

AMERICA MOVIL SAB DE CV/

Form 20-F

May 25, 2010

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As filed with the Securities and Exchange Commission on May 25, 2010

UNITED STATES
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: 1-16269

AMÉRICA MÓVIL, S.A.B. DE C.V.

(exact name of registrant as specified in its charter)

America Mobile

(translation of registrant's name into English)

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United Mexican States

(jurisdiction of incorporation)

Lago Alberto 366, Colonia Anáhuac, 11320 México, D.F., México

(address of principal executive offices)

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México, D.F., México

(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 L Shares, without par value | New York Stock Exchange |
| L Shares, without par value | New York Stock Exchange (for listing purposes only) |
| American Depositary Shares, each representing 20 A Shares, without par value | NASDAQ National Market |
| A Shares, without par value | NASDAQ National Market |
| | (for listing purposes only) |

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 of the registrant's classes of capital or common stock as of December 31, 2009:

| | |
|----------------|-----------|
| 11,712 million | AA Shares |
| 451 million | A Shares |
| 20,121 million | L Shares |

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

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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 by the International Accounting Standards Board Other
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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PART I

Item 3. Key Information

SELECTED FINANCIAL DATA

This annual report includes our audited consolidated financial statements as of December 31, 2008 and 2009 and for each of the three years ended December 31, 2007, 2008 and 2009. Our consolidated financial statements have been prepared in accordance with Mexican Financial Reporting Standards (*Normas de Información Financiera Mexicanas* or Mexican FRS) and are presented in Mexican pesos. The financial statements of our non-Mexican subsidiaries have been adjusted to conform to Mexican FRS and translated to Mexican pesos. See Note 2(a)(ii) to our audited consolidated financial statements.

Mexican FRS differs in certain respects from U.S. GAAP. Note 21 to the 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 shareholder s equity and a cash flow statement for the year ended December 31, 2007 under U.S. GAAP.

Under Mexican FRS, our financial statements for periods ending prior to January 1, 2008 recognized the effects of inflation on financial information. Inflation accounting under Mexican FRS had extensive effects on the presentation of our financial statements through 2007. See Note 2f to our audited consolidated financial statements.

Beginning with the year ended December 31, 2012, Mexican issuers with securities listed on a Mexican securities exchange will be required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB). Issuers may voluntarily report using IFRS before the change in the reporting standards becomes mandatory. We have begun presenting financial statements in accordance with IFRS for the year ended December 31, 2010, with an official IFRS adoption date as of December 31, 2010 and a transition date to IFRS of January 1, 2009.

On December 13, 2006, our shareholders approved the merger of América Telecom, S.A.B. de C.V., or Amtel, our then controlling shareholder, and its subsidiary Corporativo Empresarial de Comunicaciones, S.A. de C.V., or Corporativo, with us. As a result of the merger, we assumed assets and liabilities based on Amtel s unaudited financial statements as of October 31, 2006. In accordance with Mexican FRS, the merger with Amtel has been accounted for on a historical basis similar to a pooling of interest basis and we have adjusted our financial information and selected financial information presented in this annual report to include the consolidated assets, liabilities and results of operations of Amtel for periods presented up to December 31, 2006.

References herein to U.S.\$ are to U.S. dollars. References herein to pesos, P. or Ps. are to Mexican pesos.

This annual report contains translations of various peso amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the nominal peso or constant peso amounts actually represent the U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, we have translated U.S. dollar amounts from constant pesos at the exchange rate of Ps. 13.0587 to U.S.\$1.00, which was the rate reported by Banco de México for December 31, 2009, as published in the Official Gazette of the Federation (*Diario Oficial de la Federación*, or Official Gazette).

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The selected financial and operating information set forth below has been derived in part from our audited consolidated financial statements, which have been reported on by Mancera S.C., a member practice of Ernst & Young Global, an independent registered public accounting firm. The selected financial and operating information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements.

| | As of and for the year ended December 31, ⁽¹⁾ | | | | | |
|---|--|--------------------------|------------------------------|--------------------------|----------------------|---|
| | 2005 ⁽¹⁰⁾⁽¹²⁾ | 2006 ⁽¹⁰⁾⁽¹²⁾ | 2007 ⁽¹⁰⁾⁽¹¹⁾⁽¹²⁾ | 2008 ⁽¹⁰⁾⁽¹²⁾ | 2009 ⁽¹⁰⁾ | 2009 |
| | (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) ⁽²⁾ | | | | | (millions of U.S. dollars) ⁽²⁾ |
| Income Statement Data: | | | | | | |
| <i>Mexican FRS</i> | | | | | | |
| Operating revenues | Ps.196,638 | Ps.243,005 | Ps.311,580 | Ps.345,655 | Ps.394,711 | U.S.\$ 30,225 |
| Operating costs and expenses | 159,928 | 181,971 | 226,386 | 250,109 | 290,502 | 22,246 |
| Depreciation and amortization | 22,955 | 27,884 | 40,406 | 41,767 | 53,082 | 4,065 |
| Operating income | 36,710 | 61,034 | 85,194 | 95,546 | 104,209 | 7,980 |
| Comprehensive financing (income) cost | 2,790 | 28 | 387 | 13,865 | 2,982 | 228 |
| Net income | 33,127 | 44,509 | 58,697 | 59,575 | 76,998 | 5,896 |
| Earnings per share: | | | | | | |
| Basic ⁽³⁾ | 0.92 | 1.25 | 1.67 | 1.74 | 2.35 | 0.18 |
| Diluted ⁽³⁾ | 0.92 | 1.25 | 1.67 | 1.74 | 2.35 | 0.18 |
| Dividends declared per share ⁽⁴⁾ | 0.37 | 0.10 | 1.20 | 0.26 | 0.80 | 0.06 |
| Dividends paid per share ⁽⁵⁾ | 0.37 | 0.12 | 1.20 | 0.26 | 0.80 | 0.06 |
| Weighted average number of shares outstanding (millions) ⁽⁶⁾ : | | | | | | |
| Basic | 35,766 | 35,459 | 35,149 | 34,220 | 32,738 | |
| Diluted | 35,766 | 35,459 | 35,149 | 34,220 | 32,738 | |
| <i>U.S. GAAP</i> | | | | | | |
| Operating revenues ⁽⁷⁾ | Ps.183,417 | Ps.231,509 | Ps.299,335 | Ps.330,712 | Ps.377,589 | U.S.\$ 28,915 |
| Operating costs and expenses | 149,415 | 172,170 | 220,294 | 237,737 | 275,392 | 21,089 |
| Depreciation and amortization | 25,037 | 30,020 | 46,698 | 43,961 | 55,139 | 4,222 |
| Operating income | 34,002 | 59,339 | 79,041 | 92,975 | 102,198 | 7,826 |
| Comprehensive financing (income) cost | (140) | (1,084) | (267) | 19,629 | 2,864 | 219 |
| Net income | 33,102 | 40,726 | 55,529 | 54,252 | 74,360 | 5,694 |
| Earnings per share: | | | | | | |
| Basic ⁽³⁾ | 0.92 | 1.15 | 1.58 | 1.58 | 2.27 | 0.17 |
| Diluted ⁽³⁾ | 0.92 | 1.15 | 1.58 | 1.58 | 2.27 | 0.17 |

(see footnotes on following page)

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| | 2005 ⁽¹⁰⁾⁽¹²⁾ | 2006 ⁽¹⁰⁾⁽¹²⁾ | As of and for the year ended December 31, ⁽¹⁾ | | 2009 ⁽¹⁰⁾⁽¹²⁾ | 2009 |
|---|--|--------------------------|--|--------------------------|--------------------------|---------------|
| | | | 2007 ⁽¹⁰⁾⁽¹¹⁾⁽¹²⁾ | 2008 ⁽¹⁰⁾⁽¹²⁾ | | |
| | (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) ⁽²⁾ | | | | | |
| | (millions of U.S. dollars) ⁽²⁾ | | | | | |
| Balance Sheet Data: | | | | | | |
| <i>Mexican FRS</i> | | | | | | |
| Property, plant and equipment, net | Ps.120,734 | Ps.143,090 | Ps.167,084 | Ps.209,897 | Ps.227,049 | U.S.\$ 17,387 |
| Total assets | 249,171 | 328,325 | 349,121 | 435,455 | 453,008 | 34,690 |
| Short-term debt and current portion of long-term debt | 22,176 | 26,214 | 19,953 | 26,731 | 9,168 | 702 |
| Long-term debt | 68,346 | 89,038 | 84,799 | 116,755 | 101,741 | 7,791 |
| Total stockholders equity ⁽⁸⁾ | 77,909 | 113,747 | 126,858 | 144,925 | 177,906 | 13,624 |
| Capital stock | 36,565 | 36,555 | 36,552 | 36,532 | 36,524 | 2,797 |
| Number of outstanding shares (millions) ⁽⁶⁾⁽⁹⁾ | | | | | | |
| AA Shares | 10,915 | 10,859 | 11,712 | 11,712 | 11,712 | |
| A Shares | 761 | 571 | 547 | 480 | 451 | |
| L Shares | 23,967 | 23,872 | 22,638 | 21,058 | 20,121 | |
| <i>U.S. GAAP</i> | | | | | | |
| Property, plant and equipment, net | Ps.136,871 | Ps.156,449 | Ps.177,424 | Ps.212,264 | Ps.227,349 | U.S.\$ 17,410 |
| Total assets | 268,479 | 349,564 | 363,075 | 443,544 | 459,164 | 35,161 |
| Short-term debt and current portion of long-term debt | 22,176 | 26,213 | 19,953 | 26,731 | 9,168 | 702 |
| Long-term debt | 68,346 | 89,037 | 84,799 | 116,755 | 101,741 | 7,791 |
| Capital stock | 37,026 | 37,017 | 37,014 | 36,994 | 36,986 | 2,832 |
| Equity | 93,359 | 125,593 | 137,660 | 151,895 | 190,051 | 14,554 |
| Subscriber Data: | | | | | | |
| Number of subscribers (in thousands) | 93,329 | 124,776 | 157,287 | 186,568 | 204,761 | |
| Subscriber growth | 52.70% | 33.70% | 23.20% | 18.60% | 9.8% | |
| Ratio of Earnings to Fixed Charges: | | | | | | |
| Mexican FRS ⁽¹³⁾ | 4.6 | 7.2 | 9.0 | 7.6 | 9.9 | |
| U.S. GAAP ⁽¹⁴⁾ | 4.5 | 7.0 | 8.7 | 7.5 | 9.7 | |

- (1) In accordance with Mexican FRS, the merger with Amtel has been accounted for on a historical basis similar to a pooling of interest basis and we have adjusted our financial information and selected financial information presented in this annual report to include the consolidated assets, liabilities and results of operations of Amtel for periods presented up to December 31, 2006.
- (2) Except per share, share capital and subscriber data.
- (3) We have not included earnings or dividends on a per ADS basis. Each L Share ADS represents 20 L Shares and each A Share ADS represents 20 A Shares.
- (4) Nominal amounts. Figures provided represent the annual dividend declared at the general shareholders meeting and for 2005, 2007 and 2009 include special dividends of Ps. 0.30 per share, Ps. 1.00 per share and Ps. 0.50 per share, respectively.
- (5) Nominal amounts (except for 2009). For more information on dividends paid per share translated into U.S. dollars, see Financial Information Dividends under Item 8. Amount in U.S. dollars translated at the exchange rate on each of the respective payment dates.
- (6) All L Share figures have been adjusted retroactively to reflect a reduction in L Shares as a result of our merger with Amtel. The increase in AA Shares between 2006 and 2007 was due to the exchange of shares of Amtel for our shares in connection with our merger with Amtel. Subject to certain restrictions, the shareholders of Amtel were free to elect to receive L Shares or AA Shares.

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- (7) The differences between our Mexican FRS and U.S. GAAP operating revenues include the reclassification of (1) the application of ASC 605-50, Customer Payments and Incentives, which we have applied to all periods presented in this table and which resulted in a reclassification of certain commissions paid to distributors from commercial, administrative and general expenses under Mexican FRS to reductions in operating revenues under U.S. GAAP, and (2) the application of ASC 605-25, Multiple Element Arrangements, which addresses certain aspects of accounting for sales that involved multiple revenue generating products and/or services sold under a single contractual agreement. See Note 21 to our audited consolidated financial statements.
- (8) Includes non-controlling interest.
- (9) As of year-end.
- (10) Notes 2z.1 and 2z.3 to our audited consolidated financial statements describe new accounting pronouncements under Mexican FRS that came into force in 2008 and 2009. The pronouncements that became effective on January 1, 2008 and 2009, were fully implemented in the financial statements included in this annual report. These new accounting pronouncements were applied on a prospective basis. As a result, the financial statements of prior years, which are presented for comparative purposes, have not been modified and may not be comparable to our financial statements for 2009.
- (11) Beginning in 2007, we capitalize interest under Mexican FRS.
- (12) Net income and shareholder's equity information under U.S. GAAP for prior years were retrospectively adjusted for presentation and disclosure purposes, in accordance with amendments to Accounting Standards Codification (ASC) 810, *Consolidation*. ASC 810 states that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements, and requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest.
- (13) Earnings, for this purpose, consist of earnings from continuing operations before income taxes, plus fixed charges and depreciation of capitalized interest and minus interest capitalized during the period. Through December 31, 2006, for Mexican FRS purposes, employee profit-sharing is considered an income tax and earnings are calculated before the provision for employee profit-sharing. Fixed charges, for this purpose, consist of interest expense plus interest capitalized during the period. Fixed charges do not take into account gain or loss from monetary position or exchange gain or loss attributable to our indebtedness.
- (14) Earnings, for this purpose, consist of earnings from continuing operations before income taxes, plus fixed charges and depreciation of capitalized interest and minus interest capitalized during the period. Under U.S. GAAP, employee profit-sharing is considered an operating expense and earnings are calculated after the provision for employee profit-sharing. Fixed charges, for this purpose, consist of interest expense plus interest capitalized during the period. Fixed charges do not take into account gain or loss from monetary position or exchange gain or loss attributable to our indebtedness.

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Mexico has a free market for foreign exchange, and the Mexican government allows the peso to float freely against the U.S. dollar. There can be no assurance that the Mexican government will maintain its current policies with regard to the peso or that the peso will not depreciate or appreciate significantly in the future.

The following table sets forth, for the periods indicated, the high, low, average and period-end noon buying rate in New York City for cable transfers in pesos published by the Federal Reserve Bank of New York, expressed in pesos per U.S. dollar. The rates have not been restated in constant currency units and therefore represent nominal historical figures.

| Period | High | Low | Average⁽¹⁾ | Period End |
|---------------|-------------|------------|------------------------------|-------------------|
| 2005 | 11.4110 | 10.4135 | 10.8680 | 10.6275 |
| 2006 | 11.4600 | 10.4315 | 10.9023 | 10.7995 |
| 2007 | 11.2692 | 10.6670 | 10.9253 | 10.9169 |
| 2008 | 13.9350 | 9.9166 | 11.2124 | 13.8320 |
| 2009 | 15.4060 | 12.6318 | 13.5777 | 13.0576 |
| November | 13.3754 | 12.8585 | | |
| December | 12.6318 | 13.0775 | | |
| 2010 | | | | |
| January | 13.0285 | 12.6500 | | |
| February | 13.1940 | 12.7987 | | |
| March | 12.7410 | 12.3005 | | |
| April | 12.4135 | 12.1556 | | |

(1) Average of month-end rates.

On May 14, 2010, the noon buying rate was Ps. 12.5820 to U.S.\$1.00.

We will pay any cash dividends in pesos, and exchange rate fluctuations will affect the U.S. dollar amounts received by holders of American Depositary Shares, or ADSs, on conversion by the depositary of cash dividends on the shares represented by such ADSs. Fluctuations in the exchange rate between the peso and the U.S. dollar affect the U.S. dollar equivalent of the peso price of our shares on the Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A.B. de C.V.*, or the Mexican Stock Exchange) and, as a result, can also affect the market price of the ADSs.

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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 U.S. Securities and Exchange Commission, or SEC, on Forms 20-F and 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, institutional investors, representatives of the media and others. Examples of such forward-looking statements include:

projections of operating revenues, net income (loss), net income (loss) per share, capital expenditures, dividends, capital structure or other financial items or ratios;

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

statements about our future economic performance or that of Mexico or other countries in which we operate;

competitive developments in the telecommunications sector in each of the markets where we currently operate;

other factors or trends affecting the telecommunications industry generally and our financial condition in particular; and

statements of assumptions underlying the foregoing statements.

We use words such as believe, anticipate, plan, expect, intend, target, estimate, project, predict, forecast, guideline, should, or similar expressions to identify forward-looking statements, but they are not the only way we identify such statements.

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 Risk Factors, include economic and political conditions and government policies in Mexico, Brazil or elsewhere, inflation rates, exchange rates, regulatory developments, technological improvements, customer demand and competition. 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 do not undertake any obligation to update such statements in light of new information or future developments.

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

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RISK FACTORS

Risks Relating to Our Businesses

Competition in the wireless industry is intense and could adversely affect the revenues and profitability of our business

Our wireless businesses face substantial competition from other wireless providers. We also face competition from fixed-line telephone companies and, increasingly, other service providers such as cable, paging, trunking and Internet companies because of the trend towards convergence of telecommunication services.

Competition in our markets has intensified in recent periods, and we expect that it will continue to intensify in the future as a result of the entry of new competitors, the development of new technologies, products and services, and the auction of additional spectrum. We also expect the current consolidation trend in the wireless industry to continue, as companies respond to the need for cost reduction and additional spectrum. This trend may result in larger competitors with greater financial, technical, promotional and other resources to compete with our businesses. Telefónica, S.A. (*Telefónica Móviles*), which has important operations in Mexico and Brazil, as well as other of our markets, consolidated its position as our largest regional competitor through several acquisitions.

Among other things, our competitors could:

provide increased handset subsidies;

offer higher commissions to retailers;

provide free airtime or other services (such as Internet access);

expand their networks faster; or

develop and deploy improved wireless technologies faster.

Competition can result in increases in advertising and promotional spending and reductions in prices for services and handsets. In addition, portability requirements, which enable customers to switch wireless providers without changing their wireless numbers, have been introduced in some of our markets, including Mexico and Brazil, and may be introduced in other markets in the near future.

These developments may lead to smaller operating margins, greater choices for customers, possible consumer confusion and increasing movement of customers among competitors, which may make it difficult for us to retain customers or add new customers. The cost of adding new customers may also continue to increase, reducing profitability even if customer growth continues.

Our ability to compete successfully will depend on our coverage, the quality of our network and service, our rates, customer service, marketing and our ability to anticipate and respond to various competitive factors affecting the telecommunications industry, including new services and technologies, changes in consumer preferences, demographic trends, economic conditions and discount pricing strategies by competitors. If we are unable to respond to competition and compensate for declining prices by adding new customers, increasing usage and offering new services, our revenues and profitability could decline.

Changes in government regulation could hurt our businesses

Our businesses are subject to extensive government regulation and can be adversely affected by changes in law, regulation or regulatory policy. The licensing, construction, operation, sale, resale and interconnection

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arrangements of wireless telecommunications systems in Latin America and elsewhere are regulated to varying degrees by government or regulatory authorities. Any of these authorities having jurisdiction over our businesses could adopt or change regulations or take other actions that could adversely affect our operations. In particular, the regulation of prices that operators may charge for their services could have a material adverse effect on us by reducing our profit margins.

These risks are significant in all of the markets in which we operate. See Mexican Operations Regulation and Non-Mexican Operations Regulation under Item 4. The risks in our largest markets, for example, include the following.

In Mexico, the business of Radiomóvil Dipsa, S.A. de C.V., or Telcel, is subject to extensive government regulation, principally by the Mexican Ministry of Communications and Transportation (*Secretaría de Comunicaciones y Transportes*, or SCT), the Federal Telecommunications Commission (*Comisión Federal de Telecomunicaciones*, or Cofetel), the Federal Antitrust Commission (*Comisión Federal de Competencia*, or Cofeco) and the Federal Consumer Bureau (*Procuraduría Federal del Consumidor*, or Profeco), and may be adversely affected by changes in law or by actions of Mexican regulatory authorities. In particular, there has been extensive controversy and dispute in Mexico concerning the interconnection fees payable by local and long-distance operators to mobile operators. If these disputes are resolved against us, the consequences for our business could be material.

In Brazil, our business is regulated principally by the Brazilian National Telecommunications Agency (*Agência Nacional de Telecomunicações*, or Anatel) and may be adversely affected by its actions or changes in its regulations. In particular, Anatel has defined a series of cost-based methods, including the fully allocated cost methodology, for determining interconnection fees charged by operators belonging to an economic group with significant market power. Anatel has not published all of the applicable regulations, but the implementation of the cost-based methodology is expected to take effect during 2010. Anatel published during the first quarter of 2010 a public consultation determining that economic groups with more than 20% of market share will be considered to have significant market power only for purposes of interconnection fees. Should this proposal be approved, we will be deemed to be an economic group with significant market power, which may affect the results of our Brazilian operations. If approved by Anatel, the effects of the public consultation will take place during 2010, thus becoming Anatel regulation.

In Colombia, the Colombian Ministry of Information and Communications (*Ministerio de Tecnologías de la Información y las Comunicaciones*, or Ministry of Communications) and the Colombian Communications Regulation Commission (*Comisión de Regulación de Comunicaciones*, or CRC) are responsible for regulating and overseeing the telecommunications sector, including cellular operations. In September 2009, the CRC issued a series of resolutions stating that Comunicación Celular, S.A. (Comcel), our Colombian subsidiary, has a dominant position in Colombia's market for outgoing mobile services. Under Colombian law, a market participant is considered to have a dominant position in a specified market if the regulators determine that it has the capacity to control the conditions in that market. The CRC made its determination based on Comcel's traffic, revenues and subscriber base. The resolutions also included regulations that would require Comcel to charge rates (excluding access fees) for mobile-to-mobile calls outside the Comcel network (off net) that are no higher than the fees charged for mobile-to-mobile calls within the Comcel network (on net) plus access fees. The regulations were first implemented on December 4, 2009. These regulations will limit Comcel's flexibility in offering pricing plans to its customers, but we cannot predict the effects on its financial performance. See Legal Proceedings Comcel Dominant Position under Item 8.

In addition, changes in political administrations could lead to the adoption of policies concerning competition and taxation of communications services that may be detrimental to our operations throughout Latin America. These restrictions, which may take the form of preferences for local over foreign ownership of communications licenses and assets, or for government over private ownership, may make it impossible for us to

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continue to develop our businesses. These restrictions could result in our incurring losses of revenues and require capital investments all of which could materially adversely affect our businesses and results of operations.

Dominant carrier regulations could hurt our business by limiting our ability to pursue competitive and profitable strategies

Cofetel is authorized to impose specific requirements as to rates, service quality and information on any wireless operator that is determined by Cofeco to have substantial market power in a specific market. In two investigations, Cofeco has issued resolutions concluding that Telcel has substantial market power in the national mobile telephone services relevant market. Under the Antitrust Law (*Ley Federal de Competencia Económica*) and the Telecommunications Law (*Ley Federal de Telecomunicaciones*), if Cofeco makes a final finding of substantial market power concerning an operator, Cofetel can impose on that operator specific regulations with respect to tariffs, quality of service and information. We cannot predict what regulatory steps Cofetel might take in response to determinations by Cofeco. We believe that if dominant carrier regulations are imposed on our business in the future, they will likely reduce our flexibility to adopt competitive market policies and impose specific tariff requirements or other special regulations on us, such as additional requirements regarding disclosure of information or quality of service. Any such new regulation could have a material adverse effect on our operations.

Cofeco is also conducting four investigations into whether Telcel has engaged in monopolistic practices. Adverse determinations against Telcel in any of the ongoing investigations could also result in material fines, penalties or restrictions on our operations.

We will, in the future, have to acquire additional radio spectrum capacity in order to expand our customer base and maintain the quality of our services

Licensed radio spectrum is essential to our growth and the quality of our services, particularly for GSM and UMTS services and increased deployment of 3G networks to offer value-added services. We can increase the density of our network, thus reducing our need for additional spectrum by building more cell and switch sites, but such measures are costly and would be subject to local restrictions and approvals, and they will not fully meet our needs.

In 2005, we acquired the right to use 10 megahertz in the 1900 megahertz spectrum in each of Mexico's nine regions, through a public auction. We also bid and won the auction for an additional 10 megahertz of capacity in three principal regions, but were subsequently prohibited from acquiring this additional spectrum based on restrictions imposed by Cofeco. On January 6, 2010, Cofetel published conditions for spectrum auctions. In April 2010, both Cofetel and Cofeco authorized Telcel's participation in the aforesaid auctions.

Participation in spectrum auctions requires prior governmental authorization (including prior approval from Cofeco).

Our concessions and licenses are for fixed terms, and conditions may be imposed on their renewal

Our concessions and licenses have specified terms, ranging typically from 10 to 30 years, and are generally subject to renewal upon payment of a fee, but renewal is not assured. The loss of, or failure to renew, any one concession could have a material adverse effect on our business and results of operations. Our ability to renew concessions and the terms of renewal are subject to a number of factors beyond our control, including the prevalent regulatory and political environment at the time of renewal. Fees are typically established at the time of renewal. As a condition for renewal, we may be required to agree to new and stricter terms and service requirements. If our concessions are not renewed, we are required to transfer the assets covered by the concession to the government, generally for fair market value, although certain jurisdictions provide for other valuation methodologies.

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In Mexico, the Mexican Telecommunications Law also gives certain rights to the Mexican government, including the right to revoke the concessions pursuant to an expropriation or to take over the management of Telcel's networks, facilities and personnel in cases of imminent danger to national security, internal peace or the national economy, natural disasters and public unrest.

We continue to look for investment opportunities, and any future acquisitions and related financings could have a material effect on our business, results of operations and financial condition

We continue to look for other investment opportunities in telecommunication companies worldwide, primarily in Latin America and the Caribbean, including in markets where we are already present, and we often have several possible acquisitions under consideration. For example, we may pursue further market consolidation opportunities in Argentina and Brazil depending on their terms and conditions. Any future acquisitions and related financings could have a material effect on our business, results of operations and financial condition, but we cannot give any assurances that we will complete any of them. In addition, we may incur significant costs and expenses as we integrate these companies in our systems, controls and networks.

We may be unsuccessful in addressing the challenges and risks presented by our investments in countries outside Mexico

We have invested in a growing number of telecommunications businesses outside our historical activity of providing wireless telecommunications services in Mexico, and we plan to continue to do so in the rest of Latin America and the Caribbean. Whereas Mexico accounted for 63.0% of our total wireless subscribers as of December 31, 2002 and 71% of our consolidated revenues during 2002, it accounted for 29.4% of our total wireless subscribers as of December 31, 2009 and 36.1% of our consolidated revenues during 2009. During that period, Brazil, as a result of rapid subscriber growth and the acquisitions of BSE S.A. and BCP S.A. (now Claro S.A.), increased its share of our total wireless subscribers from 16.3% as of December 31, 2002 to 22.1% as of December 31, 2009, and it accounted for 20.6% of our consolidated revenues during 2009. These investments outside Mexico may involve risks to which we have not previously been exposed. Some of the investments are in countries that may present different or greater risks, including from competition, than Mexico. We cannot assure you that these investments will be successful.

We are subject to significant litigation

Some of our subsidiaries are subject to significant litigation, which if determined adversely to our interests may have a material adverse effect on our business, results of operations, financial condition or prospects. In Mexico, for example, there are pending administrative investigations into whether Telcel has substantial market power and whether it has engaged in monopolistic practices, and there are legal proceedings regarding rates for interconnection with other operators. In Brazil, there are pending regulatory proceedings regarding the calculation of inflation-related adjustments due under our concessions with Anatel. In Colombia, there are administrative proceedings against Comcel regarding alleged anti-competitive behavior. Our significant litigation is described in "Legal Proceedings" under Item 8.

A system failure could cause delays or interruptions of service, which could cause us to lose customers and revenues

We will need to continue to provide our subscribers with reliable service over our network. Some of the risks to our network and infrastructure include the following:

physical damage to access lines;

power surges or outages;

limitations on the use of our radiobases;

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software defects;

natural disasters; and

disruptions beyond our control.

Disruptions may cause interruptions in service or reduced capacity for customers, either of which could cause us to lose subscribers and incur additional expenses.

If our current churn rate increases, our business could be negatively affected

The cost of acquiring a new subscriber is much higher than the cost of maintaining an existing subscriber. Accordingly, subscriber deactivations, or churn, could have a material negative impact on our operating income, even if we are able to obtain one new subscriber for each lost subscriber. Because a substantial majority of our subscribers are prepaid, we do not have long-term contracts with those subscribers. Our weighted monthly average churn rate on a consolidated basis for the twelve-month period ended December 31, 2008 was 2.8% and for the twelve-month period ended December 31, 2009 was 3.0%. If we experience an increase in our churn rate, our ability to achieve revenue growth could be materially impaired. In addition, a decline in general economic conditions could lead to an increase in churn, particularly among our prepaid subscribers.

We depend on key suppliers and vendors to provide equipment that we need to operate our business

We depend upon various key suppliers and vendors, including Apple, Nokia, Research in Motion (RIM), Sony-Ericsson, Huawei, Motorola, LG and Samsung, to provide us with handsets and network equipment, which we need to operate our business. If these suppliers or vendors fail to provide equipment or service to us on a timely basis, we could experience disruptions, which could have an adverse effect on our revenues and results of operations. In addition, we might be unable to satisfy the requirements contained on our concessions.

Our ability to pay dividends and repay debt depends on our subsidiaries' ability to transfer income and dividends to us

We are a holding company with no significant assets other than the shares of our subsidiaries and our holdings of cash and marketable securities. Our ability to pay dividends and repay debt depends on the continued transfer to us of dividends and other income from our subsidiaries. The ability of our subsidiaries to pay dividends and make other transfers to us may be limited by various regulatory, contractual and legal constraints that affect our subsidiaries.

Failure to acquire a substantial majority of the outstanding capital stock of Telmex Internacional through the ongoing exchange offers for shares of Telmex Internacional and Carso Global Telecom would affect our ability to complete any post-closing changes in the corporate structure of the combined company, which could reduce or delay the cost savings or revenue benefits to the combined company

On May 11, 2010, we commenced two separate but concurrent offers to acquire outstanding shares of Telmex Internacional, S.A.B. de C.V. (Telmex Internacional) and Carso Global Telecom, S.A.B. de C.V. (CGT). Unless they are extended, the offers are scheduled to expire on June 10, 2010. Consummation of the offer to acquire shares of Telmex Internacional is not conditioned on participation by a minimum number of shares of Telmex Internacional. In addition, pursuant to Mexican law, we will not be in a position to cause the delisting of such shares from the Mexican Stock Exchange and deregistration of such shares from the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*, or CNBV) unless, among other things, we obtain at least 95% of the issued and outstanding shares of Telmex Internacional (the level of shareholder approval required for delisting and deregistration under Mexican law). If we acquire less than 100% of the outstanding shares of Telmex Internacional, the existence of minority shareholders at Telmex Internacional, and the continuing listing and registration of Telmex Internacional may generate additional

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expenses and result in administrative inefficiencies. We may also be required to maintain separate audit and corporate practices committees at the boards of directors of América Móvil and Telmex Internacional, and we may be subject to separate reporting requirements with the Mexican Stock Exchange. In addition, all transactions between Telmex Internacional and us could be subject to additional requirements under Mexican law, which may limit our ability to achieve certain savings and to conduct the joint operations as a single business unit in order to achieve our strategic objectives, such as effecting certain changes in the corporate structure of Telmex Internacional and its subsidiaries that could result in significant benefits to the combined company. As a result, it may take longer and be more difficult to effect any post-closing changes in corporate structure and the full amount of the cost synergies and revenue benefits for the combined company may not be obtained or may only be obtained over a longer period of time. This may adversely affect our ability to achieve the expected amount of cost synergies and revenue benefits after the offer to acquire outstanding shares of Telmex Internacional is completed.

If we complete the ongoing exchange offers for shares of Telmex Internacional and CGT, we may fail to realize the business growth opportunities, revenue benefits, cost savings and other benefits anticipated from, or may incur unanticipated costs associated with, the offers and our results of operations, financial condition and the price of our shares may suffer

Our acquisition of Telmex Internacional may not achieve the business growth opportunities, revenue benefits, cost savings and other benefits we anticipate. We believe the offer consideration is justified by these benefits we expect to achieve by combining our operations with those of Telmex Internacional. However, these benefits may not develop and other assumptions upon which the offer consideration was determined may prove to be incorrect, as, among other things, such assumptions were based on publicly available information.

We may be unable to fully implement our business plans and strategies for the combined businesses due to regulatory limitations. Each of América Móvil and Telmex Internacional is subject to extensive government regulation, and we may face regulatory restrictions in our provision of combined services in some of the countries in which we operate. For example, in Brazil, América Móvil's and Telmex Internacional's businesses are regulated by Anatel. Pending regulations by Anatel, which focus on economic groups with significant market powers, will impose new cost-based methodologies for determining interconnection fees charged by operators in Brazil. We cannot predict whether Anatel would impose specific regulations that would affect our combined operations more adversely than they would affect our individual operations. In Mexico, Telcel is part of an industry-wide investigation by Cofeco to determine whether any operators possess substantial market power or engage in certain monopolistic practices in certain segments of the Mexican telecommunications market. CGT is the direct holder of approximately 59.4% of the outstanding capital stock of Teléfonos de Mexico, S.A.B. de C.V. (Telmex), and we will be acquiring a controlling interest in Telmex through the offer to acquire outstanding shares of CGT. As a result of those investigations, Telmex and Telcel have already been found to have substantial power in certain markets. We cannot predict whether Cofeco or other governmental entities would renew or revise its investigations to take into account the combined businesses.

Under any of these circumstances, the business growth opportunities, revenue benefits, cost savings and other benefits anticipated by us to result from the exchange offers may not be achieved as expected, or at all, or may be delayed. To the extent that we incur higher integration costs or achieve lower revenue benefits or fewer cost savings than expected, our results of operations and financial condition may suffer.

Our consolidated indebtedness will increase substantially if we complete the ongoing exchange offers for shares of Telmex Internacional and CGT

Our consolidated indebtedness will increase as a result of the ongoing exchange offers for shares of Telmex Internacional and CGT. As of December 31, 2009, we had, on an unconsolidated basis (parent company only), unsecured and unsubordinated indebtedness and guarantees of subsidiary indebtedness of approximately

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Ps. 99,316 million (U.S.\$7,605 million). In addition, each of Telmex Internacional, CGT and Telmex has substantial consolidated indebtedness which will be consolidated in our financial statements for future periods with our consolidated indebtedness if the exchange offers are completed.

Completing the offer to acquire outstanding shares of Telmex Internacional could require a substantial expenditure of cash

If all shareholders of Telmex Internacional other than CGT participate in the offer to acquire outstanding shares of Telmex Internacional and elect to receive the cash consideration, we will be required to pay approximately Ps. 82,495 million (U.S.\$6,669 million based on the April 30, 2010 exchange rate). At current market prices, the value of the cash consideration exceeds the value of the share consideration. So we expect many shareholders to elect cash consideration, although these conditions may change before the expiration of the offer to acquire outstanding shares of Telmex Internacional.

Risks Relating to the Wireless Industry Generally

Changes in the wireless industry could affect our future financial performance

The wireless communications industry is experiencing significant changes as new technologies are developed that offer subscribers an array of choices for their communications needs. These changes include, among others, regulatory changes, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new products, and changes in end-user needs and preferences. In Mexico and in the other countries in which we conduct business, there is uncertainty as to the pace and extent of growth in subscriber demand, and as to the extent to which prices for airtime and line rental may continue to decline. If we are unable to meet future advances in competing technologies on a timely basis or at an acceptable cost, we could lose subscribers to our competitors. In general, the development of new services in our industry requires us to anticipate and respond to the varied and continually changing demands of our subscribers. We may not be able to accurately predict technological trends or the success of new services in the market. In addition, there could be legal or regulatory restraints to our introduction of new services. If these services fail to gain acceptance in the marketplace, or if costs associated with implementation and completion of the introduction of these services materially increase, our ability to retain and attract subscribers could be adversely affected.

There are four existing digital technologies for wireless communications, none of which is compatible with the others except for long term evolution (LTE), which is compatible with global system for mobile communications (GSM). In the past, Telcel and certain of our international businesses used time division multiple access (TDMA) technology for their digital networks, while certain of our other international businesses used code division multiple access (CDMA) as their digital wireless technology. We have introduced GSM technology in all of our markets (excluding TracFone Wireless, Inc.). Also, Telcel and all of our international businesses (excluding TracFone Wireless, Inc.) launched new networks using the UMTS and HSDPA third generation technology between 2007 and 2009. We expect to complete the deployment of the third generation technology in the following years. If future wireless technologies that gain widespread acceptance are not compatible with the technologies we use, we may be required to make capital expenditures in excess of our current forecasts in order to upgrade and replace our technology and infrastructure.

The intellectual property rights utilized by us, our suppliers or service providers may infringe on intellectual property rights owned by others

Some of our products and services use intellectual property that we own or license from others. We also provide content services we receive from content distributors, such as ring tones, text games, video games, wallpapers or screensavers, and outsource services to service providers, including billing and customer care

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functions, that incorporate or utilize intellectual property. We and some of our suppliers, content distributors and service providers have received, and may receive in the future, assertions and claims from third parties that the products or software utilized by us or our suppliers, content distributors and service providers infringe on the patents or other intellectual property rights of these third parties. These claims could require us or an infringing supplier, content distributor or service provider to cease engaging in certain activities, including selling, offering and providing the relevant products and services. Such claims and assertions also could subject us to costly litigation and significant liabilities for damages or royalty payments, or require us to cease certain activities or to cease selling certain products and services.

We may incur significant losses from wireless fraud and from our failure to successfully manage collections

Our wireless businesses incur losses and costs associated with the unauthorized use of these wireless networks, particularly their analog cellular networks. These costs include administrative and capital costs associated with detecting, monitoring and reducing the incidence of fraud. Fraud also affects interconnection costs, capacity costs, administrative costs and payments to other carriers for unbillable fraudulent roaming. Although we seek to combat this problem through the deployment of anti-fraud technologies and other measures, we cannot assure you that these efforts will be effective or that fraud will not result in material costs for us in the future.

Cloning, which is one form of wireless fraud, involves the use of scanners and other electronic devices to obtain illegally telephone numbers and electronic serial numbers during cellular transmission. Stolen telephone and serial number combinations can be programmed into a cellular phone and used to obtain improper access to cellular networks. Roaming fraud occurs when a phone programmed with a number stolen from one of our subscribers is used to place fraudulent calls from another carrier's market, resulting in a roaming fee charged to us that cannot be collected from the subscriber.

Concerns about health risks relating to the use of wireless handsets and base stations may adversely affect our business

Portable communications devices have been alleged to pose health risks, including cancer, due to radio frequency emissions from these devices. Lawsuits have been filed in the United States against certain participants in the wireless industry alleging various adverse health consequences as a result of wireless phone usage, and our businesses may be subject to similar litigation in the future. Research and studies are ongoing, and there can be no assurance that further research and studies will not demonstrate a link between radio frequency emissions and health concerns. Any negative findings in these studies could adversely affect the use of wireless handsets and, as a result, our future financial performance.

Developments in the telecommunications sector have resulted, and may in the future result, in substantial write-downs of the carrying value of certain of our assets

We review on an annual basis, or more frequently where the circumstances require, the value of each of our assets and subsidiaries, to assess whether those carrying values can be supported by the future cash flows expected to be derived from such assets. Whenever we consider that due to changes in the economic, regulatory, business or political environment, our goodwill, intangible assets or fixed assets may be impaired, we consider the necessity of performing certain valuation tests, which may result in impairment charges. The recognition of impairments of tangible, intangible and financial assets results in a non-cash charge on the income statement, which could adversely affect our results of operations. For example, during 2007 and 2008, we recorded charges in respect of certain analog, TDMA and CDMA equipment in Argentina, Brazil, Colombia and Ecuador following our decision to discontinue using the equipment.

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Risks Relating to Our Controlling Shareholders, Capital Structure and Transactions with Affiliates

Members of one family may be deemed to control us

According to reports of beneficial ownership of our shares filed with the SEC, Carlos Slim Helú, together with his sons and daughters (together, the Slim Family), including his son and chairman of our board of directors, Patrick Slim Domit, may be deemed to control us. The Slim Family may be able to elect a majority of the members of our board of directors and to determine the outcome of other actions requiring a vote of our shareholders, except in very limited cases that require a vote of the holders of L Shares. We cannot assure you that the Slim Family will not take actions that are inconsistent with your interests.

We have significant transactions with affiliates

We engage in transactions with Telmex, Telmex Internacional, and certain of their subsidiaries and with certain subsidiaries of Grupo Carso, S.A.B. de C.V. and Grupo Financiero Inbursa, S.A.B. de C.V., all of which are affiliates of América Móvil. Many of these transactions occur in the ordinary course of business and, in the case of transactions with Telmex, are subject to applicable telecommunications regulations in Mexico. Transactions with affiliates may create the potential for conflicts of interest.

We also make investments together with affiliated companies, sell our investments to related parties and buy investments from related parties. We may pursue joint investments in the telecommunications industry with Telmex and Telmex Internacional. For more information about our transactions with affiliates see *Related Party Transactions* under Item 7.

Our bylaws restrict transfers of shares in some circumstances

Our bylaws provide that any acquisition or transfer of more than 10% of our capital stock by any person or group of persons acting together requires the approval of our Board of Directors. If you acquire or transfer more than 10% of our capital stock, you will not be able to do so without the approval of our Board of Directors.

The protections afforded to minority shareholders in Mexico are different from those in the United States

Under Mexican law, the protections afforded to minority shareholders are different from those in the United States. In particular, the law concerning fiduciary duties of directors is not as fully developed as in other jurisdictions, there is no procedure for class actions, and there are different procedural requirements for bringing shareholder lawsuits. As a result, in practice it may be more difficult for minority shareholders of América Móvil to enforce their rights against us or our directors or controlling shareholder than it would be for shareholders of a company incorporated in another jurisdiction, such as the United States.

Holders of L Shares and L Share ADSs have limited voting rights, and holders of ADSs may vote only through the depositary

Our bylaws provide that holders of L Shares are not permitted to vote except on such limited matters as, among others, the transformation or merger of América Móvil or the cancellation of registration of the L Shares with the National Securities Registry (*Registro Nacional de Valores*, or RNV) maintained by CNBV or any stock exchange on which they are listed. If you hold L Shares or L Share ADSs, you will not be able to vote on most matters, including the declaration of dividends, that are subject to a shareholder vote in accordance with our bylaws.

Holders of ADSs are not entitled to attend shareholders' meetings, and they may only vote through the depositary

Under our bylaws, a shareholder is required to deposit its shares with a custodian in order to attend a shareholders' meeting. A holder of ADSs will not be able to meet this requirement, and accordingly is not

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entitled to attend shareholders' meetings. A holder of ADSs is entitled to instruct the depositary as to how to vote the shares represented by ADSs, in accordance with procedures provided for in the deposit agreements, but a holder of ADSs will not be able to vote its shares directly at a shareholders' meeting or to appoint a proxy to do so.

Mexican law and our bylaws restrict the ability of non-Mexican shareholders to invoke the protection of their governments with respect to their rights as shareholders

As required by Mexican law, our bylaws provide that non-Mexican shareholders shall be considered as Mexicans in respect of their ownership interests in América Móvil and shall be deemed to have agreed not to invoke the protection of their governments in certain circumstances. Under this provision, a non-Mexican shareholder is deemed to have agreed not to invoke the protection of his own government by asking such government to interpose a diplomatic claim against the Mexican government with respect to the shareholder's rights as a shareholder, but is not deemed to have waived any other rights it may have, including any rights under the U.S. securities laws, with respect to its investment in América Móvil. If you invoke such governmental protection in violation of this provision, your shares could be forfeited to the Mexican government.

Our bylaws may only be enforced in Mexico

Our bylaws provide that legal actions relating to the execution, interpretation or performance of the bylaws may be brought only in Mexican courts. As a result, it may be difficult for non-Mexican shareholders to enforce their shareholder rights pursuant to the bylaws.

It may be difficult to enforce civil liabilities against us or our directors, officers and controlling persons

América Móvil is a *sociedad anónima bursátil de capital variable* organized under the laws of Mexico, with its principal place of business (*domicilio social*) in Mexico City, and most of our directors, officers and controlling persons reside outside the United States. In addition, all or a substantial portion of our assets and their assets are located outside of the United States. As a result, it may be difficult for investors to effect service of process within the United States on such persons or to enforce judgments against them, including in any action based on civil liabilities under the U.S. federal securities laws. There is doubt as to the enforceability against such persons in Mexico, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

You may not be entitled to participate in future preemptive rights offerings

Under Mexican law, if we issue new shares for cash as part of certain capital increases, we must grant our shareholders the right to purchase a sufficient number of shares to maintain their existing ownership percentage in América Móvil. Rights to purchase shares in these circumstances are known as preemptive rights. Our shareholders do not have preemptive rights in certain circumstances such as mergers, convertible debentures, public offers and placement of repurchased shares. We may not legally be permitted to allow holders of ADSs or holders of L Shares or A Shares in the United States to exercise any preemptive rights in any future capital increase unless we file a registration statement with the SEC, with respect to that future issuance of shares. At the time of any future capital increase, we will evaluate the costs and potential liabilities associated with filing a registration statement with the SEC and any other factors that we consider important to determine whether we will file such a registration statement.

We cannot assure you that we will file a registration statement with the SEC to allow holders of ADSs or U.S. holders of L Shares or A Shares to participate in a preemptive rights offering. As a result, the equity interest of such holders in América Móvil may be diluted proportionately. In addition, under current Mexican law, it is not practicable for the depositary to sell preemptive rights and distribute the proceeds from such sales to ADS holders.

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Risks Relating to Developments in Mexico and Other Countries

Latin American and Caribbean economic, political and social conditions may adversely affect our business

Our financial performance may be significantly affected by general economic, political and social conditions in the markets where we operate, particularly Mexico, Brazil, Colombia and Central America. Many countries in Latin America and the Caribbean, including Mexico, Brazil and Argentina have suffered significant economic, political and social crises in the past, and these events may occur again in the future. Many of these countries, including Honduras, Uruguay and Chile, recently held elections and others including Brazil and Colombia will hold presidential elections in 2010. We cannot predict whether changes in administrations will result in changes in governmental policy and whether such changes will affect our business. Instability in the region has been caused by many different factors, including:

significant governmental influence over local economies;

substantial fluctuations in economic growth;

high levels of inflation;

changes in currency values;

exchange controls or restrictions on expatriation of earnings;

high domestic interest rates;

wage and price controls;

changes in governmental economic or tax policies;

imposition of trade barriers;

unexpected changes in regulation; and

overall political, social and economic instability.

Adverse economic, political and social conditions in Latin America may inhibit demand for wireless services and create uncertainty regarding our operating environment, which could have a material adverse effect on our company.

Our business may be especially affected by conditions in Mexico and Brazil, our two principal markets. Mexico has experienced a prolonged period of slow growth since 2001, primarily as a result of the downturn in the U.S. economy. According to preliminary data, during 2009, Mexico's gross domestic product, or GDP, decreased by 6.54% in real terms. In 2008, GDP decreased by 1.5%. Mexico has also experienced high levels of inflation and high domestic interest rates in the past. The annual rate of inflation, as measured by changes in the National Consumer Price Index as published by the Banco de México, was 3.57% for 2009.

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Brazil has also experienced slow economic growth over the past several years. Brazil's GDP decreased by an estimated 0.1% in real terms in 2009, compared to a growth rate of 4.8% in 2008. Brazil has in the past experienced extremely high rates of inflation, with annual rates of inflation during the last years reaching as high as 2,489% in 1993 and 929% in 1994, as measured by the Brazilian National Consumer Price Index. More recently, Brazil's rates of inflation were 4.5% in 2007, 5.9% in 2008 and 4.3% in 2009. Inflation, governmental measures to combat inflation and public speculation about possible future actions have in the past had significant negative effects on the Brazilian economy.

Our business may be affected by political developments in Latin America and the Caribbean. We cannot predict whether these recent events will affect our business or our ability to renew our licenses and concessions, to maintain or increase our market share or profitability or will have an impact on future strategic acquisition efforts.

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Depreciation or fluctuation of the currencies in which we conduct operations relative to the U.S. dollar could adversely affect our financial condition and results of operations

We are affected by fluctuations in the value of the currencies in which we conduct operations compared to the U.S. dollar, in which a substantial portion of our indebtedness is denominated. Changes in the value of the various currencies in which we conduct operations against the Mexican peso, which we use as our reporting currency in our financial statements, and against the U.S. dollar may result in exchange losses or gains on our net U.S. dollar-denominated indebtedness and accounts payable. In 2007 and 2008, changes in currency exchange rates led us to report foreign exchange gains of Ps. 2,463 million and foreign exchange losses of Ps. 13,686 million, respectively. In 2009, we reported foreign exchange gains of Ps. 4,557 million. In addition, currency fluctuations between the Mexican peso and the currencies of our non-Mexican subsidiaries affect our results as reported in Mexican pesos. Currency fluctuations are expected to continue to affect our financial income and expense.

Major devaluation or depreciation of any such currencies may also result in disruption of the international foreign exchange markets and may limit our ability to transfer or to convert such currencies into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal on our indebtedness. The Mexican government does not currently restrict, and for many years has not restricted, the right or ability of Mexican or foreign persons or entities to convert pesos into U.S. dollars or to transfer other currencies out of Mexico. The government could, however, institute restrictive exchange rate policies in the future. Also, the Brazilian government may impose temporary restrictions on the conversion of Brazilian reais into foreign currencies and on the remittance to foreign investors of proceeds from investments in Brazil. Brazilian law permits the government to impose these restrictions whenever there is a serious imbalance in Brazil's balance of payments or a reason to foresee a serious imbalance.

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Item 4. Information on the Company

GENERAL

We are the largest provider of wireless communications services in Latin America based on subscribers. As of December 31, 2009, we had 201.0 million wireless subscribers in 18 countries, compared to 182.7 million at year-end 2008. Because our focus is on Latin America, a substantial majority of our wireless subscribers are prepaid customers. We also had an aggregate of approximately 3.8 million fixed lines in Central America and the Caribbean as of December 31, 2009, making us the largest fixed-line operator in Central America and the Caribbean based on the number of subscribers.

Our principal operations are:

Mexico. Through Radiomóvil Dipsa, S.A. de C.V., which operates under the name Telcel, we provide mobile telecommunications service in all nine regions in Mexico. As of December 31, 2009, we had 59.2 million subscribers in Mexico. We are the largest provider of mobile telecommunications services in Mexico.

Brazil. With approximately 44.4 million subscribers as of December 31, 2009, we are one of the three largest providers of wireless telecommunications services in Brazil based on the number of subscribers. We operate in Brazil through our subsidiaries, Claro S.A. and Americel S.A., or Americel, under the unified brand name Claro. Our network covers the main cities in Brazil (including São Paulo and Rio de Janeiro).

Southern Cone. We provide wireless services in Argentina, Paraguay, Uruguay and Chile. As of December 31, 2009, we had 21.8 million subscribers in the Southern Cone region. We operate under the Claro brand in the region.

Colombia and Panamá. We provide wireless services in Colombia under the Comcel brand. As of December 31, 2009, we had 27.7 million wireless subscribers in Colombia and Panamá. We are the largest wireless provider in Colombia. We began providing wireless services in Panama in March 2009.

Andean Region. We provide wireless services in Peru and Ecuador. As of December 31, 2009, we had 17.8 million subscribers in the Andean region. We operate under the Porta brand in Ecuador and under the Claro brand in Peru.

Central America. We provide fixed-line and wireless services in Guatemala, El Salvador, Honduras and Nicaragua. Our Central American subsidiaries provide wireless services under the Claro brand. As of December 31, 2009, our subsidiaries had 9.7 million wireless subscribers, over 2.3 million fixed-line subscribers in Central America and 0.3 million broadband subscribers.

United States. Our U.S. subsidiary, TracFone Wireless Inc., or Tracfone, is engaged in the sale and distribution of prepaid wireless services and wireless phones throughout the United States, Puerto Rico and the U.S. Virgin Islands. It had approximately 14.4 million subscribers as of December 31, 2009.

Caribbean. Compañía Dominicana de Teléfonos, C. por A., or Codetel, is the largest telecommunications service provider in the Dominican Republic with 4.8 million wireless subscribers, 0.8 million fixed-line subscribers and 0.2 million broadband subscribers as of December 31, 2009. We provide fixed-line and broadband services in the Dominican Republic under the Codetel brand and wireless services under the Claro brand.

Telecomunicaciones de Puerto Rico, Inc., or TELPRI, through its subsidiaries, is the largest telecommunications service provider in Puerto Rico with approximately 0.8 million fixed-line subscribers, 0.8 million wireless subscribers and 0.2 million broadband subscribers as of December 31, 2009. We provide fixed-line and broadband services in Puerto Rico under the PRT brand and wireless services under the Claro brand.

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Oceanic Digital Jamaica Limited, or Oceanic, provides wireless and value added services throughout Jamaica, with 0.4 million wireless subscribers as of December 31, 2009.

América Móvil, S.A.B. de C.V. is a *sociedad anónima bursátil de capital variable* organized under the laws of Mexico with its principal executive offices at Lago Alberto 366, Edificio Telcel I, Colonia Anáhuac, Delegación Miguel Hidalgo, 11320, México D.F., México. Our telephone number at this location is (5255) 2581-4449.

Our Markets, Networks and Technology

We operate pursuant to concessions, licenses or authorizations to provide wireless telecommunications services in each of the countries in which we operate. We seek to provide a full range of wireless telecommunications services in each of our markets. Our networks are consistently optimized to try to ensure maximum coverage and high quality service. In 2009, we invested Ps. 41,018 million in capital expenditures on our property, plant and equipment. We also seek to expand market share by exploring strategic acquisition opportunities in Latin America and the Caribbean.

We use a number of mobile technologies in the markets in which we operate. All of our markets (excluding Tracfone) have global system for mobile communication (GSM) networks for voice and digital transmissions. Through these networks, we provide many of the voice and data services supported by GSM technology, such as short message service (SMS), circuit switch data (CSD), high speed circuit switch data (HSCSD), packet switch data through general packet radio services (GPRS) and enhanced data rates for GSM evolution (EDGE).

During 2007, we began deploying networks based on universal mobile telecommunications systems (UMTS) in certain of our principal markets, including Mexico, Brazil and Colombia. UMTS is a system based on the third generation (3G) of mobile phone standards and technology that allows the transmission of large volumes of data at high speeds. 3G technologies enable network operators to offer users a wider range of more advanced services while achieving greater network capacity through improved spectral efficiency. Services include wide-area wireless phone telephony, video calls and broadband data, all in a mobile environment. We are deploying these networks using the high-speed downlink packet access protocol (HSDPA), which is a mobile telephony communications protocol that allows networks based on UMTS to have higher data transfer speeds and capacity. Our HSDPA deployment supports down-link speeds of 3.6 megabits per second. Our 3G networks use the same technology that is generally used throughout Europe to provide 3G services. We elected to deploy the UMTS/HSDPA networks principally because:

New market opportunities. It allows us to enter new markets and provide new services, such as the wireless broadband market, which we believe has significant growth potential throughout Latin America and the Caribbean.

Handset compatibility. UMTS handsets are compatible with our GSM networks, so a customer can use one handset to connect to our UMTS and GSM networks. This allows us to focus the deployment of our new networks in areas of high demand for 3G services, principally large urban areas.

Spectral compatibility. With our new networks, we can generally offer 3G services using our existing licenses in the 850 megahertz spectrum, which is being increasingly underutilized by our remaining TDMA customers. In addition to being efficient from a cost perspective, deployment in the 850 megahertz spectrum is more efficient and provides better coverage than deployment in the 1900 megahertz spectrum.

Increased voice capacity. Our new networks give us approximately 5.7 times more capacity to provide voice services than our existing GSM network using our current spectrum (considering a 5 megahertz fully-used spectrum).

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Cost effective deployment. Unlike some of the 3G networks being deployed in the United States, UMTS networks use some of the same basic network plant and equipment as GSM networks. This has permitted us to achieve a quicker and more cost effective deployment of 3G services, than would have been possible using other technologies.

We are the first operator to deploy these new technologies in most of our markets. We launched 3G services based on these new technologies in Brazil during the second half of 2007 and in Mexico and Colombia during the first quarter of 2008. As of the date of this annual report, we are offering 3G services in 17 countries in Latin America and the Caribbean.

Our principal markets of operations are Mexico and Brazil, the two largest economies in Latin America. We are the largest provider of wireless communication services in Mexico and one of the three largest in Brazil, based on the number of subscribers at December 31, 2009. In contrast to U.S. practices, both of these markets operate under a form of calling party pays billing system, under which subscribers only pay for outgoing calls. During 2009, our Mexican operations represented 36.1% of our operating revenues and our Brazilian operations represented 20.6% of our operating revenues.

In many of our markets, the regulatory environment has become increasingly more open and flexible over the past decade. These changes have increased competition as markets have become more open to new entrants. In Mexico, these changes have exposed us to competition from domestic competitors and from international operators. In other markets, these changes have allowed us an opportunity to enter as a competitor and capture market share from local providers. However, we operate in many markets that have had and may continue to have volatile economic and political environments, and significant political changes may lead to changes in regulatory environments that can adversely affect our interests and prospects.

Our Strategy

We intend to capitalize on our position as the leader in wireless telecommunications in Latin America to continue to expand our subscriber base, both by development of our existing businesses and selected strategic acquisitions in the region. We seek to become a leader in each of our markets by providing better coverage and services and benefiting from economies of scale. We closely monitor our costs and expenses, and we will continue to explore alternatives to further improve our operating margins.

Operating Information

We count our wireless subscribers by the number of lines activated. We continue to count post-paid subscribers for the length of their contracts. We disconnect, or churn, our postpaid subscribers at the moment they voluntarily discontinue their service or following a prescribed period of time after they become delinquent. We disconnect our prepaid subscribers after a period of four months after they discontinue to use our service, so long as they have not activated a calling card or have received traffic. We calculate our subscriber market share by dividing our own subscriber figures into the total market subscriber figures periodically reported by the regulatory authorities in the markets in which we operate. We understand that these regulatory authorities compile total market subscriber figures based on subscriber figures provided to them by market participants, and we do not independently verify these figures.

Throughout this annual report, we make reference to certain operating data, such as average revenues per subscriber (also referred to as ARPU), average minutes of use per subscriber (also referred to as average MOU per subscriber) and churn rate, that are not included in our financial statements. We calculate ARPUs for a given period by dividing service revenues for such period by the average number of subscribers for such period. The figure includes both prepaid and postpaid customers. We calculate churn rate as the total number of customer deactivations for a period divided by total subscribers at the beginning of such period.

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We provide this operating data because it is regularly reviewed by management and because management believes it is useful in evaluating our performance from period to period. We believe that presenting information about ARPU and MOU is useful in assessing the usage and acceptance of our products and services, and that presenting churn rate is useful in assessing our ability to retain subscribers. This additional operating information may not be uniformly defined by our competitors. Accordingly, this additional operating information may not be comparable with similarly titled measures and disclosures by other companies.

History

We were established in September 2000 in a spin-off from Telmex, a leading provider of local and long-distance telephone services in Mexico. The spin-off was implemented using a procedure under the Mexican General Corporations Law (*Ley General de Sociedades Mercantiles*) called *escisión*. The shares of our company were delivered to Telmex shareholders on February 7, 2001.

Our wireless business in Mexico is conducted through our wholly-owned subsidiary Telcel, which traces its history to the establishment in 1956 of Publicidad Turística, S.A., an affiliate of Telmex that published telephone directories. In 1981, the SCT granted Publicidad Turística, S.A. a concession for the installation and operation of a wireless telephone system in Mexico City. In 1984, Publicidad Turística, S.A. changed its corporate name to Radiomóvil Dipsa, S.A. de C.V., and in 1989, the company began operating under the trademark Telcel.

Between 1988 and 1990, Telcel expanded its cellular network on the 850 megahertz (Band B) frequency spectrum to cover the Mexico City metropolitan area and the cities of Cuernavaca, Guadalajara, Monterrey, Tijuana and Toluca, and in 1990, Telcel began offering cellular services in all nine geographic regions of Mexico. Telcel launched a PCS system in Mexico City in 1999 and currently offers the service in all nine geographic regions of Mexico. In October 2002, Telcel launched its GSM network. Since December 2002, Telcel has been authorized to provide long-distance services.

In 1999, we began acquiring our international subsidiaries and investing in our Brazilian operations and our other international affiliates. We made significant acquisitions in Latin America and the Caribbean during the past 11 years, and our non-Mexican operations have generally experienced higher subscriber growth rates in recent periods than our Mexican operations. As a result, as of December 31, 2009, approximately 70.6% of our wireless subscribers were located outside Mexico.

In December 2006, our shareholders approved the merger of Amtel, our then controlling shareholder, and its subsidiary, Corporativo, with us. As a result of the merger, we assumed Amtel's net indebtedness, which we refinanced in January 2007. The merger also increased the amount we may use under applicable Mexican tax rules (*cuenta de utilidad fiscal neta*, or CUFIN) to repurchase shares or pay dividends without incurring additional taxes.

See Mexican Operations, Non-Mexican Operations and Other Investments under this Item 4.

On May 11, 2010, we commenced two separate but concurrent offers to acquire outstanding shares of Telmex Internacional and CGT. Unless extended, the offers will expire on June 10, 2010. Telmex Internacional provides a wide range of telecommunications services in Brazil, Colombia and other countries in Latin America. CGT is a holding company with controlling interests in Telmex Internacional and Telmex. Upon completion of the exchange offers, we will acquire controlling interests in CGT, Telmex Internacional (directly and indirectly through CGT) and Telmex (indirectly through CGT). The principal purpose of the offers is to pursue synergies between our business and that of Telmex Internacional.

The completion of the two exchange offers is subject to conditions. It is possible that if not all such conditions are obtained or met we will not complete the exchange offers. Accordingly, there can be no assurance as to whether or when the exchange offers will be completed.

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The table below sets forth our principal subsidiaries, our percentage ownership in each such entity and the main activity of such entity as of the date of this annual report.

| Name of Company | Jurisdiction | Ownership Interest⁽¹⁾ | Main Activity |
|---|---------------------|---|----------------------|
| Sercotel, S.A. de C.V. | Mexico | 100.0% | Holding company |
| AMX Argentina, S.A. | Argentina | 100.0 | Wireless |
| Americel S.A. | Brazil | 99.4 | Wireless |
| Claro S.A. | Brazil | 99.9 | Wireless |
| Claro Chile S.A. | Chile | 100.0 | Wireless |
| Comunicación Celular S.A. (COMCEL) | Colombia | 99.4 | Wireless |
| TracFone Wireless, Inc. | Delaware | 98.2 | Wireless |
| Consortio Ecuatoriano de Telecomunicaciones, S.A. (CONECEL). | Ecuador | 100.0 | Wireless |
| Compañía de Telecomunicaciones de El Salvador (CTE), S.A. de C.V. | El Salvador | 95.8 | Fixed-line |
| CTE Telecom Personal, S.A. de C.V. | El Salvador | 95.8 | Wireless |
| Telecomunicaciones de Guatemala, S.A. | Guatemala | 99.2 | Fixed-line/Wireless |
| Servicios de Comunicaciones de Honduras, S.A. de C.V. | Honduras | 100.0 | Wireless |
| Oceanic Digital Jamaica Limited | Jamaica | 99.4 | Wireless |
| Empresa Nicaragüense de Telecomunicaciones, S.A. (ENITEL) | Nicaragua | 99.5 | Fixed-line/Wireless |
| Cablenet, S.A. | Nicaragua | 100.0 | Cable TV |
| Estaciones Terrenas de Satélite, S.A. (Estesa) | Nicaragua | 100.0 | Cable TV |
| Radiomóvil Dipsa, S.A. de C.V. | Mexico | 100.0 | Wireless |
| Claro Panamá, S.A. ⁽²⁾ | Panama | 99.6 | Wireless |
| AMX Paraguay, S.A. | Paraguay | 100.0 | Wireless |
| América Móvil Perú, S.A.C. | Peru | 100.0 | Wireless |
| Puerto Rico Telephone Company, Inc. | Puerto Rico | 100.0 | Fixed-line/Wireless |
| PRT Larga Distancia, Inc. | Puerto Rico | 100.0 | Fixed-line/Wireless |
| AM Wireless Uruguay, S.A. | Uruguay | 100.0 | Wireless |
| AMX Tenedora, S.A. de C.V. | Mexico | 100.0 | Holding company |
| Compañía Dominicana de Teléfonos, C. por A. (CODETEL) | Dominican Republic | 100.0 | Fixed-line/Wireless |

(1) Percentage of equity owned by América Móvil directly or indirectly through subsidiaries or affiliates.

(2) On July 22, 2009, Sercotel withdrew its direct ownership interest in Claro Panamá. However, starting from such date until December 31, 2009, Comcel acquired a 73.1% ownership interest in Claro Panamá. The remaining 26.9% ownership interest in Claro Panamá is held by Telcel. As a result, our ownership interest in Claro Panamá decreased from 100.0% to 99.6%.

Table of Contents**MEXICAN OPERATIONS**

Our subsidiary Telcel is the leading provider of wireless communications services in Mexico. As of December 31, 2009, our cellular network covered approximately 50.8% of the geographical area of Mexico, including all major cities, and 91.8% of Mexico's population. Telcel holds concessions to operate a wireless network in all nine geographic regions in Mexico using both the 850 megahertz and 1900 megahertz radio spectrums. As of December 31, 2009, we had approximately 59.2 million cellular subscribers and as of December 2009, an approximate 71.2% share of the Mexican wireless market. Approximately 91.2% of our cellular subscribers as of December 31, 2009 were prepaid customers.

In 2009, our Mexican operations had revenues of Ps. 142,135 million (U.S.\$10,884 million), representing 36.0% of our consolidated revenues for such period. As of December 31, 2009, our Mexican operations accounted for approximately 29.4% of our total wireless subscribers, as compared to 36.0% at December 31, 2008.

The following table sets forth information on our Mexican operations' financial results, subscriber base, coverage and related matters at the dates and for the periods indicated:

| | 2005 | 2006 | December 31, 2007 | 2008 | 2009 |
|---|--|------------|----------------------|------------|------------|
| | (peso amounts prior to 2008 in constant Mexican pesos as of December 31, 2007) | | | | |
| Operating revenues (millions) | Ps.96,710 | Ps.113,295 | Ps.127,027 | Ps.135,278 | Ps.142,135 |
| Average monthly revenues per subscriber during preceding 12 months ⁽¹⁾ | Ps. 208 | Ps. 196 | Ps. 188 | Ps. 174 | Ps. 172 |
| Operating income (millions) | Ps.36,837 | Ps. 49,814 | Ps. 59,257 | Ps. 61,983 | Ps. 68,599 |
| Cellular lines in service (thousands) | 35,914 | 43,190 | 50,011 | 56,371 | 59,167 |
| Subscriber growth during preceding 12 months | 24.5% | 20.3% | 15.8% | 12.7% | 5.0% |
| Company penetration ⁽²⁾ | 34.8% | 41.4% | 47.5% | 53.1% | 77.4% |
| Average monthly minutes of use per subscriber during preceding 12 months | 103 | 113 | 143 | 174 | 194 |
| Churn rate ⁽³⁾ | 3.1 | 3.2 | 3.4 | 3.3 | 3.2 |
| Employees | 11,129 | 12,370 | 14,360 | 16,526 | 17,347 |

(1) Average for the year of the amount obtained each month by dividing service revenues by the average number of customers during such month. The figure includes both prepaid and postpaid customers.

(2) Number of cellular lines in service divided by the population of Mexico based on the latest census data available.

(3) Total number of customer deactivations for the period divided by total subscribers at the beginning of such period.

Our Mexican business is subject to comprehensive regulation and oversight by the SCT, Cofetel, Cofeco and Profeco. The SCT is part of the executive branch of the Mexican federal government, and Cofetel is an independent agency of the SCT. Cofeco and Profeco are independent agencies of the Ministry of Economy (*Secretaría de Economía*). Regulation and oversight are governed by the General Communications Law (*Ley de Vías Generales de Comunicación*, or the General Communications Law), the Telecommunications Law, the telecommunications regulations adopted under both the General Communications Law and the Telecommunications Law, the Federal Antitrust Law (*Ley Federal de Competencia Económica* or Federal Antitrust Law), the Federal Customer Protection Law (*Ley Federal de Protección al Consumidor*) and the concessions and license agreements granted by the SCT. See Regulation.

Unlike the United States, Mexico uses the calling party pays system for cellular calls, under which subscribers only pay for outgoing calls, unless subscribers are outside their local area. See Regulation Calling Party Pays.

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Services and Products

We offer services and products in Mexico directly through Telcel or through Telcel's subsidiaries and affiliates in Mexico.

Voice services

We offer wireless voice and data services under a variety of rate plans to meet the needs of different user segments. The rate plans are either postpaid, where the customer is billed monthly for the previous month, or prepaid, where the customer pays in advance for a specified volume of use over a specified period.

Telcel's postpaid plans include the following charges:

monthly charges, which usually include a number of minutes of use and in some cases other services such as short text messages and/or internet services with certain or unlimited capacity, all of which are included in the monthly service charge;

usage charges, for usage in excess of the services specified in the monthly charge; and

additional charges, including charges for services not included in the monthly charge, which include voicemail, general information and content.

Certain plans include the cost of national roaming and long-distance in the price per minute so that all calls within Mexico cost the same amount per minute. Some postpaid plans are designed for high and moderate usage subscribers, who are typically willing to pay higher monthly fees in exchange for larger blocks of minutes that are included in the monthly service charge, services such as voicemail, call forwarding, call waiting, caller ID and three-way calling, and lower per minute airtime charges under a single contract. To satisfy the more limited needs of low-usage postpaid subscribers, Telcel also offers plans which provide a moderately priced, fixed monthly charge coupled with a high per minute airtime charge and relatively few included minutes. As part of postpaid plans, Telcel typically offers additional digital services such as voicemail, call forwarding, call waiting, caller ID and three-way calling, which are all included in the monthly fee. In addition, Telcel offers its postpaid customers the flexibility to manage their additional usage costs by contracting additional minutes of use under the prepaid system. Telcel also offers certain packages that may be added to the aforesaid plans, which could include greater SMS capacity (300, 1500 and 2500 SMS), videoconference services (65, 120, 175 or 300 minutes), internet data transfer services (2, 10, 20, 50, 150, 500 or 100 Mbs). Users may incorporate e-mail, push e-mail, file transfer, social networks and browsing services. Additionally, Telcel offers customized services to its corporate clients. Postpaid customers may terminate plans at any time, except customers that receive a handset as part of subscribing to a plan, which must remain with the plan for at least between one year and up to two years, depending on the cost of the handset.

Rates for postpaid plans have not increased since April 1999 and are expected to remain stable as long as the Mexican economic environment remains stable. In recent periods, we have offered postpaid plans that include effective price-per-minute reductions. In addition, Telcel offers discounts and promotions that reduce the effective rates paid by its customers for calls to fixed lines or Telcel and other wireless customers.

We also offer prepaid plans, known as *Amigo Kit*, which includes activation or monthly charges. Prepaid customers purchase a prepaid credit for a specific amount of airtime that may be used for all services offered by Telcel, except international roaming, which is available for prepaid customers in limited countries.

Prepaid customers typically generate lower levels of cellular usage and are often unwilling to make a fixed financial commitment or do not have the credit profile to purchase postpaid plans. Prepaid services serve the needs of distinct consumer segments such as the youth market, families, customers with variable income who otherwise would not be able to obtain service due to their credit profile, and customers who prefer to pay in cash. Prepaid customers also include parents who wish to control costs for their children.

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Basic rates for prepaid plans have remained unchanged since 2002. However, we offer promotions including: (i) increase in the credit amount depending on the credit purchased; (ii) loyalty programs resulting in decreasing the per minute cost of local voice services (on-net); and (iii) free calls of up to 5 minutes and free SMS for a determined number of preselected local on-net telephone numbers. Beginning in 2006, we offer a preferential rate to customers who have remained active for a period of at least one year with respect to certain outgoing calls. Our prepaid subscribers may choose to be billed per minute (rounding each call to the next full minute), per second (paying a fixed rate for the first minute and another fixed rate for additional seconds), and beginning on April 2007, per call (consisting of a fixed rate for any call lasting up to 10 minutes). Prepaid subscribers may also choose to combine per minute and per call billing (calls lasting up to two minutes are billed on a per minute basis, while calls lasting longer than two minutes are billed on a per call basis for each additional 15 minute block).

Likewise, Telcel offers prepaid services relating to Internet data transfers which are available in a daily, weekly and monthly basis.

National long distance rates for prepaid plans remained at Ps. 2.25 per minute in 2009.

We believe the prepaid market represents a large and growing under-penetrated market in Mexico. Compared to the average postpaid plan, prepaid plans involve higher average per minute airtime charges, lower customer acquisition costs and billing expenses, and low credit or payment risk. However, prepaid customers on average have substantially lower use than postpaid customers and do not pay monthly fees and, as a result, generate substantially lower average monthly revenues per customer.

Data services

Short Message Services (SMS)

In January 2002, we began to offer two-way SMS to our customers as part of its value-added services. Since the launch of two-way SMS, Telcel has experienced significant growth in traffic. Through arrangements with other mobile operators, Telcel began to offer to its customers the ability to send and receive short messages to and from users of networks of other carriers throughout Mexico in the fourth quarter of 2003. Since December 2004, postpaid and prepaid customers may send and receive short messages to and from users of networks in the United States and other countries. In 2007, Telcel began to offer to its customers the ability to send and receive short messages to and from users of Nextel México, the largest trunking carrier in Mexico.

Multimedia Messaging Service (MMS)

As an enhanced version of SMS, MMS allows customers the capability to send, in a single message, multiple color images, sounds and text to another mobile phone or e-mail account. Telcel began to offer MMS through GSM technology to postpaid and prepaid customers in March 2003. Beginning in 2007, our customers can also send and receive multimedia messages to and from users of networks of other Mexican carriers.

Premium SMS, Premium MMS

In April 2002, we became the first Mexican operator to offer premium information services through our SMS capabilities, including weather reports, financial quotes and entertainment news. Other content services include personalized ring tones, text and video games, wallpapers, screensavers, themes, video clips and interactive forums.

Starting in 2003, Telcel began providing services SMS platform services to third parties, including security alarm services and notices sent by banks to their account holders.

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Starting in June 2006, we were the first Mexican operator to offer to our postpaid customers premium information services through our MMS capabilities, including news and weather reports, horoscopes and soccer score alerts and match results.

Content Community

To further enhance its content offerings with well-known brands, Telcel has built a Content Community through agreements and special alliances with nationally and internationally renowned entertainment companies. These agreements and special alliances allow Telcel to offer premium content services through the *Ideas Telcel* and the *Ideas Music Store* portals, and music download services through the *Ideas Music Store* portal. Although some links are shared between both portals, they are independent.

Data transmission

We offer the following technologies: High Speed Circuit Switch Data (HSCSD), packet switch data through General Packet Radio Services (GPRS), enhanced data rates for GSM evolution (EDGE), Universal Mobile Telecommunications Systems (UMTS) and High Speed Downlink Packet Access (HSDPA).

GPRS is a non-voice value added service that allows information to be sent and received across a mobile telephone network. GPRS radio resources are used only when users are actually sending or receiving data. Rather than dedicating a radio channel to a mobile data user for a fixed period of time, the available radio resource can be concurrently shared between several users. This efficient use of scarce radio resources means that large numbers of GPRS users can share the same bandwidth and be served from a single cell. The number of users supported depends on the application being used and how much data is being transferred. Because of the spectrum efficiency of GPRS, there is less need to build in idle capacity that is only used during peak hours. GPRS therefore lets Telcel maximize the use of its network resources.

EDGE is a standardized set of improvements to the GSM radio interface. EDGE and GPRS traffic can function on any GPRS network, provided the carrier implements certain upgrades, which include certain modifications, installations and upgrades to base stations. The implementation of EDGE effectively triples the rate of gross data transmission offered by GPRS.

Because GPRS and EDGE transmit information through data channels rather than voice channels, they facilitate faster connections than previous technologies, such as CSD and HSCSD. GPRS and EDGE services are able to accommodate corporate applications such as transmission of still and moving images, document sharing and other file transfer services, e-mail, WAP and WEB browsing, alarms, localization and other telemetric services.

HSDPA is a wireless technology for the third generation UMTS network, which is a wireless telephone communications protocol that allows networks based on UMTS to have higher data transfer speed and capacity. Our HSDPA deployment supports down-link speeds of 3.6.Mbs per seconds.

HSDPA not only allows Telcel to provide data transfer services offered by GSM based technologies (HSCSD, GPRS and EDGE), but also permits the provision of services that require a greater transfer rate, such as streaming media, instant document transfer (favoring mobile use of social networks), and increased security applications, particularly for banking and commercial services.

Ideas Telcel

Through the *Ideas Telcel* portal, Telcel offers its customers mobile entertainment services, including SMS, MMS, e-mail, news and personalized downloads, such as ring tones, screensavers, themes, games, applications,

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chat services, images, and others. The *Ideas Telcel* portal is constantly being improved taking advantage of the evolution, of the Wireless Application Protocol, or WAP, which is a global standard designed to make Internet services available to mobile telephone users. Basing our *Ideas Telcel* portal in WAP allows both GSM and UMTS (including those with low-cost handsets) users to use it.

Internet browsing

At present, Telcel offers WAP and WEB browsing for both GSM and UMTS networks. WAP allows a micro browser in a mobile phone to link into a gateway service in Telcel's network, the *Ideas Telcel* portal, enabling users to scroll through different pages of information of third parties on the Internet. Telcel's WAP gateway enables its prepaid and postpaid users to access e-mail, banking, and a variety of reservation and other types of electronic commerce services.

Likewise, Telcel offers Internet access through HTTP (WEB protocol), which may be used by smart phones, netbooks, routers, as well as any computer using broad band cards (PC cards or USB cards) or through connection via handsets.

E-mail

E-mails, access and hosting services are available in both GSM and UMTS networks. Users may access e-mail services using WAP, as well as WEB, allowing them to access and send e-mails not only from their handsets, but from any Internet access equipment that uses a Telcel network. Internet e-mail users may also receive SMS notification whenever they receive an incoming e-mail.

Push E-mail

Push e-mail permits constant synchronization between Telcel's network and the corresponding e-mail server, thus allowing users real time e-mail access. Additionally, tasks, calendar and contact information are also synchronized. Push e-mail services are available for BlackBerry OS, Windows Mobile, Symbian, Android, Web OS, and may be used by all smart phones offered by Telcel.

Push-to-Talk Services

In 2004, we began to offer push-to-talk services (two-way half duplex voice service) over our GSM network. Postpaid customers may use push-to-talk over cellular, or POC, to communicate with other Telcel customers that subscribe to this service across Mexico at no cost in addition to the fixed monthly charge. POC is geared mainly towards potential customers in the business environments.

Oficina Móvil Telcel

Oficina Móvil is a services suite designed to provide companies productivity enhancing applications. Among the services offered by Oficina Móvil Telcel, there are push e-mail, logistic applications via bar codes, vehicle locator services, virtual voice private networks and SMS.

M-Banking

Telcel offers services that allow customers to perform certain banking activities from their mobile phones using applications developed specially for SIM cards and profiting from the WAP protocol. These applications allow users not only to access their bank account balances, but also to carry out banking transactions.

Ideas TV Ideas Radio

In May 2006, Telcel launched TV content services which allow certain costumers to access news, cartoon, documentary and sports channels through their handsets. Telcel provides these services through an agreement with a content distributor. Telcel's TV content services, are available for EDGE users with compatible handsets, and since 2007 are also available for our UMTS users. In 2007, Telcel launched radio contents.

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Videoconference

Telcel offers simultaneous audio and video communication in real time for UMTS users.

Products

Telcel offers a variety of products as complements to its wireless service, including handsets and accessories such as chargers, headsets, belt clips and batteries. As a result of launch and deployment of our 3G network, Telcel started to offer broadband cards and netbooks. As part of its prepaid service offering, Telcel provides new customers with an *Amigo Kit*, which includes airtime, a handset, a charger and other accessories at a discounted price. For prepaid customers that own GSM and 3G handsets, Telcel also offers an *Amigo Chip*, which includes airtime and the chip for the handset. New postpaid customers also receive a terminal (handset, smartphone, netbook, pccard/usb modem) a charger and other accessories complimentary or at a discounted price, if they enter into a long-term contract with Telcel.

Most of the handsets that Telcel currently offers are GSM tri-band, which can switch between the 850, 900 and 1900 megahertz radio spectrums. In addition, Telcel offers four-band handsets, which can also operate in the 900 megahertz radio spectrum and/or the 1800 megahertz radio spectrum. Telcel no longer offers analog and TDMA handsets. Beginning in 2007, Telcel offers 3G handsets, which operate on our 3G network and GSM network, depending on the customer's location.

Interconnection

Telcel earns interconnection revenues from calls to any of its subscribers that originate with another service provider. Telcel charges the service provider from whose network the call originates an interconnection charge for the time Telcel's network is used in connection with the call. Telcel must pay interconnection fees in respect of calls made by its subscribers to customers of other service providers (mobile and fixed). See Regulation Interconnection under this Item 4.

There has been extensive controversy, and legal and administrative proceedings, concerning the terms of interconnection in Mexico. See Regulation Interconnection under this Item 4.

Roaming

Telcel offers international roaming services to its subscribers through the networks of cellular service providers with which Telcel has entered into international roaming agreements around the world. Telcel also provides GSM and 3G roaming services in Mexico to customers of Telcel's international roaming partners. Subscribers are able to roam out of Mexico by paying international roaming fees. Telcel has entered into approximately 435 agreements covering GSM and 3G networks around the world. As of the date of this annual report, Telcel had commercially launched roaming GSM services covering 169 countries and GPRS services covering 131 countries for postpaid subscribers. Telcel's customers can roam in 3G networks covering 56 countries. Telcel's 3G network also provides inbound roaming to customers of its international roaming partners.

Telcel offers international roaming services (voice, SMS and data) under a variety of rates including special rates to subscribers roaming in the U.S. border, the U.S., Canada and other markets, as well as packages which include minutes, SMS and Internet data services.

GPRS roaming features provide push-to-talk and push e-mail service customers with unlimited usage within certain destinations on daily or monthly bases.

Telcel offers its prepaid customers GSM, GPRS and 3G roaming services in Argentina, Brazil, Canada, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, U.S., Paraguay, Perú, Puerto Rico, Dominican Republic, Uruguay and Maritime Coverage, including prepaid roaming top-up services and the ability to check their account balance. Telcel also offers packages with special rates for Blackberry and Internet data.

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Telcel's (postpaid and prepaid) subscribers are also able to exchange short messages with more than 325 Roaming Partners in 126 countries through Telcel's SMS Interworking service.

Roaming payments between Telcel and its international roaming partners are channeled through Cibernet Plc, which functions as a central international clearing house that collects and make the settlement between the participating providers.

Marketing

We develop customer and brand awareness through our marketing and promotion efforts and high-quality customer care. We build upon the strength of our well-recognized brand name to increase consumer awareness and customer loyalty, employing continuous advertising efforts through print, radio, television, sponsorship of sports events and other outdoor advertising campaigns. In addition, Telcel employs concentrated advertising efforts to promote specific products and services such as the *Amigo Kit* and related products, certain GSM and UMTS postpaid plans and certain value-added services. In October 2003, Telcel launched *Círculo Azul*, a loyalty rewards program that offers postpaid customers points that can be redeemed for handsets and other goods or services provided by third parties.

In 2009, our marketing efforts were mainly focused on communicating that we have one of the best 3G networks in the world and showing the advantages such network has through value-added services.

Telcel targets groups of customers who share common characteristics or have common needs. Telcel then assembles a packet of services that meets the particular needs of that targeted group through one of its various pricing plans.

Sales and Distribution

Telcel markets its wireless services primarily through exclusive distributors located throughout Mexico. In the year ended December 31, 2009, approximately 78% of Telcel's sales of handsets were generated by cellular distributors (including retail chains), with approximately 19% from sales in company-owned stores, and approximately 3% from direct sales to corporate accounts.

As of December 31, 2009, Telcel had relationships with a network of over 1,423 exclusive distributors, who sell Telcel's services and products through approximately 41,187 points of sale and receive commissions. Telcel operates permanent training and evaluation programs for distributors to help maintain the level of service quality.

Telcel's company-owned retail stores offer one-stop shopping for a variety of cellular services and products. Walk-in customers can subscribe for postpaid plans, purchase prepaid cards and purchase handsets and accessories. Company-owned stores also serve as points of customer service, technical support and payment centers. As of December 31, 2009, Telcel owned and operated 259 customer sales and service centers throughout the nine regions of Mexico and will continue to open new service centers as necessary in order to offer its products directly to subscribers in more effective ways.

Telcel also distributes prepaid cards and handsets, the latter as part of the *Amigo Kit* consisting of handsets and free airtime ranging from 25 to 250 minutes, through distributors that include Telmex, Sears, Sanborns and its network of retail outlets. Telmex purchases the Telcel prepaid cards and handsets on the same or similar commercial terms offered to other cellular distributors. We estimate that, as of December 31, 2009, prepaid cards are available through approximately 160,000 points of sale in Mexico.

We sell prepaid airtime principally through the sale of cards. We also offer customers the option of buying airtime through other means.

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To service the needs of its large corporate and other high-usage customers, Telcel has a dedicated corporate sales group.

Billing and Collection

We bill our postpaid customers through monthly invoices, which detail itemized charges such as usage, services such as voicemail, call forwarding, call waiting, caller ID and three-way calling, and long-distance, roaming charges, and value added services such as SMS, data and web usage, in addition to applicable taxes. Customers may pay their bills through pre-authorized debit or credit charges, in person at banks (including through banks' Internet websites), at Telcel retail stores and other designated retail stores, and through Telcel's Internet website.

If a postpaid customer's payment is overdue, service may be suspended until full payment for all outstanding charges is received. If the subscriber's payment is more than 60 days past due, service may be discontinued. Accounts that are more than 90 days past due are considered doubtful accounts.

A prepaid customer who purchases airtime credit has between 7 to 60 days, depending on the amount purchased, to use the airtime. It is possible to purchase airtime credit in any of the following amounts: Ps.30, Ps.50, Ps.150, Ps.200, Ps.300 and Ps.500. Users may also use the *pasatiempo* service, which allows one prepaid user to transfer up to Ps.100 of airtime credit to another prepaid user by sending a SMS. After 30 or 60 days, the customer can no longer use that airtime for outgoing calls unless the customer purchases additional airtime credit. After 180 days, unless the customer has purchased additional airtime credit, the service is discontinued and the balance, if any, is recognized as revenue.

Customer Service

Telcel places a high priority on providing its customers with quality customer care and support. Approximately 68% of Telcel's employees are dedicated to customer service. Customers may call a toll-free telephone number or go to one of the customer sales and service centers located throughout the nine regions for inquiries regarding their service or plan options. In addition, using Telcel's website, subscribers may learn about the various offered rate plans, products and promotions, as well as subscribe for additional services and pay bills on line.

Wireless Network

Telcel's wireless networks use digital technologies both in the 850 megahertz frequency spectrum and in the 1900 megahertz frequency spectrum. In October 2002, Telcel launched a new network using global system for mobile communications (GSM) digital technology in the 1900 megahertz frequency spectrum. GSM is a digital standard used in Europe, North America and elsewhere and it is the most widely used digital wireless technology in the world. In 2006, Telcel started deploying the GSM, GPRS and EDGE technologies in the 850 megahertz frequency spectrum. In February 2008, Telcel launched a UMTS third generation network in Mexico in the 850 megahertz frequency spectrum. Telcel maintains a TDMA network in the 850 megahertz frequency spectrum. TDMA is a digital technology developed previously than GSM network that divides radio spectrum into assigned time slots to transmit signals.

GSM network

Telcel has built and installed a GSM network in the 1900 megahertz frequency spectrum in all nine regions in Mexico, which began commercial operation in October 2002. Telcel continues with the expansion of its GSM network, using the 850 megahertz spectrum since 2006. The GSM network allows Telcel to augment its digital capacity and progress in its evolution toward the third generation of wireless technology. GSM technology supports a wide range of voice and data services, including SMS, MMS, HSCSD, GPRS and EDGE, and is

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currently the most widely used and tested wireless system in the world. GSM technology, which is used in all nine regions, is expected to yield global economies of scale in developing network equipment and handsets, as well as seamless global roaming capabilities.

Currently, Telcel's GSM network offers service in all nine regions in Mexico. As of December 31, 2009, Telcel's GSM subscriber base accounted for approximately 92% of Telcel's total subscribers.

Telcel upgraded the GSM/GPRS network with EDGE technology. It has implemented EDGE technology in more than 186,984 localities, including all the major cities in Mexico. EDGE can be deployed in existing spectrum with minimum changes in hardware. As customers upgrade their equipment to EDGE, Telcel expects that all the applications developed and deployed today will be able to operate at significantly higher speeds and in more places.

Third generation technologies

Third generation (3G) technologies provide high-speed wireless packet data access and all Internet-related services that can be offered through broadband with the advantage of mobility. Any successful third generation strategy must allow the wireless provider to achieve a pervasive footprint quickly and cost effectively and on a global scale through international roaming capacities.

Telcel is deploying a UMTS third generation network in Mexico using the existing 850 megahertz spectrum and began offering 3G services in February 2008. 3G technologies enable network operators to offer users a wider range of more advanced services while achieving greater network capacity through improved spectral efficiency. Services include wide-area wireless phone telephony, video calls and broadband data, all in a mobile environment. Telcel is deploying its UMTS network using the high-speed downlink packet access protocol (HSDPA), which is a mobile telephony communications protocol that allows networks based on UMTS to have higher data transfer speeds and capacity. Telcel's HSDPA deployment supports down-link speeds of 3.6 megabits per second. Our 3G networks use the same technology that is generally used throughout Europe to provide 3G services. We elected to deploy the UMTS/HSDPA networks principally because:

New market opportunities. It allows us to enter new markets and provide new services, such as the wireless broadband market, which we believe has significant growth potential throughout Latin America and the Caribbean.

Handset compatibility. UMTS handsets are compatible with our GSM networks, so a customer can use one handset to connect to our UMTS and GSM networks. This allows us to focus the deployment of our new networks in areas of high demand for 3G services, principally large urban areas.

Spectral compatibility. With our new networks, we can generally offer 3G services using our existing licenses in the 850 megahertz spectrum, which is being increasingly underutilized by our remaining TDMA customers. In addition to being efficient from a cost perspective, deployment in the 850 megahertz spectrum is more efficient and provides better coverage than deployment in the 1900 megahertz spectrum.

Increased voice capacity. Our new networks give us approximately 5.7 times more capacity to provide voice services than our existing GSM network using our current spectrum (considering a 5 megahertz fully-used spectrum).

Cost effective deployment. Unlike some of the 3G networks being deployed in the United States, UMTS networks use some of the same basic network plant and equipment as GSM networks. This has permitted us to achieve a quicker and more cost effective deployment of 3G services, than would have been possible using other technologies.

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Telcel is the first operator to deploy UMTS/HSDPA technologies in Mexico. As of December 31, 2009, Telcel's UMTS/HSDPA network covered 101,209 localities, including all of Mexico's principal cities. Telcel plans to continue expanding its 3G coverage in Mexico throughout 2010. As of December 31, 2009, Telcel's UMTS/HSDPA subscriber base accounted for approximately 4% of Telcel's total subscribers.

Telcel currently relies on Ericsson for the supply of more than 41% (measured in terms of cost) of its switch and cell site equipment. Telcel purchases handsets and other customer equipment primarily from the major vendors in the industry, including Nokia Research in Motion (RIM), Sony-Ericsson, Apple, Motorola, LG, and Samsung.

TDMA network

Telcel has a nationwide TDMA network. TDMA permits the use of advanced dual-band handsets that allow for roaming across analog and digital systems and across 850 megahertz and 1900 megahertz spectrums. TDMA digital technology also allows for enhanced services and features, such as SMS, extended battery life, added call security and improved voice quality. This network is currently used by subscribers who have not yet migrated to newer networks.

Spectrum

Telcel currently holds concessions in each of the nine regions of Mexico in both the 850 megahertz and 1900 megahertz radio spectrums and has a functioning nationwide network. Two other companies also hold concessions for nationwide service using the 850 or 1900 megahertz spectrum.

Telcel currently holds 28.4 megahertz of capacity in the 1900 megahertz spectrum in each of Mexico's nine regions. It acquired 10 megahertz (Band D) of this capacity in 1998 and 10 megahertz (Band F) in 2005, in each case through public auctions. Telcel acquired 8.4 megahertz (Band A) as a result of the assignment of capacity from Unefon, S.A. de C.V. during 2005. This assignment was approved by Cofeco and the SCT and no consideration in addition to the U.S.\$267.7 million (Ps. 3,309 million) paid to Unefon in 2003 for the service agreement was paid for the assignment.

Fixed wireless

Fixed wireless technology provides wireline quality voice telephony available over cellular networks. Voice channels are delivered over the existing telephone wiring within the residence or small business premises, allowing customers to utilize their existing telephones.

Telcel provides public fixed wireless services in rural, semi-urban and urban regions in Mexico.

Property

Telcel's wireless network includes transport and computer equipment, as well as exchange and transmission equipment consisting primarily of switches (which set up and route telephone calls either to the number called or to the next switch along the path, and which may also record information for billing and control purposes), cellular base stations (radio transmitters or receivers that maintain communications with the cellular telephones within given geographical areas or cells), microcells (small cells covered by low-power base stations), and local links and repeaters (equipment for radio or fiberoptic transmission between network elements). Telcel owns all of its network routing and switching equipment. Telcel owns certain properties for commercial and administrative offices, the installation of some of its equipment, and 190 customer sales and service centers, while it leases other locations. Telcel operates certain equipment on Telmex property under a co-location agreement. See Related Party Transactions under Item 7.

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Telcel currently relies on Ericsson for the supply of approximately 41% (measured in terms of cost) of its switch and cell site equipment. Telcel purchases handsets and other customer equipment primarily from the major vendors in the industry, including Nokia, Research in Motion (RIM), Sony-Ericsson, Apple, Motorola, LG and Samsung.

Competition

Telcel faces competition from other mobile providers using the 850 megahertz spectrum and from providers with PCS licenses that have developed and continue to develop wireless service on the 1900 megahertz spectrum. Telcel's principal competitors in Mexico are Grupo Iusacell, S.A. de C.V. and Telefónica Móviles. We also compete with Nextel in certain segments. According to Cofetel, Telcel's share of the Mexican cellular market was approximately 74% as of December 31, 2009.

The effects of competition on Telcel depend, in part, on the business strategies of its competitors and the general economic and business climate in Mexico, including demand growth, interest rates, inflation and exchange rates. The effects could include loss of market share and pressure to reduce rates. Telcel believes that its strategies to meet competition will continue to help limit its loss of market share and that any loss of market share will be partly offset by increasing demand.

Regulation

The following is a summary of certain provisions of the General Communications Law, the Telecommunications Law, Federal Customer Protection Law and the telecommunications regulations applicable to Telcel and of the various concessions held by Telcel.

General

The General Communications Law, the Telecommunications Law and the telecommunications regulations provide the general legal framework for the regulation of telecommunications services in Mexico. The Telecommunications Law replaced certain provisions of the General Communications Law and established that only those provisions of the General Communications Law not opposed to the Telecommunications Law would remain in effect. Other regulations implementing particular provisions of the Telecommunications Law have been adopted or are pending. The main objectives of the Telecommunications Law are to promote the efficient development of the telecommunications industry, to encourage fair competition in the provision of quality, low-priced services and to assure satisfactory breadth of coverage of the Mexican population.

Under the Telecommunications Law, an operator of public telecommunications networks, such as Telcel, must operate under a concession granted by the SCT. Such a concession may only be granted to a Mexican citizen or corporation and may not be transferred or assigned without the approval of the SCT. A concession to provide services which utilize electro-magnetic frequencies, such as cellular telecommunications services, may have a term of up to twenty years and may be extended for additional terms of equal duration.

The Telecommunications Law requires public telecommunications concessionaires to establish open network architecture which permits interconnection and interoperability. Operators of private networks that do not use electro-magnetic frequencies or provide services to the public are not required to obtain a concession, permit or registration.

Regulatory oversight

The SCT, through Cofetel, is the government agency principally responsible for regulating telecommunications services. The SCT's approval is required for any change in Telcel's bylaws. It also has broad powers to monitor Telcel's compliance with the concessions, and it can require Telcel to supply it with such technical, administrative and financial information as it may request. Telcel is required to publish its annual network expansion program and must advise the SCT of the progress of its expansion and modernization program on a quarterly basis.

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Cofetel is an independent agency within the SCT, with five commissioners appointed by the President of Mexico, one of whom is appointed as chairman. Cofetel's mandate is to regulate the Mexican telecommunications sector. Many of the powers and obligations of SCT under the Telecommunications Law and the telecommunications regulations have been delegated to Cofetel.

The Telecommunications Law gives certain rights to the Mexican government in its relations with concessionaires, including the right to take over the management of an operator's networks, facilities and personnel in cases of imminent danger to national security, internal peace or the national economy, natural disasters and public unrest. The Telecommunications Law also provides that at the expiration of Telcel's concessions, the Mexican government has a right of first refusal to acquire Telcel's assets used directly in the exploitation of frequency bands. See Termination of the Concessions under this Item 4.

In addition, we are subject to regulation from Profeco under the Federal Consumer Protection Law. This law regulates publicity, the quality of services and information required to be provided to consumers and provides a mechanism to address consumer complaints. Profeco has the authority to impose fines, which can be significant.

Antitrust Investigations

The Telecommunications Law authorizes SCT to impose specific requirements as to rates, quality of service and information on any wireless operator that is determined by Cofeco to have substantial power in a specific market according to the Federal Antitrust Law. Pursuant to the Telecommunications Law, SCT has the power to adopt specific regulations on rates, quality of service, disclosure of information or other special regulations.

Cofeco is conducting investigations into market power and monopolistic practices in the telecommunications sector. Depending on the resolution of these investigations, they may result in new regulations applicable to Telcel. See Legal Proceedings Mexico Cofeco under Item 8.

Number Portability

Cofetel rules for the portability of fixed-line and mobile telephone numbers took effect in June 2008. One of the objectives of these rules is to increase competition among operators. The portability rules allow customers to change providers without contacting their current provider, so we may lose customers without having the opportunity to influence their decision. The rules also require that we bear the costs of changes in our network and any other investments necessary to implement portability, without being able to charge other operators. To date, the portability rules have not materially affected our subscriber base.

Rates

The Telecommunications Law provides that concessionaires may freely determine the rates for telecommunications services, including interconnection. Mobile rates are not subject to a price cap or any other form of price regulation. However, Telcel and other mobile carriers operating in Mexico are required to register with Cofetel their rates for mobile service prior to implementing such rates. Cofetel is authorized to impose specific rate requirements on any operator that is determined to have substantial market power under the Federal Antitrust Law. Although COFECO has determined that Telcel has substantial market power in the nationwide market for voice services, we cannot predict what regulatory measures might be taken in response to COFECO's determination.

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Telcel operates under several different concessions covering particular frequencies and regions. The following table summarizes Telcel's concessions.

| Regions in Mexico | | Band A (1900 MHz) | | | Band B (850 MHz) | | |
|-------------------|------|-------------------|------------------|---------------|------------------|------------------|---------------------------------|
| Concession | | Concession | | | Concession | | |
| Cel | PCS | Date | Termination Date | Fee Structure | Date | Termination Date | Fee Structure |
| I | I | Sept. 1999 | Sept. 2019 | Upfront fee | Aug. 1991 | Aug. 2011 | Semi-annual fees ⁽¹⁾ |
| II | II | Sept. 1999 | Sept. 2019 | Upfront fee | Aug. 1991 | Aug. 2011 | Semi-annual fees ⁽¹⁾ |
| III | III | Sept. 1999 | Sept. 2019 | Upfront fee | Aug. 1991 | Aug. 2011 | Semi-annual fees ⁽¹⁾ |
| IV | IV | Sept. 1999 | Sept. 2019 | Upfront fee | Aug. 1990 | Aug. 2010 | Semi-annual fees ⁽¹⁾ |
| VIII | V | Sept. 1999 | Sept. 2019 | Upfront fee | Aug. 1990 | Aug. 2010 | Semi-annual fees ⁽¹⁾ |
| V | VI | Sept. 1999 | Sept. 2019 | Upfront fee | Oct. 1991 | Oct. 2011 | Semi-annual fees ⁽¹⁾ |
| VI | VII | Sept. 1999 | Sept. 2019 | Upfront fee | Oct. 1991 | Oct. 2011 | Semi-annual fees ⁽¹⁾ |
| VII | VIII | Sept. 1999 | Sept. 2019 | Upfront fee | Oct. 1991 | Oct. 2011 | Semi-annual fees ⁽¹⁾ |
| IX | IX | Sept. 1999 | Sept. 2019 | Upfront fee | Oct. 2000 | Oct. 2015 | Upfront fee |

(1) The semi-annual fees, or *aprovechamientos*, are determined as a percentage of gross revenues corresponding to the concession. Amounts payable vary depending on the relevant region.

| Regions in Mexico | | Band D (1900MHz) | | | Band F (1900 MHz) | | |
|-------------------|------|------------------|------------------|---------------|-------------------|------------------|----------------------------|
| Concession | | Concession | | | Concession | | |
| Cel | PCS | Date | Termination Date | Fee Structure | Date | Termination Date | Fee Structure |
| I | I | Oct. 1998 | Oct. 2018 | Upfront fee | April 2005 | April 2025 | Annual fees ⁽²⁾ |
| II | II | Oct. 1998 | Oct. 2018 | Upfront fee | April 2005 | April 2025 | Annual fees ⁽²⁾ |
| III | III | Oct. 1998 | Oct. 2018 | Upfront fee | April 2005 | April 2025 | Annual fees ⁽²⁾ |
| IV | IV | Oct. 1998 | Oct. 2018 | Upfront fee | April 2005 | April 2025 | Annual fees ⁽²⁾ |
| VIII | V | Oct. 1998 | Oct. 2018 | Upfront fee | April 2005 | April 2025 | Annual fees ⁽²⁾ |
| V | VI | Oct. 1998 | Oct. 2018 | Upfront fee | April 2005 | April 2025 | Annual fees ⁽²⁾ |
| VI | VII | Oct. 1998 | Oct. 2018 | Upfront fee | April 2005 | April 2025 | Annual fees ⁽²⁾ |
| VII | VIII | Oct. 1998 | Oct. 2018 | Upfront fee | April 2005 | April 2025 | Annual fees ⁽²⁾ |
| IX | IX | Oct. 1998 | Oct. 2018 | Upfront fee | April 2005 | April 2025 | Annual fees ⁽²⁾ |

(2) The annual fees, or *derechos*, are for the use and exploitation of radio spectrum bands. Amounts payable are set forth by the *Ley Federal de Derechos* and vary depending on the relevant region and radio spectrum band.

In addition to the cellular and PCS concessions detailed in the tables above, in December 2002, the SCT granted Telcel a concession to install and operate a telecommunications network to provide national and international long distance services, as well as data transmission services. The concession was granted for an

initial term of 15 years, and it is subject to extension for an additional 15-year period. The concession limited Telcel to provide these services only to its wireless subscribers until December 2005. In 2006, Telcel completed the build out of its long distance network which allows Telcel to carry all the national long distance traffic originated from Telcel's customers to other customers. Also, since May 2007, Telcel opened its interconnection with the local network of Telmex in Mexico City and with the long distance network of AT&T.

Concessions Fees

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There are two different types of fees that we may be required to pay in connection with our concessions.

Aprovechamientos. Some concessions require Telcel to pay semi-annual fees (*aprovechamientos*) equal to a percentage of gross revenues derived from the concessioned services. The percentage ranges between 5% and 10%. These fees apply to the 850 megahertz (Band B) concessions, except for Region 9 which covers Mexico

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City and the states of Mexico, Morelos and Hidalgo. For the Region 9 Band B concession, these fees were eliminated pursuant to a court decision, against an increase of Ps. 2,149.5 million in the aggregate consideration payable for the concession (from Ps. 116.4 million to Ps. 2,265.9 million). Telcel paid Ps. 150.9 million in cash and credited Ps. 1,998.5 million of fees it had previously paid. Fees of this type do not apply to the 1900 megahertz (Band D) concessions, which Telcel purchased for a fixed amount in 1998, and the 1900 megahertz (Band A) concessions, which Telcel acquired from Unefon.

Derechos. Owners of concessions granted or renewed on or after January 1, 2003 are required to pay annual fees (*derechos*) for the use and exploitation of radio spectrum bands. The amounts payable are set forth by the *Ley Federal de Derechos* and vary depending on the relevant region and radio spectrum band. These annual fees apply to all spectrum bands, including those that are already subject to the payment of fees (*aprovechamientos*) based on gross revenues. Currently, we are not required to pay these fees in respect of our Bands A, B and D concessions since they were awarded prior to 2003, but we are required to pay them in respect of additional 10 megahertz of capacity in the 1900 megahertz spectrum (Band F) acquired in 2005.

Telcel challenged the validity of these annual fees, on the grounds that they violate the Mexican Constitution and certain provisions of the Telecommunications Law. In January 2009, one chamber (*sala*) of the Mexican Supreme Court denied our request for an injunction, but that decision was subject to rehearing because another chamber (*sala*) issued a contrary ruling in a case brought by another operator challenging the same law. In April 2009, the Mexican Supreme Court definitively denied Telcel's request for an injunction. Telcel has paid the annual fees notwithstanding its legal challenges.

Concessions Expansion, modernization and service quality requirements

Telcel's concessions impose a number of requirements for expansion and modernization of its network. The concessions establish certain minimum network capacities that Telcel must achieve, to extend service coverage to a targeted percentage of population. Telcel is in compliance with these requirements.

The concessions also set forth extensive requirements for the quality and continuity of Telcel's service, including, in some cases, maximum rates of incomplete and dropped calls and connection time. In May 2003, Cofetel issued the Fundamental Technical Plan for Quality of Local Mobile Services Networks, applicable to all operators, including Telcel, which imposes additional service quality requirements. We are in compliance with the service quality requirements of our concessions and the Technical Plan.

Concessions Competition

The telecommunications regulations and the concessions contain various provisions designed to introduce competition in the provision of communications services. In general, the SCT is authorized to grant concessions to other parties for the provision of any of the services provided by Telcel under the concessions.

Concessions Renewal

The eight Band B concessions covering regions other than the Mexico City area were granted for initial terms of twenty years that will expire in 2010 or 2011. Our ability to renew the eight Band B concessions in the coming years will be subject to a number of factors beyond our control. Among other possible factors, renewal of the eight concessions will be conditioned on our compliance with the terms and conditions of the relevant concessions during their terms, payment of a renewal fee and our acceptance of terms and conditions which may differ from those applicable under the existing concessions.

During the first quarter of 2010, the SCT recognized Telcel's right to renew, for additional 15-year terms, its 8 Band B concessions, covering all regions other than the Mexico City area and requested Telcel accept terms and conditions with the concessions and pay an upfront fee. Telcel has accepted the terms and conditions determined by SCT and paid the upfront fee.

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The Band B concession covering the Mexico City area (Region 9) was renewed effective October 2000 for a term of fifteen years that will expire in October 2015. On April 20, 2010 Telcel requested renewal of the Band B concession covering the Mexico City area (Region 9). The Band D concessions will expire in 2018, the Band A concessions in 2019 and the Band F concessions in 2025. All of these concessions are subject to renewal for additional 20-year terms.

Concessions Termination

The General Communications Law, the Telecommunications Law and the concessions include various provisions under which the concessions may be terminated before their scheduled expiration dates. Under the Telecommunications Law, the SCT may cause early termination of any of the concessions in certain cases, including:

failure to exercise rights under a concession during the 180 days after that concession is granted;

failure to expand telephone services at the rate specified in the concession;

interruption of all or a material part of the services provided by Telcel;

acts by Telcel with the effect of impeding the operations of other concessionaires;

refusing interconnection arrangements with other concessionaires;

change of jurisdiction by Telcel;

transfer, assignment of, or grant of liens to, Telcel's concessions or any asset used to provide service without SCT's approval;

failure to pay certain government fees;

violation of the prohibition against ownership of shares of Telcel by foreign states;

any material modification of the nature of Telcel's services without prior SCT's approval; and

breach of certain other obligations under the General Communications Law.

In addition, the concessions provide for early termination by the SCT following administrative proceedings in the event of:

a material and continuing violation of any of the conditions set forth in the concessions;

material failure to meet any of the service expansion requirements under the concessions;

material failure to meet any of the requirements under the concession for improvement in the quality of service;

engagement in any telecommunications business not authorized under the concession and requiring prior approval of the SCT;

following notice and a cure period, failure without just cause to allow other concessionaires to interconnect their networks to Telcel's network; or

bankruptcy of Telcel.

The General Communications Law and all but one of Telcel's 850 megahertz concessions provide that in the event of early termination of Telcel's mobile concessions, all assets that are the subject of such concession would revert to the Mexican government without compensation to Telcel. In the event of early termination of any of Telcel's PCS concessions, the Mexican government would have the option to purchase the equipment, installations and other assets used directly for the exploitation of the frequencies which are the subject of such concession. The latter regime also applies to one of Telcel's 850 megahertz concessions.

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Calling Party Pays

In Mexico, calls to and from our mobile subscribers are subject to the calling party pays system, under which subscribers only pay for outgoing calls. Subscribers have the option of retaining the mobile party pays system. The calling party pays system has applied to local calls since 1999 and to long-distance calls since November 2006. Mobile operators do not charge airtime fees to customers receiving calls, except for roaming fees applicable when subscribers receive calls outside their local areas. Two long-distance carriers, Axtel and Avantel, have challenged the validity of the long distance calling party pays system through judicial proceedings and are operating under a court order obtained in those proceedings that temporarily suspends the application to them of the calling party pays system.

Interconnection fees

Under the calling party pays system, when the customer of one operator (local or long-distance) places a call to a customer of another operator, the first operator pays the second a fee, which is referred to as an interconnection fee.

Under Mexican law, interconnection fees are negotiated between operators. For some periods, we have been unable to reach agreement on fees with some operators, and operators that are unable to agree have sought the intervention of Cofetel to establish interconnection fees. Our interconnection agreements with each operator require us to offer that operator the best rates we offer to other similar operators, and as a result if a single operator obtains a more favorable rate through a final, non-appealable resolution or decision from Cofetel, SCT or the courts, we may be required to offer that rate to other operators even though we have previously agreed with them on rates.

There has been extensive controversy in Mexico concerning the interconnection fees payable by fixed-line operators to mobile operators on fixed-to-mobile calls for periods beginning with 2005. The principal stages in the controversy, as it relates to interconnection with Telcel, are summarized below.

December 2004 Agreement. In December 2004, most Mexican telecommunications operators agreed on interconnection fees for the years 2005 through 2007. The agreement provided for annual reductions of 10% and also provided that the reductions would be reflected in the tariffs charged by fixed operators to their customers. The following are the interconnection fees agreed upon in December 2004:

January 1, 2005 to December 31, 2005: Ps. 1.71 per minute or fraction;

January 1, 2006 to December 31, 2006: Ps. 1.54 per minute or fraction; and

January 1, 2007 to December 31, 2007: Ps. 1.34 per minute or fraction.

August 2006 Cofetel Resolutions. Axtel, independently, and Avantel and Alestra, jointly, began proceedings with Cofetel (*desacuerdos de interconexión*) to establish the applicable interconnection fees for termination of public commuted traffic under the calling party pays system in local mobile service networks, between them and Telcel.

As a result of the proceedings (*desacuerdos de interconexión*), on August 31, 2006, Cofetel issued two resolutions (the Axtel Resolution and the Avantel/Alestra Resolution) establishing the local interconnection fees payable by the two carriers to Telcel for the years 2005 through 2010, as follows: from (i) January 1 to December 31, 2005: Ps. 1.71 per interconnection minute; (ii) January 1 to September 30, 2006: Ps. 1.54 per interconnection minute; (iii) October 1, 2006 to December 31, 2007: Ps. 1.23 per interconnection minute; (iv) January 1 to December 31, 2008: Ps. 1.12 per interconnection minute; (v) January 1 to December 31, 2009: Ps. 1.00 per interconnection minute; (vi) January 1 to December 31, 2010: Ps. 0.90. Several of these fees were lower than the fees Telcel had agreed with other operators.

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In addition, Cofetel ruled that starting in 2007, interconnection fees would be determined by adding the total seconds of all completed calls rounded to the next minute, rather than by rounding each call to the next minute, before calculating the sum of total network occupation. In order to mitigate the effects of this change on Telcel, Cofetel authorized Telcel to collect a surcharge of 25% in 2007, 18% in 2008 and 10% in 2009 over the interconnection fees billed to Axtel, Avantel y Alestra. Telcel challenged the Axtel Resolution and the Avantel/Alestra Resolution.

August 31, 2006 Avantel/Alestra Resolution. Telcel challenged Cofetel's August 2006 Avantel and Alestra Resolution on interconnection rates between the two carriers and Telcel. In November 2009, the court decided that Cofetel was not empowered to add elements to the controversy set forth in the proceedings (*desacuerdos de interconexión*) and could not issue resolutions on matters which were not originally requested (for example, interconnection fees for the years 2008 to 2010). Consequently, the August 2006 Avantel and Alestra Resolution was declared without effect, and Cofetel was ordered to issue a new resolution establishing interconnection fees for the years 2005 to 2007. However, the court's ruling was silent in respect of the analysis and the assessment of several of the acts challenged by Telcel. Accordingly, in December 2009 Telcel challenged the ruling before the competent courts. Cofetel also challenged the ruling. Avantel joined the two challenges through a *recurso de revisión adhesiva*.

August 31, 2006 Axtel Resolution, December 2007 Judicial Decision and January 2008 Cofetel Resolution. In September 2006, Telcel began a judicial proceeding (*juicio de amparo*) challenging the Axtel Resolution on interconnection rates between Axtel and Telcel. In December 2007, the district court invalidated the Axtel Resolution in its entirety and directed Cofetel to issue a new resolution covering solely the periods from 2005 through 2007. In January 2008, as directed by the court, Cofetel issued a resolution establishing interconnection rates between Telcel and Axtel for the periods from 2005 through 2007 on the same terms as Cofetel's August 2006 resolution. Telcel challenged this resolution as to the rates applicable for that period. In October 2009, the court ruled against Telcel finding that, among other things, the model used by Cofetel to calculate interconnection fees had been appropriate. In its ruling, the court determined that the interconnection fees resulting from Cofetel's model should be: (i) Ps. 0.71 for 2005; (ii) Ps. 0.74 for 2006; and (iii) Ps. 0.78 for 2007. Telcel challenged (*recurso de revisión*) the ruling arguing that, even if Cofetel's model was appropriate, the results obtained by the judge were erroneous because Cofetel did not use real and updated information while implementing their methodology. Cofetel also challenged the ruling. Axtel joined the two challenges through a *recurso de revisión adhesiva*.

December 2006 Agreements. In the fourth quarter of 2006, most industry operators other than Axtel and Avantel, agreed on interconnection fees payable for termination services for local and long-distance (national and international) calls in mobile networks under the "calling party pays" system for the years 2005 through 2010. These agreements contemplated the following continued reductions in fees: (i) 2005: Ps. 1.71 per interconnection minute; (ii) 2006: Ps. 1.54 per interconnection minute; (iii) 2007: Ps. 1.34 per interconnection minute; (iv) 2008: Ps. 1.21 per interconnection minute; (v) 2009: Ps. 1.09 per interconnection minutes; and (vi) 2010: \$1.00 per interconnection minute.

2008 Proceedings Involving Axtel. In December 2007 and March 2008, Axtel initiated proceedings with Cofetel to establish interconnection rates for the years from 2008 through 2011. In May 2008, before Cofetel issued a resolution, Axtel obtained a court order to prevent Cofetel from issuing a resolution on interconnection between Axtel and Telcel. Axtel then filed an administrative review proceeding (*recurso de revisión*) with the Mexican Ministry of Communications and Transportation (Secretaría de Comunicaciones y Transportes or SCT). Axtel contended that, by failing to issue a resolution on interconnection between Axtel and Telcel for interconnection fees for 2008 through 2011, Cofetel had refused to act (*negativa ficta*). Through the administrative review proceeding (*recurso de revisión*), Axtel requested that the SCT review that refusal.

In July 2008, Telcel obtained a court order which prevented the SCT from ruling on Axtel's challenge to Cofetel's supposed refusal to act on interconnection fees between Axtel and Telcel.

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However, in September 2008, SCT issued a resolution establishing the following interconnection fees for 2008 through 2011: (i) 2008: Ps. 0.5465 per interconnection minute; (ii) 2009: Ps. 0.5060 per interconnection minute; (iii) 2010: Ps. 0.4705 per interconnection minute; and (iv) 2011: Ps. 0.4179 per interconnection minute. These fees are substantially less than the fees agreed upon with the rest of the industry operators. Telcel challenged the resolution and, in October 2008, obtained a court order suspending the effects of it until a final ruling is issued.

April 2009 Cofetel Resolution Avantel Interconnection Disagreement. In April 2009, Cofetel issued a resolution establishing the following interconnection fees for 2008 through 2010 applicable between Avantel (a subsidiary of Axtel) and Telcel for termination of public commuted traffic under the calling party pays system in Telcel's mobile network: (i) 2008: Ps. 1.12 per interconnection minute plus a surcharge of 18% over the total interconnection minutes billed; (ii) 2009: Ps. 1.00 per interconnection minute plus a surcharge of 10% over the total minutes billed; and (iii) 2010: Ps. 0.90 per interconnection minute without any surcharge, based on the assumption that the valuation method consist of adding the actual duration of the calls measured in seconds and then rounding up to the next minute. In May 2009, Telcel challenged the resolution and a final judicial decision is still pending.

We expect that interconnection fees for fixed-to-mobile calls will continue to be the subject of litigation and administrative proceedings. We cannot predict when or how these matters will be resolved. The competitive and financial effects of any resolution could be complex and difficult to predict. Although the matters in dispute primarily concern one operator, Axtel (and its subsidiary Avantel), if those matters are resolved adversely to us through a final, non-appealable resolution or decision from Cofetel, SCT or the courts, the impact could be material because Telcel would be required to offer to the other operators any more favorable fees it is required to provide to Axtel and/or Avantel, as of the date of such final, non-appealable resolution or decision. This could materially reduce Telcel's interconnection revenues in future periods. Also, depending on how the disputes are resolved, there could be contractual claims among Axtel and/or Avantel, and Telcel for reimbursement or payment, as the case may be, of amounts paid or owed between Telcel and Axtel and/or Avantel in respect of time periods from 2005 to 2010.

February 2009 Interconnection Plan

In February 2009, Cofetel published a Fundamental Technical Plan of Interconnection and Inter-operability (*Plan Técnico Fundamental de Interconexión e Interoperabilidad*, or the Plan). The Plan addresses the technical, economic and legal conditions of interconnection. With respect to interconnection fees, the Plan establishes a process for developing an economic model over a relatively brief period and then applying the economic model to determine fees, which could override the existing fee agreements among operators. The Plan also contemplates asymmetrical and discriminatory treatment for operators with the largest number of access points, including specific technical and legal requirements and different economic, technical and legal conditions from other operators.

We cannot predict the competitive and financial effects that might result from implementation of the Plan. They could be substantially different from the potential effects of the regulatory steps described above with respect to fixed-to-mobile interconnection. It is also difficult to anticipate the timetable for implementation of the Plan.

In March 2009, Telcel has challenged the Plan in the Mexican courts. In April 2009, Telcel obtained a court order suspending the effects of the Plan as they relate to Telcel pending resolution of its judicial challenge. As of the date of this annual report, the challenge remains pending.

Consolidation of Local Service Areas

In March 2007, Cofetel issued a resolution to eliminate 70 local service areas and in September 2008, it issued a resolution to eliminate an additional 125 local service areas, reducing the total number of local service

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areas from 397 to 202 in a process that began in November 2008 and will be completed in 2010. If implemented as issued, the resolution would have the effect of requiring mobile operators to reassign the local area code numbers for a significant number of their subscribers. We are currently in discussions with Cofetel for a technical solution to the reassignment of local area codes as a result of the consolidation. As of the date of this annual report, we have not reached an agreement with Cofetel regarding this matter. We do not expect the consolidation of local service areas to have a significant negative impact on our results of operations.

Mobile Telephone National User Registry

In February 2009, the Federal Telecommunications Law was amended in order to create the Mobile Telephone National User Registry (*Registro Nacional de Usuarios de Telefonía Móvil* or RENAUT). In accordance with said amendment, operators must maintain a registry including the identity of all their subscribers and a ledger of all communications made by each user's line as well as provide to the relevant authorities information obtained. Among other provisions, the amendment establishes that users who purchased a mobile line after April 10, 2009 (date when the amendment became effective), could not use it until they register their line with the RENAUT. Likewise, the amendment establishes that existing users as of the date in which the amendment became effective had a one-year term to register the mobile telephone line. Consequently, lines that were not registered as of April 10, 2010, were to be suspended without a reactivation right by operators. Pursuant to applicable regulations issued by Cofetel, Telcel has complied with the line and communication registry as well as the information provision processes.

Notwithstanding the foregoing and solely for purposes of protecting its subscribers from the suspension ordered by the amendment, Telcel began a judicial proceeding (*juicio de amparo*) against certain provisions of the Federal Telecommunications Law. The enforceability of the relevant provisions of the amendment has been stayed by a court order. We expect final resolution of the *juicio de amparo* during 2010.

Telcel continues to fulfill all actions required in connection with the registry of its subscribers (both new and preexisting) and of their communications as well as the information provision process in compliance with the rules issued by Cofetel to comply with the Federal Telecommunications Law.

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We have subsidiaries or businesses in the telecommunications sector in Brazil, the Southern Cone region (Argentina, Paraguay, Uruguay and Chile), Colombia and Panama, the Andean region (Ecuador and Peru), Central America (El Salvador, Guatemala, Honduras and Nicaragua), the United States and the Caribbean (the Dominican Republic, Jamaica and Puerto Rico). Our principal subsidiaries outside Mexico are described below. The revenues of our subsidiaries other than Telcel represented 63.9% of our consolidated revenues for 2009, as compared to 60.9% of our consolidated revenues for 2008.

In addition, we expect to have opportunities to invest in other telecommunications companies outside Mexico, especially in Latin America and the Caribbean, because we believe that the telecommunications sector will continue to be characterized by growth, technological change and consolidation. We may take advantage of these opportunities through direct investments or other strategic alliances.

The following table sets forth financial and operating information for certain of our non-Mexican operations for the periods indicated. Lines in service are presented as of year-end. For some segments or periods, information may not be comparable to prior periods because it includes the results of operations of acquired companies as from the date of consolidation in our financial statements. See Note 20 to our audited consolidated financial statements.

| | Year ended December 31, | | |
|--|--|-----------|-----------|
| | 2007 | 2008 | 2009 |
| | (in Mexican pesos except lines in service, minutes of use and churn) | | |
| BRAZIL | | | |
| Consolidated operating revenues (millions) | Ps.58,305 | Ps.70,484 | Ps.82,300 |
| Average monthly revenues per subscriber ⁽¹⁾ | 160 | 155 | 155 |
| Operating income (millions) | 608 | 1,584 | 1,368 |
| Cellular lines in service (thousands) at year end | 30,228 | 38,731 | 44,401 |
| Average monthly minutes of use per subscriber | 77 | 93 | 84 |
| Churn rate ⁽²⁾ | 2.5% | 2.7% | 2.8% |
| SOUTHERN CONE⁽³⁾ | | | |
| Operating revenues (millions) | Ps.27,237 | Ps.30,541 | Ps.37,135 |
| Average monthly revenues per subscriber ⁽¹⁾ | 126 | 120 | 130 |
| Operating income (millions) | 2,691 | 5,702 | 7,578 |
| Cellular lines in service (thousands) at year end | 17,290 | 19,591 | 21,833 |
| Average monthly minutes of use per subscriber | 127 | 130 | 142 |
| Churn rate ⁽²⁾ | 2.5% | 2.6% | 2.6% |
| COLOMBIA AND PANAMA⁽⁴⁾ | | | |
| Combined operating revenues (millions) | Ps.29,614 | Ps.32,622 | Ps.37,031 |
| Average monthly revenues per subscriber ⁽¹⁾ | 105 | 105 | 109 |
| Operating income (millions) | 7,616 | 10,912 | 11,853 |
| Cellular lines in service (thousands) at year end | 22,335 | 27,390 | 27,797 |
| Average monthly minutes of use per subscriber | 122 | 157 | 173 |
| Churn rate ⁽²⁾ | 2.3% | 2.4% | 3.5% |
| ANDEAN REGION⁽⁵⁾ | | | |
| Combined operating revenues (millions) | Ps.16,210 | Ps.20,218 | Ps.26,087 |
| Average monthly revenues per subscriber ⁽¹⁾ | 101 | 98 | 111 |
| Operating income (millions) | 3,725 | 5,284 | 7,668 |
| Cellular lines in service (thousands) at year end | 12,390 | 15,482 | 17,760 |
| Average monthly minutes of use per subscriber | 55 | 70 | 80 |
| Churn rate ⁽²⁾ | 3.0% | 2.4% | 2.2% |

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| | Year ended December 31, | | |
|--|---|-----------|-----------|
| | 2007 | 2008 | 2009 |
| | in Mexican pesos except lines in service, minutes of use and churn) | | |
| CENTRAL AMERICA⁽⁶⁾ | | | |
| Combined operating revenues (millions) | Ps.16,918 | Ps.16,051 | Ps.18,137 |
| Average monthly revenues per subscriber ⁽¹⁾ | 94 | 72 | 76 |
| Operating income (millions) | 4,698 | 3,073 | 1,936 |
| Lines in service (thousands) at year end | 10,285 | 11,320 | 11,794 |
| Wireless | 8,157 | 9,158 | 9,535 |
| Fixed | 2,128 | 2,162 | 2,259 |
| Average monthly minutes of use per subscriber | 138 | 116 | 108 |
| Churn rate ⁽²⁾ | 1.6% | 2.0% | 2.2% |
| UNITED STATES | | | |
| Operating revenues (millions) | Ps.15,604 | Ps.16,545 | Ps.22,857 |
| Average monthly revenues per subscriber ⁽¹⁾ | 134 | 122 | 136 |
| Operating income (millions) | 1,503 | 943 | 956 |
| Cellular lines in service (thousands) at year end | 9,514 | 11,192 | 14,427 |
| Average monthly minutes of use per subscriber | 72 | 76 | 81 |
| Churn rate ⁽²⁾ | 4.6% | 3.8% | 4.0% |
| DOMINICAN REPUBLIC⁽⁷⁾ | | | |
| Operating revenues (millions) | Ps.10,990 | Ps.11,241 | Ps.14,250 |
| Average monthly revenues per subscriber ⁽¹⁾ | 142 | 120 | 121 |
| Operating income (millions) | 3,946 | 3,373 | 3,891 |
| Lines in service (thousands) at year end | 3,430 | 4,649 | 5,591 |
| Cellular | 2,682 | 3,877 | 4,826 |
| Fixed | 748 | 772 | 765 |
| Average monthly minutes of use per subscriber | 104 | 97 | 82 |
| Churn rate ⁽²⁾ | 4.3% | 4.2% | 4.6% |
| CARIBBEAN⁽⁸⁾ | | | |
| Operating revenues (millions) | Ps.9,780 | Ps.12,884 | Ps.14,780 |
| Average monthly revenues per subscriber | 431 | 385 | 381 |
| Operating income (millions) | 1,332 | 1,612 | 361 |
| Lines in service (thousands) at year end | 1,734 | 1,764 | 1,992 |
| Cellular | 814 | 932 | 1,226 |
| Fixed | 920 | 832 | 766 |
| Average monthly minutes of use per subscriber ⁽¹⁾ | 980 | 898 | 942 |
| Churn rate ⁽²⁾ | 3.0% | 1.9% | 3.1% |

(1) Average for the year of the amount obtained each month by dividing service revenues by the average number of customers during such month. The figure includes both prepaid and postpaid customers.

(2) Total number of customer deactivations for a period divided by total subscribers at the beginning of such period.

(3) Includes our operations in Argentina, Chile, Paraguay and Uruguay.

(4) We began consolidating the results of Panama in March 2009.

(5) Includes our operations in Ecuador and Peru.

(6) Includes our operations in El Salvador, Guatemala, Honduras and Nicaragua. For our operations in Central America, average monthly revenues per subscriber, average monthly minutes of use per subscriber and churn rate are presented only with respect to our wireless services in these countries and do not take into consideration our fixed-line services.

(7) Average monthly revenues per subscriber, average monthly minutes of use per subscriber and churn rate are presented only with respect to our wireless services in this country and do not take into consideration our fixed-line services.

(8) Includes our operations in Puerto Rico and Jamaica. We began consolidating the results of Puerto Rico in April 2007 and of Jamaica in December 2007.

We own, directly or indirectly, a substantial majority of the telephone plant of our non-Mexican operations.

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Brazil (Claro Participações)

General

Claro Participações S.A. or Claro Participações, through its subsidiaries is one of the three largest providers of wireless telecommunication services in Brazil, with an estimated nationwide market share in Brazil at December 31, 2009, of approximately 25.5%. Brazil is the largest market in Latin America in terms of wireless customers.

Claro Participações provides services in Brazil under a unified brand name and it offers a variety of rate plans to its postpaid customers and offers prepaid services in all of its markets. At December 31, 2009, Claro Participações served approximately 44.4 million subscribers compared to 38.7 million subscribers at December 31, 2008 and our licensed area covered approximately 192 million licensed points of presence. At December 31, 2009, approximately 80.5% of Claro Participações subscribers were prepaid customers.

Claro Participações owns and operates cellular networks using GSM and UMTS/HSDPA digital technology. We operate in Brazil under the PCS (*Serviço Móvel Pessoal*) regime. Claro Participações launched its GSM network in 2003 in certain major urban areas, and as of December 31, 2009, the GSM network covered more than 3,290 cities and was used by 96.2% of Claro Participações wireless subscribers. We continue rolling out the GSM network with the goal of providing similar coverage as the Band A incumbent providers in the major markets.

In addition, during the fourth quarter of 2007, we began offering 3G services in Brazil under our new UMTS/HSDPA network. We continue the rollout of UMTS/HSDPA technologies in Brazil and by December 31, 2009, our UMTS/HSDPA network covered 391 towns, where approximately 54.8% of Brazil's population resides. We were the first operator to offer 3G services in Brazil. In order to rollout 3G services in Brazil, during the 2007 auction, we acquired 20 megahertz of additional spectrum in each of five regions and 30 megahertz of additional spectrum in each of six regions.

We have built our operations in Brazil through a number of transactions commencing in 2000 and ending with the acquisitions of operators in the metropolitan area of São Paulo and in the states of Ceará, Piauí, Rio Grande do Norte, Paraíba, Pernambuco and Alagoas during 2003 and the acquisition of a license in the Minas Gerais region in 2005. In April 2005, Stemar, a company owned by Claro, was awarded a license to operate wireless services in the Minas Gerais region. In September 2007, Claro acquired licenses to operate wireless services in the cities of Londrina and Tamarana (Paraná) and the north region (Amazonas, Pará, Maranhão, Roraima and Amapá) in Brazil. At December 31, 2009, our two principal operating subsidiaries, Claro S.A. and Americel, had approximately 9,485 employees. We own all of our network equipment in Brazil.

We operate in Brazil through two principal operating subsidiaries, Claro and Americel. Claro is licensed to operate in the metropolitan area of São Paulo and in the states of Rio de Janeiro, Espírito Santo, São Paulo, Rio Grande do Sul, Santa Catarina, Paraná, Ceará, Piauí, Rio Grande do Norte, Paraíba, Pernambuco, Alagoas, Bahia, Sergipe, Minas Gerais, Amazonas, Pará, Maranhão, Roraima and Amapá, and Americel in seven states in the central-west and northern regions of Brazil.

Through a number of holding companies we own more than 99.9% of the share capital of Claro S.A. and 99.3% of the share capital of Americel. BNDESPar (the private equity arm of BNDES, the Brazilian development bank) holds approximately 0.03% and 0.62% of the share capital of Claro and Americel, respectively.

Sales and Distribution

Claro Participações markets its wireless services primarily through retail chains (approximately 8,521 points of sale) and exclusive distributors (dealers) (approximately 3,056 points of sale) located throughout the regions

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where it operates in Brazil. In the year ended December 31, 2009, approximately 55% of Claro Participações' sales of handsets were generated by retail chains, 20% by exclusive distributors (dealers) and approximately 5% from sales in company-owned stores, of which there are approximately 179. Claro Participações also sells and distributes its products and services over the Internet.

Claro Participações has implemented permanent training and evaluation programs for dealers to help maintain the level of service quality.

Claro Participações' company-owned retail stores offer one-stop shopping for a variety of cellular services and products. Walk-in customers can subscribe for postpaid plans, prepaid plans, purchase prepaid cards and purchase handsets. Claro Participações' stores serve as customer sales and service centers and Claro Participações expects to continue to open new service centers as necessary in order to offer its products directly to subscribers in more effective ways.

Claro Participações has a corporate sales group to service the needs of its large corporate and other high-usage customers.

Billing and Collection

Claro Participações bills its postpaid customers through monthly invoices, which detail itemized charges such as usage, services such as voicemail, and long-distance and roaming charges, in addition to applicable taxes. Customers may pay their bills with a credit card, through online banking, or in person at the post office or outlets of federal lottery houses (*Casas Lotéricas*).

If a postpaid customer's payment is overdue, service may be suspended until the payment for outstanding charges is received. If the subscriber's payment is more than 60 days past due, service may be discontinued. Accounts that are more than 180 days past due are categorized as doubtful accounts together with all other accounts related to the same client.

A prepaid customer who purchases a card has between 90 and 180 days from the date of activation of the card to use the airtime. After such time, the customer can no longer use that airtime for outgoing calls unless the customer activates a new card. Sixty days after the card expires, unless the customer activates a new card, the balance on the card, if any, is recognized as revenue.

Competition

Although the number of competitors has decreased primarily as a result of consolidation, competition in the Brazilian wireless industry is substantial and varies by region. In addition to us, there are three other groups in Brazil with significant nationwide coverage. The largest is Vivo, a joint venture between Telefónica Móviles and Portugal Telecom. The joint venture or one of its partners owns interests in some of the wireless companies that were created upon the breakup of Telebrás. The others are Telecom Italia Mobile (TIM) and Grupo Oi, which incorporated Brasil Telecom's operations, with substantial government participation (49% through BNDES), becoming the largest fixed line operator and the fourth largest wireless operator. Other regional competitors are CTBC and Sercomtel. We also face competition from Nextel, a joint venture between Motorola and Nextel Communications, Inc., for trunking services to the corporate segment in urban areas.

Since we began providing 3G services in 2008, we also face competition in the broadband internet market from mobile companies that also offer 3G services as well as from other telecommunications companies and cable television operators, which were already providing broadband internet access services through asymmetric digital subscriber line (ADSL) or cable technology.

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Regulatory environment

Under the General Telecommunications Law (*Lei Geral de Telecomunicações*) an independent regulatory agency, Anatel, regulates the telecommunications industry. Anatel has the authority to grant concessions and licenses for all telecommunications services, except for broadcasting services.

Beginning in 1997, there have been two cellular service providers in all markets in Brazil, one operating in subfrequency Band A and another in subfrequency Band B. Since 1999, the entire Brazilian telecommunications sector has been open to competition.

In September 2000, Anatel published guidelines for the implementation of PCS (*Serviço Móvel Pessoal*) operations in Brazil. Under the guidelines, Brazil is divided into three regions for PCS operations within the 1800 megahertz frequency, as opposed to ten regions for the cellular service providers. All concessionaires in Brazil have migrated to the PCS regime. Upon migration to PCS, the Band A and Band B cellular providers have the right to apply for long distance services licenses and are no longer subject to cellular regulations that restricted them from operating in more than two regions per Band. Regulations require that migrating companies adopt PCS service plans and provide for the establishment of charges for the use of one operator's network by another. During 2003, our operating companies in Brazil exchanged their original concessions for 15-year PCS authorizations. The 15-year period started from the time the original concessions were granted, generally in 1997 or 1998. The operating companies may extend the term of the license for an additional 15 years, upon the payment of a fee.

The September 2000 guidelines also established rules regarding the selection of up to three additional wireless providers per region, corresponding to Bands C, D and E. Beginning in February 2001, Anatel initiated a series of auctions through which it sold rights to D-Band and E-Band licenses. After canceling the auction of new licenses under the C-Band, Anatel implemented procedures in May 2002 for the sale of C-Band bandwidth in installments not to exceed 50 megahertz per existing service provider, through which each of Claro Participações' principal operating companies acquired bandwidth.

In December 2007, Anatel auctioned the remaining spectrum of Bands A, B, C, D, and E to existing service providers as extension blocks. In this auction, we acquired spectrum to initiate operations in the northern region of Brazil (Amazonas, Pará, Maranhão, Amapá and Roraima) and in the cities of Londrina and Tamarana.

As part of Anatel's plan to auction 3G licenses (in the 2100 megahertz spectrum), Anatel issued a resolution in 2006 increasing the maximum overall spectrum permitted per operator from 50 megahertz to 80 megahertz. In December 2007, Anatel auctioned new 3G bands (Bands F, G, I and J in the 2100 megahertz spectrum) dividing Brazil into 11 regions. In that auction, we acquired 20 megahertz of additional spectrum in each of five regions and 30 megahertz of additional spectrum in each of six regions. Anatel imposed certain coverage obligations related to the purchase of additional spectrum to be fully-implemented during an eight-year period. One of the more relevant obligations require the four main operators in Brazil to provide mobile services in every city where there is no current provider by 2010. Claro S.A. is responsible for 25% or 459 of the relevant cities identified by Anatel. By the end of 2009, Claro S.A. had complied with the coverage of 269 cities, with the obligation to cover the remaining 190 in July 2010. If the coverage obligations assumed by Claro S.A. are not complied with, our operation may suffer regulatory penalties.

In Brazil, rates for telecommunications services are regulated by Anatel. In general, PCS licensees are authorized to increase basic plan rates only for inflation (less a factor determined by Anatel based on the productivity of each operator during the year) and on an annual basis. However, operators are allowed to create non-basic plans (known as alternative plans) and modify them, without prior Anatel approval. Discounts from existing service plans, both basic and non-basic, are allowed without Anatel approval.

Currently, operators determine interconnection fees by agreement, subject to Anatel intervention only in case of disputes. On February 2005, Anatel commenced an arbitration proceeding against all mobile and fixed

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line operators in Brazil regarding the inflation adjustment applied by operators on the interconnection fees. The operators agreed on an interim price adjustment of 4.5% on mobile interconnection fees. In 2006, the arbitration panel requested that the operators hire a consulting firm to analyze and recommend a resolution to the arbitration. Because operators could not agree on a single firm, two firms were hired and each presented a report to Anatel. For the remaining proceedings, Anatel decided in 2009 to confirm the 4.5% interim adjustment. During 2007 and 2008, we entered into agreements with all mobile and some fixed operators in Brazil establishing interconnection fees. In 2009 we were unable to readjust interconnection fees as a result of Anatel determination that there should be no increase in the fixed to mobile public charges. As the mobile network termination fees are directly related to this charge, we were unable to readjust the interconnection fees. During the first quarter of 2010, fixed operators increased public charges and, therefore, we were able to readjust our interconnection fees.

In 2009, interconnection fees were submitted to investigation by the Economic Defense Department under the allegation of price squeeze.

In the auction rules for 3G licenses published in 2007, it was established that, by October 2009, all service authorizations terms should be unified under three major areas. During the last quarter of 2009, Anatel determined that interconnection fees should be submitted to negotiation between operators to establish a unified value. We expect that during 2010 we will reach an agreement with other operators. Should the value be determined other than the average, we may suffer a financial impact.

In 2005, Anatel defined a series of cost-based methods, including the fully allocated cost methodology, for determining interconnection fees charged by operators belonging to an economic group with significant market power. Anatel has not published all of the applicable regulations, but the implementation of the cost-based methodology is expected to take effect in 2010. In 2009, mobile operators in Brazil provided Anatel with 2008 annual operating data. This information is intended to support Anatel's future cost-based methods for determining interconnection fees. When these methods are ultimately implemented and if we are deemed to be an economic group with significant market power, the revenues and results of operations of our Brazilian operations may be affected. Anatel had recently published a public consultation determining that economic groups with more than 20% of market share will be considered with significant market power only for purposes of interconnection fees. Should this proposal be approved, we are deemed to be an economic group with significant market power.

In July 2006, Brazilian regulators adopted a change in the interconnections regime relating to the methodology required for the recognition of interconnection fees. Under the new methodology (full bill), we recognize interconnection revenues (and costs) on a gross basis, rather than on a net basis as required by the prior system (bill and keep).

In March 2007, Anatel issued a resolution establishing the portability of fixed and mobile numbers. Through this resolution, customers have the option of retaining the fixed and mobile numbers if and when they change service providers within each state of Brazil. The implementation process of this resolution took two years, with national roll out that began in August 2008 in certain cities and ended in March 2009. Anatel has nominated an independent entity, supported by mobile and fixed operators, to manage portability solicitations and has determined, through an administrative ruling, the maximum one-time fee to be charged to a customer for the election to retain its number.

In 2007, Anatel issued a revision of the PCS rules which revision came into effect in February 2008. Under the revised PCS rules, service providers are required to implement customer service centers in all regions of Brazil with more than 100,000 inhabitants, charge only for delivered SMS messages and reimburse unused prepaid credits. Other main changes to the PCS rule include the regulation of the duration of contracts with a given operator (maximum of 12 months per contract) and the right of customers to change service plans with the same operator without penalties.

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In 2008, Anatel approved the General Regulatory Plan (or PGR) which identifies significant issues in the telecom industry and sets forth a timetable for future regulations. The PGR included Anatel's plans within the next two years to regulate MVNO (Mobile Virtual Network Operators) practices, expand broadband services to rural and low-income areas and implement rules related to fixed incumbents infrastructure usage. Regulation of MVNO is expected to be published in 2010.

Anatel has also shown intention to organize several auctions in 2010 in connection with the remaining available spectrum in the 2,100, 1,900, 1,800, 900 and 850 MHz frequencies, and 3.5GHz frequencies (3,400 to 3,600 MHz). It is also expected that Anatel will allocate the 2.5GHz (2,500 to 2,690 MHz) frequency by the end of 2010.

Southern Cone

Argentina (AMX Argentina)

AMX Argentina Holdings S.A. (previously named CTI Holdings) provides nationwide PCS wireless service in Argentina under the Claro brand name, through its subsidiary AMX Argentina, S.A., or AMX Argentina. During the first quarter of 2008, we re-branded our services in Argentina to Claro, from CTI Móvil. We own a 100% interest in AMX Argentina, which we acquired through a series of transactions in 2003 and 2004. Since the acquisition, AMX Argentina's subscriber base has grown significantly, from 1.3 million in October 2003 to 17 million at December 31, 2009.

At December 31, 2009, AMX Argentina had approximately a 35.1% share of the Argentine wireless market. Approximately 73% of AMX Argentina's subscribers at December 31, 2009 resided in the interior of Argentina and the balance in the greater Buenos Aires region.

AMX Argentina began providing services in the interior of Argentina in 1994 and in Greater Buenos Aires in 2000. AMX Argentina offers basic cellular service through a variety of rate plans and also offers prepaid services. Prepaid customers represented 87.5% of AMX Argentina's total subscribers as of December 31, 2009. In addition, AMX Argentina offers long distance and value added services.

AMX Argentina's cellular network uses GSM technology and covers approximately 100% of Argentina's population. During the fourth quarter of 2007, AMX Argentina launched third generation technology networks (UMTS/HSDPA) in certain urban areas of Argentina. During 2008, we expanded the 3G coverage to the largest cities and capitals of the provinces. As of December 31, 2009, we had 3G coverage in more than 400 cities across Argentina. At December 31, 2009, AMX Argentina had 2,312 employees.

In January 2009, the Communications Ministry (*Secretaría de Comunicaciones de la Nación*) issued Resolution 8/09, announcing the creation of a working group for the elaboration of a draft of regulation for number portability (*Anteproyecto del Régimen de Portabilidad Numérica*).

AMX Argentina's principal competitors are: Telecom Personal, a subsidiary of Telecom Argentina, the principal telecom operator in Argentina, which is controlled by Telecom Italia, and Movistar, a subsidiary of Telefónica Móviles.

AMX Argentina holds licenses covering the entire Argentine territory. These licenses contain coverage, reporting and service requirements, but do not have a fixed expiration date. The Communications Ministry is in charge of supervising the telecommunications industry in Argentina. It is authorized to foreclose and sell the shares of a licensee in case of specified breaches of the terms of a license.

Chile (Claro Chile)

In August 2005, we began providing wireless services in Chile through Claro Chile S.A., or Claro Chile.

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Claro Chile provides nationwide wireless service in Chile under the Claro brand name. We own a 100% interest in Claro Chile, which we acquired in August 2005 from Endesa Participadas, S.A. We began including the results of Claro Chile in our audited consolidated financial statements in September 2005. Claro Chile had approximately 3.6 million wireless subscribers as of December 31, 2009.

At December 31, 2009, Claro Chile had approximately a 20.5% share of the Chilean wireless market and was the third largest wireless operator in Chile measured by the number of subscribers.

Claro Chile was granted one of three nationwide PCS licenses in 1997. In 1998, it began providing services in Chile under the Chilesat PCS brand, which was changed in 1999 to Smartcom and in 2006 to Claro. Claro Chile offers basic cellular service through a variety of rate plans and also offers prepaid services. Prepaid customers represented 85.3% of Claro Chile's total subscribers as of December 31, 2009. In addition, Claro Chile offers long distance and value added services.

Claro Chile's cellular network uses GSM technology and CDMA technology. In 2007, we launched a third generation UMTS network which covered 77.95% of the Chilean population by year-end 2008. Claro Chile deployed a nationwide GSM and UMTS network in 2008 that covers all urban zones in Chile. By the end of 2008, the GSM network covered 99.09% of the population. Claro Chile was the first operator to offer 3G services in Chile, during the fourth quarter of 2007. As of December 31, 2009, the GSM network covered 99.3% and the UMTS network covered 84.9% of the population. At December 31, 2009, Claro Chile had 1,512 employees.

Claro Chile's principal competitors are Entel PCS and Movistar, a subsidiary of Telefónica Móviles.

Claro Chile holds a concession covering the entire Chilean territory. The concession was awarded in June 1997 and covers a 30-year period. The concession contains coverage, reporting and service requirements. The Chilean Transportation and Communications Ministry (*Ministerio de Transporte y Telecomunicaciones*) is in charge of supervising the telecommunications industry in Chile. It is authorized to foreclose and sell the shares of a concessionaire in case of specified breaches of the terms of the concession.

In May 2006, Claro Chile acquired from Telefónica Móviles a concession for the use of 25 megahertz within the 850 megahertz frequency, which permits Claro Chile to increase the wireless services it provides. The term of this concession is for a 25-year period for the Metropolitan area and Region V and for an indefinite period for the rest of Chile.

Paraguay (AMX Paraguay)

In July 2005, we began providing wireless services in Paraguay through AMX Paraguay, S.A., or AMX Paraguay.

AMX Paraguay provides nationwide wireless service in Paraguay under the Claro brand. During the first quarter of 2008, we re-branded our services in Paraguay to Claro, from CTI Móvil. We own 100% interest in AMX Paraguay, which we acquired in July 2005 from Hutchison Telecom. We began including the results of AMX Paraguay in our audited consolidated financial statements in August 2005. AMX Paraguay had approximately 0.5 million wireless subscribers as of December 31, 2009.

At December 31, 2009, AMX Paraguay had approximately 9% share of the Paraguayan wireless market and was the third largest wireless operator in Paraguay measured by the number of subscribers.

AMX Paraguay offers basic cellular service through a variety of rate plans and also offers prepaid services. Prepaid customers represented 66% of AMX Paraguay's total subscribers as of December 31, 2009. In addition, AMX Paraguay offers value added services.

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AMX Paraguay's cellular network uses GSM technology and covers approximately 83% of Paraguay's population. AMX Paraguay is expanding its nationwide GSM network in Paraguay. AMX Paraguay began offering 3G services in Paraguay, using a new UTM/HS-DPA network, during the fourth quarter of 2007 and continued the expansion of the 3G network during 2008. As of December 31, 2009, we had 3G coverage in more than 40 cities across Paraguay. At December 31, 2009, AMX Paraguay had 77 employees.

AMX Paraguay's principal competitors are: Telecel (Milicom International), Nucleo, a subsidiary of Telecom Personal, the wireless operator of Telecom Argentina, and Hola Paraguay (KDDI Corporation).

AMX Paraguay holds a nationwide PCS 1900 spectrum license for a five-year term starting on January 26, 2009. The company also holds an Internet Access license covering the entire territory for a 5-year period starting on December 19, 2007. The licenses are renewable, subject to regulatory approval, and contain coverage, reporting and service requirements. The National Telecommunications Commission of Paraguay (*Comisión Nacional de Telecomunicaciones de Paraguay*) is in charge of supervising the telecommunications industry in Paraguay. It is authorized to cancel licenses in case of specified breaches of the terms of a license.

AM Wireless Uruguay

In June 2004, we acquired a 20-year license to operate three broad-band PCS frequencies in Uruguay. We began providing wireless services in Uruguay in December 2004, through AM Wireless Uruguay, S.A., or AM Wireless Uruguay. AM Wireless Uruguay uses GSM technology to provide service to its customer base. Its cellular network uses GSM technology and covers approximately 90% of Uruguay's population.

AM Wireless Uruguay began offering 3G services in Uruguay, using a new UTM/HS-DPA network, during the fourth quarter of 2007, and continued the expansion of the 3G network in 2008. As of December 31, 2009, we had 3G coverage in more than 80 cities across Uruguay. As of December 31, 2009, AM Wireless Uruguay had approximately 0.8 million wireless subscribers. AM Wireless Uruguay had 185 employees at December 31, 2009.

During the first quarter of 2008, we re-branded our services in Uruguay to Claro, from CTI Móvil.

As of December 31, 2009, AM Wireless Uruguay had approximately a 19% share of the Uruguayan wireless market. AM Wireless Uruguay offers basic cellular services through a variety of rate plans and prepaid services. Prepaid customers represented 78% of total subscribers as of December 31, 2009.

AM Wireless Uruguay's principal competitors are: Movistar, a subsidiary of Telefónica Móviles and Ancel, a company controlled by the Uruguayan government.

The Regulatory Unit of Communications Services (*Unidad Reguladora de Servicios de Comunicaciones*) is in charge of supervising the telecommunications industry in Uruguay.

Colombia (Comcel)

Comunicación Celular S.A., or Comcel, provides wireless telecommunications services in the eastern, western and Caribbean regions of Colombia. We have operated in the eastern and western regions of Colombia since 2002 and in the Caribbean region since February 2003. We own approximately 99.4% of the share capital of Comcel.

At December 31, 2009, Comcel had approximately 27.7 million subscribers, compared to 27.4 million subscribers at December 31, 2008, and had a 68% share of the wireless market. During the first quarter of 2008, Comcel began offering 3G services in Colombia under a new UTM/HS-DPA network. Comcel was the first operator to offer 3G services in Colombia. As of December 31, 2009, Comcel's UTM/HS-DPA network currently covers 965 urban sites in Colombia, which account for approximately 86% of the country's population.

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Comcel offers basic cellular service through a variety of rate plans and also offers prepaid service. Prepaid customers represented 86% of Comcel's total subscribers as of December 31, 2009. Purchasers of Comcel's Amigo kit for prepaid service receive a cellular phone together with airtime included, enabling the customer to activate wireless service without contracts, monthly fees or credit checks. Comcel markets its services through independent local distributors and a direct sales force. In addition, Comcel and its distributors have arrangements with various supermarkets for the distribution of all of Comcel's basic services and products as well as the provision of technical service and assistance. The Amigo prepaid card is available in more than 58,000 locations nationwide and there are more than 304,000 virtual points of sale. Comcel's strategy is to continue to expand its customer base through the build-out of its network.

At December 31, 2009, Comcel had 3,910 employees.

In each of the three regions of Colombia, we compete with Telefónica Móviles and Colombia Móvil, a consortium acquired by Millicom in 2006. Colombia Móvil started nationwide commercial operations in November 2003. Comcel also competes with traditional fixed-line telephone service operators. In addition, Comcel faces competition from alternative wireless services, including mobile radio and paging services, rural wireless operators and trunking services. These competing wireless services are widely used in Colombia as a substitute for fixed-line services.

The Ministry of Communications and the CRC are responsible for regulating and overseeing the telecommunications sector, including cellular operations. The Ministry of Communications, which granted the cellular concessions in 1994, supervises and audits the performances of the concessionaires' legal and contractual obligations. The activities of Comcel are also supervised by the Colombian Superintendency of Industry and Commerce (*Superintendencia de Industria y Comercio* or *SIC*), which enforces antitrust regulations, promotes free competition in the marketplace and protects consumer rights.

In September 2009, the CRC issued a series of resolutions stating that Comcel has a dominant position in Colombia's market for outgoing mobile services. Under Colombian law, a market participant is considered to have a dominant position in a specified market if the regulators determine that it has the capacity to control the conditions in that market. The CRC made its determination based on Comcel's traffic, revenues and subscriber base. The resolutions also included regulations that would require Comcel to charge rates (excluding access fees) for mobile-to-mobile calls outside the Comcel network (off net) that are no higher than the fees charged for mobile-to-mobile calls within the Comcel network (on net) plus access fees. The regulations were first implemented on December 4, 2009 and Comcel does not expect them to have a material impact on its business and results of operations in Colombia. See *Legal Proceedings - Comcel Dominant Position* under Item 8.

Comcel holds ten-year concessions, acquired in 1994, to provide wireless telecommunications services in the eastern, western and Caribbean regions of Colombia. Under the terms of the concessions, Comcel is required to make quarterly royalty payments to the Ministry of Communications based on its revenues. Under the terms of an agreement entered into in March 2004, the Ministry of Communications agreed to renew Comcel's concessions through 2014.

Panama

In May 2008, Claro Panamá, S.A., or Claro Panamá, our Panamanian subsidiary, obtained a license for the provision of mobile voice, data and video services in Panama. The license grants the right for use of 30 megahertz in the 1900 megahertz band for a 20-year period. We paid U.S.\$86 million (Ps. 894 million) for the license. In March 2009, Claro Panamá began providing wireless services in Panama.

On December 31, 2009, Claro Panamá had approximately 0.1 million wireless subscribers. Prepaid customers represented 83.8% of Claro Panamá's total subscribers as of December 31, 2009. Claro Panamá uses GSM technology to provide service to its customer base. At December 31, 2009, Claro Panamá had approximately 143 employees.

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Teléfono Móviles (Movistar) and Cable & Wireless currently provide wireless services in Panama, and Digicel acquired a license to provide services in May 2008.

Claro Panamá's business is subject to comprehensive regulation and oversight by the National Authority of Public Services (*Autoridad Nacional de Servicios Públicos*).

Andean Region

Ecuador (Conecel)

Consorcio Ecuatoriano de Telecomunicaciones, S.A., or Conecel, is a wireless telecommunications operator in Ecuador. We own 100% of the share capital of Conecel.

At December 31, 2009, Conecel had approximately 9.4 million subscribers, compared to approximately 8.3 million at December 31, 2008, representing a 70% share of the Ecuadorian wireless market. Prepaid customers represented 88.7% of Conecel's total subscribers as of December 31, 2009.

Conecel owns and operates a cellular network that uses GSM technology. In November 2007, it launched a new UMTS/HSDPA network. The GSM network provides nationwide coverage and the UMTS network covers the three largest cities (Quito, Guayaquil and Cuenca), which together account for approximately 36% of Ecuador's population.

At December 31, 2009, Conecel had 1,858 employees.

Conecel's principal competitor is Telefónica Móviles (Otecel Móviles), which following the purchase of the Bell South properties in Ecuador in 2004 offers wireless local, national and international long-distance and public telephone services in Ecuador.

Conecel is subject to regulation from:

the National Telecommunications Counsel (*Consejo Nacional de Telecomunicaciones*, or Conatel), which is responsible for policy-making in the telecommunications area;

the National Telecommunications Secretariat (*Secretaría Nacional de Telecomunicaciones*, or Senatel), which is responsible for executing Conatel's resolutions;

the Telecommunications Agency (*Superintendencia de Telecomunicaciones* or Suptel), which monitors the use of authorized frequencies and compliance with concession provisions; and

Telecommunications and Information Society Ministry (*Ministerio de Telecomunicaciones y Sociedad de la Información*), which was created in August 2009 and is responsible for the telecommunications industry's development.

In 2006, Conecel obtained a concession to operate 10 megahertz on the 1900 megahertz (Sub Band E-E) radio spectrum. This included a concession for PCS services granted in August 2008 that expires in August 2023, and concessions for data transmission and Internet services granted in May 2002 that expire in May 2017. The new PCS concession allows us to provide 3G services and contains stricter quality of service requirements regarding issues such as number of successful call completions, average delivery time of SMS services, area coverage and service.

Portability was established in Ecuador in October 2009 by a Conatel resolution.

Peru (América Móvil Perú)

In August 2005, we began providing wireless services in Peru through América Móvil Perú, S.A.C., or América Móvil Perú.

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América Móvil Perú provides nationwide wireless service in Peru under the Claro brand. We own a 100% interest in América Móvil Perú, which we acquired in August 2005 from TIM International N.V., a member of the Telecom Italia group, for a purchase price of 407 million (330 million after net debt adjustments) (Ps. 4,762 million). We began including the results of América Móvil Perú in our consolidated financial statements in September 2005. América Móvil Perú had approximately 8.3 million wireless subscribers as of December 31, 2009.

At December 31, 2009, América Móvil Perú had approximately 40.3% share of the Peruvian wireless market and was the second largest wireless operator in Peru measured by the number of subscribers.

América Móvil Perú began providing services in certain regions of Peru in 2001. América Móvil Perú offers basic cellular service through a variety of rate plans and also offers prepaid services. Prepaid customers represented 89% of América Móvil Perú's total subscribers as of December 31, 2009. In addition, América Móvil Perú offers long distance and value added services.

América Móvil Perú's cellular network uses GSM technology and, as of December 31, 2009, covers approximately 85% of Peru's population. América Móvil Perú has the largest GSM coverage among all mobile operators in Perú. América Móvil Perú was the first operator to offer 3G services. During the second quarter of 2008, América Móvil Perú began offering 3G services under a new UMTS/HSDPA network using 850 Mhz band B and Segment B (total 25 Mhz). América Móvil Perú's UMTS/HSDPA network currently covers 194 districts, 43% of Perú's population. At December 31, 2009, América Móvil Perú had 1,794 employees.

América Móvil Perú's principal competitor is Movistar Perú, a subsidiary of Telefónica Móviles.

América Móvil Perú holds concessions to provide mobile, PCS, fixed, long-distance and value added services covering all departments in Perú. The concessions were awarded by the Ministry of Transportation and Communications (*Ministerio de Transportación y Comunicaciones*) in May 2000, March 2001 and December 2002, respectively, and each covers a 20-year period. The concessions contain coverage, reporting and service requirements. The Supervising Entity of Private Investment in Telecommunications of Peru (*Organismo Supervisor de Inversión Privada en Telecomunicaciones del Perú*) is in charge of supervising the telecommunications industry in Peru. The Ministry of Transportation and Communications (*Ministerio de Transportación y Comunicaciones*) is authorized to cancel the concessions in case of specified breaches of the terms of a concession.

Mobile number portability was implemented in January 2010, and during the first quarter of 2010, requests transferring to América Móvil Perú amounted to 74% of total portability requests.

Central America

El Salvador (CTE)

Compañía de Telecomunicaciones de El Salvador, S.A., or CTE, and its subsidiaries provide fixed, mobile and other telecommunications services in El Salvador. In October 2003, we acquired a 51% interest in CTE from France Telecom and certain other investors. In December 2004, we acquired an additional 41.54% interest in CTE from the government of El Salvador. As a result of the two transactions and a number of public market transactions in El Salvador, we had a 95.8% interest in CTE at December 31, 2009.

At December 31, 2009, CTE had approximately 0.8 million fixed-line subscribers and a market share of approximately 80%.

CTE's wireless business is operated by its wholly-owned subsidiary CTE Telecom Personal S.A. de C.V. under the brand name Claro. The Claro cellular network uses GSM digital technology and covers approximately

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27% of the Salvadorean population. At December 31, 2009, Claro had approximately 1.9 million wireless subscribers, which we estimate represents a market share of approximately 30%. Claro offers both prepaid and postpaid plans.

CTE offers a variety of services through its fixed-line and wireless networks, including Internet access, data transmission and satellite television, and also sells handsets and related products. CTE also operates a telephone directory business in El Salvador and offers fixed-line services in Guatemala. CTE markets and distributes its services and products directly to customers and also employs a network of independent distributors for services and products other than basic telephony, such as prepaid calling cards and handsets. At December 31, 2009, CTE and its subsidiaries had approximately 2,266 employees.

CTE is the principal provider of fixed-line services in El Salvador. CTE's principal competitor in the wireless sector is TIGO, an affiliate of Millicom International, with a market share of approximately 44%. CTE also competes with Telefónica de El Salvador, an affiliate of Telefónica Móviles, Digicel, which is owned by a consortium of international investors, and Intelfon.

CTE's business is subject to comprehensive regulation and oversight by the Salvadorean Energy and Telecommunications Agency (*Superintendencia General de Electricidad y Telecomunicaciones*). CTE holds a concession from the Salvadorean government to operate its nationwide fixed-line network and Claro holds a nationwide PCS 1900 concession to operate its cellular network.

Guatemala (Telgua)

Telecomunicaciones de Guatemala, S.A., or Telgua, is a fixed-line and wireless telecommunications operator in Guatemala that was privatized in November 1998. Telgua also provides wireless, Internet, cable television, paging, data transmission and other services in Guatemala. We own approximately 99.2% of the stock of Telgua.

At December 31, 2009, Telgua had approximately 1.2 million fixed-line subscribers, which represented a market share of approximately 98%.

Telgua's wireless business is operated under the brand name Claro. Claro's cellular network uses CDMA digital technology and overlaid GSM technology. Telgua's network covers approximately 28% of its population. At December 31, 2009, Claro had approximately 4 million wireless subscribers, representing a market share of approximately 33%.

Telgua offers a variety of services through its fixed-line and wireless networks, including Internet access, data transmission, cable television, two-way communication systems used mainly for group communication, and dispatch applications, or trunking, and also sells handsets and related products. Telgua markets and distributes its services and products directly to customers and also employs a network of independent distributors for services and products other than basic fixed-line telephony, such as prepaid calling cards and handsets.

Telgua continues to be the principal provider of fixed-line services and is the second largest mobile operator in Guatemala. Telgua's competitors in the wireless sector are Millicom (Tigo), which is the market leader with 44% market share, and Telefónica Móviles (Movistar), which has 22% market share.

At December 31, 2009, Telgua had 2,554 employees.

Telgua's business is subject to comprehensive regulation and oversight by the Guatemalan Telecommunications Agency (*Superintendencia de Telecomunicaciones*) under the General Telecommunications Law (*Ley General de Telecomunicaciones*). Beginning in May 2006, Telgua's business is subject to regulation under certain dispositions of the free trade agreement among the Dominican Republic, Central American countries,

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including Guatemala, and the United States. Telgua holds a license from the Guatemalan government to operate its nationwide fixed-line network and numerous licenses to operate its cellular network on different frequencies and in all the national territory.

Nicaragua (ENITEL and ESTESA)

In December 2003, the Nicaraguan Government accepted our bid to acquire a 49% interest in Empresa Nicaragüense de Telecomunicaciones, S.A., or ENITEL, for a purchase price of U.S.\$49.6 million (Ps. 646 million). We consummated this acquisition in January 2004. ENITEL provides fixed, mobile and other telecommunications services in Nicaragua. In August 2004, we acquired an additional 50.03% interest in ENITEL from Megatel LLC and certain other investors for a price of U.S.\$128 million (Ps. 1,666 million). We own 99.5% of the stock of ENITEL.

At December 31, 2009, ENITEL had approximately 2.2 million wireless subscribers, which we estimate represents approximately 66% of the wireless market in Nicaragua, and approximately 0.3 million fixed-line subscribers, which represents 100% of the fixed-line market in Nicaragua.

ENITEL's wireless network uses GSM digital technology and covers approximately 74% of the Nicaraguan population and is operated under the brand name Claro. ENITEL is also a major provider of fixed-line services in Nicaragua. ENITEL offers a variety of services through its fixed-line and wireless networks, including Internet access and data transmission, and also sells handsets and related products. ENITEL markets and distributes its services and products directly to customers and also employs a network of independent distributors for services and products other than basic telephony, such as prepaid calling cards and handsets.

At December 31, 2009, ENITEL had 1,800 employees.

The principal competitor of ENITEL in the Nicaraguan wireless sector is Telefónica Móviles (Movistar), which has a market share of approximately 30%.

ENITEL's business is subject to comprehensive regulation and oversight by the Nicaraguan Telecommunications Agency (*Instituto Nicaragüense de Telecomunicaciones y Correos*) under the General Telecommunications and Postal Services Law (*Ley General de Telecomunicaciones y Servicios Postales*).

In August 2008, we acquired a 100% interest in Estesa Holding Corp., or ESTESA, a provider of cable television, broadband residential and corporate data services in Nicaragua, for a purchase price of U.S.\$47,841 million (Ps. 647,686 million).

Honduras (Sercom Honduras)

As part of the same transaction in which we agreed to purchase the additional 50.03% of ENITEL, we agreed to acquire all of the shares of Megatel de Honduras, S.A. de C.V., now called Servicios de Comunicaciones de Honduras, S.A. de C.V., or Sercom Honduras, which provides wireless and other telecommunications services in Honduras under the brand name Claro. The acquisition of Megatel de Honduras, S.A. de C.V. closed in June 2004.

At December 31, 2009, Sercom Honduras had approximately 1.4 million wireless subscribers, representing approximately 20% of the wireless market in Honduras. The Company uses GSM technology to provide service to its customer base. At December 31, 2009, Sercom Honduras had approximately 621 employees.

The principal competitor of Sercom Honduras in the Honduran wireless sector is Celtel, an affiliate of Millicom International, which has a market share of approximately 65%. Digicel, which has a market share of approximately 14% and entered the Honduras wireless market in October 2008, and Honducel, which has a market share of approximately 1%, are additional competitors.

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Sercom Honduras business is subject to comprehensive regulation and oversight by the Honduran Telecommunications Agency (*Comisión Nacional de Telecomunicaciones*, or CONATEL) under the Telecommunications Law (*Ley Marco del Sector de Telecomunicaciones*).

United States (TracFone)

TracFone Wireless, Inc., or TracFone, is engaged in the sale and distribution of prepaid wireless service and wireless phones throughout the United States, Puerto Rico and the U.S. Virgin Islands. We own 98.2% of the capital stock of TracFone. We first acquired a controlling interest in TracFone in February 1999.

TracFone currently offers its prepaid wireless service and wireless handsets throughout the United States using an extensive distribution network. TracFone prepaid service is marketed and sold under the TracFone, Net10 and SafeLink wireless brands. At December 31, 2009, TracFone had approximately 14.4 million subscribers, including all three brands, all of which are prepaid subscribers, and is the largest operator in the U.S. prepaid cellular market. TracFone's subscriber base increased by approximately 29% in 2009.

TracFone does not own any wireless telecommunications facilities or hold any wireless licenses. Instead, it purchases airtime through agreements with approximately 10 wireless service providers and resells airtime to customers. Through these agreements, TracFone has a nationwide network covering virtually all areas in which wireless services are available. For the majority of the brands, customer usage is controlled using patented, proprietary software installed in each phone TracFone sells. TracFone provides customer service and manages customers as though it were a network-based carrier. TracFone has entered into agreements with Nokia, Motorola, LG, Samsung and Kyocera to enable them to include TracFone's software in various handsets they produce. TracFone's business model does not require any significant recurring capital expenditures. TracFone sells handsets through a variety of U.S. retail stores and sells its prepaid airtime through a large number of independent retailers throughout the United States.

As of December 31, 2009, TracFone had 634 employees.

TracFone competes with the major U.S. wireless operators and other mobile virtual network operators. As the prepaid market has grown in the U.S., many of these entities have increased their focus on prepaid wireless services and can be expected to continue to do so in the future. TracFone is subject to the jurisdiction of the U.S. Federal Communications Commission, or FCC, and to certain U.S. telecommunications laws and regulations. TracFone is not required to procure wireless licenses to carry out its business.

Caribbean

Dominican Republic (Codetel)

Compañía Dominicana de Teléfonos, C. por A., or Codetel, provides fixed-line and wireless services in the Dominican Republic.

Codetel provides nationwide fixed-line and wireless services in the Dominican Republic under the Codetel and Claro brands, respectively. We own 100% interest in Codetel, which we acquired on December 1, 2006 from Verizon Communications, Inc. for a purchase price of U.S.\$2.42 billion (Ps. 27,557 million) (U.S.\$2.02 billion (Ps. 23,121 million) before net cash adjustments). We began including the results of Codetel in our audited consolidated financial statements in December 2006.

Codetel had approximately 4.8 million wireless subscribers, 0.2 million broadband subscribers and approximately 0.8 million fixed line subscribers as of December 31, 2009. At December 31, 2009, Codetel had approximately 78.47% share of the Dominican fixed line market and was the largest fixed line operator in the Dominican Republic measured by the number of subscribers. Codetel had a 54% share of the wireless market and was the largest wireless operator in the Dominican Republic at December 31, 2009.

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Codetel began providing services in the Dominican Republic in 1930. It offers a variety of services through its fixed-line and wireless networks, including Internet access and data transmission, and also sells handsets and related products. It also offers basic cellular service through a variety of rate plans and also offers prepaid services. Prepaid customers represented 85% of Codetel's total wireless subscribers as of December 31, 2009. In addition, Codetel offers long distance and value added services.

Since May 1991, Codetel uses CDMA technology to provide wireless services to approximately 95% of the Dominican Republic's population. Since May 2007, Codetel has also used a GSM technology network that covers approximately 97% of the Dominican Republic's population. Codetel has a 3G network in place covering the most important cities and providing more than 1,400 kilometers of road coverage. At December 31, 2009, Codetel had 2,927 employees.

Codetel's principal wireless competitor is France Telecom (Orange). Tricom is Codetel's principal fixed-line competitor.

Codetel holds concessions to provide telecommunication services covering the whole territory of the Dominican Republic. The first concession was awarded by the Dominican government in 1930. The latest concession was awarded by the Dominican government in 1995 for a 20-year period retroactive as of April 1990, with automatic 20-year renewals. The concessions do not contain coverage, reporting or service requirements. The Dominican Institute of Telecommunications (*Instituto Dominicano de las Telecomunicaciones* or Indotel) is in charge of supervising the telecommunications industry in the Dominican Republic. Indotel is authorized to cancel the concessions in case of specified breaches of the terms of a concession.

Jamaica (Oceanic)

Oceanic Digital Jamaica Limited, or Oceanic, provides wireless and value-added services in Jamaica.

Oceanic provides nationwide wireless services in Jamaica under the Claro brand. We own 99.4% interest in Oceanic, which we acquired on November 5, 2007 for a purchase price of U.S.\$75.1 million (Ps. 800 million) (U.S.\$73.6 million (Ps. 796 million) before net cash adjustments). We began including the results of Oceanic in our audited consolidated financial statements in December 2007.

Oceanic had approximately 0.4 million wireless subscribers as of December 31, 2009, 95% of which were prepaid customers. At December 31, 2009, Oceanic had approximately 15.9% share of the Jamaican wireless market.

Oceanic began providing services in Jamaica in November 2001. It offers a variety of services through its wireless networks, including web access, and also sells handsets and related products. In addition, Oceanic offers long distance and value added services, such as SMS, web access and Push to Talk.

Oceanic's cellular network uses CDMA technology and covers approximately 65% of Jamaica's population. We are currently deploying GSM and UMTS networks, which are expected to cover at least 85% of the Jamaican population by the end of 2010. At December 31, 2009, Oceanic had 256 employees.

Oceanic's principal competitors are Digicel and LIME Wireless.

Oceanic holds concessions to provide wireless services covering all of Jamaica. The concessions contain coverage, reporting and service requirements. The Office of Utilities Regulator (OUR) is in charge of supervising the telecommunications industry in Jamaica. The OUR is authorized to cancel the concessions in case of specified breaches of the terms of a concession.

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Puerto Rico (TELPRI)

In April 2007, we began providing fixed-line and wireless services in Puerto Rico through Telecomunicaciones de Puerto Rico, Inc. or TELPRI.

On March 30, 2007, we acquired control of 100% of the issued and outstanding shares of common stock of TELPRI for an aggregate purchase price of U.S.\$1.89 billion (Ps. 20,946 million) (U.S.\$2.21 billion (Ps. 25,050 million) before net debt adjustments). We acquired 62.01% of TELPRI's share capital from Verizon Communications, Inc., 28% from the Puerto Rico Telephone Authority, 12.99% from Popular Inc. and 7% from an employee stock ownership plan. TELPRI provides island-wide fixed-line services under the Puerto Rico Telephone (PRT) brand and wireless services under the Claro brand.

TELPRI began providing services in Puerto Rico in 1914 and is the leading full service telecommunications provider on the island offering fixed and mobile services, long distance (local, USA, international), broadband and value-added services island-wide through an advanced 100% digital infrastructure. The Claro brand offers video, voice and data services and has both post and prepaid rate plans.

At December 31, 2008, TELPRI had approximately 0.8 million fixed-line subscribers, 0.2 million broadband subscribers and 0.8 million wireless subscribers. On the fixed line side, TELPRI has an estimated 86.9% share of the residential-market making it the largest fixed line operator on the island. At December 31, 2009, TELPRI's Claro had approximately 25.9% share of the Puerto Rican wireless market. Postpaid customers represented 63% of total subscriber base as of December 31, 2009.

TELPRI is a major provider of fixed-line services in Puerto Rico. TELPRI also offers basic cellular service through a variety of rate plans and also offers prepaid services. In addition, TELPRI offers long distance and value added services.

TELPRI deployed a GSM network with UMTS/HSDPA capabilities in late 2007 and is currently migrating its wireless customers on the previous CDMA network. The wireless market on the island is highly competitive with AT&T, Centennial, Sprint, T-Mobile and Open Mobile as TELPRI's competitors. AT&T is the largest wireless operator in Puerto Rico, with TELPRI in a close second position. In the fixed-line business Puerto Rico Telephone's principal competitors are Centennial Wireline, Worldnet Communications and other competitive local exchange carriers that resell PRT's services.

TELPRI holds concessions to provide PCS and long-distance services on the island. The concessions contain coverage, reporting and service requirements. The Federal Communications Commission, or FCC and the Telecommunications Regulatory Board of Puerto Rico oversee and regulate the telecommunications industry in Puerto Rico. The FCC has the authority to cancel the concessions in case of specified breaches of the terms.

At December 31, 2009, TELPRI had 3,980 employees.

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OTHER INVESTMENTS

We own a 45.0% interest in Telvista, a Delaware corporation that operates call centers in the United States. We can give no assurance as to the extent, timing or cost of future international investments, and such investments may involve risks to which we have not previously been exposed.

Table of Contents**CAPITAL EXPENDITURES**

The following table sets forth our consolidated capital expenditures (in nominal amounts) for each year in the three-year period ended December 31, 2009. The table below includes capital expenditures in property, plant and equipment. We have also dedicated resources to acquire new businesses and licenses and increase our interest in some of our subsidiaries, which in 2008 and 2007 amounted to Ps. 13,737 million and Ps. 26,045 million, respectively. See **Liquidity and Capital Resources** **Capital Requirements** under this Item 5.

| | Year ended December 31, ⁽¹⁾ | | |
|--------------------------------------|--|---------------------|-------------------|
| | 2007 | 2008 ⁽²⁾ | 2009 |
| | (millions of nominal Mexican pesos) | | |
| Transmission and switching equipment | Ps. 32,100 | Ps. 50,278 | Ps. 41,018 |
| Other | 2,522 | 6,856 | 4,377 |
| Total capital expenditures | Ps. 34,622 | Ps. 57,134 | Ps. 45,395 |

(1) Figures reflect amounts accrued for each period.

(2) As of December 31, 2008, we had not disbursed Ps. 24,621 million of our capital investments in 2008, which were disbursed in 2009. Our capital expenditures during 2009 related primarily to expanding the capacity of our GSM networks and expanding our third generation UMTS/HSDPA network coverage throughout our principal markets in Latin America. We have budgeted capital expenditures of approximately U.S.\$3.5 billion for the year ending December 31, 2010, but this budgeted amount could change as we re-evaluate our expenditure needs during the year or as a result of any business acquisitions. We expect that our capital expenditures during 2010 will primarily relate to the expansion and upgrading of our cellular infrastructure for consolidated networks and third generation technology. We expect to spend approximately 15.0% of our budgeted capital expenditures in Mexico and the United States, 59.0% in South America, 13.0% in Central America and 13.0% in the Caribbean.

We expect to finance our capital expenditures for 2010 with funds generated from operations and, depending on market conditions and our other capital requirements, new debt financings.

Item 5. Operating and Financial Review and Prospects

The following discussion should be read in conjunction with our audited consolidated financial statements and the notes thereto included in this annual report. Our financial statements have been prepared in accordance with Mexican FRS, which differs in certain respects from U.S. GAAP. Note 21 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 income and total shareholder's equity, a description of how operating income under U.S. GAAP was determined and cash flow statements for the years ended 2008 and 2009 under U.S. GAAP.

Under Mexican FRS, our financial statements for periods ending prior to January 1, 2008 recognized the effects of inflation on financial information. Inflation accounting under Mexican FRS had extensive effects on the presentation of our financial statements through 2007. See **Inflation Accounting** under this Item 5 and Note 2(f) to our audited consolidated financial statements.

The following discussion analyzes certain operating data, such as average revenues per subscriber (also referred to as **ARPU**), average minutes of use per subscriber (also referred to as average **MOUs** per subscriber) and churn rate, that are not included in our financial statements. We calculate ARPU for a given period by dividing service revenues for such period by the average number of subscribers for such period. The figure includes both prepaid and postpaid customers. We calculate churn rate as the total number of customer deactivations for a period divided by total subscribers at the beginning of such period.

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We provide this operating data because it is regularly reviewed by management and because management believes it is useful in evaluating our performance from period to period. We believe that presenting information about ARPU and MOUs is useful in assessing the usage and acceptance of our products and services, and that presenting churn rate is useful in assessing our ability to retain subscribers. This additional operating information may not be comparable with similarly titled measures and disclosures by other companies.

We count our wireless subscribers by the number of lines activated. We continue to count postpaid subscribers for the length of their contracts. We disconnect, or churn, our postpaid subscribers at the moment they voluntarily discontinue their service or following a prescribed period of time after they become delinquent. We disconnect our prepaid subscribers after a period of four months after they discontinue using our service, so long as they have not activated a calling card or received traffic. We calculate our subscriber market share by comparing our own subscriber figures with the total market subscriber figures periodically reported by the regulatory authorities in the markets in which we operate. We understand that these regulatory authorities compile total market subscriber figures based on subscriber figures provided to them by market participants, and we do not independently verify these figures.

Inflation Accounting

Through the end of 2007, Mexican FRS required us to recognize effects of inflation in our financial statements. They also required us to present financial statements from prior periods in constant pesos as of the end of the most recent period presented. We present financial information for 2008 and 2009 in nominal pesos and financial information for 2007 and prior years in constant pesos as of December 31, 2007.

Cessation of Inflation Accounting under Mexican FRS

Mexican FRS changed beginning on January 1, 2008, and the inflation accounting methods no longer apply, except where the economic environment qualifies as inflationary for purposes of Mexican FRS. The environment is inflationary if the cumulative inflation rate equals or exceeds an aggregate of 26% over three years (equivalent to an average of 8% in each year). Based on current forecasts, we do not expect the Mexican economic environment to qualify as inflationary in 2010, but that could change depending on actual economic performance.

Changes in Mexican FRS

Note 2z.3 to our audited consolidated financial statements discusses new accounting pronouncements under Mexican FRS that came into force in 2009 and that will come into force in 2010. The pronouncements that became effective on January 1, 2009 were fully implemented in the financial statements included in this annual report. In 2010, other pronouncements might affect certain aspects of our financial statements. The 2009 accounting pronouncements were applied on a prospective basis and prior years' financial statements have not been adjusted. As a result, our financial statements for 2009 may not be comparable to our financial statements for prior years.

Transition to IFRS

Beginning with the year ended December 31, 2012, Mexican issuers with securities listed on a Mexican securities exchange will be required to prepare financial information in accordance with IFRS as issued by the IASB. Issuers may voluntarily report using IFRS before the change in the reporting standards becomes mandatory. We have begun presenting financial statements in accordance with IFRS for the fiscal year ended December 31, 2010.

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Overview

Trends in Operating Results

We have experienced significant growth in our operating revenues (14.2% in 2009, 10.9% in 2008 and 28.2% in 2007) and operating income (9.1% in 2009, 12.2% in 2008 and 39.6% in 2007) in recent years. Besides acquisitions, the principal factors affecting our operating revenues and operating income relate to growth in subscribers and traffic. Traffic can grow as a result of increased usage by existing customers or as a result of subscriber growth or both. In recent years, we have experienced a significant increase in the usage of value-added services, such as data services.

We have generally experienced both increased usage and subscriber growth in recent periods. Due principally to competitive pressures, we generally have not increased prices in recent periods. In many of our markets, we have introduced promotions and discount packages that tend to result in higher MOUs and lower ARPU. In addition, interconnection rates have been reduced in many of our markets. During 2009, for example, interconnection rates in Mexico, Colombia and Chile declined by 10%, 50% and 40%, respectively, as compared to 2008 levels. We expect the trend of declining prices to slow in 2010, but we also expect pressure on ARPU as a result of the economic crisis. Traffic increases may not continue to fully offset further price or rate declines, which may adversely affect our revenues and operating income.

At December 31, 2009, we had approximately 201.0 million wireless subscribers, as compared to 182.7 million at December 31, 2008, a 10.0% increase. During 2008, we experienced a 29.3 million or 19.1% increase in wireless subscribers. During 2007, we experienced a 28.6 million or 23.0% increase in wireless subscribers. Subscriber growth during 2009, 2008 and 2007 was substantially attributable to organic growth rather than acquisitions of new companies. We experienced wireless subscriber growth in every segment, with the largest amounts attributable to Brazil (5.7 million net new subscribers, or 31.07% of total net new subscribers), the United States (3.2 million net new subscribers, or 17.73% of total net new subscribers), Mexico (2.8 million net new subscribers, or 15.32% of total net new subscribers) and the Southern Cone (2.2 million net new subscribers, or 12.1% of total net new subscribers). The rate of organic growth in subscribers was adversely affected by the recent economic crisis. However, the South American economies recovered faster than we expected. This recovery resulted in faster subscriber growth in these markets and allowed us to meet our target for subscriber growth in 2009.

We believe that many of the markets we serve provide opportunities for continued growth; and as subscribers and traffic increase, we generally expect to report higher revenue and operating income (before depreciation and amortization) as a result of economies of scale. These effects can be partly or wholly offset, however, by the effects of competition on prices and subscriber acquisition costs. Our operating margins, particularly in certain geographic segments, have tended to decline during periods of accelerated subscriber growth because of the costs of acquiring new subscribers, which include subsidies for equipment purchases and activation commissions. As our subscriber base grows and new subscribers represent a lower fraction of our subscriber base, our operating margins have generally improved, although we cannot give assurances that this improvement will continue.

We have launched and are actively promoting 3G and value-added services in all of our markets (excluding TracFone). The introduction of 3G services in our markets contributed to an increase of 31.1%, 24.1% and 19.8% in data revenues in 2007, 2008 and 2009, respectively. Data revenues accounted for 18.1% of service revenues in 2009, as compared to 13.5% in 2008 and 12.4% in 2007. We expect that data revenues as a percentage of our service revenues will continue to increase as 3G services are more widely adopted.

Market and competitive conditions differ considerably in the markets in which we operate, and these conditions are sometimes subject to rapid change.

Table of Contents***Effects of Recent Business Acquisitions***

During 2007 and 2008, we made significant acquisitions. The consolidation of these companies affects the comparability of our recent results. We accounted for all of these acquisitions using the purchase method, and the results of each acquired company were consolidated in our financial statements as from the month following the consummation of its acquisition. Our audited consolidated financial statements reflect the consolidation of these companies as follows:

Telecomunicaciones de Puerto Rico, Inc. (from April 2007);

Oceanic Digital Jamaica Limited (from December 2007); and

Estesa Holding Corp. (from September 2008).

There were no significant acquisitions in 2009.

Geographic Segments

We have operations in 18 countries, which are grouped for financial reporting purposes in nine geographic segments. Segment information is presented in Note 19 to our audited consolidated financial statements included in this annual report. Mexico is our largest single geographic market, accounting for 36.0% of our total operating revenues in 2009 and 29.4% of our total wireless subscribers at December 31, 2009. The percentage of our total operating revenues represented by Mexico decreased in 2009, as a result of acquisitions outside Mexico and faster organic revenue growth outside Mexico. We expect that our non-Mexican operations will continue to grow faster than Mexico, though exchange rate variations may affect the comparison in any given year.

Brazil is our second most important market in terms of revenues and subscribers, accounting for 20.9% of our total operating revenues in 2009 and 22.1% of our total wireless subscribers at December 31, 2009. We have made significant investments in Brazil in recent periods, through acquisitions and expansions of our networks, and the importance of our Brazilian operations has increased significantly with respect to our overall results.

Our Colombian and Panamanian operations have experienced accelerated subscriber growth in recent years; and, as a result, Colombia has become our third largest market in terms of revenues (9.4% in 2009) and subscribers (13.8% in 2009).

The table below sets forth the percentage of our revenues and total wireless subscribers represented by each of our operating segments for the periods indicated.

| | 2007 | | 2008 | | 2009 | |
|--------------------------------|---------------|---------------------------------|---------------|---------------------------------|---------------|---------------------------------|
| | % Revenues | % Subscribers ⁽¹⁾ | % Revenues | % Subscribers ⁽¹⁾ | % Revenues | % Subscribers ⁽¹⁾ |
| Mexico | 40.8 | 32.6 | 39.1 | 30.9 | 36.0 | 29.4 |
| Brazil | 18.7 | 19.7 | 20.4 | 21.2 | 20.9 | 22.1 |
| Southern Cone ⁽²⁾ | 8.7 | 11.3 | 8.8 | 10.7 | 9.4 | 10.9 |
| Colombia and Panama | 9.5 | 14.6 | 9.5 | 15.0 | 9.4 | 13.8 |
| Andean Region ⁽³⁾ | 5.2 | 8.1 | 5.8 | 8.5 | 6.6 | 8.8 |
| Central America ⁽⁴⁾ | 5.4 | 5.3 | 4.6 | 5.0 | 4.6 | 4.8 |
| United States | 5.0 | 6.2 | 4.8 | 6.1 | 5.8 | 7.2 |
| Dominican Republic | 3.5 | 1.7 | 3.3 | 2.1 | 3.6 | 2.4 |
| Caribbean ⁽⁵⁾ | 3.2 | 0.5 | 3.7 | 0.5 | 3.7 | 0.6 |
| | 100% | 100% | 100% | 100% | 100% | 100% |

- (1) As of December 31.
- (2) Includes our operations in Argentina, Chile, Paraguay and Uruguay.
- (3) Includes our operations in Ecuador and Peru.
- (4) Includes our operations in El Salvador, Guatemala, Honduras and Nicaragua.
- (5) Includes our operations in Puerto Rico and Jamaica.

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Our subsidiaries report significantly different operating margins. In 2009, Mexico reported operating margins higher than our consolidated operating margin, while the other segments reported lower operating margins.

Factors that drive financial performance differ for our operations in different countries, depending on subscriber acquisition costs, competitive situation, regulatory environment (including fees and revenue-based payments related to our concessions), economic factors, interconnection rates, capital expenditures requirements, debt profile and many other factors. Accordingly, our results of operations in each period reflect a combination of different effects in the different countries.

In recent years, we have experienced faster growth in our postpaid subscriber base than in our prepaid subscriber base, due in part to the quality of coverage and service and the technological platforms that allow us to offer more variety in data services. In 2009, Mexico, the Dominican Republic and the Caribbean reported postpaid subscriber increases that significantly exceeded those reported in 2008.

Effects of Economic Conditions and Exchange Rates

Our results of operations are affected by economic conditions in Mexico, Brazil, Colombia and the other countries in which we operate. The current recessionary environment in every country in which we operate may also impact our results of operations. In periods of slow economic growth, demand for telecommunications services tends to be adversely affected.

Effects of Exchange Rates

Our results of operations are affected by changes in currency exchange rates. As discussed above, currency variations between the Mexican peso and the currencies of our non-Mexican subsidiaries, especially the Brazilian real, may affect our results of operations as reported in Mexican pesos.

Changes in the value of the various operating currencies of our subsidiaries against the U.S. dollar also result in exchange losses or gains on our net U.S. dollar-denominated indebtedness and accounts payable. Appreciation of these currencies against the U.S. dollar generally results in foreign exchange gains, while depreciation of these currencies against the U.S. dollar generally results in foreign exchange losses. We recorded foreign exchange gains of Ps. 4,557 million in 2009. We recorded foreign exchange losses of Ps. 13,686 million in 2008 and foreign exchange gains of Ps. 2,463 million in 2007. Changes in exchange rates also affect the fair value of derivative instruments that we use to manage our currency risk exposures. We recognized Ps. 732 million in fair value losses on derivatives in 2009.

Offers for Telmex Internacional and CGT

On January 13, 2010, we announced that we intend to conduct two separate but concurrent offers to acquire outstanding shares of Telmex Internacional and CGT. Telmex Internacional provides a wide range of telecommunications services in Brazil, Colombia and other countries in Latin America. CGT is a holding company with controlling interests in Telmex Internacional and Telmex, a leading Mexican telecommunications provider. If the offers are completed, we will acquire controlling interests in CGT, Telmex Internacional (directly and indirectly through CGT) and Telmex (indirectly through CGT). The principal purpose of the offers is to pursue synergies between our business and that of Telmex Internacional.

The completion of the offers will be subject to satisfaction of certain conditions. It is possible that if not all such conditions are obtained or met we will not complete the offers. Accordingly, there can be no assurance as to whether or when the offers will be completed.

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Effects of Regulation

We operate in a regulated industry. Although currently we are free to set end prices to our wireless customers, our results of operations and financial condition have been, and will continue to be, affected by regulatory actions and changes. In recent periods, for example, regulators have imposed or promoted decreases to interconnection rates, and we expect further decreases in interconnection rates in Mexico, Chile and Colombia. Lower interconnection revenues have often been offset by increased traffic resulting from lower effective prices to customers, but this may change.

In addition, some jurisdictions may impose specific regulations on wireless carriers that are deemed dominant. Although we are not currently subject to any regulations or restrictions as a result of our market position, we are one of the subjects in ongoing general market investigations in Mexico to ascertain whether one or more cellular operators have substantial market power in one or more sectors of the telecommunications industry. In November 2008, Cofeco issued a preliminary report (*dictamen preliminar*) finding that Telcel has substantial market power. The preliminary report was confirmed by the publication on February 10, 2010 in the Official Gazette of the relevant findings of a resolution relating to the existence of substantial market power in the nationwide market for voice services. In February 2010, Telcel filed an administrative proceeding (*recurso administrativo de reconsideración*) before Cofeco. When this administrative proceeding was rejected by Cofeco for analysis, Telcel filed an appeal (*amparo indirecto*) before an administrative judge against the rejection of the proceeding and against the issuance, subscription and publication of the February 10, 2010 resolution. Under the Antitrust Law and the Federal Telecommunications Law, if Cofeco makes a final finding of substantial market power concerning an operator, Cofetel can impose on that operator specific regulations with respect to tariffs, quality of service and information. We cannot predict what regulatory steps Cofetel may take in response to determinations by Cofeco.

In September 2009, the CRC issued a series of resolutions stating that our Colombian subsidiary, Comcel, has a dominant position in Colombia's market for outgoing mobile services. Under Colombian law, a market participant is considered to have a dominant position in a specified market if the regulators determine that it has the capacity to control the conditions in that market. The CRC made its determination based on Comcel's traffic, revenues and subscriber base. The resolutions also included regulations requiring Comcel to charge rates (excluding access fees) for mobile-to-mobile calls outside the Comcel network (*off net*) that are not higher than the fees charged for mobile-to-mobile calls within the Comcel network (*on net*) plus access fees. The regulations were first implemented in December 4, 2009. These regulations will limit our flexibility in offering pricing plans to our customers, but we cannot predict the effects on our financial performance.

Composition of Operating Revenues

Most of our operating revenues (88.5% in 2009) is comprised of service revenues. Of our service revenues, the largest portion (34.0% in 2009) is from airtime charges for outgoing calls. We also derive a significant portion of our revenues from interconnection charges billed to other service providers for calls completed on our network. The primary driver of usage charges (airtime and interconnection charges) is traffic, which, in turn, is driven by the number of customers and by their average usage. Postpaid customers generally have an allotment of airtime each month for which they are not required to pay usage charges. Service revenues also include (1) monthly subscription charges paid by postpaid customers, (2) long-distance charges and (3) charges for value-added and other services, such as roaming, call forwarding, call waiting, call blocking and short text messaging.

Revenues from sales of prepaid services are deferred and recognized as airtime is used or when it expires, and are included under usage charges. Monthly basic rent under post-paid is billed in arrears based on the plan

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and package rates approved and correspond to services rendered, except in Mexico and Colombia, where basic monthly rent is billed one month in advance. Revenues are recognized at the time services are provided. Billed revenues for the service not yet rendered are recognized as deferred revenues.

We also have sales revenues from selling handsets and other equipment. Most of our new subscribers purchase a handset, and although we also sell new handsets to existing customers, changes in sales revenues are driven primarily by the number of new customers. The pricing of handsets is not geared primarily to making a profit from handset sales, because it also takes into account the service revenues that are expected to result when the handset is used.

Seasonality of our Business

Our business has been subject to a certain degree of seasonality, characterized by a higher number of new clients during the fourth quarter of each year. We believe seasonality is mainly driven by the Christmas shopping season.

Consolidated Results of Operations

Operating Revenues

Operating revenues increased by 14.2% in 2009. The Ps. 49,056 million total increase was attributable to increases in service revenues (Ps. 50,988 million), partially offset by a decrease in equipment revenues (Ps. 1,932 million). We experienced subscriber growth in all of our markets for wireless services.

Service revenues increased by 17.1% in 2009. The total increase of Ps. 50,988 million in service revenues is principally due to increased traffic and subscriber growth (Ps. 23,792 million, or 8.0% of the increase) reflecting a significant increase in the usage of value added services and to exchange rate variations (Ps. 27,196 million, or 9.1% of the increase) primarily attributable to the appreciation of the Brazilian real and the Colombian peso against the Mexican peso.

Equipment revenues decreased by 4.1% in 2009, from Ps. 47,505 million to Ps. 45,573 million. This decrease primarily reflects a decrease in the average selling price of handsets. Equipment revenues as a percentage of total revenues decreased from 13.7% in 2008 to 11.5% in 2009.

In 2008, our operating revenues increased by Ps. 34,075 million, or 10.9%, compared to 2007. The total increase of Ps. 31,813 million in service revenues reflects principally increased traffic and subscriber growth (Ps. 28,122 million), as our wireless subscriber base increased by 19.1%. The balance of the increase in service revenues reflects increases due to exchange rate variation (Ps. 7,021 million) and to the effect of consolidating Puerto Rico for the full year (Ps. 3,039 million), offset in part by the effect of inflation accounting on 2007 revenues (Ps. 6,370 million). This was partly offset by lower ARPU attributable principally to promotions and discount packages, lower interconnection rates in some markets and a growing proportion of prepaid subscribers, who generate less revenue per line than postpaid subscribers.

Equipment revenues accounted for Ps. 2,261 million, or 6.6%, of the Ps. 34,075 million increase in operating revenues in 2008. This primarily reflects subscriber growth. Equipment revenues as a percentage of total revenues decreased from 14.5% in 2007 to 13.7% in 2008.

Operating Costs and Expenses

Cost of sales and services Cost of sales and services represented 41.8% of operating revenues in 2009, 42.2% of operating revenues in 2008 and 42.5% of operating revenues in 2007. In absolute terms, cost of sales and services increased by 13.0% in 2009 and 10.3% in 2008, due principally to increases in interconnection rates, infrastructure rental costs, network maintenance costs and radio base station rental costs.

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Cost of sales was Ps. 76,187 million in 2009 and Ps. 75,117 million in 2008 and primarily represents the cost of handsets sold to subscribers. Costs of handsets increased by 1.4% in 2009 and by 7.3% in 2008 and exceeded our revenues from the sale of handsets by 40.0% during 2009 and 36.7% during 2008, since we subsidize the cost of handsets for new subscribers.

Cost of services increased by 25.3% in 2009 to Ps. 17,945 million. This increase in cost of services was greater than the growth in service revenues, which increased by 17.1% in 2009. Cost of services increased faster than service revenues primarily due to increases in revenue-based concession payments in Mexico, the fee for renewal of our concession in Ecuador, infrastructure costs, employee salary increases and infrastructure maintenance costs. Cost of services increased by 13.6% in 2008 compared to 2007, while service revenues increased by 11.9% during the same period.

Commercial, administrative and general Commercial, administrative and general expenses represented 18.3% of operating revenues in 2009, 18.0% of operating revenues in 2008 and 17.2% of operating revenues in 2007. On an absolute basis, commercial administrative and general expenses increased by 16.1% in 2009 and 16.3% in 2008. The increase in commercial, administrative and general expenses in 2009 principally reflects higher advertising expenses, higher commissions paid to our distributors, establishment of new customer service centers and an increase in our uncollectible accounts.

Telcel, like other Mexican companies, is required by law to pay to its employees, in addition to their agreed compensation and benefits, profit sharing in an aggregate amount equal to 10% of Telcel's taxable income. Conecel, our Ecuadorian subsidiary, and Claro Peru, our Peruvian subsidiary, are also required to pay employee profit sharing at a rate of 15% of Conecel's and 10% of Claro Peru's taxable income. We recognize these amounts under commercial, administrative and general expenses.

Depreciation and amortization Depreciation and amortization increased by 27.1% in 2009 and 3.4% in 2008. As a percentage of revenues, depreciation and amortization increased from 12.1% in 2008 to 13.4% in 2009. The increases in depreciation and amortization in 2009 and 2008 reflect the substantial investments made in our networks and a charge of Ps. 4,462 million in 2009 and of Ps. 1,996 million in 2008, in each case due to the shortening of the useful life of certain GSM assets in Brazil in 2009.

Operating Income

Operating income increased by 9.1% in 2009 and 12.2% in 2008. Operating income in 2009 reflects a charge of Ps. 4,462 million due to the shortening of the useful life of certain plants and equipment in Brazil. Absent this additional depreciation charge in Brazil, our operating income during 2009 would have increased by 11.4% in 2009.

All of our segments reported operating income in 2009. Operating margin (operating income as a percentage of operating revenues) was 26.4% in 2009, 27.6% in 2008 and 27.3% in 2007. The decrease in our operating margin in 2009 is due principally to the increased depreciation costs in Brazil and an increase in indirect taxes, including taxes on our concessions, local taxes and employee profit sharing. Improvement in our operating margin in 2008 reflected principally the increase in service revenues.

Comprehensive Financing Cost

Under Mexican FRS, comprehensive financing cost reflects interest income, interest expense, foreign exchange gain or loss and other financing costs. Through 2007, comprehensive financing cost also included gain or loss attributable to the effects of inflation on monetary assets and liabilities.

We had comprehensive financing cost of Ps. 2,982 million in 2009, as compared to comprehensive financing cost of Ps. 13,865 million in 2008 and Ps. 387 million in 2007. The decrease in comprehensive

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financing cost in 2009 reflects principally (a) a 12.5% decrease in net interest expense due to a decrease in net debt, (b) foreign exchange gains of Ps. 4,557 million due principally to the appreciation of the Mexican peso against the U.S. dollar and (c) a decrease in net other financing costs, primarily due to fair value losses of our derivative financial instruments, commissions and stock exchange registration and listing costs.

The increase in financing cost in 2008 reflects principally (a) foreign exchange losses of Ps. 13,686 million due principally to the depreciation of the Mexican peso against the U.S. dollar, (b) net other financing income of Ps. 6,358 million, primarily due to fair value gains on currency derivatives and (c) no monetary gains or losses in 2008, due to the cessation of inflation accounting under Mexican FRS, as compared to a monetary gain of Ps. 5,038 million in 2007.

For 2009, 2008 and 2007, changes in the components of financing cost were as follows:

Net interest expense decreased by 12.5% in 2009 and increased by 38.0% in 2008. The decrease in 2009 was primarily attributable to a decrease in our consolidated net debt. The increase in 2008 was primarily attributable to increased net debt resulting from increased capital expenditures.

We had a net foreign exchange gains of Ps. 4,557 million in 2009, compared to a loss of Ps. 13,686 million in 2008 and a gain of Ps. 2,463 million in 2007. The foreign exchange gain in 2009 was primarily attributable to the 3.5% appreciation of the Mexican peso against the U.S. dollar. The foreign exchange loss in 2008 was primarily attributable to the depreciation of the Mexican peso against the U.S. dollar and was partly offset by gains on currency derivatives described below. The foreign exchange gain in 2007 was primarily attributable to appreciation of the Mexican peso against the U.S. dollar and of the Brazilian real and the Colombian peso against the Mexican peso and the U.S. dollar.

In 2009 and 2008, following the cessation of inflation accounting under Mexican FRS, we did not record monetary gains or losses. In 2007, we reported a Ps. 5,038 million net monetary gain, as compared to Ps. 3,848 million in 2006. The increase in 2007 was primarily related to higher inflation in many of our markets, as well as an increase in our average net indebtedness. See **Inflation Accounting** under this Item 5.

We reported a net other financing loss of Ps. 1,820 million in 2009, compared to a gain of Ps. 6,358 million in 2008 and a loss of Ps. 3,153 million in 2007. Net other financing costs include fair value gains and losses of financial instruments, commissions, fair value gains and losses on the sale of investments. In 2009, our net other financing cost was principally attributable to fair value losses of our financial instruments and commissions. In 2008, our net financing income was principally attributable to a net fair value gain on our currency derivatives of Ps. 7,497 million. In 2007, our net financing costs were principally attributable to the write-off of our investment in U.S. Commercial Corp. and fair value gain on our derivative instruments.

We capitalized financing cost of Ps. 1,627 million in 2009, Ps. 7,054 million in 2008 and Ps. 1,158 million in 2007, in each case related to construction of our plant, property and equipment.

Income Tax

Our effective rates of provisions for corporate income tax as a percentage of pretax income were 22.4%, 25% and 27.7% for 2009, 2008 and 2007, respectively. Our effective rate in 2009 and 2008 includes the partial reversal of the valuation allowance corresponding to tax losses in Brazil. The statutory rate of Mexican corporate income tax was 28% in 2009, 2008 and 2007.

In 2008, Mexico introduced a new flat rate business tax (*Impuesto Empresarial a Tasa Única* , or IETU). IETU is calculated by reference to the income derived from the transfer of goods, the lease of assets and the rendering of services. The rate for 2008 and 2009 was 16.5% and 17%, respectively. Hereafter, the rate will be 17.5%.

Table of Contents***Other Expense, Net***

In 2009, we recorded net other expense of Ps. 2,166 million in 2009, compared to net other expense of Ps. 2,327 million in 2008 and Ps. 3,713 million in 2007. The expense in 2009 reflects principally other net financing costs and other non-operating costs. The expense in 2008 reflects principally an impairment of goodwill in Honduras and the accrual for interest and penalties for certain tax contingencies in Brazil. The expense in 2007 reflects principally our decision to discontinue the use of certain time division multiple access (or TDMA) equipment in Colombia and Ecuador.

Equity in Results of Affiliates

Our proportionate share of the results of equity-method affiliates resulted in income of Ps. 196 million in 2009, Ps. 109 million in 2008 and Ps. 58 million in 2007. The income in 2009, 2008 and 2007 reflect principally our share of the income reported by Grupo Telvista, S.A. de C.V., a Mexican *sociedad anónima de capital variable*.

Net Income

We had majority net income of Ps. 76,913 million in 2009, Ps. 59,486 million in 2008 and Ps. 58,588 million in 2007. The increase in net income in 2009 reflects principally the Ps. 8,663 million increase in operating income and a significant reduction (Ps. 10,884 million) in our comprehensive financing cost. The increase in net income in 2008 principally reflects our increase in operating income, which was substantially offset by an increase in our exchange losses. The increase in net income in 2007 principally reflects our increased operating income, which was partially offset by an increase in our income tax expense.

Results of Operations by Geographic Segment

We discuss below the operating results of our subsidiaries that provide telecommunication services in our principal markets. All amounts discussed below are presented in accordance with Mexican FRS. Note 2(a)(ii) to our audited consolidated financial statements included in this annual report describes how we translate the financial statements of our non-Mexican subsidiaries. Exchange rate changes between the Mexican peso and those currencies affect our reported results in Mexican pesos and the comparability of reported results between periods.

The following table sets forth the exchange rate used to translate the results of our significant non-Mexican operations, as expressed in Mexican pesos per foreign currency unit, and the change from the rate used in the prior year.

| | Mexican pesos per foreign currency unit | | | | | |
|----------------------------|---|-------------|---------|-------------|---------|-------------|
| | 2007 | % Change | 2008 | % Change | 2009 | % Change |
| Guatemalan quetzal | 1.4239 | (0.6)% | 1.7398 | 22.2% | 1.5631 | (10.2)% |
| U.S. dollar ⁽¹⁾ | 10.8662 | (0.1) | 13.5383 | 24.6 | 13.0587 | (3.5) |
| Brazilian real | 6.1345 | 20.5 | 5.7930 | (5.6) | 7.4998 | 29.5 |
| Colombian peso | 0.0054 | 10.2 | 0.006 | 11.1 | 0.0064 | 6.7 |
| Argentine peso | 3.4506 | (2.9) | 3.9207 | 13.6 | 3.4365 | (12.3) |
| Dominican peso | 0.316 | (1.9) | 0.382 | 20.8 | 0.3604 | (5.6) |

(1) The U.S. dollar is the sole monetary instrument and unit of account and the main currency for transaction purposes in Ecuador and Puerto Rico.

Note 19 to our audited consolidated financial statements includes certain financial information of our operations by country. Except as discussed below, the following discussion is based on the segment data included in that note.

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The following table sets forth the number of subscribers and the rate of subscriber growth by geographic segment during the last three years.

| | Number of subscribers (in thousands) as of December 31, ⁽¹⁾ | | | | | |
|------------------------------------|--|-------------|----------------|--------------|----------------|--------------|
| | 2007 | % Change | 2008 | % Change | 2009 | % Change |
| Wireless | | | | | | |
| Mexico | 50,011 | 15.8% | 56,371 | 12.7 | 59,167 | 5.0 |
| Brazil | 30,228 | 26.6 | 38,731 | 28.1 | 44,401 | 14.6 |
| Southern Cone ⁽²⁾ | 17,290 | 30.5 | 19,591 | 13.3 | 21,833 | 11.4 |
| Colombia and Panama ⁽³⁾ | 22,335 | 14.4 | 27,390 | 22.6 | 27,797 | 1.5 |
| Andean Region ⁽⁴⁾ | 12,391 | 37.3 | 15,482 | 25.0 | 17,760 | 14.7 |
| Central America ⁽⁵⁾ | 8,157 | 38.8 | 9,158 | 12.3 | 9,535 | 4.1 |
| Dominican Republic | 2,682 | 25.3 | 3,877 | 44.6 | 4,826 | 24.5 |
| Caribbean ⁽⁶⁾ | 814 | | 932 | 14.5 | 1,226 | 31.5 |
| United States | 9,514 | 20.5 | 11,192 | 17.6 | 14,427 | 28.9 |
| Total wireless | 153,422 | 23.0 | 182,724 | 19.1 | 200,972 | 10.0 |
| Fixed | | | | | | |
| Central America ⁽⁷⁾ | 2,197 | 4.8 | 2,242 | 2.0 | 2,259 | 0.8 |
| Dominican Republic | 748 | 1.9 | 772 | 3.1 | 765 | (0.9) |
| Caribbean ⁽⁶⁾ | 921 | | 832 | (9.5) | 765 | (8.0) |
| Total Fixed | 3,866 | 36.5 | 3,846 | (0.5) | 3,789 | (1.5) |
| Total Lines | 157,287 | 23.3 | 186,570 | 18.6 | 204,761 | 9.7 |

(1) Includes total subscribers of all consolidated subsidiaries in which we hold an economic interest.

(2) Includes Argentina, Chile, Paraguay and Uruguay.

(3) We began operations in Panama in March 2009.

(4) Includes Ecuador and Peru.

(5) Includes El Salvador, Guatemala, Honduras and Nicaragua

(6) Includes Puerto Rico and Jamaica.

(7) Includes El Salvador, Guatemala and Nicaragua.

The table below sets forth the operating revenues and operating income represented by each of our operating segments for the periods indicated.

| | (2009 and 2008 in millions of Mexican pesos, previous year in millions of constant Mexican pesos as of December 31, 2007) | | | | | |
|------------------------------------|--|---------------------|-----------------------|---------------------|-----------------------|---------------------|
| | 2007 | | 2008 | | 2009 | |
| | Operating Revenues | Operating Income | Operating Revenues | Operating Income | Operating Revenues | Operating Income |
| Mexico ⁽¹⁾ | Ps.126,923 | Ps.59,075 | Ps.135,068 | Ps.63,064 | Ps.142,135 | Ps.68,599 |
| Brazil | 58,305 | 608 | 70,484 | 1,584 | 82,300 | 1,368 |
| Southern Cone ⁽²⁾ | 27,237 | 2,691 | 30,541 | 5,702 | 37,135 | 7,578 |
| Colombia and Panama ⁽³⁾ | 29,614 | 7,616 | 32,622 | 10,955 | 37,031 | 11,853 |
| Andean Region ⁽⁴⁾ | 16,210 | 3,725 | 20,218 | 5,284 | 26,087 | 7,668 |
| Central America ⁽⁵⁾ | 16,918 | 4,698 | 16,051 | 3,029 | 18,137 | 1,936 |
| United States | 15,604 | 1,503 | 16,546 | 943 | 22,857 | 956 |
| Dominican Republic | 10,990 | 3,946 | 11,241 | 3,373 | 14,250 | 3,891 |
| Caribbean ⁽⁶⁾ | 9,779 | 1,332 | 12,883 | 1,612 | 14,780 | 361 |

- (1) Includes our operations in Mexico and our corporate operations and assets.
- (2) Includes our operations in Argentina, Chile, Paraguay and Uruguay.
- (3) Includes our operations in Ecuador and Peru.
- (4) We began our operations in Panama in March 2009.
- (5) Includes our operations in El Salvador, Guatemala, Honduras and Nicaragua.
- (6) Includes our operations in Puerto Rico and Jamaica.

Table of Contents***Mexico***

Operating revenues in Mexico increased by 5.2% in 2009 and 6.4% in 2008, benefiting from subscriber growth and increases in traffic. Service revenues increased by 9.3% in 2009 and 6.3% in 2008, reflecting growth in revenues from value-added, airtime and long distance services, partially offset by a decrease in interconnection revenues due to lower interconnection fees that were not compensated by volume. Equipment revenues in Mexico decreased by 6.5% in 2009 and increased by 7.4% in 2008, principally due to a reduction in the average sales price of handsets. The number of subscribers in Mexico increased by 5.0% in 2009 and 12.7% in 2008.

Average MOUs per subscriber increased by 11.3% in 2009 and 21.7% in 2008. ARPU decreased by 1.2% in 2009 and 7.5% in 2008. During both years, we lowered the price of some of our services through new commercial plans and promotions, which contributed to the increase in subscribers and MOUs but had a negative impact on ARPU. In addition, in 2008 and 2009, our ARPU was negatively affected by lower interconnection rates and an increase in the share of our total traffic represented by data services, such as SMS messaging and other 3G services, which on average generate lower revenues per minute of use than voice services. Reductions in interconnection tariffs also resulted in lower interconnection revenues. The churn rate for our Mexican operations was 3.2% in 2009, 3.3% in 2008 and 3.4% in 2007.

Operating income increased by 10.6% in 2009 and 4.6% in 2008. Our operating margin was 48.2% in 2009 and 45.8% in 2008. The increase in our operating margin in 2009 is due principally to an increase in our operating revenues and the implementation of strict controls in our operating costs and expenses, which remained unchanged as a percentage of our operating revenues. In 2008, operating margin decreased, reflecting an increase in cost and expenses principally due to equipment subsidies, uncollectible accounts and employee profit sharing, which was greater than the increase in operating revenues in that year. Finally, depreciation and amortization expenses of our Mexican operations as a percentage of its operating revenues increased slightly from 6.2% in 2008 to 6.5% in 2009.

For Mexico, the financial information set forth in Note 19 to our audited financial statements includes revenues and costs from group corporate activities, such as licensing fees and group overhead expenses. The discussion above refers to our operating results in Mexico and excludes the results of our group corporate activities.

Brazil

Operating revenues in Brazil increased by 16.8% in 2009 and 20.9% in 2008. The increase in 2009 was primarily attributable to the appreciation of the Brazilian real against the Mexican peso as well as an increase in traffic and subscriber growth. The number of our subscribers in Brazil increased by 5.7 million subscribers in 2009 to approximately 44.4 million subscribers as of December 31, 2009. The increase in operating revenues in 2008 was primarily attributable to increased traffic and subscriber growth and data revenue. The 6% appreciation of the Brazilian real against the Mexican peso in 2008 also contributed to the increase in operating revenues in 2008, as 6.9% of the 20.9% was due to currency effects. The number of subscribers increased by 8.5 million subscribers in 2008 to approximately 38.7 million subscribers.

Average MOUs per subscriber decreased by 9.4% in 2009 and increased by 20.7% in 2008. ARPU decreased by 0.3% in 2009 and 3.1% in 2008. Calculated in nominal Brazilian reais, ARPU decreased by 8.0% in 2009 and 7.4% in 2008. The decrease in average MOUs and ARPU during 2009 reflects a significant increase in the use of data services as compared to voice (airtime and long distance) services. The increase in average MOUs during 2008 as well as the decrease in ARPU during 2008 reflects the impact on traffic of our lowering of prices through new commercial plans and promotions for our 3G services. Our churn rate was 2.8% in 2009 and 2.7% in 2008.

Operating income decreased by 13.7% in 2009 and increased by 161.0% in 2008. Operating income in 2009 and 2008 reflects primarily the effect of higher depreciation expense resulting from the shortening of the useful

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lives of certain GSM and TDMA assets in 2009 and 2007 as compared to 2008. In 2009, the depreciation expense resulting from the shortening of the useful lives of certain GSM assets was Ps. 4,462 million. The depreciation expense in 2008 relating to GSM and TDMA assets was Ps. 1,996 million. Operating margin (1.7% in 2009 and 2.2% in 2008) continues to be affected by a high level of depreciation and amortization expenses relative to revenues due to the significant costs incurred to deploy networks. Absent these depreciation expenses, the operating margin would have been 5.1% in 2008 and 7.1% in 2009. Depreciation and amortization expenses represented 22.5% of our operating revenues in 2009 and 21.4% in 2008.

Southern Cone Argentina, Chile, Paraguay and Uruguay

Our operating revenues in Argentina, Chile, Paraguay and Uruguay increased by 21.6% in 2009 and 12.1% in 2008. The increase in 2008 and 2009 was attributable primarily to subscriber growth. The number of subscribers increased by 2.2 million subscribers in 2009 to approximately 21.8 million subscribers at year-end. Since 2007, our postpaid subscriber base has grown at a faster rate than our prepaid subscriber base. The currency effects between the Argentine peso and the Mexican peso did not have a significant effect on our operating revenues in 2009 and 2008.

Average MOUs per subscriber increased by 9.2% in 2009 and 2.3% in 2008. ARPU increased by 8.5% in 2009 and decreased by 4.8% in 2008. Expressed in nominal local currencies, ARPU increased in 2009 by 5.9% in Argentina, 52% in Paraguay and 4% in Uruguay and decreased by 15% in Chile. In 2008, ARPU increased by 3.0% in Argentina and 11.7% in Paraguay and decreased by 10.0% in Uruguay and 7.3% in Chile. The increase in MOUs in 2009 principally reflected reflects an increase in our airtime traffic and a significant increase in traffic and revenues from data and value-added services. The increase in MOUs in 2008 principally reflected a decrease in prices due to promotions and airtime subsidies including free calls to friends and family. Our churn rate remained stable at 2.6% in 2008 and 2009.

Operating income increased by 32.9% in 2009 and 112.0% in 2008. This increase in 2009 reflected an increase in operating revenues and a reduction in our subscriber acquisition costs and other operating costs and expenses. The increase in 2008 reflected principally both a significant increase in our operating revenues and a reduction in the commissions payable to our distributors.

Colombia and Panama

Operating revenues increased by 13.5% in 2009 and 10.2% in 2008. The increase in operating revenues in 2009 was attributable to the appreciation of the Colombian peso against the Mexican peso and subscriber growth. The increase in operating revenues in 2008 was attributable principally to subscriber growth, increased traffic, the appreciation of the Colombian peso against the Mexican peso and increased revenue from long distance charges. The Colombian peso appreciated 11.9% against the Mexican peso in 2008, and currency appreciation accounted for approximately 6.5% of the increase in revenues during 2008. Also, we began providing long distance services in Colombia in 2008. These factors more than offset a decrease in interconnection tariffs of 50% in Colombia beginning in December 2007. In 2009, the number of subscribers in Colombia and Panama increased by 1.5% to approximately 27.8 million as of December 31, 2009. In 2008, the number of subscribers in Colombia increased by 22.6%.

Average MOUs per subscriber increased by 10.2% in 2009 and 28.7% in 2008. ARPU increased by 8.8% in 2009 and decreased by 4.8% in 2008. Calculated in nominal Colombian pesos, ARPU decreased by 3.3% in 2009 and 8.4% in 2008. The increase on average MOUs per subscriber in 2009 reflected primarily an increase in traffic resulting from the net increase in subscriber growth. The increase on average MOUs per subscriber in 2008 reflected primarily the reduction in prices for our voice and data services. The decrease in ARPU in local currency during 2009 reflected the lower interconnection fees which were not compensated by the increase in volume. The decrease in ARPU during 2008 reflected principally the lowering of our prices for voice and data services through promotions and lower rates. A substantial majority of our subscriber growth in 2009 and 2008

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was attributable to an increase in prepaid customers, which generate on average less minutes of use and revenues than postpaid customers. Our churn rate increased from 2.4% in 2008 to 3.5% in 2009.

Our operating income increased by 8.2% in 2009 and 43.8% in 2008. Operating income in 2009 reflects the implementation of stricter controls in our operating costs and expenses, particularly with respect to handset subsidies. Operating income in 2008 reflects a reduction in subscriber acquisition costs and the effect in 2007 of higher depreciation expense resulting from the useful lives of certain GSM assets. Our operating margin was 32.0% in 2009 and 33.6% in 2008.

We began operating in Panama in March 2009. The commencement of operations in Panama did not have a significant impact in the operating margin and results of operations of this segment.

Andean Region Ecuador and Peru

Operating revenues in Ecuador and Peru increased by 29.0% in 2009 and 24.7% in 2008. The increase in operating revenues in 2009 reflected principally the appreciation of the local currencies against the Mexican peso and subscriber growth. Currency effects contributed to 71.7% of the growth in operating revenues in 2009. The increase in operating revenues in 2008 was attributable principally to subscriber growth and increased traffic. In 2009, the number of subscribers increased by 14.7% to approximately 17.7 million at year-end 2009. In 2008, the number of subscribers increased by 24.9%.

Average MOUs per subscriber increased by 16.4% in 2009 and 27.3% in 2008. ARPU increased by approximately 13.0% in 2009 and decreased by approximately 3.0% in 2008. The increase in ARPU during 2009 reflected the appreciation of local currencies against the Mexican peso. The decline in ARPU during 2008 reflected principally subscriber growth and a reduction in our rates per minute. Our churn rate decreased from 2.4% in 2008 to 2.2% in 2009.

Operating income increased by 45.1% in 2009 and 41.8% in 2008. Our operating margin was 29.4% in 2009 and 26.1% in 2008. The increase in operating margin during 2009 resulted from a reduction in subscriber acquisition costs. The increase in operating margin during 2008 resulted from an increase in revenues, partially offset by a Ps. 136 million income-based payment related to our concession in Ecuador.

Central America El Salvador, Guatemala, Honduras and Nicaragua

Operating revenues in El Salvador, Guatemala, Honduras and Nicaragua increased by 13.0% in 2009 and decreased by 5.1% in 2008. The increase in 2009 reflected principally the 15.6% appreciation of the local currencies (mainly the dollar) against the Mexican peso, which compensated for a 2.6% decrease in operating revenues in local currencies. The decrease in 2008 reflected principally a decrease in nearly all sources of operating revenue as a result of a decrease in our share of the market. In 2009, the number of wireless subscribers in Central America increased by 4.1% to 9.5 million at year-end 2009. The number of fixed line subscribers increased by 0.8%, to approximately 2.3 million at year-end. In 2009, wireless services accounted for approximately 51.9% of our operating revenues, and fixed-line and other services for approximately 48.1%, as compared to 52.5% and 47.5%, respectively, in 2008.

Average MOUs decreased by 6.9% in 2009 and 13.4% in 2008. ARPU increased by 5.1% in 2009 and decreased by 23.4% in 2008. The increase in ARPU in 2009 reflects principally the appreciation of the local currencies, in particular the U.S. dollar, against the Mexican peso. Calculated in local currencies, ARPU decreased primarily as a result of increased competition for wireless customers in the region.

Operating income decreased by 36.1% in 2009 and 35.5% in 2008. Operating margin was 10.7% in 2009 and 18.9% in 2008. The decrease in operating income and margin in 2009 reflected principally increased network maintenance costs and radio base station rental costs. The decrease in operating income and margin in 2008 reflected principally increased network maintenance costs and acquisition costs related to triple-play.

Table of Contents***United States***

Operating revenues in the United States increased by 38.1% in 2009 and 6.0% in 2008. The increase in operating revenues in 2009 reflected principally new commercial plans and promotional packages that contributed to the increase in subscriber growth. The increase in operating revenues in 2008 was attributable principally to subscriber growth and increased traffic. In 2009, the number of TracFone subscribers increased by 28.9% to approximately 14.4 million as of December 31, 2009; and in 2008, the number of TracFone subscribers increased by 17.6% to approximately 11.2 million as of December 31, 2008.

Average MOUs per subscriber increased by 6.1% in 2009 and 5.6% in 2008. ARPU increased by 11.7% in 2009 and decreased by 9.0% in 2008. The increase in ARPU in 2009 reflects our new commercial plans and promotional packages. The decline in ARPU in 2008 was primarily attributable to the increasing portion of TracFone's traffic that is comprised of digital traffic, which results in lower revenues per minute than analog traffic. The churn rate increased from 3.8% in 2008 to 4.0% in 2009.

Operating income increased by 1.4% in 2009 and decreased by 37.3% in 2008. TracFone's operating margin decreased from 5.7% in 2008 to 4.2% in 2009. The increase in operating income in 2009 reflected currency effects due to the appreciation of the U.S. dollar against the Mexican peso and subscriber growth. The decrease in operating margin in 2009 reflects higher subscriber acquisition costs due mainly to equipment subsidies and publicity expenses.

Dominican Republic

Operating revenues in the Dominican Republic increased by 26.8% in 2009 and 2.3% in 2008. The increase in 2009 reflects the appreciation of the Dominican peso against the Mexican peso and subscriber growth. The increase in 2008 reflected principally subscriber growth in the wireless market and improved service promotions. In 2009, the number of wireless subscribers in the Dominican Republic increased by 24.5%, and in 2008, the number of wireless subscribers increased by 44.6%. In 2009, the number of fixed line subscribers decreased by 0.9%, and the number of fixed line subscribers increased by 3.1% in 2008. In 2009, wireless services accounted for approximately 49.2% of our operating revenues as compared to approximately 43.8% in 2008. Fixed-line and other services accounted for approximately 50.8% as compared to 56.2% in 2008.

Average MOUs decreased by 15.3% in 2009 and 6.7% in 2008. ARPU increased by 0.8% in 2009 and decreased by 15.5% in 2008. The decrease in average MOUs and the increase in ARPU in 2009 reflect currency effects. Calculated in Dominican pesos, ARPU decreased by 12.7% in 2009. The declines in 2008 primarily reflected promotions and airtime subsidies and a growing proportion of prepaid subscribers, who generate less revenue per line than postpaid subscribers.

Operating income increased by 15.4% in 2009 and decreased by 14.5% in 2008. Operating margin was 27.3% in 2009 and 30.0% in 2008. The increase in operating income and the decrease in operating margin in 2009 reflected principally indirect taxes on network maintenance and operation costs. The decrease in operating income and margin in 2008 reflected principally the growing proportion of our prepaid subscribers, which resulted in increased subscriber acquisition costs, equipment subsidies and customer service expenses.

Caribbean Puerto Rico and Jamaica

Operating revenues in the Caribbean increased by 14.7% in 2009 and 31.7% in 2008. The increase in 2009 and 2008 reflected principally the appreciation of the U.S. dollar against the Mexican peso and organic growth. In 2009, the number of wireless subscribers in Puerto Rico and Jamaica increased by 37.6%, and in 2008, the number of wireless subscribers increased by 14.5%. In 2009, the number of fixed line subscribers decreased by 8.0%, and the number of fixed line subscribers decreased by 9.5% in 2008. In 2009, wireless services accounted for approximately 36.4% of our operating revenues as compared to approximately 33.6% in 2008. Fixed-line and other services accounted for approximately 63.3% of operating revenues in 2009, as compared to 66.4% in 2008.

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Average MOUs increased by 4.9% in 2009 and decreased by 8.4% in 2008. ARPU decreased by 1.0% in 2009 and 10.7% in 2008. Calculated in local currencies, ARPU decreased in 2009 and in 2008. These declines in ARPU primarily reflected the reduction in prices of voice services, principally in Puerto Rico.

Operating income decreased by 77.6% in 2009 and increased by 21.0% in 2008. Operating margin was 2.4% in 2009 and 12.5% in 2008. The decrease in operating income and operating margin in 2009 reflected principally an increase in indirect taxes including two real property taxes that became effective in Puerto Rico in 2009.

Liquidity and Capital Resources

Principal Uses of Cash

We generate substantial resources from our operations. On a consolidated basis, operating activities provided Ps. 152,809 million in 2009 and Ps. 87,464 million in 2008. Our cash and cash equivalents amounted to Ps. 27,446 million at December 31, 2009, compared to Ps. 22,092 million as of December 31, 2008. We believe that our working capital is sufficient for our present requirements. We use the cash that we generate from our operations primarily for the following purposes:

We must make substantial capital expenditures to continue expanding and improving our networks in each country in which we operate. In 2009 and 2008, we invested approximately Ps. 45,395 million and Ps. 57,134 million, respectively, in plant, property and equipment. As of December 31, 2009, we had not disbursed Ps. 24,621 million of our investments in 2008, which will be disbursed in 2010. We have budgeted capital expenditures for 2010 to be approximately U.S.\$ 3,500 billion (Ps. 45,815 million). See Capital Expenditures under Item 4.

During 2008 we spent approximately Ps. 13,737 million to acquire or renew licenses, principally Ps. 8,830 million to acquire additional spectrum in Brazil, Ps. 3,001 million to renew our concession in Ecuador and Ps. 896 million to acquire a license in Panama. We did not spend any funds in the acquisition or renewal of licenses in 2009. The amount we spend on acquisitions and licenses varies significantly from year to year, depending on acquisition opportunities, concession renewal schedules and needs for more spectrum.

In 2008, we had a significant increase in our inventory, as compared to 2007, resulting from an increase in volume and inventory acquisition costs and currency effects.

We must pay interest on our indebtedness and repay principal when due. As of December 31, 2009, we had Ps. 9,168 million of principal due in 2010.

If we have resources after meeting our obligations and capital expenditure requirements, we may pay dividends, or repurchase our own shares from time to time. We paid Ps. 25,979 million in dividends in 2009 and Ps. 8,904 million in dividends in 2008, and our shareholders have approved the payment of a Ps. 0.32 dividend per share in 2010. Dividends for 2009 included an extraordinary dividend of Ps. 0.50 per share paid on December 2009. We also spent (including commissions and value-added taxes) Ps. 24,706 million repurchasing our own shares in the open market in 2009 and Ps. 41,755 million in 2008. Our shareholders have authorized additional repurchases, and whether we do so will depend on considerations including market price and our other capital requirements. We have made additional repurchases in 2010.

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The following table summarizes certain contractual liabilities as of December 31, 2009. Our purchase obligations and approximately 51.4% of our debt described below are denominated in U.S. dollars. The table does not include accounts payable or pension liabilities, and amounts set forth in the table do not include interest and do not give effect to hedging transactions.

| | Total | Payments Due by Period | | | After 5 years |
|--|-------------------|------------------------|----------------------------|------------------|------------------|
| | | Less than 1 year | 1-3 years (in millions) | 4-5 years | |
| Contractual obligations as of December 31, 2009: | | | | | |
| Equipment leases | Ps. 1,291 | Ps. 716 | Ps. 575 | Ps. | Ps. |
| Real estate leases | 20,363 | 4,314 | 7,383 | 5,140 | 3,526 |
| Short-term debt ⁽¹⁾ | 9,168 | 9,168 | | | |
| Long-term debt ⁽¹⁾ | 101,741 | | 20,022 | 22,582 | 59,137 |
| Purchase obligations ⁽²⁾ | 32,521 | 29,402 | 1,374 | 341 | 1,404 |
| Total | Ps.165,084 | Ps.43,600 | Ps.29,354 | Ps.28,063 | Ps.64,067 |

(1) Excludes interest payments, as they are set at floating rates.

(2) See discussion below.

Other than the amounts described in the table above, we had no other outstanding material purchase commitments as of December 31, 2009. We enter into a number of supply, advertising and other contracts in the ordinary course of business, but we do not believe that any of those contracts are material to our liquidity.

Under many of our concessions and licenses, we are required to make annual royalty payments in order to continue using such concessions and licenses. These payments are typically calculated as a percentage of gross revenues generated under such concessions and licenses. In the case of the 1900 megahertz spectrum (Band F) concessions in Mexico, however, we are required to pay Ps. 255 million (subject to adjustment for inflation) annually for 20 years in respect of the 10 megahertz acquired during 2005.

We could have opportunities in the future to invest in other telecommunications companies worldwide, primarily in Latin America and the Caribbean, because we believe the telecommunications sector in Latin America will continue to undergo consolidation. For example, we may pursue further market consolidation opportunities in Brazil and Argentina depending on their terms and conditions. We can give no assurance as to the extent, timing or cost of such investments. We may also pursue opportunities in other areas in the world. Some of the assets that we acquire may require significant funding for capital expenditures. See the discussion included earlier in this annual report under *Overview* *Effects of Recent Acquisitions* under this Item 5 for more information about these transactions.

Borrowings

In addition to funds generated from operations, we have used borrowings to fund acquisitions and capital expenditures and refinance debt. We have relied on a combination of equipment financings, borrowings from international banks and borrowings in the Mexican and international capital markets. Beginning in the second half of 2008, with the difficult circumstances in the credit markets, we arranged several equipment financing facilities to further improve our liquidity position. As of the date of this report, we have an aggregate of U.S.\$1,297 million in committed undrawn equipment financing facilities from three different sources.

As of December 31, 2009, our total consolidated indebtedness was Ps. 110,909 million, compared to Ps. 143,486 million as of December 31, 2008. Our net debt (total debt minus cash and cash equivalents) at December 31, 2009 decreased by 31.2% as compared to December 31, 2008. This decrease reflects, among other things, our increased capacity for generating cash flow.

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During 2010, we have taken advantage of favorable market conditions to raise a substantial amount of additional funds by issuing debt securities in different markets. In March 2010, we issued three series of peso-denominated notes in the domestic Mexican market, consisting of Ps. 4,600 million in notes maturing in 2015, Ps. 7,000 million in notes maturing in 2020 and Ps. 3,271 million in notes maturing in 2025. Later in March 2010, we issued three series of U.S. dollar-denominated notes in the international market, consisting of U.S.\$750 million in notes due 2015, U.S.\$2.0 billion in notes due 2010 and U.S.\$1.25 billion in notes due 2040. In April 2010, we issued Swiss franc-denominated notes in the domestic Swiss market, consisting of CHF230 million in notes due 2015.

Without taking into account the effects of derivative financial instruments that we use to manage our interest rate and currency risk liabilities, approximately 76.2% of our indebtedness at December 31, 2009 was denominated in currencies other than Mexican pesos (approximately 51.4% in U.S. dollars and 24.8% in other currencies, principally in Colombian and Chilean pesos and euros), and approximately 24.5% of our consolidated debt obligations bore interest at floating rates. Of our total debt at December 31, 2009, Ps. 6,355 million (or 5.7%) was classified as short-term based on the original terms.

Our ability to access the international debt capital markets on the terms described below has been helped by the credit rating given to our debt. As of the date of this annual report, our dollar-denominated senior notes are rated A2 by Moody's Investors Service, BBB+ (positive watch) by Standard and Poor's Rating Group and A- by Fitch Ratings. Adverse economic conditions or changing circumstances may, however, cause our ratings to be downgraded. The weighted average cost of all our third-party debt at December 31, 2009 (excluding commissions and reimbursement of certain lenders for Mexican taxes withheld) was approximately 5.8%.

Our major categories of indebtedness at December 31, 2009 are as follows:

U.S. dollar-denominated senior notes. At December 31, 2009, we had approximately U.S.\$3.9 billion (Ps. 51,608 million) outstanding under series of U.S. dollar-denominated senior notes issued in the international capital markets between 2004 and 2009:

U.S.\$795 million (Ps. 10,381 million) senior notes due 2014, bearing interest at a fixed rate of 5.500%;

U.S.\$473 million (Ps. 6,181 million) senior notes due 2015, bearing interest at a fixed rate of 5.750%;

U.S.\$583 million (Ps. 7,615 million) senior notes due 2017, bearing interest at a fixed rate of 5.625%;

U.S.\$750 million (Ps. 9,794 million) senior notes due 2019, bearing interest at a fixed rate of 5.000%;

U.S.\$981 million (Ps. 12,815 million) senior notes due 2035, bearing interest at a fixed rate of 6.375%; and

U.S.\$369 million (Ps. 4,822 million) senior notes due 2037, bearing interest at a fixed rate of 6.125%.

Mexican-peso denominated senior notes. At December 31, 2009, we had approximately Ps. 12,872 million outstanding under two series of peso-denominated senior notes sold in the international and Mexican capital markets: on October 5, 2005, we issued Ps. 5,000 million in principal amount of 9.0% senior notes due January 2016 and on December 18, 2006 we issued Ps. 8,000 million in principal amount of 8.46% senior notes due 2036. These notes are denominated in Mexican pesos, but all amounts in respect of the notes are payable in U.S. dollars, unless a holder of notes elects to receive payment in Mexican pesos in accordance with certain specified procedures.

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Mexican peso-denominated domestic senior notes (certificados bursátiles). At December 31, 2009, we had Ps. 13,491 million in domestic senior notes that were sold in the Mexican capital markets.

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These domestic senior notes were issued by us between 2002 and 2009, and have varying maturities, ranging from 2010 through 2018. Some bear interest at fixed rates, and others at variable rates based on CETES (a rate based on the cost of Mexican treasuries) or TIEE (a Mexican interbank rate). Recent issuances of domestic senior notes include:

On April 11, 2007, we issued Ps. 500 million in 5-year floating domestic senior notes. The notes bear interest at a discount of 6 basis points below TIEE, and mature on April 5, 2012;

On November 1, 2007, we issued Ps. 2,500 million in 3-year floating domestic senior notes. The notes bear interest at a discount of 10 basis points below TIEE, and mature on October 28, 2010;

On November 1, 2007, we issued Ps. 2,000 million in 10-year fixed rate domestic senior notes. The notes bear interest at a rate of 8.39% per annum, and mature on October 19, 2017;

On March 7, 2008, we issued Ps. 2,500 million in 10-year fixed rate domestic senior notes. The notes bear interest at a rate of 8.11% per annum, and mature on February 22, 2018;

On September 12, 2008, we issued Ps. 3,000 million in 5-year floating domestic senior notes. The notes bear interest at a spread of 55 basis points over CETES, and mature on September 6, 2013; and

On September 12, 2008, we issued Ps. 2,100 million in 5-year UDI denominated equivalent fixed rate domestic senior notes. The notes bear interest at a rate of 4.10% per annum and mature on September 6, 2013.

Bank loans. At December 31, 2009, we had approximately Ps. 9,226 million outstanding under a number of bank facilities bearing interest principally at fixed and variable rates based on LIBOR. We are also party to a U.S.\$2 billion revolving syndicated facility that matures on April 2011. At December 31, 2009, the entire U.S.\$2 billion was available for borrowing. Loans under the facility bear interest at LIBOR plus a spread. The syndicated facility limits our ability to incur secured debt, to effect a merger as a result of which the surviving entity would not be América Móvil or Telcel, to sell substantially all of our assets or to sell control of Telcel. The facility does not allow us to impose any restrictions on the ability of Telcel to pay dividends or make distributions to us. In addition, the bank facilities require us to maintain a consolidated ratio of debt to EBITDA not greater than 4.0 to 1.0 and a consolidated ratio of EBITDA to interest expense not less than 2.5 to 1.0.

Equipment financing facilities with support from export development agencies. We have a number of equipment financing facilities, under which export development agencies provide support for financing to purchase exports from their respective countries. These facilities are medium- to long-term, with periodic amortization and interest at a spread over LIBOR/EURIBOR. They are extended to us or to operating subsidiaries, with the guarantee of Telcel. The aggregate amount outstanding under equipment financing facilities at December 31, 2009 was U.S.\$928 million (Ps. 12,124 million).

Sale and leasebacks. Our subsidiaries in Ecuador, Peru, Nicaragua and Honduras have entered into sale and leaseback transactions with respect to a portion of its telephone plant. At December 31, 2009, lease payment obligations under these contracts amounted to U.S.\$87 million (Ps. 1,133 million). Payments are due on a monthly and three-month basis through 2012 and bear interest at fixed or variable rates plus a spread.

Colombian peso-denominated notes. In 2004, Comcel issued Colombian peso-denominated notes that were sold in the Colombian capital markets in three different series. These notes bear interest at a variable rate based on the Colombian consumer price index rate

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(IPC) plus a spread, and mature in 2010 and 2013. These notes are guaranteed by América Móvil. In 2006, Comcel issued Colombian peso-denominated notes that were sold in the Colombian capital markets. These notes bear interest at a 7.59% fixed rate, and mature on 2016. These notes are not guaranteed by América Móvil. At December 31, 2009, the aggregate principal amount outstanding under these notes was Ps. 5,749 million.

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All of the public securities issued by América Móvil in international and Mexican capital markets and amounts due under our syndicated loan facility and export credit facilities are guaranteed by Telcel.

At December 31, 2009, Telcel had, on an unconsolidated basis, unsecured and unsubordinated obligations of approximately Ps. 93,908 million (U.S.\$7,204 million), excluding debt owed to us or our other subsidiaries. This amount represents outstanding obligations of Telcel under guarantees of parent company and subsidiary indebtedness. In addition, at December 31, 2009, our operating subsidiaries other than Telcel had indebtedness of Ps. 17,001 million (U.S.\$1,302 million).

Risk Management

We regularly assess our interest rate and currency exchange exposures in order to determine how to manage the risk associated with these exposures. In Mexico, we have indebtedness denominated in currencies, principally the U.S. dollar, other than the currency of the operating environment. We use derivative financial instruments to adjust the resulting exchange rate exposures. We do not use derivatives to hedge the exchange rate exposures that arise from having operations in different countries. We also use derivative financial instruments from time to time to adjust our exposure to variable interest rates or to reduce our costs of financing. Our practices vary from time to time depending on our judgment of the level of risk, expectations as to exchange or interest rate movements and the costs of using derivative financial instruments. We may stop using derivative financial instruments or modify our practices at any time. As of December 31, 2009, after taking into account derivative transactions, approximately 30.5% of our total debt was denominated in U.S. dollars and approximately 28.5% was subject to floating rates.

As of December 31, 2009, we had the following derivatives positions, with an aggregate fair value of Ps. 8,361 million:

U.S. dollar-Mexican peso cross currency swaps with a notional amount of U.S.\$147 million with respect to our total U.S. dollar-denominated debt. Under these swaps, we have replaced our obligation to make payment in U.S. dollars with an obligation to make payment in Mexican pesos;

U.S. dollar-Mexican peso forwards for a total notional amount of U.S.\$1,965 million to hedge our exposure to our U.S. dollar denominated debt;

Euro-Mexican peso cross currency swap with a notional amount of EUR 82 million with respect to our total Euro-denominated debt. Under this swap we replaced our obligation to make payment in Euros with an obligation to make payment in Mexican pesos;

Euro-U.S. dollar cross currency swaps with a notional amount of EUR 143 million with respect to our total Euro-denominated debt. Under this swap we replaced our obligation to make payment in Euros with an obligation to make payment in U.S. dollars; and

A Japanese Yen-U.S. dollar denominated cross-currency swap with a notional amount of Yen¥13,000 million with respect to our total Japanese-Yen denominated debt. Under this swap, we replaced our obligation to make payment in Japanese Yen with an obligation to make payment in U.S. dollars.

Off-Balance Sheet Arrangements

As of December 31, 2009, we had no off-balance sheet arrangements that require disclosure under applicable SEC regulations.

U.S. GAAP Reconciliation

We had net income under U.S. GAAP of Ps. 74,360 million in 2009 Ps. 54,252 million in 2008 and Ps. 55,529 million in 2007. Compared to Mexican FRS, net income under U.S. GAAP was approximately 3.4% lower in 2009, 8.9% lower in 2008 and 5.4% lower in 2007.

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There are several differences between Mexican FRS and U.S. GAAP that affect our net income and equity. The most significant difference in their effect on 2009 net income related to the depreciation resulting from the restatement of the carrying value of property, plant and equipment to reflect the effects of inflation up to December 31, 2007. Under Mexican FRS through December 31, 2007, in order to reflect the effects of inflation on our imported telephone plant and equipment, we restated its value based on the rate of inflation in the respective country of origin and the prevailing exchange rate at the balance sheet date. The use of this method, which is known as the specific indexation method, is not permitted under U.S. GAAP, and as a result, for purposes of U.S. GAAP, we restated non-monetary assets based on the Mexican National Consumer Price Index as of December 31, 2007. For a discussion of the principal differences between Mexican FRS and U.S. GAAP, see Note 21 to our audited consolidated financial statements.

Use of Estimates in Certain Accounting Policies

In preparing our financial statements, we make estimates concerning a variety of matters. Some of these matters are highly uncertain, and our estimates involve judgments we make based on the information available to us. In the discussion below, we have identified several of these matters for which our financial presentation would be materially affected if either (1) we used different estimates that we could reasonably have used or (2) in the future we change our estimates in response to changes that are reasonably likely to occur.

The discussion addresses only those estimates that we consider most important based on the degree of uncertainty and the likelihood of a material impact if we used a different estimate. There are many other areas in which we use estimates about uncertain matters, but the reasonably likely effect of changed or different estimates is not material to our financial presentation.

Purchase accounting purchase price allocation

During 2008 and 2007, we made a number of business acquisitions applying the purchase method of accounting. Accounting for the acquisition of a business under the purchase method requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. The most difficult estimations of individual fair values are those involving properties, plant and equipment and identifiable intangible assets, such as our licenses and trademarks. We use all available information to make these fair value determinations, including the retention of appraisers to determine the fair value of property and equipment, trademarks and an examination of the market value of licenses with similar characteristics to determine the fair value of licenses.

Estimated useful lives of plant, property and equipment

We estimate the useful lives of particular classes of plant, property and equipment in order to determine the amount of depreciation expense to be recorded in each period. Depreciation expense is a significant element of our costs and expenses, amounting in 2009 to Ps. 42,953 million, or 10.9% of our operating costs and expenses. See Note 7 to our audited consolidated financial statements.

We currently depreciate most of our telephone plant and equipment based on an estimated useful life determined upon the expected particular conditions of operations and maintenance in each of the countries in which we operate. The estimates are based on our historical experience with similar assets, anticipated technological changes and other factors, taking into account the practices of other telecommunications companies. We review estimated useful lives each year to determine whether they should be changed, and at times, we have changed them for particular classes of assets. We may shorten the estimated useful life of an asset class in response to technological changes, changes in the market or other developments. This results in increased depreciation expense. For example, during 2007, we shortened the useful life of TDMA and GSM equipment, particularly in Colombia and Brazil, to reflect the expected migration of customers to newer technologies. This

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change resulted in an increase in our depreciation expense for 2007 of Ps. 5,796 million. In 2009, we recorded a depreciation expense of Ps. 4,462 million resulting from the shortening of the useful lives of certain GSM assets in Brazil. See Note 7 to our audited consolidated financial statements.

Impairment of Long-Lived Assets, Intangibles and Goodwill

We have large amounts of long-lived assets on our balance sheet. Under Mexican FRS and U.S. GAAP, we are required to test long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable for plant, property and equipment and licenses and trademarks. Impairment testing for goodwill is required to be performed on an annual basis. To estimate the fair value of long-lived assets, we typically make various assumptions about the future prospects for the business to which the asset relates, consider market factors specific to that business and estimate future cash flows to be generated by that business. Based on these assumptions and estimates as well as guidance provided by Mexican FRS and U.S. GAAP relating to the impairment of long-lived assets, we determine whether we need to take an impairment charge to reduce the net carrying value of the asset as stated on our balance sheet to reflect its estimated fair value. Assumptions and estimates about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including external factors, such as industry and economic trends, and internal factors, such as changes in our business strategy and our internal forecasts. Different assumptions and estimates could materially impact our reported financial results. More conservative assumptions of the anticipated future benefits from these businesses could result in impairment charges, which would decrease net income and result in lower asset values on our balance sheet. Conversely, less conservative assumptions could result in smaller or no impairment charges, higher net income and higher asset values.

In 2008, we recognized an impairment in the value of goodwill of Ps. 527 million, an impairment in the value of our plants, property and equipment of Ps. 113 million and an impairment in the value of our licenses of Ps. 99 million. During 2009, we did not recognize any impairment of long-lived assets or goodwill.

Deferred Taxes

We are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves the jurisdiction-by-jurisdiction estimation of actual current tax exposure and the assessment of temporary differences resulting from the differing treatment of certain items, such as accruals and amortization, for tax and financial reporting purposes, as well as net operating loss carry forwards and other tax credits. These items result in deferred tax assets and liabilities, which are included in our consolidated balance sheets. We must assess in the course of our tax planning procedures the fiscal year of the reversal of our deferred tax assets and liabilities, and if there will be future taxable profits in those periods to support the recognition of the deferred tax assets. Significant management judgment is required in determining our provisions for income taxes, deferred tax assets and liabilities. The analysis is based on estimates of taxable income in the jurisdictions in which the group operates and the period over which the deferred tax assets and liabilities will be recoverable or settled. If actual results differ from these estimates, or we adjust these estimates in future periods, our financial position and results of operations may be materially affected.

We record a valuation allowance to reduce the deferred tax assets to an amount that we believe is more likely than not to be realized. In assessing the need for the valuation allowance, we considered future taxable income and ongoing tax planning strategies. In the event that our estimates of projected future taxable income and benefits from tax planning strategies are lowered, or changes in current tax regulations are enacted that would impose restrictions on the timing or extent of our ability to utilize the tax benefits of net operating loss carry-forwards in the future, an adjustment to the recorded amount of net deferred tax assets would be made, with a related charge to income.

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Accruals

Accruals are recorded when, at the end of the period, we have a present obligation as a result of past events, whose settlement requires an outflow of resources that is considered probable and can be measured reliably. This obligation may be legal or constructive, arising from, but not limited to, regulation, contracts, common practice or public commitments, which have created a valid expectation for third parties that we will assume certain responsibilities. The amount recorded is the best estimation performed by our management in respect of the expenditure that will be required to settle the obligations, considering all the information available at the date of our financial statements, including the opinion of external experts, such as legal advisors or consultants. Accruals are adjusted to account for changes in circumstances for ongoing matters and the establishment of additional accruals for new matters.

If we are unable to reliably measure the obligation, no accrual is recorded and information is then presented in the notes to our consolidated financial statements.

Because of the inherent uncertainties in this estimation, actual expenditures may be different from the originally estimated amount recognized.

Labor Obligations

We recognize liabilities on our balance sheet and expenses in our income statement to reflect our obligations related to our post-retirement seniority premiums, pension and retirement plans in the countries in which we operate and offer defined contribution and benefit pension plans. The amounts we recognize are determined on an actuarial basis that involves many estimates and accounts for post-retirement and termination benefits in accordance with Mexican FRS and U.S. GAAP.

We use estimates in four specific areas that have a significant effect on these amounts: (a) the rate of return we assume our pension plan will achieve on its investments, (b) the rate of increase in salaries that we assume we will observe in future years, (c) the discount rates that we use to calculate the present value of our future obligations and (d) the expected rate of inflation. The assumptions we have applied are identified in Note 11 (Mexican FRS) and Note 21 (U.S. GAAP) to our audited consolidated financial statements. These estimates are determined based on actuarial studies performed by independent experts using the projected unit-credit method. The latest actuarial computation was prepared as of December 2009. We review the estimates each year, and if we change them, our reported expense for pension costs may increase or decrease according to market conditions.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the failure of our customers, distributors and cellular operators to make required payments. We base these estimates on the individual conditions of each of the markets in which we operate that may impact the collectibility of accounts. In particular, in making these estimates we take into account (i) with respect to accounts with customers, the number of days since the calls were made, (ii) with respect to accounts with distributors, the number of days invoices are overdue and (iii) with respect to accounts with cellular operators, both the number of days since the calls were made and any disputes with respect to such calls. The amount of loss, if any, that we actually experience with respect to these accounts may differ from the amount of the allowance maintained in connection with them.

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Item 6. Directors, Senior Management and Employees

MANAGEMENT

Directors

Our Board of Directors has broad authority to manage our company. The Board of Directors is supported by our committees, especially by our Audit and Corporate Practices Committee, which is comprised by independent members. In particular, the Board of Directors must approve prior opinions of the competent committee, among others:

our non-ordinary course transactions with related parties;

the use and disposition of the company's assets;

certain material transactions such as (a) transactions not in the ordinary course of business, (b) transactions representing an investment greater than 5% of the company's assets on a consolidated basis and (c) transactions involving guarantees or the incurrence of financial obligations for more than 5% of the company's assets on a consolidated basis;

executive and director compensation;

appoint and discharge our chief executive officer; and

waivers for board members, executives and other persons with influence on the company, to benefit from business opportunities pertaining to the company.

The company must publicly disclose any case in which the resolution of the board differs from the opinion of the committee regarding any of these matters.

Additionally, in the event that a person or group of persons intend to acquire an amount of shares equal or exceeding 10% of our voting stock, our Board of Directors' authorization is required. In the event that our Board of Directors rejects the relevant authorization, it shall appoint a substitute acquirer.

Our bylaws provide for the Board of Directors to consist of between five and twenty one directors and allow for the appointment of an equal number of alternate directors. Directors need not be shareholders. A majority of our directors and a majority of the alternate directors must be Mexican citizens and elected by Mexican shareholders. A majority of the holders of the AA Shares and A Shares voting together elect a majority of the directors and alternate directors, provided that any holder or group of holders of at least 10% of the total AA Shares and A Shares is entitled to name one director and an alternate director. Two directors and two alternate directors, if any, are elected by a majority vote of the holders of L Shares. Each alternate director may attend meetings of the Board of Directors and vote in the absence of a corresponding director. Directors and alternate directors are elected or ratified at each annual general meeting of shareholders and each annual ordinary special meeting of holders of L Shares, and each serves until a successor is elected and takes office. In accordance with the Mexican Securities Market Law (*Ley del Mercado de Valores*, or the Mexican Securities Market Law), shareholders are required to make a determination as to the independence of our directors, though the CNBV may challenge this determination. Pursuant to our bylaws and the Mexican Securities Market Law, at least 25% of our directors must be independent. In order to have a quorum for a meeting of the Board of Directors, a majority of those present must be Mexican nationals.

All of the current members of the Board of Directors, the Executive Committee, the Audit and Corporate Practices Committee, and the Operations in Puerto Rico and the United States of America Committee, as well as the Corporate Secretary and the Corporate Pro-Secretary, were elected or ratified at the annual general shareholders' meeting held on April 7, 2010, with eight directors elected by the AA Shares and A Shares voting together and two directors elected by the L Shares. No alternate directors were appointed.

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Our bylaws provide that the members of the Board of Directors are appointed for terms of one year. Pursuant to Mexican law, members of the Board continue in their positions after the expiration of their terms for up to an additional 30 day period if new members are not appointed. Furthermore, in certain circumstances provided under the Mexican Securities Law, the Board of Directors may appoint temporary directors who then may be ratified or substituted by the shareholders' meetings. The names and positions of the members of the Board elected and ratified at the annual general shareholders' meeting held on April 7, 2010, their year of birth, and information concerning their committee membership and principal business activities outside América Móvil are as follows:

Directors elected by holders of Series AA and Series A Shares:

| | | |
|--|---|--|
| Patrick Slim Domit Chairman and Member of the Executive Committee and the Operations in Puerto Rico and the United States of America Committee | Born: First elected: Term expires: Other directorships: Business experience: | 1969 2004 2011 Director of Grupo Carso, S.A.B. de C.V., Impulsora del Desarrollo y el Empleo en América Latina, S.A.B. de C.V. and Carso Global Telecom, S.A.B. de C.V. and Alternate Director of Telmex Chief Executive Officer of Grupo Carso, S.A.B. de C.V. and Vice President of Commercial Markets of Telmex |
| Daniel Hajj Aboumrad Director and Member of the Executive Committee and the Operations in Puerto Rico and the United States of America Committee | Born: First elected: Term expires: Principal occupation: Other directorships: Business experience: | 1966 2000 2011 Chief Executive Officer of América Móvil Director of Grupo Carso, S.A.B. de C.V., and Alternate Director of Carso Global Telecom S.A.B. de C.V. Chief Executive Officer of Hulera Euzkadi, S.A. de C.V. |
| Alejandro Soberón Kuri Director, Chairman of the Audit and Corporate Practices Committee and Member of the Operations in Puerto Rico and the United States of America Committee | Born: First elected: Term expires: Principal occupation: Other directorships: | 1960 2000 2011 Chief Executive Officer of Corporación Interamericana de Entretenimiento, S.A.B. de C.V. Chairman of Corporación Interamericana de Entretenimiento, S.A.B. de C.V. |
| Carlos Bremer Gutiérrez Director and Member of the Audit and | Born: First elected: | 1960 2004 |

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Corporate Practices Committee and the

Term expires:

2011

Operations in Puerto Rico and the

United States of America Committee

Other directorships:

Director of Value Grupo Financiero, S.A.B. de C.V.

Chief Operating Officer of Abaco Casa de Bolsa, S.A.
de C.V.

Business experience:

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| | | |
|---|---|--|
| Rayford Wilkins Director and Member of the Executive Committee | Born: First elected: Term expires: | 1951 2005 2011 |
| | Principal occupation: Other directorships: Business experience: | Chief Executive Officer of the AT&T Diversified Businesses Division Director of Telmex Internacional Various positions in the wireless industry at SBC Group |
| Mike Viola Director | Born: First elected: Term expires: Principal occupation: | 1954 2009 2011 Senior Vice President of Corporate Finance AT&T, Inc. |
| | Other directorships: | Director of Telmex |
| Ernesto Vega Velasco Director and Member of the Audit and Corporate Practices Committee and the Operations in Puerto Rico and the United States of America Committee | Born: First elected: Term expires: Principal occupation: Other directorships: Business experience: | 1937 2007 2011 In retirement. Member of the board of directors and audit, planning and finance and evaluation and compensation committees of certain companies Chairman of Wal-Mart de México, S.A.B. de C.V. and Director of Kuo, S.A.B. de C.V., Dine, S.A.B. de C.V. and Grupo Aeroportuario del Pacífico, S.A.B. de C.V., and Alternate Director of Industrias Peñoles, S.A.B. de C.V. Since 1971, various positions in the Desc group, where he was eventually appointed Corporate Vice-president |
| Santiago Cosío Pando Director and Member of the Operations in Puerto Rico and the United States of America Committee | Born: First elected: Term expires: Principal occupation: Business experience: | 1973 2008 2011 President of Grupo Pando, S.A. de C.V. Various positions in Grupo Pando, S.A. de C.V. |
| Directors elected by holders of Series L Shares: | | |
| Pablo Roberto González Guajardo Director and Member of the Audit and Corporate Practices Committee and the Operations in Puerto Rico and the United States of America Committee | Born: First elected: Term expires: Principal occupation: | 1967 2007 2011 Chief Executive Officer of Kimberly Clark de Mexico, S.A.B. de C.V. |

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Other directorships: Member of the Board of Directors of Corporación Scribe, S.A.P.I. de C.V. and Alternate Director of Kimberly Clark de Mexico, S.A.B. de C.V.

Business experience: Various positions in the Kimberly Clark Corporation and Kimberly Clark de México, S.A.B. de C.V.

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| | |
|---|---|
| David Ibarra Muñoz Director and Member of the Operations in Puerto Rico and the United States of America Committee | Born: 1930 First elected: 2000 Term expires: 2011 Other directorships: Director of Grupo Financiero Inbursa, S.A.B. de C.V. and Impulsora del Desarrollo y el Empleo en América Latina, S.A.B. de C.V., and Alternate Director of Grupo Carso, S.A.B. de C.V. Business experience: Chief Executive Officer of Nacional Financiera, S.N.C., served in the Mexican Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público) |
|---|---|

Alejandro Cantú Jiménez, our General Counsel, serves as Corporate Secretary and Rafael Robles Miaja as Corporate Pro-Secretary.

Daniel Hajj Aboumrad is the son-in-law of Carlos Slim Helú and brother-in-law of Patrick Slim Domit. Patrick Slim Domit is the son of Carlos Slim Helú.

Executive Committee

Our bylaws provide that the Executive Committee may generally exercise the powers of the Board of Directors, with certain exceptions. In addition, the Board of Directors is required to consult the Executive Committee before deciding on certain matters set forth in the bylaws, and the Executive Committee must provide its views within ten calendar days following a request from the Board of Directors, the Chief Executive Officer or the Chairman of the Board of Directors. If the Executive Committee is unable to make a recommendation within ten calendar days or if a majority of the Board of Directors or any other corporate body duly acting within its mandate determines in good faith that action cannot be deferred until the Executive Committee makes a recommendation, the Board of Directors is authorized to act without such recommendation. The Executive Committee may not delegate its powers to special delegates or attorneys-in-fact.

The Executive Committee is elected from among the directors and alternate directors by a majority vote of the holders of common shares (AA Shares and A Shares). The Executive Committee is currently comprised of three members. The majority of its members must be Mexican citizens and elected by Mexican shareholders. Two members of the Executive Committee are named by our Mexican controlling shareholders and one member by AT&T, Inc. (formerly SBC International, Inc.). See Major Shareholders under Item 7. The current members of the Executive Committee are Messrs. Patrick Slim Domit and Daniel Hajj Aboumrad, named by the Mexican controlling shareholders, and Mr. Rayford Wilkins, named by AT&T.

Audit and Corporate Practices Committee

The Audit and Corporate Practices Committee consists of Messrs. Alejandro Soberón Kuri, Chairman, Ernesto Vega Velasco, Pablo Roberto González Guajardo and Carlos Bremer Gutiérrez. The mandate of the Audit and Corporate Practices Committee is to assist our Board of Directors in overseeing our operations, establish and monitor procedures and controls in order to ensure that the financial information we distribute is useful, appropriate and reliable and accurately reflects our financial position. In particular, the Audit and Corporate Practices Committee is required to, among other things:

provide opinions to the Board of Directors on certain matters as provided by the Mexican Securities Market Law;

call shareholders meetings and recommend inclusion of matters it deems appropriate on the agenda;

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inform the Board of Directors of our internal controls and their adequacy;

select our auditors, review the scope and terms of their engagement, and determine their compensation;

monitor the performance of our auditors and re-evaluate the terms of their engagement;

recommend procedures for preparing financial statements and internal controls;

monitor internal controls and accounting for specified types of matters;

propose procedures for the preparation of financial statements for internal use that are consistent with the published financial statements;

assist the Board of Directors in preparing reports provided by the Mexican Securities Market Law;

discuss with the auditors the annual financial statements and the accounting principles being applied in the annual and the interim financial statements and based on such discussions, recommend their approval to the Board of Directors;

resolve disagreements between our management and auditors relating to our financial statements;

request the opinion of independent experts, when deemed appropriate or when required by law;

approve services to be provided by our auditors, or establish policies and procedures for the pre-approval of services by our auditors;

obtain from our auditors an audit report that includes a discussion of critical accounting policies used by the Company, any alternative treatments within generally accepted accounting principles for material items that have been discussed by management with our auditor, and any other written communications between our auditors and management;

report to the Board of Directors on its activities;

develop procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, including for the confidential submission of concerns regarding such matters by employees;

evaluate the performance of the external auditors;

review and discuss the financial statements of the company and advise the board of directors of the committee's recommendations for approval of such financial statements;

receive and analyze recommendations and observations to its functions from shareholders, members of the board of directors and senior management, and the authority to act upon such recommendations and observations;

recommend to the Board of Directors procedures for the selection and succession of our chief executive officer and our principal executives;

propose criteria for evaluating executive performance;

analyze the proposals of the chief executive officer concerning the structure and amount of compensation for our senior executive and raise them with the Board of Directors;

review new executive compensation programs and the operations of existing programs;

establish contracting practices to avoid excessive payments to executives;

assist the Board of Directors in developing appropriate personnel policies;

participate with the Board of Directors in developing a plan for employees to invest in our L Shares and review the implementation of such plan; and

perform any other functions the Board of Directors may delegate to the Audit and Corporate Practices Committee.

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In addition, pursuant to our bylaws, the Audit and Corporate Practices Committee is in charge of our corporate governance functions under the Mexican securities laws and regulations and is required to submit an annual report to the Board of Directors with respect to our corporate and audit practices. The Audit and Corporate Practices Committee shall request opinions of our executive officers for purposes of preparing the annual report. The Board of Directors must seek the opinion of the Audit and Corporate Practices Committee regarding any transaction with a related party that is outside the ordinary course of our business as defined under the Mexican Securities Market Law. Each member of the Audit and Corporate Practices Committee is independent, as independence is determined by our shareholders pursuant to the Mexican Securities Market Law and as defined under Rule 10A-3 of the U.S. Securities and Exchange Act of 1934.

External Auditor

Our external auditor is Mancera, S.C., a member practice of Ernst & Young Global, an independent registered public accounting firm. Pursuant to our bylaws, the external auditor is required to issue a report in connection with our financial statements. The external auditor may be called to participate in meetings of our Board of Directors and may be in attendance at our shareholders' meetings. However, the external auditor shall have no vote and shall not engage in any discussion which may affect his independent status or may create a conflict of interest. The external auditor is responsible for the preparation of the audit report (*dictamen*) of our financial statements. The auditing firm is selected by the Board of Directors based on the opinion of the Audit and Corporate Practices Committee.

Operations in Puerto Rico and the United States of America Committee

The Operations in Puerto Rico and the United States of America Committee consists of Messrs. Patrick Slim Domit, Daniel Hajj Aboumrad, Ernesto Vega Velasco, Pablo Roberto Gonzalez Guajardo, David Ibarra Muñoz, Alejandro Soberón Kuri, Carlos Bremer Gutiérrez and Santiago Cosío Pando. The mandate of the Operations in Puerto Rico and the United States of America Committee is to act in the name and on behalf of the Company's Board of Directors in respect of the Company's Puerto Rican subsidiary, Telecomunicaciones de Puerto Rico, Inc. (including its subsidiaries); and the Company's U.S. subsidiary Tracfone Wireless, Inc. (including its subsidiaries). To perform this function, the Committee may rely on the internal structures of the Company and its subsidiaries.

Senior Management

The names, responsibilities and prior business experience of our senior officers are as follows:

| | | |
|---|------------------------------------|---|
| Daniel Hajj Aboumrad Chief Executive Officer | Appointed: Business experience: | 2000 Director of Telmex's Mexican subsidiaries, Chief Executive Officer of Compañía Hulera Euzkadi, S.A. de C.V. |
| Carlos José García Moreno Elizondo Chief Financial Officer | Appointed: Business experience: | 2001 General Director of Public Credit at the Secretaría de Hacienda y Crédito Público, Managing Director of UBS Warburg, Associate Director of financing at Petróleos Mexicanos (Pemex) |
| Carlos Cárdenas Blásquez Latin American Operations | Appointed: Business experience: | 2000 Various positions at Telmex, including Operating Manager for the paging service company Buscatel, S.A. de C.V. and Vice-President of operations for Telmex USA, Manager at Grupo Financiero Inbursa, S.A.B. de C.V. |
| Alejandro Cantú Jiménez General Counsel | Appointed: Business experience: | 2001 Mijares, Angoitia, Cortés y Fuentes, S.C. |

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Chief Executive Officer

Under our bylaws, the chief executive officer is entrusted with the performance, conduct and execution of our day-to-day business activities. The chief executive officer is responsible for recommending our internal control and internal audit guidelines and presenting business strategies for the approval of the Board of Directors. The chief executive officer is also required to present an annual report to the Board of Directors discussing, among other things:

the operations of the Company in the relevant year, as well as the policies followed and, if applicable, the principal pending projects;

the financial condition of the Company;

the recent results of the Company; and

the changes in the Company's financial condition.

Compensation of Directors and Senior Management

The aggregate compensation paid to our directors (including compensation paid to members of our Audit and Corporate Practices Committee) and senior management in 2009 was approximately Ps. 2.5 million and Ps. 33.2 million, respectively. None of our directors is a party to any contract with us or any of our subsidiaries that provides for benefits upon termination of employment. We do not provide pension, retirement or similar benefits to our directors in their capacity as directors. Our executive officers are eligible for retirement and severance benefits required by Mexican law on the same terms as all other employees, and we do not separately set aside, accrue or determine the amount of our costs that is attributable to executive officers.

Share Ownership

According to beneficial ownership reports filed with the SEC on March 1, 2010, Carlos Slim Helú holds 433 million (or 3.7%) of our outstanding AA Shares and 264 million (or 1.3%) of our outstanding L Shares directly, and his son and chairman of our Board of Directors, Patrick Slim Domit, holds 444 million (or 3.8%) of our AA Shares and 516 million (or 2.6%) of our L Shares directly. In addition, according to beneficial ownership reports filed with the SEC, Carlos Slim Helú, together with his sons and daughters, including Patrick Slim Domit, may be deemed to control us through their beneficial ownership held by a trust and another entity and their direct ownership of shares. See Major Shareholders under Item 7 and Bylaws Share Capital under Item 8.

Except as described above, according to the ownership reports of shares or other securities or rights in our shares prepared by our directors and members of senior management and provided to us, none of our directors or executive officers is the beneficial owner of more than 1% of any class of our capital stock. Directors and members of senior management are requested to provide ownership information of Company shares or other securities or rights in our shares on a yearly basis.

Table of Contents**EMPLOYEES**

The following table sets forth the number of employees and a breakdown of employees by main category of activity and geographic location as of the end of each year in the three-year period ended December 31, 2009:

| | December 31, | | |
|-----------------------|--------------|--------|--------|
| | 2007 | 2008 | 2009 |
| Number of employees | 49,091 | 52,879 | 53,661 |
| Category of activity: | | | |
| Wireless | 36,389 | 41,365 | 42,968 |
| Fixed | 12,702 | 11,514 | 10,693 |
| Geographic location: | | | |
| Mexico | 14,360 | 16,526 | 17,347 |
| South America | 18,496 | 20,360 | 21,133 |
| Central America | 7,874 | 7,869 | 7,384 |
| Caribbean | 7,823 | 7,530 | 7,163 |
| United States | 538 | 594 | 634 |

As of December 31, 2009, the Progressive Union of Communication and Transport Workers of the Mexican Republic (*Sindicato Progresista de Trabajadores de Comunicaciones y Transportes de la República Mexicana*) represented approximately 87.1% of the employees of Telcel. All management positions at Telcel are held by non-union employees. Salaries and certain benefits are renegotiated every year. In March 2010, Telcel and the union agreed to a 4.8% nominal increase in basic wages.

Under our labor agreements and Mexican labor law, we are obligated to pay seniority premiums to retiring employees and pension and death benefits to retired employees. Retirees will be entitled to receive pension increases whenever salary increases are granted to current employees.

Some of our foreign subsidiaries, including our Brazilian subsidiaries, Telgua, ENITEL, CTE, Claro Chile, AMX Argentina and TELPRI, also have active employee unions.

We believe that we have good current relations with our workforce.

Table of Contents**Item 7. Major Shareholders and Related Party Transactions****MAJOR SHAREHOLDERS**

The following table sets forth our capital structure as of April 30, 2010:

| Series | Number of Shares (millions) | Percent of Capital | Combined A Shares and AA Shares ^(*) |
|--------------------------|-----------------------------|--------------------|--|
| L Shares (no par value) | 19,952 | 62.1% | |
| AA Shares (no par value) | 11,712 | 36.5% | 96.3% |
| A Shares (no par value) | 445 | 1.4% | 3.7% |
| Total | 32,109 | 100.0% | 100.0% |

(*) The AA Shares and A Shares of AMX are entitled to elect together a majority of our directors. Percentage figures for each shareholder are based on the number of shares outstanding as of the date of its most recently filed beneficial ownership report.

According to reports of beneficial ownership of our shares filed with the SEC on March 1, 2010, Carlos Slim Helú, together with his sons and daughters (together, the Slim Family), may be deemed to control us through their beneficial ownership held by a trust and another entity and their direct ownership of shares.

Our former controlling shareholder, Amtel, and AT&T Inc., as successors of Carso Global Telecom and SBC International, Inc., respectively, were parties to an agreement relating to their ownership of AA Shares. Among other things, the agreement subjects certain transfers of AA Shares by either party to a right of first offer in favor of the other party, although the right of first offer does not apply to the conversion of AA Shares to L Shares, as permitted by our bylaws, or the subsequent transfer of L Shares. The agreement also provides for the composition of the Board of Directors and the Executive Committee and for each party to enter into a Management Services Agreement with us. According to reports of beneficial ownership of our shares filed with the SEC on May 4, 2007 the Slim Family and a Mexican trust that holds AA Shares for the benefit of the Slim Family (the Control Trust) expect to enter into amendments of the agreement with AT&T pursuant to which the Slim Family and the Control Trust will act as successor to Amtel (except that we do not expect to enter into a Management Services Agreement with the Control Trust or the Slim Family). According to reports of beneficial ownership filed with the SEC, the Slim Family may be deemed to control us through their beneficial ownership of shares held by the Control Trust and Inmobiliaria Carso and their direct ownership of shares. See Directors and Executive Committee under Item 6 and Related Party Transactions under this item 7.

The following table identifies each owner of more than 5% of any series of our shares as of April 30, 2010. Except as described in the table below and the accompanying notes, we are not aware of any holder of more than 5% of any series of our shares. Figures below do not include the total number of L Shares that would be held by each shareholder upon conversion of the maximum number of AA Shares or A Shares, as provided for under our bylaws. See Bylaws Share Capital under Item 10. Holders of five percent or more of any class of our shares have the same voting rights with respect to their shares as do holders of less than five percent of the same class.

| Shareholder | AA Shares | | A Shares | | L Shares | | Combined A Shares and AA Shares ^(*) |
|-----------------------------------|-------------------------|------------------|-------------------------|------------------|-------------------------|------------------|--|
| | Shares Owned (millions) | Percent of Class | Shares Owned (millions) | Percent of Class | Shares Owned (millions) | Percent of Class | |
| Control Trust ⁽¹⁾ | 5,447 | 46.5% | | % | | % | 44.8% |
| AT&T Inc. ⁽²⁾ | 2,869 | 24.5% | | | | | 23.6% |
| Inmobiliaria Carso ⁽³⁾ | 696 | 5.9% | | | | | 5.7% |

(*) The AA Shares and A Shares of AMX are entitled to elect together a majority of our directors. Percentage figures for each shareholder are based on the number of shares outstanding as of the date of its most recently filed beneficial ownership report.

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- (1) Based on beneficial ownership reports filed with the SEC on March 1, 2010, the Control Trust is a Mexican trust which directly holds AA Shares for the benefit of the members of the Slim Family. Members of the Slim Family, including Carlos Slim Helú, directly own an aggregate of 1,779,218,535 AA Shares and 2,469,735,195 L Shares representing 15.19% and 12.37%, respectively, of each series and 14.63% of the combined A Shares and AA Shares. According to such reports, none of these members of the Slim Family individually directly own more than 5% of any of our shares. According to reports of beneficial ownership of shares filed with the SEC on March 1, 2010 the Slim Family may be deemed to control us through their beneficial ownership of shares held by the Control Trust and Inmobiliaria Carso and their direct ownership of shares. Percentage figures are based on the number of shares outstanding as of the date of the most recently filed beneficial ownership report.
- (2) Based on beneficial ownership reports filed with the SEC on April 30, 2010. In accordance with Mexican law and our bylaws, AT&T holds its AA Shares through a Mexican trust. See Bylaws Limitations on Share Ownership under Item 10. Percentage figures are based on the number of shares outstanding as of the date of the most recently filed beneficial ownership report.
- (3) Inmobiliaria Carso, S.A. de C.V. is a *sociedad anónima de capital variable* organized under the laws of Mexico. Inmobiliaria Carso is a real estate holding company. The Slim Family beneficially owns, directly or indirectly, a majority of the outstanding voting equity securities of Inmobiliaria Carso. The Slim Family may be deemed to control us through their beneficial ownership held by the Control Trust and Inmobiliaria Carso and their direct ownership of shares. Percentage figures are based on the number of shares outstanding as of the date of the most recently filed beneficial ownership report.

As of April 30, 2010, 56.5% of the outstanding L Shares were represented by L Share ADSs, each representing the right to receive 20 L Shares, and 99.2% of the L Share ADSs were held by 10,791 registered holders with addresses in the United States. As of such date, 31.7% of the A Shares were held in the form of A Share ADSs, each representing the right to receive 20 A Shares, and 99.4% of the A Share ADSs were held by 5,328 registered holders with addresses in the United States. Each A Share may be exchanged at the option of the holder for one L Share.

We have no information concerning holders with registered addresses in the United States that hold:

AA Shares;

A Shares not represented by ADSs; or

L Shares not represented by ADSs.

We may repurchase our shares on the Mexican Stock Exchange from time to time up to a specified maximum aggregate value authorized by the holders of AA Shares and A Shares. As of December 31, 2009, we had been authorized by our shareholders to repurchase shares with an aggregate value of up to Ps. 125,000 million, and to date during 2010 we have been authorized to repurchase an additional Ps. 50,000 million. As of April 30, 2010, we had repurchased 9,223 million L Shares and 35 million A Shares, with an aggregate value of approximately Ps. 119,065 million (not including applicable commissions and taxes).

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RELATED PARTY TRANSACTIONS

Transactions with Telmex, Telmex Internacional and subsidiaries

We have, and expect to continue to have, a variety of contractual relationships with Telmex, Telmex Internacional and their subsidiaries, including some of their international subsidiaries.

According to beneficial ownership reports filed with the SEC, Telmex and Telmex Internacional may be deemed to be under common control with us.

Continuing Commercial Relationships

Because both we, on the one hand, and Telmex or Telmex Internacional, on the other hand, provide telecommunications services in some of the same geographical markets, we have extensive operational relationships. These relationships include interconnection between their respective networks; use of facilities, particularly for the co-location of equipment on premises owned by Telmex; use of their private circuits; the provision of long distance services to our customers; and use by each of the services provided by the other. These relationships are subject to a variety of different agreements, and the most significant of these relationships are between Telcel and Telmex in Mexico and between our Brazilian subsidiaries and Embratel, a subsidiary of Telmex Internacional that provides fixed-line telecommunication services, in Brazil. Many of them are also subject to specific regulations governing telecommunications services. The terms of these agreements are generally similar to those on which each company does business with unaffiliated parties.

These operational relationships are material to our financial performance. In 2009, Ps. 18,070 million of our total operating revenues were attributable to interconnection with Telmex and its subsidiaries, primarily representing payments under the calling party pays system arising from fixed-to-mobile calls. We had Ps. 274,481 million in accounts receivable from Telmex and certain of its subsidiaries. We had Ps. 25,628 million in accounts receivable from Telmex Internacional and certain of its subsidiaries, and accounts payable of Ps. 615,804 million to Telmex Internacional and certain of its subsidiaries at December 31, 2009. Also in 2009, Ps. 7,218 million of our cost of services was attributable to payments to Telmex and its subsidiaries, primarily representing interconnection payments for long-distance calls carried by Telmex or its subsidiaries and use of facilities under leases and collocation agreements with Telmex or its subsidiaries.

In the ordinary course of business, our subsidiaries in Brazil lease real property from Embratel. The aggregate amount of consideration paid for these leases is approximately R\$1.2 million (Ps. 9.0 million) on an annual basis. We may, from time to time, lease additional real estate from Embratel.

Telmex distributes Telcel handsets and prepaid cards on commercial terms, and Embratel provides call center services to the operating subsidiaries of Claro Participações S.A.

Other Commercial Relationships

In 2005, Telmex Argentina, S.A., a subsidiary of Telmex Internacional, and AMX Argentina, S.A. entered into an agreement for the construction of approximately 1,943 kilometers of fiber optic transmission lines in Argentina. The project concluded in 2009, representing a total cost of approximately Ps. 313 million (U.S. \$24 million, based on the exchange rate on December 31, 2009).

In 2005, our subsidiary, Claro Chile, S.A. and Telmex Chile Holding, S.A. (Telmex Chile), a subsidiary of Telmex Internacional, entered into an agreement for the provision of capacity and infrastructure by Telmex Chile for a period of 20 years. Pursuant to the agreement, Claro Chile pays a monthly disbursement of U.S.\$22.0 million (Ps. 190.0 million, based on the exchange rate on December 31, 2009). The amount recorded in the results of operations as of December 31, 2009 for this agreement was U.S.\$265 million. (Ps. 3,460 million, based on the exchange rate on December 31, 2009).

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In November 2005, Embratel entered into an agreement with Claro Participações to provide backbone network capacity to our operating subsidiaries in Brazil for a period of 20 years. Pursuant to this agreement our subsidiaries in Brazil are required to pay Embratel a monthly fee that ranges between R\$4.0 million and R\$6.0 million (Ps. 24.5 million and Ps. 36.8 million, based on the exchange rate on December 31, 2009), depending on the capacity provided under the agreement.

In 2006, Telmex Perú S.A., a subsidiary of Telmex Internacional, and América Móvil Perú, S.A.C., entered into a turnkey fiber optic network construction agreement in order to jointly build a fiber optic network along the coast of Peru of 2,823 kilometers for approximately Ps. 561 million (U.S.\$43 million, based on the exchange rate on December 31, 2009). The construction was awarded through a private bidding process to our affiliates Carso Infraestructura y Construcción, S.A. de C.V. (CICSA) and Grupo Condomex, S.A. de C.V. The project concluded in November 2009.

In 2009, AMX Argentina began the construction of approximately 3,100 kilometers of fiber optic transmission lines in southern Argentina. The construction work and cable are valued at Ps. 503 million (U.S.\$39.0 million, based on the exchange rate on December 31, 2009). Once the work is finalized, we expect that AMX Argentina will enter into a 30-year license for use agreement with Telmex Argentina, a subsidiary of Telmex Internacional. Additionally, Telmex Internacional transferred to us the rights to use for 15 years the fiber optic ring serving the Buenos Aires metropolitan area (commonly known in Argentina as the AMBA), which covers most of the urban links of the greater Buenos Aires area (commonly known in Argentina as Gran Buenos Aires) with an approximate value of Ps. 8.1 million (US\$ 0.6 million, based on the exchange rate on December 31, 2009).

The terms of these agreements are generally similar to those on which each company does business with unaffiliated parties.

Other Transactions

From time to time, we make investments together with affiliated companies and sell or buy investments to or from affiliated companies. We have pursued joint investments in the telecommunications industry with Telmex.

We may provide, directly or through our subsidiaries, financing to CGT, Telmex Internacional and/or Telmex.

Transactions with Other Affiliates

We have an agreement to receive consulting services from AT&T. During 2010, we will pay U.S.\$7.5 million to AT&T in compensation for its services. In 2009, 2008 and 2007 we paid U.S.\$7.5 million annually to AT&T in compensation for its services. We have agreements with AT&T International that provide for AT&T International completing our international calls to the United States and for our completing AT&T International's calls from the United States.

Prior to our merger with AMTEL, we had a management services agreement with AMTEL, pursuant to which we paid AMTEL U.S.\$28.5 million in 2006.

Telcel purchases materials or services from a variety of companies that, according to beneficial ownership reports filed with the SEC, are under common control with us. These services include insurance and banking services provided by Grupo Financiero Inbursa, S.A.B. de C.V. and its subsidiaries. In addition, we sell products in Mexico through the Sanborns and Sears store chains. Telcel purchases these materials and services on terms no less favorable than it could obtain from unaffiliated parties, and would have access to other sources if our affiliates ceased to provide them on competitive terms.

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In December 2007, we donated our 19.7% interest in U.S. Commercial Corp., S.A.B. de C.V., a Mexican holding company that delisted its shares from the Mexican Stock Exchange earlier in 2007 and the parent company of CompUSA, Inc., to Fundación Carso, S.A. de C.V., a charitable organization organized by members of the Slim Family. Subsequently, U.S. Commercial Corp. sold 100% of the shares of CompUSA, Inc. to an unaffiliated third party. The Slim Family, our controlling shareholder, also controls U.S. Commercial Corp. In 2007, we wrote-off the remaining value of our investment in U.S. Commercial Corp. (Ps. 1,363 million).

Note 16 to our audited consolidated financial statements included in this annual report provides additional information about our related party transactions.

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See Item 18 Financial Statements and pages F-1 through F-87

DIVIDENDS

We have paid cash dividends on our shares each year since 2001. The table below sets forth the nominal amount of dividends paid per share in each year indicated, in pesos and translated into U.S. dollars at the exchange rate on each of the respective payment dates.

| Year ended December 31, | Pesos per Share | Dollars per Share |
|--------------------------------|------------------------|--------------------------|
| 2009 | Ps.0.80 | U.S.\$ 0.0613 |
| 2008 | Ps.0.26 | 0.0192 |
| 2007 | 1.20 | 0.1104 |

The declaration, amount and payment of dividends by América Móvil is determined by majority vote of the holders of AA Shares and A Shares, generally on the recommendation of the Board of Directors, and depends on our results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by the holders of AA Shares and A Shares. In April 2007, our shareholders authorized a dividend of Ps. 0.20 per share, which was paid in a single installment in July 2007. In October 2007, our shareholders approved a special dividend of Ps. 1.00 per share, which was paid in a single installment in November 2007. In April 2008, our shareholders authorized a dividend of Ps. 0.26 per share, which was paid in a single installment in July 2008. In April 2009, our shareholders authorized a dividend of Ps. 0.30 per share, which was paid in a single installment in July 2009. In December 2009, our shareholders approved a special dividend of Ps. 0.50 per share, which was paid in a single installment in December 2009. In April 2010, our shareholders authorized a dividend of Ps. 0.32 per share, payable in two equal installments in July and November 2010. These dividends were or will be paid on each series of our shares.

Our bylaws provide that holders of AA Shares, A Shares and L Shares participate on a per-share basis in dividend payments and other distributions, subject to certain preferential dividend rights of holders of L Shares. See [Bylaws Dividend Rights](#) and [Bylaws Preferential Rights of L Shares](#) under Item 10.

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LEGAL PROCEEDINGS

In each of the countries in which we conduct operations, we are party to various legal proceedings in the ordinary course of business. These proceedings include tax, labor, antitrust, contractual matters and administrative and judicial proceedings concerning regulatory matters such as interconnection and tariffs. See Note 15 to our audited consolidated financial statements included in this annual report.

Our concessions are generally subject to early termination for violations of their terms, including certain service, quality, coverage standards and certain interconnection obligations. We are also party to a number of proceedings regarding our compliance with administrative rules and regulations and concession standards. As of the date of this annual report, we believe that none of these proceedings is likely to result in the revocation of any of our material concessions.

Below is a summary of the most significant legal proceedings in which we are currently involved.

América Móvil

NatTel

The plaintiff, NatTel, LLC (NatTel) sued us and others in a Connecticut state court in the United States based on an August 2007 transaction in which we purchased shares of Oceanic from ODC St. Lucia, a subsidiary of Oceanic Digital Communications, Ltd. (ODC), in which NatTel is a minority shareholder. Under the agreement governing the transaction, the parties placed approximately U.S.\$15 million (approximately Ps. 195.9 million) in escrow with The Bank of New York, and the remaining purchase payments paid certain inter-company debt owed by Oceanic to the majority shareholders in ODC SAC Capital Associates, LLC and SAC Capital Advisors (collectively, SAC).

In the Connecticut action, NatTel alleges that the entire transaction was intended to deprive NatTel of its fair share of the sales proceeds, and structured so that SAC received the entire proceeds of the sale. NatTel seeks, among other things, an order that it receive the amount placed in escrow. On February 7, 2008, we filed a motion to dismiss for lack of personal jurisdiction and insufficient service. The motion principally argues that we do not have sufficient contacts with Connecticut to support the state court's exercise of personal jurisdiction over us. We believe we have several other meritorious defenses to NatTel's claims.

Concurrently with the Connecticut action, NatTel also initiated an adversary proceeding in connection with its bankruptcy case in the United States Bankruptcy Court for the District of Connecticut against many of the parties in the Connecticut action, including us. The adversary proceeding contains the same allegations as the Connecticut action.

After the filing of the adversary proceeding in bankruptcy court, defendants, excluding us, filed a motion in the District Court for the District of Connecticut to withdraw the reference of the adversary proceeding, and send those proceedings to the District Court judge who had previously decided a related case against NatTel.

In April 2008, the parties to the Connecticut action agreed to stay the action pending a decision by the District Court on the motion to withdraw. As of the date of this annual report, the District Court has yet to decide on the motion to withdraw. Accordingly, the Connecticut action remains stayed.

We have not made provisions in our financial statements for this potential liability.

Cempresa

In May or June of 2008, plaintiffs Centro Empresarial Cempresa, S.A. and Conecel Holding Limited, filed a suit in the Supreme Court of the State of New York against numerous defendants including us and certain of our

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affiliates, subsidiaries and two members of our Board of Directors, asserting breach of contract, fraud, fraudulent inducement, unjust enrichment and a claim for accounting. The plaintiffs sold a majority of their shares in our Ecuadorian subsidiary Conecel, to a subsidiary of Telmex in 2000. Telmex's holdings in Conecel were included in our spin-off from Telmex in 2000 and remain held by one of its subsidiaries. The plaintiffs kept a minority of the shares of Conecel.

The plaintiffs assert that one of their exit strategies with respect to the minority shares was a right to negotiate for an exchange of those shares for ours. The plaintiffs contend in the lawsuit that the defendants wrongfully deprived them of a share exchange and they seek the alleged value of our shares they claim they would have received, which the plaintiffs assert amounts to over US\$900 million (approximately Ps. 11,754 million). The plaintiffs also seek punitive damages. The plaintiffs additionally assert that the defendants purposefully misrepresented the value of the plaintiffs' minority shares to try to prevent a share exchange. In 2003, the plaintiffs voluntarily sold their minority shares to the defendants, executing comprehensive releases as part of the transactions.

The defendants filed a motion to dismiss asserting numerous defenses, including statute of limitations, release, lack of damages, personal jurisdiction for certain defendants, and the inability to add to a contract cause of action the fraud causes of action. In December 2008, the trial court denied the motion to dismiss and the defendants appealed. The appellate court stayed the case in the trial court. The appeal is fully briefed and oral argument took place in April 2009.

The defendants believe they have numerous meritorious defenses to the plaintiffs' claims. In addition to the defenses contained in the motion to dismiss that are issues on appeal, the defendants do not believe that our spin-off from Telmex triggered the share exchange provision. Moreover, the defendants argue that a plain reading of the provision relating to the potential exchange of shares provides no right to a share exchange, but instead only a right to a good faith negotiation for a period of 20 days, for a potential share exchange.

We have not made provisions in our financial statements for this potential liability.

Telcel

Cofeco Substantial market power investigations

The Mexican competition commission, Cofeco, is conducting two substantial market power investigations into certain competitive conditions in the mobile telecommunications market. The first of these, which commenced in December 2007, is a Cofeco-initiated investigation into whether one or more cellular operators have substantial market power in the market for termination (interconnection) of calls made as part of the local, national and international calling party pays system. Cofeco has issued a preliminary report (*dictamen preliminar*) finding that each operator, including Telcel, has substantial market power in the market for interconnection to its own network.

Interested parties have the opportunity to submit information for Cofeco's review before it issues a final report. Telcel has provided extensive information to Cofeco, and we cannot predict when Cofeco will issue a final report or whether it will modify its preliminary findings.

The second Cofeco investigation, which commenced in April 2008, was initiated by an alleged Telcel subscriber (who in fact was a subscriber of another mobile operator) and relates to whether Telcel has substantial market power in the nationwide market for voice services. In this investigation, Cofeco issued a preliminary report (*dictamen preliminar*) in November 2008 finding that Telcel has substantial market power in the national mobile telephone services relevant market. The preliminary report was confirmed by the publication on February 10, 2010 in the Official Gazette of the relevant findings of the resolution relating to the existence of substantial market power in the nationwide market for voice services. In February 2010, Telcel filed an administrative proceeding (*recurso administrativo de reconsideración*) before Cofeco. Cofeco rejected the

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request to analyze the administrative proceeding. Telcel then filed an appeal (*amparo indirecto*) before an administrative judge against the rejection of the administrative proceeding and the issuance, subscription and publication of the resolution in which relevant findings were published on February 10, 2010 in the Official Gazette.

Under the Federal Antitrust Law and the Mexican Telecommunications Law, if Cofeco makes a final finding of substantial market power concerning an operator, Cofetel can impose on that operator specific regulations with respect to tariffs, quality of service and information. We cannot predict what regulatory steps might be taken in response to determinations by Cofeco.

Cofeco Monopolistic practices investigations

Cofeco is currently conducting four separate administrative proceedings against Telcel for alleged monopolistic practices. The first two concern alleged actions by certain distributors of Telcel in relation to the purchase and sale of cellular phones to third parties. The third proceeding concerns certain exclusivity agreements with some content providers. In each of these investigations, Cofeco has determined that Telcel engaged in anti-competitive behavior, and it has imposed fines totaling Ps. 6.7 million in the aggregate and ordered that the alleged behaviors terminate immediately. Telcel has challenged Cofeco's determinations and fines in the courts and no final ruling has been issued.

The fourth investigation concerns alleged monopolistic practices in the interconnection market. After having concluded the investigation stage, in October 2009 Cofeco notified to Telcel a Notice of Apparent Liability (*Oficio de Probable Responsabilidad*) for carrying out monopolistic practices in the commuted termination services relevant market.

Interested parties to this investigation have the opportunity to submit information for Cofeco's review before it issues a final resolution. Telcel has provided extensive information to Cofeco, and we cannot predict when Cofeco will issue a final resolution or whether it will modify the Notice of Apparent Liability.

Adverse determinations against Telcel in any of these proceedings could result in material fines, penalties or restrictions on our operations. We have not made provisions in our financial statements for these potential liabilities since at the time Telcel's most recent financial statements were published, the amount of the possible contingency could not be reasonably estimated.

Interconnection Fees

Since 2005, there has been extensive controversy in Mexico concerning the interconnection fees payable by fixed-line operators to mobile operators on fixed-to-mobile calls. The history and current status of these proceedings is discussed under Information of the Company Mexican Operations Regulations Interconnection Fees under Item 4.

February 2009 Interconnection Plan

On February 10, 2009, Cofetel published a Fundamental Technical Plan of Interconnection and Inter-operability (*Plan Técnico Fundamental de Interconexión e Interoperabilidad* or Plan). A description of the Plan and our legal challenges to the Plan is included under Information of the Company Mexican Operations Regulations February 2009 Interconnection Plan under Item 4.

Short Message Services (SMS)

Under the terms of its concessions for the 850 megahertz spectrum, Telcel must pay to the Mexican federal government a royalty based on gross revenues from concessioned services. The royalty is levied at rates that vary from region to region and average approximately 6%.

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Telcel believes that short message services are value-added services, which are not concessioned services, and that revenues from short message services should not be subject to this royalty.

In related proceedings, Cofotel has ruled that short text messages are subject to the interconnection regulatory regime and that such services do not constitute value-added services. Telcel is currently disputing these issues in an administrative proceeding, but has made provisions in its financial statements for this potential liability.

Trademarks Tax Assessments

On March 3, 2006, the Mexican Tax Administration Service (*Servicio de Administración Tributaria*, or SAT) notified Telcel of an assessment of Ps. 281.7 million (Ps. 155.8 million plus adjustments, fines and late fees) as a result of a tax deduction made by Telcel in 2003 of Ps. 1,267.7 million in connection with royalty payments made to another of our subsidiaries for the use of certain trademarks. In June 2007, the SAT notified us of an additional assessment of Ps. 541.5 million (Ps. 258.5 million plus adjustments, fines and late fees) as a result of a tax deduction made by us in 2003 in connection with the aforementioned royalty payments. We and Telcel believe that these deductions were made in accordance with applicable law and have challenged the validity of these assessments.

In December 2007, the SAT notified Telcel of a new assessment of Ps. 453.6 million (Ps. 243.6 million plus adjustments, fines and late fees) in connection with a deduction of advertising expenses made by Telcel in 2004 in the amount of Ps. 1,678.6 million. The SAT is challenging the validity of this deduction, alleging that the deduction is unfounded because Telcel is already paying a royalty for the use of the trademarks. Telcel believes that the SAT's argument is unfounded and has challenged the assessment in court.

Based on these assessments, we expect that the SAT will challenge deductions made during 2005, 2006 and 2007 for royalty payments and/or expenses associated with the trademarks. Telcel has not made specific provisions in its financial statements for these potential liabilities.

Comcel

Voice over IP

In March 2000, the SIC issued Resolution No. 4954, requiring Comcel to pay a fine of approximately U.S.\$100 thousand (approximately Ps. 1.3 million) for alleged anti-competitive behavior. In addition to this administrative fine, the SIC ordered Comcel to pay damages to other long distance operators. The long distance operators estimated their damages to be U.S.\$70 million (approximately Ps. 904.2 million). Comcel requested an administrative review of the damages decision, which was denied in June 2000. Comcel appealed, and the appeal was rejected in November 2000. Comcel resubmitted the appeal in February 2001. Comcel also filed a special action in court challenging the denial of the administrative review.

Following a series of court proceedings, a Colombian appeals court in June 2002 ordered that Comcel's February 2001 appeal be granted and that the administrative decision against Comcel be reviewed. After additional proceedings, the Constitutional Court revoked the June 2002 decision and ordered the continuance of the procedure for the determination of damages to the other operators.

In January 2008, SIC determined that Comcel was required to pay the long distance operators approximately U.S.\$1.8 million (approximately Ps. 23.5 million, which represents a reduction of approximately 95% of the original amount claimed by the long distance operators). In February 2008, Comcel appealed the SIC's resolution on the grounds that Comcel had not caused any damage nor it incurred in any liability.

In June 2009, Bogota's Judicial District Court of Appeals (*Tribunal Superior del Distrito Judicial de Bogotá*), confirmed SIC's January 2008 resolution. As a result, Comcel timely paid US\$1.8 million fine. As a result of the foregoing, this contingency has been duly terminated.

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Distributors

In February 2007, Comcel was notified of an arbitration proceeding initiated against it by Tecnoquímicas, S.A., which was a distributor of prepaid cards of Comcel until July 2006. In the proceeding, the distributor alleges breach of contract and commercial liability on the part of Comcel. Claimant seeks to recover approximately U.S.\$35 million (approximately Ps. 457.1 million) from Comcel. In July 2009, the arbitration tribunal decided that Comcel had to pay Tecnoquímicas, S.A., U.S.\$13 million (approximately Ps. 169.8 million), which were timely paid by Comcel. As a result of the foregoing, this contingency has been duly terminated.

During the second quarter of 2010, Comcel was notified of certain arbitration proceedings initiated against it by Conexcel S.A., Globaltronics Colombia S.A., Electrophone S.A., Andino Celular S.A. and CTM S.A., all of whom were distributors of Comcel. The plaintiffs allege breach of contract and commercial liability on the part of Comcel. Considering the aforesaid proceedings have just been notified to Comcel, as of the date of this annual report it is not possible to quantify the total plaintiffs' claims.

Dominant position

In September 2009, the CRC issued a series of resolutions stating that Comcel has a dominant position in Colombia's market for outgoing mobile services. Under Colombian law, a market participant is considered to have a dominant position in a specified market if the regulators determine that it has the capacity to control the conditions in that market. The CRC made its determination based on Comcel's traffic, revenues and subscriber base. The resolutions also included regulations that would require Comcel to charge rates (excluding access fees) for mobile-to-mobile calls outside the Comcel network (off net) that are no higher than the fees charged for mobile-to-mobile calls within the Comcel network (on net) plus access fees. The regulations were first implemented on December 4, 2009 and Comcel does not expect them to have a material impact on its business and results of operations in Colombia.

Brazil

Anatel Inflation-Related Adjustments

Anatel has challenged each of Tess, S.A., or Tess, and ATL-Telecom Leste, S.A., or ATL, regarding the calculation of inflation-related adjustments due under these companies' concession agreements with ANATEL. 40% of the concession price under each of these agreements was due upon execution and 60% was due in three equal annual installments (subject to inflation-related adjustments and interest) beginning in 1999. Both companies have made these concession payments, but ANATEL has rejected the companies' calculation of the inflation-related adjustments and requested payment of the alleged shortfalls.

The companies have filed declaratory and consignment actions in Brazilian courts seeking resolution of the disputes. The court of first instance ruled against ATL's filing for declaratory action in October 2001 and ATL's filing for consignment action in September 2002. Subsequently, ATL filed appeals which are pending. The court of first instance ruled against Tess' filing for consignment action in June 2003 and against Tess' filing for declaratory action in February 2009. Tess filed an appeal which is pending. In December 2008, ANATEL charged Tess approximately US\$160 million (approximately Ps. 2,089.6 million). Tess filed an appeal and consequently payment has been suspended until the final ruling is issued. In March 2009, ANATEL charged ATL approximately U.S.\$100 million (approximately Ps. 1,306 million). ATL filed an appeal and consequently payment has been suspended until the final ruling is issued.

The aggregate contested amounts are approximately US\$240 million (approximately Ps. 3,134.4 million) (including potential penalties and interest). On December 31, 2005, both ATL and Tess were merged into BCP, S.A. (BCP). In April 2008, BCP changed its name to Claro S.A. (Claro Brasil).

Claro Brasil has made specific provisions in its financial statements for these potential liabilities.

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BNDESPar

Prior to the acquisition of Telet, S.A. (Telet) and Americel, S.A. (Americel) by Telecom Americas Limited (Telecom Americas), BNDESPar, a subsidiary of BNDES, the Brazilian development bank, had entered into investment and other shareholder agreements with Americel, Telet and certain of their significant shareholders. Under these agreements, BNDESPar had the right, among others, to participate in the sale of shares of Telet and Americel in the event of certain transfers of control, for so long as BNDESPar held 5% of the share of capital in those companies.

In October 2003, Telecom Americas increased the capital of each of Telet and Americel and BNDESPar's ownership fell below 5% from approximately 20% in each, as it elected not to exercise its preemptive rights. Subsequently, BNDESPar sent official notices to Telet and Americel reserving its rights under the agreements with respect to certain past transfers of shares. In November 2004, BNDESPar filed a lawsuit with the competent court of Rio de Janeiro claiming that BNDESPar is entitled to sell its shares in Telet and Americel to Telecom Americas for approximately US\$164 million (approximately Ps. 2,141.8 million). We do not believe that BNDESPar has valid grounds for its claims against Telecom Americas. We cannot provide assurance, however, that Telecom Americas will ultimately prevail in this dispute. Claro Brasil has not made specific provisions in its financial statements for this potential liability.

Lune Patent Case

A Brazilian company claims that wireless operators in Brazil have infringed its patent over certain caller ID technology. The plaintiff first brought a patent infringement case in a state court in Brasília, Federal Capital of Brazil, against Americel and later brought cases, as part of two separate proceedings, against other 23 defendants. Although the Company believes that the patent does not cover the technology that is used by Americel to provide caller ID services, Americel lost the case at the trial level and on first appeal. After the judgment against Americel was rendered, a federal court in Rio de Janeiro, Brazil, rendered a preliminary injunction decision suspending the effects of the patent, in an action filed by a supplier of caller ID technology. This injunction was later upheld on appeal, and the proceeding for judicial review on the merits of the validity of the patent is in its initial stages.

Americel filed three special appeals against the decision of the state court in Brasília, seeking review at the Superior Court of Justice (which is the highest court in Brazil to decide on questions of federal law) and Supreme Court (the highest court in Brazil to decide on questions of constitutional law). The Court of Appeals has determined that two of Americel's special appeals will be heard by the Superior Court of Justice. Americel's request for a special appeal before the Supreme Court was denied. Americel filed a motion requesting the reversal of this decision which is still pending.

The cases against the other operators are currently suspended as a result of the preliminary injunction suspending the effects of the patent. The plaintiff has brought these cases to the same state trial court that heard the case against Americel, but the defendants have requested that the cases be remitted to another court on jurisdictional grounds. The Americel judgment does not bind other state courts or federal courts of Brazil. We do not expect that there will be a resolution of these other cases within this year.

In the case against Americel, the plaintiff has requested the court to initiate the necessary proceedings for the execution of judgment. The court has estimated that the award for damages could amount to as much as approximately US\$270 million (approximately Ps. 3,526.2 million). In September 2006, the Higher Court of Justice of Brazil unanimously ruled to stay the trial, due to the injunction suspending the validity of the patent in question. In September 2009, Lune filed before the Higher Court of Justice of Brazil a motion to revert the ruling to stay the trial. However, Americel obtained a favorable resolution that maintained the decision to stay the trial until a ruling has been issued in the process held before the federal court in Rio de Janeiro. Lune has challenged the resolution before the Superior Court, but the resolution to stay the trial was unanimously upheld. We expect

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that the trial will remain stayed as long as the patent remains suspended. Furthermore, Americel benefits from a limited contractual indemnity from its equipment suppliers (Nortel Networks) in respect of trademark infringement. The process remains suspended by the Superior Court of Justice. Americel has not made specific provisions in its financial statements to cover these potential liabilities.

Tax Assessments against Americel

In December 2005, the Brazilian Federal Revenue Service (*Secretaria da Receita Federal do Brasil*) issued three tax assessments against Americel in respect of withholding income taxes and PIS and COFINS taxes (contributions levied on gross revenue) for 2000 through 2005. As of February 2010, the total amount of the tax assessments was R\$ 289 million (approximately Ps. 2,175.5 million), including R\$ 89.9 million (approximately Ps. 673.4 million) of taxes and contributions plus fines and interest. Americel has challenged these assessments, and its challenge is pending before the Brazilian Taxpayers Council (*Conselho Administrativo de Recursos Fiscais*) in Brasilia. Americel did not make any specific provisions in its financial statements to cover these potential liabilities.

Tax Assessments against ATL

In March 2006, the Brazilian Federal Revenue Service issued two tax assessments against ATL in respect of certain tax credits claimed by ATL and derived from non-cumulative contributions levied on gross income (PIS and COFINS). Under the Brazilian tax legislation, the calculation and payment of PIS and COFINS has two different regimes, the cumulative and non-cumulative regimes. The applicability of a regime depends on the nature of the company and its business sector. The cumulative regime applies to revenues derived from the provision of telecommunications services, while the sale of handsets is taxed under the non-cumulative regime. The non-cumulative regime is based on the value-added concept and allows the taxpayer to claim tax credits corresponding to preceding transactions. ATL (as well as other our Brazilian subsidiaries) offsets the tax credit derived from the non-cumulative regime for the sale of handsets (the balance between the purchase and the sale of handsets), against contributions owed under the cumulative regime. The Brazilian Federal Revenue Service is arguing that tax credits derived from the non-cumulative regime may not be used to offset contributions owed under the cumulative regime. The total amount of the tax assessments is approximately R\$75 million (approximately Ps. 562.5 million), including R\$24.1 million (approximately Ps. 180.8 million) of taxes and contributions plus R\$30.8 million (approximately Ps. 231 million) of fines and interest. Claro Brasil has challenged these assessments, and the challenge is pending before the Brazilian Taxpayers Council.

On December 31, 2005, ATL was merged into BCP. In April 2008, BCP changed its name to Claro Brasil.

Claro Brasil did not make any specific provisions in its financial statements to cover these potential liabilities.

Conecel***Tax Assessments***

During 2008, Conecel filed administrative proceedings before the Ecuadorian Revenue Services (*Servicio de Rentas Internas de Ecuador*, or the SRI), challenging US\$127 million (approximately Ps. 1,658.6 million) of certain tax assessments notified by the SRI amounting to U.S.\$138 million (not including interest and penalties) (approximately Ps. 1,802.3) which related to special consumption (ICE), value-added, income and withholding taxes for the years 2003 to 2006. In March 2008, Conecel paid to the SRI U.S.\$14.3 million (approximately Ps. 186.8 million) in respect of the aforesaid tax assessments.

In December 2008, the SRI notified Conecel of a resolution that denied the challenges filed by Conecel against the tax assessments. As a result of the foregoing, on January 15, 2009, Conecel filed a lawsuit before a Tax Court in Guayaquil (*Tribunal Distrital de lo Fiscal de Guayaquil*) challenging the tax assessments, attaching a bank guarantee of US\$12.7 (approximately Ps. 165.9 million), which represented 10% of the contested amount.

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In May, 2009, the SRI filed the answer to the complaint. Immediately thereafter, the Tax Court opened the evidentiary stage of the proceedings and summoned the parties to several document exhibition hearings, which took place in Conecel and the SRI. Accountant experts, certified by the parties, were also summoned to the hearings and were responsible for issuing expert opinions as to the document exhibition process. The latest expert opinion was filed before the Tax Court on January 27, 2010.

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Our shares and ADSs are listed or quoted on the following markets:

| | |
|--------------|--|
| L Shares | Mexican Stock Exchange Mexico City |
| | Mercado de Valores Latinoamericanos en Euros |
| | (LATIBEX) Madrid |
| L Share ADSs | New York Stock Exchange New York |
| | FWB Frankfurter Wertpapierbörse Frankfurt |
| A Shares | Mexican Stock Exchange Mexico City |
| A Share ADSs | NASDAQ National Market New York |

The following table sets forth, for the periods indicated, the reported high and low sales prices for the L Shares on the Mexican Stock Exchange and the reported high and low sales prices for the L Share ADSs on the New York Stock Exchange, or NYSE. Prices for all periods have been adjusted to reflect the three-for-one stock split effected in July 2005, but have not been restated in constant currency units.

| | Mexican Stock Exchange | | NYSE | |
|---------------------------------|-----------------------------|----------|--|--------------|
| | High (pesos per L Share) | Low | High (U.S. dollars per L Share ADS) | Low |
| Annual highs and lows | | | | |
| 2005 | Ps.16.15 | Ps. 8.65 | U.S.\$ 29.54 | U.S.\$ 15.21 |
| 2006 | 24.13 | 15.21 | 44.40 | 27.00 |
| 2007 | 36.09 | 22.85 | 66.93 | 40.89 |
| 2008 | 35.09 | 16.29 | 66.75 | 23.63 |
| 2009 | 32.00 | 18.32 | 49.69 | 23.66 |
| Quarterly highs and lows | | | | |
| 2008: | | | | |
| First quarter | Ps.34.35 | Ps.26.66 | U.S.\$ 64.10 | U.S.\$ 52.70 |
| Second quarter | 35.09 | 26.89 | 66.75 | 52.25 |
| Third quarter | 27.26 | 23.45 | 53.23 | 43.01 |
| Fourth quarter | 25.54 | 16.29 | 46.71 | 23.63 |
| 2009: | | | | |
| First quarter | Ps.22.90 | Ps.18.32 | U.S.\$ 34.12 | U.S.\$ 23.66 |
| Second quarter | 25.84 | 19.57 | 39.07 | 29.10 |
| Third quarter | 31.16 | 24.88 | 47.66 | 37.17 |
| Fourth quarter | 32.00 | 28.99 | 49.69 | 42.63 |
| Monthly highs and lows | | | | |
| 2009: | | | | |
| October | Ps.31.88 | Ps.28.99 | U.S.\$ 48.82 | U.S.\$ 42.63 |
| November | 31.96 | 29.87 | 49.24 | 45.07 |
| December | 32.00 | 30.03 | 49.69 | 46.59 |
| 2010: | | | | |
| January | Ps.31.80 | Ps.27.59 | U.S.\$ 50.01 | U.S.\$ 42.94 |
| February | 29.76 | 28.39 | 45.89 | 43.38 |
| March | 31.47 | 28.30 | 50.81 | 44.90 |
| April | 31.88 | 30.75 | 52.32 | 49.87 |

Source: Bloomberg. Information may differ from information presented in prior years.

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The table below sets forth, for the periods indicated, the reported high and low sales prices for the A Shares on the Mexican Stock Exchange and the high and low bid prices for A Share ADSs published by NASDAQ Stock Market, Inc., or NASDAQ. Bid prices published by NASDAQ for the A Share ADSs are inter-dealer quotations and may not reflect actual transactions. Prices for all periods have been adjusted to reflect the three-for-one stock split effected in July 2005, but have not been restated in constant currency units.

| | Mexican Stock Exchange | | NASDAQ | |
|---------------------------------|-----------------------------|----------|--|--------------|
| | High (pesos per A Share) | Low | High (U.S. dollars per A Share ADS) | Low |
| Annual highs and lows | | | | |
| 2005 | Ps.16.16 | Ps. 8.74 | U.S.\$ 29.48 | U.S.\$ 15.09 |
| 2006 | 24.09 | 15.15 | 44.38 | 26.80 |
| 2007 | 35.94 | 22.81 | 66.95 | 40.88 |
| 2008 | 35.50 | 16.00 | 66.40 | 24.03 |
| 2009 | 32.09 | 17.91 | 49.97 | 23.44 |
| Quarterly highs and lows | | | | |
| 2008: | | | | |
| First quarter | Ps.34.70 | Ps.26.80 | U.S.\$ 64.00 | U.S.\$ 52.31 |
| Second quarter | 35.50 | 27.00 | 66.40 | 52.15 |
| Third quarter | 27.23 | 24.10 | 53.17 | 43.03 |
| Fourth quarter | 25.35 | 16.00 | 46.50 | 24.03 |
| 2009: | | | | |
| First quarter | Ps.22.47 | Ps.17.96 | U.S.\$ 34.84 | U.S.\$ 23.44 |
| Second quarter | 25.70 | 18.70 | 38.96 | 29.17 |
| Third quarter | 31.10 | 25.00 | 47.65 | 37.23 |
| Fourth quarter | 32.09 | 28.90 | 49.97 | 42.51 |
| Monthly highs and lows | | | | |
| 2009: | | | | |
| October | Ps.31.80 | Ps.28.90 | U.S.\$ 48.64 | U.S.\$ 42.51 |
| November | 32.09 | 29.50 | 49.10 | 44.44 |
| December | 31.80 | 30.11 | 49.97 | 46.74 |
| 2010: | | | | |
| January | Ps.31.80 | Ps.27.61 | U.S.\$ 50.00 | U.S.\$ 43.02 |
| February | 29.61 | 25.00 | 46.03 | 43.48 |
| March | 31.40 | 27.01 | 50.57 | 44.85 |
| April | 31.70 | 30.51 | 52.07 | 49.82 |

Source: Bloomberg. Information may differ from information presented in prior years.

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TRADING ON THE MEXICAN STOCK EXCHANGE

The Mexican Stock Exchange, located in Mexico City, is the only stock exchange in Mexico. Founded in 1907, it is organized as a corporation and operates under a concession from the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*, or SHCP). Trading on the Mexican Stock Exchange takes place principally through automated systems between the hours of 8:30 a.m. and 4:00 p.m. Mexico City time, each business day. The Mexican Stock Exchange operates a system of automatic suspension of trading in shares of a particular issuer as a means of controlling excessive price volatility, but under current regulations this system does not apply to securities such as the A Shares or the L Shares that are directly or indirectly (for example, through ADSs) quoted on a stock exchange (including for these purposes NASDAQ) outside Mexico.

Settlement is effected three business days after a share transaction on the Mexican Stock Exchange. Deferred settlement, even by mutual agreement, is not permitted without the approval of the CNBV. Most securities traded on the Mexican Stock Exchange, including ours, are on deposit with S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V., a privately owned securities depository that acts as a clearinghouse for Mexican Stock Exchange transactions.

Item 10. Additional Information

BYLAWS

Set forth below is a brief summary of certain significant provisions of our bylaws and Mexican law. This description does not purport to be complete and is qualified by reference to our bylaws, which have been filed as an exhibit to this annual report. For a description of the provisions of our bylaws relating to our Board of Directors, Executive and Audit and Corporate Practices Committees and External Auditor, see Item 6 Directors, Senior Management and Employees.

Organization and Register

América Móvil is a *sociedad anónima bursátil de capital variable* organized in Mexico under the Mexican General Corporations Law and the Mexican Securities Market Law. It was registered in the Public Registry of Commerce of Mexico City on October 13, 2000 under the number 263,770.

Purpose

Our main corporate purpose, as set out in Article Three of our bylaws, is to promote, incorporate, organize, exploit, acquire and participate in the capital stock or assets of all types of civil or commercial companies, partnerships and industrial, commercial, service or other entities, whether domestic or foreign, and to participate in the management or liquidation thereof.

Share Capital

Our capital stock comprises AA Shares, without par value, A Shares, without par value and L Shares, without par value. All of the outstanding shares are fully paid and non-assessable.

AA Shares and A Shares have full voting rights. Holders of L Shares may vote only in limited circumstances as described under Voting Rights under this Item 10. The rights of holders of all series of capital stock are identical except for the voting rights and the limitations on non-Mexican ownership of AA Shares. The AA Shares, which must always represent at least 51% of the combined AA Shares and A Shares, may be owned only by holders that qualify as Mexican investors as defined in the Foreign Investment Law (*Ley de Inversión Extranjera*) and our bylaws. See Limitations on Share Ownership under this Item 10.

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Each AA Share or A Share may be exchanged at the option of the holder for one L Share, provided that the AA Shares may never represent less than 20% of our outstanding capital stock or less than 51% of our combined AA Shares and A Shares.

Voting Rights

Each AA Share and A Share entitles the holder thereof to one vote at any meeting of our shareholders. Each L Share entitles the holder to one vote at any meeting at which holders of L Shares are entitled to vote. Holders of L Shares are entitled to vote only to elect two members of the Board of Directors and the corresponding alternate directors and on the following matters:

the transformation of América Móvil from one type of company to another;

any merger of América Móvil;

the extension of our corporate life;

our voluntary dissolution;

a change in our corporate purpose;

a transaction that represents 20% or more of the Company's consolidated assets;

a change in our state of incorporation;

removal of our shares from listing on the Mexican Stock Exchange or any foreign stock exchange; and

any action that would prejudice the rights of holders of L Shares.

A resolution on any of the specified matters requires the affirmative vote of both a majority of all outstanding shares and a majority of the AA Shares and the A Shares voting together.

Under Mexican law, holders of shares of any series are also entitled to vote as a class on any action that would prejudice the rights of holders of shares of such series, and a holder of shares of such series would be entitled to judicial relief against any such action taken without such a vote. There are no other procedures for determining whether a proposed shareholder action requires a class vote, and Mexican law does not provide extensive guidance on the criteria to be applied in making such a determination.

Shareholders Meetings

General shareholders meetings may be ordinary meetings or extraordinary meetings. Extraordinary general meetings are those called to consider certain matters specified in Article 182 of the Mexican General Corporations Law, including, principally, amendments of the bylaws, liquidation, merger and transformation from one type of company to another, as well as to consider the removal of our shares from listing on the Mexican Stock Exchange or any foreign stock exchange. General meetings called to consider all other matters are ordinary meetings. The two directors elected by the holders of L Shares are elected at a special meeting of holders of L Shares. All other matters on which holders of L Shares are entitled to vote would be considered at an extraordinary general meeting.

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A special meeting of the holders of L Shares must be held each year for the election or ratification of directors. An ordinary general meeting of the holders of AA Shares and A Shares must be held each year to consider the approval of the financial statements for the preceding fiscal year, to elect or ratify directors and to determine the allocation of the profits of the preceding year. An ordinary general shareholder meeting of all shareholders, including holders of L Shares, must be held to consider the approval of all transactions that represent 20% or more of our consolidated assets within the corresponding immediately preceding quarter of any fiscal year.

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The quorum for an ordinary general meeting of the AA Shares and A Shares is 50% of such shares, and action may be taken by a majority of the shares present. If a quorum is not available, a second meeting may be called at which action may be taken by a majority of the AA Shares and A Shares present, regardless of the number of such shares. Special meetings of holders of L Shares are governed by the same rules applicable to ordinary general meetings of holders of AA Shares and A Shares. The quorum for an extraordinary general meeting at which holders of L Shares may not vote is 75% of the AA Shares and A Shares, and the quorum for an extraordinary general meeting at which holders of L Shares are entitled to vote is 75% of the outstanding capital stock. If a quorum is not available in either case, a second meeting may be called and action may be taken, provided a majority of the shares entitled to vote is present. Whether on first or second call, actions at an extraordinary general meeting may be taken by a majority vote of the AA Shares and A Shares outstanding and, on matters which holders of L Shares are entitled to vote, a majority vote of all the capital stock.

Holders of 20% of our outstanding capital stock may have any shareholder action set aside by filing a complaint with a court of law within 15 days after the close of the meeting at which such action was taken and showing that the challenged action violates Mexican law or our bylaws. In addition, any holder of our capital stock may bring an action at any time within five years challenging any shareholder action. Relief under these provisions is only available to holders:

who were entitled to vote on, or whose rights as shareholders were adversely affected by, the challenged shareholder action; and

whose shares were not represented when the action was taken or, if represented, were voted against it.

Shareholders' meetings may be called by the Board of Directors, its chairman, its corporate secretary, the Chairman of the Audit and Corporate Practices Committee or a court. The Chairman of the Board of Directors or the Chairman of the Audit and Corporate Practices Committee may be required to call a meeting of shareholders by the holders or 10% of the outstanding capital stock. Notice of meetings must be published in the Official Gazette or a newspaper of general circulation in Mexico City at least 15 days prior to the meeting.

In order to attend a meeting, shareholders are required to deposit their shares at the office of our corporate secretary with a Mexican or foreign banking institution or with a Mexican exchange broker. The depositary for the L Share ADSs and the A Share ADSs does not satisfy this requirement, so ADS holders are not entitled to attend shareholder meetings. However, ADS holders may still vote through the depositary.

Dividend Rights

At the annual ordinary general meeting of holders of AA Shares and A Shares, the Board of Directors submits our financial statements for the previous fiscal year, together with a report thereon by the Board, to the holders of AA Shares and A Shares for approval. The holders of AA Shares and A Shares, once they have approved the financial statements, determine the allocation of our net profits for the preceding year. They are required by law to allocate 5% of such net profits to a legal reserve, which is not thereafter available for distribution except as a stock dividend, until the amount of the legal reserve equals 20% of our capital stock. The remainder of net profits is available for distribution.

All shares outstanding at the time a dividend or other distribution is declared are entitled to participate in such dividend or other distribution, subject to certain preferential rights of the L Shares. See **Preferential Rights of L Shares** under this Item 10.

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Preferential Rights of L Shares

Holders of L Shares are entitled to receive a cumulative preferred annual dividend of 0.00042 pesos per share before any dividends are payable in respect of any other class of América Móvil capital stock. If we pay dividends with respect to any fiscal year in addition to the L Share preferred dividend, such dividends must be allocated:

first, to the payment of dividends with respect to the A Share and AA Shares, in an equal amount per share, up to the amount of the L Share preferred dividend, and

second, to the payment of dividends with respect to all classes of América Móvil shares such that the dividend per share is equal. Upon our liquidation, holders of L Shares will be entitled to a liquidation preference equal to:

accrued but unpaid L Share preferred dividends, plus

0.00833 pesos per share (representing the capital attributable to such shares as set forth in our bylaws) before any distribution is made in respect of our other capital stock in accordance with Article 113 of the Mexican General Corporations Law.

Following payment in full of any such amount, holders of AA Shares and A Shares are entitled to receive, if available, an amount per share equal to the liquidation preference paid per L Share. Following payment in full of the foregoing amounts, all shareholders share equally, on a per share basis, in any remaining amounts payable in respect of our capital stock.

Limitation on Capital Increases

Our bylaws require that any capital increase be represented by new shares of each series in proportion to the number of shares of each series outstanding.

Preemptive Rights

In the event of a capital increase, except in certain circumstances such as mergers, convertible debentures, public offers and placement of repurchased shares, a holder of existing shares of a given series has a preferential right to subscribe for a sufficient number of shares of the same series to maintain the holder's existing proportionate holdings of shares of that series. Preemptive rights must be exercised within the next 15 calendar days following the publication of notice of the capital increase in the Official Gazette and a newspaper of general circulation in Mexico City. Under Mexican law, preemptive rights cannot be traded separately from the corresponding shares that give rise to such rights. As a result, there is no trading market for the rights in connection with a capital increase. Holders of ADSs may exercise preemptive rights only through the depositary. We are not required to take steps that may be necessary to make this possible.

Limitations on Share Ownership

Our bylaws provide that at least 20% of our capital stock must consist of AA Shares. Our bylaws also provide that A Shares and L Shares together cannot represent more than 80% of our capital stock. AA Shares can only be held or acquired by:

Mexican citizens;

Mexican corporations whose capital stock is held completely by Mexican citizens;

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Mexican corporations in which at least 51% of their capital stock may only be held or acquired by (i) Mexican citizens or (ii) Mexican corporations;

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Mexican credit and insurance companies;

Mexican investment companies operating under the Investment Companies Law (*Ley de Sociedades de Inversión*) and Mexican institutional investors as defined in the Mexican Securities Market Law; and

Trusts expressly permitted to acquire AA Shares in accordance with Mexican law and in which (i) the majority of the trustee's rights are held by Mexican citizens, corporations whose capital stock is held by Mexican citizens in its majority, and Mexican credit, insurance and investment companies, or (ii) the AA Shares controlled by the trust represent a minority of the outstanding AA Shares and are voted in the same manner as the majority of the outstanding AA Shares.

If foreign governments or states acquire our AA Shares, such shares would immediately be rendered without effect or value.

Non-Mexican investors cannot hold AA Shares except through trusts that effectively neutralize their votes. AT&T, Inc., one of our shareholders, holds its AA Shares through a trust that has been approved by relevant authorities in Mexico for this purpose.

At a general extraordinary meeting held in Mexico City on March 17, 2010, the shareholders of América Móvil voted to approve an amendment to its bylaws (*estatutos sociales*) that added a provision called a foreign exclusion clause. Under the foreign exclusion clause, ownership of América Móvil shares is restricted to holders that qualify as Mexican investors under Mexican law. The foreign exclusion clause does not apply to the L Shares, and under transitional provisions adopted by the shareholders it does not limit foreign ownership of A Shares outstanding as of the date of the shareholders' meeting approving the amendment.

Restrictions on Certain Transactions

Our bylaws provide that any transfer of more than 10% of the combined A Shares and AA Shares, effected in one or more transactions by any person or group of persons acting in concert, requires prior approval by our Board of Directors. If the Board of Directors denies such approval, however, Mexican law and our bylaws require it to designate an alternate transferee, who must pay market price for the shares as quoted on the Mexican Stock Exchange.

Further, the ordinary shareholders meeting shall approve all transactions that represent 20% or more of our consolidated assets within the corresponding immediately preceding quarter of any fiscal year.

Restrictions on Deregistration in Mexico

Our shares are registered with the National Securities Registry maintained by the CNBV, as required under the Mexican Securities Market Law and regulations issued by the CNBV.

If we wish to cancel our registration, or if it is cancelled by the CNBV, we are required to conduct a public offer to purchase all the outstanding shares prior to such cancellation. Such offer shall be addressed exclusively to those persons other than the members of the controlling group of shareholders, who were shareholders or holders of other securities representing such shares (i) as of the date set forth by the CNBV, if the registration is cancelled by resolution thereof, or (ii) as of the date of the resolution adopted by the general extraordinary shareholders meeting, if the registration is cancelled voluntarily.

Our bylaws provide that if, after the public offer is concluded, there are still outstanding shares held by the general public, América Móvil will be required to create a trust for a period of six months, into which we will be required to contribute funds in an amount sufficient to purchase, at the same price as the offer price, the number of outstanding shares held by the general public that did not consent to the offer.

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Unless the CNBV authorizes otherwise, upon the prior approval of the Board of Directors which must take into account the opinion of the audit and corporate practices committee, the offer price will be the higher of: (i) the average of the closing price during the previous 30 days on which the shares may have been quoted, or (ii) the book value of the shares in accordance with the most recent quarterly report submitted to the CNBV and to the Mexican Stock Exchange.

The voluntary cancellation of the registration shall be subject to (i) the prior authorization of the CNBV, and (ii) the authorization of not less than 95% of the outstanding capital stock in a general extraordinary shareholders meeting.

Tender Offer Rules

Our bylaws provide that any purchasers or group of purchasers that obtain or increase a significant participation (*i.e.*, 30% or more) in the capital stock of the company, without conducting a previous public offer in accordance with the applicable rules issued by the CNBV, would not have the right to exercise the corporate rights of their shares, and that the company will not register such shares in the share registry book.

Other Provisions

Variable capital. We are permitted to issue shares constituting fixed capital and shares constituting variable capital. All of our outstanding shares of capital stock constitute fixed capital. The issuance of variable-capital shares, unlike the issuance of fixed-capital shares, does not require an amendment of the bylaws, although it does require a majority vote of the AA Shares and the A Shares.

Forfeiture of shares. As required by Mexican law, our bylaws provide that any alien who at the time of incorporation or at any time thereafter acquires an interest or participation in the capital of the corporation shall be considered, by virtue thereof, as Mexican in respect thereof and shall be deemed to have agreed not to invoke the protection of his own government, under penalty, in case of breach of such agreement, of forfeiture to the nation of such interest or participation. Under this provision a non-Mexican shareholder is deemed to have agreed not to invoke the protection of his own government by asking such government to interpose a diplomatic claim against the Mexican government with respect to the shareholder's rights as a shareholder, but is not deemed to have waived any other rights it may have, including any rights under the U.S. securities laws, with respect to its investment in América Móvil. If the shareholder invokes such governmental protection in violation of this agreement, its shares could be forfeited to the Mexican government. Mexican law requires that such a provision be included in the bylaws of all Mexican corporations unless such bylaws prohibit ownership of shares by non-Mexican persons.

Exclusive jurisdiction. Our bylaws provide that legal actions relating to the execution, interpretation or performance of the bylaws shall be brought only in Mexican courts.

Duration. América Móvil's existence under the bylaws continues indefinitely.

Purchase of our own shares. According to the bylaws, we may repurchase our shares on the Mexican Stock Exchange at any time at the then prevailing market price. Any such repurchase must conform to guidelines established by the Board of Directors, and the amount available to repurchase shares must be approved by the general ordinary shareholders meeting. The economic and voting rights corresponding to repurchased shares may not be exercised during the period in which we own such shares, and such shares are not deemed to be outstanding for purposes of calculating any quorum or vote at any shareholders' meeting during such period.

Conflict of interest. A shareholder that votes on a business transaction in which its interest conflicts with América Móvil's may be liable for damages, but only if the transaction would not have been approved without its vote.

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Appraisal rights. Whenever the shareholders approve a change of corporate purposes, change of nationality of the corporation or transformation from one type of company to another, any shareholder entitled to vote on such change that has voted against it may withdraw from América Móvil and receive the book value attributable to its shares, provided it exercises its right within 15 days following the adjournment of the meeting at which the change was approved.

Rights of Shareholders

The protections afforded to minority shareholders under Mexican law are different from those in the United States and many other jurisdictions. The substantive law concerning fiduciary duties of directors has not been the subject of extensive judicial interpretation in Mexico, unlike many states in the United States where duties of care and loyalty elaborated by judicial decisions help to shape the rights of minority shareholders. Mexican civil procedure does not contemplate class actions, which permit shareholders in U.S. courts to bring actions on behalf of other shareholders. Shareholders cannot challenge corporate action taken at a shareholders meeting unless they meet certain procedural requirements, as described above under *Shareholders Meetings*.

As a result of these factors, in practice it may be more difficult for our minority shareholders to enforce rights against us or our directors or controlling shareholders than it would be for shareholders of a U.S. company.

In addition, under the U.S. securities laws, as a foreign private issuer we are exempt from certain rules that apply to domestic U.S. issuers with equity securities registered under the U.S. Securities Exchange Act of 1934, including the proxy solicitation rules and the rules requiring disclosure of share ownership by directors, officers and certain shareholders. We are also exempt from the corporate governance requirements of the NYSE and NASDAQ, except that since July 2005 we are subject to the requirements concerning audit committees and independent directors adopted pursuant to the Sarbanes-Oxley Act of 2002. For a comparison of our corporate governance policies and the corporate governance requirements of the NYSE and NASDAQ, see *Corporate Governance* under this Item 10.

Enforceability of Civil Liabilities

América Móvil is organized under the laws of Mexico, and most of our directors, officers and controlling persons reside outside the United States. In addition, all or a substantial portion of our assets and their assets are located in Mexico. As a result, it may be difficult for investors to effect service of process within the United States on such persons. It may also be difficult to enforce against them, either inside or outside the United States, judgments obtained against them in U.S. courts, or to enforce in U.S. courts judgments obtained against them in courts in jurisdictions outside the United States, in any action based on civil liabilities under the U.S. federal securities laws. There is doubt as to the enforceability against such persons in Mexico, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

CERTAIN CONTRACTS

Telcel holds concessions granted by the SCT with respect to its licenses in each of the nine regions in Mexico. See *Mexican Operations Regulation* under Item 4. A number of our subsidiaries and affiliates also hold concessions granted by regulatory authorities in the countries in which they operate. See *Mexican Operations*, *Non-Mexican Operations* and *Other Investments* under Item 4.

Our agreements with related parties are described in *Related Party Transactions* under Item 7.

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EXCHANGE CONTROLS

Mexico has had a free market for foreign exchange since 1991, and the government has allowed the peso to float freely against the U.S. dollar since December 1994. There can be no assurance that the government will maintain its current foreign exchange policies. See Exchange Rates under Item 3.

TAXATION

The following summary contains a description of certain Mexican federal and U.S. federal income tax consequences of the acquisition, ownership and disposition of L Shares, A Shares, L Share ADSs or A Share ADSs, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, hold or sell shares or ADSs.

The Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion and the Protocols thereto between the United States and Mexico entered into force on January 1, 1994 and has been amended by an additional protocol that entered into force on July 3, 2003 (together, the Tax Treaty). The United States and Mexico have also entered into an agreement concerning the exchange of information with respect to tax matters.

This discussion does not constitute, and should not be considered as, legal or tax advice to holders. The discussion is for general information purposes only and is based upon the federal tax laws of Mexico (including the Mexican Income Tax Law and the Mexican Federal Tax Code) and the United States as in effect on the date of this annual report (including the Tax Treaty), which are subject to change, and such changes may have retroactive effect. Holders of shares or ADSs should consult their own tax advisers as to the Mexican, U.S. or other tax consequences of the purchase, ownership and disposition of shares or ADSs, including, in particular, the effect of any foreign, state or local tax laws.

Mexican Tax Considerations

The following is a general summary of the principal consequences under the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*, or the Mexican Income Tax Law) and rules and regulations thereunder, as currently in effect, of an investment in shares or ADSs by a holder that is not a resident of Mexico and that will not hold shares or ADSs or a beneficial interest therein in connection with the conduct of a trade or business through a permanent establishment in Mexico (a nonresident holder).

For purposes of Mexican taxation, the definition of residence is highly technical and residence arises in several situations. Generally, an individual is a resident of Mexico if he or she has established his or her home or center of vital interests in Mexico, and a corporation is considered a resident if it has its place of effective management in Mexico. However, any determination of residence should take into account the particular situation of each person or legal entity.

If a legal entity or an individual is deemed to have a permanent establishment in Mexico for Mexican tax purposes, all income attributable to that permanent establishment will be subject to Mexican income taxes, in accordance with applicable tax laws.

This summary does not address all of the Mexican tax consequences that may be applicable to specific holders of the shares (including a holder that controls the Company, an investor that holds 10% or more of the shares or holders that constitute a group of persons for purposes of Mexican law). It also does not purport to be a comprehensive description of all the Mexican tax considerations that may be relevant to a decision to purchase, own or dispose of the shares. In particular, this summary does not describe any tax consequences arising under the laws of any state, locality, municipality or taxing jurisdiction other than certain federal laws of Mexico.

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Tax Treaties

Provisions of the Tax Treaty that may affect the taxation of certain U.S. holders (as defined below) are summarized below.

The Mexican Income Tax Law has established procedural requirements for a nonresident holder disposing of his shares to be entitled to the benefits under any of the tax treaties to which Mexico is a party. These procedural requirements include among others the obligation to (i) prove tax treaty residence, (ii) present tax calculations made by authorized certified public accountants, and (iii) appoint representatives in Mexico for taxation purposes.

Payment of Dividends

Dividends, either in cash or in kind, paid with respect to the L Shares, A Shares, L Share ADSs or A Share ADSs will not be subject to Mexican withholding tax.

Taxation of Dispositions

Under current Mexican law and regulations, there is no basis for the Mexican tax authorities to impose taxes on income realized by a nonresident holder from a disposition of shares or ADSs which are registered in the Mexican Stock Exchange, provided that (i) the transaction is carried out through (a) the Mexican Stock Exchange, (b) other securities exchanges or markets approved by the SHCP, or (c) other securities exchanges or markets with ample securities trading that are located in countries with which Mexico has entered into an income tax treaty, such as the NYSE, the *FWB Frankfurter Wertpapierbörse*, NASDAQ and the *Mercado de Valores Latinoamericanos en Euros (LATIBEX)*, and (ii) certain other requirements are met, including that the acquisition was made pursuant to a non-restricted open market offer. Sales or other dispositions of shares or ADSs carried out in other circumstances generally are subject to Mexican tax, except to the extent that a nonresident holder is eligible for benefits under an income tax treaty to which Mexico is a party.

Pursuant to the Tax Treaty, gains realized by a U.S. resident which is eligible to receive benefits pursuant to the Tax Treaty from the sale or other disposition of shares, even if the sale or disposition is not carried out under the circumstances described in the preceding paragraphs, will not be subject to Mexican income tax, provided that the gains are not attributable to a permanent establishment or a fixed base in Mexico, and further provided that such U.S. holder owned less than 25% of the shares representing our capital stock (including ADSs), directly or indirectly, during the 12-month period preceding such disposition. U.S. residents should consult their own tax advisors as to their possible eligibility under the treaty.

Gains realized by other nonresident holders that are eligible to receive benefits pursuant to other income tax treaties to which Mexico is a party may be exempt from Mexican income tax in whole or in part. Non-U.S. holders should consult their own tax advisers as to their possible eligibility under such treaties.

If a corporation is a resident in a tax haven (as defined by the Mexican Income Tax Law), the applicable rate will be 40% on the gross income obtained.

Other Mexican Taxes

Under certain circumstances, a nonresident holder will not be liable for estate, inheritance or similar taxes with respect to its holdings of shares or ADSs; provided, however, that gratuitous transfers of shares may in certain circumstances result in imposition of a Mexican tax upon the recipient. There are no Mexican stamp, issue registration or similar taxes payable by a nonresident holder with respect to shares or ADSs.

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U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences to U.S. holders (as defined below) of the acquisition, ownership and disposition of shares or ADSs. The summary does not purport to be a comprehensive description of all of the tax consequences of the acquisition, ownership or disposition of shares or ADSs. The summary applies only to U.S. holders that will hold their shares or ADSs as capital assets and does not apply to special classes of U.S. holders such as dealers in securities or currencies, holders with a functional currency other than the U.S. dollar, holders of 10% or more of our voting shares (whether held directly or through ADSs or both), tax-exempt organizations, banks or other financial institutions, holders liable for the alternative minimum tax, securities traders electing to account for their investment in their shares or ADSs on a mark-to-market basis, entities that are treated for U.S. federal income tax purposes as partnerships or other pass-through entities, and persons holding their shares or ADSs in a hedging transaction or as part of a straddle or conversion transaction.

For purposes of this discussion, a U.S. holder is a holder of shares or ADSs that is:

a citizen or resident of the United States of America,

a corporation (or other entity taxable as a corporation) organized under the laws of the United States of America or any state thereof, or

otherwise subject to U.S. federal income taxation on a net income basis with respect to the shares or ADSs.

Each U.S. holder should consult such holder's own tax advisor concerning the overall tax consequences to it of the ownership or disposition of shares or ADSs that may arise under foreign, state and local laws.

Treatment of ADSs

In general, a U.S. holder of ADSs will be treated as the owner of the shares represented by those ADSs for U.S. federal income tax purposes. Deposits or withdrawals of shares by U.S. holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes. U.S. holders that withdraw any shares should consult their own tax advisors regarding the treatment of any foreign currency gain or loss on any pesos received in respect of such shares.

Taxation of Distributions

In this discussion, we use the term dividends to mean distributions paid out of our current or accumulated earnings and profits with respect to shares or ADSs. In general, the gross amount of any dividends will be includible in the gross income of a U.S. holder as ordinary income on the day on which the dividends are received by the U.S. holder, in the case of shares, or by the depository, in the case of ADSs. Dividends will be paid in pesos and will be includible in the income of a U.S. holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date that they are received by the U.S. holder, in the case of shares, or by the depository, in the case of ADSs (regardless of whether such pesos are in fact converted into U.S. dollars on such date). If such dividends are converted into U.S. dollars on the date of receipt, a U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the dividends. U.S. holders should consult their own tax advisors regarding the treatment of foreign currency gain or loss, if any, on any pesos received by a U.S. holder or depository that are converted into U.S. dollars on a date subsequent to receipt. Dividends paid by us will not be eligible for the dividends-received deduction allowed to corporations under the U.S. Internal Revenue Code of 1986, as amended (the Code).

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual prior to January 1, 2011 with respect to the ADSs will be subject to taxation at a

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maximum rate of 15% if the dividends are qualified dividends. Dividends paid on the ADSs will be treated as qualified dividends if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid a passive foreign investment company (PFIC). The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our audited consolidated financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to the 2008 or 2009 taxable year. In addition, based on our audited consolidated financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2010 taxable year. Based on existing guidance, it is not entirely clear whether dividends received with respect to the shares will be treated as qualified dividends, because the shares are not themselves listed on a U.S. exchange. In addition, the U.S. Treasury has announced its intention to promulgate rules pursuant to which holders of ADSs or common stock and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividends. Because such procedures have not yet been issued, it is not clear whether we will be able to comply with them. Holders of ADSs and common shares should consult their own tax advisors regarding the availability of the reduced dividend tax rate in the light of their own particular circumstances.

Distributions of additional shares or ADSs to U.S. holders with respect to their shares or ADSs that are made as part of a pro rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

Taxation of Dispositions

A U.S. holder generally will recognize capital gain or loss on the sale or other disposition of the shares or ADSs in an amount equal to the difference between the U.S. holder's basis in such shares or ADSs (in U.S. dollars) and the amount realized on the disposition (in U.S. dollars, determined at the spot rate on the date of disposition if the amount realized is denominated in a foreign currency). Gain or loss recognized by a U.S. holder on such sale or other disposition generally will be long-term capital gain or loss if, at the time of disposition, the shares or ADSs have been held for more than one year. Long-term capital gain recognized by a U.S. holder that is an individual is taxed at reduced rates of tax. The deduction of a capital loss is subject to limitations for U.S. federal income tax purposes.

Gain, if any, realized by a U.S. holder on the sale or other disposition of the shares or ADSs generally will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, if a Mexican withholding tax is imposed on the sale or disposition of the shares, a U.S. holder that does not receive significant foreign source income from other sources may not be able to derive effective U.S. foreign tax credit benefits in respect of these Mexican taxes. U.S. holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, the shares.

Information Reporting and Backup Withholding

Dividends on, and proceeds from the sale or other disposition of, the shares or ADSs paid to a U.S. holder generally may be subject to the information reporting requirements of the Code and may be subject to backup withholding unless the holder:

establishes that it is a corporation or other exempt holder, or

provides an accurate taxpayer identification number on a properly completed Internal Revenue Service Form W-9 and certifies that no loss of exemption from backup withholding has occurred.

The amount of any backup withholding from a payment to a holder will be allowed as a credit against the U.S. holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is furnished to the Service.

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U.S. Tax Consequences for Non-U.S. holders

Distributions. A holder of shares or ADSs that is, with respect to the United States, a foreign corporation or a non-resident alien individual (a non-U.S. holder) generally will not be subject to U.S. federal income or withholding tax on dividends received on shares or ADSs, unless such income is effectively connected with the conduct by the holder of a U.S. trade or business.

Dispositions. A non-U.S. holder of shares or ADSs will not be subject to U.S. federal income or withholding tax on gain realized on the sale of shares or ADSs, unless:

such gain is effectively connected with the conduct by the holder of a U.S. trade or business, or

in the case of gain realized by an individual holder, the holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

Information Reporting and Backup Withholding. Although non-U.S. holders generally are exempt from backup withholding, a non-U.S. holder may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding.

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DOCUMENTS ON DISPLAY

We file reports, including annual reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any materials filed with the SEC at its public reference rooms in Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. As a foreign private issuer, we have been required to make filings with the SEC by electronic means since November 2002. Any filings we make electronically will be available to the public over the Internet at the SEC's web site at <http://www.sec.gov> and at our website at <http://www.americamovil.com>. (This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to our website. The information on our website, which might be accessible through a hyperlink resulting from this URL, is not and shall not be deemed to be incorporated into this annual report.)

Item 11. Quantitative and Qualitative Disclosures about Market Risk
EXCHANGE RATE AND INTEREST RATE RISKS

We are exposed to market risk principally from changes in interest rates and currency exchange rates. Interest rate risk exists principally with respect to our net financial liabilities bearing interest at floating rates. Interest rate risk also exists with respect to the fair value of fixed-rate financial assets and liabilities. Exchange rate risk exists with respect to our financial assets and liabilities denominated in currencies other than Mexican pesos, principally on our U.S. dollar denominated debt. We are also subject to exchange rate risks with respect to our investments outside Mexico.

At December 31, 2009, we had approximately Ps. 20,805 million (as compared to Ps. 13,942 million as of December 31, 2008) in financial assets denominated in currencies other than Mexican pesos, principally consisting of cash, short-term investments and investments in financial instruments, and approximately Ps. 84,546 million (as compared to Ps. 105,675 million as of December 31, 2008) in financial liabilities denominated in currencies other than Mexican pesos, consisting of debt and accounts payable. This decrease in financial liabilities denominated in currencies other than Mexican pesos was primarily due to repayment of committed revolving facilities. Approximately 67.4% of our non-peso indebtedness as of December 31, 2009 was denominated in U.S. dollars. As of December 31, 2009, we had Ps. 27,155 million (as compared to Ps. 58,887 million as of December 31, 2008) of debt that bore interest at floating rates. This decrease in debt bearing interest at floating rates was primarily due to reductions in bank facilities and amortization of securities bearing floating rates.

We regularly assess our interest rate and currency exchange exposures and determine whether to adjust our position. We may use derivative financial instruments as an economic hedge to adjust our exposures. Our derivatives use practices vary from time to time depending on our judgment of the level of risk, expectations as to interest or exchange rate movements and the costs of using derivative financial instruments. See

Operating And Financial Review And Prospects Risk Management under Item 5. We have also used derivative financial instruments from time to time to seek to reduce our costs of financing. We may stop using derivative instruments or modify our practices at any time.

SENSITIVITY ANALYSIS DISCLOSURES

The potential increase in net debt and corresponding foreign exchange loss, taking into account our derivatives transactions, that would have resulted as a December 31, 2009 from a hypothetical, instantaneous 10% depreciation of all of our operating currencies against the U.S. dollar, would have been approximately Ps. 4,061 million. Such depreciation would have also resulted in additional interest expense of approximately Ps. 287 million per annum, reflecting the increased costs of servicing foreign currency indebtedness.

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A hypothetical, immediate increase of 100 basis points in the interest rates applicable to our floating rate financial liabilities at December 31, 2009 would have resulted in additional interest expense of approximately Ps. 272 million per year, assuming no change in the principal amount of such indebtedness.

The above sensitivity analyses are based on the assumption of unfavorable movements in exchange or interest rates applicable to each homogeneous category of financial assets and liabilities. A homogeneous category is defined according to the currency in which financial assets and liabilities are denominated and assumes the same exchange rate or interest rate movement with each homogeneous category. As a result, exchange rate risk and interest rate risk sensitivity analysis may overstate the impact of exchange rate or interest rate fluctuations for such financial instruments, as consistently unfavorable movements of all exchange rates or interest rates are unlikely.

Item 12. Description of Securities Other than Equity Securities**Item 12D. American Depositary Shares**

The Bank of New York Mellon, or the Depositary, serves as the depositary for our ADSs. ADS holders are required to pay various fees to the Depositary, and the Depositary may refuse to provide any service for which a fee is assessed until the applicable fee has been paid.

ADS holders are required to pay the Depositary amounts in respect of expenses incurred by the Depositary or its agents on behalf of ADS holders, including expenses arising from (i) taxes or other governmental charges, (ii) registration fees payable to us that may be applicable to the transfer of shares upon deposits to or withdrawals from the ADS program, (iii) cable, telex, and facsimile transmission, (iv) conversion of foreign currency into U.S. dollars, or (v) servicing of the ADSs or the shares underlying ADSs. The Depositary may decide in its sole discretion to seek payment by either billing holders or by deducting the fee from one or more cash dividends or other cash distributions.

ADS holders are also required to pay additional fees for certain services provided by the Depositary, as set forth in the table below.

| Depositary service | Fee payable by ADS holders |
|---|--|
| Issuance and delivery of ADSs, including in connection with share distributions, rights, sales and stock splits | Up to US\$5.00 per 100 ADSs (or portion thereof) |
| Cash distributions | US\$0.02 or less per ADS |
| Surrender, withdrawal or cancellation | Up to US\$5.00 per 100 ADSs (or portion thereof) |
| Payments by the Depositary | |

We have not received any payment from the Depositary for the year ended December 31, 2009.

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

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Item 15. Controls and Procedures

(a) *Disclosure controls and procedures.* We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2009. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Management's annual report on internal controls over financial reporting.* Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our management, including our Board of Directors, Chief Executive Officer, Chief Financial Officer and other personnel, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Mexican Financial Reporting Standards, including the reconciliation to U.S. GAAP in accordance with Item 18 of Form 20-F. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Mexican FRS, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our evaluation under the framework in Internal Control Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2009.

Mancera, S.C., a member practice of Ernst & Young Global, an independent registered public accounting firm, our independent auditor, issued an attestation report on our internal control over financial reporting on April 1, 2010.

(c) *Attestation Report of the registered public accounting firm.*

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting.

The Board of Directors and Stockholders of América Móvil, S.A.B. de C.V.

We have audited América Móvil, S.A.B. de C.V. and subsidiaries' internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). América Móvil,

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S.A.B. de C.V. and subsidiaries management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Mexican Financial Reporting Standards, including the reconciliation to U.S. GAAP in accordance with Item 18 of Form 20-F. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Mexican Financial Reporting Standards, including the reconciliation to U.S. GAAP in accordance with Item 18 of Form 20-F, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, América Móvil, S.A.B. de C.V. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of América Móvil, S.A.B. de C.V. and subsidiaries as of December 31, 2008 and 2009 and the related consolidated statements of income and changes in shareholders' equity for each of the three years in the period ended December 31, 2009 and the consolidated statement of changes in financial position for the year ended December 31, 2007, the consolidated statements of cash flows for each of the two years in the period ended December 31, 2009, and our report dated April 1, 2010, expressed an unqualified opinion thereon.

Mancera, S.C.

A member practice of

Ernst & Young Global

/s/ Omero Campos Segura

Omero Campos Segura

Mexico City

April 1, 2010

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(d) *Changes in internal control over financial reporting.* There has been no change in our internal control over financial reporting during 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our Board of Directors has determined that Carlos Bremer Gutiérrez qualifies as an audit committee financial expert, and Mr. Bremer Gutiérrez is independent under the definition of independent applicable to us under the rules of the NYSE.

Item 16B. Code of Ethics

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Securities Exchange Act of 1934, as amended. Our code of ethics applies to, among others, our chief executive officer, chief financial officer and comptroller, and persons performing similar functions. Our code of ethics is available on our web site at www.americamovil.com. If we amend any provisions of our code of ethics that apply to our chief executive officer, chief financial officer, comptroller and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our web site at the same address.

**Item 16C. Principal Accountant Fees and Services
Audit and Non-Audit Fees**

The following table sets forth the fees billed to us and our subsidiaries by our independent registered public accounting firm, Mancera, during the fiscal years ended December 31, 2008 and 2009:

| | Year ended December 31, | |
|--------------------|--------------------------------|-------------------|
| | 2008 | 2009 |
| Audit fees | Ps. 56,544 | Ps. 69,113 |
| Audit-related fees | 13,641 | 18,905 |
| Tax fees | 16,673 | 10,908 |
| All other fees | | |
| Total fees | Ps. 86,858 | Ps. 98,926 |

Audit fees in the above table are the aggregate fees billed by Mancera and its affiliates in connection with the audit of our annual financial statements, statutory and regulatory audits.

Audit-related fees in the above table are the aggregate fees billed by Mancera and its affiliates for the review of reports on our operations submitted to Cofetel, attestation services that are not required by statute or regulation.

Tax fees in the above table are fees billed by Mancera and its affiliates for tax compliance services, tax planning services and tax advice services.

Audit and Corporate Practices Committee Approval Policies and Procedures

Our audit and corporate practices committee has not established pre-approval policies and procedures for the engagement of our independent auditors for services. Our audit and corporate practices committee expressly approves on a case-by-case basis any engagement of our independent auditors for audit and non-audit services provided to us or our subsidiaries.

Table of Contents**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

The following table sets out certain information concerning purchases of our L Shares by us and affiliated purchasers in 2009:

| Period | Total Number of L Shares Purchased⁽¹⁾ | Average Price Paid per L Share | Total Number of L Shares Purchased as Part of Publicly Announced Plans or Programs⁽²⁾ | Approximate Peso Value of L Shares that May Yet Be Purchased Under the Plans or Programs⁽³⁾ |
|----------------------|---|---------------------------------------|---|---|
| January 2009 | 131,900,000 | Ps. 20.27 | 131,900,000 | Ps. 2,674,152,310.00 |
| February 2009 | 78,754,900 | 20.56 | 78,754,900 | 1,619,092,591.00 |
| March 2009 | 87,727,400 | 19.75 | 87,727,400 | 1,732,900,589.00 |
| April 2009 | 64,850,000 | 20.74 | 64,850,000 | 1,345,038,580.00 |
| May 2009 | 57,454,793 | 24.40 | 57,454,793 | 1,401,882,357.36 |
| June 2009 | 65,432,000 | 24.91 | 65,432,000 | 1,629,860,005.00 |
| July 2009 | 95,400,000 | 27.25 | 95,400,000 | 2,599,514,918.00 |
| August 2009 | 82,700,000 | 29.73 | 82,700,000 | 2,458,580,778.00 |
| September 2009 | 79,298,600 | 30.05 | 79,298,600 | 2,382,548,826.00 |
| October 2009 | 90,300,000 | 30.57 | 90,300,000 | 2,760,062,066.55 |
| November 2009 | 67,600,000 | 31.15 | 67,600,000 | 2,105,990,267.50 |
| December 2009 | 75,553,200 | 30.57 | 61,253,200 | 1,878,077,365.00 |
| Total/Average | 976,970,893 | 25.61 | 962,670,893 | |

(1) We do not repurchase our L Shares other than through the share repurchase program.

(2) We periodically repurchase our L Shares on the open market using funds authorized by our shareholders specifically for the repurchase of L Shares and A Shares by us at our discretion. In the annual ordinary shareholders meeting held on April 7, 2010, our shareholders authorized an aggregate Ps. 50,000 million increase in our reserve for the repurchase of additional L Shares and A Shares, thereby increasing our reserve to Ps. 175,000 million.

(3) This is the approximate peso amount (in millions of nominal pesos) available at the end of the period for purchases of both L Shares and A Shares pursuant to our share repurchase program. These are nominal figures and have not been restated for inflation.

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The following table sets out certain information concerning purchases of our A Shares by us and affiliated purchasers in 2009:

| Period | Total Number of A Shares Purchased ⁽¹⁾ | Average Price Paid per A Share | Total Number of A Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾ | Approximate Peso Value of A Shares that May Yet Be Purchased Under the Plans or Programs ⁽³⁾ |
|----------------|---|--------------------------------|---|---|
| January 2009 | | Ps. | | Ps. |
| February 2009 | | | | |
| March 2009 | 298,900 | 19.36 | 298,900 | 5,785,580.00 |
| April 2009 | 250,000 | 20.57 | 250,000 | 5,142,000.00 |
| May 2009 | 73,100 | 24.20 | 73,100 | 1,769,020.00 |
| June 2009 | 568,000 | 24.72 | 568,000 | 14,043,000.00 |
| July 2009 | 371,500 | 27.89 | 371,500 | 10,359,440.00 |
| August 2009 | 274,100 | 29.72 | 274,100 | 8,147,210.00 |
| September 2009 | 712,900 | 30.19 | 712,900 | 21,519,803.00 |
| October 2009 | 658,400 | 30.58 | 658,400 | 20,133,730.00 |
| November 2009 | 624,000 | 31.13 | 624,000 | 19,423,170.00 |
| December 2009 | 376,800 | 31.03 | 376,800 | 11,693,072.00 |
| Total/Average | 4,207,700 | 28.05 | 4,207,700 | |

- (1) We do not repurchase our A Shares other than through the share repurchase program.
- (2) We periodically repurchase our A Shares on the open market using funds authorized by our shareholders specifically for the repurchase of L Shares and A Shares by us at our discretion. In the annual ordinary shareholders meeting held on April 7, 2010, our shareholders authorized an aggregate Ps. 50,000 million increase in our reserve for the repurchase of additional L Shares and A Shares, thereby increasing our reserve to Ps. 175,000 million.
- (3) This is the approximate peso amount (in millions of nominal pesos) available at the end of the period for purchases of both L Shares and A Shares pursuant to our share repurchase program. These are nominal figures and have not been restated for inflation.

Item 16F. Change in Registrant's Certifying Accountant

On and effective November 10, 2009, BDO Seidman, LLP (BDO) was dismissed as TracFone's independent auditors after auditing TracFone's financial statements for each of the five years in the period ended December 31, 2008. On November 10, 2009, concurrent with BDO's dismissal as TracFone's independent auditors, our Audit and Corporate Practices Committee appointed Mancera, S.C., a member practice of Ernst & Young Global, (Mancera) as TracFone's independent auditor. Mancera has served as América Móvil's independent auditor since 2000. The decision to dismiss BDO and engage Mancera as TracFone's independent auditors was approved by our Audit and Corporate Practices Committee.

Neither BDO's reports on TracFone's financial statements for the year ended December 31, 2007 or December 31, 2008 nor Mancera's reports on our financial statements for such years, for which they relied on such BDO reports, contained any adverse opinion or disclaimer of opinion, or qualification or modification as to uncertainty, audit scope, or accounting principles.

During the fiscal years ended December 31, 2007 and December 31, 2008 and the interim period from January 1, 2009 to November 10, 2009, there were no disagreements with BDO on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure that if not resolved to the satisfaction of BDO would have caused BDO to make references to the subject matter of the disagreements in connection with any report.

Table of Contents**Item 16G. Corporate Governance.**

Our corporate governance practices are governed by our bylaws, the Mexican Securities Market Law and the regulations issued by the CNBV. We also comply with the Mexican Code of Best Corporate Practices (*Código de Mejores Prácticas Corporativas*), which was created in January 2001 by a group of Mexican business leaders and was endorsed by the CNBV and the Mexican Stock Exchange.

The table below discloses the significant differences between our corporate governance practices and those required for U.S. Companies under the NYSE and NASDAQ listing standards.

NYSE Standards

Director Independence. *Majority of board of directors must be independent. Controlled companies, which would include our company if we were a U.S. issuer, are exempt from this requirement. A controlled company is one in which more than 50% of the voting power is held by an individual, group or another company, rather than the public. §303A.01*

Executive

Sessions. *Non-management directors must meet regularly in executive sessions without management. Independent directors should meet alone in an executive session at least once a year. §303A.03*

Nominating/Corporate Governance

Committee. *Nominating/corporate governance committee of independent directors is required. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. Controlled companies are exempt from these requirements. §303A.04*

NASDAQ Standards

Director Independence. *Majority of board of directors must be independent and directors deemed independent must be identified in a listed company's proxy statement (or annual report on Form 10-K or 20-F if the issuer does not file a proxy statement). Controlled companies, which would include our company if we were a U.S. issuer, are exempt from this requirement. A controlled company is one in which more than 50% of the voting power is held by an individual, group or another company, rather than the public. Rules 5605(b)(1), 5615(c)(1) & (c)(2).*

Executive Sessions. *Independent directors must meet regularly in executive sessions at which only independent directors are present. Rule 5605(b)(2)*

Nominating Committee. *Director nominees must be selected, or recommended for the board's selection, either by a nominating committee comprised solely of independent directors or by a majority of independent directors. Each listed company also must certify that it has adopted a formal charter or board resolution addressing the*

Our Corporate Governance Practices

Director Independence. Pursuant to the Mexican Securities Market Law, our shareholders are required to appoint a board of directors of no more than 21 members, 25% of whom must be independent. Certain persons are *per se* non-independent, including insiders, control persons, major suppliers and any relatives of such persons. In accordance with the Mexican Securities Market Law, our shareholders' meeting is required to make a determination as to the independence of our directors, though such determination may be challenged by the CNBV. There is no exemption from the independence requirement for controlled companies.

Executive Sessions. Our non-management directors have not held executive sessions without management in the past, and they are not required to do so.

Nominating Committee. We currently do not have a nominating committee or a corporate governance committee. We are not required to have a nominating committee. However, Mexican law requires us to have one or more committees that oversee certain corporate practices, including appointment of directors and executives. Under the Mexican Securities Market Law, committees

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NYSE Standards

NASDAQ Standards

Our Corporate Governance Practices

nominations process. Controlled companies are exempt from this requirement. Rules 5605(e)(1)(A) & 5615(c)(2)

overseeing certain corporate practices must be composed of independent directors. However, in the case of controlled companies, such as ours, only a majority of the committee members must be independent.

Under the Mexican Securities Market Law, certain corporate governance functions must be delegated to one or more committees. Under our bylaws, the Audit and Corporate Practices Committee performs our corporate governance functions. See Item 6. Directors, Senior Management and Employees Audit and Corporate Practices Committee.

As a controlled company, we would be exempt from this requirement if we were a U.S. issuer.

Compensation Committee. *Compensation committee of independent directors is required, which must evaluate and approve executive officer compensation. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee.*

Controlled companies are exempt from this requirement. §303A.05

Compensation Committee. *CEO compensation must be determined, or recommended to the board for determination, either by a compensation committee comprised solely of independent directors or a majority of the independent directors and the CEO may not be present during voting or deliberations. Compensation of all other executive officers must be determined in the same manner, except that the CEO, and any other executive officers, may be present.*

Controlled companies are exempt from this requirement. Rules 5605(e)(1)(B) & 5615(c)(2)

Compensation Committee. We currently do not have a compensation committee. We are not required to have a compensation committee since our Audit and Corporate Practices Committee, which is comprised solely of independent directors, evaluates and approves management's (including our CEO) and directors' compensation.

Audit Committee. *Audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act and the more stringent requirements under the NYSE standards is required. §§303A.06, 303A.07*

Audit Committee. *Audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act and the more stringent requirements under the NASDAQ standards is required. Rule 5605(c)(1)*

Audit Committee. We have an audit and corporate practices committee of four members. Each member of the audit and corporate practices committee is independent, as independence is defined under the Mexican Securities Market Law, and also meets the independence

Table of Contents**NYSE Standards****NASDAQ Standards****Our Corporate Governance Practices**

Equity Compensation Plans. *Equity compensation plans require shareholder approval, subject to limited exemptions. §§303A.08 & 312.03*

Shareholder Approval for Issuance of Securities. *Issuances of securities (1) that will result in a change of control of the issuer, (2) that are to a related party or someone closely related to a related party, (3) that have voting power equal to at least 20% of the outstanding common stock voting power before such issuance or (4) that will increase the number of shares of common stock by at least 20% of the number of outstanding shares before such issuance, require shareholder approval. §§312.03(b)-(d)*

Code of Business Conduct and Ethics. *Corporate governance guidelines and a code of business conduct and ethics are required, with disclosure of any waiver for directors or executive officers. The code must contain compliance standards and procedures that will facilitate the effective operation of the code. §303A.10*

Equity Compensation Plans. *Equity compensation plans require shareholder approval, subject to limited exemptions. Rule 5635(c).*

Shareholder Approval for Issuance of Securities. *Issuances of securities (1) that will result in a change of control of the issuer, (2) in connection with certain acquisitions of the stock or assets of another company or (3) in connection with certain transactions other than public offerings, require shareholder approval. Rules 5635(a)(2), (b) & (d)(1-2).*

Code of Business Conduct and Ethics. *Corporate governance guidelines and a code of business conduct and ethics are required, with disclosure of any waiver and the reasons for such waiver for directors or executive officers. The code must include an enforcement mechanism. Rule 5610.*

requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934, as amended. Our audit and corporate practices committee operates primarily pursuant to (1) a written charter adopted by our board of directors, which assigns to the committee responsibility over those matters required by Rule 10A-3 (2) our bylaws and (3) Mexican law. For a more detailed description of the duties of our audit and corporate practices committee, see *Item 6. Directors, Senior Management and Employees-Audit and Corporate Practices Committee.*

Equity Compensation Plans. *Shareholder approval is expressly required under Mexican law for the adoption and amendment of an equity-compensation plan. Such plans must provide for similar treatment of executives in comparable positions.*

Shareholder Approval for Issuance of Securities. *Mexican law requires us to obtain shareholder approval of the issuance of equity securities. Under certain circumstances, treasury stock, however, may be issued by the board of directors without shareholder approval.*

Code of Business Conduct and Ethics. *We have adopted a code of ethics, which has been accepted by all of our directors and executive officers and other personnel. A copy of our code of ethics is available on our website www.americamovil.com.*

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NYSE Standards

Conflicts of Interest. *Determination of how to review and oversee related party transactions is left to the listed company. The audit committee or comparable body, however, could be considered the forum for such review and oversight. §307.00. Certain issuances of common stock to a related party require shareholder approval. §312.03(b)*

Solicitation of Proxies. *Solicitation of proxies and provision of proxy materials are required for all meetings of shareholders. Copies of such proxy solicitations are to be provided to NYSE. §§402.00 & 402.04*

NASDAQ Standards

Conflicts of Interest. *Appropriate review of all related party transactions for potential conflict of interest situations and approval by an audit committee or another independent body of the board of directors of such transactions is required. Rule 5630(a-b).*

Solicitation of Proxies. *Solicitation of proxies and provision of proxy materials are required for all meetings of shareholders. Copies of such proxy solicitations are to be provided to NASDAQ. Rule 5620(b).*

Peer Review. *A listed company must be audited by an independent public accounting firm that is registered as a public accounting firm with the Public Company Accounting Oversight Board. Rule 5250(c)(3)*

Our Corporate Governance Practices

Conflicts of Interest. In accordance with Mexican law, an independent audit committee must provide an opinion to the board of directors regarding any transaction with a related party that is outside of the ordinary course of business, which must be approved by the board of directors. Pursuant to the Mexican Securities Market Law, our board of directors will establish certain guidelines regarding related party transactions that do not require specific board approval.

Solicitation of Proxies. We are not required to solicit proxies from our shareholders. In accordance with Mexican law and our bylaws, we inform shareholders of all meetings by public notice, which states the requirements for admission to the meeting. Under the deposit agreement relating to our ADSs, holders of our ADSs receive notices of shareholders meetings and, where applicable, instructions on how to instruct the depository to vote at the meeting. Under the deposit agreement relating to our ADS, we may direct the voting of any ADS as to which no voting instructions are received by the depository, except with respect to any matter where substantial opposition exists or that materially and adversely affects the rights of holders.

Peer Review. Under Mexican law, we must be audited by an independent public accountant that has received a quality control review as defined by the CNBV.

Mancera, S.C., a Member Practice of Ernst & Young Global, a public registered firm, our independent auditor, is registered as a public accounting firm with the Public Company Accounting Oversight Board.

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Item 17. Not Applicable

Item 18. Financial Statements

See pages F-1 through F-87 incorporated herein by reference.

Item 19. Exhibits

Documents filed as exhibits to this annual report:

- 1.1 Amended and restated bylaws (estatutos sociales) of América Móvil, S.A.B. de C.V., dated as of March 17, 2010 (together with an English translation).
- 2.1 L Share Deposit Agreement (incorporated by reference to our registration statement on Form F-6, File No. 333-126165, filed on June 28, 2005).
- 2.2 A Share Deposit Agreement (incorporated by reference to our registration statement on Form F-6, File No. 333-126155, filed on June 27, 2005).
- 3.1 Shareholders Agreement dated December 20, 2000 between América Telecom, S.A. de C.V. (as successor to Carso Global Telecom, S.A. de C.V.) and SBC International, Inc. (incorporated by reference to the report of beneficial ownership of our shares filed on Schedule 13D on May 16, 2001).
- 4.1 Management Services Agreement dated February 27, 2002 between SBC International Management Services, Inc. and Radiomóvil Dipsa, S.A. de C.V. (incorporated by reference as Exhibit 4.4 to our annual report on Form 20-F, File No. 001-16269, filed on June 30, 2004).
- 4.2 Fourth Amendment dated January 31, 2005 to Management Services Agreement dated February 27, 2002 between SBC International Management Services, Inc., and América Móvil, S.A. de C.V. (incorporated by reference as Exhibit 4.8 to our annual report on Form 20-F, File No. 001-16269, filed on June 30, 2005).
- 4.3 Fifth Amendment dated December 31, 2005 to Management Services Agreement dated February 27, 2002 between SBC International Management Services, Inc., and América Móvil, S.A. de C.V. (incorporated by reference as Exhibit 4.6 to our annual report on Form 20-F, File No. 001-16269, filed on June 30, 2006).
- 4.4 Sixth Amendment dated February 1, 2007 to Management Services Agreement dated February 27, 2002 between AT&T Mexico, Inc., and América Móvil, S.A.B. de C.V. (incorporated by reference as Exhibit 4.4 to our annual report on Form 20-F, File No. 001-16269, filed on July 2, 2007).
- 4.5 Seventh Amendment dated July 7, 2009 to Management Services Agreement dated February 27, 2002 between AT&T Mexico, Inc., and América Móvil, S.A.B. de C.V.
- 4.6 Eighth Amendment dated September 23, 2009 to Management Services Agreement dated February 27, 2002 between AT&T Mexico, Inc., and América Móvil, S.A.B. de C.V.
- 4.7 Ninth Amendment dated November 18, 2009 to Management Services Agreement dated February 27, 2002 between AT&T Mexico, Inc., and América Móvil, S.A.B. de C.V.
- 4.8 Operating and Administrative Services Agreement dated January 2, 2006 between América Telecom, S.A de C.V. and América Móvil, S.A. de C.V. (together with an English translation). (incorporated by reference to our annual report on Form 20-F, File No. 001-16269, filed on June 30, 2006).
- 4.9 Indenture dated March 9, 2004 among América Móvil, S.A. de C.V., Radiomóvil Dipsa, S.A. de C.V. and JPMorgan Chase Bank, as Trustee (incorporated by reference to our registration statement on Form F-4, File No. 333-117673, filed on July 26, 2004).

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- 4.10 Fifth Supplemental Indenture dated December 14, 2004 among América Móvil, S.A. de C.V., Radiomóvil Dipsa, S.A. de C.V. and JPMorgan Chase Bank, N.A., as Trustee (incorporated by reference to our report on Form 6-K, File No. 00-16269, filed on February 16, 2005).
- 4.11 Eighth Supplemental Indenture dated September 29, 2006 among América Móvil, S.A. de C.V., Radiomóvil Dipsa, S.A. de C.V. and JPMorgan Chase Bank, N.A., as Trustee (incorporated by reference to our registration statement on Form F-3ASR, File No.333-137695, filed on September 29, 2006).
- 4.12 Indenture dated September 30, 2009 among América Móvil, S.A.B. de C.V., Radiomóvil Dipsa, S.A. de C.V. and The Bank of New York Mellon, as Trustee (incorporated by reference to our registration statement on Form F-3 ASR, File No. 333-162217), filed on September 30, 2009.
- 7.1 Calculation of Ratios of Earnings to Fixed Charges
- 8.1 List of certain subsidiaries of América Móvil, S.A.B. de C.V.
- 12.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 12.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 13.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 15.1 Consent of Mancera, S.C.
- 15.2 Letter from BDO Seidman, LLP addressed to the SEC regarding statements made by América Móvil, S.A.B. de C.V. in response to Item 16F

Omitted from the exhibits filed with this annual report are certain instruments and agreements with respect to long-term debt of América Móvil, none of which authorizes securities in a total amount that exceeds 10% of the total assets of América Móvil. We hereby agree to furnish to the SEC copies of any such omitted instruments or agreements as the Commission requests.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

AMÉRICA MÓVIL, S.A.B. DE C.V.

By: /s/ CARLOS JOSÉ GARCÍA MORENO ELIZONDO
Name: **Carlos José García Moreno Elizondo**
Title: **Chief Financial Officer**

By: /s/ ALEJANDRO CANTÚ JIMÉNEZ
Name: **Alejandro Cantú Jiménez**
Title: **General Counsel**

Dated: May 25, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders of

América Móvil, S.A.B. de C.V.

We have audited the accompanying consolidated balance sheets of América Móvil, S.A.B. de C.V. and subsidiaries as of December 31, 2008 and 2009 and the related consolidated statements of income and changes in shareholders' equity for each of the three years in the period ended December 31, 2009 and the consolidated statement of changes in financial position for the year ended December 31, 2007 and the consolidated statements of cash flows for each of the two years in the period ended December 31, 2009. 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 did not audit the financial statements of TracFone Wireless, Inc., a consolidated subsidiary, whose assets accounted for approximately 1% of total consolidated assets at December 31, 2008 and approximately 5% of total consolidated operating revenues for each of the two years in the period ended December 31, 2008. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for TracFone Wireless, Inc., is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation (including the Company's conversion of the financial statements of TracFone Wireless, Inc. to Mexican Financial Reporting Standards). We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of América Móvil, S.A.B. de C.V. and subsidiaries as of December 31, 2008 and 2009, and the consolidated results of their operations for each of the three years in the period ended December 31, 2009, and the consolidated changes in their financial position for the year ended December 31, 2007, and their consolidated cash flows for each of the two years in the period ended December 31, 2009, in conformity with Mexican Financial Reporting Standards, which differ in certain respects from accounting principles generally accepted in the United States (see Note 21 to the consolidated financial statements).

As mentioned in Note 2 a), f), s) and z.1) to the accompanying consolidated financial statements, as of January 1, 2008, the Company adopted the new Mexican Financial Reporting Standards B-10, *Effects of Inflation*, B-15, *Translation of Foreign Currencies*, D-4, *Taxes on Profits* and B-2, *Statements of Cash Flows*, with the effects described therein.

Mancera, S.C.

A member practice of

Ernst & Young Global

/s/ OMEROS CAMPOS SEGURA
Omero Campos Segura

Mexico City

April 1, 2010

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Report of Independent Registered Certified Public Accounting Firm

Board of Directors and Stockholders

TracFone Wireless, Inc.

Miami, Florida

We have audited the accompanying balance sheet of TracFone Wireless, Inc. as of December 31, 2008 and the related statements of income, changes in stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2008. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits include consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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 financial position of TracFone Wireless, Inc. at December 31, 2008, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO SEIDMAN, LLP

June 23, 2009

Table of Contents**AMÉRICA MÓVIL, S.A.B. DE C.V. AND SUBSIDIARIES****Consolidated Balance Sheets**

(In thousands of Mexican pesos)

| | At December 31, | | Millions of U.S. dollars 2009 |
|---|------------------------|------------------------|-------------------------------------|
| | 2008 | 2009 | |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | Ps. 22,092,139 | Ps. 27,445,880 | USD 2,102 |
| Accounts receivable, net (Note 4) | 52,770,676 | 55,918,984 | 4,282 |
| Derivative financial instruments (Note 10) | 3,125,214 | 8,361 | 1 |
| Related parties (Note 16) | 1,052,796 | 468,096 | 36 |
| Inventories, net (Note 5) | 31,805,142 | 21,536,018 | 1,649 |
| Other current assets, net (Note 6) | 2,639,912 | 2,720,983 | 208 |
| Total current assets | 113,485,879 | 108,098,322 | 8,278 |
| Plant, property and equipment, net (Note 7) | 209,896,820 | 227,049,009 | 17,385 |
| Licenses, net (Note 8) | 43,098,985 | 42,582,531 | 3,261 |
| Trademarks, net (Note 8) | 5,010,539 | 3,974,527 | 304 |
| Goodwill, net (Note 8) | 44,696,281 | 45,805,279 | 3,507 |
| Investments in affiliates and others (Note 9) | 789,612 | 974,693 | 75 |
| Deferred taxes (Note 18) | 9,296,367 | 15,908,795 | 1,218 |
| Other non-current assets, net (Note 6) | 9,180,987 | 8,614,805 | 660 |
| Total assets | Ps. 435,455,470 | Ps. 453,007,961 | USD 34,688 |
| Liabilities and shareholders equity | | | |
| Current liabilities: | | | |
| Short-term debt and current portion of long-term debt (Note 13) | Ps. 26,731,355 | Ps. 9,167,941 | USD 702 |
| Accounts payable and accrued liabilities (Note 12) | 90,867,401 | 97,086,585 | 7,434 |
| Taxes payable | 14,612,465 | 16,716,549 | 1,280 |
| Related parties (Note 16) | 922,254 | 1,045,155 | 80 |
| Deferred revenues | 14,662,631 | 16,240,451 | 1,244 |
| Total current liabilities | 147,796,106 | 140,256,681 | 10,740 |
| Long-term liabilities: | | | |
| Long-term debt (Note 13) | 116,755,093 | 101,741,199 | 7,790 |
| Deferred taxes (Note 18) | 14,621,075 | 22,282,245 | 1,706 |
| Employee benefits (Note 11) | 11,358,647 | 10,822,273 | 829 |
| Total liabilities | 290,530,921 | 275,102,398 | 21,065 |
| Shareholders equity (Note 17): | | | |
| Capital stock | 36,532,481 | 36,524,423 | 2,797 |
| Retained earnings: | | | |
| From prior years | 29,261,187 | 38,952,974 | 2,983 |
| Current year | 59,485,502 | 76,913,454 | 5,889 |

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| | | | |
|--|-----------------|------------------------|-------------------|
| | 88,746,689 | 115,866,428 | 8,872 |
| Accumulated other comprehensive income items | 18,988,897 | 24,782,273 | 1,898 |
| Total majority shareholders' equity | 144,268,067 | 177,173,124 | 13,567 |
| Non-controlling interest | 656,482 | 732,439 | 56 |
| Total shareholders' equity | 144,924,549 | 177,905,563 | 13,623 |
| Total liabilities and shareholders' equity | Ps. 435,455,470 | Ps. 453,007,961 | USD 34,688 |

The accompanying notes are an integral part of these financial statements.

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Table of Contents**AMÉRICA MÓVIL, S.A.B. DE C.V. AND SUBSIDIARIES****Consolidated Statements of Income**

(In thousands of Mexican pesos, except for earnings per share and weighted-average number of shares outstanding)

| | For the year ended December 31, | | | Millions of U.S. dollars 2009 except for earnings per share |
|---|---------------------------------|----------------|-----------------|--|
| | 2007 | 2008 | 2009 | |
| Operating revenues: | | | | |
| Services: | | | | |
| Air time | Ps. 87,522,245 | Ps. 99,258,566 | Ps. 118,949,020 | USD 9,108 |
| Interconnection | 58,554,255 | 60,371,865 | 60,557,856 | 4,637 |
| Monthly rent | 59,551,717 | 66,805,611 | 75,585,846 | 5,788 |
| Long-distance | 20,348,067 | 20,624,128 | 23,301,403 | 1,784 |
| Value added services and other services | 40,359,659 | 51,089,479 | 70,743,490 | 5,417 |
| Sales of handsets and accessories | 45,243,819 | 47,505,259 | 45,573,416 | 3,489 |
| | 311,579,762 | 345,654,908 | 394,711,031 | 30,223 |
| Operating costs and expenses: | | | | |
| Cost of sales and services | 132,373,998 | 146,025,037 | 165,039,738 | 12,638 |
| Commercial, administrative and general expenses | 53,605,408 | 62,316,415 | 72,380,031 | 5,542 |
| Depreciation and amortization (Notes 7 and 8) (includes Ps. 29,389,162, Ps. 30,047,363 and Ps. 38,187,412 for the years ended December 31, 2007, 2008 and 2009, respectively, not included in cost of sales and services) | 40,406,018 | 41,767,309 | 53,082,307 | 4,064 |
| | 226,385,424 | 250,108,761 | 290,502,076 | 22,244 |
| Operating income | 85,194,338 | 95,546,147 | 104,208,955 | 7,979 |
| Other expenses, net | (3,712,874) | (2,326,959) | (2,165,584) | (166) |
| Comprehensive result of financing: | | | | |
| Interest income | 2,960,265 | 2,414,390 | 1,691,929 | 130 |
| Interest expense | (7,696,967) | (8,950,562) | (7,410,314) | (567) |
| Exchange gain (loss), net | 2,463,442 | (13,686,423) | 4,556,571 | 349 |
| Monetary gain, net | 5,038,406 | | | |
| Other financing (cost) income, net | (3,152,631) | 6,357,722 | (1,820,110) | (140) |
| | (387,485) | (13,864,873) | (2,981,924) | (228) |
| Equity interest in net income of affiliates | 57,621 | 109,416 | 195,714 | 15 |

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| | | | | |
|---|-----------------------|-----------------------|-----------------------|------------------|
| Income before taxes on profits | 81,151,600 | 79,463,731 | 99,257,161 | 7,600 |
| Taxes on profits (Note 18) | 22,454,267 | 19,888,337 | 22,259,308 | 1,704 |
| Net income | Ps. 58,697,333 | Ps. 59,575,394 | Ps. 76,997,853 | USD 5,896 |
| Distribution of the net income: | | | | |
| Majority interest | Ps. 58,587,511 | Ps. 59,485,502 | Ps. 76,913,454 | USD 5,889 |
| Non-controlling interest | 109,822 | 89,892 | 84,399 | 6 |
| Net income | Ps. 58,697,333 | Ps. 59,575,394 | Ps. 76,997,853 | USD 5,896 |
| Weighted average number of common shares outstanding (in millions) | | | | |
| | 35,149 | 34,220 | 32,738 | 32,738 |
| Net majority earnings per share | Ps. 1.67 | Ps. 1.74 | Ps. 2.35 | USD 0.18 |

The accompanying notes are an integral part of these financial statements.

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Table of Contents**AMÉRICA MÓVIL, S.A.B. DE C.V. AND SUBSIDIARIES****Consolidated Statements of Changes in Shareholders Equity****For the Years Ended December 31, 2007, 2008 and 2009**

(In thousands of Mexican pesos)

| | Capital stock | Legal reserve | Retained earnings Unappropriated | Total | Accumulated other comprehensive income items | Majority shareholders equity | Non-controlling interest | Comprehensive income | Total shareholders equity |
|---|----------------|---------------|-------------------------------------|--------------|--|------------------------------|--------------------------|----------------------|---------------------------|
| Balance at December 31, 2006 (Note 17) | Ps. 36,555,398 | Ps. 482,925 | 89,590,018 | 90,072,943 | (13,565,675) | 113,062,666 | 684,137 | | 113,746,803 |
| Non-controlling interest related to current year acquisitions | | | (6,604) | (6,604) | | (6,604) | (13,187) | | (19,791) |
| Dividends declared at Ps. 0.20 and Ps. 1 per share (historical) | | | (42,127,537) | (42,127,537) | | (42,127,537) | | | (42,127,537) |
| Repurchase of shares | (3,359) | | (12,853,079) | (12,853,079) | | (12,856,438) | | | (12,856,438) |
| Comprehensive income: | | | | | | | | | |
| Net income for the period | | | 58,587,511 | 58,587,511 | | 58,587,511 | 109,822 | Ps. 58,697,333 | 58,697,333 |
| Other comprehensive income items: | | | | | | | | | |
| Effect of translation of foreign entities | | | | | 10,143,715 | 10,143,715 | (141,953) | 10,001,762 | 10,001,762 |
| Result from holding non-monetary assets, net of deferred taxes | | | | | (579,243) | (579,243) | (5,119) | (584,362) | (584,362) |
| Comprehensive income for the year | | | | | | | | Ps. 68,114,733 | |
| Balance at December 31, 2007 (Note 17) | 36,552,039 | 482,925 | 93,190,309 | 93,673,234 | (4,001,203) | 126,224,070 | 633,700 | | 126,857,770 |
| Effect of adopting Mexican FRS B-10, net of deferred tax | | | (13,771,039) | (13,771,039) | 13,771,039 | | | | |
| Dividends declared at Ps. 0.26 per share (historical) | | | (8,904,997) | (8,904,997) | | (8,904,997) | | | (8,904,997) |
| Repurchase of shares | (19,558) | | (41,736,011) | (41,736,011) | | (41,755,569) | | | (41,755,569) |

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| | | | | | | | | | |
|--|---------|--|--------------|--------------|-----------|--------------|----------|----------------|-----------------|
| Comprehensive income: | | | | | | | | | |
| Net income for the period | | | 59,485,502 | 59,485,502 | | 59,485,502 | 89,892 | Ps. 59,575,394 | 59,575,394 |
| Other comprehensive income items: | | | | | | | | | |
| Effect of translation of foreign entities, net of deferred tax | | | | | 9,219,061 | 9,219,061 | (67,110) | 9,151,951 | 9,151,951 |
| Comprehensive income for the year | | | | | | | | Ps. 68,727,345 | |
| Balance at December 31, 2008 (Note 17) | | | | | | | | | Ps. 144,924,549 |
| Dividends declared at Ps. 0.30 and Ps. 0.50 per share | | | (25,979,049) | (25,979,049) | | (25,979,049) | | | (25,979,049) |
| Repurchase of shares | (8,058) | | (24,697,658) | (24,697,658) | | (24,705,716) | | | (24,705,716) |
| Asset tax write-off | | | 882,992 | 882,992 | | 882,992 | | | 882,992 |
| Comprehensive income: | | | | | | | | | |
| Net income for the period | | | 76,913,454 | 76,913,454 | | 76,913,454 | 84,399 | Ps. 76,997,853 | 76,997,853 |
| Other comprehensive income items: | | | | | | | | | |
| Effect of translation of foreign entities, net of deferred tax | | | | | 5,793,376 | 5,793,376 | (8,442) | 5,784,934 | 5,784,934 |
| Comprehensive income for the year | | | | | | | | Ps. 82,782,787 | |
| Balance at December 31, 2009 (Note 17) | | | | | | | | | Ps. 177,905,563 |

The accompanying notes are an integral part of these financial statements.

Table of Contents**AMÉRICA MÓVIL, S.A.B. DE C.V. AND SUBSIDIARIES****Consolidated Statement of Changes in Financial Position**

(In thousands of Mexican pesos)

| | For the year ended December 31, 2007 |
|---|---|
| Operating activities | |
| Net income | Ps. 58,697,333 |
| Add (deduct) items not requiring the use of resources: | |
| Depreciation | 31,162,660 |
| Amortization | 7,670,961 |
| Amortization of loss on sale and leaseback | 1,572,397 |
| Deferred income tax and deferred employee profit sharing | 4,659,365 |
| Loss on marketable securities | 1,384,418 |
| Equity interest in net income of affiliates | (57,621) |
| Net cost of labor obligations | 456,095 |
| | 105,545,608 |
| Changes in operating assets and liabilities: | |
| Decrease (increase) in: | |
| Accounts receivable | (4,265,886) |
| Inventories | (896,364) |
| Other assets | (943,209) |
| (Decrease) increase in: | |
| Accounts payable and accrued liabilities | 10,136,210 |
| Related parties | (991,389) |
| Financial instruments | (740,769) |
| Deferred revenues and credits | 36,809 |
| Taxes payable | (8,800,706) |
| Marketable securities | 1,499,381 |
| Resources provided by operating activities | 100,579,685 |
| Financing activities | |
| New loans | 33,287,331 |
| Repayment of loans | (46,008,892) |
| Effect of exchange rate differences and variances in debt expressed in constant pesos | (4,161,387) |
| Decrease in capital stock and retained earnings due to purchase of Company's own shares | (12,856,438) |
| Dividend declared | (42,127,537) |
| Resources used in financing activities | (71,866,923) |
| Investing activities | |
| Investment in plant, property and equipment | (38,854,801) |
| Investment in subsidiaries and affiliates | 42,130 |
| Instruments available for sale | (789,100) |
| Minority interest | (160,259) |
| Acquisitions, net of cash acquired | (19,464,035) |
| Investments in trademarks | 26,811 |
| Investment in licenses | (499,145) |

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| | |
|--|----------------|
| Resources used in investing activities | (59,698,399) |
| Net decrease in cash and cash equivalents | (30,985,637) |
| Cash and cash equivalents at beginning of year | 42,957,756 |
| Cash and cash equivalents at end of year | Ps. 11,972,119 |

The accompanying notes are an integral part of this financial statement.

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Table of Contents**AMÉRICA MÓVIL, S.A.B. DE C.V. AND SUBSIDIARIES****Consolidated Statements of Cash Flows**

(In thousands of Mexican pesos)

| | For the year ended December 31, | | Millions of U.S. dollars 2009 |
|--|------------------------------------|---------------------|-------------------------------------|
| | 2008 | 2009 | |
| Operating activities | | | |
| Income before taxes on profits | Ps. 79,463,731 | Ps. 99,257,161 | USD 7,600 |
| Items not requiring the use of cash: | | | |
| Depreciation | 32,677,429 | 42,953,356 | 3,289 |
| Amortization of intangible assets | 7,471,679 | 8,160,235 | 625 |
| Amortization of loss on sale and leaseback | 1,618,201 | 1,968,716 | 152 |
| Impairment in the value of long-lived assets | 739,853 | | |
| Equity interest in net income of affiliates | (109,416) | (195,714) | (15) |
| Loss (gain) on sale of fixed assets | 141,278 | (403,031) | (31) |
| Net period cost of labor obligations | 734,636 | 779,705 | 60 |
| Exchange loss (gain), net | 11,979,839 | (840,300) | (64) |
| Accrued interest receivable | (2,241,926) | (1,963,537) | (150) |
| Accrued interest payable | 8,950,562 | 7,410,314 | 567 |
| Other financing expenses, net | (2,605,594) | (1,838,672) | (141) |
| Gain on sale of marketable securities | (46,014) | | |
| Changes in operating assets and liabilities: | | | |
| Financial instruments | 65,800 | | |
| Accounts receivable | (5,299,903) | (7,599,026) | (582) |
| Interest collected | 2,241,926 | 1,963,537 | 150 |
| Prepaid expenses | (888,241) | (197,274) | (15) |
| Related parties | (14,719) | 707,600 | 54 |
| Inventories | (9,361,512) | 8,479,369 | 649 |
| Other assets | (143,908) | (124,900) | (10) |
| Accounts payable and accrued liabilities | (13,888,254) | 8,403,243 | 643 |
| Taxes paid | (21,702,646) | (16,839,757) | (1,289) |
| Employee profit sharing paid | (672,457) | (1,132,677) | (87) |
| Financial instruments | (2,156,946) | 2,869,210 | 220 |
| Deferred revenues | 1,001,969 | 1,568,963 | 120 |
| Labor obligations | (491,359) | (577,567) | (44) |
| Net cash flows provided by operating activities | 87,464,008 | 152,808,954 | 11,701 |
| Investing activities | | | |
| Acquisition of plant, property and equipment | (26,943,957) | (53,213,700) | (4,075) |
| Acquisition of licenses | (13,736,502) | (485) | |
| Fixed asset sales | 75,538 | 556,704 | 43 |
| Business acquisitions, net of cash | (479,090) | | |
| Net cash flows used in investing activities | (41,084,011) | (52,657,481) | (4,032) |
| Net cash flows before financing activities | 46,379,997 | 100,151,473 | 7,669 |
| Financing activities | | | |

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| | | | |
|---|----------------|-----------------------|------------------|
| Loans obtained | 61,810,010 | 26,776,298 | 2,050 |
| Repayment of loans | (41,487,985) | (62,720,695) | (4,802) |
| Interests paid | (8,105,142) | (8,551,023) | (655) |
| Repurchase of shares | (41,632,608) | (24,657,808) | (1,888) |
| Payment of dividends | (8,815,570) | (25,462,328) | (1,950) |
| Net cash flows used in financing activities | (38,231,295) | (94,615,556) | (7,245) |
| Net increase in cash and cash equivalents | 8,148,702 | 5,535,917 | 424 |
| Adjustment to cash flow for exchange rate differences | 1,971,318 | (182,176) | (14) |
| Cash and cash equivalents at beginning of the period | 11,972,119 | 22,092,139 | 1,692 |
| Cash and cash equivalents at end of the period | Ps. 22,092,139 | Ps. 27,445,880 | USD 2,102 |

The accompanying notes are an integral part of these financial statements.

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Table of Contents**AMÉRICA MÓVIL, S.A.B. DE C.V. AND SUBSIDIARIES****Notes to Consolidated Financial Statements**

(In thousands of Mexican pesos,

and thousands of U.S. dollars, except when indicated otherwise)

1. Description of Business

América Móvil, S.A.B. de C.V. and subsidiaries (collectively, the Company or América Móvil) provides wireless and fixed communications services in Latin America and in the Caribbean. América Móvil obtains its revenues primarily from telecommunications services, including the sale of airtime (including interconnection under the calling party pays program), monthly rent, long-distance charges, and other services (including roaming, value added services and other service charges), as well as the proceeds from the sale of cellular phones and accessories.

América Móvil has authorization, licenses, permits and concessions (hereinafter collectively referred to as licenses) to build, install, operate and use both public and private telecommunications networks and provide telecommunication services (mostly mobile and fixed-line telephony) in the countries in which the Company has presence (except for in the U.S.). These licenses will expire at various times from 2012 through 2046.

Such licenses require the payment to the respective governments of a share in sales determined as a percentage of revenues from services under concession. The percentage is set as either a fixed rate or in some cases based on the size of the infrastructure in operation (except for Guatemala and El Salvador).

Equity investments in subsidiaries and affiliated companies

At December 31, 2008 and 2009, América Móvil's equity interest in its principal subsidiaries and affiliated companies is as follows:

| Company | Country | % equity interest at December 31 | |
|--|--------------------|----------------------------------|---------------|
| | | 2008 | 2009 |
| Subsidiaries: | | | |
| AMX Tenedora, S.A. de C.V. | Mexico | 100.0% | 100.0% |
| AMOV Canadá, S.A. | Mexico | 100.0% | 100.0% |
| Compañía Dominicana de Teléfonos, C. por A. (Codetel) | Dominican Republic | 100.0% | 100.0% |
| Sercotel, S.A. de C.V. (Sercotel) | Mexico | 100.0% | 100.0% |
| Radiomóvil Dipsa, S.A. de C.V. and subsidiaries (Telcel) | Mexico | 100.0% | 100.0% |
| Telecomunicaciones de Puerto Rico, Inc. (1) | Puerto Rico | 100.0% | 100.0% |
| Puerto Rico Telephone Company, Inc. | Puerto Rico | 100.0% | 100.0% |
| PRT Larga Distancia, Inc. | Puerto Rico | 100.0% | 100.0% |
| Servicios de Comunicaciones de Honduras, S.A. de C.V. (Sercom Honduras) | Honduras | 100.0% | 100.0% |
| AMX USA Holding, S.A. de C.V. | Mexico | 100.0% | 100.0% |
| TracFone Wireless, Inc. (TracFone) | U.S.A. | 98.2% | 98.2% |
| AM Telecom Américas, S.A de C.V. | Mexico | 100.0% | 100.0% |
| Claro Telecom Participacoes, S.A. | Brazil | 100.0% | 100.0% |
| Americel, S.A. | Brazil | 99.3% | 99.3% |
| Claro, S.A. (formerly BCP, S.A.) | Brazil | 99.9% | 99.9% |
| América Central Tel, S.A. de C.V. (ACT) | Mexico | 100.0% | 100.0% |
| Telecomunicaciones de Guatemala, S.A. (Telgua) | Guatemala | 99.2% | 99.2% |
| Empresa Nicaragüense de Telecomunicaciones, S.A. (Enitel) | Nicaragua | 99.5% | 99.5% |

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| Company | Country | % equity interest at December 31 | |
|--|-------------|----------------------------------|---------------|
| | | 2008 | 2009 |
| Estesa Holding Corp. (1) | Panama | 100.0% | 100.0% |
| Cablenet, S.A. (1) | Nicaragua | 100.0% | 100.0% |
| Estaciones Terrenas de Satélite, S.A. (Estesa) (1) | Nicaragua | 100.0% | 100.0% |
| AMX El Salvador, S.A. de C.V. | Mexico | 100.0% | 100.0% |
| Compañía de Telecomunicaciones de El Salvador, S.A. de C.V. (CTE) | El Salvador | 95.8% | 95.8% |
| CTE Telecom Personal, S.A. de C.V. (Personal) | El Salvador | 95.8% | 95.8% |
| Cablenet, S.A. (Cablenet) | Guatemala | 95.8% | 95.8% |
| Telecomoda, S.A. de C.V. (Telecomoda) | El Salvador | 95.8% | 95.8% |
| Telecom Publicar Directorios, S.A. de C.V. (Publicom) | El Salvador | 48.8% | 48.8% |
| Comunicación Celular, S.A. (Comcel) | Colombia | 99.4% | 99.4% |
| AMX Santa Lucía, Inc. (1) (2) | Santa Lucia | 100.0% | 99.4% |
| Oceanic Digital Jamaica, Ltd. (1) (2) | Jamaica | 100.0% | 99.4% |
| Claro Panamá, S.A. (4) | Panama | 100.0% | 99.4% |
| Consorcio Ecuatoriano de Telecomunicaciones, S.A. (Conecel) | Ecuador | 100.0% | 100.0% |
| AMX Argentina Holdings, S.A. | Argentina | 100.0% | 100.0% |
| AMX Argentina, S.A. (3) | Argentina | 100.0% | 100.0% |
| AMX Wellington Gardens, S.A. de C.V. (3) | Mexico | 100.0% | 100.0% |
| Widcombe, S.A. de C.V. (3) | Mexico | 100.0% | 100.0% |
| AMX Paraguay, S.A. (3) | Paraguay | 100.0% | 100.0% |
| AM Wireless Uruguay, S.A. | Uruguay | 100.0% | 100.0% |
| Claro Chile, S.A. | Chile | 100.0% | 100.0% |
| América Móvil Perú, S.A.C. | Peru | 100.0% | 100.0% |
| Affiliated companies: | | | |
| Grupo Telvista, S.A. de C.V. | Mexico | 45.0% | 45.0% |

1. Companies acquired in 2007 and 2008 (see Note 9).
2. On November 28, 2008, Sercotel, S.A. de C.V. sold 100% of its shares in AMX Santa Lucia, Inc. to Comunicación Celular, S.A. As a result, the Company's equity interest in AMX Santa Lucia, Inc. and Oceanic Digital Jamaica, Ltd. decreased from 100% to 99.4% in both companies.
3. On December 29, 2008, Sercotel, S.A. de C.V. sold 100% of its shares in Wellington Gardens, S.A. de C.V. and Widcombe, S.A. de C.V. to AMX Argentina, S.A. As a result, AMX Argentina, S.A. now indirectly holds 100% of the shares of AMX Paraguay, S.A.
4. This company started up operations in the second half of 2009. The reduction in equity interest was due to Sercotel's capital withdrawal, which diluted its holding in the subsidiary.

The subsidiaries mentioned above provide mobile telephony services. In addition to mobile telephony services, Telgua, CTE, Enitel, Estesa, Codotel and Puerto Rico provide, among other telecommunication services, fixed-line telephone services.

TracFone resells cellular airtime on a prepaid basis through retailers to customers who use telephones equipped with TracFone software. TracFone does not own a cellular infrastructure but purchases airtime from mobile carriers throughout the United States.

On March 8, 2010, América Móvil's General Director, Legal Director and Finance Director authorized the issuance of the consolidated Mexican Financial Reporting Standards (Mexican FRS) financial statements and notes at December 31, 2007, 2008 and 2009 and for each of the three years in the period ended December 31, 2009. The accompanying consolidated financial statements consist of those Mexican FRS consolidated financial statements and notes, as supplemented by the accompanying US GAAP disclosures presented in Notes 21 and 22. These final consolidated financial statements were authorized for issuance herein by América Móvil's General Director, Legal Director and Finance Director on April 1, 2010, with consideration of subsequent events through that date.

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2. Summary of Significant Accounting Policies and Practices

The consolidated financial statements have been prepared in conformity with Mexican Financial Reporting Standards, issued by the Mexican Financial Reporting Standards Research and Development Board (*Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera*, A.C. or CINIF). The principal accounting policies and practices followed by the Company in the preparation of these consolidated financial statements are described below:

a) Consolidation and basis of translation of financial statements of foreign subsidiaries

i) Consolidation and equity method

The consolidated financial statements include the accounts of América Móvil, S.A.B. de C.V. and those of its subsidiaries. The financial statements of the subsidiaries have been prepared for the same accounting period and follow the same accounting principles as those of the Company. All the companies operate in the telecommunications sector or provide services to companies operating in this sector.

All intercompany balances and transactions have been eliminated in the consolidated financial statements. Non-controlling interest refers to certain subsidiaries in which the Company does not hold 100% of the shares.

Equity investments in affiliated companies over which the Company exercises significant influence are accounted for using the equity method, which basically consists of recognizing América Móvil's proportional share in the net income or loss and the shareholders' equity of the investee.

The results of operations of the subsidiaries and affiliates were included in the Company's consolidated financial statements as of the month following their acquisition.

ii) Basis of translation of financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries and affiliates, which in the aggregate account for approximately 59%, 61% and 64% of the Company's total operating revenues for 2007, 2008 and 2009, respectively, and approximately 75% and 85% of the Company's total assets at December 31, 2008 and 2009, are either consolidated or accounted for based on the equity method, as the case may be, after their financial statements have first been adjusted to conform to Mexican Financial Reporting Standards in the corresponding functional currency and have then been translated to the reporting currency.

The financial statements of the subsidiaries and affiliates located abroad were translated into Mexican pesos, as follows:

Effective January 1, 2008, the Company adopted the MFRS B-15, *Foreign Currency Translation*. Consequently, the financial statements as reported by the foreign subsidiaries and affiliates are converted to conform to Mexican Financial Reporting Standards in the local currency, and subsequently translated into the reporting currency. Since none of the Company's subsidiaries or affiliates operates in an inflationary environment, except for Argentina and Nicaragua; and the local currencies are its functional currencies, the financial statements prepared under Mexican Financial Reporting Standards reported by the subsidiaries and affiliates abroad in the local currency are translated as follows:

- i) all monetary assets and liabilities are translated at the prevailing exchange rate at year-end;
- ii) all non-monetary assets and liabilities are translated at the prevailing exchange rate at year-end;

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- iii) shareholders' equity accounts are translated at the prevailing exchange rate at the time capital contributions were made and earnings were generated;
- iv) revenues, costs and expenses are translated using the average exchange rate;
- v) translation differences are recorded in shareholders' equity in the line item Effect of translation of foreign entities under Accumulated other comprehensive income items ; and
- vi) the statement of cash flows was translated using the weighted average exchange rate and the difference is presented in the statement of cash flows under the caption Adjustment to cash flow for exchange rate differences .

Through December 31, 2007, the financial statements as reported by the foreign subsidiaries were converted to conform to Mexican Financial Reporting Standards in the local currency, and subsequently restated to constant monetary values based on the inflation rate of the country in which the subsidiary operates. Under this method, all assets and liabilities were translated at the prevailing exchange rate at year-end; shareholders' equity accounts were translated at the prevailing exchange rate at the time capital contributions were made and earnings were generated; income statement amounts were translated at the prevailing exchange rate at the end of the year being reported on; exchange rate variances and effect of intercompany monetary items were recorded in the consolidated statements of income; and translation differences were recorded in shareholders' equity in the line item Effect of translation of foreign entities under Accumulated other comprehensive income items . For the years ended December 31, 2007, 2008 and 2009, the gain on translation was Ps. 10,001,762, Ps. 12,044,547 and Ps. 13,236,787, respectively

The statement of changes in financial position for the year ended December 31, 2007 was prepared based on the financial statements expressed in constant Mexican pesos. The source and application of resources represent the differences between beginning and ending financial statement balances in constant Mexican pesos. Monetary and foreign exchange gains and losses are not considered as items not requiring the use of resources in the statement of changes in financial position.

b) Revenue recognition

Revenues are recognized at the time services are provided and when the probability of their collection is reasonably assured. Mobile telecommunications services are provided either under prepaid (calling cards), or post payment (agreement) plans, or both. In all cases, airtime revenues are recognized as a customer uses the airtime or when the card expires in the case of prepayments or for unused airtime.

Monthly basic rent under post-paid plans is billed in arrears based on the plan and package rates approved and correspond to services rendered, except in Mexico and Colombia, where basic monthly rent is billed one month in advance. Revenues are recognized at the time services are provided. Billed revenues for the service not yet rendered are recognized as deferred revenues.

Revenues from interconnections services, which consist of calls of other carriers that enter the Company's cellular network (incoming interconnections services), are recognized at the time the service is provided. Such services are billed based on rates previously agreed with the other carriers.

Long-distance charges refer to airtime used in receiving from or making calls to regions or coverage areas outside of the area where the customer service is activated. The related revenues are recognized at the time the service is provided.

Roaming charges represent airtime charged to customers for making or receiving calls outside their coverage areas or abroad. The related revenues are recognized at the time the service is provided based on the rates agreed upon by our subsidiaries with other domestic and international carriers.

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Value added services and other services include voice services and data transmission services (such as two-way and written messages, call information, ring tones, emergency services, among others). Revenues from such services are recognized at the time they are provided or when the services are downloaded.

Sales of handsets and accessories, which for the most part are made to authorized distributors, are recorded as revenue when a) the products are delivered and accepted by the distributor, b) distributors do not have a right to return the product and c) probability of collection is reasonably assured.

Discounts granted on the sale of cellular equipment to wholesalers, retailers and department store chains are recognized as reductions in the price of the phone.

Telgua, ENITEL, CTE, Codetel and Puerto Rico's revenues from telephone line installation fees (net of related costs) are deferred and recognized over the estimated average life of the customer.

The Company usually does not charge activation fees for its mobile telephony services; however, in certain regions, depending on the particular market, certain activation fees are charged. The Company recognizes revenues from these fees when billed. These revenues are not deferred because they are not significant to the Company's financial statements.

c) Cost of cellular telephone equipment

The cost related to cellular telephone equipment is recognized in the statements of income at the time the corresponding income is recognized. Shipping and handling costs for wireless handsets sold to distributors are classified as costs of sales.

d) Network interconnection costs, long distance costs and rent paid for use of infrastructure

These costs represent the costs of outgoing calls from the Company's cellular networks to other carriers' network, the costs of link-ups between fixed and cellular networks, long-distance charges and rent paid for use of infrastructure (links, ports and measured usage), as well as the message exchange between operators, all of which are recognized as costs at the time the service is received.

e) Commissions paid to distributors

Commissions paid with respect to the activation of postpaid customers are recognized as expenses at the time the new customer is activated in the system and may begin using the Company's cellular network.

Loyalty and sales volumes commissions are accrued on a monthly basis based on statistical information regarding customer retention, sales volume and the number of acquired customers by each distributor. Loyalty commissions are paid to distributors for customers that remain for a specified period of time, and sales volume commissions are paid at the time the distributor reaches certain ranges of activated customers.

f) Recognition of the effects of inflation

Mexican FRS B-10, *Effects of Inflation*, which became effective on January 1, 2008, requires that once it has been confirmed that the economic environment in which the Company operates has changed from inflationary to non-inflationary as of the beginning of the period, the Company should cease to recognize the effects of inflation. The Company currently operates in a non-inflationary economic environment because the cumulative inflation rate in Mexico over the past three years was 15.01% (11.56% in 2008).

The financial statements for the years ended December 2009 and 2008 are expressed in nominal pesos, except for those non-monetary items that include inflation effects at December 31, 2007 and current pesos due to the changes realized subsequent to that date.

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Capital stock and retained earnings were restated for inflation through December 31, 2007 based on the Mexican National Consumer Price Index (NCPI).

Through December 31, 2007, the deficit from restatement of shareholders' equity consists of the accumulated monetary position gain at the time the provisions of Bulletin B-10 were first applied, which was Ps. 19,327, and of the result from holding non-monetary assets, which represents the difference between restatement by the specific indexation method and restatement based on the NCPI. At December 31, 2007, the Ps. 14,562,294 balance of this item is included in shareholders' equity under the caption "Accumulated other comprehensive income items". In conformity with Mexican FRS B-10, since it was impractical to identify the result from holding non-monetary assets with the items giving rise to them, the cumulative result from holding non-monetary assets, together with the initial effect from the adoption of Bulletin B-10 net of Ps. 771,928 of deferred taxes, was reclassified to retained earnings.

The net monetary position gain shown in the 2007 income statement represents the effect of inflation on monetary assets and liabilities and is included as part of the caption "Comprehensive result of financing".

g) Cash and cash equivalents

Cash and cash equivalents consist basically of bank deposits and highly liquid investments with original maturities of less than 90 days. Such investments are stated at acquisition cost plus accrued interest, which is similar to their market value.

h) Investments in marketable securities

Investments in marketable securities have been classified either as trading marketable securities or available-for-sale marketable securities. All investments are represented by equity securities and are recognized at market value. Changes in the fair value of instruments classified as trading securities are recognized in results of operations. Changes in the market value of instruments classified as available-for-sale are included in shareholders' equity until they are sold.

Should there be objective and lasting evidence of impairment in the value of either its instruments available-for-sale or held to maturity, the Company determines the amount of the related loss and recognizes such loss as part of the comprehensive financing income (cost). For the year ended December 31, 2007, since the loss on fair value of securities available-for-sale was other than temporary, the Company included an impairment loss of Ps. 1,362,900 in the statement of income. For the years ended December 31, 2008 and 2009, there were no impairment losses on marketable securities.

i) Allowance for doubtful accounts

The Company recognizes periodically in its results of operations an allowance for doubtful accounts for its portfolios of postpaid customers, distributors and network operators (basically for interconnection fees). The allowance is based primarily on past write-off experience and on the aging of accounts receivable balances, as well as management's estimates as to when dispute proceedings with operators will be resolved.

Collection policies and procedures vary by the type of credit extended, the payment history of customers and the age of the unpaid calls.

The risk of uncollectibility from intercompany receivables is evaluated annually based on an examination of each related party's financial situation and the markets in which they operate.

j) Inventories

Cellular equipment inventories are initially recognized at historical acquisition cost, and valued using the average-cost method.

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k) Business acquisitions and goodwill

Business and entity acquisitions are recorded using the purchase method and until 2008, the acquisition of non-controlling interest is considered a transaction between entities under common control and any difference between the purchase price and the book value of net assets acquired is recognized as an equity transaction. Effective January 1, 2009, in conformity with Mexican FRS B-7, *Business Combinations*, if the acquisition of non-controlling interest is made at fair value, the purchase price is also recognized based on the fair value of the net assets acquired.

Goodwill represents the difference between the acquisition price and the fair value of the net assets acquired at acquisition date.

Goodwill is recorded initially at acquisition cost and up to December 31, 2007 was restated using adjustment factors derived from the NCPI. Goodwill is no longer amortized, but rather is subject to annual impairment valuations at the end of each year, or during the year if there are indications of impairment.

Impairment losses are recognized when the carrying amount of goodwill exceeds its recovery value. The Company determines the recovery value of goodwill based on its perpetuity value, which is computed by dividing the average excess in the value in use of the cash generating unit where the intangible is identified, by the average of the appropriate discount rates used in the projection of the present value of cash flows from the cash generating unit.

For the year ended December 31, 2007, there were no goodwill impairment losses recognized by the Company.

For the year ended December 31, 2008, the Company recognized a loss of Ps. 527,770 from impairment in the value of goodwill. Such loss was included in the statement of income as part of the caption Other expenses, net. This impairment was originated by the subsidiary in Honduras.

For the year ended December 31, 2009, there was no impairment losses recorded.

l) Telephone plant, property and equipment

Effective January 1, 2008, purchases of plant, property and equipment are recorded at acquisition cost. Through December 31, 2007, plant, property and equipment and construction in progress acquired abroad were restated based on the rate of inflation of the respective country of origin and the prevailing exchange rate at the balance sheet date (specific indexation factors), while plant, property and equipment of domestic origin were restated based on the NCPI.

Depreciation is computed on restated values using the straight-line method based on the estimated useful lives of the related assets, starting the month after the assets are put to use.

Annual depreciation rates are as follows:

| | |
|---|------------|
| Telephone plant | 10% to 33% |
| System-performance monitoring equipment included in telephone plant | 33% |
| Buildings | 3% |
| Other assets | 10% to 25% |

As of January 1, 2007, the Company adopted the provisions of Mexican FRS D-6, *Capitalization of the Comprehensive Cost of Financing*, establishing that entities must capitalize comprehensive financing cost (CFC), which corresponds to net interest expense, exchange differences, the monetary position result and other financial costs related to the acquisition of the telephone plant.

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The comprehensive cost of financing incurred during the building and installation period is capitalized and was restated up to December 31, 2007 using the NCPI. The net effect of the capitalization of such cost in 2007 was an increase in net income in 2007 of Ps. 1,158,576 (Ps. 834,175 net of taxes), Ps. 7,053,951 (Ps. 5,289,244 net of taxes) in 2008 and Ps. 1,626,731 (Ps. 1,127,202 net of taxes) in 2009.

The value of plant, property and equipment is reviewed on an annual basis to verify whether there are indicators of impairment. When the recovery value of an asset, which is the greater of its selling price and value in use (the present value of future cash flows), is lower than its net carrying value, the difference is recognized as an impairment loss.

During the year ended December 31, 2007, the Company wrote-off the remaining carrying value of its telephone plant that utilizes TDMA technology in Colombia and Ecuador due to its obsolescence. This write-down was made after considering both technological obsolescence of TDMA in those specific geographies and also other economic and operational considerations. The write-off amounted to Ps. 2,735,000 and has been included as a component of the caption Other expenses, net in the accompanying 2007 consolidated statement of income. The Company also began to accelerate TDMA depreciation in Brazil (see Note 7).

For the year ended December 31, 2008, the Company recognized a loss of Ps. 113,422 from impairment in the value of the telephone plant recorded in the consolidated balance sheet. Such loss was included in the statement of operations as part of the caption Other expenses, net.

For the year ended December 31, 2009, there were no impairment losses recognized.

m) Licenses and trademarks

Effective January 1, 2008, the Company records licenses at acquisition cost. Through December 31, 2007, licenses were restated based on the rate of inflation of each country.

Licenses to operate wireless telecommunications networks are accounted for at cost or at fair value at the business acquisition date. Licenses are being amortized using the straight-line method over periods ranging from 15 to 40 years, which correspond to the usage period of each license.

Trademarks are recorded at their values in use at the date acquired, as determined by independent appraisers, and are amortized using the straight-line method over a ten-year period.

The carrying values of intangible assets with definite useful lives are reviewed annually and whenever there are indications of impairment in such values. When the recovery value of an asset, which is the greater of its selling price and value in use (the present value of future cash flows), is lower than its net carrying amount, the difference is recognized as an impairment loss.

Intangible assets with indefinite useful lives, including those that are not yet available for use and intangibles with definite useful lives whose amortization period exceeds 20 years from the date they were available for use, are tested for impairment at the end of each year.

At December 31, 2008, the Company recognized a loss of Ps. 98,661 from impairment in the value of licenses recorded in the consolidated balance sheet and recognized the loss in the statement of income as part of the caption Other expenses, net. This impairment was originated by the subsidiary in Honduras.

For the years ended December 31, 2007 and 2009, there were no impairment losses recognized.

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n) Leases

Sale and leaseback

The Company entered into sales and leaseback agreements that meet the conditions for consideration as financial leases. Such agreements give rise to losses derived from the difference between the asset's sale price and its value in books that result in the recognition of deferred charges that are being amortized based on the remaining useful life of the related assets at the time of sale.

Operating leases

Rent paid under operating leases is recognized in results of operations as it accrues.

Financial leases

Lease arrangements are recognized as capital leases if (i) the ownership of the leased asset is transferred to the lessee upon termination of the lease; (ii) the agreement includes an option to purchase the asset at a reduced price; (iii) the term of the lease is substantially the same as the remaining useful life of the leased asset; or (iv) the present value of minimum lease payments is substantially the same as the market value of the leased asset, net of any benefit or scrap value.

o) Transactions in foreign currencies

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 differences determined from such date to the time foreign currency denominated assets and liabilities are settled or translated at the balance sheet date are charged or credited to operations, except for those arising on foreign currency denominated loans for the construction of fixed assets, as such costs are capitalized as comprehensive financing costs during the construction stage.

See Note 14 for the Company's consolidated foreign currency position at the end of each year and the exchange rates used to translate foreign currency denominated balances.

p) Accounts payable and accrued liabilities

Liabilities are recognized whenever (i) the Company has current obligations (legal or assumed) resulting from past events, (ii) when it is probable the obligation will give rise to a future cash disbursement for its settlement and (iii) the amount of the obligation can be reasonably estimated.

When the effect of the time value of money is material, the amount of the reserve is determined as the present value of the expected disbursements to settle the obligation. The discount rate applied is determined on a pre-tax basis and reflects current market conditions at the balance sheet date and, where appropriate, the risks specific to the liability. Where discounting is used, an increase in the reserve is recognized as financial expense.

Reserves for contingent liabilities are recognized only when it is probable they will give rise to a future cash disbursement for their settlement. Also, contingencies are only recognized when they will generate a loss.

q) Employee benefits

In Radiomóvil Dipsa, S.A. de C.V. and in Telecomunicaciones de Puerto Rico, S.A., the Company has established defined benefit pension plans. These plans require the valuation and recognition of the accumulated effects of retirement and post-retirement labor obligations. Such effects are determined based on actuarial studies using the projected unit-credit method.

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In Consorcio Ecuatoriano de Telecomunicaciones S.A. (subsidiary in Ecuador), the Company has an individual capitalization pension plan, whereby it purchases a single-premium deferred annuity from an insurance company, for which the Company only makes a yearly premium payment. In accordance with Mexican FRS D-3, this plan falls under the category of a defined contribution plan and thus, only the net period cost of the plan must be disclosed.

Seniority premiums are paid to personnel of the Mexican subsidiaries as required by Mexican labor law. Also under Mexican labor law, the Company is liable for certain benefits accruing to workers who leave or are dismissed in certain circumstances.

The Company recognizes annually the cost for pension benefits, seniority premiums and termination payments based on independent actuarial computations applying the projected unit-credit method, using real rates (financial hypotheses net of inflation). The latest actuarial computation date was prepared as of December 31, 2009.

In conformity with the labor laws of the rest of the countries in which the Company operates, there are no statutory defined benefit plans or compulsory defined contribution structures for companies. However, the foreign subsidiaries make contributions to national pension, social security and severance plans in accordance with the percentages and rates established by the applicable laws.

Such contributions are made to bodies designated by each government and are recorded in results of operations as direct labor benefits as they are incurred or when the contribution is made.

Effective January 1, 2008, the Company adopted Mexican FRS D-3, *Employee Benefits*, which replaced Mexican accounting Bulletin D-3, *Labor Obligations*. The adoption of Mexican FRS D-3 did not have an effect on the Company's financial position or results of operation.

Actuarial gains and losses are amortized over the estimated average remaining working lifetime of Company employees, which is 20 years.

The Company recognizes a reserve for the costs of paid absences, such as vacation time, based on the accrual method.

r) Employee profit sharing

Current-year employee profit sharing is presented under the caption "Commercial, administrative and general expenses" in the income statement.

Beginning January 1, 2008, in connection with the adoption of Mexican FRS D-3, *Employee Benefits*, the Company recognized deferred employee profit sharing using the asset and liability method. Under this method, deferred profit sharing is computed by applying the 10% rate (Mexico and Peru) and 15% (Ecuador) to all differences between the book and tax values of all assets and liabilities. At December 31, 2008 and 2009, the amounts were not significant.

Through December 31, 2007, deferred employee profit sharing was determined only on temporary differences in the reconciliation of current year net income to taxable income for employee profit sharing purposes, provided there was no indication that the related liability or asset would not be realized in the future.

s) Taxes on profits

Current year taxes on profits are presented as a short-term liability, net of prepayments made during the year.

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The Company determines deferred taxes on profits based on the asset and liability method established in Mexican FRS D-4, *Taxes on Profits*. Under this method, deferred taxes on profits are recognized on all differences between the financial reporting and tax bases of assets and liabilities, including effects of translation, applying the enacted income tax rate or the flat-rate business tax rate (FRBT , applicable only in Mexico), as the case may be, effective as of the balance sheet date, or the enacted rate at the balance sheet date that will be in effect when the temporary differences giving rise to deferred tax assets and liabilities are expected to be recovered or settled.

The Company periodically evaluates the possibility of recovering deferred tax assets and if necessary, creates a valuation allowance for those assets that are not more likely than not to be realized.

Effective January 1, 2008, asset tax paid in excess of income tax in Mexico is treated as a tax credit, while through December 31, 2007, asset tax was recorded as part of deferred income tax. In both cases, an evaluation of its future realization is performed.

As a result of the adoption of Mexican FRS D-4 in 2008, the Company recognized deferred taxes in the amount of Ps. 2,825,486 for the effects of translation of foreign companies at December 31, 2008. Such amount is presented in a shareholders' equity item as part of the caption Accumulated other comprehensive income items .

t) Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2007, 2008 and 2009, advertising expenses aggregated to Ps. 7,175,663, Ps. 8,520,506 and Ps. 9,932,119, respectively.

u) Comprehensive income

Comprehensive income consists of the net income for the year plus the following items that are reflected directly in shareholders' equity: the effect of translation of financial statements of foreign entities, the effect of current year deferred taxes, and other items different from net income.

At December 31, 2008 and 2009, an analysis of accumulated other comprehensive income items other than net income is as follows:

| | 2008 | 2009 |
|---|-----------------------|-----------------------|
| Effect of translation of foreign entities | Ps. 21,814,383 | 35,051,170 |
| Deferred taxes | (2,825,486) | (10,268,897) |
| | Ps. 18,988,897 | Ps. 24,782,273 |

v) Earnings per share

The Company determined earnings per share by dividing net majority income by the weighted average number of shares issued and outstanding during the period. In determining the weighted average number of shares issued and outstanding, shares acquired by repurchases by the Company have been excluded.

w) Use of estimates

The preparation of financial statements in conformity with Mexican Financial Reporting Standards requires the use of estimates and assumptions. Actual results could differ from these estimates.

x) Concentration of risk

The Company's principal financial instruments consist of bank loans, derivative financial instruments, financial leases and accounts payable. The Company has other financial assets, such as accounts receivable, prepaid expenses and short-term deposits, that are directly related to its business.

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The main risks associated with the Company's financial instruments are cash flow risk, liquidity risk, market risk and credit risk. The Company performs sensitivity analyses to measure potential losses in its operating results based on a theoretical increase of 100 basis points in interest rates and a 10% change in exchange rates. The Board of Directors approves the risk management policies that are proposed by the Company's management.

Credit risk represents the potential loss from the failure of counterparties to completely comply with their contractual obligations. The Company is also exposed to market risks related to fluctuations in interest rates and exchange rates. To reduce the risks related to fluctuations in exchange rates, the Company uses derivative financial instruments.

Financial instruments which potentially subject the Company to concentrations of credit risk are cash and cash equivalents, trade accounts receivable, and debt and derivative financial instruments. The Company's policy is designed to not restrict its exposure to any one financial institution; therefore, the Company's financial instruments are maintained in different financial institutions located in different geographical areas.

The credit risk in accounts receivable is diversified because the Company has a broad customer base that is geographically dispersed. The Company continuously evaluates the credit conditions of its customers and does not require collateral to guarantee collection of its accounts receivable. In the event the collection of accounts receivable deteriorates significantly, the Company's results of operations could be adversely affected.

A portion of excess cash is invested in time deposits in financial institutions with strong credit ratings.

The Company operates internationally and is therefore exposed to market risks related to fluctuations in exchange rates.

The Company relies on several key suppliers. Approximately 21%, 32% and 31% of the Company's aggregate interconnection expenditures for the years ended December 31, 2007, 2008 and 2009, respectively, represented services rendered by one supplier; approximately 75%, 70% and 66%, respectively, of the aggregate cost of cellular telephone equipment for such periods represented purchases from three suppliers; and approximately 58%, 54% and 39%, respectively, of telephone plant purchases were made from two suppliers. If any of these suppliers fails to provide the Company with services or equipment on a timely and cost effective basis, the Company's business and results of operations could be adversely affected.

y) Derivative financial instruments

The Company is exposed to interest rate and foreign currency risks, which are mitigated through a controlled risk management program that includes the use of derivative financial instruments. In order to reduce the risks due to exchange rate fluctuations, the Company utilizes swaps, cross currency swaps and forwards to fix exchange rates to the liabilities being hedged; however, since the Company has not formally documented the hedging relationship, it does not apply hedge accounting rules to its derivative financial instruments.

Derivative financial instruments are recognized in the balance sheet at their fair values, which are obtained from the financial institutions with which the Company has entered into the related agreements. Changes in the fair value of derivatives are recognized in results of operations.

z) Statement of income presentation

Costs and expenses in the Company's income statement are presented on a combined basis between their nature and function, which allows operating income levels to be shown, since such classification allows the captions to be compared with other companies in the Telecommunications industry.

The Operating income caption is shown in the statement of income since it is an important indicator used for evaluating the Company's operating results. Operating income consists of ordinary revenues and operating costs and expenses and thus excludes other income (expenses), net. This presentation is comparable to the one used in the financial statements at and for the years ended December 31, 2007 and 2008.

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z.1) Mexican FRS B-2, *Statement of Cash Flows*

Mexican FRS B-2 replaced Mexican accounting Bulletin B-12, *Statement of Changes in Financial Position*. Accordingly, the statement of cash flows substituted the statement of changes in financial position. The main differences between both statements lie in the fact that the statement of cash flows shows the entity's cash inflows and outflows during the period, while the statement of changes in financial position shows the changes in the entity's financial structure. Also, the statement of cash flows presents first income before taxes on profits, followed by cash flows from operating activities, then cash flows from investing activities and finally cash flows from financing activities.

The statements of cash flows for the years ended December 31, 2008 and 2009 were prepared using the indirect method. The statement of cash flows is not comparable to the statement of changes in financial position that is presented for the year ended December 31, 2007.

z.2) Operating segments

Segment information is prepared based on information used by the Company in its decision-making processes based on the geographical areas in which América Móvil operates.

z.3) New accounting pronouncements that became effective in 2009

Mexican FRS B-7, *Business Combinations*

In December 2008, the CINIF issued Mexican FRS B-7, which became effective for fiscal years beginning on or after January 1, 2009. Mexican FRS B-7 replaced Mexican accounting Bulletin B-7, *Business Combinations*.

Both Mexican FRS B-7 and Mexican accounting Bulletin B-7 require the application of the purchase method for the recognition of business combinations. However, unlike Mexican accounting Bulletin B-7, this standard: (i) requires that the total net assets acquired and consideration paid to be valued at fair value; and (ii) requires that all of the costs incurred in a business combination be recognized in the operating results of the acquiring entity. As a result of this change, it was clarified that goodwill must be determined for both the controlling (majority) interest and the non-controlling (minority) interest, the latter of which must be valued at fair value.

In certain cases, this standard allows transactions between entities under common control to be treated as business combinations, unlike Mexican accounting Bulletin B-7, which requires such transactions, without exception, to be stated at book value. Regarding business combinations carried out in stages, this standard also clarifies that the values recognized in the balance sheet of the buyer for its investment, net of any depreciation, amortization or impairment adjustments, are to be considered as part of the consideration paid (and not at their fair value), when determining goodwill at the time control is acquired over the investee.

Finally, Mexican FRS B-7 also clarifies that the recognition of push-down adjustments to the financial statements of the acquired entity is not applicable in Mexico and provides no transitory guidance in this regard.

The Company did not have business acquisitions in 2009, and thus the adoption of this standard had no impact on the Company's financial statements

Mexican FRS B-8, *Consolidated and Combined Financial Statements*

Mexican FRS B-8, which is effective for fiscal years beginning on or after January 1, 2009. Mexican FRS B-8 replaces Mexican accounting Bulletin B-8, *Consolidated and Combined Financial Statements and the Valuation of Long-Term Equity Investments*. Mexican FRS B-8 establishes the overall guidelines for preparing and presenting consolidated or combined financial statements, and transfers the guidance related to accounting for long-term equity investments to Mexican FRS C-7.

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The most important amendments, changes or additions to this standard are as follows:

Unlike Mexican accounting Bulletin B-8, Mexican FRS B-8 does not require sub-holding companies to present consolidated financial statements under certain circumstances. In such cases, the investments in subsidiaries of these intermediary holding companies are accounted for using the equity method.

This standard establishes that to determine the existence of control, the Company must consider any potential voting rights held that might be exercised or converted, regardless of management's actual intention and financial capacity to exercise such rights.

This standard also includes guidelines for the accounting treatment of special purpose entities and, upon adoption, abolishes the supplementary application of SIC 12, *Consolidation - Special Purpose Entities*. Mexican FRS B-8 establishes that specific purpose entities over which the Company exercises control must be consolidated, irrespective of their business purpose or line of business.

e) This standard establishes that changes in equity interest that do not cause loss of control must be recognized as transactions between shareholders; therefore, any difference between the book value of the equity investment sold or acquired and the value of the consideration paid must be recognized in shareholders' equity.

The adoption of this standard did not have an impact on the Company's consolidated financial statements since there was no change in control, the Company has no special purpose entities and did not acquire any subsidiaries.

Mexican FRS C-7, Investments in Affiliates and Other Permanent Investments

Mexican FRS C-7 modifies the guidelines for the accounting recognition of investments in affiliates contained in Mexican accounting Bulletin B-8, *Consolidated and Combined Financial Statements and the Valuation of Long-Term Equity Investments*. Under the new standard, significant influence is considered to exist when an entity holds an equity interest of more than 10% in the case of publicly traded entities, and 25% in the case of unlisted entities. This standard establishes that in determining the existence of control, any potential exercisable or convertible voting rights held must be taken into account. Mexican FRS C-7 establishes the guidelines for determining the existence of significant influence in the case of SPEs and provides a specific procedure for recognizing the accumulated losses incurred by affiliates.

This standard requires the financial statements of affiliates to be prepared under the same Mexican FRS as those of the controlling company, which eliminates the possibility of recognizing the equity interest in regulated affiliates using financial statements prepared under the specific accounting standards for their sectors.

The adoption of this standard did not have an impact on the Company's consolidated financial statements.

Mexican FRS C-8, Intangible Assets

This standard replaces Mexican accounting Bulletin C-8, *Intangible Assets*, for fiscal years beginning on January 1, 2009.

Unlike Mexican accounting Bulletin C-8, this standard establishes that separability is not the only condition necessary to determine that an intangible asset is identifiable. Mexican FRS C-8 also provides additional guidance on the accounting recognition of intangible assets acquired through exchange transactions and eliminates the presumption that the useful life of an intangible asset could not exceed twenty years. Furthermore, the standard adds the requirement of an accelerated amortization period as a condition for impairment and modifies the definition of pre-operating costs.

The adoption of this standard did not have an impact on the Company's consolidated financial statements.

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The most important new accounting pronouncements that will become effective in 2010 are as follows:

Mexican FRS C-1, *Cash and Cash Equivalents*

Mexican FRS C-1 was issued by the CINIF in November 2009 to replace Mexican accounting Bulletin C-1, *Cash*, and is effective for fiscal years beginning on or after January 1, 2010. The principal changes compared to the old Mexican accounting Bulletin C-1 are as follows:

- a) Under this standard, cash and cash equivalents are required to be grouped together.
- b) Mexican FRS C-1 establishes that restricted cash and cash equivalents must be presented in the cash and cash equivalents caption in the statement of financial position, rather than separately.
- c) This standard substitutes the term *short-term demand investments* with the new term *liquid demand investments*.
- d) Mexican FRS C-1 also defines the following terms: acquisition costs, cash equivalents, restricted cash and cash equivalents, liquid demand investments, net realizable value, nominal value and fair value.

The Company does not believe that the adoption of this new accounting standard will have a material effect on the valuation of its cash and cash equivalents and that it will only give rise to changes in the names of certain items.

The most important new accounting pronouncements that will become effective in 2011 are as follow:

Mexican FRS B-5, *Financial Information by Segment*

In November 2009, the CINIF issued Mexican FRS B-5, which is effective for fiscal years beginning on or after January 1, 2011. Mexican FRS B-5 will replace Mexican accounting Bulletin B-5.

Mexican FRS B-5 establishes the criteria for identifying the segments to be reported by an entity, as well as the standards for disclosing the financial information of such segments. The standard also contains the requirements applicable to the disclosure of certain information related to the entity as a whole.

The principal changes compared to Mexican accounting Bulletin B-5 are as follows:

Information to be disclosed - Mexican FRS B-5 is management-focused, since the segment information disclosures it requires refer to the information used by the entity's most-senior business decision makers. Mexican FRS B-5 also requires the disclosure of information related to entity's products, geographic regions, customers and suppliers.

Business risks - In identifying operating segments, this standard does not require that different areas of the business necessarily be subject to different risks.

Segments in the pre-operating stage - Under Mexican FRS B-5, the different areas of a business in its pre-operating stage may be classified as operating segments.

Disclosure of financial results - This standard requires disclosure of interest income and expense, as well as the other comprehensive financing items.

Disclosure of liabilities - Mexican FRS B-5 requires disclosure of the liabilities included in the regular information for the operating segment that is habitually used by the entity's most-senior business decision makers.

Mexican FRS B-9, *Interim Financial Information*

In November 2009, the CINIF issued Mexican FRS B-9, which is effective for fiscal years beginning on or after January 1, 2011. Mexican FRS B-9 will replace Mexican accounting Bulletin B-9.

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Mexican FRS B-9 establishes that interim financial information must contain, as a minimum for each interim period, the following comparative financial statements:

Condensed statement of financial position

Condensed income statement or statement of activities, as applicable

Condensed statement of changes in shareholders' equity

Condensed statement of cash flows

Notes to financial statements with select disclosures

Mexican FRS B-9 requires the interim financial information at the end of a period to be compared to the information at the closing of the immediately prior equivalent period (except for the statement of financial position), which makes it necessary to also include a comparison with the statement at the immediately prior annual closing date.

International Financial Reporting Standards Adoption

Beginning with the year ended December 31, 2012, Mexican issuers with securities listed on a Mexican securities exchange will be required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the International Accounting Standards Board. Issuers may voluntarily report using IFRS before the change in the reporting standards becomes mandatory. The Company plans to begin reporting financial statements in IFRS no later than 2012.

z.4) Reclassifications

Certain captions shown in the 2007 financial statements as originally issued have been reclassified for uniformity of presentation with the 2008 and 2009 financial statements

| | As originally issued 2007 | Reclassification | As reclassified 2007 |
|--|---------------------------------|------------------|-------------------------|
| Statement of income: | | | |
| Depreciation and amortization(1) | Ps.40,818,281 | Ps.(412,263) | Ps.40,406,018 |
| Commercial, administrative and general expenses(1) | 53,193,145 | 412,263 | 53,605,408 |

(1) Reclassification of amortization of prepaid expenses in 2007

z.5) Convenience translation

U.S. dollar amounts as of December 31, 2009 shown in the financial statements have been included solely for the convenience of the reader and are translated from Mexican pesos as of December 31, 2009, divided by an exchange rate of Ps. 13.059 per dollar, which is the December 31, 2009 exchange rate. Such translation should not be construed as a representation that the peso amounts have been or could be converted into U.S. dollars at this or any other rate.

3. Investments in Marketable Securities

At December 31, 2008 and 2009, the Company does not have a marketable securities portfolio.

However, at December 31, 2007, the net unrealized loss on for-trading securities was Ps. 2,441. The net realized gain was Ps. 29,604 and Ps. 19,786 for the years ended December 31, 2007 and 2008, respectively. All such valuation results are recognized in results of operations.

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As a result of the loss in the market value of the securities of the issuer U.S. Commercial (USCO), in 2007, the Company recorded an other than temporary loss of Ps. 1,362,900 in its results of operations under the other financing costs, net caption. In December 2007, USCO's shares were transferred to the Carso Foundation (a related party) as a charitable donation.

4. Accounts Receivable

a) An analysis of accounts receivable is as follows:

| | December 31 | |
|---|----------------|----------------|
| | 2008 | 2009 |
| Subscribers | Ps. 24,815,416 | Ps. 24,289,422 |
| Distributors | 10,233,726 | 13,588,162 |
| Cellular operators for interconnections of networks and other facilities including the Calling Party Pays program | 9,713,659 | 10,746,263 |
| Recoverable taxes | 9,967,980 | 10,433,259 |
| Sundry debtors | 3,465,030 | 4,347,480 |
| | 58,195,811 | 63,404,586 |
| Less: Allowance for doubtful accounts of customers, distributors and cellular operators | (5,425,135) | (7,485,602) |
| Net | Ps. 52,770,676 | Ps. 55,918,984 |

b) An analysis of activity in the allowance for doubtful accounts for the years ended December 31, 2007, 2008 and 2009 is as follows:

| | 2007 | 2008 | 2009 |
|--|-----------------|-----------------|-----------------|
| Balance at the beginning of the period | Ps. (4,324,981) | Ps. (6,044,433) | Ps. (5,425,135) |
| Increase through charge to expenses | (4,642,250) | (5,676,033) | (5,700,276) |
| Applications to the allowance | 3,192,832 | 6,950,478 | 3,963,895 |
| Effect of translation | (270,034) | (655,147) | (324,086) |
| Balance at the end of the period | Ps. (6,044,433) | Ps. (5,425,135) | Ps. (7,485,602) |

5. Inventories

An analysis of inventories at December 31, 2008 and 2009 is as follows:

| | December 31 | |
|---|----------------|----------------|
| | 2008 | 2009 |
| Cellular telephones, accessories, cards and other materials | Ps. 33,035,047 | Ps. 23,195,148 |
| Less: | | |
| Reserve for obsolete and slow-moving inventories | (1,229,905) | (1,659,130) |
| Total | Ps. 31,805,142 | Ps. 21,536,018 |

Table of Contents**6. Other Assets**

a) An analysis of other assets at December 31, 2008 and 2009 is as follows:

| | December 31 | |
|---|---------------|----------------------|
| | 2008 | 2009 |
| Current assets: | | |
| Prepaid expenses (including advertising, insurance and maintenance) | Ps. 2,353,677 | Ps. 2,281,290 |
| Other | 286,235 | 439,693 |
| | Ps. 2,639,912 | Ps. 2,720,983 |
| Non-current assets: | | |
| Recoverable taxes | Ps. 1,082,370 | Ps. 1,982,292 |
| Sale and leaseback of the telephone plant | 5,706,564 | 3,503,068 |
| Advances to related parties for use of fiber optic | 748,701 | 883,102 |
| Prepaid expenses | 1,643,352 | 2,246,343 |
| Total | Ps. 9,180,987 | Ps. 8,614,805 |

From 2003 to 2008, the Company sold part of its telephone plant to unrelated parties for Ps. 7,875,591 and then leased back the plant under financial leaseback agreements. The losses incurred on such transactions are being amortized based on the remaining useful lives of the assets at the time of sale.

Amortization expense for the years ended December 31, 2007, 2008 and 2009 was Ps. 2,706,612, Ps. 1,618,201 and Ps. 1,968,716, respectively.

7. Plant, Property and Equipment

a) An analysis of plant, property and equipment at December 31, 2008 and 2009 is as follows:

| | December 31, | |
|---|-----------------|------------------------|
| | 2008 | 2009 |
| Telephone plant and equipment | Ps. 320,141,371 | Ps. 371,426,995 |
| Land and buildings | 21,148,304 | 22,268,890 |
| Other assets | 39,713,303 | 51,486,555 |
| | 381,002,978 | 445,182,440 |
| Less: Accumulated depreciation | (204,323,681) | (249,140,213) |
| Net | 176,679,297 | 196,042,227 |
| Construction in progress and advances to equipment suppliers | 30,361,241 | 28,091,540 |
| Inventories, primarily for use in the construction of the telephone Plant | 2,856,282 | 2,915,242 |
| Total | Ps. 209,896,820 | Ps. 227,049,009 |

b) At December 31, 2008 and 2009, plant, property and equipment include the following assets held under capital leases:

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| | 2008 | 2009 |
|-----------------------------|---------------|----------------------|
| Assets under capital leases | Ps. 3,046,236 | Ps. 2,230,216 |
| Accumulated depreciation | (1,254,925) | (1,046,156) |
| | Ps. 1,791,311 | Ps. 1,184,060 |

c) Depreciation expense for the years ended December 31, 2007, 2008 and 2009 was Ps. 31,162,660, Ps. 32,677,429 and Ps. 42,953,356, respectively.

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d) Given the speed in which important breakthroughs and changes in telecommunications equipment technology arise, the Company reevaluates periodically the estimated useful life of its telephone plant and adjusts the plant's remaining useful life accordingly. In 2007, the Company increased the depreciation rate of TDMA technology and certain other assets primarily in Brazil and Colombia. This change in estimate was made to better reflect the technological advances of telecommunications equipment and other operational decisions. The effect of the depreciation rate increase was a Ps. 5,796,000 increase in depreciation for 2007. In 2008 the Company did not change the estimated useful life of its telephone plant.

In 2009, the subsidiary in Brazil prospectively increased the depreciation rate of its GSM telephone plant. Such increase represented an additional charge of Ps. 4,461,748 to depreciation expense for 2009.

e) The most relevant information used in determining the capitalized comprehensive financing cost is as follows:

| | 2008 | 2009 |
|--|----------------|-----------------------|
| Amounts invested during the year in the acquisition of qualifying assets | Ps. 30,700,024 | Ps. 29,803,816 |
| Capitalized comprehensive financing cost | 7,053,951 | 1,626,731 |
| Capitalization rate | 23% | 5% |

This amount is amortized over a period of seven years, which is the estimated useful life of the plant.

f) An analysis of the comprehensive financing cost for the year is as follows:

| | 2007 | December 31, 2008 | 2009 |
|--|-----------------|----------------------|------------------------|
| Total comprehensive financing cost accrued | Ps. (1,546,061) | Ps. (20,918,824) | Ps. (4,608,655) |
| Capitalized amount | 1,158,576 | 7,053,951 | 1,626,731 |
| Total comprehensive financing cost | Ps. (387,485) | Ps. (13,864,873) | Ps. (2,981,924) |

8. Intangible Assets

An analysis of intangible assets at December 31, 2007, 2008 and 2009 is as follows:

| | December 31, 2007 | | | Effect of translation of foreign subsidiaries, net | Balance at end of year |
|--------------------------|------------------------------------|---------------|-------------------------|--|---------------------------|
| | Balance at beginning of Year | Acquisitions | Amortization expense | | |
| Licenses | Ps. 35,798,989 | Ps. 2,089,815 | | | Ps. 37,888,804 |
| Effect of translation | 16,491,301 | | | Ps. 5,468,598 | 21,959,899 |
| Accumulated amortization | (17,585,259) | | Ps. (5,699,140) | | (23,284,399) |
| Net | Ps. 34,705,031 | Ps. 2,089,815 | Ps. (5,699,140) | Ps. 5,468,598 | Ps. 36,564,304 |
| Trademarks | Ps. 10,419,154 | Ps. 397,597 | | | Ps. 10,816,751 |
| Effect of translation | (716,031) | | | Ps. (92,814) | (808,845) |
| Accumulated amortization | (3,569,146) | | Ps. (837,606) | | (4,406,752) |

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| | | | | | |
|--------------------------|----------------|----------------|---------------|--------------|----------------|
| Net | Ps. 6,133,977 | Ps. 397,597 | Ps. (837,606) | Ps. (92,814) | Ps. 5,601,154 |
| Goodwill | Ps. 30,292,697 | Ps. 17,649,528 | | | Ps. 47,942,225 |
| Effect of translation | 2,179,498 | | | Ps. 366,925 | 2,546,423 |
| Accumulated amortization | (5,763,776) | | | | (5,763,776) |
| Net | Ps. 26,708,419 | Ps. 17,649,528 | | Ps. 366,925 | Ps. 44,724,872 |

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| | December 31, 2008 | | | | |
|--------------------------|---|-----------------------|---------------------------------|---|-----------------------------------|
| | Balance at beginning of Year | Acquisitions | Amortization expense | Effect of translation of foreign subsidiaries, net | Balance at end of year |
| Licenses | Ps. 37,888,804 | Ps. 13,736,514 | | | Ps. 51,625,318 |
| Effect of translation | 21,959,899 | | | Ps. (528,923) | 21,430,976 |
| Accumulated amortization | (23,284,399) | | Ps. (6,574,249) | | (29,858,648) |
| Impairment of the year | | | (98,661) | | (98,661) |
| Net | Ps. 36,564,304 | Ps. 13,736,514 | Ps. (6,672,910) | Ps. (528,923) | Ps. 43,098,985 |
| Trademarks | Ps. 10,816,751 | | | | Ps. 10,816,751 |
| Effect of translation | (808,845) | | | Ps. 306,815 | (502,030) |
| Accumulated amortization | (4,406,752) | | Ps. (897,430) | | (5,304,182) |
| Net | Ps. 5,601,154 | | Ps. (897,430) | Ps. 306,815 | Ps. 5,010,539 |
| Goodwill | Ps. 47,942,225 | Ps. 452,302 | | | Ps. 48,394,527 |
| Effect of translation | 2,546,423 | | | Ps. 46,877 | 2,593,300 |
| Accumulated amortization | (5,763,776) | | | | (5,763,776) |
| Impairment of the year | | | Ps. (527,770) | | (527,770) |
| Net | Ps. 44,724,872 | Ps. 452,302 | Ps. (527,770) | Ps. 46,877 | Ps. 44,696,281 |
| | December 31, 2009 | | | | |
| | Balance at beginning of year | Acquisitions | Amortization expense | Effect of translation of foreign subsidiaries, net | Balance at end of year |
| Licenses | Ps. 51,625,318 | Ps. 485 | | | Ps. 51,625,803 |
| Effect of translation | 21,430,976 | | | Ps. 6,758,840 | 28,189,816 |
| Accumulated amortization | (29,858,648) | | Ps. (7,275,779) | | (37,134,427) |
| Impairment of the year | (98,661) | | | | (98,661) |
| Net | Ps. 43,098,985 | Ps. 485 | Ps. (7,275,779) | Ps. 6,758,840 | Ps. 42,582,531 |
| Trademarks | Ps. 10,816,751 | | | | Ps. 10,816,751 |
| Effect of translation | (502,030) | | | Ps. (151,556) | (653,586) |
| Accumulated amortization | (5,304,182) | | Ps. (884,456) | | (6,188,638) |
| Net | Ps. 5,010,539 | | Ps. (884,456) | Ps. (151,556) | Ps. 3,974,527 |
| Goodwill | Ps. 48,394,527 | | | | Ps. 48,394,527 |
| Effect of translation | 2,593,300 | | | Ps. 1,108,998 | 3,702,298 |
| Accumulated amortization | (5,763,776) | | | | (5,763,776) |
| Impairment of the year | (527,770) | | | | (527,770) |
| Net | Ps. 44,696,281 | | | Ps. 1,108,998 | Ps. 45,805,279 |

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a) A description of the principal changes in the caption licenses at December 31, 2007 and 2008 is as follows:

In May 2008, the Company announced that Conecel had been notified by the Consejo Nacional de Telecomunicaciones de Ecuador that it had accepted Conecel's proposal and payments terms regarding the license renewal for a period of 15 years. Conecel made an initial fixed payment of US\$ 289 million (Ps. 4,003,439) to the Ecuadorian government for the new 15-year concession and will subsequently make payments determined at 3.93% of the gross revenues on the services awarded.

On May 7, 2008, the Company was awarded the bid to provide mobile voice services as well as data and video transmission services (PCS) in Panama. The license obtained by its subsidiary in Panama, Claro Panamá, S.A., grants the right to use and exploit 30 MHz in the 1900 MHz band over a period of 20 years. The amount paid by the Company for such license was US\$ 86 million (Ps. 895,626).

The Company acquired a license to operate 20 MHz of additional spectrum in five regions in Brazil and 30 MHz of additional spectrum in six regions in such country. The amount paid by the Company in April 2008 for these new rights aggregated to Ps. 8,830,124 (approximately 1.4 billion Brazilian reais).

For the year ended December 31, 2007:

In March 2007, the Company acquired the shares of Telecomunicaciones de Puerto Rico, Inc. (see Note 9.I)

In September 2007, the Company was ceded the rights to exploit the 1,895 and 1,970 MHz radio spectrum frequency F sub-bands to operate and provide cellular telephony services in El Salvador. The amount paid by the Company for such licenses was Ps. 177,269.

In September 2007, the Company acquired a B band license for frequencies between 835 and 894 MHz to operate and provide cellular telephony services in Peru. The amount paid by the Company for such licenses was Ps. 251,965.

c) As a result of certain acquisitions, in 2007, the Company also acquired customer-related intangible assets for Ps. 685,679. These intangible assets are amortized based on their estimated useful lives, which are 5 years.

d) Annual amortization expense associated with licenses and trademarks is expected to be approximately Ps. 7,420,264 each year for the following five years.

9. Investments in Affiliates and Others

An analysis of this caption at December 31, 2008 and 2009 is as follows:

| | 2008 | 2009 |
|---|-------------|--------------------|
| Investments in: | | |
| Associates (Grupo Telvista, S.A. de C.V.) | Ps. 721,044 | Ps. 898,871 |
| Other investments | 68,568 | 75,822 |
| Total | Ps. 789,612 | Ps. 974,693 |

Table of Contents**I. Investments in subsidiaries**

During 2007 and 2008, the Company made a number of investments in subsidiaries which are described as follow:

The Company considered appraisals from independent experts to determine the fair value of the net assets acquired. An analysis of the acquisition price of the net assets acquired per company based on fair values at the acquisition date is as follows:

- 2008 Acquisitions

| | Estesa Holding |
|-----------------------------------|-----------------------|
| Current assets | Ps. 44,224 |
| Fixed assets | 147,627 |
| Other assets | 1,612 |
| Less: | |
| Total liabilities | 160,559 |
| | |
| Fair value of net assets acquired | 32,904 |
| % of equity acquired | 100% |
| | |
| Net assets acquired | 32,904 |
| Amount paid | 485,206 |
| | |
| Goodwill generated | Ps. 452,302 |

a) In August 2008, the Company acquired 100% of the shares of Estesa Holding Corp., a cable television and broadband platform service provider for homes and businesses in Nicaragua. The amount paid for the acquisition was Ps. 485,206 (US\$ 47,841). The Company plans to use this acquisition to strengthen its position in the telecommunications market in Central America.

- 2007 Acquisitions

| | Telecomunicaciones | | |
|-----------------------------------|-----------------------------|--|----------------|
| | de Puerto Rico, Inc. | Oceanic Digital Jamaica Limited | Total |
| Current assets | Ps. 6,611,161 | Ps. 160,850 | Ps. 6,772,011 |
| Fixed assets | 12,086,219 | 420,641 | 12,506,860 |
| Licenses | 1,318,675 | 271,995 | 1,590,670 |
| Trademarks | 397,597 | | 397,597 |
| Customer lists and relationships | 840,671 | | 840,671 |
| Other assets | 1,861,055 | | 1,861,055 |
| Less: | | | |
| Total liabilities | 19,697,347 | 174,530 | 19,871,877 |
| | | | |
| Fair value of net assets acquired | 3,418,031 | 678,956 | 4,096,987 |
| % of equity acquired | 100% | 100% | |
| | | | |
| Net assets acquired | 3,418,031 | 678,956 | 4,096,987 |
| Amount paid | 20,946,236 | 800,279 | 21,746,515 |
| | | | |
| Goodwill generated | Ps. 17,528,205 | Ps. 121,323 | Ps. 17,649,528 |

a) Telecomunicaciones de Puerto Rico

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As a result of its expansion in Latin America, on March 30, 2007, the Company announced the acquisition of 100% of the shares of Telecomunicaciones de Puerto Rico, Inc. The shares were acquired from Verizon

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Communications, the government of Puerto Rico, Banco Popular and the employees of such company, who before the sale respectively held 52%, 28%, 13% and 7% of the total shares at such date. The Company paid Ps. 20,946,236 (US\$ 1,890 million after net debt assumed, which was approximately Ps. 4,104,288 (US\$ 370,830).

At the time of acquisition, the Company assumed a liability for the new subsidiary's retirement and post-retirement labor obligations of approximately Ps. 10,216,851 (US\$ 934,650).

Telecomunicaciones de Puerto Rico provides telecommunication services, including fixed-line and cellular services in Puerto Rico. Telecomunicaciones de Puerto Rico's results of operations have been included in the consolidated financial statements as of April 2007. The Company expects the acquisition of Puerto Rico to contribute to the strategy of becoming the leading wireless communication provider in Latin America.

b) Oceanic Digital Jamaica Limited

In November 2007, the Company completed the acquisition of 100% of the shares of Oceanic Digital Jamaica, Ltd. Oceanic Digital Jamaica provides mobile telephone and value added services in the Republic of Jamaica. The amount paid for the acquisition was Ps. 800,279 (US\$ 73,648) before net cash of Ps. 15,548 (US\$ 1,431). Oceanic Digital Jamaica Limited's results of operations have been included in the consolidated financial statements as of December 2007. The Company expects the acquisition of Oceanic Digital Jamaica Limited to contribute to the strategy of becoming the leading wireless communication provider in Latin America.

- Other acquisitions

In 2007, the Company paid Ps. 53,184 to acquire non-controlling interest in Guatemala, El Salvador, Nicaragua and Colombia. The book value of such shares was Ps. 46,580, and the difference between the book value and price paid is reflected in shareholders' equity. As a result of these acquisitions, the Company's equity interest increased from 99.1% to 99.2% in Guatemala; from 99.3% to 99.5% in Nicaragua; and from 99.2% to 99.4% in Colombia.

- General

The Company is not obligated to make any further payments or provide any form of additional or contingent consideration related to these acquisitions, other than those already disclosed.

- Unaudited pro forma financial data

The following consolidated pro forma financial data for the years ended December 31, 2007 and 2008 have not been audited and are based on the Company's historical financial statements, adjusted to give effect to (i) the series of acquisitions mentioned in the preceding paragraphs; and (ii) certain accounting adjustments related to the amortization of licenses and adjustments related to depreciation of fixed assets of the acquired companies.

The pro forma adjustments assume that the acquisitions were made at the beginning of the year of acquisition and the immediately preceding year and are based upon available information and other assumptions that management considers reasonable. The pro forma financial information data does not purport to represent what the effect on the Company's consolidated operations would have been had the transactions in fact occurred at the beginning of each year, nor are they intended to predict the Company's results of operations.

| | Unaudited pro forma consolidated | |
|---------------------------------------|---|-----------------------|
| | for the years ended | |
| | December 31, | |
| | 2007 | 2008 |
| Operating revenues | Ps.315,415,110 | Ps.345,849,287 |
| Income from continued operations | 58,809,925 | 60,115,083 |
| Net income | 58,809,925 | 60,115,083 |
| Earnings per share (in Mexican pesos) | 1.67 | 1.76 |

Table of Contents**10. Derivative financial instruments**

To protect itself against future increases in interest rates for the servicing of its long-term debt of Ps. 101,741,199, the Company has entered into interest-rate swap contracts in over-the-counter transactions carried out with the same financial institutions from which the Company has obtained unsecured loans, with no collateral and no values given as a guarantee. The weighted average interest rate is 2.14%. The swap floating rate is the three-month London Interbank Offered Rate (LIBOR) and is due every three months, coinciding with the payments of interest.

At December 31, 2008 and 2009, the financial instruments contracted by the Company are as follows:

| Instrument | Amounts in thousands | | | |
|--|----------------------|---------------|-----------------|-------------|
| | 2008 | | 2009 | |
| | Notional amount | Fair value | Notional amount | Fair value |
| Cross Currency Swaps | | | | |
| Swaps Dollar-Peso | US\$ 610,000 | Ps. (483,916) | US\$ 146,965 | Ps. (2,699) |
| Swaps Euro-Peso | | | 82,000 | 24,578 |
| Swaps Euro-Dollar | | | 142,821 | 106,637 |
| Swaps Yen-Dollar | | | ¥ 13,000,000 | (27,181) |
| Interest rate swaps and Cross Currency Swaps | US\$ 350,000 | 2,371,725 | | |
| Forwards Dollar-Peso | US\$ 2,700,000 | 1,237,405 | US\$ 1,965,000 | (92,974) |
| Total | | Ps. 3,125,214 | | Ps. 8,361 |

With respect to the aforementioned financial instruments, the valuation gain (loss) for the years ended December 31, 2007, 2008 and 2009 aggregated to Ps. 23,851, Ps. 7,497,200 and (Ps. 732,566), respectively, and was included in the statement of income as part of comprehensive result of financing in the Other financing cost (income), net caption.

11. Employee Benefits

The Company's post-retirement obligations for seniority premiums, pension and retirement plans, and medical services in the countries in which it operates and that have defined benefit and defined contribution plans are as follows:

a) Puerto Rico**Pension plan**

In accordance with the provisions of the Employee Retirement Income Security Act issued in 1974, all full-time employees are entitled to a pension plan and the contributions to such plan are deductible for income tax purposes.

This pension plan is comprised of two types of payment:

- Life-long or retirement pension to which employees are entitled to when they have reached a certain number of years of service and that is computed by applying certain percentages to the number of years of service and based on the employee's salary of the last three years.
- The payment of an amount that ranges from 9 to 12 months of the employee's current salary. The number of months (9 to 12) also depends on the years of service.

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The benefit costs and obligations, together with the status of the funds and costs related to these post-retirement pension plans at December 31, 2008 and 2009, are as follows:

| | 2008 | | 2009 | |
|---|---------------------------------|-----------------------------|---------------------------------|-----------------------------|
| | Pensions and sum of benefits | Post-retirement benefits | Pensions and sum of benefits | Post-retirement benefits |
| Projected benefit obligation at beginning of year | Ps. 15,243,410 | Ps. 7,144,994 | Ps. 18,904,990 | Ps. 9,926,295 |
| Labor cost | 309,201 | 88,392 | 272,013 | 79,906 |
| Finance cost on projected benefit obligation | 1,121,865 | 590,121 | 1,101,802 | 515,597 |
| Actuarial loss (gain) | (253,748) | 735,942 | 777,985 | (615,052) |
| Other amended plans | | 31,964 | (824,304) | (269,662) |
| Payments from trust fund | (1,264,234) | (422,138) | (1,418,253) | (454,064) |
| Effect of translation | 3,748,496 | 1,757,020 | (785,015) | (353,354) |
| Projected benefit obligation at end of year | Ps. 18,904,990 | Ps. 9,926,295 | Ps. 18,029,218 | Ps. 8,829,666 |
| Changes in plan assets: | | | | |
| Established fund at beginning of year | Ps. 13,526,767 | | Ps. 14,959,431 | |
| Effect of business acquisition | | | | |
| Actual return on plan assets | (807,465) | | 693,221 | |
| Employee contributions | 69,221 | Ps. 422,138 | 121,916 | Ps. 438,890 |
| Payments from trust fund | (1,264,234) | (422,138) | (1,418,266) | (438,890) |
| Effect of translation | 3,435,142 | | (450,999) | |
| Established fund at end of year | Ps. 14,959,431 | Ps. | Ps. 13,905,303 | Ps. |
| Unfunded labor obligation | Ps. (3,945,559) | Ps. (9,926,295) | Ps. (4,123,915) | Ps. (8,829,666) |
| Unrecognized actuarial loss (gain) | 1,933,608 | 644,843 | 2,474,363 | (263,851) |
| Accrued labor obligation | Ps. (2,011,951) | Ps. (9,281,452) | Ps. (1,649,552) | Ps. (9,093,517) |

Table of Contents**Net period cost**

The net period cost at December 31, 2007, 2008 and 2009 is comprised of the following elements:

| | 2007 | | 2008 | | 2009 | |
|--|------------------------------|--------------------------|------------------------------|--------------------------|------------------------------|--------------------------|
| | Pensions and sum of benefits | Post-retirement benefits | Pensions and sum of benefits | Post-retirement benefits | Pensions and sum of benefits | Post-retirement benefits |
| Labor cost | Ps. 184,291 | Ps. 57,113 | Ps. 309,201 | Ps. 88,392 | Ps. 272,013 | Ps. 79,906 |
| Finance cost on projected benefit obligation | 670,336 | 322,672 | 1,121,865 | 590,121 | 1,101,802 | 515,597 |
| Projected return on plan assets | (779,532) | (9,334) | (1,382,477) | (15,136) | (1,184,295) | (34,334) |
| | Ps. 75,095 | Ps. 370,451 | Ps. 48,589 | Ps. 663,377 | Ps. 189,520 | Ps. 561,169 |

| | 2007 | 2008 | 2009 |
|--------------------------------|----------------|---------------|---------------|
| Projected benefit obligation | Ps. 15,243,410 | Ps. 7,144,994 | Ps. 8,829,666 |
| Accumulated benefit obligation | 13,953,983 | 7,144,994 | 8,829,666 |
| Fair value of plan assets | 13,526,767 | 14,959,943 | 13,905,303 |

The unrecognized net actuarial loss of Ps. 2,578,451 for 2008 derives from: i) changes in actuarial assumptions primarily due to changes in the rates of return on assets; and ii) experience adjustments.

Actuarial assumption

The average rates used to determine the net period cost for 2007, 2008 and 2009 are as follows:

| | 2007 | 2008 | 2009 |
|---------------------------------|-------|-------|-------|
| Discount rate | 6.25% | 6.25% | 6.25% |
| Expected rate of return | 8.5% | 8.5% | 8.5% |
| Rate of future salary increases | 4.00% | 4.00% | 4.00% |

The average rates and other actuarial assumptions used in determining post-retirement obligations for medical services and others are as follows:

| | 2007 | 2008 | 2009 |
|---|------|------|-------|
| Cost percentage of increase in health care for the following year | 8.5% | 7.0% | 6.90% |
| Cost percentage due to death | 5.0% | 5.0% | 4.5% |
| Year to which this level will be maintained | 2010 | 2010 | 2021 |

The average rates and other actuarial assumptions used to determine the net period cost of post-retirement obligations are as follows:

| | Post-retirement benefits | | |
|---|--------------------------|-------|------|
| | 2007 | 2008 | 2009 |
| Cost percentage of increase in health care for the following year | 8.5% | 7.00% | 5.8% |

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| | | | |
|---|-------|-------|-------------|
| Cost percentage due to death | 5.00% | 5.00% | 5.0% |
| Year to which this level will be maintained | 2010 | 2010 | 2021 |

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The projected return on plan assets is as follows:

| | Projected return | | |
|----------------------|------------------|------|------|
| | 2007 | 2008 | 2009 |
| Equity instruments | 9.6% | 7.8% | 5.1% |
| Debt instruments | 5.4% | 4.4% | 6.3% |
| Cash and equivalents | 4.3% | 4.2% | 2.6% |

Plan assets

The Company invests its plan assets at the following percentages:

| | Post-retirement benefits | | |
|---------------------------|--------------------------|--------|--------|
| | 2007 | 2008 | 2009 |
| Equity instruments | 61.0% | 2.0% | 2.5% |
| Debt instruments | 35.0% | 35.0% | 41.3% |
| Cash and cash equivalents | 4.0% | 63.0% | 56.2% |
| | 100.0% | 100.0% | 100.0% |

Cash flows

During 2007, 2008 and 2009, the Company contributed approximately Ps. 1,041,210 (US\$ 95,787), Ps. 69,221 (US\$ 5,112) and Ps. 121,903 (US\$ 9,335), respectively, to the pension plan fund and Ps. 276,686 (US\$ 25,454), Ps. 422,138 (US\$ 31,181) and Ps. 399,727 (US\$ 30,610), respectively, to the post-retirement obligations fund. In accordance with current regulations, during 2010, the Company expects to contribute approximately Ps. 615,468 to the pension plan fund and Ps. 464,816 to the post-retirement obligations fund.

Estimated future payments

An analysis of the payments for labor obligations the Company expects to make in succeeding years is as follows:

| | Pensions and sum of benefits | Post-retirement benefits |
|-----------|------------------------------|--------------------------|
| 2010 | Ps. 1,280,458 | Ps. 479,646 |
| 2011 | 1,271,800 | 516,237 |
| 2012 | 1,259,394 | 548,988 |
| 2013 | 1,248,568 | 579,819 |
| 2014 | 1,264,735 | 610,703 |
| 2015-2019 | 6,800,187 | 3,440,706 |

An analysis of future payments for medicines is as follows:

| | Post-retirement benefits |
|------|--------------------------|
| 2010 | Ps. 14,822 |
| 2011 | 17,094 |
| 2012 | 19,928 |
| 2013 | 23,062 |

| | |
|-----------|---------|
| 2014 | 26,470 |
| 2015-2019 | 175,496 |

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c) For Mexico and Ecuador, the net period cost in 2007, 2008 and 2009 is Ps. 3,819, Ps. 15,493 and Ps. 15,939, respectively, for Mexico and Ps. 6,730, Ps. 7,177 and Ps. 13,077, respectively, for Ecuador. The balance of labor obligations at December 31, 2008 and 2009 is Ps. 19,101 and Ps. 22,177, respectively, for Mexico and Ps. 46,143 and Ps. 57,027, respectively, for Ecuador.

d) In Mexico, Ecuador and Peru, the Company is legally required to pay employee profit sharing, in addition to the compensation and benefits to which employees are contractually entitled. The statutory employee profit sharing rate in 2007, 2008 and 2009 was 10% of taxable income in Mexico and Peru and 15% in Ecuador.

e) The total amount charged to results of operations for employee profit sharing in 2007, 2008 and 2009 is Ps. 758,957, Ps. 1,104,461 and Ps. 1,589,588, respectively.

Starting in 2006, employee profit sharing paid to employees is deductible under certain circumstances for income tax purposes in Mexico. For Ecuador, employee profit sharing is deductible from current year income tax. In Mexico, this deduction aggregated to Ps. 305,273 in 2007, Ps. 353,142 in 2008 and Ps. 473,334 in 2009.

12. Accounts Payable and Accrued Liabilities

a) An analysis of accounts payable and accrued liabilities is as follows:

| | December 31, | |
|---------------------------------------|-----------------------|-----------------------|
| | 2008 | 2009 |
| Suppliers | Ps. 64,086,196 | Ps. 62,131,638 |
| Sundry creditors | 8,763,642 | 10,468,068 |
| Interest payable | 2,330,624 | 1,574,996 |
| Accrued expenses and other provisions | 13,685,577 | 20,179,010 |
| Guarantee deposits | 1,057,244 | 1,263,674 |
| Dividend pending payment | 944,118 | 1,469,199 |
| Total | Ps. 90,867,401 | Ps. 97,086,585 |

b) At December 31, 2008 and 2009, an analysis of accrued expenses and other provisions is as follows:

| | Balance at December 31, 2007 | Effect of translation | Increase for the year | Payments | Reversals | Balance at December 31, 2008 |
|----------------------------------|------------------------------------|--------------------------|--------------------------|------------------------|---------------------|------------------------------------|
| Direct employee benefits payable | Ps. 1,024,320 | Ps. 66,982 | Ps. 1,004,203 | Ps. (598,851) | Ps. (54,201) | Ps. 1,442,453 |
| Office expenses | 576,560 | 748 | 127,184 | (52,162) | (4,133) | 648,197 |
| Professional fees | 117,952 | 26,337 | 460,273 | (353,726) | | 250,836 |
| Retirement of assets | 1,319,795 | 70,210 | 390,767 | (3,455) | | 1,777,317 |
| Points and loyalty program | 868,638 | 36,449 | 604,260 | (763,883) | | 745,464 |
| Contingencies | 7,217,852 | (115,340) | 551,959 | (551,869) | | 7,102,602 |
| Value added services | 68,658 | | 535,420 | | | 604,078 |
| Other provisions | 774,151 | 180,767 | 183,245 | (23,533) | | 1,114,630 |
| | Ps. 11,967,926 | Ps. 266,153 | Ps. 3,857,311 | Ps. (2,347,479) | Ps. (58,334) | Ps. 13,685,577 |

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| | Balance at December 31, 2008 | Effect of translation | Increase for the year | Payments | Reversals | Balance at December 31, 2009 |
|----------------------------------|---|----------------------------------|----------------------------------|-----------------|------------------|---|
| Direct employee benefits payable | Ps. 1,442,453 | Ps. 225,454 | Ps. 1,102,891 | Ps. (845,015) | Ps. (83,582) | Ps. 1,842,200 |
| Office expenses | 648,197 | 102,398 | 74,623 | (276,670) | | 548,548 |
| Professional fees | 250,836 | 7,251 | 340,692 | (296,632) | (1,417) | 300,730 |
| Retirement of assets | 1,777,317 | 30,794 | 1,848,499 | (174,904) | | 3,481,706 |
| Points and loyalty program | 745,464 | 14,200 | 461,152 | (362) | (58,017) | 1,162,437 |
| Contingencies | 7,102,602 | 1,536,206 | 3,765,057 | (936,393) | (58,817) | 11,408,655 |
| Value added services | 604,078 | 3,560 | 334,259 | (267,333) | | 674,564 |
| Other provisions | 1,114,630 | (14,051) | 52,361 | (390,146) | (2,625) | 760,169 |
| | Ps. 13,685,577 | Ps. 1,905,812 | Ps. 7,979,533 | Ps. (3,187,455) | Ps. (204,458) | Ps. 20,179,010 |

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Table of Contents**13. Debt**

The Company's short- and long-term debt consists of the following:

| Currency | Item | Rate | 2008 Maturity from 2009 to | Total 2008 | Rate | 2009 Maturity from 2010 to | Total 2009 |
|-------------------------|---|--------------------------|-------------------------------------|---------------|--------------------------|-------------------------------------|---------------|
| <i>U.S. dollars</i> | | | | | | | |
| | Export Credit Agencies ECA credits (fixed rate) | 2.71% - 3.2% | 2010 | Ps. 527,508 | 2.71% - 3.20% | 2010 | Ps. 169,607 |
| | ECA credits (floating rate) | L + 0.75% | 2015 | 2,707,660 | L + 0.75 - L + 1.50% | 2019 | 4,913,714 |
| | Syndicated loans | L + 0.25% | 2011 | 27,076,600 | | | |
| | Fixed-rate senior notes | 4.125% - 6.375% | 2037 | 50,517,558 | 5.0% - 6.375% | 2037 | 51,608,178 |
| | Lines of credit | L + 0.15 - L + 2.5% | 2013 | 4,397,017 | L + 5.14% | 2013 | 151,494 |
| | Leases | 7.95% - 8.75% & L | | | 7.95% - 8.75% & | | |
| | | + 2.9% - 3.16% | 2012 | 587,772 | TPR + 2.0% | 2012 | 157,916 |
| | Subtotal dollars | | | 85,814,115 | | | 57,000,909 |
| <i>Euros</i> | | | | | | | |
| | ECA credits (floating rate) | E ⁽⁴⁾ + 0.70% | 2016 | 4,979,233 | E ⁽⁵⁾ + 0.70% | 2016 | 7,040,726 |
| | Subtotal euros | | | 4,979,233 | | | 7,040,726 |
| <i>Mexican pesos</i> | | | | | | | |
| | Lines of credit | TIIE + 0.24% | | 4,500,000 | | | |
| | Fixed-rate notes | 8.11% - 10.45% | 2036 | 20,060,964 | 4.1% - 9.0% | 2036 | 19,613,149 |
| | Floating-rate notes | Sundry | 2013 | 7,750,000 | Sundry | 2013 | 6,750,000 |
| | Commercial paper | 8.18% - 8.53% | 2009 | 5,500,000 | | | |
| | Subtotal Mexican pesos | | | 37,810,964 | | | 26,363,149 |
| <i>Brazilian reais</i> | | | | | | | |
| | Lines of credit | 9.25% | 2014 | 1,155,040 | 8.78% - 9.20% | 2017 | 2,352,034 |
| | Subtotal Brazilian reais | | | 1,155,040 | | | 2,352,034 |
| <i>Colombian pesos</i> | | | | | | | |
| | | CPI + 6.8% - 7.50% | | | IPC + 6.8% - 7.50% | | |
| | Bonds | and 7.59% | 2016 | 5,430,792 | y 7.59% | 2016 | 5,749,270 |
| | Subtotal | | | | | | |
| | Colombian pesos | | | 5,430,792 | | | 5,749,270 |
| <i>Other currencies</i> | | | | | | | |
| | Bonds | 6.41% | 2012 | 538,602 | 1.489% - 6.406% | 2039 | 4,546,906 |
| | Leases | 6.45% | 2011 | 890,254 | 2.75% - 6.45% | 2012 | 1,133,455 |
| | Lines of credit | Sundry | 2012 | 6,867,448 | Sundry | 2013 | 6,722,691 |

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| | | |
|--|------------------------|------------------------|
| Subtotal other currencies | 8,296,304 | 12,403,052 |
| Total debt | 143,486,448 | 110,909,140 |
| Less: Short-term debt and current portion of long-term debt | 26,731,355 | 9,167,941 |
| Long-term debt | Ps. 116,755,093 | Ps. 101,741,199 |

- (1) L = LIBOR or London Interbank Offered Rate
- (2) TIIE = Mexican Weighted Interbank Interest Rate
- (3) FTD = Fixed-Term Deposits
- (4) CPI = Consumer price index
- (5) E = Euribor
- (6) RLR = Reference Liability Rate

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Except for the fixed-rate senior notes, interest rates on the Company's debts are subject to variances in international and local rates. The Company's weighted-average cost of borrowed funds at December 31, 2009 was approximately 5.8% (5.70% in 2008).

Such rate does not include interest, commissions or the reimbursements for Mexican tax withholdings (typically 4.9% of the interest payment) that the Company must make to international lenders. In general, fees on financing transactions add ten basis points to financing costs.

An analysis of the Company's short-term debt at December 31, 2008 and 2009 is as follows:

| Debt | 2008 | 2009 |
|--------------------------------|-----------------------|----------------------|
| Domestic senior notes | Ps. 8,142,073 | Ps. 5,038,662 |
| Credit lines drawdowns | 10,200,547 | 1,005,544 |
| Commercial paper | 5,500,000 | |
| Other loans | 270,997 | 310,547 |
| Total | Ps. 24,113,617 | Ps. 6,354,753 |
| Weighted-average interest rate | 6.18% | 7.61% |

An analysis of maturities of the Company's long-term debt is as follows:

| Year | Amount |
|---------------------|------------------------|
| 2011 | Ps. 2,454,789 |
| 2012 | 8,943,324 |
| 2013 | 8,623,773 |
| 2014 | 14,516,672 |
| 2015 | 8,065,621 |
| 2016 and thereafter | 59,137,020 |
| Total | Ps. 101,741,199 |

Senior Notes At December 31, 2009, the Company had senior notes issued in U.S. dollars for US\$ 3,952 million (Ps. 51,608 million) maturing from 2014 to 2037. The Company also had senior notes issued in Mexican pesos for Ps. 26,363 million maturing in 2010 and 2036. During 2009 América Móvil issued three new senior notes of JPY 13,000 million, US\$ 750 million and 4 million Financing Units (FU) in Chile (equivalent to 83,772 million Chilean pesos).

All senior notes issued by the Company are guaranteed by Telcel.

Lines of credit granted or guaranteed by export credit agencies The Company has medium- and long-term financing programs for the purchase of equipment, whereby certain agencies provide financial support to purchase export equipment from their respective countries. The debt issued under these plans at December 31, 2009 is approximately Ps. 12,124 million.

Domestic senior notes At December 31, 2009, the domestic senior note debt aggregates to Ps. 13,491 million. In general, these notes bear a fixed or floating interest rate established as a percentage of either the Mexican weighted interbank interest rate (TIIE).

In addition to the above, the Company has two commercial paper programs authorized by the National Banking and Securities Commission (NBSC) for a total amount of Ps. 20,000 million.

General

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At December 31, 2009, the Company had a number of bank facilities for approximately Ps. 9,226 million (US\$ 707 million). Under all of the facilities, América Móvil and Telcel are the guarantors.

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The Company is subject to financial and operating covenants under the loan agreements. In some cases, these covenants limit America Móvil or the guarantor's ability to: pledge assets, carry out certain types of mergers, sell off all or substantially all of its assets and sell control over Telcel.

The covenants do not restrict the ability of the subsidiaries to pay dividends or make other distributions to the Company. The most restrictive financial covenants require the Company to maintain a consolidated ratio of debt to EBITDA not greater than 4 to 1 and a consolidated ratio of EBITDA to interest expense of no less than 2.5 to 1 (based on the terms of the loan agreements). For some of its loans, Telcel is subject to financial covenants similar to those applicable to América Móvil.

A number of the financing instruments are subject to either acceleration or repurchase at the holder's option if there is a change in the Company's control. At December 31, 2009, the Company has complied with all of the above-mentioned requirements.

At December 31, 2008 and 2009, approximately 87% and 85%, respectively, of the total outstanding consolidated debt is guaranteed by Telcel.

14. Foreign Currency Position and Transactions

At December 31, 2008 and 2009, América Móvil had the following foreign currency denominated assets and liabilities:

| | Foreign currency in millions at December 31 | | | |
|---------------------|---|--|----------------|--|
| | 2008 | | 2009 | |
| | Amount | Exchange rate- Mexican peso per currency | Amount | Exchange rate- Mexican peso per currency |
| Assets | | | | |
| U.S. dollars | 4,138 | 13.54 | 4,831 | 13.06 |
| Quetzal (Guatemala) | 1,145 | 1.74 | 885 | 1.56 |
| Brazilian reais | 3,158 | 5.79 | 2,939 | 7.5 |
| Colombian peso | 941,758 | 0.006 | 913,359 | 0.006 |
| Argentinean peso | 1,331 | 3.92 | 1,493 | 3.44 |
| Uruguayan peso | 1,126 | 0.556 | 521 | 0.665 |
| Cordoba (Nicaragua) | 1,144 | 0.682 | 1,097 | 0.627 |
| Lempira (Honduras) | 751 | 0.712 | 470 | 0.686 |
| Chilean peso | 128,447 | 0.02 | 115,091 | 0.03 |
| Peruvian sol | 415 | 4.3 | 327 | 4.5 |
| Guarani (Paraguay) | 203,435 | 0.003 | 267,694 | 0.003 |
| Dominican peso | 32,291 | 0.382 | 34,059 | 0.360 |
| Jamaican dollars | 4,285 | 0.169 | 3,505 | 0.146 |
| Euro | 119,742 | 18.91 | 4,493 | 18.70 |
| Swiss franc | 106 | 12.67 | 106 | 12.61 |

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| | Foreign currency in millions at December 31 | | | |
|---------------------|---|--|--------------|--|
| | 2008 | Exchange rate- Mexican peso per currency | 2009 | Exchange rate- Mexican peso per currency |
| | Amount | | Amount | |
| Liabilities | | | | |
| U.S. dollars | (11,955) | 13.54 | (9,443) | 13.06 |
| Quetzal (Guatemala) | (2,760) | 1.74 | (3,687) | 1.56 |
| Brazilian reais | (5,642) | 5.79 | (6,666) | 7.50 |
| Colombian peso | (1,839,490) | 0.006 | (1,958,152) | 0.006 |
| Argentinean peso | (2,753) | 3.92 | (2,701) | 3.44 |
| Uruguayan peso | (1,164) | 0.556 | (375) | 0.665 |
| Cordoba (Nicaragua) | (2,066) | 0.682 | (3,007) | 0.627 |
| Lempira (Honduras) | (2,578) | 0.712 | (3,246) | 0.686 |
| Chilean peso | (328,378) | 0.02 | (307,903) | 0.03 |
| Peruvian sol | (1,253) | 4.3 | (1,236) | 4.52 |
| Guarani (Paraguay) | (330,894) | 0.003 | (322,035) | 0.003 |
| Dominican peso | (13,435) | 0.382 | (10,179) | 0.360 |
| Jamaican dollars | (10,908) | 0.169 | (5,004) | 0.146 |
| Euro | (263,766) | 18.91 | (376,491) | 18.70 |
| Yen | | | (13,000,000) | 0.140 |

At March 31, 2010, the exchange rates were as follows:

| Foreign currency | Exchange rate- Mexican peso per currency |
|---------------------|--|
| U.S. dollars | 12.40 |
| Quetzal (Guatemala) | 1.57 |
| Brazilian reais | 6.93 |
| Colombian peso | 0.006 |
| Argentinean peso | 3.21 |
| Uruguayan peso | 0.64 |
| Cordoba (Nicaragua) | 0.60 |
| Lempira (Honduras) | 0.67 |
| Chilean peso | 0.02 |
| Peruvian sol | 4.92 |
| Guarani (Paraguay) | 0.0027 |
| Dominican peso | 0.34 |
| Euro | 16.69 |
| Swiss franc | 11.66 |
| Jamaican dollars | 0.14 |

In the years ended December 31, 2007, 2008 and 2009, the Company had the following transactions denominated in foreign currencies. Currencies other than the U.S. dollar were translated to U.S. dollars using the closing exchange rate at December 31, 2007, while for 2008 and 2009 using the average exchange rate.

| | U.S. dollars (thousands) | | |
|------------------------------|--------------------------|----------------|----------------|
| | 2007 | 2008 | 2009 |
| Net revenues | Ps. 17,131,480 | Ps. 19,036,746 | Ps. 18,717,023 |
| Operating costs and expenses | 14,576,815 | 16,023,340 | 16,042,797 |
| Interest income | 375,254 | 470,033 | 347,444 |
| Interest expense | 608,093 | 711,218 | 618,258 |
| Other income (expenses), net | (465,427) | 258,211 | (146,628) |

Table of Contents**15. Contingencies and Commitments**

a) As of December 31, 2009, the Company has entered into various leases (as a lessee) with related and third parties for the buildings in which its offices are located, as well as with owners of property where the Company has installed radio bases. The leases generally run from one to fourteen years.

Provided below is an analysis of minimum rent payments due in the next five years. In some cases, amounts are subject to an annual increase based on the NCPI.

At December 31, 2009, the Company had the following commitments under non-cancelable leases:

| Year ended December 31, | Capital lease | Operating lease |
|--|--------------------|-----------------------|
| 2010 | Ps. 762,458 | Ps. 4,314,378 |
| 2011 | 407,219 | 4,050,849 |
| 2012 | 181,893 | 3,331,981 |
| 2013 | | 3,009,501 |
| 2014 | | 2,130,224 |
| 2015 and thereafter | | 3,526,184 |
| Total | 1,351,570 | Ps. 20,363,117 |
| Less interest | (60,199) | |
| Present value of minimum net rental payments | 1,291,371 | |
| Less current portion | (716,481) | |
| Long-term obligations | Ps. 574,890 | |

Rent charged to expenses in 2007, 2008 and 2009 aggregated to Ps. 5,052,082, Ps. 6,325,739 and Ps. 8,153,371, respectively.

b) Commitments

At December 31, 2009, some of the Company's subsidiaries had commitments to acquire equipment for their GSM and 3G networks for up to approximately US\$ 7,204 million (approximately Ps. 94,078 million). The estimated completion period for projects in progress ranges from 3 to 6 months, depending on the type of project and the equipment supplier, as well as the type of asset.

c) Contingencies**América Móvil***NatTel*

The plaintiff, NatTel, LLC (NatTel) sued the Company and others in a Connecticut state court in the United States based on an August 2007 transaction where the Company purchased shares of Oceanic Digital Jamaica, Ltd. (ODJ) from ODC St. Lucia, a subsidiary of Oceanic Digital Communications, Ltd. (ODC), in which NatTel is a minority shareholder. Under the agreement governing the transaction, the parties placed approximately US\$15 million (approximately Ps. 195.9 million) in escrow with The Bank of New York, and the remaining purchase payments paid certain inter-company debt owed by Oceanic to the majority shareholders in ODC SAC Capital Associates, LLC and SAC Capital Advisors (collectively, SAC).

In the Connecticut action (State Suit), NatTel alleges that the entire transaction was intended to deprive NatTel of its fair share of the sales proceeds, and structured so that SAC received the entire proceeds of the sale. NatTel seeks, inter alia, an order that it receive the approximately US\$15 million placed in escrow. On February 7, 2008, the Company filed a motion to dismiss for (i) lack of personal jurisdiction; and (ii) insufficient service. The motion principally argues that the Company does not have sufficient contacts with Connecticut to

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support the state court's exercise of personal jurisdiction over it. The Company believes it has several other meritorious defenses to NatTel's claims.

Concurrently with the State Suit, NatTel also initiated an adversary proceeding in connection with its bankruptcy case in the United States Bankruptcy Court for the District of Connecticut (Bankruptcy Court), against many of the parties in the State Suit, including the Company. The adversary proceeding contains the same allegations as the State Suit.

After the filing of the adversary proceeding in Bankruptcy Court, defendants, excluding the Company, filed a motion in the District Court for the District of Connecticut (District Court) to withdraw the reference (Motion to Withdraw) of the adversary proceeding, and send those proceedings to the District Court judge who had previously decided a related case against NatTel.

In April 2008, the parties to the State Suit agreed to stay the State Suit pending a decision by the District Court on the Motion to Withdraw. As of the date of the accompanying financial statements, the District Court has yet to decide on the Motion to Withdraw. Accordingly, the State Suit remains stayed.

The Company has not made provisions in the accompanying financial statements for this potential liability.

Cempresa

In May or June of 2008, plaintiffs Centro Empresarial Cempresa, S.A. and Conecel Holding Limited (collectively, Plaintiffs), filed a suit in the Supreme Court of the State of New York against numerous defendants including the Company, certain of its affiliates, subsidiaries and two members of its Board of Directors (collectively, Defendants), asserting breach of contract, fraud, fraudulent inducement, unjust enrichment and a claim for accounting. Plaintiffs sold a majority of their shares in our Ecuadorian subsidiary, Consorcio Ecuatoriano de Telecomunicaciones, S.A.

Conecel (Conecel), to a subsidiary of Teléfonos de México, S.A.B. de C.V. (Telmex) in 2000. Telmex's holdings in Conecel were included in the Company's spin-off from Telmex in 2000 and remain held by one of its subsidiaries. Plaintiffs kept a minority of the shares of Conecel.

Plaintiffs assert that one of their exit strategies with respect to the minority shares was a right to negotiate for an exchange of those shares of the Company. Plaintiffs contend in the lawsuit that Defendants wrongfully deprive them of a share exchange and they seek the alleged value of the Company's shares they claim they would have received, which Plaintiffs assert amount to over US\$900 million (approximately Ps. 11,754 million). Plaintiffs also seek punitive damages. Plaintiffs additionally assert that Defendants purposefully misrepresented the value of Plaintiffs' minority shares to try to prevent a share exchange. In 2003, Plaintiffs voluntarily sold their minority shares to Defendants, executing comprehensive releases as part of the transactions.

Defendants filed a motion to dismiss asserting numerous defenses, including statute of limitations, release, lack of damages, personal jurisdiction for certain defendants, and the inability to add to a contract cause of action the fraud causes of action. In December 2008, the trial court denied the motion to dismiss and Defendants appealed. The appellate court stayed the case in the trial court. The appeal is fully briefed and oral argument was held in April 2009.

Defendants believe they have numerous meritorious defenses to Plaintiffs' claims. In addition to the defenses contained in the motion to dismiss that are issues on appeal, Defendants do not believe that the Company's spin-off from Telmex triggered the share exchange provision. Moreover, Defendants argue that a plain reading of the provision relating to the potential exchange of shares provides no right to a share exchange, but instead only a right to a good faith negotiation for a period of 20 days, for a potential share exchange.

The Company has not made provisions in the accompanying financial statements for this potential liability.

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Telcel

Cofeco Substantial market power investigations

The Mexican Competition Commission (Comisión Federal de Competencia or Cofeco) began two substantial market power investigations into certain competitive conditions in the mobile telecommunications market. The first of these, which commenced in December 2007, is a Cofeco initiated investigation into whether one or more cellular operators have substantial market power in the market for termination (interconnection) of calls made as part of the local, national and international calling party pays system. Cofeco has issued a preliminary report (dictamen preliminar) finding that each operator, including Radiomóvil Dipsa, S.A de C.V., (Telcel), has substantial market power in the market for interconnection to its own network.

Interested parties have the opportunity to submit information for Cofeco s review before it issues a final report. Telcel has provided extensive information to Cofeco, and the Company cannot predict when Cofeco will issue a final report or whether it will modify its preliminary findings.

The second Cofeco investigation, which commenced in April 2008 was initiated by an alleged Telcel subscriber -who ended up being subscribed to another mobile operator- and is into whether Telcel has substantial market power in the nationwide market for voice services. In this investigation, Cofeco issued a preliminary report (dictamen preliminar) in November 2008 finding that Telcel has substantial market power in the national mobile telephone services relevant market. The preliminary report was confirmed by the publication on February 10, 2010 in the Federation Official Gazette (Diario Oficial de la Federación) of the relevant findings of the resolution relating to the existence of substantial market power in the nationwide market for voice services. In February 2010, Telcel filed an administrative proceeding (recurso administrativo de reconsideración) before Cofeco. As a result of the aforesaid proceeding being rejected by Cofeco for analysis, Telcel filed an appeal (amparo indirecto) before an administrative judge against the rejection of the mentioned administrative proceeding and the issuance, subscription and publication of the resolution which relevant findings where published on February 10, 2010 in the Federation Official Gazette (Diario Oficial de la Federación).

Under the Antitrust Law (Ley Federal de Competencia Económica) and the Telecommunications Law (Ley Federal de Telecomunicaciones), if Cofeco makes a final finding of substantial market power concerning an operator, the Mexican Federal Communications Commission (Comisión Federal de Telecomunicaciones or Cofetel) can impose on that operator specific regulations with respect to tariffs, quality of service and information. The Company cannot predict what regulatory steps might be taken in response to determinations by Cofeco.

Cofeco Monopolistic practices investigations

Cofeco currently conducts four separate administrative proceedings against Telcel for alleged monopolistic practices. The first two concern alleged actions by certain distributors of Telcel in relation to the purchase and sale of cellular phones to third parties. The third proceeding concerns to certain exclusivity agreements with some content providers. In each of these investigations, Cofeco has determined that Telcel engaged in anti-competitive behavior, and it has imposed fines totaling Ps. 6.7 million in the aggregate and ordered that the alleged behaviors terminate immediately. Telcel has challenged Cofeco s determinations and fines in the courts and no final ruling has been issued.

The fourth investigation concerns alleged monopolistic practices in the interconnection market. After having concluded the investigation stage, in October 2008 Cofeco notified Telcel a Writ of Probable Responsibility (Oficio de Probable Responsabilidad) for carrying out monopolistic practices in the commuted termination services relevant market.

Interested parties to this investigation have the opportunity to submit information for Cofeco s review before it issues a final resolution. Telcel has provided extensive information to Cofeco, and the Company cannot predict when Cofeco will issue a final resolution or whether it will modify the Writ of Probable Responsibility.

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Adverse determinations against Telcel in any of these proceedings could result in material fines, penalties or restrictions on our operations. Telcel has not made provisions in its financial statements for these potential liabilities since at the time Telcel's most recent financial statements were published, the amount of the possible contingency could not be reasonably estimated.

Interconnection Fees

Since 2005, there has been extensive controversy in Mexico concerning the interconnection fees payable by fixed-line operators to mobile operators on fixed-to-mobile calls. The principal stages of the controversy, as they relate to interconnection with Telcel, are summarized below.

December 2004 Agreement. In December 2004, most Mexican telecommunications operators agreed on interconnection fees for the years 2005 through 2007. The agreement provided for annual reductions of 10% and it was further contemplated that the reductions would be reflected in the tariffs charged by fixed operators to their customers. The agreed upon interconnection fees were as follows:
January 1, 2005 to December 31, 2005: Ps. 1.71 per minute or part thereof.

January 1, 2006 to December 31, 2006: Ps. 1.54 per minute or part thereof.

January 1, 2007 to December 31, 2007: Ps. 1.34 per minute or part thereof

August 2006 Cofetel Resolutions. Axtel, independently, and Avantel and Alestra, jointly, began proceedings with Cofetel to establish the applicable interconnection fees for termination of public commuted traffic under calling party pays in local mobile service networks, between them and Telcel.

As a result of the foregoing proceedings (desacuerdos de interconexión), on August 31, 2006, Cofetel issued two resolutions (Axtel Resolution and Avantel/Alestra Resolution) establishing local interconnection fees payable by the aforementioned carriers to Telcel for the years 2005 through 2010, as follows: from (i) January 1 to December 31, 2005: Ps. 1.71 per interconnection minutes; (ii) January 1 to September 30, 2006: Ps. 1.54 per interconnection minutes; (iii) October 1, 2006 to December 31, 2007: Ps. 1.23 per interconnection minute; (iv) January 1 to December 31, 2008: Ps. 1.12 per interconnection minute; (v) January 1 to December 31, 2009: Ps. 1.00 per interconnection minute; (vi) January 1 to December 31, 2010: Ps. 0.90. Several of the foregoing fees were lower than the fees Telcel had agreed with other operators. In addition, Cofetel ruled that starting in 2007, interconnection fees would be determined by adding the total seconds of all completed calls rounded to the next minute, rather than by rounding each call to the next minute, before calculating the sum of total network occupation.

In order to mitigate the effects of this change on Telcel, Cofetel authorized Telcel to collect a surcharge of 25% in 2007, 18% in 2008 and 10% in 2009 over the interconnection fees billed to Axtel, Avantel y Alestra. Telcel challenged the Axtel Resolution and the Avantel/Alestra Resolution.

August 31, 2006 Avantel/Alestra Resolution. Telcel challenged Cofetel's August 2006 Avantel and Alestra Resolution on interconnection rates between the aforesaid carriers and Telcel. In November 2009, said challenge was decided ruling that Cofetel is not empowered to add elements to the controversy set forth in the foregoing proceedings (desacuerdos de interconexión) and may not resolve on matters which were not originally requested, for example interconnection fees for the years 2008 to 2010. Consequently, the challenged resolution was declared without effect and Cofetel was ordered to issue a new resolution establishing interconnection fees for the years 2005 to 2007. Notwithstanding the foregoing, the ruling was silent in connection with the analysis and the assessment of several of the acts challenged by Telcel. Accordingly, on December 2009 Telcel challenged the ruling before the competent courts. Likewise, Cofetel challenged the ruling. Avantel adhered to the challenges (recurso de revisión adhesiva).

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August 31, 2006 Axtel Resolution December 2007 Judicial Decision and January 2008 Cofetel Resolution Telcel began a judicial proceeding (juicio de amparo) challenging the Axtel Resolution on interconnection rates between Axtel and Telcel. In December 2007, the district court invalidated the Axtel Resolution in its entirety and directed Cofetel to issue a new resolution covering solely the periods from 2005 through 2007. In January 2008, as directed by the court, Cofetel issued a resolution establishing interconnection rates between Telcel and Axtel for the periods from 2005 through 2007 on the same terms as Cofetel's August 2006 resolution. Telcel challenged this resolution as to the rates applicable for the aforementioned period. The ruling on the foregoing challenge was ruled adversely for Telcel in October 2009 arguing that, among others, the model used by Cofetel to calculate interconnection fees is appropriate; accordingly, the judge determined that the interconnection fees resulting from Cofetel's model should be: (i) Ps. 0.71 for 2005; (ii) Ps. 0.74 for 2006; and (iii) Ps. 0.78 for 2007. Telcel challenged (recurso de revisión) the mentioned ruling arguing that although it may be true that the method used by Cofetel is appropriate, it is also true that the results obtained by the judge are absolutely erroneous, since Cofetel did not use real and updated information while implementing their method, thus resulting in an incorrect outcome. Likewise, Cofetel challenged the ruling. Axtel adhered to the challenges (recurso de revisión adhesiva).

December 2006 Agreements. In the fourth quarter of 2006, most industry operators, other than Axtel and Avantel, agreed on interconnection fees payable for termination services for local and long-distance (national and international) calls in mobile networks under the calling party pays system for the years 2005 through 2010. These agreements contemplated continued reductions in fees, as follows: (i) 2005: Ps. 1.71 per interconnection minute; (ii) 2006: Ps. 1.54 per interconnection minute; (iii) 2007: Ps. 1.34 per interconnection minute; (iv) 2008: Ps. 1.21 per interconnection minute; (v) 2009: Ps. 1.09 per interconnection minutes; and (vi) 2010: Ps. 1.00 per interconnection minute.

2008 Proceedings Involving Axtel. In December 2007 and March 2008, Axtel initiated proceedings with Cofetel to establish interconnection rates for the years from 2008 through 2011. In May 2008, prior to Cofetel issuing a resolution, Axtel obtained a court order against Cofetel to prevent Cofetel from issuing a resolution on interconnection between Axtel and Telcel. It also filed an administrative review proceeding (recurso de revisión), against the alleged negative to act (negativa ficta) of Cofetel with the Mexican Ministry of Communications and Transportation (Secretaría de Comunicaciones y Transportes or SCT), that permits SCT to review the alleged decision by Cofetel. Axtel contended that Cofetel, by failing to issue a resolution on interconnection between Axtel and Telcel for interconnection fees for 2008 through 2011, had refused to act, and asked SCT to review that refusal.

In July 2008 Telcel obtained a court order which prevented SCT from ruling on Axtel's challenge to Cofetel's supposed refusal to act on interconnection fees between Axtel and Telcel.

Notwithstanding the foregoing, in September 2008, however, SCT issued a resolution establishing interconnection fees for 2008 through 2011, as follows: (i) 2008: Ps. 0.5465 per interconnection minutes; (ii) 2009: Ps. 0.5060 per interconnection minute; (iii) 2010: Ps. 0.4705 per interconnection minute; and (iv) 2011: Ps. 0.4179 per interconnection minute, based on the assumption that the valuation method consists of adding the actual duration of the calls measured in seconds. These fees are substantially less than the fees agreed upon with the rest of the industry operators. Telcel challenged said resolution and, in October 2008, obtained a court order suspending the effects of it until a final ruling is issued.

April 2009 Cofetel Resolution Avantel Interconnection Disagreement. In April 2009, Cofetel issued a resolution establishing the interconnection fees for 2008 through 2010 applicable between Avantel (a subsidiary of Axtel) and Telcel for termination of public commuted traffic under the calling party pays system in Telcel's mobile network, as follows: (i) 2008: Ps. 1.12 per interconnection minute plus a surcharge of 18% over the total interconnection minutes billed; (ii) 2009: Ps. 1.00 per interconnection minutes plus a surcharge of 10% over the total minutes billed; and (iii) 2010: Ps. 0.90 per interconnection minute without any surcharge, based on the assumption that the valuation method

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consist of adding the actual duration of the calls measured in seconds and then rounding up to the next minute. In May 2009, Telcel judicially challenged said resolution and a final decision is still pending.

The Company considers that interconnection fees for fixed-to-mobile calls will continue, for a while, to be the subject of litigation and administrative proceedings and the resulting uncertainty. We cannot predict when or how these matters will be resolved, and the competitive and financial effects of any resolution could be complex and difficult to predict. Although the matters in dispute primarily concern one operator, Axtel (and its subsidiary Avantel), if those matters are resolved adversely to us through a final, non-appealable resolution or decision from Cofetel, SCT or the courts, the impact could be material because Telcel would be required to offer to the other operators any more favorable fees it is required to provide, as of the date of said final, non-appealable resolution or decision, to Axtel and/or Avantel. This could materially reduce Telcel's interconnection revenues in future periods. Also, depending on how the disputes are resolved, there could be contractual claims among Axtel and/or Avantel, and Telcel for reimbursement or payment, as the case maybe, of amounts paid or left unpaid between Telcel and Axtel and/or Avantel in respect to certain time periods from 2005 to 2010.

February 2009 Interconnection Plan

On February 10, 2009, Cofetel published a Fundamental Technical Plan of Interconnection and Inter-operability (Plan Técnico Fundamental de Interconexión e Interoperabilidad or Plan). The Plan addresses technical, economical and legal conditions of interconnection. With respect to interconnection fees, the Plan establishes a process for developing an economic model over a relatively brief period and then applying the economic model to determine fees, which, it is suggested, could override the existing fee agreements among operators. The Plan also contemplates asymmetrical and discriminatory treatment for operators with the largest number of access points, including specific technical and legal requirements and different economic, technical and legal conditions from other operators.

At this time, Telcel cannot predict the effects that might result from the implementation of the Plan. They could be substantially different from the potential effects of the regulatory steps described above with respect to fixed-to-mobile interconnection. It is also difficult to anticipate the timetable for implementation of the Plan.

In March 2009, Telcel challenged the Plan in the Mexican courts. In April 2009, Telcel obtained a court order suspending the effects of the Plan as they relate to Telcel pending resolution of its judicial challenge. As of the date of the accompanying financial statements, the challenge remains pending.

Short Message Services (SMS)

Under the terms of its concessions for the 850 megahertz spectrum, Telcel must pay to the Mexican federal government a royalty based on gross revenues from concessioned services. The royalty is levied at rates that vary from region to region and average approximately 6%.

Telcel believes that short message services are value-added services, which are not concessioned services, and that revenues from short message services should not be subject to this royalty.

In related proceedings, Cofetel has ruled that short text messages are subject to the interconnection regulatory regime and that such services do not constitute value-added services. Telcel is currently disputing these issues in an administrative proceeding, but has made provisions in its financial statements for this potential liability.

Trademarks Tax Assessments

On March 3, 2006, the Mexican Tax Administration Service (Servicio de Administración Tributaria, or SAT) notified Telcel of an assessment of Ps. 281.7 million (Ps. 155.8 million plus adjustments, fines and late

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fees) as a result of a tax deduction made by Telcel in 2003 of Ps. 1,267.7 million in connection with royalty payments made to another of our subsidiaries for the use of certain trademarks. In June 2007, the SAT notified us of an additional assessment of Ps. 541.5 million (Ps. 258.5 million plus adjustments, fines and late fees) as a result of a tax deduction made by us in 2003 in connection with the aforementioned royalty payments. The Company and Telcel believe that these deductions were made in accordance with applicable law and have challenged the validity of these assessments.

In December 2007, the SAT notified Telcel of a new assessment of Ps. 453.6 million (Ps. 243.6 million plus adjustments, fines and late fees) in connection with a deduction of advertising expenses made by Telcel in 2004 in the amount of Ps. 1,678.6 million. The SAT is challenging the validity of this deduction, alleging that the deduction is unfounded because Telcel is already paying a royalty for the use of the trademarks. Telcel believes that the SAT's argument is unfounded and has challenged the assessment in court.

Based on these assessments, the Company expects that the SAT will challenge deductions made during 2005, 2006 and 2007 for royalty payments and/or expenses associated with the trademarks. Telcel has not made specific provisions in its financial statements for these potential liabilities.

Comcel

Voice over IP

In March 2000, the Colombian Industry and Commerce Superintendence (Superintendencia de Industria y Comercio or SIC) issued Resolution No. 4954, requiring Comunicación Celular, S.A. (Comcel) to pay a fine of approximately US\$100 thousand (approximately Ps. 1.3 million) for alleged anti-competitive behavior. In addition to this administrative fine, the SIC ordered Comcel to pay damages to other long distance operators. The long distance operators estimated their damages to be US\$70 million (approximately Ps. 904.2 million). Comcel requested an administrative review of the damages decision, which was denied in June 2000. Comcel appealed, and the appeal was rejected in November 2000. Comcel resubmitted the appeal in February 2001. Comcel also filed a special action in court challenging the denial of the administrative review.

Following a series of court proceedings, a Colombian appeals court in June 2002 ordered that Comcel's February 2001 appeal be granted and that the administrative decision against Comcel be reviewed. After additional proceedings, the Constitutional Court revoked the June 2002 decision and ordered the continuance of the procedure for the determination of damages to the other operators.

In January 2008, SIC determined that Comcel was required to pay the long distance operators approximately US\$1.8 million (approximately Ps. 23.5 million, which represents a reduction of approximately 95% of the original amount claimed by the long distance operators). In February 2008, Comcel appealed the SIC's resolution on the grounds that Comcel had not caused any damage nor it incurred in any liability.

In June 2009, Bogota's Judicial District Court of Appeals (Tribunal Superior del Distrito Judicial de Bogotá), confirmed SIC's January 2008 resolution. As a result, Comcel timely paid US\$1.8 million fine. As a result of the foregoing, this contingency has been duly terminated.

Distributors

In February 2007, Comcel was notified of an arbitration proceeding initiated against it by Tecnoquímicas, S.A., which was a distributor of prepaid cards of Comcel until July 2006. In the proceeding, the distributor alleges breach of contract and commercial liability on the part of Comcel. Claimant seeks to recover approximately US\$35 million (approximately Ps. 457.1 million) from Comcel. On July 13, 2009, the arbitration tribunal decided that Comcel had to pay Tecnoquímicas, S.A., US\$13 million (approximately Ps. 169.8 million), which were timely paid by Comcel. As a result of the foregoing, this contingency has been duly terminated.

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Dominant position

In September 2009, the Colombian Telecommunications Regulatory Commission (Comisión de Regulación de Telecomunicaciones de Colombia or CRT) issued a series of resolutions stating that Comcel has a dominant position in Colombia's market for outgoing mobile services. Under Colombian law, a market participant is considered to have a dominant position in a specified market if the regulators determine that it has the capacity to control the conditions in that market. The CRT made its determination based on Comcel's traffic, revenues and subscriber base. The resolutions also included regulations that would require Comcel to charge rates (excluding access fees) for mobile-to-mobile calls outside the Comcel network (off net) that are no higher than the fees charged for mobile-to-mobile calls within the Comcel network (on net) plus access fees. The regulations were first implemented on December 4, 2009 and Comcel does not expect them to have a material impact on its business and results of operations in Colombia.

Brazil

Anatel Inflation-Related Adjustments

The Brazilian Federal Communications Commission (Agência Nacional de Telecomunicações or ANATEL) has challenged each of Tess, S.A., or Tess , and ATL-Telecom Leste, S.A., or ATL , regarding the calculation of inflation-related adjustments due under these companies' concession agreements with ANATEL. Forty percent of the concession price under each of these agreements was due upon execution and 60% was due in three equal annual installments (subject to inflation-related adjustments and interest) beginning in 1999. Both companies have made these concession payments, but ANATEL has rejected the companies' calculation of the inflation-related adjustments and requested payment of the alleged shortfalls.

The companies have filed declaratory and consignment actions in Brazilian courts seeking resolution of the disputes. The court of first instance ruled against ATL's filing for declaratory action in October 2001 and ATL's filing for consignment action in September 2002. Subsequently, ATL filed appeals which are pending. The court of first instance ruled against Tess' filing for consignment action in June 2003 and against Tess' filing for declaratory action in February 2009. Tess filed an appeal which is pending. In December 2008, ANATEL charged Tess approximately US\$160 million (approximately Ps. 2,089.6 million). Tess filed an appeal and consequently payment has been suspended until the final ruling is issued. In March 2009, ANATEL charged ATL approximately US\$100 million (approximately Ps. 1,306 million). ATL filed an appeal and consequently payment has been suspended until the final ruling is issued.

The aggregate contested amounts are approximately US\$240 million (approximately Ps. 3,134.4 million) (including potential penalties and interest). On December 31, 2005, both ATL and Tess were merged into BCP, S.A. (BCP). In April 2008, BCP changed its name to Claro S.A. (Claro Brasil).

Claro Brasil has made specific provisions in its financial statements for these potential liabilities.

BNDESPar

Prior to the acquisition of Telet, S.A. (Telet) and Americel, S.A. (Americel) by Telecom Americas Limited (Telecom Americas), BNDESPar, a subsidiary of BNDES, the Brazilian development bank, had entered into investment and other shareholder agreements with Americel, Telet and certain of their significant shareholders. Under these agreements, BNDESPar had the right, among others, to participate in the sale of shares of Telet and Americel in the event of certain transfers of control, for so long as BNDESPar held 5% of the share of capital in those companies.

In October 2003, Telecom Americas increased the capital of each of Telet and Americel and BNDESPar's ownership fell below 5% from approximately 20% in each, as it elected not to exercise its preemptive rights. Subsequently, BNDESPar sent official notices to Telet and Americel reserving its rights under the agreements.

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with respect to certain past transfers of shares. In November 2004, BNDESPar filed a lawsuit with the competent court of Rio de Janeiro claiming that BNDESPar is entitled to sell its shares in Telet and Americel to Telecom Americas for approximately US\$164 million (approximately Ps. 2,141.8 million). The Company does not believe that BNDESPar has valid grounds for its claims against Telecom Americas. The Company cannot provide assurance, however, that Telecom Americas will ultimately prevail in this dispute. Claro Brasil has not made specific provisions in its financial statements for this potential liability.

Lune Patent Case

A Brazilian company claims that wireless operators in Brazil have infringed its patent over certain caller ID technology. The plaintiff first brought a patent infringement case in a state court in Brasília, Federal Capital of Brazil, against Americel and later brought cases, as part of two separate proceedings, against other 23 defendants. Although the Company believes that the patent does not cover the technology that is used by Americel to provide caller ID services, Americel lost the case at the trial level and on first appeal. After the judgment against Americel was rendered, a federal court in Rio de Janeiro, Brazil, rendered a preliminary injunction decision suspending the effects of the patent, in an action filed by a supplier of caller ID technology. This injunction was later upheld on appeal, and the proceeding for judicial review on the merits of the validity of the patent is in its initial stages.

Americel filed three special appeals against the decision of the state court in Brasília, seeking review at the Superior Court of Justice (which is the highest court in Brazil to decide on questions of federal law) and Supreme Court (the highest court in Brazil to decide on questions of constitutional law). The Court of Appeals has determined that two of Americel's special appeals will be heard by the Superior Court of Justice. Americel's request for a special appeal before the Supreme Court was denied. Americel filed a motion requesting the reversal of this decision which is still pending.

The cases against the other operators are currently suspended as a result of the preliminary injunction suspending the effects of the patent. The plaintiff has brought these cases to the same state trial court that heard the case against Americel, but the defendants have requested that the cases be remitted to another court on jurisdictional grounds. The Americel judgment does not bind other state courts or federal courts of Brazil. The Company does not expect that there will be a resolution of these other cases within this year.

In the case against Americel, the plaintiff has requested the court to initiate the necessary proceedings for the execution of judgment. The court has estimated that the award for damages could amount to as much as approximately US\$270 million (approximately Ps. 3,526.2 million). In September 2006, the Higher Court of Justice of Brazil unanimously ruled to stay the trial, due to the injunction suspending the validity of the patent in question. In September 2009, Lune filed before the Higher Court of Justice of Brazil a motion to revert the ruling to stay the trial. However, Americel obtained a favorable resolution that maintained the decision to stay the trial until a ruling has been issued in the process held before the federal court in Rio de Janeiro. Lune has challenged said resolution before the Superior Court, but the resolution to stay the trial was unanimously upheld. The Company expects that the trial will remain stayed as long as the patent remains suspended. Furthermore, Americel benefits from a limited contractual indemnity from its equipment suppliers (Nortel Networks) in respect of trademark infringement. The process remains suspended by the Superior Court of Justice. Americel has not made specific provisions in its financial statements to cover these potential liabilities.

Tax Assessments against Americel

In December 2005, the Brazilian Federal Revenue Service (Secretaria da Receita Federal do Brasil) issued three tax assessments against Americel in respect of withholding income taxes and PIS and COFINS taxes (contributions levied on gross revenue) for 2000 through 2005. As of February 2010, the total amount of the tax assessments was R\$ 242 million (approximately Ps. 1,815 million), including R\$ 89.9 million (approximately Ps. 673.4 million) of taxes and contributions plus fines and interest. Americel has challenged these assessments, and

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its challenge is pending before the Brazilian Taxpayers Council (Conselho Administrativo de Recursos Fiscais) in Brasilia. Americel did not make any specific provisions in its financial statements to cover these potential liabilities.

Tax Assessments against ATL

In March 2006, the Brazilian Federal Revenue Service issued two tax assessments against ATL in respect of certain tax credits claimed by ATL and derived from non-cumulative contributions levied on gross income (PIS and COFINS). Under the Brazilian tax legislation, the calculation and payment of PIS and COFINS has two different regimes, the cumulative and non-cumulative regimes. The applicability of a regime depends on the nature of the company and its business sector. The cumulative regime applies to revenues derived from the provision of telecommunications services, while the sale of handsets is taxed under the non-cumulative regime. The non-cumulative regime is based on the value-added concept and allows the taxpayer to claim tax credits corresponding to preceding transactions. ATL (as well as other of the Company's Brazilian subsidiaries) offsets the tax credit derived from the non-cumulative regime for the sale of handsets (the balance between the purchase and the sale of handsets), against contributions owed under the cumulative regime. The Brazilian Federal Revenue Service is arguing that tax credits derived from the non-cumulative regime may not be used to offset contributions owed under the cumulative regime. The total amount of the tax assessments is approximately R\$54.9 million (approximately Ps. 411.8 million), including R\$24.1 million (approximately Ps. 180.8 million) of taxes and contributions plus R\$30.8 million (approximately Ps. 231 million) of fines and interest. Claro Brasil has challenged these assessments, and the challenge is pending before the Brazilian Taxpayers Council.

On December 31, 2005, ATL was merged into BCP. In April 2008, BCP changed its name to Claro Brasil.

Claro Brasil did not make any specific provisions in its financial statements to cover these potential liabilities.

Conecel

Tax Assessments

During 2008, Conecel filed administrative proceedings before the Ecuadorian Revenue Services (Servicio de Rentas Internas de Ecuador, or the SRI), challenging US\$127 million (approximately Ps.1,658.6 million) of certain tax assessments notified by the SRI amounting to U.S.\$138 million (not including interest and penalties) (approximately Ps. 1,802.3) which related to special consumption (ICE), value-added, income and withholding taxes for the years 2003 to 2006. In March 2008, Conecel paid to the SRI U.S.\$14.3 million (approximately Ps. 186.8 million) in respect of the aforesaid tax assessments.

In December 2008, the SRI notified Conecel of a resolution that denied the challenges filed by Conecel against the tax assessments. As a result of the foregoing, on January 15, 2009, Conecel filed a lawsuit before a Tax Court in Guayaquil (Tribunal Distrita de lo Fiscal de Guayaquil) challenging the tax assessments, attaching a bank guarantee of US\$12.7 (approximately Ps. 165.9 million), which represented 10% of the contested amount.

In May, 2009, the SRI filed the answer to the complaint. Immediately thereafter, the Tax Court opened the evidentiary stage of the proceedings and summoned the parties to several document exhibition hearings, which took place in Conecel and the SRI. Accountant experts, certified by the parties, were also summoned to the hearings and were responsible for issuing expert opinions as to the document exhibition process. The latest expert opinion was filed before the Tax Court on January 27, 2010.

16. Related Parties

a) An analysis of balances due from/to related parties at December 31, 2008 and 2009 is provided below. All the companies are considered affiliates since América Móvil's primary shareholders are also either directly or indirectly the controlling shareholders of the related parties.

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| | December 31 | |
|--|----------------------|----------------------|
| | 2008 | 2009 |
| Due from: | | |
| Teléfonos de México, S.A.B. de C.V. and subsidiaries | Ps. 704,038 | Ps. 274,481 |
| Telmex Internacional, S.A.B. de C.V. | 20,004 | 25,628 |
| Teléfonos del Noroeste S.A. de C.V. | 34,709 | 92,649 |
| Sanborn Hermanos, S.A. | 100,214 | 62,224 |
| Sears Roebuck de México, S.A. de C.V. | 33,845 | 12,944 |
| Other | 159,986 | 170 |
| Total | Ps. 1,052,796 | Ps. 468,096 |
| Due to: | | |
| Fianzas Guardiania Inbursa, S.A. de C.V. | Ps. 77,232 | Ps. 108,698 |
| Seguros Inbursa, S.A. de C.V. | 75,686 | 114,797 |
| Embratel Participacoes, S.A. | 499,303 | 615,804 |
| Other | 270,033 | 205,856 |
| Total | Ps. 922,254 | Ps. 1,045,155 |

b) América Móvil receives services from several subsidiaries of Grupo Carso, S.A. de C.V.; Grupo Financiero Inbursa, S.A. de C.V. (Inbursa); Teléfonos de México, S.A.B. de C.V. and subsidiaries (Telmex), and Telmex Internacional, S.A.B. de C.V. and subsidiaries (Telmex Internacional). The Company's transactions with Telmex include, among others, the interconnection of their respective networks and the use of the related party's facilities, specifically the co-location of switchboard equipment in the facilities owned by Telmex. The Company's transactions with Inbursa include insurance and bank services, among others.

c) América Móvil has entered into an agreement with AT&T (Major shareholder and related party) to receive consultancy services. In 2008 and 2009, the Company paid US\$ 7.5 million (Ps. 101,500 million and Ps. 100,474 million, respectively) for services received.

d) For the years ended December 31, 2007, 2008 and 2009, the Company conducted the following transactions with related parties (mainly with Telmex and Telmex Internacional):

| | 2007 | 2008 | 2009 |
|---|----------------|----------------|----------------|
| Revenues: | | | |
| Calling Party Pays interconnection fees and Others | Ps. 19,702,718 | Ps. 19,372,722 | Ps. 18,070,319 |
| Costs: | | | |
| Payments for long-distance, circuits and others | 6,891,049 | 7,049,264 | 7,217,809 |
| Commercial, administrative and general expenses: | | | |
| Others, net | 896,249 | 1,202,526 | 1,327,414 |
| Interest expense, net | | (161,798) | |

e) Telcel has entered into various leasing and co-location agreements with a subsidiary of Telmex. Under these agreements, Telcel pays monthly fees for the use of Telmex's antenna and repeater space and has the right to install its interconnection equipment.

f) Claro Chile and Telmex Chile entered into an agreement for the provision of capacity, whereby the latter agrees to provide the former with capacity and infrastructure use over the following 20 years. The amount recorded in results of operations for the years ended December 31, 2007, 2008 and 2009 for this agreement was US\$ 222 million (Ps. 2,412,000), US\$ 218 million (Ps. 2,951,000) and US\$ 265 million (Ps. 3,460,555), respectively.

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g) In 2005, Telmex Argentina, a subsidiary of Telmex Internacional, and AMX Argentina (formerly, CTI Móvil) agreed to jointly install a network of fiber optic trunk lines in Argentina approximately 1,943 kilometers in length. The project was completed in 2009 at an approximate cost of Ps. 313,410 (US\$ 24 million).

In 2009, AMX Argentina began the construction of approximately 3,100 kilometers of fiber optic transmission lines in southern Argentina. The approximate total cost of this project will be Ps. 502,760 (US\$ 39 million). Once the work is finalized, AMX Argentina plans to enter into a 30-year rights of use agreement with Telmex Argentina (subsidiary of Telmex Internacional). Additionally, Telmex Internacional transferred to the Company the rights to use for 15 years the fiber optic ring serving the Buenos Aires metropolitan area (commonly known in Argentina the AMBA), which covers most of the urban links of the greater Buenos Aires area (commonly known in Argentina as Gran Buenos Aires) with an approximate value of Ps. 2,100 (US\$ 0.6 million).

h) Claro Telecom (through its operating subsidiaries) and Embratel, a subsidiary of Telmex Internacional, both provide telecommunications services in certain regions of Brazil; consequently, they have significant operating relationships between themselves, mainly the interconnection of their respective networks and the provision of long-distance services by Embratel.

i) In November 2005, Embratel entered into an agreement with Claro Telecom Participacoes to provide trunk line capacity to the operating subsidiaries in Brazil for a period of 20 years. Through this contract, the subsidiaries in Brazil are obligated to pay monthly fees to Embratel of between 4.0 million Brazilian reais and 6.0 million Brazilian reais (approximately Ps. 24.5 million and Ps. 36.8 million, respectively), depending on the number of months that have passed as of the signing of the agreement (fixed capacity in the agreement of 84,608 Gbps).

j) In the normal course of operations, the Company's subsidiaries in Brazil have entered into lease agreements with Embratel. The total annual rent under such lease agreements is approximately 1.27 million Brazilian reais (approximately Ps. 9.52 million).

k) On December 26, 2006, CICS Perú S.A., Telmex Peru, S.A. and América Móvil Perú, SAC entered into a turnkey fiber optic network construction contract for approximately US\$ 43 million. Such contract has totally been concluded in November 2009.

l) An analysis of employee benefits granted to the Company's key managers or relevant directors is as follows:

| | 2007 | 2008 | 2009 |
|--------------------------------------|------------|------------|------------|
| Short- and long-term direct benefits | Ps. 30,302 | Ps. 34,300 | Ps. 35,835 |

During the years ended December 31, 2007, 2008, and 2009, the Company made no termination payments.

m) As mentioned in Note 3 above, in December 2008, the Company's shares in USCO were donated to Carso Foundation (related party).

17. Shareholders Equity
Shares

a) In July 2005, the Company carried out a three-for-one share split of its outstanding shares, as was approved at the extraordinary shareholders meeting held on April 27, 2005. As a result, the Company's capital stock at December 31, 2007, 2008 and 2009 was represented by 34,897,833,852 shares (11,712,316,330 of Series AA, 547,508,654 of Series A and 22,638,008,877 of Series L) for 2007, 33,250,796,049 shares (11,712,316,330 of Series AA, 480,036,244 of Series A and 21,058,443,475 of Series L) for 2008 and

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32,283,917,456 shares (11,712,316,330 of Series AA, 450,920,648 of Series A and 20,120,680,478 of Series L) for 2009, with no par value and limited voting rights (Series L). Such amounts include the retroactive effect of the split mentioned above and the effect of the merger as mentioned in the next paragraph. These shares represented the Company's fixed minimum capital at such dates.

b) The Company's capital stock before the 2006 merger with América Telecom consisted of a fixed amount of Ps. 402,900 (historical), represented by 48,348,005,796 shares (including treasury shares for re-subscription in terms of the Securities Trading Act and the general provisions issued by the National Securities and Bonding Commission [NSBC]), consisting of: (i) 11,420,301,030 common registered Series AA shares, with no par value; (ii) 979,846,541 common registered Series A shares, with no par value and; (iii) 35,947,858,245 registered Series L shares, with no par value and limited voting rights. All of the above-mentioned shares were fully subscribed and paid in.

c) After the merger, the Company's capital stock consisted of a fixed amount of Ps. 397,873 (historical), represented by 47,744,862,098 shares (including treasury shares for re-subscription in terms of the Securities Trading Act and the general provisions issued by the NSBC, consisting of: (i) 11,717,316,330 common registered Series AA shares; (ii) 599,818,479 common registered Series A shares; (iii) 35,427,727,289 registered Series L shares. All of the above-mentioned shares were fully subscribed and paid in.

d) At December 31, 2007, 2008 and 2009, the Company had treasury shares for re-subscription in terms of the Securities Trading Act and the general provisions issued by the NSBC as follows: 12,847,028,246 shares (12,814,643,242 Series L and 32,385,004 Series A) for 2007, 14,494,066,049 shares (14,460,871,645 Series L and 33,194,404 Series A) for 2008 and 15,460,944,642 shares (15,423,542,538 Series L and 37,402,104 Series A) for 2009.

e) Holders of Series AA and Series A shares have full voting rights. Holders of Series L shares are entitled to vote only to elect two members of the Board of Directors and the corresponding alternate directors and on the following matters: extension of the term of América Móvil, its voluntary dissolution, a change in its corporate purpose or nationality, transformation of América Móvil from one type of company to another and mergers, as well as the cancellation of the registration of the shares issued by the Company in the National Registry of Securities and Intermediaries and in other foreign stock exchanges, with the exception of valuation systems or other markets not organized as stock exchanges.

The Company's bylaws contain restrictions and limitations related to the subscription and acquisition of Series AA shares by foreign investors.

f) In conformity with the Company's bylaws, Series AA shares must represent at all times no less than 20% and no more than 51% of the Company's capital stock and also must represent at all times no less than 51% of the combined number of common registered shares (with full voting rights represented by Series AA and Series A shares).

Series AA shares may only be subscribed or acquired by Mexican individuals, Mexican corporations and trusts expressly authorized to do so in conformity with the applicable legislation in force. Common A shares, which may be freely subscribed, must represent no more than 19.6% of the Company's capital stock and no more than 49% of its common shares. Common registered shares (with full voting rights represented by Series AA and Series A shares) may not exceed 51% of the Company's capital stock. Lastly, 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 the Company's capital stock. For purposes of determining these restrictions, the percentages mentioned above refer only to the number of shares outstanding.

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Dividends

g) On April 27, 2007, the Company's stockholders declared a cash dividend of Ps. 0.20 per Series AA, A and L share, for a total distribution of Ps. 6,712,544, payable in full on July 27, 2007 against coupon No. 22 of the titles that represent the Company's capital stock.

On October 29, 2007, the Company's stockholders declared a cash dividend of Ps. 1.00 per Series AA, A and L share, for a total distribution of Ps. 35,414,993, payable in full on November 6, 2007 against coupon No. 23 of the titles that represent the Company's capital stock.

On April 29, 2008, the Company's stockholders approved payment of a cash dividend of Ps. 0.26 per Series AA, A and L share, for a total distribution of Ps. 8,904,997, payable in full on July 25, 2008 against coupon No. 24 of the titles that represent the Company's capital stock.

On April 20, 2009, the Company's stockholders approved payment of a cash dividend of Ps. 0.30 per Series AA, A and L share, for a total distribution of Ps. 9,812,319, payable in full on July 24, 2009 against coupon No. 25 of the titles that represent the Company's capital stock.

On December 1, 2009, the Company's stockholders approved payment of a cash dividend of Ps. 0.50 per Series AA, A and L share, for a total distribution of Ps. 16,166,730, payable in full on December 10, 2009 against coupon No. 26 of the titles that represent the Company's capital stock.

All the information has been adjusted to give effect to the split and the merger; consequently, the information above may not necessarily coincide with the information shown in the Company's legal records of the dates on which the stockholders' meetings were held.

The aforementioned dividends were paid from the Net tax profit account (CUFIN) of the Company.

Repurchase of shares

h) During the three-year period ended December 31, 2009, the Company has repurchased shares, as shown below. The amount of the repurchase price in excess of the capital stock represented by the shares was charged to retained earnings:

| Year | No. of shares in millions | | Amount in thousands of Mexican pesos | | Historical amount in thousands of Mexican pesos ¹ | |
|-------------|------------------------------|----------|---|------------|---|----------|
| | Series L | Series A | Series L | Series A | Series L | Series A |
| 2007 | 405 | 0.8 | Ps. 12,829,295 | Ps. 27,143 | Ps. 12,617,400 | Ps. |
| 2008 | 1,646 | 0.8 | 41,736,011 | 19,558 | 41,736,011 | 19,558 |
| 2009 | 962 | 4 | 24,587,700 | 118,016 | 24,587,700 | 118,016 |

i) In conformity with Article 20 of the Mexican Corporations Act, at least 5% of the Company's 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.

18. Income Tax, Flat Rate Business Tax and Asset Tax

I) Mexico

a) Effective January 2002, the Ministry of Finance and Public Credit authorized América Móvil to consolidate its tax results with those of its Mexican subsidiaries.

Tax consolidation is a legal precept in Mexico that consists of presenting the tax results of all Mexican subsidiaries and the controlling company (América Móvil, as a legal entity) together as a single legal entity.

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b) Asset Tax (AT) and Flat Rate Business Tax (FRBT)

Through 2007, the asset tax was payable based on 1.25% of the average value of most assets.

Beginning January 1, 2008, the Flat-Rate Business Tax (FRBT) Law abolished the Asset Tax Law. The FRBT Law establishes a procedure for determining asset tax payable through December 2007, which can be recovered beginning in 2008.

Current-year FRBT is computed by applying the 16.5% (17.0% for 2009) to income determined on the basis of cash flows, net of authorized credits.

FRBT credits result mainly from the negative FRBT base to be amortized, salary and social security contribution credits, and credits arising from the deduction of certain assets, such as inventories and fixed assets, during the transition period as of the date on which the FRBT became effective.

FRBT is payable only to the extent it exceeds income tax for the same period. To determine FRBT payable, income tax paid in a given period is first subtracted from the FRBT of the same period.

When the FRBT base is negative because deductions exceed taxable income, there is no FRBT payable. The amount of the negative base multiplied by the FRBT rate results in a FRBT credit, which may be applied against income tax for the same year or, if applicable, against FRBT payable in the next ten years.

c) Corporate income tax rate

i) The corporate income tax rate for 2007, 2008 and 2009 was 28% in Mexico.

ii) An analysis of income tax charged to results of operations for the years ended December 31, 2007, 2008 and 2009 is as follows:

| | 2007 | 2008 | 2009 |
|--------------------------------|----------------------|----------------------|----------------------|
| In Mexico: | | | |
| Current year income tax | Ps.11,096,983 | Ps.16,358,514 | Ps.17,371,300 |
| Deferred income tax | 5,250,377 | (361,855) | 948,916 |
| Deferred FRBT | 117,237 | | |
| Asset tax | 1,080,303 | | |
| Effect of decrease in tax rate | | | (279,837) |
| Abroad: | | | |
| Current year income tax | 5,617,616 | 8,594,349 | 10,303,070 |
| Deferred income tax | (708,249) | (4,702,671) | (6,084,141) |
| Total | Ps.22,454,267 | Ps.19,888,337 | Ps.22,259,308 |

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iii) A reconciliation of the statutory corporate income tax rate to the effective tax rate recognized by the Company for financial reporting purposes is as follows:

| | Year ended December 31, | | |
|---|-------------------------|-------|-------|
| | 2007 | 2008 | 2009 |
| Statutory income tax rate in Mexico | 28.0% | 28.0% | 28.0% |
| Effect of non-taxable, non-deductible items: | | | |
| Tax inflation effect | 0.4 | 3.2 | 1.0 |
| Asset tax | (0.4) | | |
| Tax benefit from tax consolidation | (1.0) | | |
| Tax benefit derived from carryforward of tax losses | (1.8) | | |
| Operations of subsidiaries abroad | (0.9) | (3.2) | (1.0) |
| Other | 0.6 | 0.3 | 1.8 |
| Effective tax rate on Mexican operations | 24.9 | 28.3 | 29.8 |
| Reversal of valuation allowance on NOL s and temporary differences from Brazil | | (4.2) | (5.1) |
| Tax credits realized | | (1.3) | (1.8) |
| Revenues and costs of foreign subsidiaries | 2.7 | (2.2) | (0.5) |
| Effective income tax rate before effect derived from the recognition of deferred FRBT | 27.6 | 25.0 | 22.4 |
| Deferred FRBT | 0.1 | | |
| Effective income tax rate | 27.7% | 25.0% | 22.4% |

iv) An analysis of the effects of temporary differences on net deferred tax liabilities is as follows:

| | December 31, | |
|---|--------------|--------------|
| | 2008 | 2009 |
| <i>Deferred tax assets</i> | | |
| Accrued liabilities | Ps.1,697,482 | Ps.2,299,510 |
| Other | 557,010 | 892,856 |
| Deferred income | 1,719,045 | 1,760,799 |
| Tax losses | 8,544,867 | 10,776,987 |
| | 12,518,404 | 15,730,152 |
| <i>Deferred tax liabilities</i> | | |
| Fixed assets | (5,468,840) | (5,488,079) |
| Sale and leaseback | (1,668,061) | (1,470,520) |
| Inventories | (540,716) | (534,474) |
| Licenses | (346,387) | (350,230) |
| Deferred effects of tax consolidation in Mexican subsidiaries | (4,101,855) | (3,218,858) |
| Futures agreements with affiliates | (1,893,720) | (2,829,468) |
| Royalty advances | (1,630,000) | (3,030,000) |
| Tax losses from Mexican subsidiaries | (6,574,533) | (8,854,119) |
| Effect of translation of foreign subsidiaries | (2,825,486) | (10,276,172) |
| Other | (592,575) | (914,712) |
| | (25,642,173) | (36,966,632) |
| Plus: Valuation allowance | (1,497,306) | (1,325,602) |
| Other | | 279,837 |

| | | |
|-----------------------------------|-----------------|------------------------|
| Total deferred tax liability, net | Ps.(14,621,075) | Ps.(22,282,245) |
|-----------------------------------|-----------------|------------------------|

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An analysis of the temporary differences that comprise the net deferred tax asset at December 31, 2008 and 2009 is as follows:

| | December 31, | |
|---------------------------------|--------------|----------------------|
| | 2008 | 2009 |
| <i>Deferred tax assets</i> | | |
| Accrued liabilities | Ps.3,630,658 | Ps.7,514,024 |
| Fixed assets | 771,771 | 791,803 |
| Deferred revenues | 46,308 | 35,300 |
| Other | 1,386,356 | 2,165,169 |
| Tax losses | 15,265,167 | 17,800,092 |
| | 21,100,260 | 28,306,388 |
| <i>Deferred tax liabilities</i> | | |
| Sale and leaseback | (41,424) | (25,063) |
| Licenses | (110,803) | (14,303) |
| Other | (18,779) | (20,603) |
| | (171,006) | (59,969) |
| Less: Valuation allowance | (11,632,887) | (12,337,624) |
| Total deferred tax asset, net | Ps.9,296,367 | Ps.15,908,795 |

At December 31, 2008 and 2009, the table shown above includes the deferred tax asset of TracFone, Enitel and Puerto Rico. The deferred tax asset in Puerto Rico refers to the income tax benefit this subsidiary will enjoy upon settling its labor obligations. Deferred taxes also include an account receivable arising from differences in the book and tax values of the plant and equipment of Comcel in Colombia.

Additionally, there is a deferred income tax asset recognized in Brazil resulting from tax losses obtained at the time of acquisition and subsequent to the acquisition date, as well as other temporary differences. In 2008 and 2009, the valuation allowance related to this deferred income tax asset was reduced, resulting in a credit of Ps. 4,428,593 and Ps. 6,419,448, respectively, to deferred income tax expense.

g) Changes in Mexican tax legislation effective beginning in 2010

On December 7, 2009, the Mexican Congress passed a tax reform bill that includes an increase in the corporate income tax rate from 28% to 30% from 2010 until 2012, which will then decrease to 29% for 2013 and 28% for 2014 and thereafter.

The effect of such change in the income tax rate represented a decrease of Ps. 279,837 in the Company's deferred income tax liability, since the reversal amount of certain differences in balance sheet accounts for financial and tax reporting purposes was calculated using the 30% statutory rate.

Dividends paid from sources other than the Net taxed profits account (CUFIN) will be subject to the following gross-up or split factors:

| Year | Gross-up factor |
|---------------------|-----------------|
| 2009 | 1.3889 |
| 2010 to 2012 | 1.4286 |
| 2013 | 1.4085 |
| 2014 and thereafter | 1.3889 |

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Additionally, the 2010 Mexican Tax Reform establishes a procedure for a partial or total deconsolidation for certain items that, under the tax consolidation regulations previously permitted under the law, had been deferred from 2004 to date. Such items are as follows:

- i) Tax losses of the controlling company or controlled companies
- ii) Loss on sale of shares issued by controlled companies
- iii) Book dividends paid from sources other than the CUFIN
- iv) Adjustments from changes in equity interest percentages
- v) As of 2010, the deferred-payment procedure must include the difference in CUFIN between the controlled companies and the controlling company.

The payment schedule for aforementioned items in the case of a partial deconsolidation would be remitted as follows depending on the year in which the original tax benefit was taken in the tax consolidation:

| Year | Portion to be remitted |
|-------------|-------------------------------|
| 2010 | 25% |
| 2011 | 25% |
| 2012 | 20% |
| 2013 | 15% |
| 2014 | 15% |

The Company's deferred tax consolidation items are represented primarily by tax losses that were previously benefited in the Company's tax consolidation but that now should be remitted. These amounts may now be carried forward on an individual basis by the individual companies for a period of ten years. Such amounts are presented in the deferred tax table above, with retrospective disclosure for comparable amounts in the prior year.

h) At December 31, 2009, the balance of the Company's Restated contributed capital account (CUCA) and Net tax profit account (CUFIN) aggregated Ps. 105,262,200 and Ps. 3,758,442, respectively.

II) Subsidiaries abroad

a) Net income

The foreign subsidiaries determine their income tax based on the individual results of each subsidiary and in conformity with the specific tax regime of each country. An analysis of the aggregate pretax income and aggregate tax provisions of these subsidiaries in 2007, 2008 and 2009 is as follows:

| Item | 2007 | December 31, 2008 | 2009 |
|--|----------------|------------------------------|----------------|
| Aggregate pretax income | Ps. 22,894,721 | Ps. 21,354,353 | Ps. 45,150,209 |
| Aggregate tax provisions, including deferred taxes | 4,909,367 | 3,891,678 | 4,218,929 |

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b) Tax losses

At December 31, 2009, América Móvil's foreign subsidiaries had available tax loss carryforwards as follows:

| Country | Available tax loss carryforward at | |
|-------------|---------------------------------------|--------------------|
| | December 31, 2009 | Future tax benefit |
| Chile | Ps. 11,310,990 | Ps. 1,922,868 |
| Brazil | 50,051,386 | 17,517,985 |
| México | 31,621,853 | 8,854,119 |
| Puerto Rico | 773,223 | 270,628 |
| USA | 32,797 | 11,479 |
| Total | Ps. 93,790,249 | Ps. 28,577,079 |

The significant tax loss carryforwards in the different foreign countries in which the Company operates have the following expiration dates and characteristics:

- i) In Brazil, tax loss carryforwards do not expire; however, the carryforward amount that may be utilized in each year may not exceed 30% of the tax base for such year, so that in the year on which taxable income is generated, the effective tax rate is 25% rather than the 34% corporate rate.
- ii) In Chile, the tax loss carryforwards have no expiration date. The corporate tax rate is 17%; therefore, at the time tax losses are incurred taxpayers may enjoy a maximum 17% benefit of the amount of the loss.

19. Segments

América Móvil operates primarily in one operating segment (cellular services); however, as mentioned in Note 1 above, the Company has international telecommunications operations in Mexico, Guatemala, Nicaragua, Ecuador, El Salvador, Brazil, Argentina, Colombia, United States, Honduras, Chile, Peru, Paraguay, Uruguay, the Dominican Republic, Puerto Rico, Jamaica, and Panama. The accounting policies for the segments are the same as those described in Note 2.

Company's management analyzes the financial and operating information by geographical segment. However, the information for significant countries, whose revenues aggregates more than 10% of consolidated revenues and more than 10% of consolidated assets, is presented separately.

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| | Mexico(1) | Brazil | Southern Cone(2) | Colombia and Panama | Andean(3) | Central America(4) | U.S.A.(5) | Caribbean(6) | Dominican Republic | Eliminations | Consolidated total |
|------------------------------------|-------------|-------------|---------------------|---------------------------|------------|-----------------------|------------|--------------|-----------------------|---------------|-----------------------|
| December 31, 2007 | | | | | | | | | | | |
| Operating revenues | 144,895,069 | 58,304,614 | 27,236,872 | 29,614,027 | 16,210,004 | 16,917,573 | 15,603,705 | 9,779,538 | 10,990,058 | (17,971,698) | 311,579,762 |
| Depreciation and amortization | 7,661,902 | 13,970,397 | 2,664,336 | 6,841,611 | 1,930,027 | 3,837,280 | 282,504 | 1,982,504 | 1,235,457 | | 40,406,018 |
| Operating income | 59,160,330 | 607,980 | 2,690,863 | 7,616,334 | 3,724,817 | 4,697,885 | 1,503,392 | 1,331,978 | 3,945,926 | (85,167) | 85,194,338 |
| Interest expense | 6,804,449 | 1,012,354 | 728,647 | 575,174 | 208,798 | 185,594 | | 212,407 | 64 | (2,030,520) | 7,696,967 |
| Segment assets | 571,661,701 | 95,359,385 | 32,281,803 | 40,697,444 | 21,629,821 | 34,747,392 | 6,710,313 | 20,095,070 | 33,059,612 | (507,121,226) | 349,121,315 |
| Plant, property and equipment, net | 32,390,036 | 42,547,172 | 19,112,976 | 20,474,373 | 9,549,744 | 20,512,204 | 571,199 | 12,660,352 | 9,265,850 | | 167,083,906 |
| Goodwill, net | | | 588,636 | 3,715,153 | 3,474,354 | 5,006,284 | 781,201 | 17,649,531 | 13,509,713 | | 44,724,872 |
| Trademarks, net | | 2,209,526 | 978,550 | 1,124,645 | 195 | 671,561 | | 328,495 | 288,182 | | 5,601,154 |
| Licenses, net | 4,989,973 | 23,284,334 | 1,686,476 | 2,455,911 | 1,437,380 | 1,118,672 | | 1,591,558 | | | 36,564,304 |
| December 31, 2008 | | | | | | | | | | | |
| Operating revenues | 166,582,112 | 70,484,150 | 30,541,276 | 32,621,989 | 20,217,826 | 16,051,352 | 16,545,768 | 12,883,853 | 11,240,768 | (31,514,186) | 345,654,908 |
| Depreciation and amortization | 9,164,283 | 15,101,006 | 3,043,500 | 4,223,943 | 1,862,316 | 4,216,965 | 312,134 | 2,490,675 | 1,352,487 | | 41,767,309 |
| Operating income | 60,911,024 | 1,584,203 | 5,701,590 | 10,911,635 | 5,284,123 | 3,072,735 | 943,099 | 1,611,954 | 3,373,114 | 2,152,670 | 95,546,147 |
| Interest expense | 8,880,448 | 1,125,054 | 533,162 | 599,818 | 289,439 | 340,366 | 179 | 113,273 | 52 | (2,931,229) | 8,950,562 |
| Segment assets | 729,196,475 | 104,288,579 | 42,051,725 | 54,579,734 | 35,066,903 | 47,566,628 | 9,993,465 | 27,838,108 | 39,816,155 | (654,942,303) | 435,455,470 |
| Plant, property and equipment, net | 40,100,016 | 47,003,912 | 23,942,465 | 23,849,740 | 13,075,185 | 29,792,843 | 684,644 | 17,871,323 | 13,576,692 | | 209,896,820 |
| Goodwill, net | | | 575,985 | 4,156,145 | 3,843,755 | 4,657,139 | 781,201 | 17,614,553 | 13,067,503 | | 44,696,281 |
| Trademarks, net | | 1,753,208 | 847,843 | 960,133 | 141 | 697,252 | | 400,742 | 351,220 | | 5,010,539 |
| Licenses, net | 4,496,065 | 24,987,341 | 1,617,912 | 3,492,207 | 5,431,289 | 1,175,155 | | 1,899,017 | | | 43,098,985 |
| December 31, 2009 | | | | | | | | | | | |
| Operating revenues | 171,338,315 | 82,300,043 | 37,134,845 | 37,031,154 | 26,087,222 | 18,136,936 | 22,856,621 | 14,779,556 | 14,249,533 | (29,203,194) | 394,711,031 |
| Depreciation and amortization | 10,612,448 | 18,503,915 | 3,589,028 | 6,212,512 | 2,777,377 | 5,991,156 | 385,210 | 3,110,293 | 1,900,368 | | 53,082,307 |
| Operating income | 66,956,926 | 1,367,578 | 7,577,580 | 11,852,749 | 7,668,006 | 1,935,719 | 956,112 | 361,472 | 3,891,136 | 1,641,678 | 104,208,955 |
| Interest expense | 7,514,531 | 1,662,272 | 377,327 | 536,275 | 635,370 | 423,766 | | 58,730 | | (3,797,957) | 7,410,314 |
| Segment assets | 825,120,225 | 139,554,893 | 43,608,175 | 57,077,379 | 37,805,040 | 39,002,035 | 9,816,822 | 26,853,227 | 39,870,958 | (765,700,793) | 453,007,961 |

| | | | | | | | | | | |
|------------------------------------|------------|------------|------------|------------|------------|------------|---------|------------|------------|-------------|
| Plant, property and equipment, net | 39,776,646 | 61,517,942 | 25,583,969 | 27,960,767 | 13,888,045 | 27,156,572 | 673,774 | 17,674,928 | 12,816,366 | 227,049,009 |
| Goodwill, net | | | 589,017 | 4,378,428 | 3,675,875 | 4,609,315 | 781,201 | 17,584,720 | 14,186,723 | 45,805,279 |
| Trademarks, net | | 1,296,921 | 670,376 | 795,621 | 54 | 538,041 | | 339,690 | 333,824 | 3,974,527 |
| Licenses, net | 4,002,012 | 26,434,667 | 1,621,484 | 1,868,826 | 4,979,917 | 2,024,032 | | 1,651,593 | | 42,582,531 |

- (1) Mexico includes Telcel and corporate operations and assets
- (2) Southern Cone includes Argentina, Chile, Paraguay and Uruguay
- (3) Andean includes Ecuador and Peru.
- (4) Central America includes Guatemala, El Salvador, Honduras, and Nicaragua
- (5) Excludes Puerto Rico
- (6) Caribbean includes Puerto Rico and Jamaica

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20. Subsequent Events

a) On January 13, 2010, the Company announced that it will launch a tender offer to the shareholders of Carso Global Telecom, S.A.B. de C.V. (Telecom) for the exchange of the shares they hold in Telecom for shares in América Móvil. The exchange ratio would be 2.0474 to 1, which means that the shareholders of Telecom would receive 2.0474 shares of América Móvil per each share of Telecom

Should this offer be accepted by the shareholders of Telecom, América Móvil would indirectly acquire 59.4% of the outstanding shares of Teléfonos de México, S.A.B. de C.V. (Telmex) and 60.7% of the shares of Telmex Internacional, S.A.B. de C.V. (Telmex Internacional). At December 31, 2009, the net debt of Telecom was approximately Ps. 22,017 million. América Móvil also announced that it will make an offer to the shareholders of Telmex Internacional for the exchange or purchase of shares in Telmex Internacional not already owned by Telecom (39.3%). The exchange ratio would be 0.373 per share of América Móvil share per share of Telmex Internacional or, if paid in cash, the purchase price would be Ps. 11.66 per share.

In the event that, at completion of the processes described above, a sufficient number of shares are obtained, it is intended to delist both Telecom and Telmex Internacional in the various securities markets in which their shares are registered. These transactions were approved by the Board of Directors of América Móvil on January 13, 2010.

On February 11, 2010, the Comisión Federal de Competencia Económica (Mexican Federal Antitrust Commission or COFECO) approved these transactions through a resolution that confirms that the transaction would represent a corporate restructuring that would have no bearing whatsoever on the structure of the markets in which the companies involved do business.

The completion of the Proposed Offers will also be subject to receiving regulatory approvals and to other conditions. It is possible that if not all such approvals or conditions are obtained or met we will not complete the Proposed Offers. Accordingly, there can be no assurance as to when we will launch the Proposed Offers or as to whether or when they will be completed.

b) On March 4, 2010, the Company issued Domestic Senior Notes based on the program that was authorized by the National Banking and Securities Commission and is registered under the number 2723-4.15-2008-006 in the National Securities Register.

The issuance was for an amount of Ps. 14,881,331, in three tranches, one for Ps. 4,600,000, with a maturity in February 2015, at an interest rate of 5.32%; the second tranche was issued in Investment Units (IU) that amounted to 743,487,900 (IU) (Ps. 3,281,331), with a maturity in February 2020, at an interest rate of 4.4% and the last tranche amounted to Ps. 7,000,000, with a maturity in February 2025, at an interest rate of 8.6%.

c) On March 9, 2010, the Company announced in its Board of Directors meeting that they decided to submit to the Ordinary General Shareholders Meeting to be held on or before April 30, 2010, a proposal to make a payment of a cash dividend from the consolidated net profit tax account of Ps. 0.32 (thirty two peso cents), payable in a single installment, to each of the series of shares AA , A and L that represent the capital stock of AMX (which includes the preferred dividend correspondent to the series L shares) and to increase in Ps. 50,000 million the outstanding amount to repurchase shares in accordance with article 56 of the Securities Market Law.

d) On March 23, 2010, the Company issued Senior Notes for an amount of US\$ 4,000 million, in three tranches, one for US\$ 750,000, with a maturity in March 2015, at an interest rate of 3.625%; the second tranche amounted to US\$ 2,000,000, with a maturity in March 2020, at an interest rate of 5.0% and the last tranche amounted to US\$ 1,250,000, with a maturity in March 2040, at an interest rate of 6.125%. The Senior Notes require registration with the SEC, which is expected to take place in the coming months.

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21. Differences between Mexican FRS and U.S. GAAP

The Company's consolidated financial statements are prepared in accordance with Mexican Financial Reporting Standards (Mexican FRS), which differ in certain respects from generally accepted accounting principles in the United States (U.S. GAAP).

As previously described in Note 2 f), effective January 1, 2008, the Company ceased to recognize the effects of inflation in its financial statements as required by Mexican FRS B-10. However, as required by such new standard, the financial statement amounts that were previously reported remained unchanged, and the inflation adjustments previously recognized have been maintained in their corresponding caption. This new standard requires that the restated amounts of non-monetary assets as reported at December 31, 2007 to become the carrying amounts for those assets effective January 1, 2008. The carrying amounts will also affect net income in subsequent periods. For example, depreciation expense after the adoption of Mexican FRS B-10 is based on carrying amounts of fixed assets that include inflation adjustments recorded prior to the adoption of Mexican FRS B-10.

The Mexican FRS and US GAAP amounts included in this Note, as they relate to the year ended December 31, 2009 and 2008, are presented in the carrying amounts as required by MFRS B-10. The effects of inflation that were recorded prior to 2008 have not been reversed in the reconciliations to US GAAP.

The Mexican FRS and U.S. GAAP amounts, included throughout Note 21 for the year ended December 31 2007, are presented in constant Mexican pesos as of December 31, 2007. The reconciliation to U.S. GAAP for the year ended December 31, 2007 does not include the reversal of the adjustments to the financial statements for the effects of inflation required under Mexican FRS (Bulletin B-10), except for the methodology for restatement of imported telephone plant, because the application of Bulletin B-10 represented a comprehensive measure of the effects of price level changes in the Mexican economy as permitted by the SEC.

The principal differences between Mexican FRS and U.S. GAAP, as they relate to the Company, are described below together with an explanation, where appropriate, of the method used to determine the adjustments that affect operating income, net income, total shareholders equity and cash flows provided by operating, investing and financing activities.

Accounting Standards Codification

On July 1, 2009, FASB Accounting Standards Codification (ASC) became the sole source of authoritative U.S. GAAP recognized by the Financial Accounting Standards Board (FASB) to be applied by nongovernmental entities for financial statements issued for interim and annual periods ending after September 15, 2009. The ASC did not change U.S. GAAP, but rather combined the sources of U.S. GAAP and the framework for selecting among those sources into a single source.

Statement of Income Information

Cost of sales and services, as shown in the statement of income, includes cost of sales of telephone equipment in the amount of Ps. 69,979,814, Ps. 75,116,949 and Ps. 76,187,077, for the years ended December 31, 2007, 2008 and 2009, respectively.

Cash Flow Information

As described in Note 2 z.1), the Company adopted Mexican FRS B-2, *Statement of cash flows*, on January 1, 2008. The cash flow statements as prepared by the Company under Mexican FRS for the years ended December 31, 2008 and 2009 comply with International Accounting Standard (IAS) No. 7, *Cash Flow Statements*, as issued by the International Accounting Standards Board (IASB). Therefore, no separate US GAAP statements of cash flow are presented for 2008 and 2009.

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However, the financial statements under Mexican FRS for the year ended December 31, 2007, include the presentation of the consolidated statement of changes in financial position in accordance with Bulletin B-12, as described in Note 2 z.1). The changes in the consolidated financial statement balances included in this statement constitute resources provided by and used in operating, financing and investing activities stated in constant pesos (including monetary and foreign exchange gains and losses).

ASC No. 230, *Statement of Cash Flows*, does not provide guidance with respect to inflation adjusted financial statements. For 2007, in accordance with Mexican FRS, the changes in current and long-term debt due to re-expression into constant pesos, including the effect of exchange differences, are presented in the statement of changes in financial position in the financing activities section. The Company has adopted the guidance issued by the AICPA SEC Regulations Committee's International Practices Task Force in its meeting held on November 24, 1998, encouraging foreign registrants that file price level adjusted financial statements to provide cash flow statements that show separately the effects of inflation on cash flows. Also, under U.S. GAAP non-cash investing activities are not reported in the statement of cash flows, whereas in the statement of changes in financial position prepared under Mexican FRS, non-cash transactions that affect the financial structure of an entity must be presented separately.

If the monetary gain and the exchange gain or loss related to the debt reported in the year ended December 31, 2007 were treated as components of operating activities, summarized consolidated statements of cash flows derived from information prepared in accordance with U.S. GAAP would be as follows:

| | For the year ended December 31, 2007 |
|--|---|
| Operating activities | |
| Net income | Ps. 55,419,072 |
| Labor cost | 456,095 |
| Depreciation | 34,659,674 |
| Amortization | 7,543,563 |
| Amortization of loss of sale and lease back | 1,572,397 |
| Deferred taxes | 4,579,073 |
| Monetary effect | (5,181,140) |
| Equity in results of affiliates and non-controlling interest | 52,201 |
| Loss on sale of fixed assets | |
| Effect of exchange rate differences on debt | (4,319) |
| Other than temporary loss on marketable securities | 1,384,418 |
| Trading securities | 1,499,381 |
| Change in operating assets and liabilities | (6,465,306) |
| Cash provided by operating activities | 95,515,109 |
| Financing activities: | |
| New loans | 33,287,331 |
| Repayment of loans | (46,008,892) |
| Purchase of Company's own shares | (12,856,438) |
| Cash dividends paid | (41,785,556) |
| Cash used in financing activities | (67,363,555) |

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| | For the year ended December 31, 2007 |
|---|---|
| Investing activities: | |
| Investment in plant property and equipment | (38,090,643) |
| Investment in trademarks | 26,811 |
| Investment in licenses | (454,005) |
| Acquisitions, net of cash acquired | (19,464,035) |
| Investment in securities available-for-sale | (789,100) |
| Investment in subsidiaries and affiliated companies | 42,130 |
| Non-controlling interest | (160,257) |
| Cash used in investing activities | (58,889,099) |
| Effect of inflation accounting | (248,092) |
| Net decrease in cash and cash equivalents | (30,985,637) |
| Cash and cash equivalents at beginning of year | 42,957,756 |
| Cash and cash equivalents at end of year | Ps. 11,972,119 |

Net cash provided by operating activities reflect cash payments for interest, income tax and employee profit sharing as follows:

| | For the year ended December 31, 2007 |
|--|---|
| Interest paid, net of capitalized interest | Ps. 4,873,123 |
| Income tax paid | 25,225,647 |
| Employee profit sharing paid | 232,402 |

Cash flow from sales of trading securities during 2007 was Ps. 1,499,382. Cash flow from purchases of available-for-sale securities during 2007 was Ps. 789,100.

Capitalized Interest

Under U.S. GAAP, financing cost incurred during the construction period must be considered as an additional cost of constructed assets to be capitalized in plant, property and equipment and depreciated over the useful lives of the related assets. The amount of the capitalized interest for U.S. GAAP purposes was determined by applying the weighted-average rate of interest of financing.

Starting January 1, 2007, the Company commenced capitalizing comprehensive cost of financing on assets under construction (whose construction started on or after January 1 2007), which include interest expense, monetary gains directly associated with borrowings (when operating in an inflationary environment) and, in the case of borrowings denominated in a foreign currency, foreign currency exchange gains (losses).

The reconciling item for 2007 includes the reversal of the monetary gain and foreign exchange results capitalized under Mexican FRS, related to borrowings denominated in foreign currencies and corresponding depreciation. In 2008 and 2009, the reconciling item corresponds to the reversal of foreign exchange gain (loss) capitalized under Mexican FRS, related to borrowings denominated in foreign currencies, as well as the depreciation effect of these differences in prior years.

Valuation of Plant, Property and Equipment

Through December 31, 2007, for Mexican FRS purposes, plant, property and equipment of non-Mexican origin were restated based on the rate of inflation in the respective country of origin at the prevailing exchange rate at the balance sheet date (specific-indexation method), while plant, property and equipment of domestic origin were restated based on the NCPI.

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The alternate restatement method allowed up to December 31, 2007 by Bulletin B-10, which was the one adopted in 1997 by the Company, is not acceptable for U.S. GAAP purposes; consequently, the difference between this method and the restatement of plant, property and equipment based on the NCPI was taken to the U.S. GAAP reconciliations subsequently presented.

As a result of this adjustment, plant, property and equipment and shareholders' equity increased by Ps. 4,923,748 as of December 31, 2008 and Ps. 2,563,127 as of December 31, 2009 and depreciation expense increased by Ps. 3,072,871, Ps. 2,668,181 and Ps. 2,360,622, in 2007, 2008 and 2009, respectively.

Deferred Income Tax and Deferred Employee Profit Sharing

As mentioned in Note 2 s), under Mexican FRS, deferred income tax is determined on all differences in balance sheet accounts for financial and tax reporting purposes, using the enacted income tax rate at the balance sheet date, which is substantially in conformity with ASC No. 740, *Income Taxes*, except for the treatment of deferred taxes on effect of translation of foreign entities.

The Company is required to pay employee profit sharing in accordance with Mexican labor law. Deferred employee profit sharing under US GAAP is determined following the guidelines of ASC No. 740.

Under Mexican FRS, employee profit sharing is presented as Other expenses, net; whereas under US GAAP, such expenses are presented in operating costs and expenses.

As described in Note 2 r), under Mexican FRS the Company began recognizing deferred employee profit sharing, using the asset and liability method, beginning January 1, 2008. Under this method, deferred profit sharing is computed by applying the 10% rate to all differences between the values of all assets and liabilities for financial and tax reporting purposes, which is consistent with ASC 740.

Under Mexican FRS B-15, entities must recognize deferred tax consequences attributable to the effect of translation of foreign entities following the guidelines of MFRS D-4. However under US GAAP, deferred tax consequences on unremitted foreign earnings are accounted for as a temporary difference, unless the tax law provides a means by which the investment in a subsidiary may be recovered or transferred tax free. Therefore, the Company has eliminated the deferred tax consequences on the effect of translation of its foreign operations in the reconciliation of shareholders' equity between Mexican FRS and US GAAP. In 2009, the Company repatriated a portion of its previously unremitted foreign earnings, for which incremental taxes were incurred in Mexico. Thus a corresponding deferred tax liability related to the incremental taxes to be paid on unremitted earnings of those foreign subsidiaries presumed to be remitted in future years was recognized in 2009. This matter is discussed further below.

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The following table summarizes the significant components of net deferred tax and employee profit sharing liabilities under U.S. GAAP (after giving effect to the differences between Mexican FRS and U.S. GAAP as they relate to the Company as described in this reconciliation footnote), at December 31, 2008 and 2009:

| | 2008 | | | 2009 | | |
|---|-------------------------|----------------------|-------------------------|-------------------------|----------------------|-------------------------|
| | Income | Employee | Total | Income | Employee | Total |
| | Tax | Profit | | Tax | Profit | |
| | | Sharing | | | Sharing | |
| Deferred assets: | | | | | | |
| Tax loss carryforwards | Ps. 8,544,867 | | Ps. 8,544,867 | Ps. 10,776,987 | | Ps. 10,776,987 |
| Accrued liabilities | 1,697,482 | Ps. 467,713 | 2,165,195 | 2,299,510 | Ps. 573,963 | 2,873,473 |
| Deferred revenues | 1,865,181 | 539,933 | 2,405,114 | 1,917,374 | 565,151 | 2,482,525 |
| Other | 557,010 | 102,793 | 659,803 | 1,172,693 | 131,627 | 1,304,320 |
| Valuation allowance | (1,497,306) | | (1,497,306) | (1,325,602) | | (1,325,602) |
| Total deferred tax assets | 11,167,234 | 1,110,439 | 12,277,673 | 14,840,962 | 1,270,741 | 16,111,703 |
| Deferred tax liabilities: | | | | | | |
| Fixed assets | (5,885,319) | (1,151,479) | (7,036,798) | (5,428,459) | (695,845) | (6,124,304) |
| Inventories | (540,716) | | (540,716) | (534,474) | | (534,474) |
| Sale and lease back | (1,668,061) | (248,899) | (1,916,960) | (1,470,520) | (133,627) | (1,604,147) |
| Licenses | (587,970) | 67,932 | (520,038) | (570,811) | 73,129 | (497,682) |
| Deferred effects of tax consolidation in Mexican subsidiaries | (4,101,855) | | (4,101,855) | (3,218,858) | | (3,218,858) |
| Royalty advances | (1,630,000) | | (1,630,000) | (3,030,000) | | (3,030,000) |
| Future agreements with affiliates | (1,893,720) | | (1,893,720) | (2,829,468) | | (2,829,468) |
| Tax losses from Mexican subsidiaries | (6,574,533) | | (6,574,533) | (8,854,119) | | (8,854,119) |
| Derivative financial instruments | | | | | (943,157) | (943,157) |
| Other | (592,575) | (153) | (592,728) | (914,712) | | (914,712) |
| Undistributed earnings of foreign subsidiaries | | | | (1,121,377) | | (1,121,377) |
| Total deferred liabilities | (23,474,749) | (1,332,599) | (24,807,348) | (27,972,798) | (1,699,500) | (29,672,298) |
| Net deferred liabilities | Ps. (12,307,515) | Ps. (222,160) | Ps. (12,529,675) | Ps. (13,131,836) | Ps. (428,759) | Ps. (13,560,595) |

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An analysis of the effect of temporary differences giving rise to the net deferred tax assets under U.S. GAAP (after giving effect to the differences between Mexican FRS and U.S. GAAP as they relate to the Company as described in this reconciliation footnote), at December 31, 2008 and 2009:

| | Deferred taxes | |
|--------------------------------------|-----------------------|-----------------------|
| | 2008 | 2009 |
| <i>Deferred tax assets</i> | | |
| Accrued liabilities | Ps. 3,630,658 | Ps. 7,514,024 |
| Other | 1,386,356 | 2,165,169 |
| Pension obligations | 1,244,964 | 1,360,830 |
| Deferred revenues | 46,308 | 35,300 |
| Fixed assets | 771,771 | 791,803 |
| Tax losses and other assets | 15,265,167 | 17,800,092 |
| | 22,345,224 | 29,667,218 |
| <i>Deferred tax liabilities</i> | | |
| Sale and leaseback | (41,424) | (25,063) |
| Licenses | (110,803) | (14,303) |
| Other | (18,779) | (20,603) |
| | (171,006) | (59,969) |
| Less: Valuation allowance | 11,632,887 | 12,337,624 |
| Total deferred tax asset, net | Ps. 10,541,331 | Ps. 17,269,625 |

In accordance with Mexican FRS purposes, deferred tax liabilities of Ps. 14,621,075 and Ps. 22,282,245 were recognized at December 31, 2008 and 2009, respectively; and net deferred tax assets of Ps. 9,296,367 and Ps. 15,908,795 were recognized at December 31, 2008 and 2009, respectively.

Through December 31, 2008, undistributed earnings of the Company's foreign subsidiaries, which amounted to approximately Ps. 8,999 million were considered to be indefinitely reinvested. Accordingly, no provision for income taxes was provided. As discussed above, during 2009 the Company recorded deferred tax liabilities of Ps. 1,121,377 related to the undistributed earnings of Ps. 21,562,097 of those foreign subsidiaries. At December 31, 2009, undistributed earnings of the Company's remaining foreign subsidiaries, which amounted to approximately Ps. 26,211 million were considered indefinitely reinvested.

Employee benefit obligations

ASC 715, *Compensation - Retirement Benefits*, requires (1) recognition on the balance sheet of an asset for a defined benefit plan's overfunded status or a liability for a plan's underfunded status, (2) measurement of a defined benefit plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year, and (3) recognition of the changes in the funded status of a defined benefit postretirement plan as a component of other comprehensive income in the year the changes occur.

The components of the plan funded status that is reflected in the consolidated balance sheet as of December 31, 2008 and 2009 are as follows:

| | 2008 | 2009 |
|----------------------------|-------------------------|-------------------------|
| Defined benefit obligation | Ps. (28,831,285) | Ps. (26,858,884) |
| Fair value of plan assets | 14,959,431 | 13,905,303 |
| Under funded status | Ps. (13,871,854) | Ps. (12,953,581) |

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Amounts recognized in accumulated other comprehensive income for US GAAP purposes consist of the following:

| | 2007 | 2008 | 2009 |
|--|------------|----------------------|----------------------|
| Unrecognized actuarial loss | Ps. | Ps. 1,933,608 | Ps. 2,474,363 |
| Unrecognized post-retirement actuarial loss (gain) | | 644,843 | (263,851) |
| Total | Ps. | Ps. 2,578,451 | Ps. 2,210,512 |

Accordingly, the statement of changes in shareholders' equity at December 31, 2008 and 2009 included a decrease related to actuarial losses of Ps. 2,578,451 (Ps. 1,333,487, net of deferred taxes) and Ps. 2,210,512 (Ps. 849,682, net of deferred taxes), respectively.

The plan assets to cover pension and other post-retirement benefits totaled Ps. 11,358,647 and Ps. 10,822,273 at December 31, 2008 and 2009, respectively. The Company's fund managers seek to minimize investment risk and accordingly have been keeping the fund investments in cash and cash equivalents and debt instruments at fixed rates.

Our current investment strategy, pension assets of Puerto Rico are allocated with a goal to achieve the following distribution:

| | |
|----------------------|-------|
| cash and equivalents | 56.2% |
| debt instruments | 41.3% |
| equity instruments | 2.5% |

Transactions between entities under common control

Mexican FRS requires any difference between the acquisition cost and the carrying value of net assets acquired in some qualifying transactions between entities under common control be recognized in shareholders' equity as a capital transaction. For U.S. GAAP purposes transactions between entities under common control are also recognized as a capital transaction but are recorded at the lower of net book value or fair value.

Net gain on sale to affiliate

The Company recognized in its equity income in prior years a gain of Ps. 53,929 (América Móvil's interest) derived from the sale of assets by CompUSA to Grupo Telvista. Since both entities are affiliates of América Móvil, this gain was considered a transaction between entities under common control and recognized as additional paid in capital for US GAAP purposes.

Excess of contributed company over cost

The remaining percentage of América Móvil's interest in ATL (formerly AlgarTelecom Leste, S.A.) was contributed to Telecom Américas in 2002 for an amount of Ps. 4,412,376. Under Mexican FRS, the excess paid over carrying value of ATL was considered as a gain and included under the caption other income, net. For US GAAP purposes since this was considered as a step acquisition, this excess was considered as negative goodwill and netted with the positive goodwill of the other ATL shares acquired in previous years.

Acquisition of non-controlling interest

Mexican FRS requires that acquisitions of non-controlling interests be treated as a capital transaction. Any difference between the acquisition cost and the carrying value of the net assets acquired is recognized in shareholders' equity. Under US GAAP, in accordance with ASC 805, *Business Combinations*, effective

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January 1, 2009, acquisitions of non-controlling interests are also recognized as a capital transaction. Any difference between the acquisition cost and the carrying value of the net assets acquired is recognized in shareholders' equity. Prior to January 1, 2009, acquisitions of non-controlling interests were accounted for using the purchase method of accounting under US GAAP.

ASC 810, *Consolidation*, establishes new US GAAP accounting and reporting standards for non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. ASC 810 is effective January 1, 2009 and requires retroactive presentation and disclosure of existing non-controlling interests as a component of shareholders' equity. ASC 810 also clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest and requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. The gain or loss will be measured using the fair value of the non-controlling equity investment on the deconsolidation date.

As of December 31, 2008 and 2009, the reconciliation of shareholders' equity included an increase of Ps. 929,459 in each year, related to acquisition of non-controlling interests in prior years.

Accounting for uncertainty in income taxes

For US GAAP purposes, the Company establishes reserves to remove some or all of the tax benefit of any of its tax positions at the time management determines that it becomes uncertain based upon one of the following conditions: (1) the tax position is not more likely than not to be sustained, (2) the tax position is more likely than not to be sustained, but for a lesser amount, or (3) the tax position is more likely than not to be sustained, but not in the financial period in which the tax position was originally taken.

For purposes of evaluating whether or not a tax position is uncertain, (1) management presumes the tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information, (2) the technical merits of a tax position are derived from authorities such as legislation and statutes, legislative intent, regulations, rulings and case law and their applicability to the facts and circumstances of the tax position, and (3) each tax position is evaluated without consideration of the possibility of offset or aggregation with other tax positions taken.

A number of years may elapse before a particular uncertain tax position is audited and finally resolved or when a tax assessment is raised. The number of years subject to tax assessments varies depending on the tax jurisdiction and is generally five years for the countries in which the Company principally operates. The tax benefit that has been previously reserved because of a failure to meet the more likely than not recognition threshold would be recognized in the Company's income tax expense in the first period when the uncertainty disappears under any one of the following conditions: (1) the tax position is more likely than not to be sustained, (2) the tax position, amount, and/or timing is ultimately settled through negotiation or litigation, or (3) the statute of limitations for the relevant taxing authority to examine and challenge the tax position has expired.

The adoption of the provisions with respect to the accounting for uncertain tax positions in ASC 740, *Income Taxes*, as of January 1, 2007 did not have a material impact on the Company's financial statements and did not result in a cumulative adjustment to retained earnings at adoption, because all uncertain tax positions that were not more likely than not to be sustained were reserved in prior years. During the years ended December 31, 2008 and 2009, the Company only recorded additional interest of Ps. 11,942 and Ps. 2,925, respectively. The Company will continue to recognize interest and penalties on liabilities recorded for unrecognized tax benefits in interest expense.

The deferred tax adjustment included in the net income and shareholders' equity reconciliations, also includes the effect of deferred taxes on all U.S. GAAP adjustments reflected in the reconciliation between Mexican FRS and U.S. GAAP.

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Goodwill

Beginning January 1, 2005, due to the adoption of Mexican Bulletin B-7, goodwill is no longer amortized, but rather is subject to periodic impairment valuations.

For US GAAP purposes, the Company adopted ASC 350, *Intangibles – Goodwill and Other*, in 2002. For Mexican FRS purposes goodwill was amortized up to December 31, 2004, thus the Company recognized an increase to US GAAP shareholders' equity of Ps. 4,483,032 as of December 31, 2008 and 2009 to reverse the MFRS accumulated amortization of goodwill, since goodwill is not amortized under US GAAP.

Impairment

When performing impairment tests of goodwill, the computation methodologies under Mexican FRS are different than US GAAP. Under Mexican FRS, the Company is allowed to evaluate the carrying value of goodwill and other long-lived assets in the aggregate, recording any potential impairment loss first to goodwill and then to the remaining long-lived assets evaluated. Under Mexican FRS, an impairment loss is recognized whenever the carrying value of these assets exceeds their recoverable value, which is the greater of its net selling price (if it can be readily obtained) and its value in use. These values can be determined through valuation techniques or, in a more practical manner, through a perpetuity value.

Goodwill's net selling price shall be determined in the same manner that goodwill is obtained in a business acquisition. In this case, the net selling price of the business unit must be determined through the use of market values or through valuation techniques.

The determination of the value in use of goodwill through the determination of perpetuity values is made in two steps. In the first step the Company must determine the excess of the value in use of the cash generating unit's assets other than intangible assets with indefinite lives and goodwill, where value in use is the projected discounted cash flows of the cash generating unit. In the second step, the Company must measure the perpetuity value of the excess value in use of the cash generating unit, which is determined by dividing the average of the excess of the value in use determined in step 1 by the average of the appropriate discount rates used in the cash projections.

Under US GAAP, separate impairments analyses are performed for goodwill, indefinite lived intangible assets, and other long-lived assets. ASC 350 requires a two-step process to identify and quantify the amount of impairment loss to be recognized for goodwill. The first step of this test requires the comparison of the fair value of the reporting unit against its carrying value. The fair value of a reporting unit is the amount at which the unit as a whole could be bought or sold in a current transaction between willing parties. In some instances quoted market prices in active markets provide the best evidence of fair value and should be used as the basis for the measurement, if available. However, there are instances when the market price of an individual equity security may not be representative of the reporting unit's fair value taken as a whole. If fair value of the reporting unit is less than its carrying value, a second step is performed to measure the amount of impairment based on cash flows.

Differences in both the aggregation of amounts within the impairment tests and also the differing valuation techniques can at times create different results with respect to impairment under Mexican FRS as compared to US GAAP. In the 2008 Mexican FRS consolidated financial statements, the Company recognized an impairment loss of Ps. 527,770 related to goodwill and an impairment loss of Ps. 212,083 related to intangible assets and property, plant and equipment of its Honduran operations. Under US GAAP, the fair value of the reporting unit was greater than its carrying value, and thus no impairment was recorded. Therefore, such impairments have been reversed in the US GAAP reconciliations included elsewhere in this Note. For the year ended December 31, 2009, there were no impairment losses recognized for Mexican FRS and US GAAP. For the year ended December 31, 2007, there was a write-off of TDMA assets related to Brazil of Ps. 2,922,109 that was presented under Mexican FRS in the Other expenses, net caption and for US GAAP purposes was presented as part of Operating income.

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During 2006, the Company received a definitive ruling by the Federal Tax and Administrative Court in favor of one of the Company's subsidiary, which established the following:

- i) The consideration paid by Telcel to the Federal Government in the amount of Ps. 116,422 as initial payment and additional payments of Ps. 1,998,539 for the annual share of gross revenues derived from the 15-year extension (expiring in October 2015) for the concession originally granted by the Ministry of Communications and Transportation (SCT) in October 2000, was unjustified, since such considerations were determined based on a law that was no longer in force.
- ii) Telcel should in fact have made a one-time payment for the granting of the concession, in conformity with the law applicable at that time. On April 11, 2006, the SCT ordered a one-time modification to the amount of the consideration from Ps. 116,422 to Ps. 2,265,931, for the extension and modification of the concession granted.

Accordingly, under Mexican FRS, the Company adjusted the value of the license to reflect the current status of the asset by recognizing the value of the concession granted by the Federal Government and its corresponding amortization through April 2006, based on the new value assigned by the SCT, increasing the net investment on such license by Ps. 1,354,070 (Ps. 2,265,931 in investment less Ps. 838,151 in accumulated amortization less cancellation of original net value of license for Ps. 73,710). The increase in the value of the license of Ps. 2,149,509 was settled with a cash payment of Ps. 150,970 and compensating the additional payments for the annual share of gross revenues in the amount of Ps. 1,998,539, which resulted a net credit to results of operations of Ps. 1,203,100 included in other income in 2006, based on the adjusted investment value of the license.

Amortization expense for the remaining eight-month period ended December 31, 2006, amounted to Ps. 103,465. The total effect of the mentioned entries represented a net credit to the income statement for Mexican FRS purposes of Ps. 1,099,635.

For U.S. GAAP, the Company could only capitalize the additional amount paid in cash, as the compensation of the other payments was made with the same entity and did not generate any cash flows. Furthermore, the amortization expense was not adjusted retrospectively; rather, the new net value of the license under U.S. GAAP, in the amount of Ps. 224,680 is being amortized over the remaining term of the license.

The U.S. GAAP shareholders' equity reconciliations show the reversal of adjustments recognized under Mexican FRS in the amount of Ps. 1,099,635, (credit of Ps. 1,203,100 less amortization expenses of Ps. 103,465) as of December 31, 2008 and 2009, as well as the related accumulated amortization. The net income reconciliations include the reversal of the amortization expense not recognized under U.S. GAAP in the amount of Ps. 127,399, Ps. 127,526 and Ps. 127,525 in 2007, 2008 and 2009, respectively.

Accumulated other comprehensive income (loss)

The components of accumulated other comprehensive income under US GAAP are as follows:

| | 2007 | 2008 | 2009 |
|--|----------------|----------------|----------------|
| Restatement for inflation of shareholders' equity | Ps. 825,749 | Ps. | Ps. |
| Deferred taxes on the difference between indexed cost and replacement cost | 3,380,202 | | |
| Actuarial loss, net of deferred taxes | | (1,333,486) | (963,722) |
| Effect of translation of foreign Entities | 8,656,455 | 20,701,000 | 33,937,789 |
| | Ps. 12,862,406 | Ps. 19,367,514 | Ps. 32,974,067 |

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Accounting for Consideration Given by a Vendor to a Customer

ASC 605-50, *Customer Payments and Incentives*, addresses the income statement characterization of consideration given by a vendor to a customer. ASC 605-50 is relevant to the Company particularly with respect to accounting for commissions paid to distributors for the activation of postpaid plans, the commissions that are paid to distributors only if a distributor completes a specified cumulative level of revenue transactions and commissions paid to distributors when a customer remains with the Company for a specified time period.

Application of ASC 605-50 represented a reclassification for US GAAP purposes of commissions paid to distributors from commercial and administrative expenses to reductions in operating revenues of Ps. 12,245,020, Ps. 14,942,712 and Ps. 17,121,713 for the years ended December 31, 2007, 2008 and 2009, respectively.

Accounting for Revenue Arrangements with Multiple Deliverables

ASC 605-25, *Multiple-Element Arrangements*, addresses certain aspects of accounting for sales that involve multiple revenue generating products and/or services sold under a single contractual agreement. Differences between the Company's revenue recognition for multiple-element arrangements under Mexican FRS as compared to US GAAP are included in the reconciliation of net income and shareholders' equity below.

Effects of Inflation Accounting on the U.S. GAAP Adjustments:

Through December 31, 2007, to determine the net effect on the consolidated financial statements of recognizing the U.S. GAAP adjustments described above, the effects of applying the Mexican FRS inflation accounting provision (described in Note 2) was recognized on such adjustments. These effects were taken into consideration in the preparation of the U.S. GAAP reconciliations of net income and shareholders' equity.

However, the Company has reversed the re-expression of the financial information for prior periods, as related to its foreign operations, into constant Mexican Pesos at December 31, 2007, using a weighted-average inflation factor of 1.2607, and re-expressed such period into constant Mexican Pesos at December 31, 2007 using the Mexican only inflation factor of 1.0376, in order to present its financial statements in the same reporting currency for all periods included in this Note.

Effective January 1, 2008, and as a result of adopting MFRS B-10, *Effects of inflation*, the Company ceased recognizing the effects of inflation in its financial statements and considered the re-expressed amounts of all non-monetary items as its carrying basis as of January 1, 2008. The Company has not reconciled the inflation adjustments still included in its non-monetary items, with one exception for the adjustments in the valuation of plant, property and equipment and related depreciation expense, previously mentioned in this Note.

ASC 820, Fair value measurement:

ASC 820, *Fair Value Measurements and Disclosures*, define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2- Observable inputs other than quoted priced included in Level 1. We value assets and liabilities included in this level using dealer and broker quotations, bid prices for similar assets and liabilities in active markets, or other inputs that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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In accordance with accounting principles generally accepted in the United States, certain assets and liabilities are required to be recorded at fair value on a recurring basis. For the Company, the only assets and liabilities that are adjusted to fair value on a recurring basis are the pension plan assets and the derivative financial instruments.

The following tables summarize fair value measurements and disclosures under ASC 820 as of December 31, 2008 and 2009:

| | Fair Value Measurement as of December 31, 2008 | | | |
|---------------------------|--|----------------------|------------|-----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Pension plan Assets: | | | | |
| Equity instruments | Ps. 299,199 | Ps. | Ps. | Ps. 299,199 |
| Debt instruments | 5,235,980 | | | 5,235,980 |
| Cash and cash equivalents | 9,424,764 | | | 9,424,764 |
| Derivative assets | | 3,191,524 | | 3,191,524 |
| Total | Ps. 14,959,943 | Ps. 3,191,524 | Ps. | Ps. 18,151,467 |

| | | | | |
|--------------------|----------------|----------------|-----|-----------------|
| Liabilities | | | | |
| Debt | Ps. 73,669,560 | Ps. 63,443,438 | Ps. | Ps. 137,112,998 |

| | Fair Value Measurement as of December 31, 2009 | | | |
|---------------------------|--|------------|------------|-----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Pension plan Assets: | | | | |
| Equity instruments | Ps. 347,633 | Ps. | Ps. | Ps. 347,633 |
| Debt instruments | 5,742,890 | | | 5,742,890 |
| Cash and cash equivalents | 7,814,780 | | | 7,814,780 |
| Total | Ps. 13,905,303 | Ps. | Ps. | Ps. 13,905,303 |

| | | | | |
|------------------------|------------|------------|-----|-------------|
| Liabilities | | | | |
| Derivative liabilities | Ps. | Ps. 16,155 | Ps. | Ps. 16,155 |
| Debt | 79,619,841 | 32,630,851 | | 112,250,692 |

| | | | | |
|--------------|-----------------------|-----------------------|------------|------------------------|
| Total | Ps. 79,619,841 | Ps. 32,647,006 | Ps. | Ps. 112,266,847 |
|--------------|-----------------------|-----------------------|------------|------------------------|

In accordance with ASC 820, it is necessary to provide information about the fair value of certain financial instruments for which it is practicable to estimate that value. The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate fair values due to the short maturity of these instruments.

The fair value of total debt, excluding capital leases, is estimated using discounted cash flow analyses based on current borrowing rates offered to the Company for debt of the same remaining maturities and the market value for the senior notes at December 31, 2009 and 2008. As of December 31, 2009, the carrying value of total debt is Ps. 110,909,140 (Ps. 143,486,448 at December 31, 2008) and the fair value is Ps. 112,250,692 (Ps. 137,112,998 at December 31, 2008).

As of December 31, 2008 and 2009, the Company had no financial assets or liabilities requiring Level 3 classification, including those that have unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets and liabilities.

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In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company records assets and liabilities at fair value on a nonrecurring basis as required by accounting principles generally accepted in the United States. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges. During the year ended December 31, 2009, there were no changes in carrying value as a result of impairment charges.

Summary

Net income, operating income and total shareholders' equity, adjusted to take into account the significant differences between Mexican FRS and U.S. GAAP, are as follows:

| | Year ended December 31, | | |
|--|---------------------------------------|---------------------------------------|-----------------------|
| | 2007 (Retrospectively adjusted) | 2008 (Retrospectively adjusted) | 2009 |
| Net income as reported under Mexican FRS | Ps. 58,697,333 | Ps. 59,575,394 | Ps. 76,997,853 |
| U.S. GAAP adjustments: | | | |
| Capitalized interest of net financing cost | (21,851) | (5,764,559) | 117,870 |
| Depreciation of capitalized interest | (424,143) | 346,528 | 176,320 |
| Deferred income tax on U.S. GAAP Adjustments | (57,859) | 2,272,321 | (744,192) |
| Difference between the restatement of depreciation expense based on specific indexation factors and on the basis of the NCPI | (3,072,871) | (2,668,181) | (2,360,622) |
| Deferred employee profit sharing on U.S. GAAP adjustments | 138,151 | (376,804) | (68,968) |
| Effects of inflation accounting on U.S. GAAP adjustments | 142,735 | | |
| Reversal of the impairment recognized under MFRS | | 739,853 | |
| Other, net | 127,399 | 127,526 | 241,563 |
| Total U.S. GAAP adjustments, net | (3,168,439) | (5,323,315) | (2,638,029) |
| Net income under U.S. GAAP | Ps. 55,528,894 | Ps. 54,252,079 | Ps. 74,359,824 |
| Weighted average of common shares outstanding as of December 31, | 35,149 | 34,220 | 32,738 |
| Net Controlling Interest earnings per share under U.S. GAAP (in pesos) | Ps. 1.58 | Ps. 1.58 | Ps. 2.27 |

After giving effect to the foregoing adjustments for depreciation of capitalized interest, the difference between the restatement of depreciation expense based on specific indexation factors and on the basis of the NCPI, difference related to amortization of licenses, and deferred employee profit sharing, operating income under U.S. GAAP totaled Ps. 79,040,764, Ps. 92,975,218 and Ps. 102,197,249 in 2007, 2008 and 2009, respectively.

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| | December 31, | |
|--|---------------------------------------|------------------------|
| | 2008 (Retrospectively adjusted) | 2009 |
| Total shareholders' equity under Mexican FRS | Ps. 144,924,549 | Ps. 177,905,563 |
| U.S. GAAP adjustments: | | |
| Capitalized interest or net financing cost | (1,134,005) | (1,016,135) |
| Accumulated depreciation of capitalized interest or net financing cost | (1,536,056) | (1,359,736) |
| Deferred income tax from U.S. GAAP Adjustments | (770,541) | (853,759) |
| Deferred employee profit sharing from US GAAP adjustments | (359,790) | (428,759) |
| Deferred taxes on the difference between the | | |
| indexed cost and replacement cost valuation of fixed assets | 396,246 | (264,729) |
| Difference between the restatement of fixed assets based on specific indexation factors and on the basis of the NCPI | 4,923,748 | 2,563,127 |
| Actuarial loss | (2,578,451) | (2,210,512) |
| Deferred taxes on actuarial loss | 1,244,964 | 1,360,830 |
| Non-amortization of goodwill | 4,483,032 | 4,483,032 |
| Application of additional negative goodwill of ATL to Goodwill | (755,143) | (755,143) |
| Multiple-element revenue arrangements | (521,915) | (521,915) |
| Reversal of net gain on sale to affiliate | (53,329) | (53,329) |
| Reversal of net gain on licenses | (1,099,635) | (1,099,635) |
| Amortization expense of licenses | 236,839 | 364,364 |
| Cancellation of the impairment recognized under MFRS | 739,853 | 739,853 |
| Deferred taxes for effect translation of foreign entities | 2,825,486 | 10,268,897 |
| Acquisition non-controlling interest | 929,459 | 929,459 |
| Total U.S. GAAP adjustments, net | 6,970,762 | 12,145,910 |
| Total shareholders' equity under U.S. GAAP | Ps. 151,895,311 | Ps. 190,051,473 |

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A summary of the most significant new pronouncements in U.S. GAAP that became effective in 2009 or after and may apply to the Company is as follows:

ASC 810, Consolidation

ASC 810, *Consolidation*, establishes new accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It is effective beginning January 1, 2009, requiring retroactive presentation and disclosure of existing non-controlling interest. ASC 810 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest and requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. The gain or loss will be measured using the fair value of the non-controlling equity investment on the deconsolidation date. This standard includes expanded disclosure requirements regarding the interests of the parent and its non-controlling interest. The adoption of this new guidance resulted in a retrospective adjustment of the Balance Sheet, Income Statement and Shareholders Equity for the prior years, for presentation and disclosures purposes as follows:

| | As originally issued 2008 | Reclassification | As reclassified 2008 |
|--------------------------|---------------------------------|------------------|-------------------------|
| Non-controlling interest | Ps. 656,483 | Ps. (656,483) | Ps. |
| Shareholders' equity | 151,238,828 | 656,483 | 151,895,311 |
| Net income | 54,162,186 | 89,892 | 54,252,078 |

| | As originally issued 2007 | Reclassification | As reclassified 2007 |
|--------------------------|---------------------------------|------------------|-------------------------|
| Non-controlling interest | Ps. 633,700 | Ps. (633,700) | Ps. |
| Shareholders' equity | 137,026,149 | 633,700 | 137,659,849 |
| Net income | 55,419,072 | 109,822 | 55,528,894 |

ASC 805, Business Combinations

In December 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 141(R), *Business Combinations*, which was later codified as part of ASC 805. Under the revised standard, costs incurred to effect a business acquisition (i.e., acquisition-related costs) must be recognized separately from the acquisition. In addition, restructuring costs that the acquirer expected but was not obligated to incur, which include changes to benefit plans, were recognized as if they were a liability assumed at the acquisition date; however, the acquirer is now required to recognize those costs separately from the business combination. ASC 805 is effective for all business acquisitions subsequent to January 1, 2009. The adoption of this standard did not have a material impact on the Company's financial statements, in part, because it had no material acquisitions in 2009.

ASC 815, Derivatives and Hedging

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (FAS 161), which was later codified as a component of ASC 815. ASC 815 requires enhanced disclosures about an entity's derivatives and hedging activities to improve the transparency of financial reporting to include (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under ASC 815 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. ASC 815 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The effect of adoption of this new guidance was included in the disclosures as presented herein.

Table of Contents***Determination of the Useful Life of Intangible Assets (FAS 142-3)***

In April 2008, the FASB issued FASB Staff Position FAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSP FAS 142-3), which was codified as a component of ASC 350, *Intangibles – Goodwill and Other*, and amended the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. ASC 350 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The adoption of this new guidance did not have any impact on the Company's financial position or results of operations.

ASC 820, Fair Value Measurements and Disclosures

In October 2008, the FASB issued FASB Staff Position 157-3, which was later codified as a component of ASC 820, *Fair Value Measurements and Disclosures*, which establishes a framework for measuring fair value for all financial assets and liabilities and for non-financial assets and liabilities recognized or disclosed at fair value on a recurring basis (at least annually). For all other assets and liabilities, these requirements became effective on January 1, 2009. The adoption of ASC 820 resulted in additional disclosures as presented herein.

ASC 715, Compensation – Retirement Benefits

In December 2008, the FASB issued FASB Staff Position FAS 132(R), which was later codified as a component of ASC 715, *Compensation Retirement Benefits*. This ASC requires plan sponsors to provide improved disclosures about plan assets, including categories of plan assets, nature and amount of concentrations of risk and disclosure about fair value measurements of plan assets, similar to those required by ASC 820. ASC 715 is effective for fiscal years ending after December 2009. This ASC increased the amount of disclosures for plan assets in the Company's 2009 financial statements.

EITF 08-1, Revenue Arrangements with Multiple Deliverables

(codified in ASC 605-25, Multiple-Element Arrangements)

On September 23, 2009, the FASB ratified Emerging Issues Task Force Issue No. 08-1, *Revenue Arrangements with Multiple Deliverables* (EITF 08-1). EITF 08-1 updates the guidance pertaining to multiple-element revenue arrangements currently included in ASC 605-25, which originated primarily from EITF 00-21, also titled *Revenue Arrangements with Multiple Deliverables*. This new guidance will be effective for annual reporting periods beginning January 1, 2011 for calendar-year entities. The Company is currently evaluating the impact of this new guidance on its financial position, results of operations, cash flows, and disclosures.

ASC 350, Intangibles – Goodwill & Other

In November 2008, the FASB ratified ASC 350, *Intangibles – Goodwill & Other*. ASC 350 requires that a defensive intangible asset be accounted for as a separate unit of accounting and assigned a useful life which reflects the entity's consumption of the expected benefits related to that asset. A defensive intangible asset is an acquired intangible asset which the acquirer does not intend to actively use, but intends to hold to prevent others from obtaining access to the asset, excluding intangible assets that are used in research and development. An entity's benefit from holding a defensive intangible asset is the direct and indirect cash flows resulting from the entity preventing others from realizing any value from the intangible assets. The period over which a defensive asset diminishes in fair value can be used as a proxy for the entity's consumption of the expected benefits related to the asset. This guidance is effective for defensive intangible assets acquired on or after January 1, 2009. The adoption of this new guidance did not have any impact on the Company's financial position or results of operations.

ASC 855, Subsequent Events

In May 2009, the FASB issued ASC 855, *Subsequent Events*. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are

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issued or are available to be issued. In particular, ASC 855 sets forth (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. In accordance with ASC 855, an entity should apply the requirements to annual financial periods ending after June 15, 2009. The adoption of this new guidance did not have any impact on the Company's financial position or results of operations.

ASC 810, Consolidation

In December 2007, the FASB issued ASC 810, *Consolidation*, as amended by SFAS 160, which establishes new accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary, effective beginning January 1, 2009, requiring retroactive presentation and disclosure of existing non-controlling interest. ASC 810 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest and requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. The gain or loss will be measured using the fair value of the non-controlling equity investment on the deconsolidation date. This standard includes expanded disclosure requirements regarding the interests of the parent and its non-controlling interest. The adoption of this new guidance resulted in a retrospective adjustment of the Balance Sheet, Income Statement and Shareholders' Equity for the prior years, for presentation and disclosures purposes as described above in this Note.

Table of Contents**AMÉRICA MÓVIL, S.A.B. DE C.V. AND SUBSIDIARIES**

Consolidated Statement of Changes in Shareholders Equity

Under U.S. GAAP for the years ended December 31, 2007, 2008 and 2009

(Thousands of pesos)

| | Retained Earnings | | | | Accumulated other comprehensive income | Comprehensive Income | Total | Non-controlling interest | Total Shareholders equity |
|---|-------------------|---------------|----------------|----------------|---|-------------------------|-----------------|-----------------------------|---------------------------------|
| | Capital Stock | Legal Reserve | Unappropriated | Total | | | | | |
| Balances at December 31, 2006 | Ps. 37,017,349 | Ps. 487,667 | Ps. 86,223,630 | Ps. 86,711,297 | Ps. 1,179,987 | | Ps. 124,908,633 | Ps. 684,137 | Ps. 125,592,770 |
| Cash purchase of Company's own shares | (3,359) | | (12,853,079) | (12,853,079) | | | (12,856,438) | | (12,856,438) |
| Dividends paid | | | (42,127,537) | (42,127,537) | | | (42,127,537) | | (42,127,537) |
| Comprehensive income: | | | | | | | | | |
| Net income for the year | | | 55,419,072 | 55,419,072 | | Ps. 55,419,072 | 55,419,072 | 109,822 | 55,528,894 |
| Other comprehensive income: | | | | | | | | | |
| Effect of translation of foreign entities | | | | | 10,143,715 | 10,143,715 | 10,143,715 | (160,259) | 9,983,456 |
| Deferred taxes allocate to equity, net of effect of inflation | | | | | 1,538,704 | 1,538,704 | 1,538,704 | | 1,538,704 |
| Comprehensive income | | | | | | Ps. 67,101,491 | | | |
| Balances at December 31, 2007 | 37,013,990 | 487,667 | 86,662,086 | 87,149,753 | 12,862,406 | | 137,026,149 | 633,700 | 137,659,849 |
| Effect of adoption of B-10 | | | 4,205,951 | 4,205,951 | (4,205,951) | | | | |
| Cash purchase of Company's own shares | (19,558) | | (41,736,011) | (41,736,011) | | | (41,755,569) | | (41,755,569) |
| Dividends paid | | | (8,904,997) | (8,904,997) | | | (8,904,997) | | (8,904,997) |
| Comprehensive income: | | | | | | | | | |
| Net income for the year | | | 54,162,186 | 54,162,186 | | Ps. 54,162,186 | 54,162,186 | 89,892 | 54,252,079 |
| Other comprehensive income: | | | | | | | | | |
| Effect of translation of foreign entities | | | | | 12,044,545 | 12,044,545 | 12,044,545 | (67,110) | 11,977,435 |
| Actuarial loss, net of deferred | | | | | (1,333,486) | (1,333,386) | (1,333,386) | | (1,333,386) |

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taxes

| | | | | | | | | | |
|---|----------------|-------------|-----------------|-----------------|----------------|----------------|-----------------|-------------|-----------------|
| Comprehensive income | | | | | | Ps. 64,873,345 | | | |
| Balances at December 31, 2008 | 36,994,432 | 487,667 | 94,389,215 | 94,876,882 | 19,367,514 | | 151,238,828 | 656,482 | 151,895,311 |
| Cash purchase of Company's own shares | 8,058 | | (24,697,658) | (24,697,658) | | | (24,705,716) | | (24,705,716) |
| Dividends paid | | | (25,979,049) | (25,979,049) | | | (25,979,049) | | (25,979,049) |
| Comprehensive income: | | | | | | | | | |
| Net income for the year | | | 74,275,425 | 74,275,425 | | Ps. 74,275,425 | 74,275,425 | 84,399 | 74,359,824 |
| Asset tax write-off | | | 882,992 | 882,992 | | | 882,992 | | 882,992 |
| Other comprehensive income: | | | | | | | | | |
| Effect of translation of foreign entities | | | | | | 13,236,787 | 13,236,787 | | 13,236,787 |
| Actuarial loss, net of deferred taxes | | | | | | 369,766 | 369,766 | (8,442) | 361,324 |
| Comprehensive income | | | | | | | | | Ps. 87,881,978 |
| Balances at December 31, 2009 | Ps. 36,986,374 | Ps. 487,667 | Ps. 118,870,925 | Ps. 119,358,592 | Ps. 32,974,067 | | Ps. 189,319,034 | Ps. 732,439 | Ps. 190,051,473 |

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Table of Contents**22. Supplemental Guarantor Information**

As mentioned in Note 13, the Company has issued senior notes in the United States. These notes are fully and unconditionally guaranteed by Telcel.

Consolidating Condensed Financial Information

The following consolidating information presents condensed consolidating balance sheets as of December 31, 2008 and 2009 and condensed consolidating statements of income and cash flows for each of the three years in the period ended December 31, 2009 of the Company and Telcel (The wholly-owned Guarantor Subsidiary). These statements are prepared in accordance with Mexican FRS with the exception that the subsidiaries are accounted for as investments under the equity method rather than being consolidated. The guarantees of the Guarantor are full and unconditional. The significant differences between Mexican FRS and U.S. GAAP as they affect the Guarantor are set out below.

The Company's consolidating condensed financial information for the (i) Company; (ii) its wholly-owned subsidiary Telcel (on standalone basis), which is a wholly and unconditional guarantor under the Senior Notes; (iii) the combined non-guarantor subsidiaries; iv) eliminations and v) the Company's consolidated financial statements are as follows:

| | Parent | Wholly-owned Guarantor Subsidiary | Combined non-guarantor Subsidiaries | Eliminations | Consolidated Total |
|--|------------------------|---|---|--------------------------|------------------------|
| | | | <i>As of December 31, 2008</i> | | |
| Assets: | | | | | |
| Cash and cash equivalents | Ps. 2,818,138 | Ps. 68,061 | Ps. 19,205,940 | | Ps. 22,092,139 |
| Accounts receivable, net | 15,835,097 | 10,837,824 | 29,222,969 | | 55,895,890 |
| Related parties | 2,671,532 | 43,788,755 | 144,711,429 | Ps. (190,118,920) | 1,052,796 |
| Inventories, net | | 13,213,184 | 24,079,922 | (5,487,964) | 31,805,142 |
| Other current assets | | 374,967 | 2,264,945 | | 2,639,912 |
| Plant, property and equipment, net | | 18,574,776 | 191,322,044 | | 209,896,820 |
| Investments in affiliates and others | 312,276,188 | 37,617,832 | 36,084,169 | (385,188,577) | 789,612 |
| Intangible assets and other non-current assets, net | 365,236 | 6,934,203 | 104,004,275 | (20,555) | 111,283,159 |
| Total assets | Ps. 333,966,191 | Ps. 131,409,602 | Ps. 550,895,693 | Ps. (580,816,016) | Ps. 435,455,470 |
| Liabilities: | | | | | |
| Short-term debt | Ps. 19,663,882 | | Ps. 7,067,473 | | Ps. 26,731,355 |
| Current liabilities | 56,657,539 | 95,720,683 | 158,218,380 | (189,531,851) | 121,064,751 |
| Long-term debt | 103,428,129 | | 13,326,964 | | 116,755,093 |
| Other non-current liabilities | 9,948,574 | 394,362 | 16,223,855 | (587,069) | 25,979,722 |
| Total liabilities | 189,698,124 | 96,115,045 | 194,836,672 | (190,118,920) | 290,530,921 |
| Total majority shareholders' equity | 144,268,067 | 35,294,557 | 355,062,516 | (390,357,073) | 144,268,067 |
| Non-controlling interest | | | 996,505 | (340,023) | 656,482 |
| Total shareholder's equity under Mexican FRS | 144,268,067 | 35,294,557 | 356,059,021 | (390,697,096) | 144,924,549 |
| Total liabilities and shareholders' equity | Ps. 333,966,191 | Ps. 131,409,602 | Ps. 550,895,693 | Ps. (580,816,016) | Ps. 435,455,470 |

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| | Parent | Wholly-owned Guarantor Subsidiary | Combined non-guarantor Subsidiaries | Eliminations | Consolidated Total |
|---|------------------------|---|---|--------------------------|------------------------|
| <i>As of December 31, 2009</i> | | | | | |
| Assets: | | | | | |
| Cash and cash equivalents | Ps. 2,115,451 | Ps. 405,289 | Ps. 24,925,140 | | Ps. 27,445,880 |
| Accounts receivable, net | 11,003,044 | 8,999,724 | 35,924,577 | | 55,927,345 |
| Related parties | 862,444 | 43,082,824 | 167,163,838 | Ps. (210,641,010) | 468,096 |
| Inventories, net | | 8,470,032 | 15,189,340 | (2,123,354) | 21,536,018 |
| Other current assets | | 365,406 | 2,355,577 | | 2,720,983 |
| Plant, property and equipment, net | | 17,023,028 | 210,025,981 | | 227,049,009 |
| Investments in affiliates and others | 374,613,243 | 36,066,547 | 42,938,417 | (452,643,514) | 974,693 |
| Intangible assets and other non-current assets, net | 261,055 | 5,268,087 | 111,356,795 | | 116,885,937 |
| Total assets | Ps. 388,855,237 | Ps. 119,680,937 | Ps. 609,879,665 | Ps. (665,407,878) | Ps. 453,007,961 |
| Liabilities: | | | | | |
| Short-term debt | Ps. 5,114,155 | | Ps. 4,053,786 | | Ps. 9,167,941 |
| Current liabilities | 115,500,051 | 70,956,173 | 155,273,526 | (210,641,010) | 131,088,740 |
| Long-term debt | 88,793,946 | | 12,947,253 | | 101,741,199 |
| Other non-current liabilities | 2,273,961 | 6,761,040 | 24,069,517 | | 33,104,518 |
| Total liabilities | 211,682,113 | 77,717,213 | 196,344,082 | (210,641,010) | 275,102,398 |
| Total majority shareholders' equity | 177,173,124 | 41,963,724 | 412,196,614 | (454,160,338) | 177,173,124 |
| Non-controlling interest | | | 1,338,969 | (606,530) | 732,439 |
| Total shareholder's equity under Mexican FRS | 177,173,124 | 41,963,724 | 413,535,583 | (454,766,868) | 177,905,563 |
| Total liabilities and shareholders equity | Ps. 388,855,237 | Ps. 119,680,937 | Ps. 609,879,665 | Ps. (665,407,878) | Ps. 453,007,961 |

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| | Parent | Wholly-owned Guarantor Subsidiary | Combined non-guarantor Subsidiaries | Eliminations | Consolidated Total |
|--|----------------|---|---|-------------------|-----------------------|
| <i>For the year ended December 31, 2007</i> | | | | | |
| Condensed consolidating statements of income: | | | | | |
| Total revenues | | Ps. 99,606,447 | Ps. 287,132,153 | Ps. (75,158,838) | Ps. 311,579,762 |
| Total cost and operating expenses | Ps. 88,923 | 98,230,816 | 203,540,502 | (75,474,817) | 226,385,424 |
| Operating (loss) income | (88,923) | 1,375,631 | 83,591,651 | 315,979 | 85,194,338 |
| Interest (expense) income, net | (6,028,566) | (1,190,976) | 2,482,840 | | (4,736,702) |
| Exchange (loss) gain, net | (276,885) | 287,693 | 2,452,634 | | 2,463,442 |
| Monetary effect, net | 3,733,528 | 908,022 | 396,856 | | 5,038,406 |
| Other financing cost, net | (328,013) | | (2,816,154) | (8,464) | (3,152,631) |
| Other income (expense), net | 16,512 | (399,206) | (3,330,180) | | (3,712,874) |
| Taxes on profits | (2,131,098) | (690,032) | (19,633,137) | | (22,454,267) |
| Equity interest in net (loss) income of affiliates | 63,690,955 | 12,343,520 | 12,692,273 | (88,669,127) | 57,621 |
| Net income (loss) | Ps. 58,587,510 | Ps. 12,634,652 | 75,836,783 | (88,361,612) | 58,697,333 |
| Distribution of the net income: | | | | | |
| Majority interest | Ps. 58,587,510 | Ps. 12,634,652 | Ps. 75,737,296 | Ps. (88,371,947) | Ps. 58,587,511 |
| Non-controlling interest | | | 99,487 | 10,335 | 109,822 |
| Net income | Ps. 58,587,510 | Ps. 12,634,652 | Ps. 75,836,783 | Ps. (88,361,612) | Ps. 58,697,333 |
| <i>For the year ended December 31, 2008</i> | | | | | |
| Total revenues | | Ps. 114,269,248 | Ps. 312,037,256 | Ps. (80,651,596) | Ps. 345,654,908 |
| Total cost and operating expenses | Ps. 241,634 | 99,473,200 | 230,926,164 | (80,532,237) | 250,108,761 |
| Operating income (loss) | (241,634) | 14,796,048 | 81,111,092 | (119,359) | 95,546,147 |
| Interest income (expense), net | (7,983,819) | (1,529,055) | 2,976,702 | | (6,536,172) |
| Exchange (loss) gain, net | (20,675,528) | (5,231,987) | 12,221,092 | | (13,686,423) |
| Other financing cost, net | 1,327,253 | | 5,030,469 | | 6,357,722 |
| Other income (expense), net | 1,662,073 | (348,726) | (1,979,541) | (1,660,765) | (2,326,959) |
| Taxes on profits | (5,452,360) | (2,050,761) | (12,385,216) | | (19,888,337) |
| Equity interest in net (loss) income of affiliates | 90,849,517 | 4,598,414 | 10,343,350 | (105,681,865) | 109,416 |
| Net income (loss) | Ps. 59,485,502 | Ps. 10,233,933 | Ps. 97,317,948 | Ps. (107,461,989) | Ps. 59,575,394 |
| Distribution of the net income: | | | | | |
| Majority interest | Ps. 59,485,502 | Ps. 10,233,933 | Ps. 97,224,779 | Ps. (107,458,712) | Ps. 59,485,502 |
| Non-controlling interest | | | 93,169 | (3,277) | 89,892 |
| Net income | Ps. 59,485,502 | Ps. 10,233,933 | Ps. 97,317,948 | Ps. (107,461,989) | Ps. 59,575,394 |

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| | Parent | Wholly-owned Guarantor Subsidiary | Combined non-guarantor Subsidiaries | Eliminations | Consolidated Total |
|--|----------------|---|---|-------------------|-----------------------|
| <i>For the year ended December 31, 2009</i> | | | | | |
| Condensed consolidating statements of income: | | | | | |
| Total revenues | | Ps. 110,286,765 | Ps. 330,532,137 | Ps. (46,107,871) | Ps. 394,711,031 |
| Total cost and operating expenses | Ps. 182,117 | 101,052,799 | 238,781,871 | (49,514,711) | 290,502,076 |
| Operating income (loss) | (182,117) | 9,233,966 | 91,750,266 | 3,406,840 | 104,208,955 |
| Interest income (expense), net | (9,729,782) | (2,259,976) | 6,328,870 | (57,497) | (5,718,385) |
| Exchange gain (loss), net | 2,829,007 | (422,441) | 2,150,005 | | 4,556,571 |
| Other financing (cost) income, net | (4,731,976) | (282,351) | 3,194,217 | | (1,820,110) |
| Other income (expense), net | (1,381,572) | 2,488,203 | (1,458,542) | (1,813,673) | (2,165,584) |
| Taxes on profits | 653,814 | (2,332,211) | (20,580,911) | | (22,259,308) |
| Equity interest in net income (loss) of affiliates | 89,456,080 | 3,284,783 | 9,905,686 | (102,450,835) | 195,714 |
| Net income (loss) | Ps. 76,913,454 | Ps. 9,709,973 | Ps. 91,289,591 | Ps. (100,915,165) | Ps. 76,997,853 |
| Distribution of the net income: | | | | | |
| Majority interest | Ps. 76,913,454 | Ps. 9,709,973 | Ps. 91,192,317 | Ps. (100,902,290) | Ps. 79,913,454 |
| Non-controlling interest | | | 97,274 | (12,875) | 84,399 |
| Net income | Ps. 76,913,454 | Ps. 9,709,973 | Ps. 91,289,591 | Ps. (100,915,165) | Ps. 76,997,853 |

Table of Contents**Condensed Consolidating Statement of Changes in Financial Position:**

| | Parent | Wholly-owned Guarantor Subsidiary | Combined non-guarantor Subsidiaries | Eliminations | Consolidated Total |
|--|----------------|---|---|------------------|-----------------------|
| <i>For the year ended December 31, 2007</i> | | | | | |
| Operating activities: | | | | | |
| Net income | Ps. 58,587,510 | Ps. 12,634,652 | Ps. 75,836,783 | Ps. (88,361,612) | Ps. 58,697,333 |
| Non-cash items | (58,775,022) | (6,432,623) | 23,386,792 | 88,669,128 | 46,848,275 |
| Changes in operating assets and liabilities: | 17,550,628 | 3,879,664 | (27,146,600) | 750,385 | (4,965,923) |
| Resources (used in) provided by operating activities | 17,363,116 | 10,081,693 | 72,076,975 | 1,057,901 | 100,579,683 |
| Financing activities: | | | | | |
| Bank loans, net | (18,078,839) | (94,050) | 1,289,941 | | (16,882,948) |
| Dividends declared | (42,127,537) | (15,805,085) | (40,152,560) | 55,957,645 | (42,127,537) |
| Decrease in capital stock and retained earnings due to purchases of Company's own shares | (12,856,438) | 12,496,523 | | (12,496,523) | (12,856,438) |
| Resources (used in) provided by financing activities | (73,062,814) | (3,402,612) | (38,862,619) | 43,461,122 | (71,866,923) |
| Investing activities: | | | | | |
| Investment in property, plant and equipment | | (2,899,298) | (35,955,503) | | (38,854,801) |
| Investment in subsidiaries and affiliates | 40,161,394 | (6,083,852) | 9,429,260 | (43,624,931) | (118,129) |
| Investment in securities available-for-sale | | | (789,100) | | (789,100) |
| Acquisitions, net of cash acquired | | | (19,464,035) | | (19,464,035) |
| Investment in trademarks | | | 26,811 | | 26,811 |
| Investment in licenses | | | (499,145) | | (499,145) |
| Resources provided by (used in) investing activities | 40,161,394 | (8,983,150) | (47,251,710) | (43,624,931) | (59,698,397) |
| Net (decrease) increase in cash and cash equivalents | (15,538,304) | (2,304,069) | (14,037,356) | 894,092 | (30,985,637) |
| Cash and cash equivalents at beginning of the period | 16,138,446 | 2,778,859 | 24,934,543 | (894,092) | 42,957,756 |
| Cash and cash equivalents at end of the period | Ps. 600,142 | Ps. 474,790 | Ps. 10,897,187 | Ps. | Ps. 11,972,119 |

Table of Contents**Condensed Consolidating Statements of Cash Flows:**

| | Parent | Wholly-owned Guarantor Subsidiary | Combined non-guarantor Subsidiaries | Eliminations | Consolidated Total |
|---|----------------|--|--|---------------------|-------------------------------|
| <i>For the year ended December 31, 2008</i> | | | | | |
| Operating activities: | | | | | |
| Income before taxes on profits | Ps. 64,937,861 | Ps. 12,284,695 | Ps. 109,703,164 | Ps. (107,461,989) | Ps. 79,463,731 |
| Non-cash items | (85,864,452) | 4,005,441 | 35,487,672 | 105,681,866 | 59,310,527 |
| Changes in operating assets and liabilities: | 3,306,588 | (5,098,457) | (51,632,967) | 2,114,586 | (51,310,250) |
| Net cash flows (used in) provided by operating activities | (17,620,003) | 11,191,679 | 93,557,869 | 334,463 | 87,464,008 |
| Investing activities: | | | | | |
| Acquisition of plant, property and equipment | | (4,602,427) | (22,341,530) | | (26,943,957) |
| Acquisition of licenses | | | (13,736,502) | | (13,736,502) |
| Dividends received | 35,700,000 | 10,000,000 | 14,000,000 | (59,700,000) | |
| Investment in subsidiaries and affiliated companies | | (255,319) | | 255,319 | |
| Fixed asset sales | | 1,250 | 74,288 | | 75,538 |
| Business acquisitions, net of cash | | | (479,090) | | (479,090) |
| Net cash flows (used in) provided by investing activities | 35,700,000 | 5,143,504 | (22,482,834) | (59,444,681) | (41,084,011) |
| Financing activities: | | | | | |
| Bank loans, net | 40,476,978 | (2,508,000) | (17,646,953) | | 20,322,025 |
| Interest Paid | (5,890,802) | (233,912) | (1,980,428) | | (8,105,142) |
| Repurchase and others | (41,632,608) | | | | (41,632,608) |
| Payment of dividends | (8,815,570) | (14,000,000) | (45,110,218) | 59,110,218 | (8,815,570) |
| Net cash flows (used in) provided by financing activities | (15,862,002) | (16,741,912) | (64,737,599) | Ps. 59,110,218 | (38,231,295) |
| Net (decrease) increase in cash and cash equivalents | 2,217,995 | (406,729) | 6,337,436 | | 8,148,702 |
| Adjustment to cash flow for exchange rate differences | | | 1,971,318 | | 1,971,318 |
| Cash and cash equivalents at Beginning of the Period | 600,142 | 474,790 | 10,897,187 | | 11,972,119 |
| Cash and cash equivalents at end of the period the period | Ps. 2,818,137 | Ps. 68,061 | Ps. 19,205,941 | Ps. | Ps. 22,092,139 |

Table of Contents**Condensed Consolidating Statements of Cash Flows:**

| | Parent | Wholly-owned Guarantor Subsidiary | Combined non-guarantor Subsidiaries | Eliminations | Consolidated Total |
|---|---|---|---|------------------|-----------------------|
| | <i>For the year ended December 31, 2009</i> | | | | |
| Operating activities: | | | | | |
| Income before taxes on profits | Ps. 76,259,640 | Ps. 12,042,184 | Ps. 111,870,502 | Ps.(100,915,165) | Ps. 99,257,161 |
| Non-cash items | (88,539,343) | 6,116,211 | 36,003,368 | 102,450,836 | 56,031,072 |
| Changes in operating assets and liabilities: | 60,814,480 | (13,883,127) | (47,705,616) | (1,705,016) | (2,479,279) |
| Net cash flows provided by (used in) operating activities | 48,534,777 | 4,275,268 | 100,168,254 | (169,345) | 152,808,954 |
| Investing activities: | | | | | |
| Acquisition of plant, property and equipment | | (3,662,657) | (49,551,043) | | (53,213,700) |
| Acquisition of licenses | | 27,119 | (27,604) | | (485) |
| Dividends received | 31,362,000 | 5,500,000 | 3,180,000 | (40,042,000) | |
| Investment in subsidiaries and affiliated companies | | (169,345) | | 169,345 | |
| Fixed asset sales | | | 556,704 | | 556,704 |
| Net cash flows (used in) provided by Investing activities | 31,362,000 | 1,695,117 | (45,841,943) | (39,872,655) | (52,657,481) |
| Financing activities: | | | | | |
| Bank loans, net | (30,479,327) | | (5,465,070) | | (35,944,397) |
| Interest Paid | | (2,453,157) | (6,097,866) | | (8,551,023) |
| Repurchase and others | (24,657,808) | | | | (24,657,808) |
| Payment of dividends | (25,462,328) | (3,180,000) | (36,862,000) | 40,042,000 | (25,462,328) |
| Net cash flows (used in) provided by financing activities | (80,599,463) | (5,633,157) | (48,424,936) | 40,042,000 | (94,615,556) |
| Net (decrease) increase in cash and cash equivalents | (702,686) | 337,228 | 5,901,375 | | 5,353,741 |
| Adjustment to cash flow for exchange rate differences | | | (182,176) | | (182,176) |
| Cash and cash equivalents at beginning of the period | 2,818,137 | 68,061 | 19,205,941 | | 22,092,139 |
| Cash and cash equivalents at end of the period the period | Ps. 2,115,451 | Ps. 405,289 | Ps. 24,925,140 | Ps. | Ps. 27,445,880 |

Table of Contents**Guarantor US GAAP reconciliation of net income and shareholders equity**

As discussed at the beginning of Note 21, the following reconciliation to US GAAP does not include the reversal of the adjustments to the financial statements for the effects of inflation required under Mexican FRS (Bulletin B-10).

Summary

The principal differences between Mexican FRS and U.S. GAAP, as they relate to the consolidating financial statements of the Company, and those of the Guarantor, are basically the same as those described in Note 21, except for the adjustments applied directly to the sub-holdings companies, such as the non-amortization of goodwill, non-controlling interest, gains or losses on sales to affiliates and the reversal of the impairment recognized under Mexican FRS.

Net income and total shareholders equity, adjusted to take into account the material differences between Mexican FRS and U.S. GAAP, are as follows:

| | 2007 | Year ended December 31, 2008 | 2009 |
|--|----------------|---------------------------------|----------------------|
| Net income as reported under Mexican FRS | Ps. 12,634,652 | Ps. 10,233,934 | Ps. 9,709,973 |
| U.S. GAAP adjustments: | | | |
| Capitalized interest of net financing cost, net | (144,559) | (128,107) | (94,093) |
| Deferred income tax and employee profit sharing adjustments | 387,873 | (234,376) | (312,006) |
| Difference between the restatement of depreciation expense based on specific indexation factors and on the basis of the NCPI | (344,699) | (609,187) | (644,408) |
| Other items, net | (88,760) | | |
| Effects of inflation accounting on U.S.GAAP adjustments | 16,896 | | |
| Increase in value on licenses | 127,525 | 127,525 | 127,525 |
| Effects of U.S. GAAP adjustments on subsidiaries, net | (107,145) | 129,627 | 118,576 |
| Total U.S. GAAP adjustments, net | (152,869) | (714,518) | (804,406) |
| Net income under U.S. GAAP | Ps. 12,481,783 | Ps. 9,519,416 | Ps. 8,905,567 |

| | December 31, 2008 | 2009 |
|--|----------------------|----------------------|
| Total shareholders equity under Mexican FRS | Ps.35,294,558 | Ps.41,963,724 |
| U.S. GAAP adjustments: | | |
| Capitalized interest or net financing cost, net | 149,600 | 55,507 |
| Deferred income tax and employee profit sharing adjustments | (316,618) | (628,624) |
| Difference between the restatement of fixed assets based on specific indexation factors and on the basis of the NCPI | 1,309,595 | 665,187 |
| Multiple-element revenue arrangements | (437,739) | (437,739) |
| Reversal of net gain on licenses | (862,797) | (735,271) |
| Effect of U.S. GAAP adjustments on subsidiaries, net | (630,235) | 213,499 |
| Total U.S. GAAP adjustments, net | (788,194) | (867,441) |
| Total shareholders equity under U.S. GAAP | Ps.34,506,364 | Ps.41,096,283 |