

AMERICA MOVIL SA DE CV/  
Form 20-F  
June 30, 2006  
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As filed with the Securities and Exchange Commission on June 30, 2006

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# SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

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## FORM 20-F

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Annual Report Pursuant to Section 13

of the Securities Exchange Act of 1934

for the fiscal year ended December 31, 2005

Commission file number for securities registered pursuant to Section 12(b) of the Act: 0-32245

Commission file number for securities registered pursuant to Section 12(g) of the Act: 1-16269

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# AMÉRICA MÓVIL, S.A. DE C.V.

(exact name of registrant as specified in its charter)

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America Mobile

(translation of registrant's name into English)

United Mexican States

(jurisdiction of incorporation)

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

(address of principal executive offices)

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**Securities registered pursuant to Section 12(b)**

**Name of each exchange on which registered:**

**of the Act:**

American Depositary Shares, each representing 20 Series L Shares,  
without par value

New York Stock Exchange

Series L Shares, without par value

New York Stock Exchange

(for listing purposes only)

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**Securities registered pursuant to**

**Section 12(g) of the Act:**

American Depositary Shares, each representing 20 Series A Shares, without par value

Series A Shares, without par value

**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, 2005:**

10,915 million	AA Shares
761 million	A Shares
24,570 million	L Shares

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

If this report is an annual or transition report, indicate by checkmark 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 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 financial statement item the registrant has elected to follow. Item 17  Item 18

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



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**PART I**

**Item 3. Key Information**

**SELECTED FINANCIAL DATA**

This annual report includes our audited consolidated financial statements as of December 31, 2004 and 2005 and for each of the three years ended December 31, 2003, 2004 and 2005. Our financial statements have been prepared in accordance with Mexican GAAP and are presented in Mexican pesos. The financial statements of our non-Mexican subsidiaries have been adjusted to conform to Mexican GAAP and translated to Mexican pesos. See Note 2(g) to our audited consolidated financial statements.

Mexican GAAP differs in certain respects from U.S. GAAP. Note 20 to the audited consolidated financial statements provides a description of the principal differences between Mexican GAAP and U.S. GAAP, as they relate to us, a reconciliation to U.S. GAAP of operating income, net income and total stockholders' equity and a condensed statement of cash flows under U.S. GAAP.

Pursuant to Mexican GAAP, in our financial statements and the selected financial information set forth below:

nonmonetary assets (including plant, property and equipment of Mexican origin) and stockholders' equity are restated for inflation based on the Mexican National Consumer Price Index; plant, property and equipment of non-Mexican origin are restated based on the rate of inflation in the country of origin and converted into Mexican pesos using the prevailing exchange rate at the balance sheet date;

gains and losses in purchasing power from holding monetary liabilities or assets are recognized in income; and

all financial statements are restated in constant pesos as of December 31, 2005.

The effect of inflation accounting under Mexican GAAP has not been reversed in the reconciliation to U.S. GAAP of operating income, net income and total stockholders' equity, except with respect to the methodology for restatement of imported telephone plant. See Note 20 to our audited consolidated financial statements.

On July 18, 2005, we effected a three-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.

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

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This annual report contains translations of various peso amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the nominal peso or constant peso amounts actually represent the U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, we have translated U.S. dollar amounts from constant pesos at the exchange rate of Ps. 10.71 to U.S.\$1.00, which was the rate reported by Banco de México for December 31, 2005.

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

As of and for the year ended December 31,

	2001	2002	2003	2004	2005	2005
	(millions of constant pesos as of December 31, 2005)(1)					(millions of U.S. dollars)(1)
<b>Income Statement Data:</b>						
<i>Mexican GAAP</i>						
Operating revenues	Ps. 49,408	Ps. 64,936	Ps. 93,412	Ps. 139,234	Ps. 182,153	U.S.\$ 17,006
Operating costs and expenses	42,155	50,827	73,891	114,958	148,457	13,860
Depreciation and amortization	5,347	9,354	15,084	19,214	21,264	1,985
Operating income	7,253	14,109	19,521	24,276	33,696	3,146
Comprehensive financing cost (income)	723	1,112	(2,307)	(1,972)	1,194	112
Net income (loss)	(989)	5,200	16,338	17,063	31,641	2,955
Net income (loss) per share:						
Basic(2)	(0.02)	0.13	0.42	0.45	0.87	0.08
Diluted(3)	(0.02)	0.13	0.42	0.45	0.87	0.08
Dividends declared per share(4)	0.013	0.015	0.020	0.040	0.37	0.034
Dividends paid per share(5)	0.010	0.014	0.019	0.035	0.37	0.034
Weighted average number of shares outstanding (millions):						
Basic	39,597	39,369	38,736	37,506	36,538	
Diluted	39,597	39,369	38,742	37,518	36,538	
<i>U.S. GAAP</i>						
Operating revenues(6)	Ps. 44,530	Ps. 60,540	Ps. 88,924	Ps. 130,915	169,906	U.S.\$ 15,864
Operating costs and expenses	37,855	46,071	68,776	107,894	138,723	12,952
Depreciation and amortization	5,974	8,845	14,758	18,858	23,193	2,165
Operating income	6,675	14,469	20,148	23,021	31,183	2,911
Comprehensive financing cost (income)	790	774	(2,144)	(2,443)	(1,261)	(118)
Net income (loss)	(728)	6,562	16,194	17,218	31,618	2,952
Net income (loss) per share:						
Basic(2)	(0.017)	0.16	0.42	0.46	0.87	0.081
Diluted(3)	(0.017)	0.16	0.42	0.46	0.87	0.081
<b>Balance Sheet Data:</b>						
<i>Mexican GAAP</i>						
Property, plant and equipment, net	Ps. 47,753	Ps. 68,470	Ps. 77,348	Ps. 87,741	Ps. 111,841	U.S.\$ 10,442
Total assets	110,685	127,755	163,015	201,102	229,994	21,473
Short-term debt and current portion of long-term debt	7,531	11,562	13,161	5,572	17,007	1,588
Long-term debt	18,123	40,650	40,438	57,934	51,530	4,811
Total stockholders' equity(7)	67,643	55,592	75,228	80,151	85,661	7,998
Capital stock	33,913	33,905	33,903	33,887	33,878	3,163
Number of outstanding shares (millions):						
Series AA	11,421	10,941	10,941	10,941	10,915	
Series A	945	873	837	795	761	
Series L	27,231	26,934	26,730	25,056	24,570	
<i>U.S. GAAP</i>						
Property, plant & equipment, net	Ps. 51,213	Ps. 69,715	Ps. 83,577	Ps. 98,283	Ps. 126,789	U.S.\$ 11,837
Total assets	115,207	131,096	172,372	215,098	247,880	23,144
Short-term debt and current portion of long-term debt	7,531	11,562	13,161	5,572	17,007	1,588
Long-term debt	18,123	40,650	40,438	57,934	51,530	4,811
Minority interest	894	1,331	5,542	1,714	1,022	95
Total stockholders' equity	68,058	54,769	77,354	87,980	98,950	9,238

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Capital stock	34,341	34,333	34,331	34,315	34,305	3,203
<b>Subscriber Data:</b>						
Number of subscribers (in thousands)	26,594	31,600	43,725	61,107	93,329	
Subscriber growth	55.3%	18.8%	38.4%	39.8%	52.7%	

*(see footnotes on following page)*



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- (1) Except per share, share capital and subscriber data.
- (2) We have not included net income or dividends on a per ADS basis. Each L Share ADS represents 20 L Shares and each A Share ADS represents 20 A Shares.
- (3) We have not included net income or dividends on a per ADS basis. Each L Share ADS represents 20 L Shares and each A Share ADS represents 20 A Shares.
- (4) Nominal amounts. Figures provided represent the annual dividend declared at the general shareholders meeting.
- (5) Nominal amounts. For more information on dividends paid per share translated into U.S. dollars, see Financials Dividends under Item 8. Amount in U.S. dollars translated at the exchange rate on each of the respective payment dates.
- (6) The differences between our Mexican and U.S. GAAP operating revenues include (1) the application of EITF 01-9, Accounting Consideration Given by a Vendor to a Customer , which we have applied to all periods presented in this table and which resulted in a reclassification of certain commissions paid to distributors from commercial, administrative and general expenses under Mexican GAAP to reductions in operating revenues under U.S. GAAP, and (2) the application in 2004 of EITF 00-21, Accounting for Revenue Arrangements with Multiple Deliverables, which addresses certain aspects of accounting for sales that involved multiple revenue generating products and/or services sold under a single contractual agreement. See note 20 to our audited consolidated financial statements.
- (7) Includes minority interest.

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

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

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Average(1)</u>	<u>Period End</u>
2001	9.9720	8.9460	9.32540	9.1560
2002	10.4250	9.0020	9.7458	10.4250
2003	11.4063	10.1130	10.8463	11.2420
2004	11.6350	10.8050	11.3095	11.1540
2005	11.4110	10.4135	10.8680	10.6275
2005				
July	10.8010	10.5855		
August	10.8950	10.5750		
September	10.8880	10.6800		
October	10.9380	10.6870		
November	10.7700	10.5700		
December	10.7725	10.4135		
2006				
January	10.6430	10.4369		
February	10.5286	10.4315		
March	10.9475	10.4620		
April	11.1600	10.8560		
May	11.3050	10.8410		

(1) Average of month-end rates.

On June 21, 2006, the noon buying rate was Ps. 11.4230 to U.S.\$1.00.

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

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**FORWARD-LOOKING STATEMENTS**

This annual report contains forward-looking statements. We may from time to time make forward-looking statements in our periodic reports to the Securities and Exchange Commission on Forms 20-F and 6-K, in our annual report to shareholders, in offering circulars and prospectuses, in press releases and other written materials, and in oral statements made by our officers, directors or employees to analysts, institutional investors, representatives of the media and others. Examples of such forward-looking statements include:

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

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

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

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

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

statements of assumptions underlying the foregoing statements.

We use words such as believe, anticipate, plan, expect, intend, target, estimate, project, predict, forecast, guideline, should, 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 or elsewhere, inflation rates, exchange rates, regulatory developments, technological improvements, customer demand and competition. We caution you that the foregoing list of factors is not exclusive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements.

Forward-looking statements speak only as of the date they are made. We do not undertake any obligation to update such statements in light of new information or future developments.

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

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**RISK FACTORS**

**Risks Relating to Our Businesses**

*Substantial and increasing competition in the wireless industry could adversely affect the revenues and profitability of our business*

Our wireless businesses face substantial competition, typically from at least one other wireless provider, and increasingly from multiple providers. We also face competition from fixed-line telephone companies and, increasingly, other service providers such as cable, paging and Internet companies. Competition in our markets has intensified in recent periods.

We expect that competition will continue to intensify in the future as a result of the entry of new competitors, the development of new technologies, products and services, and the auction of additional spectrum. We also expect the current consolidation trend in the wireless industry to continue, as companies respond to the need for cost reduction and additional spectrum. This trend may result in larger competitors with greater financial, technical, promotional and other resources to compete with our businesses. In January 2005, Telefónica Móviles completed the acquisition from BellSouth of wireless operators in Venezuela, Colombia, Argentina, Chile, Ecuador, Panama, Peru, Guatemala, Uruguay and Nicaragua. With this acquisition, Telefónica Móviles, which has important operations in Mexico and Brazil, as well as other of our markets, consolidated its position as our largest regional competitor.

Among other things, our competitors could:

provide increased handset subsidies;

offer higher commissions to retailers;

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

expand their networks faster; or

develop and deploy improved wireless technologies faster.

We anticipate that competition will lead to increases in advertising and promotional spending and reductions in prices for services and handsets. In addition, portability requirements, which enable customers to switch wireless providers without changing their wireless numbers, have been introduced in some of our markets and may be introduced in other markets in the near future, including Mexico and Brazil. These developments may lead to smaller operating margins, greater choices for customers, possible consumer confusion and increasing movement of customers among competitors, which may make it difficult for us to retain customers or add new customers. The cost of adding new customers may also continue to increase, reducing profitability even if customer growth continues.

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

### *Changes in government regulation could hurt our businesses*

Our businesses are subject to extensive government regulation and can be adversely affected by changes in law, regulation or regulatory policy. The licensing, construction, operation, sale, resale and interconnection arrangements of wireless telecommunications systems in Latin America and elsewhere are regulated to varying degrees by government or regulatory authorities. Any of these authorities having jurisdiction over our businesses

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could adopt or change regulations or take other actions that could adversely affect our operations. In particular, the regulation of prices operators may charge for their services could have a material adverse effect on us by reducing our profit margins. In Mexico, Telcel's business is subject to extensive government regulation, principally by the Federal Telecommunications Commission (*Comisión Federal de Telecomunicaciones*, or Cofotel), the Federal Competition Commission (*Comisión Federal de Competencia*, or Cofeco) and the Federal Consumer Bureau (*Procuraduría Federal del Consumidor*, or Profeco), and may be adversely affected by changes in law or by actions of Mexican regulatory authorities.

The Mexican Communications Ministry (*Secretaría de Comunicaciones y Transportes*) is authorized to impose specific rate and other requirements on any wireless operator that is determined by Cofeco to have substantial market power. While no such determination has been made with respect to the wireless market in Mexico, we can provide no assurances that the regulatory authorities will not make such a determination with respect to Telcel and impose specific tariff requirements or other special regulations on us, such as additional requirements regarding disclosure of information or quality of service. Any such new regulation could have a material adverse effect on our operations.

Cofotel recently issued regulations that, effective October 2006, extend the calling party pays system to all calls terminating in mobile phones in Mexico. Currently, the calling party pays system applies to calls within a local area. Under the new regulations, all airtime regardless of the location within Mexico of the recipient of the call will be paid by the calling party. It is unclear how these regulations will affect our business and results. We believe these regulations could result in an increase in usage and number of subscribers, but could reduce revenues per call.

Many Latin American countries have recently deregulated and privatized the provision of communications services, including wireless services, and many of the laws, regulations and licenses that regulate our businesses became effective only recently. Consequently, there is only a limited history that would allow us to predict the impact of these legal regulations on our future operations. Furthermore, the Brazilian national telecommunications agency (ANATEL) has initiated hearings to discuss the possible adoption of cost-based methods for determining interconnection fees charged by operators belonging to an economic group with significant market power. It is not yet clear how the determination of whether an operator belongs to an economic group with significant market share would be made for purposes of this proposed regulation. Given the size of our operations in Brazil, we may be deemed to belong to an economic group with significant market power. If these methods are ultimately adopted and we are deemed to be an economic group with significant market power, the revenues and results of operations of our Brazilian operations may be affected. In addition, changes in political administrations could lead to the adoption of policies concerning competition, privatization and taxation of communications services that may be detrimental to our operations throughout Latin America. These restrictions, which may take the form of preferences for local over foreign ownership of communications licenses and assets, or for government over private ownership, may make it impossible for us to continue to develop our businesses. These restrictions could result in our incurring losses of revenues and require capital investments all of which could materially adversely affect our businesses and results of operations.

***We will, in the future, either have to acquire additional radio spectrum capacity or build more cell and switch sites in Mexico in order to expand our customer base and maintain the quality of our services***

Licensed radio spectrum is essential to our growth and the quality of our services, particularly for GSM services. In order to utilize less spectrum, we could increase the density of our network by building more cell and switch sites, but such measures could be costly and would be subject to local restrictions and approvals.

In 2005, we acquired the right to use 10 megahertz in the 1900 megahertz spectrum in each of Mexico's nine regions, through a public auction. We also bid and won the auction for an additional 10 megahertz of capacity in three principal regions, but subsequent to the auction Cofeco challenged the award of this additional spectrum based on restrictions imposed by Cofeco on the amount of overall spectrum that could be awarded to



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bidders. We challenged Cofeco's determination in court, and recently lost (as well as Telefónica Móviles). As a result, we will not be able to acquire the right to use this additional spectrum, which may now be offered by Cofetel to other bidders in future auctions. We cannot assure that we will be allowed to participate in any such new auctions.

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

### ***Our concessions and licenses are subject to termination***

The terms of our concessions and licenses typically require the operator to meet specified network build-out requirements and schedules, as well as to maintain minimum quality, service and coverage standards. If we fail to comply with these and other criteria, the result could be revocation of our concessions or licenses, the imposition of fines or other government actions. Our ability to comply with these criteria is subject in certain respects to factors beyond our control. We cannot assure you that our international businesses will be able to comply fully with the terms of their concessions or licenses.

In Mexico, the Mexican federal telecommunications law (*Ley Federal de Telecomunicaciones*, or the Telecommunications Law) and Telcel's concessions include various provisions under which the concessions may be terminated by the Mexican Communications Ministry before their scheduled expiration dates. Among other things, these concessions may be terminated if we fail to meet specified network build-out requirements and schedules or to maintain minimum quality, service and coverage standards by, for example, interrupting service without justified cause or failing to meet interconnection requirements. Also, the Telecommunications Law gives certain rights to the Mexican government, including the right to revoke the concessions pursuant to an expropriation or to take over the management of Telcel's networks, facilities and personnel in cases of imminent danger to national security, internal peace or the national economy, natural disasters and public unrest. The loss of any one concession could have a material adverse effect on our business and results of operations.

### ***We have invested in countries in which we have limited experience, and we may be unsuccessful in addressing the new challenges and risks they present***

We have invested in a growing number of telecommunications businesses outside our historical activity of providing wireless telecommunications services in Mexico, and we plan to continue to do so in the rest of Latin America. Whereas Mexico accounted for 63.5% of our total wireless subscribers as of December 31, 2002 and 71% of our consolidated revenues during 2002, it accounted for 38.5% of our total wireless subscribers as of December 31, 2005 and 49.2% of our consolidated revenues during 2005. During that period, Brazil, as a result of rapid subscriber growth and the acquisitions of BSE and BCP, increased its share of our total wireless subscribers from 16.4% as of December 31, 2002 to 20% as of December 31, 2005, and it accounted for 16.8% of our consolidated revenues during 2005. These investments outside Mexico have been made in some countries in which we have little experience and may involve risks to which we have not previously been exposed. Some of the investments are in countries that may present different or greater risks, including from competition, than Mexico. We cannot assure you that these investments will be successful.

### ***We are subject to significant litigation***

Some of our subsidiaries (including Telcel) are subject to significant litigation, which if determined adversely to our interests may have a material adverse effect on our business, results of operations, financial condition or prospects. In Mexico, Telcel is subject to proceedings for



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alleged antitrust practices. We cannot predict how these proceedings will be resolved and, if resolved contrary to our interests, what fines or restrictions may be imposed on our Mexican operations. These restrictions, which could be imposed by means of special regulations, may include significant limitations on our ability to conduct business as currently conducted or require us to divest of assets. Telcel is also subject to proceedings regarding the calculation of interconnection fees. Our significant litigation is described in **Legal Proceedings** under Item 8.

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

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

physical damage to access lines;

power surges or outages;

limitations on the use of our radiobases;

software defects; and

disruptions beyond our control.

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

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

The cost of acquiring a new subscriber is much higher than the cost of maintaining an existing subscriber. Accordingly, subscriber deactivations, or churn, could have a material negative impact on our operating income, even if we are able to obtain one new subscriber for each lost subscriber. Because a substantial majority of our subscribers are prepaid, we do not have long-term contracts with those subscribers. Our weighted monthly average churn rate on a consolidated basis for the twelve-month periods ended December 31, 2005 and 2004 was 2.81% and 2.90%, respectively. 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.

## **Risks Relating to the Wireless Industry Generally**

### *Changes in the wireless industry could affect our future financial performance*

The wireless communications industry is experiencing significant change. These changes include, among others, regulatory changes, the increasing pace of digital upgrades in existing analog wireless systems, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new products, and changes in end-user needs and preferences. In Mexico and in the other countries in which we conduct business, there is uncertainty as to the pace and extent of growth in subscriber demand, and as to the extent

to which prices for airtime and line rental may continue to decline.

There are three existing digital technologies for wireless communications, none of which is compatible with the others. In the past, Telcel and certain of our international businesses used time division multiple access (TDMA) technology for their digital networks, while certain of our other international businesses used code division multiple access (CDMA) as their digital wireless technology. We are introducing global system for mobile communications (GSM) technology in all of our markets. Telcel launched GSM services in Mexico in October 2002, and we have since launched GSM services in Argentina, Brazil, Colombia, Ecuador, Guatemala, Uruguay, Honduras, Nicaragua and El Salvador and are currently deploying or expanding GSM networks in Paraguay, Chile and Peru. If future wireless technologies that gain widespread acceptance are not compatible with the technologies we use, we may be required to make capital expenditures in excess of our current forecasts in order to upgrade and replace our technology and infrastructure.

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

Our wireless businesses incur losses and costs associated with the unauthorized use of these wireless networks, particularly their analog cellular networks. These costs include administrative and capital costs associated with detecting, monitoring and reducing the incidence of fraud. Fraud also affects interconnection costs, capacity costs, administrative costs and payments to other carriers for unbillable fraudulent roaming. In the year ended December 31, 2005, Telcel refunded to its customers approximately Ps. 1.8 million due to wireless fraud. Although we seek to combat this problem through the deployment of anti-fraud technologies and other measures, we cannot assure you that these efforts will be effective or that fraud will not result in material costs for us in the future.

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

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

Media and other reports have linked radio frequency emissions from wireless handsets and base stations to various health concerns, including cancer, and to interference with various electronic medical devices, including hearing aids and pacemakers. Although we do not know of any definitive studies showing that radio frequency emissions raise health concerns, concerns over radio frequency emissions may discourage the use of wireless handsets, which could have a material adverse effect on our results of operations. Government authorities could also increase regulation of wireless handsets and base stations as a result of these concerns. In addition, lawsuits have been filed in the United States against certain participants in the wireless industry alleging various adverse health consequences as a result of wireless phone usage, and our businesses may be subject to similar litigation in the future. Research and studies are ongoing, and there can be no assurance that further research and studies will not demonstrate a link between radio frequency emissions and health concerns. Any negative findings in these studies could adversely affect the use of wireless handsets and, as a result, our future financial performance.

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

#### ***We are controlled by one shareholder***

A majority of our voting shares are directly or indirectly owned by América Telecom, S.A. de C.V. According to reports of beneficial ownership of our shares filed with the SEC, Carlos Slim Helú and certain members of his immediate family, including his son and chairman of our board of directors, Patrick Slim Domit, together own a majority of the voting stock of América Telecom. América Telecom is able to elect a majority of the members of our board of directors and to determine the outcome of other actions requiring a vote of our shareholders, except in very limited cases that require a vote of the holders of L Shares. We cannot assure you that América Telecom will not take actions that are inconsistent with your interests.

#### ***We have significant transactions with affiliates***

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

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

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

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

Our bylaws provide that holders of L Shares are not permitted to vote except on such limited matters as the transformation or merger of América Móvil or the cancellation of registration of the L Shares with the Mexican National Banking and Securities Commission or any stock exchange on which they are listed. If you hold L Shares or L Share ADSs, you will not be able to vote on most matters, including the declaration of dividends, that are subject to a shareholder vote in accordance with our bylaws.

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

Under Mexican law, a shareholder is required to deposit its shares with a Mexican 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.

### ***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 a capital increase, we generally 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. We may not legally be permitted to allow holders of ADSs or holders of L Shares or A Shares in the United States to exercise any preemptive rights in any future capital increase unless we file a registration statement with the U.S. Securities and Exchange Commission, or 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.

*Our bylaws restrict transfers of shares in some circumstances*

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

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

## **Risks Relating to Developments in Mexico and Other Countries**

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

Our financial performance may be significantly affected by general economic, political and social conditions in the markets where we operate, particularly Mexico, Brazil and Central America. Many countries in Latin America, including Mexico and Brazil, have suffered significant economic, political and social crises in the past, and these events may occur again in the future. Many of these countries, including Chile, Peru and Mexico, are expected to hold elections during 2006. We cannot predict whether changes in current administrations will result in changes in governmental policy and whether such changes will affect our business. Instability in the region has been caused by many different factors, including:

significant governmental influence over local economies;



substantial fluctuations in economic growth;

high levels of inflation;

changes in currency values;

exchange controls or restrictions on expatriation of earnings;

high domestic interest rates;

wage and price controls;

changes in governmental economic or tax policies;

imposition of trade barriers;

unexpected changes in regulation; and

overall political, social and economic instability.

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

Our business may be especially affected by conditions in Mexico and Brazil, our two principal markets. Mexico has experienced a prolonged period of slow growth since 2001, primarily as a result of the downturn in the U.S. economy. According to preliminary data, during 2005, Mexico's gross domestic product, or GDP, grew by 2.7% in real terms. In 2004, GDP grew by 4.4%. Mexico has also experienced high levels of inflation and high domestic interest rates. The annual rate of inflation, as measured by changes in the National Consumer Price Index as published by the Banco de México, was 3.3% for 2005.

Presidential elections in Mexico are scheduled for July 2006. The Mexican presidential election will result in a change in administration, as presidential reelection is not permitted in Mexico. President Vicente Fox from the National Action Party (*Partido Acción Nacional*, or PAN), won the presidency on July 2, 2000, but his party has not succeeded in securing a majority in the Mexican congress. The presidential race is highly contested among a number of different parties, including the Institutional Revolutionary Party (*Partido Revolucionario Institucional*, or PRI), which governed for more than 70 years prior to the election of President Fox, the PAN, and the Party of the Democratic Revolution (*Partido de la Revolución Democrática*, or PRD), each with its own political platform. As a result, we cannot predict which party will prevail in the elections or whether changes in Mexican governmental policy will result from a change in administration. Such changes may adversely affect economic conditions or the industry in which we operate in Mexico and therefore our results of operations and financial position.

Brazil has also experienced slow economic growth over the past several years. Brazil's GDP grew by an estimated 2.3% in real terms in 2005, compared to a growth rate of 4.9% in 2004. Brazil has in the past experienced extremely high rates of inflation, with annual rates of inflation during the last ten years reaching as high as 2,489% in 1993 and 929% in 1994, as measured by the Brazilian National Consumer Price Index. More recently, Brazil's rates of inflation were 9.3% in 2003, 7.6% in 2004 and an estimated 5.7% in 2005. Inflation, governmental measures to combat inflation and public speculation about possible future actions have in the past had significant negative effects on the Brazilian economy.

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

We are affected by fluctuations in the value of the currencies in which we conduct operations compared to the U.S. dollar, in which a substantial portion of our indebtedness is denominated. Changes in the value of the various currencies in which we conduct operations against the Mexican peso, which we use as our reporting currency in our financial statements, and against the U.S. dollar may result in exchange losses or gains on our net U.S. dollar-denominated indebtedness and accounts payable. In 2005, 2004 and 2003, changes in currency exchange rates led us to report foreign exchange gains of Ps. 2,940 million (an amount that is equal to 9.3% of our net income in 2005), Ps. 2,526 million and Ps. 1,473 million, respectively. In prior years, however, we have reported foreign exchange losses. In addition, currency fluctuations between the Mexican peso and the currencies of our non-Mexican subsidiaries affect our results as reported in Mexican pesos. Currency fluctuations are expected to continue to affect our financial income and expense.

Major devaluation or depreciation of any such currencies may also result in disruption of the international foreign exchange markets and may limit our ability to transfer or to convert such currencies into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal on our indebtedness. The Mexican government does not currently restrict, and for many years has not restricted, the right or ability of Mexican or foreign persons or entities to convert pesos into U.S. dollars or to transfer other currencies out of Mexico. The government could, however, institute restrictive exchange rate policies in the future.



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***Additional Mexican taxes and contributions levied on services we offer and on the exploitation of frequencies could affect our results of operations***

Taxes applicable to certain telecommunications services, as well as taxes and contributions on the exploitation of frequencies, have been enacted from time to time in Mexico, including changes to previously established fiscal regimes. Taxes or contributions of this nature could adversely affect our business and our results of operations.

Currently in Mexico, concessionaires for the 800 megahertz (Band B) radio spectrum are required to pay the Mexican government a semi-annual fee (*aprovechamiento*) ranging from 5% to 10% of the gross revenues under such concessions, whereas concessionaires for the 1900 megahertz (Bands A and D) radio spectrum are not required to pay semi-annual fees. During 2005, a Mexican court permitted Telcel to eliminate from its 800 megahertz concession for the Mexico City area (Region 9) the obligation to make this semi-annual payment, against a one time payment of Ps. 2,122 million. Telcel was able to credit against this payment, semi-annual fees totaling Ps. 1,980 million paid by Telcel from 2000 to 2005.

Pursuant to amendments to the Federal Contributions Law (the *Ley Federal de Derechos*) enacted in 2003, owners of concessions in Mexico granted or renewed on or after January 1, 2003 are required to pay annual fees (*derechos*) for the use and exploitation of radio spectrum bands. The amount of annual fees payable could be significant and vary depending on the relevant region and radio spectrum band. These annual fees would be payable in respect of all spectrum bands, including bands, such as Band B, that are already subject to the payment of semi-annual fees based on gross revenues (*aprovechamientos*). Currently, we are not required to pay *derechos* in respect of our Bands A, B and D concessions since they were awarded prior to 2003, but we are required to pay fees in respect of the right to use additional 10 megahertz of capacity in the 1900 megahertz spectrum (Band F) acquired during 2005. We have challenged our obligation to pay such annual fee as we believe it is contrary to certain provisions of the Mexican Telecommunications Law. We obtained a preliminary injunction against the payment of these fees, which is currently subject to appeal by the authorities. Based on the current terms of the law, the fees applicable to the 10 megahertz acquired during 2005 amount to approximately Ps. 255 million (subject to adjustment for inflation) annually for 20 years for all 9 regions.

The application of this fee (*derechos*) to renewals of concessions granted prior to 2003 is the subject of debate in Mexico, as it could affect competitors differently and impact competition. Currently we do not expect to renew any of our concessions until 2010.

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**Item 4. Information on the Company**

**GENERAL**

We are the largest provider of wireless communications services in Latin America based on subscribers. As of December 31, 2005, we had 93.3 million subscribers in fourteen countries, compared to 61.1 million at year-end 2004. On an equity basis (representing our economic interest in our subsidiaries' subscribers), we had 92.7 million subscribers as of December 31, 2005. Because our focus is on Latin America, a substantial majority of our wireless subscribers are prepaid customers. We also had an aggregate of approximately 2.0 million fixed lines in Guatemala, Nicaragua and El Salvador at December 31, 2005, making us the largest fixed-line operator in Central America based on the number of subscribers. In recent years, we have deployed or upgraded GSM networks in Mexico, Brazil, Colombia, Ecuador, Guatemala, El Salvador, Nicaragua, Argentina, Uruguay and Honduras and are currently deploying or expanding GSM networks in Paraguay, Chile and Peru.

Our principal operations are:

*Mexico.* Through Radiomóvil Dipsa, S.A. de C.V., which operates under the name Telcel, we provide cellular telecommunications service in all nine regions in Mexico. At December 31, 2005, Telcel had 35.9 million subscribers, and Telcel is the largest provider of wireless telecommunications services in Mexico.

*Argentina.* In 2003, we acquired CTI, which provides nationwide wireless services in Argentina. CTI operates under the CTI Móvil brand. With approximately 6.6 million subscribers as of December 31, 2005, we are the second largest wireless operator in Argentina measured by the number of subscribers.

*Brazil.* With approximately 18.7 million subscribers at December 31, 2005, we are one of the three largest providers of wireless telecommunications services in Brazil based on the number of subscribers. We operate in Brazil through our subsidiary, Telecom Americas, and a number of operating companies, under a unified brand name, Claro. Our network covers the principal cities in Brazil (including São Paulo and Rio de Janeiro).

*Central America.* We provide fixed-line and wireless services in Guatemala, El Salvador and Nicaragua, through our subsidiaries Telgua, CTE and ENITEL. We also provide wireless services in Nicaragua through our subsidiary Sercom Nicaragua and in Honduras through our subsidiary Sercom Honduras. Telgua, Sercom Nicaragua and Sercom Honduras offer prepaid wireless services under the Aló brand, CTE offers wireless services under the Personal brand and ENITEL offers wireless services under the ENITEL brand.

*Chile.* In August 2005, we began providing wireless services in Chile through Smartcom, S.A. With approximately 1.9 million wireless subscribers as of December 31, 2005, Smartcom S.A. is the third largest wireless operator in Chile measured by the number of subscribers. Smartcom operates under the Smartcom brand.

*Colombia.* We provide wireless telecommunications service in Colombia through Comcel, S.A. under the Comcel brand. With approximately 13.8 million subscribers as of December 31, 2005, we are the largest wireless operator in the country measured by the number of subscribers.

*Ecuador.* With approximately 4.1 million subscribers as of December 31, 2005, Conecel, our subsidiary in Ecuador, is the largest wireless operator in Ecuador measured by the number of subscribers. Conecel operates under the Porta brand.

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*Paraguay.* In July 2005, we began providing wireless services in Paraguay. As of December 31, 2005, AMX Paraguay had approximately 172,000 subscribers and was the fourth largest operator in the country measured by number of subscribers. We offer services in Paraguay under the CTI Móvil brand.

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*Peru.* As from August 2005, we offer wireless services in Peru, more recently under the Claro brand. América Móvil Perú had approximately 2.0 million wireless subscribers and was the second largest operator in Peru measured by number of subscribers at December 31, 2005.

*United States.* Our U.S. subsidiary, TracFone, is engaged in the sale and distribution of prepaid wireless services and wireless phones throughout the United States, Puerto Rico and the U.S. Virgin Islands.

América Móvil, S.A. de C.V. is a corporation (*sociedad anónima de capital variable*) organized under the laws of Mexico with its principal executive offices at Lago Alberto 366, Edificio Telcel I, Piso 1, Colonia Anáhuac, 11320, México D.F., México. Our telephone number at this location is (5255) 2581-4411.

## **Our Markets**

We operate pursuant to concessions, licenses or authorizations to provide wireless telecommunications services in each of the countries in which we operate. We seek to provide a full range of wireless telecommunications services in each of our markets. Our networks are consistently optimized to try to ensure maximum coverage and high quality service. In recent years, we have deployed or upgraded GSM networks in Mexico, Brazil, Colombia, Ecuador, Guatemala, Nicaragua, Argentina, Uruguay, El Salvador and Honduras and are currently deploying GSM networks in Paraguay, Chile and Peru. In 2005, we invested Ps. 38.7 billion in our networks in capital expenditures. We have recently begun providing in our markets many of the voice and data services supported by GSM technology, such as SMS, CSD, high-speed CSD and GPRS. We also seek to expand market share by exploring strategic acquisition opportunities in Latin America.

Our principal markets of operations are Mexico and Brazil, the two largest economies in Latin America. We are the largest provider of wireless communication services in Mexico and one of the three largest in Brazil, based on the number of subscribers at December 31, 2005. In contrast to U.S. practices, both of these markets operate under a form of calling party pays billing system, under which the person who initiates the call is billed for that call. Telcel and Telecom Americas combined represented 66% of our operating revenues in 2005.

We believe our countries of operation offer considerable growth potential. Our markets are characterized by relatively low fixed line and wireless penetration rates as compared to the United States and Europe.

In most of our markets, the regulatory environment has become increasingly more open and flexible over the past decade. These changes have increased competition as markets have become more open to new entrants. In Mexico, these changes have exposed us to competition from domestic competitors and from international operators. In other markets, these changes have allowed us an opportunity to enter as a competitor and capture market share from local providers.

## **Our Strategy**

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

**Recent Acquisitions**

On April 2, 2006, by means of three separate agreements, we agreed to acquire the equity interests of Verizon Communications Inc. in certain companies through which it beneficially owns shares in Verizon Dominicana, C. por A. ( Verizon Dominicana ), Telecomunicaciones de Puerto Rico, Inc. ( TELPRI ) and, through an equally owned joint venture with our affiliate Telmex, Compañía Anónima Nacional de Teléfonos de



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Venezuela ( CANTV ). Each of the three acquisitions is subject to regulatory approvals and other closing conditions. None of the acquisitions is conditioned on the closing of the others, and we expect to close an acquisition as soon as practicable after the conditions applicable to the closing of that particular acquisition are satisfied or waived. Each of the acquisition agreements is subject to termination if the applicable closing conditions are not satisfied or waived by a specified date.

We agreed to acquire control of 100% of the issued and outstanding capital stock of Verizon Dominicana for a purchase price of U.S.\$2,062 million. This price assumes that Verizon Dominicana will have no net indebtedness at closing and is subject to adjustments for changes in net indebtedness and working capital through closing. Verizon Dominicana is the largest telecommunications provider in the Dominican Republic. According to information provided to us, Verizon Dominicana had over 752 thousand wireline subscribers and 1.8 million wireless subscribers as of December 31, 2005.

We agreed to acquire control of 52.01% of the issued and outstanding shares of common stock of TELPRI for a purchase price of U.S.\$939 million. This price assumes that TELPRI's net indebtedness will not exceed U.S.\$523 million at closing and is subject to adjustments for changes in net indebtedness and working capital through closing. We agreed with Verizon to offer to purchase the shares of TELPRI held by its other shareholders, at the same per share price, and subject to the terms and conditions as set forth in our agreement with Verizon (including purchase price adjustments). The Puerto Rico Telephone Authority, an entity of the Commonwealth of Puerto Rico, holds 28% of the share capital of TELPRI, Popular, Inc. holds 13% and an employee stock ownership plan holds the remaining 7%. Popular, Inc. has agreed to sell to us its 13% holding, but to date we have not yet received notice from the other holders of TELPRI on whether they will sell their shares to us. The purchase of the entire 47.99% held by these entities would require us to pay an additional U.S.\$866.4 million (of which U.S.\$234 million would be paid to Popular, Inc.). TELPRI is Puerto Rico's largest telecommunications service provider and second largest wireless service provider. According to information publicly reported by TELPRI, TELPRI had 1.1 million access lines and 485,000 wireless customers as of December 31, 2005.

Our joint venture with Telmex agreed to acquire control of Verizon's equity interest in CANTV for a purchase price of U.S.\$676.6 million. The purchase price represents U.S.\$3.01 per ordinary share of CANTV or U.S.\$21.10 per American Depositary Shares of CANTV. Each American Depositary Share represents 7 ordinary shares of CANTV. Verizon beneficially owns approximately 28.51% of the outstanding capital stock of CANTV. The joint venture will acquire Verizon's equity interest in CANTV by means of the purchase of a subsidiary of Verizon that holds all of the ordinary shares and ADSs of CANTV beneficially owned by Verizon. As required by Venezuelan law, following the closing of the purchase of Verizon's equity interest in CANTV, and, subject to receipt of regulatory approvals, the joint venture will offer to purchase (i) the remaining outstanding shares of CANTV at the Bolivar equivalent, based on the official exchange rate established by the Venezuelan authorities, of the price per share paid to Verizon and (ii) the remaining outstanding American Depositary Shares at the same price per ADS paid to Verizon. CANTV is the leading provider of telecommunications services in Venezuela. According to information publicly reported by CANTV, it had approximately 3.1 million wireline subscribers and over 5.1 million wireless subscribers as of December 31, 2005.

**Operating Information**

We count our wireless subscribers by the number of lines activated. We continue to count post-paid subscribers for the length of their contracts. We continue to count prepaid subscribers for so long as they continue to use our service, and then for a prescribed period of time thereafter, which differs according to the particular market. When a subscriber voluntarily disconnects his service, or there is a payment default, the subscriber is cancelled or churned, and we no longer count the subscriber. 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.

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

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

## **History**

We were established in September 2000 in a spin-off from Teléfonos de México, S.A. de C.V., also known as Telmex, a leading provider of local and long-distance telephone services in Mexico. The spin-off was implemented using a procedure under Mexican corporate law called *escisión* or split-up. The shares of our company were delivered to Telmex shareholders on February 7, 2001.

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

Between 1988 and 1990, Telcel expanded its cellular network on the 800 megahertz (Band B) frequency spectrum to cover the Mexico City metropolitan area and the cities of Cuernavaca, Guadalajara, Monterrey, Tijuana and Toluca, and in 1990, Telcel began offering cellular services in all nine geographic regions of Mexico. Telcel launched a PCS system in Mexico City in 1999 and currently offers the service in all nine geographic regions of Mexico. In October 2002, Telcel launched its GSM network. Since December 2002, Telcel has been authorized to provide long-distance services.

In 1999, we began acquiring our international subsidiaries and investing in Telecom Americas and our other international affiliates. We made significant acquisitions in Latin America during the past 5 years, and our non-Mexican operations have generally experienced higher subscriber growth rates in recent periods than our Mexican operations. As a result, as of December 31, 2005, approximately 62% of our wireless subscribers were located outside Mexico.

See Mexican Operations, Non-Mexican Operations and Other Investments.

**Table of Contents****Major Subsidiaries**

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

<b>Name of Company</b>	<b>Jurisdiction</b>	<b>Ownership</b>		<b>Main Activity</b>
		<b>Interest(1)</b>		
AMX Tenedora, S.A de C.V. .	Mexico	100.0%		Holding company
Sercotel, S.A. de C.V.	Mexico	100.0		Holding company
Radiomóvil Dipsa, S.A. de C.V.	Mexico	100.0		Wireless
CTI Holdings, S.A.	Argentina	100.0		Holding company
CTI PCS, S.A.	Argentina	100.0		Wireless
CTI Compañía de Teléfonos del Interior, S.A.	Argentina	100.0		Wireless
Telecom Americas Ltd.	Bermuda	98.9		Holding company
Americel S.A.	Brazil	99.2		Wireless
Telet S.A.	Brazil	99.2		Wireless
BCP S.A.	Brazil	99.9		Wireless
Smartcom, S.A.	Chile	100.0		Wireless
Comunicación Celular S.A. (Comcel).	Colombia	99.2		Wireless
Consortio Ecuatoriano de Telecomunicaciones, S.A. (CONECCEL).	Ecuador	100.0		Wireless
Compañía de Telecomunicaciones de El Salvador (CTE)	El Salvador			