

AMERICA MOVIL SAB DE CV/  
Form 20-F  
April 26, 2016  
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**As filed with the Securities and Exchange Commission on April 26, 2016**

**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, 2015**  
**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, Mexico City,**

**México**

**(address of principal executive offices)**

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Granada, Delegación**

**Miguel Hidalgo,**

**11529, Mexico City, 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:**

| <b>Title of each class:</b>         | <b>Name of each exchange on which registered:</b> |
|-------------------------------------|---|
| A Shares, without par value         | NASDAQ National Market                            |
| L Shares, without par value         | New York Stock Exchange                           |
| 2.375% Senior Notes Due 2016        | New York Stock Exchange                           |
| Floating Rate Senior Notes Due 2016 | New York Stock Exchange                           |
| 5.625% Notes Due 2017               | New York Stock Exchange                           |
| 5.000% Senior Notes Due 2019        | New York Stock Exchange                           |
| 5.000% Senior Notes Due 2020        | New York Stock Exchange                           |
| 3.125% Senior Notes Due 2022        | New York Stock Exchange                           |
| 6.375% Notes Due 2035               | New York Stock Exchange                           |
| 6.125% Notes Due 2037               | New York Stock Exchange                           |
| 6.125% Senior Notes Due 2040        | New York Stock Exchange                           |
| 4.375% Senior Notes Due 2042        | 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, 2015:**

23,384 million

AA Shares



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AMÉRICA MÓVIL, S.A.B. DE C.V.

2015 ANNUAL REPORT ON FORM 20-F

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**SELECTED FINANCIAL DATA**

**Table of Contents***Selected Financial Data***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 ). 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 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.17.2065 to U.S.\$1.00, which was the rate reported by Banco de México for December 31, 2015, 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. Share and per share data for 2011 in this annual report have been adjusted to reflect the stock split. We have not included earnings or dividends on a per American Depository Share ( ADS ) basis. Each L Share ADS represents 20 L Shares and each A Share ADS represents 20 A Shares.

|                               | <b>For the year ended December 31,</b>                                    |                   |                   |                   |                   |   |
|-------------------------------|---|-------------------|-------------------|-------------------|-------------------|---|
|                               | 2011  | 2012              | 2013              | 2014              | 2015              | 2015  |
|                               | <i>(in millions of Mexican pesos, except share and per share amounts)</i> |                   |                   |                   |                   | <i>(millions of U.S. dollars, except share and per share amounts)</i> |
| <b>Income Statement Data:</b> |   |                   |                   |                   |                   |   |
| Operating revenues            | Ps. 689,966   | Ps. 775,070       | Ps. 786,101       | Ps. 848,262       | Ps. 894,217       | U.S. 51,970   |
| Operating costs and expenses  | 532,360   | 613,920           | 631,843           | 691,708           | 752,762           | 43,748  |
| Depreciation and amortization | 93,997  | 103,585           | 101,535           | 114,994           | 125,735           | 7,307   |
| Operating income              | 157,606   | 161,150           | 154,258           | 156,554           | 141,454           | 8,222   |
| <b>Net profit</b>             | <b>Ps. 88,199</b>   | <b>Ps. 91,649</b> | <b>Ps. 74,974</b> | <b>Ps. 47,498</b> | <b>Ps. 36,961</b> | <b>U.S. 2,150</b>   |



|   |            |               |            |               |            |               |            |               |            |               |             |              |
|---|------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|---------------|-------------|--------------|
| Net profit attributable to:<br>Equity holders of the parent | Ps.        | 83,045        | Ps.        | 90,988        | Ps.        | 74,625        | Ps.        | 46,146        | Ps.        | 35,055        | U.S.        | 2,039        |
| Non-controlling interests                                   |            | 5,154         |            | 661           |            | 349           |            | 1,352         |            | 1,906         |             | 111          |
| <b>Net profit</b>   | <b>Ps.</b> | <b>88,199</b> | <b>Ps.</b> | <b>91,649</b> | <b>Ps.</b> | <b>74,974</b> | <b>Ps.</b> | <b>47,498</b> | <b>Ps.</b> | <b>36,961</b> | <b>U.S.</b> | <b>2,150</b> |
| <b>Earnings per share:</b>                                  |            |               |            |               |            |               |            |               |            |               |             |              |
| Basic   | Ps.        | 1.06          | Ps.        | 1.19          | Ps.        | 1.02          | Ps.        | 0.67          | Ps.        | 0.52          | U.S.        | 0.03         |
| Diluted   | Ps.        | 1.06          | Ps.        | 1.19          | Ps.        | 1.02          | Ps.        | 0.67          | Ps.        | 0.52          | U.S.        | 0.03         |
| Dividends declared per share <sup>(1)</sup>                 | Ps.        | 0.18          | Ps.        | 0.20          | Ps.        | 0.22          | Ps.        | 0.24          | Ps.        | 0.26          | U.S.        | 0.02         |
| Weighted average number of shares outstanding (millions):   |            |               |            |               |            |               |            |               |            |               |             |              |
| Basic   |            | 78,599        |            | 76,111        |            | 72,866        |            | 69,254        |            | 66,869        |             | 3,886        |
| Diluted   |            | 78,599        |            | 76,111        |            | 72,866        |            | 69,254        |            | 66,869        |             | 3,886        |

**Table of Contents***Selected Financial Data*

|   | 2011  | 2012        | As of December 31, |             | 2015        | 2015  |
|---|---|-------------|--------------------|-------------|-------------|---|
|   | <i>(in millions of Mexican pesos, except share and per share amounts)</i> |             |                    |             |             | <i>(millions of U.S. dollars, except share and per share amounts)</i> |
| <b>Balance Sheet Data:</b>                              |   |             |                    |             |             |   |
| Property, plant and equipment, net                      | Ps. 466,087   | Ps. 500,434 | Ps. 501,107        | Ps. 588,106 | Ps. 573,529 | U.S. 33,332   |
| Total assets  | 939,603   | 987,685     | 1,025,592          | 1,278,357   | 1,296,487   | 75,349  |
| Short-term debt and current portion of long-term debt   | 26,643  | 13,622      | 25,841             | 57,806      | 119,590     | 6,950   |
| Long-term debt  | 353,975   | 404,048     | 464,478            | 545,949     | 563,627     | 32,757  |
| Total equity  | 236,461   | 254,848     | 210,301            | 234,639     | 160,854     | 9,348   |
| Capital stock   | 96,420  | 96,415      | 96,392             | 96,383      | 96,338      | 5,599   |
| Number of outstanding shares (millions):                |   |             |                    |             |             |   |
| AA Shares   | 23,424  | 23,424      | 23,424             | 23,384      | 23,384      |   |
| A Shares  | 756   | 712         | 681                | 649         | 625         |   |
| L Shares  | 52,810  | 51,703      | 46,370             | 44,120      | 41,990      |   |
| <b>Ratio of Earnings to Fixed Charges<sup>(2)</sup></b> | <b>5.6</b>  | <b>5.4</b>  | <b>3.9</b>         | <b>3.5</b>  | <b>2.5</b>  |   |

- (1) Figures for each year provided represent the annual dividend declared at the general shareholders meeting that year. For information on dividends paid per share translated into U.S. dollars, see Share Ownership and Trading Dividends under Part IV.
- (2) 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 year.

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**PART I: INFORMATION ON THE COMPANY**

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*Information On The Company*

**ABOUT AMÉRICA MÓVIL**

**HISTORY AND CORPORATE INFORMATION**

América Móvil, S.A.B. de C.V. ( América Móvil, we or the Company ) is a *sociedad anónima bursátil de capital variable* organized under the laws of Mexico. We were established in September 2000 when Teléfonos de México, S.A.B. de C.V. ( Telmex ), a fixed-line Mexican telecommunications operator privatized in 1990, spun off to us its wireless operations in Mexico and other countries. We have made significant acquisitions throughout Latin America, the United States, the Caribbean and Europe, and we have also expanded our businesses organically. In 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 telecommunications 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, Mexico City, México. Our telephone number at this location is (5255) 2581-4449.

**BUSINESS OVERVIEW**

We provide telecommunications services in 25 countries. We are the leading telecommunications services provider in Latin America ranking first in wireless, fixed-line, broadband, and Pay TV services based on the number of revenue generating units ( RGUs ). Our largest operations are in Mexico and Brazil, which together account for over half of our total RGUs and where we have the largest market share based on RGUs. We also have major wireless, fixed or Pay TV operations in 16 other countries in the Americas and seven countries in Central and Eastern Europe as of December 31, 2015. For a list of our principal subsidiaries, see Additional Information Exhibit 8.1 under Part VII of this annual report.

We intend to build on our position as leaders in integrated telecommunications services in Latin America and the Caribbean, and to grow in other parts of the world, by continuing to expand our subscriber base through the development of our existing businesses and strategic acquisitions when opportunities arise. We have developed world-class integrated telecommunications platforms to offer our customers new services and enhanced communications solutions with higher data speed transmissions at lower prices. We continue investing in our networks to increase coverage and implement new technologies to optimize our network capabilities. See Operating and Financial Review and Prospects Overview under Part II of this annual report for a discussion on the seasonality of our business.

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*Information On The Company*

The following map illustrates the geographic diversity of our operations and certain key performance indicators ( KPIs ) as of December 31, 2015.

**Table of Contents***Information On The Company***KEY PERFORMANCE INDICATORS**

We have identified certain KPIs that help measure the performance of our operations. The table of our KPIs below includes the number of our wireless subscribers and our fixed RGUs, which together make up the total RGUs, in the countries where we operate. Wireless subscribers consists of the number of prepaid and postpaid subscribers to our wireless services. Fixed RGUs consist of fixed voice, fixed data and Pay TV units (which include customers to our Pay TV services and, separately, to certain other digital services). The figures below reflect total wireless subscribers and fixed RGUs of all our consolidated subsidiaries, without adjustments to reflect our equity interest, in the following segments:

Mexico Wireless;  
 Mexico Fixed;  
 Brazil;  
 Colombia;  
 Southern Cone (Argentina, Chile, Paraguay, Uruguay);  
 Andean Region (Ecuador and Peru);  
 Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama);  
 the Caribbean (the Dominican Republic and Puerto Rico);  
 the United States; and  
 Europe (Austria, Belarus, Bulgaria, Croatia, Macedonia, Serbia and Slovenia).

|                              | <b>As of December 31,</b> |        |        |
|------------------------------|---------------------------|--------|--------|
|                              | 2013                      | 2014   | 2015   |
|                              | <i>(in thousands)</i>     |        |        |
| <b>Wireless Subscribers:</b> |                           |        |        |
| Mexico Wireless              | 73,505                    | 71,463 | 73,697 |
| Brazil                       | 68,704                    | 71,107 | 65,978 |
| Colombia                     | 28,977                    | 29,775 | 28,973 |
| Southern Cone                | 28,166                    | 27,754 | 29,186 |
| Andean Region                | 23,886                    | 24,270 | 20,743 |
| Central America              | 17,222                    | 13,973 | 15,317 |
| Caribbean                    | 5,764                     | 5,092  | 5,261  |

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|                                   |                |                |                |
|-----------------------------------|----------------|----------------|----------------|
| United States                     | 23,659         | 26,006         | 25,668         |
| Europe                            |                | 20,008         | 20,711         |
| <b>Total Wireless Subscribers</b> | <b>269,883</b> | <b>289,448</b> | <b>285,534</b> |
| <b>Fixed RGUs:</b>                |                |                |                |
| Mexico Fixed                      | 22,451         | 22,250         | 21,735         |
| Brazil                            | 32,683         | 36,096         | 36,627         |
| Colombia                          | 4,748          | 5,307          | 5,801          |
| Southern Cone                     | 1,714          | 1,826          | 1,819          |
| Andean Region                     | 1,343          | 1,576          | 1,727          |
| Central America                   | 4,261          | 4,606          | 4,950          |
| Caribbean                         | 2,244          | 2,347          | 2,511          |
| Europe                            |                | 4,402          | 5,642          |
| <b>Total Fixed RGUs</b>           | <b>69,444</b>  | <b>78,410</b>  | <b>80,812</b>  |
| <b>Total RGUs</b>                 | <b>339,327</b> | <b>367,858</b> | <b>366,346</b> |



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*Information On The Company*

**PRINCIPAL OPERATIONS**

We operate in all of our geographic segments under the Claro brand, except in Mexico, the United States and Europe, as described in the list below. For a list of our principal subsidiaries, see [Additional Information Exhibit 8.1](#) under Part VII of this annual report.

**Mexico Wireless:** Radiomóvil Dipsa, S.A. de C.V. ( [Telcel](#) )

**Mexico Fixed:** [Telmex](#)

**Brazil:** [Claro S.A. \( Claro Brasil \)](#), [Americel S.A. \( Americel \)](#), [Embratel Tvsat Telecomunicações S.A. \( Claro TV \)](#) and [Star One S.A. \( Star One \)](#)

**Colombia:** [Comunicación Celular S.A. \( Comcel \)](#) and [Telmex Colombia S.A. \( Telmex Colombia \)](#)

**Southern Cone:** [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 \( Flimay \)](#)

**Andean Region:** [Consortio Ecuatoriano de Telecomunicaciones S.A. \( Conecel \)](#), [Ecuador Telecom S.A. \( Ecuador Telecom \)](#) and [América Móvil Perú S.A.C. \( Claro Perú \)](#)

**Central America:** [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. \( Claro Panamá \)](#)

**Caribbean:** [Compañía Dominicana de Teléfonos S.A. \( Codetel \)](#) and [Telecomunicaciones de Puerto Rico, Inc. \( Telpri \)](#)

**United States:** [TracFone Wireless, Inc. \( TracFone \)](#)

**Europe:** Telekom Austria AG ( Telekom Austria )

## **SERVICES AND PRODUCTS**

We offer a wide range of services and products that vary by market, including wireless voice, wireless data and value-added services, fixed voice, fixed data, broadband and IT services, Pay TV and over-the-top ( OTT ) services.

### **Wireless Operations**

In 2015, our wireless voice and data operations generated revenues of Ps.478.7 billion, representing 53.6% of our consolidated revenues. As of December 31, 2015, our wireless operations represented approximately 77.9% of our total RGUs, compared to 78.7% as of December 31, 2014.

#### *Voice*

Our wireless subsidiaries provide voice communication services across the countries in which they operate. We offer international roaming services to our wireless subscribers through a network of cellular service providers with which our wireless subsidiaries have entered into international roaming agreements around the world, and who provide GSM, LTE and 3G roaming services. Our wireless subsidiaries had approximately 285.5 million wireless subscribers as of December 31, 2015.

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*Information On The Company*

Our wireless voice services are offered under a variety of pricing plans to meet the needs of different market 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. The breakdown of our wireless subscribers is approximately 77.9% prepaid and 22.1% postpaid.

Although prepaid customers typically generate lower levels of usage and are often unable or unwilling or financially ineligible to purchase postpaid plans, our prepaid plans have been instrumental in helping wireless penetration in Latin America and Eastern Europe to reach levels similar to those of developed markets. Additionally, prepaid plans entail little to no risk of non-payment, as well as lower customer acquisition costs and billing expenses, compared to the average postpaid plan.

In general, our average rates per minute of wireless voice are very competitive for both prepaid and postpaid plans. However, the rates in 2015 declined an average of 7.5%, at constant exchange rates, over 2014 to similar levels to those observed in most developed markets. In addition, the plans we offer our retail customers include selective discounts and promotions that reduce the effective rates our customers pay.

*Data and Value-Added Services*

We offer data communications services in our pricing plans together with wireless voice services. As part of our wireless data business, our subsidiaries offer value-added services that include internet access, messaging and other wireless entertainment and corporate services through GSM/EDGE, 3G and 4G LTE networks. Internet services include roaming capability and wireless internet connectivity for feature phones, smartphones, tablets and laptops, including data transmission, e-mail services, instant messaging, content streaming and interactive applications. For example, in Mexico, our website Claroideas, under Telcel, offers a wide range of services and content such as video, music, games and other applications, which subscribers can access from mobile devices.

In addition, we offer other wireless services, including wireless security services, mobile payment solutions, machine-to-machine services, mobile banking, VPN services, video calls and Personal Communications Service ( PCS ).

**Fixed Operations**

In 2015, our fixed voice, data, broadband and IT solutions had revenues of Ps.209.6 billion representing 23.4% of our consolidated revenues. As of December 31, 2015, our fixed operations represented approximately 22.1% of our total RGUs, compared to 21.3% as of December 31, 2014.

*Voice*

Our fixed voice services include local, domestic and international long-distance public telephony, under a variety of plans to meet the needs of different market segments, specifically tailored to our residential and corporate clients.

*Data*

We offer data services, including data centers, data administration and hosting services to our residential and corporate clients under a variety of plans.

*Broadband*

We provide residential broadband access through hybrid fiber-coaxial ( HFC ) or fiber-optic cable. These services are typically bundled with voice services and are competitively priced as a function of the desired or available speed. As a complement to these services, we offer a number of products such as home networking and smart home services.

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*Information On The Company*

*IT Solutions*

Our subsidiaries provide a number of different IT solutions for small businesses and large corporations. We also provide specific solutions to the industrial, financial, government and tourism sectors, among others.

**Pay TV**

We offer Pay TV through cable and satellite TV subscriptions to both retail and corporate customers under a variety of plans. As of December 31, 2015, we had approximately 21.8 million Pay TV RGUs.

Our largest Pay TV market is in Brazil, where we are the leading provider of Pay TV services. We offer satellite Pay TV services through direct-to-home ( DTH ) technology through our ClaroTV brand and cable TV through our Net Serviços brand. We offer these services through individual subscription plans as well as in bundled packages of services, along with broadband, fixed voice and wireless services.

**Equipment, Accessories and Computer Sales**

Equipment, accessories and computer sales revenues primarily include revenues from the sale of handsets, accessories and other equipment. Most of our new customers purchase a handset upon entering into a contract, and while we also offer new handsets to existing customers, growth in equipment, accessories and computer sales revenues are driven primarily by the number of new customers. The pricing of handsets reflects our expectation that we will receive revenues from the use of the handset, and therefore is not established primarily to make a profit.

**Other Services**

Other services include revenues from other businesses, such as telephone directories, call center services, wireless security services and a publishing company.

**OTT Services**

We sell video, audio and other media content that is delivered through the internet directly from the content provider to the viewer or end user. Our most important service is ClaroVideo, an on-demand internet streaming video provider with more than 34,000 content titles sold across all the Latin American and Caribbean markets in which we operate. We sometimes offer bundled packages of ClaroVideo with Pay TV services, or customers may also have unlimited access to ClaroVideo for a fixed monthly subscription fee.

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|                    | <b>Wireless Voice,<br/>Data and Value<br/>Added Services <sup>(1)</sup></b> | <b>Fixed Voice,<br/>Broadband, Data<br/>and IT Services <sup>(2)</sup></b> | <b>Pay TV</b> | <b>OTT<br/>Services <sup>(3)</sup></b> |
|--------------------|---|--|---------------|--|
| Argentina          | ü   | ü  |               | ü                                      |
| Austria            | ü   | ü  | ü             | ü                                      |
| Belarus            | ü   |  |               |  |
| Brazil             | ü   | ü  | ü             | ü                                      |
| Bulgaria           | ü   | ü  | ü             |  |
| Chile              | ü   | ü  | ü             | ü                                      |
| Colombia           | ü   | ü  | ü             | ü                                      |
| Costa Rica         | ü   | ü  | ü             | ü                                      |
| Croatia            | ü   | ü  | ü             |  |
| Dominican Republic | ü   | ü  | ü             | ü                                      |
| Ecuador            | ü   | ü  | ü             | ü                                      |
| El Salvador        | ü   | ü  | ü             | ü                                      |
| Guatemala          | ü   | ü  | ü             | ü                                      |
| Honduras           | ü   | ü  | ü             | ü                                      |
| Macedonia          | ü   | ü  | ü             |  |
| Mexico             | ü   | ü  |               | ü                                      |
| Nicaragua          | ü   | ü  | ü             | ü                                      |
| Panama             | ü   | ü  | ü             | ü                                      |
| Paraguay           | ü   | ü  | ü             | ü                                      |
| Peru               | ü   | ü  | ü             | ü                                      |

|               |   |   |   |   |
|---------------|---|---|---|---|
| Puerto Rico   | ü | ü | ü | ü |
| Serbia        | ü |   |   |   |
| Slovenia      | ü |   |   |   |
| Uruguay       | ü | ü |   | ü |
| United States | ü |   |   |   |

- (1) Includes voice communication and international roaming services, interconnection and termination fees (with the exception of Mexico), SMS, MMS, e-mail, mobile browsing, entertainment and gaming applications.
- (2) Includes local calls, national and international long distance.
- (3) Includes ClaroVideo and ClaroMúsica.

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**OUR NETWORKS**

Our networks are one of our main competitive advantages. Today, we operate one of the largest integrated platform across 13 countries in Latin America based on our covered population and are in the process of expanding our network in Europe.

**Infrastructure**

For the year ended December 31, 2015, our capital expenditures totaled Ps.151.6 billion, which allowed us to increase the coverage of our networks, to expand their capacity and to upgrade our systems to operate with the latest technologies. With fully convergent platforms, we are able to widely deliver high quality voice, video and data products.

As of December 31, 2015, the main components of our infrastructure were comprised of:

**Base stations:** 173,000 (of which 98,653 are equipped with 3G and 4G capabilities).

**Fiber-optic network:** 680,000 km. Our network passed approximately 64 million homes as of December 31, 2015.

**Submarine cable system:** Capacity of more than 168,000 km in submarine cable. Our system includes 17,500 km from the AMX-1 submarine cable, which extends from the United States to Central America and Brazil and provides international connectivity to all of our subsidiaries in these geographic areas.

**Satellites:** Eight. Star One has the most extensive satellite system in Latin America with a fleet that covers the United States, Mexico, Central America and South America. We use these satellites to supply capacity for DTH services for Claro TV throughout Brazil and in other DTH operations, as well as cellular backhaul, video broadcast and corporate data networks. In July 2015, we launched a new satellite, Star One C4, and in November 2016, we expect to launch one more satellite, Star One D1, to replace Brasilsat B4.

**Data centers:** 18. We use our data centers to manage a number of Cloud solutions such as IAAS (Infrastructure as a Service), SAAS (Software as a Service), security solutions and unified communications.

In the United States, we do not own any wireless telecommunications facilities or hold any wireless spectrum licenses. Instead, we purchase airtime through agreements with wireless service providers and resell airtime to customers.



Through these agreements, we have a nationwide virtual network, covering almost all areas in which wireless services are available.

### **Technology**

Our primary networks use GSM/EDGE, 3G and 4G LTE technology, which we offer in most of the countries where we operate. We aim to increase the speed of transmission of our data services and have been expanding our 3G and 4G LTE coverage.

We transmit wireless calls and data through radio frequencies that we use under spectrum licenses. In certain markets, such as Mexico and Peru, spectrum is a limited resource and, as a result, we may face spectrum and capacity constraints on our wireless network. We continue to invest significant capital in expanding our network capacity and reach and to address spectrum and capacity constraints on a market-by-market basis. In 2015, we spent Ps.19.5 billion on the acquisition of spectrum licenses, mainly in Argentina, Ecuador and Puerto Rico.

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The table below presents a summary of the networks we offer in the countries where we operate and the distribution of spectrum as of December 31, 2015:

|            | Frequency Licenses |         |                |           |         |                |                |
|------------|--------------------|---------|----------------|-----------|---------|----------------|----------------|
|            | GSM/EDGE           |         |                | 3G        |         | 4G LTE         |                |
|            | Frequency          | Covered | Population (%) | Frequency | Covered | Population (%) | Population (%) |
|            |                    |         |                |           |         |                |                |
| Argentina  | 850MHz             | 1900MHz | 98%            | 850MHz    | 90%     | 700 MHz        | 45%            |
|            |                    |         |                | 1900MHz   |         | 1700/2100 MHz  |                |
| Austria    | 900MHz             | 1800MHz | 99%            | 2100MHz   | 92%     | 800MHz+        | 74%            |
|            |                    |         |                |           |         | 2600MHz        |                |
| Belarus    | 900MHz             | 1800MHz | 99%            | 2100MHz   | 94%     |                |                |
| Brazil     | 900MHz             | 1800MHz | 92%            | 850MHz    | 81%     | 700MHz         | 45%            |
|            |                    |         |                | 2100MHz   |         | 2600MHz        |                |
| Bulgaria   | 900MHz             | 1800MHz | 100%           | 900MHz+   | 100%    | 1800MHz        | 38%            |
|            |                    |         |                | 2100MHz   |         | Launch in 2016 | Launch in 2016 |
| Chile      | 850MHz             | 1900MHz | 97%            | 850MHz    | 87%     | 2600MHz        | 61%            |
|            |                    |         |                | 1900MHz   |         |                |                |
| Colombia   | 850MHz             | 1900MHz | 91%            | 850MHz    | 74%     | 2500MHz        | 42%            |
|            |                    |         |                | 1900MHz   |         |                |                |
| Costa Rica | 1800MHz            |         | 69%            | 2100MHz   | 75%     | 1800MHz        | 19%            |
| Croatia    | 900MHz+            |         | 99%            | 900MHz+   | 98%     | 800MHz+        | 55%            |
|            | 1800MHz            |         |                | 2100MHz   |         | 1800MHz        |                |

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|                    |         |         |     |         |     |            |     |
|--------------------|---------|---------|-----|---------|-----|------------|-----|
| Dominican Republic | 850MHz  | 1900MHz | 96% | 850MHz  | 99% | AWS        | 79% |
| Ecuador            | 850MHz  | 1900MHz | 96% | 850MHz  | 71% | AWS        | 17% |
|                    |         |         |     | 1900MHz |     |            |     |
| El Salvador        | 1800MHz |         | 91% | 1800MHz | 69% |            |     |
| Guatemala          | 900MHz  | 1900MHz | 89% | 1900MHz | 61% | 1900MHz    | 1%  |
| Honduras           | 1900MHz |         | 78% | 1900MHz | 60% | AWS        | 18% |
| Macedonia          | 900MHz  | 1800MHz | 99% | 900MHz  | 97% | 800MHz+    | 54% |
|                    |         |         |     | 2100MHz |     | 1800MHz    |     |
| Mexico             | 850MHz  | 1900MHz | 93% | 850MHz  | 89% | AWS        | 58% |
| Nicaragua          | 850MHz  | 1900MHz | 82% | 850MHz  | 75% | AWS        | 4%  |
| Panama             | 1900MHz |         | 79% | 1900MHz | 79% | 700MHz     | 38% |
| Paraguay           | 1900MHz |         | 75% | 1900MHz | 66% |            |     |
| Peru               | 850MHz  | 1900MHz | 76% | 850MHz  | 56% | 1900MHz    | 39% |
| Puerto Rico        | 850MHz  | 1900MHz | 78% | 850MHz  | 81% | 700MHz AWS | 75% |
|                    |         |         |     | 1900MHz |     |            |     |
|                    |         |         |     | AW      |     |            |     |
| Serbia             | 900MHz  | 1800MHz | 98% | 2100MHz | 88% | 800MHz+    | 24% |
|                    |         |         |     |         |     | 1800MHz    |     |
| Slovenia           | 900MHz  | 1800MHz | 99% | 900MHz  | 99% | 800MHz     | 97% |
|                    |         |         |     | 2100MHz |     | 1800MHz    |     |
| Uruguay            | 1900MHz |         | 91% | 1900MHz | 86% | AWS        | 50% |

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**OUR COMPETITORS**

We operate in an intensely competitive industry. The increased use of networks for value-added services has led to the emergence of new powerful players, including OTT providers. In Pay TV, our competitors are other operators that provide telephone and internet service and wireless telecommunications providers.

The effects of competition on our subsidiaries depend, in part, on the business strategies of their competitors, regulatory developments and the general economic and business climate in the countries in which they operate, including demand growth, interest rates, inflation and exchange rates. The effects could include loss of market share and pressure to reduce rates. See Regulation under Part VI of this annual report.

The table below presents our major competitors in each of our geographic segments as of December 31, 2015.

**Mexico**

Wireless Voice, Wireless Data and Value-Added Services

AT&T, Teléfonos (Movistar), Axtel, Quickly Phone, Telecomunicaciones 360 (Elektra), Virgin Mobile, Teligentia (Cierito), Lycamobile, Coppel Móvil, Maz Tiempo, Ekofon

Fixed Voice, Fixed Broadband, Fixed Data, IT Services and OTT Services

Grupo Televisa (IZZI), Axtel, Megacable, Cablecom México, Cablemas, Maxcom, Megacable, Telecable, Totalplay, TVI

**Brazil**

Wireless Voice, Wireless Data and Value-Added Services

Teléfonos Brasil (Vivo), TIM Celular, Oi, Algar Telecom, Sercomtel, Nextel

Fixed Voice, Fixed Broadband, Fixed Data and IT Services

Oi, Algar Telecom, Telefónica Brasil (Vivo)

Sky Brasil, Telefónica Brasil (Vivo), Oi

Pay TV and OTT Services

**Colombia**

Telefónica Colombia (Movistar), Colombia Móvil (Tigo), Virgin Mobile Colombia

Wireless Voice, Wireless Data and Value-Added Services

Fixed Voice

Telefónica Colombia (Movistar), Colombia Móvil (Tigo), Empresa de Telecomunicaciones de Bogotá (ETB), UNE Telecomunicaciones, Empresas Municipales de Cali (Emcali)

Fixed Broadband, Fixed Data and IT Services, Pay TV, OTT Services

Telefónica Colombia, Empresa Telecomunicaciones de Bogotá (ETB), UNE Telecomunicaciones, DirecTV Colombia, Empresas Municipales de Cali (Emcali)

Wireless Voice, Wireless Data and Value-Added Services

**Southern Cone**

Telefónica (Movistar), Telecom Argentina), Nextel Argentina, Entel, WOM, Millicom (Tigo), ANTEL, Virgin Mobile Chile, Personal, VTR GlobalCom, Tigo Paraguay

Fixed Voice, Fixed Broadband, Fixed Data and IT Services

Telefónica, Telecom Argentina, Telecentro Argentina, Entel, VTR GlobalCom, TelsurDirecTV Latin America, COPACO, Tigo Paraguay, ANTEL

Pay TV and OTT Services

DirecTV Chile, Telefónica (Movistar Chile), VTR GlobalCom, Tigo Paraguay

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|  |  |
|--|--|
| Wireless Voice, Wireless Data and Value-Added Services   | <b>Andean Region</b><br>Telefónica (Movistar), Entel Perú, CNT (Ecuador)   |
| Fixed Voice, Fixed Broadband, Fixed Data and IT Services | CNT, Grupo TV Cable (Setel), Telefónica (Movistar)   |
| Pay TV and OTT Services                                  | CNT, Grupo TVCable, Telefónica (Movistar TV), DirecTV  |
| Wireless Voice, Wireless Data and Value-Added Services   | <b>Central America</b><br>Millicom (Tigo), Telefónica (Movistar), Digicel, Hondutel, ICE (Kolbi), Cable & Wireless (Panamá)              |
| Fixed Voice, Fixed Broadband, Fixed Data and IT Services | Millicom (Tigo), Hondutel, ICE (Kolbi), Telefónica (Movistar), Cabletica (Costa Rica), Cable & Wireless (Panamá), Cable Color (Honduras) |
| Pay TV and OTT Services                                  | Millicom (Tigo), Sky, Telefónica, ICE (Kolbi), Cable & Wireless (Panamá), Cable Color (Honduras), Cabletica (Costa Rica)                 |
| Wireless Voice, Wireless Data and Value-Added Services   | <b>U.S.</b><br>Verizon, AT&T, T-Mobile, Sprint, U.S. Cellular  |
| Wireless Voice, Wireless Data                            | <b>Caribbean</b>   |

and Value-Added Services

Altice (Orange), Tricom, AT&T, Sprint, T-Mobile,  
PR Wireless (Open Mobile), Viva Dominicana

Fixed Voice, Fixed Broadband,

Altice (Orange), Tricom, AT&T, Liberty Cablevision, WorldNet

Fixed Data and IT Services

Pay TV and OTT Services

Tricom, Aster, Wind, Sky, Liberty Cablevision, DirecTV Puerto Rico,  
Dish Network

### Europe

Wireless Voice

T-Mobile, Hutchison Drei, Mobile TeleSystems, CJSC (life:)),  
Bulgarian Telecommunications Company (VivaCom), Telenor,  
Hrvatski Telekom, Tele2, Telekom Srbija, Telekom Slovenije, Telemach

Wireless Data and Value-Added Services

T-Mobile, Hutchison Drei, Mobile TeleSystems (MTS),  
Bulgarian Telecommunications Company (VivaCom), Telenor,  
Hrvatski Telekom, Tele2, Telekom Srbija, Telekom Slovenije, Telemach

Fixed Voice, Fixed Broadband,  
Fixed Data and IT Services

Tele2, UPC Austria, Mobile TeleSystems, CJSC (life:),  
Bulgarian Telecommunications Company (VivaCom), Bulsatcom,  
Hrvatski Telekom, T-Mobile, Telekabel, Telekom Srbija, Telenor,  
Telekom Sloveniej, Telemach

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**MARKETING, SALES AND DISTRIBUTION, CUSTOMER SERVICES**

**Marketing**

We advertise our services and products through different channels with consistent and distinct branding and targeted marketing. We advertise via print, radio, television, digital media, sports event sponsorships and other outdoor advertising campaigns. In 2015, our efforts were mainly focused on promoting our 4G LTE services, leveraging on the speeds and quality of our networks and our fixed bundled offers, which compete on broadband speeds and premium content.

We build upon the strength of our well-recognized brand names to increase consumer awareness and customer loyalty. Building brand recognition is crucial for our business, and we have managed to position our brands as those of a premium carrier in most countries where we operate. For example, in 2015, Claro was the highest-ranked telecom brand in Latin America, according to Brand Finance, while Telcel and Telmex were the second and third highest-ranked telecom brands, respectively, in Mexico. BrandZ also recognized Claro, Telcel and Telmex as three of the top four highest-ranked telecom brands in Latin America for 2015. In addition, Brand Finance ranked A1, the brand name behind Telekom Austria, as the strongest telecom brand in Austria.

**Sales and Distribution**

Our extensive sales and distribution channels help us attract new customers and develop new business opportunities. We primarily sell our services and products through a network of retailers and service centers for retail customers and a dedicated sales force for corporate customers with more than 230,000 points of sale and 2,500 customer service centers. Our subsidiaries also sell their services and products over the internet.

**Customer Services**

We give priority to providing our customers with quality customer care and support, with approximately 49,000 employees dedicated to customer service. We focus our efforts on constantly improving our customers' experience by leveraging our commercial offerings and our sales and distribution networks. Customers may make inquiries by calling a toll-free telephone number, accessing our subsidiaries' web sites or visiting one of the customer sales and service centers located throughout the countries we serve.



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**Table of Contents***Information On The Company***ACQUISITIONS, OTHER INVESTMENTS AND DIVESTITURES**

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. We believe that Europe and other areas beyond Latin America present opportunities for investment in the telecommunications sector that could benefit us and our shareholders over the long term. 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. For additional information on our acquisitions and investments, see Notes 12 and 13 to our consolidated financial statements.

**Telesites Spin-Off**

In October 2015, following the approval of the IFT and confirmation by the Mexican Tax Administration Service (*Servicio de Administración Tributaria*) of its tax implications, we completed the spin-off process of Telesites, S.A.B. de C.V. ( Telesites ), which had been approved by an extraordinary meeting of shareholders held in April 2015. The National Securities and Banking Commission (*Comisión Nacional Bancaria y de Valores*, or CNBV ) authorized the registration of the shares of Telesites in December 2015, and we concluded the listing process on December 21, 2015. As of the date of the spin-off, the assets and liabilities of Telesites no longer appear on our consolidated balance sheet and Telesites liquidated debt owed to certain subsidiaries of América Móvil in the amount of Ps.21 billion.

**KPN Investment**

We accounted for our investment in KPN using the equity method until June 2015, when we then reclassified it to be an available-for-sale marketable equity security. Our investment in KPN is now carried at fair value with changes in fair value recognized through other comprehensive income (equity). When we changed the classification of our KPN investment, we recorded a pre-tax gain of approximately Ps.12.0 billion in our consolidated statement of comprehensive income. We have since recognized changes in fair value of our KPN investment of Ps.4.0 million through other comprehensive income (equity). For additional information on this change, see Notes 5 and 13 to our consolidated financial statements.

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**PART II: OPERATING AND FINANCIAL REVIEW**

**AND PROSPECTS**

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**OVERVIEW**

**INTRODUCTION**

**Segments**

We have operations in 25 countries, which are aggregated for financial reporting purposes into ten reportable segments. Our operations in Mexico are presented in two segments Mexico Wireless and Mexico Fixed, which consist principally of Telcel and Telmex, respectively. Our headquarters operations are allocated to the Mexico Wireless segment. Additional information about our segments, including financial information, is presented in Note 22 to our audited consolidated financial statements.

The factors that drive our financial performance differ in the various countries where we operate, including subscriber acquisition costs, the competitive landscape, the regulatory environment, economic factors, interconnection rates, among others. Accordingly, our results of operations in each period reflect a combination of these effects on our 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 Euro, U.S. dollar, Brazilian real, Colombian peso and Argentine peso, 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 Euro, U.S. dollar, Brazilian real, Colombian and Argentine pesos, affect our results of operations as reported in Mexican pesos. In 2015, the Mexican peso was generally stronger against our other operating currencies than in 2014, which tended to reduce the reported amounts attributable to our non-Mexican operations.

In addition, we recognize foreign exchange gains and losses 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 and the Euro. 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 2015, the Mexican peso and

the Brazilian real weakened against the currencies in which a portion of our indebtedness is denominated, and we recorded net foreign exchange losses of Ps.79.0 billion, which were partially offset by net fair value gains on derivatives of Ps.21.5 billion. In 2014, the Mexican peso and the Brazilian real also weakened against the currencies of our indebtedness, and we recorded net foreign exchange losses of Ps.28.6 billion and net fair value losses on derivatives of Ps.10.1 billion. See Note 8 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

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Brazil, Chile, Peru, Ecuador and Colombia. We have offset lower interconnection revenues by attracting new customers with lower prices and new data services to increase traffic, but this may change. Significant regulatory developments are presented in more detail in Regulation under Part VI and Risk Factors under Part III of this annual report.

### **Effect of Consolidating Telekom Austria**

As of December 31, 2015, we owned 59.7% of the total equity of Telekom Austria. We began consolidating Telekom Austria from July 1, 2014. Prior to July 1, 2014, we accounted for Telekom Austria using the equity method. The consolidation of Telekom Austria affects the comparability of our results for 2015, 2014 and 2013.

### **COMPOSITION OF OPERATING REVENUES**

In 2015, our total operating revenues consisted of: wireless voice revenues (27.3% of total operating revenues), fixed voice revenues (11.7%), wireless data revenues (26.3%), fixed data revenues (11.7%), Pay TV revenues (7.3%), equipment, accessories and computer sales revenues (12.9%) and other services (2.8%).

Revenues from wireless and fixed voice services primarily include charges from monthly subscriptions, airtime, international and long-distance calls and interconnection costs billed to other service providers for calls completed on our network. The primary driver of revenues from monthly subscription charges are the number of total RGUs and the prices of our service packages. The primary driver of revenues from usage charges (airtime, long-distance calls and interconnection charges) is traffic as calculated by the number of total RGUs and their average usage.

Revenues from wireless and fixed data services primarily include charges for data, cloud, internet and OTT services and the usage from our data centers. In addition, revenues from value-added services and IT solutions to corporate clients contributes to our results for wireless and fixed data services, respectively. Revenues from IT solutions to our corporate clients mainly consist of revenues from installing and leasing dedicated circuits and revenues from virtual private network ( VPN ) services.

Pay TV revenues consist primarily of charges from subscription services, additional programming and advertising.

Equipment, accessories and computer sales revenues primarily include revenues from the sale of handsets, accessories and other equipment. Most of our sales in equipment are driven by the number of new customers. The pricing of equipment is not geared primarily towards making a profit from equipment sales, because it also takes into account the service revenues that are expected to result when the handset is used.

Other services primarily include revenues from other businesses, such as advertising, entertainment content distribution, telephone directories, call center services, wireless security services and a publishing company.

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 wireless 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.

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**General Trends Affecting Operating Results**

Our results of operations in 2015 reflected several continuing long-term trends, including:

intense competition, with growing costs for marketing and subscriber acquisition and retention, as well as generally declining customer prices;

changes in the telecommunications regulatory environment;

growing demand for data services over fixed and wireless networks, as well as for smartphones and devices with data service capabilities;

declining demand for voice services;

declining interconnection rates;

growing operating costs reflecting, among other things, higher cost for Pay TV and data services content, customer care services, as well as managing larger and more complex networks; and

overall macroeconomic conditions and foreign exchange volatility in the countries in which we operate. These trends are broadly characteristic of our businesses in all regions in recent years, and they have affected comparable telecommunications providers as well.

Other recent trends affecting our performance included:

the effects of Mexico's 2014 regulatory measures; and

the adverse impact of the depreciation of the Brazilian real and the Colombian peso against the Mexican peso, and the appreciation of the U.S. dollar and the Euro against the Mexican peso.

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**Table of Contents***Operating and Financial Review and Prospects***RESULTS OF OPERATIONS****CONSOLIDATED RESULTS OF OPERATIONS FOR 2015 AND 2014****Operating Revenues**

Total operating revenues for 2015 increased by 5.4%, or Ps.46.0 billion, over 2014. At constant exchange rates, total operating revenues for 2015 increased by 6.0% over 2014, or 1.8% excluding the effects of consolidating Telekom Austria. This increase principally reflects increases in revenues from our wireless data and fixed data operations, partially offset by a decrease in revenues from our wireless voice, fixed voice and Pay TV operations.

*Wireless Voice* Wireless voice revenues for 2015 decreased by 4.7%, or Ps.12.0 billion, over 2014. At constant exchange rates, wireless voice revenues for 2015 decreased by 7.5% over 2014, or 10.3% excluding the effects of consolidating Telekom Austria. This decrease principally reflects reductions in the price per minute for calls, decreases in international and long-distance traffic, the elimination in Mexico of interconnection rates and national roaming charges and the reduction of interconnection rates in other jurisdictions where we operate, including, principally, Colombia, Ecuador and Brazil.

*Fixed Voice* Fixed voice revenues for 2015 decreased by 8.7%, or Ps.9.9 billion, over 2014. At constant exchange rates, fixed voice revenues for 2015 decreased by 5.4% from 2014, or 12.3% excluding the effects of consolidating Telekom Austria. This decrease principally reflects reduced traffic, principally in long-distance calls, in part explained by the growing use of wireless technology and the effects of regulatory changes in some of the countries where we operate, such as in Mexico and Colombia.

*Wireless Data* Wireless data revenues for 2015 increased by 20.6%, or Ps.40.2 billion, over 2014. At constant exchange rates, wireless data revenues for 2015 increased by 17.8% over 2014, or 12.1% excluding the effects of consolidating Telekom Austria. This increase principally reflects increased use of services, such as media and content downloading, web browsing, content streaming and machine-to-machine services, driven in part by the increased use of social networking websites and content downloading on tablets and notebooks.

*Fixed Data* Fixed data revenues for 2015 increased by 7.5%, or Ps.7.3 billion, over 2014. At constant exchange rates, fixed data revenues for 2015 increased by 13.0% over 2014, or 8.3% excluding the effects of consolidating Telekom Austria. This increase principally reflects growth in residential broadband services, driven by higher quality services with greater coverage and the growth of corporate data services, such as cloud, dedicated lines, leasing and data center services.

*Pay TV* Pay TV revenues for 2015 decreased by 4.6%, or Ps.3.1 billion, over 2014. At constant exchange rates, Pay TV revenues for 2015 increased by 8.7% over 2014, or 7.8% excluding the effects of consolidating Telekom Austria. This increase primarily reflects growth in fixed RGUs and increased revenues, driven by new plans and channel packages that integrate multiple services, particularly in Brazil, Colombia, Peru and Ecuador.



*Equipment, Accessories and Computer Sales* Revenues from equipment, accessories and computer sales for 2015 increased by 20.8%, or Ps.19.9 billion, over 2014. At constant exchange rates, revenues from equipment, accessories and computer sales for 2015 increased by 20.2% over 2014, or 17.7% excluding the effects of consolidating Telekom Austria. This increase principally reflects an increase in sales of higher-end smart phones, feature phones and other data-enabled devices, as well as an increase in handset, tablet and electronics sales, driven by new commercial plans and promotions among postpaid and prepaid subscribers.

*Other Services* Revenues from other services for 2015 increased by 16.7%, or Ps.3.6 billion, over 2014. At constant exchange rates, revenues from other services for 2015 increased by 17.0% over 2014, or 10.1% excluding the effects

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of consolidating Telekom Austria. This increase principally reflects an increase in revenues from advertising, online content, wireless security services, telephone directories and call center services.

**Operating Costs and Expenses**

*Cost of sales and services* Cost of sales and services for 2015 increased by 8.3%, or Ps.32.0 billion, over 2014, representing 46.8% of operating revenues for 2015 compared to 45.5% of operating revenues for 2014. At constant exchange rates, cost of sales and services for 2015 increased by 7.2% over 2014, or 3.5% excluding the effects of consolidating Telekom Austria.

Cost of sales was Ps.145.8 billion for 2015, an increase of 12.4% from Ps.129.6 billion in 2014. Excluding the effects of consolidating Telekom Austria, cost of sales was Ps.137.3 billion for 2015 and Ps.125.1 billion for 2014. This increase primarily reflects the increase in sales of smartphones to subscribers in all countries in which we operate, and an increase in the subsidies we provide in order to acquire and retain subscribers and to incentivize prepaid subscribers to switch to postpaid plans.

Cost of services was Ps.272.3 billion for 2015, an increase of 6.2% from Ps.256.5 billion in 2014. Excluding the effects of consolidating Telekom Austria, cost of services was Ps.251.7 billion for 2015 and Ps.246.9 billion for 2014. This increase primarily reflects an increase in costs related to our Pay TV business, increased royalty payments and an increase in leasing, network maintenance and labor costs.

*Commercial, administrative and general expenses* Commercial, administrative and general expenses for 2015 increased by 9.6%, or Ps.17.8 billion, over 2014. As a percentage of operating revenues, commercial, administrative and general expenses for 2015 and 2014 were 22.8% and 21.9%, respectively. At constant exchange rates, commercial, administrative and general expenses for 2015 increased by 11.6% over 2014, or 8.7% excluding the effects of consolidating Telekom Austria. This increase primarily reflects increased expenses related to higher customer service costs, including increases in the number of customer service centers and employees, as we seek to provide better customer care and quality of service.

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 rates of 15.0% and 10.0%, respectively, of taxable income. We account for these amounts under commercial, administrative and general expenses.

*Other expenses* Other expenses for 2015 increased by 10.4%, or Ps.0.5 billion, over 2014 principally as a result of the consolidation of Telekom Austria.

*Depreciation and amortization* Depreciation and amortization for 2015 increased by 9.3%, or Ps.10.7 billion, over 2014. As a percentage of operating revenues, depreciation and amortization for 2015 increased slightly to 14.1% compared to 13.6% for 2014. This increase primarily reflects the consolidation of Telekom Austria. At constant exchange rates, depreciation and amortization for 2015 increased by 13.4%, or 6.1% excluding the effects of consolidating Telekom Austria. This increase primarily reflects capital expenditures made in recent years in connection with two new satellites placed into orbit in Brazil.

## **Operating Income**

Operating income for 2015 decreased by 9.6%, or Ps.15.1 billion, from 2014. Operating margin (operating income as a percentage of operating revenues) for 2015 was 15.8% compared to 18.5% for 2014. Excluding the effects of consolidating Telekom Austria, operating income for 2015 decreased by 13.1% and operating margin decreased by

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2.7%, due principally to higher subscriber acquisition costs, network maintenance and customer service, as well as the growth of lower-margin businesses, such as TracFone, and greater depreciation and amortization charges.

**Non-Operating Items**

*Net Interest Expense* Net interest expense (interest expense less interest income) for 2015 increased by Ps.2.0 billion, or 8.0%, over 2014, or 3.4% excluding the effects of consolidating Telekom Austria, attributable to the appreciation of some of the currencies in which our indebtedness is denominated, particularly the U.S. dollar, and an increase in our net debt.

*Foreign Currency Exchange Loss, Net* We recorded a net foreign currency exchange loss of Ps.79.0 billion for 2015, compared to a net foreign currency exchange loss of Ps.28.6 billion for 2014. Excluding the effects of consolidating Telekom Austria, net foreign currency exchange losses more than doubled when compared to 2014, principally attributable to the appreciation of some of the currencies in which our indebtedness is denominated, particularly the U.S. dollar.

*Valuation of Derivatives, Interest Cost from Labor Obligations and Other Financial Items, Net* The changes in valuation of derivatives, interest cost from labor obligations and other financial items, net, represented a gain of Ps.21.5 billion for 2015, compared to a loss of Ps.10.2 billion for 2014. This item reflects the gain recorded as a result of the change in the accounting of our investment in KPN from the equity method to an available-for-sale equity security, a loss recorded on our sale of KPN shares in 2014 as well as value gains on the derivative instruments we use to hedge against exchange rate risk in our indebtedness.

*Equity interest in net losses of associated companies* Our share of the net losses of associated companies accounted for under the equity method was Ps.1.4 billion in 2015 and Ps.6.1 billion in 2014. Our results from equity-method investees for 2015 principally reflect our interest in KPN through June 2015 and our equity interest in Telekom Austria for the first six months of 2014.

*Income Tax* Our income tax expenses for 2015 decreased by 51.7% over 2014. This was principally due to increases in our net foreign currency exchange losses as a result of the depreciation of the Mexican peso against the currencies in which a portion of our debt is denominated.

Our effective corporate income tax rate as a percentage of profit before income tax was 34.2% for 2015, compared to 45.5% for 2014. This rate differed from the Mexican statutory rate of 30% and changed year over year principally as a result of a decrease in both pre-tax income and the equity interest in net loss of associated companies between periods, and the gain on derecognition of the equity method investment in KPN in 2015.

**Net Profit**

We recorded a net profit of Ps.37.0 billion for 2015, a decrease of 22.2%, or Ps.10.5 billion, over 2014. Excluding the effects of consolidating Telekom Austria, net profit in 2015 decreased by 34.5% compared to 2014. This decrease reflects our foreign exchange losses, greater depreciation and amortization charges.

**CONSOLIDATED RESULTS OF OPERATIONS FOR 2014 AND 2013**

## **Operating Revenues**

Total operating revenues for 2014 increased by 7.9%, or Ps.62.2 billion, over 2013. At constant exchange rates, total operating revenues for 2014 increased by 10.9% over 2013, or 6.1% excluding the effects of consolidating Telekom Austria. This increase principally reflects increases in revenues from our wireless data, fixed data and Pay TV operations, partially offset by a decrease in revenues from our wireless and fixed voice operations.

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*Wireless Voice* Wireless voice revenues for 2014 decreased by 3.6%, or Ps.9.4 billion, over 2013. At constant exchange rates, wireless voice revenues for 2014 decreased by 0.7% over 2013, or 3.5% excluding the effects of consolidating Telekom Austria. This decrease principally reflects reductions in the effective price-per-minute for calls, the elimination of interconnection rates and national roaming charges in Mexico and the reduction of interconnection rates in other jurisdictions where we operate, principally Colombia.

*Fixed Voice* Fixed voice revenues for 2014 increased by 2.6%, or Ps.2.9 billion, over 2013. At constant exchange rates, fixed voice revenues for 2014 increased by 4.2% over 2013, or decreased by 2.6% excluding the effects of consolidating Telekom Austria. This decrease principally reflects reduced traffic, principally long-distance, in part explained by increased penetration of wireless technology, and new regulatory measures affecting companies operating in the telecommunications sector in countries in which we operate, such as Colombia and Mexico.

*Wireless Data* Wireless data revenues for 2014 increased by 22.1%, or Ps.35.3 billion, over 2013. At constant exchange rates, wireless data revenues for 2014 increased by 25.2% over 2013, or 17.5% excluding the effects of consolidating Telekom Austria. This increase principally reflects increased use of services such as media and content downloading, web browsing, content streaming and machine-to-machine services, driven in part by increased use of social networking websites and content downloading on handsets, tablets and notebooks.

*Fixed Data* Fixed data revenues for 2014 increased by 14.7%, or Ps.12.5 billion, over 2013. At constant exchange rates, fixed data revenues for 2014 increased by 17.9% over 2013, or 12.6% ,excluding the effects of consolidating Telekom Austria. This increase principally reflects residential broadband services growth, fueled by higher quality services with greater coverage, and the growth of corporate data services such as cloud, dedicated lines, leasing and data center services.

*Pay TV* Pay TV revenues for 2014 increased 12.4%, or Ps.7.5 billion, over 2013. At constant exchange rates, Pay TV revenues for 2014 increased by 17.4% over 2013, or 16.9% excluding the effects of consolidating Telekom Austria. This increase reflects RGU growth and increased revenues driven by new plans and channel packages that integrate multiple services, particularly in Brazil, Colombia, Peru and Ecuador.

*Equipment, Accessories and Computer Sales* Revenues from equipment, accessories and computer sales for 2014 increased by 13.1%, or Ps.11.1 billion, over 2013. At constant exchange rates, revenues from equipment, accessories and computer sales for 2014 increased by 18.1% over 2013, or 13.9% excluding the effects of consolidating Telekom Austria. This increase reflects an increase in sales of higher-end smart phones, feature phones and other data-enabled devices, as well as new commercial plans and promotions among postpaid and prepaid subscribers, which contributed to an increase in handset, tablet and electronics sales.

*Other Services* Revenues from other services for 2014 increased by 11.8%, or Ps.2.3 billion, over 2013. At constant exchange rates, revenues from other services for 2014 increased by 25.4% over 2013, or decreased by 7.6% excluding the effects of consolidating Telekom Austria. This decrease reflects a fall in revenues from other services such as wireless security services, telephone directories and call center services.

**Operating Costs and Expenses**

*Cost of sales and services* Cost of sales and services for 2014 increased by 7.8%, or Ps.27.8 billion, over 2013, representing 45.5% of operating revenues compared to 45.6% of operating revenues for 2013. At constant exchange rates, cost of sales and services for 2014 increased by 10.4% over 2013, or 6.4% excluding the effects of consolidating Telekom Austria.

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Cost of sales was Ps.129.6 billion for 2014, an increase of 6.3% from Ps.122.0 billion in 2013. Excluding the effects of consolidating Telekom Austria, cost of sales was Ps.125.1 billion for 2014 and Ps.122.0 billion for 2013. This increase primarily reflects the purchase of increasing quantities of smartphones for sale to customers in all countries in which we operate, and an increase in subsidies we provide in order to acquire and retain subscribers and to incentivize prepaid subscribers to switch to postpaid plans.

Cost of services was Ps.256.5 billion for 2014, an increase of 8.5% from Ps.236.3 billion in 2013. Excluding the effects of consolidating Telekom Austria, cost of services was Ps.246.9 billion for 2014 and Ps.236.3 billion for 2013. This increase primarily reflects an increase in costs related to the growth of our Pay TV business, increased costs to support the growth of our wireless data business, higher royalty payments, an increase in real estate, leasing, electricity, network maintenance and labor costs and an increase in annual concession fees.

*Commercial, administrative and general expenses* Commercial, administrative and general expenses for 2014 increased by 11.1%, or Ps.18.5 billion, over 2013. As a percentage of operating revenues, commercial, administrative and general expenses for 2014 and 2013 were 21.9% and 21.3%, respectively. At constant exchange rates, commercial, administrative and general expenses for 2014 increased by 14.9% over 2013, or 7.1% excluding the effects of consolidating Telekom Austria. This primarily reflects increased expenses related to higher customer service costs, including increases in the number of customer service centers and employees, in order to provide better customer care and quality of service.

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.

*Other expenses* Other expenses for 2014 increased by 2.0%, or Ps.0.01 billion, over 2013 principally as a result of the consolidation of Telekom Austria.

*Depreciation and amortization* Depreciation and amortization for 2014 increased by 13.3%, or Ps.13.5 billion, over 2013 principally as a result of the consolidation of Telekom Austria and capital expenditures made in recent years. As a percentage of operating revenues, depreciation and amortization for 2014 increased slightly to 13.6% compared to 12.9% for 2013. At constant exchange rates, depreciation and amortization for 2014 increased by 12.0% excluding the effects of consolidating Telekom Austria.

**Operating Income**

Operating income for 2014 increased by 1.5%, or Ps.2.3 billion, from 2013. Operating margin (operating income as a percentage of operating revenues) for 2014 was 18.5% compared to 19.6% for 2013. Excluding the effects of consolidating Telekom Austria, operating income for 2014 increased by 0.2%, due principally to increased use of fixed and wireless data services partially offset by higher costs for subscriber acquisition, network maintenance and customer service, as well as the growth of lower-margin businesses such as Pay TV and TracFone, and greater depreciation and amortization charges.



**Non-Operating Items**

*Net Interest Expense* Net interest expense (interest expense less interest income) for 2014 increased by Ps.3.4 billion, or 16.4%, over 2013, or 7.1% excluding the effects of consolidating Telekom Austria, attributable to a small increase in our net debt and appreciation of some of the currencies in which our indebtedness is denominated, particularly the U.S. dollar.

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*Foreign Currency Exchange Loss, Net* We recorded a net exchange loss of Ps.28.6 billion for 2014, compared to a net exchange loss of Ps.19.6 billion for 2013. Excluding the effects of consolidating Telekom Austria, net exchange losses increased by 45.6% from 2013, primarily attributable to the appreciation of some of the currencies in which our indebtedness is denominated, particularly the U.S. dollar.

*Valuation of Derivatives, Interest Cost from Labor Obligations and Other Financial Items, Net* The net change in valuation of derivatives and other financial items represented a loss of Ps.10.2 billion for 2014, compared to a loss of Ps.8.3 billion for 2013. This item reflects the loss recorded on our sale of KPN shares, which was partially offset by value gains on the derivative instruments we use to hedge against exchange rate risk in our indebtedness.

*Equity interest in net income of associated companies* Our share of the net loss of associated companies accounted for under the equity method was Ps.6.1 billion in 2014 and Ps.0.04 billion in 2013. Our results from equity-method investees for 2014 primarily reflect our interest in KPN, which we acquired in 2012 and our equity interest in Telekom Austria for the first six months of 2014.

*Income Tax* Our income tax expenses for 2014 increased by 30.6% over 2013. In Mexico, for tax purposes we recognize a taxable gain attributable to the effects of inflation on our financial liabilities. Our effective rate of provisions for corporate income tax as a percentage of profit before income tax was 45.5% for 2014, compared to 28.8% for 2013. Our effective tax rate differed from the Mexican statutory rate of 30.0% principally because of the higher level of taxable inflationary effects and non-deductible expenses, including impairments in connection with the consolidation of Telekom Austria and the reorganization of our Brazilian subsidiaries, the equity interest in net loss of associated companies as well as the loss associated with our sale of shares in KPN.

**Net Profit**

We recorded net profit of Ps.47.5 billion for 2014, a decrease of 36.6%, or Ps.27.5 billion, from net profit of Ps.75.0 billion in 2013. Excluding the effects of consolidating Telekom Austria, net profit in 2014 decreased by 40.5% compared to 2013. This decrease reflects our foreign exchange losses, greater depreciation and amortization charges and a higher tax burden.

**SEGMENT RESULTS OF OPERATIONS**

We discuss below the operating results of each reportable segment. Note 22 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.

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 period indicated. The U.S. dollar is our functional currency in several of the countries or territories in which we operate in addition to the United States, including Ecuador and Puerto Rico.

**Mexican pesos per foreign currency unit  
(average for the period)**

|                | 2013    | % Change | 2014    | % Change | 2015    |
|----------------|---------|----------|---------|----------|---------|
| Brazilian real | 5.9334  | (4.7)    | 5.6574  | (15.0)   | 4.8068  |
| Colombian peso | 0.0068  | (2.5)    | 0.0067  | (13.4)   | 0.0058  |
| Argentine peso | 2.3410  | (29.9)   | 1.6406  | 4.5      | 1.7152  |
| U.S. dollar    | 12.7660 | 4.2      | 13.2969 | 19.2     | 15.8504 |
| Euro           | 16.9966 | 4.0      | 17.6507 | (1.5)    | 17.3886 |

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

**Year ended December 31, 2013**

|                 | <b>Operating revenues</b>      |                                      | <b>Operating income (loss)</b> |   |
|-----------------|--------------------------------|--------------------------------------|--------------------------------|---|
|                 | (in millions of Mexican pesos) | (as a % of total operating revenues) | (in millions of Mexican pesos) | (as a % of total operating income (loss)) |
| 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                                       |
| <b>Total</b>    | <b>Ps. 786,101</b>             | <b>100.0%</b>                        | <b>Ps. 154,258</b>             | <b>100.0%</b>                             |

**Year ended December 31, 2014**

|                 | <b>Operating revenues</b>      |                                      | <b>Operating income (loss)</b> |   |
|-----------------|--------------------------------|--------------------------------------|--------------------------------|---|
|                 | (in millions of Mexican pesos) | (as a % of total operating revenues) | (in millions of Mexican pesos) | (as a % of total operating income (loss)) |
| Mexico Wireless | Ps. 195,710                    | 23.1%                                | Ps. 73,462                     | 46.9%                                     |
| Mexico Fixed    | 107,518                        | 12.7                                 | 22,284                         | 14.5                                      |
| Brazil          | 204,647                        | 24.1                                 | 12,669                         | 8.1                                       |

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|                 |                    |               |                    |               |
|-----------------|--------------------|---------------|--------------------|---------------|
| Colombia        | 75,992             | 9.0           | 17,669             | 11.3          |
| Southern Cone   | 56,532             | 6.7           | 6,593              | 4.2           |
| Andean Region   | 47,802             | 5.6           | 12,132             | 7.7           |
| Central America | 27,023             | 3.2           | (212)              | (0.1)         |
| United States   | 91,097             | 10.7          | 1,520              | 1.0           |
| Caribbean       | 25,842             | 3.0           | 4,923              | 3.1           |
| Europe          | 37,392             | 4.4           | 5,229              | 3.3           |
| Eliminations    | (21,293)           | (2.5)         | 285                | 0.2           |
| <b>Total</b>    | <b>Ps. 848,262</b> | <b>100.0%</b> | <b>Ps. 156,554</b> | <b>100.0%</b> |

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|                 | <b>Operating revenues</b>             |   | <b>Operating income</b>               |   |
|-----------------|---------------------------------------|---|---------------------------------------|---|
|                 | <b>(in millions of Mexican pesos)</b> | <b>(as a % of total operating revenues)</b> | <b>(in millions of Mexican pesos)</b> | <b>(as a % of total operating income)</b> |
| Mexico Wireless | Ps. 204,825                           | 22.9%                                       | Ps. 70,726                            | 50.0%                                     |
| Mexico Fixed    | 101,078                               | 11.3  | 15,947                                | 11.3                                      |
| Brazil          | 178,174                               | 19.9  | 10,879                                | 7.7                                       |
| Colombia        | 66,137                                | 7.4   | 13,362                                | 9.4                                       |
| Southern Cone   | 68,948                                | 7.7   | 9,185                                 | 6.5                                       |
| Andean Region   | 51,959                                | 5.8   | 7,853                                 | 5.6                                       |
| Central America | 34,752                                | 3.9   | 1,750                                 | 1.2                                       |
| United States   | 110,654                               | 12.4  | 1,294                                 | 0.9                                       |
| Caribbean       | 29,658                                | 3.3   | 3,891                                 | 2.8                                       |
| Europe          | 73,160                                | 8.2   | 6,247                                 | 4.4                                       |
| Eliminations    | (25,128)                              | (2.8)                                       | 320                                   | 0.2                                       |
| <b>Total</b>    | <b>Ps. 894,217</b>                    | <b>100.0%</b>                               | <b>Ps. 141,454</b>                    | <b>100.0%</b>                             |

**Interperiod Segment Comparisons**

The following discussion addresses the financial performance of each of our reportable segments, first by comparing results for 2015 and 2014, and then by comparing results for 2014 and 2013. 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 22 to our audited financial statements, which is prepared in accordance with IFRS. Each reportable segment includes all income, cost and expense eliminations that occurred between subsidiaries within the reportable 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, adjusted segment operating income and adjusted operating margin

(adjusted operating income as a percentage of adjusted operating revenues). The adjustments eliminate (i) certain intersegment transactions, (ii) for our non-Mexican segments, the effects of exchange rate changes and (iii) for the Mexican Wireless segment only, revenues and costs of group corporate activities and other businesses that are allocated to the Mexico Wireless segment.

## **2015 COMPARED TO 2014**

### **Mexico Wireless**

The number of net prepaid wireless subscribers for 2015 increased by 1.6% over 2014, and the number of net postpaid wireless subscribers increased by 12.8%, resulting in an increase in the total net number of wireless subscribers in Mexico of 3.1%, or 2.2 million, to approximately 73.7 million as of December 31, 2015.

Segment operating revenues for 2015 increased by 4.7% over 2014. Adjusted revenues for 2015 increased by 2.4% over 2014. This increase was primarily due to an increase in value-added services revenues. Wireless voice revenues for 2015 decreased by 17.4% over 2014, reflecting primarily the elimination of domestic roaming charges and the

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elimination of termination charges. Wireless data revenues increased by 7.9% in 2015, primarily due to the increased use of value-added services by our wireless subscribers, including activity from messaging, content downloading, mobile applications and social media, and an increase in revenues from service plans offering higher data capacity.

Segment operating income for 2015 decreased by 3.7% over 2014. Adjusted operating income for 2015 decreased by 7.3% over 2014. Segment operating margin was 34.5% in 2015 and 37.5% in 2014. Adjusted operating margin for this segment was 39.5% in 2015 and 43.7% in 2014. The decrease in operating margin in 2015 was due primarily to certain negative effects from the changes in Mexican regulation and to costs related to network maintenance and expansion, as well as network capacity to absorb higher bandwidth usage and customer service.

**Mexico Fixed**

The number of fixed RGUs in Mexico for 2015 decreased by 1.2% over 2014, and the number of broadband RGUs in Mexico decreased by 4.0%, resulting in a decrease in total fixed RGUs in Mexico of 2.3% to approximately 21.7 million as of December 31, 2015 over 2014. The decrease in broadband RGUs was driven primarily by a change in recognition of fixed RGUs, which now excludes those fixed RGUs that maintain a 60-day or more delinquent account.

Segment operating revenues for 2015 decreased by 6.0% over 2014. Adjusted revenues for 2015 decreased by 4.9% over 2014. This decrease was primarily due to the elimination of charges for domestic long-distance calls in January 2015. Fixed voice revenues for 2015 decreased by 18.8% over 2014, reflecting reductions in the overall number of fixed-lines, national and international long-distance rates and usage. Fixed data revenues for 2015 increased by 5.4% over 2014, reflecting an increase in revenues from broadband and corporate network services.

Segment operating income for 2015 decreased by 28.4% over 2014. Adjusted segment operating income for 2015 decreased by 29.6% over 2014. Segment operating margin was 15.8% in 2015 and 20.7% in 2014. Adjusted operating margin for this segment was 14.1% in 2015 and 19.1% in 2014. The decrease in the segment operating margin for 2015 was primarily due to increases in costs associated with customer service and service quality improvements as well as network maintenance.

**Brazil**

The number of net prepaid wireless subscribers for 2015 decreased by 11.0% over 2014, and the number of net postpaid wireless subscribers increased by 6.4%, resulting in a decrease in the total net number of wireless subscribers in Brazil of 7.2%, or 5.1 million over 2014, to approximately 66.0 million as of December 31, 2015. In 2015, the number of fixed voice RGUs increased by 3.2%, the number of broadband RGUs increased by 7.7% and the number of Pay TV RGUs decreased by 2.7%, resulting in an increase in total fixed RGUs in Brazil of 1.5% to approximately 36.6 million as of December 31, 2015 over 2014.

Segment operating revenues for 2015 decreased by 12.9% over 2014. Adjusted segment operating revenues for 2015 increased by 1.8% over 2014. This increase was primarily due to higher wireless and fixed data as well as Pay TV revenues. Wireless data revenues for 2015 increased by 23.2% and fixed data revenues for 2015 increased by 9.6%, principally due to higher customer usages of media and content-downloading data and of value-added services, such as SMS messaging and web browsing, as well as, in the case of fixed data, an increase in the fixed RGU base. Pay TV



revenues for 2015 increased by 7.3% as a result of an increase in the purchase of additional services, such as video-on-demand and bundled packages. Wireless and fixed voice revenues decreased by 18.4% and 7.4%, respectively, in 2015 over 2014. The principal factors underlying the decrease in revenues were the reduction of

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interconnection rates and reduced long-distance and fixed-to-mobile charges. The decrease in fixed voice revenues is primarily attributable to decreases in revenues from local services and the reduction of interconnection rates and domestic long-distance calls.

Segment operating income for 2015 decreased by 14.1% over 2014. Adjusted segment operating income for 2015 increased by 2.5% over 2014. Segment operating margin was 6.1% in 2015 and 6.2% in 2014. Adjusted segment operating margin was 4.9% in 2015 and 4.9% in 2014. The decrease in segment operating margin for 2015 was primarily due to higher subscriber acquisitions, customer service and call centers costs, as well as higher advertising, rent and marketing costs associated with the integration of our various Brazilian brands.

**Colombia**

In 2015, the number of net prepaid wireless subscribers decreased by 3.4%, and the number of net postpaid wireless subscribers increased by 0.1%, resulting in a decrease in the total net number of wireless subscribers in Colombia of 2.7%, or 0.8 million, to approximately 29.0 million as of December 31, 2015. In 2015, the number of fixed voice RGUs increased by 12.7%, the number of broadband RGUs increased by 15.5% and the number of Pay TV RGUs increased by 2.3%, resulting in an increase in total fixed RGUs in Colombia of 9.3% to approximately 5.8 million as of December 31, 2015.

Segment operating revenues for 2015 decreased by 13.0% over 2014. Adjusted operating revenues for 2015 decreased by 0.5% over 2014. This decrease was primarily due to lower wireless interconnection rates, airtime use by wireless prepaid subscribers and, in the case of postpaid wireless subscribers, a decrease in subscription plan fees. Fixed and wireless data revenues increased by 10.8% and 20.6%, respectively, in 2015, primarily due to an increase in sales of bundled packages of wireless services, higher demand for data plans and an increase in subscribers for internet services. Fixed voice revenues increased by 9.8% and wireless voice revenues decreased by 21.8% in 2015. Pay TV revenues for 2015 increased by 16.5% as a result of an increase in the number of subscribers.

Segment operating income for 2015 decreased by 24.4% over 2014. Adjusted segment operating income for 2015 decreased by 10.1% over 2014. Segment operating margin was 20.2% in 2015 and 23.3% in 2014. Adjusted segment operating margin was 23.8% in 2015 and 26.3% in 2014. The decrease in segment operating margin for 2015 was primarily due to higher advertising, lease, maintenance and customer service costs, customer acquisition costs and costs related to TV content.

**Southern Cone Argentina, Chile, Paraguay and Uruguay**

In 2015, the number of net prepaid wireless subscribers decreased by 5.6%, and the number of net postpaid wireless subscribers increased by 4.5%, resulting in an increase in the total net number of wireless subscribers in our Southern Cone segment of 5.2%, or 1.4 million, to approximately 29.2 million as of December 31, 2015. In 2015, the number of fixed voice RGUs increased by 2.0%, the number of broadband RGUs increased by 8.5% and the number of Pay TV RGUs decreased by 6.5%, resulting in a decrease in total fixed RGUs in our Southern Cone segment of 0.4% to approximately 1.8 million as of December 31, 2015.

Segment operating revenues for 2015 increased by 22.0% over 2014, reflecting an increase of 28.1% in Argentina, Paraguay and Uruguay and an increase of 6.3% in Chile. Adjusted segment operating revenues for 2015 increased by

16.7% over 2014, reflecting an increase of 22.5% in Argentina, Paraguay and Uruguay and an increase of 2.3% in Chile. The increase in operating revenues was driven primarily in Chile and Argentina from higher data usage, such as data purchased in bundled service packages. 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.

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Segment operating income for 2015 increased by 39.3% over 2014, reflecting an increase in operating income of 31.8% in Argentina, Paraguay and Uruguay and an increase in operating loss of 17.6% in Chile. Adjusted segment operating income for 2015 increased by 32.6% over 2014, reflecting an increase in adjusted operating income of 26.2% in Argentina, Paraguay and Uruguay and an increase in adjusted operating loss by 13.2% in Chile.

Segment operating margin was 13.3% in 2015 and 11.7% in 2014. This increase reflects an operating margin of 28.2% in Argentina, Paraguay and Uruguay, which was partially offset by a negative operating margin of 21.4% in Chile. Adjusted segment operating margin was 15.0% in 2015, compared to 13.2% in 2014, and reflects an adjusted operating margin of 28.1% in Argentina, Paraguay and Uruguay, partially offset by a negative operating margin of 21.4% in Chile. Results of operations in this segment during 2015 are partially explained by cost efficiencies related to maintenance, commercial leases for customer services centers, stores and tower spaces and customer service centers.

**Andean Region Ecuador and Peru**

In 2015, the number of net prepaid wireless subscribers decreased by 21.0%, and the number of net postpaid wireless subscribers increased by 3.7%, resulting in a decrease in the total net number of wireless subscribers in our Andean Region segment of 14.5%, or 3.5 million, to approximately 20.7 million as of December 31, 2015. In 2015, the number of fixed voice RGUs increased by 7.7%, the number of broadband RGUs increased by 19.8% and the number of Pay TV RGUs increased by 1.4%, resulting in an increase in total fixed RGUs in our Andean Region segment of 9.6% to approximately 1.7 million as of December 31, 2015.

Segment operating revenues for 2015 increased by 8.7% over 2014, reflecting operating revenue increases of 10.6% in Ecuador and 6.7% in Peru. Adjusted segment operating revenues for 2015 decreased by 3.2%, reflecting a decrease of 7.1% in Ecuador and an increase of 0.5% in Peru. This decrease in operating revenues reflected, in both Ecuador and Peru, decreases in revenues from our wireless and fixed voice operations, especially prepaid voice plans, despite higher revenues from wireless data and postpaid voice plans, broadband and corporate data services.

Segment operating income for 2015 decreased by 35.3% over 2014, reflecting a decrease in operating income of 24.1% in Ecuador and a decrease of 35.2% in Peru. Adjusted segment operating income for 2015 decreased by 37.0%, reflecting a decrease of 35.4% in Ecuador and a decrease of 38.9% in Peru. Segment operating margin was 15.1% in 2015, reflecting operating margins of 23.3% in Ecuador and 14.4% in Peru, and was 25.4% in 2014. Adjusted segment operating margin was 18.6% in 2015, reflecting adjusted operating margins of 23.6% in Ecuador and 14.4% in Peru, and was 28.7% in 2014. Results of operations in all countries in this segment in 2015 were impacted by increases in customer service, marketing, sales costs, and subsidies in Ecuador, and higher postpaid subscriber acquisition costs driven by a more aggressively competitive environment in Peru.

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

In 2015, the number of net prepaid wireless subscribers increased by 8.7%, and the number of net postpaid wireless subscribers increased by 15.7%, resulting in increase in the total net number of wireless subscribers in our Central America segment of 9.6%, or 1.3 million, to approximately 15.3 million as of December 31, 2015. In 2015, the number of fixed voice RGUs decreased by 0.5%, the number of broadband RGUs increased by 43.7% and the number of Pay TV RGUs increased by 6.7%, resulting in an increase in total fixed RGUs in our Central America segment of

7.5% to approximately 4.9 million as of December 31, 2015.

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Segment operating revenues for 2015 increased by 28.6% over 2014. Adjusted segment operating revenues for 2015 increased by 7.6% over 2014. This increase was driven primarily by increased revenues from wireless and fixed voice services and Pay TV in each country other than El Salvador, and increased revenues from wireless and fixed data services in each country, other than Nicaragua and El Salvador, partially offset by declining fixed voice usage and prices per minute for calls in El Salvador and Guatemala. For this purpose, we analyze adjusted 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.

Segment operating income and adjusted segment operating income increased by approximately ten times in 2015 over 2014. Segment operating margin for 2015 was 5.0%, compared to a negative operating margin for 2014 of 0.8%. Adjusted segment operating margin for 2015 as 5.4%, compared to a negative operating margin for 2014 of 0.6%. Results of operations in all countries in the segment in 2015 were impacted by the increase in operating income, lower maintenance, customer service and acquisition costs associated with increasing our network capacity, quality and coverage in each country.

**Caribbean Dominican Republic and Puerto Rico**

In 2015, the number of net prepaid wireless subscribers increased by 0.9%, and the number of net postpaid wireless subscribers increased by 9.0%, resulting in an increase in the total net number of wireless subscribers in our Caribbean segment of 3.3%, or approximately 200 thousand, to approximately 5.3 million as of December 31, 2015. In 2015, the number of fixed voice RGUs increased by 2.5%, the number of broadband RGUs increased by 9.0% and the number of Pay TV RGUs increased 24.6%, resulting in an increase in total fixed RGUs in our Caribbean segment of 7.0% to approximately 2.5 million as of December 31, 2015.

Segment operating revenues for 2015 increased by 14.8% over 2014. Adjusted segment operating revenues for 2015 decreased by 3.7% over 2014. This decrease was primarily due to lower revenues from wireless and fixed-voice services in Puerto Rico, which was partially offset by an increase in wireless data revenues in the Dominican Republic. 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.

Segment operating income for 2015 decreased by 21.0% over 2014. Adjusted segment operating income for 2015 decreased by 36.5% over 2014. Segment operating margin was 13.1% in 2015 and 19.1% in 2014. Adjusted segment operating margin was 12.6% in 2015 and 19.0% in 2014. The decrease in segment operating income and operating margin for 2015 reflected an increase in costs associated with accrued liabilities, principally our pension obligations in Puerto Rico, as well as costs associated with human resources, network maintenance and subscriber acquisitions.

**United States**

In 2015, the number of net prepaid wireless subscribers decreased by 1.3%, or approximately 300 thousand, to approximately 25.7 million total net wireless subscribers in the United States as of December 31, 2015.

Segment operating revenues for 2015 increased by 21.5% over 2014. Adjusted segment operating revenues for 2015 increased by 1.9% over 2014. This increase reflected higher wireless voice and data usage and revenues driven by the success of existing plans, principally those offered by Straight Talk, which often include unlimited data plans.

Wireless data services increased by 2.5% during 2015 and currently represent 39.7% of segment revenues. In 2015, the number of wireless subscribers, all of which are prepaid subscribers, decreased by 1.3% to approximately 25.7 million as of December 31, 2015 over 2014.

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Segment operating income for 2015 decreased by 14.9% over 2014. Adjusted segment operating income for 2015 decreased by 10.8% over 2014. Segment operating margin was 1.2% in 2015 and 1.7% in 2014. Adjusted segment operating margin was 7.8% in 2015 and 8.9% in 2014. This decrease in segment operating margin for 2015 was primarily due to increased payments to third-party network operators for minutes and megabytes, as well as higher voice and data usages from unlimited plans.

**Europe**

In 2015, the number of net prepaid wireless subscribers increased by 0.2%, and the number of net postpaid wireless subscribers increased by 4.9%, resulting in an increase in the total net number of wireless subscribers in our Europe segment of 3.5%, or approximately 700 thousand, to approximately 20.7 million as of December 31, 2015. In 2015, the number of fixed voice RGUs increased by 9.9%, the number of broadband RGUs increased by 28.4% and the number of Pay TV RGUs increased by 93.7%, resulting in an increase in total fixed RGUs in our Europe segment of 28.2% to approximately 5.6 million as of December 31, 2015.

Segment operating revenues for 2015 was Ps.6,247 million. Segment operating margin and adjusted segment operating margin for 2015 were 8.5% and 13.8%, respectively. We began consolidating Telekom Austria in July 2014.

**2014 COMPARED TO 2013****Mexico Wireless**

In 2014, the number of net prepaid wireless subscribers decreased by 4.1%, and the number of net postpaid wireless subscribers increased by 6.0%, resulting in a decrease in the total net number of wireless subscribers in Mexico of 2.8%, or 2.0 million, to approximately 71.5 million as of December 31, 2014.

Segment operating revenues increased by 1.3% in 2014. Adjusted revenues increased 0.7% in 2014. This increase was primarily driven by an increase in value-added services revenues. Wireless voice revenues decreased by 9.6% in 2014, reflecting primarily the elimination of domestic roaming charges and the elimination of interconnection charges. Wireless data revenues increased by 14.2% in 2014, principally due to increased customer usage of value-added services.

Segment operating income decreased by 6.7% in 2014. Adjusted operating income increased by 0.6% in 2014. Segment operating margin (operating income as a percentage of operating revenues) was 37.5% in 2014 and 40.8% in 2013. Adjusted operating margin for this segment was 43.7% in 2014 and 43.7% in 2013. The decrease in operating margin in 2014 was due principally to the decline in revenues related to new regulatory measures and to costs related to network maintenance and expansion, increased capacity to absorb higher bandwidth usage and customer service.

**Mexico Fixed**

In 2014, the number of fixed RGUs in Mexico decreased by 3.4%, and the number of broadband RGUs in Mexico increased by 2.9%, resulting in a decrease in total fixed RGUs in Mexico of 0.9% to approximately 22.3 million as of December 31, 2014.



Segment operating revenues increased by 1.6% in 2014. This increase was principally due to an increase in fixed data revenues. Fixed voice revenues decreased by 4.5% in 2014, reflecting reductions in the overall number of fixed lines, national and international long-distance rates and usage. Fixed data revenues increased by 9.5% over 2013, reflecting an increase in revenues from broadband and corporate network services, principally due to an increase in the fixed RGU base.

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Segment operating income increased by 11.2% in 2014. Adjusted segment operating income increased by 1.4%. Segment operating margin was 20.7% in 2014 and 18.9% in 2013. Adjusted operating margin for this segment was 19.1% in 2014 and 19.1% in 2013. The increase in segment operating margin for 2014 was principally due to greater cost efficiencies and lower personnel costs, despite increases in costs associated with customer service improvements and network maintenance.

**Brazil**

In 2014, the number of net prepaid wireless subscribers increased by 2.0%, and the number of net postpaid wireless subscribers increased by 9.3%, resulting in an increase in the total net number of wireless subscribers in our Brazil segment of 3.5%, or 2.4 million, to approximately 71.1 million as of December 31, 2014. In 2014, the number of fixed voice RGUs increased by 8.7%, the number of broadband RGUs increased by 13.6% and the number of Pay TV RGUs increased by 10.4%, resulting in an increase in total fixed RGUs in our Brazil segment of 10.4% to approximately 36.1 million as of December 31, 2014.

Segment operating revenues increased by 2.4% in 2014. Adjusted segment operating revenues increased by 7.2% in 2014 to increases in wireless, fixed data and Pay TV revenues. Wireless data revenues increased by 25.2% in 2014 and fixed data revenues increased by 14.4%, as a result of an increase in the subscriber base and increased data usage for media and content downloading and greater use of value-added services such as SMS messaging and web browsing. Pay TV revenues increased by 16.6% in 2014 as a result of a growing fixed RGU base and an increase in the purchase of additional services such as video-on-demand. Wireless and fixed voice revenues decreased by 10.9% and increased by 0.2%, respectively, in 2014. The principal factors in the decrease in revenues were the reduction of interconnection rates and reduced long distance and fixed-to-mobile charges. The increase in fixed voice revenues is primarily attributable to increased RGUs for fixed-line services offered by the NET Fone brand, partially offset by reduced revenues from local services and increased costs associated with promotions and bundled packages of services offered by NET Fone.

Segment operating income increased by 14.1% in 2014. Adjusted segment operating income increased by 23.8%. Segment operating margin was 6.2% in 2014 and 5.6% in 2013. Adjusted segment operating margin was 4.9% in 2014 and 4.2% in 2013. Adjusted segment operating income and operating margin in 2014 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**

In 2014, the number of net prepaid wireless subscribers increased by 2.8%, and the number of net postpaid wireless subscribers increased by 2.6%, resulting in an increase in the total net number of wireless subscribers in our Colombia segment of 2.8%, or 0.8 million, to approximately 29.8 million as of December 31, 2014. In 2014, the number of fixed voice RGUs increased by 16.1%, the number of broadband RGUs increased by 18.2% and the number of Pay TV RGUs increased by 4.7%, resulting in an increase in total fixed RGUs in our Colombia segment of 11.8% to approximately 5.3 million as of December 31, 2014.

Segment operating revenues increased 2.4% in 2014. Adjusted operating revenues increased by 5.2%. Fixed and wireless data services increased by 13.3% and 5.8%, respectively, in 2014, primarily due to increased purchase of

bundled packages of services, higher demand for data plans and an increase in subscribers for internet services. Fixed voice revenues increased by 4.2% and wireless voice revenues decreased 4.9% in 2014. Pay TV revenues increased by 13.4% in 2014.

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Segment operating income decreased by 17.2% in 2014. Adjusted segment operating income decreased by 12.6%. Segment operating margin was 23.3% in 2014 and 28.8% in 2013. Adjusted segment operating margin was 26.3% in 2014 and 31.7% in 2013. Segment operating margin in 2014 was affected by higher electricity, lease, maintenance and customer service costs and an obligation imposed by the Colombian government to provide free tablets and handsets to certain people in low-income brackets as a condition for our acquisition of 4G spectrum.

**Southern Cone Argentina, Chile, Paraguay and Uruguay**

In 2014, the number of net prepaid wireless subscribers decreased by 4.7%, and the number of net postpaid wireless subscribers increased by 4.8%, resulting in a decrease in the total net number of wireless subscribers in our Southern Cone segment of 1.5%, or 0.4 million, to approximately 27.8 million as of December 31, 2014. In 2014, the number of fixed voice RGUs increased by 6.4%, the number of broadband RGUs increased by 6.6% and the number of Pay TV RGUs increased by 6.6%, resulting in an increase in total fixed RGUs in our Southern Cone segment of 6.5% to approximately 1.8 million as of December 31, 2014.

Segment operating revenues decreased by 8.1% in 2014, reflecting a decrease of 4.3% in Argentina, Paraguay and Uruguay and a decrease of 15.2% in Chile. Adjusted segment operating revenues increased by 20.1%, reflecting an adjusted operating revenue increase of 36.5% in Argentina, Paraguay and Uruguay and a decrease of 6.2% in Chile. The decrease in operating revenues was driven primarily by lower interconnection tariffs due to regulatory measures in Chile, partially offset by increased revenues in Chile and Argentina from higher data usage, such as data purchased in bundled service packages. 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.

Segment operating income increased by 6.8% in 2014, reflecting a decrease in operating income of 0.8% in Argentina, Paraguay and Uruguay and a decrease in operating loss of 15.2% in Chile. Adjusted segment operating income increased by 68.5%, reflecting an increase in adjusted operating income of 42.5% in Argentina, Paraguay and Uruguay and an increase in adjusted operating loss of 6.4% in Chile. Segment operating margin was 11.7% in 2014, reflecting an operating margin of 27.4% in Argentina, Paraguay and Uruguay and (19.3)% in Chile. Adjusted operating margin was 15.9% in 2014, reflecting an adjusted operating margin of 28.1% 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. Results of operations in all countries in the segment in 2014 reflected cost efficiencies related to maintenance, leases, spare parts and customer services, which grew at a lower rate than operating income, as well as a decrease in spectrum costs in Chile.

**Andean Region Ecuador and Peru**

In 2014, the number of net prepaid wireless subscribers decreased by 1.0%, and the number of net postpaid wireless subscribers increased by 9.7%, resulting in an increase in the total net number of wireless subscribers in our Andean Region segment of 1.6%, or 0.4 million, to approximately 24.2 million as of December 31, 2014. In 2014, the number of fixed voice RGUs increased by 11.7%, the number of broadband RGUs increased by 25.8% and the number of Pay TV RGUs increased by 20.5%, resulting in an increase in total fixed RGUs in our Andean Region segment of 17.3% to approximately 1.6 million as of December 31, 2014.

Segment operating revenues increased by 6.0% in 2014, reflecting operating revenue increases of 4.5% in Ecuador and 7.4% in Peru. Adjusted segment operating revenues increased by 4.4%, reflecting increases of 0.3% in Ecuador and 8.4% in Peru. This increase in operating revenues reflected, in both Ecuador and Peru, higher wireless data and postpaid plan usage, as well as higher revenues from fixed data and corporate network services, slightly offset by a decrease in revenues from our mobile and fixed voice operations.

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Segment operating income increased by 1.9% in 2014, reflecting operating income increases of 7.6% in Ecuador and decreases of 3.8% in Peru. Adjusted segment operating income increased by 0.8%, reflecting an increase of 3.3% in Ecuador, driven by efficiencies gained in customer services, marketing, sales costs and subsidies, which was partially offset by a decrease of 2.8% in Peru, caused by higher postpaid subscriber acquisition costs driven by a more aggressively competitive environment. Segment operating margin was 25.4% in 2014, reflecting operating margins of 33.9% in Ecuador and 23.8% in Peru. Adjusted segment operating margin was 28.6% in 2014, reflecting adjusted operating margins of 34.0% in Ecuador and 23.8% in Peru.

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

In 2014, the number of net prepaid wireless subscribers decreased by 22.5%, and the number of net postpaid wireless subscribers increased by 14.9%, resulting in a decrease in the total net number of wireless subscribers in our Central America segment of 18.9%, or 3.3 million, to approximately 14.0 million as of December 31, 2014. In 2014, the number of fixed voice RGUs increased by 7.3%, the number of broadband RGUs increased by 7.0% and the number of Pay TV RGUs increased by 11.5%, resulting in an increase in total fixed RGUs in our Central America segment of 8.1% to approximately 4.6 million as of December 31, 2014.

Segment operating revenues increased by 11.6% in 2014. Adjusted segment operating revenues increased by 7.1% in 2014. This increase was driven primarily by increased revenues from wireless voice and fixed and wireless data services in each country and, in Nicaragua, in Pay TV, partially offsetting declining fixed voice usage and prices per minute for calls in El Salvador and Guatemala. For this purpose, we analyze adjusted 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.

Segment operating loss decreased by 81.2% in 2014. Adjusted segment operating loss decreased by 85.8%. Segment operating margin was (0.8)% in 2014 and (4.7)% in 2013. Adjusted segment operating margin was (0.6)% in 2014 and (4.5)% in 2013. This increase in adjusted segment operating margin reflected the increase in operating income, offsetting the growth in costs related to maintenance, customer service and new acquisitions associated with increasing our network capacity, quality and coverage in each country.

**Caribbean Dominican Republic and Puerto Rico**

In 2014, the number of net prepaid wireless subscribers decreased by 16.8 %, and the number of net postpaid wireless subscribers increased by 3.1%, resulting in a decrease in the total net number of wireless subscribers in our Caribbean segment of 11.7 %, or 0.7 million, to approximately 5.0 million as of December 31, 2014. In 2014, the number of fixed voice RGUs did not change, the number of broadband RGUs increased by 8.8% and the number of Pay TV RGUs increased by 20.3%, resulting in an increase in total fixed RGUs in our Caribbean segment of 4.6% to approximately 2.4 million as of December 31, 2014.

Segment operating revenues increased by 1.3% in 2014. Adjusted segment operating revenues decreased by 2.8%. 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.

Segment operating income increased by 9.9% in 2014. Adjusted segment operating income increased by 7.4% in 2014. Segment operating margin was 19.1% in 2014 and 17.6% in 2013. Adjusted segment operating margin was 19.0% in 2014 and 17.2% in 2013. The increase in segment operating income and operating margin for 2014 reflected a reduction in costs associated with accrued liabilities, principally our pension obligations in Puerto Rico, offsetting increased costs associated with human resources, network maintenance and subscriber acquisition.

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**United States**

In 2014, the number of net prepaid wireless subscribers increased by 9.9%, or 2.3 million, to approximately 26.0 million total net wireless subscribers as of December 31, 2014.

Segment operating revenues increased by 18.1% in 2014. Adjusted segment operating revenues increased by 13.4% in 2014. This increase reflected higher wireless voice and data usage and revenues driven by the success of new and existing plans, principally those offered by Straight Talk, which often include unlimited data plans. Wireless data services increased by 19.6% during 2014 and now represent 43.9% of service revenues. In 2014, the number of wireless subscribers, all of which are prepaid subscribers, increased by 9.9% to approximately 26.0 million as of December 31, 2014.

Segment operating income increased to Ps.1.5 billion in 2014 from an operating loss of Ps.1.0 billion during 2013. Adjusted segment operating income increased by 20.6% in 2014, reflecting the increase in our operating revenues, as well as important cost reductions for airtime, data and SMS messaging purchases.

Segment operating margin was 1.7% in 2014 and 1.2% in 2013. Adjusted segment operating margin was 8.9% in 2014 and 8.4% in 2013.

**Europe**

We began consolidating Telekom Austria in July 2014. Prior to July 2014, we accounted for Telekom Austria using the equity method.

In 2014, the number of net prepaid wireless subscribers were 5.9 million, and the number of net postpaid wireless subscribers were 14.1 million, resulting in a total net number of wireless subscribers in our Europe segment of 20.0 million as of December 31, 2014. In 2014, the number of fixed voice RGUs were 2.0 million, the number of broadband RGUs were 1.8 million and the number of Pay TV RGUs were 0.6 million, resulting in total fixed RGUs in our Europe segment of approximately 4.4 million as of December 31, 2014.



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**LIQUIDITY AND CAPITAL RESOURCES**

**Funding Requirements**

We generate substantial cash flows from our operations. On a consolidated basis, operating activities provided Ps.163.7 billion in 2015 and Ps.240.6 billion in 2014. Our cash and cash equivalents amounted to Ps.45.2 billion at December 31, 2015 compared to Ps.66.5 billion at December 31, 2014. We believe our working capital is sufficient for our present requirements. We use the cash that we generate from our operations and from borrowings principally 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.151.6 billion in 2015, Ps.145.6 billion in 2014 and Ps.121.8 billion in 2013. 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 2016 of be approximately U.S.\$8.5 billion (Ps.146.7 billion).

In some years, we have made substantial expenditures on acquisitions.

We must pay interest on our indebtedness and repay principal when due. As of December 31, 2015, we had approximately Ps.119.6 billion of principal and amortization due in 2016.

We pay regular dividends. We paid Ps.37.4 billion in dividends in 2015 and Ps.17.1 billion in 2014. Our shareholders approved on April 18, 2016 the payment of a Ps.0.28 ordinary dividend per share in two installments in 2016.

We regularly repurchase our own shares. We spent Ps.34.4 billion repurchasing our own shares in the open market in 2015 and Ps.35.0 billion in 2014. Our shareholders have authorized additional repurchases, and as of March 31, 2016, we have spent Ps.2.2 billion repurchasing our shares in the open market in 2016, 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.

**Off-balance Sheet Arrangements**

As of December 31, 2015, we had no off-balance sheet arrangements that require disclosure under applicable SEC regulations.

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The following table summarizes certain contractual obligations as of December 31, 2015. Many of our obligations are denominated in currencies other than Mexican pesos, and in particular our purchase obligations and approximately 38% of our debt are denominated in U.S. dollars. The table does not include accounts payable or pension liabilities. The table also does not include interest payments or payments under derivatives contracts. See Note 21 to our consolidated financial statements.

| Contractual obligations as of<br>December 31, 2015: | Payments Due by Period |                     |                    |                    |                    |
|---|------------------------|---------------------|--------------------|--------------------|--------------------|
|   | Total                  | Less than<br>1 year | 1-3 years          | 4-5 years          | After 5 years      |
|   | <i>(in millions)</i>   |                     |                    |                    |                    |
| Equipment leases                                    | Ps. 234                | Ps. 138             | Ps. 96             | Ps.                | Ps.                |
| Real estate leases                                  | 88,520                 | 10,950              | 20,032             | 18,590             | 38,948             |
| Short-term debt                                     | 119,590                | 119,590             |                    |                    |                    |
| Long-term debt                                      | 563,627                |                     | 125,160            | 133,509            | 304,958            |
| Purchase obligations                                | 82,015                 | 26,931              | 55,084             |                    |                    |
| <b>Total</b>  | <b>Ps. 853,986</b>     | <b>Ps. 157,609</b>  | <b>Ps. 200,372</b> | <b>Ps. 152,099</b> | <b>Ps. 343,906</b> |

Other than the amounts in the table above, we had no other outstanding material purchase commitments as of December 31, 2015. 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.

**Borrowings**

In addition to cash flows generated from operations, we rely on a combination of borrowings from a range of different sources, including the international capital markets, capital markets in Mexico and other countries where we operate, international and local banks, equipment suppliers and export credit agencies. We seek to maintain access to diverse sources of funding. In managing our funding, we generally seek to keep our leverage, as measured by the ratio of net debt to EBITDA, at a level that is consistent with maintaining the ratings given to our debt by the principal credit rating agencies. Our total consolidated indebtedness as of December 31, 2015 was Ps.683.2 billion, of which Ps.119.6 billion was short-term debt (including the current portion of long-term debt), compared to Ps.603.8 billion as of December 31, 2014.

Management defines net debt as total debt minus cash and cash equivalents, minus marketable securities or other short-term investments. As of December 31, 2015, we had net debt of Ps.581.7 billion, compared to Ps.537.3 billion as of December 31, 2014 (when we did not have any marketable securities or other short-term investments).

Without taking into account the effects of derivative financial instruments that we use to manage our interest rate and currency risk, approximately 87.4% of our indebtedness at December 31, 2015 was denominated in currencies other than Mexican pesos (approximately 43.1% of such non-Mexican peso debt in U.S. dollars and 56.9% in other currencies), and approximately 6.5% of our consolidated debt obligations bore interest at floating rates. After the effects of derivative transactions, approximately 38.2% of our total debt as of December 31, 2015 was denominated in U.S. dollars.

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The weighted average cost of all our third-party debt at December 31, 2015 (excluding commissions and reimbursement of certain lenders for Mexican taxes withheld) was approximately 4.2% per annum.

Our major categories of indebtedness at December 31, 2015 are summarized in the table below. The amounts are based on book values in our financial statements under IFRS and may differ from the principal amount.

| <b>Debt:</b>   | <b>(millions of<br/>Mexican pesos)</b> |
|--|--|
| <b>Denominated in U.S. dollars:</b>                      |  |
| Bank loans   | 39,488                                 |
| 2.375% Senior Notes due 2016                             | 34,138                                 |
| Floating Rate Senior Notes due 2016                      | 12,905                                 |
| 5.625% Notes due 2017                                    | 10,033                                 |
| 5.000% Senior Notes due 2019                             | 12,905                                 |
| 5.500% Senior Notes due 2019                             | 6,492                                  |
| 5.000% Senior Notes due 2020                             | 36,561                                 |
| 3.125% Senior Notes due 2022                             | 27,530                                 |
| 6.375% Notes due 2035                                    | 16,885                                 |
| 6.125% Notes due 2037                                    | 6,353                                  |
| 6.125% Senior Notes due 2040                             | 34,413                                 |
| 4.375% Senior Notes due 2042                             | 19,788                                 |
| <b>Total</b>   | <b>Ps. 257,492</b>                     |
| <b>Denominated in Mexican pesos:</b>                     |  |
| Bank loans   | 2,632                                  |
| Domestic senior notes ( <i>certificados bursátiles</i> ) | 22,911                                 |

|                                   |                   |
|-----------------------------------|-------------------|
| 8.75% Senior Notes due 2016       | 4,500             |
| 9.00% Senior Notes due 2016       | 5,000             |
| 6.000% Senior Notes due 2019      | 10,000            |
| 6.45% Senior Notes due 2022       | 22,500            |
| 7.125% Senior Notes due 2024      | 11,000            |
| 8.46% Senior Notes due 2036       | 7,872             |
| <b>Total</b>                      | <b>Ps. 86,415</b> |
| <b>Denominated in euro:</b>       |                   |
| Bank loans                        | 7,316             |
| 6.375% Senior Notes due 2016      | 15,003            |
| 3.75% Senior Notes due 2017       | 18,683            |
| 4.25% Senior Notes due 2017       | 10,017            |
| 1.00% Senior Notes due 2018       | 11,210            |
| 4.125% Senior Notes due 2019      | 18,683            |
| 0.00% Exchangeable Bonds due 2020 | 52,735            |
| 3.00 % Senior Notes due 2021      | 18,683            |

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| <b>Debt:</b>  | <b>(millions of<br/>Mexican pesos)</b> |
|---|--|
| 3.125% Senior Notes due 2021                          | 15,088                                 |
| 4.75% Senior Notes due 2022                           | 14,012                                 |
| 4.00% Senior Notes due 2022                           | 15,756                                 |
| 3.259% Senior Notes due 2023                          | 14,012                                 |
| 3.50% Senior Notes due 2023                           | 6,105                                  |
| Euro NC5 (Euro Series A) Capital Securities due 2073  | 16,815                                 |
| Euro NC10 (Euro Series B) Capital Securities due 2073 | 10,276                                 |
| <b>Total</b>  | <b>Ps. 244,394</b>                     |
| <b>Denominated in pounds sterling:</b>                |  |
| 5.000% Senior Notes due 2026                          | 12,671                                 |
| 5.750% Senior Notes due 2030                          | 16,472                                 |
| 4.948% Senior Notes due 2033                          | 7,603                                  |
| 4.375% Senior Notes due 2041                          | 19,006                                 |
| GBP NC7 Capital Securities due 2073                   | 13,938                                 |
| <b>Total</b>  | <b>Ps. 69,690</b>                      |
| <b>Denominated in Swiss francs:</b>                   |  |
| 2.000% Senior Notes due 2017                          | 4,638                                  |
| 1.130% Senior Notes due 2018                          | 9,447                                  |
| <b>Total</b>  | <b>Ps. 14,085</b>                      |
| <b>Denominated in Japanese yen:</b>                   |  |
| 1.530% Senior Notes due 2016                          | 730                                    |

|  |            |                |
|--|------------|----------------|
| 2.950% Senior Notes due 2039                                   |            | 1,861          |
| <b>Total</b>   | <b>Ps.</b> | <b>2,591</b>   |
| Denominated in Colombian pesos                                 |            | 2,459          |
| Denominated in Brazilian reais                                 |            | 2,752          |
| Denominated in other currencies                                |            | 3,339          |
| <b>Total debt</b>  | <b>Ps.</b> | <b>683,217</b> |
| Less short-term debt and current portion of long-term debt     |            | 119,590        |
| <b>Total long-term debt</b>                                    | <b>Ps.</b> | <b>563,627</b> |
| Equity:  |            |                |
| Capital stock  |            | 96,338         |
| Total retained earnings  |            | 172,332        |
| Other comprehensive income (loss) items                        |            | (156,392)      |
| Non-controlling interest                                       |            | 48,576         |
| <b>Total equity</b>  | <b>Ps.</b> | <b>160,854</b> |
| <b>Total capitalization (total long-term debt plus equity)</b> | <b>Ps.</b> | <b>724,481</b> |



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

*Mexican peso-denominated international notes.* 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 2016 through 2037. Some bear interest at fixed rates, and others at variable rates based on TIIE (a Mexican interbank rate).

*Global peso notes program.* The Global peso notes program was established in November 2012. Since its establishment, 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 the SEC in the United States and with the CNBV in Mexico.

*International notes.* We have outstanding debt securities in the international markets denominated in U.S. dollars, pounds sterling and euros. We have also issued debt securities in the local markets in Switzerland and Japan. In addition to the international notes summarized in the table above, in March 2016, we issued a total of 1.5 billion new notes divided into two tranches: 850 million aggregate principal amount of 1.500% senior notes due in 2024 and 650 million aggregate principal amount of 2.125% senior notes due in 2028.

*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 50.0% 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, 2015 bear interest at 7.59% and mature in 2016.

*Bank loans.* At December 31, 2015, we had approximately Ps.52,189 million outstanding under a number of bank facilities bearing interest at fixed and variable rates. We also have two revolving syndicated

facilities one for U.S.\$2.5 billion (the Dollar Facility ) expiring in 2019 and one for the Euro equivalent of U.S.\$2.1 billion (the Euro Facility ) expiring in May 2016. Loans under the facilities bear interest at variable rates based on LIBOR and EURIBOR. Both facilities include covenants that limit our ability to incur secured debt, to effect a merger in which the surviving entity would not be América Móvil (or, under the Euro Facility, Telcel), or to sell substantially all of our assets. The Euro Facility also includes covenants that limit our ability to sell control of Telcel, to sell substantially all of Telcel's assets, or to impose any restrictions on the ability of Telcel to pay dividends or make distributions to us. In addition, the Dollar and Euro 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. Telekom Austria also has a

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revolving syndicated facility for 1.0 billion (the TKA Facility ). The TKA Facility of 1.0 billion bears interest at EURIBOR plus 0.375% and includes covenants that limit Telekom Austria's ability to incur secured debt, effect certain mergers or sell substantially all of its assets and our ability to transfer control over, or reduced our share ownership in, Telekom Austria.

*Telekom Austria's Subordinated Perpetual Bond.* In January 2013, Telekom Austria issued 600 million aggregate principal amount of its subordinated bonds. The interest rate on the bonds is 5.625% for the first five years and resets every five years beginning in 2018. The bonds have no specified maturity date but may be redeemed at our option at par, in whole but not in part, on any interest reset date beginning in 2018. Under IFRS, we are required to classify the bonds as equity, because of their indefinite maturity, but we intend to redeem them in accordance with their terms at a time we deem convenient.

Some of the public securities issued by América Móvil in international and Mexican capital markets are guaranteed by Telcel. As of December 31, 2015, we had, on an unconsolidated basis, unsecured and unsubordinated indebtedness of approximately Ps.579.3 billion (U.S.\$33.7 billion) excluding guarantees of subsidiaries' indebtedness. As of December 31, 2015, our subsidiaries had indebtedness (excluding guarantees of indebtedness of us and our other subsidiaries) of approximately Ps.103.9 billion (U.S.\$6.0 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 other than the currency of our operating environments, and we have expenses for operations and for capital expenditures in a variety of currencies. 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 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, 2015, we had derivatives positions with an aggregate net fair value of Ps.30.1 billion, which are described in Note 8 to our audited consolidated financial statements. For additional information see Note 2 o) to our audited consolidated financial statements.

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**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

**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 market price quotations, without any deduction for transaction costs, for financial instruments such as available for sale marketable securities and certain debt instruments 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 2015 to Ps.110.2 billion, or 14.6% of our operating costs and expenses. See Note 11 to our audited consolidated financial statements.

We currently depreciate most of our 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.

### **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

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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 y.4) 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.

**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.

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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: (i) the rate of return we assume our labor obligation plans will achieve on their investments, (ii) the rate of increase in salaries that we assume we will observe in future years, (iii) the discount rates that we use to calculate the present value of our future obligations and (iv) the expected rate of inflation. The assumptions we have applied are identified in Note 18 to our audited consolidated financial statements. These estimates are determined based on actuarial studies performed by independent experts using the projected unit-credit method.

**Allowance for Bad Debts**

We maintain an allowance for bad debts 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 operators, both the number of days since the calls were made and any disputes with respect to such calls. The amount of loss, if any, that we actually experience with respect to these accounts may differ from the amount of the allowance maintained in connection with them.



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**PART III: RISK 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 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.

**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 Part VI, Legal Proceedings under Part VII and Note 21 to our audited consolidated financial statements included in this annual report.

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In addition, changes in political administrations could lead to the adoption of policies concerning competition and taxation of communications services. For example, Mexico has developed a new legal framework that aims to promote competition and investment in the telecommunications sector by imposing asymmetric regulation upon economic agents deemed preponderant. In other countries, we could also 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 and related 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 restrictions on our operations. We may also face additional regulatory restrictions and scrutiny as a result of our provision of combined services.

If dominant carrier regulations are imposed on our business in the future, they could likely reduce our flexibility to adopt competitive market policies and impose specific tariff requirements or other special regulations on us, such as additional requirements regarding disclosure of information or quality of service. Any such new regulation could have a material adverse effect on our operations.

**Legal Framework for the Regulation of Telecommunications Services in Mexico**

Mexico developed a new legal framework for the regulation of telecommunications and broadcasting services, based on a package of constitutional amendments enacted in June 2013 and implementing legislation enacted in July 2014. 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. The July 2014 implementing legislation effecting the constitutional amendments, among other things, eliminated domestic long-distance call charges for fixed-line and wireless services provided by all carriers in Mexico and prohibited us from charging interconnection rates. These measures have taken effect 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. The long-term effects of the IFT measures and the implementing legislation could be adverse to our interests in significant respects and could materially adversely affect our business and results of operations.

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*Risk Factors*

**We must continue 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 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.

**We have concessions and licenses for fixed terms, and the government may revoke or terminate them as well as reacquire the assets under our concession under various circumstances, some of which are beyond our control**

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. 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. In some of the jurisdictions where we operate and under certain circumstances, we may be required to transfer certain assets covered by some of our concessions to the government pursuant to valuation methodologies that vary in each jurisdiction. It is uncertain whether reversion would ever be applied and how reversion provisions would be interpreted in practice.

In addition, the regulations in the jurisdictions in which we operate can revoke our concessions under certain circumstances. In Mexico, for example, the Federal Law on Telecommunications and Broadcasting 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. See Regulation under Part VI.

**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 and acquired indebtedness, 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.

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**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 Part VI and in Note 21 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, Brazil and Ecuador. The tax assessments 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 21 to our audited consolidated financial statements included in this annual report.

**Our failure to comply with anti-corruption, anti-bribery and anti-money laundering laws could harm our reputation, subject us to substantial fines and adversely affect our business**

We operate in multiple jurisdictions and are subject to complex regulatory frameworks with increased enforcement activities worldwide. Our governance and compliance processes, which includes the review of internal controls over financial reporting, may not prevent future breaches of legal, accounting or governance standards and regulations. We may be subject to breaches of our code of ethics, anti-corruption policies and business conduct protocols and to instances of fraudulent behavior, corrupt practices and dishonesty by our employees, contractors or other agents. Our failure to comply with applicable laws and other standards could harm our reputation, subject us to substantial fines, sanctions or penalties and adversely affect our business and ability to access financial markets.

**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.

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*Risk Factors*

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 to 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 increased expenditures on cyber security measures, litigation, damage to our reputation, lost revenues from business interruption and the loss of existing customers and business partners. In addition, if we fail to prevent the theft of valuable information such as financial data and sensitive information about us, or if we fail to protect the privacy of customer and employee confidential data against breaches of network or information technology security, it could result in damage to our reputation, which could adversely impact customer and investor confidence. Any of these occurrences could result in a material adverse effect on our results of operations and financial condition.

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

The cost of acquiring a new subscriber is much higher than the cost of maintaining an existing subscriber. Accordingly, subscriber deactivations, or churn, could have a material negative impact on our operating income, even if we are able to obtain one new subscriber for each lost subscriber. A substantial majority of our subscribers are prepaid, and we do not have long-term contracts with them. Our weighted monthly average churn rate on a consolidated basis was 3.8% for the year ended December 31, 2014 and 3.9% for the year ended December 31, 2015. If we experience an increase in our churn rate, our ability to achieve revenue growth could be materially impacted. 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 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 requirements under our concessions.

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*Risk Factors*

**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, divestments 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, divestments and significant investments may not be achieved as expected, or may be delayed. Our divestments, like the spin-off of our Mexican tower business, may also adversely affect our prospects. For example, we may be unable to fully implement our business plans and strategies for the combined businesses due to regulatory limitations, and we may face regulatory restrictions in our provision of combined services in some of the countries in which we operate. To the extent that we incur higher integration costs or achieve lower revenue benefits or fewer cost savings than expected, or if we are required to recognize impairments of acquired assets, investments or goodwill, our results of operations and financial condition may suffer.

**RISKS RELATING TO THE TELECOMMUNICATIONS INDUSTRY GENERALLY**

**Changes in the telecommunications industry could affect our future financial performance**

The telecommunications industry continues to experience significant changes as new technologies are developed that offer subscribers an array of choices for their communications needs. These changes include, among others, regulatory changes, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new products, and changes in end-user needs and preferences. 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 used 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 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

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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**

Where the circumstances require, we review 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 Critical Accounting Policies and Estimates Impairment of Long-Lived Assets under Part II.

**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, a member of our Board of Directors, 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 various transactions with Telesites and certain subsidiaries of Grupo Carso, S.A.B. de C.V. ( Grupo Carso ) and Grupo Financiero Inbursa, S.A.B. de C.V. ( Grupo Financiero Inbursa ), all which may be deemed for certain purposes to be under common control with América Móvil. 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 investments to related parties and buy investments from related parties. For more information about our transactions with affiliates, see [Related Party Transactions](#) under Part IV.

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*Risk Factors*

**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, the procedure for class actions is different, 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 shareholders 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 Mexican Securities Registry (*Registro Nacional de Valores*, or RNV ) maintained by the CNBV or any stock exchange on which they are listed. If you hold L Shares or L Share ADSs, you will not be able to vote on most matters, including the declaration of dividends, that are subject to a shareholder vote in accordance with our bylaws.

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

Under our bylaws, a shareholder is required to deposit its shares with a custodian in order to attend a shareholders meeting. A holder of ADSs will not be able to meet this requirement and, accordingly, is not entitled to attend shareholders meetings. A holder of ADSs is entitled to instruct the depositary as to how to vote the shares represented by ADSs, in accordance with procedures provided for in the deposit agreements, but a holder of ADSs will not be able to vote its shares directly at a shareholders meeting or to appoint a proxy to do so.

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

As required by Mexican law, our bylaws provide that non-Mexican shareholders shall be considered as Mexicans 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 U.S. federal 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 organized under the laws of Mexico, with its principal place of business 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

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*Risk Factors*

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 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 judgments of U.S. courts, of liabilities based solely on 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 U.S. Securities and Exchange Commission (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**

**Economic, political and social conditions in Latin America, the United States, the Caribbean and Europe 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, Central America, the United States and Europe. Many countries in Latin America and the Caribbean, including Mexico, Brazil and Argentina have suffered significant economic, political and social crises in the past, and these events may occur again in the future. We cannot predict whether changes in political administrations will result in changes in governmental policy and whether such changes will affect our business. Factors related to economic, political and social conditions that could affect our performance include:

significant governmental influence over local economies;

substantial fluctuations in economic growth;

high levels of inflation;

changes in currency values;

exchange controls or restrictions on expatriation of earnings;

high domestic interest rates;

price controls;

changes in governmental economic or tax policies;

imposition of trade barriers;

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*Risk Factors*

unexpected changes in regulation; and

overall political, social and economic instability.

Adverse economic, political and social conditions in Latin America, the United States, the Caribbean or in Europe 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, two of our largest markets. For example, our results of operations were adversely affected by weak economic conditions in Brazil in 2015, and may be so affected again in the future.

**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 2015, we reported net foreign exchange losses of Ps.79.0 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 the currencies in which we conduct operations may 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 institute restrictive exchange rate policies in the future. Similarly, the Brazilian government may impose temporary restrictions on the conversion of Brazilian reais into foreign currencies and on the remittance to foreign investors of proceeds from investments in Brazil whenever there is a serious imbalance in Brazil's balance of payments or a reason to foresee a serious imbalance. The Argentine peso has experienced significant devaluation in recent years and the government has adopted restrictions on access to the foreign exchange market and the transfer of foreign currency outside Argentina. 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 (the EU ) 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 EU 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.

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**PART IV: SHARE OWNERSHIP AND TRADING**

**Table of Contents***Share Ownership and Trading***MAJOR SHAREHOLDERS**

The following table sets forth our capital structure as of March 31, 2016.

| <b>Series</b>            | <b>Number of<br/>Shares<br/>(millions)</b> | <b>Percent of<br/>Capital</b> | <b>Combined<br/>A Shares<br/>and AA<br/>Shares<sup>(1)</sup></b> |
|--------------------------|--|-------------------------------|--|
| L Shares (no par value)  | 42,532                                     | 64.6%                         |  |
| AA Shares (no par value) | 22,684                                     | 34.5%                         | 97.4%  |
| A Shares (no par value)  | 607  | 0.9%                          | 2.6%   |
| <b>Total</b>             | <b>65,823</b>                              | <b>100.0%</b>                 | <b>100.0%</b>  |

(1) The AA Shares and A Shares of AMX, together, are entitled to elect a majority of our directors. Holders of L Shares are entitled to limited voting rights under our bylaws. See *Bylaws Voting Rights* under this Part IV. According to reports of beneficial ownership of our shares filed with the SEC, Carlos Slim Helú, together with his sons and daughters (together, the *Slim Family*) may be deemed to control us through their interests in a Mexican trust that holds AA Shares and L Shares for their benefit (the *Family Trust*), their interest in Inversora Carso, S.A. de C.V., including its subsidiary Control Empresarial de Capatales, S.A. de C.V. (CEC), and their direct ownership of our shares. See *Management Directors* and *Management Executive Committee* under Part V and *Related Party Transactions* under this Part IV.

The following table identifies owners of more than 5.0% of any series of our shares as of March 31, 2016. Except as described in the table below and the accompanying notes, we are not aware of any holder of more than 5.0% of any series of our shares. Figures below do not include L Shares that would be held by each shareholder upon conversion of AA Shares or A Shares, as provided for under our bylaws. See *Bylaws Share Capital* under this Part IV.

| <b>Shareholder</b> | <b>Shares<br/>Owned<br/>(millions)</b> | <b>Percent</b> |
|--------------------|--|----------------|
|--------------------|--|----------------|

|                                 |        | <b>of<br/>Class<sup>(1)</sup></b> |
|---------------------------------|--------|-----------------------------------|
| <b>AA Shares:</b>               |        |                                   |
| Family Trust <sup>(2)</sup>     | 10,894 | 48.0%                             |
| Inversora Carso <sup>(3)</sup>  | 6,431  | 28.3%                             |
| Carlos Slim Helú <sup>(2)</sup> | 1,879  | 8.2%                              |
| <b>L Shares:</b>                |        |                                   |
| Family Trust <sup>(2)</sup>     | 5,998  | 14.3%                             |
| Inversora Carso <sup>(3)</sup>  | 3,886  | 9.1%                              |
| Carlos Slim Helú <sup>(2)</sup> | 3,072  | 7.3%                              |

(1) Percentage figures are based on the number of shares outstanding as of March 31, 2016.

(2) The Family Trust is a Mexican trust that holds AA Shares and L Shares for the benefit of members of the Slim Family. In addition to shares held by the Family Trust, members of the Slim Family, including Carlos Slim Helú, directly own an aggregate of 3,558 million AA Shares and 9,570 million L Shares representing 15.6% and 22.5%, respectively, of each series. According to beneficial ownership reports filed with the SEC, none of these members of the Slim Family, other than Carlos Slim Helú, individually directly own more than 5.0% of any class of our shares.



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*Share Ownership and Trading*

(3) Formerly known as Inmobiliaria Carso. Includes shares owned by subsidiaries of Inversora Carso. Based on beneficial ownership reports filed with the SEC, Inversora Carso is a Mexican *sociedad anónima de capital variable* and may be deemed to be controlled by the Slim Family.

As of March 31, 2016, 15.3% of the outstanding L Shares were represented by L Share ADSs, each representing the right to receive 20 L Shares, and 99.3% of the L Share ADSs were held by 8,428 registered holders with addresses in the United States. As of such date, 29.1% of the A Shares were held in the form of A Share ADSs, each representing the right to receive 20 A Shares, and 99.5% of the A Share ADSs were held by 3,749 registered holders with addresses in the United States. Each A Share may be exchanged at the option of the holder for one L Share.

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

AA Shares;

A Shares not represented by ADSs; or

L Shares not represented by ADSs.

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*Share Ownership and Trading*

**RELATED PARTY TRANSACTIONS**

Our subsidiaries purchase materials or services from a variety of companies that may be deemed for certain purposes to be under common control with us, including Telesites, Grupo Carso and Grupo Financiero Inbursa and their respective subsidiaries. These services include insurance and banking services provided by Grupo Financiero Inbursa and its subsidiaries. In addition, we sell products in Mexico through the Sanborns and Sears Operadora México, S.A. de C.V. ( Sears ) store chains. Some of our subsidiaries also purchase network construction services and materials from subsidiaries of Grupo Carso. Our subsidiaries purchase these materials and services on terms no less favorable than they could obtain from unaffiliated parties, and would have access to other sources if our related parties ceased to provide them on competitive terms.

We lease space on telecommunications towers owed by Telesites, which we spun off in December 2015. We and Telesites have entered into an agreement providing for site usage fees, annual price escalations and fixed annual charges that permit us to install a pre-determined amount of equipment at the sites and provide for incremental fee payments if capacity use is exceeded. The principal economic terms of the agreement conform to the reference terms published by Telesites and approved by IFT.

Note 7 to our audited consolidated financial statements included in this annual report provides additional information about our related party transactions.

**Table of Contents***Share Ownership and Trading***DIVIDENDS**

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

| <b>Payment Date</b> | <b>Pesos per Share</b> | <b>Dollars per Share</b> |
|---------------------|------------------------|--------------------------|
| November 13, 2015   | Ps.0.13                | U.S.\$ 0.0078            |
| September 25, 2015  | Ps.0.30                | U.S.\$ 0.0177            |
| July 17, 2015       | Ps.0.13                | U.S.\$ 0.0082            |
| November 14, 2014   | Ps.0.12                | U.S.\$ 0.0082            |
| July 18, 2014       | Ps.0.12                | U.S.\$ 0.0082            |
| November 15, 2013   | Ps.0.11                | U.S.\$ 0.0084            |
| July 19, 2013       | Ps.0.11                | U.S.\$ 0.0084            |

In April 2016, our shareholders approved a dividend of Ps.0.28 per share, payable in two equal installments in July and November 2016. The declaration, amount and payment of dividends by América Móvil is determined by majority vote of the holders of AA Shares and A Shares, generally on the recommendation of the Board of Directors, and depends on our results of operations, financial condition, cash requirements, future prospects and other factors considered relevant by the holders of AA Shares and A Shares.

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

**Table of Contents***Share Ownership and Trading***TRADING MARKETS**

Our shares and ADSs are listed or quoted on the following markets:

|                     |   |
|---------------------|---|
| <b>L Shares</b>     | Mexican Stock Exchange Mexico City, Mercado de Valores Latinoamericanos en Euros (Latibex) Madrid |
| <b>L Share ADSs</b> | New York Stock Exchange New York  |
| <b>A Shares</b>     | Mexican Stock Exchange Mexico City  |
| <b>A Share ADSs</b> | NASDAQ National Market New York   |

The following table sets forth reported high and low sales prices for the L Shares on the Mexican Stock Exchange and the reported high and low sales prices for the L Share ADSs on the NYSE. Prices for 2011 have been adjusted to reflect the two-for-one stock split effected in June 2011.

|                                 | <b>Mexican Stock Exchange</b> |       |            |       | <b>NYSE</b>                           |       |            |       |
|---------------------------------|-------------------------------|-------|------------|-------|---------------------------------------|-------|------------|-------|
|                                 | <b>High</b>                   |       | <b>Low</b> |       | <b>High</b>                           |       | <b>Low</b> |       |
|                                 | <b>(pesos per L Share)</b>    |       |            |       | <b>(U.S. dollars per L Share ADS)</b> |       |            |       |
| <b>Annual highs and lows</b>    |                               |       |            |       |                                       |       |            |       |
| 2011                            | Ps.                           | 19.09 | Ps.        | 13.67 | U.S.\$                                | 26.42 | U.S.\$     | 21.10 |
| 2012                            |                               | 18.35 |            | 14.79 |                                       | 28.28 |            | 22.19 |
| 2013                            |                               | 16.19 |            | 11.60 |                                       | 25.62 |            | 18.47 |
| 2014                            |                               | 17.51 |            | 12.43 |                                       | 26.38 |            | 19.17 |
| 2015                            |                               | 16.44 |            | 11.96 |                                       | 23.58 |            | 14.06 |
| <b>Quarterly highs and lows</b> |                               |       |            |       |                                       |       |            |       |
| 2014:                           |                               |       |            |       |                                       |       |            |       |
| First quarter                   | Ps.                           | 15.22 | Ps.        | 12.65 | U.S.\$                                | 23.37 | U.S.\$     | 19.17 |

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|                |  |           |  |           |  |              |  |              |
|----------------|--|-----------|--|-----------|--|--------------|--|--------------|
| Second quarter |  | 13.52     |  | 12.43     |  | 20.80        |  | 19.33        |
| Third quarter  |  | 17.51     |  | 13.43     |  | 26.38        |  | 20.72        |
| Fourth quarter |  | 16.83     |  | 15.05     |  | 25.04        |  | 20.39        |
| 2015:          |  |           |  |           |  |              |  |              |
| First quarter  |  | Ps. 16.37 |  | Ps. 15.20 |  | U.S.\$ 23.58 |  | U.S.\$ 19.52 |
| Second quarter |  | 16.25     |  | 14.70     |  | 22.27        |  | 20.10        |
| Third quarter  |  | 15.86     |  | 13.31     |  | 21.11        |  | 16.43        |
| Fourth quarter |  | 14.09     |  | 11.96     |  | 17.92        |  | 14.06        |
| 2016:          |  |           |  |           |  |              |  |              |
| First quarter  |  | Ps. 13.53 |  | Ps. 10.92 |  | U.S.\$ 15.55 |  | U.S.\$ 12.16 |

**Table of Contents***Share Ownership and Trading*

|   | <b>Mexican Stock<br/>Exchange</b> |           | <b>NYSE</b>                               |              |
|---|-----------------------------------|-----------|---|--------------|
|   | High<br>(pesos per L Share)       | Low       | High<br>(U.S. dollars per<br>L Share ADS) | Low          |
| <b>Monthly highs and lows<br/>2015:</b> |                                   |           |   |              |
| October                                 | Ps. 14.09                         | Ps. 13.32 | U.S.\$ 17.92                              | U.S.\$ 16.80 |
| November                                | 13.81                             | 12.72     | 17.76                                     | 15.95        |
| December                                | 13.05                             | 11.96     | 16.57                                     | 14.06        |
| <b>2016:</b>                            |                                   |           |   |              |
| January                                 | Ps. 12.79                         | Ps. 10.92 | U.S.\$ 14.14                              | U.S.\$ 12.16 |
| February                                | 13.19                             | 11.82     | 14.45                                     | 12.25        |
| March                                   | 13.53                             | 12.57     | 15.55                                     | 14.06        |
| April (through April 15)                | 13.73                             | 13.33     | 15.70                                     | 14.91        |

Source: Bloomberg

**Table of Contents***Share Ownership and Trading*

The table below sets forth reported high and low sales prices for the A Shares on the Mexican Stock Exchange and the high and low bid prices for A Share ADSs published by NASDAQ. Bid prices published by NASDAQ for the A Share ADSs are inter-dealer quotations and may not reflect actual transactions. Prices for 2011 have been adjusted to reflect the two-for-one stock split effected in June 2011.

|                                 | <b>Mexican Stock Exchange</b> |                            |            |       | <b>NASDAQ</b>                         |            |        |       |
|---------------------------------|-------------------------------|----------------------------|------------|-------|---------------------------------------|------------|--------|-------|
|                                 |                               | <b>High</b>                | <b>Low</b> |       | <b>High</b>                           | <b>Low</b> |        |       |
|                                 |                               | <b>(pesos per A Share)</b> |            |       | <b>(U.S. dollars per A Share ADS)</b> |            |        |       |
| <b>Annual highs and lows</b>    |                               |                            |            |       |                                       |            |        |       |
| 2011                            | Ps.                           | 18.03                      | Ps.        | 13.14 | U.S.\$                                | 29.56      | U.S.\$ | 20.88 |
| 2012                            |                               | 18.46                      |            | 14.01 |                                       | 28.08      |        | 21.33 |
| 2013                            |                               | 16.00                      |            | 11.60 |                                       | 25.55      |        | 18.56 |
| 2014                            |                               | 17.61                      |            | 12.50 |                                       | 26.46      |        | 19.16 |
| 2015                            |                               | 16.14                      |            | 11.91 |                                       | 23.52      |        | 13.99 |
| <b>Quarterly highs and lows</b> |                               |                            |            |       |                                       |            |        |       |
| 2014:                           |                               |                            |            |       |                                       |            |        |       |
| First quarter                   | Ps.                           | 15.58                      | Ps.        | 12.53 | U.S.\$                                | 23.32      | U.S.\$ | 19.16 |
| Second quarter                  |                               | 13.50                      |            | 12.50 |                                       | 20.80      |        | 19.26 |
| Third quarter                   |                               | 17.61                      |            | 13.40 |                                       | 26.46      |        | 20.61 |
| Fourth quarter                  |                               | 16.80                      |            | 15.02 |                                       | 25.05      |        | 20.33 |
| 2015:                           |                               |                            |            |       |                                       |            |        |       |
| First quarter                   | Ps.                           | 16.60                      | Ps.        | 15.01 | U.S.\$                                | 23.52      | U.S.\$ | 19.50 |
| Second quarter                  |                               | 16.14                      |            | 14.35 |                                       | 22.10      |        | 20.02 |
| Third quarter                   |                               | 15.78                      |            | 13.30 |                                       | 21.08      |        | 16.36 |
| Fourth quarter                  |                               | 14.02                      |            | 11.91 |                                       | 17.93      |        | 13.99 |

2016:

|               |     |       |     |       |        |       |        |       |
|---------------|-----|-------|-----|-------|--------|-------|--------|-------|
| First quarter | Ps. | 13.50 | Ps. | 11.28 | U.S.\$ | 15.71 | U.S.\$ | 12.07 |
|---------------|-----|-------|-----|-------|--------|-------|--------|-------|

**Monthly highs and lows**

2015:

|         |     |       |     |       |        |       |        |       |
|---------|-----|-------|-----|-------|--------|-------|--------|-------|
| October | Ps. | 14.02 | Ps. | 13.23 | U.S.\$ | 17.93 | U.S.\$ | 16.77 |
|---------|-----|-------|-----|-------|--------|-------|--------|-------|

|          |  |       |  |       |  |       |  |       |
|----------|--|-------|--|-------|--|-------|--|-------|
| November |  | 13.95 |  | 12.62 |  | 17.71 |  | 16.01 |
|----------|--|-------|--|-------|--|-------|--|-------|

|          |  |       |  |       |  |       |  |       |
|----------|--|-------|--|-------|--|-------|--|-------|
| December |  | 12.93 |  | 11.91 |  | 16.55 |  | 13.99 |
|----------|--|-------|--|-------|--|-------|--|-------|

2016:

|         |     |       |     |       |        |       |        |       |
|---------|-----|-------|-----|-------|--------|-------|--------|-------|
| January | Ps. | 12.20 | Ps. | 11.28 | U.S.\$ | 14.00 | U.S.\$ | 12.07 |
|---------|-----|-------|-----|-------|--------|-------|--------|-------|

|          |  |       |  |       |  |       |  |       |
|----------|--|-------|--|-------|--|-------|--|-------|
| February |  | 12.89 |  | 11.61 |  | 14.45 |  | 12.15 |
|----------|--|-------|--|-------|--|-------|--|-------|

|       |  |       |  |       |  |       |  |       |
|-------|--|-------|--|-------|--|-------|--|-------|
| March |  | 13.50 |  | 12.92 |  | 15.71 |  | 13.91 |
|-------|--|-------|--|-------|--|-------|--|-------|

|                          |  |       |  |       |  |       |  |       |
|--------------------------|--|-------|--|-------|--|-------|--|-------|
| April (through April 15) |  | 13.64 |  | 13.40 |  | 15.93 |  | 14.95 |
|--------------------------|--|-------|--|-------|--|-------|--|-------|

Source: Bloomberg



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**BYLAWS**

Set forth below is a brief summary of certain significant provisions in our bylaws and Mexican law. This description does not purport to be complete and is qualified by reference to our bylaws, a translation of which has been filed with the SEC as an exhibit to this annual report. For a description of the provisions of our bylaws relating to our Board of Directors, Executive and Audit and Corporate Practices Committees and External Auditor, see [Management](#) under Part V.

**Organization and Register**

América Móvil is a *sociedad anónima bursátil de capital variable* organized in Mexico under the Mexican General Corporations Law (*Ley General de Sociedades Mercantiles*) and the Mexican Securities Market Law (*Ley del Mercado de Valores*). It was registered in the Public Registry of Commerce of Mexico City on October 13, 2000 under the number 263,770.

**Corporate Purpose**

Our main corporate purpose, as set out in Article Three of our bylaws, is to promote, incorporate, organize, exploit, acquire and participate in the capital stock or assets of all types of civil or commercial companies, partnerships and industrial, commercial, service or other entities, whether domestic or foreign, and to participate in the management or liquidation thereof.

**Share Capital**

Our capital stock comprises AA Shares, without par value, A Shares, without par value and L Shares, without par value. All of the outstanding shares are fully paid and non-assessable.

AA Shares and A Shares have full voting rights. Holders of L Shares may vote only in limited circumstances as described under [Voting Rights](#) under this Part IV. The rights of holders of all series of capital stock are identical except for the voting rights and the limitations on non-Mexican ownership of AA Shares. Any changes in the rights of the holders of a series of capital stock must be approved by a majority of the holders of that series. The AA Shares, which must always represent at least 51.0% of the combined AA Shares and A Shares, may be owned only by holders that qualify as Mexican investors as defined in the Foreign Investment Law (*Ley de Inversión Extranjera*) and our bylaws. See [Limitations on Share Ownership](#) under this Part IV.

Each AA Share or A Share may be exchanged at the option of the holder for one L Share, provided that the AA Shares may never represent less than 20.0% of our outstanding capital stock or less than 51.0% of our combined AA Shares and A Shares.

**Voting Rights**

Each AA Share and A Share entitles the holder thereof to one vote at any meeting of our shareholders. Each L Share entitles the holder to one vote at any meeting at which holders of L Shares are entitled to vote. Holders of L Shares are entitled to vote to elect only two members of the Board of Directors and the corresponding alternate directors, as well as on the following matters:

our transformation from one type of company to another;

any merger involving us;

the extension of our authorized corporate life;

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our voluntary dissolution;

any change in our corporate purpose;

any transaction that represents 20.0% or more of the Company's consolidated assets;

any change in our state of incorporation;

removal of our shares from listing on the Mexican Stock Exchange or any foreign stock exchange; and

any action that would prejudice the rights of holders of L Shares.

A resolution on any of the specified matters requires the affirmative vote of both a majority of all outstanding shares and a majority of the AA Shares and the A Shares voting together.

Under Mexican law, holders of shares of any series are also entitled to vote as a class on any action that would prejudice the rights of holders of shares of such series, and a holder of shares of such series would be entitled to judicial relief against any such action taken without such a vote. There are no other procedures for determining whether a proposed shareholder action requires a class vote, and Mexican law does not provide extensive guidance on the criteria to be applied in making such a determination.

**Shareholders Meetings**

General shareholders' meetings may be ordinary meetings or extraordinary meetings. Extraordinary general meetings are those called to consider certain matters specified in Article 182 of the Mexican General Corporations Law, including, principally, amendments of the bylaws, liquidation, merger and transformation from one type of company to another, as well as to consider the removal of our shares from listing on the Mexican Stock Exchange or any foreign stock exchange. General meetings called to consider all other matters are ordinary meetings. The two directors elected by the holders of L Shares are elected at a special meeting of holders of L Shares. All other matters on which holders of L Shares are entitled to vote would be considered at an extraordinary general meeting.

A special meeting of the holders of L Shares must be held each year for the election or reelection of directors. An ordinary general meeting of the holders of AA Shares and A Shares must be held each year to consider the approval of the financial statements for the preceding fiscal year, to elect or reelect directors and to determine the allocation of the profits of the preceding year. Transactions that represent 20.0% or more of our consolidated assets in any fiscal year must be approved by an ordinary general shareholder meeting of all shareholders, including holders of L Shares.

The quorum for an ordinary general meeting of the AA Shares and A Shares is 50.0% of such shares, and action may be taken by a majority of the shares present. If a quorum is not available, a second meeting may be called at which action may be taken by a majority of the AA Shares and A Shares present, regardless of the number of such shares. Special meetings of holders of L Shares are governed by the same rules applicable to ordinary general meetings of holders of AA Shares and A Shares. The quorum for an extraordinary general meeting at which holders of L Shares may not vote is 75.0% of the AA Shares and A Shares, and the quorum for an extraordinary general meeting at which holders of L Shares are entitled to vote is 75.0% of the outstanding capital stock. If a quorum is not available in either case, a second meeting may be called and action may be taken, provided a majority of the shares entitled to vote is present. Whether on first or second call, actions at an extraordinary general meeting may be taken by a majority vote of the AA Shares and A Shares outstanding and, on matters which holders of L Shares are entitled to vote, a majority vote of all the capital stock.

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Holders of 20.0% of our outstanding capital stock may have any shareholder action set aside by filing a complaint with a court of law within 15 days after the close of the meeting at which such action was taken and showing that the challenged action violates Mexican law or our bylaws. In addition, any holder of our capital stock may bring an action at any time within five years challenging any shareholder action. Relief under these provisions is only available to holders:

who were entitled to vote on, or whose rights as shareholders were adversely affected by, the challenged shareholder action; and

whose shares were not represented when the action was taken or, if represented, were voted against it. Shareholders' meetings may be called by the Board of Directors, its chairman, its corporate secretary, the Chairman of the Audit and Corporate Practices Committee or a court. The Chairman of the Board of Directors or the Chairman of the Audit and Corporate Practices Committee may be required to call a meeting of shareholders by the holders of 10.0% of the outstanding capital stock. Notice of meetings must be published in the Official Gazette or a newspaper of general circulation in Mexico City at least 15 days prior to the meeting.

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. However, 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.

**Dividend Rights**

At the annual ordinary general meeting of holders of AA Shares and A Shares, the Board of Directors submits our financial statements for the previous fiscal year, together with a report thereon by the Board, to the holders of AA Shares and A Shares for approval. The holders of AA Shares and A Shares, once they have approved the financial statements, determine the allocation of our net profits for the preceding year. They are required by law to allocate 5.0% of such net profits to a legal reserve, which is not thereafter available for distribution except as a stock dividend, until the amount of the legal reserve equals 20.0% of our capital stock. The remainder of net profits is available for distribution.

All shares outstanding at the time a dividend or other distribution is declared are entitled to participate in such dividend or other distribution, subject to certain preferential rights of the L Shares. See [Preferential Rights of L Shares](#) under this Part IV.

**Preferential Rights of L Shares**

Holders of L Shares are entitled to receive a cumulative preferred annual dividend of 0.00042 pesos per share before any dividends are payable in respect of any other class of América Móvil capital stock. If we pay dividends with respect to any fiscal year in addition to the L Share preferred dividend, such dividends must be allocated:

first, to the payment of dividends with respect to the A Share and AA Shares, in an equal amount per share, up to the amount of the L Share preferred dividend, and

second, to the payment of dividends with respect to all classes of América Móvil shares such that the dividend per share is equal.

Upon our liquidation, holders of L Shares will be entitled to a liquidation preference equal to:

accrued but unpaid L Share preferred dividends, plus

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0.00042 pesos per share (representing the capital attributable to such shares as set forth in our bylaws) before any distribution is made in respect of our other capital stock in accordance with Article 113 of the Mexican General Corporations Law.

Following payment in full of any such amount, holders of AA Shares and A Shares are entitled to receive, if available, an amount per share equal to the liquidation preference paid per L Share. Following payment in full of the foregoing amounts, all shareholders share equally, on a per-share basis, in any remaining amounts payable in respect of our capital stock.

**Limitation on Capital Increases**

Our bylaws require that any capital increase be represented by new shares of each series in proportion to the number of shares of each series outstanding.

**Preemptive Rights**

In the event of a capital increase, except in certain circumstances such as mergers, convertible debentures, public offers and placement of repurchased shares, a holder of existing shares of a given series has a preferential right to subscribe for a sufficient number of shares of the same series to maintain the holder's existing proportionate holdings of shares of that series. Preemptive rights must be exercised within the next 15 calendar days following the publication of notice of the capital increase in the Official Gazette and a newspaper of general circulation in Mexico City. Under Mexican law, preemptive rights cannot be traded separately from the corresponding shares that give rise to such rights. As a result, there is no trading market for the rights in connection with a capital increase. Holders of ADSs may exercise preemptive rights only through the depository. We are not required to take steps that may be necessary to make this possible.

**Limitations on Share Ownership**

Our bylaws provide that at least 20.0% of our capital stock must consist of AA Shares. Our bylaws also provide that A Shares and L Shares together cannot represent more than 80.0% of our capital stock. AA Shares can only be held or acquired by:

Mexican citizens;

Mexican corporations whose capital stock is held completely by Mexican citizens;

Mexican corporations in which at least 51.0% of the capital stock may only be held or acquired by  
(i) Mexican citizens or (ii) Mexican corporations;

Mexican credit and insurance companies;

Mexican investment companies operating under the Investment Companies Law (*Ley de Sociedades de Inversión*) and Mexican institutional investors as defined in the Mexican Securities Market Law; and

Trusts expressly permitted to acquire AA Shares in accordance with Mexican law and in which (i) the majority of the trustee's rights are held by Mexican citizens, corporations whose capital stock is held by Mexican citizens in its majority, and Mexican credit, insurance and investment companies or (ii) the AA Shares controlled by the trust represent a minority of the outstanding AA Shares and are voted in the same manner as the majority of the outstanding AA Shares.



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If a foreign government or state acquires our AA Shares, such shares would immediately be rendered without effect or value.

Non-Mexican investors cannot hold AA Shares except through trusts that effectively neutralize their votes.

Our bylaws include a provision called a foreign exclusion clause. Under the foreign exclusion clause, ownership of our shares is restricted to holders that qualify as Mexican investors under Mexican law. The foreign exclusion clause does not apply to the L Shares, and under transitional provisions adopted by our shareholders it does not limit foreign ownership of A Shares outstanding as of the date of the shareholders' meeting approving the amendment.

### **Restrictions on Certain Transactions**

Our bylaws provide that any transfer of more than 10.0% of the combined A Shares and AA Shares, effected in one or more transactions by any person or group of persons acting in concert, requires prior approval by our Board of Directors. If the Board of Directors denies such approval, however, Mexican law and our bylaws require it to designate an alternate transferee, who must pay market price for the shares as quoted on the Mexican Stock Exchange.

### **Restrictions on Deregistration in Mexico**

Our shares are registered with the RNV maintained by the CNBV, as required under the Mexican Securities Market Law and regulations issued by the CNBV.

If we wish to cancel our registration, or if it is cancelled by the CNBV, we are required to conduct a public offer to purchase all the outstanding shares prior to such cancellation. Such offer shall be addressed exclusively to those persons other than the members of the controlling group of shareholders, who were shareholders or holders of other securities representing such shares (i) as of the date set forth by the CNBV, if the registration is cancelled by resolution thereof or (ii) as of the date of the resolution adopted by the general extraordinary shareholders meeting, if the registration is cancelled voluntarily.

Our bylaws provide that if, after the public offer is concluded, there are still outstanding shares held by the general public, América Móvil will be required to create a trust for a period of six months, into which we will be required to contribute funds in an amount sufficient to purchase, at the same price as the offer price, the number of outstanding shares held by the general public that did not participate in the offer.

Unless the CNBV authorizes otherwise, upon the prior approval of the Board of Directors, which must take into account the opinion of the audit and corporate practices committee, the offer price will be the higher of: (i) the average of the closing price during the previous 30 days on which the shares may have been quoted or (ii) the book value of the shares in accordance with the most recent quarterly report submitted to the CNBV and to the Mexican Stock Exchange.

The voluntary cancellation of the registration shall be subject to (i) the prior authorization of the CNBV and (ii) the authorization of not less than 95.0% of the outstanding capital stock in a general extraordinary shareholders' meeting.

### **Tender Offer Requirement**

Our bylaws provide that any purchasers or group of purchasers that obtain or increase a significant participation (i.e., 30.0% or more) in our capital stock without conducting a previous public offer in accordance with the applicable rules issued by the CNBV, will not have the right to exercise the corporate rights of their shares and we will not register such shares in the share registry book.

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**Other Provisions**

*Variable capital.* We are permitted to issue shares constituting fixed capital and shares constituting variable capital. All of our outstanding shares of capital stock constitute fixed capital. The issuance of variable capital shares, unlike the issuance of fixed capital shares, does not require an amendment of the bylaws, although it does require a majority vote of the AA Shares and the A Shares.

*Forfeiture of shares.* As required by Mexican law, our bylaws provide that any non-Mexican person who at the time of incorporation or at any time thereafter acquires an interest or participation in our capital shall be considered, by virtue thereof, as Mexican in respect thereof and shall be deemed to have agreed not to invoke the protection of his own government, under penalty, in case of breach of such agreement, of forfeiture to the nation of such interest or participation. Under this provision, a non-Mexican shareholder is deemed to have agreed not to invoke the protection of his own government by asking such government to interpose a diplomatic claim against the Mexican government with respect to the shareholder's rights as a shareholder, but is not deemed to have waived any other rights it may have, including any rights under U.S. federal securities laws, with respect to its investment in América Móvil. If the shareholder invokes such governmental protection in violation of this agreement, its shares could be forfeited to the Mexican government. Mexican law requires that such a provision be included in the bylaws of all Mexican corporations unless such bylaws prohibit ownership of shares by non-Mexican persons.

*Exclusive jurisdiction.* Our bylaws provide that legal actions relating to the execution, interpretation or performance of the bylaws shall be brought only in Mexican courts.

*Duration.* Our existence under the bylaws continues indefinitely.

*Purchase of our own shares.* According to the bylaws, we may repurchase our shares on the Mexican Stock Exchange at any time at the then-prevailing market price. Any such repurchase must conform to guidelines established by the Board of Directors, and the amount available to repurchase shares must be approved by the general ordinary shareholders' meeting. The economic and voting rights corresponding to repurchased shares may not be exercised during the period in which we own such shares, and such shares are not deemed to be outstanding for purposes of calculating any quorum or vote at any shareholders' meeting during such period.

*Conflict of interest.* A shareholder that votes on a business transaction in which its interest conflicts with our interests may be liable for damages, but only if the transaction would not have been approved without its vote.

*Appraisal rights.* Whenever shareholders approve a change of corporate purposes, change of nationality of the corporation or transformation from one type of company to another, any shareholder entitled to vote on such change that has voted against it may withdraw from América Móvil and receive the book value attributable to its shares, provided it exercises its right within 15 days following the adjournment of the meeting at which the change was approved.

**Rights of Shareholders**

The protections afforded to minority shareholders under Mexican law are different from those in the United States and many other jurisdictions. The substantive law concerning fiduciary duties of directors has not been the subject of

extensive judicial interpretation in Mexico, unlike states in the United States where duties of care and loyalty elaborated by judicial decisions help to shape the rights of minority shareholders. Mexican civil procedure does not contemplate class actions, which in U.S. courts permit shareholders to bring actions on behalf of other shareholders. Shareholders cannot challenge corporate action taken at a shareholders meeting unless they meet certain procedural requirements, as described above under Shareholders Meetings.

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As a result of these factors, in practice it may be more difficult for our minority shareholders to enforce rights against us or our directors or controlling shareholders than it would be for shareholders of a U.S. company.

In addition, under U.S. federal securities laws, as a foreign private issuer we are exempt from certain rules that apply to domestic U.S. issuers with equity securities registered under the Exchange Act, including the proxy solicitation rules and the rules requiring disclosure of share ownership by directors, officers and certain shareholders. We are also exempt from many corporate governance requirements of the NYSE and NASDAQ. For a comparison of our corporate governance policies and the corporate governance requirements of the NYSE and NASDAQ, see *Corporate Governance* under Part V.

**Enforceability of Civil Liabilities**

We are organized under the laws of Mexico, and most of our directors, officers and controlling persons reside outside the United States. In addition, all or a substantial portion of our assets and their assets are located in Mexico. As a result, it may be difficult for investors to effect service of process within the United States on such persons. It may also be difficult to enforce against them, either inside or outside the United States, judgments obtained against them in U.S. courts, or to enforce in U.S. courts judgments obtained against them in courts in jurisdictions outside the United States, in any action based on civil liabilities under 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 U.S. federal securities laws.

**Table of Contents***Share Ownership and Trading***DEPOSITARY SHARES****American Depositary Shares**

The Bank of New York Mellon ( the Depository ) serves as the depository for our ADSs. ADS holders are required to pay various fees to the Depository, and the Depository may refuse to provide any service for which a fee is assessed until the applicable fee has been paid.

ADS holders are required to pay the Depository amounts in respect of expenses incurred by the Depository or its agents on behalf of ADS holders, including expenses arising from (i) taxes or other governmental charges, (ii) registration fees payable to us that may be applicable to the transfer of shares upon deposits to or withdrawals from the ADS program, (iii) cable, telex, and facsimile transmission, (iv) conversion of foreign currency into U.S. dollars or (v) servicing of the ADSs or the shares underlying ADSs. The Depository may decide in its sole discretion to seek payment either by billing holders or by deducting the fee from one or more cash dividends or other cash distributions.

ADS holders are also required to pay additional fees for certain services provided by the Depository, as set forth in the table below.

| <b>Depository service</b>   | <b>Fee payable by ADS holders</b>                  |
|---|--|
| Issuance and delivery of ADSs, including in connection with share distributions, rights, sales and stock splits | Up to U.S.\$5.00 per 100 ADSs (or portion thereof) |
| Cash distributions  | U.S.\$0.02 or less per ADS                         |
| Surrender, withdrawal or cancellation   | Up to U.S.\$5.00 per 100 ADSs (or portion thereof) |

**Payments by the Depository**

The Depository reimburses us for certain expenses we incur in connection with the ADR program, subject to a ceiling agreed between us and the Depository from time to time. These reimbursable expenses currently include legal and accounting fees, listing fees, investor relations expenses and fees payable to service providers for the distribution of material to ADR holders. During the year ended December 31, 2015, the Depository did not pay us for any reimbursable expenses.

**Table of Contents***Share Ownership and Trading***PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

We periodically repurchase our L Shares and A Shares on the open market using funds authorized by our shareholders specifically for the repurchase of L Shares and A Shares by us at our discretion. In the annual ordinary shareholders meeting held on April 18, 2016, our shareholders authorized an allocation of Ps.12 billion to repurchase L Shares and A Shares from April 2016 to April 2017.

The following tables set out information concerning purchases of our L Shares and A Shares by us and our affiliated purchasers in 2015. We did not repurchase our L Shares or A Shares other than through the share repurchase program.

| <b>Period</b>  | <b>Total Number of L Shares Purchased <sup>(1)</sup></b> | <b>Average Price Paid per L Share</b> | <b>Total Number of L Shares Purchased as Part of Publicly Announced Plans or Programs</b> | <b>Approximate Mexican peso Value of L Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup></b> |
|----------------|--|---------------------------------------|---|--|
| January 2015   | 207,500,000  | 16.56                                 | 207,500,000   | 13,512,427,602   |
| February 2015  | 185,253,074  | 16.18                                 | 185,253,074   | 10,528,006,074   |
| March 2015     | 231,000,000  | 15.69                                 | 231,000,000   | 6,924,801,687  |
| April 2015     | 324,435,451  | 15.91                                 | 324,435,451   | 36,537,271,471   |
| May 2015       | 193,780,272  | 15.91                                 | 193,780,272   | 33,470,881,476   |
| June 2015      | 225,000,100  | 16.28                                 | 225,000,100   | 29,828,168,918   |
| July 2015      | 304,038,044  | 15.98                                 | 245,538,044   | 25,870,474,718   |
| August 2015    | 259,061,139  | 15.47                                 | 227,300,000   | 22,362,075,998   |
| September 2015 | 182,712,209  | 14.74                                 | 97,376,690  | 20,924,421,154   |
| October 2015   | 221,152,665  | 14.31                                 | 76,200,000  | 19,828,555,845   |
| November 2015  | 450,547,335  | 13.91                                 | 116,000,000   | 18,216,547,915   |
| December 2015  | 167,111,128  | 12.91                                 | 18,000,000  | 17,977,133,129   |

|              |                      |                      |
|--------------|----------------------|----------------------|
| <b>Total</b> | <b>2,951,591,417</b> | <b>2,147,383,631</b> |
|--------------|----------------------|----------------------|

(1) This includes purchases by us and our affiliated purchasers in 2015.

(2) This is the approximate peso amount available at the end of the period for purchases of both L Shares and A Shares pursuant to our share repurchase program.



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| <b>Period</b>  | <b>Total Number of A Shares Purchased<sup>(1)</sup></b> | <b>Average Price Paid per A Share</b> | <b>Total Number of A Shares Purchased as Part of Publicly Announced Plans or Programs</b> | <b>Approximate Mexican peso Value of A Shares that May Yet Be Purchased Under the Plans or Programs<sup>(2)</sup></b> |
|----------------|---|---------------------------------------|---|---|
| January 2015   |   |                                       |   | 13,512,427,602  |
| February 2015  | 246,926   | 16.33                                 | 246,926   | 10,528,006,074  |
| March 2015     |   |                                       |   | 6,924,801,687   |
| April 2015     | 1,564,549   | 16.95                                 | 1,564,549   | 36,537,271,471  |
| May 2015       | 19,728  | 16.20                                 | 19,728  | 33,470,881,476  |
| June 2015      |   |                                       |   | 29,828,168,918  |
| July 2015      | 661,856   | 16.50                                 | 661,856   | 25,870,474,718  |
| August 2015    |   |                                       |   | 22,362,075,998  |
| September 2015 | 123,310   | 15.02                                 | 123,310   | 20,924,421,154  |
| October 2015   |   |                                       |   | 19,828,555,845  |
| November 2015  | 23,475  | 13.70                                 |   | 18,216,574,915  |
| December 2015  | 3   | 13.40                                 |   | 17,977,133,129  |
| <b>Total</b>   | <b>2,639,847</b>  |                                       | <b>2,616,369</b>  |   |

(1) This includes purchases by us and our affiliated purchasers in 2015.

(2) This is the approximate peso amount available at the end of the period for purchases of both L Shares and A Shares pursuant to our share repurchase program.



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**TAXATION OF SHARES AND ADSs**

The following summary contains a description of certain Mexican federal and U.S. federal income tax consequences of the acquisition, ownership and disposition of L Shares, A Shares, L Share ADSs or A Share ADSs, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, hold or sell shares or ADSs.

The Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion and the protocols thereto between the United States and Mexico currently in force (together, the Tax Treaty ). The United States and Mexico have also entered into an agreement concerning the exchange of information with respect to tax matters.

This discussion does not constitute, and should not be considered as, legal or tax advice to holders. The discussion is for general information purposes only and is based upon the federal tax laws of Mexico (including the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*, or the Mexican Income Tax Law ) and the Mexican Federal Tax Code) and the United States as in effect on the date of this annual report (including the Tax Treaty), which are subject to change, and such changes may have retroactive effects. Holders of shares or ADSs should consult their own tax advisors as to the Mexican, U.S. or other tax consequences of the purchase, ownership and disposition of shares or ADSs, including, in particular, the effect of any foreign, state or local tax laws.

**MEXICAN TAX CONSIDERATIONS**

The following is a general summary of the principal consequences under the Mexican Income Tax Law and the rules and regulations thereunder, as currently in effect, of an investment in shares or ADSs by a holder that is not a resident of Mexico and that will not hold shares or ADSs or a beneficial interest therein in connection with the conduct of a trade or business through a permanent establishment in Mexico (a nonresident holder ).

For purposes of Mexican taxation, the definition of residence is highly technical and residence arises in several situations. Generally, an individual is a resident of Mexico if he or she has established his or her home or center of vital interests in Mexico, and a corporation is considered a resident if it has its place of effective management in Mexico. However, any determination of residence should take into account the particular situation of each person or legal entity.

If a legal entity or an individual is deemed to have a permanent establishment in Mexico for Mexican tax purposes, all income attributable to that permanent establishment will be subject to Mexican income taxes, in accordance with applicable tax laws.

This summary does not purport to be a comprehensive description of all the Mexican tax considerations that may be relevant to a decision to purchase, own or dispose of the shares. In particular, this summary (i) does not describe any tax consequences arising under the laws of any state, locality, municipality or taxing jurisdiction other than certain federal laws of Mexico and (ii) does not address all of the Mexican tax consequences that may be applicable to specific holders of the shares, including a holder:

- a. whose shares were not acquired through the Mexican Stock Exchange or other markets authorized by the Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público) or the Mexican Federal Tax Code;
- b. of shares or ADSs that control us;
- c. that holds 10% or more of our shares;

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- d. that is part of a group of persons for purposes of Mexican law that controls us (or holds 10% or more of our shares); or
- e. that is a resident of Mexico or is a corporation resident in a tax haven (as defined by the Mexican Income Tax Law).

**Tax Treaties**

Provisions of the Tax Treaty that may affect the taxation of certain U.S. holders (as defined below) are summarized below.

The Mexican Income Tax Law has established procedural requirements for a nonresident holder to be entitled to benefits under any of the tax treaties to which Mexico is a party, including on dispositions and dividends. These procedural requirements include, among others, the obligation to (i) prove tax treaty residence, (ii) file tax calculations made by an authorized certified public accountant or an informational tax statement, as the case may be, and (iii) appoint representatives in Mexico for taxation purposes. Parties related to the issuer may be subject to additional procedural requirements.

**Payment of Dividends**

Dividends, either in cash or in kind, paid with respect to the L Shares, A Shares, L Share ADSs or A Share ADSs will generally be subject to a 10% Mexican withholding tax (provided that no Mexican withholding tax will apply to distributions of net taxable profits generated before 2014). Nonresident holders could be subject to a lower tax rate, to the extent that they are eligible for benefits under an income tax treaty to which Mexico is a party.

**Taxation of Dispositions**

The tax rate on income realized by a nonresident holder from a disposition of shares through the Mexican Stock Exchange is generally 10%, which is applied to the net gain realized on the disposition. This tax is payable through withholding made by intermediaries. However, such withholding does not apply to a nonresident holder who certifies that the holder is resident in a country with which Mexico has entered into an income tax treaty.

The sale or other transfer or disposition of shares not carried out through the Mexican Stock Exchange and not held in the form of ADSs will be subject to a 25% tax rate in Mexico, which is applicable to the gross proceeds realized from the sale. Alternatively, a nonresident holder may, subject to certain requirements, elect to pay taxes on the net gain realized from the sale of shares at a rate of 35%.

The sale or disposition of ADSs through securities exchanges or markets recognized under the Mexican federal tax code (which includes the NYSE, NASDAQ and Latibex) by non-residents who are residents of a country with which Mexico has entered into an income tax treaty is not subject to income tax in Mexico under the current tax rules. The tax treatment of such transfer of ADSs by non-residents who are also not residents of a country with which Mexico has entered into an income tax treaty is not clear under the current Mexican tax rules.

Pursuant to the Tax Treaty, gains realized by a U.S. resident that is eligible to receive benefits pursuant to the Tax Treaty from the sale or other disposition of shares or ADSs, even if the sale or disposition is not carried out under the circumstances described in the preceding paragraphs, will not be subject to Mexican income tax, provided that the gains are not attributable to a permanent establishment or a fixed base in Mexico, and further provided that such U.S. holder owned less than 25% of the shares representing our capital stock (including ADSs), directly or indirectly, during the 12-month period preceding such disposition. U.S. residents should consult their own tax advisors as to their possible eligibility under the Tax Treaty.

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Gains and gross proceeds realized by other nonresident holders that are eligible to receive benefits pursuant to other income tax treaties to which Mexico is a party may be exempt from Mexican income tax, in whole or in part. Non-U.S. holders should consult their own tax advisors as to their possible eligibility under such treaties.

**Other Mexican Taxes**

A nonresident holder generally will not be liable for estate, inheritance or similar taxes with respect to its holdings of shares or ADSs; provided, however, that gratuitous transfers of shares or ADSs may in certain circumstances result in the imposition of a Mexican tax upon the recipient. There are no Mexican stamp, issue registration or similar taxes payable by a nonresident holder with respect to shares or ADSs.

**U.S. Federal Income Tax Considerations**

The following is a summary of certain U.S. federal income tax consequences to U.S. holders (as defined below) of the acquisition, ownership and disposition of shares or ADSs. The summary does not purport to be a comprehensive description of all of the tax consequences of the acquisition, ownership or disposition of shares or ADSs. The summary applies only to U.S. holders that will hold their shares or ADSs as capital assets and does not apply to special classes of U.S. holders such as dealers in securities or currencies, holders with a functional currency other than the U.S. dollar, holders of 10% or more of our voting shares (whether held directly or through ADSs or both), tax-exempt organizations, banks, insurance companies, or other financial institutions, holders liable for the alternative minimum tax, securities traders electing to account for their investment in their shares or ADSs on a mark-to-market basis, entities that are treated for U.S. federal income tax purposes as partnerships or other pass-through entities or equity holders therein and persons holding their shares or ADSs in a hedging transaction or as part of a straddle or conversion transaction.

For purposes of this discussion, a U.S. holder is a holder of shares or ADSs that is:

a citizen or resident of the United States of America,

a corporation (or other entity taxable as a corporation) organized under the laws of the United States of America or any state thereof, or

otherwise subject to U.S. federal income taxation on a net income basis with respect to the shares or ADSs.

**Each U.S. holder should consult such holder's own tax advisor concerning the overall tax consequences to it of the ownership or disposition of shares or ADSs that may arise under foreign, state and local laws.**

**Treatment of ADSs**

In general, a U.S. holder of ADSs will be treated as the owner of the shares represented by those ADSs for U.S. federal income tax purposes. Deposits or withdrawals of shares by U.S. holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes. U.S. holders that withdraw any shares should consult their own tax advisors regarding the treatment of any foreign currency gain or loss on any pesos received in respect of such shares.

### **Taxation of Distributions**

In general, a U.S. holder will treat the gross amount of distributions we pay, without reduction for Mexican withholding tax, as dividend income for U.S. federal income tax purposes to the extent of our current and accumulated earnings and profits. Because we do not expect to maintain calculations of our earnings and profits



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under U.S. federal income tax principles, it is expected that distributions paid to U.S. holders generally will be reported as dividends. In general, the gross amount of any dividends will be includible in the gross income of a U.S. holder as ordinary income on the day on which the dividends are received by the U.S. holder, in the case of shares, or by the depository, in the case of ADSs. Dividends will be paid in pesos and will be includible in the income of a U.S. holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date that they are received by the U.S. holder, in the case of shares, or by the depository, in the case of ADSs (regardless of whether such pesos are in fact converted into U.S. dollars on such date). If such dividends are converted into U.S. dollars on the date of such receipt, a U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the dividends. U.S. holders should consult their own tax advisors regarding the treatment of foreign currency gain or loss, if any, on any pesos received by a U.S. holder or depository that are converted into U.S. dollars on a date subsequent to receipt. Dividends paid by us will not be eligible for the dividends-received deduction allowed to corporations under the U.S. Internal Revenue Code of 1986, as amended (the Code).

The amount of Mexican tax withheld generally will give rise to a foreign tax credit or deduction for U.S. federal income tax purposes. Dividends generally will constitute passive category income for purposes of the foreign tax credit (or in the case of certain U.S. holders, general category income). The foreign tax credit rules are complex. U.S. holders should consult their own tax advisors with respect to the implications of those rules for their investments in our shares or ADSs.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual with respect to the shares or ADSs will be subject to taxation at reduced rates if the dividends are qualified dividends. Dividends paid on the shares or ADSs will be treated as qualified dividends if (i) (A) the shares or ADSs are readily tradable on an established securities market in the United States or (B) we are eligible for the benefits of a comprehensive tax treaty with the United States which the U.S. Treasury determines is satisfactory for purposes of this provision and which includes an exchange of information program, and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company (PFIC). The ADSs are listed on the NYSE and the NASDAQ, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. In addition, the U.S. Treasury has determined that the Tax Treaty meets the requirements for reduced rates of taxation, and we believe we are eligible for the benefits of the Tax Treaty. Based on our audited consolidated financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to the 2014 or 2015 taxable year. In addition, based on our audited consolidated financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2016 taxable year. Holders of shares or ADSs should consult their own tax advisors regarding the availability of the reduced dividend tax rate in the light of their own particular circumstances.

Distributions of additional shares or ADSs to U.S. holders with respect to their shares or ADSs that are made as part of a pro rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

**Taxation of Dispositions**

A U.S. holder generally will recognize capital gain or loss on the sale or other disposition of the shares or ADSs in an amount equal to the difference between the U.S. holder's basis in such shares or ADSs (in U.S. dollars) and the amount

realized on the disposition (in U.S. dollars, determined at the spot rate on the date of disposition if the amount realized is denominated in a foreign currency). Gain or loss recognized by a U.S. holder on such sale or other disposition generally will be long-term capital gain or loss if, at the time of disposition, the shares or ADSs

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*Share Ownership and Trading*

have been held for more than one year. Long-term capital gain recognized by a U.S. holder that is an individual is taxable at reduced rates. The deductibility of a capital loss is subject to limitations.

Gain, if any, realized by a U.S. holder on the sale or other disposition of the shares or ADSs generally will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, if a Mexican withholding tax is imposed on the sale or disposition of the shares, a U.S. holder that does not receive significant foreign source income from other sources may not be able to derive effective U.S. foreign tax credit benefits in respect of such Mexican taxes. U.S. holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, the shares or ADSs.

**Information Reporting and Backup Withholding**

Dividends on, and proceeds from the sale or other disposition of, the shares or ADSs paid to a U.S. holder generally may be subject to the information reporting requirements of the Code and may be subject to backup withholding unless the holder:

establishes that it is an exempt recipient, if required, or

provides an accurate taxpayer identification number on a properly completed Internal Revenue Service Form W-9 and certifies that no loss of exemption from backup withholding has occurred.

The amount of any backup withholding from a payment to a holder will be allowed as a credit against the U.S. holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the Internal Revenue Service.

**U.S. Tax Consequences for Non-U.S. holders**

*Distributions.* A holder of shares or ADSs that is, with respect to the United States, a foreign corporation or a non-resident alien individual (a non-U.S. holder) generally will not be subject to U.S. federal income or withholding tax on dividends received on shares or ADSs, unless such income is effectively connected with the conduct by the holder of a U.S. trade or business.

*Dispositions.* A non-U.S. holder of shares or ADSs will not be subject to U.S. federal income or withholding tax on gain realized on the sale of shares or ADSs, unless:

such gain is effectively connected with the conduct by the holder of a U.S. trade or business, or

in the case of gain realized by an individual holder, the holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

*Information Reporting and Backup Withholding.* Although non-U.S. holders generally are exempt from backup withholding, a non-U.S. holder may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding.

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**PART V: CORPORATE GOVERNANCE**

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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 10.0% of the total AA Shares and A Shares is entitled to name one director and one 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 the 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 25.0% 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 and the Audit and Corporate Practices Committee were reelected, and the Corporate Secretary and the Corporate Pro-Secretary were reappointed, at the annual general shareholders meeting held on April 18, 2016, with fourteen directors elected by the AA Shares and A Shares voting together and two directors elected by the L Shares. The only alternate director was also 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 replaced at the shareholders meetings. The names and positions of the members of the Board reelected at the annual general shareholders meeting held on April 18, 2016, their year of birth, and information concerning their committee membership and principal business activities outside América Móvil are set forth below:

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

|   |                |      |
|---|----------------|------|
| <b>Carlos Slim Domit</b>                          | Born:          | 1967 |
| Chairman of the Board and the Executive Committee | First elected: | 2011 |
|   | Term expires:  | 2017 |

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Principal occupation: Chairman of the Board of Telmex  
Other directorships: Chairman of the Board of Grupo Carso, Grupo Sanborns, S.A.B. de C.V. ( Grupo Sanborns ) and U.S. Commercial Corp, S.A. de C.V.  
Business experience: Chief Executive Officer of Sanborn Hermanos, S.A. de C.V. ( Sanborn Hermanos )

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|   |   |  |
|---|---|--|
| <b>Patrick Slim Domit</b>                           | Born:   | 1969   |
| Vice Chairman and Member of the Executive Committee | First elected:                                | 2004   |
|   | Term expires:                                 | 2017   |
|   | Principal occupation:                         | Vice Chairman of our Board of Directors  |
|   | Other directorships:                          | Director of Grupo Carso, Impulsora del Desarrollo y el Empleo en América Latina, S.A.B. de C.V. ( IDEAL ) and Telmex   |
|   | Business experience:                          | Chief Executive Officer of Grupo Carso and Vice President of Commercial Markets of Telmex  |
| <b>Daniel Hajj Aboumrad</b>                         | Born:   | 1966   |
| Director and Member of the Executive Committee      | First elected:                                | 2000   |
|   | Term expires:                                 | 2017   |
|   | Principal occupation:                         | Chief Executive Officer of América Móvil   |
|   | Other directorships:                          | Director of Grupo Carso and Telmex   |
|   | Business experience:                          | Chief Executive Officer of Compañía Hulera Euzkadi, S.A. de C.V.   |
| <b>Carlos Slim Helú</b>                             | Born:   | 1940   |
| Director  | First elected:                                | 2015   |
|   | Term expires:                                 | 2017   |
|   | Principal occupation and Business experience: | Chairman of the Board of Minera Frisco, S.A.B. de C.V. and Carso Infraestructura y Construcción, S.A. de C.V.; Director of IDEAL, Grupo Sanborns and Inmuebles Carso, S.A.B. de C.V. ( Inmuebles Carso ) |



|                                    |                       |   |
|------------------------------------|-----------------------|---|
| <b>Luis Alejandro Soberón Kuri</b> | Born:                 | 1960  |
| Director                           | First elected:        | 2000  |
|                                    | Term expires:         | 2017  |
|                                    | Principal occupation: | Chief Executive Officer and Chairman of the Board of Servicios Corporativos CIE, S.A. de C.V. (a subsidiary of Corporación Interamericana de Entretenimiento, S.A. de C.V. ( CIE )) |
|                                    | Other directorships:  | Director of CIE; Director of Banco Nacional de México, S.A.   |
|                                    | Business experience:  | Various positions at CIE  |

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|  |                       |  |
|--|-----------------------|--|
| <b>Carlos Bremer Gutiérrez</b>                                     | Born:                 | 1960   |
| Director and Member of the Audit and Corporate Practices Committee | First elected:        | 2004   |
|  | Term expires:         | 2017   |
|  | Principal occupation: | Chief Executive Officer of Value Grupo Financiero, S.A.B. de C.V. and Value S.A. de C.V., Casa de Bolsa  |
|  | Other directorships:  | Chairman of Value Grupo Financiero, S.A.B. de C.V.   |
|  | Business experience:  | Chief Operating Officer of Abaco Casa de Bolsa, S.A. de C.V.   |
| <b>Juan Antonio Pérez Simón</b>                                    | Born:                 | 1941   |
| Director   | First elected:        | 2012   |
|  | Term expires:         | 2017   |
|  | Principal occupation: | Chairman of the Board and Member of the Executive Committee of Sanborn Hermanos  |
|  | Other directorships:  | Director of Grupo Carso, Grupo Financiero Inbursa, Sears and Elementia, S.A.   |
|  | Business experience:  | Various positions at Grupo Carso   |
| <b>Ernesto Vega Velasco</b>  | Born:                 | 1937   |
| Director, Chairman of the Audit and Corporate Practices Committee  | First elected:        | 2007   |
|  | Term expires:         | 2017   |
|  | Principal occupation: | Retired. Member of the board of directors and audit and corporate practices, planning and finance and evaluation and compensation committees of certain companies. |

Other directorships: Director of Kuo, S.A.B. de C.V., Dine, S.A.B. de C.V., Inmuebles Carso, IDEAL; Alternate Director of Industrias Peñoles, S.A.B. de C.V.  
 Business experience: Various positions in Desc Group, including Corporate Vice-President

**Rafael Moisés Kalach Mizrahi**

Born: 1946  
 Director and Member of the Audit First elected: 2012  
 and Corporate Practices Committee Term expires: 2017  
 Principal occupation: Chairman and Chief Executive Officer of Grupo Kaltex, S.A. de C.V. ( Grupo Kaltex )  
 Other directorships: Director of Telmex, Grupo Carso and Sears Roebuck, S.A. de C.V.  
 Business experience: Various positions in Grupo Kaltex

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|                               |                       |   |
|-------------------------------|-----------------------|---|
| <b>Antonio Cosío Pando</b>    | Born:                 | 1968  |
| Director                      | First elected:        | 2015  |
|                               | Term expires:         | 2017  |
|                               | Principal occupation: | Vice President of Grupo Hotelero las Brisas, S.A. de C.V. ( Grupo Brisas ), Compañía Industrial Tepeji del Río, S.A. de C.V., and Bodegas de Santo Tomás, S.A. de C.V.  |
|                               | Other directorships:  | Director of Grupo Financiero Inbursa, Grupo Carso, Grupo Sanborns, Corporación Actinver S.A.B. de C.V., Corporación Moctezuma S.A.B. de C.V., certain subsidiaries of Kimberly Clark de México, S.A.B. de C.V. ( Kimberly Clark de México ); Alternate Director of Telmex |
|                               | Business experience:  | Various positions in Grupo Brisas and Compañía Industrial Tepeji del Río, S.A. de C.V.  |
| <b>Arturo Elías Ayub</b>      | Born:                 | 1966  |
| Director                      | First elected:        | 2011  |
|                               | Term expires:         | 2017  |
|                               | 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, Grupo Carso, Sears 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.  |
| <b>Oscar Von Hauske Solís</b> | Born:                 | 1957  |

|                           |                       |  |
|---------------------------|-----------------------|--|
| Director                  | First elected:        | 2011   |
|                           | Term expires:         | 2017   |
|                           | Principal occupation: | Chief Fixed-line Operations Officer of América Móvil   |
|                           | Other directorships:  | Director of Telmex, Telmex Internacional, Claro Brasil; Member of Telekom Austria's Supervisory Board                |
|                           | Business experience:  | Chief Executive Officer of Telmex Internacional and Chief Systems and Telecommunications Operators Officer of Telmex |
| <b>Louis C. Camilleri</b> | Born:                 | 1955   |
| Director                  | First elected:        | 2011   |
|                           | Term expires:         | 2017   |
|                           | Principal occupation: | Chairman of Philip Morris International  |
|                           | Other directorships:  | Director of Ferrari N.V.   |
|                           | Business experience:  | Chairman and Chief Executive Officer of Altria and various positions in Philip Morris International                  |

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Directors elected by holders of Series L Shares:

|  |                       |  |
|--|-----------------------|--|
| <b>Pablo Roberto González Guajardo</b>                             | Born:                 | 1967   |
| Director and Member of the Audit and Corporate Practices Committee | First elected:        | 2007   |
|  | Term expires:         | 2017   |
|  | Principal occupation: | Chief Executive Officer of Kimberly Clark de México  |
|  | Other directorships:  | Director of Kimberly Clark de México, GE International México, S. de R. L. de C. V., Sistema Integral de Abasto Rural, S.A.P.I de C.V., Grupo Sanborns, and Grupo Lala, S.A.B. de C.V. |
|  | Business experience:  | Various positions in the Kimberly Clark Corporation and Kimberly Clark de México   |
| <b>David Ibarra Muñoz</b>  | Born:                 | 1930   |
| Director   | First elected:        | 2000   |
|  | Term expires:         | 2017   |
|  | Principal occupation: | Retired  |
|  | Other directorships:  | Director of Grupo Financiero Inbursa, IDEAL, and Grupo Carso   |
|  | Business experience:  | Chief Executive Officer of Nacional Financiera, S.N.C., served in the Mexican Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público)                         |

The annual ordinary general shareholders meeting held on April 18, 2016, determined that the following directors are independent: Messrs. Ernesto Vega Velasco, Carlos Bremer Gutiérrez, Pablo Roberto González Guajardo, David Ibarra Muñoz, Antonio Cosío Pando, Louis C. Camilleri and Rafael Moisés Kalach Mizrahi.

María José Pérez Simón Carrera serves as alternate director for Juan Antonio Pérez Simón and was reelected for a one-year term at the annual ordinary general shareholders meeting held on April 18, 2016.

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

Daniel Hajj Aboumrad 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.

### **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

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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 currently has three members. The majority of its members must be Mexican citizens and elected by Mexican shareholders. Three members of the Executive Committee were appointed by our Mexican controlling shareholders. See [Major Shareholders](#) under Part IV. The current members of the Executive Committee are Messrs. Carlos Slim Domit, Patrick Slim Domit and Daniel Hajj Aboumrad, appointed by the Mexican controlling shareholders.

**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;

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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 us, 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 our financial statements and advise the Board of Directors of the committee's recommendations for approval of such financial statements;

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

recommend to the Board of Directors procedures for the selection and succession of our Chief Executive Officer and our 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.

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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.

**SENIOR MANAGEMENT**

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

|                                |                      |   |
|--------------------------------|----------------------|---|
| <b>Daniel Hajj Aboumrad</b>    | Appointed:           | 2000  |
| Chief Executive Officer        | Business experience: | Director of Telmex; Chief Executive Officer of Compañía Hulera Euzkadi, S.A. de C.V.  |
| <b>Carlos José García</b>      | Appointed:           | 2001  |
| <b>Moreno Elizondo</b>         | 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); Member of Telekom Austria's Supervisory Board; Member of KPN Supervisory Board |
| Chief Financial Officer        |                      |   |
| <b>Alejandro Cantú Jiménez</b> | Appointed:           | 2001  |
| General Counsel                | Business experience: | Member of Telekom Austria's Supervisory Board; Attorney at Mijares, Angoitia, Cortés y Fuentes, S.C.  |
| <b>Oscar Von Hauske Solís</b>  | Appointed:           | 2010  |

|                                     |                      |  |
|-------------------------------------|----------------------|--|
| Chief Fixed-line Operations Officer | 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.; Director of Telmex, Telmex Internacional, Empresa Brasileira de Telecomunicações S.A. ( Embratel ), and Net Serviços de Comunicação S.A. ( Net Serviços ); Member of Telekom Austria's Supervisory Board |
|-------------------------------------|----------------------|--|

|                                   |                      |                                    |
|-----------------------------------|----------------------|------------------------------------|
| <b>Angel Alija Guerrero</b>       | Appointed:           | 2012                               |
| Chief Wireless Operations Officer | Business experience: | Various positions in América Móvil |

#### **AUDIT COMMITTEE FINANCIAL EXPERT**

Our Board of Directors has determined that Ernesto Vega Velasco qualifies as an audit committee financial expert, and Mr. Vega Velasco is independent under the definition of independence applicable to us under the rules of the NYSE.

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*Corporate Governance*

**MANAGEMENT COMPENSATION**

**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 2015 was approximately Ps.4.3 million and Ps.60.5 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**

Carlos Slim Domit, Chairman of our Board of Directors, holds 647 million (or 2.8%) of our AA Shares and 1,567 million (or 3.7%) of our L Shares directly. Patrick Slim Domit, Vice Chairman of our Board of Directors, holds 323 million (or 1.4%) of our AA Shares and 859 million (or 2.0%) of our L Shares directly. Carlos Slim Helú, member of our Board of Directors, holds 1,879 (or 8.2%) of our AA Shares and 3,072 million (or 7.2%) 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 Part IV and **Bylaws Share Capital** under Part IV.

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 1.0% of any class of our capital stock.

**Table of Contents***Corporate Governance***CORPORATE GOVERNANCE**

Our corporate governance practices are governed by our bylaws, the Mexican Securities Market Law and the regulations issued by the CNBV. We also comply with the Mexican Code of Best Corporate Practices (*Código de Mejores Prácticas Corporativas*), which was created in January 2001 by a group of Mexican business leaders and was endorsed by both the CNBV and the Mexican Stock Exchange.

The table below discloses the significant differences between our corporate governance practices and those required for U.S. Companies under the NYSE and NASDAQ listing standards.

| <b>NYSE Standards</b>  | <b>NASDAQ Standards</b>   | <b>Our Corporate Governance Practices</b>   |
|--|---|---|
| <p><i>Director Independence.</i><br/>Majority of board of directors must be independent. §303A.01.<br/>Controlled companies are exempt from this requirement. A controlled company is one in which more than 50% of the voting power is held by an individual, group or another company, rather than the public. §303A.00.</p> <p>As a controlled company, we would be exempt from this requirement if we were a U.S. issuer.</p> <p><i>Executive Sessions.</i><br/>Non-management directors must meet at regularly scheduled executive sessions without management. Independent directors should meet alone in an executive</p> | <p><i>Director Independence.</i><br/>Majority of board of directors must be independent and directors deemed independent must be identified in a listed company's proxy statement (or annual report on Form 10-K or 20-F if the issuer does not file a proxy statement). Controlled companies are exempt from this requirement. A controlled company is one in which more than 50% of the voting power for the election of directors is held by an individual, group or another company, rather than the public. Rules 5605(b)(1), 5615(c)(1) and (c)(2).</p> <p>As a controlled company, we would be exempt from this requirement if we were a U.S. issuer.</p> <p><i>Executive Sessions.</i><br/>Independent directors must have regularly scheduled executive sessions at which only independent directors are present. Rule 5605(b)(2).</p> | <p><i>Director Independence.</i><br/>Pursuant to the Mexican Securities Market Law, our shareholders are required to appoint a board of directors of no more than 21 members, 25% of whom must be independent. Certain persons are per se non-independent, including insiders, control persons, major suppliers and any relatives of such persons. In accordance with the Mexican Securities Market Law, our shareholders' meeting is required to make a determination as to the independence of our directors, though such determination may be challenged by the CNBV.</p> <p>There is no exemption from the independence requirement for controlled companies.</p> <p><i>Executive Sessions.</i><br/>Our non-management directors have not held executive sessions without management in the past, and they are not required to do so.</p> |

session at least once a year.  
§303A.03.

*Nominating/Corporate*

*Governance Committee.*

Nominating/corporate governance committee composed entirely of independent directors is required. The committee must

*Nominating Committee.*

Director nominees must be selected, or recommended for the board's selection, either by a nominating committee comprised solely of

*Nominating Committee.*

We currently do not have a nominating committee or a corporate governance committee. We are not required to have a nominating committee. However, Mexican law requires us to



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*Corporate Governance*

**NYSE Standards**

have a charter specifying the purpose, duties and evaluation procedures of the committee. §303A.04.

Controlled companies are exempt from these requirements. §303A.00.

As a controlled company, we would be exempt from this requirement if we were a U.S. issuer.

*Compensation Committee.*

Compensation committee composed entirely of independent directors is required, which must evaluate and approve executive officer compensation. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. §303A.02(a)(ii) and §303A.05.

Controlled companies are exempt from this requirement. §303A.00.

As a controlled company, we would be exempt from this requirement if we were a U.S. issuer.

**NASDAQ Standards**

independent directors or by a majority of independent directors. Each listed company also must certify that it has adopted a formal charter or board resolution addressing the nominations process. Controlled companies are exempt from this requirement. Rules 5605(e) and 5615(c)(2).

As a controlled company, we would be exempt from this requirement if we were a U.S. issuer.

*Compensation Committee.*

Compensation committee consisting of at least two members, each of whom is an independent director. The committee must have a charter specifying the scope of its responsibilities, its method for determining or recommending to the Board for determination the compensation of the CEO and all other executive officers, and that the CEO may not be present during voting or deliberations.

Controlled companies are exempt from this requirement. Rules 5605(a)(2), 5605(d) and 5615(c)(2).

As a controlled company, we would be exempt from this requirement if we were a U.S.

**Our Corporate Governance Practices**

have one or more committees that oversee certain corporate practices, including appointment of directors and executives. Under the Mexican Securities Market Law, committees overseeing certain corporate practices must be composed of independent directors. However, in the case of controlled companies, such as ours, only a majority of the committee members must be independent.

Under the Mexican Securities Market Law, certain corporate governance functions must be delegated to one or more committees. Under our bylaws, the Audit and Corporate Practices Committee performs our corporate governance functions. See Management under Part V.

*Compensation Committee.*

We currently do not have a compensation committee. We are not required to have a compensation committee since our Audit and Corporate Practices Committee, which is comprised solely of independent directors, evaluates and approves management's (including our CEO) and directors compensation.

issuer.

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*Corporate Governance*

**NYSE Standards**

*Audit Committee.*

Audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act and the more stringent requirements under the NYSE standards is required. §§303A.06, 303A.07.

**NASDAQ Standards**

*Audit Committee.*

Audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act and the more stringent requirements under the NASDAQ standards is required. Rule 5605(c).

**Our Corporate Governance Practices**

*Audit Committee.*

We have an audit and corporate practices committee of four members. Each member of the audit and corporate practices committee is independent, as independence is defined under the Mexican Securities Market Law, and also meets the independence requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934, as amended. Our audit and corporate practices committee operates primarily pursuant to (1) a written charter adopted by our board of directors, which assigns to the committee responsibility over those matters required by Rule 10A-3 (2) our bylaws and (3) Mexican law. For a more detailed description of the duties of our audit and corporate practices committee, see Management under Part V.

*Equity Compensation Plans.*

Equity compensation plans and all material revisions thereto require shareholder approval, subject to limited exemptions. §§303A.08 and 312.03.

*Equity Compensation Plans.*

Equity compensation plans or material amendments thereto require shareholder approval, subject to limited exemptions. Rule 5635(c).

*Equity Compensation Plans.*

Shareholder approval is expressly required under Mexican law for the adoption and amendment of an equity compensation plan. Such plans must provide for similar treatment of executives in comparable positions.

*Shareholder Approval for*

*Issuance of Securities.*

Issuances of securities (1) that will result in a change of control of the issuer, (2) that are to a related party or someone closely related to a related party, (3) that have voting power equal to at least 20% of the outstanding common stock voting power before such issuance or (4) that will increase the number of shares of common stock by at least

*Shareholder Approval for Issuance of Securities.*

Issuances of securities (1) that will result in a change of control of the issuer, (2) in connection with certain acquisitions of the stock or assets of another company or (3) in connection with certain transactions other than public offerings require shareholder approval. Rules 5635(a), (b) and (d).

*Shareholder Approval for Issuance of Securities.*

Mexican law requires us to obtain shareholder approval of the issuance of equity securities. Under certain circumstances, however, treasury stock may be sold by the board of directors without shareholder approval.

20% of the number of outstanding shares before such issuance require shareholder approval.  
§§312.03(b)-(d).

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*Corporate Governance*

**NYSE Standards**

*Code of Business Conduct and*

*Ethics.*

Corporate governance guidelines and a code of business conduct and ethics is required, with disclosure of any waiver for directors or executive officers. The code must contain compliance standards and procedures that will facilitate the effective operation of the code. §303A.10.

*Conflicts of Interest.*

Determination of how to review and oversee related party transactions is left to the listed company. The audit committee or comparable body, however, could be considered the forum for such review and oversight. §314.00. Certain issuances of common stock to a related party require shareholder approval. §312.03(b).

*Solicitation of Proxies.*

Solicitation of proxies and provision of proxy materials is required for all meetings of shareholders. Copies of such proxy solicitations are to be provided to NYSE. §§402.01 and 402.04.

**NASDAQ Standards**

*Code of Business Conduct and Ethics.*

Corporate governance guidelines and a code of business conduct and ethics is required, with disclosure of any waiver and the reasons for such waiver for directors or executive officers. The code must include an enforcement mechanism. Rule 5610.

*Conflicts of Interest.*

Appropriate review of all related party transactions for potential conflict of interest situations and approval by an audit committee or another independent body of the board of directors of such transactions is required. Rule 5630.

*Solicitation of Proxies.*

Solicitation of proxies and provision of proxy materials is required for all meetings of shareholders. Copies of such proxy solicitations are to be provided to NASDAQ. Rule 5620(b).

**Our Corporate Governance Practices**

*Code of Business Conduct and Ethics.*

We have adopted a code of ethics, which has been accepted by all of our directors and executive officers and other personnel.

*Conflicts of Interest.*

In accordance with Mexican law, an independent audit committee must provide an opinion to the board of directors regarding any transaction with a related party that is outside of the ordinary course of business, which must be approved by the board of directors. Pursuant to the Mexican Securities Market Law, our board of directors may establish certain guidelines regarding related party transactions that do not require specific board approval.

*Solicitation of Proxies.*

We are not required to solicit proxies from our shareholders. In accordance with Mexican law and our bylaws, we inform shareholders of all meetings by public notice, which states the requirements for admission to the meeting. Under the deposit agreement relating to our ADSs, holders of our ADSs receive notices of shareholders meetings and, where applicable, instructions on how to instruct the depositary to vote at the meeting. Under the deposit agreement relating to our ADS, we may direct the voting of any ADS as to which no voting instructions are received by the depositary, except with respect to any matter where substantial opposition exists or that

materially and adversely affects the rights of holders.

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*Corporate Governance*

**NYSE Standards**

**NASDAQ Standards**

**Our Corporate Governance Practices**

*Auditor Registration.*

A listed company must be audited by an independent public accountant that is registered as a public accounting firm with the Public Company Accounting Oversight Board. Rule 5250(c)(3).

*Auditor Registration.*

Under Mexican law, we must be audited by an independent public accountant that has received a quality control review as defined by the CNBV.

Mancera, a member practice of Ernst & Young Global Limited, a public registered firm, our independent auditor, is registered as a public accounting firm with the Public Company Accounting Oversight Board.

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*Corporate Governance*

**CONTROLS AND PROCEDURES**

*(a) Disclosure controls and procedures.* We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of December 31, 2015. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

*(b) Management's annual report on internal control over financial reporting.* Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and other personnel, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of the inherent limitations in all control systems, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our evaluation under the framework in Internal Control – Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2015.

Mancera, S.C. ( Mancera ), a member practice of Ernst & Young Global Limited, an independent registered public accounting firm, our independent auditor, issued an attestation report on our internal control over financial reporting on April 18, 2016.



(c) *Attestation Report of the registered public accounting firm.*

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*Corporate Governance*

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

**The Board of Directors and Shareholders of América Móvil, S.A.B. de C.V.**

We have audited América Móvil, S.A.B. de C.V. and subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the 2013 Framework) (the COSO criteria). América Móvil, S.A.B. de C.V. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, América Móvil, S.A.B. de C.V. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

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*Corporate Governance*

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of América Móvil, S.A.B. de C.V. and subsidiaries as of December 31, 2014 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2015, and our report dated April 18, 2016, expressed an unqualified opinion thereon.

Mancera, S.C.

A member practice of

Ernst & Young Global Limited

/s/ Carlos Carrillo Contreras  
Carlos Carrillo Contreras

Mexico City, Mexico

April 18, 2016

(d) *Changes in internal control over financial reporting.* There has been no change in our internal control over financial reporting during 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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*Corporate Governance*

**CODE OF ETHICS**

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Exchange Act. Our code of ethics applies to, among others, our Chief Executive Officer, Chief Financial Officer and Comptroller, and persons performing similar functions. Our code of ethics is available on our web site at [www.americamovil.com](http://www.americamovil.com). If we amend any provisions of our code of ethics that apply to our Chief Executive Officer, Chief Financial Officer, Comptroller and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our web site at the same address.

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**PART VI:**

**Table of Contents***Regulation***REGULATION****MEXICO****Legal Framework**

Over the last three years, Mexico has developed a new legal framework for the regulation of telecommunications and broadcasting services. This legal framework is based on constitutional amendments passed in June 2013 and implementing legislation enacted in July 2014, which established the Federal Law on Telecommunications and Broadcasting (*Ley Federal de Telecomunicaciones y Radiodifusión*) and the Law for the Public Broadcasting System of the Mexican State (*Ley del Sistema Público de Radiodifusión del Estado Mexicano*) to replace the prior statutory framework. The prior General Communications Law (*Ley de Vías Generales de Comunicación*) and regulations adopted thereunder remain effective under the new legal framework, except where they conflict with the new legal framework or where they have been superseded by subsequent regulation.

Under this legal framework, the IFT determines whether there is a preponderant economic agent in the telecommunications sector, based on number of customers, traffic or network capacity. 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 and Grupo Financiero Inbursa, constitutes the preponderant economic agent in the telecommunications sector, based on a finding that we serve more than half of the customers in Mexico as measured by the IFT on a national basis.

The 2013 constitutional amendments authorize the IFT to impose on a preponderant economic agent a special regulatory regime, as supplemented by the 2014 implementing legislation. The special regime is referred to as asymmetric regulation, because it applies to one market participant and not to the others. Pursuant to the IFT's determination that we are part of a group constituting a preponderant economic agent, we are subject to extensive asymmetric regulations in our Mexican fixed-line and wireless businesses. See Asymmetric Regulation of the Preponderant Economic Agent under this Part VI.

We have filed judicial proceedings to challenge the determination that we are a preponderant economic agent and the related measures imposed under the legal framework, but the 2013 constitutional amendments do not provide for interim relief from the regulations pending judicial consideration of our challenges. See Note 21 to our audited consolidated financial statements included in this annual report.

This legal framework has had a substantial impact on our business and operations in Mexico. The long-term effects will depend on further regulations and other actions by the IFT, how we and our competitors adapt, how customers behave in response and how the telecommunications and media markets develop.

**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. While most of the powers previously exercised by the Mexican Ministry of Communications and Transportation (*Secretaría de Comunicaciones y Transportes*) were transferred to the IFT, there are a few specific public policy matters over which it retains authority.

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*Regulation*

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.

Telecommunications operators are also subject to regulation by the Federal Consumer Bureau (*Procuraduría Federal del Consumidor*) under the Federal Consumer Protection Law (*Ley Federal de Protección al Consumidor*), which regulates publicity, quality of services and information required to be provided to consumers.

**Asymmetric Regulation of the Preponderant Economic Agent**

Based on the IFT's determination that we, our Mexican operating subsidiaries (Telmex, Telnor and Telcel) and certain affiliates constitute a preponderant economic agent in the telecommunications sector, we are subject to extensive specific asymmetric measures. We summarize what we believe are the most important measures below.

*Interconnection.* The 2014 legislation eliminated termination rates for the preponderant economic agent as of August 13, 2014, such that Telcel, Telmex and Telnor may not charge other operators for the termination services they provide in their networks, while continuing to pay such operators for their interconnection services.

*Sharing of Infrastructure and Services.* We must provide other carriers access to (i) passive infrastructure, including towers, sites, ducts and rights of way; (ii) elements of our network that allow other carriers and MVNOs to offer those services we provide to our fixed-line and mobile customers; (iii) our dedicated circuits and (iv) domestic roaming services, in each case, pursuant to IFT pre-approved reference terms (*ofertas públicas de referencia*). We negotiate access rates with other carriers and, if we cannot reach agreement, rates may be determined by the IFT using, as applicable, a long-run average incremental costs methodology or a retail minus methodology.

*Local Loop Unbundling.* We must offer other operators access to elements of our local network separately. In December 2015, the IFT notified Telmex of a resolution authorizing the modified terms and conditions of Telmex's proposed Reference Terms for Local Loop Unbundling (*Oferta de Desagregación Efectiva de la Red Local*). Telmex has challenged this resolution and a decision is pending.

*Elimination of Customer's Domestic Roaming Fees.* As of April 2014, we may no longer charge our customers roaming fees within Mexico.

*Certain Obligations on the Provision of Retail Services.* Certain rates for the provision of telecommunications services to our customers are subject to the IFT's prior authorization, in the case of fixed-line and wireless services, and to rate controls, in the case of fixed-line services only, using



methodologies related to maximum prices and replicability tests that are currently under analysis by us and the IFT. We are also subject to various obligations relating to the sale of services and products, including the obligation to offer individually all services that we previously offered under a bundle scheme, the limitations on exclusivity and the obligation to unlock handsets and tablets.

*Content.* We are subject to specific limitations on acquisitions of exclusive transmission rights to relevant content (*contenidos audiovisuales relevantes*), as determined from time to time by the IFT, including but not limited to the national soccer play-offs (*liguilla*), the FIFA world cup soccer finals and any other event where large audiences are expected at a national or regional level.

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*Regulation*

*Reporting of Service Obligations.* We are subject to obligations related to reporting of service, including the publication of reference terms for wholesale and interconnection services that are subject to asymmetric regulation.

The measures expressly provide that they are transitory and may 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. Our status as a preponderant economic agent is reviewed for this purpose every two years. As a result of such review, the IFT may modify or eliminate measures or set forth new measures, including the structural or functional separation or divestiture of assets of the preponderant economic agent. During 2016, the IFT is expected to review our preponderant economic agent status.

**Concessions**

Under Mexico's legal framework, an operator of public telecommunications networks, such as Telcel or Telmex, must operate under a concession. The IFT is the government authority that grants concessions, which 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:

*Network concessions.* Telcel, Telmex and its subsidiary Telnor hold network concessions, granted under the previous regulatory framework, to provide specified types of services. Their ability to migrate to the new regime of unified concessions and, consequently, to provide any and all telecommunications and broadcasting services, is subject to conditions, as described under *Migration of Concessions* below.

*Spectrum concessions.* Telcel holds multiple concessions, granted under the previous regulatory framework, to provide wireless services that utilize frequencies of radio-electric spectrum. These concessions have terms of 15 to 20 years and may be extended for an additional term.

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

*Termination of Concessions*

Mexican legislation provides that under certain circumstances, some assets of a concessionaire may be acquired by the federal government upon termination of the concession. There is no specific guidance or precedent for applying these provisions, so the scope of assets covered, the compensation to the concessionaire and the procedures to be followed would depend on the type of concession, the type of assets and the interpretation of applicable legislation by the competent authorities at the time.

*Migration of Concessions and Additional Services*

The new legislative framework established the unified concession (*concesión única*), which allows the holder to provide all types of telecommunications and broadcasting services, and a regime under which an existing concession can be migrated to the new unified concession at the end of its term or upon request by the concession holder. A unified concession has a term of up to 30 years, extendable for up to an equal term. Also, under this new framework a current concession may be modified to add services not previously contemplated therein.

However, as a result of our preponderant economic agent status, we are subject to additional conditions for the migration to a unified concession or the addition of a service, such as Pay TV, to a current concession, including: (i) payment of any new concession fee to be determined by the IFT, (ii) compliance with current requirements under the network concession, the 2013 constitutional amendments, the 2014 legislation and any additional measures

**Table of Contents***Regulation*

imposed by the IFT on the preponderant economic agent and (iii) such other requirements, terms and conditions as the IFT may establish in the concession itself. We expect the process of migration or additional services to be lengthy and complex. Consequently, we may not be able to provide additional services, such as broadcasting, in the near term.

**Telcel's Concessions**

Telcel operates under several different network and spectrum 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.

| <b>Frequency</b>             | <b>Region in Mexico</b>  | <b>Initial Date</b> | <b>Termination Date</b> | <b>Fee Structure</b> |
|------------------------------|--|---------------------|-------------------------|----------------------|
| 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. 2015           | Oct. 2030               | 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 February 2016, the IFT announced that Telcel had won in a recent spectrum auction a total of 20 MHz nationwide in the AWS-1 band and 40 MHz nationwide in the AWS-3 band, which will each expire in October 2030. We expect these new concessions to be granted to Telcel during the second quarter of 2016.

*Renewal*

The Band B concessions covering eight regions outside the Mexico City area were renewed in 2010 and 2011, with certain additional conditions imposed on Telcel. All of these concessions provide for a renewal for additional 15-year terms.

In October 2015, Telcel obtained the renewal of the Band B concession covering the Mexico City area (Region 9) that will now expire in October 2030.

#### *Concession Fees*

In addition to the upfront payment applicable to all of the 1900 MHz (A, D and F Bands) concessions, all 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 annual Federal Fees Law (*Ley Federal de Derechos*) and vary depending on the relevant region and radio spectrum band. Currently, Telcel is not required to pay these fees for its Bands A and D 1900 MHz concessions since they were awarded prior to 2003, but it is required to pay them for additional 10 MHz of capacity in the 1900 MHz spectrum (Band F) acquired in 2005.

#### *Service Quality Requirements*

The concessions set forth requirements for the quality and continuity of Telcel's services, including, in some cases, maximum rates of incomplete and dropped calls and connection time. Additionally, we are subject to the Quality of

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Local Wireless Services (*Plan Técnico Fundamental de Calidad del Servicio Local Móvil*, or the 2011 Technical Plan ), which imposes extensive additional service quality requirements for voice, SMS and internet services and fines for non-compliance with voice-quality requirements. Telcel has been notified of a number of proceedings seeking to impose penalties on the basis of alleged non-compliance with service quality requirements. See Note 21 to our audited consolidated financial statements included in this annual report.

**Telmex's 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 or fees that the IFT may impose. We submitted a request for the maximum allowable renewable period in March 2016. Telmex's subsidiary, 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 the Federal Commission of Telecommunications (*Comisión Federal de Telecomunicaciones*, or Cofetel ) through a competitive bidding process for a term of up to 20 years that may be extended for additional 20-year terms.

**Wireless Rates**

Wireless services concessionaires are generally free to establish the prices they charge customers for telecommunications services. Wireless 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, and may in the future result, in disputes between operators and with the IFT.

As a result of the preponderance determination, Telcel's retail prices are subject to pre-approval by the IFT before they can take effect. In addition, the 2014 legislation established that preponderant agents may not charge termination rates. Therefore, Telcel may not charge other operators for the termination services it provides, while it continues to pay for the termination services provided to it by other operators. See Asymmetric Regulation of the Preponderant Economic Agent under this Part VI.

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 (*Ley Federal de Competencia Económica*) and the 2014 legislation. For more information on litigation related to the Federal Antitrust Law and the 2014 legislation, see Note 21 to our audited consolidated financial statements included in this annual report.

**Fixed Rates**

Telmex's concessions subject its rates for basic telephone services in any period, including installation, monthly rent, measured local-service and long-distance service, 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. Telmex is required to file a model with the IFT every four years with its projections of units of operation for basic services, costs and prices. Telmex is free to determine the structure of its own rates, with the exception of domestic long-distance rates, which were abolished under the 2014 legislation, and of the residential line rate, which has a cap based on the long run incremental cost. As a result of the preponderance determination, Telmex's retail prices are subject to pre-approval by the IFT before they can take effect.

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The price ceiling varies directly with the Mexican National Consumer Price Index (*Indice Nacional de Precios al Consumidor*), 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 services, and since March 1999, for international long-distance services. Under Telmex's concession, the price ceiling 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.

As discussed above, under the 2014 legislation the preponderant agent may not charge interconnection rates. Therefore, Telmex may not charge other operators for the termination services it provides, while it continues to pay for the termination services provided to it by other operators.

**BRAZIL****Legal Framework and Principal Regulatory Authorities**

The Brazilian Telecommunications Law (*Lei Geral das Telecomunicações Brasileiras*) provides a framework for telecommunications regulation. The primary telecommunications regulator in Brazil is the Telecommunications Agency (*Agência Nacional de Telecomunicações*, or *Anatel*), which has the authority to grant concessions and licenses for all telecommunications services, except broadcasting, and to adopt regulations that are legally binding on telecommunications services providers. Additionally, Claro Brasil is subject to regulation by the Brazilian National Cinema Agency (*Agência Nacional do Cinema*).

**Licenses**

In December 2014, we simplified our corporate structure, and our subsidiaries Embratel, Embratel Participações S.A. (Embrapar) and Net Serviços were merged into Claro Brasil. As a result, all licenses previously granted to Embratel and Net Serviços were transferred to Claro Brasil.

Our Brazilian subsidiaries hold licenses for the telecommunications services listed below:

| <b>Company</b> | <b>License</b>  | <b>Termination Date</b> |
|----------------|---|-------------------------|
| Claro Brasil   | Fixed Local Voice Services                              | Indefinite              |
|                | Domestic and International Long Distance Voice Services | 2025                    |
|                | Personal Communication Services                         | Indefinite              |
|                | Data Services   |                         |



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|                  |                                  |                 |
|------------------|----------------------------------|-----------------|
|                  | Cable TV Services                | Indefinite      |
|                  | Mobile Maritime Services         | Indefinite      |
|                  | Global Mobile Satellite Services | Indefinite      |
|                  |                                  | Indefinite      |
| Claro TV         | DTH TV Services                  | Indefinite      |
|                  | Data Services                    | Indefinite      |
| Americel         | Data Services                    | Indefinite      |
| Star One         | Data Services                    | Indefinite      |
|                  | Satellite Exploitation           | See table below |
| Primesys         | Data Services                    | Indefinite      |
| Telmex do Brasil | Data Services                    | Indefinite      |

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Our Brazilian subsidiary Star One has the following authorizations for satellite exploitation:

| <b>Type</b>         | <b>Number</b>     | <b>Orbital Position</b>                         | <b>Issue Date</b> | <b>Expiration Date (15 years)</b> |
|---------------------|-------------------|---|-------------------|-----------------------------------|
| Extension (renewal) | PVSS/SPV 007/2006 | 63°W, 65°W, 68°W, 70°W,<br>84°W and 92°W C Band | Jan. 2006         | Jan. 2021                         |
| Orbital Position    | PVSS/SPV 001/2003 | 65°W Ku Band                                    | Feb. 2003         | Feb. 2018                         |
| Orbital Position    | PVSS/SPV 12/2007  | 92°W C and Ku Band                              | Nov. 2007         | Nov. 2022                         |
| Orbital Position    | PVSS/SPV 002/2003 | 70°W Ku Band                                    | Oct. 2003         | Oct. 2018                         |
| Orbital Position    | PVSS/SPV 001/2007 | 75°W C and Ku Band                              | Feb. 2007         | Feb. 2022                         |
| Orbital Position    | PVSS/SPV 156/2012 | 70°W Ka and Ku (Planned)<br>Band                | Mar. 2012         | Mar. 2027                         |
| Orbital Position    | PVSS/SPV 076/2012 | 84°W Ka and Ku Band                             | Feb. 2012         | Feb. 2027                         |
| Landing Rights      | PVSS/SPV 002/2009 | 37.9°W C Band                                   | May 2009          | May 2019 <sup>(1)</sup>           |

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

Claro Brasil holds licenses to provide services under the PCS regime in the 450 MHz, 700 MHz, 850 MHz, 900 MHz, 1800 MHz, 1900 MHz, 2100 MHz and 2500 MHz spectrum bands. Our subsidiaries expect to continue acquiring spectrum in the event Anatel conducts additional public auctions, although Claro Brasil, like many of its competitors, may be subject to a cap on the additional spectrum it may acquire.

Claro Brasil participated in the most recent auction for spectrum in December 2015. The final results from the auction have not been made public by Anatel as of the date of this report.

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:

**Frequency and Geographical Coverage**

**Termination Date**

**4G/2500 MHz:**

Nationwide<sup>(1)</sup>

Oct. 2027

**4G/700 MHz:** Nationwide

Dec. 2029

**3G/1900-2100 MHz:** Nationwide

Mar. 2023

**GSM/1800 MHz:**

Santa Catarina, Acre, Rondônia, Tocantins, Distrito Federal, Mato Grosso,  
Mato Grosso do Sul, Goiás, Minas Gerais, Paraná, Rio de Janeiro,  
Espírito Santo, Rio Grande do Sul

Mar. 2023

Acre, Rondônia, Tocantins, Distrito Federal, Mato Grosso,  
Mato Grosso do Sul, Goiás

July 2027

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|   |           |
|---|-----------|
| Alagoas, Ceará, Paraíba, Piauí, Pernambuco, Rio Grande do Norte,<br>São Paulo (Capital)                               | Aug. 2027 |
| Rio de Janeiro, Espírito Santo, Rio Grande do Sul   | Apr. 2028 |
| São Paulo (Interior)  | Mar. 2028 |
| Amazonas, Maranhão, Roraima, Amapá, Pará  | Dec. 2022 |
| Bahia, Sergipe, Paraná, Santa Catarina  | Dec. 2017 |
| <b>GSM/900 MHz:</b>   |           |
| Minas Gerais  | Apr. 2020 |
| Paraná (Norte)  | Dec. 2022 |
| Bahia, Paraná, Santa Catarina, Sergipe  | Dec. 2017 |
| Acre, Distrito Federal, Goiás, Rondônia, Mato Grosso, Mato Grosso do Sul,<br>Tocantins                                | July 2027 |
| Alagoas, Ceará, Paraíba, Piauí, Pernambuco, Rio Grande do Norte,<br>São Paulo (Capital)                               | Aug. 2027 |
| Espírito Santo, Rio de Janeiro, Rio Grande do Sul   | Apr. 2028 |
| São Paulo (Interior)  | Mar. 2028 |
| <b>GSM/850 MHz:</b>   |           |
| Acre, Distrito Federal, Goiás, Mato Grosso, Mato Grosso do Sul, Rondônia,<br>Tocantins                                | July 2027 |
| Alagoas, Ceará, Paraíba, Pernambuco, Piauí, Rio Grande do Norte,<br>São Paulo (Capital)                               | Aug. 2027 |
| Espírito Santo, Rio de Janeiro, Rio Grande do Sul   | Apr. 2028 |
| São Paulo (Interior)  | Mar. 2028 |
| Amazonas, Maranhão, Roraima, Amapá, Pará  | Mar. 2023 |
| <b>GSM/450MHz:</b> Acre, Amapá, Amazonas, Bahia, Maranhão, Pará, Rondônia,<br>Roraima, Tocantins, São Paulo (Capital) | Oct. 2027 |

- (1) In addition to the nationwide block (20+20 MHz), Claro Brasil also has four regional complementary blocks (10+10 MHz - Band P), as of December 31, 2015.

**Concessions**

Claro Brasil holds two fixed-line concessions to provide domestic and international long-distance telephone services. The remaining telecommunications services provided by Claro Brasil are governed by a system of licenses instead of concession arrangements.

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**Table of Contents***Regulation***Concession Fees**

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

Claro Brasil is also 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 long-distance telephone services, net of taxes and social contributions, for the year preceding the payment.

**Termination of Concessions**

Our domestic and international long-distance fixed-line concessions provide that under certain circumstances, certain of our assets are indispensable to the provision of services under those concessions will revert to the Brazilian state upon termination of the concession. Compensation for those assets would be their depreciated cost. See Note 21 to our audited consolidated financial statements included in this annual report.

**Regulation of Rates**

Anatel regulates rates (tariffs and prices) for all telecommunications services, except for fixed-line broadband services, Pay TV and satellite capacity rates, which are not regulated. In general, PCS license-holders and fixed local voice services license-holders are authorized to increase basic plan rates annually. Domestic long-distance concession-holders may adjust annually only for inflation (less a factor determined by Anatel based on the productivity of each operator during the year). Claro Brasil may set international long-distance rates freely, provided it gives Anatel and the public advance notice.

**Regulation of Wholesale Market Competition**

In November 2012, Anatel approved the General Competition Plan (*Plano Geral de Metas da Competição*, or PGMC), a comprehensive regulatory framework aimed at increasing competition in the telecommunications sector. The PGMC imposes asymmetric measures upon economic groups determined by Anatel to have significant market power in any of five wholesale markets in the telecommunications sector, on the basis of several criteria, including having over 20% of market share in the applicable market.

As a wireless operator, Claro Brasil, as well as three of its primary competitors, were determined to have significant market power in the wireless termination and national roaming markets. As a result, Claro Brasil was required to reduce wireless termination rates to 75% of the 2013 rates by February 2014, and to 50% of the 2013 rates by February 2015. In July 2014, Anatel established termination rates for wireless services applicable to operators with significant market power through 2019. Claro Brasil is also required to publish, and Anatel must approve, its reference roaming prices for voice, data and SMS on a semi-annual basis, among other measures.

In addition, Embratel was determined to have significant market power in the market for long-distance leased lines, Claro Brasil and Embratel were determined to have significant market power in the telecommunications infrastructure market and Net Serviços was determined to have significant market power in the local coaxial transmissions market, together with several of their wireless and fixed-line competitors. Following the merger of Embratel and Net Serviços

into Claro Brasil, Claro Brasil is required to publish and Anatel must approve its reference offers in each such market. Moreover, wholesale contracts entered into by operators determined to have significant market power, for the sale of such operators' services, are overseen by independent third-party companies.

In 2015, Anatel approved Claro Brasil's wholesale reference offers with respect to national roaming, telecommunications infrastructure, long-distance leased lines, wireless termination rates, internet network interconnection and internet links.

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In light of evolving market conditions, Anatel will review its determination of which operators have significant market power on a biannual basis. Anatel began its first review in November 2014, and it has not been completed. Anatel may also propose modifications to the asymmetric measures applicable under the PGMC, which would be subject to public comment. Anatel has not disclosed when this review will be completed or when its findings will become available as of the date of this annual report.

**Network Usage Fees and Fixed-Line Interconnection Rates**

In July 2014, Anatel approved a resolution establishing the reference terms for fees charged in connection with wireless network and leased lines usage, and setting a price cap on fees charged for fixed network usage economic groups deemed to have significant market power. Such values, developed based on Anatel's cost model studies, will be applicable beginning February 2016.

Fixed-line operators determined by Anatel to have significant market power in the local fixed-line market may freely negotiate interconnection rates, subject to a price cap established by Anatel. Other carriers, including Claro Brasil, may set interconnection rates up to 20.0% higher than such cap.

**Other Obligations**

Under applicable law and our concessions, Claro Brasil has an obligation to: (i) comply with certain coverage obligations to ensure universal access to its fixed-line voice services, (ii) contribute to the funding of transitioning from analogue to digital TV, (iii) meet quality-of-service targets and (iv) comply with applicable telecommunications services consumer rights.

**COLOMBIA****Legal Framework and Principal Regulatory Authorities**

The Information and Communications Ministry (*Ministerio de Tecnologías de la Información y las Comunicaciones*, or ICT Ministry ) and the Communications Regulatory Commission (*Comisión de Regulación de Comunicaciones*, or CRC ) are responsible for overseeing and regulating the telecommunications sector, including wireless operations. The main audiovisual regulatory authority in Colombia with respect to Pay TV is the National Television Authority (*Autoridad Nacional de Televisión*, or ANTV ). We are also subject to supervision by other government entities responsible for enforcing other regulations, such as antitrust rules or those protecting consumer rights.

**Concessions**

In November 2013, Comcel qualified for the general authorization for the provision of wireless services and was included in the register of networks and services administered by the ICT Ministry. Such general authorization superseded all of Comcel's former concession contracts and, consequently, such former concessions were terminated.

As a result of the termination of Comcel's former concessions, the ICT Ministry and Comcel began discussions with respect to the liquidation (*liquidación*) of the agreements governing those concessions. In light of the decision from the Colombian Constitutional Court (*Corte Constitucional de Colombia*) holding that certain laws limiting the



reversion of assets of telecommunications providers did not apply to concessions granted prior to 1998 and, consequently, that reversion of assets under those earlier concessions would be governed by their contractual terms, the ICT Ministry took the position that assets under Comcel's earlier concessions should revert to the Colombian government. Comcel disputes the ICT Ministry's interpretation of that decision. In February 2016, the ICT Ministry issued a press release announcing that it will summon an arbitration panel to decide the applicability and scope of the reversion clauses in Comcel's former concessions. Comcel has not been served with the announced arbitration lawsuit.

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On March 11, 2016, the Company notified the Trade, Industry and Tourism Ministry of Colombia (*Ministerio de Comercio, Industria y Turismo*) of its intention to submit an arbitration claim pursuant to the Free Trade Agreement between Mexico and Colombia (the FTA Mexico Colombia ). The purpose of the arbitration is the intended reversion of certain wireless telecommunications assets operated by Comcel. The Company will request compensation relating to breaches of the FTA Mexico Colombia and international law provisions. This proceeding is independent of any rights that Comcel has to exercise any and all applicable legal actions against the ICT Ministry's proceeding.

**Licenses and Permits**

Comcel holds licenses to provide wireless services in the spectrum frequency bands shown in the table below.

| <b>Frequency</b> | <b>Termination Date</b> |
|------------------|-------------------------|
| 2G/850 Mhz       | Mar. 2024               |
| 3G/1900 Mhz      |                         |
| Bandwidth:       |                         |
| 10 Mhz           | Dec. 2019               |
| 5 Mhz            | Sept. 2021              |
| 15 Mhz           | Mar. 2024               |
| 5 Mhz            | June 2016               |
| 4G/2600 Mhz      |                         |
| Bandwidth:       |                         |
| 30 Mhz           | Aug. 2023               |

In October 2013, Telmex Colombia obtained permission to provide Pay TV services under any available technology, pursuant to ANTV's unified licensing system.

**Asymmetric Charges**

In 2012, the CRC issued resolutions seeking to correct an alleged market failure and imposing the following measures on Comcel: (i) asymmetric charges for call termination on Comcel's network, with access rates lower than the rates we pay our competitors; 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 were expected to end by January 1, 2015.

In 2014, the CRC updated the access charges scheme applicable to all operators. While it remains unclear whether this new scheme of general applicability also has the effect of extending the specific asymmetric charges applicable to Comcel beyond January 1, 2015, the CRC has responded to Comcel's requests for clarification by confirming that such scheme is general in nature and not targeted at Comcel.

Our competitors claim that the new scheme has the effect of extending asymmetric access charges until December 2016. Movistar and Tigo filed a claim before the Superintendency of Industry and Commerce (*Superintendencia de Industria y Comercio*, or SIC ), which issued a preliminary injunction ordering Comcel to continue to apply asymmetric charges with respect to Movistar and Tigo, pending a decision on the merits of the underlying claim. In July 2015, Comcel filed challenges (*demandas de nulidad*) against the relevant CRC resolutions before the administrative courts. Comcel contested the preliminary injunction and vigorously defended its position that asymmetric access charges should not apply after January 1, 2015.

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**SOUTHERN CONE**

**Argentina**

Following the election of a new president in 2015, the Argentine government issued an Emergency Decree (*Decretos de Necesidad y Urgencia*, or DNU ) to create a new communications ministry and regulator to oversee the telecommunications and media sectors. The National Communications Agency (*Ente Nacional de Comunicaciones*, or Enacom ) is now the main telecommunications regulatory authority in Argentina and became operational in January 2016.

As part of the measures passed under the DNU, fixed and wireless services providers are prohibited from providing DTH technology. The measures also prohibit their provision of Pay TV services through any other technology as of January 2016 and for a two-year period, which may be extended by a further year.

AMX Argentina holds licenses in the 700 MHz, 900 MHz, 1700/2100 MHz (AWS) and 1900 MHz frequency bands, some of which expire in 15 years and some which have no expiration date. Each license also contains certain coverage, reporting and service requirements as well as provides Enacom a revocation right upon a material breach of the license terms.

All telecommunications providers in Argentina must contribute approximately 1.0% of their monthly revenues to finance the provision of telecommunications services in underserved areas and to underserved persons. All providers must also meet certain quality-of-service requirements.

**Chile**

The General Telecommunications Law established the legal framework for telecommunications services in Chile, including the regulation of concessions, permits, 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 (*Subsecretaría de Telecomunicaciones*).

Claro Chile holds concessions or licenses for wireless voice and data transmission in the 850 MHz and 1900 MHz frequency bands. Additionally, Claro Chile holds concessions for wireless and fixed-line data transmissions in the 700 MHz, 2.6 GHz, 3.4 GHz and 3.6 GHz bands.

Certain of Claro Chile's concessions impose additional requirements such as coverage, reporting and service quality requirements. The Chilean Transportation and Communications Ministry is authorized to terminate any concession in the event of specified breaches under the terms of such concessions. Additionally Claro Chile's concession in the 700 MHz band imposes certain obligations to expand mobile and data services in rural areas.

**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 licenses to operate in the 1900 MHz and the 1700/2100 MHz bands. AMX Paraguay also holds a nationwide internet access and data transmission license. In addition, AMX Paraguay holds licenses to provide DTH services and cable TV services. These licenses are renewable, subject to regulatory approval, and contain coverage, reporting and service requirements.

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### **Uruguay**

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

We hold three licenses for the provision of PCS and wireless data services in Uruguay as well as additional concessions in the 1900 MHz and the 1700/2100 MHz bands. The concessions in the 1900 MHz band expire in 2024 (40 MHz) and in 2033 (10 MHz) and the concessions in the 1700/2100 MHz bands expire in 2033.

In February 2013, the Court of Administrative Disputes (*Tribunal de lo Contencioso Administrativo*, or TCA ) notified Flimay that the license granted to provide DTH services was again in force, following an initial revocation. In May 2013, the administrative authorities revoked that license for a second time. Flimay filed a lawsuit against that administrative decision and in December 2014 was notified by the TCA that Flimay's DTH license was provisionally valid. A final resolution of the trial is pending.

### **ANDEAN REGION**

#### **Ecuador**

The primary regulatory authorities for our wireless and fixed-line operations are the National Telecommunications, Regulation and Control Agency (*Agencia de Regulación y Control de las Telecomunicaciones*, or Arcotel ) and the Telecommunications and Information Society Ministry (*Ministerio de Telecomunicaciones y Sociedad de la Información*, or Mintel ). Arcotel is responsible for licensing and oversight of radio-electric spectrum use and telecommunications services provisions. Mintel is responsible for the promotion of equal access to telecommunications services.

In February 2015, a new Telecommunications Law (*Ley Orgánica de Telecomunicaciones*) went into effect. It established new regulations for operators with significant market power and fines based on operators' incomes, as well as additional fees to be paid by operators based on the number of users. These payments are being paid quarterly on the dates established by Arcotel. For fiscal year 2015, Conecel had to pay the Ecuadorian state Ps. 967 million (U.S.\$56.2 million), an amount under protest and subject to dispute, in connection with these fees, which represented approximately 5.0% of its total revenues of advanced mobile services during fiscal year 2015.

Conecel holds concessions to operate in the 850MHz, 1900 MHz and AWS bands, which include concessions for PCS services that expire in 2023. The PCS concession contains quality-of-service requirements for successful call completions, SMS delivery times, customer service, geographic coverage and other service conditions. Conecel also holds licenses to provide internet value-added services, wholesale services and Pay TV Services (though DTH), expiring in 2021, 2017 and 2023, respectively.

Ecuador Telecom holds a concession to offer wireless voice and fixed-line voice, public telephony and domestic and international long-distance wholesale services, as well as a license to use the 3.5 GHz frequency band that expires in 2017 and a Pay TV license that expires in 2018. In 2015, Arcotel authorized the transfer to Conecel of Ecuador Telecom's concessions for fixed-line voice, public telephony and domestic and international long-distance wholesale services, as well as a Pay TV license. The transfer of these concessions could occur in 2016.

**Peru**

Claro Perú holds nationwide concessions to provide wireless, PCS, fixed-line, local wholesale, domestic and international long-distance, Pay TV services (through DTH and HFC technologies), public telephony and value-added services (including internet access). The concessions allow Claro Perú to operate on the 450 MHz, 850 MHz, 1900 MHz, 3.5 GHz, and 10.5 GHz band. Claro Perú is also awaiting final government authorization of its acquisition of 10 MHz in the 1700/2100 frequency band from a third-party operator.

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Each of the concessions was awarded by the MTC and covers a 20-year period. The concessions contain coverage, reporting, service requirement and spectral efficiency goals. The MTC is authorized to cancel any of the concessions in the case of specified breaches of its terms. Claro Perú may participate in the upcoming auction for spectrum in the 700 MHz band in 2016.

In April 2015, new mobile termination rates were issued for 2015 through 2017, establishing two different rates, one for Claro Perú and Telefónica del Perú and a different one for Entel and Viettel.

**Europe***Regulation*

The telecommunications regulatory framework in the EU is comprised of a set of directives and regulations that apply to all EU member countries and cover fixed and wireless services, internet, broadcasting and transmission services. Austria, Bulgaria, Croatia and Slovenia are EU member countries. Macedonia and Serbia, candidates for accession to the EU, are expected to gradually harmonize their regulatory frameworks with the EU's framework.

In 2015, the EU enacted Regulation (EU) 2015/2120 concerning roaming charges and net neutrality, which will come into effect on April 30, 2016 and implemented new regulations regarding roaming and net neutrality. The new regulation foresees (i) the end of roaming charges in June 2017 and (ii) net neutrality rules protecting the right of every European to non-discriminatory access to the internet. Prior to the elimination of roaming charges under this regulation, roaming charges will be reduced in April 2016; operators will only be able to charge a small additional amount to domestic prices (up to 0.05 per minute of calls made, 0.02 per SMS sent, and 0.05 per MB of data). The net neutrality rules in the EU are similar to those in the United States with all traffic treated equally, subject to strict and clearly-identified exceptions. Telecommunications providers will still be able to offer specialized services, so long as these services are not supplied at the expense of the quality of the open internet.

Additionally, in each country where we operate, we are subject to a domestic telecommunications regulatory framework and to oversight by one or more local regulators.

*Licenses*

| <b>Country</b> | <b>Frequency</b> | <b>Termination date</b> |
|----------------|------------------|-------------------------|
| Austria        | 800 MHz          | Dec. 2029               |
|                | 900 MHz          | Dec. 2034               |
|                | 1800 MHz         | Dec. 2034               |
|                | 2100 MHz         | Dec. 2020               |
|                | 2600 MHz         | Dec. 2026               |
| Bulgaria       | 900 MHz          | June 2024               |
|                | 1800 MHz         | June 2024               |
|                | 2100 MHz         | Apr. 2025               |



|         |          |           |
|---------|----------|-----------|
| Croatia | 800 MHz  | Oct. 2024 |
|         | 900 MHz  | Oct. 2024 |
|         | 1800 MHz | Oct. 2024 |
|         | 2100 MHz | Oct. 2024 |

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| <b>Country</b> | <b>Frequency</b> | <b>Termination date</b> |
|----------------|------------------|-------------------------|
| Belarus        | 900 MHz          | Indefinite              |
|                | 1800 MHz         | Indefinite              |
|                | 2100 MHz         | Indefinite              |
| Slovenia       | 800 MHz          | May 2029                |
|                | 900 MHz          | Jan. 2031               |
|                | 1800 MHz         | Jan. 2031               |
|                | 2600 MHz         | May 2029                |
|                | 2100 MHz         | Sept. 2021              |
| Serbia         | 800 MHz          | Nov. 2026               |
|                | 900 MHz          | Nov. 2026               |
|                | 1800 MHz         | Nov. 2026               |
|                | 2100 MHz         | Nov. 2026               |
| Macedonia      | 2100 MHz         | Feb. 2018               |
|                | 900 MHz          | Sept. 2023              |
|                | 2100 MHz         | Mar. 2017               |

**Other Jurisdictions**

|             | <b>Regulators</b>  | <b>Concession and Licenses</b>  |
|-------------|--|---|
| Costa Rica  | <p>Superintendency of Telecommunications (<i>Superintendencia de Telecomunicaciones</i>)</p> <p>Ministry of Science, Technology and Telecommunications (<i>Ministerio de Ciencia, Tecnología y Telecomunicaciones</i>)</p> | <p>Concessions in the 1800 MHz and 2100 MHz bands for a 15-year term since 2011</p> <p>License to operate Pay TV services for a 15-year term since December 2012, in the case of DTH technology</p> |
| El Salvador | Electricity and Telecommunications Superintendency ( <i>Superintendencia General de Electricidad y Telecomunicaciones</i> )  | Concession of 50 MHz in the 1900 MHz band of which 30 MHz will expire in 2017, 10 MHz will expire in 2021, and 10 MHz will expire in 2028   |
| Guatemala   | Guatemalan Telecommunications Agency ( <i>Superintendencia de Telecomunicaciones</i> )   | Licenses in the 900 MHz and 1900 MHz bands for a 20-year term that expires in 2033  |

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Nicaragua

Nicaraguan Telecommunications and  
Mailing Institute (*Instituto  
Nicaragüense de Telecomunicaciones  
y Correos*)

Concessions in the 700 MHz, 850 MHz, 1900 MHz and  
1700/2100 MHz bands that will expire in 2022

Concession of 50 MHz in the 3.5 GHz band that will  
expire in 2022

License to provide Pay TV services and DTH granted in  
2007 and 2008, respectively

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*Regulation*

|                             | <b>Regulators</b>  | <b>Concession and Licenses</b>   |
|-----------------------------|--|--|
| Honduras                    | Honduran National<br>Telecommunications Commission<br>( <i>Comisión Nacional de<br/>Telecomunicaciones</i> )   | Concession to use 80 MHz in the 1900 MHz PCS band<br>and 40 MHz on the LTE-4G 1700/2100 MHz band that<br>expires in 2033<br><br>License to operate Pay TV through HFC and DTH for<br>10-year periods since 2007 and 2010, respectively |
| Panama                      | National Authority of Public Services<br>( <i>Autoridad Nacional de los Servicios<br/>Públicos</i> )           | License to use 40 MHz in the 1900 MHz and 20 MHz<br>in the 700 MHz bands for a 20-year period that will<br>expire in 2028<br><br>License to provide Pay TV, international long-distance<br>and value-added services                    |
| United States<br>(TracFone) | The Federal Communications<br>Commission ( FCC )   | Not required to hold wireless licenses to carry out its<br>business  |
| Dominican<br>Republic       | Dominican Institute of<br>Telecommunications ( <i>Instituto<br/>Dominicano de las<br/>Telecomunicaciones</i> ) | Concessions to use 26 MHz in the 800 MHz band, 30<br>MHz in the 1900 MHz band, 30 MHz in the 3.5 GHz<br>band and 40 MHz in the 1700/2100 (AWS) band that all<br>expire in 2030   |
| Puerto Rico                 | FCC and the Telecommunications<br>Regulatory Board of Puerto Rico  | Concession in the 700 MHz, 800 MHz and 1.7/2.1 GHz<br>(AWS) bands, including 20 additional MHz won in 2015   |

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**PART VII:**

**Table of Contents***Additional Information***EMPLOYEES**

The following table sets forth the number of employees and a breakdown of employees by main category of activity and geographic location as of the end of each year in the three-year period ended December 31, 2015.

|                              | <b>December 31,</b> |                       |             |
|------------------------------|---------------------|-----------------------|-------------|
|                              | <b>2013</b>         | <b>2014</b>           | <b>2015</b> |
| <b>Number of employees</b>   | 173,174             | 191,156               | 195,475     |
| <b>Category of activity:</b> |                     |                       |             |
| Wireless                     | 58,416              | 75,846                | 77,701      |
| Fixed                        | 104,848             | 103,577               | 101,077     |
| Other                        | 9,910               | 11,733                | 16,697      |
| <b>Geographic location:</b>  |                     |                       |             |
| Mexico                       | 82,245              | 83,484                | 88,446      |
| South America                | 71,137              | 71,596                | 69,269      |
| Central America              | 9,233               | 9,319                 | 9,581       |
| United States                | 804                 | 849                   | 902         |
| Caribbean                    | 9,755               | 9,666                 | 9,605       |
| Europe                       |                     | 16,242 <sup>(1)</sup> | 17,672      |

(1) We began consolidating Telekom Austria from July 1, 2014.

Many of our employees are members of labor unions with which we conduct collective negotiations on wages, benefits and working conditions. We believe that we have good current relations with our workforce.

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*Additional Information*

**LEGAL PROCEEDINGS**

In each of the countries in which we operate, we are party to various legal proceedings in the ordinary course of business. These proceedings include tax, labor, antitrust, contractual matters and administrative and judicial proceedings concerning regulatory matters such as interconnection and tariffs. We are party to a number of proceedings regarding our compliance with administrative rules and regulations and concession standards.

Our material legal proceedings are described in Note 21 to our audited consolidated financial statements included in this annual report and in Regulation under Part VI.

**Table of Contents***Additional Information***PRINCIPAL ACCOUNTANT FEES AND SERVICES****AUDIT AND NON-AUDIT FEES**

The following table sets forth the fees billed to us and our subsidiaries by our independent registered public accounting firm, Mancera S.C., during the fiscal years ended December 31, 2014 and 2015:

|                    | <b>Year ended December 31,</b>        |            |             |            |
|--------------------|---------------------------------------|------------|-------------|------------|
|                    | <b>2014</b>                           |            | <b>2015</b> |            |
|                    | <i>(in millions of Mexican pesos)</i> |            |             |            |
| Audit fees         | Ps.                                   | 203        | Ps.         | 207        |
| Audit-related fees |                                       | 1          |             | 14         |
| Tax fees           |                                       | 20         |             | 10         |
| <b>Total fees</b>  | <b>Ps.</b>                            | <b>224</b> | <b>Ps.</b>  | <b>231</b> |

Audit fees in the above table are the aggregate fees billed by Mancera and its Ernst & Young Global affiliated firms in connection with the audit of our annual financial statements and statutory and regulatory audits.

Audit-related fees in the above table are the aggregate fees billed by Mancera and its Ernst & Young Global affiliated firms for the review of reports on our operations submitted to IFT and attestation services that are not required by statute or regulation.

Tax fees in the above table are fees billed by Mancera and its affiliates for tax compliance services, tax planning services and tax advice services.

**AUDIT AND CORPORATE PRACTICES COMMITTEE APPROVAL POLICIES AND PROCEDURES**

Our audit and corporate practices committee has established policies and procedures for the engagement of our independent auditors for services. Our audit and corporate practices committee expressly approves any engagement of our independent auditors for audit or non-audit services provided to us or our subsidiaries. Prior to providing any service that requires specific pre-approval, our independent auditor and our Chief Financial Officer present to the audit committee a request for approval of services in which they confirm that the request complies with the applicable rules.



**Table of Contents***Additional Information***EXCHANGE RATES**

Mexico has had a free market for foreign exchange since 1991, and the government has allowed the peso to float freely against the U.S. dollar since December 1994.

The following table sets forth, for the periods indicated, the high, low, average and period-end rate reported by Banco de México for December 31, 2015 as published in the Official Gazette, expressed in pesos per U.S. dollar.

| <b>Period</b>            | <b>High</b> | <b>Low</b> | <b>Average <sup>(1)</sup></b> | <b>Period End</b> |
|--------------------------|-------------|------------|-------------------------------|-------------------|
| 2011                     | 14.2443     | 11.5023    | 12.4918                       | 13.9787           |
| 2012                     | 14.3949     | 12.6299    | 13.1670                       | 13.0101           |
| 2013                     | 13.4394     | 11.9807    | 12.8210                       | 13.0765           |
| 2014                     | 14.7853     | 12.8462    | 13.3580                       | 14.7180           |
| 2015                     | 17.3776     | 14.5559    | 16.0379                       | 17.2065           |
| October                  | 17.0771     | 16.3959    | 16.5993                       | 16.6219           |
| November                 | 16.8700     | 14.4196    | 16.6322                       | 16.5492           |
| December                 | 17.3776     | 16.5104    | 17.0128                       | 17.2065           |
| 2016                     |             |            |                               |                   |
| January                  | 18.6080     | 17.2487    | 17.9456                       | 18.2906           |
| February                 | 19.1754     | 18.0568    | 18.4592                       | 18.1680           |
| March                    | 18.1706     | 17.2995    | 17.6721                       | 17.4015           |
| April (through April 15) | 17.8930     | 17.2370    | 17.5549                       | 17.4900           |

(1) Average of month-end rates.

On April 15, 2016, the rate published by the Official Gazette was Ps.17.4900 to U.S.\$1.00.



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**ADDITIONAL INFORMATION**

We file reports, including annual reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any materials filed with the SEC at its public reference rooms in Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Any filings we make electronically will be available to the public over the internet at the SEC's web site at <http://www.sec.gov> and at our website at <http://www.americamovil.com>. (This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to our website. The information on our website, which might be accessible through a hyperlink resulting from this URL, is not and shall not be deemed to be incorporated into this annual report.)

The following documents have been filed with the SEC as exhibits to this annual report:

- 1.1 Amended and Restated Bylaws (*estatutos sociales*) of América Móvil, S.A.B. de C.V., dated as of January 13, 2016 (together with an English translation).
  
- 7.1 Calculation of Ratios of Earnings to Fixed Charges.
  
- 8.1 List of principal subsidiaries of América Móvil, S.A.B. de C.V.
  
- 12.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
  
- 12.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
  
- 13.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
  
- 15.1 Consent of Mancera, S.C.

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**FORWARD-LOOKING STATEMENTS**

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

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

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

statements concerning regulation or regulatory developments;

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

competitive developments in the telecommunications sector;

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

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.

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**GLOSSARY**

| <b>Term</b>         | <b>Definition</b>  |
|---------------------|--|
| Broadband           | High-speed data transmission in which a single cable (coaxial cable or optical fiber) can carry a large amount of data at once.                        |
| Bundle              | The marketing of different services as one combined service.   |
| Churn               | Disconnection rate. The ratio of wireless subscribers disconnected during a given period to the number of subscribers at the beginning of that period. |
| Covered population  | Population covered by our wireless networks, expressed as the population count or as a percentage of the total population.                             |
| Cloud               | Cloud services are internet-based services providing users with on-demand access to resources, data and information.                                   |
| Data administration |  |

Services that plan, organize and control data resources for customers according to their needs.

|             |  |
|-------------|--|
| Data center | A facility used to house computer systems and associated components. We use our data centers to manage a number of cloud solutions.                |
| DTH         | Direct-to-home broadcasting is a method for transmitting satellite signals directly to the subscriber's home.                                      |
| Fixed-line  | Telephone services requiring the use of a metal wire or fiber optic telephone line for transmission.   |
| Fixed RGUs  | RGUs from fixed voice, fixed data and Pay TV services.   |
| GSM         | Global System for Mobile Communications. A standard used to describe the protocols for certain digital cellular networks.                          |
| GSM EDGE    | Enhanced Data Rates for GSM Evolution is a 3rd generation ( 3G ) standard for wireless communication of data for mobile phones and data terminals. |
| HFC         | Hybrid fiber-coaxial is a broadband network that combines optical fiber and coaxial cable.   |

|                       |   |
|-----------------------|---|
| Hosting services      | Services allowing customers to provide content on the internet, either through maintaining a webpage, an email address or other services. |
| IAAS                  | Infrastructure as a service is a cloud-service model offering virtual machines and other resources.                                       |
| Interconnection rates | The charges that one telecommunications network operator charges another network operator for allowing customers to access its network.   |
| Licensed population   | Population covered by the licenses that each of our subsidiaries manages.   |
| Long-distance         | Long-distance calls are calls made outside a defined area and may incur additional charges or be subject to specific regulations.         |



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|-----------------------------|--|
| LTE/4G                      | Long-term evolution is a 4th generation ( 4G ) standard for wireless communication of high-speed data for mobile phones and data terminals.  |
| Machine-to-machine services | Services allowing direct communication between devices over a network, including fixed and wireless devices.   |
| Market share                | A company s subscriber base in a given country divided by the total number of subscribers in that country.   |
| Mobile payment              | Refers to payment services and applications operated and performed on a mobile device.   |
| MHz                         | Megahertz. The unit of frequency to measure one thousand cycles per second that is used to determine radio frequencies.  |
| MVNO                        | Mobile Virtual Network Operator. A wireless communications services provider that does not own the wireless network infrastructure but enters into agreements with other mobile service providers for the use of their networks. |

|                     |  |
|---------------------|--|
| Net debt            | Total debt minus cash and cash equivalents, minus marketable securities or other short-term investments.   |
| On-demand           | Describes services providing customers the ability to stream content over our network immediately upon their request.  |
| OTT services        | Over-the-top Services. The provision of content, including videos, television and other information, directly from the content provider to the viewer or end user. |
| Pay TV              | Pay Television. This refers to television services we offer to subscribers through cable and satellite networks.   |
| PCS                 | Personal Communications Service is a set of wireless communications systems providing cellular, mobile or paging services.   |
| Prepaid subscriber  | A subscriber who does not hold a contract with the company for voice and data services but pays in advance for specific use of services.                           |
| Postpaid subscriber | A subscriber who has a contract with the company for voice and data services and is billed recurrently for use of services.  |
| RGU                 | Revenue Generating Unit. This is an individual subscriber who provides recurring revenue.  |

|         |   |
|---------|---|
| Roaming | Allows wireless subscribers to access networks other than our own, enabling them to use their devices, including for voice and data transmission. Typically refers to using accessing a network while abroad. |
| SMS     | Short Message Service. A text messaging service component of a fixed or wireless communication systems.   |
| SAAS    | Software as a service is a cloud-service model offering users access to software applications and databases.  |

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*Additional Information*

|                             |   |
|-----------------------------|---|
| Subscriber acquisition cost | The sum of handset subsidies, marketing expenses and commissions to distributors for handset activation. Handset subsidy is the difference between equipment cost and equipment revenues. |
| Total RGUs                  | Fixed RGUs and wireless subscribers.  |
| UMTS                        | Universal Mobile Telecommunications System is a 3rd Generation mobile cellular system for networks based on the GSM standard.   |
| VPN                         | Virtual private network grants users access to a private network virtually across a public network.   |
| Wireless penetration        | Total wireless subscribers in a given country divided by the total population in that country.  |

**Table of Contents***Additional Information***FORM 20-F CROSS REFERENCE GUIDE**

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| <b>2</b>    | <b>Offer statistics and expected timetable</b>               | <b>Not applicable</b>          |              |
| <b>3</b>    | <b>Key information</b>                                       |                                |              |
|             | 3A Selected financial data                                   | Selected financial data        | 1            |
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|             | 3B Capitalization and indebtedness                           | Not applicable                 |              |
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4C Organizational structure Exhibit 8.1

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Liquidity and capital resources 39

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| <b>5</b>          | <b>Operating and financial review and prospects</b>  |                                    |
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|             | 6B Compensation  | Management compensation        | 91           |
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| 9B Plan of distribution                    | Not applicable             |     |
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| 9D Selling shareholders                    | Not applicable             |     |
| 9E Dilution                                | Not applicable             |     |
| 9F Expenses of the issue                   | Not applicable             |     |
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| 10B Memorandum and articles of association | Bylaws                     | 67  |
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| 10F Dividends and paying agents | Not applicable             |     |

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| <b>12</b>   | <b>Description of securities other than equity securities</b>     |                                |              |
|             | 12A Debt securities   | Not applicable                 |              |
|             | 12B Warrants and rights   | Not applicable                 |              |
|             | 12C Other securities  | Not applicable                 |              |

|           |   |  |           |
|-----------|---|--|-----------|
|           | 12D American Depositary Shares  | Depositary shares                      | 74        |
| <b>13</b> | <b>Defaults, dividend arrearages and delinquencies</b>                              | <b>Not applicable</b>                  |           |
| <b>14</b> | <b>Material modifications to the rights of security holders and use of proceeds</b> | <b>Not applicable</b>                  |           |
| <b>15</b> | <b>Controls and procedures</b>  | <b>Controls and procedures</b>         | <b>97</b> |
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|           |  |  |            |
|-----------|--|--|------------|
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|           | 16F Change in registrant's certifying accountant                           | Not applicable   |            |
|           | 16G Corporate governance   | Corporate governance   | 92         |
|           | 16H Mine safety disclosure   | Not applicable   |            |
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**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Dated: April 26, 2016

AMÉRICA MÓVIL, S.A.B. DE C.V.

By: /s/ Carlos José García Moreno  
Elizondo

Name: Carlos José García Moreno Elizondo  
Title: Chief Financial Officer

By: /s/ Alejandro Cantú Jiménez

Name: Alejandro Cantú Jiménez  
Title: General Counsel



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**PART VIII:**

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**AMÉRICA MÓVIL, S.A.B. DE C.V. AND SUBSIDIARIES**

**Consolidated Financial Statements**

Years Ended December 31, 2015, 2014 and 2013

with Report of Independent Registered Public Accounting Firm

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**AMÉRICA MÓVIL, S.A.B. DE C.V. AND SUBSIDIARIES**

**Consolidated Financial Statements**

For the years ended December 31, 2013, 2014 and 2015

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of

América Móvil, S.A.B. de C.V.

We have audited the accompanying consolidated statements of financial position of América Móvil, S.A.B. de C.V. and subsidiaries as of December 31, 2014 and 2015 and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of América Móvil, S.A.B. de C.V. and subsidiaries as of December 31, 2014 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), América Móvil, S.A.B. de C.V. and subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated April 18, 2016, expressed an unqualified opinion thereon.

Mancera, S.C.  
A member practice of  
Ernst & Young Global Limited

/s/ Carlos Carrillo Contreras

C.P.C. Carlos Carrillo Contreras

Mexico City, Mexico

April 18, 2016

**Table of Contents****AMÉRICA MÓVIL, S.A.B. DE C.V. AND SUBSIDIARIES****Consolidated Statements of Financial Position**

(In thousands of Mexican pesos)

|  | At December 31,          |                          | Millions of       |               |
|--|--------------------------|--------------------------|-------------------|---------------|
|  | 2014                     | 2015                     | U.S. dollars 2015 |               |
| <b>Assets</b>  |                          |                          |                   |               |
| Current assets:  |                          |                          |                   |               |
| Cash and cash equivalents (Note 4)                                   | Ps. 66,473,703           | Ps. 45,160,032           | US\$              | 2,625         |
| Marketable securities and other short-term investments (Note 5)      |                          | 56,347,469               |                   | 3,275         |
| Accounts receivable:   |                          |                          |                   |               |
| Subscribers, distributors, recoverable taxes and other, net (Note 6) | 145,584,407              | 155,241,127              |                   | 9,022         |
| Related parties (Note 7)   | 1,320,107                | 845,633                  |                   | 49            |
| Derivative financial instruments (Note 8)                            | 22,536,056               | 40,882,008               |                   | 2,376         |
| Inventories, net (Note 9)  | 35,930,282               | 35,577,472               |                   | 2,068         |
| Other assets, net (Note 10)  | 16,563,602               | 17,277,913               |                   | 1,004         |
| <b>Total current assets</b>  | <b>288,408,157</b>       | <b>351,331,654</b>       |                   | <b>20,419</b> |
| Non-current assets:  |                          |                          |                   |               |
| Property, plant and equipment, net (Note 11)                         | 588,106,180              | 573,528,878              |                   | 33,332        |
| Intangibles, net (Note 12)   | 117,319,788              | 124,745,040              |                   | 7,250         |
| Goodwill (Note 12)   | 140,903,391              | 137,113,716              |                   | 7,969         |
| Investments in associated companies (Note 13)                        | 49,262,581               | 3,110,570                |                   | 181           |
| Deferred income taxes (Note 14)                                      | 66,500,539               | 81,407,012               |                   | 4,731         |
| Other assets, net (Note 10)  | 27,856,033               | 25,249,943               |                   | 1,467         |
| <b>Total assets</b>  | <b>Ps. 1,278,356,669</b> | <b>Ps. 1,296,486,813</b> | <b>US\$</b>       | <b>75,349</b> |
| <b>Liabilities and equity</b>  |                          |                          |                   |               |
| Current liabilities:   |                          |                          |                   |               |
| Short-term debt and current portion of long-term debt (Note 15a)     | Ps. 57,805,517           | Ps. 119,589,786          | US\$              | 6,950         |
| Accounts payable (Note 16a)  | 191,503,362              | 189,938,381              |                   | 11,039        |
| Accrued liabilities (Note 16b)                                       | 53,968,679               | 52,243,228               |                   | 3,036         |
| Income tax and other taxes payable                                   | 35,834,083               | 20,666,548               |                   | 1,201         |
| Derivative financial instruments (Note 8)                            | 8,527,812                | 7,450,790                |                   | 433           |
| Related parties (Note 7)   | 3,087,292                | 2,246,834                |                   | 131           |
| Deferred revenues (Note 17)  | 31,464,235               | 33,399,892               |                   | 1,941         |
| <b>Total current liabilities</b>                                     | <b>382,190,980</b>       | <b>425,535,459</b>       |                   | <b>24,731</b> |
| Non-current-liabilities:   |                          |                          |                   |               |

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|  |                          |                          |                    |
|--|--------------------------|--------------------------|--------------------|
| Long-term debt (Note 15a)                                  | 545,949,470              | <b>563,626,958</b>       | <b>32,757</b>      |
| Deferred income taxes (Note 14)                            | 14,190,442               | <b>11,589,865</b>        | <b>674</b>         |
| Deferred revenues (Note 17)                                | 1,330,757                | <b>1,052,940</b>         | <b>61</b>          |
| Derivative financial instruments (Note 8)                  |                          | <b>3,314,146</b>         | <b>193</b>         |
| Asset retirement obligations (Note 16c)                    | 13,451,407               | <b>11,569,897</b>        | <b>672</b>         |
| Employee benefits (Note 18)                                | 86,604,565               | <b>118,943,362</b>       | <b>6,913</b>       |
| <b>Total non-current liabilities</b>                       | <b>661,526,641</b>       | <b>710,097,168</b>       | <b>41,270</b>      |
| <b>Total liabilities</b>                                   | <b>1,043,717,621</b>     | <b>1,135,632,627</b>     | <b>66,001</b>      |
| <b>Equity (Note 19):</b>                                   |                          |                          |                    |
| Capital stock  | 96,382,631               | <b>96,338,477</b>        | <b>5,599</b>       |
| <b>Retained earnings:</b>                                  |                          |                          |                    |
| Prior years  | 146,188,038              | <b>137,276,667</b>       | <b>7,976</b>       |
| Profit for the year  | 46,146,370               | <b>35,054,772</b>        | <b>2,039</b>       |
| <b>Total retained earnings</b>                             | <b>192,334,408</b>       | <b>172,331,439</b>       | <b>10,015</b>      |
| Other comprehensive loss items                             | (104,332,763)            | <b>(156,391,921)</b>     | <b>(9,089)</b>     |
| <b>Equity attributable to equity holders of the parent</b> | <b>184,384,276</b>       | <b>112,277,995</b>       | <b>6,525</b>       |
| Non-controlling interests                                  | 50,254,772               | <b>48,576,191</b>        | <b>2,823</b>       |
| <b>Total equity</b>  | <b>234,639,048</b>       | <b>160,854,186</b>       | <b>9,348</b>       |
| <b>Total liabilities and equity</b>                        | <b>Ps. 1,278,356,669</b> | <b>Ps. 1,296,486,813</b> | <b>US\$ 75,349</b> |

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**AMÉRICA MÓVIL, S.A.B. DE C.V. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income**

(In thousands of Mexican pesos, except for earnings per share)

**For the year ended December 31,**

|   | 2013            | 2014            | 2015            | 2015<br>Millions of U.S.<br>dollars,<br>except<br>for earnings<br>per share |
|---|-----------------|-----------------|-----------------|---|
| <b>Operating revenues:</b>  |                 |                 |                 |   |
| Mobile voice services   | Ps. 265,039,903 | Ps. 255,606,335 | Ps. 243,576,248 | US\$ 14,156   |
| Fixed voice services  | 111,785,611     | 114,687,475     | 104,754,844     | 6,088   |
| Mobile data services  | 159,589,580     | 194,882,905     | 235,087,506     | 13,663  |
| Fixed data services   | 85,039,329      | 97,533,378      | 104,853,471     | 6,094   |
| Paid television   | 60,829,310      | 68,378,623      | 65,259,697      | 3,793   |
| Sales of equipment, accessories<br>and computers  | 84,544,261      | 95,632,868      | 115,557,754     | 6,716   |
| Other related services  | 19,273,027      | 21,540,236      | 25,127,107      | 1,460   |
|   | 786,101,021     | 848,261,820     | 894,216,627     | 51,970  |
| <b>Operating costs and expenses:</b>  |                 |                 |                 |   |
| Cost of sales and services  | 358,291,177     | 386,102,139     | 418,061,856     | 24,297  |
| Commercial, administrative and<br>general expenses  | 167,184,570     | 185,683,205     | 203,524,778     | 11,828  |
| Other expenses  | 4,832,685       | 4,928,675       | 5,440,338       | 316   |
| Depreciation and amortization<br>(Notes 10, 11 and 12)  | 101,534,833     | 114,993,551     | 125,735,395     | 7,307   |
|   | 631,843,265     | 691,707,570     | 752,762,367     | 43,748  |
| Operating income  | 154,257,756     | 156,554,250     | 141,454,260     | 8,222   |
| Interest income (Note 15b)  | 2,925,834       | 7,052,271       | 4,774,894       | 278   |
| Interest expense (Note 15c)   | (23,950,653)    | (31,522,523)    | (31,200,286)    | (1,813)   |
| Foreign currency exchange loss,<br>net  | (19,610,465)    | (28,615,459)    | (78,997,898)    | (4,591)   |
| Valuation of derivatives, interest<br>cost from labor obligations and<br>other financial items, net (Note<br>15d) | (8,291,535)     | (10,190,261)    | 21,536,159      | 1,252   |
|   | 36,282          | (6,073,009)     | (1,426,696)     | (83)  |

|  |                  |                 |                         |                     |  |  |
|--|------------------|-----------------|-------------------------|---------------------|--|--|
| Equity interest in net income (loss) of associated companies (Note 13)                                       |                  |                 |                         |                     |  |  |
| Profit before income tax   | 105,367,219      | 87,205,269      | <b>56,140,433</b>       | <b>3,265</b>        |  |  |
| Income tax (Note 14)   | 30,392,731       | 39,707,549      | <b>19,179,651</b>       | <b>1,115</b>        |  |  |
| Net profit for the year  | Ps. 74,974,488   | Ps. 47,497,720  | <b>Ps. 36,960,782</b>   | <b>US\$ 2,150</b>   |  |  |
| Net profit for the year attributable to:   |                  |                 |                         |                     |  |  |
| Equity holders of the parent   | Ps. 74,624,979   | Ps. 46,146,370  | <b>Ps. 35,054,772</b>   | <b>US\$ 2,039</b>   |  |  |
| Non-controlling interests  | 349,509          | 1,351,350       | <b>1,906,010</b>        | <b>111</b>          |  |  |
|  | Ps. 74,974,488   | Ps. 47,497,720  | <b>Ps. 36,960,782</b>   | <b>US\$ 2,150</b>   |  |  |
| Basic and diluted earnings per share attributable to equity holders of the parent from continuing operations |                  |                 |                         |                     |  |  |
|  | Ps. 1.02         | Ps. 0.67        | <b>Ps. 0.52</b>         | <b>US\$ 0.03</b>    |  |  |
| <b>Other comprehensive loss items:</b>   |                  |                 |                         |                     |  |  |
| <b>Net other comprehensive loss that may be reclassified to profit or loss in subsequent years:</b>          |                  |                 |                         |                     |  |  |
| Effect of translation of foreign entities and affiliates   | Ps. (26,888,282) | Ps. (6,255,715) | <b>Ps. (35,606,320)</b> | <b>US\$ (2,069)</b> |  |  |
| Effect of fair value of derivatives, net of deferred taxes   | (740,740)        | (313,572)       | <b>37,495</b>           | <b>2</b>            |  |  |
| Unrealized gain on available for sale securities, net of deferred taxes                                      |                  |                 | <b>4,011</b>            |                     |  |  |
| <b>Items that will not be reclassified to profit or loss in subsequent years:</b>                            |                  |                 |                         |                     |  |  |
| Re-measurement of defined benefit plan, net of deferred taxes  | (2,438,039)      | (6,807,975)     | <b>(17,980,418)</b>     | <b>(1,045)</b>      |  |  |
| Total other comprehensive loss items for the year, net of deferred taxes                                     | (30,067,061)     | (13,377,262)    | <b>(53,545,232)</b>     | <b>(3,112)</b>      |  |  |
| Total comprehensive income (loss) for the year   | Ps. 44,907,427   | Ps. 34,120,458  | <b>Ps. (16,584,450)</b> | <b>US\$ (962)</b>   |  |  |
| <b>Comprehensive income (loss) for the year attributable to:</b>   |                  |                 |                         |                     |  |  |
| Equity holders of the parent   | Ps. 45,108,504   | Ps. 33,404,912  | <b>Ps. (16,750,963)</b> | <b>US\$ (972)</b>   |  |  |
| Non-controlling interests  | (201,077)        | 715,546         | <b>166,513</b>          | <b>10</b>           |  |  |
|  | Ps. 44,907,427   | Ps. 34,120,458  | <b>Ps. (16,584,450)</b> | <b>US\$ (962)</b>   |  |  |



The accompanying notes are an integral part of these consolidated financial statements.

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**Table of Contents****AMÉRICA MÓVIL, S.A.B. DE C.V. AND SUBSIDIARIES****Consolidated Statements of Changes in Shareholders' Equity****For the years ended December 31, 2013, 2014 and 2015**

(In thousands of Mexican pesos)

|      | Legal<br>reserve | Retained<br>earnings | Effect of<br>derivative<br>financial<br>instruments<br>acquired for<br>hedging<br>purposes | Unrealized<br>gain on<br>available<br>for sale<br>securities | Re-measurement<br>of defined<br>benefit plans | Cumulative<br>Translation<br>adjustment | Total equity<br>attributable to<br>equity holders<br>of the parent |     |
|------|------------------|----------------------|--|--|---|---|--|-----|
| 2011 | Ps. 358,440      | Ps. 210,598,355      | Ps. (496,011)  |  | Ps. (54,077,454)                              | Ps. (7,220,700)                         | Ps. 245,577,471  | Ps. |
|      |                  | 74,624,979           |  |  |   |   | 74,624,979   |     |
|      |                  |                      |  |  | (2,289,811)                                   |   | (2,289,811)  |     |
|      |                  |                      | (741,321)  |  |   |   | (741,321)  |     |
|      |                  |                      |  |  |   | (26,485,343)                            | (26,485,343)   |     |
|      |                  | 74,624,979           | (741,321)  |  | (2,289,811)                                   | (26,485,343)                            | 45,108,504   |     |
|      |                  | (15,872,527)         |  |  |   |   | (15,872,527)   |     |
| 2012 |                  | (70,923,493)         |  |  |   |   | (70,945,995)   |     |
|      |                  | (1,466,842)          |  |  |   |   | (1,466,842)  |     |
| 2013 | 358,440          | 196,960,472          | (1,237,332)  |  | (56,367,265)                                  | (33,706,043)                            | 202,400,611  |     |

|     |                |                     |                    |                     |                     |                     |          |
|-----|----------------|---------------------|--------------------|---------------------|---------------------|---------------------|----------|
|     |                | <b>46,146,370</b>   |                    |                     |                     | <b>46,146,370</b>   |          |
|     |                |                     | <b>(329,112)</b>   |                     |                     | <b>(329,112)</b>    |          |
|     |                |                     |                    | <b>(6,625,463)</b>  |                     | <b>(6,625,463)</b>  |          |
|     |                |                     |                    |                     | <b>(5,786,883)</b>  | <b>(5,786,883)</b>  |          |
|     |                | <b>46,146,370</b>   | <b>(329,112)</b>   | <b>(6,625,463)</b>  | <b>(5,786,883)</b>  | <b>33,404,912</b>   |          |
|     |                | <b>(16,539,294)</b> |                    |                     |                     | <b>(16,539,294)</b> |          |
| 08) |                | <b>(34,646,254)</b> |                    |                     |                     | <b>(34,655,962)</b> |          |
|     |                |                     | <b>9,751</b>       | <b>45</b>           | <b>(290,461)</b>    | <b>(280,665)</b>    | <b>3</b> |
|     |                | <b>54,674</b>       |                    |                     |                     | <b>54,674</b>       | <b>(</b> |
| 31  | <b>358,440</b> | <b>191,975,968</b>  | <b>(1,556,693)</b> | <b>(62,992,683)</b> | <b>(39,783,387)</b> | <b>184,384,276</b>  | <b>5</b> |
|     |                | <b>35,054,772</b>   |                    |                     |                     | <b>35,054,772</b>   |          |
|     |                |                     | <b>37,011</b>      |                     |                     | <b>37,011</b>       |          |
|     |                |                     |                    | <b>4,011</b>        |                     | <b>4,011</b>        |          |

|            |                     |                        |                     |                     |                         |                         |                        |
|------------|---------------------|------------------------|---------------------|---------------------|-------------------------|-------------------------|------------------------|
|            |                     |                        |                     | <b>(17,791,354)</b> |                         | <b>(17,791,354)</b>     |                        |
|            |                     |                        |                     |                     | <b>(34,055,403)</b>     | <b>(34,055,403)</b>     |                        |
|            | <b>35,054,772</b>   | <b>37,011</b>          | <b>4,011</b>        | <b>(17,791,354)</b> | <b>(34,055,403)</b>     | <b>(16,750,963)</b>     |                        |
|            | <b>(37,192,594)</b> |                        |                     |                     |                         | <b>(37,192,594)</b>     |                        |
| <b>54)</b> | <b>(33,942,627)</b> |                        |                     |                     |                         | <b>(33,951,781)</b>     |                        |
| <b>00)</b> | <b>16,193,640</b>   |                        |                     |                     |                         | <b>16,158,640</b>       |                        |
|            |                     |                        |                     |                     |                         |                         |                        |
|            |                     | <b>1,458,894</b>       |                     | <b>(2,060,910)</b>  | <b>348,593</b>          | <b>(253,423)</b>        |                        |
|            | <b>(116,160)</b>    |                        |                     |                     |                         | <b>(116,160)</b>        |                        |
| <b>77</b>  | <b>Ps. 358,440</b>  | <b>Ps. 171,972,999</b> | <b>Ps. (60,788)</b> | <b>Ps. 4,011</b>    | <b>Ps. (82,844,947)</b> | <b>Ps. (73,490,197)</b> | <b>Ps. 112,277,995</b> |
|            |                     |                        |                     |                     |                         |                         | <b>Ps. 4</b>           |

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****AMÉRICA MÓVIL, S.A.B. DE C.V. AND SUBSIDIARIES****Consolidated Statements of Cash Flows**

(In thousands of Mexican pesos)

|  | <b>For the year ended December 31,</b> |                |                | <b>2015</b>                 |
|--|--|----------------|----------------|-----------------------------|
|  | 2013                                   | 2014           | 2015           | Millions of U.S.<br>dollars |
| <b>Operating activities</b>  |  |                |                |                             |
| Profit before income tax   | Ps. 105,367,219                        | Ps. 87,205,269 | Ps. 56,140,433 | US\$ 3,265                  |
| Items not requiring the use of cash:   |  |                |                |                             |
| Depreciation (Note 11)   | 94,893,801                             | 106,386,514    | 110,177,127    | 6,403                       |
| Amortization of intangible and other assets (Note 10 and 12)                                       | 6,641,032                              | 8,607,037      | 15,558,268     | 904                         |
| Equity interest in net (income) loss of associated companies (Note 13)                             | (36,282)                               | 6,073,009      | 1,426,696      | 83                          |
| Loss (gain) on derecognition of equity method investment (Note 13)                                 |  | 3,172,218      | (11,988,038)   | (697)                       |
| Loss on sale of property, plant and equipment  | 546,939                                | 297,609        | 127,379        | 7                           |
| Net period cost of labor obligations (Note 18)   | 7,292,839                              | 7,855,714      | 9,278,081      | 539                         |
| Foreign currency exchange (gain) loss, net   | 10,120,083                             | 36,559,881     | 59,251,396     | 3,444                       |
| Interest income  | (2,925,834)                            | (7,052,271)    | (4,774,894)    | (278)                       |
| Interest expense   | 23,950,653                             | 31,522,523     | 31,200,286     | 1,813                       |
| Employee profit sharing  | 4,648,304                              | 4,058,158      | 3,311,887      | 192                         |
| Loss on partial sales of shares of associated company (Note 15d)                                   | 896,956                                | 5,554,612      | 545            |                             |
| Gain in valuation of derivative financial instruments, capitalized interest expense and other, net | (5,844,528)                            | (3,410,626)    | (18,274,034)   | (1,062)                     |
| Working capital changes:   |  |                |                |                             |
| Accounts receivable from subscribers, distributors and other                                       | (12,386,088)                           | (11,791,213)   | (17,641,833)   | (1,026)                     |
| Prepaid expenses   | (1,596,241)                            | 7,469,217      | (1,765,071)    | (103)                       |
| Related parties  | (628,029)                              | 470,719        | 113,662        | 7                           |
| Inventories  | (9,564,979)                            | 2,470,754      | (83,902)       | (5)                         |

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|   |                      |                      |                      |                |
|---|----------------------|----------------------|----------------------|----------------|
| Other assets  | (3,081,649)          | (7,996,680)          | <b>(8,378,977)</b>   | <b>(487)</b>   |
| Employee benefits   | (13,524,328)         | (14,916,385)         | <b>(3,058,536)</b>   | <b>(178)</b>   |
| Accounts payable and accrued liabilities                  | 37,754,976           | 14,260,208           | <b>(6,410,783)</b>   | <b>(372)</b>   |
| Employee profit sharing paid                              | (4,013,320)          | (4,737,467)          | <b>(4,055,711)</b>   | <b>(236)</b>   |
| Financial instruments and other                           | (1,194,640)          | (3,984,891)          | <b>(1,882,540)</b>   | <b>(109)</b>   |
| Deferred revenues   | 2,541,976            | 1,356,453            | <b>782,803</b>       | <b>45</b>      |
| Interest received   | 2,944,399            | 4,722,621            | <b>5,275,303</b>     | <b>307</b>     |
| Income taxes paid   | (55,013,967)         | (33,542,469)         | <b>(50,602,556)</b>  | <b>(2,943)</b> |
| <b>Net cash flows provided by operating activities</b>    | <b>187,789,292</b>   | <b>240,610,514</b>   | <b>163,726,991</b>   | <b>9,513</b>   |
| <b>Investing activities</b>                               |                      |                      |                      |                |
| Purchase of property, plant and equipment (Note 11)       | (118,416,286)        | (126,265,297)        | <b>(128,039,913)</b> | <b>(7,441)</b> |
| Acquisition of intangibles (Note 12)                      | (3,334,464)          | (19,319,656)         | <b>(23,532,826)</b>  | <b>(1,367)</b> |
| Dividends received from associates (Note 13)              | 212,394              | 359,413              | <b>1,645,712</b>     | <b>96</b>      |
| Proceeds from sale of plant, property and equipment       | 44,045               | 96,781               | <b>27,329</b>        | <b>2</b>       |
| Acquisition of businesses, net of cash acquired (Note 13) | (1,730,588)          | (11,910,582)         | <b>(3,457,153)</b>   | <b>(201)</b>   |
| Partial sale of shares of associated company (Note 13)    | 4,299,360            | 12,066,037           | <b>633,270</b>       | <b>37</b>      |
| Proceeds from repayment of related party loan (Note 13)   |                      |                      | <b>21,000,000</b>    | <b>1,220</b>   |
| Investments in associate companies (Note 13)              | (15,366,062)         | (2,654,342)          | <b>(177,965)</b>     | <b>(9)</b>     |
| <b>Net cash flows used in investing activities</b>        | <b>(134,291,601)</b> | <b>(147,627,646)</b> | <b>(131,901,546)</b> | <b>(7,663)</b> |
| <b>Financing activities</b>                               |                      |                      |                      |                |
| Loans obtained  | 126,301,382          | 44,174,698           | <b>189,073,791</b>   | <b>10,989</b>  |
| Repayment of loans  | (60,710,863)         | (36,683,909)         | <b>(133,110,776)</b> | <b>(7,736)</b> |
| Interest paid   | (22,654,119)         | (33,283,418)         | <b>(32,830,432)</b>  | <b>(1,908)</b> |
| Repurchase of shares                                      | (70,745,785)         | (35,049,327)         | <b>(34,443,084)</b>  | <b>(2,002)</b> |
| Dividends paid (Note 19)                                  | (15,722,576)         | (17,054,829)         | <b>(37,359,600)</b>  | <b>(2,171)</b> |
| Derivative financial instruments                          | (546,770)            | 653,116              | <b>(503,444)</b>     | <b>(29)</b>    |
| Capital stock increase in Telekom Austria (Note 13)       |                      | 7,181,894            |                      |                |
| Acquisition of non-controlling interests                  | (2,567,609)          | (4,696,245)          | <b>(1,031,049)</b>   | <b>(60)</b>    |
| <b>Net cash flows used in financing activities</b>        | <b>(46,646,340)</b>  | <b>(74,758,020)</b>  | <b>(50,204,594)</b>  | <b>(2,917)</b> |

|  |     |             |     |            |     |                     |      |                |
|--|-----|-------------|-----|------------|-----|---------------------|------|----------------|
| Net increase (decrease) in cash and cash equivalents                             |     | 6,851,351   |     | 18,224,848 |     | <b>(18,379,149)</b> |      | <b>(1,067)</b> |
| Adjustment to cash flows due to exchange rate fluctuations, net                  |     | (4,175,001) |     | 85,305     |     | <b>(2,934,522)</b>  |      | <b>(171)</b>   |
| Cash and cash equivalents at beginning of the year                               |     | 45,487,200  |     | 48,163,550 |     | <b>66,473,703</b>   |      | <b>3,863</b>   |
| Cash and cash equivalents at end of the year                                     | Ps. | 48,163,550  | Ps. | 66,473,703 | Ps. | <b>45,160,032</b>   | US\$ | <b>2,625</b>   |
| Non-cash transactions related to:  |     |             |     |            |     |                     |      |                |
| Acquisitions of property, plant and equipment in accounts payable at end of year | Ps. | 15,146,947  | Ps. | 16,771,745 | Ps. | <b>12,785,347</b>   | US\$ | <b>743</b>     |

The accompanying notes are an integral part of these consolidated financial statements.

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**AMÉRICA MÓVIL, S.A.B. DE C.V. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

Years ended December 31, 2013, 2014 and 2015

(In thousands of Mexican pesos [Ps.] and thousands of U.S. dollars [US\$], unless otherwise indicated)

**1. Description of the business and Relevant Events**

**I. Corporate Information**

América Móvil, S.A.B. de C.V. and subsidiaries (hereinafter, the Company, América Móvil or AMX ) was incorporated under laws of Mexico on September 25, 2000. The Company provides telecommunications services in 25 countries throughout the United States, Latin America, the Caribbean and Europe. These telecommunications services include mobile and fixed-line voice services, wireless and fixed data services, internet access and Pay TV, sales of equipment, accessories and computers as well as other related services.

The voice services provided by the Company, both wireless and fixed, mainly include the following: airtime, local, domestic and international long-distance services, and network interconnection services.

The data services provided by the Company include the following: value added, corporate networks, data and Internet services.

Pay TV represents basic services, as well as pay per view and additional programming and advertising services.

Equipment, accessories and computer sales

Other related revenues from advertising in telephone directories, publishing and call center services. In order to provide these services, América Móvil has licenses, permits and concessions (collectively referred to herein as licenses ) to build, install, operate and exploit public and/or private telecommunications networks and provide miscellaneous telecommunications services (mostly mobile and fixed telephony services), as well as to operate frequency bands in the radio-electric spectrum to be able to provide fixed wireless telephony and to operate frequency bands in the radio-electric spectrum for point-to-point and point-to-multipoint microwave links. The Company holds licenses in the 24 countries where it has a presence, and such licenses have different dates of expiration through 2046.

Certain licenses require the payment to the respective governments of a share in sales determined as a percentage of revenues from services under concession. The percentage is set as either a fixed rate or in some cases based on certain size of the infrastructure in operation.



The corporate offices of América Móvil are located in Mexico City, Mexico, at Lago Zurich 245, Colonia Ampliación Granada, Delegacion Miguel Hidalgo, 11529, Mexico City, México.

The accompanying consolidated financial statements were approved for their issuance by the Company's Chief Financial Officer on April 18, 2016, and subsequent events have been considered through that date. They will then be presented for approval by the Company's shareholders on April 18, 2016. Those shareholders have the authority to approve and or otherwise modify the consolidated financial statements.

**Relevant events in 2015**

i) In March 2015, the Company announced the signing of an agreement with the telephone company Axtel in México, to settle all disputes relating to the call termination rates and issues related to interconnection, initiated

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in 2005. Additionally, the amounts disputed and pending relating to mobile termination services for the period 2005-2014 were settled. As consideration for the conclusion of such agreement; the signing of the interconnection agreements with Telcel for the period 2005-2015; the completion of various controversies between Axtel, Telcel, Telmex and Telnor (Telefonos del Noroeste, S.A. de C.V.), and the transfer of various litigations rights in favor of América Móvil derived administrative and judicial proceedings existing between the parties, the Company paid to Axtel the amount of Ps. 950,000. The provision for this contingency had already been recorded as an expense in prior years.

ii) On May 20, 2015 the Company placed bonds for an amount of EUR 3,000,000 thousand which may be settled in cash at the Company's option or exchangeable into ordinary shares of KPN. The bonds have a maturity of five years and pay no interest. An exchange premium agreed for the issue was set at 45 % of the closing price, which was at a value of EUR 3.38 per share. The underlying shares of KPN are approximately 612.2 million, representing approximately 14.3% of the shares of KPN. At maturity or at maturity that investors exercise their options, AMX can choose to pay in cash, pay the underlying shares or a combination of both. (See Note 15).

iii) On July 20, 2015, a new Company owned satellite Star one C-4 was launched, which took place at the Kourou Space Center in French Guiana. This is the eighth satellite that is in orbit and has 49 KU-band transponders to provide TV services and other telecommunications services. The satellite covers the Americas from the United States of America to Tierra de Fuego in Argentina.

iv) On September 9, 2015, the Company completed the placement of EUR 750,000 thousand principal amount of mandatory exchangeable bonds. The Bonds have a maturity of 3 years and will pay a coupon of 5.5% per year payable quarterly in arrears. At maturity, the bonds will be mandatory converted into ordinary shares of KPN (AMX may do a physical or cash settlement at their option), at a price of 3.34 Euros per share. The Company will have the benefit of any price increase up to 27.5% of the aforementioned price that is 4.26 Euros per share (See Note 15).

v) On September 27 and October 13, 2015, all necessary approvals from the Instituto Federal de Telecomunicaciones (IFT) and Mexican Tax Authorities were obtained for the spin-off of Telesites, S.A.B. de C.V. (Telesites) from América Móvil. The issuance and exchange of the shares was made in December 2015. The effects of such spin-off are described in Note 13.

vi) During 2015, there was currency depreciation mainly in the Mexican peso against the US dollar and the euro, and the Brazilian reals against the US dollar, euro and the Mexican peso. Because a significant portion of the Company debt is denominated in US dollar and euro, as well as the fact that a significant portion of the Company's subsidiary operations have the Brazilian reals functional currency, the currency depreciation adversely affected the results of the Company as part of the foreign exchange loss of the period.

## **2. Basis of Preparation of the Consolidated Financial Statements and Summary of Significant Accounting Policies and Practices**

### **a) Basis of preparation**

The accompanying consolidated financial statements have been prepared in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB) (hereafter referred to as IFRS).

The consolidated financial statements have been prepared on the historical cost basis, except for the derivative financial instruments (assets and liabilities), the trust assets of post-employment and other employee benefit plans and

the investments in available for sale securities.

The preparation of these consolidated financial statements under IFRS requires the use of critical estimates and assumptions that affect the amounts reported for certain assets and liabilities, as well as certain income and

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expenses. It also requires that management exercise judgment in the application of the Company's accounting policies. Actual results could differ from these estimates and assumptions.

The Mexican peso is the functional currency of the Company's Mexican operations and the consolidated reporting currency of the Company.

**i) Basis of consolidation**

The consolidated financial statements include the accounts of América Móvil, S.A.B. de C.V. and those of the subsidiaries over which the Company exercises control. The consolidated financial statements for the subsidiaries were prepared for the same period as the Company, applying consistent accounting policies. All of the companies operate in the telecommunications field or provide services to companies relating to this activity.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee, if and only if, the Company has:

- (a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- (b) Exposure, or rights, to variable returns from its involvement with the investee, and
- (c) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee;
- (b) Rights arising from other contractual arrangements; and
- (c) The Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ( OCI ) are attributed to the equity holders of the parent of the Company and to the non-controlling interests. When necessary, adjustments are made to the financial

statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intercompany balances and transactions are eliminated in the consolidated financial statements.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

Derecognizes the assets (including goodwill) and liabilities of the subsidiary;

Derecognizes the carrying amount of any non-controlling interests;

Derecognizes the cumulative translation differences recorded in equity;

Recognizes the fair value of the consideration received;

Recognizes the fair value of any investment retained;

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Recognizes any surplus or deficit in profit or loss; and

Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities. The financial statements for the subsidiaries were prepared for the same period as the holding company, applying consistent accounting policies.

Non-controlling interests represent the portion of profits or losses and net assets not held by the Company. Non-controlling interests are presented separately in the consolidated statements of comprehensive income and in equity in the consolidated statements of financial position separately from América Móvil's own equity.

Non-controlling interests refers to certain subsidiaries in which the Company does not hold 100% of the shares.

Acquisitions of non-controlling interests are accounted for as equity transactions. The difference between the book value and the subscription price for acquired shares under common control are accounted for as an equity transaction within retained earnings.

Associates:

Associates are all those entities for which the Company has significant influence over without having control. According to IAS 28, *Investments in Associates*, significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence typically exists when an investor holds from 20% to 50% of the voting power of an investee.

The Company's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses.

The investments in associated companies in which the Company exercises significant influence are accounted for using the equity method, whereby América Móvil recognizes its share in the net profit (losses) and equity of the associate.

The results of operations of the subsidiaries and associates are included in the Company's consolidated financial statements beginning as of the month following their acquisition and its share of other comprehensive income after acquisition is recognized directly in other comprehensive income.

The Company assesses at each reporting date whether there is objective evidence that investment in associates is impaired. If so, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

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The equity interest in the most significant subsidiaries and associated companies at December 31, 2014 and 2015, is as follows:

| Company name  | Country            | Equity interest at<br>December 31 |               |
|---|--------------------|-----------------------------------|---------------|
|   |                    | 2014                              | 2015          |
| <b>Subsidiaries:</b>  |                    |                                   |               |
| AMX Tenedora, S.A. de C.V. (a)  | Mexico             | 100.0%                            | <b>100.0%</b> |
| América Móvil B.V. (f.k.a. Carso Telecom B.V.) (a)                            | Netherlands        | 100.0%                            | <b>100.0%</b> |
| AMOV Canadá, S.A. (a)   | Mexico             | 100.0%                            | <b>100.0%</b> |
| Compañía Dominicana de Teléfonos, S.A. ( Codetel ) (b)                        | Dominican Republic | 100.0%                            | <b>100.0%</b> |
| Sercotel, S.A. de C.V. (a)  | Mexico             | 100.0%                            | <b>100.0%</b> |
| Radiomóvil Dipsa, S.A. de C.V. y subsidiarias ( Telcel ) (b)                  | Mexico             | 100.0%                            | <b>100.0%</b> |
| Telecomunicaciones de Puerto Rico, Inc. (b)                                   | Puerto Rico        | 100.0%                            | <b>100.0%</b> |
| Puerto Rico Telephone Company, Inc. (b)                                       | Puerto Rico        | 100.0%                            | <b>100.0%</b> |
| Servicios de Comunicaciones de Honduras, S.A. de C.V. ( Sercom Honduras ) (b) | Honduras           | 100.0%                            | <b>100.0%</b> |
| AMX USA Holding, S.A. de C.V. (a)   | Mexico             | 100.0%                            | <b>100.0%</b> |
| TracFone Wireless, Inc. ( TracFone ) (b)                                      | USA                | 98.2%                             | <b>98.2%</b>  |
| Claro Telecom Participacoes, S.A. (Claro Brasil) (a)                          | Brazil             | 100.0%                            | <b>100.0%</b> |
| Americel, S.A. (b)  | Brazil             | 100.0%                            | <b>99.9%</b>  |
| Claro S.A. (b)  | Brazil             | 96.2%                             | <b>96.4%</b>  |
| América Central Tel, S.A. de C.V. ( ACT ) (b)                                 | Mexico             | 100.0%                            | <b>100.0%</b> |
| Telecomunicaciones de Guatemala, S.A. ( Telgua ) (b)                          | Guatemala          | 99.3%                             | <b>99.3%</b>  |
| Empresa Nicaragüense de Telecomunicaciones, S.A. ( Enitel ) (b)               | Nicaragua          | 99.6%                             | <b>99.6%</b>  |
| Estesa Holding Corp. (a)  | Panama             | 100.0%                            | <b>100.0%</b> |
| Cablenet, S.A. (b)  | Nicaragua          | 100.0%                            | <b>100.0%</b> |
| Estaciones Terrenas de Satélite, S.A. ( Estesa ) (b)                          | Nicaragua          | 100.0%                            | <b>100.0%</b> |
| AMX El Salvador, S.A de C.V. (b)  | Mexico             | 100.0%                            | <b>100.0%</b> |
| Compañía de Telecomunicaciones de El Salvador, S.A. de C.V. ( CTE ) (b)       | El Salvador        | 95.8%                             | <b>95.8%</b>  |
| Cablenet, S.A. ( Cablenet ) (b)   | Guatemala          | 95.8%                             | <b>95.8%</b>  |
| Telecomoda, S.A. de C.V. ( Telecomoda ) (b)                                   | El Salvador        | 95.8%                             | <b>95.8%</b>  |
| Telecom Publicar Directorios, S.A. de C.V. ( Publicom ) (c)                   | El Salvador        | 48.8%                             | <b>48.8%</b>  |
| CTE Telecom Personal, S.A. de C.V. ( Personal ) (b)                           | El Salvador        | 95.8%                             | <b>95.8%</b>  |
| Comunicación Celular, S.A. ( Comcel ) (b)                                     | Colombia           | 99.4%                             | <b>99.4%</b>  |
| Telmex Colombia, S.A. (b)   | Colombia           | 99.3%                             | <b>99.3%</b>  |
| Consortio Ecuatoriano de Telecomunicaciones, S.A. ( Conecel ) (b)             | Ecuador            | 100.0%                            | <b>100.0%</b> |
| AMX Argentina, S.A. (b)   | Argentina          | 100.0%                            | <b>100.0%</b> |
| AMX Wellington Gardens, S.A. de C.V. (a)                                      | Mexico             | 100.0%                            | <b>100.0%</b> |
| Widcombe, S.A. de C.V. (a)  | Mexico             | 100.0%                            | <b>100.0%</b> |
| AMX Paraguay, S.A. (b)  | Paraguay           | 100.0%                            | <b>100.0%</b> |
| AM Wireless Uruguay, S.A. (b)   | Uruguay            | 100.0%                            | <b>100.0%</b> |
| Claro Chile, S.A. (b)   | Chile              | 100.0%                            | <b>100.0%</b> |
| América Móvil Perú, S.A.C (b)   | Peru               | 100.0%                            | <b>100.0%</b> |
| Claro Panamá, S.A. (b)  | Panama             | 100.0%                            | <b>100.0%</b> |

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|  |        |       |              |
|--|--------|-------|--------------|
| Carso Global Telecom, S.A. de C.V. (a)                   | Mexico | 99.9% | <b>99.9%</b> |
| Empresas y Controles en Comunicaciones, S.A. de C.V. (a) | Mexico | 99.9% | <b>99.9%</b> |
| Teléfonos de México, S.A.B. de C.V. (b) (1)              | Mexico | 97.8% | <b>98.7%</b> |
| Telmex Internacional, S.A. de C.V. (b)                   | Mexico | 97.8% | <b>97.8%</b> |

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| Company name   | Country     | Equity interest at<br>December 31 |               |
|--|-------------|-----------------------------------|---------------|
|  |             | 2014                              | 2015          |
| Controladora de Servicios de Telecomunicaciones, S.A. de C.V. (Consertel) (b)          | Mexico      | 98.4%                             | <b>98.4%</b>  |
| Telmex Argentina, S.A. (b)   | Argentina   | 99.7%                             | <b>99.7%</b>  |
| Ertach, S.A. (b)   | Argentina   | 99.8%                             | <b>99.8%</b>  |
| Telstar, S.A. (b)  | Uruguay     | 99.9%                             | <b>99.9%</b>  |
| Ecuador Telecom, S.A. (b)  | Ecuador     | 98.4%                             | <b>98.4%</b>  |
| Claro 110, S.A. (c)  | Chile       | 99.9%                             | <b>99.9%</b>  |
| Sección Amarilla USA, LLC. (c)   | USA         | 98.4%                             | <b>98.4%</b>  |
| Publicidad y Contenido Editorial, S.A. de C.V. (c)                                     | Mexico      | 98.4%                             | <b>98.4%</b>  |
| Editorial Contenido, S.A. de C.V. (c)  | Mexico      | 98.4%                             | <b>98.4%</b>  |
| Plaza VIP COM, S.A.P.I. de C.V. (c)  | Mexico      | 98.4%                             | <b>100.0%</b> |
| Grupo Telvista, S.A. de C.V. (c)   | Mexico      | 89.4%                             | <b>89.4%</b>  |
| Telekom Austria AG (b)   | Austria     | 59.7%                             | <b>59.7%</b>  |
| Hitss Solutions, S.A. de C.V. (f.k.a. Hildebrando Internacional, S.A. de C.V.) (c) (1) | Mexico      | 35.0%                             | <b>68.9%</b>  |
| <b>Associates:</b>   |             |                                   |               |
| Koninklijke KPN B.V. ( KPN ) (b) (2)   | Netherlands | 21.1%                             | <b>N/A</b>    |

(a) Holding companies

(b) Operating companies of mobile and fixed services

(c) Advertising media, content companies and/or other businesses

(1) See Note 13 for further details on its consolidation.

(2) See Note 13 for further details on its recognition as investment available for sale.

**ii) Basis of translation of financial statements of foreign subsidiaries and associated companies**

The operating revenues of foreign subsidiaries (those outside of Mexico) jointly represent approximately 65%, 66% and 69% of operating revenues of 2013, 2014 and 2015, respectively, and their total assets jointly represent approximately 78% and 73% of total assets at December 31, 2014 and 2015, respectively.

The financial statements have been translated to IFRS in the respective local currency and translated into the reporting currency.

The translation of financial statements of foreign subsidiaries prepared under IFRS and denominated in their respective local currencies, are translated as follows:

all monetary assets and liabilities were translated at the prevailing exchange rate at the period closing;

all non-monetary assets and liabilities at the prevailing exchange rate in effect at the period closing;

equity accounts are translated at the prevailing exchange rate at the time the capital contributions were made and the profits were generated;

revenues, costs and expenses are translated at the average exchange rate during the applicable period;

the difference resulting from the translation process is recognized in equity in the caption Effect of translation ;

the consolidated statements of cash flows were translated using the weighted-average exchange rate for the applicable period, and the resulting difference is shown in the consolidated statement of cash flows under the heading Adjustment to cash flows due to exchange rate fluctuations .

The Company s consolidated statements of cash flows are presented using the indirect method.

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The difference resulting from the translation process is recognized in equity in the caption Effect of translation . At December 31, 2014 and 2015, the cumulative translation loss was Ps. (39,783,387) and Ps. (73,490,197), respectively.

**b) Revenue recognition**

Revenues are recognized at the time the related service is rendered, provided that the revenue can be measured reliably, it is probable that the entity will receive the economic benefits associated with the transaction, the stage of completion of the transaction may be reliably measured and there is high certainty of collectability.

For postpaid plans, the amount billed to clients combines a fixed tariff for a specific quantity of services, plus the rates for the use above the specified quantities (minutes included in each plan). Costs related to these services are recognized when the service is rendered.

The Company divides its main services into seven types as presented in the consolidated statements of comprehensive income, as follows:

Mobile voice

Mobile data

Fixed voice

Fixed data

Pay TV

Sales of equipment, accessories and computers

Other related services

The Company accounts separately for multiple elements. To recognize the multi-elements or multiple services at its fair value, the Company assigns its fair value to each type of element. In multi-elements plans, the Company considers the price offered in each package, offered minutes and data plans offered to the subscribers.

**Voice services**

Monthly rent in post-paid plans is billed based on the associated plan and package rates, corresponding to when the services are provided. Revenues billed for services to be rendered in the future are initially recorded as deferred revenues.

Revenues from local services are derived from charges for line installations, monthly rent for services and monthly charges for metered services based on the number of minutes. These revenues depend on the number of lines in service, the number of newly installed lines and volume of minutes.

Revenues for interconnection services, which represent calls from other carriers entering the Company's mobile and fixed line networks (incoming interconnection services), are recognized at the time the service is provided. Such services are invoiced based on the rates previously agreed with other carriers.

Long-distance revenues originate from airtime or minutes used in making calls in a region or coverage areas outside of the area where the customer's service is activated. These revenues are recognized at the time the service is provided.

Revenues from roaming charges are related to airtime charged to customers for making or receiving calls when visiting a local service area, country or region outside the local service area where the customer's service is activated. The related revenues are recognized at the time the service is provided based on the rates established and agreed upon by our subsidiaries with other domestic and international mobile carriers.

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### **Data**

Value-added services and other services include voice services and data transmission services (such as two-way and written messages, call information, ring tones, emergency services, among others). Revenues from such services are recognized at the time they are provided or when the services are downloaded.

Revenues from internet services and the sale of point-to-point and point-to-multipoint links are recognized on the date of installation, which is similar to the date when the respective traffic begins.

Revenues from corporate networks are obtained mainly from private lines and from providing virtual private network services. These revenues are recognized at the time the respective traffic begins.

### **Pay television**

Revenues from pay TV include payments for package deals, pay-per-view and advertising, all of which are recognized at the time the services are provided.

### **Sales of equipment, accessories and computers**

Sales of mobile phone equipment, accessories and computers, which are made to authorized distributors and the general public, are recognized as revenue when the risks as rewards of ownership has passed, which is considered the time the products are delivered and accepted by the customer (distributors and general public) and the recovery of the amounts is probable. The distributors and general public do not have the right to return the products.

The majority of equipment sales are performed through distributors, though not exclusively, as a portion of these equipment sales is performed through client service centers.

### **Other related services**

### **Transmission rights**

Transmission rights include exclusive rights for the transmission of the Winter Olympic Games and the Rio de Janeiro Olympics for 2016. The related costs and expenses (amortization of its investment) are recognized when the associated revenue is recognized.

### **Marketing revenues**

Advertising revenues earned through the publication of the telephone directory are recognized in straight line over the period of use of the directories.

**Loyalty programs**

Some subsidiaries have loyalty programs where the Company awards credits customer credit awards referred as points . The customer can redeem accrued points for awards such as devices, accessories or air time. All awards are provided by the Company.

The consideration allocated to the award credits is identified as a separate identifiable component; the corresponding liability of the award credits is measured at its fair value. The consideration allocated to award credits amount is deferred recognized as revenue at the time that such points are redeemed and the Company has fulfill its obligations to supply awards.

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### **c) Cost of mobile equipment and computers**

The cost of mobile equipment and computers is recognized at the time the client receives the device. The costs relating to the sale of such equipment is recognized in "cost of sales and services" line in the consolidated statements of comprehensive income.

### **d) Cost of services**

These costs include the cost of call terminations in the networks of other carriers, the costs to link the fixed and mobile networks, payments for long-distance services, rental costs for the use of infrastructure (links, ports and measured service), as well as message exchanges between carriers. Such costs are recognized at the time the service is received by the fixed or mobile carriers. These costs also include last-mile costs and line installation costs, which are also recognized at the time the services are received.

Last mile installation costs and decoder-related charges are capitalized at the time of installation and depreciated over the average useful life as the customer remains active in the Company.

### **e) Commissions to distributors**

The Company's distribution agreements have three types of commissions related to postpaid plans.

Loyalty and activation commissions are accrued monthly as an expense based on statistical information about customer retention, sales volume and the number of new customers obtained by each distributor. Retention commissions are paid when customers continue for a specified period. Volume commissions are paid at the time the distributor reaches prescribed ranges of activated clients.

In all three cases the fees are recognized within "commercial, administrative and general expenses" line in the consolidated statements of comprehensive income, as these fees are not reflected in the price of services and products.

### **f) Cash and cash equivalents**

Cash and cash equivalents consist of bank deposits and highly liquid investments with maturities of less than three months. These amounts are stated at cost plus accrued interest, which is similar to their market value.

The Company also maintains restricted cash held as collateral to meet certain contractual obligations (see Note 10). Restricted cash is presented as part of "Other assets" within other non-current financial assets given that the restrictions are long-term in nature (See Note 10).

### **g) Marketable securities and other short term investments**

Marketable securities and other short term investments are primarily composed of investment securities available for sale, although this line item also includes other short-term financial investments. Amounts are initially recorded at cost and adjusted to their estimated fair value. Fair value adjustments for available for sale securities are recorded through other comprehensive income, while fair value adjustments for other short-term investments are recorded in the income statement as they occur. Short term investments are those that may be liquidated between three months and one year, should the Company decide to do so.

### **h) Allowance for bad debts**

The Company periodically recognizes a provision for doubtful accounts based mainly on its past experience, the aging of its accounts receivable, the delays in resolving its disputes with other carriers, and the market segments of its customers (governments, businesses and mass market).



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Collection policies and procedures vary depending on the credit history of the customer, the credit granted, and the age of the unpaid calls among other reasons.

The evaluation of collection risk of accounts receivables with related parties is performed annually based on an examination of each related party's financial situation and the markets in which they operate, as well as the balance aging.

Cash collateral that clients in time left as default and according to business policies that operated the company is deducted from the account balance to be impaired once the deposit has been identified.

### **i) Inventories**

Inventories, which are mainly composed of cellular equipment, accessories, tablets and other devices, are initially recognized at historical cost and are valued, using the average cost method, without exceeding their net realizable value.

The estimate of the realizable value of inventories on-hand is based on their age and turnover.

The difference between the sales price to the end user and the subsidized cost of equipment is recognized as an expense in the cost of sales and service line in the consolidated statements of comprehensive income, at the time of delivery, consequently, the cost of equipment includes the corresponding adjustments of its net realizable value.

The cost of the equipment sold in installments is recognized when charged in each of the quotas.

### **j) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method, which in accordance with IFRS 3, *Business acquisitions*, consists in general terms as follows:

- (i) Identify the acquirer
- (ii) Determine the acquisition date
- (iii) Value the acquired identifiable assets and assumed liabilities
- (iv) Recognize the goodwill or a bargain purchase gain

For acquired subsidiaries, goodwill represents the difference between the purchase price and the fair value of the net assets acquired at the acquisition date. For acquired associates, the investment in associates includes goodwill identified on acquisition, net of any impairment loss.

Acquisition-related cost is accounted for as an expense in the other expenses caption in the consolidated statements of comprehensive income as they are incurred.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstance and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss in the Other expenses caption in the consolidated statements of comprehensive income.

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Goodwill is initially measured as the excess of the aggregate of the fair value of the consideration transferred plus any non-controlling interest in the acquiree over the net value of the identifiable assets acquired and liabilities assumed as of the acquisition date.

If the consideration paid is less than the fair value of the net assets of the acquired company, (in the case of a bargain purchase), the difference is recognized in the consolidated statements of comprehensive income.

Goodwill is reviewed annually to determine its recoverability, or more often if circumstances indicate that the carrying value of the goodwill might not be fully recoverable.

The possible loss of value in goodwill is determined by analyzing the recovery value of the cash generating unit (or the group thereof) to which the goodwill is associated at the time it originated. If this recovery value is lower than the carrying value, an impairment loss is charged to results of operations.

For the years ended December 31, 2013, 2014 and 2015, no impairment losses were recognized for the goodwill shown in the Company's consolidated statements of financial position.

### **k) Property, plant and equipment**

i) Property, plant and equipment are recorded at acquisition cost, net of accumulated depreciation. Depreciation is computed on the cost of the assets using the straight line method, based on the estimated useful lives of the related assets, beginning the month after they become available for use.

Borrowing costs that are incurred for general financing for construction in progress for periods exceeding six months are capitalized as part of the cost of the asset. During 2013, 2014 and 2015 the borrowing costs that were capitalized amounted to Ps. 3,002,576, Ps. 3,258,928 and Ps. 3,524,841, respectively.

In addition to the purchase price and costs directly attributable to preparing an asset in terms of its physical location and condition for use as intended by management, when required, the cost also includes the estimated costs for the dismantlement and removal of the asset, and for restoration of the site where it is located (See Note 15c).

ii) The net book value of property, plant and equipment is removed from the consolidated statements of financial position at the time the asset is sold or when no future economic benefits are expected from its use or sale. Any gains or losses on the sale of property, plant and equipment represent the difference between net proceeds of the sale, if any, and the net book value of the item at the time of sale. These gains or losses are recognized as either other operating income or operating expenses upon sale.

iii) The Company periodically assesses the residual values, useful lives and depreciation methods associated with its property, plant and equipment. If necessary, the effects of any changes in accounting estimates is recognized prospectively, at the closing of each period, in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

For property, plant and equipment made up of several components with different useful lives, the major individual components are depreciated over their individual useful lives. Maintenance costs and repairs are expensed as incurred.

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Annual depreciation rates are as follows:

|  |         |
|--|---------|
| <b>Telephone plant in operation and equipment:</b> |         |
| Monitoring equipment and network performance       | 20%-33% |
| Base stations                                      | 5%-33%  |
| Switching and telephone exchanges                  | 2%-20%  |
| Towers, antennas and engineering works             | 10%-13% |
| Measuring equipment                                | 2%-17%  |
| Buildings and leasehold improvements               | 2%-33%  |
| Submarine cable                                    | 5%      |
| Other assets                                       | 10%-50% |

iv) The carrying value of property, plant and equipment is reviewed whenever there are indicators of impairment in such assets. Whenever an asset's recovery value, which is the greater of the asset's selling price and its value in use (the present value of future cash flows), is less than the asset's net carrying value, the difference is recognized as an impairment loss.

During the years ended December 31, 2013, 2014 and 2015, no impairment losses were recognized.

**v) Inventories for operation of the plant**

Inventories for the operation of telephone plants are valued using the average cost method, without exceeding their net realizable value.

The valuation of inventories for the operation of telephone plants considered obsolete, defective or slow-moving, are reduced to their estimated net realizable value. The estimate of the recovery value of inventories is based on their age and turnover.

**l) Intangibles****i) Licenses**

Licenses to operate wireless telecommunications networks are recorded for at acquisition cost or at fair value at its acquisition date, net of accumulated amortization.

The licenses that in accordance with government requirements are categorized as automatically renewable, for a nominal cost and with substantially consistent terms, are considered by the Company as intangible assets with an indefinite useful life. Accordingly, they are not amortized. Licenses are amortized when the Company does not have a basis to conclude that they are indefinite lived. Licenses are amortized using the straight-line method over a period ranging from 3 to 30 years, which represents the usage period of the assets. The payments to the governments are recognized in the cost of service and equipment.

**ii) Concessions**

The Company has concessions for telecommunications services granted by the governments of the countries in which it operates.

The Company has conducted an internal analysis on the applicability of IFRIC No. 12 (Service Concession Agreements) and has concluded that its concessions are outside the scope of IFRIC 12. To determine the applicability of IFRIC 12, the Company analyzes each concession or group of similar concessions in a given jurisdiction. As a threshold matter, the Company identifies those government concessions that provide for the development, financing, operation or maintenance of infrastructure used to provide a public service, and that set out performance standards, mechanisms for adjusting prices and arrangements for arbitrating disputes.

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With respect to those services, the Company evaluates whether the grantor controls or regulates (i) what services the operator must provide, (ii) to whom it must provide them and (iii) the applicable price (the Services Criterion ). In evaluating whether the applicable government, as grantor, controls the price at which the Company provides its services, the Company looks at the terms of the concession agreement, in light of all applicable regulations. If the Company determines that the concession under analysis meets the Services Criterion, then the Company evaluates whether the grantor would hold a significant residual interest in the concession's infrastructure at the end of the term of the arrangement.

In some of the jurisdictions where the Company operates and under certain circumstances, the Company may be required to transfer certain assets covered by some of its concessions to the government pursuant to valuation methodologies that vary in each jurisdiction. In Brazil, for example, Claro Brasil is required to maintain and file before the Brazilian Agency of Telecommunications (*Agência Nacional de Telecomunicações*, or Anatel ) a list of assets potentially subject to reversion. The most recent publically available filing, published by Anatel in 2014, lists potentially reversible assets for an estimated book value of Ps. 13,880,479 (3,150,000 thousand Brazilian reals). The Company believes that this list significantly overstates the extent of assets that would as a legal matter be subject to reversion, but there is no regulatory requirement or legal basis for a more refined analysis. See also Notes 11 and 21.

### iii) Trademarks

Trademarks are recorded at their fair value at the valuation date when acquired. The useful lives of trademarks are assessed as either finite or indefinite. Trademarks with finite useful lives are amortized using the straight-line method over a period ranging from 1 to 10 years. Trademarks with indefinite useful lives are not amortized, but are tested for impairment annually at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable, if not, the change in useful life from indefinite to finite is made on a prospective basis.

### iv) Rights of use

Rights of use are recognized according to the amount paid for the right to carry traffic and are amortized over the period in which they are granted.

The carrying value of the Company's licenses and trademarks with indefinite useful lives and with finite useful lives are reviewed annually and whenever there are indicators of impairment in the value of such assets. When an asset's recoverable amount, which is the higher of the asset's fair value, less disposal costs and its value in use (the present value of future cash flows), is less than the asset's carrying value, the difference is recognized as an impairment loss.

### v) Customer relationships

The value of customer relations are determined and valued at the time that a new subsidiary is acquired, as determined by the Company with the assistance of independent appraisers, and is amortized over the useful life of the customer relationship on a five years.

During the years ended December 31, 2013, 2014 and 2015, no impairment losses were recognized for licenses, trademarks, rights of use or customer relationships.

### **m) Impairment in the value of long-lived assets**

The Company has a policy in place for evaluating the existence of indicators of impairment in the carrying value of long-lived assets, investments in associates, goodwill and intangible assets. When there are such indicators, or in the case of assets whose nature requires an annual impairment analysis (goodwill and intangible assets with

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indefinite useful lives), the Company estimates the recoverable amount of the asset, which is the higher of its fair value, less disposal costs, and its value in use. Value in use is determined by discounting estimated future cash flows, applying a pre-tax discount rate that reflects the time value of money and taking into consideration the specific risks associated with the asset. When the recoverable amount of an asset is below its carrying value, impairment is considered to exist. In this case, the carrying value of the asset is reduced to the asset's recoverable amount, recognizing the loss in results of operations for the respective period. Depreciation and/or amortization expense of future periods is adjusted based on the new carrying value determined for the asset over the asset's remaining useful life. Impairment is computed individually for each asset. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In the estimation of impairments, the Company uses the strategic plans established for the separate cash-generating units to which the assets are assigned. Such strategic plans generally cover a period from three to five years. For longer periods, beginning in the fifth year, projections are based on such strategic plans while applying a constant or declining expected growth rate.

### **Key assumptions used in value in use calculations**

The forecasts were performed by the Company's management in real terms (net of inflation) and in the functional currency of the subsidiary as of December 31, 2015.

In developing information for financial forecasts, premises and assumptions have been included that any other market participant in similar conditions would consider.

Local synergies have not been taken into consideration that any other market participant would not have taken into consideration to prepare similar forecasted financial information.

The assumptions used to develop the financial forecasts were validated by the Company's management for each of the cash generating unit (CGUs), taking into consideration the following:

Current subscribers and expected growth.

Type of subscribers (prepaid, postpaid, fixed line, multiple services)

Market situation and penetration expectations

New products and services

Economic situation of each country

Investments in maintenance of the current assets



Investments in technology for expanding the current assets

Market consolidation and synergies

The foregoing forecasts could differ from the results obtained through time; however, América Móvil prepares its estimates based on the current situation of each of the CGUs.

The recoverable amounts are based on value in use. The value in use was determined based on the method of discounted cash flows. The key assumptions used in projecting cash flows are:

Margin on EBITDA is determined by dividing EBITDA (operating income plus depreciation and amortization) by total revenue.

Margin on CAPEX is determined by dividing capital expenditures ( CAPEX ) by total revenue.

Pre-tax weighted average cost of capital ( WACC ) used to discount the projected cash flows.

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To determine the discount rate, the Company uses the WACC which was determined for each of the cash generating units and is described in following paragraphs.

The estimated discount rates to perform the IAS 36 *Impairment of assets*, impairment test for each CGU consider market participants assumptions. Market participants were selected taking into consideration the size, operations and characteristics of the business that were similar to those in América Móvil.

The discount rates represents the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and its operating segments and is derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by América Móvil's investors. The cost of debt is based on the interest bearing borrowings América Móvil is obliged to service. Segment-specific risk is incorporated by applying individual beta factors.

The beta factors are evaluated annually based on publicly available market data.

Market participant assumptions are important because, not only do they include industry data for growth rates, management also assesses how the CGU's position, relative to its competitors, might change over the forecasted period.

The most significant forward looking estimates used for the 2014 and 2015 impairment evaluations are shown below:

|                                      | Average margin on<br>EBIDTA | Average margin on<br>CAPEX | Average pre-tax<br>discount rate<br>(WACC) |
|--------------------------------------|-----------------------------|----------------------------|--|
| <b>2014:</b>                         |                             |                            |  |
| Europe (7 countries)                 | 22.99% - 77.4%              | 3.36% - 15.38%             | 6.44 - 12.66%                              |
| Brazil (fixed line, wireless and TV) | 30.22%                      | 22.66%                     | 11.87%                                     |
| Puerto Rico                          | 29.05%                      | 6.38%                      | 10.88%                                     |
| Dominican Republic                   | 44.57%                      | 11.78%                     | 20.46%                                     |
| Mexico (fixed line and wireless)     | 43.35%                      | 7.43%                      | 12.80%                                     |
| Ecuador                              | 49.81%                      | 7.91%                      | 20.30%                                     |
| Peru                                 | 39.17%                      | 17.22%                     | 18.50%                                     |
| El Salvador                          | 41.60%                      | 13.55%                     | 14.18%                                     |
| Chile                                | 19.91%                      | 9.10%                      | 8.09%                                      |
| Colombia                             | 39.57%                      | 16.64%                     | 13.81%                                     |
| Other countries                      | 9.49% - 44.20%              | 0.6% - 20.91%              | 10.71% - 22.62%                            |
| <b>2015:</b>                         |                             |                            |  |
| Europe (7 countries)                 | 24.50% - 49.46%             | 13.88% - 22.8%             | 5.19% - 15.34%                             |
| Brazil (fixed line, wireless and TV) | 29.82%                      | 19.01%                     | 8.89%                                      |
| Puerto Rico                          | 18.97%                      | 5.28%                      | 5.26%                                      |
| Dominican Republic                   | 45.32%                      | 10.90%                     | 18.98%                                     |
| Mexico (fixed line and wireless)     | 34.26%                      | 10.97%                     | 13.22%                                     |

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|                 |                |               |                |
|-----------------|----------------|---------------|----------------|
| Ecuador         | 32.37%         | 9.70%         | 22.52%         |
| Peru            | 34.52%         | 14.60%        | 15.34%         |
| El Salvador     | 41.45%         | 16.43%        | 13.30%         |
| Chile           | 44.58%         | 33.14%        | 12.26%         |
| Colombia        | 41.31%         | 17.04%        | 12.85%         |
| Other countries | 7.90% - 49.25% | 0.5% - 17.39% | 8.48% - 22.10% |

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Sensitivity to changes in assumptions:

The implications of the key assumptions for the recoverable amount are discussed below:

**Margin on CAPEX-** The Company performed a sensitivity analysis by increasing its CAPEX in 5% and maintaining all other assumptions the same. The sensitivity analysis would not require to the Company to additionally adjust the CGUs carrying amount long-life assets or its intangibles for impairment.

**WACC-** Additionally, should the Company increase by 100 basis points the WACC and maintain all other assumptions the same, the carrying amount of the long-life assets in the Central America would be impair for approximately of Ps. 200,000.

### **n) Leases**

The determination of whether an agreement is, or contains, a lease is based on the substance of the agreement and requires an evaluation of whether performance of the agreement is dependent on the use of a specific asset and whether the agreement transfers the right of use of the asset to the Company.

#### **Operating leases**

Leases under which the lessor retains a significant portion of the risks and benefits inherent to the ownership of the leased asset are considered operating leases. Payments made under operating lease agreements are charged to results of operations on a straight-line basis over the rental period.

#### **Finance leases**

Lease agreements that transfer substantially all the risks and benefits of ownership of the leased assets to the Company are accounted for as finance leases. Accordingly, upon commencement of the lease, the asset, which is classified based on its nature, and associated debt are recorded at the lower of the fair value of the leased asset or the present value of the lease payments. Finance lease payments are apportioned between the reduction of lease liability and the finance cost so that a constant interest rate is determined on the outstanding liability balance. Finance costs are charged to results of operations over the life of the agreement.

### **o) Financial assets and liabilities**

#### **Financial assets**

Financial assets are categorized, at initial recognition, as (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity investments, (iv) available-for-sale financial assets, or as (v) derivatives designated as hedging instruments in an effective hedge, as appropriate.

#### **Initial recognition and measurement**

Financial assets are initially recognized at fair value, plus directly attributable transactions costs, except for financial assets designated upon initial recognition at fair value through profit or loss.

#### **Subsequent measurement**

The subsequent measurement of assets depends on their categorization as either financial assets and liabilities measured at fair value through profit and loss, loans and receivables, held to maturity or available for sale financial assets, or derivatives designated as hedging instruments in an effective hedge.

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### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss as held for trading if they are acquired for the purpose of selling or repurchasing in the short term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined in IAS 39. Financial assets at fair value through profit or loss are recorded in the consolidated statements of financial position at fair value with net changes in fair value in the consolidated statements of comprehensive income in the valuation of derivatives, interest cost from labor obligations and other financial items .

### **Held-to-maturity investments**

Held-to-maturity investments are those that the Company has the intent and ability to hold to maturity and are recorded at cost which includes transaction costs and premiums or discounts related to investment that are amortized over the life of the investment based on its outstanding balance, less any impairment. Interest and dividends on investments classified as held-to-maturity are included within interest income.

### **Available-for-sale financial assets**

Available-for-sale financial assets are recorded at fair value, with gains and losses, net of tax, reported in other comprehensive income. Interest and dividends on investments classified as available-for-sale are included in interest income. The fair value of investments is readily available based on market value. The currency effects of securities available for sale are recognized in the consolidated statement of comprehensive income in the period in which they occur.

### **Loans and receivables**

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Loans and receivables with a relevant period (including accounts receivable to subscribers, distributors and other receivables) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for accounts receivable from subscribers, distributors and other in the short term when the recognition of interest would be immaterial.

This category generally applies to accounts receivable from subscribers, distributors and other receivables.

### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the group's consolidated statement of financial position) when: The rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (i) the Company has transferred substantially all the risks and rewards of the asset, or (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the

Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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**Table of Contents****Impairment of financial assets**

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**Financial assets carried at amortized cost**

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

**Financial liabilities**

Financial liabilities are classified into the following categories based on the nature of the financial instruments contracted or issued: (i) financial liabilities measured at fair value, and (ii) financial liabilities measured at amortized cost. The Company's financial liabilities include accounts payable to suppliers, deferred revenues, other accounts payable, loans and derivative financial instruments. Derivative financial instruments are measured at fair value; short- and long-term debt and accounts payable, are accounted for as financial liabilities and measured at amortized cost.

**Initial recognition**

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. Separated embedded derivatives are also classified as held for trading unless they are designated as



effective hedging instruments.

Gains or losses on financial liabilities held for trading are recognized in the consolidated statements of comprehensive income.

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Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. América Móvil has not designated any financial liabilities as fair value liabilities through profit or loss.

### **Loans and borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the effective interest rate ( EIR ) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the consolidated statements of comprehensive income.

This category generally applies to interest-bearing loans and borrowings. For more information refer to Note 15.

When a financial liability includes an embedded derivative and there are bases and foundations for segregation, the Company proceed to its separation from the main financial instrument, making removal by any statistical and econometric valuation method accepted by the International Financial Reporting Standards, and are valued periodically through profit each having a value change (see Note 8).

### **Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statements of financial position if, and only if, there is:

- (i) a currently a legally enforceable right to offset the recognized amounts, and
- (ii) the intention to either settle them on a net basis, or to realize the assets and settle the liabilities simultaneously.

### **Fair value of financial instruments**

At each financial statement reporting date, the fair value of financial instruments traded in active markets is determined based on market prices, or prices quoted by brokers (purchase price for asset positions and sales price for liability positions), without any deduction for transaction costs.

For financial instruments that are not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, references to the current fair value of another financial instrument that is substantially similar, a discounted cash flow analysis or other valuation models.

Notes 8 and 20 provides an analysis of the fair values of the Company's financial instruments.

**Table of Contents****p) Transactions in foreign currency**

Transactions in foreign currency are recorded at the prevailing exchange rate at the time of the related transactions. Foreign currency denominated assets and liabilities are translated at the prevailing exchange rate at the financial statement reporting date. Exchange differences determined from the transaction date to the time foreign currency denominated assets and liabilities are settled or translated at the financial statement reporting date are charged or credited to the results of operations.

The exchange rates used for the translation of foreign currencies against the Mexican peso are as follows:

| Country or Zone          | Currency         | Average exchange rate |         |                | Closing exchange rate at December 31, |                |
|--------------------------|------------------|-----------------------|---------|----------------|---------------------------------------|----------------|
|                          |                  | 2013                  | 2014    | 2015           | 2014                                  | 2015           |
| Argentina <sup>(1)</sup> | Argentine Peso   | 2.3410                | 1.6405  | <b>1.7152</b>  | 1.7212                                | <b>1.3195</b>  |
| Brazil                   | Real             | 5.9334                | 5.6574  | <b>4.8068</b>  | 5.5410                                | <b>4.4065</b>  |
| Colombia                 | Colombian Peso   | 0.0068                | 0.0067  | <b>0.0058</b>  | 0.0062                                | <b>0.0055</b>  |
| Guatemala                | Quetzal          | 1.6244                | 1.7195  | <b>2.0704</b>  | 1.9374                                | <b>2.2544</b>  |
| U.S.A. <sup>(2)</sup>    | US Dollar        | 12.7660               | 13.2969 | <b>15.8504</b> | 14.7180                               | <b>17.2065</b> |
| Uruguay                  | Uruguay Peso     | 0.6249                | 0.5726  | <b>0.5810</b>  | 0.6040                                | <b>0.5745</b>  |
| Nicaragua                | Cordobas         | 0.5164                | 0.5122  | <b>0.5813</b>  | 0.5533                                | <b>0.6161</b>  |
| Honduras                 | Lempiras         | 0.6228                | 0.6291  | <b>0.7171</b>  | 0.6794                                | <b>0.7639</b>  |
| Chile                    | Chilean Peso     | 0.0258                | 0.0233  | <b>0.0243</b>  | 0.0243                                | <b>0.0242</b>  |
| Paraguay                 | Guaraní          | 0.0030                | 0.0030  | <b>0.0031</b>  | 0.0032                                | <b>0.0030</b>  |
| Peru                     | Soles            | 4.7271                | 4.6830  | <b>4.9746</b>  | 4.9241                                | <b>5.0415</b>  |
| Dominican Republic       | Dominican Peso   | 0.3052                | 0.3050  | <b>0.3515</b>  | 0.3313                                | <b>0.3776</b>  |
| Costa Rica               | Colon            | 0.0253                | 0.0244  | <b>0.0293</b>  | 0.0270                                | <b>0.0316</b>  |
| European Union           | Euro             | 16.9693               | 17.6507 | <b>17.3886</b> | 17.8058                               | <b>18.6828</b> |
| Bulgaria                 | Lev              |                       | 8.8045  | <b>9.3785</b>  | 8.9984                                | <b>9.5527</b>  |
| Belarus <sup>(3)</sup>   | Belarusian Roble |                       | 0.0012  | <b>0.0009</b>  | 0.0012                                | <b>0.0009</b>  |
| Croacia                  | Croatian Kuna    |                       | 2.2508  | <b>2.4096</b>  | 2.3051                                | <b>2.4452</b>  |
| Macedonia                | Macedonian Denar |                       | 0.2805  | <b>0.2984</b>  | 0.2860                                | <b>0.3037</b>  |
| Serbia                   | Serbian Denar    |                       | 0.1449  | <b>0.1517</b>  | 0.1500                                | <b>0.1537</b>  |

(1) Official exchange rate published by the Argentine Central Bank. During 2015, the Argentine peso depreciated against the US dollar by 52.5%, considering the quotation of its foreign currency in the single and free exchange market ( M.U.L.C. ). This depreciation was mainly due to the structural changes introduced by the new government on December 17, 2015, resulting in a sharp devaluation of 40%.

(2) Includes U.S.A., Ecuador, El Salvador, Puerto Rico and Panama.

(3) Year-end rates were used for the translation of revenues and expenses as IAS 29 Financial Reporting in Hyperinflationary Economies was applied in 2014. In January 2015, hyperinflation accounting has been discontinued, as the characteristics indicating hyperinflation have no longer been met.

(4) On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in

other comprehensive income in respect of that operation attributable to the owners of the Company are recognized in the consolidated statements of comprehensive income.

- (5) As of April 18, 2016 (the date of the approval of these consolidated financial statements), the exchange rate between the US dollar and the Mexican Peso was 17.3880.

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### **q) Accounts payable, accrued liabilities and provisions**

Liabilities are recognized whenever (i) the Company has current obligations (legal or assumed) resulting from a past event, (ii) when it is probable the obligation will give rise to a future cash disbursement for its settlement, and (iii) the amount of the obligation can be reasonably estimated.

When the effect of the time value of money is significant, the amount of the liability is determined as the present value of the expected disbursements to settle the obligation. The discount rate is determined on a pre-tax basis and reflects current market conditions at the financial statement reporting date and, where appropriate, the risks specific to the liability. Where discounting is used, an increase in the liability is recognized as finance expense.

Contingent liabilities are recognized only when it is probable they will give rise to a future cash disbursement for their settlement. Also, contingencies are only recognized when they will generate a loss.

### **r) Employee benefits**

The Company has defined benefit pension plans in place in its subsidiaries Radiomóvil Dipsa, S.A. de C.V., Telecomunicaciones de Puerto Rico, S.A., Teléfonos de México, Claro Brasil and Telekom Austria. Claro Brasil also has medical plans and defined contribution plans and Telekom Austria provides retirement benefits to its employees under a defined contribution plan. The Company recognizes the costs of these plans based upon independent actuarial computations, and are determined using the projected unit credit method. The latest actuarial computations were prepared as of December 31, 2015.

### **Mexico**

The Mexican subsidiaries have the obligation to pay seniority premiums to personnel based on the Mexican Federal labor law which also establishes the obligation to make certain payments to personnel who cease to provide services under certain circumstances. Pensions and seniority premiums are determined based on the salary of employees in their final year of service, the number of years worked at Telmex and their age at retirements.

The costs of pensions, seniority premiums and severance benefits, are recognized based on calculations by independent actuaries using the projected unit credit method using financial hypotheses, net of inflation.

Telmex has established an irrevocable trust fund and makes annual contributions to that fund.

### **Puerto Rico**

In Puerto Rico, the Company has noncontributing pension plans for full-time employees, which are tax qualified as they meet Employee Retirement Income Security Act of 1974 requirements.

The pension benefit is composed of two elements:

(i) An employee receives an annuity at retirement if they meet the rule of 85 (age at retirement plus accumulated years of service). The annuity is calculated by applying a percentage times years of services to the last three years of salary.

(ii) The second element is a lump-sum benefit based on years of service equivalent to approximately nine to twelve months of salary. Health care and life insurance benefits are also provided to retirees under a separate plan

(post-retirement benefits).

**Brazil**

In Brazil, the Company provides a defined benefit plan and post-retirement medical assistance plan, and a defined contribution plan, through a pension fund that supplements the government retirement benefit, for certain employees.

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Under the defined benefit plan, the Company makes monthly contributions to the pension fund equal to 17.5% of the employee's aggregate salary. In addition, the Company contributes a percentage of the aggregate salary base for funding the post-retirement medical assistance plan for the employees who remain in the defined benefit plan. Each employee makes contributions to the pension fund based on age and salary. All newly hired employees automatically adhere to the defined contribution plan and no further admittance to the defined benefit plan is allowed. For the defined contribution plan, see Note 18.

### **Austria**

In Austria, the Company provides retirement benefits to its employees under defined contribution and defined benefit plans.

The Company pays contributions to publicly or privately administered pension or severance insurance plans on mandatory or contractual basis. Once the contributions have been paid, the Company has no further payment obligations. The regular contributions are recognized as employee expenses in the year in which they are due.

All other employee benefit obligations provided in Austria are unfunded defined benefit plans for which the Company records provisions which are calculated using the projected unit credit method. The future benefit obligations are measured using actuarial methods on the basis of an appropriate assessment of the discount rate, rate of employee turnover, rate of compensation increase and rate of increase in pensions.

For severance and pensions, Austria recognizes actuarial gains and losses in other comprehensive income. The re-measurement of defined benefit plans relates to actuarial gains and losses only as Austria holds no plan assets. Interest expense related to employee benefit obligations is reported in the Valuation of derivatives, interests cost from labor obligation and other financial item, net.

### **Ecuador**

The subsidiary Consorcio Ecuatoriano de Telecomunicaciones, S.A. has a pension plan in which employees who for twenty five years or more have rendered continued uninterrupted service are entitled to retirement benefits from their employer. In addition, employees who on the date of his dismissal had fulfilled twenty years or more and less than twenty-five years of continuous or uninterrupted work shall be entitled to a proportionate share of such retirement. In addition, the Company will have to pay certain benefits to employees as a result of the termination of employment by the Company or as a result of the employee leaving the Company. These benefits are approximately 25% of the last monthly payment made for each of the years of service by the employee to the Company. These plans are classified as defined benefit plans.

### **Other subsidiaries**

For the rest of the Company's subsidiaries, there are no defined benefit plans or compulsory defined contribution structures. However, certain of foreign subsidiaries make contributions to national pension, social security and severance plans in accordance with the percentages and rates established by the applicable payroll and labor laws of each country. Such contributions are made to the entities designated by the country and are recorded as direct labor expenses in the consolidated statements of comprehensive income as they are incurred.

Re-measurements of defined benefit plans, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit to retained earnings through OCI in



the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

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Past service costs are recognized in profit or loss on the earlier of:

- (i) The date of the plan amendment or curtailment, and
- (ii) The date that the Company recognizes restructuring-related costs

Net interest on liability for defined benefits is calculated by applying the discount rate to the net defined benefit liability or asset and it is recognized in the valuation of derivatives, interest cost from labor obligations and other financial items in the consolidated statements of comprehensive income. The Company recognizes the changes in the net defined benefit obligation under cost of sales and services and Commercial, administrative and general expenses in the consolidated statements of comprehensive income.

### **Paid absences**

The Company recognizes a provision for the costs of paid absences, such as vacation time, based on the accrual method.

### **s) Employee profit sharing**

Employee profit sharing is paid by certain subsidiaries of the Company to its eligible employees. The Company has employee profit sharing in Mexico, Ecuador and Peru. In Mexico, until December 31, 2013, employee profit sharing was computed at the rate of 10% of the individual company taxable income, except for depreciation of historical rather than restated values, foreign exchange gains and losses, which are not included until the asset is disposed of or the liability is due and other effects of inflation are also excluded. Effective January 1, 2014, employee profit sharing in Mexico is calculated using the same taxable income for income tax, except for the following:

- i) Neither tax losses from prior years nor the employee profit sharing paid during year are deductible.
- ii) Payments exempt from taxes for the employees are fully deductible in the employee profit sharing computation. Employee profit sharing is presented as an operating expense in the consolidated statements of comprehensive income.

### **t) Taxes**

#### **Income taxes**

Current income tax is presented as a short-term liability, net of prepayments made during the year.

Deferred income tax is determined using the liability method based on the temporary differences between the tax values of the assets and liabilities and their book values at the financial statement reporting date.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be in effect in the period when the asset will materialize or the liability will be settled, based on the enacted tax rates (and tax legislation) that have been enacted or substantially enacted at the financial statement reporting date. The value of deferred tax assets is

reviewed by the Company at each financial statement reporting date and is reduced to the extent that it is more likely than not that the Company will not have sufficient future tax profits to allow for the realization of all or a part of its deferred tax assets. Unrecognized deferred tax assets are revalued at each financial statement reporting date and are recognized when it is more likely than not that there will be sufficient future tax profits to allow for the realization of these assets.

Deferred taxes relating to items recognized outside profit or loss are also recognized outside of profit and loss. These deferred taxes are recognized together with the underlying transaction in other comprehensive income.

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Deferred tax consequences on unremitted foreign earnings are accounted for as temporary differences, except to the extent that the Company is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future. Taxes paid on remitted foreign earnings are able to be offset against Mexican taxes, thus to the extent that a remittance is to be made, the deferred tax would be limited to the incremental difference between the Mexican tax rate and the rate of the remitting country. As of December 31, 2014 and 2015, the Company has not provided for any deferred taxes related to unremitted foreign earnings.

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

### **Sales tax**

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of the current receivables or payables in the consolidated statements of financial position unless they are due in more than a year in which case they are classified as non-current.

### **u) Advertising**

Advertising expenses are expensed as incurred. For the years ended December 31, 2013, 2014 and 2015, advertising expenses were Ps. 19,699,228, Ps.21,772,454 and Ps.24,673,557, respectively, and are recorded in the consolidated statements of comprehensive income in the caption Commercial, administrative and general expenses .

### **v) Earnings per share**

Basic and diluted earnings per share are determined by dividing net profit of the year by the weighted-average number of shares outstanding during the year (common control component of the shares are reflected for all periods presented). In determining the weighted average number of shares issued and outstanding, shares repurchased by the Company have been excluded.

### **w) Financial risks**

The main risks associated with the Company's financial instruments are: (i) liquidity risk, (ii) market risk (foreign currency exchange risk and interest rate risk) and (iii) credit risk and counterparty risk. The Board of Directors approves the policies submitted by management to mitigate these risks.

#### **i) Liquidity risk**

Liquidity risk is the risk that the Company may not meet its financial obligations associated with financial instruments when they are due. The Company's financial obligations and commitments are included in Notes 15 and 21.

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### ii) Market risk

The Company is exposed to market risks from changes in interest rates and fluctuations in exchange rates of foreign currencies. The Company's debt is denominated in foreign currencies, mainly in US dollars, other than its functional currency. In order to reduce the risks related to fluctuations in the exchange rate of foreign currency, the Company uses derivative financial instruments such as cross-currency swaps and forwards to adjust exposures resulting from foreign exchange currency. The Company does not use derivatives to hedge the exchange risk arising from having operations in different countries.

Additionally, the Company occasionally uses interest rate swaps to adjust its exposure to the variability of the interest rates or to reduce their financing costs. The Company's practices vary from time to time depending on their judgments about the level of risk, expectations of change in the movements of interest rates and the costs of using derivatives. The Company may terminate or modify a derivative financial instrument at any time. See Note 8 for disclosure of the fair value of derivatives as of December 31, 2014 and 2015.

### iii) Credit risk

Credit risk represents the loss that could be recognized in case the counterparties fail to fully comply with the contractual obligations.

The financial instruments that potentially represent concentrations of credit risk are cash and short-term deposits, trade accounts receivable and financial instruments related to debt and derivatives. The Company's policy is designed in order to limit its exposure to any one financial institution; therefore, the Company's financial instruments are contracted with several different financial institutions located in different geographic regions.

The credit risk in accounts receivable is diversified because the Company has a broad customer base that is geographically dispersed. The Company continuously evaluates the credit conditions of its customers and does not require collateral to guarantee collection of its accounts receivable. The Company monitors on a monthly basis its collection cycle to avoid deterioration of its results of operations.

A portion of the Company's cash surplus is invested in short-term deposits with financial institutions with high credit ratings.

### iv) Sensitivity analysis for market risks

The Company uses sensitivity analyses to measure the potential losses based on a theoretical increase of 100 basis points in interest rates and a 5% fluctuation in exchange rates:

#### **Exchange rate fluctuations**

Should the Company's debt at December 31, 2015 of Ps. 683,576,015, suffer a 5% increase/(decrease) in exchange rates, the debt would increase/(decrease) by Ps.42,969,519 and Ps.(26,225,294) respectively.

#### **Interest rate**

In the event that the Company's agreed-upon interest rates at December 31, 2015 increased/(decreased) by 100 basis points, the increase in net interest expense would increase/(decrease) by Ps. 10,208,661 and Ps. (6,480,266), respectively.

v) Concentration of risk

The Company depends on several key suppliers and sellers. During the years ended December 31, 2013, 2014 and 2015, approximately 64%, 55% and 67%, respectively, of the total cost of the cellular equipment of América

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Móvil represented purchases made from three suppliers, and approximately 21%, 19% and 17%, respectively, of the telephony plant equipment was purchased from two suppliers. If any of these suppliers were to cease to provide equipment and services to the Company, or to provide them in a timely manner and at a reasonable cost, the Company's business and results of operations might be adversely affected.

### **vi) Capital management**

The Company manages its capital to ensure that its subsidiaries to continue as going concerns while maximizing the return to stakeholders through the optimization of their balances and debt capital to maintain the lowest cost of capital available. The Company manages its capital structure and makes adjustments according to economic conditions. To maintain the capital structure, the Company may adjust the dividend payment to shareholders or its share buyback program, for which the company holds a reserve. In addition, the Company creates a legal reserve, as required by law (See Note 19).

### **x) Derivative financial instruments**

The Company is exposed to interest rate and foreign currency risks, which it tries to mitigate through a controlled risk management program that includes the use of derivative financial instruments. The Company principally uses cross-currency swaps and foreign currency forwards to offset the risk of exchange rate fluctuations. For purposes of reducing the risks from changes in interest rates, the Company utilizes interest rate swaps through which it pays or receives the net amount resulting from paying or receiving a fixed rate, and from receiving or paying cash based on a variable rate. For the years ended December 31, 2013, 2014 and 2015, some of the Company's derivative financial instruments have been designated, and have qualified, as cash flow hedges.

The policy of the Company in this regard comprises: (i) the formal documentation of all transactions between the hedging instruments and hedged positions, (ii) risk management objectives, and (iii) the strategy for executing hedging transactions. This documentation also includes the relationship between the cash flows of the derivatives with those of the Company's assets and liabilities recognized in the consolidated statement of financial position.

The effectiveness of the Company's derivatives is evaluated prior to their designation as hedges, as well as during the hedging period, which is performed, at least quarterly, based on recognized statistical techniques. Whenever it is determined that a derivative is not highly effective as a hedge or that the derivative ceases to be a highly effective hedge, the Company ceases to apply hedge accounting for the derivative on a prospective basis.

Derivative financial instruments are recognized in the consolidated statement of financial position at fair value. Valuations obtained by the Company are reconciled against those of the financial institutions with which the agreements are entered into, and it is the Company policy to compare such fair value to the valuation provided by an independent pricing provider retained by the Company in case of discrepancies. The effective portion of gains or losses on the cash flow derivatives is recognized in equity under the heading "Effect for fair value of derivatives", and the ineffective portion is charged to results of operations of the period. Changes in the fair value of derivatives that do not qualify as hedging instruments are recognized immediately in results.

The change in fair value recognized in results of operations corresponding to derivatives that qualify as hedges is presented in the same caption of the consolidated statements of comprehensive income as the gain or loss of the hedged item (interests and foreign exchange rate).

### **y) Current versus non-current classification**



The Company presents assets and liabilities in its consolidated statements of financial position based on current/non-current classification. An asset is current when it is either:

- (i) Expected to be realized or intended to be sold or consumed in the normal operating cycle.
  
- (ii) Held primarily for the purpose of trading.

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(iii) Expected to be realized within twelve months after the reporting period.

(iv) Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

It is expected to be settled in the normal operating cycle.

It is held primarily for the purpose of trading.

It is due to be settled within twelve months after the reporting period.

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**y.1) Presentation of consolidated statement of comprehensive income**

The costs and expenses shown in the consolidated statements of comprehensive income are presented in combined manner (based on both their function and nature), which allows for a better understanding of the components of the Company's operating income. This classification allows for a comparison to the telecommunications industry.

The Company presents operating income in its consolidated statements of comprehensive income since it is a key indicator of the Company's performance. Operating income represents operating revenues less operating costs and expenses.

The employee benefits expense recognized in 2013, 2014 and 2015 of Ps. 33,768,356, Ps. 36,939,601 and Ps.41,366,183 recognized as Cost of sales and services, respectively and Ps.46,164,732, Ps.53,938,718 and Ps.58,977,212 recognized in Commercial, administrative and general expenses, respectively.

**y.2) Operating Segments**

Segment information is presented based on information used by management in its decision-making processes. Segment information is presented based on the geographic areas in which the Company operates.

The management of América Móvil is responsible for making decisions regarding the resources to be allocated to the Company's different segments, as well as evaluating the performance of each segment.

Intersegment revenues and costs, intercompany balances as well as investments in shares in consolidated entities are eliminated upon consolidation and reflected in the eliminations column.

None of the segments records revenue from transactions with a single external customer amounting to at least 10% or more of the revenues.

**y.3) Convenience Translation**

At December 31, 2015, amounts in U.S. dollars have been included in the financial statements solely for the convenience of the reader and have been translated to Mexican pesos at December 31, 2015 at an exchange rate

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of Ps.17.2065 pesos per U.S. dollar, which was the exchange rate at that date. Such translation should not be construed as a representation that the Mexican peso can be converted to U.S. dollars at the exchange rate in effect on December 31, 2015 or any other exchange rate.

As disclosed in Note 2(P), as of April 18, 2016 (the approval date for these consolidated financial statements), such exchange rate was Ps. 17.3880 peso per U.S. dollar, reflecting an 1.05% decline since December 31, 2015.

### **y.4) Significant Accounting Judgments, Estimates and Assumptions**

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

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

### **Fair Value of Financial Assets and Liabilities**

América Móvil has substantial financial assets and liabilities that it recognizes 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 América Móvil uses 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 America Movil's financial assets and liabilities could materially impact the reported financial results. See Note 20.

### **Estimated useful lives of plant, property and equipment**

América Móvil estimates 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. América Móvil currently depreciates most of its 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 it operates. The estimates are based on AMX's historical experience with similar assets, anticipated technological changes and other factors, taking into account the practices of other telecommunications companies. América Móvil reviews estimated useful lives each year to determine whether they should be changed, and at times, it changes them for particular classes of assets. América Móvil 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. See Notes 2i) and 11.

### **Impairment of Long-Lived Assets**

América Móvil has large amounts of long-lived assets, including property, plant and equipment, intangible assets, investments in affiliates and goodwill, on its consolidated statement of financial position. América Móvil is required to test long-lived assets for impairment when circumstances indicate a potential impairment or, in

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some cases, at least on an annual basis. The impairment analysis for long-lived assets requires the Company to estimate the recovery value of the asset, which is the higher of its fair value (minus any disposal costs) and its value in use. To estimate the fair value of a long-lived asset, América Móvil typically takes into account recent market transactions or, if no such transactions can be identified, América Móvil uses a valuation model that requires the making of certain assumptions and estimates. Similarly, to estimate the value in use of long-lived assets, América Móvil typically makes various assumptions about the future prospects for the business to which the asset relates, consider market factors specific to that business and estimate future cash flows to be generated by that business. Based on 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, América Móvil determines whether it needs to take an impairment charge to reduce the net carrying value of the asset as stated on its consolidated statement of financial position. 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 the Company's business strategy and its internal forecasts. Different assumptions and estimates could materially impact the Company's 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 the consolidated statement of financial position. Conversely, less conservative assumptions could result in smaller or no impairment charges, higher net income and higher asset values. The key assumptions used to determine the recoverable amount for the Company's CGUs, are further explained in Notes 2m) and Note 11 and Note 12.

**Deferred Income Taxes**

América Móvil is required to estimate its income taxes in each of the jurisdictions in which it operates. 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 the América Móvil's consolidated statement of financial position. América Móvil assesses in the course of its tax planning procedures the fiscal year of the reversal of its 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 the Company's provisions for income taxes, deferred tax assets and liabilities. The analysis is based on estimates of taxable income in the jurisdictions in which América Móvil 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 América Móvil adjusts these estimates in future periods, its financial position and results of operations may be materially affected.

América Móvil records deferred tax assets based on the amount that it believes is probable to be realized. In assessing the future realization of deferred tax assets, the Company considers future taxable income and ongoing tax planning strategies. In the event that the 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 the 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. See Note 14.

**Accruals**

Accruals are recorded when, at the end of the period, the Company has 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 the Company will assume certain

responsibilities. The amount recorded is the best estimation performed by the Company's management in respect of the expenditure that will be required to settle the obligations, considering

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all the information available at the date of the 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 América Móvil is unable to reliably measure the obligation, no accrual is recorded and information is then presented in the notes to its consolidated financial statements. Because of the inherent uncertainties in this estimation, actual expenditures may be different from the originally estimated amount recognized. See Note 16.

América Móvil is subject to various claims and contingencies related to tax, labor and legal proceedings as described in Note 21.

**Labor Obligations**

América Móvil recognizes liabilities on its consolidated statement of financial position and expenses in its statement of comprehensive income to reflect its obligations related to its post-retirement seniority premiums, pension and retirement plans in the countries in which it operates and offer defined contribution and benefit pension plans. The amounts the Company recognizes are determined on an actuarial basis that involves many estimates and accounts for post-retirement and termination benefits in accordance with IFRS.

América Móvil uses estimates in four specific areas that have a significant effect on these amounts: (i) the rate of return América Móvil assumes its pension plan will achieve on its investments, (ii) the rate of increase in salaries that the Company assumes it will observe in future years, (iii) the discount rates that the Company uses to calculate the present value of its future obligations and (iv) the expected rate of inflation. The assumptions América Móvil has applied are further disclosed in Note 18. These estimates are determined based on actuarial studies performed by independent experts using the projected unit-credit method.

**Allowance for Bad Debts**

América Móvil maintains an allowance for bad debts for estimated losses resulting from the failure of its customers, distributors and cellular operators to make required payments. The Company bases these estimates on the individual conditions of each of the markets in which it operates that may impact the collectability of accounts. In particular, in making these estimates the Company takes into account with respect to accounts (i) with customers, the number of days since the calls were made, (ii) with distributors, the number of days invoices are overdue and (iii) 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 América Móvil actually experiences with respect to these accounts may differ from the amount of the allowance maintained in connection with them. See Note 6.

**y.5) Retrospective adjustments**

The following amounts in consolidated statements of financial position and cash flows as of December 31, 2014 have been retrospectively adjusted to conform to the presentation for the year ended December 31, 2015:

|  | <b>As previously<br/>reported</b> | <b>Retrospective<br/>adjustments</b> | <b>2014,<br/>As adjusted</b> |
|--|-----------------------------------|--------------------------------------|------------------------------|
| <u>In the Consolidated<br/>Statements of Financial</u> |                                   |                                      |                              |



**Position:**

Assets:

|                                    |                 |                 |                 |
|------------------------------------|-----------------|-----------------|-----------------|
| Property, plant and equipment, net | Ps. 595,596,318 | Ps. (7,490,138) | Ps. 588,106,180 |
| Intangibles, net                   | 109,829,650     | 7,490,138       | 117,319,788     |

Liabilities:

|                       |                |               |                |
|-----------------------|----------------|---------------|----------------|
| Taxes payable         | Ps. 32,554,727 | Ps. 3,279,356 | Ps. 35,834,083 |
| Deferred income taxes | 17,469,798     | (3,279,356)   | 14,190,442     |

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|   | <b>As previously<br/>Reported</b> | <b>Reclassification</b> | <b>2014,<br/>As reclassified</b> |
|---|-----------------------------------|-------------------------|----------------------------------|
| <u>In the Consolidated Statements of</u>        |                                   |                         |                                  |
| <u>Cash Flows:</u>                              |                                   |                         |                                  |
| Depreciation                                    | Ps. 107,909,169                   | Ps. (1,522,655)         | Ps. 106,386,514                  |
| Amortization of intangibles and<br>other assets | 7,084,382                         | 1,522,655               | 8,607,037                        |

Retrospective adjustments to the December 31, 2014 consolidated statement of financial position and cash flows reflect the reclassification of certain licenses and computer software and its related amortization that were included as part of property, plant and equipment that are more appropriately presented as intangible assets. Also, the reclassification of the taxes payable relates to the deconsolidation tax in Mexico originally presented as part of deferred taxes.

**3. New standards, interpretations and amendments thereof**

The Company applied for the first time certain standards and amendments, which were effective for annual periods beginning on or after January 1, 2015. However, the adoption of those IFRS standards and amendments did not have a significant impact on the consolidated financial statements of América Móvil.

The nature and the impact of each new standard/amendment are described below:

**Amendments to IAS 19 Defined Benefit Plans: Employee Contributions**

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment was effective for annual periods beginning on or after July 1, 2014. This amendment is not relevant to the Company due to the structure of its benefit plans.

**Annual Improvements 2010-2012 Cycle**

These improvements are effective from July 1, 2014 and the Company has applied these amendments for the first time in the consolidated financial statements. They include:

**IFRS 2 Share-based Payment**

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

A performance condition must contain a service condition

A performance target must be met while the counterparty is rendering service

A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group

A performance condition may be a market or non-market condition

If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

This improvement was not relevant to the Company due to it does not have share-base payments.

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### **IFRS 3 Business Combinations**

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This improvement was not relevant to the Company as its business combinations contracts do not contain contingent consideration.

### **IFRS 8 Operating Segments**

The amendments are applied retrospectively and clarify that an entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are similar. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The Company adopted this amendment in its financial statements as of December 31, 2015. The Company does not present a reconciliation of segment assets to total assets as they are the same as shown on the face of the statement of financial position.

### **IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets**

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. This improvement was not relevant to the Company as it did not record any revaluation adjustments during the current year.

### **IAS 24 Related Party Disclosures**

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Company as it does not receive any services from management entities.

### **Annual Improvements IFRS 2011 – 2013 cycle**

These improvements are effective from July 1, 2014 and the Company has applied these amendments for the first time in the consolidated financial statements. They include:

#### **IFRS 3 Business Combinations**

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that joint arrangements, not just joint ventures, are outside the scope of IFRS 3. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself. America Movil, S.A.B. de C.V. is not a joint arrangement, and thus this amendment is not relevant to the Company or its subsidiaries.

#### **IFRS 13 Fair Value Measurement**

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Company does not apply the portfolio exception in IFRS 13.

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### **IAS 40 Investment Property**

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Company has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Company.

### **Standards issued but not yet effective and annual improvements**

The Company has not early adopted any other IFRS interpretation or amendment that has been issued but is not yet effective.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are as describe below. The Company is in process of analyzing its impact in its financial statement and the relative notes.

### **IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, and financial liabilities, which is still in process of being determined.

### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

### **Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests**

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any

additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company has yet to quantify the impact these amendments will have on its financial statements.

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### **Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization**

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

### **Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company has yet to quantify the impact these amendments will have on its financial statements.

### **Annual Improvements 2012-2014 Cycle**

These improvements are effective for annual periods beginning on or after January 1, 2016. They include:

#### **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

#### **IFRS 7 Financial Instruments: Disclosures**

##### *Servicing contracts*

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

#### **IAS 19 Employee Benefits**

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market



for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

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### **Amendments to IAS 1 Disclosure Initiative**

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

The materiality requirements in IAS 1

That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated

That entities have flexibility as to the order in which they present the notes to financial statements

That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company has yet to evaluate the impact these amendments will have on its financial statements.

### **Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception**

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2016.

### **IFRS 16 Leases**

IFRS 16 Leases was issued in January 2016 and requires to the entities to recognize most leases on their balance sheets. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. IFRS 16 does not require a company to recognize assets and liabilities for (a) short-term leases (i.e. leases of 12 months or less), and (b) leases of low-value assets. The new standard will be effective from January 1, 2019, with limited early application permitted if IFRS 15 is also applied at the same time. The Company has yet to quantify the impact these amendments will have on its consolidated financial statements.

### **4. Cash and Cash Equivalents**

Cash and cash equivalents are comprised of short-term deposits with different financial institutions across the globe. Cash equivalents only include instruments with purchased maturity of less than three months. The amount includes the amount deposited, plus any interest earned.

**5. Marketable securities and other short-term investments**

As of December 31, 2015, marketable securities and other short-term investments includes an available for sale investments in KPN for Ps. 44,089,801, and other short-term investments for Ps.12,257,668.

As explained in Note 13, the investment in KPN is carried at fair value with changes in fair value being recognized through other comprehensive income (equity) in the Company's consolidated financial statements.

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When the Company changed the classification of its KPN investment the Company recorded a pre-tax gain of approximately Ps. 11,988,038, in its 2015 consolidated comprehensive income statement. The Company has since recognized changes in fair value of the investment of Ps. 4,011, net of deferred taxes through other comprehensive income (equity) in its 2015 consolidated financial statements.

The other short-term investments of Ps.12,257,668 represents a cash deposits used to guarantee a short term obligations for one of the Company's foreign subsidiaries and are presented at their carrying value which approximates fair value.

**6. Accounts receivable from subscribers, distributors, recoverable taxes and other, net**

a) An analysis of accounts receivable by component at December 31, 2014 and 2015 is as follows:

|   | <b>At December31,</b>  |                        |
|---|------------------------|------------------------|
|   | 2014                   | 2015                   |
| Subscribers and distributors  | Ps. 121,490,248        | <b>Ps. 131,592,906</b> |
| Mobile phone carriers for network interconnection and other services including calling party pays | 7,181,554              | <b>6,898,229</b>       |
| Recoverable taxes   | 23,556,336             | <b>26,042,534</b>      |
| Sundry debtors  | 19,041,797             | <b>18,202,616</b>      |
|   | 171,269,935            | <b>182,736,285</b>     |
| Less: Allowance for bad debts   | (25,685,528)           | <b>(27,495,158)</b>    |
| <b>Net</b>  | <b>Ps. 145,584,407</b> | <b>Ps. 155,241,127</b> |

b) Changes in the allowance for bad debts were as follows:

|                                | <b>For the years ended December31,</b> |                         |                         |
|--------------------------------|--|-------------------------|-------------------------|
|                                | 2013                                   | 2014                    | 2015                    |
| Balance at beginning of year   | Ps. (22,438,144)                       | Ps. (20,292,099)        | <b>Ps. (25,685,528)</b> |
| Increases recorded in expenses | (10,417,235)                           | (11,770,721)            | <b>(13,171,120)</b>     |
| Charges against the allowance  | 14,405,151                             | 4,978,376               | <b>9,555,734</b>        |
| Translation effect             | (1,841,871)                            | 1,398,916               | <b>1,805,756</b>        |
| <b>Balance at end of year</b>  | <b>Ps. (20,292,099)</b>                | <b>Ps. (25,685,528)</b> | <b>Ps. (27,495,158)</b> |

c) The following table shows the aging of accounts receivable at December 31, 2014 and 2015, for subscribers and distributors:

**Past due**

|                              | <b>Total</b>           | <b>Unbilled services<br/>provided</b> | <b>1- 30 days</b>     | <b>30-60 days</b>    | <b>61-90 days</b>    | <b>Greater than<br/>90 days</b> |
|------------------------------|------------------------|---------------------------------------|-----------------------|----------------------|----------------------|---------------------------------|
| December 31,<br>2014         | Ps. 121,490,248        | Ps. 59,703,005                        | Ps. 25,946,186        | Ps. 3,908,512        | Ps. 2,551,247        | Ps. 29,381,298                  |
| <b>December 31,<br/>2015</b> | <b>Ps. 131,592,906</b> | <b>Ps. 78,181,506</b>                 | <b>Ps. 16,372,947</b> | <b>Ps. 3,766,200</b> | <b>Ps. 2,693,750</b> | <b>Ps. 30,578,503</b>           |

In accordance with the Company's accounting policy for the allowance for bad debts, as of December 31, 2014 and 2015, there are certain accounts receivable greater than 90 days that are not impaired as they are primarily due from governmental institutions and distributors on which the Company has collaterals. To estimate the

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recoverability of accounts receivable, the Company considers any change in the credit quality of the subscribers and distributors from the date the credit was granted until the end of period.

d) The following table shows the accounts receivable from subscribers and distributors included in the allowance for doubtful accounts, as of December 31, 2014 and 2015:

|                   | <b>Total</b>   | <b>61-90 days</b> | <b>Greater than<br/>90 days</b> |
|-------------------|----------------|-------------------|---------------------------------|
| December 31, 2014 | Ps. 25,685,528 | Ps. 1,026,898     | Ps. 24,658,630                  |
| December 31, 2015 | Ps. 27,495,158 | Ps. 1,442,029     | Ps. 26,053,129                  |

**7. Related Parties**

a) The following is an analysis of the balances with related parties as of December 31, 2014 and 2015. All of the companies were considered affiliates of América Móvil since the Company or the Company's principal shareholders are also direct or indirect shareholders in the related parties.

|                                       | <b>2014</b>   | <b>2015</b>        |
|---------------------------------------|---------------|--------------------|
| <b>Accounts receivable:</b>           |               |                    |
| Sanborns Hermanos, S.A.               | Ps. 254,423   | <b>Ps. 140,058</b> |
| Sears Roebuck de México, S.A. de C.V. | 220,501       | <b>219,338</b>     |
| Patrimonial Inbursa, S.A.             | 182,753       | <b>8,399</b>       |
| Other                                 | 662,430       | <b>477,838</b>     |
| Total                                 | Ps. 1,320,107 | <b>Ps. 845,633</b> |

|   | <b>2014</b>   | <b>2015</b>          |
|---|---------------|----------------------|
| <b>Accounts payable:</b>                                |               |                      |
| Fianzas Guardiania Inbursa, S.A. de C.V.                | Ps. 452,333   | <b>Ps. 506,658</b>   |
| Operadora Cicsa, S.A. de C.V.                           | 667,358       | <b>435,875</b>       |
| PC Industrial, S.A. de C.V.                             | 180,560       | <b>136,212</b>       |
| Microm, S.A. de C.V.                                    | 29,710        | <b>33,583</b>        |
| Grupo Financiero Inbursa, S.A.B. de C.V.                | 35,678        | <b>34,622</b>        |
| Acer Computec México, S.A. de C.V.                      | 29,612        | <b>86</b>            |
| Sinergia Soluciones Integrales de Energía, S.A. de C.V. | 61,098        | <b>496</b>           |
| Eidon Software, S.A. de C.V.                            | 69,911        |                      |
| Other   | 1,561,032     | <b>1,099,302</b>     |
| Total   | Ps. 3,087,292 | <b>Ps. 2,246,834</b> |

For the years ended December 31, 2013, 2014 and 2015, the Company has not recorded any impairment of receivables relating to amounts owed by related parties.



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b) For the years ended December 31, 2013, 2014 and 2015, the Company conducted the following transactions with related parties:

|   | 2013           | 2014           | 2015           |
|---|----------------|----------------|----------------|
| <b>Investments and expenses:</b>  |                |                |                |
| Construction services, purchases of materials, inventories and property, plant and equipment (i)            | Ps. 4,631,435  | Ps. 5,424,826  | Ps. 5,975,677  |
| Insurance premiums, fees paid for administrative and operating services, brokerage services and others (ii) | 2,349,494      | 2,188,261      | 4,332,331      |
| Call termination costs (iii)  | 14,470,985     | 6,141,063      | 353,937        |
| Interconnection cost  | 308,483        | 120,119        |                |
| Other services  | 1,142,771      | 955,833        | 1,953,010      |
|   | Ps. 22,903,168 | Ps. 14,830,102 | Ps. 12,614,955 |
| <b>Revenues:</b>  |                |                |                |
| Sale of long-distance services and other telecommunications services  | Ps. 277,522    | Ps. 291,038    | Ps. 271,196    |
| Sale of materials and other services (iv)   | 439,091        | 506,100        | 2,397,520      |
| Call termination revenues   | 617,058        | 201,990        | 1,474          |
|   | Ps. 1,333,671  | Ps. 999,128    | Ps. 2,670,190  |

- i) In 2015, this amount includes Ps.5,823,537 (Ps. 5,330,989 in 2014 and Ps. 4,441,279 in 2013, respectively) for network construction services and construction materials purchased from subsidiaries of Grupo Carso, S.A.B. de C.V. (Grupo Carso).
- ii) In 2015, this amount includes Ps.721,416 (Ps. 537,904 in 2014 and Ps. 765,097 in 2013) for network maintenance services performed by Grupo Carso subsidiaries; Ps.216,910 in 2015 (Ps. 634,368 and Ps.555,984, in 2014 and 2013, respectively) for software services provided by an associate; Ps.2,635,342 in 2015 (Ps. 676,335 and Ps. 627,945 in 2014 and 2013, respectively) for insurance premiums with Seguros Inbursa S.A. and Fianzas Guardiania Inbursa, S.A., which, in turn, places most of such insurance with reinsurers.
- iii) Includes the cost of buying airtime, long-distance services and megabytes navigation for value added services of Ps. 6,008,380 in 2014 and Ps. 14,326,300 in 2013 from AT&T subsidiaries.
- iv) In 2015, this amount includes Ps. 1,560,204 for the sale of inventories for distribution to Sanborns Hermanos, S.A. and Sears Operadora de México, S.A. de C.V.; also includes operation for the rent of towers with Telesites.
- c) During 2015, the Company paid Ps. 915,135 (Ps. 1,037,513 and Ps. 920,244 in 2014 and 2013, respectively) for short-term direct benefits to its executives.

The aggregate compensation paid to the Company's directors (including compensation paid to members of the Audit and Corporate Practices Committee) and senior management in 2015 was approximately Ps. 4,300 and Ps. 60,500, respectively. None of the Company's directors is a party to any contract with the Company or any of its subsidiaries



that provides for benefits upon termination of employment. The Company does not provide pension, retirement or similar benefits to its directors in their capacity as directors. The Company's executive officers are eligible for retirement and severance benefits required by Mexican law on the same terms as all other employees, and the Company does not separately set aside, accrue or determine the amount of our costs that is attributable to executive officers.

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d) On June 27, 2014, Inmobiliaria Carso, S.A. de C.V. and Control Empresarial de Capitales, S.A. de C.V. acquired AT&T's ownership interest in the Company. Therefore, since such date, AT&T is no longer considered a related party and is thus not included in the December 31, 2014 and 2015 related party disclosures with respect to the analysis of the balances with related parties. AT&T is included as a related party in the 2013 disclosures above and in the 2014 disclosures up for to the period ended June 27, 2014.

e) ÖBIB is considered a related party due to it is a significant non-controlling shareholder in Telekom Austria. Through Telekom Austria, America Móvil is related to the Republic of Austria and its subsidiaries, which are mainly ÖBB Group, ASFINAG Group and Post Group as well as Rundfunk und Telekom Regulierungs-GmbH, all of which these are related parties. In 2015 and 2014, none of the individual transactions associated with government agencies or government-owned entities are considering significant to America Movil.

**8. Derivative Financial Instruments**

To mitigate the risks of future increases in interest rates for the servicing of its debt, the Company has entered into interest-rate swap contracts in over-the-counter transactions carried out with financial institutions from which the Company has obtained the loans. No collateral is given as security in connection with these transactions. The weighted-average interest rate of the total debt is 3.9%.

An analysis of the derivative financial instruments contracted by the Company at December 31, 2014 and 2015 is as follows:

| Instrument                      | 2014                        |                | 2015                        |                |
|---------------------------------|-----------------------------|----------------|-----------------------------|----------------|
|                                 | Notional amount in millions | Fair value     | Notional amount in millions | Fair value     |
| Swaps US Dollar-Mexican peso    | US\$ 4,725                  | Ps. 12,628,794 | US\$ 2,550                  | Ps. 16,657,149 |
| Swaps Euro-Mexican peso         | 142                         | 232,904        | 100                         | 395,571        |
| Swap US Dollar-Euro             |                             |                | 4,505                       | 22,200,837     |
| Swap Euro-US Dollar             | 4,505                       | 6,526,253      |                             |                |
| Swap GBP-Eur                    |                             |                | £ 740                       | 836,665        |
| Swaps CNY-US Dollar             | CNY 1,000                   | 65,921         |                             |                |
| Forwards US Dollar-Mexican peso |                             |                | US\$ 390                    | 130,121        |
| Forwards Euro-US Dollar         |                             |                | 535                         | 661,665        |
| Forwards Euro-Mexican peso      | 200                         | 3,082,184      |                             |                |
| Total Assets                    |                             | Ps. 22,536,056 |                             | Ps. 40,882,008 |

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| Instrument                          | 2014                        |        | At December 31, |             | 2015                        |            |                  |
|-------------------------------------|-----------------------------|--------|-----------------|-------------|-----------------------------|------------|------------------|
|                                     | Notional amount in millions |        | Fair value      |             | Notional amount in millions |            |                  |
|                                     |                             |        |                 |             |                             | Fair value |                  |
| Interest rate swaps in Mexican peso | Ps.                         | 23,640 | Ps.             | (1,690,560) | Ps.                         | 19,800     | Ps. (1,053,397)  |
| Forwards US Dollar-Mexican Peso     | US\$                        | 2,215  |                 | (4,523,389) | US\$                        | 946        | (465,905)        |
| Forwards Euro-US Dollar             |                             | 2,165  |                 | (1,148,832) |                             | 1,575      | (2,304,322)      |
| Swaps Euro-US Dollar                |                             | 510    |                 | (391,604)   |                             | 505        | (1,335,040)      |
| Swaps Yen-US Dollar                 | ¥                           | 5,100  |                 | (355,962)   | ¥                           | 18,100     | (347,776)        |
| Swaps CHF-Euro                      | CHF                         | 270    |                 | (77,760)    |                             |            |                  |
| Swaps CHF-US Dollar                 | CHF                         | 230    |                 | (298,753)   | CHF                         | 745        | (405,213)        |
| Swaps Sterling pound-Euro           | £                           | 1,770  |                 | (40,952)    |                             |            |                  |
| Swap GBP-US Dollar                  |                             |        |                 |             | £                           | 1,510      | (1,179,866)      |
| Call option                         |                             |        |                 |             |                             | 3,000      | (3,673,417)      |
| <b>Total liability</b>              |                             |        | Ps.             | (8,527,812) |                             |            | Ps. (10,764,936) |
| Non current liability               |                             |        | Ps.             |             |                             |            | Ps. (3,314,146)  |
| <b>Total current liability</b>      |                             |        | Ps.             | (8,527,812) |                             |            | Ps. (7,450,790)  |

The changes in the fair value of these derivative financial instruments for the years ended December 31, 2013, 2014 and 2015 amounted to a gain of Ps. 2,841,952, Ps. 7,397,142 and Ps. 15,128,269, respectively, and such amounts are included in the consolidated statements of comprehensive income as part of the caption Valuation of derivatives interest cost from labor obligations and other financial items, net and Ps. (741,321), Ps.( 329,112) and Ps.37,011, net of tax, that are accounted for as Effect of derivative financial instruments acquired for hedging purposes in equity.

The maturities of the notional amount of the derivatives are as follows:

| Instrument                          | Notional amount in millions | 2016  | 2017   | 2018 | 2019 | 2020 | Thereafter |
|-------------------------------------|-----------------------------|-------|--------|------|------|------|------------|
| <b>Assets</b>                       |                             |       |        |      |      |      |            |
| Swaps US Dollar-Mexican peso        | US\$ 2,550                  | 350   |        |      | 350  |      | 1,850      |
| Swaps Euro-Mexican peso             | 100                         | 30    | 70     |      |      |      |            |
| Swaps Euro-US Dollar                | 4,505                       |       |        |      |      |      | 4,505      |
| Swaps Sterling pound-Euro           | £ 740                       |       |        |      |      |      | 740        |
| Forward US Dollar-Mexican Peso      | US\$ 390                    | 183   | 207    |      |      |      |            |
| Forwards Euro-US Dollar             | 535                         | 315   | 190    | 30   |      |      |            |
| <b>Liabilities</b>                  |                             |       |        |      |      |      |            |
| Interest rate swaps in Mexican peso | Ps. 19,800                  | 4,050 | 15,350 |      | 400  |      |            |
| Swaps Yen-US Dollar                 | ¥ 18,100                    | 5,100 |        |      |      |      | 13,000     |

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|                                 |             |              |       |     |     |           |
|---------------------------------|-------------|--------------|-------|-----|-----|-----------|
| Swaps CHF-US Dollar             | <b>CHF</b>  | <b>745</b>   |       | 270 | 475 |           |
| Swaps Euro-US Dollar            |             | <b>505</b>   | 5     | 500 |     |           |
| Swaps Sterling pound-US Dollar  | <b>£</b>    | <b>1,510</b> |       |     |     | 350 1,160 |
| Forwards US Dollar-Mexican Peso | <b>US\$</b> | <b>946</b>   | 946   |     |     |           |
| Forwards Euro-US Dollar         |             | <b>1,575</b> | 1,335 | 240 |     |           |
| Call Option                     |             | <b>3,000</b> |       |     |     | 3,000     |

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**Table of Contents****9. Inventories, Net**

An analysis of inventories at December 31, 2014 and 2015 is as follows:

|   | <b>2014</b>           | <b>2015</b>           |
|---|-----------------------|-----------------------|
| Mobile phones, accessories, computers, TVs, cards and other materials | Ps. 38,946,979        | <b>Ps. 39,076,612</b> |
| Less: Reserve for obsolete and slow-moving inventories                | (3,016,697)           | <b>(3,499,140)</b>    |
| <b>Total</b>  | <b>Ps. 35,930,282</b> | <b>Ps. 35,577,472</b> |

For the years ended December 31, 2013, 2014 and 2015, the cost of inventories recognized in cost of sales was Ps. 121,994,900, Ps. 129,634,613 and Ps.145,758,333, respectively.

**10. Other assets, net**

a) An analysis of other assets at December 31, 2014 and 2015 is as follows:

|   | <b>2014</b>           | <b>2015</b>           |
|---|-----------------------|-----------------------|
| <b>Current portion:</b>   |                       |                       |
| Advances to suppliers (different from PP&E and inventories)               | Ps. 8,808,396         | <b>Ps. 9,557,420</b>  |
| Costs of mobile equipment and computers associated with deferred revenues | 5,061,591             | <b>6,270,374</b>      |
| Prepaid insurance   | 1,423,889             | <b>697,211</b>        |
| Other   | 1,269,726             | <b>752,908</b>        |
|   | <b>Ps. 16,563,602</b> | <b>Ps. 17,277,913</b> |
| <b>Non-current portion:</b>   |                       |                       |
| Recoverable taxes   | Ps. 7,162,377         | <b>Ps. 5,137,336</b>  |
| Prepayments for the use of fiber optics                                   | 2,851,089             | <b>2,890,010</b>      |
| Prepaid expenses and judicial deposits (1)                                | 17,842,567            | <b>17,222,597</b>     |
| <b>Total</b>  | <b>Ps. 27,856,033</b> | <b>Ps. 25,249,943</b> |

For the years ended December 31, 2013, 2014 and 2015, the amortization expense for other assets was Ps. 127,058, Ps. 284,088 and Ps.557,393, respectively.

(1) Judicial deposits represent cash and cash equivalents pledged in order to fulfill the collateral requirements for tax contingencies in Brazil. At December 31, 2014 and 2015, the amount for these deposits is Ps. 13,874,471 and

Ps.12,426,915, respectively. Based on its evaluation of the underlying contingencies, the Company believes that such amounts are recoverable.

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**Table of Contents****11. Property, Plant and Equipment, Net**

a) An analysis of property, plant and equipment, net at December 31, 2013, 2014 and 2015 is as follows:

| <b>At<br/>December 31,<br/>2012</b> | <b>Additions</b> | <b>Retirements</b> | <b>Business<br/>combinations</b> | <b>Effect of<br/>translation</b> | <b>Hyperinflation<br/>restatement</b> | <b>Depreciation<br/>of<br/>the year</b> |
|-------------------------------------|------------------|--------------------|----------------------------------|----------------------------------|---------------------------------------|---|
| Ps. 467,496,768                     | Ps. 116,170,134  | Ps. (17,995,021)   | Ps. 310                          | Ps. (55,763,545)                 | Ps.                                   | Ps.                                     |
| 52,538,431                          | 2,567,068        | (3,298,197)        |                                  | (3,579,859)                      |                                       |   |
| 67,987,905                          | 22,957,505       | (8,367,342)        | 87,122                           | (4,654,256)                      |                                       |   |
| 45,946,235                          | 13,085,094       | (15,326,412)       | 1,268                            | (3,874,210)                      |                                       |   |
| 16,025,105                          | 12,458,316       | (10,142,059)       |                                  | (975,281)                        |                                       |   |
| 649,994,444                         | 167,238,117      | (55,129,031)       | 88,700                           | (68,847,151)                     | Ps.                                   |   |
| 125,710,640                         |                  | (11,006,444)       |                                  | (33,975,506)                     |                                       | 80,867,568                              |
| 986,948                             |                  | (31,133)           |                                  | (1,322,209)                      |                                       | 1,973,707                               |
| 22,932,310                          |                  | (3,380,289)        |                                  | (2,485,845)                      |                                       | 11,994,657                              |
| (69,726)                            |                  | (11,121)           |                                  | (3,298)                          |                                       | 57,869                                  |
| 149,560,172                         |                  | (14,428,987)       |                                  | (37,786,858)                     |                                       | 94,893,801                              |
| Ps. 500,434,272                     | Ps. 167,238,117  | Ps. (40,700,044)   | Ps. 88,700                       | Ps. (31,060,293)                 |                                       | Ps. (94,893,801)                        |
| <b>At<br/>December 31,<br/>2013</b> | <b>Additions</b> | <b>Retirements</b> | <b>Business<br/>combinations</b> | <b>Effect of<br/>translation</b> | <b>Hyperinflation<br/>restatement</b> | <b>Depreciation<br/>of<br/>the year</b> |

|                 |                 |                  |                |               |             |                   |
|-----------------|-----------------|------------------|----------------|---------------|-------------|-------------------|
| Ps. 509,908,646 | Ps. 108,661,794 | Ps. (30,933,135) | Ps. 54,202,020 | Ps. 634,026   | Ps. 143,886 | Ps.               |
| 48,227,443      | 3,650,705       | (823,850)        | 5,271,503      | 124,621       | 13,114      |                   |
| 78,010,934      | 30,940,997      | (11,426,188)     | 5,417,138      | 2,586,726     | 21,200      |                   |
| 39,831,975      | 13,543,305      | (16,386,806)     | 2,600,498      | (491,799)     | 10,012      |                   |
| 17,366,081      | 15,580,184      | (12,958,645)     | 962,017        | (100,923)     |             |                   |
| 693,345,079     | 172,376,985     | (72,528,624)     | 68,453,176     | 2,752,651     | 188,212     |                   |
| 161,596,258     |                 | (16,618,742)     |                | (2,950,031)   | 98,918      | 92,400,728        |
| 1,607,313       |                 | (185,421)        |                | 125,881       | 1,364       | 2,179,268         |
| 29,060,833      |                 | (3,596,940)      |                | 981,659       | 18,933      | 11,811,543        |
| (26,276)        |                 | (29,199)         |                | 10,235        |             | (5,025)           |
| 192,238,128     |                 | (20,430,302)     |                | (1,832,256)   | 119,215     | 106,386,514       |
| Ps. 501,106,951 | Ps. 172,376,985 | Ps. (52,098,322) | Ps. 68,453,176 | Ps. 4,584,907 | Ps. 68,997  | Ps. (106,386,514) |



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| At<br>December 31,<br>2014 | Additions       | Retirements       | Business<br>combinations | Spin-off<br>effects<br>(Note 13) | Effect of<br>translation | Depreciation<br>of<br>the year | D   |
|----------------------------|-----------------|-------------------|--------------------------|----------------------------------|--------------------------|--------------------------------|-----|
| Ps. 642,617,237            | Ps. 78,632,899  | Ps. (16,061,956)  | Ps. 4,293,671            | Ps.                              | Ps. (68,097,149)         | Ps.                            | Ps. |
| 56,463,536                 | 2,559,088       | (2,492,288)       | 54,902                   |                                  | (1,790,852)              |                                |     |
| 105,550,807                | 27,711,493      | (10,169,829)      | 820,329                  | (12,643,381)                     | (4,800,817)              |                                |     |
| 39,107,185                 | 72,899,705      | (68,666,020)      | 160,311                  | (348,395)                        | (4,302,010)              |                                |     |
| 20,848,714                 | 44,423,898      | (43,911,307)      |                          |                                  | (1,018,916)              |                                |     |
| 864,587,479                | 226,227,083     | (141,301,400)     | 5,329,213                | (12,991,776)                     | (80,009,744)             |                                |     |
| 234,527,131                |                 | (31,529,529)      |                          | (7,403,656)                      | (51,103,926)             | 92,241,708                     |     |
| 3,728,405                  |                 | (433,368)         |                          |                                  | (1,334,962)              | 2,607,513                      |     |
| 38,276,028                 |                 | (4,533,893)       |                          |                                  | (1,995,119)              | 15,310,068                     |     |
| (50,265)                   |                 | (13,405)          |                          |                                  | 1,409                    | 17,838                         |     |
| 276,481,299                |                 | (36,510,195)      |                          | (7,403,656)                      | (54,432,598)             | 110,177,127                    |     |
| Ps. 588,106,180            | Ps. 226,227,083 | Ps. (104,791,205) | Ps. 5,329,213            | Ps. (5,588,120)                  | Ps. (25,577,146)         | Ps. (110,177,127)              | Ps. |

(1) Construction in progress includes fixed and mobile telephone facilities as well as satellite developments and fiber optic which is in the process of being installed.

The completion period of construction in progress is variable and depends upon the type of fixed assets under construction. In the case of telephone plant (switching and transmission), it takes 6 months on average; for others, it may take more than 2 years.

b) At December 31, 2014 and 2015, property, plant and equipment include the following assets under capital leases:

|                             | <b>2014</b>          | <b>2015</b>          |
|-----------------------------|----------------------|----------------------|
| Assets under capital leases | Ps. 6,551,792        | <b>Ps. 6,707,087</b> |
| Accumulated depreciation    | (2,082,997)          | <b>(2,379,602)</b>   |
|                             | <b>Ps. 4,468,795</b> | <b>Ps. 4,327,485</b> |

c) On September 30, 2014, the Company completed the process for capitalizing the submarine cable system. The cable extends from the U.S. to Central America and Brazil, which provides international connectivity to all the Company subsidiaries in these geographic areas. The total investment capitalized at December 31, 2014 is Ps.4,275,682 (US\$ 290,507).

d) At December 31, 2015, Claro Brasil has land and buildings and other equipment that is pledged in guarantee of legal proceedings in the amount of Ps. 6,206,771 (Ps. 4,012,658 as of December 31, 2014).

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e) Relevant information related to the computation of the capitalized borrowing costs is as follows:

|   | Years ended December 31, |                |                       |
|---|--------------------------|----------------|-----------------------|
|   | 2013                     | 2014           | 2015                  |
| Amount invested in the acquisition of qualifying assets | Ps. 46,686,790           | Ps. 47,332,317 | <b>Ps. 52,922,105</b> |
| Capitalized interest                                    | 3,002,756                | 3,258,928      | <b>3,524,841</b>      |
| Capitalization rate                                     | 6.4%                     | 6.9%           | <b>6.7%</b>           |

Capitalized interest is being amortized over a period of seven years, which is the estimated useful life of the related assets.

f) On July 9, 2013, Star One signed an agreement denominated in US dollars with a manufacturer for construction and launching of the Star One D1 satellite, which will be equipped with transponders in Bands C, Ku and Ka. The cost of this project is estimated to be approximately Ps. 5,946,072 (US\$ 404,000). The Star One D1 will replace the satellite Brazilsat B4. At December 31, 2015, the amount recorded in Construction in progress amounts to Ps 4,553,633.

g) The Company's concessions in Brazil establish certain conditions under which assets may be reverted to the government, as discussed in Note 21.

In some of the jurisdictions where the Company operates and under certain circumstances, the Company may be required to transfer certain assets covered by some of their concessions to the government pursuant to valuation methodologies that vary in each jurisdiction. It is uncertain whether reversion would ever be applied and how reversion provisions would be interpreted in practice.

In addition, the regulations in the jurisdictions in which the company operates can revoke their concessions under certain circumstances. In Mexico, for example, the Federal Law on Telecommunications and Broadcasting gives the government the right to expropriate our concessions or to take over the management of their networks, facilities and personnel in cases of imminent danger to national security, internal peace or the national economy, natural disasters and public unrest.

**12. Intangible assets, net and goodwill**

a) An analysis of intangible assets at December 31, 2013, 2014 and 2015 is as follows:

|                            | For the year ended December 31, 2013 |               |                                       |                     |                          | Effect of translation of foreign subsidiaries | Balance at end of year |
|----------------------------|--------------------------------------|---------------|---------------------------------------|---------------------|--------------------------|---|------------------------|
|                            | Balance at beginning of year         | Acquisitions  | Acquisitions in business combinations | Disposals and other | Amortization of the year |   |                        |
| Licenses and rights of use | Ps. 133,760,960                      | Ps. 3,334,464 | Ps.                                   | Ps. (2,158,796)     |                          | Ps. (11,853,114)                              | Ps. 123,083,514        |
| Accumulated amortization   | (89,708,530)                         |               |                                       |                     | Ps. (6,271,998)          | 9,950,846                                     | (86,029,682)           |

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|                           |                |               |               |                 |                 |                 |                |
|---------------------------|----------------|---------------|---------------|-----------------|-----------------|-----------------|----------------|
| Net                       | 44,052,430     | 3,334,464     |               | (2,158,796)     | (6,271,998)     | (1,902,268)     | 37,053,832     |
| Trademarks                | 11,598,559     |               |               | 387,926         |                 | (285,879)       | 11,700,606     |
| Accumulated amortization  | (10,455,244)   |               |               |                 | (241,976)       | 162,920         | (10,534,300)   |
| Net                       | 1,143,315      |               |               | 387,926         | (241,976)       | (122,959)       | 1,166,306      |
| Total of Intangibles, net | Ps. 45,195,745 | Ps. 3,334,464 | Ps.           | Ps. (1,770,870) | Ps. (6,513,974) | Ps. (2,025,227) | Ps. 38,220,138 |
| Goodwill                  | Ps. 99,705,859 | Ps.           | Ps. 1,200,061 | Ps. (3,655,164) | Ps.             | Ps. (4,764,472) | Ps. 92,486,284 |

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|                            | <b>For the year ended December 31, 2014</b> |                     |  |                            |                                 |  |                               |
|----------------------------|---|---------------------|--|----------------------------|---------------------------------|--|-------------------------------|
|                            | <b>Balance at beginning of year</b>         | <b>Acquisitions</b> | <b>Acquisitions in business combinations</b> | <b>Disposals and other</b> | <b>Amortization of the year</b> | <b>Effect of translation of foreign subsidiaries</b> | <b>Balance at end of year</b> |
| Licenses and rights of use | Ps. 123,083,514                             | Ps. 24,946,015      | Ps. 27,504,303                               | Ps.                        |                                 | Ps. (738,738)  | Ps. 174,795,094               |
| Accumulated amortization   | (86,029,682)                                |                     |  |                            | Ps. (6,013,565)                 | 811,998  | (91,231,249)                  |
| Net                        | 37,053,832                                  | 24,946,015          | 27,504,303                                   |                            | (6,013,565)                     | 73,260   | 83,563,845                    |
| Trademarks                 | 11,700,606                                  | 1,584,189           | 8,930,690                                    |                            |                                 | 59,506   | 22,274,991                    |
| Accumulated amortization   | (10,534,300)                                |                     |  |                            | (300,778)                       | 5,676  | (10,829,402)                  |
| Net                        | 1,166,306                                   | 1,584,189           | 8,930,690                                    |                            | (300,778)                       | 65,182   | 11,445,589                    |
| Customer relationships     |   |                     | 15,249,879                                   |                            |                                 | 56,288   | 15,306,167                    |
| Accumulated amortization   |   |                     |  |                            | (485,951)                       |  | (485,951)                     |
| Net                        |   |                     | 15,249,879                                   |                            | (485,951)                       | 56,288   | 14,820,216                    |
| Software licenses          |   | 1,169,260           | 5,455,642                                    | 641,280                    |                                 | 30,995   | 7,297,177                     |
| Accumulated amortization   |   |                     |  |                            | (1,521,693)                     | 11,179   | (1,510,514)                   |
| Net                        |   | 1,169,260           | 5,455,642                                    | 641,280                    | (1,521,693)                     | 42,174   | 5,786,663                     |
| Content rights             |   | 2,303,675           |  | (770,486)                  |                                 | 328,841  | 1,862,030                     |
| Accumulated amortization   |   |                     |  |                            | (962)                           | (157,593)  | (158,555)                     |
| Net                        |   | 2,303,675           |  | (770,486)                  | (962)                           | 171,248  | 1,703,475                     |
| Total of Intangibles, net  | Ps. 38,220,138                              | Ps. 30,003,139      | Ps. 57,140,514                               | Ps. (129,206)              | Ps. (8,322,949)                 | Ps. 408,152  | Ps. 117,319,788               |
| Goodwill                   | Ps. 92,486,284                              | Ps.                 | Ps. 51,316,970                               | Ps. (1,642,939)            | Ps.                             | Ps. (1,256,924)                                      | Ps. 140,903,391               |

**For the year ended December 31, 2015**

|                           | Balance at beginning of year | Acquisitions   | Acquisitions in business combinations | Disposals and other | Amortization of the year | Effect of translation of foreign subsidiaries | Balance at end of year |
|---------------------------|------------------------------|----------------|---------------------------------------|---------------------|--------------------------|---|------------------------|
| Patents and rights of use | Ps. 174,795,094              | Ps. 19,507,462 | Ps. 448,364                           | Ps. 1,109,172       |                          | Ps. (20,564,317)                              | Ps. 175,295,775        |
| Accumulated amortization  | (91,231,249)                 |                |                                       | (25,976)            | Ps. (7,419,551)          | 13,830,252                                    | (84,846,524)           |
| Net                       | 83,563,845                   | 19,507,462     | 448,364                               | 1,083,196           | (7,419,551)              | (6,734,065)                                   | 90,449,251             |
| Trademarks                | Ps. 22,274,991               | Ps.            | Ps. 252,728                           | Ps. 207,251         |                          | Ps. 89,043                                    | Ps. 22,824,013         |
| Accumulated amortization  | (10,829,402)                 |                |                                       |                     | Ps. (936,606)            | 242,301                                       | (11,523,707)           |
| Net                       | 11,445,589                   |                | 252,728                               | 207,251             | (936,606)                | 331,344                                       | 11,300,306             |
| Customer relationships    | Ps. 15,306,167               |                | Ps. 949,915                           | 791,548             |                          | 1,346,777                                     | 18,394,407             |
| Accumulated amortization  | (485,951)                    |                |                                       |                     | (3,452,760)              | (24,164)                                      | (3,962,875)            |
| Net                       | 14,820,216                   |                | 949,915                               | 791,548             | (3,452,760)              | 1,322,613                                     | 14,431,533             |
| Software licenses         | Ps. 7,297,177                | 2,245,027      | 42,760                                | (307,955)           |                          | (494,241)                                     | 8,782,768              |
| Accumulated amortization  | (1,510,514)                  |                |                                       | 1,434,129           | (2,921,767)              | 573,554                                       | (2,424,598)            |
| Net                       | 5,786,663                    | 2,245,027      | 42,760                                | 1,126,174           | (2,921,767)              | 79,313  | 6,358,170              |
| Content rights            | Ps. 1,862,030                | 768,888        |                                       |                     |                          | 3,609   | 2,634,527              |
| Accumulated amortization  | (158,555)                    |                |                                       |                     | (270,191)                |   | (428,746)              |
| Net                       | 1,703,475                    | 768,888        |                                       |                     | (270,191)                | 3,609   | 2,205,781              |
| Total of intangibles, net | Ps. 117,319,788              | Ps. 22,521,377 | Ps. 1,693,767                         | Ps. 3,208,169       | Ps.(15,000,875)          | Ps. (4,997,186)                               | Ps. 124,745,040        |
| Goodwill                  | Ps. 140,903,391              | Ps. 220,124    | Ps. 711,723                           | Ps.                 | Ps.                      | Ps. (4,721,522)                               | Ps. 137,113,716        |

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b) The aggregate carrying amount of goodwill is allocated as follows:

|                                 | <b>2014</b>    | <b>2015</b>           |
|---------------------------------|----------------|-----------------------|
| Europe (7 countries)            | Ps.50,955,499  | <b>Ps.51,737,157</b>  |
| Brazil (Fixed, wireless and TV) | 22,338,319     | <b>17,931,543</b>     |
| Puerto Rico                     | 17,463,393     | <b>17,463,393</b>     |
| Dominican Republic              | 14,186,724     | <b>14,186,724</b>     |
| Mexico (includes Telmex)        | 9,734,666      | <b>10,114,275</b>     |
| Ecuador                         | 2,155,385      | <b>2,155,385</b>      |
| Peru                            | 2,230,651      | <b>2,240,706</b>      |
| El Salvador                     | 2,510,596      | <b>2,510,596</b>      |
| Chile                           | 2,308,587      | <b>2,306,705</b>      |
| Colombia                        | 13,063,780     | <b>11,612,051</b>     |
| Other countries                 | 3,955,791      | <b>4,855,181</b>      |
|                                 | Ps.140,903,391 | <b>Ps.137,113,716</b> |

c) The following is a description of the major changes in the Licenses and rights of use caption during the years ended December 31, 2013, 2014 and 2015:

**2013 Acquisitions**

i) In October 2013, Claro Colombia acquired radio spectrum band 2500 Mhz to 2690 Mhz for a period of 10 years. The amount paid was Ps.815,488.

ii) Claro Brasil and its subsidiaries acquired various radio frequencies and TV licenses, for a period that ranges from 3 to 19 years. The amount paid was Ps. 2,149,074.

**2014 Acquisitions**

i) In March 2014, Claro Colombia renewed a license for the use of the radio spectrum granted to Comunicación Celular, S.A. (Claro) in the 824.040 Mhz to 891.480 Mhz and 1.877 Mhz to 1,965 Mhz bands for a period that ends in March 2024. The amount paid was Ps.1,018,190.

ii) On September 30, 2014, Claro Brasil obtained a license to provide cellular service in the 700 national MHz frequency band. On December 8, 2015, Anatel assigned formally to Claro Brasil the frequency band. The total consideration for the acquisition of this band was Ps.15,588,866. Claro Brasil paid Ps.9,662,144 in 2015 and the remaining amount will be paid in four equal annual installments. The frequency band expires in 2029.

iii) As a part of the business combination of Telekom Austria, the Company recognized licenses for amount of Ps.27,504,380. Telekom Austria holds mobile telecommunication licenses provided by regulatory authorities in Austria, Croatia, Slovenia, Serbia, Bulgaria, Belarus and Macedonia. These licenses are estimated to have a remaining useful life of 10 years.

iv) In 2014, Argentina paid Ps.4,151,753 (AR\$ 2,385,379 thousands) for the acquisition of 4G licenses to increase the service in all the country.

v) Additionally, the Company acquired other licenses in the Dominican Republic, Brazil and others in the amount of Ps.4,174,614.

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**Table of Contents****2015 Acquisitions**

i) In October 2015, Radio Móvil Dipsa renewed a license to provide cellular service in the 800 MHz frequency band. The frequency band expires in 2030. The amount paid was Ps.1,007,410.

ii) In May 2015, Claro Ecuador acquired licenses related to 4G/LTE services. The frequency band expires in 2023. The amount paid was Ps. 2,861,060

iii) In 2015, Claro Brasil obtained renewals related with the frequency bands of national 700Mhz, auction conducted by Anatel on September 30, 2014. Funding for these procedures must be transmitted by operators in four annual installments adjusted by the IGP-ID of Ps.4,412,730 (R\$ 1,001,414 thousands) for which the corresponding renewal was performed.

iv) In November 2015, Vipnet located in Croatia acquired 2 x 3 MHz and 2 x 4.8 MHz in the 1.800 MHz spectrum for EUR 18,513 thousands. Vipnet already holds 2 x 29.4 MHz in the lower frequency band (below 1 GHz), 2 x 25.0 in the higher frequency band (above 1 GHz) as well as 5.0 MHz TDD spectrum. The amount paid was Ps.321,915.

v) In November 2015, Vip mobile, the Serbian subsidiary acquired 2 x 5 MHz of the 800 MHz spectrum. The new spectrum will be used by VIP mobile for the LTE rollout and will enhance the high-speed data service in rural areas as well as data usage in connection with smartphones. Vip mobile already holds a 2 x 4.2 MHz in the lower frequency band (below 1 GHz) as well as 2 x 45.0 MHz in the higher frequency band (above 1 GHz). The amount paid was Ps. 1,129,988 (EUR 60,942 thousands)

As a part of the business combinations, the Company recognized licenses for an amount of Ps. 448,364. The Company holds licenses provided by the regulatory authorities in those jurisdictions. These licenses are estimated to have a remaining useful life of 10 years.

vi) In 2015, Argentina paid Ps.5,599,745 (AR\$ 3,269,312 thousands) for the acquisition of 4G licenses to increase the service throughout the country.

vii) Additionally, the Company acquired other licenses in Puerto Rico, Panama and others countries in the amount of Ps. 4,174,614.

Amortization of intangibles for the years ended December 31, 2013, 2014 and 2015 amounted to Ps.6,513,974, Ps. 8,322,949 and Ps. 15,000,875, respectively.

**13. Investments in associated companies, business combinations and spin-offs**

a) The following is a summary of changes in the investment in the Company's associates during the years ended December 31, 2013, 2014 and 2015:

| <b>Balance at<br/>December 31,<br/>2012</b> | <b>Acquisition</b> | <b>Acquisition<br/>in business<br/>combinations</b> | <b>Disposals<br/>/ Other</b> | <b>Equity interest<br/>in net<br/>income<br/>(loss) of<br/>associate</b> | <b>Equity<br/>interest<br/>in OCI and<br/>effect<br/>of</b> | <b>Balance at<br/>December 31,<br/>2013</b> |
|---|--------------------|---|------------------------------|--|---|---|
|---|--------------------|---|------------------------------|--|---|---|

|                     | <b>translation</b> |                |     |                 |               |               |                |
|---------------------|--------------------|----------------|-----|-----------------|---------------|---------------|----------------|
| KPN Telekom Austria | Ps. 55,007,474     | Ps. 14,988,270 | Ps. | Ps. (6,040,933) | Ps. (244,514) | Ps. 5,522,000 | Ps. 69,232,297 |
| Austria             | 16,752,724         |                |     | (88,461)        | 326,129       | 659,583       | 17,649,975     |
| Other               | 1,356,087          | 838,373        |     |                 | (45,333)      | (144,375)     | 2,004,752      |
| Total               | Ps. 73,116,285     | Ps. 15,826,643 | Ps. | Ps. (6,129,394) | Ps. 36,282    | Ps. 6,037,208 | Ps. 88,887,024 |

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|                     | <b>Balance at<br/>December 31,<br/>2013</b> | <b>Acquisition</b>   | <b>Acquisition in<br/>business<br/>combinations</b> | <b>Disposals<br/>/ Other</b> | <b>Equity<br/>interest<br/>in net income<br/>(loss) of<br/>associate</b> | <b>Equity<br/>interest<br/>in OCI and<br/>effect<br/>of translation</b> | <b>Balance at<br/>December 31,<br/>2014</b> |
|---------------------|---|----------------------|---|------------------------------|--|---|---|
| KPN Telekom Austria | Ps. 69,232,297                              | Ps.                  | Ps.   | Ps. (17,620,649)             | Ps. (5,232,635)  | Ps. 36,896  | Ps. 46,415,909                              |
| Other               | 17,649,975                                  | 1,770,112            |   | (18,553,725)                 | (819,000)  | (47,362)  |   |
|                     | 2,004,752                                   | 884,230              | 180,900   | (358,316)                    | (21,374)   | 156,480   | 2,846,672                                   |
| <b>Total</b>        | <b>Ps. 88,887,024</b>                       | <b>Ps. 2,654,342</b> | <b>Ps. 180,900</b>                                  | <b>Ps. (36,532,690)</b>      | <b>Ps. (6,073,009)</b>   | <b>Ps. 146,014</b>  | <b>Ps. 49,262,581</b>                       |

  

|              | <b>Balance at<br/>December 31,<br/>2014</b> | <b>Acquisition</b> | <b>Acquisition in<br/>business<br/>combinations</b> | <b>Disposals<br/>/ Other</b> | <b>Equity<br/>interest<br/>in net income<br/>(loss) of<br/>associate</b> | <b>Equity<br/>interest<br/>in OCI and<br/>effect<br/>of translation</b> | <b>Balance at<br/>December 31,<br/>2015</b> |
|--------------|---|--------------------|---|------------------------------|--|---|---|
| KPN          | Ps. 46,415,909                              | Ps.                | Ps.   | Ps. (40,358,975)             | Ps. (1,522,529)  | Ps. (4,534,405)   | Ps.   |
| Other        | 2,846,672                                   | 212,612            |   | (48,227)                     | 95,830   | 3,683   | 3,110,570                                   |
| <b>Total</b> | <b>Ps. 49,262,581</b>                       | <b>Ps. 212,612</b> | <b>Ps.</b>  | <b>Ps. (40,407,202)</b>      | <b>Ps. (1,426,699)</b>   | <b>Ps. (4,530,722)</b>  | <b>Ps. 3,110,570</b>                        |

During 2013, 2014 and 2015, the Company received dividends for an amount of Ps. 212,393, Ps. 359,413 and Ps. 1,645,712, respectively.

b) The following is a description of the major acquisitions of investments in associates and subsidiaries during the years ended December 31, 2013, 2014 and 2015:

During 2014, América Móvil's interest in KPN was accounted for using the equity method in the consolidated financial statements because although the voting rights of the Company were reduced to 14.9% at December 31, 2013, its economic interests remained at 29.70% and the Company kept its two seats on the Supervisory Board which is greater than 20% of Board representation, and which is the ultimately responsible for all decision-making. After the cancellation of the preferred shares held by the KPN Preferred Shares B Foundation, the voting rights of AMX became equal to its economic interest which as of December 31, 2014 was 21.4%.

Summarized financial information of the associate, based on its IFRS financial information (adjusted for the Company's basis in such investee) is set out below:

|                     | <b>December 31,<br/>2014</b> | <b>June 30,<br/>2015</b> |
|---------------------|------------------------------|--------------------------|
| Current assets      | Ps. 60,272,768               | Ps. 40,120,598           |
| Non current assets  | 308,341,906                  | 308,590,078              |
| Current liabilities | 86,287,101                   | 74,115,517               |

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|                           |                |                       |
|---------------------------|----------------|-----------------------|
| Non current liabilities   | 222,483,131    | <b>207,651,014</b>    |
| Equity                    | 59,844,442     | <b>66,944,145</b>     |
| Non-controlling interests | (1,014,933)    | <b>(1,006,485)</b>    |
| Total equity              | Ps. 58,829,509 | <b>Ps. 65,937,660</b> |

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|  | <b>2013 (1)</b> | <b>2014</b>      | <b>2015(2)</b>        |
|--|-----------------|------------------|-----------------------|
| Revenues   | Ps. 143,714,146 | Ps. 142,670,935  | <b>Ps.59,076,136</b>  |
| Operative expenses and other costs   | 144,547,525     | 156,404,795      | <b>57,408,711</b>     |
| Net income (loss)  | (833,379)       | (13,733,860)     | <b>1,667,425</b>      |
| Other comprehensive income (loss) items                                      | 2,798,965       | 1,394,408        | <b>8,712,000</b>      |
| Net comprehensive income for the year  | Ps. 1,965,586   | Ps. (12,339,452) | <b>Ps. 10,379,425</b> |
| Net income (loss) attributable to equity holders of the parent               | (952,123)       | (13,980,970)     | <b>1,515,472</b>      |
| Non-controlling interest   | 118,744         | 247,110          | <b>151,953</b>        |
|  | Ps. ( 833,379)  | Ps. (13,733,860) | <b>Ps. 1,667,425</b>  |
|  | <b>2013(1)</b>  | <b>2014</b>      | <b>2015</b>           |
| Net comprehensive income (loss) attributable to equity holders of the parent | 1,846,843       | (12,586,562)     | <b>10,227,472</b>     |
| Non-controlling interest   | 118,744         | 247,110          | <b>151,953</b>        |
|  | Ps. 1,965,587   | Ps. (12,339,452) | <b>Ps. 10,379,425</b> |

(1) AMX acquired its equity interest in KPN during the second quarter of 2013, and the equity method results for 2013 were not material to its consolidated financial statements. This summarized financial information represents amounts for the entire year ended December 31, 2013.

(2) For the six months ended June 30, 2015.

Below is a reconciliation of the equity attributable to the KPN's shareholders in the table above with the equity method investment as of December 31, 2014 and June 30, 2015:

|   | <b>2014</b>    | <b>2015</b>           |
|---|----------------|-----------------------|
| Equity attributable to the KPN's shareholders | Ps .58,844,442 | <b>Ps .66,944,145</b> |
| AMX ownership                                 | 21.40%         | <b>21.09%</b>         |
|   | 12,592,711     | <b>14,118,520</b>     |
| Goodwill                                      | 33,823,198     | <b>25,607,185</b>     |

|                         |                |                       |
|-------------------------|----------------|-----------------------|
| Total investment in KPN | Ps .46,415,909 | <b>Ps .39,725,705</b> |
|-------------------------|----------------|-----------------------|

In 2015, the Company evaluated several mechanisms for the disposal of the investment in KPN shares, including but not limited to potential: (i) accelerated market sales, (ii) direct sale options in the market, and (iii) open offers to operators. During this process, AMX received various credible offers and, eventually, initiated a scheme of issuing two exchangeable bonds (at the Company's option) with KPN shares in amounts of EUR 3 billion and EUR 750 million which approximates 19.55% of the outstanding shares of KPN (See Note 15).

The Company also reached a conclusion that it no longer exercised significant influence over KPN and thus discontinued the use of equity method accounting. This conclusion was due to both past and current events, including the Company's publicly announcing to make its shares available for sale. Following this the Company issued exchangeable bonds and decreased its representation on KPN's Board of Supervisors. In June 30, 2015, the Company derecognized its equity method investment (Ps.39,725,705), and thereafter recorded its financial

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interest in KPN at its Level 1 fair market value with prospective changes in fair market value being recorded through other comprehensive income. The Company has also de-recognized amounts previously recorded in accumulated other comprehensive income. These events resulted in a gain of Ps. 11,988,038 being recorded in the financial statement line item Valuation of derivatives interest cost from labor obligations, loss or gain on derecognition of equity method investments and other financial items, net of the consolidated statements of comprehensive income. As of December 31, 2015, the fair value of the net investment in shares of KPN is Ps.44,089,801 which is included as marketable securities in the accompanying consolidated statement of financial position (See Note 5). Because the underlying KPN shares are available for sale on an internationally recognized exchange, and may be readily sold to other parties if the Company so decides they are classified them as a current asset.

**Acquisitions 2013****i) Corporación Interamericana de Entretenimiento, S.A.B. de C.V. ( CIE )**

On April 30, 2013, América Móvil, entered into an agreement with Corporación Interamericana de Entretenimiento, S.A.B. de C.V. ( CIE ), to acquire 100% shares of Corporación de Medios Integrales, S.A. de C.V. ( CMI ) for an amount of Ps.1,668,000 (US\$131,300). CMI holds the media and advertising business within the commercial segment at CIE. The goodwill is Ps.1,200,061.

**ii) Shazam Entertainment Limited ( Shazam )**

On July 8, 2013, América Móvil acquired 10.8% of shares representing the capital stock of Shazam Entertainment Limited ( Shazam ), and entered into a strategic agreement for a business development in the Americas. The amount paid was Ps.527,536.

**Acquisitions 2014****i) Telekom Austria**

On July 10, 2014, the Company through share acquisition and a Shareholders' Agreement obtained control of the telecommunications company Telekom Austria, acquiring an additional 22.79% of the outstanding shares to reach share ownership of 50.81%. The main goal for the Company was the further development of Telekom Austria. This acquisition was measured at its fair value at the purchase date. The total purchase price was Ps.28,637,635. Acquisition costs were expensed by the Company as incurred and recorded as a part of Other expenses in the consolidated statement of comprehensive income for an immaterial amount. Telekom Austria was included in operating results from July 1, 2014.

As a result the Company derecognized the investment in the associate Telekom Austria upon consolidation. As part of the recognition of its previous equity investment in Telekom Austria, the Company recognized a loss of Ps.3,172,218 recognized in the Valuation of derivatives, interest cost from caption on the consolidated statement of comprehensive income. See Note 15 d.

The Company's purchase price was based upon a valuation and the Company's estimates and assumptions.

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The Company's fair values of the net identifiable assets and liabilities as at the date of the transaction are as follows:

|  |                                      |
|--|--------------------------------------|
| Cash and cash equivalents  | Ps. 2,180,899                        |
| Trade receivables  | 12,023,422                           |
| Other current assets   | 4,745,510                            |
| Property and equipment   | 68,453,157                           |
| Licenses and rights of use   | 27,504,303                           |
| Trademarks   | 8,930,690                            |
| Customer relationships   | 14,184,227                           |
| Investments in shares  | 180,900                              |
| Deferred tax asset   | 2,146,300                            |
| <b>Total assets acquired</b>   | <b>140,349,408</b>                   |
| Liabilities and account payable short-term   | 34,041,011                           |
| Liabilities and account payable long-term  | 18,560,409                           |
| Deferred tax liability   | 8,518,783                            |
| Long term debt   | 62,307,922                           |
| <b>Total liabilities assumed</b>   | <b>123,428,125</b>                   |
| <b>Total identified net assets at fair value</b>                                   | <b>Ps. 16,921,283</b>                |
| Non-controlling interest measured at fair value<br>(49.19% of net assets)          | (39,239,141)                         |
| Goodwill arising on acquisition  | 50,955,493                           |
| <b>Fair value of the investment in Telekom Austria<br/>at the acquisition date</b> | <b>Ps. 28,637,635</b>                |
| <b>Consideration transferred:</b>  |                                      |
| Fair value of the prior equity method investment                                   | Ps. 15,381,507                       |
| Cash paid  | 13,256,128                           |
| <b>Total consideration transferred</b>   | <b>Ps. 28,637,635</b>                |
| <b>Analysis of cash flows for acquisition:</b>                                     |                                      |
|  | <b>Cash-flow for<br/>acquisition</b> |
| Cash paid  | Ps.(13,256,128)                      |
| Cash acquired with the subsidiary  | 2,180,899                            |



|                                     |                         |
|-------------------------------------|-------------------------|
| <b>Net cash flow on acquisition</b> | <b>Ps. (11,075,229)</b> |
|-------------------------------------|-------------------------|

**Goodwill at the date of the consolidation:**

|                          |                       |
|--------------------------|-----------------------|
|                          | Goodwill              |
| Controlling interest     | Ps. 25,890,485        |
| Non-controlling interest | 25,065,008            |
| <b>Total</b>             | <b>Ps. 50,955,493</b> |

The fair value of the trade receivables which approximates its book value amounted to Ps.12,023,422. However, none of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

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The goodwill comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the European segment. None of the goodwill recognized is expected to be deductible for income tax purposes.

During the period from July 1, 2014 through December 31, 2014, the Company acquired an additional 38.4 million shares of Telekom Austria, which equates to an additional shareholding of approximately 8.68%. The Company paid Ps. 4,796,332 for these shares, and now owns 59.70% of Telekom Austria as of December 31, 2014. This additional acquisition of shares was accounted as equity transactions as the Company has control over this subsidiary.

**ii) Unaudited pro forma financial data**

The following pro forma consolidated financial data for the years ended December 31, 2014, is based on the consolidated financial statements of the Company adjusted to give effect to (i) the acquisition of Telekom Austria; and (ii) certain accounting adjustments of the assets and liabilities of the acquired company.

The pro forma results of operations assume that the acquisition was completed at the beginning of the acquisition year and are based on the information available and some assumptions that the management believes are reasonable. The pro forma financial data not intended to indicate what the operations of the Company had been if the operations were occur at that date, or predict the results of the operations of the Company.

|                            | <b>2014</b>            |
|----------------------------|------------------------|
| Operating revenues         | <b>Ps. 883,831,810</b> |
| Profit before income taxes | <b>85,047,796</b>      |
| Net income                 | <b>45,713,130</b>      |

The pro-forma financial data does not reflect the other 2014 acquisitions discussed below as they were not material to the Company's financial position or results of operations.

**iii) Page Plus**

On January 16, 2014, Tracfone Wireless Inc. (subsidiary of the Company) acquired Start Wireless Group for the brand known as Page Plus. This business was acquired in order to expand the Company's distribution channels, add an incremental revenue stream, and assist in the growth of subscribers. The purchase price of the acquisition was Ps.1,583,773 (US\$120,000). The cash used in the acquisition was approximately Ps.835,353 (US\$63,900). The results of operations of Page Plus are included in the results of operations from January 16, 2014. The goodwill recorded as part of this acquisition is Ps.277,911.

**iv) V-Sys**

On April 9, 2014, Telmex acquired 100% of the shares of V-sys, company that offers value added services of unified companies and information technologies for an amount of Ps.174,182. The goodwill recognized amounted to Ps. 83,559.

**Acquisitions 2015**

- 1) In February 2015, the Company acquired throughout its Telmex and Consertel subsidiaries an additional 35% of Hitss Solutions, S. A. de C.V. (Hitss) increasing its equity interest in this entity to 68.9%. Hitss offers information technology service. This acquisition was valued at its fair value at the purchase date. The Company started consolidating this subsidiary beginning March, 2015. The amount paid for the additional equity interest was Ps. 472,481, net of cash, and the goodwill recorded as part of this acquisition is Ps. 205,141. The identified goodwill has been allocated to the Mexico segment. The goodwill recognized is not deductible for income tax purposes.

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2) The following entities were acquired by Telekom Austria:

- i) In June 2015, acquired 100% of eight cable operators in the Republic of Macedonia through its subsidiary Blizoo.
- ii) In September 2015, acquired 100% of Amisco NV ( Amis ), the holding entity of Amis Slovenia and Amis Croatia. Amis operates as a fixed-line reseller in Slovenia and owns a fiber network in Croatia. The companies offer internet, IPTV and telephone services to approximately 66,000 customers in Slovenia and approximately 24,000 customers in Croatia as of year-end 2015.
- iii) In September 2015, acquired 100% of Bultel Cable Bulgaria EAD ( Blizoo Bulgaria ). Blizoo Bulgaria is the second largest fixed-line operator in Bulgaria and holds an 8% share in the fixed broadband market and an 11% share in the TV market. The company currently has approximately 378,000 subscribers, which obtain fixed voice, broadband and TV products via DOCSIS 3 technology. In total Blizoo Bulgaria has network coverage of 1.3 million households.

The acquired companies were consolidated beginning October 2015. The amount paid was Ps. 2,864,968, net of cash, and the goodwill recognized as part of these acquisitions was Ps. 711,723. The identified goodwill has been allocated to the Europe segment. The goodwill recognized is not deductible for income tax purposes.

During 2015, the Company acquired throughout its Mexican and Brazil subsidiaries other entities for which paid Ps.119,704, net of cash.

The Company acquired an additional non-controlling interest in its Mexican and Brazil entities for an amount of Ps.1,031,049.

**c) Consolidated subsidiaries with non-controlling interests**

The subsidiary that has a material non-controlling interest is Telekom Austria. Set out below is summarized financial information as of December 31, 2014 and 2015 for the non-controlling interests of the TKA's consolidated financial statements. The amounts disclosed for this subsidiary are before inter-company eliminations and using the same accounting policies of America Movil.

**Summarized statements of financial position**

|                                | 2014            | 2015                   |
|--------------------------------|-----------------|------------------------|
| <b>Assets:</b>                 |                 |                        |
| Current assets                 | Ps. 35,584,231  | <b>Ps. 34,621,840</b>  |
| Non-Current assets             | 112,526,514     | <b>127,544,176</b>     |
| Total assets                   | Ps. 148,110,745 | <b>Ps. 162,166,016</b> |
| <b>Liabilities and equity:</b> |                 |                        |

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|   |                 |                        |
|---|-----------------|------------------------|
| Current liabilities                                 | Ps. 27,377,325  | <b>Ps. 43,643,550</b>  |
| Non-current liabilities                             | 81,209,684      | <b>78,038,244</b>      |
| Total liabilities                                   | 108,587,009     | <b>121,681,794</b>     |
| Equity attributable to equity holders of the parent | 13,954,424      | <b>17,113,774</b>      |
| Non-controlling interest (1)                        | 25,569,312      | <b>23,370,448</b>      |
| Total equity  | 39,523,736      | <b>40,484,222</b>      |
| Total liabilities and equity                        | Ps. 148,110,745 | <b>Ps. 162,166,016</b> |

(1) Include Ps. 11,752,826 related to the undated subordinated fixed rate bond. See Note 19.

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|                                       | <b>2014</b>          | <b>2015</b>           |
|---------------------------------------|----------------------|-----------------------|
| Operating revenues                    | Ps. 37,392,067       | <b>Ps. 73,159,960</b> |
| Operating costs and expenses          | 33,526,607           | <b>66,913,434</b>     |
| Operating income                      | 3,865,460            | <b>6,246,526</b>      |
| Net income                            | 2,358,676            | <b>6,157,758</b>      |
| <b>Total comprehensive income</b>     | <b>Ps. 1,747,203</b> | <b>Ps. 4,968,909</b>  |
| Net income attributable to:           |                      |                       |
| Equity holders of the parent          | Ps. 1,246,451        | <b>Ps. 3,674,886</b>  |
| Non-controlling interest              | 1,112,225            | <b>2,482,872</b>      |
|                                       | <b>Ps. 2,358,676</b> | <b>Ps. 6,157,758</b>  |
| Comprehensive income attributable to: |                      |                       |
| Equity holders of the parent          | Ps. 1,043,080        | <b>Ps. 2,967,698</b>  |
| Non-controlling interest              | 704,123              | <b>2,001,211</b>      |
|                                       | <b>Ps. 1,747,203</b> | <b>Ps. 4,968,909</b>  |

**Tower operations and other passive infrastructure in Mexico spin-off**

In October 2015, following the approval of the Federal Telecommunications Institute (*Instituto Federal de Telecomunicaciones*, or IFT) and confirmation by the Mexican Tax Administration Service (*Servicio de Administración Tributaria*) of its tax implications. The Company completed the spin-off process of Telesites, S.A.B. de C.V. (Telesites), its telecom towers located in Mexico, which had been approved by an extraordinary meeting of shareholders held in April 2015. The National Securities and Banking Commission (Comisión Nacional Bancaria y de Valores) authorized the registration of the shares of Telesites in December 2015, and the Company concluded the listing process on December 21, 2015.

As of the date of the spin-off, the assets and liabilities of Telesites no longer appear on the Company's consolidated statement of financial position, and the Company transferred to Telesites as part of the spin-off Ps. 4,937,752 in property, plant and equipment, Ps. 21,000,000 in debt and other net liabilities of Ps. 96,392 resulting in a net gain of Ps. 16,158,640 recognized directly in equity. In December, 2015 Telesites repaid to the Company the debt amounting Ps. 21,000,000.

The Company has entered into lease agreements for the use of tower space from Telesites, a related party. Lease terms are for ten years, with options for renewal.

**14. Income Taxes**

As explained previously in these consolidated financial statements, the Company is a Mexican corporation which has numerous consolidated subsidiaries operating throughout the world. Presented below is a discussion of income tax matters that relates to the Company's consolidated operations, its Mexican operations and significant foreign operations.

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## a) Consolidated income tax matters

The composition of income tax expense for the years ended December 31, 2013, 2014 and 2015 is as follows:

|                               | 2013           | 2014           | 2015                  |
|-------------------------------|----------------|----------------|-----------------------|
| <b>In Mexico:</b>             |                |                |                       |
| Current year income tax       | Ps. 17,392,197 | Ps. 26,891,333 | <b>Ps. 17,156,638</b> |
| Deferred income tax           | (2,932,028)    | 304,231        | <b>(4,095,128)</b>    |
| Effect of changes in tax rate | 138,849        |                |                       |
| <b>Foreign:</b>               |                |                |                       |
| Current year income tax       | 17,955,532     | 18,212,915     | <b>17,775,360</b>     |
| Deferred income tax           | (2,161,819)    | (5,700,930)    | <b>(11,657,219)</b>   |
|                               | Ps. 30,392,731 | Ps. 39,707,549 | <b>Ps. 19,179,651</b> |

Deferred tax related to items recognized in OCI during the year:

|   | 2013       | 2014           | 2015                |
|---|------------|----------------|---------------------|
| Remeasurement of defined benefit plans                        | Ps. 73,620 | Ps.(1,650,959) | <b>Ps.7,786,292</b> |
| Effect of financial instruments acquired for hedging purposes | (43,499)   | 23,267         | <b>(16,069)</b>     |
| Other   | 555,879    | 278,776        | <b>165,510</b>      |
| Deferred tax charged to OCI                                   | Ps.586,000 | Ps.(1,348,916) | <b>Ps.7,935,733</b> |

A reconciliation of the statutory income tax rate in Mexico to the consolidated effective income tax rate recognized by the Company is as follows:

|  | Year ended December 31, |        |               |
|--|-------------------------|--------|---------------|
|  | 2013                    | 2014   | 2015          |
| Statutory income tax rate in Mexico                              | 30.0%                   | 30.0%  | <b>30.0%</b>  |
| Impact of non-deductible and non-taxable items:                  |                         |        |               |
| Tax inflation effects  | 5.7%                    | 6.0%   | <b>6.2%</b>   |
| Operations of foreign subsidiaries                               | (0.7%)                  | (0.9%) |               |
| Tax loss on sale of financial asset restructuring                | (8.3%)                  |        |               |
| Other  | (4.6%)                  | 0.7%   | <b>2.1%</b>   |
| Effective tax rate on Mexican operations                         | 22.1%                   | 35.8%  | <b>38.3%</b>  |
| Change in estimated realization of deferred tax assets in Brazil | 0.9%                    | 0.2%   | <b>0.4%</b>   |
| Use of tax credits in Brazil                                     | (0.3%)                  | (0.1%) |               |
| Equity interest in net loss of associated companies              |                         | 2.1%   | <b>0.8%</b>   |
| Loss (gain) on derecognition of equity method investment         |                         | 1.1%   | <b>(6.4%)</b> |



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|  |       |       |              |
|--|-------|-------|--------------|
| Loss on partial sale of investment in associated Company |       | 1.9%  |              |
| Foreign subsidiaries other items, net                    | 6.1%  | 4.5%  | <b>1.1%</b>  |
| Effective tax rate                                       | 28.8% | 45.5% | <b>34.2%</b> |

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An analysis of temporary differences giving rise to the net deferred tax liability is as follows:

|                               | Consolidated statement of financial position |                | Consolidated statement of comprehensive income |                 |               |
|-------------------------------|--|----------------|--|-----------------|---------------|
|                               | 2014   | 2015           | 2013   | 2014            | 2015          |
| Provisions                    | Ps. 19,600,222                               | Ps. 19,637,868 | Ps. 1,015,977                                  | Ps. (2,556,720) | Ps. (126,330) |
| Deferred revenues             | 7,153,093                                    | 8,234,540      | 1,356,538                                      | 1,146,039       | 1,065,242     |
| Tax losses carry forward      | 16,242,979                                   | 19,271,677     | (3,840,565)                                    | 1,378,615       | (1,222,172)   |
| Property, plant and equipment | (19,190,057)                                 | (12,302,621)   | (1,545,322)                                    | 2,805,277       | 7,110,085     |
| Inventories                   | 3,279,763                                    | 1,752,310      | 1,310,739                                      | (769,095)       | (1,527,453)   |
| Licenses and rights of use    | (5,062,334)                                  | (2,525,550)    | 914,062  | 136,034         | 2,548,353     |
| Employee benefits             | 19,720,588                                   | 30,612,286     | 2,596,157                                      | 3,263,517       | 2,614,932     |
| Other                         | 10,565,843                                   | 5,136,637      | 3,147,412                                      | (6,967)         | 5,289,690     |

**Net deferred tax assets/(liabilities)** Ps. 52,310,097 Ps. 69,817,147

**Deferred tax expense/(benefit) in net profit for the year** Ps. 4,954,998 Ps. 5,396,700 Ps. 15,752,347

Reconciliation of deferred tax assets and liabilities, net:

|   | 2013           | 2014           | 2015           |
|---|----------------|----------------|----------------|
| <b>Opening balance as of January 1,</b>   | Ps. 42,266,215 | Ps. 52,504,635 | Ps. 52,310,097 |
| Deferred tax benefit and effect of changes in tax rate recognized in profit or loss | 4,954,998      | 5,396,700      | 15,752,347     |
| Effect of translation   | 1,341,774      | (95,599)       | (6,259,252)    |
| Benefit for tax credits in Brazil   |                | 1,138,742      |                |
| Deferred tax benefit (expense) recognized in OCI                                    | 586,000        | (1,348,916)    | 7,935,732      |
| Deferred taxes acquired in business combinations                                    | 3,355,648      | (5,285,465)    | 78,223         |
| <b>Closing balance as of December 31,</b>   | Ps. 52,504,635 | Ps. 52,310,097 | Ps. 69,817,147 |

**Presented in the consolidated statements of financial position as follows:**

|                                 |                |                |                |
|---------------------------------|----------------|----------------|----------------|
| Deferred income tax assets      | Ps. 50,853,686 | Ps. 66,500,539 | Ps. 81,407,012 |
| Deferred income tax liabilities | 1,650,949      | (14,190,442)   | (11,589,865)   |
|                                 | Ps. 52,504,635 | Ps. 52,310,097 | Ps. 69,817,147 |

The deferred tax assets are in tax jurisdictions in which the Company considers that based on financial projections of its cash flows, results of operations and synergies between subsidiaries, will generate taxable income in subsequent periods.

The Company does not recognize a deferred tax liability related to the undistributed earnings of its subsidiaries, because it currently does not expect these earnings to be taxable or to be repatriated in the near future. The Company's policy has been to distribute the profits when it has paid the corresponding taxes in its home jurisdiction and the tax can be accredited in Mexico.

At December 31, 2014 and 2015, the balance of the contributed capital account ( CUCA ) is Ps. 442,103,804 and Ps.460,432,409, respectively. On January 1, 2014, the CUFIN is computed on an America Móvil's stand-alone basis. The balance of the America Móvil's stand-alone basis amounted to Ps. 100,511,666 and Ps. 200,300,352 as of December 31, 2014 and 2015, respectively.

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b) Mexican income tax matters

Through December 31, 2013, América Móvil, S.A.B. de C.V. was the controlling company in the tax consolidation in accordance with previously existing corporate and tax law. Through 2013, the Company determined its income tax for each year on a consolidated basis with its Mexican subsidiaries, which in simple terms consisted of including the taxable income or tax loss of each Mexican subsidiary in AMX's tax results, in proportion to a given percentage of América Móvil's equity interest in each subsidiary.

As a result of the Tax Reform issued on December 11, 2013, a new income tax law was passed and the Business Flat Tax was repealed.

Prior Tax Consolidation Regime

In 2010, Mexico's tax consolidation regime was significantly amended to establish a maximum deferral period for current year income tax of five years while requiring previously applied tax consolidation benefits to be reversed (commonly referred to as recaptured) and remitted to the tax authorities in installments over the sixth to tenth years subsequent to the year in which the benefits were taken.

Therefore, in 2010, the Company calculated the income tax it had deferred through 2004. From 2011 through 2013, it calculated its income tax corresponding to 2005 through 2007. Similarly, these taxes must be remitted in 5 annual installments.

Tax consolidation benefits resulted from:

- i) Tax losses applied in the tax consolidation that would not have otherwise been carried forward individually by the entity that generated them; and
- ii) Other items (apart from tax losses) that give rise to tax consolidation benefits, including losses on sales of shares not deducted individually by the entity that generated them; special consolidation items related to transactions carried out between consolidating entities; and dividends declared by consolidated subsidiaries as of 1999 that were not paid from the balance of their CUFIN or the Net reinvested taxed profits account (CUFINRE).

The individual CUFIN and CUFINRE balances of the group's entities can result in taxable profits in conformity with the Mexican Income Tax Law (MITL). These amounts are referred to as CUFIN differences. As a result of these changes, in 2014 América Móvil released provisions related to prior year tax losses used in tax consolidation and payment of differences on CUFINRE for an amount of Ps. 2,601,000, which represents a benefit in the effective tax rate calculation above.

As of December 31, 2015, the deconsolidation tax payable effects with respect to tax losses that were carried forward under the consolidation regime amount to Ps.3,591,667 (Ps. 3,279,356 as of December 31, 2014), which is being paid by the Company in the amounts and terms set forth in the law. This amount is included as part of the taxes payable line of the consolidated statements of financial position.

Optional Regime

The new Income Tax Law establishes the optional regime for corporate groups to defer the remittance of the deferred income tax of the group's subsidiaries, under the terms and conditions established in Articles 59 to 71 of the MITL. In

addition to the above, the Company meets the requirements for adopting this regime in conformity with Article 60 of the MITL and accordingly, the Company filed its notice of incorporation into the optional regime under the terms and conditions published by the tax authority on February 17, 2014. Also, in conformity with rule 1.3.22.8 of the Miscellaneous Tax Rules, the Company has declared its intention to take the option contained in such rule, which allows companies with unused tax losses at December 31, 2013 to carry forward these losses under the new regime.

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## Corporate tax rate

The income tax rate applicable in Mexico from 2013 through 2015 was 30%.

c) Significant foreign income tax matters  
Results of operations

The foreign subsidiaries determine their taxes on profits based on their individual taxable income, in accordance with the specific tax regimes of each country. The combined income before taxes and the combined provision for taxes of such subsidiaries in 2013, 2014 and 2015 are as follows:

|  | 2013          | 2014          | 2015          |
|--|---------------|---------------|---------------|
| Combined income before taxes   | Ps.29,270,337 | Ps.13,256,266 | Ps.27,933,182 |
| Combined tax provision differences not deductible-not cumulative in the Foreign Subsidiaries | 15,793,713    | 12,511,984    | 6,118,142     |

The effective income tax rate for the Company's foreign jurisdiction was 54% in 2013, 94% in 2014 and 22% in 2015 as shown in the table above. The statutory tax rates in these jurisdictions vary, although many approximate 22% to 39%. The primary difference between the expected statutory rates and the effective rates in 2013 was attributable to loss in partial sales of shares (KPN) and the change in the realization of deferred tax in Brazil. The primary difference between the expected statutory rates and the effective rates in 2014 was attributable to the loss on derecognition of the equity method of Telekom Austria, the loss in partial sales of KPN shares and equity method recognized on KPN. The primary difference between the expected statutory rates and the effective rates in 2015 was attributable to the gain on derecognition of the equity method investment in KPN.

## d) Tax losses

i) At December 31, 2015, the available tax loss carryforwards recorded in deferred tax assets are as follows on a country by country basis:

| Country  | Balance of available tax<br>loss carryforwards<br>at<br>December 31, 2015 | Tax loss carryforward<br>benefit |
|----------|---|----------------------------------|
| Brazil   | Ps.46,809,376   | Ps.15,687,138                    |
| Mexico   | 7,071,802   | 2,121,540                        |
| Colombia | 122,225   | 36,667                           |
| Peru     | 272,306   | 81,692                           |
| Austria  | 5,378,559   | 1,344,640                        |
| Total    | Ps.59,654,268   | Ps.19,271,677                    |

ii) The tax loss carryforwards in the different countries in which the Company operates have the following terms and characteristics:

A) The Company has accumulated Ps.46,809,376 in net operating loss carry-forwards ( NOL s ) in Brazil as of December 31, 2015. In Brazil there is no expiration of the NOL s. However, the NOL amount used against taxable income in each year may not exceed 30% of the taxable income for such year. Consequently, in the year in which taxable income is generated, the effective tax rate is 25% rather than the 34% corporate tax rate.

Through December 31, 2013, separate legal entities in Brazil did not file tax returns on a consolidated basis. On December 31, 2014, several of the Company s subsidiaries in Brazil were merged increasing the probability that the recorded NOL s will be ultimately recovered.

The Company believes that it is more likely than not that the accumulated balances of its net deferred tax assets are recoverable, based on the positive evidence of the Company to generate taxable temporary differences related

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to the same taxation authority which will result in taxable amounts against which the available tax losses can be utilized before they expire. Positive evidence includes the Company's recent merger of its operations in Brazil, resulting in an organizational structure that is anticipated to be more efficient and profitable.

B) In Mexico the tax loss carryforwards expire in ten years on a stand-alone basis.

C) In Austria, the loss carryforwards have no expiration, but its annual usage is limited to 75% of the taxable income of the year.

**15. Debt**

a) The Company's short- and long-term debt consists of the following:

| <b>At December 31, 2014</b> |                                     |                           |          |                 |
|-----------------------------|-------------------------------------|---------------------------|----------|-----------------|
| Currency                    | Loan                                | Interest rate             | Maturity | Total           |
| <b>U.S. dollars</b>         |                                     |                           |          |                 |
|                             | Fixed-rate Senior notes (i)         | 2.375% - 7.5%             | 2042     | Ps. 210,126,663 |
|                             | Floating rates Senior notes (i)     | L + 1.0%                  | 2016     | 11,038,500      |
|                             | Financial Leases                    | 3.75%                     | 2015     | 106,862         |
|                             | Lines of credit (iii)               | 4.00% - 7.70% & L + 2.10% | 2024     | 14,600,011      |
|                             | Subtotal U.S. dollars               |                           |          | 235,872,036     |
| <b>Mexican pesos</b>        |                                     |                           |          |                 |
|                             | Fixed-rate Senior notes (i) (ii)    | 6.00% - 9.00%             | 2037     | 78,200,265      |
|                             | Floating rate Senior notes (i) (ii) | TIIE + 0.40% - 1.25%      | 2016     | 6,600,000       |
|                             | Lines of credit (iii)               | TIIE + 0.05% - 1.00%      | 2015     | 311,048         |
|                             | Subtotal Mexican pesos              |                           |          | 85,111,313      |
| <b>Euros</b>                |                                     |                           |          |                 |
|                             | Fixed-rate Senior notes (i)         | 1.00% - 6.375%            | 2073     | 177,127,119     |
|                             | Lines of credit (iii)               | 3.10% - 5.41%             | 2019     | 11,903,748      |
|                             | Subtotal Euros                      |                           |          | 189,030,867     |
| <b>Sterling Pounds</b>      |                                     |                           |          |                 |
|                             | Fixed-rate Senior notes (i)         | 4.375% - 6.375%           | 2073     | 63,047,129      |
|                             | Subtotal Sterling pounds            |                           |          | 63,047,129      |
| <b>Swiss francs</b>         |                                     |                           |          |                 |
|                             | Fixed-rate Senior notes (i)         | 1.125% - 2.25%            | 2018     | 15,542,492      |
|                             | Subtotal Swiss francs               |                           |          | 15,542,492      |



|                         |  |               |      |                 |
|-------------------------|--|---------------|------|-----------------|
| <b>Brazilian reais</b>  |  |               |      |                 |
|                         | Lines of credit (iii)  | 3.0% - 6.00%  | 2019 | 4,435,774       |
|                         | Subtotal Brazilian reais                                     |               |      | 4,435,774       |
| <b>Colombian pesos</b>  |  |               |      |                 |
|                         | Fixed-rate Senior notes (i)                                  | 7.59%         | 2016 | 2,768,322       |
|                         | Subtotal Colombian pesos                                     |               |      | 2,768,322       |
| <b>Other currencies</b> |  |               |      |                 |
|                         | Fixed-rate Senior notes (i)                                  | 1.53% - 3.96% | 2039 | 7,582,720       |
|                         | Financial Leases   | 5.05% - 8.97% | 2027 | 364,334         |
|                         | Subtotal other currencies                                    |               |      | 7,947,054       |
|                         | Total debt   |               |      | 603,754,987     |
|                         | Less: Short-term debt and current portion of long -term debt |               |      | 57,805,517      |
|                         | Long-term debt   |               |      | Ps. 545,949,470 |

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|                                | <b>At December 31, 2015</b>         |                                 |          |                     |
|--------------------------------|-------------------------------------|---------------------------------|----------|---------------------|
| Currency                       | Loan                                | Interest rate                   | Maturity | Total               |
| <b>dollars</b>                 |                                     |                                 |          |                     |
|                                | Fixed-rate Senior notes (i)         | 2.375% - 6.375%                 | 2042     | <b>Ps. 205,099,</b> |
|                                | Floating rates Senior notes (i)     | L + 1.0%                        | 2016     | <b>12,904,</b>      |
|                                | Lines of credit (iii)               | 1.5% - 8.0% & L + 0.20% - 0.28% | 2024     | <b>39,488,</b>      |
|                                | Subtotal U.S. dollars               |                                 |          | <b>257,492,</b>     |
| <b>Mexican pesos</b>           |                                     |                                 |          |                     |
|                                | Fixed-rate Senior notes (i) (ii)    | 6.00% - 9.00%                   | 2037     | <b>81,782,</b>      |
|                                | Floating rate Senior notes (i) (ii) | THIE + 1.25%                    | 2016     | <b>2,000,</b>       |
|                                | Lines of credit (iii)               | THIE + 0.05% - 1.00%            | 2016     | <b>2,632,</b>       |
|                                | Subtotal Mexican pesos              |                                 |          | <b>86,415,</b>      |
| <b>Euros</b>                   |                                     |                                 |          |                     |
|                                | Fixed-rate Senior notes (i)         | 1.00% - 6.375%                  | 2073     | <b>237,077,</b>     |
|                                | Lines of credit (iii)               | 3.10% - 5.41%                   | 2019     | <b>7,316,</b>       |
|                                | Subtotal Euros                      |                                 |          | <b>244,394,</b>     |
| <b>British Sterling Pounds</b> |                                     |                                 |          |                     |
|                                | Fixed-rate Senior notes (i)         | 4.375% - 6.375%                 | 2073     | <b>69,689,</b>      |
|                                | Subtotal Sterling pounds            |                                 |          | <b>69,689,</b>      |
| <b>Swiss francs</b>            |                                     |                                 |          |                     |
|                                | Fixed-rate Senior notes (i)         | 1.125% & 2.00%                  | 2018     | <b>14,085,</b>      |
|                                | Subtotal Swiss francs               |                                 |          | <b>14,085,</b>      |
| <b>Brazilian reais</b>         |                                     |                                 |          |                     |
|                                | Lines of credit (iii)               | 3.00% - 9.50%                   | 2020     | <b>2,752,</b>       |
|                                | Subtotal Brazilian reais            |                                 |          | <b>2,752,</b>       |
| <b>Colombian pesos</b>         |                                     |                                 |          |                     |
|                                | Fixed-rate Senior notes (i)         | 7.59%                           | 2016     | <b>2,458,</b>       |
|                                | Subtotal Colombian pesos            |                                 |          | <b>2,458,</b>       |
| <b>Other currencies</b>        |                                     |                                 |          |                     |
|                                | Fixed-rate Senior notes (i)         | 1.53% - 3.96%                   | 2039     | <b>5,695,</b>       |
|                                | Financial Leases                    | 5.05% - 8.97%                   | 2027     | <b>234,</b>         |
|                                | Subtotal other currencies           |                                 |          | <b>5,929,</b>       |

|  |              |
|--|--------------|
| Total debt   | 683,216,     |
| Less: Short-term debt and current portion of long -term debt | 119,589,     |
| Long-term debt   | Ps. 563,626, |

L = LIBOR o London Interbank Offer Rate

TIIE = Mexican Interbank Rate

Euribor = Euro Interbank Offered Rate

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Except for the fixed-rate notes, interest rates on the Company's debt are subject to variances in international and local rates. The Company's weighted average cost of borrowed funds at December 31, 2014 and December 31, 2015, was approximately 4.7% and 4.2%, respectively.

Such rates do not include commissions or the reimbursements for Mexican tax withholdings (typically a tax rate of 4.5%) that the Company must make to international lenders. In general, fees on financing transactions add ten basis points to financing costs.

An analysis of the Company's short-term debt maturities as of December 31, 2014 and December 31, 2015, is as follows:

|  | 2014                  | 2015                   |
|--|-----------------------|------------------------|
| Domestic Senior Notes ( <i>Certificados Bursátiles</i> ) | Ps. 4,600,000         | Ps. 2,000,000          |
| International Senior Notes                               | 35,315,148            | 75,878,612             |
| Lines of credit  | 17,646,130            | 41,573,097             |
| Financial Leases   | 244,239               | 138,077                |
| <b>Subtotal short-term debt</b>                          | <b>Ps. 57,805,517</b> | <b>Ps. 119,589,786</b> |
| Weighted average interest rate                           | 4.0%                  | 3.5%                   |

The Company's long-term debt maturities and amortizations are as follows:

| Years               | Amount                 |
|---------------------|------------------------|
| 2017                | Ps. 47,150,363         |
| 2018                | 28,399,886             |
| 2019                | 49,610,142             |
| 2020                | 100,288,898            |
| 2021 and thereafter | 338,177,669            |
| <b>Total</b>        | <b>Ps. 563,626,958</b> |

**(i) Senior Notes**

The outstanding Senior Notes at December 31, 2014 and December 31, 2015 are as follows:

| Currency*       | 2014            | 2015            |
|-----------------|-----------------|-----------------|
| U.S. dollars    | Ps. 221,165,164 | Ps. 218,003,981 |
| Mexican pesos   | 84,800,265      | 83,782,648      |
| Euros           | 177,127,119     | 237,077,578     |
| Sterling pounds | 63,047,129      | 69,689,766      |

|                 |            |                   |
|-----------------|------------|-------------------|
| Swiss francs    | 15,542,492 | <b>14,085,385</b> |
| Japanese yens   | 2,224,042  | <b>2,590,564</b>  |
| Chinese yuans   | 2,371,767  |                   |
| Colombian pesos | 2,768,321  | <b>2,458,485</b>  |
| Chilean pesos   | 2,986,911  | <b>3,104,842</b>  |

\* Thousands of Mexican pesos

In the first quarter of 2015, the Company placed Ps. 3,500,000 under the Global Notes Program with the reopening of the bond maturing in 2024 and a coupon of 7.125%. The Global Notes Program of Mexican pesos, that was announced in November 2012 has the advantage of being registered both with the SEC in the US and with the National Banking and Securities Commission ( CNBV ) in Mexico, allowing seamless operation for domestic and international investors of such Notes.

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In May 2015, the Company placed 5 year bonds for an amount of EUR 3,000,000 thousands which may be exchange for ordinary shares of KPN, at an exercise price of 4.9007, 45% higher than the reference price on the date of issuance. At December 31, 2015 the closing price of the stock of KPN was 3.4920. Given the terms of the bond the Company identified an embedded option with a fair value of EUR 177,390 thousands reflected as liability within derivative financial instruments on the Consolidated Statement of Financial Position as of December 31, 2015. Under the terms of the exchangeable bond agreement, none of the exchange property (specifically, the KPN shares) has been or will be charged or otherwise placed in custody or set aside to secure or satisfy the Company's obligations. At any time the Company may or may not be the owner of the whole or any part of this property and may sell or otherwise dispose of the same or take any action or exercise any rights or options in respect of the same at any time.

In September 2015, the Company completed the placement of EUR 750,000 thousands principal amount of exchangeable bonds that will be mandatory exchangeable at maturity into ordinary shares of KPN. The bonds will have a maturity of 3 years and will pay a coupon of 5.5% per year payable quarterly in arrears, as well as corresponding cash dividends pay by KPN net of withholding taxes. The reference price of the KPN share for its exchange was set at 3.3374 but could be as high as 4.2552 (reference price plus 27.5%). As a result of the Company's mandatory exchangeable bond, the Company placed 224,726 million of ordinary shares of KPN in a trust in favor of the bond trustee and the bond holders. The aforementioned conditions allowed the Company to derecognize a portion of its investment in shares in KPN corresponding to the 224,726 million of ordinary shares of KPN of its Consolidated Statement of Financial Position as of December 31, 2015.

The exchangeable bonds described above have provisions that will allow for their settlement in cash if AMX wishes to retain ownership of the shares.

**(ii) Domestic Senior Notes**

At December 31, 2014 and December 31, 2015, debt under Domestic Senior Notes aggregate to Ps. 27,428,565 and Ps. 22,910,948, respectively. In general these issues bear a fixed-rate or floating rate determined as a differential on the THIE rate.

**(iii) Lines of credit**

At December 31, 2014 and December 31, 2015, debt under lines of credit aggregates to Ps. 30,077,192 and Ps. 52,189,343, respectively.

Likewise, the Company has two undrawn revolving syndicated facilities – one for U.S.\$2,500,000 and one for the Euro equivalent of U.S.\$2,000,000 currently undrawn. The Euro equivalent revolving syndicated facility was amended in July 2013 to increase the amount available to U.S.\$2,100,000. Loans under the facility bear interest at variable rates based on LIBOR and EURIBOR. Telekom Austria also has an undrawn revolving syndicated facility in Euros for 1,000,000 thousands at a variable rate based on EURIBOR.

**Restrictions**

A portion of the debt is subject to certain restrictions with respect to maintaining certain financial ratios, as well as restrictions on selling a significant portion of groups of assets, among others. At December 31, 2015, the Company was in compliance with all these requirements.

A portion of the debt is also subject to early maturity or repurchase at the option of the holders in the event of a change in control of the Company, as so defined in each instrument. The definition of change in control varies from

instrument to instrument; however, no change in control shall be considered to have occurred as long as Carso Global Telecom or its current shareholders continue to hold the majority of the Company's voting shares.

**Table of Contents****Covenants**

In conformity with the credit agreements, the Company is obliged to comply with certain financial and operating commitments. Such covenants limit in certain cases, the ability of the Company or the guarantor to: pledge assets, carry out certain types of mergers, sell all or substantially all of its assets, and sell control of Telcel.

Such covenants do not restrict the ability of AMX's subsidiaries to pay dividends or other payment distributions to AMX. The more restrictive financial covenants require the Company to maintain a consolidated ratio of debt to EBITDA (defined as operating income plus depreciation and amortization) that does not exceed 4 to 1, and a consolidated ratio of EBITDA to interest paid that is not below 2.5 to 1 (in accordance with the clauses included in the credit agreements).

Several of the financing instruments of the Company may be accelerated, at the option of the debt holder in the case that a change in control occurs.

b) For the years ended December 31, 2013, 2014 and 2015, interest income was Ps.2,925,834, Ps. 7,052,271 and Ps. 4,774,894, respectively.

c) For the years ended December 31, 2013, 2014 and 2015, interest expense was Ps.(23,950,653), Ps.(31,522,523) and Ps.(31,200,286), respectively.

d) For the years ended December 31, 2013, 2014 and 2015, Valuation of derivatives and other financial items was as follows:

|  | <b>2013</b>            | <b>2014</b>             | <b>2015</b>           |
|--|------------------------|-------------------------|-----------------------|
| Gain in valuation of derivatives, net                                  | Ps. 2,841,952          | Ps. 7,397,142           | <b>Ps. 15,128,269</b> |
| Capitalized interest expense<br>(Note 11 e)                            | 3,002,576              | 3,258,928               | <b>3,524,841</b>      |
| Commissions on debt  | (1,839,467)            | (1,612,395)             | <b>(1,399,479)</b>    |
| Interest cost of labor obligations<br>(Note 18)                        | (4,035,359)            | (4,933,083)             | <b>(5,701,622)</b>    |
| Interest expense on taxes  | (4,228,155)            | (2,115,730)             | <b>(135,569)</b>      |
| Loss on partial sale of shares in<br>associated Company                | (896,956)              | (5,554,612)             | <b>(545)</b>          |
| (Loss) gain on de-recognition of equity<br>method investment (Note 13) |                        | (3,172,218)             | <b>11,988,038</b>     |
| Other financial cost   | (3,136,126)            | (3,458,293)             | <b>(1,867,774)</b>    |
|  | <b>Ps. (8,291,535)</b> | <b>Ps. (10,190,261)</b> | <b>Ps. 21,536,159</b> |

**16. Accounts Payable, Accrued Liabilities and Asset Retirement Obligations**

a) An analysis of the caption accounts payable and accrued liabilities is as follows:



|                                 | <b>At December 31,</b> |                            |
|---------------------------------|------------------------|----------------------------|
|                                 | <b>2014</b>            | <b>2015</b>                |
| Suppliers                       | Ps. 105,226,573        | <b>Ps. 106,399,877</b>     |
| Sundry creditors                | 71,429,525             | <b>68,700,378</b>          |
| Interest payable                | 9,418,164              | <b>9,810,698</b>           |
| Guarantee deposits from clients | 1,974,323              | <b>1,424,428</b>           |
| Dividends payable               | 3,454,777              | <b>3,603,000</b>           |
| <br>Total                       | <br>Ps. 191,503,362    | <br><b>Ps. 189,938,381</b> |

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b) The balance of accrued liabilities at December 31, 2014 and 2015 are as follows:

|                                  | <b>At December 31,</b> |                      |
|----------------------------------|------------------------|----------------------|
|                                  | <b>2014</b>            | <b>2015</b>          |
| <b>Current liabilities</b>       |                        |                      |
| Direct employee benefits payable | Ps.20,735,930          | <b>Ps.17,632,137</b> |
| Contingencies                    | 33,232,749             | <b>34,611,091</b>    |
|                                  | Ps.53,968,679          | <b>Ps.52,243,228</b> |

The movements in contingencies for the years ended December 31, 2014 and 2015 are as follows:

|               | <b>Balance at<br/>December 31,<br/>2013</b> | <b>Business<br/>combination</b> | <b>Effect of<br/>translation</b> | <b>Increase of<br/>the year</b> | <b>Applications</b> |                  | <b>Balance at<br/>December 31,<br/>2014</b> |
|---------------|---|---------------------------------|----------------------------------|---------------------------------|---------------------|------------------|---|
|               |   |                                 |                                  |                                 | <b>Payments</b>     | <b>Reversals</b> |   |
| Contingencies | Ps.25,755,150                               | Ps. 1,666,269                   | Ps.(240,406)                     | Ps.11,211,251                   | Ps.(4,740,828)      | Ps.( 418,687)    | Ps.33,232,749                               |

|               | <b>Balance at<br/>December 31,<br/>2014</b> | <b>Business<br/>combination</b> | <b>Effect of<br/>translation</b> | <b>Increase of<br/>the year</b> | <b>Applications</b> |                  | <b>Balance at<br/>December 31,<br/>2015</b> |
|---------------|---|---------------------------------|----------------------------------|---------------------------------|---------------------|------------------|---|
|               |   |                                 |                                  |                                 | <b>Payments</b>     | <b>Reversals</b> |   |
| Contingencies | Ps.33,232,749                               | Ps. 68,896                      | Ps.(3,951,150)                   | Ps.11,414,777                   | Ps.(3,643,533)      | Ps.(2,510,648)   | Ps.34,611,091                               |

Contingencies include tax, labor, regulatory and other legal type contingencies. See Note 21 c) for detail of contingencies.

c) The movement in the asset retirement obligations for the years ended December 31, 2014 and 2015 is as follows:

|                             | <b>Balance at<br/>December 31,<br/>2013</b> | <b>Business<br/>Combination</b> | <b>Effect of<br/>translation</b> | <b>Increase of<br/>the year</b> | <b>Applications</b> |                  | <b>Balance at<br/>December 31,<br/>2014</b> |
|-----------------------------|---|---------------------------------|----------------------------------|---------------------------------|---------------------|------------------|---|
|                             |   |                                 |                                  |                                 | <b>Payments</b>     | <b>Reversals</b> |   |
| Asset retirement obligation | Ps. 7,516,460                               | Ps. 3,381,898                   | Ps.(5,349)                       | Ps. 2,779,076                   | Ps.(89,895)         | Ps.(130,783)     | Ps. 13,451,407                              |

|                             | <b>Balance at<br/>December 31,<br/>2014</b> | <b>Business<br/>Combination</b> | <b>Effect of<br/>translation</b> | <b>Increase of<br/>the year</b> | <b>Applications</b> |                  | <b>Balance at<br/>December 31,<br/>2015</b> |
|-----------------------------|---|---------------------------------|----------------------------------|---------------------------------|---------------------|------------------|---|
|                             |   |                                 |                                  |                                 | <b>Payments</b>     | <b>Reversals</b> |   |
| Asset retirement obligation | Ps. 13,451,407                              |                                 | Ps.(608,012)                     | Ps. 1,356,088                   | Ps.(20,219)         | Ps.(2,609,367)   | Ps. 11,569,897                              |

The discount rates used for the asset retirement obligation are based on market rates that are expected to be undertaken by the dismantling or restoration of cell sites, and may include labor costs. Reversals for 2015 are primarily related to the Telesites spin-off, as described in further detail within Note 13.

**Table of Contents****17. Deferred Revenues**

An analysis of deferred revenues at December 31, 2013, 2014 and 2015 is as follows:

|                                  | <b>At December 31,</b> |                |                |
|----------------------------------|------------------------|----------------|----------------|
|                                  | <b>2013</b>            | <b>2014</b>    | <b>2015</b>    |
| At January 1,                    | Ps. 25,057,134         | Ps. 28,121,634 | Ps. 32,794,992 |
| Revenue deferred during the year | 151,159,144            | 219,043,115    | 241,862,349    |
| Recognized as revenues           | (147,434,552)          | (218,622,000)  | (241,816,698)  |
| Business combinations            |                        | 3,116,395      | 55,129         |
| Effect of translation            | (660,092)              | 1,135,848      | 1,557,060      |
| At December 31,                  | Ps. 28,121,634         | Ps. 32,794,992 | Ps. 34,452,832 |

**Presented in the consolidated statements of financial position as follows:**

|                         |                |                |                |
|-------------------------|----------------|----------------|----------------|
| Current liabilities     | Ps. 27,016,340 | Ps. 31,464,235 | Ps. 33,399,892 |
| Non-current liabilities | 1,105,294      | 1,330,757      | 1,052,940      |
|                         | Ps. 28,121,634 | Ps. 32,794,992 | Ps. 34,452,832 |

Deferred revenues consist of revenues obtained for services that will be provided to customers within a certain period. Deferred revenues are recognized in the consolidated statements of comprehensive income when they are earned, including points programs.

**18. Employee Benefits**

An analysis of the net liability and net period cost for employee benefits is as follows:

|                   | <b>At December 31,</b> |                        |
|-------------------|------------------------|------------------------|
|                   | <b>2014</b>            | <b>2015</b>            |
| <b>Liability:</b> |                        |                        |
| Mexico            | Ps. 49,935,630         | Ps. 84,801,485         |
| Puerto Rico       | 16,024,080             | 15,621,619             |
| Brazil            | 4,781,286              | 3,534,739              |
| Europe            | 15,738,304             | 14,788,678             |
| Ecuador           | 125,265                | 196,841                |
| <b>Total</b>      | <b>Ps. 86,604,565</b>  | <b>Ps. 118,943,362</b> |

**Net period cost (benefit)**

**For the year ended December 31,**

|             | <b>2013</b>   | <b>2014</b>   | <b>2015</b>          |
|-------------|---------------|---------------|----------------------|
| Mexico      | Ps. 7,602,818 | Ps. 8,755,823 | <b>Ps. 8,962,953</b> |
| Puerto Rico | (713,271)     | (1,631,225)   | <b>(455,117)</b>     |
| Brazil      | 384,642       | 436,753       | <b>451,353</b>       |
| Austria     |               | 267,604       | <b>260,850</b>       |
| Ecuador     | 18,650        | 26,759        | <b>58,042</b>        |
| Total       | Ps. 7,292,839 | Ps. 7,855,714 | <b>Ps. 9,278,081</b> |

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## a) Defined benefit plans

The defined benefit obligation (DBO) and plan assets for the pension and other benefit obligation plans, by country, are as follows:

| 2014           |                  |                         |                                | At December 31 |                  |                         |                                | 2015           |                  |                         |                                |
|----------------|------------------|-------------------------|--------------------------------|----------------|------------------|-------------------------|--------------------------------|----------------|------------------|-------------------------|--------------------------------|
| DBO            | Plan Assets      | Effect of asset ceiling | Net employee benefit liability | DBO            | Plan Assets      | Effect of asset ceiling | Net employee benefit liability | DBO            | Plan Assets      | Effect of asset ceiling | Net employee benefit liability |
| Ps.260,662,704 | Ps.(211,287,266) |                         | Ps.49,375,438                  | Ps.266,548,490 | Ps.(182,436,376) |                         | Ps.84,112,114                  | Ps.309,513,360 | Ps.(242,360,329) | Ps.6,257,074            | Ps.73,410,105                  |
| 31,713,023     | ( 15,688,943)    |                         | 16,024,080                     | 32,929,155     | ( 17,307,536)    |                         | 15,611,619                     |                |                  |                         |                                |
| 13,692,521     | ( 15,384,120)    | Ps.6,257,074            | 4,565,475                      | 10,909,086     | ( 12,490,528)    | Ps.4,823,147            | 3,445,112                      |                |                  |                         |                                |
| 3,445,112      |                  |                         | 3,445,112                      | 3,544,587      |                  |                         |                                |                |                  |                         |                                |
| Ps.309,513,360 | Ps.(242,360,329) | Ps.6,257,074            | Ps.73,410,105                  | Ps.313,931,318 | Ps.(212,234,440) | Ps.4,823,147            | Ps.106,168,846                 |                |                  |                         |                                |

Below is a summary of the actuarial results generated for the pension and retirement plans as well as the medical services in Puerto Rico and Brazil; the pension plans and seniority premiums related to Telmex; the pension plan, the service awards plan and severance in Austria corresponding to the years ended 2013, 2014 and 2015:

| At December 31, 2013                                      |                 |                   |                         |                                |
|---|-----------------|-------------------|-------------------------|--------------------------------|
|   | DBO             | Plan Assets       | Effect of asset ceiling | Net employee benefit liability |
| Balance at the beginning of the year                      | Ps. 288,840,621 | Ps. (226,108,754) | Ps. 3,246,770           | Ps. 65,978,637                 |
| Current service cost                                      | 4,806,316       |                   |                         | 4,806,316                      |
| Interest cost on projected benefit obligation             | 23,536,570      |                   |                         | 23,536,570                     |
| Expected return on plan assets                            |                 | (19,828,034)      |                         | (19,828,034)                   |
| Changes in the asset ceiling during the period and others |                 | 70,613            | 256,210                 | 326,823                        |
| Past service costs and other                              | (1,755,273)     |                   |                         | (1,755,273)                    |
| Net period cost   | Ps. 26,587,613  | Ps. (19,757,421)  | Ps. 256,210             | Ps. 7,086,402                  |
| Actuarial gain for changes in experience                  | (1,147,669)     |                   |                         | (1,147,669)                    |
| Actuarial loss from changes in demographic assumptions    | 128,641         |                   |                         | 128,641                        |
| Actuarial gain from changes in financial assumptions      | (2,599,304)     |                   |                         | (2,599,304)                    |

|   |                  |                   |               |                  |
|---|------------------|-------------------|---------------|------------------|
| Changes in the asset ceiling during the period and others |                  |                   | 3,311,757     | 3,311,757        |
| Return on plan assets greater than discount rate          |                  | 6,882,581         |               | 6,882,581        |
| Recognized in Other comprehensive income                  | Ps. (3,618,332)  | Ps. 6,882,581     | Ps. 3,311,757 | Ps. 6,576,006    |
| Contributions made by plan participants                   | 153,528          |                   |               | 153,528          |
| Contributions to the pension plan by the company          |                  | (2,067,882)       |               | (2,067,882)      |
| Benefits paid   | (8,833,941)      | 8,833,941         |               |                  |
| Payments to employees                                     | (11,034,105)     |                   |               | (11,034,105)     |
| Effect of translation                                     | (1,906,531)      | 1,824,364         | (400,092)     | (482,259)        |
| Others  | Ps. (21,621,049) | Ps. 8,590,423     | Ps. (400,092) | Ps. (13,430,718) |
| Balance at the end of the year                            | 290,188,853      | (230,393,171)     | 6,414,645     | 66,210,327       |
| Non-current obligation                                    | Ps. 290,188,853  | Ps. (230,393,171) | Ps. 6,414,645 | Ps. 66,210,327   |

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|   | <b>At December 31, 2014</b> |                    |                                |                                       |
|---|-----------------------------|--------------------|--------------------------------|---------------------------------------|
|   | <b>DBO</b>                  | <b>Plan Assets</b> | <b>Effect of asset ceiling</b> | <b>Net employee benefit liability</b> |
| Balance at the beginning of the year                      | Ps. 290,188,853             | Ps. (230,393,171)  | Ps. 6,414,645                  | Ps. 66,210,327                        |
| Current service cost                                      | 4,673,010                   |                    |                                | 4,673,010                             |
| Interest cost on projected benefit obligation             | 25,052,769                  |                    |                                | 25,052,769                            |
| Expected return on plan assets                            |                             | (20,853,857)       |                                | (20,853,857)                          |
| Changes in the asset ceiling during the period and others |                             |                    | 734,171                        | 734,171                               |
| Past service costs and other                              | (2,530,502)                 | 101,554            |                                | (2,428,948)                           |
| Actuarial loss for changes in experience                  | 11,307                      |                    |                                | 11,307                                |
| Actuarial gain from changes in demographic assumptions    | (89)                        |                    |                                | (89)                                  |
| Actuarial loss from changes in financial assumptions      | 132,529                     |                    |                                | 132,529                               |
| Net period cost   | Ps. 27,339,024              | Ps. (20,752,303)   | Ps. 734,171                    | Ps. 7,320,892                         |
| Actuarial loss for changes in experience                  | 1,709,077                   |                    |                                | 1,709,077                             |
| Actuarial loss from changes in demographic assumptions    | 1,295,107                   |                    |                                | 1,295,107                             |
| Actuarial loss from changes in financial assumptions      | 3,885,510                   |                    |                                | 3,885,510                             |
| Changes in the asset ceiling during the period and others |                             |                    | (844,575)                      | (844,575)                             |
| Return on plan assets greater than discount rate          |                             | 4,076,445          |                                | 4,076,445                             |
| Recognized in Other comprehensive income                  | Ps. 6,889,694               | Ps. 4,076,445      | Ps. (844,575)                  | Ps. 10,121,564                        |
| Contributions made by plan participants                   | 191,622                     |                    |                                | 191,622                               |
| Contributions to the pension plan by the company          |                             | (2,183,939)        |                                | (2,183,939)                           |
| Benefits paid   | (8,523,259)                 | 8,523,259          |                                |                                       |
| Payments to employees                                     | (12,720,278)                |                    |                                | (12,720,278)                          |
| Acquisition of subsidiary                                 | 2,934,794                   |                    |                                | 2,934,794                             |
| Effect of translation                                     | 3,339,349                   | (1,630,620)        | (47,167)                       | 1,661,562                             |
| Others  | Ps. (14,777,772)            | Ps. 4,708,700      | Ps. (47,167)                   | Ps. (10,116,239)                      |
| Balance at the end of the year                            | 309,639,799                 | (242,360,329)      | 6,257,074                      | 73,536,544                            |
| Less short-term portion                                   | (126,439)                   |                    |                                | (126,439)                             |
| Non-current obligation                                    | Ps. 309,513,360             | Ps. (242,360,329)  | Ps. 6,257,074                  | Ps. 73,410,105                        |



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|   | At December 31, 2015 |                   |                               |                                      |
|---|----------------------|-------------------|-------------------------------|--------------------------------------|
|   | DBO                  | Plan Assets       | Effect of<br>asset<br>ceiling | Net employee<br>benefit<br>liability |
| Balance at the beginning of the year                      | Ps. 309,639,799      | Ps. (242,360,329) | Ps. 6,257,074                 | Ps. 73,536,544                       |
| Current service cost                                      | 4,540,925            |                   |                               | 4,540,925                            |
| Interest cost on projected benefit obligation             | 25,811,047           |                   |                               | 25,811,047                           |
| Expected return on plan assets                            |                      | (20,710,965)      |                               | (20,710,965)                         |
| Changes in the asset ceiling during the period and others |                      |                   | 601,540                       | 601,540                              |
| Past service costs and other                              | (1,365,096)          | 118,725           |                               | (1,246,371)                          |
| Actuarial loss for changes in experience                  | (27,949)             |                   |                               | (27,949)                             |
| Actuarial loss from changes in financial assumptions      | 30,285               |                   |                               | 30,285                               |
| Net period cost   | Ps. 28,989,212       | Ps. (20,592,240)  | Ps. 601,540                   | Ps. 8,998,512                        |
| Actuarial loss for changes in experience                  | (2,021,790)          |                   |                               | (2,021,790)                          |
| Actuarial loss from changes in demographic assumptions    | (685,110)            |                   |                               | (685,110)                            |
| Actuarial loss from changes in financial assumptions      | (2,502,344)          |                   |                               | (2,502,344)                          |
| Changes in the asset ceiling during the period and others |                      |                   | (754,357)                     | (754,357)                            |
| Return on plan assets greater than discount rate          |                      | 31,026,539        |                               | 31,026,539                           |
| Recognized in Other comprehensive income                  | Ps. (5,209,244)      | Ps. 31,026,539    | Ps. (754,357)                 | Ps. 25,062,938                       |
| Contributions made by plan participants                   | 231,619              |                   |                               | 231,619                              |
| Contributions to the pension plan by the company          |                      | (2,954,839)       |                               | (2,954,839)                          |
| Benefits paid   | (22,321,686)         | 22,149,262        |                               | (172,424)                            |
| Payments to employees                                     | (19,929)             |                   |                               | (19,929)                             |
| Effect of translation                                     | 2,739,958            | 497,167           | (1,281,110)                   | 1,956,015                            |
| Others  | Ps. (19,370,038)     | Ps. 19,691,590    | Ps. (1,281,110)               | Ps. (959,558)                        |
| Balance at the end of the year                            | 314,049,729          | (212,234,440)     | 4,823,147                     | 106,638,436                          |
| Less short-term portion                                   | (118,411)            |                   |                               | (118,411)                            |
| Non-current obligation                                    | Ps. 313,931,318      | Ps. (212,234,440) | Ps. 4,823,147                 | Ps. 106,520,025                      |

In the case of other subsidiaries in Mexico, the net period cost of other employee benefits for the years ended December 31, 2013, 2014 and 2015 was Ps.185,554, Ps. 573,733 and Ps. 160,835, respectively. The balance of other

employee benefits at December 31, 2014 and 2015 was Ps. 560,192 and Ps. 689,471.

In the case of Ecuador, the net period cost of other benefits for the years ended December 31, 2013 and 2014 and 2015 was Ps.18,650, Ps. 26,759 and Ps.58,042, respectively. The balance of employee benefits at December 31, 2014 and 2015 was Ps.125,265 and Ps.196,841, respectively.

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Plan assets are invested in:

|                    | At December 31 |        |        |             |        |        |
|--------------------|----------------|--------|--------|-------------|--------|--------|
|                    | 2014           |        |        | 2015        |        |        |
|                    | Puerto Rico    | Brazil | Mexico | Puerto Rico | Brazil | Mexico |
| Equity instruments | 35%            | 11%    | 56%    | 35%         | 7%     | 57%    |
| Debt instruments   | 64%            | 83%    | 44%    | 64%         | 88%    | 43%    |
| Others             | 1%             | 6%     |        | 1%          | 5%     |        |
|                    | 100%           | 100%   | 100%   | 100%        | 100%   | 100%   |

Included in the Telmex's net pension plan liability are plan assets of Ps. 182,436,377 at December 31, 2014 and Ps 211,287,266 as of December 31, 2015, which are invested in equity and debt instruments of both America Movil and also of related parties, primarily entities that are under common control of the Company's principal shareholder. The Telmex pension plan recorded a re-measurement of its defined pension plan of Ps. 25,954,494 during 2015, attributable to a change in actuarial assumptions, and also a decline in the fair value of plan investments from December 31, 2014 to December 31, 2015. The decline in fair value of the aforementioned related party pension plan investments approximated Ps. 28,793,765 during the year ended December 31, 2015.

The assumptions used in determining the net period cost were as follows:

|   | 2013        |        |        | 2014        |        |        |        | 2015        |        |        |               |
|---|-------------|--------|--------|-------------|--------|--------|--------|-------------|--------|--------|---------------|
|   | Puerto Rico | Brazil | Mexico | Puerto Rico | Brazil | Mexico | Europe | Puerto Rico | Brazil | Mexico | Europe        |
| Discount rate and long-term rate return                         | 3.95%       | 11.53% | 9.20%  | 4.80%       | 12.09% | 9.20%  | 2.00%  | Varies      | 12.57% | 9.20%  | 1.25% & 2.25% |
| Rate of future salary increases                                 | 4.00%       | 4.75%  | 4.50%  | 4.00%       | 5.40%  | 4.50%  | 5.5%,  | 3.50%       | 5.00%  | 4.50%  | 4.9%,         |
|   |             |        |        |             |        |        | 3.1%   |             |        |        | 3.0%          |
|   |             |        |        |             |        |        | &      |             |        |        | &             |
|   |             |        |        |             |        |        | 4.5%   |             |        |        | 4.5%          |
| Percentage of increase in health care costs for the coming year | 5.90%       | 11.90% |        | 5.80%       | 11.90% |        |        | 5.70%       | 11.50% |        |               |
| Year to which this  | 2027        |        |        | 2027        |        |        |        | 2027        |        |        |               |

|                                    |            |                   |
|------------------------------------|------------|-------------------|
| level will<br>be<br>maintained     |            |                   |
| Rate of<br>increase of<br>pensions | 1.60%      | <b>1.60%</b>      |
| Employee<br>turnover<br>rate*      | 0.0%-2.01% | <b>0.0%-2.06%</b> |

\* Depending on years of service

**Biometric**

|                        |   |
|------------------------|---|
| Puerto Rico:           |   |
| Mortality:             | RP 2014, MSS 2007 Tables.   |
| Brazil:                |   |
| Mortality:             | 2000 Basic AT Table for gender  |
| Disability for assets: | UP 84 modified table for gender   |
| Disability retirement  | 80 CSO Code Table   |
| Rotation               | Probability of leaving the Company other than death,<br>Disability and retirement is zero |

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## Austria

Life expectancy in Austria is based on AVÖ 2008-P- Rechnungsgrundlagen für die Pensionsversicherung-Pagler & Pagler .

## Telmex

Mortality:

Mexican 2000 (CNSF) adjusted

Disability:

Mexican Social Security adjusted by Telmex experience

Turnover:

Telmex experience

Retirement:

Telmex experience

For the year ended December 31, 2015, the Company conducted a sensitivity analysis on the most significant variables that affect the OBD, simulating independently, reasonable changes to roughly 100 basis points in each of these variables. The increase (decrease) would have resulted in the OBD pension and other benefits at December 31, 2015 are as follows:

|                             | <b>-100 points</b> | <b>+100 points</b> |
|-----------------------------|--------------------|--------------------|
| Discount rate               | Ps. 30,985,633     | Ps. (26,154,658)   |
| Health care cost trend rate | Ps. 3,598,440      | Ps. (2,972,902)    |
| Telmex Plans                |                    |                    |

Part of the Telmex's employees are covered under defined benefit pension plans and seniority premiums. Pension benefits and seniority premiums are determined on the basis of compensation received by the employees in their final year of employment, their seniority, and their age at the time of retirement. Telmex has set up an irrevocable trust fund to finance these employee benefits and has adopted the policy of making contributions to such fund when it is considered necessary.

## Defined benefits plan in Austria

Telekom Austria provides defined benefits for certain former employees in Austria. All such employees are retired and were employed prior to January 1, 1975. This unfunded plan provides benefits based on a percentage of salary and years employed, not exceeding 80% of the salary before retirement, and taking into consideration the pension provided by the social security system. Telekom Austria is exposed to the risk of development of life expectancy and inflation because the benefits from pension plans are lifetime benefits.

## Service awards in Austria

Civil servants and certain employees (together employees ) are eligible to receive service awards. Under these plans, eligible employees receive a cash bonus of two months salary after 25 years of service and four months salary after 40 years of service.

Employees with at least 35 years of service when retiring (at the age of 65) or who are retiring based on a specific legal regulation are eligible to receive four monthly salaries. The compensation is accrued as earned over the period of service, taking into account the employee turnover rate.

Severance in Austria

Employees starting to work for Austria on or after January 1, 2003 are covered by a defined contribution plan. Telekom Austria paid Ps. 36,917 and Ps. 34,142 (1.53% of the salary) into this defined contribution plan (*BAWAG Allianz Mitarbeitervorsorgekasse AG*) in 2015 and 2014, respectively.

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Severance benefit obligations for employees hired before January 1, 2003 are covered by defined benefit plans. Upon termination by Telekom Austria or retirement, eligible employees receive severance payments equal to a multiple of their monthly compensation which comprises fixed compensation plus variable elements such as overtime or bonuses. Maximum severance is equal to a multiple of twelve times the eligible monthly compensation. Up to three months of benefits are paid upon termination, with any benefit in excess of that amount being paid in monthly instalments over a period not exceeding ten months. In case of death, the heirs of eligible employees receive 50% of the severance benefits.

## b) The defined contribution plans (DCP)

## Brazil

Claro makes contributions to the DCP through Embratel Social Security Fund – Telos. Contributions are computed based on the salaries of the employees, who decide on the percentage of their contributions to the plan (between 3% and 12% of their salaries). Claro contributes the same percentage as the employee, capped at 8% of the participant's balance for the employees that are eligible to participate in this plan.

The unfunded liability represents Claro's obligation for those participants that migrated from the DBP to the DCP. This liability is being paid over a term of 20 years as of January 1, 1999. Unpaid balances are adjusted monthly based on the yield of the asset portfolio at that date and is increased based on the General Price Index of Brazil plus 6 percentage points per year. At December 31, 2014 and 2015, the balance of the DCP liability was Ps. 215,811 and Ps. 293,034 respectively.

As of December 31, 2013, 2014 and 2015 the cost of labor were Ps.2,233, Ps. 38,583 and Ps. 23,319 respectively.

## Austria

In Austria, pension benefits generally are provided by the social security system for employees and by the government for civil servants. Telekom Austria is required to assist in funding the Austrian government's pension and health care obligations to Telekom Austria current and former civil servants and their surviving dependents. In 2015 and 2014, the rate of contribution for active civil servants amounted to a maximum of 28.3% depending on the age of the civil servant. 15.75% are borne by Telekom Austria and the remaining portion is contributed by the civil servants. Contributions to the government, net of the share contributed by civil servants, amounted to Ps. 718,934 in 2015 and Ps. 375,831 for the period from July 1 to December 31, 2014. From January 1, 2017, the rate of contribution will be reduced to a maximum of 25.1% depending on the age of the civil servant 12.55% are borne by Telekom Austria and the remaining portion is contributed by the civil servants.

Additionally, Telekom Austria sponsors a defined contribution plan for employees of some of its Austrian subsidiaries. Telekom Austria contributions to this plan are based on a percentage of the compensation not exceeding 5%. The annual expenses for this plan amounted to Ps. 252,368 in 2015 and Ps.115,442 for the period from July 1 to December 31, 2014.

As of December 31, 2014 and 2015 the liability related to this defined contribution plan amounted to Ps 132,368 and Ps. 127,510, respectively.

## Other countries



For the rest of the countries where the Company operates and that do not have defined benefit plans or defined contribution plans, the Company makes contributions to the respective governmental social security agencies which are recognized in results of operations as they are incurred.

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**Table of Contents****c) Long-term direct employee benefits**

|   | <b>Balance at<br/>December 31,<br/>2013</b> | <b>Business<br/>Combination</b> | <b>Effect of<br/>translation</b> | <b>Increase of<br/>the year</b> | <b>Applications</b>  |                      | <b>Balance at<br/>December 31,<br/>2014</b> |
|---|---|---------------------------------|----------------------------------|---------------------------------|----------------------|----------------------|---|
|   |   |                                 |                                  |                                 | <b>Payments</b>      | <b>Reversals</b>     |   |
| Long-term<br>direct<br>employee<br>benefits | <b>Ps.</b>                                  | <b>Ps. 11,802,035</b>           | <b>Ps. 68,354</b>                | <b>Ps. 1,994,823</b>            | <b>Ps. (773,050)</b> | <b>Ps. (931,338)</b> | <b>Ps. 12,160,824</b>                       |

|   | <b>Balance at<br/>December 31,<br/>2014</b> | <b>Business<br/>Combination</b> | <b>Effect of<br/>translation</b> | <b>Increase of<br/>the year</b> | <b>Applications</b>    |                        | <b>Balance at<br/>December 31,<br/>2015</b> |
|---|---|---------------------------------|----------------------------------|---------------------------------|------------------------|------------------------|---|
|   |   |                                 |                                  |                                 | <b>Payments</b>        | <b>Reversals</b>       |   |
| Long-term<br>direct<br>employee<br>benefits | <b>Ps. 12,160,824</b>                       | <b>Ps. -</b>                    | <b>Ps. 569,955</b>               | <b>Ps. 2,022,865</b>            | <b>Ps. (1,720,080)</b> | <b>Ps. (1,916,983)</b> | <b>Ps. 11,116,581</b>                       |

In 2008, a comprehensive restructuring program was initiated in Austria. The provision for restructuring includes future compensation for employees, who will no longer provide services for Telekom Austria but who cannot be laid off due to their status as civil servants. These employee contracts are onerous contracts under IAS 37, as the unavoidable cost related to the contractual obligation exceeds the future economic benefit. The restructuring program also includes social plans for employees whose employments will be terminated in a socially responsible way.

The expense recognized related to the increase in the provision is reported in the line item commercial, administrative and general expenses, while the accretion expense is reported in valuation of derivatives, interest cost from labor obligations and other financial items, net. A part of the provision was released since a number of employees returned to regular operations, were transferred to the government or opted for schemes such as golden handshakes, special severance packages and early retirement to an extent not foreseeable at the time of the measurement of the provision in 2014. The changes in estimate are due to adjustments of the discount rate and the rate of compensation, the change of the contribution to the defined contribution pension plan from 2017 on as well as an adjustment of the employee turnover rate from 23.4% in 2014 to 22.9% in 2015. The employee turnover rate takes into consideration employees leaving in the future as well as temporary re-employment within Telekom Austria Group and is only applicable to the provision for employees permanently leaving the service process and not to provisions for social plans.

Based on the general agreement for the transfer of personnel, which was concluded with the Austrian government in 2013, employees transferring voluntarily to the government can apply for a permanent transfer after a probation period of six months. During this probation period, Telekom Austria Group bears the salary expense. In case of a permanent transfer, Telekom Austria Group has to compensate the government for any excess expense arising due to differing professional classifications of work places. Furthermore, compensation payments have to be effected to civil servants up to the age of 62 (optionally also one-off payments).

Furthermore, restructuring includes agreements from previous years concluded with the Austrian government relating to the voluntary transfer of civil servants with tenure, whose positions are eliminated due to technological progress, to

employment with the government. Civil servants of the segment of Austria can voluntarily transfer to administrative employment with the government. After a period of six to twelve months of public service and subjects to a positive performance evaluation, the civil servants have the option to apply for a permanent transfer, in which case the right to return to Telekom Austria is forfeited. Telekom Austria bears the salary expense for these civil servants up to June 30, 2016. The civil servants are compensated for any shortfall in salary or pension payments.

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**Table of Contents****19. Shareholders Equity**

a) Pursuant to the Company's bylaws, the capital stock of the Company consists of a minimum fixed portion of Ps.362,873 (nominal amount), represented by a total of 95,489,724,196 shares (including treasury shares available for placement in accordance with the provisions of the *Ley del Mercado de Valores*), of which (i) 23,384,632,660 are AA shares (full voting rights); (ii) 642,279,095 are A shares (full voting rights); and (iii) 71,462,812,441 are L shares (limited voting rights), all of them fully subscribed and paid.

b) As of December 31, 2015 and 2014, the Company's capital stock was represented by 66,000,000,000 (23,384,632,660 AA shares, 625,416,402 A shares and 41,989,950,938 L shares), and 68,150,000,000 shares (23,384,632,660 AA shares, 648,994,284 A shares and 44,116,373,056 L shares), respectively.

c) As of December 31, 2015 and 2014, the Company's treasury held for placement in accordance with the provisions of the of the *Ley del Mercado de Valores* and the *Disposiciones de carácter general aplicables a las emisoras de valores y a otros participantes en el Mercado de valores* issued by the *Comisión Nacional Bancaria y de Valores*, a total amount of (i) 29,489,724,196 shares (29,486,009,139 L shares and 3,715,057 A shares); and (ii) 27,339,724,196 shares (27,338,625,508 L shares and 1,098,688 A shares), respectively.

d) The holders of AA and A shares are entitled to full voting rights. The holders of L shares may only vote in limited circumstances, and they are only entitled to appoint two members of the Board of Directors and their respective alternates. The matters in which the shareholders who are entitled to vote are the following: extension of the term of the Company, early dissolution of the Company, change of corporate purpose of the Company, change of nationality of the Company, transformation of the Company, a merger with another company, as well as the cancellation of the registration of the shares issued by the Company in the *Registro Nacional de Valores* and any other foreign stock exchanges where they may be registered, except for quotation systems or other markets not organized as stock exchanges where they may be registered. Within their respective series, all shares confer the same rights to their holders.

The Company's bylaws contain restrictions and limitations related to the subscription and acquisition of AA shares by non-Mexican investors.

e) Pursuant to the Company's bylaws, AA shares must at all times represent no less than 20% and no more than 51% of the Company's capital stock, and they also must represent at all times no less than 51% of the common shares (entitled to full voting rights, represented by AA and A shares) representing said capital stock.

AA shares may only be subscribed to or acquired by Mexican investors, Mexican corporations and/or trusts expressly empowered for such purposes in accordance with the applicable legislation in force. A shares, which may be freely subscribed, may not represent more than 19.6% of capital stock and may not exceed 49% of the common shares representing such capital. Common shares (entitled to full voting rights, represented by AA and A shares), may represent no more than 51% of the Company's capital stock.

Lastly, L shares which have limited voting rights and may be freely subscribed, and A shares may not exceed 80% of the Company's capital stock. For purposes of determining these restrictions, the percentages mentioned above refer only to the number of the Company's shares outstanding.

**Dividends**

On April 30, 2015, the Company's shareholders approved, among others resolution, the (i) payment of a cash dividend of Ps.\$0.26 per share to each of the shares of its capital stock AA , A and L , payable in two equal installments each of Ps.\$0.13; (ii) payment of an extraordinary cash dividend of Ps.\$0.30 pesos to each of the shares of its capital stock AA , A and L , payable in a single installment; and (iii) increase the amount of funds available for the Company's buyback program by Ps.35 billion.

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On April 28, 2014, the Company's shareholders approved, among others resolution, the (i) payment of a cash dividend of Ps. 0.24 per share to each of the shares of its capital stock AA, A and L, payable in two equal installments each of Ps. 0.12 pesos; and (ii) increase the amount of funds available for the Company's buyback program by Ps.30 billion.

The payment of dividends described above comes from the balance of the Company's CUFIN.

**Legal Reserve**

According to the *Ley General de Sociedades Mercantiles*, companies must allocate from the net profit of each year, at least 5% to increase the legal reserve until it reaches 20% of its capital stock at par value. This reserve may not be distributed to shareholders during the existence of the Company. As of December 31, 2015 and 2014, the legal reserve amounted to Ps.358,440.

**Restrictions on Certain Transactions**

Pursuant to the Company's bylaws any transfer of more than 10% of the full voting shares (A shares and AA shares), effected in one or more transactions by any person or group of persons acting in concert, requires prior approval by our Board of Directors. If the Board of Directors denies such approval, however, Mexican law and the Company bylaws require it to designate an alternate transferee, who must pay market price for the shares as quoted on the *Bolsa Mexicana de Valores, S.A.B. de C.V.*

**Payment of Dividends**

Dividends, either in cash or in kind, paid with respect to the L Shares, A Shares, L Share ADSs or A Share ADSs will generally be subject to a 10% Mexican withholding tax (provided that no Mexican withholding tax will apply to distributions of net taxable profits generated before 2015). Nonresident holders could be subject to a lower tax rate, to the extent that they are eligible for benefits under an income tax treaty to which Mexico is a party.

**Earnings per Share**

The following table shows the computation of the basic and diluted earnings per share:

|  | For the years ended December 31, |                |                       |
|--|----------------------------------|----------------|-----------------------|
|  | 2013                             | 2014           | 2015                  |
| Net profit for the period attributable to equity holders of the parent | Ps. 74,624,979                   | Ps. 46,146,370 | <b>Ps. 35,054,772</b> |
| Weighted average shares (in millions)                                  | 72,866                           | 69,254         | <b>66,869</b>         |
| Earnings per share attributable to equity holders of the parent        | Ps. 1.02                         | Ps. 0.67       | <b>Ps. 0.52</b>       |

**Undated Subordinated Fixed Rate Bond**

In January 2013, Telekom Austria issued an Undated Subordinated Fixed Rate Bond with a face value of 600 million euros, which is subordinated with indefinite maturity and which is, based on its conditions, classified as stockholders equity according to IFRS.

The bond pays an annual coupon of 5.625%. Telekom Austria has the right (call), to redeem the bond on February 1, 2018. Telekom Austria has an early termination right under certain conditions. After that period (2018), the bond establishes conditions and increases the coupon rate every five years. After analyzing the conditions of the issuance, Telekom Austria recognized the instrument in equity, since it does not meet the criteria for classification as financial liability, not because it does not represent an obligation to pay.

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On the consolidated statements of financial position, the Company recognized this bond as a component of equity (non-controlling interest), as financial instruments issued by its subsidiary are classified as equity in the subsidiary's financial statements and are thus considered non-controlling interest in the Company's consolidated financial statements.

**20. Financial Assets and Liabilities**

Set out below is the categorization of the financial instruments, other than those with carrying value amounts that are reasonable approximations of fair value, held by América Móvil as of December 31, 2014 and 2015:

|  | <b>Loans and<br/>receivables</b> | <b>December 31, 2014<br/>Fair value<br/>through<br/>profit or loss</b> | <b>Fair value<br/>through OCI</b> |
|--|----------------------------------|--|-----------------------------------|
| <b>Financial Assets:</b>   |                                  |  |                                   |
| Accounts receivable from subscribers, distributors, and other, net | Ps. 122,028,071                  | Ps.  | Ps.                               |
| Related parties  | 1,320,107                        |  |                                   |
| Derivative financial instruments                                   |                                  | 22,536,056   |                                   |
| <b>Total</b>   | <b>Ps. 123,348,178</b>           | <b>Ps. 22,536,056</b>  | <b>Ps.</b>                        |
| <b>Financial Liabilities:</b>                                      |                                  |  |                                   |
| Debt   | Ps. 603,754,987                  | Ps.  | Ps.                               |
| Accounts payable   | 191,503,362                      |  |                                   |
| Related parties  | 3,087,292                        |  |                                   |
| Derivative financial instruments                                   |                                  | 8,373,205  | 154,607                           |
| <b>Total</b>   | <b>Ps. 798,345,641</b>           | <b>Ps. 8,373,205</b>   | <b>Ps. 154,607</b>                |
|  |                                  | <b>December 31, 2015<br/>Fair value<br/>through<br/>profit or loss</b> | <b>Fair value<br/>through OCI</b> |
| <b>Financial Assets:</b>   |                                  |  |                                   |
| Accounts receivable from subscribers, distributors, and other, net | <b>Ps. 129,198,593</b>           | <b>Ps.</b>   | <b>Ps.</b>                        |
| Related parties  | <b>845,633</b>                   |  |                                   |
| Derivative financial instruments                                   |                                  | <b>40,882,008</b>  |                                   |
| Marketable securities and other short term investments             |                                  | <b>12,257,668</b>  | <b>44,089,801</b>                 |
| <b>Total</b>   | <b>Ps. 130,044,226</b>           | <b>Ps. 53,139,676</b>  | <b>Ps. 44,089,801</b>             |



**Financial Liabilities:**

|                                  |                        |                      |                    |
|----------------------------------|------------------------|----------------------|--------------------|
| Debt                             | <b>Ps. 683,216,744</b> | <b>Ps.</b>           | <b>Ps.</b>         |
| Accounts payable                 | <b>189,938,381</b>     |                      |                    |
| Related parties                  | <b>2,246,834</b>       |                      |                    |
| Derivative financial instruments |                        | <b>7,350,191</b>     | <b>100,599</b>     |
| <b>Total</b>                     | <b>Ps. 875,401,959</b> | <b>Ps. 7,350,191</b> | <b>Ps. 100,599</b> |

**Long-term Financial Liabilities**

|                                  |  |                  |  |
|----------------------------------|--|------------------|--|
| Derivative financial instruments |  | <b>Ps.</b>       |  |
|                                  |  | <b>3,314,146</b> |  |
| <b>Total</b>                     |  | <b>Ps.</b>       |  |
|                                  |  | <b>3,314,146</b> |  |

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**Table of Contents****Fair value hierarchy**

The Company's valuation techniques used to determine and disclose the fair value of its financial instruments are based on the following hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Variables other than quoted prices in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and

Level 3: Variables used for the asset or liability that are not based on any observable market data (non-observable variables).

The fair value for the financial assets (other those with carrying value amounts that are reasonable approximations of fair value) and financial liabilities shown in the consolidated statement of financial position at December 31, 2014 and 2015 is as follows:

**Measurement of fair value at December 31, 2014**

|                                   | Level 1         | Level 2         | Level 3 | Total           |
|-----------------------------------|-----------------|-----------------|---------|-----------------|
| <b>Assets:</b>                    |                 |                 |         |                 |
| Derivatives financial instruments | Ps.             | Ps. 22,536,056  | Ps.     | Ps. 22,536,056  |
| Pension plan assets               | 242,360,329     |                 |         | 242,360,329     |
| Total                             | Ps. 242,360,329 | Ps. 22,536,056  | Ps.     | Ps. 264,896,385 |
| <b>Liabilities:</b>               |                 |                 |         |                 |
| Debt                              | Ps. 411,497,065 | Ps. 229,028,589 | Ps.     | Ps. 640,525,654 |
| Derivatives financial instruments |                 | 8,527,812       |         | 8,527,812       |
| Total                             | Ps. 411,497,065 | Ps. 237,556,401 | Ps.     | Ps. 649,053,466 |

**Measurement of fair value at December 31, 2015**

|  | Level 1         | Level 2        | Level 3 | Total           |
|--|-----------------|----------------|---------|-----------------|
| <b>Assets:</b>   |                 |                |         |                 |
| Derivatives financial instruments                      | Ps.             | Ps. 40,882,008 | Ps.     | Ps. 40,882,008  |
| Pension plan assets                                    | 212,234,440     |                |         | 212,234,440     |
| Marketable securities and other short term investments | 44,089,801      | 12,257,668     |         | 56,347,469      |
| Total  | Ps. 256,324,241 | Ps. 53,139,676 | Ps.     | Ps. 309,463,917 |
| <b>Liabilities:</b>                                    |                 |                |         |                 |
| Debt   | Ps. 656,026,844 | Ps. 59,400,873 |         | Ps. 715,427,717 |
| Derivatives financial instruments                      |                 | 7,450,790      |         | 7,450,790       |

|                                  |                        |                       |                        |
|----------------------------------|------------------------|-----------------------|------------------------|
| Total                            | <b>Ps. 656,026,844</b> | <b>Ps. 66,851,663</b> | <b>Ps. 722,878,507</b> |
| <b>Long-term Liabilities</b>     |                        |                       |                        |
| Derivative financial instruments |                        | <b>Ps. 3,314,146</b>  | <b>Ps. 3,314,146</b>   |
| Total                            |                        | <b>Ps. 3,314,146</b>  | <b>Ps. 3,314,146</b>   |

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Fair value of derivatives financial instruments are valued using valuation techniques with market observable inputs. To determine its Level 2 fair value, the Company applies valuation techniques including forward pricing and swaps models, using present value calculations. The models incorporate various inputs including credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. Fair value of debt Level 2 has been determined using a model based on present value calculation incorporating credit quality of AMX.

For the years ended December 31, 2013, 2014 and 2015, no transfers were made between Level 1 and Level 2 fair value measurement hierarchies.

**21. Commitments and Contingencies****a) Leases**

At December 31, 2014 and 2015, the Company has entered into several lease agreements with related parties and third parties for the buildings where its offices are located (as a lessee), as well as with the owners of towers and or premises where the Company has installed radio bases. The lease agreements generally have terms from one to fourteen years.

An analysis of the minimum rental payments for the next five years is shown below. In some cases, rental amounts are increased each year based on the National Consumer Price Index.

The Company has the following non-cancelable commitments under finance leases:

| <b>Year ended December 31</b>               | <b>2014</b> | <b>2015</b>        |
|---|-------------|--------------------|
| 2015  | Ps. 266,026 |                    |
| 2016  | 148,350     | <b>Ps. 151,091</b> |
| 2017  | 31,319      | <b>32,653</b>      |
| 2018  | 31,319      | <b>32,653</b>      |
| 2019  | 31,319      | <b>7,376</b>       |
| 2020  | 29,994      | <b>7,376</b>       |
| 2021 and thereafter                         |             | <b>49,173</b>      |
| Total                                       | 538,327     | <b>280,322</b>     |
| Less: amounts representing finance charges  | (67,131)    | <b>(46,170)</b>    |
| Present value of net minimum lease payments | 471,196     | <b>234,152</b>     |
| Less current portion                        | 244,240     | <b>138,077</b>     |
| Long-term obligations                       | Ps. 226,956 | <b>Ps. 96,075</b>  |

An analysis of non-cancellable operating leases in the next five years is as follows:

|                                |                       |
|--------------------------------|-----------------------|
| <b>Year ended December 31,</b> |                       |
| 2016                           | <b>Ps. 10,949,839</b> |

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|                     |                       |
|---------------------|-----------------------|
| 2017                | <b>9,888,061</b>      |
| 2018                | <b>10,144,186</b>     |
| 2019                | <b>9,438,297</b>      |
| 2020                | <b>9,151,395</b>      |
| 2021 and thereafter | <b>38,948,274</b>     |
| <b>Total</b>        | <b>Ps. 88,520,052</b> |

Rent expense for the years ended December 31, 2013, 2014 and 2015 was Ps. 14,800,464, Ps. 18,925,361 and Ps.22,015,761, respectively.

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**Table of Contents****b) Commitments**

At December 31, 2015, there were commitments in certain subsidiaries for the acquisition of equipment for incorporation into their 4G networks for an amount up to approximately US\$ 951,952 (approximately Ps. 16,373,573). The completion period of these projects depends upon the type of fixed assets under construction. In the case of telephone plant (switching transmission), it takes 6 months on average; for others, it may take more than 2 years.

These commitments will be paid as follows:

|                  |                      |
|------------------|----------------------|
| Less than 1 year | <b>Ps.14,801,710</b> |
| 1 to 3 years     | <b>1,571,863</b>     |
| <b>Total</b>     | <b>Ps.16,373,573</b> |

As of December 31, 2015, the Company has outstanding purchase commitments with telephone manufacturers for cellular phones for resale for approximately Ps.10,031,390 (US\$ 583,000), for delivery through May 2016. Additionally, the Company has a commitment to pay Ps 2,098,060 in 2016 for the concession granted to Telcel as explained in the Note 24 c).

In addition, the Company's subsidiary Tracfone has entered into long-term contracts with wireless carriers for the purchase of airtime minutes at current market prices. The purchase commitments are with three carriers, and at December 31, 2015 these commitments amounts to Ps. 53,512,215, (US\$3,110,000), through the year ending December 31, 2016.

**c) Contingencies<sup>1</sup>*****I. MEXICO*****a. América Móvil*****Tax Assessment***

In December 2014, the Mexican Tax Administration Service (*Servicio de Administración Tributaria*, or SAT), notified the Company of an assessment of Ps.529,700 related to the Company's tax return for the fiscal year ended December 31, 2005, and reduced the Company's consolidated tax loss from Ps.8,556,000 to zero. The Company has challenged this assessment in federal tax courts and a final decision is still pending. The Company has not established a provision in the accompanying financial statements for a loss arising from this contingency, which it does not consider probable.

***Preponderant Economic Agent Determination***

In March 2014, the Company, Telcel, Telmex and Telnor filed challenges (*juicios de amparo*) against the declaration by the Federal Telecommunications Institute (*Instituto Federal de Telecomunicaciones*, or IFT) that, together with certain affiliates, they constitute an economic interest group that is a preponderant economic agent (*agente económico preponderante*) in the telecommunications market in Mexico and imposing certain specific asymmetrical regulations. A final resolution to these challenges is pending. However, due to the fact that the under the new regulatory

framework the IFT's determinations are not suspended, the enforceability of the IFT's declaration is not subject of provisional suspension.

**b. Telcel**

***Substantial Market Power Investigations***

In 2007, the Federal Antitrust Commission (*Comisión Federal de Competencia*, or Cofeco ) initiated two substantial market power investigations against Telcel and determined that Telcel had substantial market power

<sup>1</sup> Amounts in thousands of Mexican pesos, thousands of U.S. dollars and thousands of Euros, unless otherwise indicated.

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in the mobile termination services market and in the nationwide wireless voice and data services market. Telcel filed challenges against both decisions and a final resolution of these challenges is pending. If upheld, these decisions, would allow the IFT (who is now the entity responsible for these investigations) to impose additional requirements as to rates, quality of service and information, among other matters.

### ***Monopolistic Practices Investigations***

In June 2015, the IFT issued a resolution declaring that Telcel had complied with all of the undertakings that had been proposed by IFT's predecessor, Cofeco, in connection with its investigations into Telcel's alleged relative monopolistic practices and the revocation of a related fine in May 2012. Six operators challenged the revocation of the fine and the related conclusion of the investigations. All of those proceedings were resolved on terms favorable to Telcel between 2013 and 2015. One of the operators also filed a civil proceeding claiming alleged damages arising from the revocation of the fine and Telcel's undertakings. This proceeding is still pending.

On a related investigation of Telcel's alleged relative monopolistic practices, the IFT issued a Probable Cause Finding (*Oficio de Probable Responsabilidad*) in September 2015, which Telcel has challenged. In March 2016, the IFT resolved this proceeding on terms favorable to Telcel, due to the fact that the alleged practices have been previously taking into consideration by Cofeco in connection with previous investigations proceedings. Even though this decision may be challenged, as of the date of this report we have not been notified of such circumstance.

### ***Mobile Termination Rates***

The mobile termination rates between Telcel and other operators have been the subject of various legal proceedings, including the following:

In March 2015, the Company's subsidiaries Telcel, Telmex and Telnor reached a settlement agreement with Axtel, S.A.B. de C.V. and Avantel, S. de R.L. de C.V. (collectively, Axtel) to settle all disputes regarding wireless termination rates and other related interconnection matters. The Company made a net payment of Ps.950,000 to Axtel as part of the settlement.

As a result of certain unresolved proceedings (*desacuerdos de interconexión*) for the years 2009 and 2010 filed by several operators, a resolution by the IFT is still pending.

In connection with certain proceedings (*desacuerdos de interconexión*) filed with the Cofetel by several operators, including Telcel, requesting that it set mobile termination rates and other interconnection conditions for the years 2011 through 2016, the IFT determined the applicable rates for 2012 through 2016, while those for 2011 had been previously determined by Cofetel. These determinations have been challenged by several operators, including Telcel, and are pending for final resolution. However, because under the new regulatory framework the IFT's determinations are not suspended pending legal resolution, Telcel has applied the rates determined by IFT.

Telcel has challenged all resolutions under the new regulatory framework imposing asymmetric interconnection rates. These challenges are still pending for final resolution.



In addition, the Company expects that mobile termination rates as well as other rates applicable to mobile interconnection (such as transit), will continue to be the subject of litigation and administrative proceedings in Mexico. The Company cannot predict when or how these matters will be resolved or the financial effects of any resolution. As of December 31, 2015, the Company established a provision in the accompanying financial statements for the losses considered probable and estimable for approximately Ps.1,100,000.

***Tax Assessment for Short Message Services Revenues***

The SAT has notified Telcel of tax assessments totaling Ps.320,000 for alleged nonpayment of revenues generated by SMS during 2004 and 2005. The SAT claims that Telcel owes such amounts because SMS

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constitute services under concession. Telcel has challenged the SAT's claim on the grounds that SMS are value-added services which are not under concession. Both claims were unfavorably solved recently by the Judicial Authorities. Telcel paid the 2005 assessment in January 2016 and expects to pay the 2004 assessment in the first half of 2016. The Company established a provision in the accompanying financial statements for the corresponding contingencies totaling an amount of Ps.811,000 as of December 31, 2015.

***Class Action Lawsuits***

The Federal Consumer Bureau (*Procuraduría Federal del Consumidor*, or Profeco) initiated proceedings before Mexican courts in 2011 on behalf of customers who alleged deficiencies in the quality of Telcel's network in 2010 and breach of customer agreements. This proceeding is pending, and if it is resolved in favor of Profeco, Telcel's customers would be entitled to compensation for damages.

Telcel is also subject to four class actions initiated by the alleged affected groups with respect to quality of service and wireless and broadband rates.

The Company does not currently have enough information on these proceedings to determine whether any of these class actions could have an adverse effect on the Company's business and results of operations if they are resolved against Telcel. Consequently, the Company has not established a provision in the accompanying financial statements for a loss arising from these contingencies.

In July 2015, a fifth class action related to a technical malfunction in Telcel's network was concluded pursuant to a settlement with Profeco that recognized past compensations by Telcel to its customers in connection with this malfunction.

**c. Telmex and Telnor*****Substantial Market Power Investigations***

In 2007, Cofeco initiated various investigations to evaluate whether Telmex and its subsidiary Telnor have substantial power in the markets for termination, origination, transit and wholesale dedicated-link leasing. Cofeco issued final resolutions concluding that Telmex and Telnor have substantial power in all four markets, a determination that Telmex and Telnor have challenged. The challenges related to the market for origination and transit have been denied, effectively upholding Cofeco's findings. Consequently, the IFT may impose specific tariff requirements or other special regulations with respect to the matters for which the challenges were denied, such as additional requirements regarding disclosure of information or quality of service.

With respect to Telmex and Telnor's challenges against Cofeco's findings in the termination market, these challenges are pending final resolution. In the case of the market for wholesale dedicated-link leasing, the IFT's predecessor, Cofetel, published an agreement in the Official Gazette, establishing requirements regarding tariffs, quality of service, and information for dedicated-link leasing. Telmex and Telnor have filed petitions for relief against such resolutions, which are still pending. However, an adverse resolution could have an impact on the Company's future revenues in this market.

***Monopolistic Practices Investigations***

Telmex and Telnor are the targets of three investigations into alleged monopolistic practices originally commenced by Cofeco. For two of these investigations, it was determined that Telmex and Telnor engaged in monopolistic practices

in the fixed-network interconnection services market. Telmex and Telnor have filed legal proceedings, including an appeal for relief, against these rulings and their cases are pending final resolution. In the opinion of the Company's outside counsel on these matters, the outcome of these proceedings remains uncertain. However, an adverse resolution could have an impact on the Company's future revenues in this market.

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In the third investigation, Cofeco determined in February 2013 that Telmex and Telnor engaged in monopolistic practices in the wholesale market for dedicated-link leasing. Telmex and Telnor challenged such resolution, and in November 2015, the Supreme Court of Mexico upheld Cofeco's decision and its fine to Telmex of Ps.638,130. In December 2015, Telmex paid the fine, plus interests, in an amount of Ps.698,562.

***IFT Proceedings Against Telmex***

In November 2008, Telmex entered into certain commercial agreements with Dish México Holdings, S. de R.L. de C.V. and its related companies (Dish), involving billing, collection services, distribution and equipment leasing. In addition, Telmex had an option that allowed it to purchase 51% of shares representing the capital stock of Dish México, S. de R.L. de C.V. (Dish México). In July 2014, Telmex waived its rights under such option.

In January 2015, the IFT imposed a fine on Telmex for an amount of Ps.14,414 on the grounds that an alleged merger (*concentración*) between Telmex and Dish was not notified in November 2008. Telmex filed an appeal for relief against this resolution and the case is pending. The Company cannot predict the outcome of such proceedings.

In August 2015, the IFT initiated several proceedings in order to determine potential violations to: (i) Telmex's concession, with respect to an alleged direct or indirect exploitation of a public television services concession in the country and (ii) certain provisions of the Mexican Constitution (*Constitución Política de los Estados Unidos Mexicanos*) and the Federal Telecommunications and Broadcasting Law (*Ley Federal de Telecomunicaciones y Radiodifusión*), regarding the cost-free rule of retransmission of television broadcast signals (commonly known as *must offer*), through other operators.

The administrative proceedings initiated by the IFT are related to the commercial agreements with Dish México, consisting of billing and collection services, distribution and equipment leases, as well as the internet service known as *Uno TV*. The Company and Telmex are currently analyzing the scope and legal grounds of the alleged violations in order to participate in these proceedings and, as the case maybe, exercise applicable legal remedies.

The Company has not established a provision in the accompanying financial statements for a loss arising from these contingencies, which are not considered probable.

**d. Carso Global Telecom*****Tax Assessment***

In November 2010, the SAT notified our subsidiary, Carso Global Telecom, S.A. de C.V. (CGT), of a tax assessment of Ps.3,392,000 related to the change in the scope of the tax consolidation for the fiscal year ended December 31, 2005. The SAT alleges that this change generated a reduction in the participation of CGT in its subsidiaries, resulting in increased income taxes. CGT has challenged this assessment in federal tax court, and this challenge is pending. The Company has not established a provision in the accompanying financial statements for a loss arising from this contingency, which it does not consider probable.

**e. Sercotel*****Tax Assessment***

In March 2012, the SAT notified our subsidiary, Sercotel, S.A. de C.V. (Sercotel), and the Company of a fine of approximately Ps.1,400,000 for alleged tax improprieties arising from the transfer of certain accounts receivable from

one of the Company's other subsidiaries to Sercotel. The Company challenged the fine by filing an administrative appeal with the tax authority, which is still pending. The Company also expects the SAT to issue an additional tax assessment of Ps.2,750,000 in connection with this matter. The Company has not established a provision in the accompanying financial statements for a loss arising from this contingency, which it does not consider probable.

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**II. BRAZIL**

Following the merger in 2014 of the Company's subsidiaries Empresa Brasileira de Telecomunicações S.A. (Embratel), Embratel Participações S.A. (Embrapar) and Net Serviços de Comunicação S.A. (Net Serviços) into Claro S.A. (Claro Brasil), Claro Brasil is the legal successor of Embrapar, Embratel and Net Serviços.

**a. Tax Matters**

Tax charges and contributions calculated and collected by the Company's Brazilian subsidiaries, their income tax returns and their tax and finance records are subject to examination by Brazilian tax authorities for varying periods under applicable legislation.

The principal tax imposed on telecommunications services is a state-level value-added tax (*Imposto sobre Operações relativas à Circulação de Mercadorias e sobre Prestações de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação*, or ICMS). Each Brazilian state imposes its own tax rate on gross revenues derived from telecommunications services, which varies from state to state and averages 26% nationwide.

Corporate income tax (*Imposto Sobre Renda de Pessoa Jurídica*, or IRPJ), is applied at a rate of 25%. The social contribution on net income (*Contribuição Social Sobre o Lucro Líquido*, or CSLL) is applied at a rate of 9% and subject to calculation and payment rules similar to those applicable to IRPJ.

Withholding tax (*Imposto de Renda Retido na Fonte*, or IRRF), is a modality of federal tax over taxable income that applies, among other types of income, to labor and capital income, remittances abroad and remuneration of services provided by legal entities. There are several IRRF rates, each according to the specific activity which generated the earnings.

The principal federal taxes collected on gross revenues include:

The social integration program (*Programa de Integração Social*, or PIS). PIS contributions are applied at a rate of 0.65% on gross revenues derived from telecommunications services in the cumulative method and at a rate of 1.65% in the non-cumulative method.

The contribution for social security financing (*Contribuição para Financiamento da Seguridade Social*, or COFINS). COFINS contributions are applied at a rate of 3.0% on gross revenues derived from telecommunications services in the cumulative method and at a rate of 7.60% in the non-cumulative method.

The principal taxes collected on net revenues include:

The universalization fund of telecommunications services (*Fundo de Universalização dos Serviços de Telecomunicações*, or FUST), and the telecommunications technologic development fund (*Fundo para o Desenvolvimento Tecnológico das Telecomunicações*, or FUNTTEL). These taxes are applied at a rate of 1% and 0.5%, respectively.

The telecommunications inspection fund (*Fundo de Fiscalização das Telecomunicações*, or FISTEL ). The taxes charged to raise this fund aim to provide resources to cover inspection expenditures of telecommunication equipment.

**ICMS**

The Company's subsidiaries Claro Brasil, Star One S.A. ( Star One ), Primesys Soluções Empresariais S.A. ( Primesys ), Telmex Do Brasil Ltda. ( TdB ), Americel S.A. ( Americel ) and TVSAT Telecomunicações S.A. ( TV SAT ), have tax contingencies related to ICMS in the amount of Ps.37,115,947 (R\$8,423 million) as of

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December 31, 2015. The Company has established a provision of Ps.2,172,404 (R\$493 million) in the accompanying financial statements for the losses arising from these contingencies that the Company considers probable. Such ICMS contingencies include:

Tax assessments against Star One in the amount of Ps.12,518,866 (R\$2,841 million) mainly based on the allegation that the provision of satellite capacity is subject to ICMS. The Company is contesting these tax assessments in separate proceedings at different litigation stages and has obtained favorable judicial decisions in two proceedings. The Company has not established a provision in the accompanying financial statements to cover the losses arising from this contingency, which the Company considers possible.

Tax assessments against Claro and Americel in the amount of Ps.4,084,825 (R\$927 million), due to the declaration of unconstitutionality of certain benefits granted by the Brazilian states. The Company has not established a provision in the accompanying financial statements to cover the losses arising from this contingency, which the Company considers possible.

A tax assessment against Primesys in the amount of Ps.2,943,542 (R\$668 million), related to ICMS over certain activities not deemed as part of data communication services. The Company has not established a provision in the accompanying financial statements to cover the losses arising from this contingency, which the Company considers possible.

***Corporate Income Taxes and Social Contribution on Net Income (CSLL/IRPJ)***

As of December 31, 2015, Claro Brasil, Americel and Star One had tax contingencies related to IRPJ and CSLL in an amount of Ps.13,809,970 (R\$3,134 million). The Company has established a provision of Ps.2,137,152 (R\$485 million) in the accompanying financial statements for the losses arising from these contingencies, which the Company considers probable.

These CSLL/IRPJ contingencies include a tax assessment against Claro Brasil in the amount of Ps.7,275,131 (R\$1,651 million) alleging the undue amortization of goodwill amounts between 2009 and 2012, and charging CSLL, IRPJ and penalties due to the late payment of taxes. Claro Brasil has challenged this assessment at the administrative level. The Company has not established a provision in the accompanying financial statements to cover the losses arising from this contingency, which the Company considers possible.

***PIS/COFINS***

As of December 31, 2015, Claro Brasil, Americel, Star One, TdB and Brasil Center Comunicações Ltda. (Brasil Center) have received tax assessments in connection with PIS and COFINS in the amount of Ps.19,080,144 (R\$4,330 million). The Company has established a provision of Ps.11,293,859 (R\$2,563 million) in the accompanying financial statements for the losses arising from these contingencies that the Company considers probable. Such PIS/COFINS contingencies include:

The lawsuits commenced by Claro Brasil and Americel against the Brazilian Federal Revenue Service seeking a ruling on constitutional grounds to exclude state value added tax (ICMS) payments and



interconnection fees from the base used to calculate PIS and COFINS tax obligations. Pending a final ruling and pursuant to applicable Brazilian procedure, the companies have paid the tax based on their position in the lawsuits, and have established a provision for the disputed amounts. As of December 31, 2015, the total amount in dispute was approximately Ps.11,192,509 (R\$2,540 million).

Tax assessments against Claro Brasil and Americel related to the offset of PIS and COFINS credits recorded in the non-cumulative, in an amount of Ps.5,278,987 (approximately R\$1,198 million) as of December 31, 2015. The Company has not established a provision in the accompanying financial statements to cover the losses arising from this contingency, which the Company considers possible.

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Anatel has initiated administrative proceedings against Claro Brasil, Americel, Primesys, TdB, Star One and TVSAT a total of Ps.10,566,786 (R\$2,398 million) based on an alleged improper exclusion of interconnection revenues and costs from the basis used to calculate its obligations to the universalization fund of telecommunications services (Fundo de Universalização dos Serviços de Telecomunicações, or FUST ). The companies are contesting these assessments. The Company has not established a provision in the accompanying financial statements to cover the losses arising from this contingency, which the Company considers possible.

Also, Anatel and the Brazilian Ministry of Communications (*Ministério das Comunicações*) have also initiated administrative proceedings against Claro Brasil, Americel, Primesys, TdB, Star One and TVSAT totaling an amount of Ps.3,459,102 (R\$785 million) as of December 31, 2015, due to an alleged underpayment of their obligations to FUST and FUNTTEL. The companies have challenged the assessments and a final resolution is still pending. The Company has not established a provision in the accompanying financial statements to cover losses arising from these contingencies, which the Company considers possible.

***ISS***

The Municipal Revenue Services have issued tax assessments against Claro Brasil, Brasil Center and Primesys, totaling Ps.6,023,685 (R\$1,367 million) due to the alleged nonpayment of ISS over several telecommunication services, including Pay TV services, considered as taxable for ISS by these authorities. The companies have challenged the tax assessments on the grounds that the services cited are not subject to ISS tax, and final resolutions to these challenges are pending. The Company has established a provision of Ps.30,845 (R\$7 million) in the accompanying financial statements for the losses arising from these contingencies, which the Company considers probable.

***TFI***

Anatel fined Claro Brasil and Americel a total of Ps.8,799,780 (R\$1,997 million) as of December 31, 2015, related to the installation inspection fee (*Taxa de Fiscalização de Instalação*, or TFI ) allegedly due for the renewal of radio base stations. Claro Brasil and Americel have challenged the fine, arguing that there was no new equipment installation that could lead to this charge, and the challenges are still pending. The Company has not established a provision in the accompanying financial statements to cover losses arising from these contingencies, which the Company does not consider probable.

***Other Tax Contingencies***

There are several other tax contingencies involving Claro Brasil, Americel, Star One, TdB and Primesys in an amount of Ps.10,342,055 (R\$2,347 million), mainly related to telecommunication taxes, the funding of the Brazilian Communication Company (*Empresa Brasileira de Comunicação*, or EBC ), IRPJ, CSLL, social security taxes (*Instituto Nacional do Seguro Social*, or INSS ), taxes on industrial products (*Imposto Sobre Produtos Industrializados*, or IPI ), tax on financial transactions (*Contribuição Provisória sobre Movimentações Financeiras*, or CPMF ), the offsetting of IRPJ, COFINS, CSLL and IRRF against allegedly improper IRPJ credits, and for not making certain filings in the correct form from 2002 through 2005, the allegedly nonpayment of the IRRF and the economic domain intervention contribution (*Contribuição de Intervenção no Domínio Econômico*, or CIDE ), overpayments related to outbound traffic, the public price concerning the administration of numbering resources (*Preço Público Relativo à Administração dos Recursos de Numeração*, or PPNUM ) and import taxes (*Imposto de Importação*, or II ). The Company has established a provision of Ps.2,727,623 (R\$619 million) in the accompanying financial statements

for the losses arising from these contingencies, which the Company considers probable.

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**Table of Contents****b. Regulatory Matters*****Inflation-Related Adjustments***

Anatel has challenged the calculation of inflation-related adjustments due under the concession agreements it had with Tess S.A. (Tess), and Algar Telecom Leste S.A. (ATL), two of the Company's subsidiaries that were previously merged into Claro Brasil. Anatel rejected Tess and ATL's calculation of the inflation-related adjustments applicable to the 60% of the concessions price (which was due in three equal annual installments, subject to inflation-related adjustments and interest), claiming that the companies' calculation of the inflation-related adjustments resulted in a shortfall of the installment payments.

The companies have filed declaratory and consignment actions seeking resolution of the disputes. In October 2001 and in September 2002, the court of first instance ruled against ATL's declaratory and consignment actions, respectively. ATL has challenged the court's resolutions and the challenged are still pending. Similarly, in June 2003, a court of first instance ruled against Tess' consignment action and against Tess' declaratory action in February 2009. Tess has also filed appeals, which are still pending.

In December 2008, Anatel charged Tess approximately Ps.1,185,348 (R\$269 million). Tess obtained an injunction from a federal appeals court suspending payment until the pending appeal is resolved. Similarly, in March 2009, Anatel charged ATL approximately Ps.841,641 (R\$191 million). ATL also obtained an injunction from a federal appeals court suspending payment until the pending appeal is resolved.

The amount of the alleged shortfall as well as the method used to calculate monetary correction are subject to judicial disputes. If other methods or assumptions are used, the amount of damages may increase. In December 2015, Anatel calculated monetary correction in a total amount of Ps.10,787,111 (R\$2,448 million). The Company has established a provision of Ps.2,732,030 (R\$620 million) in the accompanying financial statements for losses arising from these contingencies which the Company considers probable.

***Reversible Assets***

Claro Brasil's long-distance fixed-line concessions provide that the concessionaire's assets that are indispensable for the provision of domestic and international long-distance fixed-line services cannot be disconnected, replaced or sold without the prior regulatory approval of Anatel. Upon expiration of these concessions, those assets that are indispensable to provide domestic and international long distance services will revert to the Brazilian government, in which case any compensation for investments made in those assets would be the depreciated cost of such assets. Brazilian law does not provide any guidance as to which assets would be subject to reversion under these concessions, and there is no precedent establishing (i) which assets are indispensable under these concessions at the time of their expiration, or (ii) the treatment of assets that are also used for telecommunications services not regulated by the concessions. Those assets Claro Brasil uses exclusively in the provision of wireless and Pay TV services are not subject to reversion. See Note 2.

In the second half of 2015, Anatel fined Claro Brasil approximately Ps.44,065 (R\$10 million) and imposed the obligations listed below on Claro Brasil in connection with its alleged non-compliance with requirements set out in the Reversible Assets Regulation (*Regulamento de Bens Reversíveis*). Claro Brasil has appealed the decision, with suspensive effect.

To make a deposit within 180 days of approximately Ps.3,833,655 (R\$870 million) in an escrow account to buy other assets which would be subject to reversion and thereby replace the assets allegedly removed from the list. However, if the assets were replaced, Claro Brasil may instead deposit the difference between their sale price and the price of assets purchase to replace them. According to Anatel, such amount represents the value of the assets that were being allegedly removed from the assets list reported to Anatel without a justification for the alleged removal;

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Within 180 days following Anatel's decision, the inclusion in all agreements relating to third-party assets or services executed after the Reversible Assets Regulation (*Regulamento de Bens Reversíveis*) came into effect, of mandatory provisions related, among others, to the indispensability of those assets for the provision of the services under the concessions, Anatel's subrogation rights under those agreements and the obligation of their counterparty not to encumber the assets used by Claro Brasil thereunder; and

To seek in any of Claro Brasil's ongoing litigation to replace any reversible assets subject to a lien within 30 days from the date Claro Brasil received notice of the decision.

***Other regulatory disputes***

Claro Brasil is party to other judicial disputes with Anatel in an aggregate amount of Ps.3,573,671 (R\$811 million). The Company has established a provision of Ps.127,788 (R\$29 million) in the accompanying financial statements for the losses arising from those contingencies that the Company considers probable.

**c. Other Civil, Environmental and Labor Contingencies**

Claro Brasil and its subsidiaries are party to other civil, environmental and labor claims, as described below. In each case, the Company is contesting the claims at different stages. The Company has established a provision and has established a provision for the losses arising from those contingencies that it considers probable.

*Civil:* Claims for Ps.17,612,779 (R\$3,997 million), including those filed by its Pay TV, internet access and telephone service customers and a provision of Ps.669,788 (R\$152 million) in the accompanying financial statements.

*Environmental:* Claims for Ps.6,437,896 (R\$1,461 million) and a provision of Ps.30,845 (R\$7 million) in the accompanying financial statements.

*Labor:* Claims for Ps.22,860,920 (R\$5,188 million) filed by current and former employees and a provision of Ps.1,894,795 (R\$430 million) in the accompanying financial statements.

**d. Third-Party Disputes**

Claro Brasil, Americel, TdB, Primesys, Brasil Center and their subsidiaries are parties to certain disputes with third parties in connection with former sales agents, outsourced companies contract cancellation, increase in monthly subscription rates and channel transmission, class actions, real estate issues, disputes with former employees regarding health care payments and other matters. The cases, which are in advanced stages of the litigation, are for claims in an aggregate amount of Ps.14,206,555 (R\$3,224 million). The Company has established a provision of Ps.1,321,950 (R\$300 million) in the accompanying financial statements for the losses arising from these contingencies that the Company considers probable.

***III. ECUADOR***

**a. Conecel**

***Tax Assessments***

In 2011 and 2012, the Ecuadorian Internal Revenue Services (*Servicios de Rentas Internas del Ecuador*, or SRI ) notified Consorcio Ecuatoriano de Telecomunicaciones S.A. (Conecel ) of tax assessments for Ps.2,047,574 (US\$119,000), relating to income tax for fiscal years 2007 through 2009. Conecel initiated judicial proceedings to challenge these tax assessments. However, in May 2015, the National Assembly (*Asamblea Nacional*) enacted an amnesty law that granted the remission of interests and penalties from tax obligations. In July 2015, Conecel applied for amnesty pursuant this new law in connection with the tax assessments for the 2007 and 2009 fiscal years and paid a total amount of Ps.1,111,540 (US\$64,600). In October 2015, the National Court of Justice (*Corte Nacional de Justicia*) ruled in favor of the Internal Revenue Service (*Servicio de Rentas Internas*, or SRI ) on appeal with respect to the tax assessment for fiscal year 2008. Consequently, Conecel will be required to pay an amount of Ps.879,252 (US\$51,100) within 12 months.

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In December, 2015, Conecel made a first payment in the amount of Ps.182,389 (US\$10,600) and filed an extraordinary protection action before the Constitutional Court. However such action does not suspend the enforcement of the National Court of Justice's decision. As of December 31, 2015, Conecel has established a provision of Ps.734,718 (US\$42,700), the remaining amount of the 2008 tax assessment, in the accompanying financial statements for the losses arising from this contingency, which the Company considers probable.

***Monopolistic Practices Fine***

In February 2014, following a regulatory claim filed in 2012 filed by state-owned operator, *Corporación Nacional de Telecomunicaciones* ( CNT ), the Superintendency of Control of Market Power (*Superintendencia de Control del Poder del Mercado*, or SCPM ) imposed a fine on Conecel of Ps.2,381,380 (US\$138,400) for alleged monopolistic practices related. CNT argued that Conecel has exclusive rights to deploy its network in five locations and is thereby preventing CNT from deploying its own network in the same locations. In March 2014, Conecel challenged the fine and posted a guarantee for 50% of its value. Through a judicial order issued on the same month, the fine was suspended in March 2014 while a final resolution is pending. Conecel denies any wrong doing and alleges that CNT had other alternative sites in the same locations where it could have deployed its network. The Company has not established a provision in the accompanying financial statements to cover losses arising from this contingency, which the Company considers possible.

Conecel is also subject to one proceeding initiated by the SCPM to assess Conecel's compliance with the administrative injunction issued by the SCPM as part of its decision that admitted CNT's claim. If this investigation is resolved against Conecel, the SCPM could impose a material fine on Conecel.

***Rounded Rates***

In February 2015, the National Assembly enacted a new telecommunications law (*Ley Orgánica de Telecomunicaciones*), which included a provision requiring Conecel to pay the Telecommunication Regulatory Agency (*Agencia de Regulación y Control de las Telecomunicaciones*, or Arcotel ) any amounts rounded per minute charged to the users between 1999 and 2000. Charging rates on a per minute basis (and rounding up to the next full minute for any fractions of a minute) was a practice used by mobile telephony operators until 2000. Until 2000, there was no prohibition on applying this pricing scheme.

In October 2015, Arcotel required Conecel to pay Ps.1,059,920 (US\$61,600), which includes of Ps.464,576 (US\$27,000) as principal and Ps.590,183 (US\$34,300) in interests calculated at a rate applicable for consumer credits. Conecel challenged this requirement and filed a petition for relief to suspend such payment. In November 2015, the suspension of payment was denied by the District Court of Administrative Proceeding (*Tribunal Distrital de lo Contencioso Administrativo*). However, a final resolution with respect to Conecel's challenge of the requirement is pending.

As of December 31, 2015, Ps.509,312 (US\$29,600) have been paid to Arcotel pursuant to a collection process against Conecel. Conecel had established a provision of Ps.280,466 (US\$16,300) in the accompanying financial statements for the losses arising from this contingency that the Company considers probable. Conecel has requested Arcotel to calculate interests at the legal rate, and a ruling from the Ecuadorian state attorney on the applicable rate is still pending.

***IV. BULGARIA******a. Mobiltel***



***Tax Assessments***

In June 2014, the Bulgarian tax authorities issued a tax assessment regarding the accounting of brand name and customer base amortized by Mobiltel EAD (Mobiltel ) for fiscal year 2007, in an amount of approximately

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Ps.399,812 ( 21.4 million) including interest as of December 31, 2015. Mobiltel challenged this assessment and in October 2015, the Administrative Court decided in favor of Mobiltel. Following an appeal by the tax authorities, the case will be forwarded to the Supreme Administrative Court, as final instance. Mobiltel issued bank guarantees covering up to Ps.414,759 ( 22.2 million).

In September 2015, the tax authorities issued a second tax assessment with respect to Mobiltel's accounting of brand name and customer base for fiscal year 2008, in an amount of approximately Ps.368,052 ( 19.7 million) including interest as of December 31, 2015. Mobiltel challenged this assessment and obtained the suspension of the administrative proceeding until the challenge of the 2007 tax assessment is resolved. Three further bank guarantees were issued to secure the tax liability related to 2008, totaling an amount of Ps.382,998 ( 20.5 million). In case of an unfavorable decision by the competent courts, Mobiltel might face a further potential additional claim for the years 2009 to 2012 in the amount of up to Ps.1,102,286 ( 59 million) including interest as of December 31, 2015.

**22. Segments**

América Móvil operates in different countries. As mentioned in Note 1, the Company has operations in Mexico, Guatemala, Nicaragua, Ecuador, El Salvador, Costa Rica, Brazil, Argentina, Colombia, United States, Honduras, Chile, Peru, Paraguay, Uruguay, Dominican Republic, Puerto Rico, Panama, Austria, Croatia, Bulgaria, Belarus, Macedonian, Serbia and Slovenia. The accounting policies for the segments are the same as those described in Note 2.

The Chief Executive Officer, who is the Chief Operating Decision Maker ( CODM ), analyzes the financial and operating information by operating segment. All operating segments that (i) represent more than 10% of consolidated revenues, (ii) more than the absolute amount of its reported 10% of profits or loss or (iii) more than 10% of consolidated assets, are presented separately.

The Company presents the following reportable segments for the purposes of its consolidated financial statements: (i) Mexico (includes Telcel and Corporate operations and Assets), Telmex (Mexico), Brazil, Southern Cone (includes Argentina Chile, Paraguay and Uruguay), Colombia, Andean (includes Ecuador and Perú), Central-América (which aggregates the operating segments of Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama), U.S.A. (excludes Puerto Rico), Caribbean (which aggregates the operating segments of Dominican Republic and Puerto Rico), and Europe (includes Austria, Bulgaria, Croatia, Belarus, Slovenia, Macedonia and Serbia).

The Company considers that the quantitative and qualitative aspects of any aggregated operating segments (that is, Central America and Caribbean reportable segments) are similar in nature for all periods presented. In evaluating the appropriateness of aggregating operating segments, the key indicators considered included but were not limited to: (i) the similarity of key financial statement measures and trends, (ii) all entities provide telecommunications services, (iii) similarities of customer base and services, (iv) the methods to distribute services are the same, based on telephone plant in both cases, wireless and fixed lines, (v) similarities of governments and regulatory entities that oversee the activities and services that telecom companies, (vi) inflation trends and, and (vii) currency trends.

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| <b>Telmex</b> | <b>Brazil</b> | <b>Southern<br/>Cone</b> | <b>Colombia</b> | <b>Andean</b> | <b>Central<br/>America</b> | <b>U.S.A.</b> | <b>Caribbean</b> | <b>Europe</b> |
|---------------|---------------|--------------------------|-----------------|---------------|----------------------------|---------------|------------------|---------------|
| 99,445,347    | 196,705,316   | 61,246,969               | 73,963,729      | 44,943,680    | 24,106,372                 | 77,166,979    | 25,505,739       |               |
| 6,423,735     | 3,181,271     | 273,581                  | 246,404         | 169,338       | 112,813                    |               | 2,815            |               |
| 5,869,082     | 199,886,587   | 61,520,550               | 74,210,133      | 45,113,018    | 24,219,185                 | 77,166,979    | 25,508,554       |               |
| 6,645,362     | 38,247,324    | 7,241,569                | 9,248,385       | 5,035,188     | 8,377,356                  | 509,104       | 4,825,291        |               |
| 20,038,136    | 11,101,318    | 6,173,734                | 21,351,301      | 11,910,251    | (1,129,337)                | 938,885       | 4,478,012        |               |
| 166,672       | 1,655,190     | 2,948,225                | 897,567         | 766,272       | 154,830                    | 130,229       | 300,688          |               |
| 2,988,604     | 7,517,536     | 1,222,657                | 476,135         | 232,765       | 148,356                    | 121           | 43,194           |               |
| 6,010,974     | (816,879)     | 3,317,959                | 6,461,978       | 4,592,131     | (115,610)                  | 39,182        | 1,392,716        |               |
| (11,029)      | (4,122)       | 12,806                   |                 |               |                            |               | (458)            |               |
| 7,872,632     | (4,677,533)   | 964,798                  | 12,630,598      | 7,826,900     | (1,132,279)                | 1,192,188     | 1,520,279        |               |
| 39,142,892    | 307,736,000   | 89,424,062               | 104,248,636     | 73,556,522    | 52,129,267                 | 23,343,580    | 65,984,117       |               |
| 6,194,388     | 163,202,395   | 49,863,386               | 44,167,846      | 24,348,547    | 34,133,513                 | 1,831,731     | 26,550,171       |               |
| 103,823       | 22,483,916    | 1,944,142                | 14,402,035      | 5,046,380     | 4,757,332                  | 1,472,896     | 31,650,117       |               |
| 371,324       | 565,583       | 22,905                   |                 | 143           | 5                          |               | 195,638          |               |
| 131,939       | 19,138,690    | 1,342,555                | 3,518,872       | 3,750,190     | 2,607,825                  |               | 2,191,545        |               |
| 1,575,687     | 24,566        | 162,562                  | 25,276          |               | 16,651                     |               |                  |               |
| 4,351,892     | 187,788,294   | 66,706,964               | 35,838,774      | 23,281,476    | 24,398,597                 | 20,546,879    | 23,411,304       |               |
| 00,753,221    | 201,346,118   | 56,415,660               | 75,749,655      | 47,638,268    | 26,911,181                 | 91,097,363    | 25,827,251       | 37,392,066    |

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|           |             |             |            |            |             |            |            |             |
|-----------|-------------|-------------|------------|------------|-------------|------------|------------|-------------|
| 6,764,446 | 3,300,831   | 116,703     | 241,953    | 163,908    | 111,963     |            | 14,521     |             |
| 7,517,667 | 204,646,949 | 56,532,363  | 75,991,608 | 47,802,176 | 27,023,144  | 91,097,363 | 25,841,772 | 37,392,066  |
| 5,508,063 | 41,054,736  | 6,844,209   | 9,636,630  | 5,409,431  | 8,497,557   | 564,952    | 4,923,004  | 4,916,757   |
| 2,284,356 | 12,669,105  | 6,592,505   | 17,668,690 | 12,131,925 | (212,229)   | 1,519,741  | 4,923,349  | 5,228,573   |
| 306,061   | 4,580,129   | 2,914,330   | 678,055    | 1,118,629  | 182,037     | 162,890    | 459,998    | 134,899     |
| 1,930,074 | 12,083,113  | 834,485     | 759,198    | 413,769    | 154,958     |            | 54,609     | 1,446,442   |
| 5,361,854 | (860,825)   | 3,173,025   | 5,149,614  | 4,290,993  | 1,244,570   | 699,237    | 1,442,656  | (2,088,063) |
|           |             |             |            |            |             |            |            |             |
| 45,346    | (57,246)    | (4,099)     |            |            |             |            |            | (3,415,620) |
|           |             |             |            |            |             |            |            |             |
| 9,359,177 | (4,765,722) | (2,099,324) | 9,297,693  | 6,994,299  | (1,306,575) | 1,245,720  | 3,505,502  | 2,319,109   |
| 8,855,469 | 365,026,179 | 100,358,878 | 98,009,919 | 82,779,795 | 57,727,606  | 33,018,415 | 72,259,136 | 187,958,436 |
|           |             |             |            |            |             |            |            |             |
| 4,616,938 | 180,062,462 | 51,809,436  | 44,986,383 | 26,529,773 | 34,803,570  | 3,604,645  | 26,481,689 | 63,557,526  |
| 187,382   | 21,864,430  | 2,570,885   | 13,063,780 | 4,386,035  | 4,936,560   | 1,741,418  | 31,650,117 | 50,955,500  |
|           |             |             |            |            |             |            |            |             |
| 385,251   | 480,884     | 9,567       | 1,002      | 29         |             |            | 212,465    | 8,928,464   |
|           |             |             |            |            |             |            |            |             |
| 102,248   | 34,241,704  | 5,063,150   | 3,922,260  | 3,645,244  | 2,387,686   |            | 3,047,521  | 26,856,395  |
|           |             |             |            |            |             |            |            |             |
| 1,876,389 | 592         | 129,431     | 29,314     |            | 18,737      |            |            | 812,895     |
|           |             |             |            |            |             |            |            |             |
| 7,172,821 | 235,793,721 | 81,439,115  | 45,796,322 | 26,833,960 | 27,219,970  | 29,029,234 | 31,476,106 | 122,601,259 |

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|            |              |             |            |            |            |             |            |             |
|------------|--------------|-------------|------------|------------|------------|-------------|------------|-------------|
| 93,657,944 | 174,722,286  | 68,520,541  | 65,871,301 | 51,738,731 | 34,515,781 | 110,653,812 | 29,625,274 | 73,159,960  |
| 7,420,418  | 3,451,846    | 427,609     | 265,474    | 220,094    | 235,779    |             | 32,699     |             |
| 01,078,362 | 178,174,132  | 68,948,150  | 66,136,775 | 51,958,825 | 34,751,560 | 110,653,812 | 29,657,973 | 73,159,960  |
| 15,416,456 | 38,219,152   | 8,608,518   | 9,279,871  | 6,368,233  | 9,699,082  | 741,038     | 5,315,349  | 17,958,858  |
| 15,947,164 | 10,878,548   | 9,185,471   | 13,361,859 | 7,853,311  | 1,750,027  | 1,293,706   | 3,891,263  | 6,246,525   |
| 272,284    | 1,616,356    | 3,505,616   | 366,533    | 743,028    | 227,590    | 232,856     | 396,314    | 396,708     |
| 1,413,686  | 16,450,388   | 2,599,901   | 577,440    | 713,895    | 349,449    |             | 48,751     | 2,864,569   |
| 2,896,465  | (4,846,932)  | 2,621,598   | 3,997,944  | 2,944,548  | 2,257,695  | 605,809     | 1,483,187  | (756,774)   |
| 65,033     | (5,243)      | 21,856      |            |            |            |             |            | 3,884       |
| 5,852,674  | (12,785,017) | (6,806,573) | 3,468,029  | 3,766,425  | (680,599)  | 1,142,975   | 2,073,287  | 6,157,757   |
| 63,955,665 | 311,838,555  | 118,217,618 | 81,170,568 | 87,619,264 | 68,425,540 | 36,072,729  | 76,084,634 | 182,087,483 |
| 05,177,653 | 147,884,562  | 52,735,563  | 44,811,656 | 30,254,858 | 37,930,783 | 1,783,612   | 29,063,549 | 66,838,636  |
| 392,523    | 17,931,543   | 2,672,724   | 11,612,051 | 4,396,090  | 5,213,703  | 1,903,762   | 14,186,723 | 51,737,156  |
| 346,566    | 341,750      |             | 522        |            |            | 686,052     | 242,175    | 8,856,795   |
| 72,557     | 28,442,759   | 8,318,161   | 3,661,838  | 6,256,297  | 3,660,240  |             | 6,443,439  | 29,198,262  |
| 1,955,186  | 700          | 115,452     | 371        |            | 16,259     |             |            | 908,995     |
| 39,362,960 | 221,907,486  | 101,601,641 | 31,254,646 | 33,048,503 | 33,514,380 | 31,170,822  | 31,727,281 | 121,586,194 |

**Table of Contents****23. Components of other comprehensive income (loss)**

The movements on the components of the other comprehensive income (loss) for the years ended December 31, 2013, 2014 and 2015 is as follows:

|  | 2013                    | 2014                    | 2015                    |
|--|-------------------------|-------------------------|-------------------------|
| <b>Controlling interest:</b>   |                         |                         |                         |
| Valuation of the derivative financial instruments, net of deferred taxes | Ps. (741,321)           | Ps. (329,112)           | <b>Ps. 37,011</b>       |
| Available for sale, net of deferred taxes                                |                         |                         | <b>4,011</b>            |
| Translation effect of foreign subsidiaries and associates                | (26,485,343)            | (5,786,883)             | <b>(34,055,403)</b>     |
| Remeasurement of defined benefit plan, net of deferred taxes             | (2,289,811)             | (6,625,463)             | <b>(17,791,354)</b>     |
| Non-controlling interest of the items above                              | (550,586)               | (635,804)               | <b>(1,739,497)</b>      |
| <b>Other comprehensive loss</b>  | <b>Ps. (30,067,061)</b> | <b>Ps. (13,377,262)</b> | <b>Ps. (53,545,232)</b> |

**24. Subsequent Events**

a) In January 2016, in order to expand and strengthen its operations in Brazil, the Company acquired a controlling interest of 99.99% in Brazil Telecomunicações S.A. ( BRTel ), a company operating in the market for Pay TV, Internet and broadband services and serving various municipalities of Brazil under the BLUE brand. The amount paid for the business acquisition was Ps. 1,277,885. The operation already has necessary regulatory approvals and is under review by the Company to determine the fair value of the operation.

b) On February 9, 2016, the Company's Board of Directors decided to submit to the Annual Ordinary General Shareholders' Meeting to be held on or before April 30, 2016, a proposal to (i) pay a cash dividend of Ps.\$0.28 per share to each of the shares of its capital stock AA , A and L , payable in two installments; and (ii) allocate the amount of Ps.12,000,000 to the Company's buyback program.

c) In 2016, the Company reported that, as a result of the spectrum auction recently carried out by IFT, its subsidiary Telcel won a bid for a total of 20 MHz nationwide in the AWS-1 band and 40 MHz nationwide in the AWS-3 band, which will be added to the current spectrum holdings in said band. The concessions obtained will expire on October 1, 2030 and Telcel will pay a total of Ps. 2,098,060 (nominal) for the rights of use of the spectrum during the term of the concessions. The concessions will be granted upon compliance of certain requirements provided under the auction rules issued by the IFT.

d) On March 11, 2016, the Company has notified the Ministerio de Comercio, Industria y Turismo of Colombia, its intention to submit a claim to arbitration pursuant to the Free Trade Agreement between Mexico and Colombia ( FTA Mexico Colombia ). The purpose of the arbitration is the intended reversal (reversión de activos) of certain wireless telecommunications assets operated by AMX's Colombian operating subsidiary, Comcel. AMX will request to the arbitration tribunal compensation relating to breaches to the FTA Mexico Colombia and international law provisions. The arbitration proceeding initiated by AMX is independent from the right that COMCEL has to exercise any and all applicable legal actions against any proceeding that the Ministerio de Tecnologías de la Información y las Comunicaciones may initiate.

e) In March 2016, AMX placed an international bond for a total amount of EUR 1,500,000 thousands, divided in two tranches, the first one for EUR 850,000 thousands with a coupon of 1.5% and maturity in 2024, and a second one for EUR 650,000 thousands with a coupon of 2.125% and maturity in 2028.

**Table of Contents****25. Supplemental Guarantor Information**

As mentioned in Note 16, the Company has issued senior notes in the United States of America. These notes are fully and unconditionally guaranteed by Telcel.

**Consolidating Condensed Financial Information**

The following consolidating information presents condensed consolidating statement of financial position as of December 31, 2014 and 2015 and condensed consolidating statements of comprehensive income and cash flows for each of the three years in the period ended December 31, 2015 of the Company and Telcel (the wholly-owned Guarantor Subsidiary). The unconsolidated financial statements of America Movil and Telcel reflect their investments in subsidiaries on the basis of the equity method. These unconsolidated entities are the Guarantors of most of America Movil's consolidated obligations. The guarantees of the Guarantor are full and unconditional.

The Company's consolidating condensed financial information for the (i) Company; (ii) its wholly-owned subsidiary Telcel (on standalone basis), which is a wholly and unconditional guarantor under the Senior Notes; (iii) the combined non-guarantor subsidiaries; iv) eliminations and v) the Company's consolidated financial statements are as follows:

|   | As of December 31, 2014 |                                   |                                     |                     |                    |
|---|-------------------------|-----------------------------------|-------------------------------------|---------------------|--------------------|
|   | Parent                  | Wholly-owned Guarantor Subsidiary | Combined non-guarantor Subsidiaries | Eliminations        | Consolidated Total |
| <b>Assets:</b>                                      |                         |                                   |                                     |                     |                    |
| Cash and cash equivalents                           | Ps. 25,654,314          | Ps. 1,394,691                     | Ps. 39,424,698                      | Ps.                 | Ps. 66,473,703     |
| Accounts receivable, net                            | 77,630,240              | 13,395,305                        | 77,094,918                          |                     | 168,120,463        |
| Related parties                                     | 157,743,960             | 18,122,176                        | 464,962,866                         | (639,508,895)       | 1,320,107          |
| Inventories, net                                    | 230,922                 | 17,502,817                        | 18,223,696                          | (27,153)            | 35,930,282         |
| Other current assets                                |                         | 776,380                           | 15,787,222                          |                     | 16,563,602         |
| Property, plant and equipment, net                  | 6,346,798               | 31,545,761                        | 550,213,621                         |                     | 588,106,180        |
| Investments in associated companies                 | 639,676,336             | 90,638,813                        | 72,404,950                          | (753,457,518)       | 49,262,581         |
| Intangible assets and other non-current assets, net | 1,644,636               | 14,307,317                        | 336,627,798                         |                     | 352,579,751        |
| Total assets  | Ps. 908,927,206         | Ps. 187,683,260                   | Ps. 1,574,739,769                   | Ps. (1,392,993,566) | Ps. 1,278,356,669  |
| <b>Liabilities:</b>                                 |                         |                                   |                                     |                     |                    |
|   | Ps. 31,749,264          | Ps.                               | Ps. 26,848,979                      | Ps. (792,726)       | Ps. 57,805,517     |



Short-term debt  
and current  
portion of  
long-term debt

|                               |             |             |             |               |               |
|-------------------------------|-------------|-------------|-------------|---------------|---------------|
| Current liabilities           | 249,303,984 | 164,548,238 | 544,469,179 | (633,935,938) | 324,385,463   |
| Long-term debt                | 445,485,243 |             | 100,464,227 |               | 545,949,470   |
| Other non-current liabilities | (1,995,561) | 19,807      | 122,360,309 | (4,807,384)   | 115,577,171   |
| Total liabilities             | 724,542,930 | 164,568,045 | 794,142,694 | (639,536,048) | 1,043,717,621 |

|   |             |            |             |               |             |
|---|-------------|------------|-------------|---------------|-------------|
| Equity attributable to equity holders of the parent | 184,384,276 | 23,115,215 | 727,990,597 | (751,105,812) | 184,384,276 |
| Non-controlling interests                           |             |            | 52,606,478  | (2,351,706)   | 50,254,772  |
| Total equity  | 184,384,276 | 23,115,215 | 780,597,075 | (753,457,518) | 234,639,048 |

|                              |                 |                 |                   |                     |                   |
|------------------------------|-----------------|-----------------|-------------------|---------------------|-------------------|
| Total liabilities and equity | Ps. 908,927,206 | Ps. 187,683,260 | Ps. 1,574,739,769 | Ps. (1,392,993,566) | Ps. 1,278,356,669 |
|------------------------------|-----------------|-----------------|-------------------|---------------------|-------------------|

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|   | As of December 31, 2015 |   |   |                            |                          |
|---|-------------------------|---|---|----------------------------|--------------------------|
|   | Parent                  | Wholly-owned<br>Guarantor<br>Subsidiary | Combined<br>non-guarantor<br>Subsidiaries | Eliminations               | Consolidated<br>Total    |
| <b>Assets:</b>  |                         |   |   |                            |                          |
| Cash and cash equivalents                             | Ps. 13,803,584          | Ps. 1,468,036                           | Ps. 29,888,412                            | Ps.                        | Ps. 45,160,032           |
| Marketable securities                                 | 10,166,096              |   | 46,181,373                                |                            | 56,347,469               |
| Accounts receivable, net                              | 95,232,364              | 17,019,959                              | 83,870,812                                |                            | 196,123,135              |
| Related parties                                       | 260,915,156             | 11,637,524                              | 377,552,973                               | (649,260,020)              | 845,633                  |
| Inventories, net                                      | 184,451                 | 17,555,058                              | 18,083,328                                | (245,365)                  | 35,577,472               |
| Other current assets                                  |                         | 742,703                                 | 16,535,210                                |                            | 17,277,913               |
| Property, plant and equipment, net                    | 4,232,704               | 21,604,972                              | 547,691,202                               |                            | 573,528,878              |
| Investments in associated companies                   | 542,312,759             | 87,164,278                              | 22,039,223                                | (648,405,690)              | 3,110,570                |
| Intangible assets and other non-current assets, net   | 6,443,333               | 19,615,484                              | 342,456,894                               |                            | 368,515,711              |
| <b>Total assets</b>                                   | <b>Ps. 933,290,447</b>  | <b>Ps. 176,808,014</b>                  | <b>Ps. 1,484,299,427</b>                  | <b>Ps. (1,297,911,075)</b> | <b>Ps. 1,296,486,813</b> |
| <b>Liabilities:</b>                                   |                         |   |   |                            |                          |
| Short-term debt and current portion of long-term debt | Ps. 81,442,584          | Ps.                                     | Ps. 38,147,202                            | Ps.                        | Ps. 119,589,786          |
| Current liabilities                                   | 238,376,515             | 158,848,080                             | 552,666,393                               | (643,945,315)              | 305,945,673              |
| Long-term debt  | 497,879,208             |   | 65,747,750                                |                            | 563,626,958              |
| Other non-current liabilities                         | 3,314,145               | 701,377                                 | 149,439,489                               | (6,984,801)                | 146,470,210              |
| <b>Total liabilities</b>                              | <b>821,012,452</b>      | <b>159,549,457</b>                      | <b>806,000,834</b>                        | <b>(650,930,116)</b>       | <b>1,135,632,627</b>     |
| Equity attributable to equity holders of the parent   | 112,277,995             | 17,258,557                              | 599,986,501                               | (617,245,058)              | 112,277,995              |
|   |                         |   | 78,312,092                                | (29,735,901)               | 48,576,191               |

|                              |                        |                        |                          |                            |                          |
|------------------------------|------------------------|------------------------|--------------------------|----------------------------|--------------------------|
| Non-controlling interests    |                        |                        |                          |                            |                          |
| Total equity                 | <b>112,277,995</b>     | <b>17,258,557</b>      | <b>678,298,593</b>       | <b>(646,980,959)</b>       | <b>160,854,186</b>       |
| Total liabilities and equity |                        |                        |                          |                            |                          |
|                              | <b>Ps. 933,290,447</b> | <b>Ps. 176,808,014</b> | <b>Ps. 1,484,299,427</b> | <b>Ps. (1,297,911,075)</b> | <b>Ps. 1,296,486,813</b> |

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**Table of Contents****Condensed consolidating statements of comprehensive income**

For the year ended December 31, 2013

|   | <b>Parent</b>   | <b>Wholly-owned<br/>Guarantor<br/>Subsidiary</b> | <b>Combined<br/>non-guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|---|-----------------|--|--|---------------------|-------------------------------|
| Total revenues  | Ps. 177,392,370 | Ps. 147,484,740                                  | Ps. 634,406,203                                    | Ps. (173,182,292)   | Ps. 786,101,021               |
| Total cost and operating expenses                                 | 103,305,197     | 145,880,447                                      | 552,650,315  | (169,992,694)       | 631,843,265                   |
| Operating income  | 74,087,173      | 1,604,293  | 81,755,888   | (3,189,598)         | 154,257,756                   |
| Interest (expense) income, net                                    | (19,499,075)    | (10,232,219)                                     | 8,795,367  | (88,892)            | (21,024,819)                  |
| Foreign currency exchange (loss) gain, net                        | (5,715,711)     | (205,605)  | (13,689,149)                                       |                     | (19,610,465)                  |
| Other financing cost, net   | 4,407,649       |  | (12,713,117)                                       | 13,933              | (8,291,535)                   |
| Income tax  | 9,420,673       | (1,473,226)                                      | 22,445,284   |                     | 30,392,731                    |
| Equity interest in net income of associated companies             | 30,765,616      | (41,170)   | (7,401,474)  | (23,286,690)        | 36,282                        |
| Net profit (loss) for year  | Ps. 74,624,979  | Ps. (7,401,475)                                  | Ps. 34,302,231                                     | Ps. (26,551,247)    | Ps. 74,974,488                |
| Distribution of the net profit (loss) to:                         |                 |  |  |                     |                               |
| Equity owners of holding company                                  | Ps. 74,624,979  | Ps. (7,401,475)                                  | Ps. 33,737,205                                     | Ps. (26,335,730)    | Ps. 74,624,979                |
| Non-controlling interest  |                 |  | 565,026  | (215,517)           | 349,509                       |
| Net profit (loss)   | Ps. 74,624,979  | Ps. (7,401,475)                                  | Ps. 34,302,231                                     | Ps. (26,551,247)    | Ps. 74,974,488                |
| Other comprehensive income items:                                 |                 |  |  |                     |                               |
| Net other comprehensive income (loss) that may be reclassified to |                 |  |  |                     |                               |

|   |                   |                   |                   |                |                   |  |
|---|-------------------|-------------------|-------------------|----------------|-------------------|--|
| profit or loss in subsequent years  |                   |                   |                   |                |                   |  |
| Effect of translation of foreign entities                                     | Ps. ( 26,485,343) | Ps. ( 3,442,578)  | Ps. ( 26,485,343) | Ps. 29,524,982 | Ps. ( 26,888,282) |  |
| Effect of fair value of derivatives, net of deferred taxes                    | (741,321)         | (658,570)         | (833,613)         | 1,492,764      | (740,740)         |  |
| Items that will not to be reclassified to profit or loss in subsequent years: |                   |                   |                   |                |                   |  |
| Remeasurement of defined benefit plan, net of deferred taxes                  | (2,289,811)       |                   | (3,874,354)       | 3,726,126      | (2,438,039)       |  |
| Total other comprehensive loss items for the year                             | (29,516,475)      | (4,101,148)       | (31,193,310)      | 34,743,872     | (30,067,061)      |  |
| Total comprehensive income for the year                                       | Ps. 45,108,504    | Ps. ( 11,502,623) | Ps. 3,108,921     | Ps. 8,192,625  | Ps. 44,907,427    |  |
| Comprehensive income for the year attributable to:                            |                   |                   |                   |                |                   |  |
| Equity holders of the parent  | Ps. 45,108,504    | Ps. ( 11,502,623) | Ps. 3,309,998     | Ps. 8,192,625  | Ps. 45,108,504    |  |
| Non-controlling interests   |                   |                   | (201,077)         |                | (201,077)         |  |
|   | Ps. 45,108,504    | Ps. (11,502,623)  | Ps. 3,108,921     | Ps. 8,192,625  | Ps. 44,907,427    |  |

**Table of Contents****Condensed consolidating statements of comprehensive income**

For the year ended December 31, 2014

|   | <b>Parent</b>   | <b>Wholly-owned<br/>Guarantor<br/>Subsidiary</b> | <b>Combined<br/>non-guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|---|-----------------|--|--|---------------------|-------------------------------|
| Total revenues  | Ps. 177,253,309 | Ps. 160,813,209                                  | Ps. 684,868,563                                    | Ps. (174,673,261)   | Ps. 848,261,820               |
| Total cost and operating expenses                     | 128,116,283     | 141,434,298                                      | 604,910,204  | (182,753,215)       | 691,707,570                   |
| Operating income                                      | 49,137,026      | 19,378,911                                       | 79,958,359   | 8,079,954           | 156,554,250                   |
| Interest (expense) income, net                        | (28,644,460)    | (9,557,003)                                      | 13,877,738   | (146,527)           | (24,470,252)                  |
| Foreign currency exchange (loss) gain, net            | (9,171,796)     | (1,067,727)                                      | (18,375,936)                                       |                     | (28,615,459)                  |
| Other financing cost, net                             | 5,940,256       |  | (16,135,030)                                       | 4,513               | (10,190,261)                  |
| Income tax  | 9,988,723       | 4,917,194  | 24,801,632   |                     | 39,707,549                    |
| Equity interest in net income of associated companies | 38,649,910      | (4,185,854)                                      | (348,866)  | (40,188,199)        | (6,073,009)                   |
| Net profit (loss) for year                            | Ps. 45,922,213  | Ps. (348,867)                                    | Ps. 34,174,633                                     | Ps. (32,250,259)    | Ps. 47,497,720                |
| Distribution of the net profit (loss) to:             |                 |  |  |                     |                               |
| Equity owners of holding company                      | Ps. 45,922,213  | Ps. (348,867)                                    | Ps. 32,717,012                                     | Ps. (32,143,988)    | Ps. 46,146,370                |
| Non-controlling interest                              |                 |  | 1,457,621  | (106,271)           | 1,351,350                     |
| Net profit (loss)                                     | Ps. 45,922,213  | Ps. (348,867)                                    | Ps. 34,174,633                                     | Ps. (32,250,259)    | Ps. 47,497,720                |
| Other comprehensive income items:                     |                 |  |  |                     |                               |
| <b>Net other comprehensive income</b>                 |                 |  |  |                     |                               |

|  |     |              |     |             |     |             |     |              |     |              |
|--|-----|--------------|-----|-------------|-----|-------------|-----|--------------|-----|--------------|
| (loss) to be reclassified to profit or loss in subsequent years:           |     |              |     |             |     |             |     |              |     |              |
| Effect of translation of foreign entities                                  | Ps. | (5,786,883)  | Ps. | (2,718,279) | Ps. | (1,209,846) | Ps. | (1,977,265)  | Ps. | (6,255,715)  |
| Effect of fair value of derivatives, net of deferred taxes                 |     | (329,112)    |     | (815,484)   |     | (366,195)   |     | 1,197,219    |     | (313,572)    |
| <b>Items not to be reclassified to profit or loss in subsequent years:</b> |     |              |     |             |     |             |     |              |     |              |
| Remeasurement of defined benefit plan, net of income tax effect            |     | (6,625,463)  |     |             |     | (6,512,408) |     | 6,329,896    |     | (6,807,975)  |
| Total other comprehensive income items for the period                      |     | (12,741,458) |     | 1,902,795   |     | (8,088,449) |     | 5,549,850    |     | (13,377,262) |
| Total comprehensive income for the period                                  | Ps. | 33,180,755   | Ps. | 1,553,928   | Ps. | 26,086,184  | Ps. | (26,700,409) | Ps. | 34,120,458   |
| Comprehensive income for the period attributable to:                       |     |              |     |             |     |             |     |              |     |              |
| Equity holders of the parent   | Ps. | 33,180,755   | Ps. | 1,553,928   | Ps. | 25,370,638  | Ps. | (26,700,409) | Ps. | 33,404,912   |
| Non-controlling interests  |     |              |     |             |     | 715,546     |     |              |     | 715,546      |
|  | Ps. | 33,180,755   | Ps. | 1,553,928   | Ps. | 26,086,184  | Ps. | (26,700,409) | Ps. | 34,120,458   |

**Table of Contents****Condensed consolidating statements of comprehensive income**

For the year ended December 31, 2015

|   | Parent          | Wholly-owned<br>Guarantor<br>Subsidiary | Combined<br>non-guarantor<br>Subsidiaries | Eliminations      | Consolidated<br>Total |
|---|-----------------|---|---|-------------------|-----------------------|
| Total revenues  | Ps. 173,615,615 | Ps. 157,930,068                         | Ps. 743,626,527                           | Ps. (180,955,583) | Ps. 894,216,627       |
| Total cost and<br>operating expenses  | 126,724,721     | 142,902,403                             | 663,539,914                               | (180,404,671)     | 752,762,367           |
| Operating income  | 46,890,894      | 15,027,665                              | 80,086,613                                | (550,912)         | 141,454,260           |
| Interest (expense)<br>income, net   | (16,668,472)    | (9,031,432)                             | (953,269)                                 | 227,781           | (26,425,392)          |
| Foreign currency<br>exchange (loss)<br>gain, net  | (51,209,235)    | (2,060,917)                             | (25,727,746)                              |                   | (78,997,898)          |
| Other financing<br>cost, net  | 14,115,563      |   | 7,420,596                                 |                   | 21,536,159            |
| Income tax  | 1,150,992       | 1,747,302                               | 16,281,357                                |                   | 19,179,651            |
| Equity interest in<br>net income of<br>associated<br>companies  | 43,077,014      | (4,722,363)                             | (2,534,350)                               | (37,246,997)      | (1,426,696)           |
| Net profit (loss)<br>for year   | Ps. 35,054,772  | Ps. (2,534,349)                         | Ps. 42,010,487                            | Ps. (37,570,128)  | Ps. 36,960,782        |
| Distribution of the<br>net profit (loss) to:  |                 |   |   |                   |                       |
| Equity owners of<br>holding company   | Ps. 35,054,772  | Ps. (2,534,349)                         | Ps. 41,711,424                            | Ps. (39,177,075)  | Ps. 35,054,772        |
| Non-controlling<br>interest   |                 |   | 299,063                                   | 1,606,947         | 1,906,010             |
| Net profit (loss)   | Ps. 35,054,772  | Ps. (2,534,349)                         | Ps. 42,010,487                            | Ps. (37,570,128)  | Ps. 36,960,782        |
| Other<br>comprehensive<br>income items:<br>Net other<br>comprehensive<br>income (loss) to be<br>reclassified to<br>profit or loss in<br>subsequent years: |                 |   |   |                   |                       |



|   |                  |                 |                  |                |                  |
|---|------------------|-----------------|------------------|----------------|------------------|
| Effect of translation of foreign Entities                           | Ps. (34,224,932) | Ps. (4,664,901) | Ps. (34,129,089) | Ps. 37,412,602 | Ps. (35,606,320) |
| Effect of fair value of derivatives, net of deferred taxes          | 37,011           |                 | 22,482           | (21,998)       | 37,495           |
| Items not to be reclassified to profit or loss in subsequent years: |                  |                 |                  |                |                  |
| Remeasurement of defined benefit plan, net of income tax effect     | (17,791,354)     |                 | (10,750,136)     | 10,561,072     | (17,980,418)     |
| Available for sale  | 173,540          |                 | (169,529)        |                | 4,011            |
| Total other comprehensive income items for the period               | (51,805,735)     | (4,664,901)     | (45,026,272)     | 47,951,676     | (53,545,232)     |
| Total comprehensive income for the period                           | Ps. (16,750,963) | Ps. (7,199,250) | Ps. (3,015,785)  | Ps. 10,381,548 | Ps. (16,584,450) |
| Comprehensive income for the period attributable to:                |                  |                 |                  |                |                  |
| Equity holders of the parent  | Ps. (16,750,963) | Ps. (7,199,250) | Ps. (10,304,830) | Ps. 17,504,080 | Ps. (16,750,963) |
| Non-controlling interests   |                  |                 | 7,289,045        | (7,122,532)    | 166,513          |
|   | Ps. (16,750,963) | Ps. (7,199,250) | Ps. (3,015,785)  | Ps. 10,381,548 | Ps. (16,584,450) |

**Table of Contents****Condensed Consolidating Statements of Cash Flows**

For the year ended December 31, 2013

|   | <b>Parent</b>  | <b>Wholly-owned<br/>Guarantor<br/>Subsidiary</b> | <b>Combined<br/>non-guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|---|----------------|--|--|---------------------|-------------------------------|
| <b>Operating activities:</b>                                      |                |  |  |                     |                               |
| Profit before taxes   | Ps. 84,045,652 | Ps. (8,874,701)                                  | Ps. 56,747,515                                     | Ps. (26,551,247)    | Ps. 105,367,219               |
| Non-cash items  | 43,845,079     | 15,791,372                                       | 57,260,821   | 23,286,691          | 140,183,963                   |
| Changes in working capital:                                       | (34,873,416)   | 7,885,804  | (34,038,834)                                       | 3,264,556           | (57,761,890)                  |
| Net cash flows (used in) provided by operating activities         | 93,017,315     | 14,802,475                                       | 79,969,502   |                     | 187,789,292                   |
| <b>Investing activities:</b>                                      |                |  |  |                     |                               |
| Acquisition of plant, property and equipment                      | 69,274         | (16,044,251)                                     | (102,441,309)                                      |                     | (118,416,286)                 |
| Acquisition of licenses   |                |  | (3,334,464)  |                     | (3,334,464)                   |
| Dividends received  |                |  | 212,394  |                     | 212,394                       |
| Acquisition of non-controlling interest                           | (341,966)      |  | (1,730,588)  | 341,966             | (1,730,588)                   |
| Fixed asset sales   |                |  | 44,045   |                     | 44,045                        |
| Acquisition of investments in associates and business combination |                |  | (15,366,062)                                       |                     | (15,366,062)                  |
| Partial sale of shares of associated company                      |                |  | 4,299,360  |                     | 4,299,360                     |
| Net cash flows provided by (used in) investing activities         | (272,692)      | (16,044,251)                                     | (118,316,624)                                      | 341,966             | (134,291,601)                 |

| <b>Financing activities:</b>                                     |                      |                  |                   |                  |                     |
|--|----------------------|------------------|-------------------|------------------|---------------------|
| Bank loans, net  | 70,907,667           |                  | (5,317,148)       |                  | 65,590,519          |
| Acquisition of no controlling interest                           | (72,016,331)         |                  | 69,448,722        |                  | (2,567,609)         |
| Interest paid  | (16,839,948)         | 1,143,831        | (6,958,002)       |                  | (22,654,119)        |
| Paid-In capital  |                      |                  | 341,966           | (341,966)        |                     |
| Repurchase of shares and others                                  | (70,745,785)         |                  |                   |                  | (70,745,785)        |
| Payment of dividends   | (15,501,944)         |                  | (220,632)         |                  | (15,722,576)        |
| Financial instruments  |                      |                  | (546,770)         |                  | (546,770)           |
| <b>Net cash flows (used in) provided by financing activities</b> | <b>(104,196,341)</b> | <b>1,143,831</b> | <b>56,748,136</b> | <b>(341,966)</b> | <b>(46,646,340)</b> |
| Net (decrease) increase in cash and cash equivalents             | (11,451,717)         | (97,945)         | 18,401,013        |                  | 6,851,351           |
| Adjustment to cash flow for exchange rate differences            |                      |                  | (4,175,001)       |                  | (4,175,001)         |
| Cash and cash equivalents at beginning of the period             | 27,269,924           | 1,325,939        | 16,891,337        |                  | 45,487,200          |
| Cash and cash equivalents at end of the period                   | Ps. 15,818,207       | Ps. 1,227,994    | Ps. 31,117,349    | Ps.              | Ps. 48,163,550      |

**Table of Contents****Condensed Consolidating Statements of Cash Flows**

For the year ended December 31, 2014

|  | <b>Parent</b>      | <b>Wholly-owned<br/>Guarantor<br/>Subsidiary</b> | <b>Combined<br/>non-guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|--|--------------------|--|--|---------------------|-------------------------------|
| <b>Operating activities:</b>                                     |                    |  |  |                     |                               |
| Profit before taxes  | Ps. 55,910,936     | Ps. 4,568,327                                    | Ps. 58,976,264                                     | Ps. (32,250,258)    | Ps. 87,205,269                |
| Non-cash items   | 76,781,705         | 20,102,297                                       | 62,552,178   | 40,188,198          | 199,624,378                   |
| Changes in working capital:                                      | (59,801,260)       | (24,312,700)                                     | 45,832,767   | (7,937,940)         | (46,219,133)                  |
| <b>Net cash flows (used in) provided by operating activities</b> | <b>72,891,381</b>  | <b>357,924</b>                                   | <b>167,361,209</b>                                 |                     | <b>240,610,514</b>            |
| <b>Investing activities:</b>                                     |                    |  |  |                     |                               |
| Acquisition of plant, property and equipment                     | 289,705            | (8,850,170)                                      | (117,704,832)                                      |                     | (126,265,297)                 |
| Acquisition of licenses  |                    | (1,225,966)                                      | (18,093,690)                                       |                     | (19,319,656)                  |
| Dividends received   | (6,265)            | 7,070,000  | (1,497)  | (6,702,825)         | 359,413                       |
| Investment in associates and business combinations               | 7,664,566          |  | (19,575,148)                                       |                     | (11,910,582)                  |
| Acquisition of business, net of cash acquired                    | (10,400,293)       | 24,648,037                                       | (12,582,000)                                       | 10,400,293          | 12,066,037                    |
| Cash acquired in business combination                            |                    |  | (2,654,342)  |                     | (2,654,342)                   |
| Proceeds from fixed asset sales                                  |                    |  | 96,781   |                     | 96,781                        |
| <b>Net cash flows provided by (used in) investing activities</b> | <b>(2,452,287)</b> | <b>21,641,901</b>                                | <b>(170,514,728)</b>                               | <b>3,697,468</b>    | <b>(147,627,646)</b>          |
| <b>Financing activities:</b>                                     |                    |  |  |                     |                               |
| Bank loans, net  | 11,556,519         |  | (4,065,730)  |                     | 7,490,789                     |

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|   |                |               |                |              |                |
|---|----------------|---------------|----------------|--------------|----------------|
| Acquisition of no controlling interest                    |                |               | (4,696,245)    |              | (4,696,245)    |
| Interest paid   | (20,818,380)   | (21,833,128)  | 9,368,090      |              | (33,283,418)   |
| Paid-In capital   |                |               | 10,400,293     | (10,400,293) |                |
| Repurchase of shares and others                           | (35,049,327)   |               |                |              | (35,049,327)   |
| Increase of non-controlling interests                     |                |               | 7,181,894      |              | 7,181,894      |
| Payment of dividends                                      | (16,291,799)   |               | (7,465,855)    | 6,702,825    | (17,054,829)   |
| Financial instruments                                     |                |               | 653,116        |              | 653,116        |
| Net cash flows (used in) provided by financing activities | (60,602,987)   | (21,833,128)  | 11,375,563     | (3,697,468)  | (74,758,020)   |
| Net (decrease) increase in cash and cash equivalents      | 9,836,107      | 166,697       | 8,222,044      |              | 18,224,848     |
| Adjustment to cash flow for exchange rate differences     |                |               | 85,305         |              | 85,305         |
| Cash and cash equivalents at beginning of the period      | 15,818,207     | 1,227,994     | 31,117,349     |              | 48,163,550     |
| Cash and cash equivalents at end of the period            | Ps. 25,654,314 | Ps. 1,394,691 | Ps. 39,424,698 | Ps.          | Ps. 66,473,703 |

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**Table of Contents****Condensed Consolidating Statements of Cash Flows**

For the year ended December 31, 2015

|  | <b>Parent</b>       | <b>Wholly-owned<br/>Guarantor<br/>Subsidiary</b> | <b>Combined<br/>non-guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|--|---------------------|--|--|---------------------|-------------------------------|
| <b>Operating activities:</b>                                     |                     |  |  |                     |                               |
| Profit before taxes  | Ps. 36,205,763      | Ps. (787,047)                                    | Ps. 58,291,845                                     | Ps. (37,570,128)    | Ps. 56,140,433                |
| Non-cash items   | (4,256,606)         | 20,449,298                                       | 141,855,010  | 37,246,997          | 195,294,699                   |
| Changes in working capital:                                      | (72,746,155)        | (1,580,787)                                      | (13,704,330)                                       | 323,131             | (87,708,141)                  |
| <b>Net cash flows (used in) provided by operating activities</b> | <b>(40,796,998)</b> | <b>18,081,464</b>                                | <b>186,442,525</b>                                 |                     | <b>163,726,991</b>            |
| <b>Investing activities:</b>                                     |                     |  |  |                     |                               |
| Purchase of property, plant and equipment                        | 1,498               | (6,894,071)                                      | (121,147,340)                                      |                     | (128,039,913)                 |
| Acquisition of intangibles                                       |                     | (3,292,490)                                      | (20,240,336)                                       |                     | (23,532,826)                  |
| Dividends received from associates                               | 74,901,349          |  |  | (73,255,637)        | 1,645,712                     |
| Proceeds from sale of plant, property and equipment              |                     |  | 27,329   |                     | 27,329                        |
| Acquisition of business, net of cash acquired                    |                     |  | (3,457,153)  |                     | (3,457,153)                   |
| Partial sale of shares of associate company                      |                     |  | 633,270  |                     | 633,270                       |
| Spin of company  |                     | (216,626)  | 21,216,626   |                     | 21,000,000                    |
| Investment in associates companies                               | (2,213,277)         | (1,404,489)                                      | 3,439,801  |                     | (177,965)                     |
| <b>Net cash flows provided by (used in) investing activities</b> | <b>72,689,570</b>   | <b>(11,807,676)</b>                              | <b>(119,527,803)</b>                               | <b>(73,255,637)</b> | <b>(131,901,546)</b>          |

|   |                       |                      |                       |                   |                       |
|---|-----------------------|----------------------|-----------------------|-------------------|-----------------------|
| Financing activities:                                     |                       |                      |                       |                   |                       |
| Bank loans, net   | <b>50,879,779</b>     |                      | <b>5,083,236</b>      |                   | <b>55,963,015</b>     |
| Acquisition of non-controlling interest                   | <b>(34,970)</b>       |                      | <b>(996,079)</b>      |                   | <b>(1,031,049)</b>    |
| Interest paid   | <b>(23,379,273)</b>   | <b>(6,200,848)</b>   | <b>(3,250,311)</b>    |                   | <b>(32,830,432)</b>   |
| Paid-In capital   |                       |                      |                       |                   |                       |
| Repurchase of shares and others                           | <b>(34,684,520)</b>   |                      | <b>241,436</b>        |                   | <b>(34,443,084)</b>   |
| Increase of non-controlling interests                     |                       |                      |                       |                   |                       |
| Payment of dividends                                      | <b>(36,524,317)</b>   |                      | <b>(74,090,920)</b>   | <b>73,255,637</b> | <b>(37,359,600)</b>   |
| Financial instruments                                     |                       |                      | <b>(503,444)</b>      |                   | <b>(503,444)</b>      |
| Net cash flows (used in) provided by financing activities | <b>(43,743,301)</b>   | <b>(6,200,848)</b>   | <b>(73,516,082)</b>   | <b>73,255,637</b> | <b>(50,204,594)</b>   |
| Net (decrease) increase in cash and cash equivalents      | <b>(11,850,729)</b>   | <b>72,940</b>        | <b>(6,601,360)</b>    |                   | <b>(18,379,149)</b>   |
| Adjustment to cash flow for exchange rate differences     |                       |                      | <b>(2,934,522)</b>    |                   | <b>(2,934,522)</b>    |
| Cash and cash equivalents at beginning of the period      | <b>25,654,313</b>     | <b>1,395,096</b>     | <b>39,424,294</b>     |                   | <b>66,473,703</b>     |
| Cash and cash equivalents at end of the period            | <b>Ps. 13,803,584</b> | <b>Ps. 1,468,036</b> | <b>Ps. 29,888,412</b> | <b>Ps.</b>        | <b>Ps. 45,160,032</b> |