	2,267,055	2,696,029
	(+) EXCHANGE FLUCTUATION	3,354,691	(2,242,695)
	(+) DERIVATIVE TRANSACTIONS	(1,967,690)	3,746,673
	(-)+ OTHER INFLOWS (OUTFLOWS) OF CASH	338,833	0
CASH FLOW BEFORE INCOME TAX		38,164,952	40,301,567
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES		(17,391,741)	(7,461,415)
	+(-) DECREASE (INCREASE) IN ACCOUNTS RECEIVABLE	(1,483,785)	(1,954,291)
	+(-) DECREASE (INCREASE) IN INVENTORIES	29,688	(16,760)
	+(-) DECREASE (INCREASE) IN OTHER ACCOUNTS RECEIVABLE	(2,672,059)	363,774
	+(-) INCREASE (DECREASE) IN TRADE ACCOUNTS PAYABLE	478,649	413,327
	+(-) INCREASE (DECREASE) IN OTHER LIABILITIES	(6,672,922)	(655,442)
	+(-) INCOME TAXES PAID OR RETURNED	(7,071,312)	(5,612,023)
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		20,773,211	32,840,152
<b>INVESTMENT ACTIVITIES</b>			
NET CASH FLOW FROM INVESTING ACTIVITIES		(9,399,685)	(6,956,415)
	(-) PERMANENT INVESTMENTS	0	0
		0	0

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	+ DISPOSITION OF PERMANENT INVESTMENTS		
	(-) INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT	(9,396,052)	(6,792,899)
	+ SALE OF PROPERTY, PLANT AND EQUIPMENT	0	0
	(-) TEMPORARY INVESTMENTS	0	0
	+ DISPOSITION OF TEMPORARY INVESTMENTS	0	0
	(-) INVESTMENT IN INTANGIBLE ASSETS	(7,624)	(4,345)
	+ DISPOSITION OF INTANGIBLE ASSETS	0	0
	(-) ACQUISITIONS OF JOINT VENTURES	0	(285,171)
	+ DISPOSITIONS OF JOINT VENTURES	0	0
	+ DIVIDEND RECEIVED	3,991	126,000
	+ INTEREST RECEIVED	0	0
	+(-) DECREASE (INCREASE) ADVANCES AND LOANS TO THIRD PARTS	0	0
	+(-) OTHER ITEMS	0	0
<b>FINANCING ACTIVITIES</b>			
NET CASH FLOW FROM FINANCING ACTIVITIES		(17,327,163)	(28,214,792)
	+ BANK FINANCING	35,000	46,000
	+ STOCK MARKET FINANCING	1,000,000	1,500,000
	+ OTHER FINANCING	6,800,000	0
	(-) BANK FINANCING AMORTIZATION	(1,779,003)	(7,093,511)
	(-) STOCK MARKET FINANCING AMORTIZATION	(9,903,641)	(13,794,140)
	(-) OTHER FINANCING AMORTIZATION	(2,700,000)	(14,427)
	+(-) INCREASE (DECREASE) IN CAPITAL STOCK	0	0
	(-) DIVIDENDS PAID	(7,072,673)	(6,504,256)
	+ PREMIUM ON ISSUANCE OF SHARES	0	0
	+ CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES	0	0
	(-) INTEREST EXPENSE	(2,272,380)	(2,913,381)
	(-) REPURCHASE OF SHARES	(1,358,774)	(11,043)
	(-)+ OTHER INFLOWS (OUTFLOWS) OF CASH	(75,692)	569,966
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(5,953,637)	(2,331,055)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		0	0
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		7,493,465	14,379,768
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,539,828	12,048,713

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MEXICAN STOCK EXCHANGE

Index

SIFIC/ICS

BMV: TELMEX, NYSE: TMX, NASDAQ: TFONY, QUARTER: 3 YEAR: 2011

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

FS-08

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Thousands of Mexican Pesos)

Final printing

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CAPITAL STOCK	SHARES REPURCHASED	PREMIUM ON ISSUANCE OF SHARES	CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES	OTHER CAPITAL CONTRIBUTED	PROFITS OR LOSSES ACCUMULATED		OTHER ITEMS OF INCOME (LOSS) ACCUMULATED COMPREHENSIVE	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT	NON-CO INT
					RESERVES	RETAINED EARNINGS (ACCUMULATED LOSSES)			
,473,815					1,094,763	32,849,395	733,201	40,151,174	
						(6,639,673)		(6,639,673)	
(197)						(10,846)		(11,043)	



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						11,821,627	(29,245)	11,792,382	
4,473,618					1,094,763	38,020,503	703,956	45,292,840	

4,467,035					1,094,763	38,792,950	112,882	45,467,630	
						(7,219,575)		(7,219,575)	
(25,740)						(1,333,034)		(1,358,774)	
						10,497,335	509,180	11,006,515	
4,441,295					1,094,763	40,737,676	622,062	47,895,796	

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MEXICAN STOCK EXCHANGE

Index

SIFIC/ICS

BMV: TELMEX, NYSE: TMX, NASDAQ: TFONY, QUARTER: 3 YEAR: 2011

TELÉFONOS DE MÉXICO, S.A.B. DE C.V.

ANNEX 1

CHIEF EXECUTIVE OFFICER REPORT

Final printing

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Highlights

3<sup>rd</sup> Quarter 2011

- At September 30, 2011, TELMEX supported 12.274 million lines, a decrease of 1.8% compared with the same period of the previous year.
  - ◆ This total excludes 1.409 million lines which are concentrated in rural communities and could be served by Telmex Social.
  - ◆ It also excludes 692,000 public telephony lines and 752,000 prepaid lines, which have decreased in the last 12 months by 87,000 and 135,000, respectively.
  - ◆ Taking these factors into account, there were 15.127 million lines in service at September 30, a decrease of 3.2% compared with the previous year.
- In all the countries in the world, there has been a continuous decrease in penetration of fixed lines. In a market of approximately 19.6 million fixed lines, TELMEX has a market share of 62.5%, or 77.0% if public telephony, prepaid and lines that are going to be served by Telmex Social are included. These market shares are below the average of 85.7% for the 35 most representative countries (Bank of America Merrill Lynch, Global Wireline Matrix 2011).
- In this manner, TELMEX offers telecommunications services in 23 thousand 204 communities nationwide that covers more than 92% of the population. The deployed infrastructure allows us to anticipate and satisfy our customers' needs in all market segments, becoming a core element in the development of the country.
- TELMEX continues to make the necessary investments to keep us at the forefront of technological development, with the most reliable, efficient and secure state-of-the-art technology network available in the market which offers an integrated proposal of products and services, at attractive prices and world-class quality to our customers.
- Thanks to our customers preference, our high speed Internet access service **infinitum** at the end of September served 7.8 million broadband accesses, a year-over-year growth of 9.0% compared with 2010, reinforcing that **infinitum** is the best connection because of its quality, service, price and high speed.
- **infinitum**'s growth has been supported by the sale of 3.1 million computers since 1999. This growth has been affected by some of the main broadband barriers, the lack of PC penetration in Mexican homes and the lack of applications and content in the country.
- TELMEX drives education and digital culture in the country and has benefited more than 2 million 500 thousand students, teachers and parents in cooperation with institutions and the governments of the 32 Mexican states, through more than 3 thousand 500 Casas, Aulas, (TELMEX Computer Halls) and Bibliotecas Digitales TELMEX (TELMEX Digital Libraries). Additionally, the *Instituto Tecnológico de TELMEX en Tecnologías de la Información* (Intelmex IT) continues to train professionals in IT applications at no cost and will launch the technological platform "Académica: Innovación Tecnológica para la Educación Superior" (Technological Innovation for Higher Education), which consists of a research and innovation network for all higher education institutions in Mexico and other Spanish-speaking countries.
- The October 3, 2006, "Acuerdo de Convergencia" (Convergence Agreement), which was issued by the Federal Government through the *Secretaría de Comunicaciones y Transportes* (Communications and Transportation Ministry), established the basis for the convergence of telecommunications networks more than 5 years ago. TELMEX has already met the requirements, but, even so, to date the authorities have not issued the corresponding favorable resolution that allows us to offer TV services. This situation is delaying development of the information society in the country and avoiding opportunities for consumers to enjoy the benefits of convergence and to have a better and bigger offering of services at competitive prices.
- Revenues in the third quarter totaled 27.763 billion pesos, a decrease of 2.9% compared with the same period of 2010, because the increase of 5.4% in data revenues was not enough to offset the decrease of 7.3% in voice services.
- From July to September, adjusted EBITDA (1) totaled 11.254 billion pesos, producing a margin of 40.5%. Operating income totaled 6.721 billion pesos, with a margin of 24.2%.
- Net income in the third quarter totaled 3.591 billion pesos. In the quarter, earnings per share were 19.9 Mexican cents, 2.9% lower than the same period of last year, and earnings per ADR (2) were 32.4 US cents, an increase of 0.6% compared with the third quarter of 2010.
- At the end of September, total debt was the equivalent of 5.314 billion dollars, 1.189 billion dollars less than September 30, 2010. Total net debt (3) was equivalent to 5.199 billion dollars.
- Capital expenditures (Capex) were the equivalent of 251 million dollars in the third quarter. Of this investment, 74.6% was used for growth and infrastructure projects in the data business, connectivity and transmission networks.

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(1) Adjusted EBITDA: defined as operating income plus depreciation and amortization and other expenses, net. Go to [www.telmex.com](http://www.telmex.com) in the Investor Relations section where you can find the reconciliation of adjusted EBITDA to operating income.

(2) One ADR represents 20 shares.

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

### Relevant Events

#### América Móvil S.A.B. de C.V. (América Móvil) Tender Offer for TELMEX Shares

On September 14, 2011, TELMEX announced that its Board of Directors reviewed the terms of the **América Móvil** Offer and concluded that the Purchase Price proposed in the **América Móvil** Offer is supported from the financial point of view and, therefore, is fair for the shareholders of TELMEX. In reaching this conclusion, among other factors, the Board took into account the opinion of its Corporate Practices Committee and the financial opinion the Board received from Morgan Stanley & Co. LLC ("Morgan Stanley").

Additionally, The Board, considering the intention expressed by **América Móvil** to cancel the registration of the securities of TELMEX in the National Securities Registry of the Mexican National Banking and Securities Commission ( *Comisión Nacional Bancaria y de Valores*, or "*CNBV*" ), resolved to approve to call, when appropriate, one or more Shareholders' Meetings, in order for the shareholders of the Company to decide on such cancellation, subject to the requirements set forth in the Mexican Securities Law ( *Ley del Mercado de Valores* ) and the regulations issued thereunder, as well as, in the future, the delisting of the shares of TELMEX from the stock exchanges on which its securities are quoted.

#### América Móvil Launches Tender Offer for TELMEX

On October 11, 2011, TELMEX announced that América Móvil commenced its previously announced tender offer for the shares of TELMEX that it does not already own directly or indirectly, offering \$10.50 pesos in cash and in Mexican pesos for each TMX Share tendered under the terms that América Móvil disclosed in the launching of the Tender Offer. The **América Móvil** Offer will expire on November 11, 2011, unless extended.

### Operating Results

#### Lines and local traffic

At September 30, 2011, TELMEX supported 12.274 million lines, a decrease of 1.8% compared with the same period of the previous year.

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- ◆ This total excludes 1.409 million lines which are concentrated in rural communities and could be served by Telmex Social.
- ◆ It also excludes 692,000 public telephony lines and 752,000 prepaid lines, which have decreased in the last 12 months by 87,000 and 135,000, respectively.
- ◆ Taking these factors into account, there were 15.127 million lines in service at September 30, a decrease of 3.2% compared with the previous year.

During the third quarter, local calls decreased 8.0% compared with the same period of 2010, totaling 4.504 billion local calls. The decline reflected the lower number of billed lines due to the growth in cellular telephony services and competition from other operators, as well as customers' changing consumption profiles.

### Long distance

In the third quarter, domestic long distance (DLD) traffic decreased 6.2% compared with the same quarter of 2010, totaling 4.366 billion minutes, mainly due to the decrease in termination traffic with other long distance operators and cellular telephony operators.

In the quarter, outgoing international long distance (ILD) traffic increased 8.5% compared with the third quarter of 2010, totaling 407 million minutes. Among factors contributing to this increase was the increase of termination traffic from cellular operators. Incoming international long distance traffic increased 48.6% compared with the third quarter of 2010, totaling 2.636 billion minutes. The incoming-outgoing ratio was 6.5 times.

### Interconnection

In the third quarter, interconnection traffic totaled 10.952 billion minutes, 1.2% higher than the same quarter of 2010, due to the 12.6% increase in interconnection traffic with cellular operators partially offset by the 4.8% decrease in traffic related to calling party pays services.

### Internet access

Thanks to our customers' preference, our high speed Internet access service **infinitum** at the end of September served 7.8 million broadband accesses, a year-over-year growth of 9.0% compared with 2010, reinforcing that **infinitum** is the best connection because of its quality, service, price and high speed.

**infinitum**'s growth has been supported by the sale of 3.1 million computers since 1999. This growth has been affected by some of the main broadband barriers, the lack of PC penetration in Mexican homes and the lack of applications and content in the country.

### Financial Results

The following financial information for 2011 and 2010 is presented in nominal pesos, according to International Financial Reporting Standards (IFRS).

**Revenues:** In the third quarter, revenues totaled 27.763 billion pesos, a decrease of 2.9% compared with the same period of the previous year. Revenues related to local and interconnection services showed decreases of 5.5% and 21.7%, respectively. Data services increased 5.4% and other revenues 4.0%, among other factors, from Tiendas TELMEX (TELMEX Stores).

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- **Local:** Local service revenues totaled 9.676 billion pesos in the quarter, a decrease of 5.5% compared with the third quarter of 2010, due to decreases of 6.1% in revenue per local billed call and 8.0% in local traffic volume and to the decline in billed lines.
- **DLD:** DLD revenues totaled 2.990 billion pesos, 2.7% lower than the third quarter of 2010, due, among other factors, to the 6.2% decrease in traffic with cellular operators and other long distance operators, partially offset by the 3.8% increase in average revenue per minute.
- **ILD:** ILD revenues totaled 1.575 billion pesos in the third quarter, an increase of 8.3% compared with the same quarter of the previous year. Outgoing international long distance minutes totaled 784 million pesos, 6.0% lower than the third quarter of 2010. Contributing factors included the 13.4% decrease in average revenue per minute and the 8.5% increase in outgoing traffic. Incoming international long distance traffic revenues totaled 791 million pesos, a 27.6% increase compared with the third quarter of 2010, due to the increase of 48.6% in incoming traffic and the reduction of 14.1% in average revenue per minute.
- **Interconnection:** In the quarter, interconnection revenues decreased 21.7% to 2.999 billion pesos compared with the third quarter of 2010, due to the 4.8% decline in calling party pays traffic services and the decrease of 14.0% in average revenue of these services.
- **Data:** Revenues from data services in the third quarter were 8.888 billion pesos, 5.4% higher compared with the same quarter of 2010. This increase was supported by the increase of 9.0% in Internet access [infinitem](#) services and ongoing marketing of value-added services for the corporate market.

**Costs and expenses:** In the third quarter of 2011, total costs and expenses were 21.042 billion pesos, 2.1% lower than the same period of the previous year, mainly due to a decrease in the reduction in the amount paid to cellular telephony companies and lower charges for uncollectables.

- **Cost of sales and services:** In the third quarter, cost of sales and services increased 9.0% compared with the same period of 2010, totaling 9.527 billion pesos, due to higher maintenance and operating expenses for our telecommunications services and higher costs related to projects for corporate customers, in particular to a Video-Surveillance project.
- **Commercial, administrative and general:** In the period from July to September 2011, commercial, administrative and general expenses totaled 5.663 billion pesos, 1.2% higher than the same period a year ago, mainly due to higher commissions with third parties.
- **Interconnection:** Interconnection costs were 1.319 billion pesos, a decrease of 51.0% compared with the third quarter of 2010 due to the 47.0% decrease in the average amount paid to cellular telephony operators for calling party pays services, mostly with related parties and the decrease of 4.8% in calling party pays traffic.
- **Depreciation and amortization:** In the quarter, depreciation and amortization decreased 1.7% compared with the third quarter of 2010, to 4.245 billion pesos, as a result of lower amounts of investments in recent years.

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**Adjusted EBITDA (1) and operating income:** Adjusted EBITDA (1) totaled 11.254 billion pesos in the third quarter of 2011, a decrease of 2.8% compared with the same period of the prior year. The adjusted EBITDA margin was 40.5%. Operating income totaled 6.721 billion pesos in the third quarter and the operating margin was 24.2%.

**Financing cost:** In the third quarter, financing cost produced a charge of 1.240 billion pesos. This was a result of: i) a net interest charge of 1.131 billion pesos, 25.6% lower than the same quarter of last year, related to recognition of the market value of interest rate swaps, and to debt reduction, ii) a net exchange loss of 109 million pesos because of the third-quarter exchange rate depreciation of 1.5828 pesos per dollar and the 2.935 billion dollars in dollar-peso hedges in effect at September 30, 2011.

**Net income:** In the third quarter, net income was 3.591 billion pesos, 3.8% lower than the same period of the previous year. Earnings per share were 19.9 Mexican cents, 2.9% lower than the third quarter of 2010, and earnings per ADR (2) were 32.4 US cents, an increase of 0.6% compared with the same period of the previous year.

**Investments:** In the third quarter of 2011, capital expenditures (Capex) were the equivalent of 251 million dollars, of which 74.6% was used for growth and infrastructure projects in the data business, connectivity and transmission networks. Total investment in the nine months was 586 million dollars.

**Repurchase of own shares:** During the third quarter, the company used 19.043 million pesos to repurchase 2 million shares of its own shares.

**Debt:** Total debt at September 30, 2011, was the equivalent of 5.314 billion dollars, 1.189 billion dollars less than the amount registered in 2010. Of this total, 73.3% is long-term, 51.8% has fixed rates taking interest rate swaps into consideration, and 57.9% is in foreign currency, equivalent to 3.075 billion dollars. To minimize risks from variations in the exchange rate, at September 30, 2011, we had dollar-peso hedges for 2.935 billion dollars.

Total net debt (3) was equivalent of 5.199 billion dollars at the end of the quarter, a decrease of 340 million dollars compared with the third quarter of 2010.

<b>Mexico Local and Long Distance Accounting Separation</b>										
<b>Based on Condition 7-5 of the Amendments of the Concession Title of Teléfonos de México, the</b>										
<b>commitment to present the accounting separation of the local and long distance services is presented</b>										
<b>below for the third quarter of 2011 and 2010.</b>										
<b>Mexico Local Service Business</b>										

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<b>Income Statements</b>										
[ In millions of Mexican pesos ]										
					%					%
		<b>3Q2011</b>		3Q2010	<b>Inc.</b>		<b>9 months 11</b>		9 months 10	<b>Inc.</b>
Revenues										
Access, rent and measured service	<b>P.</b>	<b>9,603</b>	<b>P.</b>	10,168	<b>(5.6)</b>	<b>P.</b>	<b>28,909</b>	<b>P.</b>	30,757	<b>(6.0)</b>
LADA interconnection		<b>1,229</b>		1,213	<b>1.3</b>		<b>3,463</b>		3,568	<b>(2.9)</b>
Interconnection with operators		<b>131</b>		363	<b>(63.9)</b>		<b>737</b>		1,151	<b>(36.0)</b>
Interconnection with cellular operators		<b>2,118</b>		2,595	<b>(18.4)</b>		<b>6,330</b>		7,596	<b>(16.7)</b>
Other		<b>3,820</b>		3,696	<b>3.4</b>		<b>11,540</b>		11,444	<b>0.8</b>
Total		<b>16,901</b>		18,035	<b>(6.3)</b>		<b>50,979</b>		54,516	<b>(6.5)</b>
Costs and expenses										
Cost of sales and services		<b>6,399</b>		5,955	<b>7.5</b>		<b>19,070</b>		17,973	<b>6.1</b>
Commercial, administrative and general		<b>4,008</b>		4,296	<b>(6.7)</b>		<b>12,734</b>		13,211	<b>(3.6)</b>
Interconnection		<b>612</b>		1,649	<b>(62.9)</b>		<b>2,820</b>		4,881	<b>(42.2)</b>
Depreciation and amortization		<b>2,294</b>		2,296	<b>(0.1)</b>		<b>6,910</b>		7,024	<b>(1.6)</b>
Other expenses, net		<b>208</b>		26	<b>*</b>		<b>922</b>		503	<b>83.3</b>
Total		<b>13,521</b>		14,222	<b>(4.9)</b>		<b>42,456</b>		43,592	<b>(2.6)</b>
Operating income	<b>P.</b>	<b>3,380</b>	<b>P.</b>	3,813	<b>(11.4)</b>	<b>P.</b>	<b>8,523</b>	<b>P.</b>	10,924	<b>(22.0)</b>
Adjusted EBITDA (1)	<b>P.</b>	<b>5,882</b>	<b>P.</b>	6,135	<b>(4.1)</b>	<b>P.</b>	<b>16,355</b>	<b>P.</b>	18,451	<b>(11.4)</b>
Adjusted EBITDA margin (%)		<b>34.8</b>		34.0	<b>0.8</b>		<b>32.1</b>		33.8	<b>(1.7)</b>
Operating margin (%)		<b>20.0</b>		21.1	<b>(1.1)</b>		<b>16.7</b>		20.0	<b>(3.3)</b>

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<b>Mexico Long Distance Service Business</b>										
<b>Income Statements</b>										
[ In millions of Mexican pesos ]										
					%					%
		<b>3Q2011</b>		3Q2010	<b>Inc.</b>		<b>9 months 11</b>		9 months 10	<b>Inc.</b>
Revenues										
Domestic long distance	<b>P.</b>	<b>3,460</b>	<b>P.</b>	3,673	<b>(5.8)</b>	<b>P.</b>	<b>10,516</b>	<b>P.</b>	11,014	<b>(4.5)</b>
International long distance		<b>1,598</b>		1,354	<b>18.0</b>		<b>4,331</b>		4,138	<b>4.7</b>
Total		<b>5,058</b>		5,027	<b>0.6</b>		<b>14,847</b>		15,152	<b>(2.0)</b>
Costs and expenses										
Cost of sales and services		<b>1,245</b>		1,108	<b>12.4</b>		<b>3,537</b>		3,370	<b>5.0</b>
Commercial, administrative and general		<b>1,261</b>		1,248	<b>1.0</b>		<b>3,770</b>		3,766	<b>0.1</b>
Interconnection to the local network		<b>1,605</b>		1,831	<b>(12.3)</b>		<b>4,910</b>		5,436	<b>(9.7)</b>
Depreciation and amortization		<b>408</b>		418	<b>(2.4)</b>		<b>1,205</b>		1,277	<b>(5.6)</b>
Other expenses, net		<b>30</b>		7	<b>*</b>		<b>127</b>		71	<b>78.9</b>
Total		<b>4,549</b>		4,612	<b>(1.4)</b>		<b>13,549</b>		13,920	<b>(2.7)</b>
Operating income	<b>P.</b>	<b>509</b>	<b>P.</b>	415	<b>22.7</b>	<b>P.</b>	<b>1,298</b>	<b>P.</b>	1,232	<b>5.4</b>
Adjusted EBITDA (1)	<b>P.</b>	<b>947</b>	<b>P.</b>	840	<b>12.7</b>	<b>P.</b>	<b>2,630</b>	<b>P.</b>	2,580	<b>1.9</b>
Adjusted EBITDA margin (%)		<b>18.7</b>		16.7	<b>2.0</b>		<b>17.7</b>		17.0	<b>0.7</b>
Operating margin (%)		<b>10.1</b>		8.3	<b>1.8</b>		<b>8.7</b>		8.1	<b>0.6</b>
(*) Higher than 300%										



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**MEXICAN STOCK EXCHANGE**

Index

**SIFIC/ICS**

**BMV: TELMEX, NYSE: TMX, NASDAQ: TFONY, QUARTER: 3 YEAR: 2011**

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

**ANNEX 2**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Thousands of Mexican Pesos)

Final printing

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

**Notes to unaudited condensed consolidated financial statements**

For the nine-month periods ended September 30, 2011 and 2010

(In thousands of Mexican pesos)

**1. Reporting entity**

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

The amended Mexican government concession under which TELMEX operates was signed on August 10, 1990. The concession runs through the year 2026, but it may be renewed for an additional period of fifteen years. Among other significant aspects, the concession stipulates the requirements for providing telephony services and establishes the basis for regulating rates.

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

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

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

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

At an extraordinary meeting held on April 4, 2011, the stockholders approved a corporate restructuring, through the creation of a subsidiary company that will provide telecommunications and interconnection services in rural areas, where fixed telephony competitors do not invest. The subsidiary will be named Telmex Social.

The restructuring is subject, if needed, to the approval of the Communications Ministry (Secretaría de Comunicaciones y Transportes, or SCT), as well as the authorization and confirmation of the rest of the corresponding authorities and governmental entities.

The corporate offices of the Company are located on Parque Vía 190, Colonia Cuauhtémoc, 06599 México D.F., México.

## 2. First-time Adoption of International Financial Reporting Standards (IFRS)

The Company, with the respective authorization of its Board of Directors, Audit Committee, the Mexican Stock Exchange and the Mexican National Banking and Securities Commission (BMV and CNBV), decided to adopt IFRS as issued by the IASB as of December 31, 2011, using a transition date as of January 1, 2010. In the following paragraphs, the effects of initial adoption to IFRS are explained and a reconciliation between Mexican Financial Reporting Standards (Mexican FRS) and IFRS is presented. Mexican FRS are the financial reporting standards under which the Company was obliged to prepare its financial information until December 31, 2010.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" provides a number of optional exemptions from the general requirement for full retrospective application of the IFRSs, in specified areas where the cost of complying with them would be likely to exceed the benefits to users of financial statements.

It also establishes a number of mandatory exemptions that prohibit retrospective application of IFRS in some areas, particularly where retrospective application would require judgments by management about past conditions after the outcome of a particular transaction is already known.

TELMEX has applied the mandatory exemptions included in IFRS 1 regarding to retrospective application of other IFRS at the transition date, which relate to the following items:

1. Accounting estimates
2. Derecognition of financial assets and financial liabilities
3. Hedge accounting
4. Non-controlling interests
5. Classification and measurement of financial assets

The optional exemptions adopted by the Company are set out below:

### A) Deemed cost

In accordance with IFRS 1, "an entity may elect to measure an item of property, plant and equipment at fair value at the date of its transition to IFRS and use that fair value as its deemed cost at that date".

"A first-time adopter may elect to use a previous GAAP revaluation of an item of property, plant and equipment at, or before, the date of transition to IFRS as deemed cost at the date of the revaluation, if the revaluation was, at the date of the revaluation, broadly comparable to:

(a) fair value; or

(b) cost or depreciated cost under IFRS, adjusted to reflect, for example, changes in a general or specific price index".

TELMEX has decided to use as deemed cost at the date of transition, the revalued amount of its plant, property and equipment performed under Mexican FRS, which includes effects of inflation through December 31, 2007 and subsequent additions at historical cost.

**B) Employee benefits**

*Cumulative actuarial losses*

In accordance with IAS 19, "Employee benefits", an entity may elect to use a 'corridor' approach that leaves some actuarial gains and losses unrecognised. Retrospective application of this approach requires an entity to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to IFRSs into a recognised portion and an unrecognised portion.

However, a first-time adopter may elect to recognise all cumulative actuarial gains and losses at the date of transition to IFRSs, even if it uses the corridor approach for later actuarial gains and losses

TELMEX elected to apply the "corridor" approach retrospectively and therefore deferred the recognition of actuarial gains and losses in conformity with international standard, resulting in a decrease in net projected asset of P.1,216,051 at the date of transition to IFRSs.

*Deferred employee profit sharing*

NIF D-3, "Employee benefits", requires the recognition of deferred employee profit sharing on financial statements while IFRS does not establish guidelines for its recognition. Therefore, the Company canceled the deferred employee profit sharing liability of P3,954,136 at the date of transition to IFRSs.

*Termination benefits*

NIF D-3 requires the recognition of actuarial provision for termination benefits of employment other reasons different of restructuring, while IFRSs don't address this issue. Because of this, TELMEX canceled a termination benefits provision of P.159,377 at the date of transition to IFRSs.

**C) Recognition of effects of inflation**

IAS 29 "Financial reporting in hyperinflationary economies" requires the recognition of the effects of inflation on financial information when the entity operates in a hyperinflationary economic environment, which one of its features is that the cumulative inflation rate over three years approaches, or exceeds 100%.

The last three years in which Mexico was no longer a hyperinflationary economy was the period from 1996 to 1998, whereby the Company eliminated the inflation in the rest of its non-monetary assets and liabilities, as well as items of capital stock and legal reserve, recognised under Mexican FRS from January 1, 1999 to December 31, 2007.

**D) Cumulative translation differences**

In accordance with IFRS 1, a first-time adopter need not comply with the requirements of IAS 21 "The effects of changes in foreign exchange rates". TELMEX used this exemption therefore considered null the effect of translation of foreign entities at the date of transition to IFRSs, which at that time was of P.134,550, net of deferred taxes.

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## E) Risk of the party and counterparty

IAS 39, "Financial instruments: Recognition and Measurement", requires that credit risk is taken into account when determining fair value of financial instruments. For the transition from Mexican FRS to IFRS, TELMEX adjusted the fair value of derivative assets and liabilities determined under Mexican FRS with the non performance risk. Therefore, the fair value of derivative assets and liabilities position is net of a credit valuation adjustment attributable to TELMEX's "own credit risk" and derivative counterparty default risk, which at the date of transition amounted P.137,112.

## F) Deferred tax

As a result of the exemptions as well as the differences described above, were affected the carrying value of certain assets and liabilities, therefore deferred taxes were recalculated using the guidelines of IAS 12 "Income taxes", resulting in an increase of P.661,053 in deferred tax liability at the date of transition to IFRSs.

### Reconciliations of Equity reported under Mexican FRS to Equity under IFRSs (unaudited)

(In thousands of Mexican pesos)

			Effect of transition to			Effect of transition to			Effect of transition to	
	Note	Mexican FRS	IFRSs	Opening IFRS	Mexican FRS	IFRSs	IFRSs	Mexican FRS	IFRSs	IFRSs
	2	As at January 1, 2010 (date of transition)			As at September 30, 2010			Year ended December 31, 2010		
<b>Assets</b>										
Current assets:										
Cash and cash equivalents		P. 14,379,768		P. 14,379,768	P. 12,048,713		P. 12,048,713	P. 7,493,465		P. 7,493,465
Accounts receivable, net		20,425,556		20,425,556	22,145,206		22,145,206	17,648,533		17,648,533
Derivative financial instruments	E	12,225,550	( 137,113)	12,088,437	9,241,115	( 343,766)	8,897,349	6,957,018	( 261,119)	6,695,899
Inventories for sale, net		1,448,102		1,448,102	1,464,862		1,464,862	1,783,579		1,783,579
Prepaid expenses and others	C	3,303,275	4,662	3,307,937	3,386,858	13,966	3,400,824	3,121,994	15,858	3,137,852
Total current assets		51,782,251	( 132,451)	51,649,800	48,286,754	( 329,800)	47,956,954	37,004,589	( 245,261)	36,759,328
Plant, property and equipment, net		106,047,642		106,047,642	99,930,609		99,930,609	99,421,332		99,421,332
Licenses and trademarks, net	C	918,341	( 179,793)	738,548	1,225,125	( 163,441)	1,061,684	1,307,517	( 158,129)	1,149,388
		1,775,380	( 30,807)	1,744,573	1,790,774	( 30,806)	1,759,968	1,392,042		1,392,042

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Equity investments										
Net projected asset	<b>B</b>	16,430,857	( 1,216,055)	<b>15,214,802</b>	15,613,430	( 1,004,045)	<b>14,609,385</b>	17,342,200	( 1,051,832)	<b>16,290,368</b>
Goodwill					118,688		<b>118,688</b>	103,289		<b>103,289</b>
Deferred charges and prepaid expenses, net	<b>C</b>	1,442,330	( 34,269)	<b>1,408,061</b>	1,154,707	( 25,841)	<b>1,128,866</b>	1,183,363	( 26,016)	<b>1,157,347</b>
Total assets		P. 178,396,801	( 1,593,375)	<b>P. 176,803,426</b>	P. 168,120,087	( 1,553,933)	<b>P. 166,566,154</b>	P. 157,754,332	( 1,481,238)	<b>P. 156,273,094</b>
<b>Liabilities and stockholders' equity</b>										
Current liabilities:										
Short-term debt and current portion of long-term debt		P. 19,768,894		<b>P. 19,768,894</b>	P. 5,789,478		<b>P. 5,789,478</b>	P. 11,951,532		<b>P. 11,951,532</b>
Accounts payable and accrued liabilities	<b>E</b>	14,245,612	( 87)	<b>14,245,525</b>	21,247,316	( 31,674)	<b>21,215,642</b>	17,377,010	( 14,242)	<b>17,362,768</b>
Taxes payable		2,211,626		<b>2,211,626</b>	1,987,958		<b>1,987,958</b>	2,443,268		<b>2,443,268</b>
Deferred revenues	<b>C</b>	1,104,175	( 4,123)	<b>1,100,052</b>	935,497	( 1,283)	<b>934,214</b>	917,377	( 1,284)	<b>916,093</b>
Total current liabilities		37,330,307	( 4,210)	<b>37,326,097</b>	29,960,249	( 32,957)	<b>29,927,292</b>	32,689,187	( 15,526)	<b>32,673,661</b>
Long-term debt		83,105,454		<b>83,105,454</b>	75,500,424		<b>75,500,424</b>	62,569,413		<b>62,569,413</b>
Labor obligations	<b>B</b>	4,113,513	( 4,113,513)		3,624,910	( 3,624,910)		3,516,686	( 3,516,686)	
Deferred taxes	<b>F</b>	15,060,058	660,753	<b>15,720,811</b>	14,398,726	522,779	<b>14,921,505</b>	14,132,763	508,397	<b>14,641,160</b>
Deferred revenues	<b>C</b>	466,696	( 8,896)	<b>457,800</b>	632,232	( 10,794)	<b>621,438</b>	622,351	( 10,478)	<b>611,873</b>
Total liabilities		140,076,028	( 3,465,866)	<b>136,610,162</b>	124,116,541	( 3,145,882)	<b>120,970,659</b>	113,530,400	( 3,034,293)	<b>110,496,107</b>
Stockholders' equity:										
Capital stock	<b>C</b>	9,020,300	( 3,546,485)	<b>5,473,815</b>	9,019,971	( 3,546,353)	<b>5,473,618</b>	9,008,985	( 3,541,950)	<b>5,467,035</b>
Retained earnings:										
Prior years	<b>C</b>	28,375,768	( 785,750)	<b>27,590,018</b>	21,725,381	( 785,882)	<b>20,939,499</b>	19,135,353	( 790,286)	<b>18,345,067</b>
Initial effect of IFRS adoption			6,354,140	<b>6,354,140</b>		6,354,140	<b>6,354,140</b>		6,354,140	<b>6,354,140</b>
Current year					11,995,656	( 174,029)	<b>11,821,627</b>	15,384,162	( 195,656)	<b>15,188,506</b>
		28,375,768	5,568,390	<b>33,944,158</b>	33,721,037	5,394,229	<b>39,115,266</b>	34,519,515	5,368,198	<b>39,887,713</b>
Accumulated other comprehensive income items	<b>B, D, E</b>	883,225	( 150,024)	<b>733,201</b>	960,571	( 256,615)	<b>703,956</b>	386,109	( 273,227)	<b>112,882</b>
Controlling interest		38,279,293	1,871,881	<b>40,151,174</b>	43,701,579	1,591,261	<b>45,292,840</b>	43,914,609	1,553,021	<b>45,467,630</b>
		41,480	610	<b>42,090</b>	301,967	688	<b>302,655</b>	309,323	34	<b>309,357</b>



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Noncontrolling interest										
Total stockholders' equity		38,320,773	1,872,491	<b>40,193,264</b>	44,003,546	1,591,949	<b>45,595,495</b>	44,223,932	1,553,055	<b>45,776,987</b>
Total liabilities and stockholders' equity		P. 178,396,801	( 1,593,375)	<b>P. 176,803,426</b>	P. 168,120,087	( 1,553,933)	<b>P. 166,566,154</b>	P. 157,754,332	( 1,481,238)	<b>P. 156,273,094</b>

Reconciliations of Profit under Mexican FRS to Profit under IFRS (unaudited)

(In thousands of Mexican pesos)

	Note		Effect of transition to			Effect of transition to	
		Mexican FRS	IFRSs	IFRSs	Mexican FRS	IFRSs	IFRSs
	2	For the nine months ended September 30, 2010			For the year ended December 31, 2010		
<b>Operating revenues:</b>							
Local service		P. 30,994,669		<b>P. 30,994,669</b>	P. 41,006,772		<b>P. 41,006,772</b>
Long distance service:							
Domestic		9,276,434		<b>9,276,434</b>	12,264,837		<b>12,264,837</b>
International		4,287,460		<b>4,287,460</b>	5,646,278		<b>5,646,278</b>
Interconnection service		11,400,320		<b>11,400,320</b>	15,022,721		<b>15,022,721</b>
Data	C	24,715,447	( 943)	<b>24,714,504</b>	32,878,968	( 1,257)	<b>32,877,711</b>
Other		4,930,798		<b>4,930,798</b>	6,743,789		<b>6,743,789</b>
		85,605,128	( 943)	<b>85,604,185</b>	113,563,365	( 1,257)	<b>113,562,108</b>
<b>Operating costs and expenses:</b>							
Cost of sales and services	B, C	26,208,223	( 160,855)	<b>26,047,368</b>	34,710,580	( 131,040)	<b>34,579,540</b>
Commercial, administrative and general expenses	B, C	16,572,450	( 80,980)	<b>16,491,470</b>	22,351,181	( 54,380)	<b>22,296,801</b>
Interconnection	C	7,970,119		<b>7,970,119</b>	10,561,053		<b>10,561,053</b>
Depreciation and amortization	B	13,114,789	( 17,239)	<b>13,097,550</b>	17,523,330	( 22,959)	<b>17,500,371</b>
Other expenses, net			707,528	<b>707,528</b>		565,366	<b>565,366</b>

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		63,865,581	448,454	<b>64,314,035</b>	85,146,144	356,987	<b>85,503,131</b>
<b>Operating income</b>		21,739,547	( 449,397)	<b>21,290,150</b>	28,417,221	( 358,244)	<b>28,058,977</b>
Other expenses (income), net	<b>B</b>	198,939	(198,939)		78,337	( 78,337)	
Financing cost:							
Interest income		( 403,840)		<b>( 403,840)</b>	( 583,761)		<b>( 583,761)</b>
Interest expense	<b>C</b>	4,721,175	( 1,073)	<b>4,720,102</b>	5,733,627	( 1,399)	<b>5,732,228</b>
Exchange gain, net		( 407,981)					