

AMERICA MOVIL SAB DE CV/
Form 20-F
April 30, 2013
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As filed with the Securities and Exchange Commission on April 30, 2013

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, 2012

Commission file number: 1-16269

AMÉRICA MÓVIL, S.A.B. DE C.V.

(exact name of registrant as specified in its charter)

America Mobile

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(translation of registrant's name into English)

United Mexican States

(jurisdiction of incorporation)

Lago Zurich 245, Plaza Carso / Edificio Telcel, Colonia Granada Ampliación, Delegación Miguel Hidalgo, 11529, México, D.F., México

(address of principal executive offices)

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(name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:

American Depositary Shares, each representing 20 A Shares, without par value
A Shares, without par value
American Depositary Shares, each representing 20 L Shares, without par value
L Shares, without par value
2.375% Senior Notes Due 2016
3.125% Senior Notes Due 2022
4.375% Senior Notes Due 2042

Name of each exchange on which registered:

NASDAQ National Market
NASDAQ National Market (for listing purposes only)
New York Stock Exchange
New York Stock Exchange (for listing purposes only)
New York Stock Exchange
New York Stock Exchange
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

The number of outstanding shares of each of the registrant's classes of capital or common stock as of December 31, 2012:

23,424 million AA Shares
712 million A Shares
51,703 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. x 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 x 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. x Yes " No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes " No

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 x 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:

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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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We prepared our consolidated financial statements included in this annual report in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

We present our financial statements in 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 that the 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 pesos at the exchange rate of Ps.13.0101 to U.S.\$1.00, which was the rate reported by Banco de México for December 31, 2012, as published in the Official Gazette of the Federation (*Diario Oficial de la Federación*, or Official Gazette).

In June 2011, we effected a two for one stock split. Unless otherwise noted, all share and per share data in this annual report have been adjusted to reflect the stock split for all periods presented. The selected financial information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements. 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.

	For the year ended December 31,				2012	
	2009	2010	2011	2012	(millions of U.S. dollars, except share and per share amounts)	
	(millions of pesos, except share and per share amounts)					
Income Statement Data:						
Operating revenues	Ps.581,560	Ps.629,889	Ps.689,966	Ps.775,070	U.S.\$	59,574
Operating costs and expenses	432,749	477,568	535,191	617,759		47,483
Depreciation and amortization	79,904	91,071	93,997	103,585		7,962
Operating income	148,811	152,321	154,776	157,310		12,091
Net profit	Ps.106,901	Ps. 98,905	Ps. 88,124	Ps. 92,140	U.S.\$	7,082
Net profit attributable to:						
Equity holders of the parent	Ps. 92,968	Ps. 91,123	Ps. 82,854	Ps. 91,441	U.S.\$	7,028
Non-controlling interests	14,203	7,782	5,270	699		54
Net profit	Ps.106,901	Ps. 98,905	Ps. 88,124	Ps. 92,140	U.S.\$	7,082
Earnings per share:						
Basic	Ps. 1.19	Ps. 1.15	Ps. 1.05	Ps. 1.20	U.S.\$	0.09
Diluted	Ps. 1.19	Ps. 1.15	Ps. 1.05	Ps. 1.20	U.S.\$	0.09
Dividends declared per share ⁽¹⁾	Ps. 0.40	Ps. 0.16	Ps. 0.18	Ps. 0.20	U.S.\$	0.015
Dividends paid per share ⁽²⁾	Ps. 0.40	Ps. 0.16	Ps. 0.18	Ps. 0.20	U.S.\$	0.015
Weighted average number of shares outstanding (millions):						
Basic	77,930	79,020	78,599	76,111		
Diluted	77,930	79,020	78,599	76,111		

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	2009	2010	As of December 31, 2011	2012	2012 (millions of U.S. dollars, except share and per share amounts)
(millions of pesos, except share and per share amounts)					
Balance Sheet Data:					
Property, plant and equipment, net	Ps. 418,733	Ps.411,820	Ps.466,086	Ps. 500,434	U.S.\$ 38,465
Total assets	807,334	876,695	947,633	1,003,898	77,163
Short-term debt and current portion of long-term debt	44,967	9,039	26,643	13,622	1,047
Long-term debt	232,274	294,060	353,975	404,048	31,057
Total equity	313,798	336,037	295,640	312,323	24,006
Capital stock	30,116	96,433	96,420	96,415	7,411
Number of outstanding shares (millions):					
AA Shares	23,424	23,424	23,424	23,424	
A Shares	902	786	756	712	
L Shares	52,866	56,136	52,810	51,703	
Ratio of Earnings to Fixed Charges⁽³⁾	9.2	7.6	6.4	6.0	

- (1) Figures provided represent the annual dividend declared at the general shareholders meeting. Figures for 2009 include a special dividend of Ps. 0.25 per share.
- (2) 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.
- (3) Earnings, for this purpose, consist of profit before income tax, plus interest expense and interest implicit in operating leases, minus equity interest in net income of affiliates, during the period.

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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 Board of Governors of the Federal Reserve System, expressed in pesos per U.S. dollar.

Period	High	Low	Average⁽¹⁾	Period End
2008	13.9350	9.9166	11.2124	13.8320
2009	15.4060	12.6318	13.5777	13.0576
2010	13.1940	12.1556	12.6352	12.3825
2011	14.2542	11.5050	12.4270	13.9510
2012	14.3650	12.6250	13.1404	12.9635
October	13.0925	12.7054		13.0877
November	13.2531	12.9171		12.9171
December	13.0125	12.7202		12.9635
2013				
January	12.7891	12.5857		12.7344
February	12.8798	12.6260		12.7788
March	12.7956	12.3155		12.3155
April (through April 19)	12.3404	12.0680		12.2320

(1) Average of month-end rates.

On April 19, 2013, the noon buying rate published by the Board of Governors of the Federal Reserve System was Ps.12.232 to U.S.\$1.00.

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FORWARD-LOOKING STATEMENTS

Some of the information contained in this annual report may constitute forward-looking statements within the meaning of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. Although we have based these forward-looking statements on our expectations and projections about future events, it is possible that actual events may differ materially from our expectations. In many cases, we include together with the forward-looking statements themselves a discussion of factors that may cause actual events to differ from our forward-looking statements. Examples of forward-looking statements include the following:

projections of our commercial, operating or financial performance, our financing, our capital structure or our other financial items or ratios;

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

statements concerning regulation or regulatory developments;

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 operate or into which we may expand;

other factors and 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, and 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, Colombia 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 undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.

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

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RISK FACTORS

Risks Relating to Our Operations

Competition in the telecommunications industry is intense and could adversely affect the revenues and profitability of our operations

Our businesses face substantial competition from other wireless providers, fixed-line telephone companies and, increasingly, other telecommunications providers such as cable, paging, trunking and internet companies.

We expect that competition will 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 consolidation in the telecommunications industry, 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), which has important operations in Mexico and Brazil, as well as in other markets, is our largest regional competitor.

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);

offer services at lower costs through double, triple and quadruple play packages or other pricing strategies;

expand their networks faster; or

develop and deploy improved technologies faster.

Competition can lead us to increase advertising and promotional spending and to reduce prices for services and handsets. 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 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 land coverage, the quality of our network and service, our rates, customer service, effective marketing, our success in selling double, triple and quadruple play packages 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.

The effects of forthcoming Mexican telecommunications legislation are uncertain but likely to be material

In December 2012, the new Mexican administration, led by President Enrique Peña Nieto, and the principal political parties agreed to an action plan called *Pacto por México* to promote a comprehensive package of reforms in the Mexican economy and society. One of the plan's main goals is to promote investment in telecommunications and broadcasting in Mexico, and a new bill for this purpose was adopted in March 2013 by the Chamber of Deputies and in April 2013 by the Senate.

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We expect that the effects of this legislation on our business and operations in Mexico will be material. Among the features of the bill that could affect us are the following:

establishment of the Federal Telecommunications Institute, an independent regulatory body with broad powers;

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establishment of specialized courts for telecommunications and broadcasting matters, and limitations on judicial power to suspend regulatory measures pending judicial review;

identification of preponderant economic actors in telecommunications, based on market share, and imposition of specific measures including asymmetric rates and regulations and structural separation to protect competition and consumers;

unbundling of network elements and the local loop;

creating a single concession regime allowing each concessionaire to offer multiple services on a converged basis;

enhanced regulatory powers and sanctions; and

creation of a government-sponsored carrier of carriers to transport data for networks.

See *Recent Developments* under Item 4.

The telecommunications and broadcasting bill is likely to become effective in substantially its current form, but its impact will depend on how it is implemented by further legislation and by the new Federal Telecommunications Institute. It would therefore be premature to predict the long-term effects of the bill and the new framework it contemplates, but these effects could be adverse to our interests in significant respects.

Governmental or regulatory actions could hurt our operations

Our operations 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 arrangements of 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 by reducing our profit margins.

See *Regulation* under Item 4, *Legal Proceedings* under Item 8 and Note 17 to our audited consolidated financial statements included in this annual report.

In addition, changes in political administrations could lead to the adoption of policies concerning competition and taxation of communications services. In Colombia, for example, a bill that is still in committee proposes restricting any one wireless provider from controlling more than 30% of the wireless market. We cannot anticipate whether this legislative initiative will be approved. Furthermore, in the countries in which we operate outside of Mexico, we could face policies such as preferences for local over foreign ownership of communications licenses and assets or for government over private ownership, which could make it more cumbersome or impossible for us to continue to develop our businesses. Restrictions such as those described above 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.

Our failure to meet or maintain quality of service goals and standards could result in fines

The terms of the concessions under which our subsidiaries operate require them to meet certain service quality goals, including, for example, minimum call completion rates, maximum busy circuits rates, operator availability and responsiveness to repair requests. Failure to meet service quality obligations in the past has resulted in the imposition of fines by regulatory entities. Our ability to comply with these obligations in the future may be affected by factors beyond our control and, accordingly, we cannot assure that we will be able to comply with them.

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

Our regulators are authorized to impose specific requirements as to rates (including mobile termination rates), service quality and information on operators that are determined to have substantial market power in a

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specific market. We cannot predict what steps regulatory authorities might take in response to determinations regarding substantial market power in the countries in which we operate. However, adverse determinations against our subsidiaries could result in material fines, penalties or restrictions on our operations. We may also face additional regulatory restrictions and scrutiny as a result of our provision of combined services.

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.

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

Licensed radio spectrum is essential to our growth and the quality of our wireless services, not only for our global system for mobile communications (GSM), universal mobile telecommunications systems (UMTS) and long term evolution (LTE) networks, but also for the deployment of new generation networks to offer improved data and value-added services. We obtain most of our radio spectrum through auctions conducted by governments of the countries in which we operate. Participation in spectrum auctions in most of these countries requires prior government authorization, and we may be subject to caps on our ability to acquire additional spectrum. Our inability to acquire additional radio spectrum capacity could affect our ability to compete successfully because it could result in, among other things, a decrease in the quality of our network and service and in our ability to meet the demands of our customers.

In the event we are unable to acquire additional radio spectrum capacity, we can increase the density of our network by building more cell and switch sites, but such measures are costly and would be subject to local restrictions and approvals, and they would not properly meet our needs.

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 at fair market value, although certain jurisdictions provide for other valuation methodologies.

In addition, the regulatory regimes and laws of the jurisdictions in which we operate permit the government to revoke our concessions under certain circumstances. In Mexico, for example, the Mexican Telecommunications Law gives the government the right to expropriate our concessions or to take over the management of our 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 acquisition opportunities, and any future acquisitions and related financing could have a material effect on our business, results of operations and financial condition

We continue to look for other investment opportunities in telecommunications companies worldwide, including in markets where we are already present, and we often have several possible acquisitions under consideration. Any future acquisitions and related financing could have a material effect on our business, results

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of operations and financial condition, but we cannot provide assurance 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 are subject to significant litigation

Some of our subsidiaries are subject to significant litigation that, if determined adversely to our interests, may have a material adverse effect on our business, results of operations, financial condition or prospects. Our significant litigation is described in Regulation under Item 4, Legal Proceedings under Item 8 and in Note 17 to our audited consolidated financial statements included in this annual report.

We are contesting significant tax assessments

We and some of our subsidiaries have been notified of tax assessments for significant amounts by the tax authorities of the countries in which we operate, especially in Mexico and Brazil. The tax assessments relate to, among other things, alleged improperly taken deductions and underpayments. We are contesting these tax assessments in several administrative and legal proceedings, and our challenges are at various stages. If determined adversely to us, these proceedings may have a material adverse effect on our business, results of operations, financial condition or prospects. In addition, in some jurisdictions challenges to tax assessments require the posting of a bond or security for the contested amount, which may reduce our flexibility in operating our business. Our significant tax assessments are described in Note 17 to our audited consolidated financial statements included in this annual report.

A system failure could cause delays or interruptions of service, which could have an adverse effect on our operations

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

physical damage to access lines and fixed networks;

power surges or outages;

natural disasters;

malicious actions, such as theft or misuse of customer data;

limitations on the use of our radio bases;

software defects;

human error; and

disruptions beyond our control.

In Brazil, for example, our satellite operations may be affected if we experience a delay in the launching of a new satellite to replace one of the satellites currently in use that is reaching the end of its operational life. Such delay may occur because of, among other reasons, construction delays, unavailability of launch vehicles and/or launch failures.

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We have instituted measures to reduce these risks. However, there is no assurance that any measures we implement will be effective in preventing system failures under all circumstances. System failures may cause interruptions in services or reduced capacity for our customers, either of which may have an adverse effect on our operations due to, for example, increased expenses, potential legal liability, loss of existing and potential subscribers, reduced user traffic, decreased revenues and reputational harm.

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Cyber attacks or other breaches of network or information technology security could have an adverse effect on our business

Cyber attacks or other breaches of network or information technology security may cause equipment failures or disruptions to our operations. Our inability to operate our fixed line or wireless networks as a result of such events, even for a limited period of time, may result in significant expenses or loss of market share to other communications providers. In addition, the potential liabilities associated with these events could exceed the insurance coverage we maintain. Cyber attacks, which include the use of malware, computer viruses and other means for disruption or unauthorized access on companies, have increased in frequency, scope and potential harm in recent years. While we have not yet been subject to cyber attacks or other cyber incidents, the preventive actions we take to reduce the risk of cyber incidents and protect our information technology and networks may be insufficient to repel a major cyber attack in the future. The costs associated with a major cyber attack on us could include incentives offered to existing customers and business partners to retain their business, increased expenditures on cyber security measures, lost revenues from business interruption, litigation and damage to our reputation. In addition, if we fail to prevent the theft of valuable information such as financial data and sensitive information about us, or if we fail to protect the privacy of customer and employee confidential data against breaches of network or information technology security, it could result in damage to our reputation, which could adversely impact customer and investor confidence. Any of these occurrences could result in a material adverse effect on our results of operations and financial condition.

If our 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. A substantial majority of our subscribers are prepaid, and we do not have long-term contracts with them. Our weighted monthly average churn rate on a consolidated basis was 3.7% for the year ended December 31, 2011 and 3.6% for the year ended December 31, 2012. 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 rely on key suppliers and vendors to provide equipment that we need to operate our business

We rely upon various key suppliers and vendors, including Apple, Nokia, Blackberry (formerly known as Research in Motion), Sony (formerly known as Sony-Ericsson), Motorola, LG, Samsung, Huawei, Alcatel-Lucent, Nokia Siemens Networks, Ericsson and ZTE to provide us with handsets, network equipment or services, which we need to expand and 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 in 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 cash equivalents. 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 them.

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We may fail to realize the benefits anticipated from acquisitions and significant investments we make from time to time

The business growth opportunities, revenue benefits, cost savings and other benefits we anticipated to result from our acquisitions and significant investments may not be achieved as expected, or may be delayed. For example, we may be unable to fully implement our business plans and strategies for the combined businesses due to regulatory limitations, and we may face regulatory restrictions in our provision of combined services in some of the countries in which we operate. To the extent that we incur higher integration costs or achieve lower revenue benefits or fewer cost savings than expected, or if we are required to recognize impairments of acquired assets, investments or goodwill, our results of operations and financial condition may suffer.

Risks Relating to the Telecommunications Industry Generally

Changes in the telecommunications industry could affect our future financial performance

The telecommunications industry continues to experience 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, broadband access, Pay TV and fixed 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. It also requires significant capital expenditure. 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. This is true across many of the services we provide, including wireless and cable technology.

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 producers and distributors, such as ring tones, text games, video games, video, including TV programs and movies, wallpapers or screensavers, and we outsource services to service providers, including billing and customer care 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 content, products or software utilized by us or our suppliers, content producers and 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.

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. 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 subsidiaries

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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 technology and, as a result, our future financial performance.

Developments in the telecommunications sector have resulted, and may 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, investments in associates, 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 could adversely affect our results of operations. See [Impairment of Long-Lived Assets](#) under Item 5.

We are exposed to special risks in connection with our international call services

Revenues from international service in part reflect payments under bilateral agreements between us and foreign carriers, which are influenced by the international tariff and trade regulations and cover virtually all international calls to and from the countries in which we operate. Various factors, including unauthorized international traffic (commonly known as bypass), increases in the proportion of outgoing to incoming calls and the levels of settlement prices could affect the amount of net settlement payments from U.S. or other international carriers to us in future years.

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 two sons who are co-chairs of our board of directors, Patrick Slim Domit and Carlos 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. The interests of the Slim Family may diverge from the interests of our other investors.

We have significant transactions with affiliates

We engage in transactions with certain subsidiaries of Grupo Carso, S.A.B. de C.V. and Grupo Financiero Inbursa, S.A.B. de C.V., which are affiliates of América Móvil, and of our shareholder AT&T, Inc. Many of these transactions occur in the ordinary course of business. 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. 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. You may not acquire or transfer more than 10% of our capital stock without the approval of our Board of Directors.

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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

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 depository

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 entitled to attend shareholders' meetings. A holder of ADSs is entitled to instruct the depository 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 with respect to their ownership interests in América Móvil and shall be deemed to have agreed not to invoke the protection of their governments under 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.

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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 be legally 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.

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 in 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. We cannot predict whether changes in political administrations will result in changes in governmental policy and whether such changes will affect our business. Factors related to economic, political and social conditions that could affect our performance include:

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;

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 telecommunication services and create uncertainty regarding our operating environment or may affect our ability to renew our licenses and concessions, to maintain or increase our market share or profitability and may have an adverse impact on future acquisition efforts, which could have a material adverse effect on our company.

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Our business may be especially affected by conditions in Mexico and Brazil, our two principal markets. During 2012, Mexico's gross domestic product (GDP) increased by 3.9%, compared to an increase of 3.9% in 2011. According to data published by the Brazilian Central Bank (*Banco Central do Brasil*), during 2012, Brazil's GDP increased by 0.9% in 2012, compared to an increase of 2.7% in 2011.

Changes in exchange rates 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 currencies in which our indebtedness is denominated. Such changes result in exchange losses or gains on our net indebtedness and accounts payable. In 2011, changes in currency exchange rates led us to report net foreign exchange loss of Ps.22,395 million. In 2012, we reported net foreign exchange gains of Ps.7,395 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 the currencies in which we conduct operations could cause governments to impose exchange controls that would interfere with or limit our ability to transfer funds between us and our subsidiaries.

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. For example, although 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, it could, however, institute restrictive exchange rate policies in the future. Similarly, 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 whenever there is a serious imbalance in Brazil's balance of payments or a reason to foresee a serious imbalance. In Argentina, the government has adopted various rules and regulations since late 2011 that established new restrictive controls on capital flows into the country. These enhanced exchange controls have practically closed the foreign exchange market to retail transactions and it is widely reported that the Argentine peso/U.S. dollar exchange rate in the unofficial market substantially differs from the official foreign exchange rate. The Argentine government could impose further exchange controls or restrictions on the movement of capital and take other measures in the future in response to capital flight or a significant depreciation of the Argentine peso.

Developments in other countries may affect the market price of our securities and adversely affect our ability to raise additional financing

The market value of securities of Mexican companies is, to varying degrees, affected by economic and market conditions in other countries, including the United States, the European Union and emerging market countries. Although economic conditions in such countries may differ significantly from economic conditions in Mexico, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers. Crises in the United States, the European Union and emerging market countries may diminish investor interest in securities of Mexican issuers. This could materially and adversely affect the market price of our securities, and could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

Table of Contents**Item 4. Information on the Company****GENERAL**

We provide telecommunications services in 18 countries. We are the largest provider of wireless communications services in Latin America based on the number of subscribers, with the largest market share in Mexico and the third-largest in Brazil. We also have major fixed-line operations in Mexico, Brazil, Colombia and 11 other countries. The table below provides a summary of the principal businesses we conduct and the principal brand names we use in each country where we operate.

Country	Principal Brands	Principal Businesses
Mexico	Telcel Telmex	Wireless Fixed line
Argentina	Claro	Wireless, Fixed line
Brazil	Claro Embratel Net	Wireless, Fixed line Fixed line, Pay TV Fixed line, Pay TV
Chile	Claro	Wireless, Fixed line, Pay TV
Colombia	Claro	Wireless, Fixed line, Pay TV
Costa Rica	Claro	Wireless, Pay TV
Dominican Republic	Claro	Wireless, Fixed line, Pay TV
Ecuador	Claro	Wireless, Fixed line, Pay TV
El Salvador	Claro	Wireless, Fixed line, Pay TV
Guatemala	Claro	Wireless, Fixed line, Pay TV
Honduras	Claro	Wireless, Fixed line, Pay TV
Nicaragua	Claro	Wireless, Fixed line, Pay TV
Panama	Claro	Wireless, Pay TV
Paraguay	Claro	Wireless, Pay TV
Peru	Claro	Wireless, Fixed line, Pay TV
Puerto Rico	Claro	Wireless, Fixed line, Pay TV
Uruguay	Claro	Wireless, Fixed line
United States	TracFone	Wireless

Simple Mobile**Wireless**

We intend to build on our position as the leader in integrated telecommunications services in Latin America and the Caribbean by continuing to expand our subscriber base, both by developing our existing businesses and by making strategic acquisitions when opportunities arise. We are offering our customers new services and new packages that integrate multiple services, and we continue investing in our networks to optimize coverage and implement new technologies.

The following table sets forth the number of our wireless subscribers and our revenue generating units (RGUs), which include fixed lines, broadband accesses and cable or direct-to-home (DTH) Pay TV units, in the countries where we operate. It includes total subscribers and RGUs of all consolidated subsidiaries and affiliates, without adjusting where our equity interest is less than 100%. The table reflects the geographic segments we use in our consolidated financial statements, and in particular: (a) Southern Cone refers to Argentina, Chile, Paraguay and Uruguay; (b) Andean Region refers to Ecuador and Peru; (c) Central America

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refers to Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama; and (d) Caribbean refers to the Dominican Republic and Puerto Rico.

	2010	December 31, 2011 (in thousands)	2012
Wireless subscribers:			
Mexico	64,138	65,678	70,366
Brazil	51,638	60,379	65,239
Colombia	29,264	28,819	30,371
Southern Cone	24,508	26,281	27,432
Andean Region	20,310	22,311	24,638
Central America	10,924	12,932	15,271
United States	17,749	19,762	22,392
Caribbean	6,494	5,592	5,848
Total wireless subscribers	225,025	241,755	261,557
RGUs:			
Mexico	22,950	22,766	22,669
Brazil ⁽¹⁾	18,606	23,589	28,586
Colombia	2,988	3,548	4,195
Southern Cone	1,067	1,336	1,508
Andean Region	544	863	1,120
Central America	3,231	3,621	3,896
Caribbean	2,144	2,159	2,165
Total RGUs	51,530	57,883	64,139

(1) Includes RGUs of Net Serviços for all years presented.

Our principal operations are described below. Unless otherwise indicated, we operate in all of our geographic segments under the Claro brand.

Mexico Wireless. Our subsidiary Radiomóvil Dipsa, S.A. de C.V., which operates under the Telcel brand, is the largest provider of wireless services in Mexico, based on the number of subscribers.

Mexico Fixed. Our subsidiary Teléfonos de México, S.A.B. de C.V. (Telmex), which operates under its own brand, is the largest nationwide provider of fixed-line telephone services in Mexico.

Brazil. Our subsidiaries operating under the unified brand name Claro together constitute one of the three largest providers of wireless telecommunications services in Brazil, based on the number of subscribers. Our subsidiary Empresa Brasileira de Telecomunicações, S.A. (Embratel), together with its subsidiaries, is one of the leading providers of telecommunications services in Brazil, and our subsidiary Net Serviços de Comunicação, S.A. (Net Serviços) is the largest cable television operator in Brazil. Each of Embratel and Net Serviços operates under its own brand. Together they offer triple-play services in Brazil, with a cable television network that passed 16.5 million homes as of December 31, 2012.

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Colombia. We provide wireless services in Colombia, where we are the largest wireless service provider. We also provide fixed-line telecommunications and Pay TV services. As of December 31, 2012, our network passed 6.4 million homes.

Southern Cone. We provide wireless and fixed-line services in Argentina, Paraguay, Uruguay and Chile. In Chile and Paraguay, we offer nationwide Pay TV services.

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Andean Region. We provide wireless services in Peru and Ecuador. We also provide fixed-line telecommunications and Pay TV services in Peru, where our network passed 969 thousand homes, and Ecuador, where our network passed 482 thousand homes, as of December 31, 2012.

Central America. We provide fixed-line, wireless and Pay TV services in Guatemala, El Salvador, Honduras and Nicaragua. We also provide wireless telecommunications and Pay TV services in Panama and Costa Rica.

United States. Our subsidiary TracFone Wireless Inc. (TracFone) is engaged in the sale and distribution of no-contract wireless services and wireless phones throughout the United States, Puerto Rico and the U.S. Virgin Islands. It operates under the TracFone and Simple Mobile brands.

Caribbean. We provide fixed-line, wireless and Pay TV services in the Dominican Republic and Puerto Rico, where we are the largest telecommunications services providers, based on the number of subscribers.

Other Investments

During 2012, we acquired directly and indirectly approximately 29.77% of Koninklijke KPN N.V. (KPN) and 23.69% of Telekom Austria AG (Telekom Austria). KPN is listed on the Amsterdam Stock Exchange (Euronext Amsterdam) while Telekom Austria is listed on the Vienna Stock Exchange (*Wiener Börse AG*). In our audited consolidated financial statements, we account for KPN and Telekom Austria using the equity method.

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 Zurich 245, Plaza Carso / Edificio Telcel, Colonia Granada Ampliación, Delegación Miguel Hidalgo, 11529, México D.F., México. Our telephone number at this location is (5255) 2581-4449.

History

We were established in September 2000 when Telmex, a fixed-line Mexican telecommunications operator privatized in 1990, spun off to us its mobile operations in Mexico and other countries. We have made significant acquisitions throughout Latin America and the Caribbean, and we have also expanded our businesses organically. During 2010, we acquired control of Telmex and Telmex Internacional, S.A.B. de C.V. (currently, Telmex Internacional, S.A. de C.V., or Telmex Internacional) in a series of public tender offers. We continue to look for other investment opportunities in telecommunication companies worldwide, including in markets where we are already present, and we often have several possible acquisitions under consideration.

Recent Developments

New Telecommunications Bill in Mexico

Mexican President Enrique Peña Nieto was elected in July 2012 and took office in December 2012. As part of his administration's program, in December 2012, the principal political parties agreed to an action plan called *Pacto por México*, which includes a number of commitments that would significantly affect several sectors of the Mexican economy and society. Among the key elements of the *Pacto* are measures aimed at enhancing and promoting investment in telecommunications and broadcasting in Mexico to increase penetration, promote universal coverage, reduce prices and provide the whole population with access to quality services and content.

The new framework for telecommunications and broadcasting is reflected in a bill that would amend the Mexican Constitution. The bill was passed by the Mexican Chamber of Deputies in March 2013, and passed with amendments by the Mexican Senate in April 2013. The Senate version of the bill was resubmitted to the Chamber of Deputies, which made minor additional changes to the bill and returned it to the Senate for final approval. When a final bill has been approved by both chambers, it will then require the approval of the legislatures of the majority of the states of Mexico. We expect that the bill will become effective in substantially its current form, although there may be some further changes. Once it becomes effective, the bill will require extensive implementation, including further congressional legislation, the establishment of new institutions, as described below, and the adoption of new regulatory measures.

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The telecommunications and broadcasting bill is complex, and its full implications are not yet known. Among the principal features that could affect us are the following:

The bill will establish a new Federal Telecommunications Institute (*Instituto Federal de Telecomunicaciones*), which will be responsible for the development of telecommunications and broadcasting as provided in the Constitution and in legislation. The Institute will also be exclusively responsible for implementing competition legislation with respect to telecommunications and broadcasting, while the implementation of competition legislation in other areas will be the responsibility of a separate commission. The Federal Telecommunications Institute will be independent of the executive branch of the government. It will have seven commissioners, whom the President must appoint from a list of candidates identified by a special nominating committee, and who must also be ratified by the Senate.

The bill also provides for the establishment of specialized courts for telecommunications, broadcasting and competition matters, and it limits the ability of courts to suspend implementation of the Institute's actions pending judicial review.

The bill will require the Federal Telecommunications Institute to identify preponderant economic actors (*agentes económicos preponderantes*) in broadcasting and telecommunications and to impose measures to prevent harm to competition and to consumers. For this purpose, the bill defines a preponderant actor as one with a national market share of more than 50% in broadcasting or telecommunications, measured by users, subscribers, audience, network traffic or capacity utilization. The measures to be imposed may involve information, service offerings, quality of services, asymmetrical regulation of rates and networks, including disaggregation (or unbundling) of essential network elements, and accounting, functional or structural separation of agents determined to be preponderant. The bill also specifically requires the Institute to adopt measures for effective disaggregation (or unbundling) of the local loop of a preponderant actor in telecommunications so other concessionaires have access to it, and it provides that the same measures will apply to an economic actor with substantial power in a relevant market for services to final customers.

The bill provides for the establishment of a single concession regime covering telecommunications and broadcasting services, allowing each concessionaire to offer broadcasting and telecommunications services on a converged basis. For an operator that has been determined to be preponderant, as described above, the ability to provide services on a converged basis will depend on complying with measures imposed by the Institute.

The bill provides for enhanced remedies to protect competition, which will be administered, in telecommunications and broadcasting, by the Federal Telecommunications Institute. The Institute will be authorized to impose limits on concentration of frequencies and concessions and on cross ownership of communications media, and to order the divestiture of assets, rights or shares to ensure compliance with the limits. The bill will also give the Institute power to impose sanctions for non-compliance with concession terms and with measures imposed by the Institute to promote competition.

The bill will require the federal government, in coordination with the Federal Telecommunications Institute, to promote the establishment of a new telecommunications network to provide services to telecommunications operators.

The bill also provides for a number of other measures, including eliminating the limit on foreign investment in fixed network operators, raising the limit on foreign investment in broadcasters to 49%, providing for two new broadcasting licenses to be awarded by public auction, and providing for must carry obligations for television service providers and must offer obligations for broadcasters.

We expect that the new institutional framework and enhanced regulatory powers will create an environment that may promote capital investment and technological innovation, increase market penetration and foster growth dynamics in the industry. If so, our companies will benefit from a more certain business environment and consistent regulation.

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The bill provides specific deadlines for the steps required to establish the Federal Telecommunications Institute and for the initial actions the Institute is required to take. If it is approved rapidly, we would expect specific rules and regulations to begin taking effect in 2014.

Although the telecommunications and broadcasting bill is likely to become effective in substantially its current form, its impact will depend on how it is implemented by further legislation and by the new Federal Telecommunications Institute. It would therefore be premature to predict the long-term effects of the bill and the new framework it contemplates. Our principal Mexican subsidiaries, Telmex and Telcel, will need to adapt to the changes and enhanced business opportunities in order to promote growth in Mexico in line with the policies of the current Mexican government.

Elimination of preliminary remedies in judicial challenges to regulation

Recent Mexican legislation has sought to limit the availability of temporary judicial suspension of government actions in legal challenges brought by affected parties. New legislation adopted in April 2013 provides that injunctions or interim court orders, which a judge could previously use to suspend application of any administrative order pending a final determination on its legality and constitutionality, are no longer permitted in matters related to public goods such as the spectrum used by some of our subsidiaries in Mexico. As a result, our ability to forestall the effects of future administrative orders while their legality is determined will be limited in cases that relate to public goods. As discussed above, the telecommunications and broadcasting bill implementing the *Pacto por México* would further limit our ability to challenge resolutions of the new Federal Telecommunications Institute by seeking injunctions or interim court orders.

Broadcasting Rights to the Olympic Games

In March 2013, the International Olympic Committee (IOC), awarded us the right to broadcast the XXII Olympic Winter Games in Sochi, Russia in 2014 and the Games of the XXXI Olympiad Summer Games in Rio de Janeiro Brazil in 2016 on all media platforms across Latin America and the Caribbean, except for Brazil.

AMX-1 Submarine Cable System

In March 2012, we began construction of América Móvil 1 (the AMX-1 System), a 17,500 km submarine cable system specifically designed for 100 Gigabit per second (100G) transmission. The cable is planned to run from the United States to Central America and Brazil and should enable us to provide international connectivity to all our subsidiaries in those areas. The AMX-1 System is planned to connect seven countries via eleven landing points. The higher transmission speeds we expect to achieve upon completion of the system should substantially improve our customers' communications experiences, providing opportunities for creation and innovation. Our total expected investment in the AMX-1 System is US\$506 million. We plan to begin commercial operation of the network in late 2014.

Acquisition of CIE's media and advertising unit

On January 21, 2012, we entered into an agreement with Corporación Interamericana de Entretenimiento, S.A.B. de C.V. (CIE), to acquire 100% of the shares of Corporación de Medios Integrales, S.A. de C.V. (CMI). CMI holds the media and advertising business in the commercial segment at CIE. The completion of the transaction is subject to certain approvals and is expected to occur during April of 2013.

Disclosure Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added new Section 13(r) to the Securities Exchange Act of 1934, requiring a public reporting issuer to disclose in its annual and quarterly reports whether it or any of its affiliates has knowingly engaged in specific activities or transactions relating to Iran during the period covered by the report.

Several of our subsidiaries have entered into roaming interconnection agreements with MTN Irancell. To date, our subsidiaries have no revenues under the agreements. We intend to continue this relationship.

Table of Contents**MEXICO WIRELESS OPERATIONS**

We offer wireless services and products in Mexico through our subsidiary Telcel and Telcel's subsidiaries and affiliates in Mexico. Telcel is the leading provider of wireless communications services in Mexico. We also offer yellow-pages directory services in Mexico through Anuncios en Directorios, S.A. de C.V. and publishing services through Editorial Contenido, S.A. de C.V.

As of December 31, 2012, we had approximately 70.4 million cellular subscribers, approximately 87.8% of which were prepaid customers, which represented a market share of 69.6%.

In 2012, our Mexico Wireless segment had revenues of Ps.183,216 million representing 23.6% of our consolidated revenues for such period. As of December 31, 2012, our Mexico Wireless operations represented approximately 26.9% of our total wireless subscribers, as compared to 27.2% at December 31, 2011.

The following table sets forth information regarding our Mexico Wireless segment's subscriber base, market share and operating measures at the dates and for the periods indicated.

	2010	December 31, 2011	2012
ARPU (year ended)	Ps. 176	Ps. 166	Ps. 176
Subscribers (thousands):			
Prepaid	57,778	58,218	61,756
Postpaid	6,359	7,460	8,610
Total	64,138	65,678	70,366
Market share	70.5%	68.2%	69.6%
MOUs (year ended)	210	223	265
Wireless churn rate (year ended)	3.2%	3.7%	3.7%

Services and Products***Voice Services and Products***

Telcel offers wireless voice and data services under a variety of service plans to meet the needs of different user segments. The plans are either postpaid, where the customer is billed monthly for the previous month and may terminate the plan at any time, subject to certain exceptions, or prepaid, where the customer pays in advance for a specified volume of use over a specified period. Although prepaid customers typically generate lower levels of usage and are often unwilling to make a fixed financial commitment or do not have the credit profile to purchase postpaid plans, we believe the prepaid market represents a large and growing market in Mexico because, 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.

Rates for postpaid plans have not increased since April 1999 and rates for prepaid plans have not increased since 2002. Rates for both types of plans are expected to remain stable as long as the Mexican economic environment remains stable. In addition, in recent periods Telcel has offered certain discounts and promotions that reduce the effective rates that its postpaid and prepaid customers pay.

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. In Mexico, Telcel also provides GSM and 3G roaming services to customers of Telcel's international roaming partners.

In connection with the provision of its voice services, Telcel earns mobile termination revenues from calls to any of its subscribers that originate with another service provider. Telcel charges the service provider from

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whose network the call originates a mobile termination charge for the time Telcel's network is used in connection with the call. Similarly, Telcel must pay mobile termination fees in respect of calls made by its subscribers to customers of other service providers. There has been extensive controversy, and legal and administrative proceedings, concerning the terms of these interconnection agreements in Mexico. See

Regulation Mexican Regulatory Proceedings Mobile Termination Rates under this Item 4 and Note 17 to our audited consolidated financial statements included in this annual report.

Value Added Services

Telcel offers Value Added services, including Short Message Services (SMS), Multimedia Messaging Service (MMS), premium SMS and premium MMS, mobile entertainment services.

Data Services

Telcel offers data services including data-transmission, e-mail services and internet services such as web browsing, instant messaging, content streaming and interactive applications. Telcel also offers data services through roaming service agreements.

Handsets and Accessories

Telcel offers a variety of products as complements to its wireless services, including handsets, smartphones, broadband cards and tablets and accessories such as chargers, headsets, belt clips and batteries.

Other Services and Products

In addition, Telcel offers other wireless services, such as two wave services, PC and wireless security services, machine-to-machine services, *Oficina Móvil Telcel* a services suite designed to provide companies with productivity-enhancing applications, video calls and mobile banking. Our internet content portal, *Ideas*, offers or is developing a wide range of services and content such as video, music, radio, online gaming and applications.

Marketing

Telcel develops customer and brand awareness through its marketing and promotion efforts and high-quality customer care. Telcel builds upon the strength of its 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. Telcel also has a loyalty rewards program, *Círculo Azul*, that offers postpaid customers points that can be redeemed for handsets and other goods or services provided by third parties. In 2012, our marketing efforts were mainly focused on highlighting that we have one of the best 3G networks in the world, showing the advantages such network has through value-added services and promoting our November 2012 launch of the 4G LTE network in the main cities of Mexico.

Sales and Distribution

Telcel markets its wireless services and products primarily through exclusive distributors located throughout Mexico, who sell Telcel's services and products, including handsets, postpaid plans and prepaid cards, and receive commissions through approximately 42,980 points of sale. In addition, Telcel's company-owned retail stores offer one-stop shopping for a variety of wireless services and products. Walk-in customers can subscribe for postpaid plans, purchase prepaid cards and purchase handsets and accessories. As of December 31, 2012, Telcel owned and operated 310 customer sales and service centers throughout Mexico and will continue to open new sales and service centers as necessary in order to offer its products directly to subscribers in more effective ways. In addition, Telcel has a dedicated corporate-sales group to service the needs of its large corporate and other high-usage customers. In the year ended December 31, 2012, approximately 75% of Telcel's sales of handsets were generated by cellular distributors, 22% from sales in company-owned stores and 3% from direct sales to corporate accounts.

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Billing and Collection

Telcel bills its postpaid customers through monthly invoices, which detail itemized charges. Customers may pay their bills through pre-authorized debit or credit charges, in person at banks and at Telcel's and other designated retail stores and electronically through the internet websites of Telcel and of banks.

If a postpaid customer's payment is overdue, service may be suspended temporarily 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 permanently. 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. After 30 or 60 days, the customer can no longer use that airtime for outgoing calls unless the customer purchases additional airtime credit.

Customer Service

Telcel places a high priority on providing its customers with quality customer care and support, with approximately 61% of Telcel's employees dedicated to customer service. Customers may call a toll-free telephone number, go to one of the customer sales and service centers located throughout Mexico or access Telcel's website to answer any inquiries.

Our Networks and Technology

Telcel's wireless networks, which cover approximately 93% of the population, use digital technologies both in the 850 MHz frequency spectrum, 1900 MHz frequency spectrum and the 1.7/2.1 GHz frequency spectrum. As of December 31, 2012, Telcel has networks using:

TDMA technology in the 850 MHz frequency spectrum;

GSM technology in the 1900 and 850 MHz frequency spectrums;

enhanced data rates for GSM evolution (EDGE) technologies in the 1900 and 850 MHz frequency spectrum;

UMTS/HSPA 3G technologies in the 850 and 1900 MHz frequency spectrum; and

LTE technology in the 1.7/2.1 GHz frequency spectrum.

TDMA network

Telcel has a TDMA network that permits the use of advanced dual-band handsets that allow for roaming across analog and digital systems using the 850 MHz spectrum. This network is currently used by subscribers who have not yet migrated to a newer network, especially in rural areas; it is expected to decrease in size and importance as the migration to newer networks increases. As of December 31, 2012, Telcel's TDMA subscriber base represented approximately 0.27% of Telcel's total subscribers.

GSM/EDGE network

Currently, Telcel's GSM network offers service in all nine regions in Mexico, having built and installed a GSM network in the 1900 MHz frequency spectrum in those regions. In addition, Telcel has continued with the expansion of its GSM network by using the 850 MHz and 1900 MHz spectrum since 2006. As of December 31, 2012, Telcel's GSM subscriber base represented approximately 75.30% of Telcel's total subscribers.

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In addition, Telcel upgraded the GSM network with EDGE technology in 2005. It has implemented EDGE technology in all localities with GSM coverage (approximately 200,370 localities), including all the major cities and roads in Mexico.

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3G network

Telcel, began offering 3G services in February 2008. It is deploying a UMTS 3G network in Mexico using the existing 850 MHz spectrum using HSPA, a mobile telephony communications protocol that allows networks based on UMTS to have higher data transfer speeds and capacity.

Telcel is the first operator to deploy UMTS/HSPA technologies in Mexico. As of December 31, 2012, Telcel's UMTS/HSPA network covered approximately 130,152 localities, including all of Mexico's principal cities. Telcel plans to continue expanding its 3G coverage in Mexico throughout 2013 to urban as well as rural areas. As of December 31, 2012, Telcel's UMTS/HSPA subscriber base represented approximately 24.42% of Telcel's total subscribers. We expect to improve our network coverage in cities and areas with high data usage through the ongoing deployment of HSPA+ protocol.

4G network

In 2010, Telcel obtained additional spectrum in the 1.7/2.1 GHz Band (usually known as Advanced Wireless Services, or AWS) for each of the nine regions (three of them with 30 MHz and six with 20 MHz), for which it paid Ps.3.8 billion. In November 2012, Telcel began offering 4G services using a LTE technology based network in the 9 major cities and will continue growing its coverage to other main and medium cities through 2013. LTE allows us to offer higher bitrates in mobile data services and it is the leading 4G technology across the globe. As of December 31, 2012, Telcel's LTE subscriber base represented approximately 0.01% of Telcel's total subscribers.

Competition

Telcel faces competition from other wireless providers using the 850 MHz spectrum and from providers with Personal Communications Service (PCS) licenses that provide wireless service on the 1900 MHz spectrum. Telcel's principal competitors in Mexico are Iusacell S.A. de C.V. and Telefónica S.A. Telcel also competes with Comunicaciones Nextel de México, S.A. de C.V. in certain regions.

The effects of competition on Telcel depend, in part, on the business strategies of its competitors, on regulatory developments and on 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.

Directory Services and Products

Print Directories

We publish and distribute yellow-pages and white-pages directories. Basic listing in our yellow-pages directories is provided at no charge and includes the name, address and telephone number of the business according to its classification. In addition, we sell paid advertising space on an annual basis in our yellow-pages directories and offer various advertising options to our customers.

Internet Directory

Through our Sección Amarilla business, we provide a wide range of advertising, e-commerce and digital marketing services, from local directory services, maps and videos to search engine optimization (SEO) and search engine marketing (SEM) strategies for small and medium business and large advertisers, e-commerce platforms, application development for mobile devices, digital discount coupons and social media solutions.

We are the largest provider of yellow-pages directories in Mexico, where we compete with other types of media, including television broadcasting, newspaper, radio, direct mail, search engines and other internet yellow-pages.

Table of Contents**MEXICO FIXED OPERATIONS**

We offer fixed-line services and products in Mexico through our subsidiary Telmex and its subsidiaries in Mexico. Telmex is the leading provider of fixed-line voice and broadband services in Mexico. As of December 31, 2012, we had approximately 14.2 million fixed-line voice subscribers and 8.4 million broadband subscribers in Mexico.

In 2012, our Mexico Fixed segment had revenues of Ps.106,025 million, representing 13.7% of our consolidated revenues for such period. As of December 31, 2012, our Mexico Fixed operations represented approximately 35.3% of our total RGUs, as compared to 39.3% at December 31, 2011.

The following table sets forth information regarding our Mexico Fixed segment's subscriber base, traffic and operating measures at the dates and for the periods indicated:

	2010	December 31, 2011	2012
RGUs (thousands):			
Fixed voice	15,591	14,814	14,224
Broadband	7,359	7,952	8,445
Total	22,950	22,766	22,669
Traffic (year ended) (millions):			
Long-distance minutes	25,636	27,320	33,156
Interconnection minutes	37,868	37,792	38,368
Total minutes	63,504	65,112	71,524
Churn rate (year ended):			
Fixed voice	0.9%	1.2%	1.1%
Broadband	1.6%	1.4%	1.4%

Services and Products***Voice Services and Products***

Telmex offers a variety of fixed-line voice services and products, including local-service, domestic and international long-distance service and public telephony services, under a variety of plans to meet the needs of different market segments.

Telmex charges for fixed-line local telephone service include (a) installation charges, (b) monthly line-rental charges, (c) local-service calls, (d) digital services and (e) charges for other services, such as the transfer and reconnection of a line to another address. Residential customers pay a fixed charge per local call in excess of a monthly allowance of 100 local calls, and commercial customers pay for every local call. The concession Telmex holds to operate a public network for basic telephone services allows but does not require Telmex to base its charges on the duration of each call. Telmex does not currently charge by duration of invoiced calls in any region, except in the case of prepaid services.

Telmex's rates for domestic long-distance service are based on call duration and type of service (direct-dial or operator-assisted) and apply once customers exceed the number of minutes included in their service packages.

Charges for international long-distance calls are based on call duration, type of service (direct-dial or operator-assisted) and the destination of the call. These charges apply once customers exceed the number of minutes included in their plan. Customers can choose from a variety of discount rate plans. Telmex has not increased its rates since 2001 for local telephone service and since 1999 for domestic long-distance service and

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international long-distance calls, continuing its trend of offering lower rates in real terms every year. In addition, Telmex provides interconnection services pursuant to which (a) long-distance, local and mobile-phone carriers operating in Mexico establish through points of interconnection between their networks and Telmex's network and (b) Telmex carries calls between the points of interconnection and its customers. When a customer of another carrier calls a local-service customer of Telmex, Telmex completes the call by carrying the call from the point of interconnection to the particular customer, and when a local-service customer of Telmex who has preselected a competing long-distance carrier makes a long-distance call, Telmex carries the call from the customer to the point of interconnection with that other long-distance carrier's network. As a result of Mexico's bill and keep system, under which local carriers and cable television providers do not pay interconnection fees to other local carriers, Telmex does not receive an interconnection fee from these calls.

Data Services and Products

Telmex's data service business is comprised of corporate network services and internet access service. Corporate network services consist of voice, video and data-transmission between two or more end points using private circuits. Telmex's principal products for corporate networks are Ladaenlaces (Ladalinks) and multi-service virtual private networks (VPNs), which allows Telmex to provide different levels of service applications. Telmex also provides specialized assistance and technical support for these applications, as well as network-outsourcing services that include maintenance, support and integration of communication networks and information systems.

Telmex's broadband service, which it provides under the Infinitum brand, allows its customers to use its high-capacity connectivity services with applications such as video-conferencing, file transfer and e-mail. Infinitum operates over Asymmetric Digital Subscriber Line technology.

Other Services and Products

Consistent with Telmex's strategy of increasing the value of its fixed-line service, it has focused on customers' needs, and offers packages of telecommunications services that include internet access and a customized mix of local calls, minutes for domestic calls, international long-distance calls and calls to wireless phones.

In addition, Telmex provides various telecommunications and telecommunications-related products and services that include sales of computers, telecommunications equipment and accessories, public phone services and billing and collection services to third parties.

Regarding third party services, in November 2008 Telmex entered into several agreements with Dish México S. de R.L. de C.V. and its affiliates, which operate a DTH Pay TV system in Mexico pursuant to which Telmex is currently providing customary services, including billing and collection, among others.

Sales and Distribution

Telmex uses its network of Telmex stores (*Tiendas Telmex*) to offer its products and services throughout Mexico. In addition to functioning as customer-service centers, Telmex's stores offer a wide range of computer and telecommunications equipment and accessories, which may be purchased outright or through installment payment plans.

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Billing and Collection

Telmex offers billing and collection services through its phone bills to other companies. Telmex currently provides billing and collection services to companies such as Medicalhome, Socio Águila, Teletón, Telecomunicaciones de México and Dish México.

Our Networks and Technology

Telmex's local and long-distance fiber optic network consists of 167,604 kilometers that connect all major cities in Mexico. In addition, Telmex's local and long-distance fiber optic network connects Mexico, through submarine cables, with 29 other countries and includes secondary branches and additional transmission rings throughout Mexico designed to avoid network congestion. In addition, Telmex's international long-distance traffic may also be carried by microwave transmission.

Competition

Telmex faces competition from other holders of long-distance and local-service licenses, Pay TV operators that provide telephone and internet service and wireless telecommunications providers. Telmex's main competitors in Mexico are Alestra S. de R.L. de C.V., Axtel S.A.B. de C.V., Maxcom Telecomunicaciones S.A.B. de C.V, Megacable Holdings S.A.B. de C.V., Cablevisión Inc. and Cablemás S.A. de C.V.

Table of Contents**BRAZIL OPERATIONS**

We offer wireless, fixed-line voice, broadband, Pay TV and directory services and products in Brazil through our subsidiaries Americel S.A. (Americel), Claro S.A. (Claro Brasil), Embratel, Star One S.A. (Star One) and Net Serviços, the largest cable television operator in Brazil. We offer wireless services under the Claro brand and fixed-line services under the Claro, Embratel and NET brands. In February 2012, we acquired a controlling interest in Net Serviços.

As of December 31, 2012, we had approximately 65.2 million wireless subscribers, approximately 80.0% of which were prepaid customers, which represented a market share of 24.1%. As of December 31, 2012, we also had approximately 10.3 million fixed-line subscribers, 5.8 million broadband subscribers and 12.6 million Pay TV subscribers.

In 2012, our Brazil segment had revenues of Ps.209,787 million, representing 27.1% of our consolidated revenues for such period. As of December 31, 2012, our Brazil segment operations represented approximately 24.9% of our total wireless subscribers, as compared to 25.0% at December 31, 2011, and approximately 44.6% of our total RGUs, as compared to 40.8% at December 31, 2011.

The following table sets forth information regarding our Brazil segment's subscriber base, traffic, market share and operating measures at the dates and for the periods indicated. Operating data in the following table include Net Serviços.

	2010	December 31, 2011	2012
Wireless Operations:			
ARPU (year ended)	Ps. 145	Ps. 135	Ps. 107
Subscribers (thousands):			
Prepaid	41,394	47,710	52,170
Postpaid	10,243	12,669	13,069
Total	51,637	60,379	65,239
Market share	25.4%	25.4%	24.1%
MOUs (year ended)	96	100	115
Wireless churn rate (year ended)	3.0%	3.7%	3.7%
Fixed Operations:			
RGUs (thousands):			
Fixed voice	7,935	9,158	10,280
Broadband	3,770	4,661	5,752
Pay TV	6,901	9,770	12,554
Total	18,606	23,589	28,586
Traffic (year ended) (millions):			
Long-distance minutes	15,491	19,140	23,692
Interconnection minutes	7,409	8,719	8,848
Total minutes	22,900	27,859	32,540
Churn rate (year ended):			
Fixed voice	5.2%	2.5%	1.6%
Broadband	1.5%	1.4%	1.3%
Pay TV	1.3%	1.5%	1.7%

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Services and Products

Wireless Voice Services and Products

Claro Brasil offers wireless voice services under a variety of rate plans to meet the needs of different market 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.

Fixed-line Voice Services and Products

Embratel is one of Brazil's major domestic long-distance service providers, offering inter-regional, intra-regional and intra-sectorial long-distance services to corporate, residential and cellular customers throughout Brazil. Embratel also provides international long-distance services. Embratel's long-distance voice services customers are not pre-subscribed, meaning that customers do not register with Embratel before it begins providing services to them. Instead, each time a customer initiates a long-distance domestic or international call from either a fixed or a mobile terminal, the customer chooses whether to use Embratel's services by dialing the 21 selection code or to use the services of another service provider by dialing a different code. In addition, Embratel provides local fixed telephony services and is present in all Brazilian states, marketing to residential customers its wireless local services under the *Claro Fixo* brand and, in connection with Net Serviços, provides its fixed-line services under the *NET Fone* brand. Embratel also offers services to large-sized and medium-sized business customers under the *VipLine* and *Rede Vip* brands.

In addition, other telecommunications companies that wish to interconnect with and use Embratel's network must pay certain fees, including a network usage fee. The network usage fee is subject to a price cap set by the Brazilian Agency of Telecommunications (*Agência Nacional de Telecomunicações*, or Anatel). The price cap for the network usage fee varies from operator to operator based on the underlying cost characteristics of each company's network. The fee is charged on a per-distance and/or per-minute-of-use basis that represents an average charge for a basket of network elements and services.

As discussed above, Net Serviços provides a fixed-line telephony service in partnership with Embratel under the *NET Fone* brand. This product, which uses Voice over Internet Protocol (VoIP) technology, works like conventional fixed-line telephony and allows the user to make local, long-distance and international calls to any telephone or handset. *NET Fone* had approximately 5.3 million subscribers as of December 31, 2012, compared to 3.8 million as of December 31, 2011, and is available in more than 130 cities.

Broadband and Data Services

Embratel is also one of Brazil's leading providers of data communication services, serving a client base that includes a majority of Brazil's top 500 corporations. Embratel's data-transmission services include the renting of high-speed data lines to businesses and to other telecommunications providers, satellite-data-transmission, internet services, packet-switched data-transmission, frame-relay and message-handling systems.

Net Serviços is Brazil's leading provider of broadband internet services to residential customers, marketing its services under the *Net Virtua* brand. This product is available at various download speeds. *NET Virtua* had approximately 4.3 million subscribers as of December 31, 2012, compared to 4.1 million as of December 31, 2011.

Pay TV

Net Serviços is the leading provider of cable Pay TV services to residential customers in Brazil. As of December 31, 2012, Net Serviços had approximately 9.4 million cable Pay TV subscribers and offered digital cable in 80 locations, including Rio de Janeiro and São Paulo. Among others, Net Serviços offers Pay TV and

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Pay-Per-View programming under the *NET* brand, digital Pay TV under the *NET Digital* brand and high definition (HD) Pay TV under the *NET Digital HD MAX* brand, as well as digital video recorder, interactive and video-on-demand services. Net Serviços is also the only Pay TV operator in Brazil to broadcast content in HD 3D. In addition to offering traditional cable Pay TV services, Net Serviços offers Multichannel Multipoint Distribution Service (MMDS) Pay TV services in Recife, Porto Alegre and Curitiba. As of December 31, 2012, Net Serviços had 24,513 MMDS Pay TV subscribers.

Net Serviços also offers bundled packages of services, including triple play services, which combine Pay TV, broadband internet and fixed-line telephone services. In addition, Net Serviços recently introduced the *Multi Combo* service package, which offers wireless telephone, fixed-telephone and Pay TV services, in conjunction with Claro Brasil and Embratel.

Embratel also offers Pay TV services through DTH technology. Monthly subscription fees for these services range in price from R\$39.90 to R\$184.90, including taxes.

Other Services

Embratel, through its subsidiary Star One, is Brazil's leading provider of satellite solutions, including space-segment provision, broadband and data-network services. Embratel's satellite fleet has also permitted it to significantly expand the telecommunications services it offers to its customers, reaching areas not covered by terrestrial networks with services such as television, data, internet, distance education, telephony and other special services projects. Embratel also provides text, sound and image transmission and maritime communications services, as well as call-center services through, its subsidiary Brasil Center Comunicações Ltda. (Brasil Center) to related third parties, including Claro Brasil and Net Serviços.

Marketing

Claro Brasil has developed a variety of promotional programs and products tailored to meet its customers' mobility needs while increasing its market share. These promotional programs and products represent the company's most significant competitive advantages together with technology innovation—it was the first telecommunications company in Brazil to offer 4G services. Claro Brasil also aggressively targets corporate customers by offering customized products and services and negotiating discounts on a case-by-case basis. Additionally, Claro Brasil has innovative customer loyalty programs that help it retain customers.

Embratel has developed a variety of promotional and customer retention programs that offer discounts and are designed to increase Embratel's market share and promote usage of 21, the carrier-selection code assigned to Embratel. In addition, Embratel negotiates discounts with corporate customers on a case-by-case basis and employs campaigns that target specific groups of its corporate customers, such as small- and medium-sized businesses or regional groups.

Net Serviços uses both a centralized marketing team and regional marketing specialists to help meet its goals of increased market penetration, customer loyalty and revenue per household. In addition, Net Serviços is constantly monitoring its subscriber preferences and the markets in which it operates to be able to meet its goals through a variety of tailored programs.

Sales and Distribution

Claro Brasil markets its services primarily through retail chains, which amount to approximately 9,554 points of sale, exclusive distributors, which represent approximately 4,659 points of sale, and its approximately 323 company-owned stores, which offer one-stop shopping for a variety of cellular services and products. Claro Brasil also sells and distributes its products and services over the internet. Claro Brasil's stores also serve as customer-service centers, and Claro Brasil expects to continue to open new service centers as

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necessary in order to offer its products directly to subscribers in more effective ways. Claro Brasil also has a corporate-sales group to cater to the needs of its large corporate and other high-usage customers. In the year ended December 31, 2012, approximately 56% of Claro Brasil's sales of handsets were generated by retail chains, 31% by exclusive distributors and approximately 13% from sales in company-owned stores.

Embratel's local fixed telephony service, *Claro Fixo*, is marketed in person through exclusive dealers, through BrasilCenter and the internet. Embratel's other local fixed-telephone service, *NET Fone*, is marketed through Net Serviços's sales and distribution channels. Embratel's Pay TV service, *Claro TV*, is marketed in person through exclusive dealers and its company-owned stores, by phone through call-centers and by the internet through Embratel's website. In addition, Embratel has a corporate-sales group dedicated to the needs of its large corporate and other high-usage customers.

Net Serviços's services are marketed through coordinated efforts that include telemarketing, the internet, mail advertising, door-to-door sales and retail sales. In addition, Net Serviços also relies on third-party vendors to market its services through call-centers.

Billing and Collection

Wireless Operations

Claro Brasil bills its postpaid customers through monthly invoices that detail itemized charges and services. Customers may pay their bills with a credit card, through online banking, or in person at banks, post offices or federal lottery houses (*casas lotéricas*).

If a Claro Brasil postpaid customer's payment is overdue, service may be suspended temporarily until payment is received. Accounts that are more than 180 days past due are categorized as doubtful accounts, as are all other accounts related to the same customer.

A Claro Brasil prepaid customer who purchases a card has between 5 and 180 days from the date of activation of the card to use the airtime, depending on the amount added. After such time, the customer can no longer use that airtime for outgoing calls unless the customer activates a new card.

Fixed-line Operations

Embratel directly bills a portion of its customers for their fixed-line telecommunications and related services, including collect-calling and standard-voice services. However, due to the risk of bad debts resulting from direct billing, Embratel has taken a number of measures designed to reduce such risk, including implementing co-billing arrangements with other local operators that allow them to bill their local customers for Embratel's long-distance fees, using call-centers, implementing an automated collections system, employing an anti-fraud system, using third-party collection firms and implementing a customer-data system that allows for faster updating of information, flexibility in customer-account structure, quality improvement and improved payment of taxes across the different Brazilian states.

Net Serviços bills its customers through monthly invoices that detail itemized charges and services, including monthly subscription fees, broadband and Pay TV services and Embratel's fixed-line voice services, as incurred by customers, in addition to applicable taxes. Accounts that are more than 30 days past due are considered disconnected, at which time Net Serviços blocks the account's signal. If the customer remains in arrears, Net Serviços proceeds to collect any equipment, such as set-top boxes, that may be located in the customer's location. In addition, Net Serviços focuses on customer service to reduce bad-debt expenses. In recent years, that strategy has proved successful, as bad-debt as a percentage of sales constituted only 0.8% in 2010, 0.7% in 2011 and 1.3% in 2012.

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Our Networks and Technology

Wireless Networks

Claro Brasil owns and operates wireless networks using GSM and 3G technologies. As of December 31, 2012, Claro Brasil's GSM network, which Claro Brasil continues rolling out, covered more than 3,631 cities and 91.25% of Brazil's population. In addition, Claro Brasil's 3G network, which was the first in Brazil and which Claro Brasil continues rolling out, covers 1,150 cities and 69.89% of Brazil's population.

Fixed-line Networks

Embratel owns the largest long-distance network in Latin America and the largest data-transmission network in Brazil. Embratel's long-distance and data-transmission networks use fiber optic, digital microwave, satellite and copper wireline technologies. Embratel's networks use a 100% digital switching system for voice and data services and the latest generation Internet Protocol (IP) routers to support IP-based services, internet access and VPNs, through Multiprotocol Label Switching technology. Embratel's internet backbone is the largest in Latin America with 1,100 Gbps capacity distributed through 1,401 points of presence and 52 routing centers, and its network also connects to the international internet backbone. Embratel also has approximately 59,211 kilometers of cable in a mesh network that has three or more outlets with a capacity of 7.1 TbPs. Embratel has local metropolitan digital fiber networks with approximately 8,504 kilometers of cable in the major Brazilian cities. Embratel is attaching fiber extensions to commercial buildings connected to metropolitan rings, providing high quality direct connections. Embratel's submarine cable network reaches all continents through 9 different cable systems in which it has various ownership interests. Embratel's networks have also been modified to use Net Serviços's coaxial cable networks to provide telephony services to Net Serviços's broadband customers through *NET Fone*. In December 2009, Net Serviços granted Embratel an indefeasible right to use its HFC network to provide local fixed-telephone service.

To supplement its network, Embratel uses long-distance microwave systems, in areas where installation of fiber cables is difficult, with a total range of 16,254 kilometers and seven satellites to provide services to remote locations within the country and it leases satellite capacity from international satellite systems and submarine capacity in other private cable systems. Embratel also offers local telephony services to its *Claro Fixo* residential customers using CDMA wireless technology.

Net Serviços has an advanced network that uses coaxial and fiber optic technologies that allows it to provide a wide range of services and products at bandwidth capacities of 450 MHz, 550 MHz and 750 MHz or above. Net Serviços's network also helps it reduce piracy by enabling Net Serviços to scramble the signal of up to 100% of the homes the network passes. Net Serviços also believes that its network is equipped to respond to future customer preferences, as it has bi-directional technology for almost all homes passed. The network also has in place the architecture necessary to provide pay-per-view and video-on-demand services in additional regions once it becomes commercially viable to do so. As of December 31, 2012, Net Serviços's network had over 98,000 kilometers of cable and passed approximately 16.5 million homes in 141 localities. In addition, in 2012 Net Serviços began operating a network that uses HFC technology, and it expects that this network will allow it to reach 42 cities by the end of the year. Net Serviços complements its traditional cable network with its MMDS network, through which it reaches over 24,500 subscribers. MMDS is a system in which programming is sent by microwave transmitters from a larger antenna in a tower or building to a smaller receiving antenna located at the subscriber's premises.

Satellite Network

Embratel, and Star One, have the most extensive satellite system in Latin America with a fleet covering the entire territory of South America and Mexico, as well as part of Central America and part of Florida. Star One currently has seven satellites in full operation (i.e., in geostationary orbit), including one it owns jointly with SES. These satellites currently operate in the C-band and/or Ku-band frequencies. Star One also currently operates two satellite control centers that are certified by the International Organization for Standardization.

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Embratel and Star One have a program to replace satellites that are nearing or have reached the end of their contractual lives, thereby ensuring the continuity and quality of their communication services. Pursuant to that program, Star One successfully launched the C-3 satellite in November 2012 to replace the B-3 satellite. In addition, in January 2012, Star One entered into a contract with Space System/Loral for the in-orbit delivery of a new Ku-band satellite to be launched in 2014, the Star One C4. This new satellite is intended primarily to supply capacity for DTH services for Claro TV in Brazil and other DTH operations in South America.

Competition

Claro Brasil's principal wireless competitors are Vivo Participações S.A., TIM Participações, Oi Participações S.A., Companhia de Telecomunicações do Brasil Central, Sercomtel S.A. and Nextel Brasil; Embratel's principal fixed-line competitors are Oi Participações S.A., Companhia de Telecomunicações do Brasil Central, Intelig Telecomunicações Ltda., Telefónica Brasil S.A. and Global Village Telecom; and Net Serviços's principal competitors are Sky Brasil, Telefónica Brasil S.A., Vivo Participações S.A., Oi Participações S.A. and Global Village Telecom S.A.

Table of Contents**COLOMBIA OPERATIONS**

We offer wireless, fixed-line voice, broadband, Pay TV and directory services and products in Colombia through our subsidiaries Comunicación Celular S.A. (Comcel), Telmex Colombia S.A. (Telmex Colombia) and Páginas Telmex S.A. We offer both our wireless and fixed-line services under the Claro brand. We are the largest wireless telecommunications and Pay TV services provider in Colombia, measured by number of subscribers.

As of December 31, 2012, we had approximately 30.4 million wireless subscribers, approximately 84.4% of which were prepaid customers, representing a market share of 61.8%. As of December 31, 2012, we also had approximately 1.0 million fixed-line subscribers, 1.2 million broadband subscribers and 2.0 million Pay TV subscribers.

In 2012, our Colombia segment had revenues of Ps.73,432 million, representing 9.5% of our consolidated revenues for such period. As of December 31, 2012, our Colombia segment operations represented approximately 11.6% of our total wireless subscribers, as compared to 11.9% at December 31, 2011, and approximately 6.5% of our total RGUs, as compared to 6.1% at December 31, 2011.

The following table sets forth information regarding our Colombia segment's subscriber base, traffic, market share and operating measures at the dates and for the periods indicated. The figures presented below, for all periods, have been adjusted to reflect the removal of our operations in Panama from this segment:

	2010	December 31, 2011	2012
Wireless Operations:			
ARPU (year ended)	Ps. 117	Ps. 121	Ps. 147
Subscribers (thousands):			
Prepaid	25,078	24,064	25,019
Postpaid	4,186	4,755	5,352
Total	29,264	28,819	30,371
Market share	66.9%	65.5%	61.8%
MOUs (year ended)	198	203	230
Wireless churn rate (year ended)	3.4%	4.1%	3.8%
Fixed Operations:			
RGUs (thousands):			
Fixed voice	571	774	986
Broadband	614	875	1,190
Pay TV	1,802	1,899	2,019
Total	2,988	3,548	4,195
Traffic (year ended) (millions):			
Long-distance minutes	32	50	71
Interconnection minutes	441	574	717
Total minutes	473	624	788
Churn rate (year ended):			
Fixed voice	2.4%	1.9%	1.9%
Broadband	2.3%	1.9%	1.8%
Pay TV	2.4%	2.1%	2.0%

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Services and Products

Wireless Services and Products

We offer wireless voice and data services under a variety of plans to meet the needs of different market segments. The plans are either postpaid, where the customer is billed monthly for the previous month and may terminate the plan at any time, subject to certain exceptions, or prepaid, where the customer pays in advance for a specified volume of use over a specified period.

We also offer international roaming services to our subscribers through wireless service providers with which we have entered into international roaming agreements around the world, and we provide GSM and 3G roaming services to customers of our international roaming partners. Certain network usage fees are subject to special regulations issued by the Communications Regulation Commission (*Comisión de Regulación de Comunicaciones*, or CRC). See Regulation Colombia under this Item 4.

In connection with the provision of our voice services, we earn interconnection revenues from calls to any of our subscribers that originate with another service provider. We charge the service provider from whose network the call originates an interconnection charge for the time our network is used in connection with the call. Similarly, we must pay interconnection fees in respect of calls made by our subscribers to customers of other service providers.

We offer data services, including SMS, MMS, premium SMS and premium MMS, mobile entertainment services, data-transmission (including messaging, chat and access to social networks), internet browsing and e-mail services.

We also offer a variety of products as complements to our wireless service, including handsets and smart phones, and accessories such as chargers, headsets, belt clips, batteries, broadband cards and netbooks. In addition, we offer other wireless services, such as push-to-talk Services.

Fixed-line Services and Products

We offer fixed-line voice services, including local and long-distance services, data services, including data administration and hosting services, broadband services and Pay TV services, such as video on demand, to both corporate and residential customers under a variety of plans to meet the needs of different user segments. In addition, we offer data center and carrier services.

Our Networks and Technology

Our wireless networks, which cover approximately 71.2% of the population, use 3G technologies, and our fixed-line networks use HFC and optical fiber technologies.

Competition

Our principal wireless competitors are Colombia Telecomunicaciones S.A., E.S.P. (Movistar) and Colombia Móvil S.A. (Tigo); and our principal fixed-line competitors are Movistar, ETB S.A. E.S.P. (*Empresa de Telecomunicaciones de Bogotá S.A. E.S.P.*) and UNE EPM Telecomunicaciones S.A. E.S.P.

Table of Contents**SOUTHERN CONE OPERATIONS**

We offer wireless, fixed-line voice, broadband and Pay TV services and products in our Southern Cone segment under the Claro brand through our subsidiaries AMX Argentina S.A. (AMX Argentina), Telmex Argentina S.A. (Telmex Argentina), Claro Chile S.A (Claro Chile), Claro Comunicaciones S.A. (Claro Comunicaciones), Claro Servicios Empresariales S.A. (Claro Servicios Empresariales), AMX Paraguay, S.A. (AMX Paraguay), AM Wireless Uruguay, S.A. (AM Wireless Uruguay), Telstar, S.A. and Flimay S.A. (Flimay). We are the largest wireless telecommunications services provider in Argentina and the third largest in Chile, Paraguay and Uruguay, measured by number of subscribers.

As of December 31, 2012, we had approximately 27.4 million wireless subscribers, approximately 67.6% of which were prepaid customers, representing a market share of 28.4%. As of December 31, 2012, we also had approximately 0.5 million fixed-line subscribers, 0.4 million broadband subscribers and 0.6 million Pay TV subscribers.

In 2012, our Southern Cone segment had revenues of Ps.62,018 million, representing 8.0% of our consolidated revenues for such period. As of December 31, 2012, our Southern Cone segment operations represented approximately 10.5% of our total wireless subscribers, compared to approximately 10.9% as of December 31, 2011, and approximately 2.4% of our total RGUs, compared to 2.3% at December 31, 2011.

The following table sets forth information regarding our Southern Cone segment's subscriber base, traffic, market share and operating measures at the dates and for the periods indicated:

	2010	December 31, 2011	2012
Wireless Operations:			
ARPU (year ended)	Ps. 129	Ps. 137	Ps. 142
Subscribers (thousands):			
Prepaid	16,791	17,865	18,545
Postpaid	7,717	8,416	8,887
Total	24,508	26,281	27,432
Market share	29.1%	28.9%	28.4%
MOUs (year ended)	145	158	160
Wireless churn rate (year ended)	2.6%	3.2%	3.1%
Fixed Operations:			
RGUs (thousands):			
Fixed voice	354	427	478
Broadband	217	312	381
Pay TV	496	597	649
Total	1,067	1,336	1,508
Traffic (year ended) (millions):			
Long-distance minutes	2,472	2,499	2,546
Interconnection minutes	1,243	1,227	1,185
Total minutes	3,715	3,726	3,731
Churn rate (year ended):			
Fixed voice	2.0%	1.9%	1.6%
Broadband	2.8%	2.7%	2.3%
Pay TV	3.9%	4.2%	4.4%

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Services and Products

Wireless Services and Products

We offer wireless voice and data services under a variety of plans to meet the needs of different market segments. The plans are either postpaid, where the customer is billed monthly for the previous month and may terminate the plan at any time, subject to certain exceptions, or prepaid, where the customer pays in advance for a specified volume of use over a specified period.

We also offer international roaming services to our subscribers through the networks of cellular service providers with which we have entered into international roaming agreements around the world, and we provide GSM and 3G roaming services to customers of our international roaming partners.

In connection with the provision of our voice services, we earn interconnection revenues from calls to any of our subscribers that originate with another service provider. We charge the service provider from whose network the call originates an interconnection charge for the time our network is used in connection with the call. Similarly, we must pay interconnection fees in respect of calls made by our subscribers to customers of other service providers.

We offer data services, including SMS, MMS, premium SMS and premium MMS, mobile entertainment services, data-transmission, internet browsing and e-mail services.

We also offer a variety of products as complements to our wireless service, including handsets and smartphones, and accessories such as chargers, headsets, belt clips, batteries, broadband cards and netbooks. In addition, we offer other wireless services, such as push-to-talk services.

Fixed-line Services and Products

We offer fixed-line voice services, including local and long-distance services, data services, including data administration and hosting services and broadband services to both corporate and residential customers under a variety of plans to meet the needs of different user segments. We also offer DTH Pay TV services in Chile and Paraguay and video-on-demand services in Argentina and Paraguay.

Our Networks and Technology

In Argentina our wireless networks, which cover approximately 96.84% of the population, use GSM and 3G technologies. In Chile our wireless networks, which cover approximately 98% of the population, use GSM and 3G technologies. In Paraguay our wireless networks, which cover approximately 71.21% of the population, use GSM and 3G technologies. In Uruguay our wireless networks, which cover approximately 91.38% of the population, use GSM and 3G technologies. In Argentina, our fixed-line networks use pre-WiMax, Wireless Local Loop, WiMax, local point-multipoint distribution service (LMDS), HFC and Gigabit Passive Optical Networks technologies. In Chile, our fixed-line networks use DTH and HFC technologies. In Uruguay, our fixed-line networks use LMDS and HFC technologies.

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Competition

In Argentina, our principal wireless competitors are Telecom Personal S.A., Telefónica S.A. (Movistar) and Empresa Argentina de Soluciones Satelitales S.A.; and our principal fixed-line competitors are Telefónica de Argentina S.A., Telecom Argentina S.A., Global Crossing S.A., Comsat S.A. and NSS S.A. In Chile, our principal wireless competitors are Entel S.A. and Telefónica Chile S.A. (Movistar); and our principal fixed-line competitors are Telefónica Chile S.A. (Movistar), VTR Globalcom S.A., DirecTV Latin America LLC and Grupo GTD. In Paraguay, our principal competitors are COPACO S.A. (*Compañía Paraguaya de Comunicaciones S.A.*), a stated-owned monopoly in the provision of fixed voice local and international long-distance services, Telecel S.A., which is controlled by Millicom International Cellular S.A., Nucleo S.A. and Hola Paraguay S.A. In Uruguay, our principal wireless competitors are Telefónica Móviles del Uruguay S.A. (Movistar) and the state-owned National Administration of Telecommunications (*Administración Nacional de Telecomunicaciones*) which is also a fixed-voice-long-distance services monopoly.

Table of Contents**ANDEAN REGION OPERATIONS**

We offer wireless, fixed-line voice, broadband, Pay TV and directory services and products in our Andean Region segment under the Claro brand through our subsidiaries Consorcio Ecuatoriano de Telecomunicaciones S.A. (Conecel), Ecuador Telecom S.A. (Ecuador Telecom) and América Móvil Perú, S.A.C. (Claro). Conecel is the largest wireless telecommunications services provider in Ecuador and the second largest in Peru, measured by number of subscribers.

As of December 31, 2012, we had approximately 24.6 million wireless subscribers, approximately 80.8% of which were prepaid customers, representing a market share of 52.1%. As of December 31, 2012, we also had approximately 0.6 million fixed-line subscribers, 0.3 million broadband subscribers and 0.3 million Pay TV subscribers.

In 2012, our Andean Region segment had revenues of Ps.42,495 million, representing 5.5% of our consolidated revenues for such period. As of December 31, 2012, our Andean Region segment operations represented approximately 9.4% of our total wireless subscribers, as compared to 9.2% at December 31, 2011, and approximately 1.7% of our total RGUs, as compared to 1.5% at December 31, 2011.

The following table sets forth information regarding our Andean Region segment's subscriber base, traffic, market share and operating measures at the dates and for the periods indicated:

	2010	December 31, 2011	2012
Wireless Operations:			
ARPU (year ended)	Ps. 107	Ps. 110	Ps. 121
Subscribers (thousands):			
Prepaid	17,738	18,765	19,919
Postpaid	2,572	3,546	4,719
Total	20,310	22,311	24,638
Market share	52.8%	58.9%	52.1%
MOUs (year ended)	109	134	133
Wireless churn rate (year ended)	2.5%	2.5%	2.8%
Fixed Operations:			
RGUs (thousands):			
Fixed voice	171	349	584
Broadband	124	188	264
Pay TV	249	326	272
Total	544	863	1,120
Traffic (year ended) (millions):			
Long-distance minutes	345	370	344
Interconnection minutes	1,003	1,169	1,214
Total minutes	1,348	1,539	1,558
Churn rate (year ended):			
Fixed voice	2.3%	2.2%	1.6%
Broadband	2.5%	2.8%	2.6%
Pay TV	3.9%	4.3%	5.4%

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Services and Products

Wireless Services and Products

We offer wireless voice and data services under a variety of plans to meet the needs of different market segments. The plans are either postpaid, where the customer is billed monthly for the previous month and may terminate the plan at any time, subject to certain exceptions, or prepaid, where the customer pays in advance for a specified volume of use over a specified period.

We also offer international roaming services to our subscribers through the networks of cellular service providers with which we have entered into international roaming agreements around the world, and we provide GSM and 3G roaming services to customers of our international roaming partners.

In connection with the provision of voice services, we earn interconnection revenues from calls to any of our subscribers that originate with another service provider. We charge the service provider from whose network the call originates an interconnection charge for the time our network is used in connection with the call. Similarly, we must pay interconnection fees in respect of calls made by our subscribers to customers of other service providers.

We offer data services, including SMS, MMS, premium SMS and premium MMS, mobile entertainment services, data-transmission, internet browsing and e-mail services.

We also offer a variety of products as complements to our wireless service, including handsets and smart phones, and accessories such as chargers, headsets, belt clips, batteries, broadband cards and netbooks.

Fixed-line Services and Products

We offer fixed-line voice services, including local and long-distance services, data services, including data administration and hosting services, broadband services and Pay TV services to both corporate and residential customers under a variety of plans to meet the needs of different user segments.

Our Networks and Technology

In Ecuador, our wireless networks, which cover approximately 68.81% of the population, use GSM and 3G technologies, while in Peru, our wireless networks cover approximately 82% of the population and use GSM, 3G, HSPA and HSPA+ technologies. In Ecuador, our fixed-line networks use HFC technologies, while in Peru our fixed-line networks use CDMA, HFC, DTH, copper wire, LMDS and WiMax technologies.

Competition

In Ecuador, our principal wireless competitor is Otecel S.A. (Movistar); and our principal fixed-line competitors are Setel S.A. (Grupo TV Cable) and Corporación Nacional e Telecomunicaciones EP. In Peru, our principal wireless competitor is Telefónica Móviles S.A. (Movistar); and our principal fixed-line and Pay TV competitors are Telefónica del Perú S.A.A., Telefónica Multimedia S.A.C. (Movistar TV) and DirecTV Peru S.R.L.

Table of Contents**CENTRAL AMERICA OPERATIONS**

We offer wireless, fixed-line voice, broadband, Pay TV and directory services and products in our Central America segment under the Claro brand through our subsidiaries Compañía de Telecomunicaciones de El Salvador (CTE), S.A. de C.V. (CTE), CTE Telecom Personal, S.A. de C.V. (CTE Telecom Personal), Telecomunicaciones de Guatemala, S.A. (Telgua), Empresa Nicaragüense de Telecomunicaciones, S.A. (Enitel), Servicios de Comunicaciones de Honduras, S.A. de C.V. (Sercom Honduras), Claro CR Telecomunicaciones S.A. (Claro Costa Rica) and Claro Panamá, S.A. (Claro Panamá). We are the largest wireless telecommunications services provider in Nicaragua, the second largest in El Salvador, Guatemala and Honduras and the fourth largest in Panama, in each case measured by number of subscribers.

We acquired Digicel s Honduran operations in November 2011 and merged them with Sercom in 2012. We had also agreed to acquire Digicel s Salvadorian subsidiary, Digicel, S.A. de C.V., but did not receive regulatory approval to complete the transaction. In October 2012, we terminated our agreement to acquire Digicel s Salvadorian subsidiary, following the procedures contemplated by that agreement. In October 2012, Claro Costa Rica obtained a license to provide DTH services for a period of 15 years.

As of December 31, 2012, we had approximately 15.3 million wireless subscribers, approximately 90.77% of which were prepaid customers, which represented a market share of 30.3%. As of December 31, 2012, we also had approximately 2.6 million fixed-line subscribers, 0.6 million broadband subscribers and 0.7 million Pay TV subscribers.

In 2012, our Central America segment had revenues of Ps.23,047 million, representing 3.0% of our consolidated revenues for such period. As of December 31, 2012, our Central America segment operations represented approximately 5.8% of our total wireless subscribers, as compared to 5.3% at December 31, 2011 and approximately 6.1% of our total RGUs, as compared to 6.3% at December 31, 2011.

The following table sets forth information regarding our Central America segment s subscriber base, traffic, market share and operating measures at the dates and for the periods indicated.

	2010	December 31, 2011	2012
Wireless Operations:			
ARPU (year ended)	Ps. 70	Ps. 73	Ps. 78
Subscribers (thousands):			
Prepaid	10,215	11,903	13,861
Postpaid	709	1,029	1,410
Total	10,924	12,932	15,271
Market share	29.8%	27.9%	30.3%
MOUs (year ended)	115	139	153
Wireless churn rate (year ended)	2.1%	2.1%	2.5%
Fixed Operations:			
RGUs (thousands):			
Fixed voice	2,305	2,440	2,594
Broadband	376	474	566
Pay TV	550	707	736
Total	3,231	3,621	3,896
Traffic (year ended) (millions):			
Long-distance minutes	2,101	2,150	2,594
Interconnection minutes	868	792	693
Total minutes	2,969	2,942	3,287
Churn rate (year ended):			

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Fixed voice	1.0%	0.8%	0.7%
Broadband	1.8%	1.7%	1.3%
Pay TV	2.6%	2.4%	3.4%

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Services and Products

Wireless Services and Products

We offer wireless voice and data services under a variety of plans to meet the needs of different market segments. The plans are either postpaid, where the customer is billed monthly for the previous month and may terminate the plan at any time, subject to certain exceptions, or prepaid, where the customer pays in advance for a specified volume of use over a specified period.

We also offer international roaming services to our subscribers through the networks of cellular service providers with which we have entered into international roaming agreements around the world, and we provide GSM and 3G roaming services to customers of our international roaming partners.

In connection with the provision of our voice services, we earn interconnection revenues from calls to any of our subscribers that originate with another service provider. We charge the service provider from whose network the call originates an interconnection charge for the time our network is used in connection with the call. Similarly, we must pay interconnection fees in respect of calls made by our subscribers to customers of other service providers.

We offer data services, including SMS, MMS, premium SMS and premium MMS, mobile entertainment services, data-transmission, internet browsing, e-mail services and access to social networking and instant messaging applications.

We also offer a variety of products as complements to our wireless service, including handsets and smart phones, and accessories such as chargers, headsets, belt clips, batteries, broadband cards and netbooks. In addition, we offer other wireless services, such as push-to-talk services.

Fixed-line Services and Products

We offer fixed-line voice services, including local and long-distance services, data services, including data administration and hosting services, broadband services and Pay TV services to both corporate and residential customers under a variety of plans to meet the needs of different user segments.

Our Networks and Technology

In El Salvador our wireless networks, which cover approximately 91.0% of the population, use 3G and GSM technologies. In Guatemala our wireless networks, which cover approximately 89% of the population, use 3G and GSM technologies. In Honduras our wireless networks, which cover approximately 71% of the population, use 3G and GSM technologies. In Nicaragua our wireless networks, which cover approximately 79.0% of the population, use GSM technologies. In Panama our wireless networks, which cover approximately 84.8% of the population, use 3G and GSM technology. Our wireless networks in Costa Rica, which cover approximately 56.0% of the population, use 3G and GSM technologies. Our Central America fixed-line networks use HFC, VoIP and plain old telephone service (POTS) technologies.

Competition

In El Salvador, our principal wireless competitors are Telemóvil El Salvador, S.A. (Tigo), Telefónica Móviles El Salvador, S.A. de C.V., Diginet S.A. de C.V., a Millicom Subsidiary, and Intelfon S.A. de C.V., and our principal fixed-line competitor is Amnet S.A. In Guatemala, our principal wireless competitors are Comunicaciones Celulares, S.A. (Tigo) and Telefónica Móviles Guatemala, S.A. In Honduras, our principal wireless competitors are Telefónica Celular, S.A. (CELTEL) and Empresa Hondureña de Telecomunicaciones (Hondutel), and our principal fixed-line competitor is Empresa Hondureña de Telecomunicaciones (Hondutel). In Nicaragua, our principal wireless competitor is Telefonía Celular de Nicaragua, S.A. In Panama, our principal wireless and Pay TV competitors are Telefónica Móviles Panamá S.A., Cable & Wireless Panamá S.A., Diginet Cable Onda and SKY Panamá. In Costa Rica, our principal competitors are the Instituto Costarricense de Electricidad (ICE), Telefónica de Costa Rica, S.A. and Amnet S.A.

Table of Contents**UNITED STATES OPERATIONS**

We offer wireless services and products in our United States segment through our subsidiary TracFone under the TracFone, Net10, Straight Talk, SafeLink, Simple Mobile and Telcel America brands. We are the largest prepaid wireless telecommunications services provider in the United States, measured by number of subscribers.

On January 6, 2012, we acquired DLA, Inc. (DLA). DLA is a leader in the development, integration and delivery of entertainment products made for digital distribution in Latin America. DLA offers Pay TV content and entertainment solutions, including on-demand services (basic, transactional or by subscription) to network providers in Latin America, Spain, Portugal, the Caribbean and the Hispanic market in the United States. During the third quarter of 2012, we launched a new product called Claro Video, which delivers unlimited over-the-top content, such as movies and TV series for a monthly fixed fee in Mexico, Colombia and Brazil.

On June 19, 2012, our subsidiary Tracfone Wireless Inc. acquired 100% of the mobile virtual network business of Simple Mobile, Inc., which is one of the fastest growing mobile virtual network operators (MVNOs) in the United States, with approximately 1.4 million subscribers.

As of December 31, 2012, we had approximately 22 million wireless subscribers, all of which were prepaid customers, which represented a 35% share of the prepaid wireless market. In 2012, our United States segment had revenues of Ps.63,573 million, representing 8.2% of our consolidated revenues for such period. As of December 31, 2012, our United States segment operations represented approximately 8.6% of our total wireless subscribers, as compared to 8.2% as of December 31, 2011.

The following table sets forth information regarding our United States segment's subscriber base, market share and operating measures at the dates and for the periods indicated:

	2010	December 31, 2011	2012
ARPU (year ended)	Ps. 161	Ps. 190	Ps. 225
Subscribers (thousands):			
Prepaid	17,749	19,762	22,392
Market share	39.7%	29.0%	35.0%
MOUs (year ended)	234	378	457
Wireless churn rate (year ended)	4.0%	4.2%	3.9%

Services and Products

We offer prepaid wireless debit card services, as well as prepaid wireless handsets through an extensive distribution network of independent retailers.

Networks and Technology

We do not own any wireless telecommunications facilities or hold any wireless spectrum licenses in the United States. Instead, we purchase airtime through agreements with approximately ten wireless service providers and re-sell airtime to customers. Through these agreements, we have a nationwide virtual network covering almost all areas in which wireless services are available.

Competition

We compete with the major U.S. wireless operators and other mobile virtual network operators.

Table of Contents**CARIBBEAN OPERATIONS**

We offer wireless, fixed-line voice, broadband and Pay TV services and products in our Caribbean segment under the Claro brand through our subsidiaries Compañía Dominicana de Teléfonos, S.A. (Codetel) and Telecomunicaciones de Puerto Rico, Inc. (Telpri). We are the largest wireless telecommunications services provider in the Dominican Republic and the second largest in Puerto Rico, measured by number of subscribers.

As of December 31, 2012, we had approximately 5.8 million wireless subscribers, approximately 74.9% of which were prepaid customers, which represented a market share of 45.4%. As of December 31, 2012, we also had approximately 1.3 million fixed-line subscribers, 0.6 million broadband subscribers and 0.17 million Pay TV subscribers.

In 2012, our Caribbean segment had revenues of Ps.27,441 million, representing 3.5% of our consolidated revenues for such period. As of December 31, 2011, our Caribbean segment's operations represented approximately 2.2% of our total wireless subscribers, as compared to 2.3% at December 31, 2011, and approximately 3.4% of our total RGUs, as compared to 3.7% at December 31, 2011.

The following table sets forth information regarding our Caribbean segment's subscriber base, traffic, market share and operating measures at the dates and for the periods indicated:

	2010	December 31, 2011	2012
Wireless Operations:			
ARPU (year ended)	Ps. 163	Ps. 179	Ps. 201
Subscribers (thousands):			
Prepaid	5,102	4,200	4,382
Postpaid	1,392	1,392	1,466
Total	6,494	5,592	5,848
Market share	41.6%	47.6%	45.4%
MOUs (year ended)	303	328	327
Wireless churn rate (year ended)	4.9%	5.2%	4.0%
Fixed Operations:			
RGUs (thousands):			
Fixed voice	1,483	1,426	1,365
Broadband	559	590	628
Pay TV	102	143	172
Total	2,144	2,159	2,165
Traffic (year ended) (millions):			
Long-distance minutes	5,495	5,357	4,953
Interconnection minutes	4,439	3,307	2,836
Total minutes	9,934	8,664	7,789
Churn rate (year ended):			
Fixed voice	1.6%	1.5%	1.7%
Broadband	3.0%	2.8%	2.5%
Pay TV	2.0%	2.7%	2.5%

Services and Products*Wireless Services and Products*

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We offer wireless voice and data services under a variety of plans to meet the needs of different market segments. The plans are either postpaid, where the customer is billed monthly for the previous month and may terminate the

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plan at any time, subject to certain exceptions such as, in the case of Puerto Rico only, an early termination fee, or prepaid, where the customer pays in advance for a specified volume of use over a specified period.

We also offer international roaming services to our subscribers through the networks of cellular service providers with which we have entered into international roaming agreements around the world, and we provide CDMA, GSM and 3G roaming services to customers of our international roaming partners.

In connection with the provision of our voice services in the Dominican Republic, we earn interconnection revenues from calls to any of our subscribers that originate with another service provider. We charge the service provider from whose network the call originates an interconnection charge for the time our network is used in connection with the call. Similarly, we must pay interconnection fees in respect of calls made by our subscribers to customers of other service providers.

In Puerto Rico, we have established reverse toll billing, under which, the fees for connecting our fixed-line customers' calls to other wireless providers' customers are paid by such wireless providers. In July 2012, under the Intercarrier Compensation Reform issued by the FCC, we entered into bill and keep agreements governing the interconnection of local traffic between all wireless carriers and our fixed-line customers.

We offer data services, including SMS, MMS, premium SMS and premium MMS, mobile entertainment services, data-transmission, internet browsing and e-mail services. We also offer a variety of products as complements to our wireless service, including handsets and smart phones, and accessories such as chargers, headsets, belt clips, batteries, broadband cards and netbooks. In addition, we offer other wireless services, such as push-to-talk services in the Dominican Republic.

Fixed-line Services and Products

We offer fixed-line voice services, including local and long-distance services, data services, including data administration and hosting services, broadband services and Pay TV services to both corporate and residential customers under a variety of plans to meet the needs of different user segments. In addition, we offer VOIP and network monitoring services in Puerto Rico.

Our Networks and Technology

In the Dominican Republic our wireless networks, which cover approximately 97.5% of the population, use CDMA, GSM and 3G technologies. In Puerto Rico, our wireless networks, which cover approximately 95% of the population, use CDMA, GSM, 3G and LTE technologies. In the Caribbean, our networks use POTS, VOIP, broadband, DTH and Internet Protocol television technologies and DTH satellite TV Solution. In the Dominican Republic, our television market share is 29%, the largest of any provider.

Competition

In the Dominican Republic, our principal wireless competitor is Orange Dominicana S.A., and our principal fixed-line competitor is Tricom S.A. The Dominican television market is highly competitive, with over 100 cable companies operating in the country, the most important being Tricom, Aster, Wind and Sky. The Puerto Rican wireless market is highly competitive with AT&T Mobility Puerto Rico Inc., Sprint Nextel Corp., T-Mobile USA Inc. and PR Wireless Inc. (Open Mobile) and 10 MVNOs as our principal competitors. AT&T is the largest wireless operator in Puerto Rico, where we hold a close second position. In the fixed-line business, our principal competitors in Puerto Rico are AT&T Mobility Puerto Rico Inc., Choice Cable, Liberty Cablevision of Puerto Rico LLC, WorldNet Telecommunications, Inc. and other competitive local exchange carriers.

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OTHER INVESTMENTS

Investment in KPN

As of December 31, 2012, we owned 29.77% of the outstanding shares of KPN. KPN is the leading telecommunications and IT service provider in The Netherlands, offering fixed-line service, wireless service, internet and TV to consumers. KPN offers business customers complete telecommunications and IT solutions. KPN IT Solutions (previously known as Getronics) offers global IT services and is the Benelux market leader in the area of infrastructure and network related IT solutions. In Germany and Belgium, KPN pursues a multi-brand strategy in its mobile operations. KPN provides wholesale network services to third parties and operates an IP-based infrastructure with global scale in international wholesale through iBasis.

In April 2013, KPN launched a rights offering to raise up to 3 billion. We have agreed to subscribe for new shares in the rights offering, in proportion to our current ownership of KPN shares. We have entered into a relationship agreement with KPN which, among other provisions, grants us the ability to designate two individuals for election to KPN's supervisory board.

Investment in Telekom Austria

As of December 31, 2012, we owned approximately 23.69% of the outstanding shares of Telekom Austria. Telekom Austria, is the leading communications provider in Central and Eastern Europe with more than 23 million customers. Telekom Austria is currently operating in eight countries: Austria (A1), Slovenia (Si.mobil), Croatia (Vipnet), the Republic of Serbia (Vip mobile) and the Republic of Macedonia (Vip operator), Bulgaria (Mobiltel), Belarus (velcom) and Liechtenstein (mobilkom liechtenstein). Together, these eight countries comprise a market of approximately 41 million. Telekom Austria's portfolio encompasses products and services of voice telephony, broadband Internet, multimedia services, data and IT solutions, wholesale as well as mobile payment solutions.

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REGULATION

Mexico

Applicable Legislation

The Federal Telecommunications Law (*Ley Federal de Telecomunicaciones*), the General Communications Law (*Ley de Vías Generales de Comunicación*) and regulation adopted under those statutes provide the general legal framework for the regulation of telecommunications services in Mexico.

Under the Federal Telecommunications Law, an operator of public telecommunications networks, such as Telcel or Telmex, must operate under a concession granted by the Mexican Ministry of Communications and Transportation (*Secretaría de Comunicaciones y Transportes*, or 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 wireless services that utilize frequencies of radio-electric spectrum generally has a term of up to 20 years and may be extended for additional 20-year terms. A concession to provide public fixed-line local and long-distance services generally has a term of up to 30 years and may be extended for additional 30-year terms.

The Federal Telecommunications Law requires public telecommunications concessionaires to establish an open-network architecture that permits interconnection and interoperability.

Principal Regulatory Authorities

The SCT, through the Federal Telecommunications Commission (*Comisión Federal de Telecomunicaciones*, or Cofetel), is the government agency principally responsible for regulating telecommunications services in Mexico.

Cofetel is an independent agency within the SCT, headed by 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 the SCT under the Federal Telecommunications Law and the telecommunications regulations have been delegated to Cofetel.

The Federal 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, public order or the national economy, natural disasters and public unrest. The Federal Telecommunications Law also provides that at the expiration of a concession, the Mexican government has a right of first refusal to acquire the assets used directly in the exploitation of the concession. See Regulation Termination of Concessions under this Item 4.

Telecommunications operators are also subject to regulation by the Federal Consumer Bureau (*Procuraduría Federal del Consumidor*, or Profeco) under the Federal Consumer Protection Law (*Ley Federal de Protección al Consumidor*). This law regulates publicity, the quality of services and information required to be provided to consumers and provides a mechanism to address consumer complaints. A recent amendment to this law also permits class actions for consumer claims. Profeco has the authority to impose fines, which can be significant.

Telcel Rates

The Federal Telecommunications Law provides that wireless services 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 their rates for mobile services with Cofetel prior to implementing such rates. Cofetel is authorized to impose specific rate requirements on any operator that is determined by Cofetel to have substantial market power under the Federal Antitrust Law. See Regulation Mexican Regulatory Proceedings under this Item 4.

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Telmex Rates

Under Telmex's concession, Telmex's rates for basic telephone services in any period, including installation, monthly rent, measured local-service and long-distance service, are subject to a ceiling on the price of a basket of such services, weighted to reflect the volume of each service provided by Telmex during the preceding period. Every four years, Telmex files a model before both Cofetel and the SCT, with its projections of units of operation for basic services, costs and prices. There is also a price floor based on Telmex's average long-run incremental cost. Within this aggregate price range, Telmex is free to determine the structure of its own rates. Telmex must get permission from Cofetel before its rates can take effect.

The price cap varies directly with the Mexican National Consumer Price Index, allowing Telmex to raise nominal rates to keep pace with inflation (minus a productivity factor set for the telecommunications industry), subject to consultation with the SCT. Telmex has not raised its nominal rates since March 2001, for local-service, and since March 1999 for long-distance service. Under the concession, the price cap is also adjusted downward periodically to pass on the benefits of Telmex's increased productivity to its customers. The SCT sets a periodic adjustment for every four-year period to permit Telmex to maintain an internal rate of return equal to its weighted average cost of capital. For services extending beyond basic telephone service, the Federal Telecommunications Law and Telmex's concession permit Telmex, subject to registration with Cofetel, to freely set its rates. These services include data-transmission, directory services and services based on digital technology, such as caller ID, call waiting, speed dialing, automatic redialing, voice mail, as well as three-way conference and call transfer.

During 2011, Cofetel notified Telmex of three resolutions mandating reductions to the interconnection rates that Telmex charges to other telecommunications providers. Specifically, Cofetel's resolutions reduced rates for 2011 by 65% for interconnection fees and 94% for transport of long-distance traffic (resale), when compared to 2010. Telmex has filed petitions to challenge these resolutions before Cofetel and resolution of these petitions is pending. In April 2013, Cofetel issued a resolution mandating a further reduction in the 2012 interconnection fees by 38%.

Calling Party Pays

In Mexico, calls to and from Telcel's mobile subscribers are subject to the calling party pays system, under which subscribers only pay for outgoing calls. Subscribers have the option of using the mobile party pays system. Mobile operators do not charge airtime fees to customers receiving calls, except for roaming fees applicable when subscribers receive calls outside their local areas.

Telcel Concessions

Telcel operates under several different concessions covering particular frequencies and regions, holding an average of 72.8 MHz of capacity in Mexico's nine regions in the 850 MHz, 1900 MHz and 1.7/2.1 GHz spectrum. The following tables summarize Telcel's concessions.

Frequency	Region in Mexico	Initial Date	Termination Date	Fee Structure
Band A (1900 MHz)	All PCS Regions	Sept. 1999	Sept. 2019	Upfront
Band B (850 MHz)	Cel Regions 1, 2, 3	Aug. 2011	Aug. 2026	Annual
Band B (850 MHz)	Cel Regions 4, 8	Aug. 2010	Aug. 2025	Annual
Band B (850 MHz)	Cel Regions 5, 6, 7	Oct. 2011	Oct. 2026	Annual
Band B (850 MHz)	Cel Region 9	Oct. 2000	Oct. 2015	Upfront
Band D (1900MHz)	PCS Nationwide	Oct. 1998	Oct. 2018	Upfront
Band F (1900 MHz)	PCS Nationwide	Apr. 2005	Apr. 2025	Annual
Bands B2, C, D (1.7/2.1 GHz)	B2: All AWS Regions; Band C: Nationwide; Band D: PCS Regions 1, 5, 8	Oct. 2010	Oct. 2030	Annual

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In addition to the 850 MHz, 1900 MHz and 1.7/2.1 GHz 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.

Renewal

In 2010 and 2011, the eight Band B concessions covering regions outside the Mexico City area were renewed, with certain additional conditions imposed on Telcel. Telcel challenged the imposition of some of these conditions in a process that does not affect the validity of the renewals, and a final resolution of such challenge is still pending. All of these concessions are subject to renewal for additional 15-year terms.

On April 20, 2010, Telcel requested the renewal of the Band B concession covering the Mexico City area (Region 9) that will expire in October 2015, and that renewal request is still pending. The Band D concessions will expire in 2018, the Band A concessions in 2019, the Band F concessions in 2025 and the nationwide 1.7/2.1 GHz concession in 2030. All of these concessions are subject to renewal for additional 20-year terms.

Concession Fees

In addition to the upfront payment applicable to all of the 1900 MHz (F Band) concessions, 1.7/2.1 GHz (B2, C and D Bands) concessions and 850 MHz concessions (Regions I to VIII), owners of concessions granted or renewed on or after January 1, 2003 are also required to pay annual fees (*derechos*) for the use and exploitation of radio spectrum bands. The amounts payable are set forth by the Federal Annual Fees Law (*Ley Federal de Derechos*) and vary depending on the relevant region and radio spectrum band. Currently, Telcel is not required to pay these fees for its Bands A and D 1900 MHz concessions since they were awarded prior to 2003, but it is required to pay them for additional 10 MHz of capacity in the 1900 MHz spectrum (Band F) acquired in 2005. The Band B concessions renewed in 2010 and 2011 required Telcel to pay an aggregate upfront fee of Ps.74.8 million, as well as to make payments of annual fees (*derechos*) during the term of the concessions. The grant of the nationwide 1.7/2.1 GHz concession for a 20 year term, which occurred in October 2010, required an upfront payment of Ps.3,793 million.

Service Quality Requirements

The concessions set forth extensive requirements for the quality and continuity of Telcel's services, including, in some cases, maximum rates of incomplete and dropped calls and connection time. In 2011, Cofetel issued a new Fundamental Technical Plan for Quality of Local Mobile Services Networks (the 2011 Technical Plan). The 2011 Technical Plan is applicable to all operators, including Telcel. The 2011 Technical Plan, which imposes additional service quality requirements for voice, SMS and internet services to those set forth in our concessions and includes a methodology based on site measurements that may be publicly available and potential fines for non-compliance with voice-quality requirements. We believe we are in compliance with the service quality requirements of our concessions and of the 2011 Technical Plan. Nonetheless, Telcel has been notified that the SCT has commenced a number of proceedings seeking to impose penalties on Telcel on the basis of alleged non-compliance with the service quality requirements of the previous technical plan, as well as some proceedings from alleged service quality non-compliance during network failures on January 15 and 26, 2013. Telcel is challenging the allegations and penalties in proceedings that are still pending.

Telmex Concessions

Under the Federal Telecommunications Law and related telecommunications regulations, Telmex's concession was granted in 1976 and amended in August 1990. Currently set to expire in 2026, Telmex's concession may be extended for an additional 15-year term subject to additional requirements that the SCT may impose. Thereafter, it may be renewed for successive 30-year terms, as provided under the Federal Telecommunications Law. Telmex's subsidiary, Teléfonos del Noroeste, S.A. de C.V. (Telnor), holds a

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separate concession in a region located in two states in northwestern Mexico that will expire in 2026 and may be extended for an additional 15-year term thereafter. The material terms of the Telcel concession are similar to those of the Telmex concession.

In addition, Telmex currently holds concessions for the use of frequencies to provide wireless local access and point-to-point and point-to-multipoint transmission. Telmex obtained these concessions from Cofetel through a competitive bidding process for a term of up to 20 years that may be extended for additional 20-year terms.

The General Communications Law provides that upon the expiration of the Telmex concession the Mexican government is entitled to purchase its telecommunications assets at a price determined on the basis of an appraisal by a public official. Related telecommunications regulations provide that, upon expiration of the concession, the Mexican government has a right of first refusal to acquire Telmex's telecommunications assets. However, the General Communications Law also provides that in certain cases, upon expiration of the concession, Telmex's telecommunications assets will revert to the Mexican government free of charge. There is substantial doubt as to how these provisions of the General Communications Law and the telecommunications regulations would be applied and, accordingly, there can be no assurance that upon expiration of the concession, Telmex's telecommunications assets will not revert to the Mexican government free of charge.

Termination of Concessions

The General Communications Law, the Federal Telecommunications Law and the concessions include various provisions under which the concessions may be terminated before their scheduled expiration dates. Under the Federal Telecommunications Law or the terms of the concessions, as applicable, the SCT may cause early termination of any of the concessions in certain cases specified by law.

The General Communications Law provides that, in the event of early termination of our concessions, all assets that are subject to such concession would revert to the Mexican government without compensation. In the event of early termination of any of our concessions, the Mexican government would have the option to purchase the equipment, installations and other assets used directly for the exploitation of the frequencies that are subject to such concession.

Competition

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

Of particular importance for Telmex is the fact that Mexican authorities have adopted regulations to permit cable television providers to provide voice-transmission services to local fixed-line telecommunications operators and data and broadband internet access services to the Mexican public. Regulations have also been adopted to allow other local telephone service providers to provide Pay TV and audio services, but to date Telmex has been unable to obtain authorization to do so.

Mexican Regulatory Proceedings

Telcel Antitrust Investigations Substantial Market Power

The Federal Telecommunications Law authorizes Cofetel 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.

Telcel is the target of two substantial market power investigations initiated by Cofeco. In the first investigation, Cofeco determined that Telcel had substantial market power over the mobile termination switched services it provides to other concessionaries through its network. Telcel filed an appeal for relief (*recurso de*

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amparo) against such ruling. The second investigation relates to whether Telcel enjoys substantial market power in the nationwide market for voice and data services. In March 2013, Telcel was notified of a final ruling issued by Cofeco confirming that Telcel does indeed enjoy substantial market power in the nationwide market for mobile telephone services. Telcel filed an appeal for relief (*recurso de amparo*) against the March 2013 ruling. Resolution of both appeals for relief (*recurso de amparo*) is pending.

These rulings allow Cofetel to impose against Telcel specific requirements as to rates, quality of service and information, though it has not yet done so. If they do, we will appeal Cofeco's rulings and any specific requirements Cofetel imposes.

Telcel Antitrust Litigations Monopolistic Practices

In April 2011, following a regulatory inquiry initiated in 2006, Cofeco notified our subsidiary Telcel of a resolution imposing a fine of Ps.11,989 million for alleged relative monopolistic practices (*prácticas monopolísticas relativas*) that also, allegedly, constituted a repeat offense (*reincidencia*). Under applicable Mexican law, Cofeco can impose a penalty for a repeat offense equivalent to the highest of twice the fine applicable to a first-time offense, or 8% of the offender's annual revenues for its previous fiscal year.

In March 2012, Telcel submitted to Cofeco, pursuant to the Mexican Competition Law (*Ley Federal de Competencia Económica*), a series of proposed undertakings related to the alleged relative monopolistic pricing practice to which the fine relates in order for Cofeco to consider the adoption of such undertakings as part of the petition for reconsideration in order to eliminate the fine. The undertakings are: (i) the gradual reduction of the mobile termination rate Telcel charges for termination of voice traffic in its network to reach Ps.\$0.3094 in 2014; (ii) use of the second as the applicable unit for measuring interconnection rates; (iii) publication of the reference interconnection terms (*oferta pública de interconexión*) applicable to its network; (iv) termination of all pending disputes related to the 2011 termination rate (Ps\$0.3912) determined by Cofetel with those operators that agree to enter into an agreement based on the reference interconnection terms; (v) maintenance, as part of Telcel's commercial offerings, of plans or promotions under which some of the minutes included in the plan or promotion can be used by the Telcel customer to call any fixed or mobile network at the same rate (without differentiating on-net and off-net); and (vi) an access to information agreement under which Cofeco can monitor compliance with Telcel's undertakings.

In May 2012, Cofeco revoked the fine. As a condition to the revocation of the fine, Telcel must comply with all specific undertakings that it proposed to Cofeco in March 2012. Certain of the operators that were parties to that proceeding have challenged the revocation of the fine. See Legal Proceedings under Item 8 and Note 17 to our audited consolidated financial statements included in this annual report.

Telmex Antitrust Investigations Substantial Market Power

Beginning in 2007, Cofeco initiated four investigations to evaluate if Telmex and its subsidiary Telnor have substantial power in certain markets. Cofeco has issued final resolutions concluding that Telmex and Telnor have substantial power in all four of the relevant markets investigated. Telmex and Telnor submitted petitions for reconsideration (*recursos de reconsideración*) to Cofeco challenging their findings. Cofeco denied the petitions for reconsideration. Telmex and Telnor then filed appeals for relief (*amparo indirecto*) challenging Cofeco's denial of the petitions for reconsideration. Of these appeals, two are still pending, but two of Telnor's appeals for relief have been denied, effectively upholding Cofeco's findings. With respect to the matters for which the appeals were denied, Cofetel can impose specific tariff requirements or other special regulations, such as additional requirements regarding disclosure of information or quality of service. Consequently, in April 2012, Cofetel published, in the Official Gazette, an agreement establishing requirements regarding tariffs, quality of service, and information for dedicated-link leasing. Telmex believes it could have an adverse impact on its revenues and results of operations. Telmex and Telnor have filed a petition for relief against that resolution, and that petition is still pending.

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Mobile Termination Rates

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 or mobile termination rate. Under Mexican law, interconnection fees are negotiated between operators. There has been extensive controversy in Mexico concerning the mobile termination rates payable to mobile operators since 2005. See Note 17 to our audited consolidated financial statements included in this annual report.

February 2009 Interconnection and Interoperability Plan

In February 2009, Cofetel published a Fundamental Technical Plan of Interconnection and Inter-operability (the Plan) that addresses the technical, economic and legal conditions of interconnection and establishes additional obligations on telephone services providers, including Telcel, Telmex and Telnor. With respect to mobile termination fees, the