

AMERICA MOVIL SAB DE CV/
Form 20-F
April 30, 2014
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As filed with the Securities and Exchange Commission on April 30, 2014

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, 2013
Commission file number: 1-16269

AMÉRICA MÓVIL, S.A.B. DE C.V.
(exact name of registrant as specified in its charter)

America Mobile

(translation of registrant's name into English)

United Mexican States

(jurisdiction of incorporation)

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

(address of principal executive offices)

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Granada, Delegación Miguel Hidalgo,

11529, México, D.F., México

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

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

Title of each class:	Name of each exchange on which registered:
American Depositary Shares, each representing 20 A Shares, without par value	NASDAQ National Market
A Shares, without par value	NASDAQ National Market (for listing purposes only)
American Depositary Shares, each representing 20 L Shares, without par value	New York Stock Exchange
L Shares, without par value	New York Stock Exchange (for listing purposes only)
2.375% Senior Notes Due 2016	New York Stock Exchange
3.125% Senior Notes Due 2022	New York Stock Exchange
4.375% Senior Notes Due 2042	New York Stock Exchange
Floating Rate Senior Notes Due 2016	New York Stock Exchange

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

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

**The number of outstanding shares of each of the registrant's classes of capital or common stock as of
December 31, 2013:**

23,424 million	AA Shares
681 million	A Shares
46,370 million	L Shares

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

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

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

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). 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 Accelerated filer Non-accelerated filer

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

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

by the International Accounting Standards Board

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

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

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Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information**SELECTED FINANCIAL DATA**

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

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.13.0765 to U.S.\$1.00, which was the rate reported by Banco de México for December 31, 2013, 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 American Depositary Share (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,					
	2009	2010	2011	2012	2013	2013
	(millions of pesos, except share and per share amounts)					(millions of U.S. dollars, except share and per share amounts)
Income Statement Data:						
Operating revenues	Ps. 581,560	Ps. 629,889	Ps. 689,966	Ps. 775,070	Ps. 786,101	U.S.\$ 60,115
Operating costs and expenses	433,910	478,959	532,360	613,920	631,843	48,320
Depreciation and amortization	79,904	91,071	93,997	103,585	101,535	7,765
Operating income	147,650	150,930	157,606	161,150	154,258	11,795

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Net profit	Ps. 106,901	Ps. 98,905	Ps. 88,199	Ps. 91,649	Ps. 74,974	U.S.\$	5,734
Net profit attributable to:							
Equity holders of the parent	Ps. 92,698	Ps. 91,123	Ps. 83,045	Ps. 90,988	Ps. 74,625	U.S.\$	5,707
Non-controlling interests	14,203	7,782	5,154	661	349		27
Net profit	Ps. 106,901	Ps. 98,905	Ps. 88,199	Ps. 91,649	Ps. 74,974	U.S.\$	5,734
Earnings per share:							
Basic	Ps. 1.19	Ps. 1.15	Ps. 1.06	Ps. 1.19	Ps. 1.02	U.S.\$	0.08
Diluted	Ps. 1.19	Ps. 1.15	Ps. 1.06	Ps. 1.19	Ps. 1.02	U.S.\$	0.08
Dividends declared per share ⁽¹⁾	Ps. 0.40	Ps. 0.16	Ps. 0.18	Ps. 0.20	Ps. 0.22	U.S.\$	0.017
Dividends paid per share ⁽²⁾	Ps. 0.40	Ps. 0.16	Ps. 0.18	Ps. 0.20	Ps. 0.22	U.S.\$	0.017
Weighted average number of shares outstanding (millions):							
Basic	77,930	79,020	78,599	76,111	72,866		
Diluted	77,930	79,020	78,599	76,111	72,866		

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	As of December 31,					
	2009	2010	2011	2012	2013	2013
	(millions of pesos, except share and per share amounts)					(millions of U.S. dollars, except share and per share amounts)
Balance Sheet Data:						
Property, plant and equipment, net	Ps. 418,733	Ps. 411,820	Ps. 466,087	Ps. 500,434	Ps. 501,107	U.S.\$ 38,321
Total assets	790,903	863,083	939,603	987,685	1,025,592	78,430
Short-term debt and current portion of long-term debt	44,967	9,039	26,643	13,622	25,841	1,976
Long-term debt	232,274	294,060	353,975	404,048	464,478	35,520
Total equity	276,816	293,411	236,461	254,848	210,301	16,082
Capital stock	30,116	96,433	96,420	96,415	96,392	7,371
Number of outstanding shares (millions):						
AA Shares	23,424	23,424	23,424	23,424	23,424	
A Shares	902	786	756	712	681	
L Shares	52,866	56,136	52,810	51,703	46,370	
Ratio of Earnings to Fixed Charges⁽³⁾	8.4	6.8	5.6	5.4	3.9	

- (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, interest implicit in operating leases and current period amortization of interest capitalized in prior periods, minus equity interest in net income of associates, during the period.

In 2013, we started to account for our employment benefits according to the revised IAS 19 Employee benefits (IAS 19R). In accordance with its transition provisions, we applied this standard retrospectively as of and for the years ended December 31, 2012 and 2011. We have also adjusted the selected consolidated financial information above for the years ended December 31, 2010 and 2009. For further details on the effects of retroactive application of IAS 19R, see Note 3 to our consolidated financial statements.

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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
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
2013	13.4330	11.9760	12.8574	13.0980
October	13.2465	12.7665		12.9995
November	13.2430	12.8710		13.1110
December	13.2165	12.8505		13.0980
2014				
January	13.4560	12.9965		13.3585
February	13.5090	13.2035		13.2255
March	13.3315	13.0560		13.0560
April (through April 25)	13.1350	12.9500		13.1350

(1) Average of month-end rates.

On April 25, 2014, the noon buying rate published by the Board of Governors of the Federal Reserve System was Ps.13.1350 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 the future economic performance of Mexico or other countries in which we operate;

competitive developments in the telecommunications sector;

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, should and other 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, Europe and 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. 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 convergence. 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.

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.

New Legal Framework for the Regulation of Telecommunications Services in Mexico

Mexico is currently developing a new legal framework for the regulation of telecommunications and broadcasting services, based on a package of constitutional amendments enacted in June 2013. The new Federal Telecommunications Institute (*Instituto Federal de Telecomunicaciones*, or the IFT) issued a resolution in March 2014, determining that our operating subsidiaries in Mexico are part of an economic interest group that is a preponderant economic agent in the Mexican telecommunications sector, and imposing certain asymmetric regulations on our Mexican fixed-line and wireless businesses. A bill that proposes implementing legislation for the June 2013 constitutional amendments is currently under consideration in the Mexican Congress and is likely to be adopted in the near future. The long-term effects of the IFT measures and the proposed legislation could be adverse to our interests in significant respects and could materially adversely affect our business and results of operations. We are contesting the IFT's preponderant economic agent determination and the imposition of asymmetric regulations, but the existing measures are in effect while our challenge is pending, and failure to comply with the new legal framework may result in material fines as well as restrictions on our operations and our ability to enter into new markets, such as broadcasting and Pay TV.

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Governmental or regulatory actions could adversely affect 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. For example, Mexico is developing a new legal framework that aims to promote competition and investment in the telecommunications sector by imposing asymmetric regulation upon economic agents deemed preponderant. 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 adversely affect 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 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. For example, Mexico is currently developing a new legal framework for the regulation of the telecommunications sector that imposes asymmetric measures on preponderant economic agents. Any such new regulation could have a material adverse effect on our operations.

We will have to acquire additional radio spectrum capacity and upgrade our existing networks 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

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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 meet our needs as effectively.

In addition, the continual maintenance and upgrading of our wireless networks is critical to expanding our coverage, increasing our capacity to absorb higher bandwidth usage and adapting to new technologies, as well as offering more specialized services to our customers.

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 5 to 20 years, and are generally subject to renewal upon payment of a fee, but renewal is not assured. For example, we currently face upcoming renewals in both Chile and Colombia. 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 Federal Law on Telecommunications 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 investment opportunities in telecommunications and related 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 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

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relate to, among other things, alleged improper 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 launching new satellites to replace those currently in use when they reach the end of their operational lives. Such delay may occur because of, among other reasons, construction delays, unavailability of launch vehicles and/or launch failures.

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.

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. 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

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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 3.6% for the year ended December 31, 2012 and 3.6% for the year ended December 31, 2013. 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, Sony (formerly known as Sony-Ericsson), Motorola, LG, Samsung, Huawei, Alcatel-Lucent, Nokia Solutions and Networks (formerly known as Nokia Siemens Networks), Ericsson, ZTE and Blackberry 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.

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

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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. Our ability to compete in the delivery of high-quality internet and broadband services is particularly important, given the increasing contribution of revenues from data services to our overall growth. 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, including investment in the continual maintenance and upgrading of our networks, in order to expand coverage, increase our capacity to absorb higher bandwidth usage and adapt to new technologies. 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 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 carrying value of each of our assets, subsidiaries, and investments in associates to assess whether those carrying values can be supported by the future discounted 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.

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

Members of one family may be deemed to control us

Based on 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 different transactions with certain subsidiaries of Grupo Carso, S.A.B. de C.V. and Grupo Financiero Inbursa, S.A.B. de C.V., which may be deemed for certain purposes to be under common control with América Móvil, as well as with subsidiaries 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 related parties, 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.

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

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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.

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

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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.

Our business may be especially affected by conditions in Mexico and Brazil, our two principal markets. For example, our results of operations were adversely affected by weak economic conditions in Mexico and Brazil in 2013, and may be so affected again in 2014.

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 2012, changes in currency exchange rates led us to report net foreign exchange gains of Ps.7,395 million. In 2013, we reported net foreign exchange losses of Ps.19.6 billion. 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

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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. The Argentine peso has experienced significant devaluation over the past several years and 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 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 SimpleMobile	Wireless 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.

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The following table sets forth the number of our wireless subscribers and our revenue generating units (RGUs) in the countries where we operate. RGUs consist of fixed lines, broadband accesses and cable or direct-to-home (DTH) Pay TV units. The table 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 refers to Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama; and (d) Caribbean refers to the Dominican Republic and Puerto Rico.

	2011	December 31, 2012	2013
	(in thousands)		
Wireless subscribers:			
Mexico	65,678	70,366	73,505
Brazil	60,379	65,239	68,704
Colombia	28,819	30,371	28,977
Southern Cone	26,281	27,432	28,166
Andean Region	22,311	24,638	23,886
Central America	12,932	15,271	17,222
United States	19,762	22,392	23,659
Caribbean	5,592	5,848	5,764
Total wireless subscribers	241,755	261,557	269,883
RGUs:			
Mexico	22,766	22,721	22,451
Brazil ⁽¹⁾	23,589	28,586	32,683
Colombia	3,548	4,195	4,749
Southern Cone	1,336	1,508	1,714
Andean Region	863	1,120	1,343
Central America	3,621	3,896	4,261
Caribbean	2,159	2,165	2,244
Total RGUs	57,883	64,191	69,445

(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., (Telcel) which operates under its own 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, based on the number of subscribers.

Brazil. Our subsidiaries provide wireless telecommunications services under the brand name Claro and together constitute one of the three largest providers of wireless telecommunications services in Brazil, based on the number of subscribers. Two of our subsidiaries, Empresa Brasileira de Telecomunicações, S.A. (*Embratel*) and Net Serviços de Comunicação, S.A. (*Net Serviços*), also operate under their own brands. Embratel, together with its subsidiaries, is one of the leading providers of telecommunications services in Brazil. Net Serviços is the largest cable television operator in Brazil. Together they offer quadruple-play services in Brazil, with a cable television network that passed 18.8 million homes as of December 31, 2013.

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Colombia. We provide wireless services in Colombia, where we are the largest wireless service provider, based on the number of subscribers. We also provide fixed-line telecommunications and Pay TV services. As of December 31, 2013, our network passed 6.8 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.

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 1.1 million homes, and Ecuador, where our network passed 499 thousand homes, as of December 31, 2013.

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

We have substantial investments in Koninklijke KPN N.V. (KPN) and Telekom Austria AG (Telekom Austria). KPN is the leading telecommunications and IT services provider in The Netherlands and is listed on the Amsterdam Stock Exchange (Euronext Amsterdam). Telekom Austria is the leading telecommunications provider in Central and Eastern Europe and 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.

History and Corporate Information

América Móvil, S.A.B. de C.V. is a *sociedad anónima bursátil de capital variable* organized under the laws of Mexico. We were established in September 2000 when Telmex, a fixed-line Mexican telecommunications operator, privatized in 1990 and 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.

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

Recent Developments

Mexican Telecommunications Reforms

In late 2012, Mexico began a process of significantly changing the legal framework for the regulation of telecommunications and broadcasting services. These reforms are aimed at enhancing and promoting investment in the telecommunications and broadcasting sectors in Mexico, in order to increase penetration, promote universal coverage, reduce prices and provide the whole population with access to quality services and content.

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The first legal step in the reforms was a package of constitutional amendments that became effective in June 2013. Among other things, the constitutional amendments established a new Federal Telecommunications Institute (*Instituto Federal de Telecomunicaciones*, or the IFT), established specialized courts for telecommunications and broadcasting matters, and identified criteria for declaring a preponderant economic agent in each of the telecommunications and broadcasting sectors and certain asymmetric measures that may be imposed to protect competition and consumers. The ultimate effects of the amendments on us and our competitors will depend on implementing legislation and regulatory actions.

On March 7, 2014, the IFT issued a resolution declaring that we and our operating subsidiaries Telcel, Telmex and Telnor, along with certain other companies that have common shareholders with us, comprise an economic interest group that is a preponderant economic agent in the telecommunications market. In the same resolution, the IFT also imposed certain specific asymmetric measures on us and our operating subsidiaries, many of which could have material and adverse effects on our operations in Mexico and our financial results. The IFT's preponderant economic agent determination and the asymmetric measures it imposed on us are summarized under Regulation Mexico Asymmetric Regulation of the Preponderant Economic Agent.

We have filed, in the specialized telecommunications courts created by the constitutional amendments, a challenge (*juicio de amparo*) to the IFT's preponderant economic agent determination and the imposition of asymmetric measures. We are unable to predict the likelihood of our success in that challenge, or the timing of any final result, and the courts will not suspend the IFT's asymmetric measures while our challenge is pending.

On March 24, 2014, the Mexican President submitted a bill to Congress proposing implementing legislation for the June 2013 constitutional amendments. When enacted, the legislation will establish the new Federal Law on Telecommunications and Broadcasting (*Ley Federal de Telecomunicaciones y Radiodifusión*). The currently available public version of the bill would phase out long-distance charges for fixed-line and mobile services in Mexico, in the case of fixed-line services over a one-year period, and in the case of mobile services over a period determined by the IFT. In addition, the bill proposes new measures that would apply to an entity determined to be the preponderant economic agent in the telecommunications sector, including:

setting fixed and mobile interconnection rates at zero until the IFT determines there is effective competition in the telecommunications sector;

requiring all rates to be approved by the IFT before going into effect, and imposing specific rate requirements; and

conditioning our ability to provide broadcasting or Pay TV services on, among other things, two years of compliance with the IFT's asymmetric measures and the new federal law, and the payment of any new concession fees.

We expect that the implementing legislation will be adopted in 2014, but we cannot predict the content of the final legislation. Additional measures proposed by the bill are summarized under Regulation Mexico.

Telekom Austria

On April 23, 2014, we announced that we had entered into a shareholders' agreement (the "TKA Shareholders Agreement") with Telekom Austria's largest shareholder, Österreichische Industrieholding AG (or "OIAG"), an entity controlled by the Republic of Austria. Together, we and OIAG own more than 50% of the voting shares of Telekom Austria. The TKA Shareholders' Agreement has a term of ten years, subject to termination if, among other things, either party's participation in Telekom Austria falls below 10%. The effectiveness of the TKA Shareholders' Agreement and the launching of TKA Offer (as defined below) are subject to certain regulatory approvals in Austria, and certain merger control authorizations in Austria and in the other Central and Eastern European countries in which Telekom Austria currently operates.

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The TKA Shareholders Agreement provides for nominations to Telekom Austria's supervisory board and management board (together, the TKA Boards) and for the coordinated exercise of voting on the TKA Boards and at shareholders meetings, subject, in both cases, to certain specific veto rights in favor of OIAG that are summarized below. Under these provisions, we will have the right to appoint the majority of the members of each of the TKA Boards. Resolutions by both of the TKA Boards are adopted by a simple majority.

As long as OIAG holds more than 25% of Telekom Austria's share capital, OIAG will have veto rights with respect to certain matters, including capital increases that would result in OIAG's shareholding falling to 25% or below, appointment of Telekom Austria's statutory auditors, relocation of Telekom Austria's corporate headquarters outside of Austria, related party transactions, sale of core businesses and amendments to the corporate name of Telekom Austria. Certain of these veto rights will remain in effect even if OIAG's shareholding falls to 25% or below.

As a result of signing the TKA Shareholders Agreement, we are required by Austrian law to offer to purchase all of the outstanding shares of Telekom Austria not held by us, OIAG or Telekom Austria (the TKA Offer). We expect to launch the TKA Offer during May or June 2014 at a price of €7.15 per share, subject to obtaining regulatory approvals. The total purchase price for us, if all the outstanding shares subject to the TKA Offer are tendered, would be approximately €1.4 billion.

Also under the terms of the TKA Shareholders Agreement, we and OIAG have agreed to vote in favor of a capital increase for Telekom Austria of €1.0 billion. We have also agreed to participate in the capital increase, *pro-rata* to our then current participation in Telekom Austria, and OIAG has agreed to participate as necessary in order for it to maintain ownership of more than 25% of Telekom Austria. The capital increase is subject to the closing of the TKA Offer.

AMX-1 Submarine Cable System

In July 2014, we expect to begin commercial operation of América Móvil 1 (the AMX-1 System), a 17,500 km submarine cable system initially deployed with 40 Gigabit per second (40G) transmission and specifically designed for 100 Gigabit per second (100G) transmission. The cable runs from the United States to Central America and Brazil and enables us to provide international connectivity to all our subsidiaries in those areas. The AMX-1 System connects seven countries via eleven landing points. The higher transmission speeds we will be able to achieve as a result of the new system should substantially improve our customers' communications experiences, providing opportunities for creation and innovation.

Acquisition of Start Wireless Group

On January 16, 2014, our subsidiary TracFone acquired substantially all of the assets of Start Wireless Group, Inc. (Start Wireless), which operates under the Page Plus brand. Start Wireless is a mobile virtual network operator in the United States, and provides services to approximately 1.4 million customers and offers, among other services, prepaid voice plans, messaging and data.

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, 2013, we had approximately 73.5 million cellular subscribers, approximately 87.2% of which were prepaid customers, which represented a market share of 70.2%.

In 2013, our Mexico Wireless segment had revenues of Ps.193,178 million representing 24.6% of our consolidated revenues for such period. As of December 31, 2013, our Mexico Wireless operations represented approximately 27.2% of our total wireless subscribers, as compared to 26.9% at December 31, 2012.

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.

	December 31,		
	2011	2012	2013
ARPU (year ended)	Ps. 166	Ps. 176	Ps. 167
Subscribers (thousands):			
Prepaid	58,218	61,756	64,112
Postpaid	7,460	8,610	9,393
Total	65,678	70,366	73,505
Market share	68.2%	69.6%	70.2%
MOUs (year ended)	223	265	273
Wireless churn rate (year ended)	3.7%	3.7%	3.8%

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, 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 no 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 affected by the Mexican economic and regulatory environment. 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, and in the future, Telcel may not be able to charge other service providers for mobile termination charges. See *Recent Developments*, *Regulation Mexico* and *Regulation Mexico 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 data, messaging, mobile entertainment and enterprise mobility services.

Data Services

Through its GSM/EDGE, 3G and 4G LTE networks, Telcel offers mobile internet connectivity for feature phones, smartphones, tablets and laptops, including data transmission, e-mail services, instant messaging, content streaming, interactive applications and other internet services. 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, tablets and accessories such as chargers, headsets and batteries.

Other Services and Products

In addition, Telcel offers other wireless services, such as PC and wireless security services, machine-to-machine services, near field communication services, mobile payment solutions, mobile applications, VPN 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 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, digital media, sponsorship of sports events and other outdoor advertising campaigns. Telcel promotes social responsibility through programs such as its alliances with the World Wildlife Fund and the (RED) campaign. In addition, Telcel 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 2013, our marketing efforts were mainly focused on highlighting that we have one of the best 3G networks in the world, while also promoting our 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 21,533 points of sale. In addition, Telcel's company-owned retail

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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, 2013, Telcel owned and operated 346 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, 2013, approximately 30% of Telcel's sales of handsets were generated by cellular distributors, 22% from sales in company-owned stores and 48% from direct sales to corporate accounts.

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 65.6% 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 make inquiries.

Our Networks and Technology

Telcel's wireless networks, which cover approximately 94.5% of the Mexican population, use digital technologies in the 850 MHz frequency spectrum, 1900 MHz frequency spectrum and the 1.7/2.1 GHz frequency spectrum. As of December 31, 2013, Telcel has networks using:

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;

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

4G LTE technology in the 1.7/2.1 GHz frequency spectrum.

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 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, 2013, Telcel's GSM subscriber base represented approximately 67.2% of Telcel's total subscribers.

In addition, Telcel upgraded the GSM network with EDGE technology in 2005. It has implemented EDGE technology in all localities with GSM coverage (approximately 202,000 localities), including all the major cities and roads in Mexico.

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3G network

Telcel operates 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. In addition, Telcel continues to expand its 3G network by using the 1900 MHz spectrum band. As of December 31, 2013, Telcel's UMTS/HSPA network covered approximately 132,672 localities, including all of Mexico's principal cities. Telcel plans to continue expanding its 3G coverage in Mexico throughout 2014 to urban as well as rural areas. As of December 31, 2013, Telcel's UMTS/HSPA subscriber base represented approximately 31.4% 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 spectrum for each of the nine regions of Mexico. In November 2012, Telcel began offering 4G services using a LTE technology based network in Mexico's nine major cities and expanded its coverage to other large and medium cities through 2013. Telcel plans to continue expanding its coverage through 2014. LTE allows us to offer higher bitrates in mobile data services and is the leading 4G technology across the globe. As of December 31, 2013, Telcel's LTE subscriber base represented approximately 1.4% 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. See Regulation Mexico under this Item 4.

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 mainly 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, 2013, we had approximately 13.5 million fixed-line voice subscribers and 8.9 million broadband subscribers in Mexico.

In 2013, our Mexico Fixed segment had revenues of Ps.105,869 million, representing 13.5% of our consolidated revenues for such period. As of December 31, 2013, our Mexico Fixed operations represented approximately 32.3% of our total RGUs, as compared to 35.3% at December 31, 2012.

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:

	December 31,		
	2011	2012	2013
RGUs (thousands):			
Fixed voice	14,814	14,224	13,543
Broadband	7,952	8,497	8,908
Total	22,766	22,721	22,451
Traffic (year ended) (millions):			
Long-distance minutes	27,320	33,156	34,868
Interconnection minutes	37,789	38,368	41,216
Total minutes	65,109	71,524	76,084
Churn rate (year ended):			
Fixed voice	1.2%	1.1%	1.4%
Broadband	1.4%	1.4%	1.2%

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 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. Under the 2014 telecommunications legislation, Telmex must phase out domestic long-distance charges over a three-year period ending in 2017.

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

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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 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 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 internet access service and corporate network services. 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.

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.

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. Telmex offers billing and collection services through its phone bills to other companies.

Telmex currently provides billing and collection services to companies such as Medical Home, Socio Águila, Teletón, Telecomunicaciones de México and Dish México S. de R.L. de C.V. (Dish México). In November 2008, Telmex entered into several agreements with Dish México 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 bills its 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 Telmex's and other designated retail stores and electronically through the internet websites of Telmex and of banks.

Our Networks and Technology

Telmex's local and long-distance fiber optic network consists of approximately 181,300 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 multiple other countries.

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, S.A.B. de C.V. 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, 2013, we had approximately 68.7 million wireless subscribers, approximately 79.2% of which were prepaid customers, which represented a market share of 24.8%. As of December 31, 2013, we also had approximately 11.2 million fixed-line subscribers, 6.7 million broadband subscribers and 14.8 million Pay TV subscribers.

In 2013, our Brazil segment had revenues of Ps.199,887 million, representing 25.4% of our consolidated revenues for such period. As of December 31, 2013, our Brazil segment operations represented approximately 25.5% of our total wireless subscribers, as compared to 24.9% at December 31, 2012, and approximately 47.1% of our total RGUs, as compared to 44.6% at December 31, 2012.

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 for all three years.

	2011	December 31, 2012	2013
Wireless Operations:			
ARPU (year ended)	Ps. 135	Ps. 107	Ps. 89
Subscribers (thousands):			
Prepaid	47,710	52,170	54,386
Postpaid	12,669	13,069	14,318
Total	60,379	65,239	68,704
Market share	25.4%	24.1%	24.8%
MOUs (year ended)	100	115	128
Wireless churn rate (year ended)	3.7%	3.7%	3.3%
Fixed Operations:			
RGUs (thousands):			
Fixed voice	9,158	10,280	11,188
Broadband	4,661	5,752	6,689
Pay TV	9,770	12,554	14,806
Total	23,589	28,586	32,683
Traffic (year ended) (millions):			
Long-distance minutes	19,140	23,692	27,843

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Interconnection minutes	8,719	8,848	10,678
Total minutes	27,859	32,540	38,521
Churn rate (year ended):			
Fixed voice	2.5%	1.6%	1.8%
Broadband	1.4%	1.3%	1.5%
Pay TV	1.5%	1.7%	1.8%

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Services and Products

Wireless Voice Services and Products

Claro Brasil offers postpaid and prepaid wireless voice services under a variety of rate plans to meet the needs of different market segments. Claro Brasil also offers international roaming services to its subscribers through the networks of cellular service providers with which it has entered into international roaming agreements around the world, and it provides GSM and 3G roaming services to customers of its international roaming partners.

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

Claro Brasil offers data services, including SMS, MMS, mobile entertainment services, data-transmission, internet browsing and e-mail services. Claro Brasil also offers a variety of products as complements to our wireless service, including handsets and smartphones.

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 and residential 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 Rede Vip brand.

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).

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 and long-distance and international calls to any telephone or handset. NET Fone had approximately 5.7 million subscribers as of December 31, 2013, compared to 5.0 million as of December 31, 2012, and is available in more than 160 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 6.2 million subscribers as of December 31, 2013, compared to 5.3 million as of December 31, 2012.

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Pay TV

Net Serviços is the leading provider of cable Pay TV services to residential customers in Brazil. As of December 31, 2013, Net Serviços had approximately 6.1 million digital cable Pay TV subscribers and offered cable in 161 locations, including Rio de Janeiro and São Paulo. Among others, Net Serviços offers Pay TV and 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.

Net Serviços also offers bundled packages of services, including quadruple-play services, which combine Pay TV, broadband internet, wireless and fixed-line telephone services, in conjunction with Claro Brasil and Embratel.

Embratel also offers Pay TV services through DTH technology. Monthly subscription fees for such services range in price from R\$39.90 to R\$169.80, taxes included.

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 BrasilCenter Comunicações Ltda. (BrasilCenter) 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 9,690 points of sale, exclusive distributors, which represent approximately 4,771 points of sale, and its approximately 332 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

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also serve as customer-service centers, and Claro Brasil expects to continue to open new service centers as 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, 2013, approximately 61% of Claro Brasil's sales of handsets were generated by retail chains, 21% by exclusive distributors and approximately 18% 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 10 and 300 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 0.7% in 2011, 1.3% in 2012 and 1.4% in 2013.

Table of Contents**Our Networks and Technology*****Wireless Networks***

Claro Brasil owns and operates wireless networks using GSM, 3G and LTE technologies. As of December 31, 2013, Claro Brasil's GSM network, which Claro Brasil continues to roll out, covered more than 3,646 cities and 91.6% of Brazil's population. In addition, Claro Brasil's 3G network, which was the first in Brazil and which Claro Brasil continues to roll out, covers 1,372 cities and 72.6% of Brazil's population. Claro Brasil's LTE network, which was the first in Brazil and which Claro Brasil continues to roll out, covers 60 cities and 29.9% 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 2,921 points of presence and 59 routing centers, and its network also connects to the international internet backbone. Embratel also has approximately 63,346 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 15,500 kilometers of cable in the major Brazilian cities and 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 nine 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 its signal in any of the homes through which 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, 2013, Net Serviços's network had over 109,484 kilometers of cable and passed approximately 18.8 million homes in 164 localities.

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 operates two satellite control centers that

are certified by the International Organization for Standardization.

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 services. Pursuant to that program, Star One

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successfully launched the C-3 satellite in November 2012 to replace the B-3 satellite. The C-3 satellite brought new Ku-band capacity over Brazilian territory and the Andean Region. In addition, Star One entered into a contract with Space System/Loral, in January 2012 and July 2013, for the in-orbit delivery of two new satellites: (i) the Star One C4 satellite, to be launched in 2014, will provide Ku-band capacity; and (ii) the Star One D1 satellite, to be launched in 2016, will provide C, Ku and Ka-band capacity. The Star One C4 satellite is primarily intended to supply capacity for DTH services for Claro TV throughout Brazil and in other DTH operations in South America. The Star One D1 satellite will replace the B-4 satellite to expand Ku-band capacity in Brazil and South America as well as to initiate businesses by using the new Ka-band technology.

Competition

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

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, 2013, we had approximately 29.0 million wireless subscribers, approximately 80.3% of which were prepaid customers, representing a market share of 60.9%. As of December 31, 2013, we also had approximately 1.2 million fixed-line subscribers, 1.4 million broadband subscribers and 2.1 million Pay TV subscribers.

In 2013, our Colombia segment had revenues of Ps.74,210 million, representing 9.4% of our consolidated revenues for such period. As of December 31, 2013, our Colombia segment operations represented approximately 10.7% of our total wireless subscribers, as compared to 11.6% at December 31, 2012, and approximately 6.8% of our total RGUs, as compared to 6.5% at December 31, 2012.

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:

	2011	December 31, 2012	2013
Wireless Operations:			
ARPU (year ended)	Ps. 121	Ps. 147	Ps. 146
Subscribers (thousands):			
Prepaid	24,064	25,019	23,263
Postpaid	4,755	5,352	5,714
Total	28,819	30,371	28,977
Market share	65.5%	61.8%	60.9%
MOUs (year ended)	203	230	220
Wireless churn rate (year ended)	4.3%	4.1%	4.4%
Fixed Operations:			
RGUs (thousands):			
Fixed voice	774	986	1,206
Broadband	875	1,190	1,449
Pay TV	1,899	2,019	2,093
Total	3,548	4,195	4,748
Traffic (year ended) (millions):			
Long-distance minutes	50	71	91
Interconnection minutes	574	717	902
Total minutes	624	788	993

Churn rate (year ended):

Fixed voice	1.9%	1.9%	1.7%
Broadband	1.9%	1.8%	1.8%
Pay TV	2.1%	2.0%	1.8%

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Services and Products

Wireless Services and Products

We offer postpaid and prepaid wireless voice and data services under a variety of plans to meet the needs of different market segments. 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 smartphones, and accessories such as chargers, headsets, batteries, broadband cards, tablets 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 71.4% 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, 2013, we had approximately 28.2 million wireless subscribers, approximately 66.2% of which were prepaid customers, representing a market share of 27.3%. As of December 31, 2013, we also had approximately 0.5 million fixed-line subscribers, 0.4 million broadband subscribers and 0.8 million Pay TV subscribers.

In 2013, our Southern Cone segment had revenues of Ps.61,521 million, representing 7.8% of our consolidated revenues for such period. As of December 31, 2013, our Southern Cone segment operations represented approximately 10.4% of our total wireless subscribers, compared to approximately 10.5% as of December 31, 2012, and approximately 2.5% of our total RGUs, compared to 2.4% at December 31, 2012.

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:

	2011	December 31, 2012	2013
Wireless Operations:			
ARPU (year ended)	Ps. 137	Ps. 142	Ps. 131
Subscribers (thousands):			
Prepaid	17,865	18,545	18,636
Postpaid	8,416	8,887	9,530
Total	26,281	27,432	28,166
Market share	28.9%	28.4%	27.3%
MOUs (year ended)	158	160	158
Wireless churn rate (year ended)	3.2%	3.1%	2.6%
Fixed Operations:			
RGUs (thousands):			
Fixed voice	427	478	499
Broadband	312	381	410
Pay TV	597	649	805
Total	1,336	1,508	1,714
Traffic (year ended) (millions):			
Long-distance minutes	2,499	2,546	2,554
Interconnection minutes	1,227	1,185	1,061

Total minutes	3,726	3,731	3,615
Churn rate (year ended):			
Fixed voice	1.9%	1.6%	1.6%
Broadband	2.7%	2.3%	2.4%
Pay TV	4.2%	4.4%	3.3%

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Services and Products

Wireless Services and Products

We offer postpaid and prepaid wireless voice and data services under a variety of plans to meet the needs of different market segments. 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, 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 Chile, Argentina and Paraguay.

Our Networks and Technology

In Argentina, our wireless networks, which cover approximately 98.5% of the population, use GSM and 3G technologies. In Chile, our wireless networks, which cover approximately 98.0% of the population, use GSM, 3G and 4G technologies. In Paraguay, our wireless networks, which cover approximately 95.9% of the population, use GSM and 3G technologies. In Uruguay our wireless networks, which cover approximately 97.1% 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.

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, 2013, we had approximately 23.9 million wireless subscribers, approximately 75.9% of which were prepaid customers, representing a market share of 50.1%. As of December 31, 2013, we also had approximately 0.7 million fixed-line subscribers, 0.3 million broadband subscribers and 0.3 million Pay TV subscribers.

In 2013, our Andean Region segment had revenues of Ps.45,113 million, representing 5.7% of our consolidated revenues for such period. As of December 31, 2013, our Andean Region segment operations represented approximately 8.9% of our total wireless subscribers, as compared to 9.4% at December 31, 2012, and approximately 1.9% of our total RGUs, as compared to 1.7% at December 31, 2012.

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:

	2011	December 31, 2012	2013
Wireless Operations:			
ARPU (year ended)	Ps. 110	Ps. 121	Ps. 124
Subscribers (thousands):			
Prepaid	18,765	19,919	18,118
Postpaid	3,546	4,719	5,768
Total	22,311	24,638	23,886
Market share	52.1%	52.1%	50.1%
MOUs (year ended)	134	133	139
Wireless churn rate (year ended)	2.5%	2.8%	3.9%
Fixed Operations:			
RGUs (thousands):			
Fixed voice	349	584	686
Broadband	188	264	345
Pay TV	326	272	312
Total	863	1,120	1,343
Traffic (year ended) (millions):			
Long-distance minutes	370	344	455
Interconnection minutes	1,169	1,214	1,596

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Total minutes	1,539	1,558	2,051
Churn rate (year ended):			
Fixed voice	2.2%	1.6%	3.5%
Broadband	2.8%	2.6%	2.9%
Pay TV	4.3%	5.4%	4.1%

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Services and Products

Wireless Services and Products

We offer postpaid and prepaid wireless voice and data services under a variety of plans to meet the needs of different market segments. 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 smartphones, and accessories such as chargers, headsets, 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 95.9% of the population, use GSM and 3G technologies, while in Peru, our wireless networks cover approximately 77.1% 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 Mviles 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.

As of December 31, 2013, we had approximately 17.2 million wireless subscribers, approximately 90.3% of which were prepaid customers, which represented a market share of 32.9%. As of December 31, 2013, we also had approximately 2.8 million fixed-line subscribers, 0.6 million broadband subscribers and 0.9 million Pay TV subscribers.

In 2013, our Central America segment had revenues of Ps.24,219 million, representing 3.1% of our consolidated revenues for such period. As of December 31, 2013, our Central America segment operations represented approximately 6.4% of our total wireless subscribers, as compared to 5.8% at December 31, 2012 and approximately 6.1% of our total RGUs, as compared to 6.1% at December 31, 2012.

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.

	December 31,		
	2011	2012	2013
Wireless Operations:			
ARPU (year ended)	Ps. 73	Ps. 78	Ps. 74
Subscribers (thousands):			
Prepaid	11,903	13,861	15,555
Postpaid	1,029	1,410	1,667
Total	12,932	15,271	17,222
Market share	27.9%	30.3%	32.9%
MOUs (year ended)	139	153	148
Wireless churn rate (year ended)	2.7%	3.2%	3.7%
Fixed Operations:			
RGUs (thousands):			
Fixed voice	2,440	2,594	2,767

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Broadband	474	566	631
Pay TV	707	736	863
Total	3,621	3,896	4,261
Traffic (year ended) (millions):			
Long-distance minutes	2,150	2,594	2,705
Interconnection minutes	792	693	672
Total minutes	2,942	3,287	3,377
Churn rate (year ended):			
Fixed voice	0.8%	0.7%	0.7%
Broadband	1.7%	1.3%	1.3%
Pay TV	2.4%	3.4%	2.8%

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Services and Products

Wireless Services and Products

We offer postpaid and prepaid wireless voice and data services under a variety of plans to meet the needs of different market segments. 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, smartphones and tablets, and accessories such as chargers, headsets, 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 89.0% of the population, use 3G and GSM technologies. In Honduras, our wireless networks, which cover approximately 77.8% of the population, use 3G and GSM technologies. In Nicaragua, our wireless networks, which cover approximately 81.0% of the population, use GSM technologies. In Panama, our wireless networks, which cover approximately 85.0% of the population, use 3G and GSM technology. Our wireless networks in Costa Rica, which cover approximately 70.7% 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., Digicel 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 Niacaragua, S.A. In Panama, our principal wireless and Pay TV competitors are Telefónica

Móviles Panamá S.A., Cable & Wireless Panamá S.A., Digicel Cable Onda, S.A. 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, Telcel America and Page Plus 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, Brazil, Chile and the Dominican Republic.

On June 19, 2012, our subsidiary TracFone 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.

On January 16, 2014, our subsidiary TracFone completed the acquisition of substantially all assets of Start Wireless Group, Inc., a mobile virtual network operator (MVNO) in the United States operating under the Page Plus brand, that provides services to approximately 1.4 million customers, and offers, among others, prepaid plans for voice, messaging and data.

As of December 31, 2013, we had approximately 23.7 million wireless subscribers, all of which were prepaid customers, which represented a 33.4% share of the prepaid wireless market. In 2013, our United States segment had revenues of Ps.77,167 million, representing 9.8% of our consolidated revenues for such period. As of December 31, 2013, our United States segment operations represented approximately 8.8% of our total wireless subscribers, as compared to 8.6% as of December 31, 2012.

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:

	December 31,		
	2011	2012	2013
ARPU (year ended)	Ps. 190	Ps. 225	Ps. 248
Subscribers (thousands):			
Prepaid	19,762	22,392	23,659
Market share	29.0%	31.6%	33.4%
MOUs (year ended)	378	457	525
Wireless churn rate (year ended)	4.2%	3.9%	3.9%

Services and Products

We offer prepaid wireless and 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 telecommunications services provider in the Dominican Republic and Puerto Rico, measured by number of subscribers.

As of December 31, 2013, we had approximately 5.8 million wireless subscribers, approximately 74.0% of which were prepaid customers, which represented a market share of 44.9%. As of December 31, 2013, we also had approximately 1.4 million fixed-line subscribers, 0.7 million broadband subscribers and 0.2 million Pay TV subscribers.

In 2013, our Caribbean segment had revenues of Ps.25,509 million, representing 3.2% of our consolidated revenues for such period. As of December 31, 2013, our Caribbean segment operations represented approximately 2.1% of our total wireless subscribers, as compared to 2.2% at December 31, 2012, and approximately 3.2% of our total RGUs, as compared to 3.4% at December 31, 2012.

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:

	2011	December 31, 2012	2013
Wireless Operations:			
ARPU (year ended)	Ps. 179	Ps. 201	Ps. 184
Subscribers (thousands):			
Prepaid	4,200	4,382	4,269
Postpaid	1,392	1,466	1,495
Total	5,592	5,848	5,764
Market share	47.6%	45.4%	44.9%
MOUs (year ended)	328	327	303
Wireless churn rate (year ended)	5.2%	4.0%	4.4%
Fixed Operations:			
RGUs (thousands):			
Fixed voice	1,426	1,365	1,359
Broadband	590	628	668
Pay TV	143	172	217
Total	2,159	2,165	2,244
Traffic (year ended) (millions):			
Long-distance minutes	5,357	4,953	4,962
Interconnection minutes	3,307	2,836	2,696

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Total minutes	8,664	7,789	7,658
Churn rate (year ended):			
Fixed voice	1.5%	1.7%	1.4%
Broadband	2.8%	2.5%	2.3%
Pay TV	2.7%	2.5%	2.4%

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Services and Products

Wireless Services and Products

We offer postpaid and prepaid wireless voice and data services under a variety of plans to meet the needs of different market segments. 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, 3G and LTE 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 U.S. Federal Communications Commission (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, smartphones, tablets and accessories such as chargers, headsets, 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 video or 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 the Dominican Republic and Puerto Rico.

Our Networks and Technology

In the Dominican Republic, our wireless networks, which cover approximately 94.0% of the population, use CDMA, GSM and 3G technologies. In Puerto Rico, our wireless networks, which cover approximately 97.0% of the population, use 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 44.0%, the largest of any provider.

Competition

In the Dominican Republic, our principal wireless competitor is Altice Dominican Republic, S.A.S., which recently acquired our former wireless and fixed-line competitors, Orange Dominicana S.A. and Tricom S.A., respectively. 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 27 MVNOs registered at the Puerto Rico Telecommunications Regulatory Board, 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. The Puerto Rican television market has two cable companies whose operations are divided into geographical monopolies, which are Choice Cable and Liberty Cablevision of Puerto Rico LLC, and two satellite providers, Dish Networks and DirecTV.

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OTHER INVESTMENTS

Geographic diversification has been a key to our financial success, as it has provided for greater stability in our cash flow and profitability, and has contributed to our strong credit ratings. In recent years, we have been evaluating the expansion of our operations to regions outside of Latin America. In particular, we believe that Europe presents opportunities for investment in the telecommunications sector that could benefit us and our shareholders over the long term.

Investment in KPN

On April 17, 2014, we disclosed that our ownership percentage of the outstanding shares of KPN was 24.8% and we are its largest shareholder. KPN is the leading telecommunications and IT service provider in the Netherlands, offering fixed-line service, wireless service, internet and Pay TV to consumers. KPN also has important operations in Germany and Belgium, where it pursues a multi-brand strategy in its mobile operations, though in 2013 KPN entered into an agreement to sell its German subsidiary, E-Plus, to Telefónica Deutschland, subject to regulatory approval. 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. KPN provides wholesale network services to third parties and operates an IP-based infrastructure with global scale in international wholesale through iBasis.

Investment in Telekom Austria

As of March 31, 2014, we owned approximately 26.8% of the outstanding shares of Telekom Austria, and were its second largest shareholder, behind OIAG, an entity controlled by the Republic of Austria. Telekom Austria is the largest telecommunications provider in Austria, and also provides telecommunications services in other Central and Eastern Europe countries. Telekom Austria's portfolio encompasses products and services of voice telephony, broadband Internet, multimedia services, data and IT solutions, and wholesale as well as mobile payment solutions. Telekom Austria is currently operating in the following countries under brands indicated in parentheses: 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). On April 23, 2014 we announced that we had entered into the TKA Shareholders Agreement with OIAG. See Recent Developments under this Item 4.

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REGULATION

Mexico

Applicable Legislation

For the past two decades, the general legal framework for the regulation of telecommunications services in Mexico was governed by the 1995 Federal Telecommunications Law (*Ley Federal de Telecomunicaciones*), which supplemented the General Communications Law (*Ley de Vías Generales de Comunicación*) enacted in the early 20th century, and by regulations adopted under both statutes.

Mexico is currently developing a new legal framework for the regulation of telecommunications and broadcasting services, based on a package of constitutional amendments passed in June 2013. Among other things, the 2013 constitutional amendments:

established the IFT, an independent regulatory body with broad powers that replaced the Federal Telecommunications Commission (*Comisión Federal de Telecomunicaciones*, or Cofetel) as the primary regulator of telecommunications companies and services;

established specialized courts for telecommunications and broadcasting matters, and limited judicial powers to suspend regulatory measures while judicial reviews are pending; and

identified criteria for determining whether there is a preponderant economic agent in each of the telecommunications and broadcasting sectors, and certain asymmetric measures that may be imposed based on such a determination to protect competition and consumers.

The June 2013 constitutional amendments contemplate implementing legislation, and a bill for that purpose is currently under consideration in the Mexican Congress. We expect that the implementing legislation will be adopted in 2014, but we cannot predict the content of the final legislation. When the legislation is enacted, it will establish a Federal Law on Telecommunications and Broadcasting (*Ley Federal de Telecomunicaciones y Radiodifusión*) to replace the existing statutory framework. In the discussion below, we refer to the implementing legislation currently under consideration as the 2014 legislation.

We expect that the effects of the 2013 constitutional amendments and the 2014 legislation on our business and operations in Mexico will be material, but the impact will depend in part on how they are implemented by further regulations and by other actions of the IFT. The long-term effects will also depend on how we and our competitors adapt to the new regulatory framework, how customers behave in response, and how the telecommunications and media markets develop. It would be premature to predict the long-term effects of the emerging regulatory framework, but they could be adverse to our interests in significant respects.

Principal Regulatory Authorities

The IFT is an autonomous authority that regulates telecommunications and broadcasting. It is headed by seven commissioners appointed by the President, and ratified by the Senate, from among candidates nominated by an evaluation committee.

The IFT has authority over the application of legislation specific to telecommunications and broadcasting, and also over competition legislation as it applies to those sectors. It succeeded to powers that were exercised before the 2013 constitutional amendments by the Ministry of Communications and Transport (*Secretaría de Comunicaciones y Transportes*, or SCT), acting through Cofetel, and with respect to competition laws, the Federal Competition Commission (*Comisión Federal de Competencia*).

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The Mexican government has certain powers 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 as well as to ensure continuity of public services. Except in the event of war, the Mexican government must indemnify the title holder for damages and losses.

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. It also permits class actions for consumer claims. Profeco has the authority to impose fines, which can be significant.

Mobile Rates

Wireless services concessionaires generally are free to establish prices they charge customers for telecommunications services. Mobile rates are not subject to a price cap or any other form of price regulation. The interconnection rates concessionaires charge other operators are also generally established by agreement between the parties, and if the parties cannot agree, may be imposed by the IFT subject to certain guidelines, cost models and criteria. The establishment of interconnection rates has resulted in disputes between operators and with the IFT.

Notwithstanding the generally applicable regime, under the 2013 constitutional amendments, as well as related regulations, an operator that is determined by the IFT to be a preponderant economic agent may not freely determine either interconnection rates or final tariffs. Under these provisions, Telcel is subject to additional requirements that will affect our ability to freely determine the rates for telecommunications services. See Asymmetric Regulation of the Preponderant Economic Agent under this Item 4. The IFT is also authorized to impose specific rate requirements on any operator that is determined by the IFT to have substantial market power under the Federal Antitrust Law. See Mexican Regulatory Proceedings under this Item 4.

Fixed Line 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 IFT, 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 the IFT 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 IFT. 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 IFT 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, Telmex is free to 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

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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.

Telmex's freedom under its concession to determine its rates is substantially affected by the regulatory actions taken under the 2013 constitutional amendments. See Asymmetric Regulation of the Preponderant Economic Agent.

Concessions

Under the applicable legislation, an operator of public telecommunications networks, such as Telcel or Telmex, must operate under a concession. The authority that grants concessions was previously the SCT and is currently the IFT. Concessions may only be granted to a Mexican citizen or corporation and may not be transferred or assigned without the approval of the IFT.

There are two types of concessions, as described below.

Network concessions. The 2013 constitutional amendments contemplate unified concessions (*concesión única*), each of which allows the holder to provide all types of telecommunications and broadcasting services. Unified concessions were introduced to foster the convergence of networks that do not use frequencies of radio-electric spectrum. The constitutional amendments also provide for a transitory regime under which existing concessions can be migrated to the new, unified concession regime. Telmex, and its subsidiary Telnor, hold network concessions granted under the pre-2014 regime to provide specified types of services. Their ability to migrate to the new regime, and consequently to provide additional services, is subject to conditions, as described under *Migration of Concessions* below. Our competitors with a unified concession will be able to provide any and all telecommunications and broadcasting services. A unified concession has a term of up to 30 years, extendable for up to an equal term.

Spectrum concessions. Telcel holds multiple concessions to provide wireless services that utilize frequencies of radio-electric spectrum. Each of these generally has a term of up to 20 years and may be extended for additional 20-year terms.

A public telecommunications concessionaire is required by law to establish an open-network architecture that permits interconnection and interoperability.

Termination of Concessions

The Federal Telecommunications Law 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.

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.

Migration of Concessions

The 2013 constitutional amendments provide for a unified concession under which an operator may provide any service of telecommunications or broadcasting and for migration to the unified concession system. When Telmex can migrate to the new, unified concession regime, it may be able to provide Pay TV or broadcasting services.

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However, migration is subject to additional conditions for a predominant economic agent. Under these provisions, before Telmex can migrate its current concession to a unified concession, certain specific requirements must be met, including: (i) payment of any new concession fee to be determined by the Ministry of Finance (*Secretaría de Hacienda y Crédito Público*), (ii) compliance, with current requirements under the concession, the 2013 constitutional amendments, the measures imposed by the IFT on the preponderant economic agent and any new obligations provided by law, and (iii) such other requirements, terms and conditions as the IFT may establish. Consequently Telmex may not be able to provide Pay TV or broadcasting services in the near term.

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

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

The eight Band B concessions covering regions outside the Mexico City area were renewed in 2010 and 2011, with certain additional conditions imposed on Telcel. Telcel challenged the imposition of some of these conditions in a proceeding 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 equal 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 1 to 8), 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

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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 renewal of the Band B concessions 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 (*Plan Técnico Fundamental de Calidad del Servicio Local Móvil*, the 2011 Technical Plan). The 2011 Technical Plan is applicable to all mobile operators, including Telcel. The 2011 Technical Plan 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. Telcel is challenging the allegations and penalties in proceedings that are still pending.

Telmex Concessions

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 IFT may impose. Thereafter, it may be renewed for successive 30-year terms. Telmex's subsidiary, Teléfonos del Noroeste, S.A. de C.V. (Telnor), holds a 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 Telnor 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.

Asymmetric Regulation of the Preponderant Economic Agent

Determination

The 2013 constitutional amendments provide for the IFT to determine whether there is a preponderant economic agent in the telecommunications sector and, if so, authorize the IFT to impose a special regulatory regime on the preponderant economic agent. The special regime is referred to as asymmetric regulation, because it applies to one market participant and not to the others.

The 2013 constitutional amendments provided a deadline for the determination and for the imposition of asymmetric regulation, but they also contemplated that both would occur after the adoption of implementing legislation. In March 2014, the IFT determined that an economic interest group consisting of us and our operating subsidiaries Telcel, Telmex and Telnor, as well as Grupo Carso, S.A.B. de C.V. and Grupo Financiero Inbursa, S.A.B. de C.V.,

constitutes the preponderant economic agent in the telecommunications sector. The 2013 constitutional amendments provide that a determination of preponderance can be based on number of customers, traffic or network capacity, and the IFT's determination was based on a finding that we serve more than half of the customers in Mexico as measured by the IFT on a national basis.

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The IFT also imposed extensive asymmetric regulations on our Mexican fixed-line and wireless businesses, as summarized below. Certain of these measures took effect in April 2014. We have begun judicial proceedings to challenge the determination of preponderant economic agent and the related measures, but under the 2013 constitutional amendments no interim relief from the regulations is available pending judicial consideration of our challenges.

Specific Measures

Based on its determination that we and our Mexican operating subsidiaries constitute a preponderant economic agent in the telecommunications sector, the IFT imposed extensive specific asymmetric measures, which it considered necessary to avoid effects on competition and telecommunications markets. Some of the most important measures are summarized below.

Interconnection. The interconnection rates we charge to other operators are set by the IFT at rates below those charged by the other operators. The IFT also adopted a model interconnection agreement (*convenio marco de interconexión*). In March 2014, the IFT imposed on Telcel the interconnection rate it must charge to all other operators for traffic to Telcel's network from April 6, 2014 to December 31, 2014. The rate charged was reduced from Ps.0.3490 to Ps.0.2045 per minute.

Access to Infrastructure. Several measures relate to the ability of other operators to use our network infrastructure.

Sharing of Infrastructure. We must provide other operators access to use our passive infrastructure, including towers, sites, ducts and rights of way. Access rates are to be negotiated with the operators or, if agreement cannot be reached, determined by the IFT using a long-run average incremental costs methodology.

Local Loop Unbundling. We must offer other operators access to elements of our local network separately. Access rates will be determined by the IFT using a methodology of long run average incremental costs. We have until June 30, 2014 to submit to the IFT our proposed offer of unbundled access, and by November 30 of each year we must publish the offer. We must also agree on an unbundling agreement with any other operator.

Leasing of Dedicated Links. We must lease dedicated links to other operators. The rates are to be negotiated with the operators or, if agreement cannot be reached, determined by the IFT using a retail minus methodology, except for dedicated-link leasing for interconnection services where the IFT will use a long-run average incremental costs methodology.

Mobile Virtual Network Operators. We must provide mobile virtual network operators access to services we provide to our customers, at rates to be negotiated with the operators or, if agreement cannot be reached, determined by the IFT using retail minus methodology.

Roaming. We must provide roaming services at a national level to the other mobile operators, and if agreement cannot be reached, the IFT will determine the rate using a long-run average incremental costs methodology. Rates for wholesale roaming services will be negotiated with the other operators or, if agreement cannot be reached, determined by the IFT using a long-run average incremental costs methodology.

methodology.

Elimination of Domestic Roaming Charges. We may no longer charge our customers roaming charges within Mexico.

Certain Obligations on the Provision of Retail Services. Certain rates for the provision of telecommunications services to our subscribers are subject to rate control or authorization by the IFT, using methodologies related to maximum prices and replicability tests that are currently under analysis by us and the IFT. Also, we are subject to various obligations relating to the sale of services and products, including the obligation to offer individually all services that are offered under a bundle scheme, limitations on exclusivity for handsets and tablets, and the obligation to unlock handsets.

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Content. We are subject to specific limitations on acquisitions of content, including a prohibition on acquiring exclusive transmission rights to relevant content (*contenidos audiovisuales relevantes*), as determined from time to time by the IFT, including without limitation national soccer play-offs (*liguilla*), FIFA world cup soccer finals, and any other event where large audiences are expected at a national or regional level.

Reporting of Service Obligations. We are subject to obligations related to reporting of service, including the publication of reference terms (*ofertas públicas de referencia*) for wholesale and interconnection services that are subject to asymmetric regulation. The reference terms are subject to prior approval by the IFT.

Termination of Asymmetric Regulation

The specific measures of asymmetric regulation can be terminated if the IFT declares that effective competition conditions exist in the telecommunications sector or if we cease to be considered a preponderant economic agent. The measures will be reviewed for this purpose every two years.

Mexican Regulatory Proceedings

We are subject to certain regulatory proceedings, as described below, but we expect them to be superseded in part by the 2013 constitutional amendments, measures issued by the IFT and implementing legislation that we expect will be adopted in 2014.

Telcel Antitrust Investigations Substantial Market Power

Telcel is the target of two substantial market power investigations initiated by Cofeco. The investigations are now being conducted by the IFT, which under the 2013 constitutional amendments is exclusively responsible for enforcing competition legislation with respect to telecommunications and broadcasting. 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. The second investigation determined that Telcel had substantial market power in the nationwide market for voice and data services. Telcel filed challenges (*juicios de amparo*) to both determinations. Resolution of both challenges is pending.

These determinations, if upheld, would allow the IFT to impose against Telcel specific requirements as to rates, quality of service and information, though it has not yet done so. If it does, we expect to challenge the IFT's rulings.

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 would have been able to impose a penalty for a repeat offense equivalent to the highest of twice the fine applicable to a first-time offense, or 8.0% of the offender's annual revenues for its previous fiscal year.

In May 2012, Cofeco revoked the fine. As a condition to the revocation of the fine, Telcel must comply with the following undertakings that it proposed to Cofeco in March 2012: (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

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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.

The IFT is now responsible for monitoring Telcel's compliance with respect to the undertakings listed above and in the event of any breach, may impose a fine of up to 8.0% of Telcel's annual revenues. Six other operators challenged the revocation of the fine, and four of those proceedings have now been resolved on terms favorable to Telcel. See "Legal Proceedings" under Item 8 and Note 17 to our audited consolidated financial statements included in this annual report. As a result of the changes to the legal regime governing Mexican telecommunications services, the mobile termination rates Telcel will charge during 2014 will be lower than those agreed upon with Cofeco.

Telmex Antitrust Investigations Substantial Market Power

Beginning in 2007, Cofeco initiated four investigations to evaluate whether Telmex and its subsidiary Telnor have substantial power in certain markets. Cofeco 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 challenges (*juicios de amparo indirecto*) to Cofeco's denial of the petitions for reconsideration. Of these challenges, two are still pending, but two of Telnor's challenges have been denied, effectively upholding Cofeco's findings. With respect to the matters for which the challenges were denied, Cofeco 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, Cofeco published an agreement in the Official Gazette, 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. See Note 17 to our audited consolidated financial statements included in this annual report.

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, and the new legal framework imposes specified interconnection rates on Telcel. See "Mobile Rates" under this Item 4 and Note 17 to our audited consolidated financial statements included in this annual report.

February 2009 Interconnection and Interoperability Plan

In February 2009, Cofeco published a Fundamental Technical Plan of Interconnection and Inter-operability (the "2009 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 2009 Plan establishes a process for developing an economic model over a relatively brief period and then applying the economic model to set fees, which could override the existing fee agreements among service providers. Telcel believes that the implementation of the 2009 Plan will result in asymmetric and discriminatory treatment for those service providers that Cofeco (and under the new legal framework, the IFT) has determined are dominant. It will also subject these service providers to specific technical and legal requirements and different economic, technical and legal conditions than the other service providers, such as the

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disaggregation of network components. Accordingly, Telcel, Telmex and Telnor have challenged the 2009 Plan, and their challenges are pending as of the date of this annual report. We are unable to predict the competitive and financial effects that might result if those challenges are resolved against us and the 2009 Plan is implemented, though they could materially reduce our revenues in future periods.

Consolidation of Local-service Areas

In 2005, Cofetel issued guidelines regarding the consolidation of local-service areas. Following a legal challenge by Telmex, the guidelines were withdrawn in June 2012. On July 1, 2013, Cofetel issued a resolution that would decrease the number of local-service areas, which would result in a reduction in our revenues from long-distance calls. Additionally, we would have to invest in adapting our technology to the changes in fixed-number dialing that the guidelines contemplate. As a result of the new legal framework, after a three-year period ending in 2017, local-service areas will be eliminated and all calls within Mexico will be considered local calls.

IFT Determination Preponderant Economic Agent

On March 6, 2014, the IFT issued a resolution declaring that we and certain of our subsidiaries and affiliates comprise an economic interest group, declaring that this group constitutes a Preponderant Economic Agent and imposing specific asymmetric regulations. On March 31, 2014, we and our operating subsidiaries, Telcel and Telmex, each filed a challenge (*juicio de amparo*) against the IFT's resolution, which are still pending. The new legal framework prevents us from obtaining a temporary judicial suspension of the asymmetric regulations. See Asymmetric Regulation of the Preponderant Economic Agent under this Item 4.

Brazil

Legislation and Main Regulatory Authorities

The Brazilian Telecommunications Law (*Lei Geral das Telecomunicações Brasileiras*) provides a framework for telecommunications regulation. The primary telecommunications regulator in Brazil is Anatel, which has the authority to grant concessions and licenses for all telecommunications services, except broadcasting, and to propose and issue regulations that are legally binding on telecommunications services providers.

The principal tax imposed on telecommunications services is a state level value-added tax (*Imposto Sobre Circulação de Mercadorias e Serviços*), which Brazilian states impose on gross revenue derived from telecommunications services, and which varies from state to state, but averages 27% nationwide.

Rates

Anatel regulates rates for telecommunications services. In general, PCS license-holders are authorized to increase basic plan rates only annually and to adjust for inflation (less a factor determined by Anatel based on the productivity of each operator during the year). Embratel's concession for both domestic and international long-distance services allows it to set its own rates freely as in accordance with an annual rate-adjustment mechanism established by Anatel. In December 2012, Embratel obtained Anatel's approval to set international long-distance rates freely as it deems appropriate, provided it gives Anatel and the public advance notice. Data transmission rates are not regulated.

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General Regulatory Plan

The General Regulatory Plan (*Plano Geral de Atualização da Regulamentação*, or PGR), issued in October 2008, serves as the framework to develop public telecommunications policies for a period of ten years. The PGR includes Anatel's plans to regulate MVNOs' practices, expand broadband services to rural and low-income areas, implement rules related to fixed-line incumbents' infrastructure usage within the next two years and revise the rules related to the size of the areas where service is considered to be local.

Under the PGR, in 2012 Anatel auctioned 4G spectrum frequencies with coverage obligations that aim to expand broadband access to rural and low-income areas. In this auction, Claro was awarded one of the two available nationwide licenses with a higher capacity (20+20 MHz in the 2.5 GHz band) that will allow it to provide faster data speeds. In addition to the national spectrum block, Claro also acquired 19 regional complementary blocks (10+10 MHz).

New Pay TV Legal Framework

In September 2011, the Brazilian Congress approved a new legal framework applicable to all Pay TV operators in Brazil. The new framework, among other things, allows new entrants into the Pay TV market, including telephone companies; permits existing Pay TV operators to migrate to the new regulatory regime even in cases where their current license contracts are still in full force and effect; establishes that no license renewal requests, transfer of control requests, or changes in corporate structure requests will be granted unless existing Pay TV operators convert their old licenses to new licenses governed by the new legal framework; establishes Brazilian content quotas; and requires operators to provide free access to certain local and municipal channels. Anatel issued the main regulations regarding the new legal framework in March 2012. All licenses have national coverage and operators are not permitted to have multiple Pay TV licenses.

Concessions (Authorizations)

Our Brazilian wireless subsidiaries hold licenses to provide services under the PCS regime in the 450 MHz, 850 MHz, 900 MHz, 1,800 MHz, 1,900 MHz, 2,100 MHz and 2,500 MHz spectrum bands. Our subsidiaries expect to continue to acquire spectrum as Anatel conducts additional auctions.

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The following table sets forth the regions in Brazil in which our subsidiaries hold licenses to provide wireless services, as well as the termination dates of such licenses:

Regions in Brazil	Termination Dates					1.9 and 2.1 GHz	2.5 GHz** October 2027
	450 MHz*	850 MHz	900 MHz	1.8 GHz			
National (all states)							
Bahia	October 2024		December 2017	December 2017	December 2017	April 2023	
Sergipe			December 2017	December 2017	December 2017	April 2023	
Alagoas		August 2027	August 2027	August 2027	August 2027	April 2023	
Ceara		August 2027	August 2027	August 2027	August 2027	April 2023	
Piaui		August 2027	August 2027	August 2027	August 2027	April 2023	
Pernambuco		August 2027	August 2027	August 2027	August 2027	April 2023	
Rio Grande do Norte		August 2027	August 2027	August 2027	August 2027	April 2023	
Paraná			December 2017	December 2017***	December 2017***	April 2023	
Paraná (Norte)			December 2022	December 2022	December 2022	April 2023	
Santa Catarina			December 2017	December 2017***	December 2017***	April 2023	
Rio de Janeiro		April 2028	April 2028	April 2028***	April 2028***	April 2023	
Espirito Santo		April 2028	April 2028	April 2028***	April 2028***	April 2023	
Rio Grande do Sul		April 2028	April 2028	April 2028***	April 2028***	April 2023	
São Paulo Capital	October 2024	August 2027	August 2027	July 2027	July 2027	April 2023	
São Paulo Interior		March 2028	March 2028	March 2028	March 2028	April 2023	
Minas Gerais			April 2020	April 2020***	April 2020***	April 2023	
Minas Gerais (Triângulo)						April 2023	
Amazonas	October 2024				December 2022	April 2023	
Maranhão	October 2024				December 2022	April 2023	
Roraima	October 2024				December 2022	April 2023	
Amapá	October 2024				December 2022	April 2023	
Pará	October 2024				December 2022	April 2023	
Distrito Federal		July 2027	July 2027	July 2027***	July 2027***	April 2023	
Mato Grosso do Sul		July 2027	July 2027	July 2027***	July 2027***	April 2023	
Goiás		July 2027	July 2027	July 2027***	July 2027***	April 2023	
Tocantins	October 2024	July 2027	July 2027	July 2027***	July 2027***	April 2023	
Mato Grosso		July 2027	July 2027	July 2027***	July 2027***	April 2023	
Rondônia	October 2024	July 2027	July 2027	July 2027***	July 2027***	April 2023	
Acre	October 2024	July 2027	July 2027	July 2027***	July 2027***	April 2023	

* In 450 MHz São Paulo Capital includes area codes 11 and 12.

** In addition to a national block (20+20 MHz) in 2.5 GHz (4G), Claro also acquired 19 regional complementary blocks (10+10 MHz).

*** Certain blocks covered will expire in April 2023.

Other Licenses*Embratel*

Embratel holds both domestic and international long-distance concessions that were granted on December 22, 2005 and will expire on December 31, 2025. Additionally, Embratel holds local voice services, data services (*Serviço de Comunicação Multimídia*, or SCM) and Pay TV licenses (*Serviço de Acesso Condicionado* or SeAC), which allow it to provide data, audio and video services for an indefinite term.

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Our Brazilian subsidiary Star One has the following authorizations:

Type:	Number:	Orbital Position	Issue Date:	Expiration Date: (15 years)
Extension (renewal)	PVSS/SPV 007/2006	63°W, 65°W, 70°W, 84°W and 92°W C Band	01/01/06	01/01/21
Orbital Position	PVSS/SPV 001/2003	65°W Ku Band	02/25/03	02/25/18
Orbital Position	PVSS/SPV 12/2007	68°W C and Ku Band	11/13/07	11/13/22
Orbital Position	PVSS/SPV 002/2003	70°W Ku Band	10/08/03	10/08/18
Orbital Position	PVSS/SPV 001/2007	75°W C and Ku Band	02/27/07	02/27/22
Orbital Position	PVSS/SPV 156/2012	70°W Ka and Ku (Planned) Band	03/28/12	03/28/27
Orbital Position	PVSS/SPV 076/2012	84°W Ka and Ku Band	02/06/12	02/06/27
Landing Rights	PVSS/SPV 002/2009	37.9°W C Band	05/25/09	05/05/19*

* The C12 Satellite (AMC-12) expiration date corresponds to the end of its lifetime.

Net Serviços

Net Serviços held 95 Pay TV licenses, granted by Anatel in November 2012. In 2013, these licenses were combined into eight Pay TV (SeAC) licenses, which allow Net Serviços to provide services in over 160 cities. These licenses impose certain technical, financial and legal requirements and have no expiration date. In 2014, Net Serviços intends to waive seven of such licenses and provide its services through a single nationwide license.

Concession Fees

Claro Brasil is required to pay a biannual fee equal to 2.0% of net revenue, except for the final year of the 15-year term of its authorizations, in which the fee equals 1.0% of net revenue.

Embratel is required to pay a fee every two years during the term of its domestic and international long-distance concessions equal to 2.0% of the revenues from switched fixed telephone services, net of taxes and social contributions, for the year preceding the payment.

Wireless Interconnection Fees

Mobile termination rates in Brazil are negotiated by operators, subject to the condition that wireless operators offer to all other fixed-line and wireless operators the best rates offered to any fixed-line operator. Our Brazilian subsidiaries have not always been able to reach agreements on the mobile termination rates with certain operators and some of these operators have sought the intervention of Anatel or the Economic Defense Department. We expect that mobile termination rates will continue to be the subject of litigation and administrative proceedings. We cannot predict when or how these matters will be resolved. The competitive and financial effects of any adverse resolution of these proceedings could be complex and difficult to predict, but if the rates set as a result of these proceedings are different from the ones Claro Brasil has agreed to with most operators, Claro Brasil may suffer a financial impact.

In 2005, Anatel defined a series of cost-based methods for determining interconnection fees charged by operators belonging to an economic group with significant market power. Anatel has proposed that an economic group with more than 20% of market share shall be considered to have significant market power for this purpose. Under this proposal, Claro Brasil would be an economic group with significant market power.

In November 2012, Anatel published Resolution N. 600, approving the General Plan of Competition (*Plano Geral de Metas da Competição* or PGMC), which establishes that mobile termination rates must be reduced: (i) to 75% of the 2013 rates by 2014; and (ii) to 50% of the 2013 rates by 2015. In 2016, mobile termination rates

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will be determined based on a cost model, which is intended to be submitted during 2014. If Claro Brasil is deemed to constitute an economic group with significant market power and if PGMC comes into force as described, Claro Brasil may suffer a financial impact.

During the first quarter of 2012, in order to decrease the interconnection fees while PGMC comes into force, Anatel issued a transitory regulation that imposes a reduction of interconnection fees. Although the financial effect on Embratel is unclear, such regulation had a negative impact on Claro Brasil.

Fixed Line Interconnection Fees

Fixed line operators may freely negotiate interconnection rates, subject to a price cap established by Anatel. However, if an operator offers an interconnection fee below the price cap to another operator, it must offer the same price to any other operator that requests it.

Competition Regulation

The PGMC published by Anatel sets forth competition goals for all main telecommunications services. Their key objective is to lower prices in the wholesale markets and to ensure equal treatment among competitors. In December 2012, Anatel held public consultations regarding reference prices for such regulated markets and resolved that wholesale contracts within these markets shall be overseen by a third-party company hired by all the main operators. Anatel approved both Claro Brasil's and Embratel's wholesale public offerings (roaming, infrastructure, leased lines, mobile interconnection fees, internet network interconnection and internet links).

Quality of Service Regulation

Telecommunications providers are subject to quality targets under their concessions and the Quality of Service Regulation (*Regulamento de Gestão da Qualidade* or RGQ), issued in December 2012. Under this regulation, which came into force 120 days after its publication, the number of quality indicators fell from 37 to 21 for operators with more than 50 thousand accesses, thereby promoting the regulatory asymmetry already used in the regulation of broadband quality.

Noncompliance with the targets set by the RGQ and other quality of service regulations may result in the imposition of penalties by Anatel. As such, in July 2012, Anatel suspended Brazilian mobile phone providers TIM, Claro and Oi from selling new telephone lines in some states throughout the country, due to high rates of customer complaints. In each state, the company with the highest number of complaints was prohibited from conducting sales. Claro was prohibited from conducting sales in São Paulo, Santa Catarina and Sergipe from July 2012 through August 2012.

As a result, operators were requested to present to Anatel an investment plan that tackled issues of customer service and quality. Claro's plan is being monitored by Anatel and non-compliance may result in further suspensions or other actions.

In October 2011, Anatel published quality of service regulations for PCS and SCM, which included new quality standards for broadband services. In addition, it requires that an independent third party designated by all broadband service providers fixed and wireless review these new standards. During 2012, operators hired a third-party company whose measurements started to be submitted during 2013.

Reversible Assets

Embratel's concessions provide that the concessionaire's assets, such as equipment, infrastructure and any other property or rights essential for the provision of services and considered as reversible, cannot be disconnected, replaced or sold without prior regulatory approval. Upon expiration of these concessions, such assets may be reverted to the Brazilian government in exchange for some compensation for the investments made in those assets.

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Colombia

The ICT Ministry (*Ministerio de Tecnologías de la Información y las Comunicaciones*) and the Communications Regulatory Commission (CRC) are responsible for overseeing and regulating the telecommunications sector, including wireless operations. In addition, the main audiovisual regulatory authority in Colombia with respect to Pay TV is the National Television Authority (*Autoridad Nacional de Televisión*, or ANTV). The ICT Ministry supervises and audits the performance of our fixed and mobile voice and data services and the performance of legal, contractual and regulatory obligations. The activities of Comcel and Telmex Colombia are also supervised by the Colombian Superintendency of Industry and Commerce (*Superintendencia de Industria y Comercio*), which enforces antitrust rules and protects consumer rights.

In September 2011, the CRC opened an administrative action to impose new regulatory measures on Comcel because of its dominant position in the outgoing mobile services market. On December 31, 2012, the CRC issued Regulation 4050/2012, which seeks to correct an alleged market failure, and imposed the following measures on Comcel: (i) asymmetric access charges for call termination on Comcel's network, whereby we must offer lower rates to our competitors than the rates we pay them; and (ii) restrictions on the rates we charge our users for calls outside our network (off-net calls), which must not exceed the rates we charge for calls within our network (on-net calls). Asymmetric access charges are expected to end by January 1, 2015, while the restrictions on off-net rates are expected to be temporary, subject to review or elimination by the CRC.

In October 2012, the ANTV issued Resolution No. 0179, establishing a unified licensing system and allowing existing cable operators to apply for a unified license to provide Pay TV services on a neutral technology basis, and on October 7, 2013, an addendum was signed authorizing the Company to provide Pay TV services under the DTH method.

On March 11, 2013, the ICT Ministry issued Resolution No. 449, outlining the bidding process for its 4G licenses. Comcel was excluded from bidding for the 1.7/2.1 GHz (AWS) spectrum band, but was allowed to bid for the 1.9 GHz and the 2.5 GHz spectrum bands. The 4G license auctioned to Comcel in the 2.5 GHz band was issued on July 26, 2013.

Under the terms of Comcel's concessions to provide wireless telecommunications services in Colombia, it is required to make quarterly royalty payments based on its revenues to the ICT Ministry. In October 2012, a draft bill restricting any one wireless provider from controlling more than 30% of the wireless market was proposed in the Colombian Congress, though the initiative was not approved.

On November 28, 2013, Comcel qualified under the provisions of Law 1341 of 2009 related to the general authorization for the provision of mobile services, and applied for inclusion in the register of ICT Ministry networks and services administrated by the ICT Ministry.

In February 2014, the Colombian Constitutional Court issued judgment C-555 of 2013, regarding the obligation of telecommunications providers to return to the State assets related to their concessions upon the expiration of such concessions. The Constitutional Court ruled that Laws 422 of 1998 and 1341 of 2009 are constitutional and repealed the obligation to return such assets to the State, stating that mobile operators would only be required to return the assets for concessions that were assigned prior to 1998. Additionally, the Constitutional Court indicated that the providers may be compensated for the return of assets. The ICT Ministry will establish the applicable methodology to be followed for any such compensation.

In March 2014, the ICT Ministry issued Resolution No. 598, which granted Comcel the renewal of its permits for the use of the radio spectrum required to provide mobile services and microwave links for an additional ten-year period.

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Southern Cone

Argentina

The main telecommunications regulatory authorities in Argentina are the Communications Ministry (*Secretaría de Comunicaciones*) and the National Communications Commission (*Comisión Nacional de Comunicaciones*), both of which are under the authority of the Ministry of Federal Planning, Public Investment and Services of the National Government.

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

During 2010, the Communications Ministry issued Resolution 98/2010 setting rules for the implementation of mobile number portability, which began in March 2012. In November 2013, the Communications Ministry updated and modified the portability procedure through Resolution 21/2013.

Pursuant to Decree 558/08 all telecommunications providers, including AMX Argentina and Telmex Argentina, must contribute 1% of their monthly revenues, determined after certain deductions, to the Universal Fund (*Fondo Fiduciario del Servicio Universal*) to finance the provision of telecommunication services in underserved areas and to underserved persons.

In July 2013, the Communications Ministry through Resolution 5/2013 established a Quality Regulation of Telecommunications Services standard, under which providers must ensure better quality of service in terms of both accessibility to the network and dropped calls. The final document was issued by the National Communications Commission in November 2013.

In December 2013, the Communications Ministry issued Resolution 26/2013 which established the second as the unit of measure for charges of mobile communications.

Chile

The General Telecommunications Law of 1982, as amended, established the legal framework for the provision of telecommunications services in Chile. The law established the rules for granting concessions and permits to provide telecommunications services and for the regulation of rates and interconnection. The main regulatory agency of the telecommunications sector is the Chilean Transportation and Communications Ministry (*Ministerio de Transportes y Telecomunicaciones*), which acts primarily through the Undersecretary of Telecommunications.

Claro Chile holds a concession covering the entire Chilean territory. The concession was granted in June 1997 and covers a thirty-year period. The concession imposes coverage, reporting and service quality requirements. The Chilean Transportation and Communications Ministry is authorized to foreclose any concessionaire in the event of specified breaches of the terms of the concession.

In May 2006, Claro Chile acquired from Telefónica Móviles a concession for the use of 25 MHz within the 850 MHz frequency that permits Claro Chile to increase the wireless services it provides. The term of this concession is for a 25-year period for the Metropolitan area and Region V and for an indefinite period for the rest of Chile. In 2011, Claro Chile was granted a concession for the use of 40 MHz within the 2600 MHz frequency and in 2014 is expected to be

granted a license in the 700 MHz frequency for a thirty-year period.

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One of our subsidiaries has the right to use licenses to provide local fixed and wireless service through 50 MHz of the 3.4 to 3.6 GHz frequency band throughout the country. In addition, some subsidiaries in Chile provide domestic and international long-distance service, data services, internet access, pay television services and value-added services.

Paraguay

The National Telecommunications Commission of Paraguay (*Comisión Nacional de Telecomunicaciones de Paraguay*) is in charge of supervising the telecommunications industry in Paraguay. It is authorized to cancel licenses in case of specified breaches of the terms of a license.

AMX Paraguay holds a nationwide PCS license to operate in the 1900 MHz frequency spectrum for a five-year term starting on January 26, 2009, which was renewed in April 2014 for an additional five-year period. AMX Paraguay also holds a nationwide internet access and data transmission license, which was renewed through 2017. In November 2010, AMX Paraguay received a license for a five-year term to provide DTH services and in August 2011, AMX Paraguay received a license to provide cable TV services for a ten-year term. The licenses are renewable, subject to regulatory approval, and contain coverage, reporting and service requirements. In December 2010, the National Telecommunications Commission of Paraguay approved the regulation for number portability, which was implemented during the fourth quarter of 2012.

Uruguay

The Regulatory Unit of Communications Services (*Unidad Reguladora de Servicios de Comunicaciones*) and the National Administration of Telecommunications (*Administración Nacional de Telecomunicaciones*) are in charge of supervising the telecommunications industry in Uruguay. In June 2004, we acquired a twenty-year license to operate three broadband PCS frequencies in Uruguay.

On February 4, 2013, Flimay was notified by the Court of Administrative Disputes (TCA) that its license for the provision of DTH had become effective. In May 2013, administrative authorities revoked the aforementioned license. Flimay lodged an appeal against such administrative resolution that is still pending.

In March 2013, the Government called for a public bidding process for the frequencies in the 1900 MHz and 1700/2100 MHz radio spectrum. As a result of this bidding process, AMX Wireless Uruguay was granted the use of 20 MHz of spectrum in the 1,900 MHz band and 20 MHz in the 1,700-2,100 MHz band.

Andean Region

Ecuador

Our wireless and fixed-line operations are subject to regulation by:

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

the National Telecommunications Secretariat (*Secretaría Nacional de Telecomunicaciones*), which is responsible for executing the National Telecommunications Council's resolutions and managing and

assigning licenses to use the radio-electric spectrum for the provision of telecommunications services;

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

Telecommunications and Information Society Ministry (*Ministerio de Telecomunicaciones y Sociedad de la Información*), which was created in August 2009 and is the leading government agency responsible for the technology industry's development and the promotion of equal access to telecommunications services.

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In 2008, Conecel renewed its concessions to operate 25 MHz on the 850MHz radio spectrum and 10 MHz on the 1900 MHz (Sub Band E-E) radio spectrum. This included a concession for PCS services that expires in August 2023. The renewal of the PCS concession allows us to provide 3G services and contains stricter quality-of-service requirements for, among other things, the number of successful call completions, average delivery time of SMS services, average time an operator takes to deal with all aspects of a customer call, geographic coverage and service conditions. In 2011, Conecel renewed its license to provide internet value-added services, which expires in 2021. In 2002, Conecel obtained a license to provide carrier services, which expires in 2017.

In 2013, Conecel, through DTH, obtained a license to operate Pay TV services throughout Ecuador except for the Galapagos Islands. The license expires in 2023.

Ecuador Telecom holds a concession to offer wireless and fixed-line voice, public telephony and domestic and international long-distance carrier services, as well as a license to use the 3.5 GHz frequency band that expires in August 2017 and a Pay TV license that expires in 2018.

In February 2014, following a regulatory claim filed in 2012 by the state-owned operator, the Superintendency of Control of Market Power (*Superintendencia de Control del Poder del Mercado* or SCPM) imposed a fine on Conecel of Ps.1,809 million (US\$138.4 million), for alleged monopolistic practices related to five locations in which the state-owned operator argues that Conecel has exclusive rights to deploy its network, preventing others from doing so. In March 2014, Conecel challenged the fine and posted a guarantee for 50% of its value. Through a judicial order issued during that same month, the competent court allowed Conecel's lawsuit and suspended the effects of the contested fine. In addition, our subsidiaries in Ecuador face other processes before the local regulatory authorities.

Peru

The main telecommunications regulatory authorities in Peru are the Supervising Agency of Private Investment in Telecommunications (*Organismo Supervisor de Inversión Privada en Telecomunicaciones OSIPTEL*) and the Ministry of Transportation and Communications (*Ministerio de Transportes y Comunicaciones*).

América Móvil Perú holds nationwide concessions to provide mobile, PCS, fixed-line, local carrier, domestic and international long-distance, Pay TV services (through DTH and HFC technologies), public telephony and value-added services (including internet access) covering all regions in Peru. The concessions were awarded between May 1999 and June 2008, operating 25 MHz on the 850 MHz band, 35 MHz on the 1900 MHz band, 50 MHz on the 3.5 GHz band, 10 MHz on the 450 MHz band and 56 MHz on the 10.5 GHz band.

Each of the concessions was awarded by the Ministry of Transportation and Communications, and covers a 20-year period. The concessions contain coverage, reporting, service requirements and spectral efficiency goals. The Ministry of Transportation and Communications is authorized to cancel any of the concessions in case of specified breaches of its terms.

Mobile number portability was implemented in January 2010. During 2013, transfer requests from other wireless operators to América Móvil Perú represented 52.5% of total portability requests.

Other Jurisdictions

Costa Rica Claro Costa Rica's business is subject to comprehensive regulation and oversight by the Superintendency of Telecommunications (*Superintendencia de Telecomunicaciones* or SUTEL) and by the Ministry of Science, Technology and Telecommunications (*Ministerio de Ciencia, Tecnología y Telecomunicaciones*). Claro holds a

concession in the 1800 MHz and 2100 MHz bands to operate its cellular network. Claro Costa Rica obtained a license in October 2012 to operate Pay TV through DTH and started providing Pay TV services in December 2012.

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El Salvador CTE's business is subject to comprehensive regulation and oversight by the Electricity and Telecommunications Superintendency (*Superintendencia General de Electricidad y Telecomunicaciones* or SIGET). CTE holds a concession from the Salvadoran government to operate its nationwide fixed-line network and CTE Telecom Personal holds a permit for the use of 50 MHz in the 1900 MHz frequency band to operate its cellular network.

Guatemala Telgua's business is subject to comprehensive regulation and oversight by the Guatemalan Telecommunications Agency (*Superintendencia de Telecomunicaciones*) under the General Telecommunications Law (*Ley General de Telecomunicaciones*). Telgua holds a license from the Guatemalan government to operate its nationwide fixed-line network and numerous licenses to operate its cellular network in the 900 MHz and 1900 MHz frequencies nationwide. In April 2014, the Guatemalan Telecommunications Agency granted Telgua the renewal of its licenses to operate its cellular network for a period that expires in 2033.

Nicaragua Enitel's business is subject to comprehensive regulation and oversight by the Nicaraguan Telecommunications and Mailing Institute (*Instituto Nicaragüense de Telecomunicaciones y Correos*) under the General Telecommunications and Postal Services Law (*Ley General de Telecomunicaciones y Servicios Postales*). Enitel holds a concession in the 850 MHz and 1900 MHz bands to operate its cellular network for a twenty-year period and was granted the right to use spectrum in the 700 MHz and 1700/2100 MHz in order to provide 4G technology services. Enitel was also granted the right to use 50 MHz in the 3.5 GHz frequency band to provide data and internet services, which will expire in 2022.

Honduras Sercom Honduras' businesses are subject to comprehensive regulation and oversight by the Honduran National Telecommunications Commission (*Comisión Nacional de Telecomunicaciones*) under the Telecommunications Law (*Ley Marco del Sector de Telecomunicaciones*). Sercom Honduras holds a concession to operate its cellular network in the PCS 1900 MHz and LTE-4G 1700/2100 MHz frequencies nationwide.

Panama Claro Panamá's business is subject to comprehensive regulation and oversight by the National Authority of Public Services (*Autoridad Nacional de los Servicios Públicos*). Claro Panamá has a license for the provision of mobile voice, data and video services in Panama. The license grants the right to use 30 MHz in the 1900 MHz frequency band for a 20-year period. Claro Panamá also holds Pay TV, international long-distance, fixed-line voice and added value-added services licenses.

United States TracFone is subject to the jurisdiction of the FCC and to certain U.S. telecommunications laws and regulations. TracFone is not required to hold wireless licenses to carry out its business.

Dominican Republic The Dominican Institute of Telecommunications (*Instituto Dominicano de las Telecomunicaciones*, or Indotel) is responsible for supervising the telecommunications industry in the Dominican Republic. Codetel holds concessions to provide telecommunication services in the Dominican Republic. The concessions do not contain coverage, reporting or service requirements and grant the right to use 25 MHz in the 800 MHz frequency band, 30 MHz in the 1900 MHz frequency band and 30 MHz in the 3.5 GHz frequency band until 2030. Indotel is authorized to cancel the concessions in the event of specified breaches of their terms.

Puerto Rico The FCC and the Telecommunications Regulatory Board of Puerto Rico (TRBPR) oversee and regulate the telecommunications industry in Puerto Rico. Our Puerto Rican subsidiaries hold concessions to provide telecommunication services, including local exchange, long-distance, broadband internet access, VoIP, DTH, IPTV technologies, long-distance interstate and international services, roaming services, Pay TV services and mobile voice and data services that contain coverage, reporting and service requirements. The FCC and the TRBPR have the authority to cancel the concessions within their competent jurisdiction in the event of specified breaches of their

terms.

Item 4A. Unresolved Staff Comments

None.

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Introduction***Segments***

We have operations in 18 countries, which are grouped for financial reporting purposes in nine segments. Our operations in Mexico are presented in two segments Mexico Wireless, which comprises principally Telcel, and Mexico Fixed, which consists of Telmex and its subsidiaries providing fixed-line services. Our headquarters operations are allocated to the Mexico Wireless segment. Segment information is presented in Note 21 to our audited consolidated financial statements.

Factors that drive financial performance differ for our different geographical segments, depending on subscriber acquisition costs, the competitive situation, the regulatory environment, economic factors, interconnection rates and many other factors. Accordingly, our results of operations in each period reflect a combination of different effects on the different segments.

Constant Currency Presentation

Our financial statements are presented in Mexican pesos, but our operations outside Mexico account for a significant portion of our revenues. Currency variations between the Mexican peso and the currencies of our non-Mexican subsidiaries, especially the Brazilian real, affect our results of operations as reported in Mexican pesos. In the following discussion regarding our operating revenues, we include a discussion of the change in the different components of our revenues between periods at constant exchange rates, i.e., using the same exchange rate to translate the local-currency results of our non-Mexican operations for both periods. We believe that this additional information helps investors better understand the performance of our non-Mexican operations and their contribution to our consolidated results.

Effects of Exchange Rates

Our results of operations are affected by changes in currency exchange rates. As discussed above, currency variations between the Mexican peso and the currencies of our non-Mexican subsidiaries, especially the Brazilian real, affect our results of operations as reported in Mexican pesos. In 2013, the Mexican peso was generally stronger against our other operating currencies than in 2012, which tended to reduce the reported amounts attributable to our non-Mexican operations.

We also recognize exchange gain and loss attributable to changes in the value of our operating currencies, particularly the Mexican peso and Brazilian real, against the currencies in which our indebtedness and accounts payable are denominated especially the U.S. dollar. Appreciation of our operating currencies generally results in foreign exchange gains, while depreciation of these currencies generally results in foreign exchange losses. Changes in exchange rates also affect the fair value of derivative financial instruments that we use to manage our currency-risk exposures, which are generally not accounted for as hedging. In 2013, the Mexican peso and especially the Brazilian real weakened against the currencies of our indebtedness, and we recorded net foreign exchange losses of Ps.19.6 billion and net fair value gains on derivatives of Ps.5.9 billion. In 2012, we recorded net foreign exchange gains of Ps.7.4 billion and net fair value losses on derivatives of Ps.5.3 billion. See Note 11 to our audited consolidated financial statements.

Effects of Regulation

We operate in a regulated industry. Our results of operations and financial condition have been, and will continue to be, affected by regulatory actions and changes. In recent periods, for example, regulators have imposed or sought to impose decreases in, or the elimination of, interconnection rates, and we expect further decreases in Mexico, Brazil, Chile, Peru, Ecuador and Colombia. Lower interconnection revenues have often been offset by increased traffic resulting from lower effective prices to customers, but this may change. Significant regulatory developments are presented in more detail in Recent Developments and Regulation under Item 4, and Risk Factors under Item 3.

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Composition of Operating Revenues

During 2013, our total operating revenues consisted of: mobile voice revenues (33.7% of total operating revenue), fixed voice revenues (14.2% of total operating revenue), mobile data revenues (20.3% of total operating revenue), fixed data revenues (10.8% of total operating revenue), Pay TV revenues (7.7% of total operating revenue) and other services (13.2% of total operating revenue). Other services include revenues from selling handsets and other equipment, as well as other miscellaneous revenue.

Revenues from wireless and fixed voice services primarily include monthly subscription charges, airtime charges, charges for local and long-distance calls, and interconnection charges billed to other service providers for calls completed on our network. Revenues from monthly subscription charges are driven mainly by the number of subscribers and the pricing of subscription packages. The primary driver of usage charges (airtime and interconnection charges) is traffic, which, in turn, is driven by the number of customers and by their average usage. Postpaid wireless customers generally have an allotment of airtime each month for which they are not required to pay usage charges.

Revenues from wireless and fixed data services primarily include revenues from value-added services, corporate networks, data services and internet access service. Revenues from corporate networks mainly consist of revenues from installing and leasing dedicated private lines, revenues from VPN services and revenues from the sale of value-added services to these customers.

Pay TV revenue consists primarily of subscription charges, charges for additional programming and advertising revenue.

Other services include sales revenues from selling handsets and other equipment and revenues from other businesses, such as yellow pages, call-center services and publishing. Most of our new subscribers purchase a handset, and although we also sell new handsets to existing customers, changes in sales revenues are driven primarily by the number of new customers. The pricing of handsets is not geared primarily towards making a profit from handset sales because it also takes into account the service revenues that are expected to result when the handset is used.

Revenues are recognized at the time services are provided. Billed revenues for service not yet rendered are recognized as deferred revenues. Revenues from sales of prepaid services are deferred and recognized as airtime is used or when it expires, and they are included under mobile voice services.

Seasonality of our Business

Our business is subject to a certain degree of seasonality, characterized by a higher number of new customers during the fourth quarter of each year. We believe this seasonality is mainly driven by the Christmas shopping season. Revenue also tends to decrease during the months of August and September, when family expenses shift towards school supplies and child care.

Mexican Tax Reform

In 2013, Mexico adopted a major package of tax reform measures that changed the tax regime applicable to us and our Mexican subsidiaries beginning January 1, 2014. The changes applicable to us are extensive, and in some respects they may require us to pay more taxes than under prior law. The most significant impact is related to certain payments made to our employees that will no longer be deductible for tax purposes, and will result in additional taxes that we estimate at approximately Ps.1.3 billion pesos for 2014. Although we are still evaluating the effects of the reforms, we do not currently expect the overall impact of the tax reform on our financial performance to be material.

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Use of Certain Operating Measures

In analyzing our financial performance, we use certain operating measures that are not included in our financial statements. These measures may not be comparable with similarly titled measures and disclosures by other companies. The principal such measures are:

ARPU average revenues per user. This measure analyzes revenues from wireless data and voice services. We calculate ARPU for a given period by dividing service revenues for such period on a local-currency basis by the simple average number of wireless subscribers for such period. The result is then presented in Mexican pesos, and comparability from one year to the next is therefore affected by changes in exchange rates. The figure includes both prepaid and postpaid customers.

MOUs average minutes of use per user. This measure analyzes usage of wireless services. We calculate MOUs by dividing total wireless traffic in a given period by the simple average number of wireless subscribers for such period.

Churn This measure analyzes the rate at which customers disconnect from our services (wireless, fixed or Pay TV). We calculate churn rate as the total number of customer disconnections for a period divided by total subscribers at the beginning of such period. For wireless customers, postpaid subscribers are considered disconnected at the expiration of their contracts or earlier if they voluntarily discontinue service or following a specified period after they become delinquent, and prepaid customers are considered disconnected following a specified period after they cease using our service, so long as they have not activated a calling card or received traffic.

Market share We calculate our subscriber market share by dividing our own subscriber figures into the total market subscriber figures periodically reported by the regulatory authorities in the markets in which we operate. We understand that these regulatory authorities compile total market subscriber figures based on subscriber figures provided to them by market participants, and we do not independently verify these figures.

General Trends Affecting Operating Results

Our results of operations in 2013 reflected several continuing long-term trends including:

intense competition, with growing subscriber acquisition costs and generally declining customer prices;

growing demand for data services over both fixed and wireless networks;

declining demand for fixed voice services;

declining interconnection rates; and

growing operating costs reflecting, among other things, higher cost of content for Pay TV and data services, costs of providing customer care, and costs of operating ever larger and more complex networks.

These trends are broadly characteristic of our businesses in all regions in recent years, and they have affected comparable telecommunications providers as well. In addition, our Pay TV businesses have also continued to grow in all the regions where we provide Pay TV services.

Several other significant factors affected 2013 performance. In particular, our revenues from wireless voice services were adversely affected by weak economic conditions in Mexico. In addition, the contribution of our Brazilian businesses to our operating results was adversely affected by the depreciation of the Brazilian currency against the Mexican peso. Exchange-rate movements also affected our reported financing costs, as they do every year.

Table of Contents**Consolidated Results of Operations for 2013 and 2012*****Operating Revenues***

Operating revenues increased by 1.4% in 2013. At constant exchange rates, total operating revenues for 2013 increased by 7.9% over 2012. The principal factors in the increase included increases in revenues from our Pay TV and mobile and fixed data services, slightly offset by a decrease in revenues from our fixed-line voice operations.

Mobile Voice Mobile voice revenues decreased by 7.7% in 2013. At constant exchange rates, mobile voice revenues for 2013 decreased by 1.7% from 2012. The principal factor in the decrease was lower revenues from mobile voice services, principally in Mexico, Brazil and Colombia.

Fixed Voice Fixed voice revenues decreased by 9.7% in 2013. At constant exchange rates, total fixed voice revenues for 2013 decreased by 4.5% from 2012. The principal factors in the decrease were increased penetration of wireless technology, a decrease in long-distance traffic and lower interconnection rates, principally in Mexico, Brazil and Colombia.

Mobile Data Mobile data revenues increased by 17.0% in 2013. At constant exchange rates, mobile data revenues for 2013 increased by 23.4% from 2012. The principal factors in the increase were increased use of services such as media and content downloading, web browsing and machine-to-machine services as well as content downloading on handsets, tablets and notebooks.

Fixed Data Fixed data revenues increased by 1.7% in 2013. At constant exchange rates, fixed data revenues for 2013 increased by 8.8% over 2012. The principal factors in the increase were residential broadband services growth, including growth of corporate data services such as cloud, dedicated lines and leasing.

Pay TV Pay TV revenues increased by 7.6% in 2013. At constant exchange rates, total Pay TV revenues for 2013 increased by 21.0%. The principal factors in the increase were increases in the use of our services as a result of the introduction of new plans and channel packages, particularly in Brazil, and subscriber growth in our operations in Brazil, Colombia, Peru, the Dominican Republic and Ecuador.

Other Services Revenues from other services increased by 18.5% in 2013. At constant exchange rates, revenues from other services for 2013 increased by 23.0% over 2012. The increase primarily reflects the sale of smartphones.

Operating Costs and Expenses

Cost of sales and services Cost of sales and services increased by 5.0% in 2013, representing 45.6% of operating revenues in 2013, compared to 44.0% of operating revenues in 2012. At constant exchange rates, cost of sales and services increased by 11.9% over 2012.

Cost of sales was Ps.122.0 billion in 2013 and Ps.110.5 billion in 2012 and primarily reflects the cost of handsets, accessories and computers sold to customers. Costs of handsets, accessories and computers increased by 10.4% in 2013. This increase primarily reflects the purchase of increasing quantities of smartphones for sale to customers in all countries in which we operate, which increased the subsidies we provide in order to acquire and retain subscribers.

Cost of services was Ps.236.3 billion in 2013 and Ps.230.7 billion in 2012. Cost of services increased 2.5% in 2013. At constant exchange rates, cost of services for 2013 increased by 10.2% over 2012. This increase was principally due to growth of our network, including the deployment of 4G and LTE networks, and increased customers throughout our

businesses, as well as higher concession fees.

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Commercial, administrative and general Commercial, administrative and general expenses increased by 1.0% in 2013, representing 21.3% of operating revenues in 2013 and 21.4% in 2012. At constant exchange rates, commercial, administrative and general expenses for 2013 increased by 8.1% over 2012. The increase in commercial, administrative and general expenses in 2013 principally reflects subscriber acquisition costs in the wireless and Pay TV businesses, including those related to advertising campaigns in Brazil, Mexico and Colombia; higher customer-service costs related to increases in the number of physical and telephone customer-service centers, to permit us to provide better customer care and quality of service and increased seasonal promotions; and telemarketing costs, such as temporary hiring of employees and production of marketing materials, which received less supplier support than in the prior year.

Telcel and Telmex, like other Mexican companies, are required by law to pay their employees, in addition to their agreed compensation and benefits, profit sharing in an aggregate amount equal to 10.0% of each entity's taxable income. Our subsidiaries in Ecuador and Peru are also required to pay employee profit sharing at a rate of 15.0% and 10.0%, respectively, of taxable income. We account for these amounts under commercial, administrative and general expenses.

Depreciation and amortization Depreciation and amortization decreased by 2.0% or Ps.2.0 billion in 2013. At constant exchange rates, depreciation and amortization for 2013 increased by 5.3% over 2012, principally as a result of capital expenditures made in recent years. As a percentage of revenues, depreciation and amortization decreased from 13.4% in 2012 to 12.9% in 2013.

Operating Income

Operating income decreased by 4.3% in 2013. Operating margin (operating income as a percentage of operating revenues) was 19.6% in 2013 and 20.8% in 2012. The decrease in our operating margin in 2013 is due principally to higher costs for subscriber acquisition, network maintenance and customer service, as well as to the growth of lower margin businesses such as Pay TV and TracFone.

Non-Operating Items

Interest income Interest income increased by 8.1% in 2013. The total increase of Ps.0.5 billion in interest income is principally due to higher cash balances.

Interest expense Interest expense increased by 21.8% in 2013. The total increase of Ps.5.4 billion in interest expense is principally due to a higher average level of indebtedness.

Foreign exchange gain (loss), net Foreign exchange gain (loss), net represented a loss of Ps.19.6 billion in 2013, compared to a gain of Ps.7.4 billion in 2012. The net foreign exchange loss was primarily attributable to the appreciation of currencies in which our indebtedness is denominated, particularly the euro and the U.S. dollar, as well as the effect on intercompany debt of the depreciation of the Brazilian real against the peso.

Valuation of derivatives and other financial items, net The net change in valuation of derivatives and other financial items represented a loss of Ps.5.2 billion in 2013, compared to a loss of Ps.12.5 billion in 2012. The loss is principally due to other financial expenses including commissions on financial services and interest cost of labor obligations. See Note 16(d) to our audited consolidated financial statements included in this annual report.

Equity interest in net income of associated companies Our share of the net income of associated companies accounted for under the equity method was of Ps.0.04 billion in 2013 and Ps.0.8 billion in 2012. Our results from equity method

investees for 2013 primarily reflect our interests in KPN and Telekom Austria, which were acquired in 2012 and 2013.

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Income Tax Our effective rates of provisions for corporate income tax as a percentage of pretax income were 28.8% in 2013 and 33.4% in 2012. Our effective tax rate differs from the Mexican statutory rate of 30%, and decreased in 2013, primarily because of losses from the sale and restructuring of financial assets. See note 20 to our consolidated financial statements.

Net Income

We had net income of Ps.75.0 billion in 2013 and Ps.91.6 billion in 2012. The decrease in net income in 2013 principally reflects higher financing costs as a result of foreign exchange losses.

Consolidated Results of Operations for 2012 and 2011***Investment in Net Serviços***

As of December 31, 2013, we owned, directly and indirectly through our Brazilian subsidiaries, 92.2% of the total equity of Net Serviços, which provides Pay TV services in Brazil. We began consolidating Net Serviços from January 1, 2012, and, accordingly, the data presented in this annual report consolidate the results of Net Serviços as of and for the years ended December 31, 2012 and 2013. Prior to January 1, 2012, we accounted for Net Serviços using the equity method. The consolidation of Net Serviços affects the comparability of our results for 2012 to our results for 2011.

Operating Revenues

Operating revenues increased by 12.3% in 2012. At constant exchange rates and excluding the effects of the consolidation of Net Serviços, total operating revenues for 2012 increased by 6.3% over 2011. The principal factors in the increase included increases in revenues from our Pay TV, wireless voice, and wireless and fixed data services, slightly offset by a decrease in revenues from our fixed-line voice operations.

Mobile Voice Mobile voice revenues increased by 1.8% in 2012. At constant exchange rates, mobile voice revenues for 2012 increased by 1.1% over 2011. The principal factors in the increase were an increase in traffic and the introduction of plans with more monthly airtime, partially offset by reductions in interconnection rates charged to other telecommunications providers and reductions in rates charged to customers, principally in Mexico and Brazil.

Fixed Voice Fixed voice revenues decreased by 11.1% in 2012. At constant exchange rates and excluding the effects of the consolidation of Net Serviços, total fixed voice revenues for 2012 decreased by 8.1% over 2011. The principal factors in the decrease were a decrease in long-distance traffic and lower interconnection rates, principally in Mexico and Brazil.

Mobile Data Mobile data revenues increased by 33.5% in 2012. At constant exchange rates, mobile data revenues for 2012 increased by 32.9% from 2011. The principal factors in the increase were increased use of services such as SMS messaging, web browsing and machine-to-machine services, as well as content downloading on handsets, tablets and notebooks.

Fixed Data Fixed data revenues increased by 16.1% in 2012. At constant exchange rates and excluding the effects of the consolidation of Net Serviços, fixed data revenues for 2012 increased by 4.7% over 2011. The principal factors in the increase were residential subscriber and broadband services growth, including growth of corporate data services.

Pay TV Pay TV revenues more than tripled in 2012 primarily because of the consolidation of Net Serviços. At constant exchange rates and excluding the effects of the consolidation of Net Serviços, total Pay TV revenues for 2012 increased by 37.2% over 2011, principally due to an increase in the use of our services as a result of the introduction of new plans, particularly in Brazil, and subscriber growth in our operations in Brazil, Colombia, Peru, the Dominican Republic and Ecuador.

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Other Services Revenues from other services increased by 12.8% in 2012. At constant exchange rates and excluding the effects of the consolidation of Net Servios, revenues from other services for 2012 increased by 13.1% over 2011. The principal factor in the increase was the increase in the number of handsets, accessories and computers sold as a result of the acquisition of new customers.

Operating Costs and Expenses

Cost of sales and services Cost of sales and services increased by 17.8% in 2012, representing 44.0% of operating revenues in 2012, compared to 42.0% of operating revenues in 2011. At constant exchange rates and excluding the effects resulting from the consolidation of Net Servios, cost of sales and services increased by 11.5% over 2011.

Cost of sales was Ps.110.5 billion in 2012 and Ps.95.1 billion in 2011 and primarily represents the cost of handsets, accessories and computers sold to customers. Costs of handsets, accessories and computers increased by 16.2% in 2012. This increase primarily reflects the effect of new plans offered to customers that include more expensive equipment, such as smartphones, which requires larger subsidies.

Cost of services was Ps.231.0 billion in 2012 and Ps.195.0 billion in 2011. The 29.8% increase in 2012 was principally due to the consolidation of Net Servios commencing in January 2012, increased content charges as a result of the growth in our Pay TV business, increased costs to support the growth in our mobile data business and higher royalty payments, as well as higher network maintenance and expansion, real estate leasing, electricity and labor costs. At constant exchange rates and excluding the effects of the consolidation of Net Servios, cost of services for 2012 increased by 9.8% over 2011.

Commercial, administrative and general Commercial, administrative and general expenses increased by 13.8% in 2012, representing 21.4% of operating revenues in 2012 and 21.1% in 2011. At constant exchange rates and excluding the effects resulting from the consolidation of Net Servios, commercial, administrative and general expenses for 2012 increased by 5.6% over 2011. The increase in commercial, administrative and general expenses in 2012 principally reflects higher advertising and labor costs; subscriber acquisition costs in the wireless and Pay TV businesses, including those related to advertising campaigns in Brazil, Mexico and Colombia; higher customer-service costs related to increases in the number of physical and telephone customer-service centers to permit us to provide better customer care and quality of service and increased seasonal promotions; and telemarketing costs, such as temporary hiring of employees and production of marketing materials, which received less supplier support than in the prior year.

Telcel and Telmex, like other Mexican companies, are required by law to pay their employees, in addition to their agreed compensation and benefits, profit sharing in an aggregate amount equal to 10.0% of each entity's taxable income. Our subsidiaries in Ecuador and Peru are also required to pay employee profit sharing at a rate of 15.0% and 10.0%, respectively, of taxable income. We account for these amounts under commercial, administrative and general expenses.

Depreciation and amortization Depreciation and amortization increased by 10.2% or Ps.9.6 billion in 2012. At constant exchange rates and excluding the effects resulting from the consolidation of Net Servios, depreciation and amortization for 2012 increased by 6.6% over 2011. As a percentage of revenues, depreciation and amortization decreased from 13.6% in 2011 to 13.4% in 2012.

Operating Income

Operating income increased by 2.2% in 2012, principally reflecting the consolidation of Net Servios. Operating margin (operating income as a percentage of operating revenues) was 20.8% in 2012 and 22.8% in 2011. The decrease

in our operating margin in 2012 is due principally to higher costs for subscriber acquisition, network maintenance and customer service, as well as to the growth of lower margin businesses such as Pay TV and TracFone.

Table of Contents***Non-Operating Items***

Interest income Interest income decreased by 15.7% in 2012. The total decrease of Ps.1.1 billion in interest income is principally due to lower cash balances, as a result of the use of cash to purchase minority interests in subsidiaries and investments in associates.

Interest expense Interest expense increased by 19.8% in 2012. The total increase of Ps.4.1 billion in interest expense is principally due to a higher average level of indebtedness.

Foreign exchange gain (loss), net Foreign exchange gain (loss), net represented a gain of Ps.7.4 billion in 2012, compared to a loss of Ps.22.4 billion in 2011. The net foreign exchange gain was primarily attributable to the appreciation at year-end of approximately 7.0% of the Mexican peso against the U.S. dollar, which is the currency in which the majority of our indebtedness is denominated.

Valuation of derivatives and other financial items, net The net change in valuation of derivatives and other financial items represented a loss of Ps.12.5 billion in 2012, compared to a gain of Ps.4.7 billion in 2011. The loss is principally due to the effects of exchange rate movements on derivative financial instruments we use to hedge our exchange rate exposure and, in particular, to the appreciation of the Mexican peso against the U.S. dollar in 2012.

Equity interest in net income of associated companies Our share of the net income of associated companies accounted for under the equity method was of Ps.0.8 billion in 2012 and Ps.1.9 billion in 2011. Our results from equity method investees for 2012 primarily reflect our interests in KPN and Telekom Austria, which we acquired in 2012. Our results from equity method investees in 2011 primarily reflect our interest in Net Serviços, which became a consolidated subsidiary in 2012.

Income Tax Our effective rates of provisions for corporate income tax as a percentage of pretax income were 33.4% in 2012 and 31.1% in 2011. Our effective tax rate differs from the Mexican statutory rate of 30.0%, principally because (a) in Mexico, for tax purposes we recognize a taxable gain attributable to the effects of inflation on our financial liabilities and (b) our operations outside Mexico are taxed separately in each jurisdiction, at varying rates. The increase in the effective tax rate in 2012 was due to a higher level of taxable inflationary effects and to a higher share of taxable income at certain non-Mexican subsidiaries. See note 20 to our consolidated financial statements.

Net Income

We had net income of Ps.91.6 billion in 2012 and Ps.88.2 billion in 2011. The increase in net income in 2012 principally reflects lower financing costs as a result of foreign exchange gains.

Segment Results of Operations

We discuss below the operating results of each operating segment. Note 21 to our audited consolidated financial statements describes how we translate the financial statements of our non-Mexican subsidiaries. Exchange rate changes between the Mexican peso and the currencies in which our subsidiaries do business affect our reported results in Mexican pesos and the comparability of reported results between periods.

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The following table sets forth the exchange rates used to translate the results of our significant non-Mexican operations, as expressed in Mexican pesos per foreign currency unit, and the change from the rate used in the prior year for the periods indicated. The U.S. dollar is our functional currency in several countries in addition to the United States, including Ecuador and Puerto Rico.

	Mexican pesos per foreign currency unit (average for the period)				
	2011	% Change	2012	% Change	2013
Brazilian real	7.4135	(8.8)	6.7605	(12.2)	5.9334
Colombian peso	0.0067	8.3	0.0073	(6.7)	0.0068
Argentine peso	3.0055	(2.5)	2.9305	(20.1)	2.3410
U.S. dollar	12.4210	6.0	13.1663	(3.0)	12.7660

The tables below set forth operating revenues and operating income for each of our segments for the periods indicated.

	Year ended December 31, 2011			
	Operating revenues		Operating income	
	(in millions of Mexican Pesos)	(as a % of total operating revenues)	(in millions of Mexican Pesos)	(as a % of total operating income)
Mexico Wireless	Ps. 169,118	24.5%	Ps. 76,004	48.2%
Mexico Fixed	112,255	16.3	26,981	17.1
Brazil	177,697	25.8	9,064	5.8
Colombia	61,087	8.9	19,451	12.3
Southern Cone	54,839	7.9	8,608	5.5
Andean Region	35,394	5.1	11,201	7.1
Central America	19,565	2.8	(57)	(0.0)
United States	47,554	6.9	817	0.5
Caribbean	27,072	3.9	5,375	3.4
Eliminations	(14,615)	(2.1)	162	0.1
Total	Ps. 689,966	100.0%	Ps. 157,606	100.0%

	Year ended December 31, 2012			
	Operating revenues		Operating income	
	(in millions of Mexican Pesos)	(as a % of total operating revenues)	(in millions of Mexican Pesos)	(as a % of total operating income)
Mexico Wireless	Ps. 183,645	23.7%	Ps. 81,961	50.9%
Mexico Fixed	106,025	13.7	20,862	12.9
Brazil	209,787	27.1	12,686	7.9
Colombia	73,432	9.5	22,710	14.1
Southern Cone	62,018	8.0	8,071	5.0
Andean Region	42,495	5.5	13,177	8.2
Central America	23,047	3.0	(3,497)	(2.2)

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United States	63,144	8.1	1,828	1.1
Caribbean	27,441	3.5	2,883	1.8
Eliminations	(15,964)	(2.1)	469	0.3
Total	Ps. 775,070	100.0%	Ps. 161,150	100.0%

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	Year ended December 31, 2013			
	Operating revenues		Operating income	
	(in millions of Mexican Pesos)	(as a % of total operating revenues)	(in millions of Mexican Pesos)	(as a % of total operating income)
Mexico Wireless	Ps. 193,178	24.6%	Ps. 78,761	51.1%
Mexico Fixed	105,869	13.5	20,038	13.0
Brazil	199,887	25.4	11,101	7.2
Colombia	74,210	9.4	21,351	13.8
Southern Cone	61,521	7.8	6,174	4.0
Andean Region	45,113	5.7	11,910	7.7
Central America	24,219	3.1	(1,129)	(0.7)
United States	77,167	9.8	939	0.6
Caribbean	25,509	3.2	4,478	2.9
Eliminations	(20,572)	(2.5)	635	0.4
Total	Ps. 786,101	100.0%	Ps. 154,258	100.0%

Interperiod Segment Comparisons

The following discussion addresses the financial performance of each of our operating segments, first by comparing results for 2013 and 2012, and then by comparing results for 2012 and 2011. In the period-to-period comparisons for each segment, we include percentage changes in operating revenues, percentage changes in operating income and operating margin (operating income as a percentage of operating revenues), in each case calculated based on the segment financial information presented in Note 21 to our audited financial statements, which is prepared in accordance with IFRS. Each geographical segment includes all income, cost and expense eliminations that occurred between subsidiaries within the geographical segment. The Mexico Wireless segment also includes corporate income, costs and expenses.

Comparisons in the following discussion are calculated using figures in Mexican pesos. We also include percentage changes in adjusted segment operating revenues, percentage changes in adjusted segment operating income, and adjusted operating margin (adjusted operating income as a percentage of adjusted operating revenues). The adjustments eliminate (a) certain intersegment transactions, (b) for our non-Mexican segments, effects of exchange rate changes, and (c) for the Mexican Wireless segment only, revenues and costs of group corporate activities and other businesses that are allocated to the Mexico Wireless segment.

2013 Compared to 2012*Mexico Wireless*

Segment operating revenues increased by 5.2% in 2013. Adjusted revenues increased 3.9% in 2013. This increase was primarily driven by an increase in value-added services revenues. Wireless voice revenues decreased by 8.4% in 2013, reflecting primarily larger discounts and promotions for prepaid customers and weaker economic conditions. Wireless data revenues increased by 12.5% in 2013, principally due to increased demand for value-added services.

In 2013, the number of prepaid wireless subscribers increased by 3.8%, and the number of postpaid wireless subscribers increased by 9.1%, resulting in an increase in the total number of wireless subscribers in Mexico of 4.5% to approximately 73.5 million as of December 31, 2013, which represented a net addition of 3.1 million wireless subscribers.

Average MOUs per subscriber increased by 3.0% in 2013. ARPU decreased by 5.1% in 2013. During 2013, we lowered the price of some of our services in Mexico through new commercial plans and promotions, which contributed to the increase in subscribers (primarily prepaid subscribers, who received double the airtime they

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purchased under various promotional packages) and MOUs. Reductions in interconnection tariffs and a decline in long-distance traffic resulted in lower interconnection revenues in 2013. The wireless churn rate for our Mexican Wireless operations was 3.7% during 2012 and 3.8% in 2013.

Segment operating income decreased by 3.9% in 2013. Adjusted operating income decreased by 2.4% in 2013. Segment operating margin (operating income as a percentage of operating revenues) was 40.8% in 2013 and 44.6% in 2012. Adjusted operating margin for this segment was 43.7% in 2013 and 46.5% in 2012. The decrease in operating margin in 2013 was due principally to higher equipment costs (larger subsidies), as well as customer services, network maintenance and value-added services costs (including payments to content providers).

Mexico Fixed

Segment operating revenues decreased by 0.1% in 2013. This decrease was principally due to decreases in voice revenues, partially offset by an increase in fixed data revenues. Fixed voice revenues decreased by 7.0% in 2013, reflecting significant reductions in local and long-distance prices and subscribers. Revenues from broadband and corporate network services increased by 3.7% in 2013, principally due to the phasing out of introductory promotional packages from earlier periods, and an increase in the broadband subscriber base.

In 2013, the number of fixed voice RGUs in Mexico decreased by 4.8%, and the number of broadband RGUs in Mexico increased by 4.8%, resulting in a decrease in total RGUs in Mexico of 1.2% to approximately 22.5 million as of December 31, 2013. In 2013, long-distance minutes increased by 5.2% and interconnection minutes increased by 7.4%, resulting in an increase in total minutes in Mexico of 6.4%. The fixed voice churn rate increased slightly from 1.1% in 2012 to 1.4% in 2013. The broadband churn rate decreased slightly from 1.4% in 2012 to 1.2% in 2013.

Segment operating income decreased by 3.9% in 2013. Adjusted segment operating income decreased by 8.6%. Segment operating margin was 18.9% in 2013 and 19.7% in 2012. Adjusted operating margin for this segment was 19.1% in 2013 and 20.5% in 2012. The decrease in 2013 was due principally to higher broadband and fixed line maintenance and energy costs, which were necessary to increase capacity, increases in our pension obligations to former employees and increased personnel costs as a consequence of an employee salary increase during 2013.

Brazil

Segment operating revenues decreased by 4.7% in 2013. Adjusted segment operating revenues increased by 8.1% in 2013. Wireless data revenues increased 19.2% in 2013 and fixed data revenues increased 11.4%, as a result of greater use of value-added services such as SMS messaging and web browsing. Pay TV revenues increased by 21.9% in 2013 as a result of subscriber growth driven by new commercial packages offered by Embratel. Wireless and fixed voice revenues decreased by 4.8% and 3.2%, respectively, in 2013. Revenues decreased the most for wireless and fixed long-distance services, which primarily reflects promotions implemented during 2013.

In 2013, the number of prepaid wireless subscribers increased by 4.2%, and the number of postpaid wireless subscribers increased by 9.6%, resulting in an increase in the total number of wireless subscribers in our Brazil segment of 5.3% to approximately 68.7 million as of December 31, 2013. In 2013, the number of fixed voice RGUs increased by 8.8%, the number of broadband RGUs increased by 16.3% and the number of Pay TV RGUs increased by 17.9%, resulting in an increase in total RGUs in our Brazil segment of 14.3% to approximately 32.7 million as of December 31, 2013.

Average MOUs per subscriber increased by 11.3% in 2013. The increase in average MOUs during 2013 reflects increased traffic, on net and from other providers, in our network, which was partly due to new commercial plans and

promotional packages. ARPU decreased by 16.8% in 2013. This decrease during 2013 reflects a decrease in monthly airtime and interconnection rates that was not offset by increased data usage.

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Segment operating income decreased by 12.5% in 2013. Segment operating margin was 5.6% in 2013 and 6.0% in 2012. Adjusted segment operating margin was 4.2% in 2013 and 5.1% in 2012. Adjusted segment operating income and operating margin in 2013 were affected by subscriber acquisition costs, higher costs for customer service, call centers and energy, and advertising, higher rent and marketing costs associated with the integration of our various Brazilian brands.

Colombia

Segment operating revenues increased 1.1% in 2013. Adjusted operating revenues increased by 8.3%. Fixed and wireless data services increased by 17.2% and 20.0%, respectively, in 2013, as a result of new promotional packages focused on SMS texting and web browsing. Fixed voice revenues increased by 18.9% and wireless voice revenues decreased 2.1% in 2013. Pay TV revenues increased by 9.4% in 2013.

Average MOUs per subscriber decreased by 4.3% in 2013. ARPU decreased by 0.7% in 2013. The decreases in average MOUs and ARPU in 2013 reflected primarily a decrease in traffic, partially resulting from fundamental changes in our commercial conditions, linked to regulatory measures. Mobile data use did not increase sufficiently to offset these declines.

Segment operating income decreased by 6.0% in 2013. Adjusted segment operating income increased by 4.6%. Segment operating margin was 28.8% in 2013 and 30.9% in 2012. Adjusted segment operating margin was 31.7% in 2013 and 32.9% in 2012. The decrease in segment operating margin in 2013 was principally due to higher subscriber acquisition costs, primarily as a result of handset subsidies offered to new customers.

Southern Cone Argentina, Chile, Paraguay and Uruguay

Segment operating revenues decreased by 0.8% in 2013, reflecting a decrease of 2.6% in Argentina, Paraguay and Uruguay and an increase of 4.0% in Chile. Adjusted segment operating revenues increased by 15.9%, reflecting an adjusted operating revenue increase of 20.8% in Argentina, Paraguay and Uruguay and 9.2% in Chile. The decrease in segment operating revenue in Argentina, Paraguay and Uruguay is primarily related to the devaluation of the Argentine peso. The increase in segment operating revenue in Chile was driven primarily by higher usage of all services, principally data services. For this segment, we analyze results in Argentina, Paraguay and Uruguay in terms of the Argentine peso because Argentina accounts for the major portion of the operations in these three countries.

Average MOUs per subscriber decreased by 1.3% in 2013, primarily due to the phasing out of promotional packages from earlier periods for both prepaid and postpaid services. ARPU decreased by 9.6% in Argentina, Paraguay and Uruguay and decreased by 3.6% in Chile. ARPU was negatively affected by changes in exchange rates, and at constant exchange rates would have been positive for Argentina, Paraguay and Uruguay.

Segment operating income decreased by 23.5% in 2013, reflecting a decrease in operating income of 10.3% in Argentina, Paraguay and Uruguay and an increase in operating loss of 29.2% in Chile. Adjusted segment operating income increased by 3.1%, reflecting an increase in adjusted operating income of 14.4% in Argentina, Paraguay and Uruguay and a decrease in adjusted operating loss of 36.0% in Chile. Segment operating margin was 10.0% in 2013, reflecting an operating margin of 26.4% in Argentina, Paraguay and Uruguay and (19.3)% in Chile. In 2013, adjusted operating margin was 13.1%, reflecting an adjusted operating margin of 26.2% in Argentina, Paraguay and Uruguay and (19.3)% in Chile. In 2012, adjusted operating margin was 13.0%, reflecting an adjusted operating margin of 27.6% in Argentina, Paraguay and Uruguay, and (15.5)% in Chile. Adjusted segment operating income in Argentina, Paraguay and Uruguay was negatively affected by customer-service costs and inflationary effects in most costs and expenses, mainly in Argentina. Segment operating income in Chile was negatively affected by subscriber acquisition,

maintenance and customer-service costs.

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Andean Region Ecuador and Peru

Segment operating revenues increased by 6.2% in 2013, reflecting operating revenues increases of 7.0% in Ecuador and 5.4% in Peru. Adjusted segment operating revenues increased by 10.9%, reflecting increases of 10.3% in Ecuador and 11.4% in Peru. These increases were driven primarily by higher usage of wireless data in both countries.

Average MOUs per subscriber increased by 4.5% in 2013, principally reflecting increased usage by prepaid subscribers and higher utilization of minutes in postpaid plans. ARPU increased by 0.8% in Ecuador and increased by 4.3% in Peru. ARPU in both countries was positively affected by greater usage of data services and airtime.

Segment operating income decreased by 9.6% in 2013, reflecting operating income decreases of 1.8% in Ecuador and 11.4% in Peru. Adjusted segment operating income decreased by 2.5%, reflecting decreases of 1.3% in Ecuador and 6.6% in Peru. Segment operating margin was 26.4% in 2013, reflecting operating margins of 32.9% in Ecuador and 26.5% in Peru. In 2013 adjusted segment operating margin was 29.6%, reflecting adjusted operating margins of 33.0% in Ecuador and 26.5% in Peru. The decrease in segment operating income and operating margin in 2013 was driven by higher subscriber acquisition and network maintenance costs.

Central America Guatemala, El Salvador, Honduras, Nicaragua, Panama and Costa Rica

Segment operating revenues increased by 5.1% in 2013. Adjusted segment operating revenues increased by 7.9% in 2013. These increases were driven primarily by increases in wireless data, broadband and Pay TV services, offset by decreases in fixed voice services. For this purpose, we analyze segment results in U.S. dollars because it is the functional currency in our operations in El Salvador and Panama and the currencies in Costa Rica, Guatemala, Honduras and Nicaragua are relatively stable against the U.S. dollar.

Average MOUs per subscriber decreased by 3.3% in 2013, primarily due to an increase in our subscriber base and the net increase in subscriber growth. ARPU decreased by 5.1%. This decrease was primarily attributable to lower prices and decreased usage of voice services, partially offset by higher use of data services.

Segment operating margin was (4.7)% in 2013 and (15.2)% in 2012. Adjusted segment operating margin was (4.5)% in 2013 and 14.9% in 2012. Segment operating margin in 2013 was affected by higher network operating and subscriber acquisition costs.

United States

Segment operating revenues increased by 22.2% in 2013. Adjusted segment operating revenues increased by 25.9% in 2013. This increase is due principally to customer base increases due to the consolidation of Simple Mobile beginning in June 2012 and the growth of our Straight Talk service plans. Wireless data services increased by 52.5% during 2013 and now represent 42.2% of service revenues. In 2013, the number of wireless subscribers, all of which are prepaid subscribers, increased by 5.7% to approximately 23.7 million as of December 31, 2013.

Average MOUs per subscriber increased by 14.9% in 2013. ARPU increased by 10.2% in 2013. The increase in average MOUs and in ARPU is primarily due to our packages, some of which offer unlimited usage for a fixed monthly rate.

Segment operating income decreased 48.6% in 2013. Adjusted segment operating income increased by 7.2% in 2013, reflecting the increase in our operating revenues, as well as important cost reductions for airtime, data and SMS messaging purchases.

Segment operating margin was 1.2% in 2013 and 2.9% in 2012. Adjusted segment operating margin was 8.4% in 2013 and 9.9% in 2012.

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Segment operating revenues decreased by 7.0% in 2013. Adjusted segment operating revenues decreased by 4.8%. We analyze segment results in U.S. dollars because it is the functional currency in our operations in Puerto Rico and the currency in the Dominican Republic is relatively stable against the U.S. dollar.

Average MOUs per subscriber decreased by 7.3% in 2013, primarily due to reduced usage of voice services. ARPU decreased by 8.5% in 2013. This decrease in ARPU was primarily attributable to declining prices and average voice usage, and a more competitive market for voice services.

Segment operating income increased by 55.3% in 2013. Adjusted segment operating income increased by 43.5% in 2013. Segment operating margin was 17.6% in 2013 and 10.5% in 2012. Adjusted segment operating margin was 17.2% in 2013 and 11.4% in 2012. The increases in adjusted segment operating income and operating margin in 2013 were driven primarily by a reduction in labor obligation costs in Puerto Rico.

2012 Compared to 2011*Mexico Wireless*

Segment operating revenues increased by 8.6% in 2012. Adjusted revenues increased 8.4% in 2012. This increase was primarily driven by an increase in data revenues. Wireless voice revenues decreased by 2.0% in 2012, reflecting primarily larger discounts and promotions for prepaid customers. Wireless data revenues increased by 30.4% in 2012, principally due to increased demand for these services.

In 2012, the number of prepaid wireless subscribers increased by 6.1%, and the number of postpaid wireless subscribers increased by 15.4%, resulting in an increase in the total number of wireless subscribers in Mexico of 7.1% to approximately 70.4 million as of December 31, 2012, which represented a net addition of 4.7 million wireless subscribers.

Average MOUs per subscriber increased by 18.8% in 2012. ARPU increased by 6.0% in 2012. During 2012, we lowered the price of some of our services in Mexico through new commercial plans and promotions, which contributed to the increase in subscribers (primarily prepaid subscribers), MOUs and ARPU. Reductions in interconnection tariffs and a decline in long-distance traffic resulted in lower interconnection revenues in 2012. The wireless churn rate for our Mexican Wireless operations remained at 3.7% during 2012, the same rate as in 2011.

Segment operating income increased by 7.8% in 2012. Adjusted operating income increased by 5.2% in 2012. Segment operating margin (operating income as a percentage of operating revenues) was 44.6% in 2012 and 44.9% in 2011. Adjusted operating margin for this segment was 46.3% in 2012 and 47.7% in 2011. The decrease in operating margin in 2012 is due principally to higher equipment costs (larger subsidies), network maintenance, value-added services costs (payments to content providers), leases and spectrum fees.

Mexico Fixed

Segment operating revenues decreased by 5.5% in 2012. This decrease is principally due to decreases in voice revenues, partially offset by an increase in data revenues. Fixed voice revenues decreased by 9.3% in 2012, reflecting significant reductions in local and long-distance traffic mainly as a result of new promotions on calls to wireless devices. Revenues from broadband and corporate network services decreased by 2.2% in 2012, principally due to the loss of corporate and residential subscribers, and special promotions offered to our subscribers.

In 2012, the number of fixed voice RGUs in Mexico decreased by 4.0%, and the number of broadband RGUs in Mexico increased by 6.9%, resulting in a decrease in total RGUs in Mexico of 0.2% to approximately 22.7 million as of December 31, 2012. In 2012, long-distance minutes increased by 21.4% and interconnection

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minutes increased by 1.4%, resulting in an increase in total minutes in Mexico of 9.8%. The fixed voice churn rate decreased slightly from 1.2% in 2011 to 1.1% in 2012. The broadband churn rate was 1.4% during 2012, the same rate as in 2011.

Segment operating income decreased by 22.7% in 2012. Adjusted segment operating income decreased by 27.9%. Segment operating margin was 19.7% in 2012 and 24.0% in 2011. Adjusted operating margin for this segment was 18.9% in 2012 and 24.8% in 2011. The decrease in 2012 is due principally to higher broadband maintenance and energy costs, increases in our pension obligations to former employees and increased personnel costs as a consequence of an employee salary increase during 2012.

Brazil

In January 2012, we acquired control of a majority of the voting equity of Net Serviços. We began consolidating Net Serviços from January 1, 2012. Prior to January 1, 2012, we accounted for Net Serviços using the equity method. The consolidation of Net Serviços affects the comparability of our results for 2012 to our results 2011 and 2010.

Including the effects of the Net Serviços consolidation, segment operating revenues increased by 18.1% in 2012. Adjusted operating revenues increased by 4.7% in 2012. At constant exchange rates and excluding the effects of the consolidation of Net Serviços, segment operating revenues for 2012 increased by 1.9% over 2011. This increase is due principally to increases in wireless data and Pay TV revenues. Wireless data revenues increased 19.1% in 2012 and fixed data revenues increased 3.5%, as a result of greater use of value-added services such as SMS messaging and web browsing. Pay TV revenues increased by 60.9% in 2012 as a result of subscriber growth driven by new commercial packages of Embratel. Wireless and fixed voice revenues decreased by 6.7% and 5.2% in 2012. Revenues decreased the most for wireless and fixed long-distance services, which primarily reflects promotions implemented during 2012.

In 2012, the number of prepaid wireless subscribers increased by 9.3%, and the number of postpaid wireless subscribers increased by 3.2%, resulting in an increase in the total number of wireless subscribers in our Brazil segment of 8.0% to approximately 65.2 million as of December 31, 2012. In 2012, the number of fixed voice RGUs increased by 12.2%, the number of broadband RGUs increased by 23.4% and the number of pay TV RGUs increased by 28.5%, resulting in an increase in total RGUs in our Brazil segment of 21.2% to approximately 28.6 million as of December 31, 2012.

Average MOUs per subscriber increased by 15.0% in 2012. The increase in average MOUs during 2012 reflects increased traffic, on net and from other providers, in our network, which was partly due to new commercial plans and promotional packages. ARPU decreased by 20.7% in 2012. This decrease during 2012 reflects a decrease in monthly airtime and interconnection rates that was not offset by increased data usage.

Segment operating income increased by 40.0% in 2012. Segment operating margin was 6.0% in 2012 and 5.1% in 2011. Adjusted segment operating margin was 4.6% in 2012 and 5.9% in 2011. Adjusted segment operating income and operating margin in 2012 were affected by subscriber acquisition costs, higher costs for customer service, call centers and energy, higher rent and marketing costs associated with the integration of our various Brazilian brands.

Colombia

Segment operating revenues increased 20.2% in 2012. Adjusted operating revenues increased by 10.9%. This increase reflected principally increases in fixed and wireless data revenues and fixed voice. Fixed and wireless data services increased by 31.9% in 2012, as a result of new promotional packages focused on SMS texting and web browsing. Fixed and wireless voice revenues increased by 4.9% in 2012. Pay TV revenues increased by 8.5% in 2012.

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Average MOUs per subscriber increased by 13.3% in 2012. ARPU increased by 21.5% in 2012. The increases in average MOUs and ARPU in 2012 reflected primarily an increase in data usage, as well as increased traffic, on net and from other providers, in our network, partially resulting from the net increase in subscriber growth.

Segment operating income increased by 16.8% in 2012. Adjusted segment operating income increased by 11.2%. Segment operating margin was 30.9% in 2012 and 31.8% in 2011. Adjusted segment operating margin was 32.9% in 2012 and 32.8% in 2011. The increases in segment operating income and operating margin in 2012 are due principally to more efficient collections and lower personnel costs.

Southern Cone Argentina, Chile, Paraguay and Uruguay

Segment operating revenues increased by 13.1% in 2012, reflecting increases of 10.2% in Argentina, Paraguay and Uruguay and 19.8% in Chile. Adjusted segment operating revenues increased by 14.4%, reflecting operating revenues increases of 15.0% in Argentina, Paraguay and Uruguay and 14.4% in Chile. These increases were driven primarily by higher usage of all services, principally data services. For this purpose, we analyze results in Argentina, Paraguay and Uruguay in terms of the Argentine peso because Argentina accounts for the major portion of the operations in these three countries.

Average MOUs per subscriber increased by 1.3% in 2012, primarily due to new promotional packages for prepaid and postpaid services. ARPU increased by 0.7% in Argentina, Paraguay and Uruguay and increased by 11.3% in Chile. ARPU was positively affected by higher prices and adversely affected by lower interconnection rates.

Segment operating income decreased by 6.2% in 2012, reflecting a decrease in operating income of 0.4% in Argentina, Paraguay and Uruguay and an increase in operating loss of 20.4% in Chile. Adjusted segment operating income decreased by 6.5%, reflecting an increase in operating income of 4.1% in Argentina, Paraguay and Uruguay and an increase in operating loss of 8.6% in Chile. Segment operating margin was 13.0% in 2012, reflecting an operating margin of 26.0% in Argentina, Paraguay and Uruguay and (14.7)% in Chile. In 2012, adjusted operating margin was 15.8%, reflecting an adjusted operating margin of 27.6% in Argentina, Paraguay and Uruguay and (15.5)% in Chile. In 2011, adjusted operating margin was 17.1%, reflecting an adjusted operating margin of 30.5% in Argentina, Paraguay and Uruguay, and (16.4)% in Chile. Adjusted segment operating income in Argentina, Paraguay and Uruguay was negatively affected by customer-service costs and inflationary effects in most costs and expenses, mainly in Argentina. Segment operating income in Chile was negatively affected by acquisition costs.

Andean Region Ecuador and Peru

Segment operating revenues increased by 20.1% in 2012, reflecting operating revenues increases of 12.3% in Ecuador and 28.5% in Peru. Adjusted segment operating revenues increased by 11.3%, reflecting increases of 6.2% in Ecuador and 16.8% in Peru. These increases were driven primarily by higher usage of wireless data in both countries.

Average MOUs per subscriber decreased by 0.7% in 2012, reflecting principally decreased usage by prepaid subscribers and higher utilization of minutes in postpaid plans. ARPU increased by 9.4% in Ecuador and increased by 11.7% in Peru. ARPU in both countries was positively affected by higher prices from data services and airtime and the elimination of national long-distance charges. Revenues from interconnection rates decreased in Ecuador, but increased in Peru.

Segment operating income increased by 17.6% in 2012, reflecting operating income increases of 10.6% in Ecuador and 27.4% in Peru. Adjusted segment operating income increased by 14%, reflecting increases of 7.6% in Ecuador and 21.8% in Peru. Segment operating margin was 31.0% in 2012, reflecting operating margins of 34.9% in Ecuador

and 27.4% in Peru. In 2012 adjusted segment operating margin was 33.7%, reflecting operating margins of 35.9% in Ecuador and 31.6% in Peru. The increase in segment operating income and operating margin in 2012 was driven by lower royalties and lower interconnections fees in Peru.

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Central America Guatemala, El Salvador, Honduras, Nicaragua, Panama and Costa Rica

Segment operating revenues increased 17.8% in 2012. Adjusted segment operating revenues increased by 9.7% in 2012. These increases were driven primarily by increases in wireless data, broadband and pay TV services, offset by decreases in fixed voice services. For this purpose, we analyze segment results in U.S. dollars because it is the functional currency in our operations in El Salvador (our headquarters for this segment) and Panama and the currencies in Costa Rica, Guatemala, Honduras and Nicaragua are relatively stable against the U.S. dollar.

Average MOUs per subscriber increased by 10.1% in 2012, primarily due to new commercial plans for voice and data services. ARPU increased by 6.8%. This increase was primarily attributable to increased usage of our services, and more specifically, of data services in Guatemala, El Salvador, Nicaragua and Honduras and of voice services in Honduras, partly offset by decreased usage of voice services in Guatemala, El Salvador and Nicaragua.

Segment operating margin was (15.2)% in 2012 and (0.3)% in 2011. Adjusted segment operating margin was (14.9)% in 2012 and 0.5% in 2011. Segment operating margin in 2012 was affected by higher depreciation, partially resulting from the depreciation of plant and equipment of Digicel Honduras, which we acquired in November 2011.

United States

Segment operating revenues increased by 32.8% in 2012. Adjusted segment operating revenues increased by 25.7% in 2012. This increase is due principally to customer base increases, and the growth of the Straight Talk and SafeLink promotional plans, which continue to grow but not at the same pace as in 2011. Wireless data services increased by 77% during 2012 and now represent 34.5% of service revenues. In 2012, the number of wireless subscribers, all of which are prepaid subscribers, increased by 13.3% to approximately 2.6 million as of December 31, 2012.

Average MOUs per subscriber increased by 20.9% in 2012. ARPU increased by 18.4% in 2012. The increase in average MOUs and ARPU is primarily due to our new commercial plans and promotional packages, which offer unlimited usage for a fixed monthly rate.

Segment operating income increased 123.9% in 2012. Adjusted segment operating income increased by 55.9% in 2012, reflecting the increase in our operating revenues, as well as important cost reductions on airtime purchases, due to new agreements reached with operators for lower airtime and data purchase costs.

Segment operating margin was 2.9% in 2012 and 1.7% in 2011. Adjusted segment operating margin was 9.9% in 2012 and 8.0% in 2011.

Caribbean Dominican Republic and Puerto Rico

Segment operating revenues increased by 1.4% in 2012. Adjusted segment operating revenues decreased by 3.1%. For this purpose, we analyze segment results in U.S. dollars because it is the functional currency in our operations in Puerto Rico and the currency in the Dominican Republic is relatively stable against the U.S. dollar.

Average MOUs per subscriber decreased by 0.3% in 2012, primarily due to more competitive packages for wireless voice services. ARPU increased by 12.3% in 2012. This increase in ARPU was primarily attributable to increased usage of data and value-added services in both countries.

Segment operating income decreased by 46.4% in 2012. Adjusted segment operating income decreased by 27.2% in 2012. Segment operating margin was 10.5% in 2012 and 19.9% in 2011. Adjusted segment operating margin was

8.8% in 2012 and 22.3% in 2011. The decreases in adjusted segment operating income and operating margin in 2012 were driven primarily by increases in costs associated with content acquisition, especially with respect to Pay TV programming, energy, network maintenance, technical personnel, customer service and labor obligations.

Table of Contents**Liquidity and Capital Resources*****Funding Requirements***

We generate substantial cash flows from our operations. On a consolidated basis, operating activities provided Ps.187.8 billion in 2013 and Ps.206.6 billion in 2012. Our cash and cash equivalents amounted to Ps.48.2 billion at December 31, 2013 compared to Ps.45.5 billion at December 31, 2012. We believe our working capital is sufficient for our present requirements. We use the cash that we generate from our operations and from borrowings primarily for the following purposes:

We make substantial capital expenditures to continue expanding and improving our networks in each country in which we operate. Our capital expenditures on plant, property and equipment and acquisition or renewal of licenses were Ps.121.8 billion in 2013 and Ps.130.9 billion in 2012. The amount we spend on acquisitions and licenses varies significantly from year to year, depending on acquisition opportunities, concession renewal schedules and needs for more spectrum. We have budgeted capital expenditures for 2014 to be approximately U.S.\$8.3 billion (Ps.107.0 billion).

In some years, we make substantial expenditures on acquisitions. In April 2013, KPN launched a rights offering to raise up to 3 billion, and we participated in proportion to our investment at the time.

We must pay interest on our indebtedness and repay principal when due. As of December 31, 2013, we had Ps.25.8 billion of principal and amortization due in 2014.

We pay regular dividends. We paid Ps.15.7 billion in dividends in 2013 and Ps.15.4 billion in 2012. Our shareholders have approved the payment of a Ps.0.24 dividend per share in two installments in 2014.

We regularly repurchase our own shares. We spent (including commissions and value-added taxes) Ps.70.7 billion repurchasing our own shares in the open market in 2013 and Ps.17.8 billion in 2012. Our shareholders have authorized additional repurchases, and as of March 31, 2014, we have spent Ps.12.3 billion repurchasing our shares in the open market in 2014, but whether we will continue to do so will depend on our operating cash flow and on various other considerations, including market prices and our other capital requirements.

The following table summarizes certain contractual obligations as of December 31, 2013. Many of our obligations are denominated in currencies other than Mexican pesos. Our purchase obligations and also approximately 43.7% of our debt are denominated in U.S. dollars. The table does not include accounts payable or pension liabilities, and amounts set forth in the table do not include interest and do not give effect to hedging transactions.

Total	Payments Due by Period			After 5 years
	Less than 1 year	1-3 years	4-5 years	

(in millions)

Contractual obligations as of December 31, 2013:					
Equipment leases	Ps. 691	Ps. 247	Ps. 444	Ps. 0	Ps. 0
Real estate leases	50,367	10,495	12,813	9,847	17,212
Short-term debt	25,841	25,841	0	0	0
Long-term debt	464,478	0	124,207	45,285	294,986
Purchase obligations	98,864	51,075	47,789	0	0
Total	Ps. 640,241	Ps. 87,658	Ps. 185,253	Ps. 55,132	Ps. 312,198

Other than the amounts described in the table above, we had no other outstanding material purchase commitments as of December 31, 2013. We enter into a number of supply, advertising and other contracts in the ordinary course of business, but those contracts are not material to our liquidity.

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We continue to seek investment opportunities in telecommunications and related companies worldwide, including in markets where we are already present, and we often have several possible acquisitions under consideration. We can give no assurance as to the extent, timing or cost of such investments. We may pursue opportunities in Latin America or in other areas in the world. Some of the assets that we acquire may require significant funding for capital expenditures.

Borrowings

In addition to cash flows generated from operations, we rely on a combination of borrowings in the Mexican and international capital markets, borrowings from international banks and equipment financing. As of December 31, 2013, our total consolidated indebtedness was Ps.490.3 billion, compared to Ps.417.7 billion as of December 31, 2012. Our net debt (total debt minus cash and cash equivalents) at December 31, 2013 was Ps.442.2 billion, an increase of 19.0% as compared to December 31, 2012.

Without taking into account the effects of derivative financial instruments that we use to manage our interest rate and currency risk, approximately 84.2% of our indebtedness at December 31, 2013 was denominated in currencies other than Mexican pesos (approximately 51.9% of such non-Mexican peso debt in U.S. dollars and 48.1% in other currencies), and approximately 5.9% of our consolidated debt obligations bore interest at floating rates. After the effects of derivative transactions, approximately 14.0% of our total debt as of December 31, 2013 was denominated in U.S. dollars and we had no exposure to floating rates.

The weighted average cost of all our third-party debt at December 31, 2013 (excluding commissions and reimbursement of certain lenders for Mexican taxes withheld) was approximately 4.8% per annum.

Our major categories of indebtedness at December 31, 2013 are summarized in the table below.

Debt:	(millions of Mexican pesos)
Denominated in U.S. dollars:	
Export credit agency loans	Ps. 4,576
Other bank loans	2,401
5.500% Notes due 2014	10,396
5.750% Notes due 2015	9,313
3.625% Senior Notes due 2015	9,807
5.500% Senior Notes due 2015	7,255
2.375% Senior Notes due 2016	26,153
Floating Rate Senior Notes due 2016	9,807
5.625% Notes due 2017	7,625
5.000% Senior Notes due 2019	9,807
5.500% Senior Notes due 2019	4,935
5.000% Senior Notes due 2020	27,785
8.57% Senior Notes due 2020	4,577
3.125% Senior Notes due 2022	20,923
6.375% Notes due 2035	12,832
6.125% Notes due 2037	4,828
6.125% Senior Notes due 2040	26,153

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4.375% Senior Notes due 2042	15,038
Total	214,211
Denominated in Mexican pesos:	
Domestic senior notes (<i>certificados bursátiles</i>)	37,461
8.75% Senior Notes due 2016	4,500
9.00% Senior Notes due 2016	5,000
8.46% Senior Notes due 2036	7,872
6.45% Senior Notes due 2022	22,500
Total	77,333

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	(millions of Mexican pesos)
Debt:	
Denominated in euro:	
3.75% Senior Notes due 2017	17,971
4.125% Senior Notes due 2019	17,971
4.75% Senior Notes due 2022	13,479
3.00% Senior Notes due 2021	17,971
3.259% Senior Notes due 2023	13,478
Euro NC5 (Euro Series A) Capital Securities due 2073	16,174
Euro NC10 (Euro Series B) Capital Securities due 2073	9,884
Total	106,928
Denominated in pounds sterling:	
5.000% Senior Notes due 2026	10,826
5.75% Senior Notes due 2030	14,073
4.375% Senior Notes due 2041	16,238
4.948% Senior Notes due 2033	6,495
GBP NC7 Capital Securities due 2073	11,908
Total	59,540
Denominated in Japanese yen:	
1.23% Senior Notes due 2014	857
1.53% Senior Notes due 2016	633
2.95% Senior Notes due 2039	1,614
Total	3,104
Denominated in Swiss francs:	
2.25% Senior Notes due 2015	3,368
2.00% Senior Notes due 2017	3,954
1.13% Senior Notes due 2018	8,055
Total	15,377
Denominated in Colombian pesos	3,054
Denominated in Brazilian reais	2,843
Denominated in other currencies	7,930
Total debt	490,320
Less short-term debt and current portion of long-term debt	25,842
Total long-term debt	464,478

Additional information about certain categories of our indebtedness is provided below:

Mexican peso-denominated international notes. Our 9.0% senior notes due January 2016 and our 8.46% senior notes due 2036 are denominated in Mexican pesos, but all amounts in respect of the notes are payable in U.S. dollars, unless a holder of notes elects to receive payment in Mexican pesos in accordance with

certain specified procedures.

Mexican peso-denominated domestic notes. Our domestic senior notes (*certificados bursátiles*) sold in the Mexican capital markets have varying maturities, ranging from 2014 through 2037. Some bear interest at fixed rates, and others at variable rates based on TIIE (a Mexican interbank rate).

Global peso note program. Since November 2012, we have issued peso-denominated notes that can be distributed and traded on a seamless basis in Mexico and internationally. The notes are registered with both the U.S. Securities and Exchange Commission and the Mexican Banking and Securities Commission. We sold Ps.15 billion of notes under the program in November 2012 and a further Ps.7.5 billion in March 2013. We intend to use the program to raise a total of Ps.100 billion over five years to increase the share of Mexican pesos in our overall funding.

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Dollar-denominated international notes. We have outstanding debt securities in the international markets denominated in U.S. dollars. In September 2013, we issued U.S. dollar denominated notes that bear interest at a variable rate equal to three-month LIBOR plus a spread. This series matures in 2016.

Hybrid Notes. In September 2013, we issued three series of Capital Securities maturing in 2073: two series denominated in euros and totaling 1,450 million, and one series denominated in pounds sterling in the amount of £550 million. The Capital Securities are deeply subordinated, and when they were issued the principal rating agencies stated that they would treat only half of the principal amount as indebtedness for purposes of evaluating our leverage (an analysis referred to as 50% equity credit). The Capital Securities are subject to redemption at our option at varying dates beginning in 2018 or 2023 for the euro-denominated series and beginning in 2020 for the sterling-denominated series.

Colombian peso-denominated notes. Comcel has issued notes in the Colombian capital markets denominated in Colombian pesos. The notes outstanding as of December 31, 2013 bear interest at 7.59%, and matures in 2016.

Bank loans. At December 31, 2013, we had approximately Ps.5,095 million outstanding under a number of bank facilities bearing interest at fixed rates. In May 2011, we entered into two revolving syndicated facilities one for U.S.\$2 billion and one for the Euro equivalent of U.S.\$2 billion. The Euro equivalent revolving syndicated facility was amended in July 2013 to increase the amount available to U.S.\$2.1 billion. Loans under the facilities bear interest at variable rates based on LIBOR and EURIBOR. The syndicated facilities include covenants that limit our ability to incur secured debt, to effect a merger as a result of which the surviving entity would not be América Móvil or Telcel, to sell substantially all of our assets or to sell control of Telcel. The facilities do not allow us to impose any restrictions on the ability of Telcel to pay dividends or make distributions to us. In addition, the bank facilities require us to maintain a consolidated ratio of debt to EBITDA not greater than 4.0 to 1.0 and a consolidated ratio of EBITDA to interest expense not less than 2.5 to 1.0. As of the date of this annual report, we are in compliance with these covenants.

Equipment financing facilities with support from export development agencies. We have a number of equipment financing facilities, under which export development agencies provide support for financing to purchase exports from their respective countries. These facilities are medium- to long-term, with periodic amortization. Some facilities bear interest at a fixed rate while others bear interest at a spread over LIBOR. They are extended to us or to operating subsidiaries, in some cases with the guarantee of Telcel.

Some of the public securities issued by América Móvil in international and Mexican capital markets, and amounts due under our syndicated loan facility and export credit facilities, are guaranteed by Telcel. As of December 31, 2013, we had, on an unconsolidated basis, unsecured and unsubordinated indebtedness of approximately Ps. 439.8 billion (U.S.\$33.6 billion) excluding guarantees of subsidiaries' indebtedness. As of December 31, 2013, our subsidiaries had indebtedness (excluding guarantees of indebtedness of us and our other subsidiaries) of approximately Ps. 50.6 billion (U.S.\$3.9 billion).

Risk Management

We regularly assess our interest rate and currency exchange exposures in order to determine how to manage the risk associated with these exposures. We have indebtedness denominated in currencies, principally the U.S. dollar, other

than the currency of our operating environment. We use cross-currency swaps and forwards to adjust the resulting exchange rate exposures. We do not use derivatives to hedge the exchange rate exposures that arise from having operations in different countries.

We also use interest rate swaps from time to time to adjust our exposure to variable interest rates or to reduce our costs of financing. Our practices vary from time to time depending on our judgment of the level of

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risk, expectations as to exchange or interest rate movements and the costs of using derivative financial instruments. We may stop using derivative financial instruments or modify our practices at any time.

As of December 31, 2013, we had derivatives positions with an aggregate net fair value of Ps.5.1 billion, which are described in Note 11 to our audited consolidated financial statements.

Off-Balance Sheet Arrangements

As of December 31, 2013, we had no off-balance sheet arrangements that require disclosure under applicable SEC regulations.

Use of Estimates in Certain Accounting Policies

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

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

Fair Value of Financial Assets and Liabilities

We have substantial financial assets and liabilities that we recognize at their fair value, which is an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties. The methodologies and assumptions we use to estimate an instrument's fair value depend on the type of instrument and include (i) recognizing cash and cash equivalents and trade receivables and trade payables and other current liabilities at close to their carrying amount, (ii) recognizing quoted instruments at their price quotations on the reporting date, (iii) recognizing unquoted instruments, such as loans from banks and obligations under financial leases, by discounting future cash flows using rates for similar instruments and (iv) applying various valuation techniques, such as present value calculations, to derivative instruments. Using different methodologies or assumptions to estimate the fair value of our financial assets and liabilities could materially impact our reported financial results.

Estimated useful lives of plant, property and equipment

We estimate the useful lives of particular classes of plant, property and equipment in order to determine the amount of depreciation expense to be recorded in each period. Depreciation expense is a significant element of our costs and expenses, amounting in 2013 to Ps.94.9 billion, or 15.0% of our operating costs and expenses. See Note 8 to our consolidated financial statements.

We currently depreciate most of our telephone plant and equipment based on an estimated useful life determined upon the expected particular conditions of operations and maintenance in each of the countries in which we operate. The estimates are based on our historical experience with similar assets, anticipated technological changes and other factors, taking into account the practices of other telecommunications companies. We review estimated useful lives each year to determine whether they should be changed, and at times, we have changed them for particular classes of

assets. We may shorten the estimated useful life of an asset class in response to technological changes, changes in the market or other developments. This results in increased depreciation expense.

Table of Contents***Impairment of Long-Lived Assets***

We have large amounts of long-lived assets, including property, plant and equipment, intangible assets, investments in associates and goodwill, on our balance sheet. Under IFRS, we are required to test long-lived assets for impairment when circumstances indicate a potential impairment or, in some cases, at least on an annual basis. The impairment analysis for long-lived assets requires us to estimate the recovery value of the asset, which is the greater of its fair value (minus any disposal costs) and its value in use. To estimate the fair value of a long-lived asset, we typically take into account recent market transactions or, if no such transactions can be identified, we use a valuation model that requires the making of certain assumptions and estimates. Similarly, to estimate the value in use of long-lived assets, we typically make various assumptions about the future prospects for the business to which the asset relates, consider market factors specific to that business and estimate discounted future cash flows to be generated by that business. Based on this impairment analysis, including all assumptions and estimates related thereto, as well as guidance provided by IFRS relating to the impairment of long-lived assets, we determine whether we need to take an impairment charge to reduce the carrying value of the asset as stated on our balance sheet. Assumptions and estimates about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including external factors, such as industry and economic trends, and internal factors, such as changes in our business strategy and our internal forecasts. Different assumptions and estimates could materially impact our reported financial results. More conservative assumptions of the anticipated future benefits from these businesses could result in impairment charges, which would decrease net income and result in lower asset values on our balance sheet. Conversely, less conservative assumptions could result in smaller or no impairment charges, higher net income and higher asset values. See Note 2 I) to our audited consolidated financial statements.

Among the long-lived assets we test for impairment are our equity investments in KPN and Telekom Austria. Under IFRS, an impairment is recognized as the difference between the carrying value of the investment and the greater of its fair value and its value in use. For each investment, the carrying value exceeded fair value at December 31, 2012 and at December 31, 2013. In each case, we determined that we would recover the carrying value of the investment through its future value in use, so no impairment was recognized. See Note 10 to our audited consolidated financial statements.

Deferred Taxes

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

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

deferred tax assets would be made, with a related charge to income.

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Accruals

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

If we are unable to reliably measure the obligation, no accrual is recorded and information is then presented in the notes to our consolidated financial statements. Because of the inherent uncertainties in this estimation, actual expenditures may be different from the originally estimated amount recognized.

Labor Obligations

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

We use estimates in four specific areas that have a significant effect on these amounts: (a) the rate of return we assume our labor obligation plans will achieve on their investments, (b) the rate of increase in salaries that we assume we will observe in future years, (c) the discount rates that we use to calculate the present value of our future obligations and (d) the expected rate of inflation. The assumptions we have applied are identified in Note 12 to our audited consolidated financial statements. These estimates are determined based on actuarial studies performed by independent experts using the projected unit-credit method. The latest actuarial computation was prepared as of December 31, 2013.

Allowance for Doubtful Accounts

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

Table of Contents**Item 6. Directors, Senior Management and Employees****MANAGEMENT****Directors**

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

All of the current members of the Board of Directors, the Executive Committee, the Audit and Corporate Practices Committee, and the Operations in Puerto Rico and the United States of America Committee were reelected, and the Corporate Secretary and the Corporate Pro-Secretary were reappointed at the annual general shareholders meeting held on April 28, 2014, with fourteen directors elected by the AA Shares and A Shares voting together and two directors elected by the L Shares. One alternate director was reelected.

Our bylaws provide that the members of the Board of Directors are elected for a term of one year. Pursuant to Mexican law, members of the Board continue in their positions after the expiration of their terms for up to an additional thirty-day period if new members are not elected. Furthermore, in certain circumstances provided under the Mexican Securities Law, the Board of Directors may elect temporary directors who then may be elected or substituted at the shareholders meetings. The names and positions of the members of the Board elected and reelected at the annual general shareholders meeting held on April 28, 2014, their year of birth, and information concerning their committee membership and principal business activities outside América Móvil are as follows:

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

Carlos Slim Domit	Born:	1967
Co-Chairman and Member of the Executive Committee and the Operations in Puerto Rico and the United States of America Committee	First elected:	2011
	Term expires:	2015
	Principal occupation:	Chairman of the Board of Telmex
	Other directorships:	Chairman of the Board of Grupo Carso, S.A.B. de C.V., Grupo Sanborns, S.A. de C.V., and U.S.

Business experience: Commercial Corp, S.A. de C.V.
Chief Executive Officer of Sanborn Hermanos, S.A.
de C.V.

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Patrick Slim Domit Co-Chairman and Member of the Executive Committee and the Operations in Puerto Rico and the United States of America Committee	Born:	1969
	First elected:	2004
	Term expires:	2015
	Principal occupation:	Co-Chairman of our Board of Directors
	Other directorships:	Director of Grupo Carso, S.A.B. de C.V., Impulsora del Desarrollo y el Empleo en América Latina, S.A.B. de C.V., and Telmex
Business experience:	Chief Executive Officer of Grupo Carso, S.A.B. de C.V. and Vice President of Commercial Markets of Telmex	
Daniel Hajj Aboumrad Director and Member of the Executive Committee and the Operations in Puerto Rico and the United States of America Committee	Born:	1966
	First elected:	2000
	Term expires:	2015
	Principal occupation:	Chief Executive Officer of América Móvil
	Other directorships:	Director of Grupo Carso, S.A.B. de C.V. and Telmex
Business experience:	Chief Executive Officer of Compañía Hulera Euzkadi, S.A. de C.V.	
Luis Alejandro Soberón Kuri Director and Member of the Operations in Puerto Rico and the United States of America Committee	Born:	1960
	First elected:	2000
	Term expires:	2015
	Principal occupation:	Chief Executive Officer of Corporación Interamericana de Entretenimiento, S.A.B. de C.V.
	Other directorships:	Chairman of the Board of Corporación Interamericana de Entretenimiento, S.A.B. de C.V. and Director of Banco Nacional de México, S.A.
Business experience:	Various positions at Interamericana de Entretenimiento, S.A.B. de C.V.	
Carlos Bremer Gutiérrez Director and Member of the Audit and Corporate Practices Committee and the Operations in Puerto Rico and the United States of America Committee	Born:	1960
	First elected:	2004
	Term expires:	2015
	Principal occupation:	Chief Executive Officer of Value, S.A. de C.V., Casa de Bolsa
	Other directorships:	Director of Value Grupo Financiero, S.A.B. de C.V. and Value S.A. de C.V., Casa de Bolsa
Business experience:		

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

Jeffery Scott McElfresh
Director and Member of the
Executive Committee

Born: 1970
First elected: 2012
Term expires: 2015

Principal occupation: President of AT&T México, Inc.
Business experience: Various positions at AT&T.
Other directorships: Director of Telmex and the American School
Foundation

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Michael J. Viola Director	Born:	1954
	First elected:	2009
	Term expires:	2015
	Principal occupation:	Senior Vice President of Corporate Finance AT&T, Inc.
	Other directorships: Business experience:	Director of Telmex Various positions in the wireless industry at AT&T
Juan Antonio Pérez Simón Director and Member of the Operations in Puerto Rico and the United States of America Committee	Born:	1941
	First elected:	2012
	Term expires:	2015
	Principal occupation:	Chairman of the Board and Member of the Executive Committee of Sanborn Hermanos, S.A. de C.V.
	Other directorships: Business experience:	Director of Grupo Carso, S.A.B. de C.V., Grupo Financiero Inbursa, S.A.B. de C.V., Sears Operadora México, S.A. de C.V. and Elementia, S.A. Various positions at Grupo Carso, S.A.B. de C.V.
Ernesto Vega Velasco Director, Chairman of the Audit and Corporate Practices Committee and Member of the Operations in Puerto Rico and the United States of America Committee	Born:	1937
	First elected:	2007
	Term expires:	2015
	Principal occupation:	In retirement. Member of the board of directors and audit and corporate practices, planning and finance and evaluation and compensation committees of certain companies
	Other directorships: Business experience:	Kuo, S.A.B. de C.V., Dine, S.A.B. de C.V., Inmuebles Carso S.A.B. de C.V., Impulsora de Desarrollo y el Empleo en América Latina, S.A.B. de C.V., and Alternate Director of Industrias Peñoles, S.A.B. de C.V. Various positions in Desc Group, including Corporate Vice-president
Rafael Moisés Kalach Mizrahi Director and Member of the Audit and Corporate Practices Committee and the Operations in Puerto Rico and the United States of America Committee	Born:	1946
	First elected:	2012
	Term expires:	2015
	Principal occupation:	Chief Executive Officer of Grupo Kaltex, S.A. de C.V.
	Other directorships: Business experience:	Director of Telmex, Grupo Carso, S.A.B. de C.V. and Sears Roebuck, S.A. de C.V. Various positions in Grupo Kaltex, S.A. de C.V.

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Santiago Cosío Pando Director and Member of the Operations in Puerto Rico and the United States of America Committee	Born:	1973
	First elected:	2008
	Term expires:	2015
	Principal occupation:	President of Grupo Pando, S.A. de C.V.
	Business experience:	Various positions in Grupo Pando, S.A. de C.V.

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Arturo Elías Ayub Director and Member of the Operations in Puerto Rico and the United States of America Committee	Born:	1966
	First elected:	2011
	Term expires:	2015
	Principal occupation:	Head of Strategic Alliances, Communications and Institutional Relations of Telmex; Chief Executive Officer of Fundación Telmex
	Other directorships:	Chairman of the Board of Publicidad y Contenido Editorial, S.A. de C.V., Director of Grupo Sanborns, S.A.B. de C.V., Grupo Carso, S.A.B. de C.V., Sears Operadora México, S.A. de C.V. and TM&MS LLC
	Business experience:	Chief Executive Officer of Sociedad Comercial Cadena, President of Pastelería Francesa (El Globo) and President of Club Universidad Nacional, A.C.
Oscar Von Hauske Solís Director and Member of the Operations in Puerto Rico and the United States of America Committee	Born:	1957
	First elected:	2011
	Term expires:	2015
	Principal occupation:	Chief Fixed-line Operations Officer of América Móvil
	Other directorships:	Director of Telmex, Telmex Internacional, Embratel Participações, Net Serviços. Member Telekom Austria's and KPN's Supervisory Boards.
	Business experience:	Chief Executive Officer of Telmex Internacional and Chief Systems and Telecommunications Operators Officer of Telmex
Louis C. Camilleri Director and Member of the Operations in Puerto Rico and the United States of America Committee	Born:	1955
	First elected:	2011
	Term expires:	2015
	Principal occupation:	Chief Executive Officer of Philip Morris International
	Other directorships:	Chairman of the Board of Philip Morris International
	Business experience:	Chairman and Chief Executive Officer of Altria and various positions in Philip Morris International
Directors elected by holders of Series L Shares:		
Pablo Roberto González Guajardo Director and Member of the Audit and Corporate Practices Committee and the Operations in Puerto Rico and the United States of America Committee	Born:	1967
	First elected:	2007
	Term expires:	2015
	Principal occupation:	Chief Executive Officer of Kimberly Clark de Mexico, S.A.B. de C.V.
	Other directorships:	Director of Kimberly Clark de Mexico, S.A.B. de C.V., Acciones y Valores Banamex, S.A., Casa de

Bolsa, GE International México, S. de R. L. de C. V.,
Sistema Integral de Abasto Rural, S.A.P.I de C.V.,
Grupo Sanborns, S.A.B. de C.V. and Grupo LaLa,
S.A.B. de C.V.

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

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David Ibarra Muñoz	Born:	1930
Director and Member of the Operations in Puerto Rico and the United States of America	First elected:	2000
	Term expires:	2015
Committee	Principal occupation:	Retired
	Other directorships:	Director of Grupo Financiero Inbursa, S.A.B. de C.V., Impulsora del Desarrollo y el Empleo en América Latina, S.A.B. de C.V. and Grupo Carso, S.A.B. de C.V.
	Business experience:	Chief Executive Officer of Nacional Financiera, S.N.C., served in the Mexican Ministry of Finance and Public Credit (<i>Secretaría de Hacienda y Crédito Público</i>)

The annual general shareholders meeting held on April 28, 2014, determined that the following directors are independent: Messrs. Ernesto Vega Velasco, Carlos Bremer Gutiérrez, Pablo Roberto González Guajardo, David Ibarra Muñoz, Santiago Cosío Pando, Louis C. Camilleri and Rafael Moisés Kalach Mizrahi.

María José Pérez Simon Carrera serves as alternate director of Juan Antonio Pérez Simón and was reelected for a one-year term at the annual ordinary general shareholders meeting held on April 28, 2014.

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

Daniel Hajj Aboumrads and Arturo Elías Ayub are sons-in-law of Carlos Slim Helú and brothers-in-law of Patrick Slim Domit and Carlos Slim Domit. Patrick Slim Domit and Carlos Slim Domit are sons of Carlos Slim Helú. María José Pérez Simón Carrera is the daughter of Juan Antonio Pérez Simón.

Two members of our Board of Directors are nominated by AT&T, Inc. (AT&T), pursuant to a shareholders agreement with our Mexican controlling shareholders. See Major Shareholders under Item 7. Jeffery Scott McElfresh and Michael J. Viola were nominated by AT&T.

Executive Committee

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

The Executive Committee is elected from among the directors and alternate directors by a majority vote of the holders of common shares (AA Shares and A Shares). The Executive Committee is currently comprised of four members. The majority of its members must be Mexican citizens and elected by Mexican shareholders. Three members of the Executive Committee are named by our Mexican controlling shareholders and one member by AT&T. See Major

Shareholders under Item 7. The current members of the Executive Committee are Messrs. Carlos Slim Domit, Patrick Slim Domit and Daniel Hajj Aboumrad, named by the Mexican controlling shareholders, and Jeffery Scott McElfresh, named by AT&T.

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Audit and Corporate Practices Committee

Our Audit and Corporate Practices Committee is comprised of independent members of the Board of Directors. The Audit and Corporate Practices Committee consists of Messrs. Ernesto Vega Velasco (Chairman), Rafael Moisés Kalach Mizrahi, Pablo Roberto González Guajardo and Carlos Bremer Gutiérrez.

The mandate of the Audit and Corporate Practices Committee is to assist our Board of Directors in overseeing our operations, establish and monitor procedures and controls in order to ensure that the financial information we distribute is useful, appropriate and reliable and accurately reflects our financial position. In particular, the Audit and Corporate Practices Committee is required to, among other things:

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

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

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

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

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

recommend procedures for preparing financial statements and internal controls;

monitor internal controls and accounting for specified types of matters;

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

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

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

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

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

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

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

report to the Board of Directors on its activities;

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

evaluate the performance of the external auditors;

review and discuss the financial statements of the Company and advise the Board of Directors of the committee's recommendations for approval of such financial statements;

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

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recommend to the Board of Directors procedures for the selection and succession of our Chief Executive Officer and our other principal executives;

propose criteria for evaluating executive performance;

analyze the proposals of the Chief Executive Officer concerning the structure and amount of compensation for our senior executives and raise them with the Board of Directors;

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

establish contracting practices to avoid excessive payments to executives;

assist the Board of Directors in developing appropriate personnel policies;

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

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

Under certain circumstances specified in our bylaws, the Audit and Corporate Practices Committee is required to provide its opinion to the Board of Directors. The Company is required to make public disclosure of any Board action that is inconsistent with the opinion of the Audit and Corporate Practices Committee.

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

Operations in Puerto Rico and the United States of America Committee

The Operations in Puerto Rico and the United States of America Committee consists of all the members of the Board of Directors except for Messrs. Jeffery Scott McElfresh and Michael J. Viola. The mandate of the Operations in Puerto Rico and the United States of America Committee is to act in the name and on behalf of the Company's Board of Directors in respect of (i) the Company's Puerto Rican subsidiary, Telpri (including its subsidiaries); (ii) the Company's U.S. subsidiaries, TracFone (including its subsidiaries), Telmex USA (including its subsidiaries), and Sección Amarilla (including its subsidiaries); and (iii) any other subsidiary and/or affiliate that the Company may acquire in the future which directly and/or indirectly participates in the same markets in which AT&T, Inc. (directly or

through its subsidiaries) currently participates in the United States of America and Puerto Rico. To perform this function, the Committee may rely on the internal structures of the Company and its subsidiaries.

Table of Contents**Senior Management**

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

Daniel Hajj Aboumrad Chief Executive Officer	Appointed: 2000 Business experience: Director of Telmex, Chief Executive Officer of Compañía Hulera Euzkadi, S.A. de C.V.
Carlos José García Moreno Elizondo Chief Financial Officer	Appointed: 2001 Business experience: General Director of Public Credit at the Secretaría de Hacienda y Crédito Público, Managing Director of UBS Warburg, Associate Director of Financing at Petróleos Mexicanos (Pemex)
Alejandro Cantú Jiménez General Counsel	Appointed: 2001 Business experience: Mijares, Angoitia, Cortés y Fuentes, S.C.
Oscar Von Hauske Solís Chief Fixed-line Operations Officer	Appointed: 2010 Business experience: Chief Executive Officer of Telmex Internacional, Chief Systems and Telecommunications Officer of Telmex, Head of Finance at Grupo Condumex, S.A. de C.V., and Director of Telmex, Telmex Internacional, Embratel Participacoes, and Net Servicios. Member of Telekom Austria's and KPN's Supervisory Boards.
Angel Alija Guerrero Chief Wireless Operations Officer	Appointed: 2012 Business experience: Various positions in América Móvil, S.A.B. de C.V.

Compensation of Directors and Senior Management

The aggregate compensation paid to our directors (including compensation paid to members of our Audit and Corporate Practices Committee) and senior management in 2013 was approximately Ps.7.0 million and Ps.62.7 million, respectively. None of our directors is a party to any contract with us or any of our subsidiaries that provides for benefits upon termination of employment. We do not provide pension, retirement or similar benefits to our directors in their capacity as directors. Our executive officers are eligible for retirement and severance benefits required by Mexican law on the same terms as all other employees, and we do not separately set aside, accrue or determine the amount of our costs that is attributable to executive officers.

Share Ownership of Directors and Senior Management

Patrick Slim Domit, co-chairman of our Board of Directors, holds 323 million (or 1.4%) of our AA Shares and 859 million (or 1.9%) of our L Shares directly. Carlos Slim Domit, co-chairman of our Board of Directors, holds 647 million (or 2.8%) of our AA Shares and 1,567 million (or 3.4%) of our L Shares directly. In addition, according to beneficial ownership reports filed with the SEC, Patrick Slim Domit and Carlos Slim Domit are beneficiaries of a trust that owns shares of the Company. See Major Shareholders under Item 7 and Bylaws Share Capital under Item 10.

Except as described above, according to information provided to us by our directors and members of senior management, none of our directors or executive officers is the beneficial owner of more than 1% of any class of our

capital stock.

Table of Contents**EMPLOYEES**

The following table sets forth the number of employees and breakdown of employees by main category of activity and geographic location as of the end of each year in the three-year period ended December 31, 2013:

	December 31,		
	2011	2012	2013
Number of employees	160,647	169,143	173,174
Category of activity:			
Wireless	51,114	54,794	59,146
Fixed	107,580	103,925	104,118
Other	1,953	10,424	9,910
Geographic location:			
Mexico	74,167	82,262	82,245
South America	67,441	66,776	71,137
Central America			