

TELEFONOS DE MEXICO S A B DE C V

Form 20-F

May 11, 2010

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As filed with the Securities and Exchange Commission on May 11, 2010.

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13 or 15 (d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2009

Commission File Number: 001-32741

Teléfonos de México, S.A.B. de C.V.

(Exact name of Registrant as specified in its charter)

Telephones of Mexico

(Translation of Registrant's name into English)

United Mexican States

(Jurisdiction of incorporation or organization)

Parque Vía 190, Colonia Cuauhtémoc, 06599 México, D.F., México

(Address of principal executive offices)

Anna Domínguez González

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing 20 Series L Shares, without par value (L Share ADSs)	New York Stock Exchange
Series L Shares, without par value (L Shares)	New York Stock Exchange (for listing purposes only)
American Depositary Shares, each representing 20 Series A Shares, without par value (A Share ADSs)	The NASDAQ Capital Market
Series A Shares, without par value (A Share ADSs)	The NASDAQ Capital Market (for listing purposes only)
8.75% Senior Notes due 2016	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

SECURITIES FOR WHICH THERE IS A REPORTING OBLIGATION PURSUANT TO SECTION 15(d) OF THE ACT: None

The number of outstanding shares of each class of capital or common stock as of December 31, 2009 was:

8,115 million AA Shares
395 million A Shares
9,682 million L Shares

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). N/A

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued Other

by the International Accounting Standards Board

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements. We may from time to time make forward-looking statements in our periodic reports to the SEC on Form 6-K, in our annual report to shareholders, in offering circulars and prospectuses, in press releases and other written materials and in oral statements made by our officers, directors or employees to analysts, investors, representatives of the media and others. Examples of such forward-looking statements include:

projections of operating revenues, net income, net income per share, capital expenditures, indebtedness levels, dividends, capital structure or other financial items or ratios;

statements of our acquisition or divestiture plans;

statements about the impact of our acquisition of businesses;

statements about our plans, objectives or goals, including those relating to competition, regulation and rates;

statements about competition in the business sectors in which we operate;

statements about our future financial performance or the economic performance of Mexico or other countries;

statements about interest rates, currency exchange rates and foreign securities markets;

statements about the availability and cost of external financing for our operations, which have been affected by the stress experienced by the global financial markets;

statements about the renewal, revocation or expropriation of our concessions, decisions of regulatory and judicial authorities, and the future impact of regulations; and

statements of assumptions underlying such statements.

Words such as believe, anticipate, plan, expect, intend, target, estimate, project, predict, forecast, guideline, should and intended to identify forward-looking statements but are not the exclusive means of identifying them.

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors, some of which are discussed under Item 3. *Risk Factors* beginning on page 6, include regulatory developments, economic and political conditions, which have been affected by the global economic crisis, competition, customer demand, government policies, inflation rates, exchange rates and technological changes. We caution you that the foregoing list of factors is not exclusive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements.

Forward-looking statements speak only as of the date they are made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.

You should evaluate any statements made by us in light of these important factors.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

SELECTED FINANCIAL DATA

The selected consolidated financial data set forth below have been derived from our audited consolidated financial statements for each of the five years in the period ended December 31, 2009, which have been reported on by Mancera, S.C., a Member Practice of Ernst & Young Global, an independent registered public accounting firm. The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and notes thereto included elsewhere in this annual report.

Our consolidated financial statements have been prepared in accordance with Mexican Financial Reporting Standards, or Mexican FRS, which differ in certain respects from generally accepted accounting principles in the United States, or U.S. GAAP. Note 17 to our audited consolidated financial statements provides a description of the principal differences between Mexican FRS and U.S. GAAP, as they relate to us; a reconciliation to U.S. GAAP of net income and total stockholders' equity; and condensed financial statements under U.S. GAAP.

Effect of Inflation Accounting

Due to the adoption of Mexican FRS B-10, effective January 1, 2008, we ceased to recognize the effects of inflation on our financial information. Through December 31, 2007, under Bulletin B-10, inflation accounting had extensive effects on the presentation of our financial statements. In our financial information for 2008, inflation adjustments for prior periods have not been removed from stockholders' equity and the re-expressed amounts for non-monetary assets and liabilities at December 31, 2007 became the accounting basis for those assets and liabilities beginning on January 1, 2008 and for subsequent periods, as required by Mexican FRS. Financial statements for periods prior to 2008 are presented in constant pesos as of December 31, 2007. See Item 5. *Operating and Financial Review and Prospects Effect of Inflation Accounting*.

In December 2007, we transferred our Latin American and yellow pages directory businesses to a new, separate entity, Telmex Internacional, S.A.B. de C.V., or Telmex Internacional, in an *escisión*, or split-up. See Item 4. *Information on the Company History*. The businesses we transferred to Telmex Internacional are presented as discontinued operations for dates and periods prior to the effective date of the *Escisión*, which was December 26, 2007 under Mexican FRS and June 10, 2008 under U.S. GAAP. See Item 5. *Operating and Financial Review and Prospects U.S. GAAP Reconciliation* and Note 2 to our audited consolidated financial statements.

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The figures below have been adjusted to give effect for all periods to the two-for-one stock split that occurred in May 2005.

	Year ended December 31,				
	2009 ⁽²⁾	2008 ⁽²⁾	2007	2006	2005
	(2009 and 2008 in millions of pesos, previous years in millions of constant pesos as of December 31, 2007, except share and per share data)				
Income Statement Data:					
Mexican FRS:					
Operating revenues	P. 119,100	P. 124,105	P. 130,768	P. 129,755	P. 131,449
Operating costs and expenses	84,736	84,362	86,884	83,491	85,210
Operating income	34,364	39,743	43,884	46,264	46,239
Financing cost, net	4,314	9,233	3,349	3,770	5,699
Income from continuing operations, net of income tax	20,469	20,177	28,889	27,701	27,263
Income from discontinued operations, net of income tax			7,166	2,615	4,926
Net income	20,469	20,177	36,055	30,316	32,189
Earnings per share ⁽¹⁾	1.11	1.07	1.80	1.41	1.35
Earnings per share from continuing operations	1.11	1.07	1.46	1.32	1.19
Earnings per share from discontinued operations			0.34	0.09	0.16
Dividends paid per share (nominal) ⁽¹⁾	0.845	0.413	0.440	0.403	0.370
Weighted average number of shares outstanding (millions)	18,383	18,906	19,766	20,948	22,893
U.S. GAAP:					
Operating revenues	P. 119,100	P. 124,105	P. 130,768	P. 129,755	P. 131,449
Operating costs and expenses	87,128	85,749	89,983	87,676	89,782
Operating income	31,972	38,356	40,785	42,079	41,667
Income from continuing operations, net of income tax	19,818	19,782	28,985	27,087	26,221
Income from discontinued operations, net of income tax		2,173	6,848	1,081	3,100
Net income ⁽³⁾	19,818	21,955	35,833	28,168	29,321
Earnings per share ⁽¹⁾	1.08	1.16	1.79	1.37	1.28
Earnings per share from continuing operations	1.08	1.05	1.47	1.29	1.14
Earnings per share from discontinued operations		0.11	0.32	0.08	0.14
Dividends paid per share (nominal) ⁽¹⁾	0.845	0.413	0.440	0.403	0.370

(See footnotes on following page)

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	2009 ⁽²⁾	2008 ⁽²⁾	December 31, 2007	2006	2005
	(2009 and 2008 in millions of pesos, previous years in millions of constant pesos as of December 31, 2007, except share and per share data and ratios)				
Balance Sheet Data:					
Mexican FRS:					
Plant, property and equipment, net	P.104,305	P.112,865	P.120,649	P.124,613	P.130,088
Total assets from continuing operations	178,355	187,125	172,826	188,182	200,793
Total assets from discontinued operations				107,366	93,980
Total assets	178,355	187,125	172,826	295,548	294,773
Short-term debt and current portion of long-term debt	19,769	22,883	12,282	9,041	14,501
Long-term debt	83,105	84,172	79,180	81,376	75,696
Total stockholders' equity	38,321	39,371	42,159	121,321	135,879
Capital stock	9,020	9,139	9,403	28,011	29,728
Number of outstanding shares (millions)					
Series AA	8,115	8,115	8,115	8,115	8,115
Series A	395	407	430	446	479
Series L	9,682	10,033	10,815	11,642	13,451
U.S. GAAP:					
Plant, property and equipment, net	P.106,453	P.115,676	P.124,825	P.130,215	P.136,824
Total assets from continuing operations	167,453	177,033	163,263	183,815	207,272
Total assets from discontinued operations			132,191	87,807	70,466
Total assets	167,453	177,033	295,454	271,622	277,738
Short-term debt and current portion of long-term debt	19,769	22,883	12,282	9,041	14,501
Long-term debt	83,105	84,172	79,180	81,376	75,696
Total stockholders' equity ⁽³⁾	7,465	11,309	122,414	103,195	117,935
Capital stock	9,020	9,139	27,231	28,011	29,728
Other Data:					
Mexican FRS:					