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AZ CORP COMMISSION
DOCUMENT CONTROL

March 20, 2001

Arizona Corporation Commission
DOCKETED

MAR 21 2001

Docket Control Center
ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, Arizona 85007

DOCKETED BY 

Re: T-03985A-01-0086
Application of Telmex USA, L.L.C. for a Certificate of Convenience and Necessity

Dear Sir:

Enclosed are an original and ten (10) copies of the most recent 10-Q report to the Securities and Exchange Commission of Telmex (Telefonos de Mexico) requested by staff.

So that our records will be complete, I would appreciate it if you would please date-stamp the extra copy of this transmittal letter and mail it to me in the envelope provided. Any questions regarding this Application should be directed to me (205) 330-1703. Your assistance in this matter is greatly appreciated.

Yours truly,

Bobbi Ferguson
Consultant for
Telmex USA, L.L.C.

Attachments

BEFORE THE ARIZONA CORPORATION COMMISSION

JIM IRWIN
CHAIRMAN

CARL J. KUNASEK
COMMISSIONER

TONY WEST
COMMISSIONER

IN THE MATTER OF THE APPLICATION AND
PETITION OF TELMEX USA, L.L.C. FOR A
CERTIFICATE OF CONVENIENCE AND NECESSITY
TO PROVIDE COMPETITIVE INTRASTATE
TELECOMMUNICATIONS SERVICES AS A RESELLER

)
)
) DOCKET NO. T-03985A-01-0086
) **NOTICE OF FILING OF**
) **SUPPLEMENTAL INFORMATION**
)
)

Telmex USA, L.L.C. hereby submits copies of the most recent 10-Q Report to the Securities and Exchange Commission of Telmex (Telefonos de Mexico) pursuant to staff's request.

RESPECTFULLY SUBMITTED this 20th day of March, 2001.

Telmex USA, L.L.C.

By: Bobbi Ferguson
Bobbi Ferguson
Consultant for Telmex USA, L.L.C.
16061 Carmel Bay Drive
Northport, Alabama 35475

CERTIFICATE OF SERVICE

Original and ten (10) copies of the
foregoing mailed or hand-delivered
this 20th day of March, 2001 to:

Arizona Corporation Commission
Docket Control
1200 West Washington Street
Phoenix, Arizona 85007



Bobbi Ferguson
Consultant for Telmex USA, L.L.C.

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Highlights

- **12,068,993 Fixed Lines in Service at the end of 2000**
- **997,278 Line Equivalents for Data Transmission**
- **634,002 Internet Access Accounts**

For five consecutive years, the annual growth rate of fixed lines in service increased reaching two digits in 2000. Additionally, in only one year, more than one million lines were added.

Total international and domestic long distance traffic growth was 22% higher than in 1999.

The growth rate of Internet customers was 57.3% by adding more than 231,000 accounts in the year.

At the end of the fourth quarter, line equivalents for data transmission almost doubled the amount of line equivalents that were in service at the end of 1999.

Relevant Figures

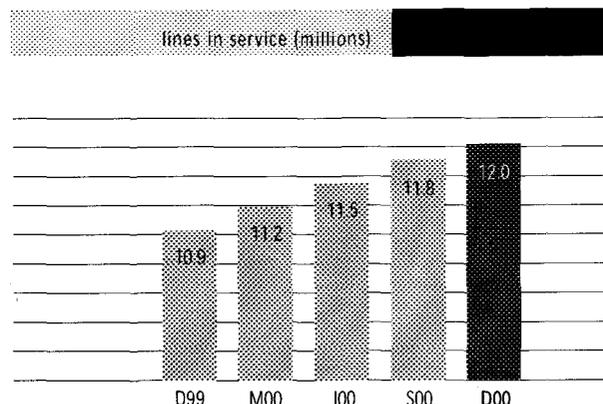
(millions of pesos with purchasing power as of December, 2000)

	4Q00	4Q99	Increase
Revenues	26,926	25,055	7.5%
EBITDA	15,142	13,948	8.6%
Net Income*	8,253	7,104	16.2%
EP/ADR*(pesos)	0.59	0.48	22.9%

*Net Income and Earnings per ADR consider continued operations

Local

At the end of the fourth quarter of 2000, TELMEX had 12,068,993 fixed lines in service, an annual increase of 10.9% compared with the previous year. During the quarter, 296,821 fixed lines were added, an increase of 7.1% compared with the third quarter of 2000. The annual accumulated increase was of 1,190,838 fixed lines, 25.2% higher than 1999. In 2000, the highest number of fixed lines were added in TELMEX's history.



Total traffic of local calls increased to 24,738 million calls, 5.6% higher than 1999. In the fourth quarter, local calls totaled 6,298 million, 7.3% higher than the same period of 1999.

At the end of 2000, digital services (call waiting, caller ID, voice mail, three way calling and call forwarding) increased 58.6% compared with 1999. At year-end, 27.2% of lines had at least one digital service.

Local Financial Results

At December 2000, local service financial results reveal that revenues for the fourth quarter increased 7.2% compared with the same period of 1999. Accumulated revenues of TELMEX's local service in the year 2000 increased 8.3% compared with the previous year. In the fourth quarter, costs decreased 14.4% compared with the same period of 1999, and in an accumulated manner, they increased 4.7% throughout the year.

Operating income for the quarter was 35.4% higher than the same period of 1999 and the annual operating income was 13.9% higher than in 1999.

The operating margin of local service for the year was 41.7% and 54.7% for the fourth quarter. The EBITDA margin for 2000 was 59.9% and 67.2% for the fourth quarter.

Notwithstanding the negative growth of local rates in real terms, revenues reflected real growth of 8.3%. This was motivated by the higher number of lines in service as well as for the increase in local traffic in spite of competition in the local and cellular markets. On the other hand, the accounting policy was amended to international principles related to the deferred recognition of revenues in the sale of LADATEL cards resulting in a non recurrent impact of approximately 193 million pesos.

The dynamic growth in cellular customers generated an increase of 185.0% in revenues related to "Calling Party Pays"

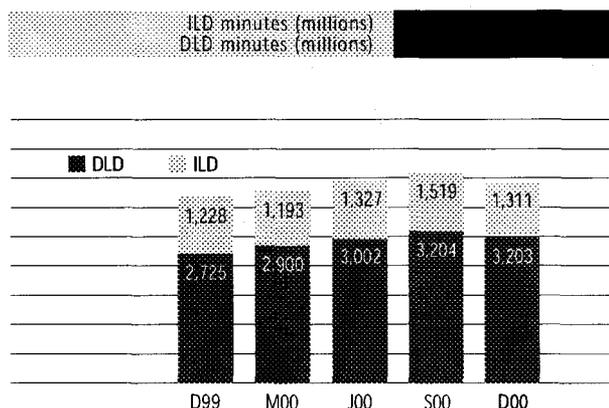
Additionally, the increase in penetration of digital services contributed to improve the level of call completion.

Regarding costs, in the fourth quarter a credit was registered in the bad debt line resulting from an owed debt of long distance operators to TELMEX local of approximately US\$180 million.

Long Distance

TELMEX billed 3,203 million domestic long distance minutes in the fourth quarter, 17.5% higher than the same period of 1999. Domestic traffic rose to 12,309 million minutes in 2000, an increase of 18.1% compared with billed traffic in 1999.

International long distance billed minutes in the fourth quarter rose to 1,311 million, 6.8% higher than the same period of 1999. International long distance billed traffic for 2000 was 5,521 million minutes, an annual increase of 31.7%.



In December 2000, TELMEX and the two main long distance operators reached an agreement that, among other things established the interconnection fee of the local network in US\$1.25 cents per minute. TELMEX, Alestra, and Avante! signed an agreement that resolved different disputes. Based on this, TELMEX was reimbursed from pending debts from these operators. Additionally, the discrepancies regarding the rate of interurban transport (resale) local interconnection, usage of resources, quality parameters, international traffic and other issues were resolved. This type of actions help to consolidate a healthy competitive environment that benefits the industry and customers in general. In the fourth quarter, TELMEX obtained a non recurrent extraordinary operating benefit of US\$195 million as a partial payment for the "one time investments", as well as payment for local interconnection. A fundamental point of the agreement was the commitment of the operators to eliminate the illegal practice known as "by-pass".

Long Distance Financial Results

For the year 2000, The accounting separation reveals that TELMEX's domestic long distance revenues in the fourth quarter decreased 4.6%, compared with the same period of the previous year. The reduction was mainly due to the impact of the non recurring differed recognition of revenues

for the sale of LADATEL cards of approximately 339 million pesos. If this adjustment had not been made, domestic long distance would have increased 3.4%.

International long distance revenues for the fourth quarter decreased 30.5% compared with the previous year. This was due to the non recurrent adjustments in international long distance revenues of international settlements and for the deferral in recognition of the sale of LADATEL cards that jointly translate into 340 million pesos. If this adjustment had not been made, the decrease would have been 16.9%.

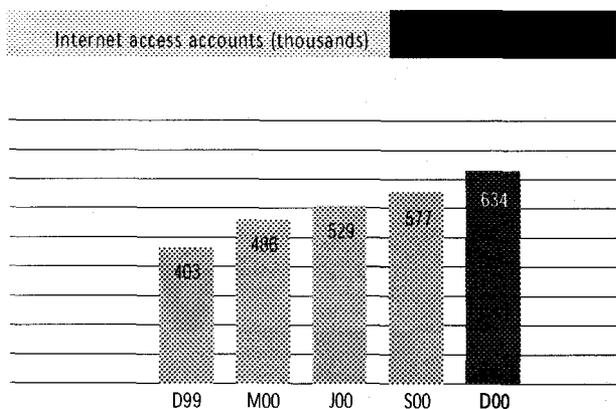
Additionally, costs related to long distance service increased 8.4% by comparing the fourth quarter with 1999 and 7.5% annually.

Operating income of long distance decreased 42.4% compared with the previous year. In an accumulated manner, the decrease compared with 1999 was 14.1%.

Data

Access

TELMEX had 634,002 Internet access accounts at the end of 2000, reflecting an annual increase of 57.4%. During the fourth quarter, 56,607 new accounts were added, 16.1% higher than the third quarter of 2000.



At year-end 2000, TELMEX had in operation 997,278 line equivalents for data transmission, an increase of 96.7% compared with 1999. The gain in the fourth quarter was of 186,139 line equivalents, the highest amount registered by the company in one quarter. This amount was 107.6% higher than the previous quarter and 403.9% higher than the same period of 1999.

Content

The T1MSN Portal registered a total of 1,760 million page views in the year of which 28.4% were registered outside Mexico that considered the Portal as one of the most important in Latin America. At December, 2000, the Portal had an average of 5.9 million unique users.

Hosting and Colocation

In order to promote the expansion of the data business, TELMEX established a company named Triara, that has a world-class infrastructure, leading edge technology and has Hewlett Packard as a partner. Triara offers shared and dedicated hosting (web hosting), colocation and outsourcing. Triara has an Internet data center in Apodaca, Nuevo León and it is expected to open a second Internet Data Center in Mexico City in the second half of this year.

Another initiative of the data business is the one named Eficentrum, that was created through an alliance with Proveedora Inbursa, KPMG and Oracle. Eficentrum is a horizontal market dedicated to the procurement of indirect goods and services (e-procurement). In its first 40 days of operation, Eficentrum carried out 226 transactions that generated 161 million pesos of revenues.

Revenues generated by the data business were in the order of 2,341 million de pesos in the fourth quarter, reflecting an increase of 31.9% compared with the same period of the previous year. For the year 2000, these revenues rose to 8,595 million pesos, an annual increase of 43.6% and represent 8.4% of TELMEX's total revenues.

TELMEX Financial Results

Total revenues rose to 102,431 million pesos in 2000, 10.4% higher than in 1999. This increase is due to the tendency in telephone traffic, more lines in service, growth in revenues derived from interconnection, mainly from "Calling Party Pays", development of public telephony and growth of the data business and for the non recurrent impact of the deferred recognition in revenues of the sale of LADATEL cards. The above, notwithstanding the reduction in real terms of telephone rates. In the fourth quarter, total revenues were 26,926 million pesos, 7.5% higher than the same period of 1999.

Operating costs and expenses for the year rose to 62,727 million pesos, 12.6% higher than in 1999. This increase was mainly due to costs associated with the service of "Calling Party Pays", costs of computers of the "Prodigy Internet Plus" program, costs related to advertising and necessary supplies for the operation of the telephone infrastructure.

In the fourth quarter, TELMEX's operating margin was 44%, 4 points higher than the one registered in 1999. The EBITDA margin was 56%, the same EBITDA margin as the previous year. The operating margin for the full year was 39% and the EBITDA margin was 55%, both lower than in 1999.

Comprehensive financing cost reflected a decrease in an accumulated manner of 15.1%, totaling 2,579 million pesos. In the fourth quarter, comprehensive financing cost was 1,007 million pesos, a decrease of 34.0% compared with last year.

Net income of continued operations was 8,253 million pesos in the fourth quarter, 16.2% higher than the same period of 1999. Net income of continued operations for 2000 was 24,997 million pesos, 10.1% higher than the previous year.

National Technology Award

In December 2000, TELMEX received the National Technology Award (Premio Nacional de Tecnologia), the most important award that is given in the country for the adequate use and management of state-of-the-art technical resources that the company has as well as for the improvements in the production of products and services to benefit customers.

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

	Three Months Ended		Percent Change	Twelve Months Ended		Percent Change
	Dec/31/00	Dec/31/99		Dec/31/00	Dec/31/99	
Operating Revenues:						
Long-Distance Service:						
International	2,236	2,795	(20.0)	11,372	12,572	(9.5)
Domestic	6,423	6,017	6.7	25,610	23,167	10.5
Local Service	12,031	11,861	1.4	46,956	46,326	1.4
Interconnection Service	3,926	2,191	79.2	13,152	5,814	126.2
Other	2,310	2,191	5.4	5,341	4,918	8.6
Total	26,926	25,055	7.5	102,431	92,797	10.4
Operating Costs and Expenses:						
Cost of Sales and Services	5,965	6,062	(1.6)	21,615	19,297	12.0
Commercial, Administrative and General	3,954	3,805	3.9	16,942	15,935	6.3
Interconnection Service	1,865	1,240	50.4	7,242	2,755	162.9
Cash Operating Expenses	11,784	11,107	6.1	45,799	37,987	20.6
EBITDA	15,142	13,948	8.6	56,632	54,810	3.3
Depreciation and Amortization	3,171	3,836	(17.3)	16,928	17,711	(4.4)
Total	14,955	14,943	0.1	62,727	55,698	12.6
Operating Income	11,971	10,112	18.4	39,704	37,099	7.0
Comprehensive Financing Cost:						
Net Interest	2,096	2,170	(3.4)	6,090	9,247	(34.1)
Exchange Loss (Gain), Net	246	326	(24.5)	(81)	(1,012)	(92.0)
Monetary Effect	(1,335)	(971)	37.5	(3,430)	(5,197)	(34.0)
Total	1,007	1,525	(34.0)	2,579	3,038	(15.1)
Income From Continued Operations Before Income Tax and Employee Profit Sharing	10,964	8,587	27.7	37,125	34,061	9.0
Income Tax and Employee Profit Sharing	2,267	1,440	57.4	11,143	11,231	(0.8)
Income Before Equity in Results of Affiliates and Minority Interest	8,697	7,147	21.7	25,982	22,830	13.8
Equity in Results of Affiliates and Minority Interest	(444)	(43)	(*)	(985)	(116)	749.1
Income From Continued Operations	8,253	7,104	16.2	24,997	22,714	10.1
Income From Discontinued Operations, Net of Income Tax and Employee Profit Sharing		1,608	0.0	1,474	4,664	(68.4)
Net Income	8,253	8,712	(5.3)	26,471	27,378	(3.3)

(*) Percentage higher than 1000%

Note: Exchange rate at December 31, 2000: 9.5997 pesos/dollar

Key

Ratios and Statistics

	Three Months Ended		Percent Change	Twelve Months Ended		Percent Change
	Dec/31/00	Dec/31/99		Dec/31/00	Dec/31/99	
Financial Ratios (%)						
Consolidated Operating Margin	44	40		39	40	
Consolidated EBITDA Margin	56	56		55	59	
Operating Statistics (Thousands)						
Access Lines Added	297	361	(17.7)	1,191	951	25.2
Access Lines in Service	12,069	10,878	10.9	12,069	10,878	10.9
Internet Access Accounts	57	93	(38.7)	634	403	57.3
Line Equivalents	186	37	402.7	997	507	96.6
Local Calls (Millions)	6,298	5,869	7.3	24,738	23,426	5.6
LD Billed Minutes (Millions)						
Domestic	3,203	2,725	17.5	12,309	10,419	18.1
International	1,311	1,228	6.8	5,521	4,192	31.7
Shares Outstanding (Millions)	14,010	14,949 ⁽¹⁾	(6.3)	14,010	14,949 ⁽¹⁾	(6.3)

1) For the 1999 figure, a retroactive effect was carried out on the stock split dictated by the Shareholders Meeting.

Consolidated

Balance Sheets

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

	Dec/31/00	Dec/31/99		Dec/31/00	Dec/31/99
Assets			Liabilities and Stockholders' Equity		
Current Assets	36,290	28,228	Current Portion of Long-Term Debt	44,118	26,562
Current Assets of Discontinued Operations		45,879	Other Current Liabilities	25,260	13,672
Plant, Property and Equipment, Net	106,519	106,713	Current Liabilities of Discontinued Operations		6,689
Inventories	2,440	2,116	Long Term Debt	30,296	26,696
Licences	618	654	Labor Obligations	6,574	5,406
Other Assets	2,761	2,228	Deferred Credits	1,268	546
Intangible Assets	8,507	8,896	Long Term Liabilities of Discontinued Operations		2,732
Non Current Assets of Discontinued Operations		20,844	Total Liabilities	107,516	82,303
Total Assets	157,135	215,558	Stockholders' Equity	49,619	133,255
			Total Liabilities and Stockholders' Equity	157,135	215,558

Note: Exchange rate at December 31, 2000: 9.5997 pesos/dollar

Statements of Income

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

	T h r e e M o n t h s E n d e d					
	Dec/31/00 Local	Dec/31/99 Local	Percent Change	Dec/31/00 LD	Dec/31/99 LD	Percent Change
Operating Revenues:						
Access, Rent, Measured Service and Others	13,972	13,846	0.9			
Domestic Long Distance				4,020	4,216	(4.6)
International Long Distance				1,738	2,502	(30.5)
LADA Interconnection	2,478	2,180	13.7			
Interconnection with LD Operators	704	576	22.2			
Interconnection with Cellular Companies	968	300	222.7			
By-Pass Provision				632	426	48.4
Total	18,122	16,902	7.2	6,390	7,144	(10.6)
Operating Costs and Expenses:						
Cost of Sales and Services	3,607	3,685	(2.1)	653	582	12.2
Commercial, Administrative and General	2,339	3,037	(23.0)	1,513	1,356	11.6
Depreciation and Amortization	2,259	2,858	(21.0)	414	472	(12.3)
Local Network Interconnection				2,274	2,067	10.0
Total	8,205	9,580	(14.4)	4,854	4,477	8.4
Operating Income	9,917	7,322	35.4	1,536	2,667	(42.4)

	T w e l v e M o n t h s E n d e d					
	Dec/31/00 Local	Dec/31/99 Local	Percent Change	Dec/31/00 LD	Dec/31/99 LD	Percent Change
Operating Revenues:						
Access, Rent, Measured Service and Others	53,099	52,393	1.3			
Domestic Long Distance				16,787	16,990	(1.2)
International Long Distance				9,408	9,890	(4.9)
LADA Interconnection	9,673	8,061	20.0			
Interconnection with LD Operators	2,697	1,896	42.2			
Interconnection with Cellular Companies	3,399	1,226	177.2			
By-Pass Provision				2,751	2,468	11.5
Total	68,868	63,576	8.3	28,946	29,348	(1.4)
Operating Costs and Expenses:						
Cost of Sales and Services	15,337	13,598	12.8	2,482	2,307	7.6
Commercial, Administrative and General	12,304	11,464	7.3	4,876	5,104	(4.5)
Depreciation and Amortization	12,510	13,293	(5.9)	2,089	2,160	(3.3)
Local Network Interconnection				9,090	7,666	18.6
Total	40,151	38,355	4.7	18,537	17,237	7.5
Operating Income	28,717	25,221	13.9	10,409	12,111	(14.1)

Notes:

- 1) Local: revenues for monthly rent, measured service, installation charges, digital services and interconnection.
- 2) Long Distance: revenues for basic services of domestic and international long distance, it does not include rural, public and data transmission services.
- 3) The presented services consider imputations for interconnection, billing, collecting, leased ports, colocation and leased lines.

- 4) In the long distance business, an adjustment was recognized in revenues of international long distance for the fourth quarter, since ALESTRA and AVANTEL paid settlements of approximately 229 million pesos, as well as for the differed recognized revenues from the sale of Ladatel cards in the order of 450 million pesos. Both adjustments are non recurrent events.
- 5) Exchange rate at December 31, 2000: 9.5997 pesos/dollar.

Stock Information

TELMEX	Bolsa Mexicana de Valores
	Ticker Symbol
TRX	NYSE Ticker Symbol
JFOW	NASDAQ Ticker Symbol
XTMEX	Bolsa de Madrid (LATIBEX)



NASDAQ

Latibex

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Dirección de Finanzas / Gerencia de Relaciones con Inversoristas
Feb. 2003