OFFERING MEMORANDUM

U.S.$500,000,000

América Móvil, S.A. de C.V.

5.750% Senior Notes Due 2015

Unconditionally Guaranteed by

Radiomóvil Dipsa, S.A. de C.V.

We are offering U.S.$500,000,000 aggregate principal amount of our senior notes due 2015 bearing interest at 5.750% per year. The notes will mature on January 15, 2015. Interest on the notes will accrue from November 3, 2004 and will be payable on January 15 and July 15 of each year, beginning on July 15, 2005. Our wholly-owned subsidiary Radiomóvil Dipsa, S.A. de C.V., also known as "Telcel," has irrevocably and unconditionally agreed to guarantee the payment of principal, premium, if any, interest and all other amounts in respect of the notes.

The notes will rank equally in right of payment with all of our other unsecured and unsubordinated debt obligations. The guarantees will rank equally in right of payment with all of Telcel's other unsecured and unsubordinated debt obligations.

In the event of certain changes in the applicable rate of Mexican withholding taxes on interest, we may redeem the notes, in whole but not in part, at a price equal to 100% of their principal amount plus accrued interest to the redemption date. We may redeem, in whole or in part, the notes at any time by paying the greater of the principal amount of the notes and the applicable "make-whole" amount, plus, in each case, accrued interest. See "Description of Notes—Optional Redemption" beginning on page 38.

We and Telcel have agreed to file an exchange offer registration statement pursuant to a registration rights agreement. See "Registration Rights" beginning on page 49.

Investing in the notes involves risks. See "Risk Factors" beginning on page 18.

The notes have not been registered under the U.S. Securities Act of 1933, as amended, and are being offered only (1) to qualified institutional buyers under Rule 144A and (2) outside the United States in compliance with Regulation S. For certain restrictions on transfer of the notes, see "Transfer Restrictions" beginning on page 53.

THIS OFFERING MEMORANDUM IS SOLELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION (COMISIÓN NACIONAL BANCARIA Y DE VALORES DE MÉXICO, OR "CNBV"). REGISTRATION OF THE NOTES WITH THE SPECIAL SECTION (SECCIÓN ESPECIAL) OF THE NATIONAL SECURITIES REGISTRY (REGISTRO NACIONAL DE VALORES) MAINTAINED BY THE CNBV DOES NOT CONSTITUTE A CERTIFICATION AS TO THE INVESTMENT VALUE OF THE NOTES OR OUR SOLVENCY. THE NOTES HAVE NOT BEEN REGISTERED WITH THE SECURITIES SECTION OF THE NATIONAL SECURITIES REGISTRY, AND THEREFORE, THE NOTES MAY NOT BE PUBLICLY OFFERED OR SOLD IN MEXICO. IN MAKING AN INVESTMENT DECISION, ALL INVESTORS, INCLUDING ANY MEXICAN CITIZEN WHO MAY ACQUIRE NOTES FROM TIME TO TIME, MUST RELY ON THEIR OWN EXAMINATION OF US AND TELCEL.

We have applied to list the notes on the Luxembourg Stock Exchange, but we are not required to maintain this listing.

Issue Price 99.346% plus accrued interest, if any, from November 3, 2004

The initial purchasers expect to deliver the notes to purchasers on or about November 3, 2004.

Sole Book-Runner

Citigroup

Credit Suisse First Boston

October 28, 2004

You should rely only on the information contained in this offering memorandum. We have not authorized anyone to provide you with different information. We are not, and the initial purchasers are not, making an offer to sell these notes in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front cover of this offering memorandum or such earlier date as may be indicated in this offering memorandum.

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We have included in this offering memorandum, as Annex A, a copy of our annual report to the SEC on Form 20-F for the year ended December 31, 2003, as amended, which we refer to as our “2003 Form 20-F.” Our 2003 Form 20-F includes risk factors, our audited financial statements and disclosures concerning our business and financial condition and results of operations, as well as other matters. The 2003 Form 20-F constitutes part of, and should be read in conjunction with the other parts of, this offering memorandum. You should carefully review the entire offering memorandum, including our 2003 Form 20-F, before making an investment decision.

In connection with this offering, one of the initial purchasers acting as stabilizing manager, or any agent acting on its behalf, may over-allot or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on the stabilizing manager, or any agent acting on its behalf, to do this. Any stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period. For a description of these activities, see “Plan of Distribution.”

This offering memorandum has been prepared by us solely for use in connection with the placement of the notes. We and the initial purchasers reserve the right to reject any offer to purchase for any reason.

Neither the Securities and Exchange Commission, any state securities commission nor any other regulatory authority, has approved or disapproved the securities nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

This document is only being distributed to and is only directed at (1) persons who are outside the United Kingdom or (2) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the "Order") or (3) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2) of the Order (all such persons together being referred to as "relevant persons"). The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

We are offering to sell, and are seeking offers to buy, the notes only in jurisdictions where offers and sales are permitted. This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. Neither the delivery of this offering memorandum nor any sale made under it implies that there has been no change in our affairs or that the information in this offering memorandum is correct as of any date after the date of this offering memorandum.

You must:

- comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the notes, and
- obtain any consent, approval or permission required to be obtained by you for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales; and neither we, Telcel nor the initial purchasers shall have any responsibility therefor.

See "Transfer Restrictions" for information transfer restrictions applicable to the notes.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;
- you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us, Telcel or the notes, other than as contained in this offering memorandum and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, Telcel or the initial purchasers.

In making an investment decision, you must rely on your own examination of us and Telcel and the terms of this offering, including the merits and risks involved. The notes have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. The notes may not be transferred or resold, except as permitted under the indenture governing the notes, the registration rights agreement entered into by us, Telcel and the initial purchasers, and the Securities Act and applicable U.S. state securities laws. You may be required to bear the financial risks of this investment for an indefinite period of time.

We have taken reasonable care to ensure that the information contained in this offering memorandum is true and correct in all material respects and is not misleading in any material respect as of the date of this offering memorandum, and that there has been no omission of information which, in the context of the issuance of the notes, would make any statement of material fact herein misleading in any material respect, in light of the circumstances existing as of the date of this offering memorandum. We accept responsibility accordingly.

The initial purchasers are not making any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. You should not rely upon the information set forth in this offering memorandum, as a promise or representation, whether as to the past or the future. The initial purchasers have not independently verified any of that information and assume no responsibility for its accuracy or completeness.

None of us, Telcel and the initial purchasers, nor any of our and their respective representatives, is making any representation to you regarding the legality of an investment in the notes. You should consult with your own advisors as to legal, tax, business, financial and related aspects of an investment in the notes. You must comply with all laws applicable in any place in which you buy, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain all applicable consents and approvals. None of us, Telcel and the initial purchasers shall have any responsibility for any of the foregoing legal requirements.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE UNIFORM SECURITIES ACT ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

REVIEW BY U.S. SECURITIES AND EXCHANGE COMMISSION

We will agree to file a registration statement with the U.S. Securities and Exchange Commission, or SEC, with respect to a registered exchange offer for the notes or a shelf registration statement with respect to resales of the notes. See "Registration Rights." In the course of the review by the SEC of the registration statement, we may be required to make changes to information contained in this offering memorandum. Accordingly, comments by the SEC on the registration statement may require modification or reformulation of information we present in this offering memorandum.

ENFORCEABILITY OF CIVIL LIABILITIES

We and Telcel are corporations organized under the laws of Mexico, with our principal places of business (*domicilio social*) in Mexico City. In addition, most of our and Telcel's respective directors, officers and controlling persons, as well as certain experts named in this offering memorandum, reside outside the United States, and all or a substantial portion of their assets and our assets are located outside of the United States. As a result, it may be difficult for investors to effect service of process within the United States upon these persons or to enforce against them, either inside or outside the United States, judgments obtained against these persons in U.S. courts, or to enforce in U.S. courts judgments obtained against these persons in courts in jurisdictions outside the United States, in each case, in any action predicated upon civil liabilities under the U.S. federal securities laws. Based on the opinion of Galicia y Robles, S.C., our Mexican counsel, there is doubt as to the enforceability against these persons in Mexico, whether in original actions or in actions for enforcement of judgments of U.S. courts, of liabilities predicated solely upon the U.S. federal securities laws.

WHERE YOU CAN FIND MORE 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 Room at 450 Fifth Street, N.W., Washington, D.C. 20459. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Any filings we make electronically will be available to the public over the Internet at the SEC's web site at www.sec.gov and at our web site at www.americamovil.com. We have included as Annex A a copy of our 2003 Form 20-F. We are not, however, incorporating by reference in this offering memorandum any other reports, information or materials filed with the SEC or any other material from our website or any other source. The reference above to our website is an inactive textual reference to the uniform resource locator (URL) and is for your reference only.

We have agreed that, if we are not subject to the informational requirements of Sections 13 or 15(d) of the U.S. Securities and Exchange Act of 1934 at any time while the notes constitute "restricted securities" within the meaning of the Securities Act, we will furnish to holders and beneficial owners of the notes and to prospective purchasers designated by such holders the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A in connection with resales of the notes.

PRESENTATION OF FINANCIAL INFORMATION

Financial Statements

Our financial statements in this offering memorandum and our 2003 Form 20-F have been prepared in accordance with Mexican GAAP and presented in Mexican pesos. Mexican GAAP differs in certain respects from U.S. GAAP. Mexican GAAP requires restatement of all financial statements to constant Mexican pesos as of the date of the most recent balance sheet presented. Our audited consolidated financial statements and the other financial information appearing in our 2003 Form 20-F, and all annual financial information presented in this offering memorandum, are accordingly stated in constant pesos with purchasing power as of December 31, 2003.

The unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2004 and June 30, 2003 and all interim financial information presented in this offering memorandum are stated in constant pesos with purchasing power as of June 30, 2004. As a result of Mexican inflation during the first six months of 2004, the purchasing power of one peso as of December 31, 2003 is equivalent to the purchasing power of Ps. 1.0161 as of June 30, 2004. Accordingly, the audited financial statements and other annual financial information are not directly comparable to the unaudited condensed consolidated interim financial statements and information, because they are stated in constant pesos as of different dates.

Note 24 to our audited consolidated financial statements and Note 16 to the unaudited condensed consolidated interim financial statements contain condensed consolidating financial information for Telcel.

References in this offering memorandum to “U.S. dollars” or “U.S.$” are to the lawful currency of the United States. References herein to “pesos,” “P.” or “Ps.” are to the lawful currency of Mexico.

This offering memorandum contains translations of various peso amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the nominal peso or constant peso amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, we have translated (i) U.S. dollar amounts from June 30, 2004 constant pesos at the exchange rate of Ps. 11.41 to U.S.$1.00, which was the rate reported by Banco de México for June 30, 2004, and (ii) U.S. dollar amounts from December 31, 2003 constant pesos at the exchange rate of Ps. 11.2360 to U.S.$1.00, which was the rate reported by Banco de México for December 31, 2003. The exchange rate reported for October 26, 2004 by Banco de México for pesos was Ps. 11.4424 to U.S.$1.00.

FORWARD-LOOKING STATEMENTS

This offering memorandum, including our 2003 Form 20-F, contains forward-looking statements. Examples of forward-looking statements include the following:

- projections of operating revenues, net income (loss), net income (loss) per share, capital expenditures, indebtedness levels, dividends, capital structure or other financial items or ratios;
- statements of our plans, objectives or goals, including those relating to competition, regulation and rates;
- statements about our future economic performance or that of Mexico or other countries in which we operate;
- competitive developments in the telecommunications sector in each of the markets where we currently operate;
- other factors or trends affecting the telecommunications industry generally and our financial condition in particular; and
- statements of assumptions underlying the foregoing statements.

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

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors, some of which are discussed under "Risk Factors" beginning on page 18 of this offering memorandum and "Item 3—Key Information—Risk Factors" in our 2003 Form 20-F, include economic and political conditions and government policies in Mexico, Brazil or elsewhere, inflation rates, exchange rates, regulatory developments, new investment opportunities, technological improvements, customer demand and competition. We caution you that the foregoing list of factors is not exclusive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements.

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

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

SUMMARY

This summary highlights selected information from this offering memorandum and does not contain all of the information that may be important to you. You should carefully read this entire offering memorandum, including the risk factors and financial statements.

América Móvil

With 50.3 million wireless subscribers in ten countries at June 30, 2004 (compared to 43.7 million at December 31, 2003 and 39.1 million at June 30, 2003), we are the largest provider of wireless communications services in Latin America and one of the ten largest in the world. Because our focus is on Latin America, a substantial majority of our wireless subscribers are prepaid customers. We also had approximately 1.7 million fixed lines in Guatemala and El Salvador at June 30, 2004, making us the largest fixed-line operator in Central America. We have recently deployed or upgraded GSM networks in Mexico, Brazil, Colombia, Ecuador, Guatemala, El Salvador and Nicaragua and are in the process of deploying GSM networks in Argentina and Uruguay.

For the six-month period ended June 30, 2004, we had operating revenues of Ps. 58,489 million (U.S.$5,125 million) and net income of Ps. 7,270 million (U.S.$637 million), compared to operating revenues of Ps. 38,481 million (U.S.$3,672 million), and net income of Ps. 7,855 million (U.S.$749 million) for the corresponding period of 2003, based on Mexican GAAP. For the year ended December 31, 2003, we had operating revenues of Ps. 85,941 million (U.S.$7,649 million) and net income of Ps. 15,032 million (U.S.$1,338 million), as compared to operating revenues of Ps. 59,743 million (U.S.$5,317 million) and net income of Ps. 4,784 million (U.S.$425.7 million) for the year ended December 31, 2002, based on Mexican GAAP. At June 30, 2004, we had total assets of Ps. 164,941 million (U.S.$14,455 million) and total stockholders' equity of Ps. 73,772 million (U.S.$6,466 million), based on Mexican GAAP.

Our principal operations are:

- *Mexico*. Through Radiomóvil Dipsa, S.A. de C.V., which operates under the name "Telcel," we provide cellular telecommunications service in all nine regions in Mexico, with a network covering approximately 35% of the geographical area of Mexico, including all major cities, and approximately 81% of Mexico's population. At June 30, 2004, Telcel had 25.6 million subscribers, and Telcel is the largest provider of wireless telecommunications services in Mexico. For the six-month period ended June 30, 2004, Telcel had operating revenues of Ps. 32,334 million (U.S.$2,833 million). Our Mexican operations represented approximately 55% of our consolidated revenues in the first six months of 2004. For the year ended December 31, 2003, Telcel had operating revenues of Ps. 52,466 million (U.S.$4,669 million). Our Mexican operations represented approximately 61% of our consolidated operating revenues in 2003.
- *Argentina*. In 2003, we acquired CTI, the fourth largest wireless operator in Argentina measured by the number of subscribers. CTI provides nationwide wireless services in Argentina.
- *Brazil*. With approximately 11.1 million subscribers as of June 30, 2004, we are the second-largest provider of wireless telecommunications services in Brazil based on the number of subscribers. We operate in Brazil through our subsidiary, Telecom Americas, and a number of operating companies, under a unified brand name, "Claro." During 2003, we significantly expanded our coverage in Brazil by acquiring BCP S.A. and BSE S.A. BCP is the second largest wireless provider in the São Paulo metropolitan area. Our network covers the principal cities in Brazil (including São Paulo and Rio de Janeiro). For the six-month period ended June 30, 2004, Telecom Americas had operating revenues of Ps. 8,742 million (U.S.$766 million), which represented approximately 15% of our consolidated

operating revenues in the first six months of 2004. For the year ended December 31, 2003, Telecom Americas had operating revenues of Ps. 11,397 million (U.S.$1,014 million), which represented approximately 13% of our consolidated operating revenues in 2003.

- *Central America*. We provide fixed-line and wireless services in Guatemala, El Salvador and Nicaragua, through our subsidiaries Telgua, CTE and ENITEL. We also provide wireless services in Nicaragua through our subsidiary Sercom Nicaragua and in Honduras through our subsidiary Megatel de Honduras. We acquired a controlling interest in CTE in 2003. We acquired ENITEL in two transactions that closed in January and August 2004 and Megatel de Honduras in a transaction that closed in June 2004.

- *Colombia*. Our three operating subsidiaries in Colombia—Comcel, Occel and Celcaribe—operate under the "Comcel" brand. We are the largest wireless operator in the country measured by the number of subscribers.

- *Ecuador*. Conecel, our subsidiary in Ecuador, is the largest wireless operator in Ecuador measured by the number of subscribers. Conecel operates under the "Porta" brand.

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

Our Markets

We operate pursuant to concessions or licenses to provide wireless telecommunications services in each of the countries in which we operate. We seek to provide a full range of wireless telecommunications services in each of our markets. Our networks are consistently optimized to try to ensure maximum coverage and high quality service. We have recently deployed or upgraded GSM networks in Mexico, Brazil, Colombia, Ecuador, Guatemala, El Salvador and Nicaragua, and we are in the process of deploying GSM networks in Argentina and Uruguay. In 2003, we invested Ps. 13.7 billion (U.S.$1.2 billion) in our networks in capital expenditures. We also seek to expand market share by exploring strategic acquisition opportunities in Latin America.

Our principal markets of operations are Mexico and Brazil, the two largest economies in Latin America. We are the largest provider of wireless communication services in Mexico and the second largest in Brazil, based on the number of subscribers at June 30, 2004. Telcel and Telecom Americas combined represented 74.3% of our operating revenues in 2003 and 70.2% of our operating revenues in the first six months of 2004. In 2003, the Mexican Finance Ministry estimates that the Mexican economy grew at a rate of 1.5% per annum and has projected economic growth of 3.5% for 2004. In Brazil, the economy contracted at a rate of 0.2% in 2003 according to the Brazilian Ministry of Economy, and economic growth in 2004 is projected at 3.5%. We believe that economic growth in these two key countries will enhance our operating revenues.

We believe our countries of operation offer considerable growth potential. Mexico, Brazil, Argentina, Colombia, Ecuador, El Salvador, Guatemala and Nicaragua represent a combined estimated population of 362 million, or 67% of the total estimated population of Latin America of 540 million in 2003. Our markets are characterized by relatively low fixed line and wireless penetration rates compared to the United States and Europe.

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

Our Strategy

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

Recent Developments

On October 25, 2004, we reported on results of operations for the nine-month period ended September 30, 2004. For that period, we had operating revenues of Ps. 93,265 million (U.S.$8,174 million) and net income of Ps. 14,613 million (U.S.$1,281 million) compared with operating revenues of Ps. 61,518 million (U.S.$5,630 million) and net income of Ps. 10,032 million (U.S.$918 million) for the nine-month period ended September 30, 2003, in each case based on Mexican GAAP. At September 30, 2004, we had total assets of Ps. 175,655 million (U.S.$15,394 million) and total stockholders' equity of Ps. 79,470 million (U.S.$6,965 million), based on Mexican GAAP. For additional information concerning our results of operations for the nine-month period ended September 30, 2004, see "Recent Developments" in this offering memorandum.

Our principal executive offices are at Lago Alberto 366, Edificio Telcel I, Piso 2, Colonia Anáhuac, 11320, México D.F., México. Our telephone number is (5255) 2581-4411.

Summary of the Offering

Notes being offered	U.S.$500,000,000 aggregate principal amount of 5.750% Senior Notes due 2015.
Issuer	América Móvil, S.A. de C.V.
Guarantor	Radiomóvil Dipsa, S.A. de C.V. (also known as "Telcel").
Issue price	99.346%.
Maturity	January 15, 2015.
Interest rate	The notes will bear interest at the rate of 5.750% per year from November 3, 2004.
Interest payment dates	Interest on the notes will be payable semi-annually on January 15 and July 15 of each year, beginning on July 15, 2005.
Guarantee	Payments of principal, premium, if any, interest and additional amounts due under the notes will be irrevocably and unconditionally guaranteed by Telcel.
Ranking	The notes will be our unsecured and unsubordinated obligations and will rank equally in right of payment with all of our other unsecured and unsubordinated debt. The guarantees will be unsecured and unsubordinated obligations of Telcel and will rank equally in right of payment with all other unsecured and unsubordinated debt of Telcel. The notes and the guarantees will be effectively subordinated to all of our and Telcel's existing and future secured obligations and to all existing and future indebtedness of our subsidiaries other than Telcel. The notes do not restrict our ability or the ability of Telcel or our other subsidiaries to incur additional indebtedness in the future. At June 30, 2004, we had, on an unconsolidated basis (parent company only), unsecured and unsubordinated obligations under indebtedness and guarantees of subsidiary indebtedness of approximately Ps. 48,659 million (U.S.$4,264 million). At June 30, 2004, Telcel had, on an unconsolidated basis, unsecured and unsubordinated obligations under indebtedness and guarantees of parent company and subsidiary indebtedness of approximately Ps. 45,487 million (U.S.$3,986 million), excluding subordinated debt owed to other of our subsidiaries.
Use of proceeds	We intend to use the net proceeds from the sale of the notes to fund capital expenditures, including amounts due to equipment supplies in connection with the rollout of GSM networks in some of our markets.
Payment of additional amounts	If you are not a resident of Mexico for tax purposes, payments of interest on the notes to you will generally be subject to Mexican withholding tax at a rate of 4.9% or, under certain circumstances, 10%. See "Taxation—Mexican Tax Considerations." We will pay additional amounts in respect of those payments of interest so that

	the amount you receive after Mexican withholding tax is paid equals the amount that you would have received if no such Mexican withholding tax had been applicable, subject to some exceptions as described under “Description of Notes—Payments of Additional Amounts.”
Optional redemption	We may redeem any of the notes at any time in whole or in part by paying the greater of the principal amount of the notes and a “make-whole” amount, plus in each case accrued interest, as described under “Description of Notes—Optional Redemption.”
Tax redemption	If, due to changes in Mexican laws relating to Mexican withholding taxes applicable to payments of interest, we are obligated to pay additional amounts on the notes in excess of those attributable to a Mexican withholding tax rate of 10%, we may redeem the outstanding notes in whole (but not in part) at any time, at a price equal to 100% of their principal amount plus accrued interest to the redemption date.
Form and denomination	Except as described below, the notes will be issued only in registered form without coupons and in denominations of U.S.$100,000 principal amount and integral multiples of U.S.$1,000 in excess thereof. The notes sold in the United States in reliance on Rule 144A will be evidenced by a note in global form, or the “Restricted Global Note,” which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company, or “DTC.” The notes sold outside the United States in reliance on Regulation S will be evidenced by a separate note in global form, or the “Regulation S Global Note,” which also will be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg. Transfers of beneficial interests between the Restricted Global Note and the Regulation S Global Note are subject to certain certification requirements.
Transfer restrictions	The notes and the guarantees have not been registered under the Securities Act and are subject to restrictions on transfer.
Registration rights	We and Telcel have agreed to file in the future a registration statement with the SEC with respect to new notes and related guarantees, which we refer to as the “Exchange Notes,” having terms substantially identical to the notes and guarantees offered hereby but without transfer restrictions or provisions for payment of additional interest, as described below. We have also agreed to use our reasonable best efforts to cause the registration statement to become effective and, upon the registration statement becoming effective, to offer to holders of the notes the opportunity to exchange their notes for an equal principal amount of the Exchange Notes. Under certain circumstances, we may instead file a registration statement to cover resales of the notes by the holders.

	Each holder of notes that wishes to participate in the exchange of the notes for Exchange Notes will be required to make written representations. Any holder that is a broker-dealer will be required to deliver a copy of the prospectus included in the registration statement in connection with any resale of Exchange Notes. If we fail to satisfy these registration rights by May 31, 2005, the annual interest rate applicable to each series of affected notes will, until such registration rights are satisfied, be increased by 0.50% per year, as described under "Registration Rights."
Trustee, registrar, principal paying agent, and transfer agent	JPMorgan Chase Bank
Luxembourg transfer agent and paying agent	J.P. Morgan Bank Luxembourg S.A.
Luxembourg listing agent	J.P. Morgan Bank Luxembourg S.A.
Governing law	State of New York
Luxembourg listing	We have applied to list the notes on the Luxembourg Stock Exchange in accordance with the rules and regulations of the Luxembourg Stock Exchange, but we are not required to maintain this listing. See "Listing and General Information."
Risk factors	Prospective purchasers of notes should consider carefully all of the information included in this offering memorandum and, in particular, the information set forth under "Risk Factors" before making an investment in the notes.

Summary Consolidated Financial and Operating Information

The following tables present summary consolidated financial and operating data of América Móvil and summary unconsolidated financial and operating data of Telcel at the dates and for the periods indicated. You should read the information below in conjunction with América Móvil's audited consolidated financial statements as of December 31, 2002 and 2003 and for the years ended December 31, 2001, 2002 and 2003 and notes to these financial statements included in our 2003 Form 20-F, our unaudited condensed consolidated interim financial statements as of June 30, 2004 and for the six-month periods ended June 30, 2002 and 2003 included in this offering memorandum, and "Item 5—Operating and Financial Review and Prospects" in our 2003 Form 20-F.

Our audited consolidated financial statements included in our 2003 Form 20-F and our unaudited condensed consolidated interim financial statements included in this offering memorandum have been prepared in accordance with Mexican GAAP and presented in Mexican pesos. Mexican GAAP differs in certain respects from U.S. GAAP. Note 23 to our audited consolidated financial statements included in our 2003 Form 20-F and Note 15 to the unaudited condensed consolidated interim financial statements provide a description of the principal differences between Mexican GAAP and U.S. GAAP, as they relate to us; a reconciliation to U.S. GAAP of operating income; net income and total stockholders' equity; and a condensed statement of cash flows under U.S. GAAP.

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

- nonmonetary assets (including plant, property and equipment of Mexican origin) and stockholders' equity are restated for inflation based on the Mexican National Consumer Price Index; plant, property and equipment of non-Mexican origin are restated based on the rate of inflation in the country of origin and converted into Mexican pesos using the prevailing exchange rate at the balance sheet date;
- gains and losses in purchasing power from holding monetary liabilities or assets are recognized in income; and
- all financial statements are restated in constant pesos as of the most recent balance sheet date. In the case of our audited consolidated financial statements, all financial information is restated in constant pesos as of December 31, 2003. In the case of our unaudited condensed consolidated interim financial statements, all financial information is restated in constant pesos as of June 30, 2004.

The effect of inflation accounting under Mexican GAAP has not been reversed in the reconciliation to U.S. GAAP of net income and stockholders' equity, except with respect to the methodology for restatement of imported telephone plant. See Note 23 to our audited consolidated financial statements included in our 2003 Form 20-F and Note 15 to the unaudited condensed consolidated interim financial statements.

For information concerning our results of operations at and for the nine months ended September 30, 2004, see "Recent Developments—Results of Operations for the Nine-Month Periods Ended September 30, 2004 and 2003".

The consolidated financial statement data of América Móvil in the tables below as of December 31, 2002 and 2003 and for the years ended December 31, 2001, 2002 and 2003 have been derived from our audited consolidated financial statements included in our 2003 Form 20-F, which have been reported on by Mancera S.C., a member practice of Ernst & Young Global, independent auditors. The following tables also present selected financial data of América Móvil as of earlier dates and for earlier years, which have been prepared in a manner consistent with the information set forth in the consolidated financial statements. In addition, the following tables include selected unconsolidated financial and operating data of Telcel.

	As of and for the year ended December 31,					
	1999(1)	2000	2001	2002	2003	2003
	(millions of constant pesos as of December 31, 2003)(2)					(millions of U.S. dollars)(2)
AMÉRICA MÓVIL						
Income Statement Data:						
Mexican GAAP						
Operating revenues	Ps. 18,010	Ps. 33,073	Ps. 45,457	Ps. 59,743	Ps. 85,941	U.S.$ 7,649
Operating costs and expenses	15,453	29,880	38,783	46,762	67,981	6,050
Depreciation and amortization	1,737	3,395	4,920	8,606	13,878	1,235
Operating income	2,557	3,193	6,674	12,980	17,960	1,599
Comprehensive financing (income) cost	(3,517)	(1,196)	665	1,023	(2,123)	(189)
Net income (loss)	5,010	994	(910)	4,784	15,032	1,338
Net income (loss) per share:						
Basic(3)	0.35	0.07	(0.07)	0.36	1.16	0.10
Diluted(3)	0.35	0.07	(0.07)	0.36	1.16	0.10
Dividends declared per share(4)	—	—	0.040	0.044	0.060	0.005
Dividends paid per share(5)	—	—	0.030	0.043	0.056	0.005
Weighted average number of shares outstanding (millions):						
Basic	—	—	13,199	13,123	12,912	—
Diluted	—	—	13,199	13,123	12,914	—
U.S. GAAP						
Operating revenues	Ps. 18,237	Ps. 33,490	Ps. 45,457	Ps. 59,743	Ps. 85,941	U.S.$ 7,649
Operating costs and expenses	16,369	31,308	39,316	46,431	67,405	5,999
Depreciation and amortization	1,931	3,696	5,496	8,138	13,368	1,190
Operating income	1,868	2,182	6,141	13,312	18,536	1,650
Comprehensive financing (income) cost	(3,602)	(1,482)	727	712	(1,973)	(176)
Net income (loss)	3,140	(470)	(670)	6,037	14,899	1,326
Net income (loss) per share:						
Basic(3)	0.21	(0.03)	(0.05)	0.46	1.15	0.10
Diluted(3)	0.21	(0.03)	(0.05)	0.46	1.15	0.10
Balance Sheet Data:						
Mexican GAAP						
Property, plant and equipment, net	Ps. 14,610	Ps. 37,557	Ps. 43,934	Ps. 62,994	Ps. 71,162	U.S.$ 6,333
Total assets	76,995	100,857	101,833	117,538	149,979	13,349
Short-term debt and current portion of long-term debt	460	7,636	6,928	10,637	12,108	1,078
Long-term debt	2,831	1,340	16,674	37,399	37,205	3,311
Total stockholders' equity(6)	65,472	75,136	62,233	51,146	69,212	6,160
Capital stock	—	31,224	31,201	31,193	31,191	2,776
Number of outstanding shares (millions):						
Series AA	—	3,266	3,807	3,647	3,647	3,647
Series A	—	339	315	291	279	279
Series L	—	10,405	9,077	8,978	8,910	8,910
U.S. GAAP						
Property, plant and equipment, net	Ps. 15,034	Ps. 37,657	Ps. 47,118	Ps. 64,139	Ps. 76,893	U.S.$ 6,843
Total assets	78,756	102,875	105,993	120,611	158,586	14,114
Short-term debt and current portion of long-term debt	—	7,732	6,928	10,637	12,108	1,078
Long-term debt	2,868	1,357	16,674	37,399	37,205	3,311
Minority interest	786	2,427	822	1,225	5,099	454
Total stockholders' equity	63,498	71,030	62,615	50,389	71,167	6,334
Capital stock	—	31,617	31,594	31,587	31,585	2,811
Subscriber Data:						
Number of subscribers (in thousands)		17,124	26,594	31,600	43,725	—
Subscriber growth		—	55.3%	18.8%	38.4%	—

(footnotes on next page)

	As of and for the year ended December 31,					
	1999(1)	2000	2001	2002	2003	2003
	(millions of constant pesos as of December 31, 2003)(2)					(millions of U.S. dollars)(2)
TELCEL						
Income Statement Data:						
(Unconsolidated)						
Mexican GAAP						
Operating revenues	Ps. 16,222	Ps. 25,861	Ps. 35,461	Ps. 42,408	Ps. 52,466	U.S.$ 4,669
Operating costs and expenses(7)	12,796	20,133	27,220	34,573	42,079	3,745
Operating income	3,426	5,728	8,241	7,835	10,387	924
Balance Sheet Data:						
(Unconsolidated)						
Mexican GAAP						
Total assets(8)	Ps. 19,836	Ps. 67,093	Ps. 74,220	Ps. 78,934	Ps. 60,188	U.S.$ 5,367
Total debt with third parties(9)	318	1,929	2,485	2,126	3,020	269
Total liabilities(8)	9,286	42,663	46,665	46,603	50,112	4,460
Subscriber Data:						
Number of subscribers (in thousands)	5,272	10,462	16,965	20,067	23,444	
Subscriber growth	149.4%	98.4%	62.2%	18.3%	16.8%	

(1) For América Móvil, prepared on a consolidated basis from the historical accounting records of Teléfonos de México, S.A. de C.V., or "Telmex," representing the combined historical operations of the entities that Telmex transferred to us in the spin-off that established América Móvil in September 2000.

(2) Except per share data, ratios of earnings to fixed charges and subscriber data.

(3) For 1999, based on 14,485 million shares (basic and diluted) outstanding at September 25, 2000, the date América Móvil was established. For 2000, assumes 14,485 million shares (basic and diluted) outstanding for the period prior to September 25, 2000. We have not included net income or dividends on a per ADS basis. Each L Share ADS represents 20 L Shares and each A Share ADS represents 20 A Shares.

(4) Nominal amounts. Figures provided represent the annual dividend declared at the general shareholders' meeting.

(5) Nominal amounts. Cash dividends per share, translated into U.S. dollars at the exchange rate on each of the respective payment dates, were U.S.$0.005, U.S.$0.004 and U.S.$0.003 for the years ended December 31, 2003, December 31, 2002 and December 31, 2001, respectively.

(6) Includes minority interest.

(7) Includes royalties and leasing fees paid to other of our subsidiaries of approximately Ps. 4,292 million and Ps. 4,455 million, Ps. 1,597 million and Ps. 236 million for the years ended December 31, 2003, 2002, 2001 and 2000, respectively. These amounts are eliminated in preparing our segment data information presented in note 21 to our Consolidated Financial Statements for the year ended December 31, 2003. The operating income of our Mexican operations prepared on a combined and consolidated basis as set forth in such note was Ps. 17,695 million, Ps. 12,290 million and Ps. 9,838 million for the years ended December 31, 2003, 2002 and 2001, respectively.

(8) Includes assets and liabilities with related parties, including us and our other subsidiaries. Total liabilities at December 31, 2003 include subordinated debt of Ps. 28,239 million owed by Telcel to Sercotel.

(9) Excludes guarantees. At December 31, 2003, Telcel had Ps. 39,809 million of outstanding guarantees of debt of América Móvil or our other subsidiaries.

The summary consolidated financial and operating data of América Móvil and the summary unconsolidated financial and operating data of Telcel set forth below have been derived from our unaudited condensed interim financial statements. In the opinion of our management, the financial data set forth below include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of consolidated financial condition and results of operations as of the dates and for the periods specified. Results for the first six months are not, however, necessarily indicative of results to be expected for the full year.

The unaudited condensed consolidated interim financial statements and the selected interim financial data set forth below are stated in constant pesos with purchasing power as of June 30, 2004. As a result of Mexican inflation during the first six months of 2004, the purchasing power of one peso as of December 31, 2003 is equal to the purchasing power of 1.0161 pesos as of June 30, 2004. Accordingly, the financial data set forth below are not directly comparable to the audited consolidated financial statements because the are stated in constant pesos as of different dates.

	As of and for the six months ended June 30,		
	2003	2004	2004
	(unaudited) (millions of constant pesos as of June 30, 2004)(1)		(millions of U.S. dollars)(1)
AMÉRICA MÓVIL			
Income Statement Data:			
Mexican GAAP			
Operating revenues	Ps. 38,481	Ps. 58,489	U.S.$ 5,125
Operating costs and expenses	30,304	47,120	4,129
Depreciation and amortization	6,501	8,728	765
Operating income	8,177	11,369	996
Comprehensive financing (income) cost	(1,532)	1,069	93
Net income	7,855	7,270	637
Net income per share:			
Basic(2)	0.61	0.57	0.05
Diluted(2)	0.61	0.57	0.05
Weighted average number of shares outstanding (millions):			
Basic	12,917	12,695	—
Diluted	12,918	12,698	—
U.S. GAAP			
Operating revenues	Ps. 36,547	Ps. 55,056	U.S.$ 4,825
Operating costs and expenses	27,632	43,755	3,834
Depreciation and amortization	5,946	8,740	766
Operating income	8,915	11,301	990
Comprehensive financing (income) cost	(1,532)	1,582	139
Net income	7,880	7,219	633
Net income per share:			
Basic(2)	0.61	0.57	0.05
Diluted(2)	0.61	0.57	0.05
Balance Sheet Data(3):			
Mexican GAAP			
Property, plant and equipment, net	—	Ps. 78,423	U.S.$ 6,873
Total assets	—	164,941	14,455

	As of and for the six months ended June 30,		
	2003	2004	2004
	(unaudited) (millions of constant pesos as of June 30, 2004)(1)		(millions of U.S. dollars)(1)
Short-term debt and current portion of long-term debt	—	Ps. 5,729	U.S.$ 502
Long-term debt	—	45,437	3,982
Total stockholders' equity(4)	—	73,772	6,466
Capital stock	—	31,695	2,778
U.S. GAAP			
Property, plant and equipment, net	—	Ps. 85,043	U.S.$ 7,452
Total assets	—	174,448	15,287
Short-term debt and current portion of long-term debt	—	5,729	502
Long-term debt	—	45,437	3,982
Minority interest	—	5,035	442
Total stockholders' equity	—	76,619	6,714
Subscriber Data:			
Number of subscribers (in thousands)	39,091	50,317	—
TELCEL			
Income Statement Data:			
(Unconsolidated)			
Mexican GAAP			
Operating revenues	Ps. 24,850	Ps. 32,334	U.S.$ 2,833
Operating costs and expenses(5)	20,195	25,085	2,198
Operating income	4,656	7,250	635
Balance Sheet Data(3):			
(Unconsolidated)			
Mexican GAAP			
Total assets(6)	—	Ps. 67,669	U.S.$ 5,930
Total debt with third parties(7)	—	1,917	168
Total liabilities(6)	—	51,131	4,481
Subscriber Data:			
Number of subscribers (in thousands)	21,307	25,637	—

(1) Except per share data.

(2) We have not included net income or dividends on a per ADS basis. Each L Share ADS represents 20 L Shares and each A Share ADS represents 20 A Shares.

(3) Our unaudited condensed consolidated interim financial statements for June 30, 2004 included in this offering memorandum provide balance sheet data as of June 30, 2004 and December 31, 2003 in constant pesos as of June 30, 2004. However, our unaudited condensed consolidated interim financial statements as of June 30, 2004 do not provide balance sheet data as of June 30, 2003.

(4) Includes minority interest.

(5) Includes royalties and leasing fees paid to other of our subsidiaries of approximately Ps. 4,309 million and Ps. 3,412 million for the sixth-month periods ended June 30, 2004 and June 30, 2003, respectively. These amounts are eliminated in preparing our segment data information presented in note 14 to our Unaudited Condensed Consolidated Interim Financial Statements for the six months ended June 30, 2004. The operating income of our Mexican operations prepared on a combined and consolidated basis as set forth in such note was Ps. 11,599 million and Ps. 8,039 million for the six-month periods ended June 30, 2004 and June 30, 2003, respectively.

(6) Includes assets and liabilities with related parties, including us and our other subsidiaries. Total liabilities at June 30, 2004 include subordinated debt of Ps. 24,923 million owed by Telcel to Sercotel.

(7) Excludes guarantees. At June 30, 2004, Telcel had Ps. 43,558 million of outstanding guarantees of debt of América Móvil or our other subsidiaries.

RISK FACTORS

You should carefully consider the following factors in addition to the other information presented in this offering memorandum.

Risks Relating to Our Businesses

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

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

We expect that competition will intensify in the future as a result of the entry of new competitors, the development of new technologies, products and services, and the auction in each of the jurisdictions in which we operate of additional spectrum. We also expect the current consolidation trend in the wireless industry to continue, as companies respond to the need for cost reduction and additional spectrum. This trend may result in larger competitors with greater financial, technical, promotional and other resources to compete with our businesses.

Among other things, our competitors could:

- provide increased handset subsidies;
- offer higher commissions to retailers;
- provide free airtime or other services (such as Internet access);
- expand their networks faster; or
- develop and deploy improved wireless technologies faster.

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

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

Changes in government regulation could hurt our businesses

Our businesses are subject to extensive government regulation and can be adversely affected by changes in law, regulation or regulatory policy. The licensing, construction, operation, sale, resale and interconnection arrangements of wireless telecommunications systems in Latin America and elsewhere are regulated to varying degrees by government or regulatory authorities. Any of these authorities having jurisdiction over our businesses could adopt or change regulations or take other actions that could adversely affect our operations. In particular, the regulation of prices operators may charge for their services could have a material adverse effect on us by reducing our profit margins. In Mexico, Telcel's business is subject to extensive government regulation, principally by the *Comisión Federal de Telecomunicaciones* (Federal Telecommunications Commission, or "Cofetel") and the *Comisión Federal de Competencia* (Federal Competition Commission, or "Cofeco"), and may be adversely affected by changes in law or by actions of Mexican regulatory authorities.

The Mexican Communications Ministry is authorized to impose specific rate and other requirements on any wireless operator that is determined by Cofeco to have substantial market power. While no such determination has been made with respect to the wireless market in Mexico, we can provide no assurances that the regulatory authorities will not make such a determination with respect to Telcel and impose specific rate 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.

Many Latin American countries are in the process of deregulating and privatizing the provision of communications services, including wireless services, and many of the laws, regulations and licenses that regulate our businesses, including in Argentina, Brazil, Colombia, Ecuador, El Salvador, Guatemala, Honduras and Nicaragua, became effective only recently. Consequently, there is only a limited history that would allow us to predict the impact of these legal regulations on our future operations. In addition, changes in political administrations could lead to the adoption of policies concerning competition, privatization and taxation of communications services that may be detrimental to our operations throughout Latin America. These restrictions, which may take the form of preferences for local over foreign ownership of communications licenses and assets, or for government over private ownership, may make it impossible for us to continue to develop our businesses. These restrictions could result in our incurring losses of revenues and require capital investments all of which could materially adversely affect our businesses and results of operations.

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

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

The Mexican government has not auctioned additional spectrum since 1998. In 2003, we decided to acquire capacity services from Operadora Unefon in the 1900 megahertz spectrum for a period of 16 years. The Mexican government is now in the process of auctioning 1900 megahertz spectrum, and we have applied to participate in this auction. Prior to participating in any auction for spectrum, each participant must obtain an authorization from Cofeco. A separate authorization is required for each auction, and spectrum for each region is auctioned separately. Cofeco has broad discretion in granting such authorizations, and Cofeco may take into account factors such as competition and capacity utilization prior to granting any authorization to Telcel to participate in any auction.

In 1998, Cofeco did not allow Telcel to participate in certain spectrum auctions, but we believe that the reasons for Cofeco's denial are no longer applicable given the entry of new competitors in the Mexican market and our spin-off from Telmex. Although we believe that Cofeco should authorize Telcel to participate in future spectrum auctions, we can give no assurance that it will do so. We cannot assure you that, if additional spectrum is awarded to us by the Mexican government, a third party will not appeal the process or the result of such bidding process. Any restrictions on our ability to acquire or use spectrum may have a material effect on our business.

Our concessions and licenses are subject to termination

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

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

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

We have invested in a growing number of telecommunications businesses outside our historical core activity of providing wireless telecommunications services in Mexico, and we plan to continue to do so in the rest of Latin America. These investments have been made in some countries in which we have little experience and may involve risks to which we have not previously been exposed. Some of the investments are in countries that may present different or greater risks than Mexico, such as Argentina, Brazil, Colombia, Ecuador, El Salvador, Guatemala, Honduras and Nicaragua. Many of these businesses are start-up or development-stage companies with unproven business models and inexperienced management that in some cases will require substantial investments in the near future. We cannot assure you that these investments will be successful.

We are subject to significant litigation

Some of our subsidiaries are subject to significant litigation, which if determined adversely to our interests may have a material adverse effect on our business, results of operations, financial condition or prospects. In Mexico, Telcel is subject to proceedings for alleged antitrust practices. We cannot predict how these proceedings will be resolved and, if resolved contrary to our interests, what fines or restrictions may be imposed on our Mexican operations. These restrictions, which could be imposed by means of special regulations, may include significant limitations on our ability to conduct business as currently conducted.

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

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

- physical damage to access lines;
- power surges or outages;
- software defects; and
- disruptions beyond our control.

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

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

The cost of acquiring a new subscriber is much higher than the cost of maintaining an existing subscriber. Accordingly, subscriber deactivations, or churn, could have a material negative impact on our operating income, even if we are able to obtain one new subscriber for each lost subscriber. Because a substantial majority of our subscribers are prepaid, we do not have long-term contracts with those subscribers. Our weighted monthly average churn rate for the twelve-month period ended December 31, 2003 was 2.9% as compared to 3.2% for the twelve-month period ended December 31, 2002. If we experience an increase in our churn rate, our ability to achieve revenue growth could be materially impaired. In addition, a decline in general economic conditions could lead to an increase in churn, particularly among our residential subscribers.

Risks Relating to the Wireless Industry Generally

Changes in the wireless industry could affect our future financial performance

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

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

We are dependent upon a limited number of suppliers and vendors to provide us with services or equipment on a timely and cost-effective basis

Each of our wireless businesses relies primarily on a single vendor for its switch and cell site equipment and on a single supplier or small group of suppliers for its handsets and other customer equipment. If we had to replace a primary supplier of switch and cell site equipment because, for example, it ceased to provide timely or cost-effective equipment or service, the transition to another supplier could entail delays and additional costs. Supplies of customer equipment may be subject to periodic shortages, and our ability to grow will be limited if we cannot rely on our suppliers to ensure sufficient quantities and quality of equipment.

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

Our wireless businesses incur losses and costs associated with the unauthorized use of these wireless networks, particularly their analog cellular networks. These costs include administrative and capital costs associated with detecting, monitoring and reducing the incidence of fraud. Fraud also affects interconnection costs, capacity costs, administrative costs and payments to other carriers for unbillable fraudulent roaming. In the year ended December 31, 2003, Telcel refunded to its customers approximately Ps. 1.53 million due to wireless fraud. Although we seek to combat this problem through the deployment of anti-fraud technologies and other measures, we cannot assure you that these efforts will be effective or that fraud will not result in material costs for us in the future.

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

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

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

Risks Relating to Our Controlling Shareholders and Transactions with Affiliates

We are controlled by one shareholder, whose interests may not be consistent with those of holders of the notes

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

We have significant transactions with affiliates

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

Holders of notes may find it difficult to enforce civil liabilities against us or our directors, officers and controlling persons

We are organized under the laws of Mexico with its principal place of business *(domicilio social)* in Mexico City, and most of our directors, officers and controlling persons reside outside the United States. In addition, all or a substantial portion of our assets and their assets are located outside of the United States. As a result, it may be difficult for holders of notes to effect service of process within the United States on such persons or to enforce judgments against them, including in any action based on civil liabilities under the U.S. federal securities laws. Based on the opinion of Galicia y Robles, S.C., our Mexican counsel, there is doubt as to the enforceability against such persons in Mexico, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

Risks Relating to Developments in Mexico and Other Countries

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

Our financial performance may be significantly affected by general economic, political and social conditions in the countries where we operate, particularly Mexico and Brazil. Many countries in Latin America, including Mexico and Brazil, have suffered significant economic, political and social crises in the past, and these events may occur again in the future. Instability in the region has been caused by many different factors, including:

- significant governmental influence over local economies;
- substantial fluctuations in economic growth;
- high levels of inflation;
- changes in currency values;
- exchange controls or restrictions on expatriation of earnings;
- high domestic interest rates;
- wage and price controls;
- changes in governmental economic or tax policies;
- imposition of trade barriers;
- unexpected changes in regulation; and
- overall political, social and economic instability.

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

Our business is especially affected by conditions in Mexico and Brazil. Mexico has experienced a prolonged period of slow growth since 2001, primarily as a result of the downturn in the U.S. economy. According to preliminary data, during the first six months of 2004, Mexico's gross domestic product, or "GDP," grew by 3.4% in real terms. In 2003, GDP grew by 1.3%, and in 2002, GDP grew by 0.9%. Mexico has also experienced high levels of inflation and high domestic interest rates. The annual rate of inflation, as measured by changes in the National Consumer Price Index as published by the Banco de México, was 4.0% for 2003.

Brazil has in the past experienced extremely high rates of inflation, with annual rates of inflation during the last ten years reaching as high as 2,489% in 1993 and 929% in 1994, as measured by the Brazilian National Consumer Price Index. More recently, Brazil's rates of inflation were 9.4% in 2001, 14.7% in 2002 and 10.4% in 2003. Inflation, governmental measures to combat inflation and public speculation about possible future actions have in the past had significant negative effects on the Brazilian economy.

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

We are affected by fluctuations in the value of the currencies in which we conduct operations compared to the U.S. dollar, in which a substantial portion of our indebtedness is denominated. Changes in the value of the various currencies in which we conduct operations against the Mexican peso, which we use as our reporting currency in our financial statements, and against the U.S. dollar may result in exchange losses or gains on our net U.S. dollar-denominated indebtedness and accounts payable. In the first six months of 2004, changes in currency exchange rates led us to report a foreign exchange loss of Ps. 1,133 million, while in the first six months of 2003 we reported a foreign exchange gain of Ps. 1,443 million (an amount that is equal to 17.6% of our operating income in the first six months of 2003). In 2003, changes in currency exchange rates led us to report a foreign exchange gain of Ps. 1,355 million (an amount that is equal to 7.5% of our operating income in 2003), while in 2002 we reported a foreign exchange loss of Ps. 1,526 million. In addition, currency fluctuations between the Mexican peso and the currencies of our non-Mexican subsidiaries affect our results as reported in Mexican pesos. Currency fluctuations are expected to continue to affect our financial income and expense.

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

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

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

Currently in Mexico, concessionaires for the 800 megahertz (Band B) radio spectrum are required to pay the Mexican government an annual fee ranging from 5% to 10% of the gross revenues under such concessions whereas concessionaires for the 1900 megahertz (Band D) radio spectrum are not required to pay annual fees. Pursuant to amendments to the Federal Contributions Law (the *Ley Federal de Derechos*), as amended, enacted in 2003, owners of concessions in Mexico granted or renewed on or after January 1, 2003 are required to pay annual fees (*derechos*) for the use and exploitation of radio spectrum bands. The amount of annual fees payable could be significant and vary depending on the relevant region and radio spectrum band. These annual fees are payable in respect of all spectrum bands. The application of this fee to renewals of concessions granted prior to 2003 is the subject of debate in Mexico, as it could affect competitors differently and impact competition. Currently we do not expect to renew any of our current concessions until 2010, but, if permitted, we intend to participate in any auctions for the acquisition of additional spectrum in Mexico.

Risks Relating to the Notes

The ability of holders to transfer the notes will be limited

The notes and the guarantees issued in this offering will not be registered under the Securities Act and may not be offered or sold except pursuant to an exemption from the registration requirements of the Securities Act and applicable U.S. state securities laws or pursuant to an effective registration statement.

We intend to file a registration statement with the SEC and to cause that registration statement to become effective with respect to the Exchange Notes to be issued in exchange for the notes offered hereby. The SEC, however, has broad discretion to declare any registration statement effective and may delay or deny the effectiveness of any registration statement for a variety of reasons.

There may not be a liquid trading market for the notes

We have applied to list the notes on the Luxembourg Stock Exchange in accordance with the rules and regulations of the Exchange, but we are not required to maintain this listing. The notes are new securities with no established trading market. The initial purchasers have advised us that they intend to make a market in the notes, but the initial purchasers are not obligated to do so. The initial purchasers may discontinue any market making in the notes at any time, in their sole discretion. If an active market for the notes does not develop, the price of the notes and the ability of a holder of notes to find a ready buyer will be adversely affected. As a result, we cannot assure you as to the liquidity of any trading market for the notes.

Creditors of our subsidiaries will have priority over the holders of the notes in claims to assets of our subsidiaries other than Telcel

The notes will be our obligations and will be guaranteed by Telcel. We conduct substantially all of our business and hold substantially all of our assets through our subsidiaries. The shares of all of our operating subsidiaries, including Telcel, are held directly or indirectly by our wholly-owned subsidiary, Sercotel, S.A. de C.V. Claims of creditors of our subsidiaries other than Telcel, including trade creditors and bank and other lenders, will have priority over the holders of the notes in claims to assets of our subsidiaries other than Telcel. At June 30, 2004, Sercotel had, on an unconsolidated basis, unsecured and unsubordinated obligations under indebtedness and guarantees of parent company and subsidiary indebtedness of approximately Ps. 11,484 million (U.S.$1,006 million). In addition, at such date, our operating subsidiaries other than Telcel had indebtedness of Ps. 3,275 million (U.S.$287 million).

At June 30, 2004, Telcel had, on an unconsolidated basis, unsecured and unsubordinated obligations under indebtedness and guarantees of parent company and subsidiary indebtedness of approximately Ps. 45,487 million (U.S.$3,986 million), excluding subordinated debt owed to América Móvil or other of our subsidiaries. All such indebtedness of Telcel ranks equally with Telcel's guarantees in respect of the notes. In addition, our ability to meet our obligations, including under the notes, will depend, in significant part, on our receipt of cash dividends, advances and other payments from our subsidiaries.

Judgments of Mexican courts enforcing our obligations under the notes would be payable only in Mexican pesos

If proceedings were brought in Mexico seeking to enforce in Mexico our obligations in respect of the notes or the guarantees, we would be required to discharge our obligations in Mexico in Mexican pesos. Under the *Ley Monetaria de los Estados Unidos Mexicanos* (the Mexican Monetary Law), an obligation denominated in a currency other than Mexican pesos that is payable in Mexico may be satisfied in Mexican pesos at the rate of exchange in effect on the date of payment. This rate is currently determined by Banco de México and published in the Official Gazette of Mexico. As a result, the amount paid by us in pesos to holders of the notes may not be readily convertible into the amount of U.S. dollars that we are obligated to pay under the indenture and supplemental indenture. In addition, our obligation to indemnify against exchange losses may be unenforceable in Mexico.

Our obligations under the notes would be converted in the event of bankruptcy

Under Mexico's *Ley de Concursos Mercantiles* (Law on Mercantile Reorganization), if we and/or Telcel were declared bankrupt or in *concurso* mercantil, our obligations under the notes and the guarantees:

- would be converted into pesos and then from pesos into inflation-adjusted units, or Unidades de Inversión (known as UDIs);
- would be satisfied at the time claims of all our creditors are satisfied;
- would be subject to the outcome of, and priorities recognized in, the relevant proceedings;
- would cease to accrue interest; and
- would not be adjusted to take into account any depreciation of the peso against the dollar occurring after such declaration.

Telcel's guarantees of the notes may not be enforceable in the event of a bankruptcy of Telcel

Telcel's guarantees of the notes provide a basis for a direct claim against Telcel; however, it is possible that the guarantees may not be enforceable. While Mexican law does not prohibit the giving of guarantees and, as a result, does not prevent Telcel's guarantees from being valid, binding and enforceable against Telcel, in the event Telcel is declared bankrupt or becomes subject to bankruptcy reorganization (*concurso mercantil*), the guarantees may be deemed to have been a fraudulent transfer and declared void, if it is determined that Telcel did not receive adequate consideration in exchange for such guarantees. If the guarantees become unenforceable, the notes would effectively be subordinated to all liabilities, including trade payables, of Telcel. At June 30, 2004, Telcel had, on an unconsolidated basis, total liabilities of Ps. 51,131 million (U.S.$4,481 million). This amount includes approximately Ps. 24,923 million (U.S.$2,184 million) principal amount of subordinated debt of Telcel owed to us or our other subsidiaries.

Mexican law may limit the ability of holders of notes to enforce their rights under the guarantees against Telcel

Creditors of Telcel, including a holder of the notes that are guaranteed by Telcel, may face limitations under Mexican law in attempting to enforce a claim against Telcel's assets to the extent those assets are used in providing public service under Telcel's concessions.

Developments in other countries may affect prices for the notes 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. 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. In October 1997, prices of both Mexican debt securities and Mexican equity securities dropped substantially, precipitated by a sharp drop in the values of Asian markets. Similarly, in the second half of 1998, prices of Mexican securities were adversely affected by the economic crises in Russia and in Brazil. More recently, prices of Mexican securities have been adversely affected by the economic crisis in Argentina. The market value of the notes could be adversely affected by events elsewhere, especially in emerging market countries.

USE OF PROCEEDS

The net proceeds from the sale of the notes, after payment of applicable fees and expenses, are expected to be approximately U.S.$495 million. We intend to use the net proceeds from the sale of the notes to fund capital expenditures, including amounts due to equipment suppliers in connection with the rollout of GSM networks in some of our markets.

EXCHANGE RATES

Mexico has a free market for foreign exchange, and the Mexican government allows the peso to float freely against the U.S. dollar. The peso was relatively stable from 1999 until 2001. In 2002 and 2003, the peso declined in value against the U.S. dollar. There can be no assurances that the government will maintain its current policies with regard to the peso or that the peso will not further depreciate or appreciate significantly in the future.

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

Period	High	Low	Average(1)	Period End
1999	Ps. 9.2430	Ps.10.6000	Ps. 9.5630	Ps. 9.4800
2000	9.1830	10.0870	9.4717	9.6180
2001	9.0270	9.8850	8.9386	9.1560
2002	9.0000	10.4250	9.6630	10.4250
2003	10.1130	11.4060	10.8463	11.2420
2004:				
January	Ps.10.8050	Ps.11.0970		
February	10.9095	11.2450		
March	10.9180	11.2290		
April	11.1570	11.4315		
May	11.3815	11.6350		
June	11.3030	11.5380		
July	11.3790	11.5350		
August	11.3450	11.4550		
September	11.2415	11.6030		
October (through October 26, 2004)	11.2415	11.5150		

(1) Average of month-end rates.

On October 26, 2004 the noon buying rate was Ps. 11.4990 to U.S.$1.00.

RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth our consolidated ratios of earnings to fixed charges for each year in the five-year period ended December 31, 2003, and for the six-month period ended June 30, 2004, in accordance with Mexican GAAP and U.S. GAAP. Earnings for this purpose consist of earnings before income taxes, plus fixed charges and depreciation of capitalized interest and minus interest capitalized during the period. Under Mexican GAAP, employee profit sharing is considered an income tax and earnings are calculated before the provision for employee profit sharing. Under U.S. GAAP, however, employee profit sharing is considered an operating expense and earnings are calculated after the provision for employee profit sharing. Fixed charges for this purpose consist of interest expense plus interest capitalized during the period. Fixed charges do not take into account gain or loss from monetary position or exchange gain or loss attributable to our indebtedness. Under Mexican GAAP, we do not capitalize interest, but we have capitalized interest in certain periods in connection with the reconciliation of our net income to U.S. GAAP. See Note 23 to our audited consolidated financial statements included in our 2003 Form 20-F and Note 15 to the unaudited condensed consolidated interim financial statements.

	Year ended December 31,					Six months ended June 30,
	1999	2000	2001	2002	2003	2004
Mexican GAAP	33.7	5.5	6.6	5.9	6.0	6.3
U.S. GAAP	31.6	4.1	6.3	6.7	6.3	5.9

CAPITALIZATION

The following table sets forth our consolidated capitalization under Mexican GAAP (i) as of June 30, 2004, and (ii) as adjusted to reflect the issuance of the notes. The information in this table should be read in conjunction with, and is qualified in its entirety by reference to "Recent Developments" and our unaudited condensed consolidated interim financial statements and the notes thereto included elsewhere in this offering memorandum.

	As of June 30, 2004			
	Actual(1)		As adjusted	
	(millions of pesos) (unaudited)	(millions of U.S. dollars)	(millions of pesos) (unaudited)	(millions of U.S. dollars)
Debt:				
Denominated in U.S. dollars:				
Credits with export-import banks	Ps. 8,068	U.S.$ 707	Ps. 8,068	U.S.$ 707
Syndicated loans	3,423	300	3,423	300
Other bank loans	6,223	545	6,223	545
BNDES debt	163	15	163	15
Other	287	25	287	25
4.125% Notes due 2009	5,707	500	5,707	500
5.500% Notes due 2014	9,128	800	9,128	800
Floating Rate Notes due 2007	3,423	300	3,423	300
Notes offered hereby	—	—	5,706	500
Total	36,422	3,192	42,128	3,692
Denominated in Mexican pesos:				
Domestic senior notes *(certificados bursátiles)*	11,251	986	11,251	986
Leasing	950	83	950	83
Total	12,201	1,069	12,201	1,069
Denominated in Brazilian reais:				
BNDES debt	1,080	95	1,080	95
Other	610	53	610	53
Total	1,690	148	1,690	148
Denominated in Colombian pesos	850	74	850	74
Denominated in other currencies	3	—	3	—
Total debt	51,166	4,484	56,872	4,984
Less short-term debt and current portion of long-term debt	5,729	502	5,729	502
Long-term debt	45,437	3,982	51,143	4,482
Stockholders' equity(1):				
Capital stock	31,695	2,778	31,695	2,778
Retained earnings	47,453	4,159	47,453	4,159
Other accumulated comprehensive loss items	(10,411)	(912)	(10,411)	(912)
Minority interest	5,035	441	5,035	441
Total stockholders' equity	73,772	6,466	73,772	6,466
Total capitalization (total long-term debt and stockholders' equity)	Ps.119,209	U.S.$10,448	Ps.124,915	U.S.$10,948

(1) See Note 10 to the unaudited condensed consolidated interim financial statements included in this offering memorandum.

At June 30, 2004, Telcel had, on an unconsolidated basis, unsecured and unsubordinated obligations under indebtedness and guarantees of parent company and subsidiary indebtedness of approximately Ps. 45,487 million (U.S.$3,986 million), excluding subordinated debt owed to other members of our group. At such date, Sercotel, our wholly-owned subsidiary that holds directly or indirectly the shares of all our operating subsidiaries, had, on an unconsolidated basis, unsecured and unsubordinated obligations under indebtedness and guarantees of parent company and subsidiary indebtedness of approximately Ps. 11,484 million (U.S.$1,006 million). In addition, at June 30, 2004, our operating subsidiaries other than Telcel had indebtedness of Ps. 3,275 million (U.S.$287 million).

On July 26, 2004, we issued Ps. 750 million (U.S.$66 million) aggregate principal amount of senior notes (*certificados bursatiles*) in the Mexican capital markets bearing interest at Cetes_{91} + 0.88%, maturing on July 15, 2010, and Ps. 1.0 billion (U.S.$88 million) aggregate principal amount of senior notes bearing interest at TIIE_{28} + 0.45%, maturing on July 17, 2008. Cetes_{91} is a rate based on the cost of Mexican treasuries, and TIIE_{28} is a Mexican interbank rate. We used the net proceeds from the sale of these notes to fund the cost of the acquisition of ENITEL, which closed in August 2004, and for general corporate purposes, including capital expenditures. On October 12, 2004, we issued Ps. 500 million (U.S.$44 million) in commercial paper in Mexico. Our obligations under the senior notes and commercial paper are guaranteed by Telcel.

On October 20, 2004, Comcel, our Colombian subsidiary, issued in the Colombian capital markets Colombian Ps. 170 billion (U.S.$66 million) aggregate principal amount of senior notes bearing interest at a rate of IPC + 6.8%, maturing on January 29, 2013, and Colombian Ps. 80 billion (U.S.$31 million) aggregate principal amount of senior notes bearing interest at a rate of IPC + 6.15%, maturing on January 29, 2010. IPC is the Colombian consumer price index rate. We expect to use the proceeds from these offerings to pay for costs incurred in connection with the rollout of our GSM network in Colombia. Comcel's obligations under the senior notes are guaranteed by us.

Except for the offering of the senior notes (*certificados bursatiles*) and commercial paper in Mexico and the offering of the senior notes in Colombia described above, there has been no material change in our consolidated capitalization since June 30, 2004.

RECENT DEVELOPMENTS

The following discussion should be read in conjunction with the audited consolidated financial statements in our 2003 Form 20-F, our unaudited condensed consolidated interim financial statements included elsewhere in this offering memorandum and "Item 5—Operating and Financial Review and Prospects" in our 2003 Form 20-F. Our financial statements are prepared in accordance with Mexican GAAP, which differ in certain respects from U.S. GAAP. See Note 23 to the audited consolidated financial statements in our 2003 Form 20-F and Note 15 to our unaudited condensed consolidated interim financial statements.

Results of Operations for the Six-Month Periods Ended June 30, 2004 and 2003

Operating Revenues

For the first half of 2004, our operating revenues totaled Ps. 58,489 million, a 52.0% increase compared to the same period in 2003. This increase in revenues reflects principally subscriber growth, as well as acquisitions. During the first half of 2004, our financial statements included a number of companies as consolidated subsidiaries that were not consolidated during the first half of 2003, including Compañía de Telecomunicaciones de El Salvador, S.A. de C.V., CTI Holdings, S.A. ("CTI") in Argentina and BCP S.A. in Brazil. We acquired these companies during the fourth quarter of 2003.

We had approximately 50.3 million wireless subscribers as of June 30, 2004, as compared to approximately 39.1 million as of June 30, 2003 and 43.7 million as of December 31, 2003.

The increase in operating revenues in the first half of 2004 includes a Ps. 4,725 million, or 106.5%, increase in equipment revenues reflecting subscriber growth and the introduction of GSM services in some of our markets. Equipment revenues as a percentage of total revenues increased from 11.5% for the first half of 2003 to 15.7% for the first half of 2004.

Operating Costs and Expenses

Our operating costs and expenses for the first half of 2004 increased by 55.5%, to Ps. 47,120 million, as compared to the first half of 2003. As a percentage of our total revenues, operating costs and expenses increased to 80.6% during the second half of 2004 as compared to 78.8% during the second half of 2003. This resulted from a number of factors, including principally an increase in subscriber acquisition costs resulting from very rapid subscriber growth in several countries (mainly Brazil, Argentina and Central America) and continued strong growth in most of our other markets, including Mexico, and larger than anticipated costs in connection with the start-up of operations in the regions of Bahia-Sergipe and Paraná-Santa Catarina, both in Brazil. Accelerated subscriber growth generally entails greater subscriber acquisition costs, resulting in lower operating margins. The operating losses generated by our start-up operations in Brazil have been greater than expected as a result of faster subscriber growth and higher than anticipated costs related to the development of our distribution network and the marketing of our Brazilian national brand.

Operating Income

For the first half of 2004, operating income totaled Ps. 11,369 million, a 39.0% increase compared to the same period in 2003. As a percentage of our total revenues, operating income during the second half of 2004 decreased to 19.4% as compared to 21.3% during the second half of 2003. The decrease in operating margin was due to the increase in operating costs and expenses. During the first half of 2004, we reported positive operating income in all of our geographic markets, except for Brazil.

Comprehensive Financing (Income) Cost

For the first half of 2004, we recorded comprehensive financing cost of Ps. 1,069 million, compared to comprehensive financing income of Ps. 1,532 million during the same period in 2003. This change resulted primarily from fluctuations in the rate of exchange between the Mexican peso and the U.S. dollar. We recorded an exchange loss of Ps. 1,133 million during the six-month period ended June 30, 2004, as compared to an exchange gain of Ps. 1,443 million during the same period in 2003. The foreign exchange losses recorded in the first half of 2004 reflected the depreciation of several of our operating currencies during the second quarter of 2004, principally the Mexican peso and the Brazilian real, relative to the U.S. dollar.

Income Tax and Employee Profit Sharing

Income taxes for the first half of 2004 increased by 61.3%, to Ps. 2,335 million, as compared to the corresponding period in 2003. This reflects the consolidation of companies acquired after the first half of 2003 and an increase in taxable income in some of our countries of operation, including Mexico and Guatemala. Employee profit-sharing expenses were Ps. 185.9 million during the first half of 2004 and Ps. 123.9 million during the first half of 2003.

Net Income

For the first half of 2004, we had net income of Ps. 7,270 million, a 7.4% decrease compared to the Ps. 7,855 million reported during the first half of 2003. Basic net income per share was Ps. 0.57 during the first half of 2004, as compared to Ps. 0.61 during the first half of 2003.

Outstanding Indebtedness

At June 30, 2004, we had total indebtedness of Ps. 51,166 million, representing an increase of 2.1% compared to December 31, 2003. Approximately 81% of our indebtedness at June 30, 2004 was denominated in currencies other than Mexican pesos (approximately 76% in dollars). Of our total indebtedness at June 30, 2004, approximately 11% was classified as short-term. Approximately 93% of our total debt at June 30, 2004 is guaranteed by Telcel.

The maturities of our long-term debt at June 30, 2004 are as follows:

Years	Amount (millions of constant pesos as of June 30, 2004)
2005	Ps. 1,403
2006	8,725
2007	9,817
2008	3,432
2009 and thereafter	22,060
Total	Ps.45,437

Cash and cash equivalents amounted to Ps. 9,036 million at June 30, 2004 and Ps. 9,437 million at December 31, 2003. Investments in marketable securities at June 30, 2004 amounted to Ps. 6,778 million at June 30, 2004, as compared to Ps. 808 million at December 31, 2003. The Ps. 5,970 million increase in marketable securities reflects new investments in government bonds and the reclassification of our investment in U.S. Commercial Corp. (Ps. 2,280 million) to marketable securities available-for-sale.

In July 2004, we issued in the Mexican capital markets Ps. 750 million aggregate principal amount of senior notes (*certificados bursatiles*) bearing interest at Cetes_{91} + 0.88%, maturing on July 15, 2010, and Ps. 1.0 billion aggregate principal amount of senior notes bearing interest at TIIE_{28} + 0.45%, maturing on July 17, 2008.

Share Repurchase Program

We have continued our share repurchase program. During the first half of 2004, we repurchased approximately 342.5 million L shares and 2.7 million A shares for aggregate consideration of Ps. 6,787 million.

Capital Expenditures

We have revised our estimate of expected capital expenditures for 2004 to U.S.$2.0 billion from U.S.$1.4 billion, in light of more rapid than expected subscriber growth. We expect that the increase in capital expenditures will be used principally to expand GSM coverage in Mexico and Brazil.

Recent Acquisitions

In June 2004, we acquired Megatel de Honduras, which provides wireless and other telecommunications services in Honduras, for U.S.$81.7 million, and in August 2004 we acquired a 50.03% interest in ENITEL for U.S.$128 million, thereby increasing our interest in ENITEL to 99.03%. ENITEL provides fixed, mobile and other telecommunication services in Nicaragua.

In June 2004, we acquired a license to provide wireless services in the 1900 megahertz spectrum in the Republic of Uruguay for U.S.$18.1 million.

In July 2004, we acquired an additional 8% interest in CTI for approximately U.S.$17.1 million, thereby increasing our interest in CTI to 100%.

In July 2004, we were awarded a license to operate wireless services in the Minas Gerais region of Brazil for R$51.2 million.

In August 2004, we acquired an additional 3.84% interest in Comcel from one of its minority shareholders, Empresa Nacional de Telecomunicaciones—TELECOM, for U.S.$25.1 million, thereby increasing our interest in Comcel to 99.98%.

Our Board of Directors

At a meeting of our Board of Directors held on July 13, 2004, Mr. Carlos Slim Helú was appointed as Honorary Lifetime Chairman of our Board and his son Mr. Patrick Slim Domit was appointed as the new Chairman of our Board.

Results of Operations for the Nine-Month Periods Ended September 30, 2004 and 2003

On October 25, 2004, we announced our results of operations for the nine-month period ended September 30, 2004. These results were prepared in accordance with Mexican GAAP and presented in constant Mexican pesos with purchasing power as of September 30, 2004. As a result of inflation, the purchasing power of one peso as of December 31, 2003 and June 30, 2004 is equal to the purchasing power of 1.0333 and 1.0169 pesos as of September 30, 2004, respectively.

The following table sets forth summary condensed consolidated financial data of América Móvil for the nine-month periods ended September 30, 2004 and 2003.

	For nine months ended September 30,	
	2003	2004
	(unaudited) (millions of constant pesos as of September 30, 2004)	
Operating revenues	Ps. 61,518	Ps. 93,265
Operating costs and expenses[1]	48,224	75,183
Depreciation and amortization	10,239	13,299
Operating income	13,294	18,082
Comprehensive financing income	(909)	(657)
Net income	10,032	14,613

[1] Includes depreciation and amortization expenses.

We recorded operating revenues of Ps. 93,265 million for the first nine months of 2004, a 51.6% increase from the same period in 2003. This increase in revenues reflects principally subscriber growth, as well as acquisitions. We had approximately 54.1 million wireless subscribers as of September 30, 2004, as compared to 50.3 million as of June 30, 2004. As of September 30, 2004, we had approximately 26.8 million wireless subscribers in Mexico and 12.0 million wireless subscribers in Brazil, as compared to 25.6 million and 11.1 million as of June 30, 2004, respectively. In relative terms, Argentina has accounted for the highest rate of growth in subscribers in our markets during the first nine months of 2004, with an increase of approximately 86% to 2.6 million since December 31, 2003. Our operations in Brazil, Colombia, Ecuador and the United States have experienced subscriber growth rates ranging from 26% to 30% during the first nine months of 2004. Although Mexico has been the largest contributor to subscriber growth in absolute terms during the first nine months of 2004, Mexico has been our slowest growing market in relative terms, with 14.4% growth from December 31, 2003 to September 30, 2004. We also had 1.9 million fixed lines in Central America at September 30, 2004.

For the first nine months of 2004, our operating income totaled Ps. 18,082 million, a 36.0% increase compared to the same period in 2003. As a percentage of our operating revenues, operating income during the first nine months of 2004 decreased to 19.4% as compared to 21.6% during the first nine months of 2003. The decrease in operating margin was due principally to increased subscriber acquisition costs in Argentina, Colombia and particularly Brazil, and larger than anticipated costs in connection with the start-up of operations in the regions of Bahia-Sergipe and Paraná-Santa Catarina in Brazil. During the first nine months of 2004, we reported positive operating income in all of our geographic markets, other than Brazil and Argentina. Our depreciation and amortization expenses in Brazil and Argentina have increased significantly as a result of the rollout of new GSM networks in these markets.

For the first nine months of 2004, we had net income of Ps. 14,613 million, a 45.7% increase compared to the Ps. 10,032 million reported during the first nine months of 2003. The increase in net income principally was attributable to the higher operating income discussed above. Basic net income per share was Ps. 1.18 during the nine-month period ended September 30, 2004.

At September 30, 2004, we had indebtedness of Ps. 53,969 million, of which Ps. 6,793 million (or 12.6%) was classified as short-term. At September 30, 2004, cash and cash equivalents amounted to Ps. 12,063 million. During the first nine months of 2004, we used approximately Ps. 10.5 billion to pay dividends and repurchase our shares, of which Ps. 3.1 billion was used for these purposes during the third quarter of 2004. We have accrued approximately Ps. 14.9 billion in capital expenditures during the first nine months of 2004, of which a portion has already been paid and a portion was included as accounts payable at September 30, 2004. Our accounts payable at September 30, 2004 amounted to Ps. 28,045 million. At September 30, 2004, we had total assets of Ps. 175,655 million, total liabilities of Ps. 96,185 million and total stockholders' equity of Ps. 79,470 million.

DESCRIPTION OF NOTES

This section of the offering memorandum summarizes the material terms of the indenture, the supplemental indenture, and the notes and guarantees. It does not, however, describe every aspect of the indenture, the supplemental indenture and the notes and guarantees. Upon request, we will provide you with a copy of the indenture and the supplemental indenture. See "Where You Can Find More Information" for information concerning how to obtain a copy.

In this section, references to "we," "us" and "our" are to América Móvil, S.A. de C.V. only and do not include our subsidiaries or affiliates. References to "Telcel" or the "guarantor" are to Radiomóvil Dipsa, S.A. de C.V., which is our subsidiary and the guarantor of the notes. References to the "notes" include both the notes and the guarantees, except where otherwise indicated or as the context otherwise requires. References to "holders" mean those who have notes registered in their names on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in notes issued in book-entry form through The Depository Trust Company or in notes registered in street name. Owners of beneficial interests in the notes should refer to "Form of Notes, Clearing and Settlement."

The notes will be a series of notes issued under the indenture and a supplemental indenture relating to such series. The following discussion of provisions of the notes and the guarantees, including, among others, the discussion of provisions described under "—Optional Redemption," "—Defaults, Remedies and Waiver of Defaults," "—Modification and Waiver" and "—Defeasance" below, applies to such series of notes.

General

Indenture and Supplemental Indenture

The notes will be issued under an indenture, dated as of March 9, 2004 and a supplemental indenture, to be dated as of November 3, 2004. Both the indenture and the supplemental indenture are agreements among us, Telcel, as guarantor, and JPMorgan Chase Bank, as trustee. The trustee has the following two main roles:

- First, the trustee can enforce your rights against us if we default in respect of the notes and Telcel defaults in respect of the guarantees. There are some limitations on the extent to which the trustee acts on your behalf, which we describe under "—Defaults, Remedies and Waiver of Defaults" below.
- Second, the trustee performs administrative duties for us, such as making interest payments and sending notices to holders of notes.

Principal and Interest

The aggregate principal amount of the notes will be U.S.$500,000,000. The notes will mature on January 15, 2015.

The notes will bear interest at a rate of 5.750% per year from November 3, 2004. Interest on the notes will be payable semi-annually on January 15 and July 15 of each year, beginning on July 15, 2005, to the holders in whose names the notes are registered at the close of business on the December 31 or June 30 immediately preceding the related interest payment date.

We will pay interest on the notes on the interest payment dates stated above and at maturity. Each payment of interest due on an interest payment date or at maturity will include interest accrued from and including the last date to which interest has been paid or made available for payment, or from the issue date, if none has been paid or made available for payment, to but excluding the relevant payment date. We will compute interest on the notes on the basis of a 360-day year of twelve 30-day months.

As described under "Registration Rights," we have agreed to file and to use our reasonable best efforts to cause to become effective a registration statement relating to an exchange offer for the notes. If the registration statement is not filed or declared effective, or if the exchange offer is not consummated, or if a shelf registration statement ceases to be available for resales of the notes, within specified time periods, additional interest will be payable on the affected notes.

Subsidiary Guarantor

Telcel will irrevocably and unconditionally guarantee the full and punctual payment of principal, premium, if any, interest, additional amounts and any other amounts that may become due and payable by us in respect of the notes. If we fail to pay any such amount, Telcel will immediately pay the amount that is due and required to be paid.

Ranking of the Notes and the Guarantees

We are a holding company and our principal assets are shares that we hold in our subsidiaries. The notes will not be secured by any of our assets or properties. As a result, by owning the notes, you will be one of our unsecured creditors. The notes will not be subordinated to any of our other unsecured debt obligations. In the event of a bankruptcy or liquidation proceeding against us, the notes would rank equally in right of payment with all our other unsecured and unsubordinated debt. As of June 30, 2004, we had, on an unconsolidated basis (parent company only), unsecured and unsubordinated obligations under indebtedness and guarantees of subsidiary indebtedness of approximately Ps. 48,659 million (U.S.$4,264 million).

Telcel's guarantees of the notes will not be secured by any of its assets or properties. As a result, if Telcel is required to pay under the guarantees, holders of the notes would be unsecured creditors of Telcel. The guarantees will not be subordinated to any of Telcel's other unsecured debt obligations. In the event of a bankruptcy or liquidation proceeding against Telcel, the guarantees would rank equally in right of payment with all of Telcel's other unsecured and unsubordinated debt. As of June 30, 2004, Telcel had, on an unconsolidated basis, unsecured and unsubordinated obligations under indebtedness and guarantees of parent company and subsidiary indebtedness of approximately Ps. 45,487 million (U.S.$3,986 million), excluding subordinated debt owed to other of our subsidiaries.

A creditor of Telcel, including a holder of the notes, which are guaranteed by Telcel, may face limitations under Mexican law in attempting to enforce a claim against Telcel's assets to the extent those assets are used in providing public service under Telcel's concessions.

Stated Maturity and Maturity

The day on which the principal amount of the notes is scheduled to become due is called the "stated maturity" of the principal. The principal may become due before the stated maturity by reason of redemption or acceleration after a default. The day on which the principal actually becomes due, whether at the stated maturity or earlier, is called the "maturity" of the principal.

We also use the terms "stated maturity" and "maturity" to refer to the dates when interest payments become due. For example, we may refer to a regular interest payment date when an installment of interest is scheduled to become due as the "stated maturity" of that installment. When we refer to the "stated maturity" or the "maturity" of the notes without specifying a particular payment, we mean the stated maturity or maturity, as the case may be, of the principal.

Form and Denominations

The notes will be issued only in registered form without coupons and in denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof.

Except in limited circumstances, the notes will be issued in the form of global notes. See "Form of Notes, Clearing and Settlement."

Further Issues

We reserve the right, from time to time without the consent of holders of the notes, to issue additional notes on terms and conditions identical to those of the notes, which additional notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the notes.

Payment of Additional Amounts

We are required by Mexican law to deduct Mexican withholding taxes from payments of interest to investors who are not residents of Mexico for tax purposes as described under "Taxation—Mexican Tax Considerations."

We will pay to holders of the notes all additional amounts that may be necessary so that every net payment of interest or principal to the holder will not be less than the amount provided for in the notes. By net payment, we mean the amount that we or our paying agent will pay the holder after deducting or withholding an amount for or on account of any present or future taxes, duties, assessments or other governmental charges imposed with respect to that payment by a Mexican taxing authority.

Our obligation to pay additional amounts is, however, subject to several important exceptions. We will not pay additional amounts to any holder for or on account of any of the following:

- any taxes, duties, assessments or other governmental charges imposed solely because at any time there is or was a connection between the holder and Mexico (other than the mere receipt of a payment or the ownership or holding of a note);
- any estate, inheritance, gift or other similar tax, assessment or other governmental charge imposed with respect to the notes;
- any taxes, duties, assessments or other governmental charges imposed solely because the holder or any other person fails to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with Mexico of the holder or any beneficial owner of the note if compliance is required by law, regulation or by an applicable income tax treaty to which Mexico is a party, as a precondition to exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and we have given the holders at least 30 days' notice prior to the first payment date with respect to which such certification, identification or reporting requirement is required to the effect that holders will be required to provide such information and identification;
- any tax, duty, assessment or other governmental charge payable otherwise than by deduction or withholding from payments on the notes;
- any taxes, duties, assessments or other governmental charges with respect to such note presented for payment more than 15 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to holders, whichever occurs later, except to the extent that the holders of such note would have been entitled to such additional amounts on presenting such note for payment on any date during such 15-day period; and
- any payment on the note to a holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the additional amounts had the beneficiary, settlor, member or beneficial owner been the holder of the note.

The limitations on our obligations to pay additional amounts stated in the third bullet point above will not apply if the provision of information, documentation or other evidence described in the applicable bullet point would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a note, taking into account any relevant differences between U.S. and Mexican law, regulation or administrative practice, than comparable information or other reporting requirements imposed under U.S. tax law (including the United States/Mexico Income Tax Treaty), regulations (including proposed regulations) and administrative practice.

Applicable Mexican regulations currently allow us to withhold at a reduced rate, provided that we comply with certain information reporting requirements. Accordingly, the limitations on our obligations to pay additional amounts stated in the third bullet point above also will not apply unless (a) the provision of the information, documentation or other evidence described in the applicable bullet point is expressly required by the applicable Mexican regulations, (b) we cannot obtain the information, documentation or other evidence necessary to comply with the applicable Mexican regulations on our own through reasonable diligence, and (c) we otherwise would meet the requirements for application of the applicable Mexican regulations.

In addition, the third bullet point above does not require that any person, including any non-Mexican pension fund, retirement fund or financial institution, register with the Ministry of Finance and Public Credit to establish eligibility for an exemption from, or a reduction of, Mexican withholding tax.

We will remit the full amount of any Mexican taxes withheld to the applicable Mexican taxing authorities in accordance with applicable law. We will also provide the trustee with documentation satisfactory to the trustee evidencing the payment of Mexican taxes in respect of which we have paid any additional amount. We will provide copies of such documentation to the holders of the notes or the relevant paying agent upon request.

Any reference in this offering memorandum, the indenture, the supplemental indenture or the notes or guarantees to principal, premium, if any, interest or any other amount payable in respect of the notes by us will be deemed also to refer to any additional amount that may be payable with respect to that amount under the obligations referred to in this subsection.

In the event that additional amounts actually paid with respect to the notes pursuant to the preceding paragraphs are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of such notes, and as a result thereof such holder is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder shall, by accepting such notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to us. However, by making such assignment, the holder makes no representation or warranty that we will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto.

Optional Redemption

We will not be permitted to redeem the notes before their stated maturity, except as set forth below. The notes will not be entitled to the benefit of any sinking fund—meaning that we will not deposit money on a regular basis into any separate account to repay your notes. In addition, you will not be entitled to require us to repurchase your notes from you before the stated maturity.

Optional Redemption With "Make-Whole" Amount

We will have the right at our option to redeem any of the notes in whole or in part, at any time or from time to time prior to their maturity, on at least 30 days' but not more than 60 days' notice, at a redemption price equal to the greater of (1) 100% of the principal amount of such notes and (2) the sum of the present values of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 25 basis points (the "Make-Whole Amount"), plus in each case accrued interest on the principal amount of the notes to the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such notes.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by us.

"Comparable Treasury Price" means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Reference Treasury Dealer" means Citigroup Global Markets Inc. or its affiliates which are primary United States government securities dealers and two other leading primary United States government securities dealers in New York City reasonably designated by us; provided, however, that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a "Primary Treasury Dealer"), we will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer at 3:30 pm New York time on the third business day preceding such redemption date.

On and after the redemption date, interest will cease to accrue on the notes or any portion of the notes called for redemption (unless we default in the payment of the redemption price and accrued interest). On or before the redemption date, we will deposit with the trustee money sufficient to pay the redemption price of and (unless the redemption date shall be an interest payment date) accrued interest to the redemption date on the notes to be redeemed on such date. If less than all of the notes are to be redeemed, the notes to be redeemed shall be selected by the trustee by such method as the trustee shall deem fair and appropriate.

Redemption for Taxation Reasons

If, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of Mexico or any political subdivision or taxing authority thereof or therein affecting taxation, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change of such laws, rules or regulations becomes effective on or after the date on which the notes we are offering are issued, we would be obligated, after taking such measures as we may consider reasonable to avoid this requirement, to pay additional amounts in excess of those attributable to a Mexican withholding tax rate of 10% with respect to the notes (see "—Additional Amounts" and "Taxation—Mexican Tax Considerations"), then, at our option, all, but not less than all, of the notes may be redeemed at any time on giving not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest and any additional amounts due thereon up to but not including the date of redemption; *provided*, *however*, that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which we would be obligated to pay these additional amounts if a payment on the notes were then due and (2) at the time such notice of redemption is given such obligation to pay such additional amounts remains in effect.

Prior to the publication of any notice of redemption for taxation reasons, we will deliver to the trustee:

- a certificate signed by one of our duly authorized representatives stating that we are entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to our right of redemption for taxation reasons have occurred; and

- an opinion of Mexican legal counsel (which may be our counsel) of recognized standing to the effect that we have or will become obligated to pay such additional amounts as a result of such change or amendment.

This notice, after it is delivered by us to the trustee, will be irrevocable.

Merger, Consolidation or Sale of Assets

We may not consolidate with or merge into any other person or, directly or indirectly, transfer, convey, sell, lease or otherwise dispose of all or substantially all of our assets and properties and may not permit any person to consolidate with or merge into us, unless all of the following conditions are met:

- if we are not the successor person in the transaction, the successor is organized and validly existing under the laws of Mexico or the United States or any political subdivision thereof and expressly assumes our obligations under the notes, the indenture and the supplemental indenture;
- immediately after the transaction, no default under the notes has occurred and is continuing. For this purpose, "default under the notes" means an event of default or an event that would be an event of default with respect to the notes if the requirements for giving us default notice and for our default having to continue for a specific period of time were disregarded. See "—Defaults, Remedies and Waiver of Defaults"; and
- we have delivered to the trustee an officers' certificate and opinion of counsel, each stating, among other things, that the transaction complies with the indenture.

If the conditions described above are satisfied, we will not have to obtain the approval of the holders of the notes in order to merge or consolidate or to sell or otherwise dispose of our properties and assets substantially as an entirety. In addition, these conditions will apply only if we wish to merge into or consolidate with another person or sell or otherwise dispose of all or substantially all of our assets and properties. We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another person, any transaction that involves a change of control of our company, but in which we do not merge or consolidate and any transaction in which we sell or otherwise dispose of less than substantially all our assets.

Telcel may not consolidate with or merge into any other person or, directly or indirectly, transfer, convey, sell, lease or otherwise dispose of all or substantially all of its assets and properties and may not permit any person to consolidate with or merge into it, unless substantially the same conditions set forth above are satisfied with respect to Telcel.

Covenants

The following covenants will apply to us and certain of our subsidiaries for so long as any note remains outstanding. These covenants restrict our ability and the ability of our subsidiaries to enter into certain transactions. However, these covenants do not limit our ability to incur indebtedness or require us to comply with financial ratios or to maintain specified levels of net worth or liquidity.

Limitation on Liens

We may not, and we may not allow any of our restricted subsidiaries to, create, incur, issue or assume any liens on our restricted property to secure debt where the debt secured by such liens, plus the aggregate amount of our attributable debt and that of our restricted subsidiaries in respect of sale and leaseback transactions, would exceed an amount equal to an aggregate of 15% of our Consolidated Net Tangible Assets unless we secure the notes equally with, or prior to, the debt secured by such liens. This restriction will not, however, apply to the following:

- liens on restricted property acquired and existing on the date the property was acquired or arising after such acquisition pursuant to contractual commitments entered into prior to such acquisition;

- liens on any restricted property securing debt incurred or assumed for the purpose of financing its purchase price or the cost of its construction, improvement or repair, *provided* that such lien attaches to the restricted property within 12 months of its acquisition or the completion of its construction, improvement or repair and does not attach to any other restricted property;
- liens existing on any restricted property of any restricted subsidiary prior to the time that the restricted subsidiary became a subsidiary of ours or liens arising after that time under contractual commitments entered into prior to and not in contemplation of that event;
- liens on any restricted property securing debt owed by a subsidiary of ours to us or to another of our subsidiaries; and
- liens arising out of the refinancing, extension, renewal or refunding of any debt described above, provided that the aggregate principal amount of such debt is not increased and such lien does not extend to any additional restricted property.

"Consolidated Net Tangible Assets" means total consolidated assets less (1) all current liabilities, (2) all goodwill, (3) all trade names, trademarks, patents and other intellectual property assets and (4) all licenses, each as set forth on our most recent consolidated balance sheet and computed in accordance with Mexican GAAP.

"Restricted property" means (1) any exchange and transmission equipment, switches, cellular base stations, microcells, local links, repeaters and related facilities, whether owned as of the date of the indenture or acquired after that date, used in connection with the provision of telecommunications services in Mexico, including any land, buildings, structures and other equipment or fixtures that constitute any such facility, owned by us or our restricted subsidiaries and (2) any share of capital stock of any restricted subsidiary.

"Restricted subsidiaries" means our subsidiaries that own restricted property.

Limitation on Sales and Leasebacks

We may not, and we may not allow any of our restricted subsidiaries to, enter into any sale and leaseback transaction without effectively providing that the notes will be secured equally and ratably with or prior to the sale and leaseback transaction, unless:

- the aggregate principal amount of all debt then outstanding that is secured by any lien on any restricted property that does not ratably secure the notes (excluding any secured indebtedness permitted under "—Limitation on Liens" above) plus the aggregate amount of our attributable debt and the attributable debt of our restricted subsidiaries in respect of sale and leaseback transactions then outstanding (other than any sale and leaseback transaction permitted under the following bullet point) would not exceed an amount equal to 15% of our Consolidated Net Tangible Assets; or
- we or one of our restricted subsidiaries, within 12 months of the sale and leaseback transaction, retire an amount of our secured debt which is not subordinate to the notes in an amount equal to the greater of (1) the net proceeds of the sale or transfer of the property or other assets that are the subject of the sale and leaseback transaction and (2) the fair market value of the restricted property leased.

Notwithstanding the foregoing, we and/or our restricted subsidiaries may enter into sale and leaseback transactions during 2004 in respect of which attributable debt is not in excess of U.S.$300 million in the aggregate, and additional sale and leaseback transactions that solely refinance, extend, renew or refund such sale and leaseback transactions, and (a) the restriction described in the preceding paragraph shall not apply to such sale and leaseback transactions and (b) such transactions shall be excluded in determining the aggregate amount of our attributable debt and the attributable debt of our restricted subsidiaries for purposes of the preceding paragraph and also for purposes of the covenant described under "—Limitation on Liens" above.

"Sale and leaseback transaction" means an arrangement between us or one of our restricted subsidiaries and a bank, insurance company or other lender or investor where we or our restricted subsidiary leases a restricted property for an initial term of three years or more that was or will be sold by us or our restricted subsidiary to that lender or investor for a sale price of U.S.$1 million or its equivalent or more.

"Attributable debt" means, with respect to any sale and leaseback transaction, the lesser of (1) the fair market value of the asset subject to the sale and leaseback transaction and (2) the present value, discounted at a rate set forth in the indenture, of the obligations of the lessee for net rental payments (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments and similar charges and contingent rents) during the term of the lease.

Limitation on Sale of Capital Stock of Telcel

We may not, and we may not allow any of our subsidiaries to, sell, transfer or otherwise dispose of any shares of capital stock of Telcel if following such sale, transfer or disposition we would own, directly or indirectly, less than (1) 50% of the voting power of all of the shares of capital stock of Telcel and (2) 50% of all of the shares of capital stock of Telcel.

Provision of Information

We will furnish the trustee with copies of our annual report and the information, documents and other reports that we are required to file with the SEC pursuant to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, including our annual reports on Form 20-F and reports on Form 6-K. In addition, we will make the same information, documents and other reports available, at our expense, to holders who so request in writing. In the event that, in the future, we are not required to file such information, documents or other reports pursuant to Section 13 or 15(d) of the Securities Exchange Act, we will furnish on a reasonably prompt basis to the trustee and holders who so request in writing, substantially the same financial and other information that we would be required to include and file in an annual report on Form 20-F and reports on Form 6-K.

If any of our officers becomes aware that a default or event of default or an event that with notice or the lapse of time would be an event of default has occurred and is continuing, as the case may be, we will also file a certificate with the trustee describing the details thereof and the action we are taking or propose to take.

If we are not subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934 at any time when the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will furnish to any holder of notes, or to any prospective purchaser designated by such holder, financial and other information described in Rule 144A(d)(4) with respect to us or Telcel to the extent required to permit such holder to comply with Rule 144A in connection with any resale of notes held by such holder.

For so long as any notes are listed on the Luxembourg Stock Exchange, we will notify the Luxembourg Stock Exchange of the event of default and, prior to publication of notice of the event of default in Luxembourg, submit a draft of the notice to the Luxembourg Stock Exchange.

Defaults, Remedies and Waiver of Defaults

You will have special rights if an event of default with respect to the notes that you hold occurs and is not cured, as described below.

Events of Default

Each of the following will be an "event of default" with respect to the notes:

- we or Telcel fail to pay the principal of the notes on its due date;
- we or Telcel fail to pay interest on the notes within 30 days after its due date;
- we or Telcel remain in breach of any covenant in the indenture for the benefit of holders of the notes, for 60 days after we receive a notice of default (sent by the trustee or the holders of not less than 25% in principal amount of the notes) stating that we are in breach;
- we or Telcel file for bankruptcy, or other events of bankruptcy, insolvency or reorganization or similar proceedings occur relating to us or Telcel;

- we or Telcel experience a default or event of default under any instrument relating to debt having an aggregate principal amount exceeding U.S.$25 million (or its equivalent in other currencies) that constitutes a failure to pay principal or interest when due or results in the acceleration of the debt prior to its maturity;
- a final judgment is rendered against us or Telcel in an aggregate amount in excess of U.S.$25 million (or its equivalent in other currencies) that is not discharged or bonded in full within 30 days; or
- any guarantee of the notes is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or Telcel, or any person acting on behalf of Telcel, denies or disaffirms its obligations under the guarantees of the notes.

Remedies Upon Event of Default

If an event of default occurs and is not cured or waived, the trustee, at the written request of holders of not less than 25% in principal amount of the notes, may declare the entire principal amount of the notes to be due and payable immediately, and upon any such declaration the principal, any accrued interest and any additional amounts shall become due and payable. If, however, an event of default occurs because of a bankruptcy, insolvency or reorganization relating to us or any of our material subsidiaries, the entire principal amount of the notes and any accrued interest and any additional amounts will be automatically accelerated, without any action by the trustee or any holder and any principal, interest or additional amounts will become immediately due and payable.

Each of the situations described above is called an acceleration of the maturity of the notes. If the maturity of the notes is accelerated and a judgment for payment has not yet been obtained, the holders of a majority in aggregate principal amount of the notes may cancel the acceleration for the notes, provided that all amounts then due (other than amounts due solely because of such acceleration) have been paid and all other defaults with respect to the notes have been cured or waived.

If any event of default occurs, the trustee will have special duties. In that situation, the trustee will be obligated to use those of its rights and powers under the indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs.

Except as described in the prior paragraph, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection, known as an indemnity, from expenses and liability. If the trustee receives an indemnity that is reasonably satisfactory to it, the holders of a majority in principal amount of the notes may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the indenture with respect to the notes.

Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the notes, the following must occur:

- you must give the trustee written notice that an event of default has occurred and the event of default has not been cured or waived;
- the holders of not less than 25% in principal amount of the notes must make a written request that the trustee take action with respect to the notes because of the default and they or other holders must offer to the trustee indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action;
- the trustee must not have taken action for 60 days after the above steps have been taken; and
- during those 60 days, the holders of a majority in principal amount of the notes must not have given the trustee directions that are inconsistent with the written request of the holders of not less than 25% in principal amount of the notes.

You will be entitled, however, at any time to bring a lawsuit for the payment of money due on any note held by you on or after its due date.

Book-entry and other indirect holders should consult their bank or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of the maturity.

Waiver of Default

The holders of not less than a majority in principal amount of the notes may waive a past default for the notes. If this happens, the default will be treated as if it had been cured. No one can waive a payment default on any note, however, without the approval of the particular holder of that note.

Modification and Waiver

There are three types of changes we can make to the indenture, the supplemental indenture, and the notes and guarantees.

Changes Requiring Each Holder's Approval

The following changes cannot be made without the approval of each holder of the notes:

- a change in the stated maturity of any principal or interest payment on the notes;
- a reduction in the principal amount, the interest rate or the redemption price for the notes;
- a change in the obligation to pay additional amounts;
- a change in the currency of any payment on the notes;
- a change in the place of any payment on the notes;
- an impairment of the holder's right to sue for payment of any amount due on its notes;
- a change in the terms and conditions of the obligations of the guarantor under the guarantees to make due and punctual payment of the principal, premium, if any, or interest in respect of the notes;
- a reduction in the percentage in principal amount of the notes needed to change the indenture, the supplemental indenture or the notes or guarantees; and
- a reduction in the percentage in principal amount of the notes needed to waive our compliance with the indenture or the supplemental indenture or to waive defaults.

Changes Not Requiring Approval

Some changes will not require the approval of holders of notes. These changes are limited to clarifications and changes that would not adversely affect the notes in any material respect.

Changes Requiring Majority Approval

Any other change to the indenture, the supplemental indenture, or the notes or the guarantees will be required to be approved by the holders of a majority in principal amount of the notes. The required approval must be given by written consent.

The same majority approval will be required for us to obtain a waiver of any of our covenants in the indenture and the supplemental indenture. Our covenants include the promises we make about merging and creating liens on our interests, which we describe above under "—Mergers and Similar Transactions" and "—Certain Covenants." If the holders approve a waiver of a covenant, we will not have to comply with it. The holders, however, cannot approve a waiver of any provision in the notes or guarantees, the indenture or the supplemental indenture, as it affects any note, that we cannot change without the approval of the holder of that note as described under in "—Changes Requiring Each Holder's Approval" above, unless that holder approves the waiver.

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the notes or request a waiver.

Defeasance

We may, at our option, elect to terminate (1) all of our or Telcel's obligations with respect to the notes and the related guarantees ("legal defeasance"), except for certain obligations, including those regarding any trust established for defeasance and obligations relating to the transfer and exchange of the notes, the replacement of mutilated, destroyed, lost or stolen notes and the maintenance of agencies with respect to the notes or (2) our or Telcel's obligations under the covenants in the indenture, so that any failure to comply with such obligations will not constitute an event of default ("covenant defeasance"). In order to exercise either legal defeasance or covenant defeasance, we must irrevocably deposit with the trustee money or U.S. government obligations, or any combination thereof, in such amounts as will be sufficient to pay the principal, premium, if any, and interest (including additional amounts) in respect of the notes then outstanding on the maturity date of the notes, and comply with certain other conditions, including, without limitation, the delivery of opinions of counsel as to specified tax and other matters.

If we elect either legal defeasance or covenant defeasance with respect to the notes, we must so elect it with respect to all of the notes.

Special Rules for Actions by Holders

When holders take any action under the indenture or the supplemental indenture, such as giving a notice of default, declaring an acceleration, approving any change or waiver or giving the trustee an instruction, we will apply the following rules.

Only Outstanding Notes are Eligible for Action by Holders

Only holders of outstanding notes will be eligible to vote or participate in any action by holders of notes. In addition, we will count only outstanding notes in determining whether the various percentage requirements for voting or taking action have been met. For these purposes, a note will not be "outstanding" if it has been surrendered for cancellation or if we have deposited or set aside, in trust for its holder, money for its payment or redemption.

Determining Record Dates for Action by Holders

We will generally be entitled to set any day as a record date for the purpose of determining the holders that are entitled to take action under the indenture or the supplemental indenture. In some limited circumstances, only the trustee will be entitled to set a record date for action by holders. If we or the trustee set a record date for an approval or other action to be taken by holders, that vote or action may be taken only by persons or entities who are holders on the record date and must be taken during the period that we specify for this purpose, or that the trustee specifies if it sets the record date. We or the trustee, as applicable, may shorten or lengthen this period from time to time. This period, however, may not extend beyond the 180th day after the record date for the action. In addition, record dates for any global notes may be set in accordance with procedures established by the depositary from time to time.

Payment Provisions

Payments on the Notes

For interest due on the interest payment dates, we will pay the interest to the holder in whose name the note is registered at the close of business on the regular record date relating to the interest payment date. For interest due at maturity but on a day that is not an interest payment date, we will pay the interest to the person or entity entitled to receive the principal of the note. For principal due on the notes at maturity, we will pay the amount to the holders of the notes against surrender of the notes at the proper place of payment.

The regular record dates relating to the interest payment dates for the notes are December 31 for January 15 and June 30 for July 15. For the purpose of determining the holder at the close of business on a regular record date when business is not being conducted, the close of business will mean 5:00 p.m., New York City time, on that day.

Payments on Global Notes. For notes issued in global form, we will make payments on the notes in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, we will make payments directly to the depositary, or its nominee, and not to any indirect holders who own beneficial interests in a global note. An indirect holder's right to receive those payments will be governed by the rules and practices of the depositary and its participants.

Payments on Certificated Notes. For notes issued in certificated form, we will pay interest that is due on an interest payment date by check mailed on the interest payment date to the holder at the holder's address shown on the trustee's records as of the close of business on the regular record date and we will make all other payments by check to the paying agent described below, against surrender of the note. All payments by check may be made in next-day funds, that is, funds that become available on the day after the check is cashed. If we issue notes in certificated form, holders of notes in certificated form will be able to receive payments of principal and interest on their notes at the office of our paying agent maintained in New York City and, if the notes are then listed on the Luxembourg Stock Exchange, at the office of our paying agent in Luxembourg. The rules of the Luxembourg Stock Exchange currently require cash or checks to be mailed to the addresses communicated by holders against the surrender of notes at the office of the paying agent in Luxembourg, if not surrendered at the office of another paying agent.

Alternatively, if a holder holds a face amount of the notes of at least U.S.$5,000,000 and the holder asks us to do so, we will pay any amount that becomes due on such notes by wire transfer of immediately available funds to an account at a bank in New York City, on the due date. To request wire payment, the holder must give the paying agent appropriate wire transfer instructions at least 10 business days before the requested wire payment is due. In the case of interest payments due on interest payment dates, the instructions must be given by the person or entity who is the holder on the relevant regular record date. In the case of any other payment, payment will be made only after the notes are surrendered to the paying agent. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

Payment When Offices Are Closed

If any payment is due on the notes on a day that is not a business day, we will make the payment on the day that is the next business day. Payments postponed to the next business day in this situation will be treated under the indenture and the supplemental indenture as if they were made on the original due date. Postponement of this kind will not result in a default under the notes or guarantees, the indenture or the supplemental indenture, and no interest will accrue on the postponed amount from the original due date to the next day that is a business day.

"Business day" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York City or Mexico City generally are authorized or obligated by law, regulation or executive order to close. In the case of notes in certificated form, the term "business day" also means a day on which banking institutions generally are open for business in the location of each office of a paying agent, but only with respect to a payment to be made at the office of such paying agent, and each office of a transfer agent, but only with respect to any actions to occur at that office.

Paying Agents

If we issue notes in certificated form, we may appoint one or more financial institutions to act as our paying agents, at whose designated offices the notes may be surrendered for payment at their maturity. We may add, replace or terminate paying agents from time to time, *provided* that if any notes are issued in certificated form, so long as such notes are outstanding, we will maintain a paying agent in New York City. We may also choose to act as our own paying agent. Initially, we have appointed the trustee, at its corporate trust office in New York City, as our principal paying agent. In addition, we will, for so long as any notes are listed on the Luxembourg Stock Exchange, maintain a paying agent in Luxembourg. We must notify you of changes in the paying agents as described under "—Notices" below.

Unclaimed Payments

All money paid by us to a paying agent that remains unclaimed at the end of two years after the amount is due to a holder will be repaid to us. After that two-year period, the holder may look only to us for payment and not to the trustee, any other paying agent or anyone else.

Transfer Agents

We may appoint one or more transfer agents, at whose designated offices any notes in certificated form may be transferred or exchanged and also surrendered before payment is made at maturity. Initially, we have appointed the trustee, at its corporate office in New York City, and J.P. Morgan Bank Luxembourg S.A. as transfer agents. We will maintain a transfer agent in Luxembourg, for so long as any notes are listed on the Luxembourg Stock Exchange. We may also choose to act as our own transfer agent. We must notify you of changes in the transfer agents as described under "—Notices." If we issue notes in certificated form, holders of notes in certificated form will be able to transfer their notes, in whole or in part, by surrendering the notes, with a duly completed form of transfer, for registration of transfer at the office of our transfer agent in New York City, JPMorgan Chase Bank, and, if the notes are then listed on the Luxembourg Stock Exchange, at the office of our transfer agent in Luxembourg, J.P. Morgan Bank Luxembourg S.A. We will not charge any fee for the registration or transfer or exchange, except that we may require the payment of a sum sufficient to cover any applicable tax or other governmental charge payable in connection with the transfer.

Notices

As long as we issue notes in global form, notices to be given to holders will be given to DTC, in accordance with its applicable policies as in effect from time to time. If we issue notes in certificated form, notices to be given to holders will be sent by mail to the respective addresses of the holders as they appear in the trustee's records, and will be deemed given when mailed. For so long as any notes are listed on the Luxembourg Stock Exchange and in accordance with the rules and regulations of the Luxembourg Stock Exchange, we will also publish all notices to the holders in a newspaper with general circulation in Luxembourg, which is expected to be the *Luxemburger Wort*.

Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Governing Law

The indenture, the supplemental indenture and the notes and guarantees will be governed by, and construed in accordance with, the laws of the State of New York, United States of America.

Submission to Jurisdiction

In connection with any legal action or proceeding arising out of or relating to the notes, the guarantees or the indenture or the supplemental indenture (subject to the exceptions described below), each of we and the guarantor has agreed:

- to submit to the jurisdiction of any New York state or U.S. federal court sitting in New York City, and any appellate court thereof;
- that all claims in respect of such legal action or proceeding may be heard and determined in such New York state or U.S. federal court and will waive, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding and any right of jurisdiction in such action or proceeding on account of the place of residence or domicile of we or the guarantor; and
- to appoint CT Corporation System, with an office at 111 Eighth Avenue, New York, New York 10011, United States of America as process agent.

The process agent will receive, on behalf of each of us and the guarantor, service of copies of the summons and complaint and any other process which may be served in any such legal action or proceeding brought in such New York state or U.S. federal court sitting in New York City. Service may be made by mailing or delivering a copy of such process to us or the guarantor, as the case may be, at the address specified above for the process agent.

A final judgment in any of the above legal actions or proceedings will be conclusive and may be enforced in other jurisdictions, in each case, to the extent permitted under the applicable laws of such jurisdiction.

In addition to the foregoing, the holders may serve legal process in any other manner permitted by applicable law. The above provisions do not limit the right of any holder to bring any action or proceeding against either us or the guarantor or our or its properties in other courts where jurisdiction is independently established.

To the extent that either we or the guarantor has or hereafter may acquire or have attributed to us or it any sovereign or other immunity under any law, each of us and the guarantor has agreed to waive, to the fullest extent permitted by law, such immunity in respect of any claims or actions regarding our or its obligations under the notes or the guarantees, respectively.

Currency Indemnity

Our obligations and the obligations of the guarantor under the notes and the guarantees, respectively, will be discharged only to the extent that the relevant holder is able to purchase U.S. dollars with any other currency paid to that holder in accordance with any judgment or otherwise. If the holder cannot purchase U.S. dollars in the amount originally to be paid, we and the guarantor have agreed to pay the difference. The holder, however, agrees that, if the amount of U.S. dollars purchased exceeds the amount originally to be paid to such holder, the holder will reimburse the excess to us or the guarantor, as the case may be. The holder will not be obligated to make this reimbursement if we or the guarantor are in default of our or its obligations under the notes or the guarantees.

Our Relationship with the Trustee

JPMorgan Chase Bank is initially serving as the trustee for the notes. JPMorgan Chase Bank may have other business relationships with us from time to time. Affiliates of J.P. Morgan Securities Inc. owned approximately 7.9% of our limited-voting L Shares outstanding as of April 30, 2004.

REGISTRATION RIGHTS

We and Telcel will enter into a registration rights agreement with the initial purchasers on the original issue date of the notes. In that agreement, we and Telcel will agree for the benefit of the holders of the notes to file with the SEC and use our reasonable best efforts to cause to become effective a registration statement relating to an offer to exchange the notes and guarantees for an issue of SEC-registered notes and guarantees with terms identical to the notes and guarantees (except that the exchange notes will not be subject to restrictions on transfer or to any increase in the interest rate as described below). References in the remainder of this section of the offering memorandum to the "notes" include both the notes and the guarantees, except where otherwise indicated or as the context otherwise requires.

After the SEC declares the exchange offer registration statement effective, we and Telcel will offer the exchange notes in exchange for the notes. The exchange offer will remain open for at least 20 business days after the date we mail notice of the exchange offer to holders of notes. For each note surrendered to us under the exchange offer, the holder will receive an exchange note of equal principal amount. Interest on each exchange note will accrue from the last interest payment date on which interest was paid on the notes or, if no interest has been paid on the notes, from the issue date of the notes.

If applicable interpretations of the staff of the SEC do not permit us and Telcel to effect the exchange offer, we and Telcel will use our reasonable best efforts to cause to become effective a shelf registration statement relating to resales of the notes and to keep that shelf registration statement effective until the expiration of the time period referred to in Rule 144(k) under the Securities Act, or such shorter period that will terminate when all notes covered by the shelf registration statement have been sold. We and Telcel will, in the event of such a shelf registration statement, provide to each holder of notes copies of a prospectus, notify each holder of notes when the shelf registration statement has become effective and take certain other actions to permit resales of the notes. A holder of notes that sells notes under the shelf registration statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with those sales and will be bound by the provisions of the registration rights agreement that are applicable to such a noteholder (including certain indemnification obligations).

If the exchange offer is not completed (or, if required, the shelf registration statement is not declared effective) on or before May 31, 2005, the interest rate borne by the affected notes will be increased by 0.50% per year. This increase in the interest rate will terminate upon the earliest of (1) completion of the exchange offer, (2) the effectiveness of the shelf registration statement and (3) the notes being freely tradeable under the Securities Act.

If we and Telcel effect the exchange offer, we and Telcel will be entitled to close the exchange offer 20 business days after its commencement, provided that we and Telcel have accepted all notes validly surrendered in accordance with the terms of the exchange offer. Notes not tendered in the exchange offer shall bear interest at the rate set forth on the cover page of this offering memorandum and shall be subject to all the terms and conditions specified in the indenture regarding the notes, including transfer restrictions.

This summary of the provisions of the registration rights agreement does not purport to be complete and is subject to all the provisions of the registration rights agreement, a copy of which will be made available upon request. If the notes are listed on the Luxembourg Stock Exchange, the exchange offer will be conducted in accordance with the requirements of the Luxembourg Stock Exchange.

Application will be made to list the exchange notes on the Luxembourg Stock Exchange. If the notes are listed on the Luxembourg Stock Exchange, the Luxembourg Stock Exchange will be informed and notice will be published in a Luxembourg newspaper in the event of any change in the rate of interest payable on the notes and to announce the beginning of, and results of, the exchange offer. For so long as any notes are listed on the Luxembourg Stock Exchange, documents prepared and all services provided for the exchange offer will be available at and through the offices of the Luxembourg listing agent.

FORM OF NOTES, CLEARING AND SETTLEMENT

Global Notes

The notes will be issued in the form of two registered notes in global form, without interest coupons (the "global notes"), as follows:

- notes sold to qualified institutional buyers under Rule 144A will be represented by the Rule 144A global note; and
- notes sold in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by the Regulation S global note.

Upon issuance, each of the global notes will be deposited with the trustee as custodian for The Depository Trust Company ("DTC") and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in each global note will be limited to persons who have accounts with DTC ("DTC participants") or persons who hold interests through DTC participants. We expect that under procedures established by DTC:

- upon deposit of each global note with DTC's custodian, DTC will credit portions of the principal amount of the global note to the accounts of the DTC participants designated by the initial purchasers; and
- ownership of beneficial interests in each global note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in the global note).

Beneficial interests in the Regulation S global note will initially be credited within DTC to Euroclear Bank S.A./N.V., or "Euroclear", and Clearstream, Luxembourg Banking, société anonyme, or "Clearstream, Luxembourg", on behalf of the owners of such interests.

Investors may hold their interests in the global notes directly through DTC, Euroclear or Clearstream, Luxembourg, if they are participants in those systems, or indirectly through organizations that are participants in those systems.

Beneficial interests in the global notes may not be exchanged for notes in physical, certificated form except in the limited circumstances described below.

Each global note and beneficial interests in each global note will be subject to restrictions on transfer as described under "Transfer Restrictions".

Exchanges Between the Global Notes

Beneficial interests in one global note may generally be exchanged for interests in another global note. Depending on whether the transfer is being made during or after the 40-day period commencing on the original issue date of the notes, and to which global note the transfer is being made, the trustee may require the seller to provide certain written certifications in the form provided in the indenture. In addition, in the case of a transfer of interests in a global note to an institutional accredited investor, the trustee may require the buyer to deliver a representation letter in the form provided in the indenture that states, among other things, that the buyer is not acquiring notes with a view to distributing them in violation of the Securities Act.

A beneficial interest in a global note that is transferred to a person who takes delivery through another global note will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other global note.

Book-Entry Procedures for the Global Notes

All interests in the global notes will be subject to the operations and procedures of DTC, Euroclear and Clearstream, Luxembourg. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither we nor the initial purchasers are responsible for those operations or procedures.

DTC has advised that it is:

- a limited purpose trust company organized under the New York State Banking Law;
- a "banking organization" within the meaning of the New York State Banking Law;
- a member of the U.S. Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC's participants include securities brokers and dealers, including the initial purchasers; banks and trust companies; clearing corporations; and certain other organizations. Indirect access to DTC's system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC or its nominee is the registered owner of a global note, DTC or its nominee will be considered the sole owner or holder of the notes represented by that global note for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global note:

- will not be entitled to have notes represented by the global note registered in their names;
- will not receive or be entitled to receive physical, certificated notes; and
- will not be considered the registered owners or holders of the notes under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the indenture.

As a result, each investor who owns a beneficial interest in a global note must rely on the procedures of DTC to exercise any rights of a holder of notes under the indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest).

Payments of principal, premium, if any, and interest with respect to the notes represented by a global note will be made by the trustee to DTC's nominee as the registered holder of the global note. Neither we nor the trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a global note, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a global note will be governed by standing instructions and customary practices and will be the responsibility of those participants or indirect participants and not of DTC, its nominee or us.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream, Luxembourg will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg participants, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream, Luxembourg. To deliver or receive an interest in a global note held in a Euroclear or Clearstream, Luxembourg account, an investor must send transfer instructions to Euroclear or Clearstream, Luxembourg, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream, Luxembourg, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant global notes in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream, Luxembourg participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant that purchases an interest in a global note from a DTC participant will be credited on the business day for Euroclear or Clearstream, Luxembourg immediately following the DTC settlement date. Cash received in Euroclear or Clearstream, Luxembourg from the sale of an interest in a global note to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account as of the business day for Euroclear or Clearstream, Luxembourg following the DTC settlement date.

DTC, Euroclear and Clearstream, Luxembourg have agreed to the above procedures to facilitate transfers of interests in the global notes among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither we nor the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Certificated Notes

Beneficial interests in the global notes may not be exchanged for notes in physical, certificated form unless:

- DTC notifies us at any time that it is unwilling or unable to continue as depositary for the global notes and a successor depositary is not appointed within 90 days;
- DTC ceases to be registered as a clearing agency under the Securities Exchange Act of 1934 and a successor depositary is not appointed within 90 days;
- we, at our option, notify the trustee that we elect to cause the issuance of certificated notes; or
- certain other events provided in the indenture should occur, including the occurrence and continuance of an event of default with respect to the notes.

In all cases, certificated notes delivered in exchange for any global note will be registered in the names, and issued in any approved denominations, requested by the depository and will bear a legend indicating the transfer restrictions of that particular global note.

For information concerning paying agents and transfer agents for any notes in certificated form, see "Description of Notes—Payment Provisions—Paying Agents" and "—Transfer Agents."

TRANSFER RESTRICTIONS

The notes are subject to restrictions on transfer as summarized below. By purchasing notes, you will be deemed to have made the following acknowledgements, representations to and agreements with us or Telcel and the initial purchasers:

(1) You acknowledge that:

- the notes have not been registered under the Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
- unless so registered, the notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and, if applicable, in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that either:

- you are a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and are purchasing the notes for your own account or for the account of another qualified institutional buyer, and you are aware that the initial purchasers are selling the notes to you in reliance on Rule 144A; or
- you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person and you are purchasing notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that neither we nor Telcel nor the initial purchasers nor any person representing us or the initial purchasers has made any representation to you with respect to us or Telcel or the offering of the notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the notes. You agree that you have had access to such financial and other information concerning us, Telcel and the notes as you have deemed necessary in connection with your decision to purchase notes, including an opportunity to ask questions of and request information from us and Telcel.

(4) If you are a purchaser of notes pursuant to Rule 144A, you represent that you are purchasing notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the notes in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the notes pursuant to Rule 144A or any other available exemption from registration under the Securities Act. You further agree, and each subsequent holder of the notes by its acceptance of the notes will agree, that the notes may be offered, sold or otherwise transferred only:

(1) to a person who the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act purchasing for its own account or for the account of a qualified institutional buyer or buyers in a transaction meeting the requirements of Rule 144A;

(2) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act;

(3) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available); or

(4) pursuant to an effective registration statement under the Securities Act (provided that as a condition to registration of transfer of the notes otherwise than as set forth above, we or the trustee may

require delivery of any documents or other evidence that we or the trustee each, in our or its discretion, deems necessary or appropriate to evidence compliance with the exemption referred to in clause (3) above), and, in each case, in accordance with the applicable securities laws of the states of the United States and other jurisdictions.

You also acknowledge that:

- the above restrictions on resale will apply from the issue date until the date that is two years (in the case of Rule 144A notes) or 40 days (in the case of Regulation S notes) after the later of the closing date and the last date that we or any of our affiliates was the owner of the notes or any predecessor of the notes (the "resale restriction period"), and will not apply after the applicable resale restriction period ends; and
- each note will contain a legend substantially to the following effect:

NEITHER THIS GLOBAL NOTE, ANY BENEFICIAL INTEREST HEREIN NOR THE GUARANTEE HEREOF HAS BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). NEITHER THIS GLOBAL NOTE, ANY BENEFICIAL INTEREST HEREIN NOR THE GUARANTEE HEREOF MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER OR BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT (PROVIDED THAT AS A CONDITION TO REGISTRATION OF TRANSFER OF THIS GLOBAL NOTE OTHERWISE THAN AS SET FORTH ABOVE, AMÉRICA MÓVIL, S.A. DE C.V., OR THE TRUSTEE MAY REQUIRE DELIVERY OF ANY DOCUMENTS OR OTHER EVIDENCE THAT IT, IN ITS DISCRETION, DEEMS NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH THE EXEMPTION REFERRED TO IN CLAUSE (3) ABOVE), AND, IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

(5) You acknowledge that we, Telcel, the initial purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of notes is no longer accurate, you will promptly notify us and the initial purchasers. If you are purchasing any notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

For a discussion of the requirements to effect exchanges or transfers of interests in the global notes, see "Form of Notes, Clearing and Settlement—Exchanges Between Global Notes."

TAXATION

The following summary of certain Mexican federal and U.S. federal income tax considerations is based on the advice of Galicia y Robles, S.C., with respect to Mexican federal taxes, and on the advice of Cleary, Gottlieb, Steen & Hamilton, New York, New York, with respect to U.S. federal income taxes. This summary contains a description of certain material Mexican federal and U.S. federal income tax consequences of the purchase, ownership and disposition of the notes, but does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the notes. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the United States and Mexico.

This summary is based on the tax laws of Mexico and the United States as in effect on the date of this offering memorandum (including the Tax Treaty described below), as well as on rules and regulations of Mexico and regulations, rulings and decisions of the United States available on or before such date and now in effect. All of the foregoing are subject to change, which change could apply retroactively and could affect the continued validity of this summary.

Prospective purchasers of notes should consult their own tax advisers as to the Mexican, United States or other tax consequences of the ownership and disposition of the notes, including, in particular, the application to their particular situations of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Mexican Tax Considerations

The following is a general summary of certain material consequences under the Mexican *Ley del Impuesto Sobre la Renta* (the Mexican Income Tax Law) and rules and regulations thereunder, as currently in effect, of the purchase, ownership and disposition of the notes by a holder that is not a resident of Mexico and that will not hold notes, or a beneficial interest therein, in connection with the conduct of a trade or business through a permanent establishment in Mexico (a "Foreign Holder").

For purposes of Mexican taxation, tax residency is a highly technical definition that involves the application of a number of factors. Generally, an individual is a resident of Mexico if he or she has established his or her home in Mexico, and a corporation is considered a resident if it is incorporated under the laws of Mexico or it has its center of interests in Mexico. However, any determination of residence should take into account the particular situation of each person or legal entity.

U.S./Mexico and Other Tax Treaties

A Convention for the Avoidance of Double Taxation and a Protocol thereto (collectively referred to as the "Tax Treaty") between the United States and Mexico became effective on January 1, 1994. Provisions of the Tax Treaty that may affect the taxation of certain United States holders are summarized below. The United States and Mexico have also entered into an agreement that covers the exchange of information with respect to tax matters. Mexico has also entered into and is negotiating several other tax treaties for the avoidance of double taxation with other countries. This summary does not discuss the tax consequences of any such treaty. Prospective purchasers of notes should consult their own tax advisors as to the tax consequences, if any, of such treaties.

Under the Mexican Income Tax Law, in order for any benefits from the Tax Treaty or any other tax treaties to be applicable, residence for tax purposes must be demonstrated.

Payments of Interest, Principal and Premium, in Respect of the Notes

Under the Mexican Income Tax Law, payments of interest we make in respect of the notes (including payments of principal in excess of the issue price of such notes, which, under Mexican law, are deemed to be interest) to a Foreign Holder will be subject to a Mexican withholding tax assessed at a rate of 4.9% if (1) the notes are placed through banks or brokerage houses (*casas de bolsa*) in a country with which Mexico has entered into a tax treaty for the avoidance of double taxation which is in effect, (2) the notes are registered with the Special Section (*Sección Especial*) of the National Registry of Securities (*Registro Nacional de Valores*) (the "RNV"), and (3) the information requirements specified by the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) (the "SHCP") under its general rules are satisfied. If such requirements are not met, the applicable withholding tax rate will be 10%. We believe that because the conditions described in (1) through (3) above will be satisfied, except as described below, the applicable withholding tax rate will be 4.9% and we expect to withhold tax at such rate.

Under general regulations published in the *Diario Oficial de la Federación*, which regulations are subject to amendment or repeal, the information requirements which must be satisfied, according to the SHCP, are generally that: (a) the notes are registered in the Special Section of the RNV (and copies of the approval of such registration are filed with the SHCP); (b) we timely file with the SHCP, after completion of the transaction contemplated by this offering memorandum, certain information relating to the issuance of the notes; (c) we timely file with the SHCP information representing that no party related to us, jointly or individually, directly or indirectly, is the effective beneficiary of 5% or more of the aggregate amount of each interest payment; and (d) we maintain records which evidence compliance with items (a), (b) and (c) above.

A higher withholding rate (currently up to a maximum of 33%) will be applicable when the effective beneficiaries of payments treated as interest, whether directly or indirectly, individually or collectively with related persons, who receive more than 5% of the aggregate amount of such payments on the notes are (1) our shareholders who own, directly or indirectly, individually or collectively with related persons, more than 10% of our voting stock, or (2) entities more than 20% of whose stock is owned, directly or indirectly, individually or collectively with related persons, by us or by persons related to us. For such purposes, under the Mexican Income Tax Law, persons are considered related if one possesses an interest in the business of the other, common interests exist between them, or a third person holds an interest in the business or property of both persons.

Under the Mexican Income Tax Law, payments of interest we make with respect to the notes to a non-Mexican pension or retirement fund generally will be exempt from Mexican withholding taxes, provided that (1) the fund is the effective beneficiary of such interest income, (2) the fund is duly established pursuant to the laws of its country of origin, (3) the relevant interest income is exempt from taxation in such country, and (4) the fund is duly registered with the SHCP's Registry of Banks, Finance Entities, Pension Funds and Foreign Investment Funds.

We have agreed, subject to specified exceptions and limitations, to pay additional amounts to the holders of notes in respect of the Mexican withholding taxes mentioned above. If we pay additional amounts in respect of such Mexican withholding taxes, any refunds of such additional amounts will be for our account. See "Description of Notes—Payment of Additional Amounts."

Holders or beneficial owners of notes may be requested to provide certain information or documentation necessary to enable us to establish the appropriate Mexican withholding tax rate applicable to such holders or beneficial owners. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not provided on a timely basis, our obligations to pay additional amounts may be limited as set forth under "Description of Notes—Payment of Additional Amounts."

Under the Mexican Income Tax Law, payments of principal we make to a Foreign Holder of the notes will not be subject to any Mexican withholding or similar taxes.

Taxation of the Disposition of the Notes

The application of Mexican tax law provisions to capital gains realized on the disposition of notes by Foreign Holders is unclear. We expect that no Mexican tax will be imposed on transfers of notes between Foreign Holders effected outside of Mexico.

Other Mexican Taxes

A Foreign Holder will not be liable for estate, gift, inheritance or similar taxes with respect to its holdings of notes. There are no Mexican stamp, issue registration or similar taxes payable by a Foreign Holder with respect to notes.

United States Tax Considerations

The following is a summary of certain material United States federal income tax considerations that may be relevant to a beneficial owner of notes that is a citizen or resident of the United States or a domestic corporation or otherwise subject to United States federal income tax on a net income basis in respect of the notes (a "U.S. Holder"). It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular investor's decision to invest in notes.

In addition, except as noted below, this summary deals only with investors that are U.S. Holders who acquire the notes in the United States as part of the initial offering of the notes, who will own the notes as capital assets, and whose functional currency is the U.S. dollar. It does not address U.S. federal income tax considerations applicable to investors who may be subject to special tax rules, such as banks, regulated investment companies, real estate investment trusts, financial institutions, tax-exempt entities, insurance companies or dealers in securities or currencies, certain short-form holders of notes, or persons that hedge their exposure in the notes or will hold notes as a position in a "straddle" or conversion transaction or as part of a "synthetic security" or other integrated financial transaction. U.S. Holders should be aware that the U.S. federal income tax consequences of holding the notes may be materially different for investors described in the previous sentence, including as a result of recent changes in law applicable to investors with short holding periods or that engage in hedging transactions.

Payments of Interest and Additional Amounts

Payments of the gross amount of interest and additional amounts (as defined in "Description of Notes—Payment of Additional Amounts," *i.e.,* including amounts withheld in respect of Mexican withholding taxes) with respect to a note will be taxable to a U.S. Holder as ordinary interest income at the time that such payments are accrued or are received, in accordance with the U.S. Holder's method of tax accounting. Thus, accrual method U.S. Holders will report stated interest on the note as it accrues, and cash method U.S. Holders will report interest when it is received or unconditionally made available for receipt.

Foreign Source Income and Foreign Tax Credits

The Mexican withholding tax that is imposed on payments of interest will be treated as a foreign income tax eligible, subject to generally applicable limitations and conditions under U.S. tax law, for credit against a U.S. Holder's federal income tax liability or, at the U.S. Holder's election, for deduction in computing the holder's taxable income. Interest and additional amounts paid on the notes generally will constitute foreign source "passive income." Gain or loss realized by a U.S. Holder on the sale or other disposition of a note generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes.

The calculation and availability of foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign taxes, the availability of deductions, involves the application of complex rules that depend on a U.S. Holder's particular circumstances. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits and the treatment of additional amounts.

Disposition of Notes

A U.S. Holder generally will recognize gain or loss on the sale, redemption or other disposition of the notes in an amount equal to the difference between the amount realized on such sale, redemption or other disposition (less any amounts attributable to accrued but unpaid interest, which will be taxable as such) and the U.S.

Holder's adjusted tax basis in the notes. Gain or loss realized by a U.S. Holder on such sale, redemption or other disposition generally will be long-term capital gain or loss if, at the time of the disposition, the notes have been held for more than one year. The deductibility of capital losses is subject to limitations.

Information Reporting and Back-up Withholding

The paying agent may be required to file information returns with the U.S. Internal Revenue Service with respect to payments made to certain U.S. Holders on the notes. A U.S. Holder may be subject to backup withholding on the payments that the U.S. taxpayer receives on the notes unless such U.S. Holder (i) is a corporation or comes within certain other exempt categories and demonstrates this fact, or (ii) provides a correct taxpayer identification number on an IRS Form W-9, certifies as to no loss of exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Any amounts withheld under these rules will be allowed as a credit against such U.S. Holder's federal income tax liability and may entitle such U.S. Holder to a refund, provided that the required information is furnished to the IRS.

Non-U.S. Holders

A holder or beneficial owner of notes that is not a U.S. Holder (a "Non-U.S. Holder") generally will not be subject to U.S. federal income or withholding tax on interest received on the notes. In addition, a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax on gain realized on the sale of notes unless, in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. 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.

PLAN OF DISTRIBUTION

Subject to the terms and conditions in the purchase agreement among us, Telcel and the initial purchasers, we have agreed to sell to the initial purchasers, and the initial purchasers have agreed to purchase from us, the aggregate principal amount of notes set forth below:

Initial Purchasers	Principal Amount of Notes
Citigroup Global Markets Inc.	U.S.$400,000,000
Credit Suisse First Boston LLC	100,000,000
	U.S.$500,000,000

The purchase agreement provides that the initial purchasers will purchase all the notes if any of them are purchased.

The obligations of the initial purchasers under the purchase agreement, including their agreement to purchase notes from us, are several and not joint. The purchase agreement provides that the initial purchasers will purchase all the notes if any of them are purchased.

The initial purchasers initially propose to offer the notes for resale at the issue price that appears on the cover of this offering memorandum. After the initial offering, the initial purchasers may change the offering price and any other selling terms. The initial purchasers may offer and sell notes through certain of their affiliates.

In the purchase agreement, we have agreed that we will indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or contribute to payments that the initial purchasers may be required to make in respect of those liabilities.

The notes have not been registered under the Securities Act or the securities laws of any other place. In the purchase agreement, each initial purchaser has agreed that:

- The notes may not be offered or sold within the United States or to U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act or in transactions not subject to those registration requirements.
- During the initial distribution of the notes, it will offer or sell notes only to qualified institutional buyers in compliance with Rule 144A and outside the United States in compliance with Regulation S.

In addition, until 40 days following the commencement of this offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act.

In the purchase agreement, each initial purchaser has also agreed that:

- it has not offered or sold and, prior to the date six months after the date of issuance of the notes, will not offer or sell any notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 received by it in connection with the issue or sale of any notes in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to us or the guarantor; and

- it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

The notes have not been registered in Mexico with the *Sección de Valores* (Securities Section) of the *Registro Nacional de Valores* (National Securities Registry) maintained by the CNBV, and therefore, the notes may not be publicly offered or sold in Mexico.

We have applied to list the notes on the Luxembourg Stock Exchange, but we are not required to maintain any listing. See "Listing and General Information." The notes are a new issue of securities, and there is currently no established trading market for the notes. In addition, the notes are subject to certain restrictions on resale and transfer as described under "Transfer Restrictions." The initial purchasers have advised us that they intend to make a market in the notes, but they are not obligated to do so. The initial purchasers may discontinue any market making in the notes at any time in their sole discretion. Accordingly, we cannot assure you that a liquid trading market will develop for the notes, that you will be able to sell your notes at a particular time or that the prices that you receive when you sell will be favorable.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

In connection with the offering of the notes, the initial purchasers may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the notes to be higher than it would otherwise be in the absence of those transactions. If the initial purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

The initial purchasers and their affiliates perform various financial advisory, investment banking and commercial banking services from time to time for us and our affiliates.

LEGAL MATTERS

The validity of the notes offered and sold in this offering will be passed upon by Cleary, Gottlieb, Steen & Hamilton, our United States counsel, and by Simpson Thacher & Bartlett LLP, United States counsel to the initial purchasers. Certain matters of Mexican law relating to the notes will be passed upon by Galicia y Robles, S.C., our Mexican counsel, and by Mijares, Angoitia, Cortés y Fuentes, S.C., Mexican counsel to the initial purchasers.

Mr. Rafael Robles Miaja, a member of our Board of Directors and Corporate Secretary, is a partner at Galicia y Robles, S.C.

INDEPENDENT AUDITORS

The audited consolidated financial statements of América Móvil, S.A. de C.V. as of December 31, 2003 and 2002 and for the three-year period ended December 31, 2003 have been audited by Mancera, S.C., an independent registered public accounting firm and a Member Practice of Ernst & Young Global, as stated in their report appearing in our 2003 Form 20-F included in this offering memorandum.

LISTING AND GENERAL INFORMATION

1. Application has been made to list the notes on the Luxembourg Stock Exchange. The European Commission has proposed a Directive of the European Parliament and of the Council (2003/0045 (COD), the "Transparency Directive") on the harmonization of transparency requirements relating to financial information of issuers whose securities are admitted for trading on a regulated market in the European Union, such as the Luxembourg Stock Exchange. If the Transparency Directive is adopted in Luxembourg in a manner that would require us to publish our financial statements according to accounting principles or standards that are materially different from those we apply in our financial reporting under the securities laws of Mexico and the United States or that would otherwise impose requirements on us that we determine in good faith are unduly burdensome, we may de-list the notes. We will use our reasonable best efforts to obtain an alternative admission to listing, trading and/or quotation for the notes by another listing authority, exchange and/or system within or outside the European Union, as we may reasonably decide. If such an alternative admission for listing of the notes is not available to us or is, in our reasonable opinion, unduly burdensome, an alternative admission may not be obtained. Notice of any de-listing and/or alternative admission will be given as described under "Description of Notes—Notices."

2. The notes have been accepted for clearance through DTC, and through Euroclear and Clearstream, Luxembourg. The Common Code, ISIN and CUSIP numbers for the notes are as follows:

	Common Code Number	ISIN Number	CUSIP Number
Restricted Global Notes	—	US02364WAG06	02364W AG 0
Regulation S Global Notes	020498315	USP0280AAX92	P0280A AX 9

3. We have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the notes. Resolutions of our Board of Directors, dated September 7, 2004, authorized the issuance of the notes. Resolutions of Telcel's board of directors, dated October 14, 2004, authorized execution and delivery of the guarantees.

4. Except as described in this offering memorandum, there are no pending actions, suits or proceedings against or affecting us or any of our subsidiaries or any of their respective properties, which, if determined adversely to us or any such subsidiary, would individually or in the aggregate have an adverse effect on our financial condition and that of our subsidiaries taken as a whole or would adversely affect our ability to perform our obligations under the notes or which are otherwise material in the context of the issue of the notes, and, to the best of our knowledge, no such actions, suits or proceedings are threatened.

5. Except as described in this offering memorandum, since June 30, 2004, there has been no change (or any development or event involving a prospective change of which we are or might reasonably be expected to be aware) which is materially adverse to our financial condition and that of our subsidiaries taken as a whole.

6. Mancera, S.C., a Member Practice of Ernst & Young Global, independent auditors, has agreed to the inclusion of its report in this offering memorandum in the form and context in which it is included.

7. For so long as any of the notes are outstanding and listed on the Luxembourg Stock Exchange, copies of the following items in English will be available free of charge from J.P. Morgan Bank Luxembourg S.A., our listing agent, at its office at 5, rue Plaetis, L-2338 Luxembourg, Luxembourg:

- our audited consolidated financial statements as of December 31, 2002 and 2003 and for the years ended December 31, 2001, 2002 and 2003;
- our unaudited condensed interim financial statements as of June 30, 2004 and for the six-month periods ended June 30, 2003 and 2004; and
- any related notes to these items.

For as long as any of the notes are outstanding and listed on the Luxembourg Stock Exchange, copies of our current annual and interim financial statements may be obtained from our Luxembourg agent at its office listed above.

During the same period, the indenture, the supplemental indenture and a copy of our articles of incorporation will be available for inspection at the offices of JPMorgan Chase Bank and J.P. Morgan Bank Luxembourg S.A. We currently publish our unaudited financial information on a quarterly basis. We do not prepare non-consolidated financial statements. Telcel does not publicly disclose or file its financial statements. We will, for so long as any notes are listed on the Luxembourg Stock Exchange, maintain a paying agent in New York as well as in Luxembourg.

8. In connection with the application for the notes to be listed on the Luxembourg Stock Exchange, copies of our and Telcel's constitutive documents (together with a certified English translation thereof) and a legal notice relating to the issue of the notes will be deposited with Commerce and Trade Register (*Registre de Commerce et des Sociétés*), where they may be inspected and copies obtained upon request. Additionally, copies of our constitutive documents are available at the office of J.P. Morgan Bank Luxembourg S.A., the paying agent in Luxembourg.

9. América Móvil, S.A. de C.V. is a corporation (*sociedad anónima de capital variable*) organized under the laws of Mexico with its principal executive offices at Lago Alberto 366, Edificio Telcel I, Piso 2, Colonia Anáhuac, 11320, México D.F., México. We were incorporated on September 29, 2000. Our corporate object, as stated in Article 3 of our bylaws, is to carry out any object not prohibited by law. We were registered in the Public Registry of Commerce of Mexico City on October 13, 2000 under the number 263770.

10. Radiomóvil Dipsa, S.A. de C.V., also known as "Telcel," is a corporation (*sociedad anónima de capital variable*) organized under the laws of Mexico with its principal executive offices at Lago Alberto 366, Edificio Telcel I, Piso 2, Colonia Anáhuac, 11320, México D.F., México. Telcel was incorporated on February 8, 1956. Telcel's corporate object, as stated in Article 3 of Telcel's bylaws, is to provide telecommunications services in Mexico and to take any other actions not prohibited by law. Telcel was registered in the Public Registry of Commerce of Mexico City on April 6, 1956 under the number 498.

11. The trustee for the notes is JPMorgan Chase Bank, having its office at 4 New York Plaza, 15th Floor, New York, New York 10004. The terms and conditions of our appointment of JPMorgan Chase Bank as trustee, including the terms and conditions under which JPMorgan Bank may be replaced as trustee, are contained in the indenture and the supplemental indentures available for inspection at the offices of JPMorgan Chase Bank and J.P. Morgan Bank Luxembourg S.A.

12. The amount of our paid-in, authorized capital stock was Ps. 31,191 million at December 31, 2003 and Ps. 31,695 million at June 30, 2004. Our capital stock is comprised of three classes: Class AA; Class A; and Class L. 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 thereof to one vote solely on certain limited matters. The amount of Telcel's paid-in, authorized capital stock was Ps. 1,088 at December 31, 2003 and Ps. 1,106 million at June 30, 2004. For further information about our capital structure, including information about the number of shares outstanding in each class, see "Item 7—Major Shareholders and Related Party Transactions—Major Shareholders" in our 2003 Form 20-F.

13. The members of Telcel's board of directors are Carlos Slim Helú (Chairman), Daniel Hajj Aboumrad, Carlos José García Moreno Elizondo and Alejandro Cantú Jiménez (Secretary). All of these individuals are either members of América Móvil's board of directors or executive officers of América Móvil. Daniel Hajj Aboumrad, Fernando Benjamin Ocampo Carapia and Alejandro Cantú Jiménez are the chief executive officer, chief financial officer and general counsel, respectively, of Telcel.

INDEX TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Thousands of Constant Pesos as of June 30, 2004, except for earnings per share)

	Six-month periods ended June 30, 2003	Six-month periods ended June 30, 2004	Million of U.S. dollars 2004
Operating revenues:			
Services:			
Usage charges	P.22,761,058	**P.31,588,380**	**$ 2,768**
Monthly rent	5,299,741	**7,864,017**	**689**
Long-distance	3,324,930	**4,871,830**	**427**
Other services	2,656,960	**5,000,644**	**438**
Sales of handsets and accessories	4,438,637	**9,163,996**	**803**
	38,481,326	**58,488,867**	**5,125**
Operating costs and expenses:			
Cost of sales and services	16,537,259	**27,136,599**	**2,378**
Commercial, administrative and general	7,265,476	**11,256,121**	**986**
Depreciation and amortization	6,501,305	**8,727,511**	**765**
	30,304,040	**47,120,231**	**4,129**
Operating income	8,177,286	**11,368,636**	**996**
Comprehensive financing income (cost):			
Interest income	1,342,553	**1,041,617**	**91**
Interest expense	(1,870,198)	**(1,927,354)**	**(169)**
Exchange gain (loss), net	1,442,974	**(1,133,321)**	**(99)**
Monetary gain, net	1,139,787	**1,355,263**	**119**
Other financing cost, net	(523,218)	**(405,343)**	**(35)**
	1,531,898	**(1,069,138)**	**(93)**
Other expenses, net	(56,351)	**(158,702)**	**(14)**
Income before income tax and employee profit sharing	9,652,833	**10,140,796**	**889**
Provisions for:			
Income tax	1,447,801	**2,335,494**	**205**
Employee profit sharing	123,981	**185,908**	**16**
	1,571,782	**2,521,402**	**221**
Income before equity in results of affiliates and minority interest	8,081,051	**7,619,394**	**668**
Equity in net results of affiliates	(88,729)	**(35,907)**	**(3)**
Income before minority interest	P. 7,992,322	**P. 7,583,487**	**$ 665**
Minority interest in net results of subsidiaries	(137,383)	**(313,222)**	**(28)**
Net income	P. 7,854,939	**P. 7,270,265**	**$ 637**
Common shares outstanding (in millions)	12,917	**12,695**	**12,695**
Net income per share	P. 0.61	**P. 0.57**	**$ 0.05**

See accompanying notes.

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(Thousands of Constant Pesos as of June 30, 2004)

	Audited December 31, 2003	(Unaudited) June 30, 2004	Million of U.S. dollars 2004
ASSETS			
Current assets:			
Cash and short-term investments	P. 9,436,685	**P. 9,036,439**	**$ 792**
Marketable securities (Note 2)	807,670	**6,778,040**	**594**
Accounts receivable, net (Note 3)	12,256,697	**13,352,741**	**1,170**
Inventories, net (Note 4)	5,313,447	**6,987,672**	**612**
Other assets	2,214,720	**2,490,879**	**218**
Total current assets	30,029,219	**38,645,771**	**3,387**
Investments in affiliates and others (Note 7)	2,589,631	**1,869,392**	**164**
Plant, property and equipment, net (Note 5)	72,307,344	**78,423,425**	**6,873**
Licenses (Note 6)	26,223,460	**25,140,304**	**2,203**
Other Assets	21,243,546	**20,862,284**	**1,828**
Total assets	P.152,393,200	**P.164,941,176**	**$14,455**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Short-term debt and current portion of long-term debt (Note 10)	P. 12,303,239	**P. 5,729,274**	**$ 502**
Accounts payable and accrued liabilities (Note 9)	20,397,417	**26,894,013**	**2,357**
Taxes payable	3,025,990	**4,150,640**	**363**
Deferred revenues	4,697,736	**5,248,509**	**460**
Total current liabilities	40,424,382	42,022,436	3,682
Long-term debt (Note 10)	37,803,542	45,436,709	3,982
Deferred taxes and credits	3,839,095	3,709,682	325
Total liabilities	82,067,019	**91,168,827**	**7,989**
Stockholders' equity (Note 13):			
Capital stock	31,693,645	**31,695,172**	**2,778**
Retained earnings:			
Prior years	33,199,555	**40,182,880**	**3,522**
Net income for the period	15,273,645	**7,270,265**	**637**
	48,473,200	**47,453,145**	**4,159**
Other accumulated comprehensive loss items	(15,021,472)	**(10,411,428)**	**(913)**
Total majority stockholders' equity	65,145,373	**68,736,889**	**6,024**
Minority interest	5,180,808	**5,035,460**	**442**
Total stockholders' equity	70,326,181	**73,772,349**	**6,466**
Total liabilities and stockholders' equity	P.152,393,200	**P.164,941,176**	**$14,455**

See accompanying notes.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDE
(Thousands of Constant Pesos as of June 30, 2004)

		Retained earnings						
	Capital Stock	Reserve for purchase of Company's own shares	Legal Reserve	Unappropriated	Total	Other accumulated comprehensive loss items	Total majority stockholders' equity	Mi in
Balances at December 31, 2003	P.31,693,645	P. 5,777,169	P.418,201	P.42,277,830	P.48,473,200	P.(15,021,472)	P.65,145,373	P.5,
Increase in reserve for purchase of Company's own shares		9,990,000		(9,990,000)				
Transactions between entities under common control	17,656						17,656	
Dividends paid				(1,519,506)	(1,519,506)		(1,519,506)	
Cash purchase of Company's own shares	(16,129)	(6,770,814)			(6,770,814)		(6,786,943)	
Comprehensive income:								
Net income for the period				7,270,265	7,270,265		7,270,265	
Other comprehensive income:								
Effect of translation of foreign entities						4,749,080	4,749,080	
Deficit from holding non monetary assets						(187,205)	(187,205)	
Current year deferred income tax on stockholders' equity accounts						48,169	48,169	
Comprehensive Income								
Minority interest								(
Balances at June 30, 2004	**P.31,695,172**	**P. 8,996,355**	**P.418,201**	**P.38,038,589**	**P.47,453,145**	**P.(10,411,428)**	**P.68,736,889**	**P.5,**

See accompanying notes.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
(Thousands of Constant Pesos as of June 30, 2004)

	Six-month periods ended June 30, 2003	Six-month periods ended June 30, 2004	Million of U.S. dollars 2004
Operating activities:			
Net income	P. 7,854,939	**P. 7,270,265**	**$ 637**
Add (deduct) items not requiring the use of resources:			
Depreciation and amortization	6,501,305	**8,727,511**	**765**
Deferred income tax	20,340	**(5,796)**	**(1)**
Equity in results of affiliates	88,729	**35,907**	**3**
Changes in operating assets and liabilities:	2,016,734	**5,001,974**	**438**
Resources provided by operating activities	16,482,047	**21,029,861**	**1,842**
Financing activities:			
New loans	6,774,852	**26,069,254**	**2,284**
Repayment of loans	(11,779,043)	**(25,826,478)**	**(2,263)**
Decrease in capital stock and retained earnings due to purchase of Company's own shares		**(6,786,943)**	**(595)**
Cash dividends paid	(807,373)	**(1,519,506)**	**(133)**
Effect of inflation and exchange rate differences on debt	95,129	**816,426**	**72**
Transactions between entities under common control		**17,656**	**2**
Resources used in financing activities	(5,716,435)	**(7,229,591)**	**(633)**
Investing activities:			
Investment in plant, property and equipment	(5,253,679)	**(6,307,029)**	**(553)**
Investment in subsidiaries and affiliated companies	(24,826)	**684,332**	**60**
Investment in marketable securities	1,171,414	**(5,970,370)**	**(523)**
Minority interest	654,381	**(145,348)**	**(13)**
Investments in licenses	(6,009,404)	**(1,116,143)**	**(97)**
Other long-term investments	1,910,597	**(1,345,958)**	**(118)**
Resources used in investing activities	(7,551,517)	**(14,200,516)**	**(1,244)**
Net increase (decrease) in cash and cash equivalents	3,214,095	**(400,246)**	**(35)**
Cash and cash equivalents at beginning of the period	9,666,139	**9,436,685**	**827**
Cash and cash equivalents at end of period	P. 12,880,234	**P. 9,036,439**	**$ 792**

See accompanying notes.

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of Constant Pesos as of June 30, 2004)

1. Significant Accounting Policies

a) Basis of Presentation

Except as described in the following paragraph, the accompanying unaudited condensed consolidated financial statements are presented on the same basis of accounting as described in the audited financial statements of the Company as of December 31, 2003 and for each of the three years in the period ended December 31, 2003 (the audited financial statements), and have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 2004 are not necessarily indicative of the results that may be expected for the year 2004.

The unaudited condensed balance sheet as of December 31, 2003 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements at December 31, 2003.

b) Consolidation

The unaudited condensed consolidated financial statements, include the accounts of América Móvil and its subsidiaries. All of the companies operate in the telecommunications sector or provide services to companies operating in such sector. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements. The minority interest relates to the Company's foreign subsidiaries.

c) Revenue recognition

Revenues from airtime (usage charge), monthly rent, long-distance charges, value added services are recognized as services are provided, except for unused airtime under prepaid plans. Unused airtime under prepaid plans is recognized as revenue when the calling card expires. Revenues from sales of handsets and accessories are recognized upon shipment, provided that there are no outstanding Company obligations and that collection of the resulting receivable is deemed probable by management. The Company charges activation fees in certain regions and depending upon market and competitive strategies. The Company recognizes these fees when billed.

d) New accounting pronouncements

Business Combinations: In April 2004, the Mexican Institute of Public Accountants "MIPA" issued Bulletin B-7, "Business Combinations" the observance of which is compulsory beginning on January 1, 2005. Bulletin B-7, among others, requires that the purchase method of accounting be used for all business combinations, non-amortization of goodwill, as well as defines specific rules for the recognition of gains or losses generated in transfer of assets between entities under common control.

The Company early adopted this new Bulletin for all business acquisitions made in 2004. Based on transition rules, goodwill, recognized up to December 31, 2003, will continue to be amortized through December 31, 2004.

Financial Instruments: In February 2004, the MIPA issued Bulletin C-2 amended, "Financial Instruments", the observance of which is compulsory for fiscal years beginning on or after January 1, 2005. Bulletin C-2 amended requires, among others, that unrealized gains for available-for-sale securities be excluded from earnings and reported as a net amount in a separate component of Stockholder's equity. Once the gain is realized it is recognized in the statement of operations. The Company will adopt the requirements of Bulletin C-2 as amended in 2005.

(Amounts in thousands of Constant Pesos as of June 30, 2004)

e) Recognition of the effects of inflation on financial information

The unaudited condensed consolidated financial statement were prepared in accordance with Bulletin B-10 ("Accounting Recognition of the Effects of Inflation on Financial Information") as described in the audited annual consolidated financial statements; consequently, all financial statements presented herewith were restated to constant pesos as of June 30, 2004. The June 30, 2004 restatement factor applied to the financial statements at December 31, 2003 and June 30, 2003 was 1.0161 and 1.0434, which represent the rate of inflation from December 31, 2003 and June 30, 2003 up to June 30, 2004, respectively, based on the Mexican National Consumer Price Index (NCPI) published by Banco de México (the Central Bank).

f) Basis of translation of financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries and affiliates, located in Guatemala, Nicaragua, El Salvador, Ecuador, Colombia, Argentina, Brazil and the United States, are translated into Mexican pesos in conformity with Mexican accounting Bulletin B-15 (Foreign Currency Transactions and Translation of Financial Statements of Foreign Operations), issued by the Mexican Institute of Public Accountants (MIPA), as follows:

The financial statements as reported by the subsidiaries abroad were adjusted by management in Mexico to conform to Mexican GAAP.

The financial information already in Mexican GAAP, is translated to Mexican pesos as follows: 1) all balance sheet amounts, except for stockholders' equity accounts, were translated at the prevailing exchange rate at year-end; 2) stockholders' equity accounts were translated at the prevailing exchange rate at the time capital contributions were made and earnings were generated, 3) statement of income accounts were translated at the exchange rate at the end of the reporting period.

Bulletin B-15 requires that the financial statements of foreign subsidiaries and affiliates for periods prior to the most recent period be translated into constant Mexican pesos by restating the balances to constant units in the local currency, using the inflation rate of the country in which the subsidiary or affiliate is located, before being translated into Mexican pesos at the rate of exchange at the end of the reporting period. As mentioned in point 1e) above, in the Company's financial statements for each of the two periods ended December 31, 2003 and June 30, 2003, such restatements were made based on the inflation in Mexico. The effects of inflation and variances in exchange rates were not material.

g) Convenience translation

United States dollar amounts as of June 30, 2004 shown in the unaudited condensed consolidated financial statements have been included solely for the convenience of the reader and are translated from Mexican pesos with purchasing power as of June 30, 2004, as a matter of mathematical computation only, at an exchange rate of Ps. 11.41 to U.S$ 1.00, the June 30, 2004 exchange rate. Such translations should not be construed as a representation that the peso amounts have been or could be converted into U.S. dollars at this or any other rate.

2. Marketable Securities

A summary of marketable securities as of December 31, 2003 and June 30, 2004 is as follows:

	2003		2004	
	Cost	Fair Value	Cost	Fair Value
Government bonds	P. 361,161	P. 377,198	**P. 4,106,478**	**P. 4,335,824**
Equity securities	477,236	430,472	**1,971,184**	**2,442,216**
	P. 838,397	P. 807,670	**P. 6,077,662**	**P. 6,778,040**

(Amounts in thousands of Constant Pesos as of June 30, 2004)

Except for its investment in US Commercial Corp (included under the caption equity securities), which was classified as available-for-sale and carried at market, with unrealized gains and losses reported in the statement of operations, this caption includes government bonds and equity securities held for trading purposes and are valued at market.

At June 30, 2003, and 2004, net unrealized gains on marketable securities were P. 135,725 and P. 700,378, respectively. Net realized gains were P. 41,910 and P. 682, in 2003 and 2004, respectively.

3. Accounts Receivable

Accounts receivable consists of the following:

	2003	2004
Subscribers	P. 8,886,970	**P. 8,678,300**
Retailers	1,596,610	**2,225,693**
Cellular operators for interconnections	965,229	**1,050,790**
Recoverable taxes	1,197,690	**1,716,388**
Related parties	658,234	**885,498**
Other	862,653	**984,741**
	14,167,386	**15,541,410**
Less: Allowance for doubtful accounts	(1,910,689)	**(2,188,669)**
Total	P. 12,256,697	**P. 13,352,741**

4. Inventories

Inventories consist of the following:

	2003	2004
Cellular telephones and accessories	P. 5,514,483	**P. 7,271,025**
Less:		
Reserve for obsolete inventory	(201,036)	**(283,353)**
Net	P. 5,313,447	**P. 6,987,672**

5. Plant, Property and Equipment

Telephone plant, property and equipment consist of the following:

	2003	2004
Telephone plant and equipment	P. 85,073,325	**P. 92,087,657**
Land and buildings	7,163,514	**7,011,815**
Other assets	15,070,904	**15,259,480**
	107,307,743	**114,358,952**
Less: accumulated depreciation	(41,568,270)	**(46,158,801)**
Net	65,739,473	**68,200,151**
Construction in progress and advances to equipment suppliers	5,646,606	**9,287,310**
Inventories for use in construction of the telephone plant	921,265	**935,964**
Total	P. 72,307,344	**P. 78,423,425**

(Amounts in thousands of Constant Pesos as of June 30, 2004)

Depreciation expense for the six-month periods ended in June 30, 2003 and 2004 was P. 4,635,473 and P. 5,609,694, respectively.

6. Licenses

As of December 31, 2003 and June 30, 2004 licenses are as follows:

	2003	2004
Investment:		
Opening balance	P.16,753,467	**P.29,582,280**
Effect of acquired companies	8,274,032	**227,161**
Effect of translation of foreign entities	5,287,935	**813,443**
Cancellation	1,503,827	**5,113**
Other increases	770,673	**24,672**
	29,582,280	**30,642,443**
Amortization:		
Opening balance	511,630	**3,358,820**
Amortization of the year	2,371,276	**1,735,415**
Effect of translation of foreign entities	475,914	**407,904**
	3,358,820	**5,502,139**
Ending balance, net	P.26,223,460	**P.25,140,304**

7. Investments

I. Investments in affiliates

a) In January 2004, the Company changed the classification of its investment in U.S. Commercial Corp, S.A. de C.V., from equity investee to available for sale.

II. Investments in subsidiaries

a) In January 2004, the Company acquired a 49% interest in the Nicaraguan wireless operator Empresa Nicaragüense de Telecomunicaciones, S.A. ("ENITEL") for a total purchase price of US$ 49.6 million. ENITEL is the sole provider of fixed telephone services in Nicaragua and has approximately 200 thousand phone lines. ENITEL also provides cellular telephone services to 120 thousand fixed-wire lines. In June 2004, the Company agreed to purchase and additional 50.03% controlling interest in ENITEL for an additional consideration of US$ 128.0 million. The transaction closed in August 2004.

b) In June 2004, América Móvil reached an agreement to acquire 100% of Megatel, S.A. a wireless operator in Honduras with 98 thousand subscribers. The transaction closed in July for a total consideration of US$ 81.7 million.

In order to record the previously mentioned acquisitions under the purchase method of accounting, the Company is in the process of determining the fair market value of the assets acquired.

c) In May 2004, the Company incorporated AM Wireless Uruguay, which acquired via a public bid a 1900 MHz frequency to provide cellular telephone service in Uruguay. The amount paid for such frequency was US$ 14.2 million.

(Amounts in thousands of Constant Pesos as of June 30, 2004)

d) In July 2004, the Company acquired an additional 8% in CTI Holdings, S.A. ("CTI"), the controlling company of CTI PCS, S.A. ("CTI PCS") and CTI Compañía de Teléfonos del Interior, S.A. ("Interior") increasing its equity interest in CTI to 100% from 92% for a total consideration of US$ 17.1 million.

e) In April 2004, the Company sold its 60% interest in Techtel LMDS Comunicaciones Interactivas, S.A. and Telstar, S.A. to Telefónos de México, S.A. de C.V. ("Telmex") for US$ 75 million in the aggregate; a gain of P. 17,656 million was determined in the transaction. Since both entities are entities under common control, such gain was considered as additional paid in capital.

8. Financial Instruments

To hedge its exposure to financial risks, in 2003 and 2004, the Company entered into US dollar and Mexican peso interest-rate swaps for the exchange of cash flows for the amount determined by applying agreed interest rates to the base amount. Under these contracts, the Company agreed to receive the Libor variable interest rate at various terms plus a differential and the CETES variable interest rate at various terms plus a differential and to pay a fixed rate, for the US dollar and Mexican peso interest-rate swaps, respectively.

At December 31, 2003 and June 30, 2004, the Company had US dollar and Mexican peso interest-rate swaps for a total base amount of US$ 1,426.4 million and P. 6,000 million, and US$ 776.4 million and P. 6,000 million, respectively. Additionally, at December 31, 2003 and June 30, 2004, the Company had contracted cross currency swaps for an outstanding base amount of US$ 310.4 and US$ 219.2 million, respectively.

Interest-rate swaps and cross-currency swaps are recorded in results of operations at the respective market interest rates. Net losses on these swaps at June 30, 2004 were charged to income as part of the caption comprehensive cost of financing for the period in the amount of P. 133,402 (Net gains of P. 23,836 at June 30, 2003).

9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	2003	2004
Suppliers	P.12,822,060	**P.18,434,538**
Sundry creditors	2,903,908	**3,621,645**
Contingencies	2,752,722	**2,724,000**
Interest payable	937,982	**722,620**
Accrued expenses	264,262	**432,188**
Guarantee deposits	321,671	**354,615**
Asset retirement provision	158,339	**177,874**
Others	236,473	**426,533**
Total	P.20,397,417	**P.26,894,013**

(Amounts in thousands of Constant Pesos as of June 30, 2004)

10. Debt

The Company's debt consists of the following:

Currency	December 31, 2003 Items	Rate	Maturity from 2003 to	Total 2003	June 30, 2004 Rate	Maturity from 2004 to	Total 2004
U.S Dollars							
	Exim Banks	L+.20 to L+1.65	2009	P. 9,078,251	**L+.20 to L+1.25**	**2010**	**P. 8,067,807**
	Syndicated loans	L+.75 to L+1.35	2007	11,416,900	**L+.60**	**2009**	**3,423,480**
	Fixed-rate Securites	3.3990%	2004	352,620			
	Fixed-rate Senior Notes				**4.125% to 5.50%**	**2014**	**14,835,080**
	Floating rate Senior Notes				**L + 0.625%**	**2007**	**3,423,480**
	Bank loans	L+.30 to L+1.50	2006	8,345,183	**L+.22 to L+1.06 to 3.16**	**2006 to 2009**	**6,222,650**
	Suppliers	3.1675% to 10%	2004	152,028			
	BNDES	UMBNDES 4.5% to UMBNDES 5.05%	2008	686,442	**10.9%**	**2008**	**162,935**
	Leasing			11,629	**7.55% to 16.49%**	**2006**	**26,874**
	Others	L+4.50; 11.25%	2008	535,811	**L -.083 to L+1.35%**	**2009**	**259,698**
	Subtotal Dollars			30,578,864			**36,422,004**
Mexican Pesos							
	Domestic senior notes ("Certificados Bursátiles")	Various	2006 to 2009	11,431,125	**Various**	**2005 to 2009**	**11,251,352**
	Syndicated loans	TIIE + .80	2008	1,778,175			
	Bank loans	TIIE	2004	1,016,100			
	Leasing	TIIE + .55	2006	965,295	**TIIE + .55**	**2006**	**950,000**
	Subtotal Mexican Pesos			15,190,695			**12,201,352**
Reais							
	BNDES	TJLP + 2.80% to TJLP +5.00%	2007	2,441,561	**TJLP + 2.80% to TJLP + 4.00%**	**2007**	**1,080,199**
	Bank loans	CDI + .90	2005	61,582	**CDI + 1.20**		
	Purchase of Licenses	12% + Inflation	2010	371,677	**12% + Inflation**	**2013**	**608,797**
	Other						**734**
	Subtotal Reais			2,874,820			**1,689,730**
Colombian pesos							
	Bond	IPC + 7.50%	2010	821,889	**IPC + 7.50%**	**2010**	**845,435**
	Leasing				**DTF +4.67% to 8**	**2004**	**4,564**
	Subtotal Colombian pesos			821,889			**849,999**
Others Currencies							
	Bank loans	6.5%	2004	608,509	**14%**	**2004**	**2,898**
	Financial Leasing	7.0%	2004	32,004			
	Subtotal Other currencies			640,513			**2,898**
	Total Debt			50,106,781			**51,165,983**
	Less: short-term debt and current portion of long-term debt			12,303,239			**5,729,274**
	Long term debt			P.37,803,542			**P.45,436,709**

1) L = LIBOR
2) UMBNDES = Monetary Unit of Brazilian Development Bank (BNDES)
3) TIIE = Mexican Equilibrium Funding Rate
4) TJLP = Long Term Interest Rate
5) CDI = Financial Certificate of Deposit

(Amounts in thousands of Constant Pesos as of June 30, 2004)

The above-mentioned interest rates are subject to variances in international and local rates and do not include the effect of the Company's agreement to reimburse certain lenders for Mexican taxes withheld. The Company's weighted average interest rate cost on borrowed funds at June 30, 2004 was approximately 4.91% (5.19% at December 31, 2003).

In addition to this rate, the Company must reimburse international lenders (with the exception of loans provided or guaranteed by export credit agencies) for Mexican taxes withheld, typically 4.9% of the interest payment. Fees in financing transactions generally add approximately ten basis points to financing costs.

Short-term debt at December 31, 2003 and June 30, 2004 consists of the following:

Concept	2003	2004
Domestic senior notes		**P. 450,000**
Fixed-rate securities	P. 352,620	
Syndicated loans	1,261,567	
Bank loans		**4,686,539**
Other loans	6,709,185	**734**
Total	P.8,323,372	**P.5,137,273**
Weighted average interest rate	3.05%	**2.18%**

Maturities of long-term debt at June 30, 2004 are as follows:

Years	Amount
2005	P. 1,402,721
2006	8,724,733
2007	9,816,588
2008	3,432,525
2009 and thereafter	22,060,142
Total	P.45,436,709

Senior Notes

On March 9, 2004, América Móvil issued U.S.$500 million in principal amount of 4.125% senior notes due 2009 and U.S.$800 million in principal amount of 5.500% senior due 2014. Interest on the Notes is payable semi-annually on September 1 and March 1 of each year, beginning on September 1, 2004. These Notes are unconditionally guaranteed by Radiomóvil Dipsa, S.A. de C.V. ("Telcel").

In addition, on April 20, 2004, the Company issued U.S.$300 million in principal amount of floating rate notes due 2007, bearing interest at a rate equal to three month Libor plus 0.625%. Interest on the Notes will be payable quarterly on January 27, April 27, July 27 and October 27 of each year, beginning on July 27, 2004. These notes are unconditionally guaranteed by Telcel.

In April, the Company completed a U.S.$ 350 million five year loan involving three international banks, bearing interest at a rate equal to Libor plus 0.6%.

The proceeds from the above mentioned transactions were directed principally to the refinancing of obligations that matured mostly in 2004 and 2005, which resulted in both a lengthening of the average life of the debt and in a reduction in its overall cost. The Company refinanced such obligations at its nominal value and therefore no gain or losess were determined.

(Amounts in thousands of Constant Pesos as of June 30, 2004)

On July 26, 2004, the Company issued P. 750 million aggregate principal amount of domestic senior notes (certificados bursatiles) bearing interest at Cetes91 + 0.88%, maturing on July 15, 2010, and P. 1.0 billion aggregate principal amount of domestic senior notes (certificados bursatiles) bearing interest at TIIE28 + 0.45%, maturing on July 17, 2008. The Company intends to use the net proceeds from the sale of these notes to fund the cost of the acquisition of ENITEL and for general corporate purposes, including capital expenditures and possible future acquisitions.

General

At June 30, 2004, the Company had a number of bank facilities bearing interest at LIBOR plus a spread. For certain of the facilities, the spread over LIBOR can vary if there is deterioration in the Company's financial condition. The facilities have similar terms as to covenants, and under all of the facilities América Móvil, Sercotel, S.A. de C.V. ("Sercotel") and Telcel are either borrowers or guarantors.

The Company is subject to financial and operating covenants under the loan agreements. They limit the ability to pledge assets, to effect a merger or a sale of all or substantially all of its assets, and to permit restrictions on the ability of the subsidiaries to pay dividends or make distributions to the Company. The most restrictive financial covenants require the Company to maintain a consolidated ratio of debt to EBITDA not greater than 3.5 to 1 and a consolidated ratio of EBITDA to interest expense not less than 2.5 to 1 (using terms defined in the loan agreements). Telcel is subject to financial covenants similar to those applicable to América Móvil. A number of the financing instruments are subject to either acceleration or repurchase at the holder's option if there is a change of control. In the event of a default under certain material provisions of some of the bank loans, the Company is prohibited from paying dividends to the shareholders. At June 30, 2004, the Company was in compliance with all of these requirements.

At June 30, 2004, 93% of total outstanding consolidated debt is guaranteed by Telcel.

11. Foreign-Currency Position and Transactions

a) At December 31, 2003 and June 30, 2004, América Móvil had the following foreign-currency denominated assets and liabilities:

	Foreign currency in million			
	2003	Exchange Rate At December 31, 2003	2004	Exchange Rate At June 30, 2004
Assets				
US dollar	1,326	11.23	**1,842**	**11.41**
Quetzal	702	1.39	**725**	**1.44**
Reais	2,356	3.89	**1,818**	**3.66**
Colombian peso	290,163	0.004	**373,229**	**0.004**
Argentinean peso	380	3.83	**337**	**3.86**
Euro	1	14.11	**2**	**13.88**
Liabilities				
US dollar	(3,726)	11.23	**(4,089)**	**11.41**
Quetzal	(1,330)	1.39	**(1,481)**	**1.44**
Reais	(4,160)	3.89	**(3,479)**	**3.66**
Colombian peso	(781,447)	0.004	**(863,700)**	**0.004**
Argentinean peso	(395)	3.83	**(680)**	**3.86**

(Amounts in thousands of Constant Pesos as of June 30, 2004)

At September 29, 2004 the exchange rate of the Mexican peso relative to the US dollar, quetzal, real, Colombian peso, Argentinean peso and Euro was P. 11.42 per US dollar, P. 1.44 per quetzal, P. 4.00 per real, P. .004 per Colombian peso, P. 3.82 per Argentinean peso and P. 14.04 per Euro.

b) In the six-month periods ended June 30, 2003 and 2004, the Company had the following transactions denominated in foreign currencies. Currencies other than the US dollar (reais, quetzals, Colombian pesos, Argentinean peso and Euro) were translated to US dollars using the average exchange rate for the year.

	Thousands of U.S. Dollars	
	2003	2004
Net revenues	1,254,173	**2,265,038**
Operating costs and expenses	1,301,507	**2,387,890**
Interest income	81,094	**57,180**
Interest expense	168,069	**157,336**
Other expense, net	(11,326)	**(39,070)**

12. Transactions with Related Parties

In the periods ended June 30, 2003 and 2004 the Company had the following significant transactions with related parties, (mainly with Teléfonos de México, S.A. de C.V. “Telmex”):

	2003	2004
Revenues:		
Calling Party Pays (CPP) interconnection fees and other (1)	P.4,983,030	**P.5,351,605**
Costs and expenses:		
Payments of long-distance, circuits and others (2)	2,098,753	**2,249,186**
Commercial, administrative and general:		
Advertising	107,679	**152,807**
Others, net		**13,830**
Interest expense		**3,126**

(1) Interconnection fees from CPP: incoming calls from a fixed-line telephone to a wireless telephone. Prior to the spin-off Telcel had entered into interconnection agreements with Telmex. The interconnection agreements specify a number of connection points, locations of interconnection points, the method by which signals must be transmitted and received and the costs and fees of interconnection.

(2) Includes: a) Interconnection (cost): payments of interconnection for outgoing calls from the wireless network to the fixed-line network; b) Long-distance: payments for the use of national and international long-distance; and c) leases of buildings and other cellular space.

a) Telcel has entered into various leasing and co-location agreements with a subsidiary of Telmex. Under these agreements, Telcel pays monthly fees for the use of Telmex’s antenna and repeater space, and has the right to install its interconnection equipment.

b) The Company purchases materials and services from related parties under terms no less favorable than it could obtain from unaffiliated parties. Such materials and services include insurance and bank services provided by Grupo Financiero Inbursa, S.A. and certain other related parties.

c) The above mentioned related parties are considered América Movils’ affiliates, as the Company’s principal stockholders are also directly or indirectly stockholders of these related parties.

13. Stockholders' Equity

a) Capital stock at June 30, 2004, is represented by 12,498 million common shares with no par value, respectively, representing the fixed portion of capital.

An analysis of the shares at June 30, 2004 is as follows (in millions):

3,647	Series AA common shares
271	Series A common shares
8,580	Series L shares
12,498	Total shares

b) In April 2003 and 2004, the stockholders approved payment of a cash dividend of P. 0.60 and P. 0.12 per share, respectively, payable in four installments of P. 0.015 and P.0.03 each, respectively, in the subsequent June, September, December and March following approval.

c) During the year ended December 31, 2003, and the six-month period ended June 30, 2004 the Company purchased the following shares:

	Number of shares in million		Amount in thousands of Mexican pesos		Historical amounts in thousands of Mexican pesos	
Year	"L" Shares	"A" Shares	"L" Shares	"A" Shares	"L" Shares	"A" Shares
2003	66.2	0.2	P. 975,119	P. 350	P.1,009,870	P. 330
2004	342.5	2.7	P.6,778,249	P.8,694	P.6,738,383	P.52,809

14. Segments

América Móvil operates primarily in one industry segment (cellular services); however, as mentioned in Note 1 of the audited financial statements as of December 31, 2003, the Company has international telecommunications operations in Mexico, Guatemala, Nicaragua, Ecuador, El Salvador, Brazil, Argentina, Colombia and United States. The accounting policies of these geographical segments are the same as those described in Note 2 of the audited financials statements as of December 31, 2003. The following summary shows the most important segment information:

	Mexico Corporate	Mexico	Guatemala (includes Nicaraguan operations)	Ecuador	Colombia	Brazil	Argentina	U.S.A.	El Salvador	Eliminations	Consolidated total
June 30, 2003											
Operating revenues		24,836,018	2,591,174	1,211,824	2,608,744	4,440,418	149,526	2,649,219		(5,597)	38,481,326
Depreciation and amortization	441,356	2,364,605	705,119	300,411	650,848	1,928,625	27,788	98,754		(16,201)	6,501,305
Operating (loss) income	(454,616)	8,039,443	777,090	164,276	248,681	(626,069)	(24,830)	(109,082)		162,393	8,177,286
Segment assets	257,465,417	78,046,960	11,312,748	4,699,450	11,250,521	50,194,357	775,638	1,837,694		(285,873,725)	129,709,060
June 30, 2004											
Operating revenues		32,334,415	3,322,577	1,888,444	3,681,477	8,742,497	2,162,911	4,145,024	2,265,480	(53,958)	58,488,867
Depreciation and amortization	594,918	2,400,198	694,289	285,226	795,604	3,208,109	162,447	94,440	508,423	(16,143)	8,727,511
Operating loss income	(665,160)	11,598,618	1,141,625	418,452	310,433	(2,555,273)	18,891	229,901	733,070	138,079	11,368,636
Segment assets	293,304,318	62,422,216	12,181,925	5,638,172	18,240,297	50,761,240	4,857,625	3,508,723	9,851,431	(295,824,771)	164,941,176

15. Differences between Mexican and U.S. GAAP

The Company's unaudited condensed consolidated financial statements are prepared in accordance with Mexican GAAP, which differ in certain significant respects from generally accepted accounting principles in the United States ("U.S. GAAP").

The following reconciliation to U.S. GAAP does not include the reversal of the adjustments to the financial statements for the effects of inflation required under Mexican GAAP (Bulletin B-10), because the application of Bulletin B-10 represents a comprehensive measure of the effects of price level changes in the Mexican economy and, as such, is considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

The principal differences between Mexican GAAP and U.S. GAAP, as they relate to the Company, are described in Note 23 to the 2003 audited financial statements.

Cash Flow Information:

Under Mexican GAAP, the Company presents consolidated statements of changes in financial position. The changes in the consolidated financial statement balances included in this statement constitute resources provided by and used in operating, financing and investing activities stated in constant pesos (including monetary and foreign exchange gains and losses). For Mexican GAAP purposes, trading securities are presented as investing activities, while under U.S. GAAP the cash flows from these type of securities should be disclosed as cash provided by (used in) operating activities.

Statement of Financial Accounting Standards No.95 ("SFAS No. 95"), "Statement of Cash Flows," does not provide guidance with respect to inflation adjusted financial statements. In accordance with Mexican GAAP, the changes in current and long-term debt due to restatement in constant pesos, including the effect of exchange differences, is presented in the statement of changes in financial position in the financing activities section. The company has adopted the guidance issued by the AICPA SEC Regulations Committee's International Practices Task Force in its meeting held on November 24, 1998, encouraging foreign registrants that file price level adjusted financial statements to provide cash flow statements that show separately the effects of inflation on cash flows.

(Amounts in thousands of Constant Pesos as of June 30, 2004)

If the changes in trading securities, the monetary gain and the exchange gain or loss related to the debt, were treated as components of operating activities, summarized consolidated statements of cash flows derived from information prepared in accordance with U.S. GAAP would be as follows:

	Six-month periods ended June 30,	
	2003	2004
Operating activities:		
Net income	P. 7,880,113	**P. 7,219,340**
Depreciation	4,736,459	**6,342,473**
Amortization	1,210,475	**2,397,789**
Deferred taxes	772,303	**(822,823)**
Monetary effect	(1,139,787)	**(1,355,263)**
Equity in results of affiliates and others	88,729	**35,907**
Effect of exchange rate differences on debt	95,129	**816,426**
Marketable securities	1,171,414	**(4,203,370)**
Change in operating assets and liabilities	2,016,734	**5,001,974**
Resources provided by operating activities	16,831,569	**15,432,453**
Financing activities:		
New loans	6,774,852	**26,069,254**
Repayment of loans	(11,779,043)	**(25,826,478)**
Purchase of Company's own shares and cash dividend paid	(807,373)	**(8,306,449)**
Additional paid in capital		**17,656**
Resources used in financing activities	(5,811,564)	**(8,046,017)**
Resources used in investing activities:		
Investment in plant, property and equipment	(4,774,220)	**(5,303,661)**
Investment in subsidiaries and affiliates companies	(18,800)	**655,332**
Marketable securities (available-for-sale)		**(1,767,000)**
Other long-term investments	(3,756,870)	**(2,350,120)**
Resources used in investing activities	(8,549,890)	**(8,765,449)**
Effect of inflation accounting	743,980	**978,767**
Net increase (decrease) in cash and cash equivalents	3,214,095	**(400,246)**
Cash and cash equivalents at beginning of year	9,666,139	**9,436,685**
Cash and cash equivalents at end of year	P. 12,880,234	**P. 9,036,439**

Cash flows from purchases and sales of trading securities during the six-month period ended June 30, 2003 were P. 136,670 and P. 1,179,588, respectively. Cash flows from purchases and sales of trading securities during the six-month period ended June 30, 2004 were P. 5,673,644 and P. 261,436, respectively.

Unrealized gains and losses

In accordance with the Statements of Financial Accounting Standard No. 115 "Accounting for Certain Investments in Debt and Equity Securities" unrealized gains for available-for-sale securities are excluded from earnings and reported as a net amount in a separate component of Stockholders' equity. Once the gain is realized it is recognized in the statement of operations.

(Amounts in thousands of Constant Pesos as of June 30, 2004)

New accounting pronouncements

Accounting for Revenue Arrangements with Multiple Deliverables The Emerging Issues Task Force (EITF), a task force established to assist the FASB on significant emerging accounting issues, has issued EITF 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" (EITF 00-21).

EITF 00-21 addresses certain aspects of accounting for sales that involve multiple revenue generating products and/or services sold under a single contractual agreement. For América Móvil, this rule became effective for sales agreements entered into beginning January 1, 2004. The Company is evaluating the impact of EITF 00-21. Based on current circumstances, it believes that adoption of EITF 00-21 will represent a reduction of net income of approximately P. 342,348.

Summary

Net income, operating income and total stockholders' equity, adjusted to take into account the material differences between Mexican GAAP and U.S. GAAP, are as follows:

	Six-month periods ended June 30,	
	2003	2004
Net income as reported under Mexican GAAP	P.7,854,939	**P.7,270,265**
Approximate U.S. GAAP adjustments:		
Capitalized interest or net financing cost		
Depreciation of capitalized interest	(74,493)	**(171,124)**
Accrued vacation pay	208,331	
Deferred income tax	(850,625)	**686,241**
Deferred employee profit sharing	98,662	**130,786**
Difference between the restatement of depreciation expense based on specific indexation factors and on the basis of the NCPI	(26,493)	**(561,655)**
Unrealized gains on securities	—	**(513,000)**
Non-amortization of goodwill	655,357	**720,028**
Effect of adoption of EITF 00-21	—	**(342,348)**
Net gain on sale to affiliate	25,000	**25,000**
Effects of inflation accounting on U.S. GAAP adjustments	(10,565)	**(24,853)**
Total U.S. GAAP adjustments, net	25,174	**(50,925)**
Net income under U.S. GAAP	P.7,880,113	**P.7,219,340**
Weighted average of common shares outstanding (in million):	12,917	**12,695**
Net income per share under U.S. GAAP (in pesos):	P. 0.61	**P. 0.57**

After giving effect to the foregoing approximate adjustments for accrued vacation pay, depreciation of capitalized interest and the difference between the restatement of depreciation expense based on specific indexation factors and on the basis of the NCPI; non-amortization of goodwill, as well of the reclassification of the employee profit sharing expense and the deferred employee profit sharing expense, operating income under U.S. GAAP totaled P. 8,914,669 and P. 11,300,763, in the six-month periods ended June 30, 2003 and 2004, respectively.

Accounting for Consideration Given by a Vendor to a Customer EITF 01-9, "Accounting for Consideration Given by a Vendor to a Customer" (EITF 01-9) addresses the income statement characterization of consideration given by a vendor to a customer. EITF 01-9 is relevant to the Company particularly in respect to accounting for commissions paid to distributors with respect to the activation of postpaid plans, commissions that are paid to distributors if a distributor completes a specified cumulative level of revenue transactions and commissions paid to distributors when a customer remains with the Company for a specified time period. Application of EITF 01-9 represents a reclassification for US GAAP purposes of commissions paid to distributors from commercial and administrative expenses to reductions in operating revenues for P.1,934,777 and P. 3,090,425 at June 30, 2003 and 2004, respectively.

(Amounts in thousands of Constant Pesos as of June 30, 2004)

	Audited December 31, 2003	Unaudited June 30, 2004
Total stockholders' equity under Mexican GAAP	P.70,326,181	**P.73,772,349**
U.S. GAAP adjustments, net of effects of inflation on monetary items:		
Capitalized interest or net financing cost, net	757,019	**585,968**
Accrued vacation pay		
Deferred income tax	(1,561,917)	**(1,027,896)**
Deferred employee profit sharing	(572,206)	**(439,662)**
Deferred taxes on the difference between the indexed cost and replacement cost valuation of fixed assets	(747,799)	**(747,799)**
Difference between the restatement of fixed assets and inventories based on specific indexation factors and on the basis of the NCPI	6,967,151	**6,783,220**
Minority interest	(5,180,808)	**(5,035,460)**
Non-amortization of goodwill	2,819,597	**3,539,906**
Effect of adoption of EITF 00-21	—	**(342,348)**
Application of additional negative goodwill of ATL to Goodwill	(653,935)	**(653,935)**
Net gain on sale to affiliate	159,992	**185,010**
Total U.S. GAAP adjustments, net	1,987,094	**2,847,004**
Total stockholders' equity under U.S. GAAP	P.72,313,275	**P.76,619,353**

16. Consolidating Condensed Financial Statements

The following consolidating information presents condensed consolidating balance sheets as of December 31, 2003 and June 30, 2004 and condensed consolidating statements of operations and cash flows for the six-month periods ended June 30, 2003 and 2004 of the Company and Telcel. These statements are prepared in accordance with Mexican GAAP with the exception that the subsidiaries are accounted for as investments under the equity method rather than being consolidated. The guarantees of the Guarantor are full and unconditional. The significant differences between Mexican GAAP and U.S. GAAP as they affect the Guarantor are set out below.

(Amounts in thousands of Constant Pesos as of June 30, 2004)

The Company's consolidating condensed financial statements for the (i) Company; (ii) its wholly-owned subsidiary (Telcel on stand alone 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:

Unaudited Condensed consolidated balance sheets:

	Parent	Wholly-owned Guarantor Subsidiary	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
			December 31, 2003		
Current assets:					
Cash and cash equivalents	P. 61,235	P. 1,366,549	P. 8,008,901		P. 9,436,685
Marketable securities			807,670		807,670
Accounts receivable, net	9,825,708	4,139,901	44,885,826	P. (46,594,738)	12,256,697
Inventories, net		2,881,750	2,431,697		5,313,447
Other current assets		934,430	1,280,290		2,214,720
Plant property and equipment, net		22,027,005	50,280,340		72,307,344
Investments	67,396,508	23,168,877	2,589,631	(90,565,385)	2,589,631
Licenses		1,564,651	24,658,809		26,223,460
Other assets		5,074,215	16,169,331		21,243,546
Total assets	**P.77,283,451**	**P.61,157,378**	**P.151,112,494**	**P.(137,160,123)**	**P.152,393,200**
Liabilities:					
Short-term debt	P. 518,705	P. 459,865	P. 11,324,669		P. 12,303,239
Current liabilities	188,247	17,486,370	28,348,060	P. (17,901,534)	28,121,143
Long-term debt	11,431,126	2,607,837	23,763,636		37,803,542
Other non-current liabilities		30,363,297	2,169,945	(28,693,204)	3,839,095
Total liabilities	**12,138,078**	**50,917,369**	**65,606,310**	**(46,594,738)**	**82,067,019**
Majority interest stockholders' equity	65,145,373	10,240,009	80,325,376	(90,565,385)	65,145,373
Minority interest			5,180,808		5,180,808
Total stockholders' equity under Mexican GAAP	**65,145,373**	**10,240,009**	**85,506,184**	**(90,565,385)**	**70,326,181**
Total liabilities and stockholders' equity	**P.77,283,451**	**P.61,157,378**	**P.151,112,494**	**P.(137,160,123)**	**P.152,393,200**

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

(Amounts in thousands of Constant Pesos as of June 30, 2004)

	Parent	Wholly-owned Guarantor Subsidiary	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
			June 30, 2004		
Current assets:					
Cash and cash equivalents	P. 51,713	P. 213,678	P. 8,771,048		P. 9,036,439
Marketable securities			6,778,040		6,778,040
Accounts receivable, net	29,790,083	10,667,042	43,128,694	P. (70,233,078)	13,352,741
Inventories		2,639,146	4,348,526		6,987,672
Other assets		184,797	2,306,082		2,490,879
Plant property and equipment, net		24,373,771	54,049,654		78,423,425
Investments	73,339,761	25,427,338	1,869,392	(98,767,099)	1,869,392
Licenses		1,509,755	23,630,549		25,140,304
Other assets		2,653,133	18,209,151		20,862,284
Total assets	**P.103,181,557**	**P.67,668,660**	**P.163,091,136**	**P.(169,000,177)**	**P.164,941,176**
Liabilities:					
Short-term debt	P. 450,000	P. 580,445	P. 4,698,829		P. 5,729,274
Current liabilities	2,367,146	22,546,884	56,763,272	P. (45,384,140)	36,293,162
Long-term debt	31,627,522	1,440,938	12,368,249		45,436,709
Other non-current liabilities		26,562,569	1,996,051	(24,848,938)	3,709,682
Total liabilities	**34,444,668**	**51,130,836**	**75,826,401**	**(70,233,078)**	**91,168,827**
Total majority stockholders' equity	68,736,889	16,537,824	82,229,275	(98,767,099)	68,736,889
Minority interest			5,035,460		5,035,460
Total stockholders' equity under Mexican GAAP	**68,736,889**	**16,537,824**	**87,264,735**	**(98,767,099)**	**73,772,349**
Total liabilities and stockholders' equity	**P.103,181,557**	**P.67,668,660**	**P.163,091,136**	**P.(169,000,177)**	**P.164,941,176**

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Amounts in thousands of Constant Pesos as of June 30, 2004)

Unaudited Condensed consolidated statements of operations:

	Parent	Wholly-owned Guarantor Subsidiary	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	For the period ended June 30, 2003				
Total revenues		P. 24,850,297	P. 17,524,316	P. (3,893,287)	P. 38,481,326
Total cost and expenses operating	P. 20,713	20,194,598	13,982,016	(3,893,287)	30,304,040
Operating (loss) income	(20,713)	4,655,699	3,542,300		8,177,286
Comprehensive financing income (cost)	190,747	(3,414,823)	4,755,974		1,531,898
Other (expense) income, net	(1,206)	(92,534)	37,389		(56,351)
Tax provision	62,052	(368,403)	1,878,133		1,571,782
Equity in results of affiliates	7,748,163	2,269,270	(88,729)	(10,017,433)	(88,729)
Income (loss) before minority interest	7,854,939	3,786,015	6,368,801	(10,017,433)	7,992,322
Minority net (loss)			(137,383)		(137,383)
Net income	P. 7,854,939	P. 3,786,015	P. 6,231,418	P. (10,017,433)	P. 7,854,939
	For the period ended June 30, 2004				
Total revenues		P. 32,334,415	P. 31,081,712	P. (4,927,260)	P. 58,488,867
Total cost and expenses operating	P. 59,945	25,084,772	26,902,774	(4,927,260)	47,120,231
Operating (loss) income	(59,945)	7,249,643	4,178,938		11,368,636
Comprehensive financing (cost) income	(488,500)	(1,917,282)	1,336,644		(1,069,138)
Other income (expense), net	612	(150,329)	(8,985)		(158,702)
Tax provision	3,721	888,807	1,628,874		2,521,402
Equity in results of affiliates	(7,821,819)	2,140,905	(35,907)	(9,962,724)	(35,907)
Income (loss) before minority interest	7,270,265	P. 6,434,130	3,841,816	(9,962,724)	7,583,487
Minority interest net (loss)			(313,222)		(313,222)
Net income	P. 7,270,265	6,434,130	P. 3,528,594	P. (9,962,724)	P. 7,270,265

(Amounts in thousands of Constant Pesos as of June 30, 2004)

Unaudited Condensed consolidated statements of changes in financial position:

	Parent	Wholly-owned Guarantor Subsidiary	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	For the period ended June 30, 2003				
Operating activities:	P. 926,020	P. 4,496,568	P. 11,059,459		P. 16,482,047
Financing activities:	(1,718,483)	(2,777,824)	(3,795,984)	P. 2,575,856	(5,716,435)
Investing activities:	790,883	(454,022)	(5,312,522)	(2,575,856)	(7,551,517)
Net (decrease) increase in cash and cash equivalents	(1,580)	1,264,722	1,950,953		3,214,095
Cash and cash equivalents at beginning of the period	1,914	1,380,731	8,283,494		9,666,139
Cash and cash equivalents at end of the period	P. 335	P. 2,645,452	P. 10,237,447		P. 12,880,234

	Parent	Wholly-owned Guarantor Subsidiary	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	For the period ended June 30, 2004				
Operating activities:	P.(18,337,030)	P. 4,263,963	P. 35,132,928		P. 21,029,861
Financing activities:	11,821,243	(1,046,318)	(18,004,516)		(7,229,591)
Investing activities:	6,506,265	(4,370,515)	(16,336,266)		(14,200,516)
Net increase decrease in cash and cash equivalents	(9,522)	(1,152,870)	762,146		(400,246)
Cash and cash equivalents at beginning of the period	61,235	1,366,549	8,008,901		9,436,685
Cash and cash equivalents at end of the period	P. 51,713	P. 213,678	P. 8,771,047		P. 9,036,439

17. Guarantor US GAAP reconciliation of net income and stockholder's equity

As discussed at the beginning of Note 23 to the audited financial statements as of December 31, 2003, the following reconciliation to US GAAP does not include the reversal of the adjustments to the financial statements for the effects of inflation required under Mexican GAAP (Bulletin B-10), because the application of Bulletin B-10 represents a comprehensive measure of the effects of price level changes in the Mexican economy and, as such, is considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

(Amounts in thousands of Constant Pesos as of June 30, 2004)

Summary

The principal differences between Mexican GAAP and U.S. GAAP, as they relate to the consolidated financial statements of the Guarantor, are those of the Company, and are basically the same as those described in Note 23 to the audited financial statements as of December 31, 2003, except for the adjustments applied directly to the sub-holding companies as the non amortization of goodwill, minority interest and gains or losses on sales to affiliates. Net income and total stockholders' equity, adjusted to take into account the material differences between Mexican GAAP and U.S. GAAP, are as follows:

	Six-month periods ended June 30,	
	2003 Unaudited	2004 Unaudited
Net income as reported under Mexican GAAP	P. 3,786,015	**P. 6,434,130**
U.S. GAAP adjustments:		
Capitalized interest or net financing cost, net	(74,493)	**(171,124)**
Accrued vacation pay	208,331	**—**
Deferred income tax and employee profit sharing adjustments	98,108	**434,512**
Difference between the restatement of depreciation expense based on specific indexation factors and on the basis of the NCPI	366,905	**(1,171)**
Effect of adoption of EITF 00-21	—	**(280,725)**
Effects of U.S. GAAP adjustments on subsidiaries, net	(62,307)	**(373,658)**
Effects of inflation accounting on U.S. GAAP adjustments	(18,314)	**16,234**
Total U.S. GAAP adjustments, net	518,230	**(375,932)**
Net income under U.S. GAAP	P. 4,304,245	**P. 6,058,198**

	Audited December 31, 2003	Unaudited June 30, 2004
Total stockholders' equity under Mexican GAAP	P.10,240,009	**P.16,537,824**
U.S. GAAP adjustments, net of effects of inflation on monetary items:		
Capitalized interest or net financing cost, net	757,019	**585,968**
Accrued vacation pay	—	**—**
Deferred income tax and employee profit sharing Adjustments	(861,962)	**(550,354)**
Difference between the restatement of fixed assets based on specific indexation factors and on the basis of the NCPI	444,702	**554,694**
Effect of adoption of EITF 00-21	—	**(280,725)**
Effect of U.S. GAAP adjustments on subsidiaries, net	(197,097)	**(548,705)**
Total U.S. GAAP adjustments, net	142,662	**(239,122)**
Total stockholders' equity under U.S. GAAP	P.10,382,671	**P.16,298,702**

ANNEX A: REPORT ON FORM 20-F FOR THE YEAR ENDED DECEMBER 31, 2003, AS AMENDED

As filed with the Securities and Exchange Commission on June 30, 2004, as amended on July 23, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 20-F

Annual Report Pursuant to Section 13
of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2003

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

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

AMÉRICA MÓVIL, S.A. 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 Alberto 366, Colonia Anáhuac, 11320 México, D.F., México
(address of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:	**Name of each exchange on which registered:**
American Depositary Shares, each representing 20 Series L Shares, without par value	New York Stock Exchange
Series L Shares, without par value	New York Stock Exchange (for listing purposes only)

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

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

Series A Shares, without par value

The number of outstanding shares of each of the registrant's classes of capital or common stock as of December 31, 2003:

3,647 million	AA Shares
279 million	A Shares
8,910 million	L Shares

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

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☒

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PART I

Item 3. Key Information

SELECTED FINANCIAL DATA

This annual report includes our audited consolidated financial statements as of December 31, 2002 and 2003 and for the years ended December 31, 2001, 2002 and 2003. Our financial statements have been prepared in accordance with Mexican GAAP and presented in Mexican pesos. The financial statements of our non-Mexican subsidiaries have been adjusted to conform to Mexican GAAP and translated to Mexican pesos. See Note 2(g) to our audited financial statements.

Mexican GAAP differs in certain respects from U.S. GAAP. Note 23 to the audited financial statements provides a description of the principal differences between Mexican GAAP and U.S. GAAP, as they relate to us, a reconciliation to U.S. GAAP of operating income, net income and total stockholders' equity and a condensed statement of cash flows under U.S. GAAP.

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

- nonmonetary assets (including plant, property and equipment of Mexican origin) and stockholders' equity are restated for inflation based on the Mexican National Consumer Price Index; plant, property and equipment of non-Mexican origin are restated based on the rate of inflation in the country of origin and converted into Mexican pesos using the prevailing exchange rate at the balance sheet date;
- gains and losses in purchasing power from holding monetary liabilities or assets are recognized in income; and
- all financial statements are restated in constant pesos as of December 31, 2003.

The effect of inflation accounting under Mexican GAAP has not been reversed in the reconciliation to U.S. GAAP of net income and stockholders' equity, except with respect to the methodology for restatement of imported telephone plant. See Note 23 to the audited financial statements.

This annual report also includes audited financial statements of Telecom Americas for the year ended December 31, 2001 and, for comparative purposes only, for the 186-day period ended December 31, 2000. The audited financial statements of Telecom Americas have been prepared on a consolidated basis in accordance with U.S. GAAP and presented in U.S. dollars.

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

This annual report contains translations of various peso amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the nominal peso or constant peso amounts actually represent the U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, we have translated U.S. dollar amounts from constant pesos at the exchange rate of Ps. 11.2360 to U.S.$1.00, which was the rate reported by Banco de México for December 31, 2003.

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

	As of and for the year ended December 31,					
	1999(1)	2000	2001	2002	2003	2003
	(millions of constant pesos as of December 31, 2003)(2)					(millions of U.S. dollars)(2)
Income Statement Data:						
Mexican GAAP						
Operating revenues	Ps.18,010	Ps. 33,073	Ps. 45,457	Ps. 59,743	Ps. 85,941	U.S.$ 7,649
Operating costs and expenses	15,453	29,880	38,783	46,762	67,981	6,050
Depreciation and amortization	1,737	3,395	4,920	8,606	13,878	1,235
Operating income (loss)	2,557	3,193	6,674	12,980	17,960	1,599
Comprehensive financing cost (income)	(3,517)	(1,196)	665	1,023	(2,123)	(189)
Majority net income (loss)	5,010	994	(910)	4,784	15,032	1,338
Majority net income (loss) per share:						
Basic(3)	0.35	0.07	(0.07)	0.36	1.16	0.10
Diluted(4)	0.35	0.07	(0.07)	0.36	1.16	0.10
Dividends declared per share(5)	—	—	0.040	0.044	0.060	0.005
Dividends paid per share(6)	—		0.030	0.043	0.056	0.005
Weighted average number of shares outstanding (millions):						
Basic	—	—	13,199	13,123	12,912	—
Diluted	—	—	13,199	13,123	12,914	—
U.S. GAAP						
Operating revenues	Ps.18,237	Ps. 33,490	Ps. 45,457	Ps. 59,743	Ps. 85,941	U.S.$ 7,649
Operating costs and expenses	16,369	31,308	39,316	46,431	67,405	5,999
Depreciation and amortization	1,931	3,696	5,496	8,138	13,368	1,190
Operating income (loss)	1,868	2,182	6,141	13,312	18,536	1,650
Comprehensive financing cost (income)	(3,602)	(1,482)	727	712	(1,973)	(176)
Majority net income (loss)	3,140	(470)	(670)	6,037	14,899	1,326
Majority net income (loss) per share:						
Basic(3)	0.21	(0.03)	(0.05)	0.46	1.15	0.10
Diluted(4)	0.21	(0.03)	(0.05)	0.46	1.15	0.10
Balance Sheet Data:						
Mexican GAAP						
Property, plant and equipment, net	Ps.14,610	Ps. 37,557	Ps. 43,934	Ps. 62,994	Ps. 71,162	U.S.$ 6,333
Total assets	76,995	100,857	101,833	117,538	149,979	13,349
Short-term debt and current portion of long-term debt	460	7,636	6,928	10,637	12,108	1,078
Long-term debt	2,831	1,340	16,674	37,399	37,205	3,311
Total stockholders' equity(7)	65,472	75,136	62,233	51,146	69,212	6,160
Capital stock	—	31,224	31,201	31,193	31,191	2,776
Number of outstanding shares (millions):						
Series AA	—	3,266	3,807	3,647	3,647	3,647
Series A	—	339	315	291	279	279
Series L	—	10,405	9,077	8,978	8,910	8,910
U.S. GAAP						
Property, plant & equipment, net	Ps.15,034	Ps. 37,657	Ps. 47,118	Ps. 64,139	Ps. 76,893	U.S.$ 6,843
Total assets	78,756	102,875	105,993	120,611	158,586	14,114
Short-term debt and current portion of long-term debt	—	7,732	6,928	10,637	12,108	1,078
Long-term debt	2,868	1,357	16,674	37,399	37,205	3,311
Minority interest	786	2,427	822	1,225	5,099	454
Total stockholders' equity	63,498	71,030	62,615	50,389	71,167	6,334
Capital stock	—	31,617	31,594	31,587	31,585	2,811
Subscriber Data:						
Number of subscribers (in thousands)		17,124	26,594	31,600	43,725	—
Subscriber growth		—	55.3%	18.8%	38.4%	—

(see footnotes on following page)

(1) Prepared on a consolidated basis from the historical accounting records of Teléfonos de México, S.A. de C.V. (Telmex), representing the combined historical operations of the entities that Telmex transferred to us in the spin-off that established América Móvil in September 2000.
(2) Except per share data.
(3) For 1999, based on 14,485 million shares outstanding at September 25, 2000, the date América Móvil was established. For 2000, assumes 14,485 million shares outstanding for the period prior to September 25, 2000. We have not included net income or dividends on a per ADS basis. Each L Share ADS represents 20 L Shares and each A Share ADS represents 20 A Shares.
(4) For 1999, based on 14,485 million diluted shares outstanding at September 25, 2000, the date América Móvil was established. For 2000, assumes 14,485 million diluted shares outstanding for the period prior to September 25, 2000. We have not included net income or dividends on a per ADS basis. Each L Share ADS represents 20 L Shares and each A Share ADS represents 20 A Shares.
(5) Nominal amounts. Figures provided represent the annual dividend declared at the general shareholders' meeting.
(6) Nominal amounts. For more information on dividends paid per share translated into U.S. dollars, see "Financials—Dividends" under Item 8. Amount in U.S. dollars translated at the exchange rate on each of the respective payment dates.
(7) Includes minority interest.

EXCHANGE RATES

Mexico has a free market for foreign exchange, and the Mexican government allows the peso to float freely against the U.S. dollar. The peso was relatively stable from 1999 until 2001. In 2002 and 2003, the peso declined in value against the U.S. dollar. There can be no assurances that the government will maintain its current policies with regard to the peso or that the peso will not further depreciate or appreciate significantly in the future.

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

Period	High	Low	Average(1)	Period End
1999	9.2430	10.6000	9.5630	9.4800
2000	9.1830	10.0870	9.4717	9.6180
2001	9.0270	9.8850	8.9386	9.1560
2002	9.0000	10.4250	9.6630	10.4250
2003	10.1130	11.4060	10.8463	11.2420
2003:				
January	10.3210	10.9780		
February	10.7740	11.0640		
March	10.6610	11.2350		
April	10.3080	10.7700		
May	10.1130	10.4240		
June	10.2240	10.7390		
July	10.3390	10.5850		
August	10.5900	11.0600		
September	10.8600	11.0400		
October	10.9690	11.3180		
November	10.9790	11.3950		
December	11.1730	11.4060		
2004:				
January	10.8050	11.0970		
February	10.9095	11.2450		
March	10.9180	11.2290		
April	11.1570	11.4315		
May	11.3815	11.6350		

(1) Average of month-end rates.

On June 25, 2004, the noon buying rate was Ps. 11.3150 to U.S.$1.00.

FORWARD-LOOKING STATEMENTS

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

- projections of operating revenues, net income (loss), net income (loss) per share, capital expenditures, dividends, capital structure or other financial items or ratios;
- statements of our plans, objectives or goals, including those relating to competition, regulation and rates;
- statements about our future economic performance or that of Mexico or other countries in which we operate;
- competitive developments in the telecommunications sector in each of the markets where we currently operate;
- other factors or trends affecting the telecommunications industry generally and our financial condition in particular; and
- statements of assumptions underlying the foregoing statements.

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

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors, some of which are discussed under "Risk Factors," include economic and political conditions and government policies in Mexico, Brazil or elsewhere, inflation rates, exchange rates, regulatory developments, technological improvements, customer demand and competition. We caution you that the foregoing list of factors is not exclusive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements.

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

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

RISK FACTORS

Risks Relating to Our Businesses

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

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

We expect that competition will intensify in the future as a result of the entry of new competitors, the development of new technologies, products and services, and the auction in each of the jurisdictions in which we operate of additional spectrum. We also expect the current consolidation trend in the wireless industry to continue, as companies respond to the need for cost reduction and additional spectrum. This trend may result in larger competitors with greater financial, technical, promotional and other resources to compete with our businesses.

Among other things, our competitors could:

- provide increased handset subsidies;
- offer higher commissions to retailers;
- provide free airtime or other services (such as Internet access);
- expand their networks faster; or
- develop and deploy improved wireless technologies faster.

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

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

Changes in government regulation could hurt our businesses

Our businesses are subject to extensive government regulation and can be adversely affected by changes in law, regulation or regulatory policy. The licensing, construction, operation, sale, resale and interconnection arrangements of wireless telecommunications systems in Latin America and elsewhere are regulated to varying degrees by government or regulatory authorities. Any of these authorities having jurisdiction over our businesses could adopt or change regulations or take other actions that could adversely affect our operations. In particular, the regulation of prices operators may charge for their services could have a material adverse effect on us by reducing our profit margins. In Mexico, Telcel's business is subject to extensive government regulation, principally by the Comisión Federal de Telecomunicaciones (Federal Telecommunications Commission, or "Cofetel") and the Comisión Federal de Competencia (Federal Competition Commission, or "Cofeco"), and may be adversely affected by changes in law or by actions of Mexican regulatory authorities.

The Mexican Communications Ministry is authorized to impose specific rate and other requirements on any wireless operator that is determined by Cofeco to have substantial market power. While no such determination has been made with respect to the wireless market in Mexico, we can provide no assurances that the regulatory authorities will not make such a determination with respect to Telcel and impose specific rate 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.

Many Latin American countries are in the process of deregulating and privatizing the provision of communications services, including wireless services, and many of the laws, regulations and licenses that regulate our businesses, including in Argentina, Brazil, Colombia, Ecuador, El Salvador, Guatemala and Nicaragua, became effective only recently. Consequently, there is only a limited history that would allow us to predict the impact of these legal regulations on our future operations. In addition, changes in political administrations could lead to the adoption of policies concerning competition, privatization and taxation of communications services that may be detrimental to our operations throughout Latin America. These restrictions, which may take the form of preferences for local over foreign ownership of communications licenses and assets, or for government over private ownership, may make it impossible for us to continue to develop our businesses. These restrictions could result in our incurring losses of revenues and require capital investments all of which could materially adversely affect our businesses and results of operations.

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

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

The Mexican government has not auctioned additional spectrum since 1998. In 2003, we decided to acquire capacity services from Operadora Unefon in the 1900 megahertz spectrum for a period of 16 years. The Mexican government has announced that it intends to auction 1900 megahertz spectrum during 2004, and we expect to participate in any such auction. Prior to participating in any auction for spectrum, each participant must obtain an authorization from Cofeco. A separate authorization is required for each auction, and spectrum for each region is auctioned separately. Cofeco has broad discretion in granting such authorizations, and Cofeco may take into account factors such as competition and capacity utilization prior to granting any authorization to Telcel to participate in any auction.

In 1998, Cofeco did not allow Telcel to participate in certain spectrum auctions, but we believe that the reasons for Cofeco's denial are no longer applicable given the entry of new competitors in the Mexican market and our spin-off from Telmex. Although we believe that Cofeco should authorize Telcel to participate in future spectrum auctions, we can give no assurance that it will do so. We cannot assure you that, if additional spectrum is awarded to us by the Mexican government, a third party will not appeal the result of such bidding process. Any restrictions on our ability to acquire or use spectrum may have a material effect on our business.

Our concessions and licenses are subject to termination

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

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

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

We have invested in a growing number of telecommunications businesses outside our historical core activity of providing wireless telecommunications services in Mexico, and we plan to continue to do so in the rest of Latin America. These investments have been made in some countries in which we have little experience and may involve risks to which we have not previously been exposed. Some of the investments are in countries that may present different or greater risks than Mexico, such as Argentina, Brazil, Colombia, Ecuador, El Salvador, Guatemala and Nicaragua. Many of these businesses are start-up or development-stage companies with unproven business models and inexperienced management that in some cases will require substantial investments in the near future. We cannot assure you that these investments will be successful.

We are subject to significant litigation

Some of our subsidiaries are subject to significant litigation, which if determined adversely to our interests may have a material adverse effect on our business, results of operations, financial condition or prospects. In Mexico, Telcel is subject to proceedings for alleged antitrust practices. We cannot predict how these proceedings will be resolved and, if resolved contrary to our interests, what fines or restrictions may be imposed on our Mexican operations. These restrictions, which could be imposed by means of special regulations, may include significant limitations on our ability to conduct business as currently conducted. Other significant litigation is described in "Legal Proceedings" under Item 8.

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

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

- physical damage to access lines;
- power surges or outages;
- software defects; and
- disruptions beyond our control.

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

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

The cost of acquiring a new subscriber is much higher than the cost of maintaining an existing subscriber. Accordingly, subscriber deactivations, or churn, could have a material negative impact on our operating income, even if we are able to obtain one new subscriber for each lost subscriber. Because a substantial majority of our subscribers are prepaid, we do not have long-term contracts with those subscribers. Our weighted monthly average churn rate for the twelve-month period ended December 31, 2003 was 2.9% as compared to 3.2% for the twelve-month period ended December 31, 2002. If we experience an increase in our churn rate, our ability to achieve revenue growth could be materially impaired. In addition, a decline in general economic conditions could lead to an increase in churn, particularly among our residential subscribers.

Risks Relating to the Wireless Industry Generally

Changes in the wireless industry could affect our future financial performance

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

There are three existing digital technologies for wireless communications, none of which is compatible with the others. In the past, Telcel and certain of our international businesses used time division multiple access (TDMA) technology for their digital networks, while certain of our other international businesses used code division multiple access (CDMA) as their digital wireless technology. We are introducing global system for mobile communications (GSM) technology in all of our markets. Telcel launched GSM services in Mexico in October 2002, and we began offering GSM services in Argentina, Brazil, Colombia, Ecuador and Guatemala during 2003. If future wireless technologies that gain widespread acceptance are not compatible with the technologies we use, we may be required to make capital expenditures in excess of our current forecasts in order to upgrade and replace our technology and infrastructure.

We are dependent upon a limited number of suppliers and vendors to provide us with services or equipment on a timely and cost-effective basis

Each of our wireless businesses relies primarily on a single vendor for its switch and cell site equipment and on a single supplier or small group of suppliers for its handsets and other customer equipment. If we had to replace a primary supplier of switch and cell site equipment because, for example, it ceased to provide timely or cost-effective equipment or service, the transition to another supplier could entail delays and additional costs. Supplies of customer equipment may be subject to periodic shortages, and our ability to grow will be limited if we cannot rely on our suppliers to ensure sufficient quantities and quality of equipment.

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

Our wireless businesses incur losses and costs associated with the unauthorized use of these wireless networks, particularly their analog cellular networks. These costs include administrative and capital costs associated with detecting, monitoring and reducing the incidence of fraud. Fraud also affects interconnection costs, capacity costs, administrative costs and payments to other carriers for unbillable fraudulent roaming. In the year ended December 31, 2003, Telcel refunded to its customers approximately Ps. 1.53 million due to wireless fraud. Although we seek to combat this problem through the deployment of anti-fraud technologies and other measures, we cannot assure you that these efforts will be effective or that fraud will not result in material costs for us in the future.

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

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

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

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

We are controlled by one shareholder

As of April 30, 2004, 64.49% of our voting shares was directly or indirectly owned by América Telecom, S.A. de C.V. According to reports of beneficial ownership of our shares filed with the SEC, Carlos Slim Helú, the Chairman of our Board of Directors, and certain members of his immediate family, including his son and member of our Board of Directors, Patrick Slim Domit, together own a majority of the voting stock of América Telecom. América Telecom is able to elect a majority of the members of our board of directors and to determine the outcome of other actions requiring a vote of our shareholders, except in very limited cases that require a vote of the holders of L Shares.

We have significant transactions with affiliates

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

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

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

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

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

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

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

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

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

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

Our bylaws restrict transfers of shares in some circumstances

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

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

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

Our bylaws may only be enforced in Mexico

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

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

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

Risks Relating to Developments in Mexico and Other Countries

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

Our financial performance may be significantly affected by general economic, political and social conditions in the countries where we operate, particularly Mexico and Brazil. Many countries in Latin America, including Mexico and Brazil, have suffered significant economic, political and social crises in the past, and these events may occur again in the future. Instability in the region has been caused by many different factors, including:

- significant governmental influence over local economies;
- substantial fluctuations in economic growth;
- high levels of inflation;
- changes in currency values;
- exchange controls or restrictions on expatriation of earnings;
- high domestic interest rates;
- wage and price controls;
- changes in governmental economic or tax policies;
- imposition of trade barriers;
- unexpected changes in regulation; and
- overall political, social and economic instability.

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

Our business is especially affected by conditions in Mexico and Brazil. Mexico has experienced a prolonged period of slow growth since 2001, primarily as a result of the downturn in the U.S. economy. According to preliminary data, during 2003, Mexico's gross domestic product, or "GDP," grew by 1.3% in real terms. In 2002, GDP grew by 0.9%. Mexico has also experienced high levels of inflation and high domestic interest rates. The annual rate of inflation, as measured by changes in the National Consumer Price Index as published by the Banco de México, was 4.0% for 2003.

Brazil has in the past experienced extremely high rates of inflation, with annual rates of inflation during the last ten years reaching as high as 2,489% in 1993 and 929% in 1994, as measured by the Brazilian National Consumer Price Index. More recently, Brazil's rates of inflation were 9.4% in 2001, 14.7% in 2002 and 10.4% in 2003. Inflation, governmental measures to combat inflation and public speculation about possible future actions have in the past had significant negative effects on the Brazilian economy.

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

We are affected by fluctuations in the value of the currencies in which we conduct operations compared to the U.S. dollar, in which a substantial portion of our indebtedness is denominated. Changes in the value of the various currencies in which we conduct operations against the Mexican peso, which we use as our reporting currency in our financial statements, and against the U.S. dollar may result in exchange losses or gains on our net U.S. dollar-denominated indebtedness and accounts payable. In 2003, changes in currency exchange rates led us to report a foreign exchange gain of Ps. 1,355 million (an amount that is equal to 7.5% of our operating income in 2003), while in 2002 we reported a foreign exchange loss of Ps. 1,526 million. In addition, currency fluctuations between the Mexican peso and the currencies of our non-Mexican subsidiaries affect our results as reported in Mexican pesos. Currency fluctuations are expected to continue to affect our financial income and expense.

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

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

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

Currently in Mexico, concessionaires for the 800 megahertz (Band B) radio spectrum are required to pay the Mexican government an annual fee ranging from 5% to 10% of the gross revenues under such concessions whereas concessionaires for the 1900 megahertz (Band D) radio spectrum are not required to pay annual fees. Pursuant to amendments to the Federal Contributions Law (the Ley Federal de Derechos) enacted in 2003, owners of concessions in Mexico granted or renewed on or after January 1, 2003 are required to pay annual fees (derechos) for the use and exploitation of radio spectrum bands. The amount of annual fees payable could be significant and vary depending on the relevant region and radio spectrum band. These annual fees are payable in respect of all spectrum bands. The application of this fee to renewals of concessions granted prior to 2003 is the subject of debate in Mexico, as it could affect competitors differently and impact competition. Currently we do not expect to renew any of our current concessions until 2010, but, if permitted, we intend to participate in any auctions for the acquisition of additional spectrum in Mexico.

Item 4. Information on the Company

GENERAL

With 43.7 million wireless subscribers in nine countries at December 31, 2003 (compared to 31.6 million at year-end 2002), we are the largest provider of wireless communications services in Latin America and one of the ten largest in the world. Because our focus is on Latin America, a substantial majority of our wireless subscribers are prepaid customers. We also had approximately 1.6 million fixed lines in Guatemala and El Salvador at December 31, 2003, making us the largest fixed-line operator in Central America. We have recently deployed GSM networks in Mexico, Brazil, Colombia, Ecuador, Guatemala and Nicaragua, and are in the process of deploying a GSM network in Argentina.

Our principal operations are:

- *Mexico.* Through Radiomóvil Dipsa, S.A. de C.V., which operates under the name "Telcel," we provide cellular telecommunications service in all nine regions in Mexico, with a network covering approximately 35% of the geographical area of Mexico, including all major cities, and approximately 81% of Mexico's population. At December 31, 2003, Telcel had 23.4 million subscribers, and Telcel is the largest provider of wireless telecommunications services in Mexico.
- *Argentina.* In 2003, we acquired CTI, the fourth largest wireless operator in Argentina measured by the number of subscribers. CTI provides nationwide wireless services in Argentina.
- *Brazil.* With approximately 9.5 million subscribers at December 31, 2003, we are the second largest provider of wireless telecommunications services in Brazil. We operate in Brazil through our subsidiary, Telecom Americas, and a number of operating companies, under a unified brand name, "Claro." During 2003, we significantly expanded our coverage in Brazil by acquiring BCP S.A. and BSE S.A. BCP is the second largest wireless provider in the São Paulo metropolitan area. Our network covers the principal cities in Brazil (including São Paulo and Rio de Janeiro) and approximately 140 licensed points of presence.
- *Central America.* We provide fixed-line and wireless services in Guatemala and El Salvador, through our subsidiaries Telgua and CTE. We provide wireless services in Nicaragua through our subsidiary Sercom Nicaragua. The wireless business of Telgua and Sercom Nicaragua operate under the "PCS Digital" and, for prepaid services, "Alo" brands. We acquired a controlling interest in CTE in 2003. CTE operates under the "Telecom" brand.
- *Colombia.* Our three operating subsidiaries in Colombia—Comcel, Occel and Celcaribe—operate under the "Comcel" brand. We are the largest wireless operator in the country measured by the number of subscribers.
- *Ecuador.* Conecel, our subsidiary in Ecuador, is the largest wireless operator in Ecuador measured by the number of subscribers. Conecel operates under the "Porta" brand.
- *United States.* Our U.S. subsidiary, TracFone, is engaged in the sale and distribution of prepaid wireless services and wireless phones throughout the United States, Puerto Rico and the U.S. Virgin Islands.

América Móvil, S.A. de C.V. is a corporation (*sociedad anónima de capital variable*) organized under the laws of Mexico with its principal executive offices at Lago Alberto 366, Edificio Telcel I, Piso 2, Colonia Anáhuac, 11320, México D.F., México. Our telephone number at this location is (5255) 2581-4411.

Our Markets

We operate pursuant to concessions or licenses to provide wireless telecommunications services in each of the countries in which we operate. We seek to provide a full range of wireless telecommunications services in each of our markets. Our networks are consistently optimized to try to ensure maximum coverage and high quality service. We have recently deployed GSM networks in Mexico, Brazil, Colombia, Ecuador, Guatemala and Nicaragua, and we are in the process of deploying a GSM network in Argentina. In 2003, we invested Ps. 13.7 billion in our networks in capital expenditures. We also seek to expand market share by exploring strategic acquisition opportunities in Latin America.

Our principal markets of operations are Mexico and Brazil, the two largest economies in Latin America. We are the largest provider of wireless communication services in Mexico and the second largest in Brazil, based on the number of subscribers at December 31, 2003. Telcel and Telecom Americas combined represented 74.3% of our operating revenues in 2003. In 2003, the Mexican Finance Ministry estimates that the Mexican economy grew at a rate of 1.5% per annum and has projected economic growth of 3.5% for 2004. In Brazil, the economy contracted at a rate of 0.2% in 2003 according to the Brazilian Ministry of Economy, and economic growth in 2004 is projected at 3.5%. We believe that economic growth in these two key countries will enhance our operating revenues.

We believe our countries of operation offer considerable growth potential. Mexico, Brazil, Argentina, Colombia, Ecuador, El Salvador, Guatemala and Nicaragua represent a combined estimated population of 362 million, or 67% of the total estimated population of Latin America of 540 million in 2003. Our markets are characterized by relatively low fixed line and wireless penetration rates as compared to the United States and Europe.

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

Our Strategy

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

History

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

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

Between 1988 and 1990, Telcel expanded its cellular network on the 800 megahertz (Band B) frequency spectrum to cover the Mexico City metropolitan area and the cities of Cuernavaca, Guadalajara, Monterrey, Tijuana and Toluca, and in 1990, Telcel began offering cellular services in all nine geographic regions of Mexico. In 1998, Telcel was awarded the 1900 megahertz (Band D) frequency spectrum for personal communications services (PCS) in all nine regions in Mexico in an auction held by the Mexican government. Telcel launched a PCS system in Mexico City in 1999 and currently offers the service in all nine geographic regions of Mexico. In October 2002, Telcel launched its GSM network, which covered approximately 400 cities as of December 31, 2003. In December 2002, the Communications Ministry granted Telcel a new concession to install, operate and exploit a telecommunications network to provide national and international long-distance services, as well as data transmission services. This concession limits Telcel to provide these services to its wireless subscribers for the first two years, which term can be extended by Cofetel.

In 1999, we began acquiring our international subsidiaries and investing in Telecom Americas and our other international affiliates.

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

Major Subsidiaries and Affiliates

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

Name of Company	Jurisdiction	Ownership Interest(1)	Main Activity
Sercotel, S.A. de C.V.	Mexico	100.0%	Holding company
Telcel (Radiomóvil Dipsa, S.A. de C.V.)	Mexico	100.0	Wireless
SubDipsa Treasury LLC	Delaware	100.0	Treasury
CTI Holdings, S.A.	Argentina	92.0	Holding company
CTI PCS, S.A.	Argentina	92.0	Wireless
CTI Compañía de Teléfonos del Interior, S.A.	Argentina	92.0	Wireless
AM Latin America LLC	Delaware	100.0	Holding company
Telecom Americas Ltd.	Bermuda	97.5	Holding company
ATL—Algar Telecom Leste S.A.	Brazil	97.5	Wireless
Tess S.A.	Brazil	97.5	Wireless
Americel S.A.	Brazil	96.0	Wireless
Telet S.A.	Brazil	96.5	Wireless
BSE S.A.	Brazil	97.5	Wireless
BCP S.A.	Brazil	97.5	Wireless
Stemar Telecomunicaões Ltda.	Brazil	97.5	Wireless
Alecan Telecomunicações Ltda.	Brazil	97.5	Wireless
Telecomunicaciones de Guatemala, S.A.	Guatemala	99.0	Fixed-line
Servicios de Comunicaciones Personales Inalámbricas, S.A.	Guatemala	99.0	Wireless
Servicios de Comunicaciones de Nicaragua, S.A	Nicaragua	99.0	Wireless
Compañía de Telecomunicaciones de El Salvador (CTE)	El Salvador	52.6	Fixed-line/Wireless
Empresa Nicaragüense de Telecomunicaciones, S.A. (ENITEL)(2)	Nicaragua	49.0	Fixed-line/Wireless
Comunicación Celular S.A. (Comcel)	Colombia	95.7	Wireless
Occidente y Caribe Celular S.A. (Occel) (3)	Colombia	93.4	Wireless
Celcaribe S.A.(4)	Colombia	94.0	Wireless
Consorcio Ecuatoriano de Telecomunicaciones, S.A. (CONECEL)	Ecuador	100.0	Wireless
TracFone Wireless, Inc.	Florida	98.2	Wireless
U.S. Commercial Corp, S.A. de C.V.	Mexico	29.7	Holding company
CompUSA, Inc.	Delaware	29.7	Technology solutions/Retailer

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

(2) In January 2004, we acquired a non-controlling 49% interest in ENITEL. ENITEL provides fixed, mobile and other telecommunications services in Nicaragua. In June 2004, we signed an agreement to acquire an additional 50.03% interest in ENITEL. See "—Non-Mexican Operations—Central America."

(3) Comcel holds directly 93.8% of Occel, and América Móvil holds indirectly 3.6% of Occel.

(4) Comcel holds directly 93.3% of Celcaribe, and América Móvil holds indirectly 4.7% of Celcaribe.

MEXICAN OPERATIONS

Our subsidiary Telcel is the leading provider of wireless communications services in Mexico. As of December 31, 2003, Telcel's cellular network covered 35% of the geographical area of Mexico, including all major cities, and 81% of Mexico's population. Telcel holds concessions to operate a wireless network in all nine geographic regions in Mexico using both the 800 megahertz (Band B) and 1900 megahertz (Band D) radio spectrums. As of December 31, 2003, Telcel had approximately 23.4 million cellular subscribers and, according to Cofetel, as of October 2003, an approximately 79% share of the Mexican wireless market. Approximately 15.6 million or 29.8% of Telcel's total cellular subscribers are located in the Mexico City area.

In 2003, Telcel had revenues of Ps. 52,466 million (U.S.$4,669 million), representing 61.0% of our consolidated revenues for such period. As of December 31, 2003, Telcel accounted for approximately 53.6% of our total wireless subscribers.

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

	December 31,				
	1999	2000	2001	2002	2003
	(peso amounts in millions of constant pesos as of December 31, 2003)				
Revenues	Ps.16,221	Ps.25,861	Ps.35,461	Ps.42,408	Ps.52,466
Average monthly revenues per subscriber during preceding 12 months(1)	324	244	201	165	176
Operating income(2)	3,500	5,965	9,838	12,290	17,695
Cellular lines in service (in thousands)	5,272	10,462	16,965	20,067	23,444
Subscriber growth during preceding 12 months	149.4%	98.4%	62.2%	18.3%	16.8%
Company penetration(3)	5.4%	10.7%	16.9%	19.7%	22.1%
Average monthly minutes of use per subscriber during preceding 12 months	90	86	73	67	81
Cellular call minutes for the preceding 12 months (in millions)	3,513	7,891	11,677	15,062	20,858
Employees	4,510	6,452	7,644	7,943	8,624

(1) Average for the year of the amount obtained each month by dividing service revenues by the number of customers. The figure includes both prepaid and postpaid customers and excludes equipment sales revenue.
(2) See Note 21 to our audited financial statements.
(3) Number of Telcel cellular lines in service divided by the population of Mexico based on the latest census data available.

The business of Telcel is subject to comprehensive regulation and oversight by the Mexican Communications Ministry, Cofetel and Cofeco. The Communications Ministry is part of the executive branch of the Mexican federal government, and Cofetel is an independent agency of the Communications Ministry. Cofeco is an independent agency of the Ministry of Economy. Regulation and oversight are governed by the General Communications Law, the Federal Law of Telecommunications, the Telecommunications Regulations adopted under both the General Communications Law and the Federal Law of Telecommunications, the Federal Economic Competition Law, and the concessions and license agreements granted by the Communications Ministry. See "—Regulation."

Services and Products

Voice services

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

Telcel's postpaid plans include the following charges:

- monthly charges, which usually include a number of minutes of use that are included in the monthly service change;
- usage charges, for usage in excess of the specified number of minutes included in the monthly charge; and
- additional charges, including charges for data services, voicemail, caller ID, call waiting, call blocking, short text messaging and general information.

Certain plans include the cost of roaming and long-distance in the price per minute so that all calls within Mexico cost the same amount per minute. Some postpaid plans are designed for high and moderate usage subscribers, who are typically willing to pay higher monthly fees in exchange for larger blocks of minutes that are included in the monthly service charge, services such as voicemail, call forwarding, call waiting, caller ID and three-way calling, and lower per minute airtime charges under a single contract. To satisfy the more limited needs of low-usage postpaid subscribers, Telcel also offers plans which provide a moderately priced, fixed monthly charge coupled with a high per minute airtime charge and relatively few included minutes. Postpaid customers, which include many corporate accounts and professionals, often subscribe for additional digital services such as voicemail, call forwarding, call waiting, caller ID and three-way calling, which are all included in the monthly fee. The minimum term of our postpaid plans is one year.

Telcel adjusts its rates based on competitive conditions, inflation rates and international standards. In July 1998, Telcel increased its nominal rates for monthly charges by 7% and usage charges by 5%, and in April 1999, it increased its nominal rates for monthly charges by 12%. Rates for postpaid plans have not increased since April 1999 and are expected to remain stable as long as the Mexican economic environment remains stable. Telcel offers discounts that reduce the effective rates paid by its customers based on the time of use, so that calls made during off-peak hours (10:00 p.m. to 7:00 a.m. during the week or anytime on weekends) are less expensive than calls made during the remaining, or peak, hours. During 2003, Telcel offered promotions that included effective price-per-minute reductions. These promotions helped increase Telcel's average monthly revenues per subscriber during 2003.

Telcel also offers several prepaid plans, none of which includes activation or monthly charges. Prepaid customers purchase a prepaid card for a specific amount of airtime and also receive additional services such as voicemail and caller ID, although these services are less comprehensive than those available under postpaid plans. Telcel began to offer cellular digital packet data (CDPD) services to prepaid customers in October 2001, short message services (SMS) to its own customers (prepaid and postpaid) in January 2002 and GSM data services over circuit switched technology (CSD) in October 2002 and to exchange SMS services with other cellular operators in December 2003.

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

Telcel believes the prepaid market represents a large and growing under-penetrated market in Mexico and an opportunity to improve margins because, compared to the average postpaid plan, prepaid plans involve higher average per minute airtime charges, lower customer acquisition costs and no billing expenses, credit or payment risk. However, prepaid customers on average have substantially lower minutes of use than postpaid customers and do not pay monthly fees and, as a result, generate substantially lower average monthly revenues per customer.

Mexico uses the "calling party pays" system for cellular service, under which subscribers only pay for outgoing calls. This replaced "mobile party pays," under which subscribers also paid for incoming calls, in May 1999. Subscribers have the option of retaining the "mobile party pays" system but must change their cellular telephone number to do so.

Data services

Short Message Services (SMS)

In January 2002, Telcel began to offer two-way SMS to its customers as part of its value-added services. Since the launch of two-way SMS, Telcel has experienced significant growth in traffic. Through arrangements with other operators, Telcel began to offer to its customers the ability to send and receive short messages to and from users of networks of other carriers throughout Mexico in the fourth quarter of 2003.

Multimedia Messaging Service (MMS)

As an enhanced version of SMS, MMS allows customers the capability to send, in a single message, multiple color images, sounds and different size text to another mobile phone or e-mail account. Telcel began to offer MMS through GSM technology to postpaid and prepaid customers in March 2003.

Premium SMS and Content Community

In April 2002, Telcel became the first Mexican operator to offer premium information services through its SMS capabilities, including weather reports, financial quotes and entertainment news. Other premium services include personalized ring tones and games. To further enhance its premium SMS offerings with well-known brands and content, Telcel has built a "Content Community" through agreements and special alliances with other companies, such as MTV, Universal Music, the Cartoon Network and the Discovery Channel.

Internet

Wireless application protocol (WAP) is a global standard designed to make Internet services available to mobile telephone users. At present, Telcel offers WAP include e-mail, data and information services and electronic commerce transactions. The standard allows a micro "browser" in a mobile phone to link into a gateway service in Telcel's network enabling users to scroll through different pages of information on the Internet.

Telcel launched its WAP gateway in September 2000, enabling its prepaid and postpaid users in those regions to access e-mail, banking, and a variety of reservation and other types of electronic commerce services.

Data transmission

In September 2000, Telcel rolled out a data service network based on the cellular digital packet data (CDPD) platform available to postpaid subscribers in the major cities in all nine regions in Mexico. As of November 2001, these services were available to Telcel's prepaid customers. The CDPD network is a packet-switched network that takes advantage of the fact that, in many data applications, information is sent in bursts of activity, with intermittent quiet periods. Unlike data services carried over circuit-switched analog or digital wireless networks, the CDPD platform provides a significantly more cost-effective means of sending data for the majority of applications, as it allows many users to share the network channel. Instead of dialing in, subscribers to the CDPD system always remain connected to a network service that provides access to packet data networks.

Telcel's CDPD services are able to accommodate such industry-specific applications as:

- *Telemetry*—Wireless networks will allow companies such as gas and electric suppliers to track customer usage via wireless connection between the field meter and a central control. Telemetry can also be applied in medicine to monitor patients within and away from the hospital.
- *Wireless credit card validation*—Terminal equipment allows merchants to verify credit/debit cards. With CDPD, the validation terminals can remain online wirelessly, substantially reducing the time required to process a validation and eliminating the need for a separate telephone line at the verification terminal. This can open up a variety of new applications in remote service industries, such as fast food and delivery.
- *Dispatch applications*—Courier companies, delivery companies, and companies with large field installation and repair groups use the CDPD technology to support their employees. Workers can be dispatched with detailed work orders, can access customer databases from the field and can close out work orders online.
- *Public safety applications*—States and municipalities can use CDPD as the primary means of data communication with public safety vehicles.
- *Automated vehicle location*—Utilizing a small device containing a CDPD modem and a global positioning system, or GPS, device, users can track vehicle fleets on the Internet, allowing rapid, cost-effective access to the information necessary to route and dispatch vehicles and packages.

Telcel offers circuit switch data (CSD) to all its users and general packet radio services (GPRS) to its postpaid users through its new GSM network. Telcel extended its GPRS services to prepaid users in October 2002. See "—Wireless Network."

Products

Telcel offers a variety of products as complements to its wireless service, including handsets and accessories such as chargers, headsets, belt clips and batteries. As part of its basic prepaid service offering, Telcel provides new customers with an "Amigo Kit," which includes a handset, a charger and other accessories at a discounted price. New postpaid customers also receive a handset at a discounted price, if they enter into a long-term contract with Telcel.

In the past, Telcel has offered a variety of handset types, including analog, digital and dual-mode dual-band devices. Most of the handsets that Telcel currently offers are dual-mode dual-band, which can operate in both analog and digital modes and can switch between the 800 and 1900 megahertz radio spectrums.

Interconnection

Telcel earns interconnection revenues from calls to any of its subscribers, or to an international roaming subscriber of another cellular service provider located within the region covered by Telcel, that originates with another service provider (cellular or fixed). Telcel charges the service provider from whose network the call originates an interconnection charge for every minute Telcel's network is used in connection with the call. The current interconnection charge in Mexico for calls made from either a fixed line or a cellular line to another cellular line is Ps. 1.90 per minute. The current interconnection charge for calls made from a cellular line to a fixed line, which Telcel pays to Telmex, is U.S.$0.00975 per minute.

Telcel has interconnection agreements with Telmex and other service providers. The interconnection agreements specify a number of connection points, locations of interconnection points, the method by which signals must be transmitted and received and the costs and fees of interconnection. See "—Regulation—Interconnection."

Roaming

Telcel offers international roaming services to its subscribers. Subscribers paying the international roaming fees are able to roam outside of Mexico, using the networks of cellular service providers with which Telcel has entered into roaming agreements. Telcel has entered into approximately 270 such agreements covering TDMA and GSM networks around the world. Roaming payments are channeled through Telecommunication Services International for TDMA and Electronic Data Systems Corporation for GSM, which function as central international clearing houses that collect and redistribute roaming fees from and to the participating providers.

Marketing

Telcel develops customer awareness through its marketing and promotion efforts and high-quality customer care. It builds upon the strength of its well-recognized brand name to increase consumer awareness and customer loyalty, employing continuous advertising efforts through print, radio, television, sponsorship of sports events and other outdoor advertising campaigns. In addition, Telcel employs concentrated advertising efforts to promote specific products and services such as the Amigo Kit, its Internet services and certain value-added services such as SMS.

Telcel targets groups of customers who share common characteristics or have common needs. Telcel then assembles a packet of services that meets the particular needs of that targeted group through one of its various pricing plans. As part of its promotional efforts, Telcel offers its new prepaid and postpaid subscribers either a complimentary handset or a handset at a discounted price when they subscribe, which the postpaid customers may keep when their service agreement expires in accordance with its terms.

Telcel has designed promotional packages, including free handsets and low monthly fees, to encourage new customers and current prepaid customers to subscribe to postpaid plans that include services such as voicemail, call waiting and caller ID.

Sales and Distribution

Telcel markets its wireless services primarily through exclusive distributors located throughout Mexico. In the year ended December 31, 2003, approximately 90% of Telcel's sales of handsets were generated by cellular distributors, with approximately 9% from sales in company-owned stores, and approximately 1% from direct sales to corporate accounts. Telcel also sells and distributes its products and services over the Internet.

Telcel has relationships with a network of approximately 912 exclusive distributors, who sell Telcel's services and products and receive commissions. Telcel operates permanent training and evaluation programs for distributors to help maintain the level of service quality.

Telcel's company-owned retail stores offer one-stop shopping for a variety of cellular services and products. Walk-in customers can subscribe for postpaid plans, purchase prepaid cards and purchase handsets and accessories. Company-owned stores also serve as points of customer service and payment centers. Telcel owns and operates 129 customer sales and service centers throughout the nine regions of Mexico and will continue to open new service centers as necessary in order to offer its products directly to subscribers in more effective ways.

Telcel also distributes prepaid cards and handsets, the latter as part of the Amigo Kit consisting of handsets and free airtime ranging from 25 to 250 minutes, through distributors that include Telmex, Sears, Sanborns and its network of retail outlets. Telmex purchases the Telcel prepaid cards and handsets on the same or similar commercial terms offered to other cellular distributors.

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

Billing and Collection

Telcel bills its postpaid customers through monthly invoices, which detail itemized charges such as usage, services such as voicemail, call forwarding, call waiting, caller ID and three-way calling, and long-distance and roaming charges, in addition to applicable taxes. Customers may pay their bills with a credit card, through a bank (including its Internet website), in person at Telcel retail stores and, since July 2001, through Telcel's Internet website.

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

A prepaid customer who purchases a prepaid card has 60 days from the date of activation of the card to use the airtime. After 60 days, the customer can no longer use that airtime for outgoing calls unless the customer activates a new card. After 180 days, unless the customer activates a new card, the service is discontinued and the balance on the card, if any, is recognized as revenue.

Customer Service

Telcel places a high priority on providing its customers with quality customer care and support. Approximately 48.2% of Telcel's employees are dedicated to customer service. Customers may call a toll-free telephone number or go to one of the customer sales and service centers located throughout the nine regions for inquiries regarding their service or plan options. In addition, using Telcel's website, subscribers may learn about the various offered rate plans, products and promotions, as well as subscribe for additional services and pay bills on line.

Wireless Network

Telcel's wireless networks use principally digital technologies. As a proportion of total traffic, digital traffic measured 83.4% in December 2003. Over the last several years, Telcel has converted its network from analog to digital, and most of its customers have migrated to digital service. Telcel uses time division multiple access (TDMA) digital technology in the 800 megahertz (Band B) and the 1900 megahertz (Band D) frequency spectra. TDMA is a digital technology that divides radio spectrum into assigned time slots to transmit signals. In October 2002 Telcel launched a new network using global system for mobile communications (GSM) digital technology in the 1900 megahertz (Band D) frequency spectrum. GSM is a digital standard used in Europe, North America and elsewhere. Because it is so widely used, it provides higher quality and faster availability of new products and services and a wider variety of suppliers than TDMA technology. In addition, GSM provides access to a better developed path toward third generation wireless technologies.

An alternative digital technology, CDMA, divides radio spectrum using codes rather than time slots. Compared to TDMA and GSM, it permits more subscribers to use the same spectrum but is less mature and less well supported by suppliers. Because of GSM's advantages over both TDMA and CDMA technologies, Telcel considers developing a GSM network to be the logical step to maintaining its leadership in the wireless market.

TDMA network

Telcel has a nationwide TDMA network. TDMA permits the use of advanced dual-mode dual-band handsets that allow for roaming across analog and digital systems and across 800 megahertz and 1900 megahertz spectrums. TDMA digital technology also allows for enhanced services and features, such as short alphanumeric message service, extended battery life, added call security and improved voice quality. TDMA equipment is available from leading telecommunications vendors such as Lucent, Ericsson and Nortel.

GSM network

Telcel has built and installed a GSM network in the 1900 megahertz frequency spectrum in all nine regions in Mexico, which began commercial operation in October 2002. The new GSM network allows Telcel to augment its digital capacity and progress in its evolution toward the third generation of wireless technology. GSM technology supports a wide range of voice and data services, including SMS, CSD, high-speed CSD and GPRS, and is currently the most widely used and tested wireless system in the world. GSM technology, which is used in all nine regions, is expected to yield global economies of scale in developing network equipment and handsets, as well as seamless global roaming capabilities.

Currently, in its first stage of deployment, Telcel's GSM network offers service in all nine regions in Mexico, but does not provide coverage in all cities in those regions. As of December 31, 2003, Telcel covered approximately 400 cities with the GSM network, and Telcel's GSM subscriber base amounted to approximately four million. As Telcel continues to roll out the GSM network, it plans to expand GSM coverage throughout the nine regions. Telcel expects that many customers will choose GSM equipment when they replace their existing TDMA equipment.

CSD and HSCSD technology

Circuit switch data (CSD) is an alternative system based on circuit switch platforms that provides data services by integrating the existing voice infrastructure. Like CDPD, CSD is considered to be the first level of 2.5G technology.

High-speed CSD (HSCSD) offers the same service as CSD, using voice channels for data transmission, but by joining several slots of information, it offers increased capacity and speed, making it better suited to the needs of users transmitting large amounts of information. Telcel plans to offer CSD as well as HSCSD services in all nine regions through its new GSM network.

GPRS technology

General packet radio services (GPRS) is a system for the transmission of data in packets using the GSM platform. It allows for the high-speed transmission of information and accommodates a variety of handsets, offering some third generation services but using different bands, hardware and software. GPRS allows GSM operators to offer new Internet protocol services and provide more attractive wireless internet Applications to a wide group of users. It offers customers efficient access to the Internet, allowing several users to share the same air-interface resources. Operators using GPRS are able to charge their customers based on the amount of transferred data rather than airtime, making GPRS a more attractive option for short transmissions of data. GPRS is similar to the CDPD technology offered through Telcel's TDMA network, but it allows greater capacity than CDPD. Together with CSD and HSCSD services, GPRS services allow Telcel's GSM subscribers to select data services suited to their specific needs.

Third generation development strategy

Third generation technologies will provide high-speed wireless packet data services and ultimately voice services over the Internet. Any successful third generation strategy must allow the wireless provider to achieve a pervasive footprint quickly and cost effectively and on a global scale through international roaming capacities. While third generation networks are currently under development and evaluation, transitional technologies including CDPD, CSD and GSM/GPRS have begun to bridge the gap between second and third generation technologies by offering enhanced high-speed data services.

Telcel is considering choosing enhanced data rates for global evolution (EDGE) as the intergeneration wireless architecture that will facilitate its ultimate deployment of third generation technology. One benefit of

EDGE is that it can be deployed in existing spectrum. As customers upgrade their equipment to EDGE, Telcel expects that all the applications developed and deployed today will be able to operate at higher speeds and in more places. EDGE is currently being developed by Ericsson, Nokia, Nortel, Lucent and Motorola.

The evolution from 2.5G to third generation technology is expected to make wireless networks capable of transmitting voice, data and video over a single network. The wireless industry has recently agreed to converge towards a common standard called wideband CDMA (W-CDMA) for the development of third generation technology. W-CDMA offers configurations that allow multifaceted processing and enable the transmission of large volumes of data, such as video data, at high speeds.

As part of its strategic evaluation concerning the deployment of EDGE technology, Telcel is engaged in discussions with suppliers and plans to test the technology with heavy-use consumers or corporate users. Telcel expects to launch EDGE with the existing cellular or PCS technologies and migrate to the W-CDMA third generation technology once a new set of broadband frequencies is made available by Cofetel and there is demand in Mexico for services requiring this technology.

Spectrum

Telcel currently holds concessions in each of the nine regions of Mexico in both the 800 megahertz and 1900 megahertz radio spectrums and is the only wireless provider in Mexico with a functioning nationwide network. Two other companies also hold concessions for nationwide service using the 1900 megahertz spectrum. The Mexican government has announced that it intends to auction 1900 megahertz spectrum during 2004. Telcel expects to actively participate in such auction whenever it occurs to ensure that its network meets consumer demand and that we retain our leading competitive position. We cannot be sure, however, that we will be granted additional spectrum in any such auction or that Cofeco will authorize Telcel to participate in any such auction. In 1998, Cofeco did not allow Telcel to participate in certain spectrum auctions, but we believe that the reasons for Cofeco's denial are no longer applicable given the entry of new competitors in the Mexican market and our spin-off from Telmex.

In September 2003, Telcel entered into a service agreement with Mexican wireless operator Operadora Unefon, S.A. de C.V. ("Unefon") to acquire capacity services from Unefon in the 1900 megahertz spectrum. The agreement has a 16-year term, and in September and October 2003, Telcel made two payments to Unefon amounting in the aggregate to U.S.$267.7 million, in prepayment of all amounts owed by Telcel to Unefon over the life of the agreement. Telcel is currently negotiating an amendment to this service agreement in order to receive more services from Unefon. Telcel does not expect to make any additional payments for these additional services.

Fixed wireless

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

Telcel provides fixed wireless voice services to, among others, Telmex's Ladafon shared telephone network, under which a line is available for public use by the residents of multi-unit dwellings. Telephone service is provided at a discount through existing wire lines within the residential premises, which are then connected to Telcel's cellular network. Telcel also provides fixed wireless service to Telmex's Ladatel public telephone network.

Property

Telcel's wireless network includes transport and computer equipment, as well as exchange and transmission equipment consisting primarily of switches (which set up and route telephone calls either to the number called or to the next switch along the path, and which may also record information for billing and control purposes), cellular base stations (radio transmitters or receivers that maintain communications with the cellular telephones within given geographical areas or "cells"), microcells (small cells covered by low-power base stations), and local links and repeaters (equipment for radio or fiberoptic transmission between network elements). Telcel owns all of its network equipment, except for certain equipment that Telcel sold for Ps. 950 million to an unrelated financial institution during 2003 and subsequently leased back for a period of three years. Telcel has the option to reacquire such property at the end of the lease period. Telcel owns certain properties for commercial and administrative offices, the installation of some of its equipment, and 129 customer sales and service centers, while it leases other locations. Telcel operates certain equipment on Telmex property under a co-location agreement. See "Related Party Transactions" under Item 7.

Telcel currently relies on Ericsson for the supply of more than 60% (measured in terms of cost) of its switch and cell site equipment. Telcel purchases handsets and other customer equipment primarily from the major vendors, including Nokia, Sony-Ericsson, Motorola, Siemens and Samsung.

Competition

Telcel faces competition from other cellular providers using the 800 megahertz (Band A) spectrum and from providers with PCS licenses that have developed and continue to develop wireless service on the 1900 megahertz (Bands A, D and F) spectrum. Telcel's competitors in Mexico include Grupo Iusacell, S.A. de C.V. (which is controlled by Movil@ccess, an affiliate of Grupo Salinas, S.A. de C.V. and Unefon), Movistar (a brand used by a group of companies controlled by Telefónica Móviles and Unefon, which is an affiliate of Grupo Iusacell, S.A. de C.V.). We also compete with Nextel in certain segments. According to Cofetel, Telcel's share of the Mexican cellular market was approximately 79% in October 2003.

Concessions in the nine regions of Mexico have also been granted to permit the provision of PCS services using the A, B, D and E bands. Telcel uses Band D to provide PCS services and competes with other PCS services providers using the A, B and E bands in each of the nine regions of Mexico.

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

Regulation

The following is a summary of certain provisions of the General Communications Law, the Telecommunications Law and the Telecommunications Regulations applicable to Telcel and of the various concessions held by Telcel.

General

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

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

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

The Mexican Congress is in the process of considering a new Telecommunications Law. Some of the draft proposals for this new law include provisions aimed at strengthening the regulatory power of Cofetel, stimulating increased investment in telecommunications and increasing competition. If passed, the new Telecommunications Law could have a material effect on our operations. We are unable to predict whether or when such new law may be enacted and its effect on our business. As of the date of this annual report, a new Telecommunications Law has not been enacted.

Furthermore, the executive branch of the Mexican government also is considering the enactment of a new decree and regulations pertaining to Cofetel. If enacted, the provisions of this proposed decree and these regulations would limit Cofetel's current authority and transfer some of Cofetel's oversight to the Communications Ministry.

Regulatory oversight

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

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

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

The Telecommunications Law provides that if a company is determined to be dominant in a relevant market according to the Federal Law of Economic Competition, the Communications Ministry has the power to adopt specific regulations on rates, quality of service and information provided by a dominant provider. To date, Telcel has not been declared a dominant provider, although there can be no assurance that such a determination will not be made in the future.

Rates

The Telecommunications Law provides that concessionaires may freely determine the rates for telecommunications services. Cellular rates are not subject to a price cap or any other form of price regulation. However, Telcel and other cellular carriers operating in Mexico are required to disclose to, and register with, Cofetel their rates for cellular service. The Communications Ministry is authorized to impose specific rate requirements on any operator that is determined to have substantial market power under the Federal Law of Economic Competition. Although no such determination has been made with respect to the market for cellular telecommunications services, there can be no assurance that such a determination will not be made in the future.

Concessions

Telcel operates under several different concessions covering particular frequencies and regions. It holds nine separate regional concessions, which together cover all of Mexico, to provide cellular telecommunications services using the 800 megahertz (Band B) radio spectrum. It also holds nationwide concessions to use the 1900 megahertz (Band D) radio spectrum and a related concession to provide cellular telecommunications services on that frequency. The Band B concessions require Telcel to pay fees (*aprovechamientos*) determined as a percentage of gross revenues derived from the concessioned services. The percentage is 5% for the Mexico City area and the states of Mexico, Morelos and Hidalgo and between 5% and 10% in other regions. The 1900 megahertz concessions were purchased for a fixed amount in 1998 and do not require Telcel to pay continuing fees (*aprovechamientos*).

Pursuant to the Federal Contributions Law (*Ley Federal de Derechos*), owners of concessions granted before January 1, 2003 and acquired for a fixed amount are not required to pay continuing fees (*derechos*) for the use and exploitation of radio spectrum bands. However, owners of concessions granted or renewed on or after January 1, 2003 are required to pay annual fees (*derechos*) for the use and exploitation of radio spectrum bands. The amount of annual fees (*derechos*) charged would depend on the relevant region and radio spectrum band. Such annual fees (*derechos*) can be substantially high in amount and are payable irrespective of the amount of fees (*approvechamientos*) paid.

The eight Band B concessions covering regions other than the Mexico City area were granted for initial terms of twenty years that will expire in 2010 and 2011. The Band B concession covering the Mexico City area (Region 9) was renewed effective October 2000 for a term of fifteen years that will expire in October 2015. The 1900 megahertz concessions were granted in 1998 for an initial term of 20 years that will expire in 2018.

In December 2002, the Communications Ministry granted Telcel a new concession to install, operate and exploit a telecommunications network to provide national and international long distance services, as well as data transmission services. The concession was granted for an initial term of 15 years, and it is subject to extension for an additional 15-year period. The concession limits Telcel to provide these services to its wireless subscribers for the first two years, which term can be extended by Cofetel.

Expansion and modernization requirements

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

Service quality requirements

The concessions also set forth extensive requirements for the quality and continuity of Telcel's service, including, in some cases, maximum rates of incomplete and dropped calls and connection time. In May 2003, Cofetel issued the Fundamental Technical Plan for Quality of Local Mobile Services Networks, applicable to all operators, including Telcel. Due to the fast growth in cellular services, Telcel, like all Mexican cellular carriers, has faced some service problems. Service problems have not, however, had any material adverse regulatory impact. Telcel monitors service quality for compliance with the requirements of the concessions and has shown marked improvement according to recent measurements conducted by Cofetel. Telcel has filed an injunction against the application to it of the Fundamental Technical Plan for Quality of Local Mobile Services and other related laws and acts promulgated by Cofetel, seeking protection from the provisions of this Technical Plan. It remains uncertain that Telcel will succeed in obtaining an injunction, and currently, Telcel remains subject to the provisions of the Technical Plan.

Competition

The Telecommunications Regulations and the concessions contain various provisions designed to introduce competition in the provision of communications services. In general, the Mexican Communications Ministry is authorized to grant concessions to other parties for the provision of any of the services provided by Telcel under the concessions.

Interconnection

Terms of interconnection (including fees) are negotiated between Telcel and other public telecommunications providers. In the event they are unable to agree, Cofetel may impose terms on Telcel and the other public telecommunications networks. The current interconnection charge payable to us by another operator for a call from its customer to our cellular line is Ps. 1.90 per minute. The current interconnection charge for calls made from a cellular line to a fixed line, which Telcel pays to Telmex, is U.S.$0.00975 per minute.

Termination of the concessions

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

- failure to exercise rights under a concession during the 180 days after that concession is granted;
- failure to expand telephone services at the rate specified in the concession;
- interruption of all or a material part of the services provided by Telcel;
- acts by Telcel with the effect of impeding the operations of other concessionaires;
- refusing interconnection arrangements with other concessionaires;
- change of jurisdiction by Telcel;
- transfer, assignment of, or grant of liens to, Telcel’s concessions or any asset used to provide service without Ministry approval;
- failure to pay certain government fees;
- violation of the prohibition against ownership of shares of Telcel by foreign states;
- any material modification of the nature of Telcel’s services without prior Ministry approval; and
- breach of certain other obligations under the General Communications Law.

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

- a material and continuing violation of any of the conditions set forth in the concessions;
- material failure to meet any of the service expansion requirements under the concessions;
- material failure to meet any of the requirements under the concession for improvement in the quality of service;
- engagement in any telecommunications business not authorized under the concession and requiring prior approval of the Communications Ministry;
- following notice and a cure period, failure without just cause to allow other concessionaires to interconnect their networks to Telcel’s network; or
- bankruptcy of Telcel.

The General Communications Law (and one of Telcel’s cellular concessions in respect of that concession) provide that in the event of early termination of Telcel’s cellular concessions, all assets that are the subject of such concession would revert to the Government without compensation to Telcel. In the event of early termination of one of Telcel’s PCS concessions, the Government would have the option to purchase the equipment, installations and other assets used directly for the exploitation of the frequencies which are the subject of such concession. There is doubt as to whether the provisions of the concessions and the Telecommunications Law regarding the consequences of expiration of the concessions would apply to mitigate the provisions of the General Communications Law in the event of early termination. In the case of foreign investors, NAFTA and other similar international treaties may require compensation as mitigation for provisions of the General Communications Law that could result in measures tantamount to expropriation.

Speedy Móvil

Speedy Móvil, S.A. de C.V. is a Mexican company that develops mobile data solutions for SMS, wireless Internet (WAP) and voice-activated data applications for Telcel and our other subsidiaries and investments.

In addition to developing mobile data applications, Speedy Móvil evaluates content and application providers and enters into contracts with them in order to provide our wireless providers with content and applications. No concessions or licenses are necessary for Speedy Móvil’s operations.

NON-MEXICAN OPERATIONS

We have subsidiaries or businesses in the telecommunications sector in Argentina, Brazil, Central America (El Salvador, Guatemala and Nicaragua), Colombia, Ecuador and the United States. Our principal subsidiaries outside Mexico are described below. The revenues of our subsidiaries other than Telcel represented 39.0% of our consolidated revenues for 2003.

In addition, we expect to have opportunities to invest in other telecommunications companies outside Mexico, especially in Latin America, because we believe that the telecommunications sector will continue to be characterized by growth, technological change and consolidation. We may take advantage of these opportunities through direct investments or other strategic alliances. We can give no assurance as to the extent, timing or cost of future international investments, and such investments may involve risks to which we have not previously been exposed.

The following table sets forth financial and operating information for certain of our non-Mexican operations for the periods indicated. For some countries, as specified in the notes to the table, we have included data for periods prior to dates on which we acquired these operations. We provide this information to show the trends in these businesses, but it is not reflected in our financial statements, which consolidate each operation from the date on which we acquired it. We have presented separately the results of the companies acquired during 2003—CTI, BCP, BSE, CTE and Celcaribe. The table presents full year 2003 data for these companies, although we did not own these companies on January 1, 2003 and did not consolidate them in our financial statements until after their respective acquisition dates.

	December 31,		
	2001	2002	2003
	(in constant Mexican pesos as of December 31, 2003, except lines in service)		
ARGENTINA			
CTI(1) (full year 2003 data)			
Operating revenues (millions)	—	—	Ps. 2,700
Average monthly revenues per subscriber during preceding 12 months(2)	—	—	Ps. 182
Operating income (millions)	—	—	Ps. 677
Cellular lines in service (thousands)	—	—	1,411
BRAZIL			
Telecom Americas(3)			
Consolidated operating revenues from continuing operations (millions)	Ps.5,074	Ps.7,340	Ps.11,397
Average monthly revenues per subscriber during preceding 12 months(2)	Ps. 149	Ps. 123	Ps. 119
Operating income (loss) (millions)	Ps. (525)	Ps. (197)	Ps. (2,134)
Cellular lines in service (thousands)	4,333	5,192	9,521
BCP and BSE (combined full year 2003 data)(4)			
Combined operating revenues (millions)	—	—	Ps. 7,212
Average monthly revenues per subscriber during preceding 12 months(2)	—	—	Ps. 121
Operating income (loss) (millions)	—	—	Ps. (419)
Cellular lines in service (thousands)	—	—	3,050
CENTRAL AMERICA			
Telgua (Guatemala and Nicaragua)(5)			
Combined operating revenues (millions)	Ps.4,406	Ps.4,620	Ps. 5,663
Average monthly revenues per subscriber during preceding 12 months(2)	Ps. 154	Ps. 152	Ps. 178
Operating income (loss) (millions)	Ps.1,343	Ps.1,250	Ps. 1,706

	December 31,		
	2001	2002	2003
	(in constant Mexican pesos as of December 31, 2003, except lines in service)		
Lines in service (thousands):			
Fixed	715	804	930
Cellular	420	628	970
CTE (El Salvador)(6)			
Combined operating revenues (millions)	—	—	Ps.4,241
Average monthly revenues per subscriber during preceding 12 months(2)	—	—	Ps. 209
Operating income (millions)	—	—	Ps.1,139
Lines in service (thousands):			
Fixed	—	—	704
Cellular	—	—	216
COLOMBIA			
Comcel, Occel and Celcaribe (as from February 2003)(7)			
Combined operating revenues (millions)	Ps. 2,962	Ps.3,738	Ps.5,770
Average monthly revenues per subscriber during preceding 12 months(2)	Ps. 136	Ps. 147	Ps. 123
Operating income (loss) (millions)	Ps. (355)	Ps. 254	Ps. 592
Cellular lines in service (thousands)	1,884	2,822	3,674
Celcaribe(8)			
Operating revenues (millions)	—	—	Ps. 549
Average monthly revenues per subscriber during preceding 12 months(2)	—	—	Ps. 125
Operating income (loss) (millions)	—	—	Ps. 3
Cellular lines in service (thousands)	—	—	414
ECUADOR			
Conecel			
Operating revenues (millions)	Ps. 852	Ps.1,301	Ps.2,717
Average monthly revenues per subscriber during preceding 12 months(2)	Ps. 139	Ps. 116	Ps. 130
Operating income (loss) (millions)	Ps. (547)	Ps. (110)	Ps. 549
Cellular lines in service (thousands)	484	923	1,537
UNITED STATES			
TracFone			
Operating revenues (millions)	Ps. 4,748	Ps.4,242	Ps.6,246
Average monthly revenues per subscriber during preceding 12 months(2)	Ps. 209	Ps. 167	Ps. 189
Operating income (loss) (millions)	Ps.(1,694)	Ps. (257)	Ps. 200
Cellular lines in service (thousands)	1,913	1,968	2,952

(1) We began consolidating the results of CTI in November 2003.

(2) Average for the year of the amount obtained each month by dividing service revenues by the number of customers. The figure includes both prepaid and postpaid customers and excludes equipment sales revenue.

(3) Financial information is presented as if the acquisition of Tess had occurred on January 1, 2001, and all assets transferred by Telecom Americas pursuant to the 2002 restructuring are treated as discontinued operations. Accordingly, continuing operations consist of Tess, ATL, Telet and Americel, and starting in 2003, include BSE (as from May 2003), BCP (as from December 2003) and new operations started in the states of Santa Catarina, Paraná (excluding the municipalities of Londrina and Tamarana), Bahia and Sergipe. We began consolidating the results of Telecom Americas in July 2002.

(4) We began consolidating the results of BSE and BCP in May and December 2003, respectively.
(5) Includes Sercom Nicaragua, which began operations in December 2002.
(6) We began consolidating the results of CTE in November 2003.
(7) Includes Comcel, Occel and Celcaribe (as from February 2003). We began consolidating Comcel and Occel in February 2002.
(8) We began consolidating the results of Celcaribe in February 2003.

Argentina (CTI)

CTI Holdings provides nationwide PCS wireless service in Argentina under the "CTI Móvil" brand name, through its wholly-owned subsidiaries CTI Interior and CTI PCS. We own a 92% interest in CTI, which we acquired through a series of transactions in 2003, and the remaining 8% interest is owned by Techint Compañía Técnia Internacional S.A.C.I., or "Techint Group," one of Argentina's largest industrial groups. We began including the results of CTI in our consolidated financial statements in November 2003. The Techint Group has the right to require us to purchase all of their interest in CTI for U.S.$17.1 million at any time during the two years following the completion of the restructuring of CTI's unsecured indebtedness. We have the right to require the Techint Group to sell us their interest in CTI at any time during such period for U.S.$18.8 million.

We paid approximately U.S.$221.5 million for the acquisition of our interests in CTI Holdings. This transaction involved the purchase by us and our partner of approximately U.S.$600 million in principal amount of secured indebtedness of CTI's operating subsidiaries. At the time of the acquisition, CTI had U.S.$263 million in principal amount of senior notes due 2008, which were in default. These notes were subject to an out-of-court reorganization agreement (*Acuerdo Preventivo Extrajudicial*, or "APE") in Argentina, which was approved by the court in December 2003. Pursuant to the APE, the notes were cancelled in exchange for an aggregate cash payment of approximately U.S.$37.1 million.

At December 31, 2003, CTI had approximately 1.4 million subscribers, and CTI had approximately a 19.8% share of the Argentine wireless market as of October 2003. Approximately 81% of CTI's subscribers at December 31, 2003 resided in the interior of Argentina and the balance in the greater Buenos Aires region. During 2003, CTI reported consolidated revenues of Ps. 2,700 million and operating income of Ps. 677 million, based on Mexican GAAP.

CTI began providing services in the interior of Argentina in 1994 and in Greater Buenos Aires in 2000. CTI offers basic cellular service through a variety of rate plans and also offers prepaid services. In addition, CTI offers long distance and value added services.

CTI's cellular network uses analog and CDMA technology and covers approximately 95% of Argentina's population. CTI has been authorized to develop a GSM network, and in December 2003 CTI reached an agreement with Nokia to deploy a nationwide GSM network. We have already deployed the GSM network in Buenos Aires and currently expect the network to be fully deployed by the summer of 2005. At December 31, 2003, CTI had 1,215 full-time employees.

CTI's principal competitors are: Telecom Personal, a subsidiary of Telecom Argentina, the principal telecom operator in Argentina, which is controlled by Telecom Italia; Unifon, a subsidiary of Telefónica Móviles of Spain; and Movicom, which is controlled by BellSouth.

CTI Interior and CTI PCS hold licenses covering the entire Argentine territory. These licenses contain coverage, reporting and service requirements, but do not have a fixed expiration date. The Communications Ministry (*Secretaría de Comunicaciones de la Nación*) is in charge of supervising the telecommunications industry in Argentina. It is authorized to foreclose and sell the shares of a licensee in case of specified breaches of the terms of a license.

Brazil (Telecom Americas)

General

Telecom Americas is the second largest provider of wireless telecommunication services in Brazil, with an estimated nationwide market share in Brazil at December 31, 2003, of approximately 21%. Telecom Americas provides services in Brazil under a unified brand name, "Claro," and it offers a variety of rate plans to its postpaid customers and offers prepaid services in all of its markets. At December 31, 2003, Telecom Americas served approximately 9.5 million subscribers compared to 5.2 million subscribers at December 31, 2002 and covered approximately 140 million licensed points of presence (POPs).

Telecom Americas owns and operates cellular networks that use TDMA digital technology. In addition, in 2003, it launched a new GSM network in certain major urban areas. We continue rolling out the GSM network with the goal of providing similar coverage as the Band A incumbent providers in the major markets. We intend to focus our commercial and marketing efforts towards encouraging use of GSM technology by new subscribers and existing subscribers renewing their contracts. We expect GSM to gradually become our principal wireless technology.

Telecom Americas has owned companies with operations in Brazil since shortly after Brazil allowed competition in the wireless industry in 1997 and 1998 and recently began to operate in two other regions in Brazil pursuant to new licenses acquired in November 2002. As discussed further below, these companies were acquired by Telecom Americas in a number of transactions commencing in 2000 and ending with the acquisitions of BSE and BCP during 2003. Until the fall of 2003, these companies were required to operate under different brands, but they now operate under the unified "Claro" brand. We are in the process of integrating their marketing efforts and product offerings, but each company is required by law to maintain certain separate administrative and reporting functions. At December 31, 2003, the Telecom Americas operating companies had approximately 5,705 employees.

Telecom Americas' wireless properties in Brazil include ATL, Tess, Telet, Americel, BSE and BCP. We acquired our interests in BSE and BCP during 2003. All of these companies are licensed to operate under the PCS (*Serviço Móvel Pessoal*) regime. ATL operates in the states of Rio de Janeiro and Espírito Santo; Tess operates in the state of São Paulo (other than the city and metropolitan region of São Paulo); Telet operates in the state of Rio Grande do Sul; Americel operates in seven states in the central-west and northern regions of Brazil; BSE operates in the states of Ceará, Piauí, Rio Grande do Norte, Paraiba, Pernambuco and Alagoas; and BCP operates in the metropolitan area of São Paulo. In addition, in 2003, Telecom Americas, through its subsidiaries, Stemar Telecomunicações Ltda. and Albra Telecomunicações Ltda., began operating in the states of Santa Catarina, Paraná (excluding the municipalities of Londrina and Tamarana), Bahia and Sergipe pursuant to new PCS licenses acquired in November 2002. BCP is the second largest wireless provider in the metropolitan region of São Paulo. As a result of the acquisition of our interests in BCP, Alecan Telecomunicações Ltda., a subsidiary of Telecom Americas, waived its rights to the PCS license that it acquired in November 2002 for the 1800 megahertz radio spectrum (Bands D and E) in the state of São Paulo.

All of these companies are wholly-owned and controlled subsidiaries of Telecom Americas, except for each of Americel and Telet in which BNDESPar (the private equity arm of BNDES, the Brazilian development bank) holds in the aggregate approximately 1.5% and 1.0% of the share capital, respectively. In November 2003, the National Telecommunications Agency of Brazil, or "ANATEL," approved the acquisition of voting control by Telecom Americas of ATL, Tess, Americel and Telet, and Telecom Americas has by now acquired voting control of all these companies. Prior to that time, Telecom Americas owned substantially all of their economic interests (other than certain minority interests in each of Americel and Telet), but was not permitted to acquire control of the majority of their voting shares.

We are currently implementing a major restructuring of our ownership of Telecom Americas. As a part of this restructuring; in November 2003, Alecan Telecomunicações spun off its equipment assets to Americel, and Albra Telecomunicações merged into Telet.

We currently own approximately 97.5% of Telecom Americas. Telecom Americas was organized in November 2000 as a joint venture among us, Bell Canada International Inc. ("BCI") and SBC International, Inc. ("SBCI"). Telecom Americas was initially organized to hold certain of the partners' telecom interests throughout South America, but was reorganized in February 2002 to focus on the Brazilian wireless sector. In July 2002, we acquired all of BCI's shares of Telecom Americas. We paid approximately U.S.$370 million for the shares, of which U.S.$194 million was paid in 2002 and the remainder was paid in March 2003. Also in July 2002, we acquired SBCI's interest in Telecom Americas pursuant to a transaction in which we also sold our 50% interest in Cellular Communications of Puerto Rico, Inc. to SBCI.

In April 2002, Telecom Americas issued to a financial investor 1,844 nonvoting convertible preferred shares, representing approximately 2% of the capital stock of Telecom Americas. The preferred shares may be converted to common shares at the holder's option at any time. The preferred shares are entitled to dividends per share equal to 1.5 times the amount of any dividends per share declared on the common shares and to preference over the common shares in the return of capital upon liquidation up to an aggregate amount of U.S.$300 million. The preferred shares have no voting rights and no right to representation on the board of directors. A holder has the right to require that half of these shares be included for sale in a registered offering by Telecom Americas, including demand registration rights exercisable beginning in 2006, and in some circumstances to require that half of these shares be included if we sell more than 20% of the shares of Telecom Americas. Holders have the right to sell half of the shares to us beginning in 2006 at a price based on the amount of the liquidation preference for such shares plus interest at a nominal interest rate, and we have the right to acquire half of the shares at the same price beginning in 2006 and until July 31, 2007.

Competition

Although the number of competitors has decreased primarily as a result of consolidation, competition in the Brazilian wireless industry is substantial and varies by region. In addition to us, there are two other groups in Brazil with significant nationwide coverage. The largest is Vivo, a joint venture between Telefónica Móviles of Spain and Portugal Telecom. The joint venture or one of its partners owns interests in some of the companies that were created upon the breakup of Telebrás. The other is Telecom Italia Mobile (TIM). Oi, which is owned by Telemar, is also an important competitor, with a significant presence in Rio de Janeiro and other areas. We also face competition from Nextel, a joint venture between Motorola and Nextel Communications, Inc., for trunking services to the corporate segment in urban areas.

Recent acquisitions

Telecom Americas acquired its interests in ATL, Americel and Telet primarily through contributions from us and our former partners in transactions that were undertaken in 2000 and 2002. Telecom Americas acquired its interests in Tess from Telia Overseas AB, Telia AB and Algar Telecom S.A. in 2001 for U.S.$950.0 million, consisting of U.S.$318.7 million in cash and U.S.$631.3 million in promissory notes. Telecom Americas made the final payment of principal under the promissory notes in March 2004.

In May 2003, Telecom Americas acquired 97.5% of the shares of BSE S.A. from a subsidiary of BellSouth Corporation and from holding companies of the Safra family. The purchase price was based on a net enterprise value of BSE of U.S.$180 million. Later in 2003, Telecom Americas acquired the remaining interests in BSE held by minority investors, thereby increasing its interest to 100%. In 2003, BSE reported consolidated revenues of Ps. 2,247 million and consolidated operating income of Ps. 108 million, based on Mexican GAAP. We began including the results of BSE in our consolidated financial statements in May 2003. BSE had approximately one million subscribers at the time of the acquisition.

In November 2003, Telecom Americas acquired 100% of the shares of BCP S.A. from certain lenders to BCP, who had acquired the shares formerly held by affiliates of BellSouth and the Safra family and local minority investors. The purchase price was U.S.$643 million. All of BCP's outstanding long-term indebtedness prior to the acquisition was cancelled or acquired by us in connection with the transaction. In 2003, BCP reported consolidated revenues of Ps. 4,965 million and consolidated operating loss of Ps. 525 million, based on Mexican GAAP. We began including the results of BCP in our consolidated financial statements in December 2003. BCP had approximately 1.7 million subscribers at the time of the acquisition. In connection with our bid for BCP, we granted Telemar an option to acquire a minority interest in BCP, subject to certain conditions. In October 2003, the option was cancelled, and we agreed to pay Telemar U.S.$35 million during the second quarter of 2004.

Regulatory environment

In conjunction with the breakup and privatization of the Telecomunicações Brasileiras S.A.—Telebrás telecommunications monopoly, Brazil opened its cellular mobile telephone service industry to private enterprises. Starting in 1997, ten cellular licenses covering all of Brazil were auctioned to wireless operators to compete against the eight incumbent providers that emerged from the Telebrás breakup and that were subsequently auctioned to private enterprises. Accordingly, there were two cellular service providers in all markets in Brazil, including the city of São Paulo, one operating in subfrequency Band A and another in subfrequency Band B. Starting in 1999, the entire Brazilian telecommunications sector has been open to competition.

In 1997, Brazil enacted the General Telecommunications Law (*Lei Geral de Telecomunicações*) to promote competition among service providers and establish an independent regulatory agency, ANATEL, to regulate its telecommunications industry. ANATEL issues licenses for both wireless and wireline operators. ANATEL has the authority to grant concessions and licenses for all telecommunications services, except for broadcasting services.

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

The September 2000 guidelines also established rules regarding the selection of up to three additional wireless providers per region, corresponding to Bands C, D and E. Any company organized and based in Brazil, even if foreign-owned, was allowed to bid for a PCS license. Interested companies were permitted to bid for PCS licenses in each of the three regions, and were permitted to acquire PCS licenses for all three regions. However, each provider, whether cellular or PCS, is limited to only one license per service area.

Beginning in February 2001, ANATEL initiated a series of auctions through which it sold rights to D-Band and E-Band licenses. After canceling the auction of new licenses under the C-Band, ANATEL implemented procedures in May 2002 for the sale of C-Band bandwidth in installments not to exceed 45 megahertz per service provider, through which each of Telecom Americas' principal operating companies acquired bandwidth.

In Brazil, rates for telecommunications services are regulated by ANATEL. In general, PCS licensees are authorized to increase rates only for inflation and on an annual basis. Under extraordinary conditions, licensees can request ANATEL for approval of real increases in rates, but there is no assurance that ANATEL would grant such authorization.

There have been recent press reports about the possibility of ANATEL enacting new regulations regarding the method of determining interconnection fees by cellular providers. Currently, operators determine interconnection fees by agreement, subject to ANATEL approval of the agreed rates. It is anticipated that, if enacted, these new regulations would provide for a cost-based method of determining interconnection fees and include a transition period. Because ANATEL has not published any information regarding these possible new regulations, we are not able to determine the impact, if any, that these possible new regulations may have on our results or operations.

Central America

Guatemala (Telgua)

Telecomunicaciones de Guatemala, S.A. (Telgua) is a fixed-line telecommunications operator in Guatemala that was privatized in November 1998. Subsidiaries of Telgua also provide wireless, Internet, cable television, paging, data transmission and other services in Guatemala. We own approximately 98.8% of the stock of Telgua. We acquired a portion of our interest in the subsidiaries in May 1999. We acquired the majority of our interest in Telgua and the balance of our interest in the subsidiaries in March 2000 and increased these interests to their present levels through a series of acquisitions of shares from minority shareholders during 2001, 2002 and 2003. We use the term "Telgua" below to refer to Telgua and the affiliates together.

At December 31, 2003, Telgua had approximately 930,000 fixed-line subscribers compared to 804,000 at December 31, 2002, a market share of approximately 95%.

Telgua's wireless business is operated by its affiliate Servicios de Comunicaciones Personales Inalámbricas, S.A. (Sercom). Sercom's cellular network uses CDMA digital technology and, as of October 2003, overlaid GSM technology, which covers approximately 78% of its population. At December 31, 2003, Sercom had approximately 870,000 wireless subscribers, representing a market share of approximately 45.3%.

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

Telgua continues to be the principal provider of fixed-line and mobile services in Guatemala. Telgua's principal competitors in the wireless sector are Millicom (Comcel), Telefónica of Spain and BellSouth.

Telgua's business is subject to comprehensive regulation and oversight by the Guatemalan Telecommunications Agency (*Superintendencia de Telecomunicaciones de Guatemala*) under the General Telecommunications Law (*Ley General de Telecomunicaciones*). Telgua holds a license from the Guatemalan government to operate its nationwide fixed-line network and numerous licenses to operate its cellular network on different frequencies and in different regions. See "Legal Proceedings" under Item 8 for a discussion of certain proceedings that the Guatemalan government has commenced against Telgua.

Nicaragua (Sercom and ENITEL)

We own a 99.0% interest in Servicios de Comunicaciones de Nicaragua, S.A. (Sercom) and launched wireless services in Nicaragua in December 2002. Sercom's cellular network uses GSM technology to provide service to its customer base. As of December 31, 2003, Sercom had approximately 100,000 subscribers.

Sercom entered the market as the third mobile operator, joining BellSouth and ENITEL Móvil, the cellular branch of ENITEL, the incumbent fixed line operator in Nicaragua. Sercom's business is subject to comprehensive regulation and oversight by the Nicaraguan Telecommunications Agency *(Instituto Nicaragüense de Telecommunicaciones y Correos)* under the General Telecommunications and Postal Services Law *(Ley General de Telecomunicaciones y Servicos Postales)*.

In December 2003, the Nicaraguan Government accepted our bid to acquire a 49% interest in Empresa Nicaragüense de Telecomunicaciones, S.A. (ENITEL) for a price of U.S.$49.6 million. ENITEL provides fixed, mobile and other telecommunications services in Nicaragua. At December 31, 2003, ENITEL had approximately 120,000 wireless and 200,000 fixed-line subscribers. We consummated the acquisition of the 49% interest in ENITEL in January 2004.

In June 2004, we signed an agreement to acquire an additional 50.03% interest in ENITEL from Megatel LLC and certain other investors. We also agreed to acquire from these investors all of the shares of Megatel de Honduras, S.A. de C.V., which provides wireless and other telecommunications services in Honduras. At March 31, 2004, Megatel de Honduras had approximately 61 thousand wireless subscribers. The acquisition of Megatel de Honduras closed on June 29, 2004. The acquisition of the additional 50.03% interest in ENITEL is subject to a number of conditions, including receipt of regulatory approvals, and is expected to close in July 2004.

El Salvador (CTE)

Compañía de Telecomunicaciones de El Salvador (CTE) provides fixed, mobile and other telecommunications services in El Salvador. We acquired a 51% interest in CTE from France Telecom and certain other investors in October 2003 for an aggregate purchase price of U.S.$417 million. Subsequently, we acquired an additional 1.2% interest in CTE from minority shareholders at the end of 2003 and the beginning of 2004. As part of the acquisition, we acquired the right to receive a management fee equal to 5% of CTE's EBITDA and 2% of CTE's net sales until at least 2008. For the purpose of calculating the fee, each of EBITDA and net sales is defined in the management agreement. The Salvadoran government holds approximately 43% of CTE's share capital, and approximately 6% is held by employees or former employees. During 2003, CTE reported consolidated sales of Ps. 4,241 million and consolidated operating income of Ps. 209 million, based on Mexican GAAP. We began including the results of CTE in our consolidated financial statements in November 2003.

At December 31, 2003, CTE had approximately 704,000 fixed-line subscribers and a market share of approximately 90%.

CTE's wireless business is operated by its subsidiary CTE Telecom Personal S.A. de C.V. Personal's cellular network uses GSM digital technology and covers approximately 67% of the Salvadorean population. At December 31, 2003, Personal had approximately 212,000 wireless subscribers, which we estimate represents a market share of approximately 24%. Personal offers both prepaid and postpaid plans.

CTE offers a variety of services through its fixed-line and wireless networks, including Internet access, data transmission and satellite television, and also sells handsets and related products. CTE also operates a telephone directory business in El Salvador and offers fixed-line services in Guatemala. CTE markets and distributes its services and products directly to customers and also employs a network of independent distributors for services and products other than basic telephony, such as prepaid calling cards and handsets. At December 31, 2003, CTE and its subsidiaries had approximately 2,563 employees.

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

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

Colombia (Comcel, Occel and Celcaribe)

Comunicación Celular S.A. (Comcel), Occidente y Caribe Celular S.A. (Occel) and Empresa Regional de Communicaciones Celulares de la Costa Atlántica S.A. (Celcaribe) provide wireless telecommunications services in Colombia, Comcel in the eastern region of the country, Occel in the western region, and Celcaribe principally in the Caribbean region. We acquired our interests in Comcel and Occel in 2002 from Telecom Americas and certain other shareholders and increased them to their present levels through a series of capitalized investments in 2002. Comcel acquired its interest in Celcaribe from Millicom International Cellular in February 2003. This acquisition allowed us to provide nationwide coverage in Colombia. We hold a 95.7% interest in Comcel, a 93.4% interest in Occel and a 94.0% interest in Celcaribe. Occel and Celcaribe operate under the "Comcel" brand, and we use the term "Comcel" below to refer to Comcel, Occel and Celcaribe together.

Comcel's network uses analog and TDMA digital technology and covers approximately 74.0% of Colombia's population. In late 2003, Comcel completed the overlay of a GSM network and can now offer GSM services nationwide. At December 31, 2003, Comcel had approximately 3.7 million subscribers, compared to 2.8 million subscribers at December 31, 2002, and believed it had a 59.0% share of the wireless market.

Comcel offers basic cellular service through a variety of rate plans and also offers prepaid service. Purchasers of Comcel's "Amigo" kit for prepaid service receive a cellular phone together with a prepaid calling card, enabling the customer to activate wireless service without contracts, monthly fees or credit checks. Comcel markets its services through independent local distributors and a direct sales force. In addition, Comcel and its distributors have arrangements with various supermarkets for the distribution of all of Comcel's basic services and products as well as the provision of technical service and assistance. The Amigo prepaid card is available in various chain stores nationwide. Comcel's strategy is to continue to expand its customer base through the build-out of its network.

In each of the three regions of Colombia, we compete with BellSouth and Colombia Móvil, a consortium of two Colombian public-sector, fixed-line operators. Colombia Móvil started nationwide commercial operations in November 2003. In March 2004, BellSouth reached an agreement to sell its assets in Latin America to Telefónica Móviles of Spain. This transaction, if completed, may increase competition in Colombia. Comcel also competes with traditional fixed-line telephone service operators. In addition, Comcel faces competition from alternative wireless services, including mobile radio and paging services, rural wireless operators and trunking services. These competing wireless services are widely used in Colombia as a substitute for fixed-line services.

The Ministry of Communications of Colombia and the Telecommunications Regulation Commission are responsible for regulating and overseeing the telecommunications sector, including cellular operations. The Ministry of Communications, which granted the cellular concessions in 1994, supervises and audits the performances of the concessionaires' legal and contractual obligations. The activities of Comcel are also supervised by the Colombian Superintendency of Industry and Commerce, which enforces antitrust regulations, promotes free competition in the marketplace and protects consumer rights.

Comcel, Occel and Celcaribe hold ten-year concessions, acquired in 1994, to provide wireless telecommunications services in the eastern, western and Caribbean regions of Colombia. Under the terms of the concessions, each of Comcel, Occel and Celcaribe is required to make quarterly royalty payments to the Ministry of Communications based on its revenues. Under the terms of an agreement entered into in January 1997, the Ministry of Communications has agreed to renew their concessions through 2014.

Ecuador (Conecel)

Consorcio Ecuatoriano de Telecomunicaciones, S.A. CONECEL (Conecel) is a wireless telecommunications operator in Ecuador. We acquired a 60% interest in Conecel in March 2000 and gave the other investors certain rights to sell us their shares. In April 2002, the other investors exercised their first put rights, and we paid approximately U.S.$70.3 million to increase our interest to 80.6%. In July 2003, we acquired the remaining interests in Conecel for an identical amount, increasing our interest in Conecel to 100%.

At December 31, 2003, Conecel had approximately 1.5 million subscribers, compared to approximately 923,000 at December 31, 2002, representing a 64% share of the Ecuadorian wireless market.

Conecel owns and operates a cellular network that uses TDMA digital technology, and in May 2003, it launched a new GSM network. The two networks cover the same areas, which account for approximately 80% of the geographic area of Ecuador. Conecel is focusing its commercial and marketing efforts towards encouraging use of GSM technology by new subscribers and existing subscribers renewing their contracts and expects GSM to become its principal wireless technology within the next five to ten years.

Conecel's principal competitor is BellSouth Ecuador, which offers wireless local, national and international long-distance and public telephone services in Ecuador. At December 31, 2003, BellSouth Ecuador had approximately 860,000 subscribers, representing a 35% share of the Ecuadorian wireless market. In March 2004, BellSouth reached an agreement to sell its assets in Latin America to Telefónica Móviles of Spain. This transaction, if completed, may increase competition in Ecuador.

Conecel is subject to regulation from:

- the National Telecommunications Counsel (*Consejo Nacional de Telecomunicaciones*, or Conatel), which is responsible for policy-making in the telecommunications area;
- the National Telecommunications Secretariat (*Secretaría Nacional de Telecomunicaciones*), which is responsible for executing Conatel's resolutions; and
- the Telecommunications Agency (*Superintendencia de Telecomunicaciones*), which monitors the use of authorized frequencies and compliance with concession provisions.

Conecel holds nationwide concessions, which have been fully paid, to operate its wireless network on the 800 megahertz (Band A) radio spectrum. These include a concession for cellular telephone service that expires in 2008, and concessions for data transmission and Internet services that expire in 2017.

United States (TracFone)

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

TracFone currently offers its prepaid wireless service and wireless handsets throughout the United States using an extensive distribution network. At December 31, 2003, TracFone had approximately 3.0 million subscribers and is one of the three largest operators in the U.S. prepaid cellular market. TracFone's subscriber base increased by 50.0% in 2003.

TracFone does not own any wireless telecommunications facilities or hold any licenses. Instead, it purchases airtime through agreements with approximately 40 wireless service providers and resells airtime to customers. Through these agreements, TracFone has a nationwide network covering all areas in which wireless services are available. Customer usage is monitored using patented, proprietary software installed in each phone TracFone sells, and TracFone provides customer service and manages customers as though it were a network-based carrier. TracFone has entered into agreements with Nokia and Motorola to enable them to include TracFone's software in various handsets they produce. TracFone's business model does not require any significant capital expenditure. TracFone sells handsets through a variety of U.S. retail stores and sells its prepaid airtime through a large number of independent retailers throughout the United States. TracFone competes with the major U.S. wireless operators. TracFone expects that many of these carriers will increase their focus on prepaid wireless services in the future. TracFone is subject to the jurisdiction of the U.S. Federal Communications Commission, or "FCC," and to U.S. telecommunications laws and regulations. TracFone is not required to procure licenses to carry out its business.

OTHER INVESTMENTS

Our principal investments in affiliates other than our subsidiaries are described below. Financial information provided for these affiliates has been prepared in accordance with local accounting principles and restated in constant pesos as of December 31, 2003. We can give no assurance as to the extent, timing or cost of future international investments, and such investments may involve risks to which we have not previously been exposed.

Techtel (Argentina)

Pursuant to the February 2002 reorganization of Telecom Americas, we acquired a 60% interest in Techtel-LMDS Comunicaciones Interactivas, S.A., which operates a local multipoint distribution services (LMDS) and fiber optic network in Argentina, providing voice, data and video transfer services and other related telecommunications services. LMDS is a wireless broadband technology that uses radio signals to transmit voice, video and data. Techtel began providing long-distance fixed-line voice services and call center support in December 2000 and launched local fixed-line voice services in August 2001. In April 2004, we sold our interests in Techtel to Telmex. See "Related Party Transactions" under Item 7.

Telstar (Uruguay)

We acquired a majority interest in Telstar S.A. pursuant to the February 2002 reorganization of Telecom Americas. Telstar has completed an LMDS network to provide data transmission services in Montevideo, Uruguay. In April 2004, we sold our interests in Telstar to Telmex. See "Related Party Transactions" under Item 7.

U.S. Commercial Corp.—CompUSA

We acquired a 49% interest in CompUSA, Inc. in March 2000. In December 2003, as a result of a series of transactions, we exchanged our 49% interest in CompUSA for a 29.7% interest in US Commercial Corp., S.A. de C.V. and Ps. 180 million. U.S. Commercial Corp. is a Mexican company with shares listed on the Mexican stock exchange. Its principal asset is 100% of the shares of CompUSA. We recorded a loss of Ps. 279 million on the transaction. In 2004, we reclassified our investment in U.S. Commercial Corp. as available for sale. The controlling shareholder of US Commercial Corp. is an affiliate of América Telecom, our controlling shareholder. See "Related Party Transactions" under Item 7.

CompUSA is a provider of technology solutions and a retailer of personal computing equipment, based in Dallas, Texas, and operates a number of CompUSA Computer Superstores throughout the United States. CompUSA competes with a variety of resellers of personal computers and related products and services, including large format computer retailers, Internet-based retailers, manufacturers and distributors that sell directly to the public, and other personal computer retailers. In addition, CompUSA has numerous competitors in its training and technical service businesses.

Telvista

We own an indirect 44.2% interest in Telvista, which we acquired in June 2001 from Technology and Internet Holding Co., a company in which we, Telmex and Grupo Carso have a joint interest. Telvista is a Delaware corporation that operates call centers in the United States.

CAPITAL EXPENDITURES

The following table sets forth our consolidated capital expenditures for each year in the three-year period ended December 31, 2003

	Year ended December 31,		
	2001	2002	2003
	(millions of constant pesos as of December 31, 2003)		
Transmission and switching equipment	Ps.13,398	Ps. 9,379	Ps.11,685
Other	3,661	1,871	1,968
Total capital expenditures	Ps.17,059	Ps.11,250	Ps.13,653

Our capital expenditures during 2003 related primarily to the completion of the rollout of a GSM network in Mexico and the rollout of new GSM networks in Brazil, Colombia and Ecuador. We have budgeted capital expenditures of approximately U.S.$1.4 billion for the year ending December 31, 2004, but this budgeted amount could change as we re-evaluate our expenditure needs during the year. We expect that our capital expenditures during 2004 will primarily relate to the completion of the rollout of a new GSM network in Argentina and the expansion of GSM coverage in Mexico and Brazil. We expect to make approximately 35% of our 2004 budgeted capital expenditures in Mexico, which represents a decrease from prior years.

Item 5. Operating and Financial Review and Prospects

The following discussion should be read in conjunction with our audited financial statements and the notes thereto included in this annual report. Our financial statements have been prepared in accordance with Mexican GAAP, which differs in certain respects from U.S. GAAP. Note 23 to the audited financial statements provides a description of the principal differences between Mexican GAAP and U.S. GAAP, as they relate to us, a reconciliation to U.S. GAAP of operating income, net income and total stockholders' equity and a condensed statement of cash flows under U.S. GAAP.

Pursuant to Mexican GAAP, in our financial statements:

- nonmonetary assets (including plant, property and equipment of Mexican origin) and stockholders' equity are restated for inflation based on the Mexican National Consumer Price Index; plant, property and equipment of non-Mexican origin are restated based on the rate of inflation in the country of origin and converted into Mexican pesos using the prevailing exchange rate at the balance sheet date;
- gains and losses in purchasing power from holding monetary liabilities or assets are recognized in income; and
- all amounts are restated in constant pesos as of December 31, 2003.

Background

Effects of Recent Acquisitions

In 2002 and 2003, we acquired a total of seven companies throughout Latin America. The consolidation of these companies affects the comparability of our recent results and will continue to affect comparability in 2004, particularly as the more significant of our 2003 acquisitions were not consolidated until the fourth quarter of 2003.

During 2003, we completed the acquisition of five companies. Our consolidated financial statements reflect the consolidation of these companies as follows:

- Celcaribe (as from February 2003);
- BSE (as from May 2003);
- CTE (as from November 2003);
- CTI (as from November 2003); and
- BCP (as from December 2003).

As a result of these acquisitions, we acquired 4.2 million new wireless subscribers during 2003, representing approximately 35% of our subscriber growth during 2003. The revenues of these companies that are included in our consolidated financial statements together accounted for 4.5% of our operating revenues in 2003.

Our 2002 audited financial statements reflect the consolidation of Comcel beginning in February 2002 and Telecom Americas beginning in July 2002. Comcel and Telecom Americas together accounted for 20.0% of consolidated revenues in 2003 and 12.0% in 2002. Prior to their consolidations, our audited financial statements reflected their net results under the equity method. We acquired control of Comcel as part of the reorganization of Telecom Americas in February 2002, and we acquired control of Telecom Americas when we acquired the interests held by our former partners pursuant to a series of transactions ending in July 2002.

The following table sets forth the full-year revenues of the companies we acquired in 2002 and 2003 in millions of constant pesos as of December 31, 2003, as well as the percentage of those revenues that are included in our consolidated revenues. The table does not include results of these companies for years prior to the year during which we consummated the respective acquisitions. Revenues for periods prior to the date on which we acquired these companies are not reflected in our consolidated financial statements.

	Annual Revenues			
	2002	% consolidated	2003	% consolidated
Comcel(1)	Ps.4,302	91.6%	Ps.5,770	100.0%
Telecom Americas(2)	7,032	46.8	11,397	100.0
Celcaribe	—	—	549	92.5
BSE	—	—	2,247	70.0
CTE	—	—	4,241	19.0
CTI	—	—	2,700	19.8
BCP	—	—	4,965	9.0

(1) Includes Celcaribe (as from February 2003).

(2) Includes BSE (as from February 2003) and BCP (as from December 2003).

Geographic Segments

We have significant operations in nine countries, which are grouped for financial reporting purposes in eight geographic segments. Segment information is presented in Note 21 to our consolidated financial statements included in this annual report. Mexico accounted for 61.0% of our total operating revenues in 2003, down from 71.0% in 2002. This percentage may decrease somewhat in 2004 as a result of a full year of consolidating the companies acquired during 2003.

Our subsidiaries report significantly different operating margins, with Mexico, Central America and Ecuador showing margins higher than or similar to our consolidated operating margin in 2003 and the remainder showing lower margins or, in the case of Brazil, an operating loss.

The factors that drive financial performance can differ for our operations in different countries, depending on the business model, competitive situation, regulatory environment, capital expenditure requirements, debt profile and many other factors. Accordingly, our results of operations in each period accordingly reflect a combination of different effects in the different countries.

Effects of Economic Conditions

Our results of operations are affected by economic conditions in Mexico and in the other countries in which we operate. In periods of slow economic growth, demand for telecommunications services tends to be adversely affected.

Our results of operations are also affected by changes in currency exchange rates. Changes in the value of the various operating currencies of our subsidiaries against the U.S. dollar may result in exchange losses or gains on our net U.S. dollar-denominated indebtedness and accounts payable. In 2003, changes in currency exchange rates led us to report a foreign exchange gain of Ps. 1,355 million (an amount that is equal to 7.5% of our operating income), whereas in 2002 we reported a foreign exchange loss of Ps. 1,526 million.

In addition, currency fluctuations between the Mexican peso and the currencies of our non-Mexican subsidiaries affect our results of operations as reported in Mexican pesos. Our non-Mexican subsidiaries and affiliates accounted for approximately 39% of our 2003 operating revenues and 65% of our year-end 2003 assets, as compared to 29% and 58%, respectively, in 2002.

Trends in Operating Results

Besides acquisitions, the principal factors affecting our operating revenues and operating income relate to growth in subscribers and traffic. The markets we serve provide opportunities for continued growth, and as subscribers and traffic increase, we generally expect to report higher revenue and operating income (before depreciation and amortization) as a result of economies of scale. These effects can be partly or wholly offset, however, by the effects of competition on prices and on subscriber acquisition costs. The market and competitive conditions are independent in the different markets in which we operate, and they are sometimes subject to rapid change. As a result, it is difficult to predict overall trends in our operating performance.

At December 31, 2003, we had approximately 43.7 million wireless subscribers, as compared to 31.6 million at December 31, 2002. The 12.1 million, or 38.4%, increase in subscribers in 2003 includes 4.2 million subscribers resulting from acquisitions we consummated in that year.

Composition of Revenues

Most of our revenues (86.0% in 2003) come from the sale of airtime and other services. Of our service revenues, the largest portion is from usage charges, which include airtime charges for outgoing calls and interconnection charges billed to other service providers for calls completed on our network. The primary driver of usage charges is traffic, which, in turn, is driven by the number of customers and by their average usage. Postpaid customers generally have an allotment of airtime each month for which they are not required to pay usage charges. Service revenues also include (1) monthly subscription charges paid by postpaid customers, (2) long-distance charges and (3) charges for other services, such as roaming, call forwarding, call waiting, call blocking and short text messaging.

Revenues from sales of prepaid services are deferred and recognized as airtime is used or when it expires, and are included under usage charges. For postpaid service, monthly fees are billed in the month prior to service, and are deferred and recognized in the month that service is provided. Revenues from airtime used by postpaid subscribers above the amount covered by their monthly fees are recognized as airtime is used.

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

Consolidated Results of Operations

The discussion below includes the results of our transactions with affiliates, including Telmex. Affiliate transaction information is presented in Note 17 to our consolidated financial statements included in this annual report.

Operating Revenues

Operating revenues increased by 43.9% in 2003 and by 31.4% in 2002. The Ps. 26,198 million increase in revenues in 2003 principally reflects the following factors:

- organic growth in all of our geographic segments, particularly Mexico which reported an increase in revenues of Ps. 10,058 million (or 23.7%);
- the consolidation of the results of the five companies acquired during 2003, accounting for approximately 14.8% of the increase; and
- the full-year consolidation of the results of Telecom Americas and Comcel in 2003.

In 2002, our operating revenues increased by Ps. 14,285 million, or 31.4%, as compared to 2001. This increase was due primarily to an increase in revenues in Mexico (up by Ps. 6,947 million), and the consolidation of revenues from Colombia (Ps. 3,943 million) and Brazil (Ps. 3,377 million). Excluding Brazil and Colombia, which were consolidated for the first time in 2002, operating revenues would have increased by 15.7%.

The increase in operating revenues in 2003 also includes a Ps. 4,874 million, or 67.7%, increase in equipment revenues reflecting subscriber growth and the introduction of GSM services in some of our markets. Equipment revenues as a percentage of total revenues increased from 12% in 2002 to 14% in 2003.

Operating Costs and Expenses

Cost of services and equipment—Cost of services and equipment represented 43.6% of operating revenues in 2003 and 42.5% of operating revenues in 2002. Cost of services and equipment increased by 47.6% in 2003 and by 30.2% in 2002. This increase in 2003 reflects both growth in subscribers and acquisitions.

Cost of equipment was Ps. 19,223 million in 2003, and primarily represents the cost of handsets sold to subscribers. The 59.5% increase in 2003 compares favorably to the 67.7% increase in equipment revenues. Cost of equipment increased more slowly than our equipment revenues, primarily as a result of our efforts to centralize the purchase of handsets leading to lower equipment unit costs and a change in mix from TDMA to GSM equipment, which is generally less expensive than TDMA equipment. Cost of equipment increased by 43.2% in 2002 as compared to 2001.

Cost of services increased by 36.7% in 2003, to Ps. 18,251 million. This increase in cost of services was slower than the growth in service revenues, which increased by 40.6% in 2003. These costs have increased more slowly than our service revenues, as a result of increasing scale, cost control measures and higher usage of GSM services. Cost of services increased by 23.2% in 2002 as compared to 2001.

Commercial, administrative and general—Commercial, administrative and general expenses represented 19.3% of operating revenues in 2003 and 21.3% of operating revenues in 2002. On an absolute basis, commercial, administrative and general expenses increased by 30.6% in 2003 and 4.1% in 2002. This increase in 2003 reflects both growth in subscribers and acquisitions. These costs have increased more slowly than our revenues, as a result of increasing scale and cost control measures in each country in which we operate.

Depreciation and amortization—Depreciation and amortization represented 16.1% of operating revenues in 2003 and 14.5% of operating revenues in 2002. Depreciation and amortization increased by 61.3% in 2003 and by 74.9% in 2002. Apart from the consolidation of our recently acquired companies in 2003, the increases in depreciation and amortization in 2003 and 2002 reflect the substantial investments made in our networks, particularly in connection with the launch of GSM services in Mexico, Brazil, Colombia, Ecuador and Guatemala.

Operating Income

Operating income increased by 38.4% in 2003 and 94.5% in 2002, reflecting revenue growth and in 2002 improved operating margins. All of our subsidiaries, except for Telecom Americas, reported operating income in 2003.

Operating margin (operating income as a percentage of operating revenues) was 20.9% in 2003, 21.7% in 2002 and 14.7% in 2001. The significant increase in depreciation and amortization caused our operating margin to decrease slightly in 2003. The improvement in our operating margin in 2002 reflected greater efficiency due to the larger number of customers, cost-control measures and lower subscriber acquisition costs as a percentage of revenues.

Comprehensive Financing (Income) Cost

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

We had comprehensive financing income of Ps. 2,123 million in 2003 and comprehensive financing cost of Ps. 1,023 million in 2002 and Ps. 665 million in 2001. The change between 2003 and 2002 reflects a combination of factors—principally, a foreign exchange gain in 2003 as opposed to a foreign exchange loss in 2002 and a decline in other financing costs.

For 2003 and 2002, changes in the components of comprehensive financing cost were as follows:

- In 2003 and 2002, we had net interest expense of Ps. 1,393 million and Ps. 1,095 million, respectively. The increase was attributable primarily to the depreciation of the Mexican peso against the U.S. dollar during 2003, which caused the reported amount of our debt as reported in pesos to increase.
- We had a foreign exchange gain of Ps. 1,355 million in 2003, as compared to a loss of Ps. 1,526 million in 2002. The net exchange gain in 2003 was mainly due to the increase in value of the Brazilian real relative to the U.S. dollar. The net exchange loss recorded in 2002 was mainly due to the depreciation of the Mexican peso and the Brazilian real relative to the U.S. dollar.
- In 2003 and 2002, our average monetary liabilities exceeded our average monetary assets, resulting in a net gain from monetary position.
- We reported a net other financing cost of Ps. 189 million in 2003 and of Ps. 1,274 million in 2002. Net other financing costs include commissions, fair-value gains and losses on investments, and gains and losses on the sale of investments.

Income Tax and Employee Profit-Sharing

The statutory rate of Mexican corporate income tax was 34% in 2003 and 35% in 2002 and 2001. Our effective rates of provisions for corporate income tax as a percentage of pretax income were 51.2%, 26.3% and 17.2% for 2001, 2002, and 2003, respectively. In 2001, our effective tax rate exceeded the statutory rate because we had pre-tax losses in our non-Mexican operations that were not deductible against our Mexican taxable income. In 2002 and 2003, our non-Mexican operators reported improved results, and some of them enjoyed benefits from net loss carryforwards. The Mexican corporate income tax rate is scheduled to decrease to 33% in 2004 and 32% in 2005.

Telcel, like other Mexican companies, is required by law to pay to its employees, in addition to their agreed compensation and benefits, profit sharing in an aggregate amount equal to 10% of Telcel's taxable income. The amount payable increased by 22.6% to Ps. 247.9 million in 2003 and decreased by 3.5% in 2002.

Equity in Results of Affiliates

Our proportionate share of the results of equity-method affiliates resulted in net losses of Ps. 130 million in 2003 and Ps. 4,170 million in 2002. The net losses in 2002 resulted primarily from an impairment of goodwill recognized by CompUSA and the losses incurred by Telecom Americas before we began to consolidate it in July 2002. In 2003, the net loss reflects principally our share of the net loss reported by CompUSA.

Other Income (Loss), Net

In 2003, we recorded other net loss of Ps. 1,045 million. This loss reflects primarily losses recorded in connection with a sale-leaseback transaction entered into by Telcel and losses recorded in connection with the exchange of our interest in CompUSA for an interest in U.S. Commercial Corp., S.A. de C.V. and cash. See "Related Party Transactions" under Item 7.

Majority Net Income

We had majority net income of Ps. 15,032 million in 2003 and Ps. 4,784 million in 2002, compared to a majority net loss of Ps. 910 million in 2001. The significant increase in majority net income in 2003 reflected increased revenues and operating income, as well as improved comprehensive financing income and equity in results of affiliates. The improvement in majority net income in 2002 reflected improvements in revenues and earnings from all our major subsidiaries.

Results of Operations by Geographic Segment

We discuss below the operating results of our subsidiaries that provide telecommunication services in our principal markets other than Argentina and El Salvador. We are not discussing operating results in Argentina and El Salvador because we did not have material operations in those countries in 2002. All amounts discussed below are presented in accordance with Mexican GAAP. Note 2(g) to our consolidated financial statements included in this annual report describes how we translate the financial statements of our non-Mexican subsidiaries. We restate the financial statements of our foreign subsidiaries for inflationary effects using restatement factors of the relevant country and then convert foreign currency amounts into Mexican pesos, using, for items from the statement of operations, the exchange rate between the Mexican peso and the local currency at the end of the applicable year. Accordingly, changes in the rates of inflation in our markets and exchange rate changes between the Mexican peso and those currencies could significantly affect reported results in Mexican pesos and the comparability of reported results with those of prior years. Financial statements for 2001 and 2002 are restated at constant pesos as of December 31, 2003 based on the annual rate of inflation in Mexico.

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

	Mexican pesos per foreign currency unit				
	2001	2002	% Change	2003	% Change
Guatemalan quetzal	1.1576	1.3498	16.6%	1.3975	3.5%
U.S. dollar(1)	9.1423	10.3125	12.80	11.2360	9.0
Brazilian real	3.9492	2.9161	(26.15)	3.8890	33.36
Colombian peso	0.0041	0.0035	(10.33)	0.0040	15.55

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

Note 21 to our consolidated financial statements includes certain financial information of our operations by country. Except as discussed below, the following discussion is based on the segment data included in that note.

Mexico

Operating revenues increased by 23.7% in 2003 and by 19.6% in 2002. In 2003, the number of Telcel subscribers increased by 16.8%, to approximately 23.4 million, and there was an increase in total traffic of 38.5%. In 2002, the number of Telcel subscribers increased by 18.3%, to approximately 20.1 million, and total traffic increased by 29.0%. We have experienced declining rates of subscriber growth in recent years as penetration rates increase in Mexico. We expect this trend to continue in the future. Telcel's average monthly revenues per subscriber increased by 10.7% in 2003 as a result of a decrease in the percentage of Telcel's subscriber base represented by new subscribers and promotions that led to higher usage. New subscribers tend to have lower usage than existing customers.

Operating income increased by 44.0% in 2003 and by 24.9% in 2002. Our operating margin was 33.7% in 2003 and 29.0% in 2002. The increase in operating margin in 2003 reflects greater efficiency resulting from increasing scale and cost control measures, lower licensing fees and the reversal of a provision established in 2002 in connection with a Mexican tax applicable to certain telecommunication services.

Brazil

We began consolidating the results of Telecom Americas in July 2002, such that our consolidated financial statements do not reflect revenues or operating income from Brazil prior to that date (except for our equity in the net results of Telecom Americas). To measure the operating performance of Telecom Americas, we compare its operating revenues and operating income for continuing operations using its full-year 2002 and 2001 results. On that basis, Telecom Americas' operating revenues from continuing operations increased by 55.3% in 2003 and by 44.7% in 2002. The 2003 results include BSE from May 2003 and BCP from December 2003. Approximately 50.0% of the increase in 2003 operating revenues resulted from the consolidation of BSE and BCP. In 2003, the number of Telecom Americas subscribers increased by 4.3 million subscribers, to approximately 9.5 million subscribers, and there was an increase in total traffic of 26.8%. Of the increase in subscribers in 2003, approximately 1.6 million resulted from organic growth and approximately 2.7 million from the acquisition of BCP and BSE. In 2002, the number of Telecom Americas subscribers increased by 19.9%, to approximately 5.2 million, and there was an increase in total traffic of 9%.

Telecom Americas reported an operating loss of Ps. 2,134 million in 2003, as compared to a Ps. 197 million operating loss in 2002. The increased operating loss in 2003 reflects expenses incurred in connection with the launch of a unified brand name "Claro," the deployment of the new GSM network, the integration of BCP and BSE and the start-up of operations in the regions of Bahia-Sergipe and Paraná-Santa Catarina, as well as increased depreciation expenses.

Central America—Guatemala and Nicaragua

Operating revenues increased by 22.6% in 2003 and by 4.9% in 2002. In 2003, the number of wireless subscribers in Guatemala increased by 38.5%, to approximately 870,000, and the number of wireless subscribers in Nicaragua reached approximately 100,000. Telgua began providing wireless services in Nicaragua in December 2002. Traffic increased by 44.1% in 2003. In 2002, the number of wireless subscribers increased by 49.4%, to approximately 628,000, and there was an increase in total traffic of 5.1%. The number of Telgua's fixed lines in Guatemala reached approximately 929,700 at December 31, 2003, a 15.7% increase from December 31, 2002.

Operating income increased by 36.5% in 2003 and decreased by 6.9% in 2002. Our operating margin was 30.1% in 2003 and 27.0% in 2002. During 2002, we reduced the long distance rates applicable to incoming and outgoing rates.

Colombia

We began consolidating Comcel in February 2002, such that our consolidated financial statements do not reflect revenues or operating income from Colombia prior to that date (except for our equity in the net results of Telecom Americas). To measure the operating performance of Comcel, we compare its operating revenues and operating income using its full-year 2002 and 2001 results. On that basis, Comcel's operating revenues increased by 54.4% in 2003 and by 26.2% in 2002. In 2003, the number of Comcel subscribers increased by 30.2%, to approximately 3.7 million, and total traffic increased by 54.6%. The consolidation of Celcaribe accounted for approximately 25% of Comcel's subscriber growth in 2003. In 2002, the number of Comcel subscribers increased by 49.7%, to approximately 2.8 million, and there was an increase in total traffic of 43.7%.

Operating income increased by 133.1% in 2003. Operating income was Ps. 592 million in 2003 and Ps. 254 million in 2002, as compared to an operating loss of Ps. 355 million in 2001. Our operating margin was 10.3% in 2003 and 6.7% in 2002.

Ecuador

Operating revenues increased by 108.9% in 2003 and by 52.6% in 2002. In 2003, the number of Conecel subscribers increased by 66.5%, to approximately 1.5 million, and there was an increase in total traffic of 35.0%. During 2003, we reached agreement with cetain operators on interconnection fees for calling party pay and recorded income with respect to fees for prior years and fees accrued after the agreement date. In 2002, the number of Conecel subscribers increased by 90.8%, to approximately 923,000, and total traffic increased by 67%.

Operating income was Ps. 548 million, as compared to losses of Ps. 110 million in 2002 and Ps. 547 million in 2001. Our operating margin was 20.2% in 2003.

United States

Operating revenues increased by 47.3% in 2003 and decreased by 10.7% in 2002. In 2003, the number of TracFone subscribers increased by 50%, to approximately 3.0 million, and total traffic increased by 60.4%. In 2002, the number of TracFone subscribers increased by 2.9%, to approximately 2.0 million, and total traffic increased by 11.6%. The decline in revenues in 2002 resulted in part from a change in TracFone's revenue-deferment methodology, implemented in September 2002, meant to ensure that revenues more closely mirror the actual consumption levels of prepaid cards sold by TracFone.

In 2003, for the first time in its history, TracFone reported operating income, of Ps. 200.2 million. In addition to subscriber growth, the improvement reported in 2003 reflects certain discounts on airtime obtained by TracFone as a result of achieving certain operating targets. TracFone's digital traffic continues to expand, and digital traffic is more profitable than analog traffic. Operating loss decreased by 177.9% in 2002.

Liquidity and Capital Resources

Capital Requirements

Our capital requirements are primarily for the following purposes:

- We must make substantial capital expenditures to continue expanding and improving our networks in each country in which we operate. In 2003 and 2002, we invested approximately Ps. 13.7 billion and Ps. 11.3 billion in plant, property and equipment. We have budgeted capital expenditures for 2004 to be approximately U.S.$1.4 billion (Ps. 15.7 billion). See "Capital Expenditures" under Item 4.
- We pay dividends, and we also repurchase our own shares from time to time. We paid Ps. 794 million in dividends in 2003 and Ps. 618 million in 2002, and we are paying dividends quarterly in 2004. We also spent (including commissions and value-added taxes) Ps. 975 million repurchasing our own shares in the open market in 2003 and Ps. 2,192 million in 2002. Our shareholders have authorized additional repurchases, and whether we do so will depend on considerations including market price and our other capital requirements. We have made additional repurchases in 2004. In a shareholders' meeting held on April 27, 2004, our shareholders resolved to pay a dividend of Ps. 0.12 per share and authorized a Ps. 10,000 million increase in our reserve for the repurchase of additional shares, thereby increasing our reserve to Ps. 25,000 million.
- During 2003, we spent approximately Ps. 18.2 billion in order to acquire new companies and increase our interest in some of our subsidiaries.

The following table summarizes certain contractual liabilities as of December 31, 2003. The table does not include accounts payable or pension liabilities:

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	(millions of constant pesos as of December 31, 2003)				
Contractual obligations as of December 31, 2003:					
Equipment leases	Ps. 993	Ps. 37	Ps. 956	—	—
Real estate leases	6,820	752	2,360	Ps.1,311	Ps.2,397
Long-term debt	40,156	3,917	30,191	5,101	947
Short-term debt	8,164	8,164	—	—	—
Other (1)	4,050	1,547	2,503	—	—
Total	Ps.60,183	Ps.14,417	Ps.36,010	Ps.6,412	Ps.3,344

(1) See discussion below.

We have entered into agreements to purchase equipment for the rollout of GSM networks in Argentina, Brazil, Colombia and Ecuador. Total amounts payable under those contracts that are not reflected in our accounts payable or paid are approximately U.S.$325.5 million (Ps. 3,657 million). We recognize a liability in our financial statements under these agreements when we have tested and accepted the equipment. Our payment obligations under these agreements are contingent on the suppliers' compliance with their terms. América Móvil guarantees amounts payable by our subsidiaries under these agreements. Other than the amounts described in the table above, we had no other outstanding material purchase commitments as of December 31, 2003. We enter into a number of supply, advertising and other contracts in the ordinary course of business, but we do not believe that any of those contracts are material to our liquidity.

We could have opportunities in the future to invest in other telecommunications companies outside Mexico, especially in Latin America, because we believe the telecommunications sector in Latin America will continue to undergo consolidation. We can give no assurance as to the extent, timing or cost of such investments. Some of the assets that we acquire may have substantial debt and may require significant funding for capital expenditures.

Working Capital

At December 31, 2003, we had a working capital deficit (excess of current liabilities over current assets) of Ps. 10,230 million, as compared to a working capital deficit of Ps. 4,643 million at December 31, 2002. This increase in 2003 principally reflected the extension of favorable payment terms obtained by us from equipment suppliers during 2003. We have substantial capital resources, including funds generated from operations and borrowing capacity, to meet our short-term obligations as they become due and payable.

Capital Resources

We generate substantial resources from our operations. On a consolidated basis, operating activities provided Ps. 29,038 million in 2003 and Ps. 19,408 million in 2002. All of our geographic segments (other than the United States in 2002 and Brazil in 2003) generated net resources from operations in 2003 and 2002.

In addition to funds generated from operations, we have used new borrowings to fund acquisitions and investments. We have relied on a combination of equipment financing, other borrowings from international banks, and borrowings in the Mexican capital markets. Many of the companies we acquired during 2002 had substantial indebtedness. During 2002 and 2003, we sought to reduce their indebtedness by incurring additional debt at our Mexican companies, which reduces our borrowing costs.

We were able to fund our capital requirements during 2003 principally through resources generated by our operations, and acquisitions made during 2003 did not significantly increase our indebtedness.

If we seek to raise funds by issuing capital stock, our bylaws require that we issue capital stock of each class in the same proportion. This would limit our ability to issue more L Shares, which are the most liquid class of our capital stock, unless we issue more AA Shares, which are an unlisted class of voting shares currently held only by América Telecom and SBCI.

Outstanding Indebtedness

At December 31, 2003, we had total consolidated indebtedness of Ps. 49,313 million, as compared to Ps. 48,036 million at December 31, 2002. Cash and cash equivalents amounted to Ps. 10,082 million at December 31, 2003 and Ps. 11,023 million at December 31, 2002. Approximately 76% of our indebtedness at December 31, 2003 was denominated in currencies other than Mexican pesos (approximately 67% in U.S. dollars and 9% in other currencies, principally in reais), and approximately 42% of our consolidated debt obligations (after taking into account interest swaps) bore interest at floating rates. The weighted average cost of all our third-party debt at December 31, 2003 (including interest, commissions and reimbursement of certain lenders for Mexican taxes withheld) was approximately 5.19%.

Our major categories of indebtedness are as follows:

- *Equipment financing facilities with support from export development agencies.* We have a number of equipment financing facilities, under which export development agencies provide support for financing to purchase exports from their respective countries. These facilities are generally medium- to long-term, with periodic amortization and interest at a spread over LIBOR. They are extended to us or to operating subsidiaries, usually with guarantees from one or more of América Móvil, Telcel or Sercotel. The aggregate amount outstanding under equipment financing facilities at December 31, 2003 was U.S.$795 million (Ps. 8,933 million).
- *Other bank loans.* At December 31, 2003, we had approximately U.S.$1.7 billion (Ps. 19.1 billion) outstanding under a number of dollar-denominated bank facilities bearing interest at LIBOR plus a spread. For certain of the facilities, the spread over LIBOR can vary if there is a deterioration in our financial condition. The facilities have similar terms as to covenants, and under all of the facilities América Móvil, Sercotel and Telcel are either borrowers or guarantors. For certain of these facilities, Telgua is also a guarantor. At December 31, 2003, we also had bank loans denominated in currencies other than U.S. dollars, including pesos, in an aggregate amount of Ps. 3,409 million.
- *Peso-denominated notes.* At December 31, 2003, we had Ps. 11.25 billion in senior notes that had been sold in the Mexican capital markets. These senior notes were issued by us with a guarantee from Telcel.
- *BNDES.* ATL, Tess and Americel have outstanding syndicated loans provided with resources of the Banco Nacional de Desenvolvimento Econômico e Social, or "BNDES", the Brazilian federal development bank. These loans are principally denominated in reais, with a portion indexed to U.S. dollars. At December 31, 2003, the aggregate principal amount of these loans was approximately R$618 million plus the equivalent in reais of approximately U.S.$60 million in foreign currencies.

We are subject to financial and operating covenants under our loan agreements. They limit our ability to pledge our assets, to effect a merger or a sale of all or substantially all of our assets, and to permit restrictions on the ability of our subsidiaries to pay dividends or make distributions to us. The most restrictive financial covenants require us to maintain a consolidated ratio of debt to EBITDA (as defined in the loan agreements) not greater than 3.5 to 1 and a consolidated ratio of EBITDA to interest expense not less than 2.5 to 1 (using terms defined in the loan agreements). Telcel is subject to financial covenants similar to those applicable to América

Móvil. A number of our financing instruments are subject to either acceleration or repurchase at the holder's option if there is a change of control. In the event of a default under certain material provisions of some of our bank loans, we are prohibited from paying dividends to our shareholders.

At December 31, 2003, Telcel had, on an unconsolidated basis, unsecured and unsubordinated obligations under indebtedness and guarantees of parent company and subsidiary indebtedness of approximately Ps. 42,832 million (U.S.$3,812 million), excluding debt owed to us or our other subsidiaries. At such date, Sercotel, our wholly-owned subsidiary that holds directly or indirectly the shares of all our operating subsidiaries, had, on an unconsolidated basis, unsecured and unsubordinated obligations under indebtedness and guarantees of parent company and subsidiary indebtedness of approximately Ps. 28,896 million (U.S.$2,572 million). In addition, at December 31, 2003, our operating subsidiaries other than Telcel had indebtedness of Ps. 5,336 million (U.S.$474.9 million).

On March 9, 2004, we issued U.S.$500 million in principal amount of 4.125% senior notes due 2009 and U.S.$800 million in principal amount of 5.500% senior due 2014. In addition, on April 20, 2004, we issued U.S.$300 million in principal amount of floating rate notes due 2007, bearing interest at a rate equal to three-month Libor plus 0.625%. These notes are guaranteed by Telcel. The notes were sold in the United States to qualified institutional buyers under Rule 144A and outside the United States in compliance with Regulation S. The net proceeds from the sale of the notes, after initial purchasers' fees, were approximately U.S.$1,590 million. As of the date of this annual report, we had paid approximately U.S.$1,446 million of debt, including approximately U.S.$1,310 million of U.S. dollar-denominated debt, using the net proceeds from the sale of the notes. We have agreed to use our reasonable best efforts to offer to the holders of notes the opportunity to exchange their notes for an equal principal amount of notes to be issued pursuant to a registration statement filed with the SEC. If we fail to satisfy our registration obligations by October 31, 2004 with respect to the fixed rate notes or December 31, 2004 with respect to the floating rate notes, the annual interest rate applicable to the notes will, until such obligations are satisfied, be increased by 0.50% per year.

Off-Balance Sheet Arrangements

We have obligations to purchase additional shares of our subsidiaries Telecom Americas and CTI at the option of their minority shareholders. In the case of Telecom Americas, the minority shareholder has the right to sell half of its shares to us beginning in 2006 for U.S.$150 million plus interest. In the case of CTI, the minority shareholder has the right to sell all of its shares to us within a specified period after the completion of the restructuring of the indebtedness of CTI for U.S.$17.1 million.

In connection with an investment in a small Spanish company that was transferred to us in our spin-off from Telmex, we have agreed to indemnify Telmex for up to euro 13.7 million in respect of a guarantee given by Telmex to other interest holders in that company. In 2001, we wrote off the entire balance of our investment in that company.

Except for the obligations described above, as of December 31, 2003, we had no off-balance sheet arrangements that require disclosure under applicable SEC regulations.

U.S. GAAP Reconciliation

We had net income under U.S. GAAP of Ps. 14,899 million in 2003 and Ps. 6,037 million in 2002, as compared to a net loss of Ps. 670 million in 2001. Compared to Mexican GAAP, net income under U.S. GAAP was 0.88% lower in 2003 and 26.2% higher in 2002.

There are several differences between Mexican GAAP and U.S. GAAP that significantly affect our net income and stockholders' equity. The most significant differences in their effect on 2003 net income related to the recording of deferred income taxes and the reversal of the amortization of goodwill reported under Mexican

GAAP. In 2002, for U.S. GAAP purposes, we adopted Statement of Financial Accounting Standards No. 141, *Business Combinations*, and No. 142, *Goodwill and Other Intangible Assets*. As a result, for U.S. GAAP purposes we no longer amortize goodwill and other intangible assets with indefinite useful lives. Another significant difference between U.S. and Mexican GAAP is how the carrying value of plant, property and equipment is restated to reflect effects of inflation. Under Mexican GAAP, we restate fixed assets of non-Mexican origin based on the rate of inflation in the country of origin and the prevailing exchange rate at the balance sheet date, while under U.S. GAAP we use the Mexican inflation rate. In 2002 and 2003, this resulted in lower net income under U.S. GAAP, because Mexican inflation exceeded the rate used to restate fixed assets of non-Mexican origin. Other differences that affected 2003 net income relate to accrued vacation pay, capitalized interest on assets under construction, deferred employee profit sharing, net gains (losses) on sales to affiliates and the presentation of minority interests. The differences in stockholders' equity under Mexican GAAP and U.S. GAAP reflect principally these same matters. For a discussion of the principal differences between Mexican GAAP and U.S. GAAP, see Note 23 to our consolidated financial statements.

Use of Estimates in Certain Accounting Policies

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

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

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 2003 to Ps. 9,727 million, or 14.3% of our operating costs and expenses. See Note 7 to our consolidated financial statements.

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, and in some cases, it can result in our recognizing an impairment charge to reflect a write-down in value.

Impairment

We carry substantial balances on our balance sheet for plant, property and equipment and for goodwill that are based on historical costs net of accumulated depreciation and amortization. We are required to evaluate each year whether these assets are impaired, that is, whether their future capacity to generate cash does not justify maintaining them at their carrying values. If they are impaired, we are required to recognize a loss by writing off part of their value. The analysis we perform requires that we estimate the future cash flows attributable to these assets, and these estimates require us to make a variety of judgments about our future operations. Changes in these judgments could require us to recognize impairment losses in future periods. Our evaluations in 2003 and 2002 did not result in any significant impairment of our plant, property and equipment or consolidated goodwill.

Our equity-method affiliate CompUSA wrote-off goodwill by U.S.$410 million in 2002 upon adopting Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*.

Item 6. Directors, Senior Management and Employees

MANAGEMENT

Directors

Management of our business is vested in our Board of Directors. The Board of Directors has broad authority to manage our company. Actions requiring the approval of our board of directors include:

- a change of control of the company;
- transactions with related parties (as defined in the Mexican Securities Market Law);
- acquisitions or sales of assets equal in value to, or greater in value than, 10% of the value of the company's assets;
- guarantees of amounts exceeding 30% of the value of the company's assets; and
- any other transaction in an amount greater than 1% of the value of the company's assets.

Our bylaws provide for the Board of Directors to consist of between five and 20 directors and allow for the appointment of an equal number of alternate directors. Directors need not be shareholders. A majority of our directors and a majority of the alternate directors must be Mexican citizens and elected by Mexican shareholders. A majority of the holders of the AA Shares and A Shares voting together elect a majority of the directors and alternate directors, provided that any holder or group of holders of at least 10% of the total AA Shares and A Shares is entitled to name one director. Two directors and two alternate directors, if any, are elected by a majority vote of the holders of L Shares. Each alternate director may attend meetings of the Board of Directors and vote in the absence of a corresponding director. Directors and alternate directors are elected or ratified at each annual ordinary 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. Pursuant to our bylaws and Mexican law, at least 25% of our directors and 25% of our alternate directors must be independent, as defined under the Mexican Securities Market Law. 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 and of the Executive, Audit and Compensation Committees were elected or ratified at a shareholders' meeting held on April 27, 2004, with ten directors elected by the AA Shares and A Shares voting together and two directors elected by the L Shares. No alternate directors were appointed. América Telecom and SBC International have agreed to vote for the number of directors and alternate directors named by each of them in proportion to their respective share ownership.

Our bylaws provide that the members of the Board of Directors are appointed for terms of one year. Pursuant to Mexican law, members of the Board continue in their positions after the expiration of their terms if new members are not appointed. The names and positions of the current members of the Board, their year of birth, and information concerning their committee membership and principal business activities outside América Móvil are as follows:

Carlos Slim Helú	Born:	1940
Chairman and Member of the Executive Committee	First elected:	2000
	Term expires:	2005
	Principal occupation:	Honorary Chairman of the Board of Directors of Grupo Carso, S.A. de C.V.
	Other directorships and business experience:	Chairman of the Board of Directors of Telmex and Grupo Financiero Inbursa, S.A. de C.V.
Daniel Hajj Aboumrad	Born:	1966
Director and Member of the Executive Committee	First elected:	2000
	Term expires:	2005
	Principal occupation:	Chief Executive Officer of América Móvil
	Other directorships:	Director of Carso Global Telecom, América Telecom and Grupo Carso, S.A. de C.V.
	Business experience:	Chief Executive Officer of Hulera Euzkadi, S.A. de C.V.
Jaime Chico Pardo	Born:	1950
Director	First elected:	2000
	Term expires:	2005
	Principal occupation:	Chief Executive Officer of Telmex
	Other directorships:	Vice-chairman of the Board of Directors of Telmex; Director of América Telecom, S.A. de C.V., Carso Global Telecom, S.A. de C.V., Grupo Carso, S.A. de C.V. and Honeywell International
	Business experience:	Chief Executive Officer of Grupo Condumex, President of Corporación Industrial Llantera (Euzkadi General Tire de Mexico)
Alejandro Soberón Kuri	Born:	1960
Director and Chairman of the Audit Committee	First elected:	2000
	Term expires:	2005
	Principal occupation:	Chairman and Chief Executive Officer of Corporación Interamericana de Entretenimiento, S.A. de C.V.
	Other directorships:	Director of Telmex, Bolsa Mexicana de Valores, S.A. de C.V. and Corporación Interamericana de Entretenimiento, S.A. de C.V.

María Asunción Aramburuzabala Larregui Director and Member of the Audit Committee	Born:	1963
	First elected:	2000
	Term expires:	2005
	Principal occupation:	Chief Executive Officer of Tresalia Capital
	Other directorships:	Director of Grupo Modelo, S.A. de C.V., Grupo Televisa, S.A., Grupo Financiero Banamex-Accival, S.A. de C.V. and KIO Networks
	Business experience:	President of Tresalia Capital
Rafael Robles Miaja Director and Corporate Secretary	Born:	1965
	First elected:	2000
	Term expires:	2005
	Principal occupation:	Partner, Franck, Galicia y Robles, S.C.
	Other directorships:	Corporate Secretary of Carso Global Telecom, S.A. de C.V., Sears Roebuck de México, S.A. de C.V., América Telecom, S.A. de C.V. and Parras Cone de México, S.A. de C.V.
Jonathan P. Klug Director	Born:	1956
	First elected:	2003
	Term expires:	2005
	Principal occupation:	Vice-President Finance of SBC International Inc.
	Other directorships:	Director of Belgacan, S.A., Telkom SA Limited, ADSB Telecommunications B.V. and TDA A/S.
James W. Callaway Director and Member of the Executive Committee	Born:	1946
	First elected:	2003
	Term expires:	2005
	Principal occupation:	Group President of SBC Communications, Inc.
	Other directorships:	Director of Belgacan, S.A., TDC A/S and Teléfonos de México, S.A. de C.V.
Claudio X. González Laporte Director and Member of the Compensation Committee	Born:	1934
	First elected:	2000
	Term expires:	2005
	Principal occupation:	Chief Executive Officer of Kimberly Clark de México, S.A. de C.V.
	Other directorships:	Director of the Kimberly Clark Corporation, Kellogg Company, IBM Latin America and Grupo Carso, S.A. de C.V.
	Business experience:	Various positions at the Kimberly Clark Corporation

David Ibarra Muñoz Director and Member of the Audit Committee and the Compensation Committee	Born:	1930
	First elected:	2000
	Term expires:	2005
	Other directorships:	Director of Grupo Financiero Inbursa, S.A. de C.V.
	Business experience:	Chief Executive Officer of Nacional Financiera, served in the Mexican Ministry of Finance and Public Credit
Patrick Slim Domit Director	Born:	1969
	First elected:	2004
	Term expires:	2005
	Other directorships:	Director of Carso Global Telecom, S.A., América Telecom, S.A., U.S. Commercial Corp., S.A. de C.V. and Grupo Sanborns, S.A. de C.V.
	Business experience:	Chief Executive Officer of Grupo Carso, S.A. de C.V.
Carlos Bremer Gutiérrez Director	Born:	1960
	First elected:	2004
	Term expires:	2005
	Other directorships:	Director of Grupo Financiero Value, S.A. de C.V.
	Business experience:	Chief Operating Officer of Abaco Casa de Bolsa, S.A. de C.V.

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

Executive Committee

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

The Executive Committee is elected from among the directors and alternate directors by a majority vote of the holders of common shares (AA Shares and A Shares). The Executive Committee is currently comprised of three members. The majority of its members must be Mexican citizens and elected by Mexican shareholders. Our controlling shareholders have agreed that two of its members shall be named by Mexican controlling shareholders and one member by SBC International, Inc. See "Major Shareholders" under Item 7. The current members of the Executive Committee are Messrs. Carlos Slim Helú and Daniel Hajj Aboumrad, named by the Mexican controlling shareholders, and Mr. James W. Callaway, named by SBC International, Inc.

Audit Committee

The Audit Committee consists of Messrs. Alejandro Soberón Kuri, chairman, and David Ibarra Muñoz and Ms. María Asunción Aramburuzabala Larregui. The mandate of the Audit Committee is to 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 Committee is required to:

- assist the Board of Directors in selecting candidates for our auditors and reviewing the scope and terms of their engagement;
- assist the Executive Committee in monitoring the performance of our auditors and re-evaluating 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;
- review with the auditors the annual financial statements and the accounting principles being applied in the annual and the interim financial statements;
- report to the Board of Directors on its activities;
- opine on transactions with related parties as defined in the Securities Market Law and propose consulting independent specialists to opine on such transactions; and
- perform any other functions the Board of Directors may delegate to the Audit Committee.

In addition, pursuant to our bylaws and Mexican law, the Audit Committee is required to submit an annual report to the Board of Directors and to our shareholders, and the Board must seek the opinion of the Audit Committee regarding any transaction with a related party that is outside the ordinary course of our business. Each member of the Audit Committee is independent, as independence is defined in the Mexican Securities Market Law.

Compensation Committee

The Compensation Committee consists of Messrs. David Ibarra Muñoz and Claudio X. González Laporte. The mandate of the Compensation Committee is to assist the Board of Directors in evaluating and compensating our senior executives. In particular, the Compensation Committee is required to:

- recommend to the Board of Directors procedures for the selection and succession of our chief executive officer and our principal executives;
- propose criteria for evaluating executive performance;
- analyze the proposals of the chief executive officer concerning the structure and amount of compensation for our senior executive and raise them with the Board of Directors;
- review new executive compensation programs and the operations of existing programs;
- establish contracting practices to avoid excessive payments to executives;
- assist the Board of Directors in developing appropriate personnel policies;
- participate with the Board of Directors in developing a plan for employees to invest in our L Shares and review the implementation of such plan;
- report to the Board of Directors on its activities; and
- perform any other functions the Board of Directors may delegate to the Compensation Committee.

Senior Management

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

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

Mr. Carlos Cárdenas Blásquez is the son-in-law of Jaime Chico Pardo, one of our directors.

Statutory Auditors

Under our bylaws, the holders of a majority of our outstanding common shares (AA Shares and A Shares) may elect one or more statutory auditors (*comisarios*) and corresponding alternate statutory auditors, who serve until a successor is elected. Statutory auditors are normally elected or ratified at the annual general shareholders' meetings. The primary role of the statutory auditors is to report to the shareholders at the annual ordinary general meeting regarding the accuracy of the financial information presented to such holders by the Board of Directors. The statutory auditors are also authorized to:

- call ordinary or extraordinary general meetings;
- place items on the agenda for meetings of shareholders or the Board of Directors;
- attend meetings of shareholders, the Board of Directors or the Executive Committee; and
- generally monitor our affairs.

The statutory auditors also receive monthly reports from the Board of Directors regarding material aspects of our affairs, including our financial condition. The current statutory auditor and alternate statutory auditor are: Francisco Álvarez del Campo and Agustín Aguilar Laurents, respectively.

According to our bylaws and Mexican law, any holder or group of holders of at least 10% of our capital stock is entitled to name one statutory auditor. The appointment of statutory auditors elected as described above may only be revoked if the appointment of statutory auditors elected by the majority of the holders of our common shares is also revoked.

Compensation of Directors and Senior Management

The aggregate compensation paid to our directors and senior management in 2003 was approximately Ps. 2.1 million and Ps. 89 million, respectively. Provisions to provide pension, retirement or similar benefits for management totaled approximately Ps. 2.04 million.

During 2001, we established a stock option plan for our most senior executives. Our Compensation Committee and Board of Directors authorized the plan, reserving a total of 3,215,000 L Shares from our treasury. The subscription price for the 2001 plan is Ps. 1.00 per share. Participants under the plan may exercise 25% of the options during 2001, 25% during 2002, 25% during 2003, and the remaining 25% during 2004. Because the options do not expire if not exercised in a particular year, a participant could wait until the fourth anniversary of the plan to exercise 100% of the options granted by us. During 2002 and 2003, we established second and third plans, respectively, each of which functions under the same rules as the 2001 plan, except that the second plan has a one-year lag and the third plan has a two-year lag and a subscription price of Ps. 7.00 per share. In 2002, 2,939,000 additional L Shares, and in 2003 2,565,000 additional L Shares, were reserved from our treasury for such plans. As of December 31, 2003, a total of 3,355,750 L Shares have been acquired by our employees under our stock option plans.

Share Ownership

According to beneficial ownership reports filed with the SEC, Carlos Slim Helú, the chairman of our Board of Directors, and certain members of his immediate family, including his son and member of our Board of Directors, Patrick Slim Domit, together own a majority of the voting stock of América Telecom, S.A. de C.V., our controlling shareholder. See "Major Shareholders." In addition, according to beneficial ownership reports filed with the SEC, as of June 14, 2004, Carlos Slim Helú held 40,000 of our A shares and 100,000 of our L Shares directly, and Patrick Slim Domit held 8,134 of our L Shares directly. To our knowledge, none of our other directors, alternate directors or executive officers is the beneficial owner of more than 1% of any class of our capital stock.

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, 2003:

	December 31,		
	2001	2002	2003
Number of employees	14,786	17,553	24,860
Category of activity:			
Wireless	11,942	14,949	20,165
Fixed	2,844	2,604	4,695
Geographic location:			
Mexico	7,644	7,943	8,624
United States	646	466	356
Other Latin America	6,496	9,144	15,880

As of December 31, 2003, the *Sindicato Progresista de Trabajadores de Comunicación y Transporte de la República Mexicana* (Progressive Union of Communication and Transport Workers of the Mexican Republic) represented approximately 83% of the employees of Telcel. All management positions at Telcel are held by non-union employees. Salaries and certain benefits are renegotiated every year. In May 2004, Telcel and the union agreed to a 4.3% nominal increase in basic wages, retroactive to March 2004.

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

Some of our foreign subsidiaries, including Telecom Americas, Telgua, CTE and CTI, also have active employee unions.

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

Item 7. Major Shareholders and Related Party Transactions

MAJOR SHAREHOLDERS

The following table sets forth our capital structure as of April 30, 2004:

Class	Number of Shares (millions)	Percent of Capital	Percent of Voting Shares(*)
L Shares (no par value)	8,729	69.00%	—
AA Shares (no par value)	3,647	28.83	93.00%
A Shares (no par value)	274	2.17	7.00
Total	12,650	100.00%	100.00%

(*) Except on limited matters for which L Shares have voting rights.

The AA Shares represented 93.00% of the full voting shares (AA Shares and A Shares) and 28.83% of the total capital stock of América Móvil as of April 30, 2004. The AA Shares are owned by América Telecom, S.A. de C.V., SBC International Inc. (a subsidiary of the U.S. telecommunications company SBC Communications, Inc.) and certain other Mexican investors. The following table sets forth their respective ownership amounts and percentages of AA Shares as of April 30, 2004.

Shareholder	AA Shares Owned (millions)	Percent of Class	Percent of Voting Shares(*)
América Telecom	2,529	69.34%	64.49%
SBC International	956	26.22	24.39
Other Mexican holders of AA shares	162	4.44	4.12
Total	3,647	100.00%	93.00%

(*) Except on limited matters for which L Shares have voting rights.

América Telecom was established in November 2001 in a spin-off from Carso Global Telecom using a procedure under Mexican corporate law called escisión or "split-up." According to reports of beneficial ownership of our shares filed with the SEC, Carlos Slim Helú and certain members of his immediate family, including his son and member of our Board of Directors, Patrick Slim Domit, together own a majority of the voting stock of América Telecom.

América Telecom and SBCI are parties to an agreement relating to their ownership of AA Shares. Among other things, the agreement subjects certain transfers of AA Shares by either party to a right of first offer in favor of the other party, although the right of first offer does not apply to the conversion of AA Shares to L Shares, as permitted by our bylaws, or the subsequent transfer of L Shares. The agreement also provides for the composition of the Board of Directors and the Executive Committee and for each party to enter into a Management Services Agreement with us. See "Directors" and "Executive Committee" under Item 6 and "Related Party Transactions."

The following table identifies each owner of more than 5% of any class of our shares as of April 30, 2004. Except as described below, we are not aware of any holder of more than 5% of any class of our shares.

	AA Shares		A Shares		L Shares		
Shareholder	**Shares Owned (millions)**	**Percent of Class**	**Shares Owned (millions)**	**Percent of Class**	**Shares Owned (millions)**	**Percent of Class**	**Percent of Voting Shares**
América Telecom(1)	2,529	69.3%	48	17.5%	2,192	25.11%	65.71%
SBC International	956	26.2	—	—	—	—	24.3
JPMorgan Chase & Co.(2)	—	—	—	—	690	7.9	—
Capital Group International, Inc.(3)	—	—	—	—	559	6.41	—

(1) According to beneficial ownership reports filed with the SEC, América Telecom has the obligation to purchase approximately 1,132.5 million additional L Shares under forward share purchase transactions maturing between October 2005 and May 2009. As of June 14, 2004, according to beneficial ownership reports filed with the SEC, América Telecom was deemed a beneficial owner of 15.9% of our A Shares and 35.9% (including L Shares under the forward share purchase agreements described above) of our L Shares.

(2) Beneficial ownership, as of March 31, 2004, as reported in a Schedule 13G, filed by JPMorgan Chase & Co.

(3) Beneficial ownership, as of March 31, 2004, as reported in a Schedule 13G, filed by Capital Group International, Inc.

As of April 30, 2004, 76.70% of the outstanding L Shares were represented by L Share ADSs, each representing the right to receive 20 L Shares, and 99.99% of the L Share ADSs were held by 14,280 holders (including The Depositary Trust Company) with registered addresses in the United States. 25.68% of the A Shares were held in the form of A Share ADSs, each representing the right to receive 20 A Shares, and 99.99% of the A Share ADSs were held by 4,483 holders with registered addresses in the United States. Each A Share may be exchanged at the option of the holder for one L Share.

We may repurchase our shares on the Mexican Stock Exchange from time to time up to a specified maximum aggregate value authorized by the holders of AA Shares and A Shares and our Board of Directors. In March 2001, we were authorized by our shareholders to repurchase shares with an aggregate value of up to Ps. 5,000 million; in July 2001, we were authorized to repurchase an additional Ps. 5,000 million; in April 2003, we were authorized to repurchase an additional Ps. 5,000 million: and in April 2004, we were authorized to repurchase an additional Ps. 10,000 million, for a total aggregate value of Ps. 25,000 million. As of April 30, 2004, we had repurchased 1,322 million L Shares and 6 million A Shares, with an aggregate value of approximately Ps. 13,356 million.

RELATED PARTY TRANSACTIONS

Transactions with Telmex

We have, and expect to continue to have, a variety of contractual relationships with Telmex and its subsidiaries. These relationships include agreements arising out of the spin-off and certain transitional arrangements.

According to beneficial ownership reports filed with the SEC, Telmex is under common control with our controlling shareholder América Telecom.

Continuing Commercial Relationships

Because Telmex and Telcel provide telecommunications services in the same geographical markets, they have extensive operational relationships. These relationships include interconnection between their respective networks; use of facilities, particularly for the co-location of equipment on premises owned by Telmex; use by Telcel of Telmex's private circuits; and use by each of the services provided by the other. These relationships are subject to a variety of different agreements. Many of them are also subject to specific regulations governing all telecommunications operators. The terms of these agreements are similar to those on which each company does business with other, unaffiliated parties.

These operational relationships between Telcel and Telmex are material to our financial performance. In 2003, 17% of our total revenues (Ps. 52,466 million) was attributable to interconnection with Telmex, primarily representing payments under the calling party pays system arising from fixed-to-mobile calls. We had Ps. 498 million in accounts receivable from Telmex and subsidiaries at December 31, 2003. Also in 2003, Ps. 3,902 million of our cost of sales was attributable to payments to Telmex, primarily representing interconnection payments for long-distance calls carried by Telmex and use of facilities under leases and colocation agreements with Telmex.

Telmex distributes Telcel handsets and prepaid cards on commercial terms similar to those given to other cellular distributors. See "Mexican Operations—Sales and Distribution" under Item 4.

Implementation of Spin-off

The creation of América Móvil and the transfer of assets and liabilities to us were effected by the action of an extraordinary shareholders' meeting of Telmex held on September 25, 2000. Neither we nor Telmex made any promises to the other regarding the value of any of the assets we received in the spin-off. Under the shareholder resolutions adopted at the meeting, we are obligated to indemnify Telmex against any liability, expense, cost or contribution asserted against Telmex that arises out of the assets owned directly or indirectly by Sercotel, S.A. de C.V., the subsidiary whose shares were transferred to us in the spin-off.

We have entered into an agreement with Telmex to ensure that the purposes of the spin-off are fully achieved. Among other things, this agreement provides in general terms as follows:

- we agree to indemnify Telmex against any loss or expense resulting from the assertion against Telmex of any liabilities or claims that were transferred to us in the spin-off or that relate to the businesses transferred to us in the spin-off;
- Telmex agrees to indemnify us against any loss or expense resulting from the assertion against us of any liabilities or claims that were retained by Telmex in the spin-off or that relate to the businesses retained by Telmex in the spin-off;
- each party agrees to maintain the confidentiality of any information concerning the other that it obtained prior to the spin-off or that it obtains in connection with the implementation of the spin-off;
- each party agrees that it will not take any action that could reasonably be expected to prevent the spin-off from qualifying as tax-free under Mexican or U.S. federal tax laws;
- each party releases the other from certain claims arising prior to the spin-off—Telmex makes no representations concerning the assets transferred directly or indirectly in the spin-off.

Other Transactions

In April 2004, we sold our interests in Techtel and Telstar to Telmex for U.S.$75 million in the aggregate. See "Other Investments" under Item 4.

Transactions with Other Affiliates

In December 2003, as a result of a series of transactions, we exchanged our 49% interest in CompUSA, which we had acquired in March 2000, for a 29.9% interest in US Commercial Corp., S.A. de C.V. (whose controlling shareholder is an affiliate of América Telecom, our controlling shareholder) and approximately Ps. 180 million. We recorded a loss of Ps. 279 million on the transaction.

Certain affiliates of América Telecom purchased approximately U.S.$316 million in principal amount of the notes used to finance the acquisition of Tess by Telecom Américas in 2001. Telecom Americas made final payment of principal outstanding under the notes in March 2004.

Telcel purchases materials or services from a variety of companies that, according to beneficial ownership reports filed with the SEC, are under common control with our controlling shareholder América Telecom. 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 store chains. Telcel purchases these materials and services on terms no less favorable than it could obtain from unaffiliated parties, and would have access to other sources if our affiliates ceased to provide them on competitive terms.

We have agreements to receive consulting services from each of América Telecom and SBC. In 2003, we paid U.S.$10.0 million to América Telecom and U.S.$1.0 million to SBC in compensation for their respective services. Our audit committee has approved an increase to U.S.$15.0 million in the fees paid to América Telecom annually.

Item 8. Financial Information

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

DIVIDENDS

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

Year ended December 31,	Pesos per Share	Dollars per Share
2003	Ps.0.056	U.S.$0.005
2002	0.043	0.004
2001	0.030	0.003

The declaration, amount and payment of dividends by América Móvil is determined by majority vote of the holders of AA Shares and A Shares, generally on the recommendation of the Board of Directors, and depends on our results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by the holders of AA Shares and A Shares. We declared a dividend in April 2002 of Ps.0.044 per share, payable in four equal installments of Ps.0.011 per share in June, September and December 2002 and March 2003. We declared a dividend in April 2003 of Ps.0.06 per share, payable in four installments of Ps.0.015 per share in June, September and December 2003 and March 2004. In an ordinary shareholders meeting held on April 27, 2004, our shareholders resolved to pay a dividend of Ps. 0.12 per share, payable in four installments of Ps. 0.03 per share, for each AA, A and L Share outstanding on the payment dates of June 24, 2004, September 23, 2004, December 23, 2004 and March 23, 2005.

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

LEGAL PROCEEDINGS

In each of the countries in which we conduct operations, we are party to various legal proceedings in the ordinary course of business. These proceedings include, without limitation, tax, labor, antitrust and contractual claims and claims regarding interconnection practices or agreements. Our concessions are generally subject to early termination for violations of certain service, quality and coverage standards and in the case of our fixed-line operations, of certain interconnection obligations. We are also party to a number of proceedings regarding our compliance with concession standards. As of the date of this annual report, we believe that none of these proceedings is likely to result in the revocation of any of our material concessions. Below is a summary of the most significant legal proceedings in which we are currently involved.

Telcel

In November 1995, a competitor of Telcel that provides cellular telephone services reported Telmex and Telcel to Cofeco, the Federal Competition Commission, for alleged monopolistic practices. In July 2001, Cofeco ruled that Telmex was responsible for the alleged monopolistic practices. The ruling did not find Telcel responsible for such practices.

Administrative proceedings were commenced in January and June 2001 by Cofeco against Telcel for alleged anti-competitive behavior in connection with actions by certain distributors of Telcel in 2001. In May 2002, Cofeco ruled against Telcel in connection with the proceeding begun in January. Telcel appealed this ruling in June 2002. In September 2002, Cofeco ruled against this appeal. Telcel filed a lawsuit (demanda de nulidad) against this ruling in January 2003, the resolution of which is still pending. With respect to the administrative proceedings commenced in June 2001, Cofeco ruled against Telcel in December 2002, and Telcel appealed this ruling. In May 2003, Cofeco ruled against this appeal. In August 2003, Telcel filed a lawsuit (demanda de nulidad) against this ruling, the ruling of which is pending. If we are unsuccessful in challenging these proceedings, they may result in fines or specific regulations applicable to Telcel.

We have received requests for information from the Mexican Banking and Securities Commission (the Comisión Nacional Bancaria y de Valores or the CNBV) and the SEC regarding Telcel's entry into a capacity services agreement with Operadora Unefon in September 2003. To our knowledge, the investigation regards the alleged use by Operadora Unefon of the U.S.$267.7 million paid by Telcel to Operadora Unefon under the agreement and related public disclosures made by an affiliate of Operadora Unefon. We are cooperating with the authorities.

Under the terms of its concessions for the 800 megahertz spectrum, Telcel must pay a royalty on gross revenues from concessioned services. The royalty is levied at rates that vary from region to region but average approximately 8%. We believe that short message services are value-added services, which are not concessioned services, and that revenues from short message services should not be subject to this royalty. In related proceedings, Cofetel has ruled that short text messages are subject to the interconnection regulatory regime and that such services do not constitute value-added services. We are currently disputing these issues in an administrative proceeding, but have made provisions in our financial statements with respect to this potential liability.

Telgua

In June 2000, the executive branch of the Guatemalan government issued declarations concerning Empresa Guatemalteca de Telecomunicaciones (Guatel), a Guatemalan state agency that conducted the privatization of Telgua. The declarations stated that certain actions of Guatel relating to the privatization of Telgua were contrary to the interests of the Guatemalan State. In September 2000, the Guatemalan government commenced judicial proceedings against Guatel, Telgua and certain other parties involved in the privatization of Telgua seeking reversal of the privatization.

In October 2001, the Guatemalan State announced a governmental accord issued by the President of Guatemala and the Cabinet Ministers establishing the principal terms and conditions of a settlement agreement among the Guatemalan State, Telgua, Guatel and America Central Tel S.A. (ACT), and ordering the Attorney General of Guatemala to enter into such agreement in the name and on behalf of the Guatemalan State. Under the terms of the settlement agreement, which was executed on October 2001, Telgua agreed, among other things, to undertake a fixed, mobile, rural and Internet telephone development project within Guatemala, to be completed within a period of three years and to consist of an investment of at least 1,950 million quetzals (approximately U.S.$246 million), and to establish a total of 380,000 public, mobile and rural telephone lines. Pursuant to the settlement agreement, the Guatemalan State, ACT and Telgua agreed to abandon all litigation and related actions with respect to this matter. While the competent court held that as a procedural matter the attorney for the Guatemalan State could not withdraw the State's claims, it recognized the settlement agreement and ordered the files closed. During 2002, certain former government officials presented claims to the Guatemalan courts challenging the validity of the October 2001 settlement agreement on the grounds that they should have been included as parties. These actions are pending.

In addition, judicial proceedings were commenced in the United States District Court for the Southern District of New York in March 2001 by International Telecom, Inc. (ITI) against Generadora Eléctrica de Oriente, S.A. (GEDO), Antonio Jorge Álvarez and Telgua, alleging breach of contract, tortious interference with contract and fraud in connection with an international telecommunications service agreement. In March 2002, the court granted Telgua's motion to dismiss the case against it for lack of personal jurisdiction, holding that Telgua had insufficient contacts with New York to subject it to jurisdiction in that forum. After a final judgment is issued, ITI, GEDO or Mr. Álvarez may appeal the decision dismissing Telgua from the litigation to the United States Court of Appeals for the Second Circuit.

Comcel

The Colombian tax authorities have demanded that Comcel and Occel pay additional value-added taxes arising from cellular activation fees in 1995 and 1996. Comcel and Occel have challenged these claims before the corresponding administrative authorities. The administrative authorities have reviewed several of the bi-monthly tax periods in question and have decided all of them in favor of Comcel and Occel. The amount claimed by the tax authorities (including fines and interest) relating to the tax periods for which challenges were still pending as of December 31, 2003 totaled approximately Colombian Ps. 19.6 billion for Comcel and Colombian Ps. 2.7 billion for Occel (approximately Ps. 79.2 million and Ps. 10.9 million, respectively). In the opinion of its management, Comcel and Occel have appropriately filed and paid the value-added tax for all of the periods in question and has made no provisions in its financial statements as of December 31, 2003 against these proceedings.

In March 2000, the Colombian Superintendencia de Industria y Comercio (SIC) issued Resolution No. 4954, requiring Comcel to pay a fine of Colombian Ps. 234 million for alleged anti-competitive behavior. In addition to this administrative fine, the SIC ordered Comcel to pay damages to other long distance operators. The long distance operators estimated their damages to be U.S.$70 million. Comcel requested an administrative review of the damages decision, which was denied in June 2000. Comcel appealed, and the appeal was rejected in November 2000. Comcel resubmitted the appeal in February 2001.

Comcel also filed a special action in court challenging the denial of the administrative review. Following a series of court proceedings, a Colombian appeals court in June 2002 ordered that Comcel’s February 2001 appeal be granted and that the administrative decision against Comcel be reviewed. After additional proceedings, the Consejo Superior de la Judicatura ratified this decision. However, in 2003, an appeals court decided to revoke the decision of the Consejo Superior de la Judicatura, and the Tribunal Superior de Bogotá currently is reverting the procedure back to the SIC in order to continue the damages claim.

Telecom Americas

ANATEL has challenged each of Tess and ATL regarding the calculation of inflation-related adjustments due under these companies’ concession agreements with ANATEL. Forty percent of the concession price under each of these agreements was due upon execution and 60% was due in three equal annual installments (subject to inflation-related adjustments and interest) beginning in 1999. Both companies have made these concession payments, but ANATEL has rejected the companies’ calculation of the inflation-related adjustments and requested payment of the alleged deficiencies. The companies have filed declaratory and consignment actions in Brazilian courts seeking resolution of the disputes. The court of first instance ruled against ATL’s filing for declaratory action in October 2001 and ATL’s filing for consignment action in September 2002. Subsequently, ATL filed appeals, which are pending. In September 2003, the court of first instance ruled against Tess’ filing for consignment action. Subsequently, Tess filed an appeal, which is still pending. No ruling has been made to date in respect of the declaratory action filed by Tess. The aggregate contested amounts were approximately Reais 422 million (including potential penalties and interest) (U.S.$146 million) at December 31, 2003. We have made provisions in our financial statements for these potential liabilities.

Prior to our acquisition of Telet and Americel, BNDESPar, a subsidiary of BNDES, the Brazilian development bank, had entered into investment and other shareholder agreements with Americel, Telet and certain of their significant shareholders. Under these agreements, BNDESPar had the right, among others, to participate in the sale of shares of Telet and Americel in the event of certain transfers of control, for so long as BNDESPar held 5% of the share of capital in those companies. In October 2003, we increased the capital of each of Telet and Americel and BNDESPar's ownership fell below 5% from approximately 20% in each as it elected not to exercise its preemptive rights. Subsequently, BNDESPar sent official notices to Telet and Americel reserving its rights under the agreements in respect of certain past transfers of shares. More recently, in May 2004, Telecom Americas was served with an official notice from BNDESPar, whereby BNDESPar demanded that Telecom Americas purchase the shares of Americel and Telet that are held by BNDESPar based on a price used for transactions occurring in June 2001, which according to the notice would amount to approximately U.S.160 million**.** To our knowledge, BNDESPar has not commenced judicial action against us or any of our subsidiaries. We do not believe that BNDESPar has a valid claim against us or our subsidiaries under the agreements, and we do not intend to voluntarily purchase those shares at that price.

In Brazil, our operating subsidiaries are subject to certain significant legal proceedings affecting the wireless telecommunications industry in general regarding property rights over caller id technology and the application of certain gross revenue taxes. We believe that the likelihood of these claims being resolved against our interest is remote. However, any such adverse resolution may have a material adverse effect on our results of operations and financial condition. We have made no provisions in our financial statements with respect to these proceedings.

CompUSA

In January 2000, a lawsuit was filed in Texas against CompUSA on behalf of COC Services, Ltd. ("COC") alleging, among other things, breach of contract, tortious interference and conspiracy in connection with a letter of intent for the franchising of retail stores in Mexico. The lawsuit also named as defendants James Halpin, CompUSA's former chief executive officer, Mr. Carlos Slim Helú, our chairman, and certain other persons. The jury trial concluded in February 2001 with a jury verdict against CompUSA in the amount of U.S.$90 million in actual damages. The verdict also awarded punitive damages in the amount of U.S.$94.5 million against CompUSA and U.S.$175.5 million against Mr. Halpin. Damages were also awarded against the remaining defendants.

In March 2001, CompUSA and the other defendants filed a motion with the trial court for judgment notwithstanding the verdict. In May 2001, the trial court granted the motion for judgment notwithstanding the verdict, vacating the award against CompUSA and Mr. Halpin and reducing significantly the amount of damages. COC has appealed the judgment, and the Court of Appeals heard arguments in April 2003. The case has been briefed and argued and awaits the decision of the Court of Appeals. Despite the significant reduction in damages, Mr. Slim Helú and the other defendants have appealed seeking discharge from all claims.

Item 9. The Offer and Listing

TRADING MARKETS

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

L Shares	Mexican Stock Exchange—Mexico City Mercado de Valores Latinoamericanos en Euros (LATIBEX)—Madrid, Spain
L Share ADSs ...	New York Stock Exchange—New York Frankfurt Stock Exchange—Frankfurt
A Shares	Mexican Stock Exchange—Mexico City
A Share ADSs ...	NASDAQ National Market—New York

The following table sets forth, for the periods indicated, the reported high and low sales prices for the L Shares on the Mexican Stock Exchange and the reported high and low sales prices for the L Share ADSs on the New York Stock Exchange. Prices have not been restated in constant currency units.

	Mexican Stock Exchange		New York Stock Exchange	
	High	Low	High	Low
	(pesos per L Share)		(U.S. dollars per L Share ADS)	
Annual highs and lows				
2001	Ps.11.26	Ps. 5.83	U.S.$23.20	U.S.$12.29
2002	9.23	5.72	20.39	11.54
2003	15.46	6.99	27.34	12.50
Quarterly highs and lows				
2002:				
First quarter	Ps. 9.23	Ps. 8.17	U.S.$20.39	U.S.$17.00
Second quarter	9.11	5.96	19.79	11.89
Third quarter	7.11	5.72	14.52	11.54
Fourth quarter	7.73	6.06	15.35	11.88
2003:				
First quarter	Ps. 8.12	Ps. 6.99	U.S.$15.62	U.S.$12.50
Second quarter	9.84	7.29	18.80	13.61
Third quarter	12.99	9.99	23.68	19.16
Fourth quarter	15.46	12.40	27.34	22.20
Monthly highs and lows				
2003:				
January	Ps. 8.12	Ps. 7.53	U.S.$15.62	U.S.$13.88
February	7.78	6.99	14.30	12.50
March	7.76	7.27	14.07	13.31
April	8.73	7.29	16.89	13.61
May	9.45	8.67	18.26	16.74
June	9.84	9.37	18.80	17.60
July	11.89	9.99	22.74	19.16
August	12.79	11.29	23.08	20.78
September	12.99	12.64	23.68	23.00
October	13.17	12.40	23.80	22.20
November	14.81	13.69	26.12	24.59
December	15.46	14.55	27.34	25.84
2004:				
January	Ps.18.23	Ps.15.72	U.S.$33.48	U.S.$28.32
February	20.09	17.85	26.89	31.95
March	21.85	19.43	39.08	34.99
April	22.28	19.30	39.73	33.80
May	20.66	18.29	36.37	31.35

The table below sets forth, for the periods indicated, the reported high and low sales prices for the A Shares on the Mexican Stock Exchange and the high and low bid prices for A Share ADSs published by NASDAQ. Bid prices published by NASDAQ for the A Share ADSs are inter-dealer quotations and may not reflect actual transactions. Prices have not been restated in constant currency units.

	Mexican Stock Exchange		NASDAQ	
	High	Low	High	Low
	(pesos per A Share)		(U.S. dollars per A Share ADS)	
Annual highs and lows				
2001	Ps.11.23	Ps. 5.80	U.S.$23.00	U.S.$11.70
2002	9.20	5.60	20.20	11.60
2003	15.35	6.94	27.05	12.57
Quarterly highs and lows				
2002:				
First quarter	Ps. 9.20	Ps. 8.12	U.S.$20.20	U.S.$17.00
Second quarter	9.10	5.90	19.35	12.10
Third quarter	7.15	5.60	14.59	11.60
Fourth quarter	7.75	6.15	15.60	11.75
2003:				
First quarter	Ps. 8.02	Ps. 6.94	U.S.$15.50	U.S.$12.57
Second quarter	9.80	7.20	19.10	13.50
Third quarter	12.92	9.90	23.44	18.83
Fourth quarter	15.35	12.72	27.05	22.00
Monthly highs and lows				
2003:				
January	Ps. 8.02	Ps. 7.45	U.S.$15.50	U.S.$13.50
February	7.75	6.94	14.04	12.57
March	7.70	7.31	14.60	13.05
April	8.70	7.20	16.91	13.50
May	9.40	8.70	18.20	16.50
June	9.80	9.26	19.10	17.45
July	11.83	9.90	22.50	18.83
August	12.56	11.15	22.99	20.76
September	12.92	12.61	23.44	22.26
October	13.20	12.72	23.65	22.00
November	14.60	13.60	26.50	23.82
December	15.35	14.50	27.05	24.50
2004:				
January	Ps.18.60	Ps.15.45	U.S.$34.50	U.S.$28.00
February	20.03	17.80	37.00	31.26
March	21.75	19.20	40.00	34.92
April	22.20	19.80	39.75	33.91
May	20.60	19.00	35.95	31.02

TRADING ON THE MEXICAN STOCK EXCHANGE

The Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A. de C. V.*), located in Mexico City, is the only stock exchange in Mexico. Founded in 1907, it is organized as a corporation and operates under a concession from the Ministry of Finance and Public Credit. Its shares are held by 30 brokerage firms, which are exclusively authorized to trade on the Exchange. Trading on the Mexican Stock Exchange takes place principally through automated systems between the hours of 8:30 a.m. and 3:00 p.m. Mexico City time, each business day. The Mexican Stock Exchange operates a system of automatic suspension of trading in shares of a particular issuer as a means of controlling excessive price volatility, but under current regulations this system does not apply to securities such as the A Shares or the L Shares that are directly or indirectly (for example, through ADSs) quoted on a stock exchange (including for these purposes NASDAQ) outside Mexico.

Settlement is effected two business days after a share transaction on the Mexican Stock Exchange. Deferred settlement, even by mutual agreement, is not permitted without the approval of the Mexican National Securities Commission (CNBV). Most securities traded on the Mexican Stock Exchange, including those of América Móvil, are on deposit with Institución para el Depósito de Valores, S.A. de C.V. (Indeval), a privately owned securities depositary that acts as a clearinghouse for Mexican Stock Exchange transactions.

Item 10. Additional Information

BYLAWS

Set forth below is a brief summary of certain significant provisions of our bylaws and Mexican law. This description does not purport to be complete and is qualified by reference to our bylaws, which have been filed as an exhibit to this annual report. For a description of the provisions of our bylaws relating to our Board of Directors, Executive and Audit Committees and statutory auditors, see "Item 6—Directors, Senior Management and Employees."

We amended our bylaws in July 2001 in order to comply with the amendments to the Securities Market Law and the National Banking and Securities Commission Law published on June 1, 2001 in the *Diario Oficial* (Official Gazette), which are designed, among other things, to protect the rights of minority shareholders.

On March 19, 2003, the CNBV published new general rules, the New Rules, for Mexican issuers, which codify the principal rules applicable to issuers and public offerings. The New Rules increased the obligations and responsibilities of the Audit Committee by requiring the committee's opinion to delist or cancel the registration of the shares of a company and to authorize any changes to the accounting policies and practices, among other important provisions.

Pursuant to the New Rules, we amended certain articles of our bylaws on December 8, 2003 principally to comply with the new requirements for the delisting and cancellation of the registration of our shares.

Organization and Register

América Móvil is a *sociedad anónima de capital variable* organized in Mexico under the Mexican General Corporations Law (*Ley General de Sociedades Mercantiles*). It was registered in the Public Registry of Commerce of Mexico City on October 13, 2000 under the number 263770.

Share Capital

Our capital stock comprises Series AA Shares, without par value, Series A Shares, without par value and Series 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*. The rights of holders of all series of capital stock are otherwise identical except for limitations on non-Mexican ownership of AA Shares. The AA Shares, which must always represent at least 51% of the combined AA Shares and A Shares, may be owned only by holders that qualify as Mexican investors as defined in the Foreign Investment Law and our bylaws. See—*Limitations on Share Ownership*.

Each AA Share or A Share may be exchanged at the option of the holder for one L Share, provided that the AA Shares may never represent less than 20% of our outstanding capital stock or less than 51% of our combined AA Shares and A Shares. The AA Shares represented 93.00% of the full voting shares (AA Shares and A Shares) and 30.99% of the total capital stock of América Móvil as of April 30, 2004.

Voting Rights

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

- the transformation of América Móvil from one type of company to another,
- any merger of América Móvil,

- the extension of our corporate life,
- our voluntary dissolution,
- a change in our corporate purpose,
- a 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. The determination whether an action requires a class vote on these grounds would initially be made by the Board of Directors or other party calling for shareholder action. A negative determination would be subject to judicial challenge by an affected shareholder, and the necessity for a class vote would ultimately be determined by a court. 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. Holders of L Shares are not entitled to attend or address meetings of shareholders at which they are not entitled to vote.

A special meeting of the holders of L Shares must be held each year for the election or ratification of directors and statutory auditors. An ordinary general meeting of the holders of AA Shares and A Shares must be held each year to consider the approval of the financial statements for the preceding fiscal year, to elect or ratify directors and statutory auditors and to determine the allocation of the profits of the preceding year.

The quorum for an ordinary general meeting of the AA Shares and A Shares is 50% of such shares, and action may be taken by a majority of the shares present. If a quorum is not available, a second meeting may be called at which action may be taken by a majority of the AA Shares and A Shares present, regardless of the number of such shares. Special meetings of holders of L Shares are governed by the same rules applicable to ordinary general meetings of holders of AA Shares and A Shares. The quorum for an extraordinary general meeting at which holders of L Shares may not vote is 75% of the AA shares and A Shares, and the quorum for an extraordinary general meeting at which holders of L Shares are entitled to vote is 75% of the outstanding capital stock. If a quorum is not available in either case, a second meeting may be called and action may be taken, provided a majority of the shares entitled to vote is present. Whether on first or second call, actions at an extraordinary general meeting may be taken by a majority vote of the AA Shares and A Shares outstanding and, on matters which holders of L Shares are entitled to vote, a majority vote of all the capital stock.

Holders of 20% of our outstanding capital stock may have any shareholder action set aside by filing a complaint with a court of law within 15 days after the close of the meeting at which such action was taken and showing that the challenged action violates Mexican law or our bylaws. In addition, any holder of our capital stock may bring an action at any time within five years challenging any shareholder action. Relief under these provisions is only available to holders:

- who were entitled to vote on, or whose rights as shareholders were adversely affected by, the challenged shareholder action, and
- whose shares were not represented when the action was taken or, if represented, were voted against it.

Shareholders' meetings may be called by the Board of Directors, its chairman, its secretary, the statutory auditors or a court. The Board of Directors or the statutory auditors may be required to call a meeting of shareholders by the holders or 10% of the outstanding capital stock. Notice of meetings must be published in the *Diario Oficial de la Federación* (Official Gazette of the Federation) or a newspaper of general circulation in Mexico City at least 15 days prior to the meeting. In order to attend a meeting, shareholders must deposit their shares at the office of our corporate secretary with a Mexican or foreign banking institution or with a Mexican exchange broker. If so entitled to attend the meeting, a shareholder may be represented by proxy. The depositary for the L Share ADSs and the A Share ADSs does not satisfy this requirement, so ADS holders are not entitled to attend shareholder meetings. However, ADS holders may still vote through the depositary.

Dividend Rights

At the annual ordinary general meeting of holders of AA Shares and A Shares, the Board of Directors submits our financial statements for the previous fiscal year, together with a report thereon by the Board, to the holders of AA Shares and A Shares for approval. The holders of AA Shares and A Shares, once they have approved the financial statements, determine the allocation of our net profits for the preceding year. They are required by law to allocate 5% of such net profits to a legal reserve, which is not thereafter available for distribution except as a stock dividend, until the amount of the legal reserve equals 20% of our capital stock. The remainder of net profits is available for distribution.

All shares outstanding at the time a dividend or other distribution is declared are entitled to participate in such dividend or other distribution, subject to certain preferential rights of the L Shares. See "—Preferential Rights of L Shares."

Preferential Rights of L Shares

Holders of L Shares are entitled to receive a cumulative preferred annual dividend of 0.00125 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 liquidation of América Móvil, holders of L Shares will be entitled to a liquidation preference equal to:

- accrued but unpaid L Share preferred dividends, plus
- 0.025 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, 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 *Diario Oficial de la Federación* (Official Gazette of the Federation) and a newspaper of general circulation in Mexico City. Under Mexican law, preemptive rights cannot be traded separately from the corresponding shares that give rise to such rights. As a result, there is no trading market for the rights in connection with a capital increase. Holders of ADSs may exercise preemptive rights only through the depositary. We are not required to take steps that may be necessary to make this possible. See "Description of American Depositary Shares—Share Dividends and Other Distributions" under Item 12.

Limitations on Share Ownership

Our bylaws provide that at least 20% of our capital stock must consist of AA Shares. Our bylaws also provide that A Shares and L Shares together cannot represent more than 80% of our capital stock.

AA shares can only be held or acquired by:

- Mexican citizens,
- Mexican corporations whose capital stock is held completely by Mexican citizens and whose articles of incorporation contain a foreigner exclusion clause,
- Mexican corporations whose articles of incorporation provide that at least 51% of their capital stock may only be held or acquired by (i) Mexican citizens, (ii) Mexican corporations whose articles of incorporation contain a foreigner exclusion clause or (iii) Mexican corporations that allow minority foreign participation,
- Mexican credit and insurance companies,
- Mexican investment companies operating under the Investment Companies Law 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 completely held by Mexican citizens, and Mexican credit, insurance and investment companies or (ii) the AA Shares controlled by the trust represent a minority of the outstanding AA Shares and are voted in the same manner as the majority of the outstanding AA Shares.

If foreign governments or states acquire our AA Shares, such shares would immediately be rendered without effect or value.

Non-Mexican investors cannot hold AA Shares except through trusts that effectively neutralize their votes. SBCI, one of our shareholders, holds its AA Shares through a trust that has been approved by relevant authorities in Mexico for this purpose.

Restrictions on Certain Transactions

Our bylaws provide that any transfer of more than 10% of the combined A Shares and AA Shares, effected in one or more transactions by any person or group of persons acting in concert, requires prior approval by our Board of Directors. If the Board of Directors denies such approval, however, Mexican law and our bylaws require it to designate an alternate transferee, who must pay market price for the shares as quoted on the Mexican Stock Exchange.

Restrictions on Deregistration in Mexico

Our shares are registered with the National Registry for Securities, as required under the Securities Market Law and regulations issued by the CNBV.

If we wish to cancel our registration, or if it is cancelled by the CNBV, the stockholders having the majority of the ordinary shares or that may, on any basis, impose decisions at shareholders' meetings, or appoint the majority of the Board of Directors of the Company at that time will be required to make a public offer to purchase all outstanding shares prior to such cancellation.

Unless the CNBV authorizes otherwise, 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.

In order to comply with the Rules, at the extraordinary shareholders meeting held in December 8, 2003, we amended certain articles of our bylaws. Some of the amendments were made to comply with certain new requirements for the delisting and cancellation of the registration of the shares of the company. As a result, our bylaws now provide that if, after the public offer is concluded, there are still outstanding shares held by the general public, the shareholders that control América Móvil will be required to create a trust for a period of six months, into which such controlling shareholders 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. Within the five days prior to the commencement of the public offer, after taking into account the opinion of the audit committee, our Board of Directors must publish its opinion regarding the offer price.

Tender Offer Rules

Our bylaws provide that any purchasers or group of purchasers that obtain or increase a significant participation (*i.e.*, 30% or more) in the capital stock of the company, without conducting a previous public offer in accordance with the applicable rules issued by the CNBV, would not have the right to exercise the corporate rights of their shares, and that the company will not register such shares in the share registry book.

Other Provisions

Variable capital. We are permitted to issue shares constituting fixed capital and shares constituting variable capital. All of our outstanding shares of capital stock constitute fixed capital. The issuance of variable-capital shares, unlike the issuance of fixed-capital shares, does not require an amendment of the bylaws, although it does require a majority vote of the AA Shares and the A Shares. Under Mexican law and our bylaws, if we issued variable-capital shares, any holder of such shares would be entitled to redeem them at the holder's option at any time at a redemption price equal to the lower of:

- 95% of the average market value of such shares on the Mexican Stock Exchange for 30 trading days preceding the date on which the exercise of the option is effective and
- the book value of such shares at the end of the fiscal year in which the exercise of the option is effective.

The redemption price would be payable following the annual ordinary general meeting of holders of AA Shares and A Shares at which the relevant annual financial statements were approved.

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

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

Duration. América Móvil's existence under the bylaws continues indefinitely.

Purchase of our own shares. According to the bylaws, we may repurchase our shares on the Mexican Stock Exchange at any time at the then prevailing market price. Any such repurchase must conform to guidelines established by the Board of Directors, and the amount available to repurchase shares must be approved by the general ordinary shareholders meeting. In the event of any such repurchase, our capital stock will be reduced automatically in an amount equal to the assumed par value of each repurchased share (determined by dividing our outstanding capital stock by the number of shares outstanding immediately prior to such repurchase); if the purchase price of such shares exceeds the assumed par value, the difference will be charged against amounts allocated from net earnings to a special reserve created for the repurchase of shares. Repurchased shares will be held as treasury stock, pending future sales thereof on the Mexican Stock Exchange or cancellation. Our capital stock is automatically increased upon the resale of such shares in an amount equal to their assumed par value; any excess amount is allocated to the special reserve referred to above. The economic and voting rights corresponding to repurchased shares may not be exercised during the period in which we own such shares, and such shares are not deemed to be outstanding for purposes of calculating any quorum or vote at any shareholders' meeting during such period.

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

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

Rights of Shareholders

The protections afforded to minority shareholders under Mexican law are different from those in the United States and many other jurisdictions. The substantive law concerning fiduciary duties of directors has not been the subject of extensive judicial interpretation in Mexico, unlike many states in the United States where duties of care and loyalty elaborated by judicial decisions help to shape the rights of minority shareholders. Mexican civil procedure does not contemplate class actions or shareholder derivative actions, which permit shareholders in U.S. courts to bring actions on behalf of other shareholders or to enforce rights of the corporation itself. Shareholders cannot challenge corporate action taken at a shareholders' meeting unless they meet certain procedural requirements, as described above under "Shareholders' Meetings."

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

In addition, under the U.S. securities laws, as a foreign private issuer we are exempt from certain rules that apply to domestic U.S. issuers with equity securities registered under the U.S. Securities Exchange Act of 1934, including the proxy solicitation rules and the rules requiring disclosure of share ownership by directors, officers and certain shareholders. We are also exempt from the corporate governance requirements of the New York Stock Exchange and NASDAQ, except that beginning in July 2005 we will be subject to the requirements concerning audit committees and independent directors adopted pursuant to the Sarbanes-Oxley Act of 2002.

Enforceability of Civil Liabilities

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

CERTAIN CONTRACTS

Telcel has entered into concession agreements with the Mexican Communications Ministry with respect to its Band B and Band D licenses in each of the nine regions in Mexico. See "Mexican Operations—Regulation" under Item 4. A number of our subsidiaries and affiliates have also entered into telecommunications concession agreements with regulatory authorities in the countries in which they operate. See "Mexican Operations," "Non-Mexican Operations—Telecom Americas" and "Other Investments" under Item 4.

Our agreements with related parties are described in "Related Party Transactions" under Item 7.

EXCHANGE CONTROLS

Mexico has had a free market for foreign exchange since 1991, and the government has allowed the peso to float freely against the U.S. dollar since December 1994. There can be no assurance that the government will maintain its current foreign exchange policies. See "Exchange Rates" under Item 3.

TAXATION

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

The Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion and a Protocol thereto (the "Tax Treaty") between the United States and Mexico entered into force on January 1, 1994. The United States and Mexico have also entered into an agreement concerning the exchange of information with respect to tax matters.

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

Mexican Tax Considerations

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

For purposes of Mexican taxation, tax residency is a highly technical definition that involves the application of a number of factors. Generally, an individual is a resident of Mexico if he or she has established his or her home in Mexico, and a corporation is considered a resident if it is incorporated under the laws of Mexico or it has its center of interests in Mexico. However, any determination of residence should take into account the particular situation of each person or legal entity.

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 holder disposing of his shares to be entitled to the benefits under any of the tax treaties to which Mexico is a party. These procedural requirements include among others the obligation to (i) prove tax treaty residence, (ii) present tax calculations made by authorized certified public accountants and (iii) appoint representatives in Mexico for taxation purposes.

Payment of Dividends

Dividends, either in cash or in kind, paid with respect to the L Shares, A Shares, L Share ADSs or A Share ADSs will not be subject to Mexican withholding tax.

Taxation of Dispositions

Under current Mexican law and regulations, there is no basis for the Mexican tax authorities to impose taxes on income realized by a nonresident holder from a disposition of ADSs, provided that (i) the transaction is carried out through (a) the Mexican Stock Exchange, (b) other securities exchanges or markets approved by the Mexican Ministry of Finance or (c) other securities exchanges or markets with ample securities trading that are located in countries with which Mexico has entered into an income tax treaty, such as the New York Stock Exchange, the Frankfurt Stock Exchange, NASDAQ and the *Mercado de Valores Latinoamericanos en Euros* (LATIBEX), and (ii) certain other requirements are met. In addition, income realized by a nonresident holder from tendering shares or ADSs pursuant to a public tender offer may be exempt from Mexican taxation, provided that certain requirements are met. Sales or other dispositions of shares or ADSs carried out in other circumstances generally are subject to Mexican tax, except to the extent that a nonresident holder is eligible for benefits under an income tax treaty to which Mexico is a party.

For non-resident corporations and individuals that do not meet the requirements above mentioned, gross income obtained on the sale or disposition of shares will be subject to 5% tax if the transaction is carried out through the Mexican Stock Exchange or other securities markets approved by the Mexican Ministry of Finance. Under certain circumstances, non-resident corporations and individuals, alternatively, may elect to pay a 20% tax on the net amount of the transaction.

Pursuant to the Tax Treaty, gains realized by a U.S. holder (as defined in—*U.S. Federal Income Tax Considerations*) from the sale or other disposition of shares, even if the sale or disposition is not carried out under the circumstances described in the preceding paragraphs, will not be subject to Mexican income tax, provided that 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.

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

In other cases, nonresident holders will be subject to Mexican income tax on the sale or other disposition of shares or ADSs. Such nonresident holders should consult with their own tax advisers as to how Mexican income tax would apply to their circumstances.

If a corporation is a resident in a tax haven (as defined by the Mexican Income Tax Law), the applicable rate will be 40% on the gross income obtained.

Other Mexican Taxes

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

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, 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, 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 organized under the laws of the United States of America or any state thereof, or
- otherwise subject to U.S. federal income taxation on a net income basis with respect to the shares or ADSs.

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

Treatment of ADSs

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

Taxation of Distributions

In this discussion, we use the term "dividends" to mean distributions paid out of our current or accumulated earnings and profits with respect to shares or ADSs. In general, the gross amount of any dividends will be includible in the gross income of a U.S. holder as ordinary income on the day on which the dividends are received by the U.S. holder, in the case of shares, or by the depositary, 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 depositary, in the case of ADSs (regardless of whether such pesos are in fact converted into U.S. dollars on such date). If such dividends are converted into U.S. dollars on the date of receipt, a U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the dividends. U.S. holders should consult their own tax advisors regarding the treatment of foreign currency gain or loss, if any, on any pesos received by a U.S. holder or depositary that are converted into U.S. dollars on a date subsequent to receipt. Dividends paid by us will not be eligible for the dividends-received deduction allowed to corporations under the U.S. Internal Revenue Code of 1986, as amended (the "Code").

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual prior to January 1, 2009 with respect to the ADSs will be subject to taxation at a maximum rate of 15% if the dividends are "qualified dividends." Dividends paid on the ADSs will be treated as qualified dividends if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company ("PFIC"), foreign personal holding company ("FPHC") or foreign investment company ("FIC"). The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our audited financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC, FPHC or FIC for U.S. federal income tax purposes with respect to 2003 taxable year. In addition, based on our audited 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, FPHC or FIC for 2004 taxable year. Based on existing guidance, it is not entirely clear whether dividends received with respect to the shares will be treated as qualified dividends, because the shares are not themselves listed on a U.S. exchange. In addition, the U.S. Treasury has announced its intention to promulgate rules pursuant to which holders of ADSs or common stock and intermediaries though whom such securities are held will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividends. Because such procedures have not yet been issued, it is not clear whether we will be able to comply with them. Holders of ADSs and common shares should consult their own tax advisors regarding the availability of the reduced dividend tax rate in the light of their own particular circumstances.

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

Taxation of Dispositions

A U.S. holder generally will recognize capital gain or loss on the sale or other disposition of the shares or ADSs in an amount equal to the difference between the U.S. holder’s basis in such shares or ADSs (in U.S. dollars) and the amount realized on the disposition (in U.S. dollars, determined at the spot rate on the date of disposition if the amount realized is denominated in a foreign currency). Gain or loss recognized by a U.S. holder on such sale or other disposition generally will be long-term capital gain or loss if, at the time of disposition, the shares or ADSs have been held for more than one year. Long-term capital gain recognized by a U.S. holder that is an individual is subject to lower rates of federal income taxation than ordinary income or short-term capital gain. The net amount of long-term capital gain recognized by an individual U.S. holder after May 6, 2003 and before January 1, 2009 generally is subject to taxation at a maximum rate of 15%. The net long-term capital gain recognized by an individual U.S. holder before May 6, 2003 generally is subject to taxation at a maximum rate of 20%. The deduction of a capital loss is subject to limitations for U.S. federal income tax purposes.

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

Information Reporting and Backup Withholding

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

- establishes that it is a corporation or other exempt holder, or
- provides an accurate taxpayer identification number on a properly completed Internal Revenue Service Form W-9 and certifies that no loss of exemption from backup withholding has occurred.

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

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.

DOCUMENTS ON DISPLAY

We file reports, including annual reports on Form 20-F, and other information with the Securities and Exchange Commission 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., at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. As a foreign private issuer, we were not required to make filings with the SEC by electronic means prior to November 4, 2002, although we were permitted to do so. 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.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

EXCHANGE RATE AND INTEREST RATE RISKS

We are exposed to market risk from changes in interest rates and currency exchange rates. Interest rate risk exists principally with respect to our net financial liabilities bearing interest at floating rates. Interest rate risk also exists with respect to the fair value of fixed-rate financial assets and liabilities. Exchange rate risk exists with respect to our financial assets and liabilities denominated in currencies other than Mexican pesos. We are also subject to exchange rate risks with respect to our investments outside Mexico.

At December 31, 2003, we had approximately Ps. 6.3 billion in financial assets denominated in currencies other than Mexican pesos, principally consisting of cash, short-term investments and marketable securities, and approximately Ps. 37.3 billion in financial liabilities denominated in currencies other than Mexican pesos, consisting of debt. Approximately 88.1% of our non-peso indebtedness was denominated in U.S. dollars.

We regularly assess our interest rate and currency exchange exposures and determine whether to adjust or hedge our position. We may use derivative instruments to hedge or adjust our exposures. For example, during 2003, we entered into interest rate swaps to hedge interest payments under our U.S. dollar and Mexican Peso denominated indebtedness bearing interest at floating rates and with maturity dates starting in 2005. See Note 11 to our consolidated financial statements included in this annual report. We have only used derivative instruments to hedge exposures associated with financial assets and liabilities.

During 2003, we also entered into currency swaps between the Mexican peso and the U.S. dollar in order to finance some of our U.S. dollar obligations and assets at more attractive rates than we could have obtained by accessing the U.S. dollar market directly.

SENSITIVITY ANALYSIS DISCLOSURES

The potential increase in net debt and corresponding foreign exchange loss that would have resulted from a hypothetical, instantaneous 10% depreciation of all of our operating currencies against the U.S. dollar, would have been approximately Ps. 2.97 billion. Such depreciation would have also resulted in additional interest expense of approximately Ps. 96.1 million per annum, reflecting the increased costs of servicing foreign currency indebtedness.

A hypothetical, immediate increase of 100 basis points in the interest rates applicable to our floating rate financial assets and liabilities at December 31, 2003 would have resulted in additional interest expense of approximately Ps. 133.2 million per year, assuming no change in the principal amount of such indebtedness. The potential loss in the fair value of our fixed-rate financial assets at December 31, 2003, that would have resulted from the hypothetical, immediate increase of 100 basis points in the interest rates applicable to such financial instruments would have been approximately Ps. 85.5 million. This potential loss would have been offset by the potential reduction in the fair value of our fixed-rate financial liabilities at December 31, 2003 of approximately Ps. 818.1 million, which would have resulted from that same increase in interest rates.

The above sensitivity analyses are based on the assumption of unfavorable movements in exchange or interest rates applicable to each homogeneous category of financial assets and liabilities. A homogeneous category is defined according to the currency in which financial assets and liabilities are denominated and assumes the same exchange rate or interest rate movement with each homogeneous category. As a result, exchange rate risk and interest rate risk sensitivity analysis may overstate the impact of exchange rate or interest rate fluctuations for such financial instruments, as consistently unfavorable movements of all exchange rates or interest rates are unlikely.

Items 12-14. Not Applicable

Item 15. Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2003. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures as of December 31, 2003 were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported as and when required.

There has been no change in our internal control over financial reporting during 2003 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

The Board of Directors has determined that María Asunción Aramburuzabala Larregui qualifies as an "audit committee financial expert" within the meaning of this Item 16A.

Item 16B. Code of Ethics

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Securities Exchange Act of 1934, as amended. Our code of ethics applies to our chief executive officer, chief financial officer and comptroller, and persons performing similar functions. Our code of ethics is available on our web site at www.americamovil.com. If we amend any provisions of our code of ethics that apply to our chief executive officer, chief financial officer, comptroller and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our web site at the same address.

Item 16C. Principal Accountant Fees and Services

Audit and Non-Audit Fees

The following table sets forth the fees billed to us and our subsidiaries by our independent auditors, Mancera S.C., a member practice of Ernst & Young Global ("Mancera"), during the fiscal years ended December 31, 2002 and 2003:

	Year ended December 31,	
	2002	2003
	(thousands of constant pesos as of December 31, 2003)	
Audit fees	Ps. 9,799	Ps.17,300
Audit-related fees	39	1,067
Tax fees	9,337	13,242
Other fees	289	62
Total fees	19,464	31,671

Audit fees in the above table are the aggregate fees billed by Mancera and its affiliates in connection with the audit of our annual financial statements and statutory and regulatory audits.

Audit-related fees in the above table are the aggregate fees billed by Mancera and its affiliates for the review of reports on our operations submitted to the Mexican Federal Telecommunications Commission, the review of our interim financial statements and attestation services that are not required by statute or regulation in 2003.

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.

Other fees in the above table are fees billed by Mancera and its affiliates primarily related to assistance in connection with information technology services.

Audit Committee Approval Policies and Procedures

Our audit committee has not established pre-approval policies and procedures for the engagement of our independent auditors for services. Our audit committee expressly approves on a case-by-case basis any engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or us.

Item 17. Not Applicable

Item 18. Financial Statements

See pages F-1 through F-87, incorporated herein by reference.

Item 19. Exhibits

Documents filed as exhibits to this annual report:

1.1 Amended and restated bylaws (*estatutos sociales*) of América Móvil, S.A. de C.V., dated as of December 8, 2003 (together with an English translation).

2.1 L Share Deposit Agreement (incorporated by reference to our registration statement on Form F-6, File No. 333-72960, filed on December 8, 2000).

2.2 A Share Deposit Agreement (incorporated by reference to our registration statement on Form F-6, File No. 333-12962, filed on December 8, 2000).

3.1 Shareholders Agreement dated December 20, 2000 between América Telecom, S.A. de C.V. (as successor to Carso Global Telecom, S.A. de C.V.) and SBC International, Inc. (incorporated by reference to the report of beneficial ownership of our shares filed on Schedule 13D on May 16, 2001).

4.1 Post-spin-off Master Agreement dated January 18, 2001 between Teléfonos de México, S.A. de C.V. and América Móvil, S.A. de C.V. (together with an English translation) (incorporated by reference to our registration statement on Form 20-F, File No. 001-16269, filed on February 5, 2001).

4.2 First Amendment dated March 15, 2001 to Post-spin-off Master Agreement dated January 18, 2001 between Teléfonos de México, S.A. de C.V. and América Móvil, S.A. de C.V. (together with an English translation) (incorporated by reference to our annual report on Form 20-F, File No. 001-16269, filed on July 2, 2002).

4.3 Second Amendment dated April 30, 2001 to Post-spin-off Master Agreement dated January 18, 2001 between Teléfonos de México, S.A. de C.V. and América Móvil, S.A. de C.V. (together with an English translation) (incorporated by reference to our annual report on Form 20-F, File No. 001-16269, filed on July 2, 2002).

4.4 Management Services Agreement dated February 27, 2002 between SBC International Management Services, Inc. and Radiomóvil Dipsa, S.A. de C.V.

4.5 First Amendment dated January 13, 2003 to Management Services Agreement dated February 27, 2002 between SBC International Management Services, Inc. and Radiomóvil Dipsa, S.A. de C.V.

4.6 Second Amendment dated October 29, 2003 to Management Services Agreement dated February 27, 2002 among SBC International Management Services, Inc., Radiomóvil Dipsa, S.A. de C.V., and América Móvil, S.A. de C.V.

4.7 Third Amendment dated January 1, 2004 to Management Services Agreement dated February 27, 2002 between SBC International Management Services, Inc., and América Móvil, S.A. de C.V.

4.8 Operating and Administrative Services Agreement dated January 2, 2004 between América Telecom, S.A de C.V. and América Móvil, S.A. de C.V. (together with an English translation).

8.1 List of certain subsidiaries of América Móvil, S.A. de C.V.

12.1 Certification of Chief Executive Officer furnished pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

12.2 Certification of Chief Financial Officer furnished pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

13.1 Certification furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Omitted from the exhibits filed with this annual report are certain instruments and agreements with respect to long-term debt of América Móvil, none of which authorizes securities in a total amount that exceeds 10% of the total assets of América Móvil. We hereby agree to furnish to the Securities and Exchange Commission copies of any such omitted instruments or agreements as the Commission requests.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders of América Móvil, S.A. de C.V.

We have audited the accompanying consolidated balance sheets of América Móvil, S.A. de C.V. and subsidiaries as of December 31, 2002 and 2003 and the related consolidated statements of operations, changes in stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of América Central Tel, S.A. and subsidiaries, which statements collectively account for 10% of total assets at December 31, 2002, and 10% and 8% of total operating revenues for the years ended December 31, 2001 and 2002, respectively, of the related consolidated amounts, as well as the financial statements of Telecom Américas Ltd, in which the Company's equity in their net loss is stated at P. 3,660,197 in 2001. Those financial statements, presented in accordance with International Accounting Standards and accounting principles generally accepted in the United States of America, respectively, were examined by other independent auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the financial information utilized by Company's management (before conversion to accounting principles generally accepted in Mexico) of such subsidiary and investee in the consolidated financial statements of América Móvil, S.A. de C.V. and subsidiaries, is based solely on the reports of the other independent auditors.

We conducted our audits in accordance with auditing standards generally accepted in Mexico and 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 (including the Company's conversion of the financial statements of América Central Tel, S.A. and Telecom Américas Ltd, to accounting principles generally accepted in Mexico) 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 and the reports of other independent auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other independent auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of América Móvil, S.A. de C.V. and subsidiaries at December 31, 2002 and 2003, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in Mexico, which differ in certain respects from those followed in the United States of America. (See Note 23).

Mancera, S.C.
A Member Practice of
Ernst & Young Global

C.P.C. Francisco Alvarez del Campo

Mexico City, Mexico
February 23, 2004,
(except for Note 23 as to which the date is March 16, 2004)

Integrante de Ernst & Young Global

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Shareholders of América Central Tel, S.A.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in shareholders' equity present fairly, in all material respects, the financial position of América Central Tel, S.A. and subsidiaries at December 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended, in conformity with International Accounting Standards. 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 audit. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), which require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statements presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As explained in Note 2 to the consolidated financial statements at December 31, 2002, the company prepared these consolidated financial statements for the first time in conformity with International Accounting Standards (IAS), and, as required by provisions issued by the Standing Committee on Interpretations of IAS, it restated both its financial statements and retained earnings as of December 31, 2001. As more fully explained in note 2 to the consolidated financial statements, the effect of the mentioned restatement was charged to retained earnings.

International Accounting Standards (IAS) vary in certain significant respects from accounting principles generally accepted in the United States. The application of the latter would have affected the determination of consolidated net income expressed in Guatemalan Quetzales for the years ended December 31, 2002 and 2001 and the determination of consolidated stockholders' equity and consolidated cash flows also expressed in Guatemalan Quetzales at December 31, 2002 and 2001 to the extent summarized in Note 17 to the consolidated financial statements.

PricewaterhouseCoopers

February 20, 2003, except for Note 17, which is dated March 4, 2003.

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

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003, except for earnings per share)

	Year ended December 31,			
	2001	2002	2003	Million of U.S. dollars 2003
Operating revenues:				
Services:				
Usage charges	P.28,223,945	P.32,855,080	**P.48,849,771**	**$ 4,348**
Monthly rent	5,594,442	10,764,349	**11,639,345**	**1,036**
Long-distance	4,232,224	4,951,114	**7,385,984**	**657**
Other services	3,429,410	3,976,896	**5,996,308**	**534**
Sales of handsets and accessories	3,977,383	7,195,157	**12,069,564**	**1,074**
	45,457,404	59,742,596	**85,940,972**	**7,649**
Operating costs and expenses:				
Cost of sales	15,675,640	21,744,132	**33,572,259**	**2,988**
Cost of sales and services with related parties (Note 17)	3,821,476	3,637,594	**3,902,024**	**347**
Commercial, administrative and general	11,869,136	12,076,188	**16,099,680**	**1,433**
Commercial, administrative and general with related parties (Note 17)	363,824	657,215	**529,053**	**47**
Impairment of investments in affiliates (Note 10)	2,132,600	40,793		
Depreciation and amortization (Notes 7 to 10) (includes P. 3,690,186, P. 6,006,324 and P.10,295,050 for the years ended December 31 2001, 2002 and 2003, respectively not included in cost of sales)	4,920,248	8,606,263	**13,877,861**	**1,235**
	38,782,924	46,762,185	**67,980,877**	**6,050**
Operating income	6,674,480	12,980,411	**17,960,095**	**1,599**
Comprehensive financing (cost) income:				
Interest income	884,160	1,401,503	**2,382,557**	**212**
Interest expense	(1,138,433)	(2,439,159)	**(3,780,072)**	**(336)**
Interest (expense) income with related parties, net (Note 17)	(6,588)	(57,215)	**4,706**	
Exchange (loss) gain, net	(382,034)	(1,526,419)	**1,354,786**	**121**
Monetary (loss) gain	(817,611)	2,871,978	**2,350,798**	**209**
Other financing income (cost), net	795,609	(1,273,744)	**(189,395)**	**(17)**
	(664,897)	(1,023,056)	**2,123,380**	**189**
Other income (loss), net	423,211	270,064	**(1,044,944)**	**(93)**
Income before income tax and employee profit sharing	6,432,794	12,227,419	**19,038,531**	**1,695**
Provisions for:				
Income tax (Note 19)	3,290,281	3,211,308	**3,277,526**	**292**
Employee profit sharing	209,677	202,304	**247,938**	**22**
	3,499,958	3,413,612	**3,525,464**	**314**
Income before equity in results of affiliates	2,932,836	8,813,807	**15,513,067**	**1,381**
Equity in net results of affiliates	(4,066,886)	(4,169,755)	**(129,582)**	**(11)**
Net (loss) income	P. (1,134,050)	P. 4,644,052	**P.15,383,485**	**$ 1,370**
Distribution of net (loss) income				
Majority interest	P. (910,023)	P. 4,783,697	**P.15,031,636**	**$ 1,338**
Minority interest	(224,027)	(139,645)	**351,849**	**32**
Net (loss) income	P. (1,134,050)	P. 4,644,052	**P.15,383,485**	**$ 1,370**
Weighted average of common shares outstanding (in million)	13,199	13,123	**12,912**	**12,912**
Net (loss) income earnings per share	P. (0.07)	P. 0.36	**P. 1.16**	**$ 0.10**

See accompanying notes.

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

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

	December 31, 2002	December 31, 2003	Million of U.S. dollars 2003
ASSETS			
Current assets:			
Cash and cash equivalents	P. 9,512,980	**P. 9,287,162**	**$ 826**
Marketable securities (Note 3)	1,510,101	**794,873**	**71**
Accounts receivable, net (Note 4)	6,522,689	**11,414,686**	**1,016**
Related parties (Note 17)	609,398	**647,805**	**58**
Inventories, net (Note 5)	3,127,193	**5,229,256**	**465**
Prepaid expenses (Note 6)		**184,797**	**16**
Other current assets	925,554	**1,994,831**	**178**
Total current assets	22,207,915	**29,553,410**	**2,630**
Investments in affiliates and others (Note 10)	3,290,815	**2,548,599**	**227**
Plant, property and equipment, net (Note 7)	62,993,999	**71,161,642**	**6,333**
Prepaid expenses (Note 6)		**2,696,527**	**240**
Licenses, net (Note 8)	15,984,487	**25,807,951**	**2,297**
Trademarks (Note 9)	6,796,530	**7,884,781**	**702**
Goodwill, net (Note 10)	6,263,876	**8,028,349**	**715**
Other non current assets (Note 7)		**2,297,288**	**205**
Total assets	P.117,537,622	**P.149,978,547**	**$13,349**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Short-term debt and current portion of long-term debt (Note 14)	P. 10,637,007	**P. 12,108,296**	**$ 1,078**
Accounts payable and accrued liabilities (Notes 12 and 13)	11,375,726	**19,944,699**	**1,775**
Taxes payable	1,921,075	**2,978,044**	**265**
Related parties (Note 17)	110,204	**129,523**	**12**
Deferred revenues	2,807,047	**4,623,301**	**411**
Total current liabilities	26,851,059	**39,783,863**	**3,541**
Long-term debt (Note 14)	37,399,435	**37,204,549**	**3,311**
Deferred taxes (Note 19)	2,140,691	**3,648,855**	**325**
Deferred credits	573	**129,409**	**12**
Total liabilities	66,391,758	**80,766,676**	**7,189**
Stockholders' equity (Note 18):			
Capital stock	31,193,176	**31,191,463**	**2,776**
Retained earnings:			
Prior years	29,948,037	**32,673,511**	**2,908**
Net income for the year	4,783,697	**15,031,636**	**1,338**
	34,731,734	**47,705,147**	**4,246**
Other accumulated comprehensive loss items	(16,003,808)	**(14,783,458)**	**(1,316)**
Total majority stockholders' equity	49,921,102	**64,113,152**	**5,706**
Minority interest	1,224,762	**5,098,719**	**454**
Total stockholders' equity	51,145,864	**69,211,871**	**6,160**
Total liabilities and stockholders' equity	P.117,537,622	**P.149,978,547**	**$13,349**

See accompanying notes.

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

		Retained earnings						
	Capital Stock	Reserve for purchase of Company's own shares	Legal Reserve	Unappropriated	Total	Other accumulated comprehensive loss items	Total majority stockholders' equity	M in
Balances at December 31, 2000	P.31,223,515		P.320,612	P. 41,461,633	P.41,782,245	P. (296,469)	P.72,709,291	P.2
Increase in legal reserve			90,963	(90,963)				
Increase in reserve for purchase of Company's own shares		P.11,220,961		(11,220,961)				
Dividends paid				(622,314)	(622,314)		(622,314)	
Cash purchase of Company's own shares	(22,756)	(7,499,159)			(7,499,159)		(7,521,915)	
Comprehensive income:								
Net loss for the year				(910,023)	(910,023)		(910,023)	(
Other comprehensive income:								
Effect of translation of foreign entities						(377,675)	(377,675)	
Results from holding nonmonetary assets						(2,214,161)	(2,214,161)	
Current year deferred income tax on stockholders' equity accounts						348,223	348,223	
Comprehensive income								
Minority interest								(1
Balances at December 31, 2001	31,200,759	3,721,802	411,575	28,617,372	32,750,749	(2,540,082)	61,411,426	
Dividends paid				(618,296)	(618,296)		(618,296)	
Cash purchase of Company's own shares	(7,583)	(2,184,416)			(2,184,416)		(2,191,999)	
Comprehensive income:								
Net income for the year				4,783,697	4,783,697		4,783,697	(
Other comprehensive income:								
Effect of translation of foreign entities						(15,060,115)	(15,060,115)	
Results from holding nonmonetary assets						2,038,736	2,038,736	
Current year deferred income tax on stockholders' equity accounts						(442,347)	(442,347)	
Comprehensive income:								
Minority interest								
Balances at December 31, 2002	31,193,176	1,537,386	411,575	32,782,773	34,731,734	(16,003,808)	49,921,102	1

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY—(Co

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

		Retained earnings						
	Capital Stock	Reserve for purchase of Company's own shares	Legal Reserve	Unappropriated	Total	Other accumulated comprehensive loss items	Total majority stockholders' equity	Mi in
Cumulative effect of adoption of a new accounting principle (Note 2w)				(112,074)	(112,074)		(112,074)	
Excess of the book value over price paid to acquire minority interests				(178,478)	(178,478)		(178,478)	
Increase in reserve for purchase of Company's own shares		5,122,000		(5,122,000)				
Dividends paid				(793,915)	(793,915)		(793,915)	
Cash purchase of Company's own shares	(1,713)	(973,756)			(973,756)		(975,469)	
Comprehensive income:								
Net income for the year				15,031,636	15,031,636		15,031,636	
Other comprehensive income:								
Effect of translation of foreign entities						6,991,002	6,991,002	
Results from holding nonmonetary assets						(5,711,524)	(5,711,524)	
Current year deferred income tax on stockholders' equity accounts						(59,128)	(59,128)	
Comprehensive income:								
Minority interest								3,
Balances at December 31, 2003 (Note 18)	P.31,191,463	P.5,685,630	P.411,575	P.41,607,942	P.47,705,147	P.(14,783,458)	P.64,113,152	P.5,

See accompanying notes.

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

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

	Year ended December 31,			
	2001	2002	2003	Million of U.S. dollars 2003
Operating activities:				
Net (loss) income	P. (1,134,050)	P. 4,644,052	**P. 15,383,485**	**$ 1,370**
Add (deduct) items not requiring the use of resources:				
Depreciation	3,921,251	6,425,542	**9,726,756**	**866**
Amortization	998,997	2,180,721	**4,151,105**	**369**
Amortization of loss on sale and lease back			**134,042**	**12**
Amortization of prepaid expenses			**75,428**	**7**
Deferred income tax	(300,288)	(380,958)	**80,235**	**7**
Impairment in affiliates	2,132,600	40,793		
Equity in results of affiliates	4,066,886	4,169,755	**129,582**	**11**
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Accounts receivable	191,477	(1,705,230)	**(4,891,997)**	**(435)**
Prepaid expenses	(48,053)	(234,534)	**(3,015,366)**	**(268)**
Inventories	321,057	618,315	**(2,102,063)**	**(187)**
Others			**(3,554,066)**	**(318)**
Increase (decrease) in:				
Accounts payable and accrued liabilities	(2,125,157)	880,604	**8,568,973**	**763**
Related parties	(561,683)	986,409	**(19,088)**	**(2)**
Deferred revenues and credits	341,516	1,164,845	**1,945,090**	**173**
Taxes payable	1,005,105	618,017	**2,425,770**	**216**
Resources provided by operating activities	8,809,658	19,408,331	**29,037,886**	**2,584**
Financing activities:				
New loans	21,974,690	41,850,901	**22,512,225**	**2,004**
Repayment of loans	(6,648,718)	(15,433,454)	**(19,959,537)**	**(1,776)**
Decrease in capital stock and retained earnings due to purchase of Company's own shares	(7,521,915)	(2,191,999)	**(975,469)**	**(87)**
Cash dividends paid	(622,314)	(618,296)	**(793,915)**	**(71)**
Effect of inflation and exchange rate differences on debt	(700,393)	(1,983,089)	**(1,276,286)**	**(114)**
Resources provided by (used in) financing activities	6,481,350	21,624,063	**(492,982)**	**(44)**
Investing activities:				
Investment in plant, property and equipment	(12,164,153)	(25,485,394)	**(22,359,571)**	**(1,991)**
Investment in subsidiaries and affiliated companies	(16,486,290)	823,587	**(2,112,067)**	**(188)**
Investment in marketable securities	(9,044,625)	9,368,493	**715,228**	**64**
Minority interest			**3,343,630**	**298**
Initial cash from companies acquired		1,561,893	**871,378**	**78**
Investments in trademarks		(6,796,530)	**(1,807,928)**	**(161)**
Investment in licenses	(290,710)	(13,768,788)	**(7,421,392)**	**(661)**
Resources used in investing activities	(37,985,778)	(34,296,739)	**(28,770,722)**	**(2,561)**
Net (decrease) increase in cash and cash equivalents	(22,694,770)	6,735,655	**(225,818)**	**(21)**
Cash and cash equivalents at beginning of the year	25,472,095	2,777,325	**9,512,980**	**847**
Cash and cash equivalents at end of the year	P. 2,777,325	P. 9,512,980	**P. 9,287,162**	**$ 826**

See accompanying notes.

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

1. Description of Business and Operations

América Móvil, S.A. de C.V. and subsidiaries (collectively, the "Company" or América Móvil) is the leading provider of wireless communications services in Latin America. The Company was established in September 2000 in a spin-off from Teléfonos de México, S.A. de C.V. (Telmex).

América Móvil has subsidiaries and equity investments in affiliated companies in the telecommunications sector in Mexico, Guatemala, Nicaragua, El Salvador, Ecuador, Brazil, Argentina, Colombia and the United States. In Mexico, through its subsidiary Radiomóvil Dipsa, S.A. de C.V. which operates under the trademark "Telcel", América Móvil provides nationwide cellular telecommunications services.

At December 31, 2002 and 2003 América Móvil's equity interest in its principal subsidiaries and affiliated companies is as follows:

Name of company	Location	Equity interest at December 31, 2002	2003
Subsidiaries: (1)			
Sercotel, S.A. de C.V.	Mexico	100.0%	**100.0%**
Radiomóvil Dipsa, S.A. de C.V.	Mexico	100.0	**100.0**
TracFone Wireless, Inc.	USA	97.8	**98.2**
Telecom Américas, Ltd: (2)	Bermuda	96.5	**97.5**
ATL-Algar Telecom Leste, S.A.	Brazil	96.5	**97.5**
Americel, S.A.	Brazil	78.1	**96.0**
Telet, S.A.	Brazil	78.6	**96.5**
Tess, S.A.	Brazil	96.5	**97.5**
BSE, S.A.	Brazil		**97.5**
BCP, S.A.	Brazil		**97.5**
América Central Tel, S.A. (ACT): (3)	Guatemala	96.9	**100.0**
Telecomunicaciones de Guatemala, S.A. (TELGUA)	Guatemala	96.0	**98.8**
Newcotel, S.A.	Guatemala	96.0	**98.8**
Servicios de Comunicaciones Personales Inalámbricas, S.A., (Sercom)	Guatemala	96.0	**98.8**
Telglob, S.A.	Guatemala	96.0	**98.8**
Telefonía Publica de Guatemala, S.A. (Publitel)	Guatemala	96.0	**98.8**
Estel, LLC	Delaware		**100.0**
Compañía de Telecomunicaciones de El Salvador, S.A. de C.V. (CTE) (4)	El Salvador		**51.0**
CTE Telecom Personal, S.A. de C.V. (Personal)	El Salvador		**51.0**
Cablenet, S.A. de C.V. (Cablenet)	El Salvador		**51.0**
Telecomoda, S.A.de C.V. (Telecomoda)	El Salvador		**51.0**
Publicom, S.A. de C.V. (Publicom)	El Salvador		**51.0**
Comunicación Celular, S.A. (Comcel): (5)	Colombia	95.7	**95.67**
Occidente y Caribe Celular, S.A. (Occel)	Colombia	95.2	**93.4**
Celcaribe, S.A.	Colombia		**94.0**
Consorcio Ecuatoriano de Telecomunicaciones, S.A. (Conecel)	Ecuador	80.6	**100.0**
Techtel-LMDS Comunicaciones Interactivas, S.A.	Argentina	60.0	**60.0**

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

Name of company	Location	Equity interest at December 31, 2002	2003
CTI Holdings, S.A. (6)	Argentina		**92.0**
CTI Compañía de Teléfonos del Interior, S.A., (CTI Interior)	Argentina		**92.0**
CTI PCS, S.A. (CTI PCS)	Argentina		**92.0**
Affiliates: (1)			
Organización Recuperadora de Cartera, S.A. de C.V.	Mexico	45.0	**45.0**
US Commercial Corporation, S.A. de C.V.	Mexico		**29.7**
Génesis Telecom., S.A.	Venezuela	25.0	**25.0**
Iberbanda, S.A.	Spain	18.6	**17.8**
Network Access Solutions	USA	2.0	**2.0**
CompUSA, Inc.	USA	49.0	

(1) See Note 10 for a description of activity in subsidiaries and affiliates.
(2) The name "Telecom Américas" as used hereinafter will refer collectively to the companies ATL, Americel, Telet, Tess, BSE and BCP.
(3) Includes Nicaragua operations.
(4) The name "CTE" as used hereinafter will refer collectively to the companies: CTE, Personal, Cablenet, Telecomoda and Multicom.
(5) The name "Comcel" as used hereinafter will refer collectively to the companies: Comcel, Occel and Celcaribe.
(6) The name "CTI" as used hereinafter will refer collectively to the companies: CTI Holdings, CTI Interior and CTI PCS.

América Móvil through its subsidiaries has licenses to install, operate and manage mobile telecommunications services in Mexico, Guatemala, Nicaragua, El Salvador, Ecuador, Colombia, Argentina and Brazil. These licenses will expire on various dates between the years 2008 and 2018.

Except as mentioned in the following paragraphs, the licenses granted to the Company do not require royalty payments to the respective governments.

As payment for the 800-megahertz (Band B) licenses awarded in Mexico, the Mexican Federal government receives a percentage of Telcel's gross annual revenues ranging from 5% to 10%.

Licenses awarded in Brazil, Colombia, Argentina and Ecuador generate the payment of contributions to their respective governments, based in some cases on revenues and in other cases on the number of channels in operation.

Telgua and CTE provide fixed-line telephone services.

TracFone Wireless, Inc. (TracFone) resells cellular airtime on a prepaid basis through retailers to customers who use telephones equipped with TracFone software. TracFone does not own a cellular infrastructure but purchases airtime from carriers throughout the United States. TracFone's revenues are also derived from the sale of cellular telephones and accessories. TracFone provides services throughout the United States, Puerto Rico and the Virgin Islands.

In December 2002, the Mexican Federal government awarded Telcel a license to install, operate and manage basic radiotelephone domestic and international long-distance and data transmission services in Mexico. The term of the license is for 15 years, which may be extended at the discretion of the government.

In February 2003, Telecom Américas switched its original Band B cellular concessions, from a mobile cellular communications system (SMC) to mobile access system (PCS). This change will allow these companies to exercise an option to extend the life of the licenses for an additional 15 years, upon payment of a certain fee.

2. Significant Accounting Policies

The most important accounting policies and practices followed in the preparation of these financial statements are described below:

a) Consolidation

The consolidated financial statements include the accounts of América Móvil and those of the subsidiaries referred in Note 1. All of the companies operate in the telecommunications sector or provide services to companies operating in such sector.

All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements

Minority interest relates to the Company's foreign subsidiaries.

b) Revenue recognition

The Company's revenues include: usage charges, monthly rent, incoming interconnection, long-distance charges, value added services and proceeds from sales of handsets and accessories and charges for other services.

Revenues are generally recognized at the time services are provided. Those services are either under prepaid (calling cards) or under contract (post-paid) plans. In both cases, airtime revenues are recognized as a customer uses the airtime or when the card expires in the case of prepayments for unused airtime.

Except for Mexico and Colombia, monthly basic rent under non-prepaid plans is billed based on the rates approved by the regulatory authorities in the respective countries. For Mexico and Colombia, basic monthly rent is billed one month in advance and recognized as revenues in the month the service is provided.

Revenues from interconnections, which consist of calls of other carriers that enter the Company's own cellular network (incoming interconnections), are recognized at the time the service is provided. Such services are billed based on rates previously agreed with the other carriers, which are regulated by the respective authorities.

Sales of handsets and accessories, which for the most part are made to authorized distributors, are recorded as revenue upon shipment, provided that there are no outstanding Company obligations and that collection of the resulting receivable is deemed probable by management. The cost of telephone equipment delivered to customers under non-prepaid plans is charged to income at the time the respective agreements are signed.

Telgua and CTE´s revenues from telephone line installation fees are deferred and recognized over the expected period during which telephone services will be performed.

c) Cost of cellular telephone equipment

Costs related to cellular telephone equipment are charged to operations at the time the telephones are delivered to the distributor or customer.

d) Interconnection costs

Interconnection costs represent the costs of calls of other carriers that enter the Company's own cellular network, the costs of link-ups between fixed and cellular networks, long distance charges and rent paid for use of infrastructure (links and ports), all of which are recognized as costs at the time the service is received.

e) Commissions paid to distributors

Commissions paid to distributors for activations are charged to income at the time of activation of new customers, which corresponds to the time the distributor is paid. Commissions for loyalty and activation volumes are accrued based on factors determined by the Company.

f) Recognition of the effects of inflation

The Company recognizes the effects of inflation on financial information as required by Mexican accounting Bulletin B-10, Accounting Recognition of the Effects of Inflation on Financial Information, issued by the Mexican Institute of Public Accountants ("MIPA"). Consequently, the amounts shown in the accompanying financial statements and in these notes are expressed in thousands of constant Mexican pesos as of December 31, 2003. Accordingly, the financial statements have been restated as follows:

Plant, property and equipment and construction in progress were restated as described in Note 7. Depreciation is computed on the restated value of telephone plant and equipment using the straight-line method based on the estimated useful lives of the related assets, starting the month after the assets are put into use.

Annual depreciation rates are as follows:

Telephone plant	10% to 33%
System performance monitoring equipment included in telephone plant	33%
Buildings	3%
Other assets	10 to 25

In Mexico, inventories were restated based on factors derived from the Mexican National Consumer Price Index (NCPI) published by Banco de México. Due to the high turnover, it was estimated that inventories were presented at their replacement cost, which is not in excess of market value. Foreign subsidiaries recorded their inventories at replacement value, not in excess of market. Cost of sales represents estimated replacement cost at the time inventories were sold, restated in constant pesos at year-end.

Capital stock, retained earnings and other non-monetary assets were restated based on the NCPI.

Other accumulated comprehensive loss items include the deficit restatement of stockholders' equity, which consists of the accumulated monetary position gain determined at the time the provisions of Bulletin B-10 were first applied, which at December 31, 2003 aggregates P. 16,471, the result from holding non-monetary assets, which represents the net difference between restatement by the specific indexation method (see Note 7) and restatement based on the NCPI, deferred taxes allocated to equity, net of inflation and the effect of translation of foreign entities.

The net monetary position (loss) gain represents the effect of inflation on monetary assets and liabilities. The related amounts are included in the statements of operations under the caption Comprehensive financing (cost) income.

Mexican accounting Bulletin B-12, *Statement of Changes in Financial Position,* issued by the MIPA specifies the appropriate presentation of the statement of changes in financial position based on financial statements restated in constant Mexican pesos in accordance with Bulletin B-10. Bulletin B-12 identifies the sources and applications of resources representing differences between beginning and ending financial statement balances in constant Mexican pesos. In accordance with this Bulletin, monetary and foreign exchange gains and losses are not treated as non-cash items in the determination of resources provided by operations.

g) Basis of translation of financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries and affiliates, located in Guatemala, Nicaragua, El Salvador, Ecuador, Colombia, Argentina, Brazil and the United States, which in the aggregate account for approximately 22%, 29% and 39% of the Company's total operating revenues in 2001, 2002 and 2003 and approximately 58% and 65% of the Company's total assets in 2002 and 2003, respectively, are translated into Mexican pesos in conformity with Mexican accounting Bulletin B-15 *"Transactions in Foreign Currency and Translation of Financial Statements of Foreign Operations"*, issued by the MIPA, as follows:

- The financial statements as reported by the subsidiaries abroad were adjusted by management in Mexico to conform to Mexican GAAP, which includes, among other, the recognition of the effects of inflation as required by Mexican accounting Bulletin B-10 (as described above), using restatement factors of each country.
- The financial information already restated to include inflationary effects, is translated to Mexican pesos as follows: 1) all balance sheet amounts, except for stockholders' equity accounts, were translated at the prevailing exchange rate at year-end; 2) stockholders' equity accounts were translated at the prevailing exchange rate at the time capital contributions were made and earnings were generated, 3) statement of operations accounts were translated at the exchange rate at the end of the reporting period.
- Exchange rate differences and the monetary effect derived from intercompany monetary items were not eliminated in the consolidated statements of operations.

At December 31, 2001, 2002 and 2003, translation (loss) income aggregated P. (377,675), P. (15,060,115) and P. 6,991,002, respectively, and is included in stockholders' equity under the caption other accumulated comprehensive loss items, effect of translation of foreign entities.

The Company's financial statements at December 31, 2001 and 2002, were restated to constant Mexican pesos with purchasing power at December 31, 2003 based on the annual rate of inflation in Mexico. The effects of inflation and variances in exchange rates were not material.

h) Cash, cash equivalents and marketable securities

Cash and cash equivalents are represented principally by bank deposits and highly liquid investments with maturities of three months or less; and marketable securities are represented by equity securities and foreign government bonds held for trading purposes. Both are valued at market.

i) Allowance for doubtful accounts

Doubtful accounts are provided for based on the operating conditions of each subsidiary. Accounts are provided for when they are between 90 and 120 days old.

j) Licenses

Licenses to operate wireless telecommunications networks are amortized using the straight-line method over the term of the license. The licenses to operate wireless mobile (PCS) in Mexico, Guatemala, Ecuador, Colombia, Brazil and Argentina are being amortized over periods ranging from 15 to 20 years.

k) Trademarks

Trademarks were recorded at their market values at the date acquired, as determined by independent expert using the discounted cash-flow techniques and are amortized using the straight-line method over their estimated useful lives. Trademarks relate principally to subsidiaries over which the Company acquired control in 2002 and 2003. (See Note 9)

l) Equity investments in affiliates

The investment in shares of affiliates in which the Company has significant influence and holds an equity interest of 10% or more is accounted for using the equity method. This accounting method consists basically of recognizing the investor's equity interest in the results of operations and the stockholders equity of the investees at the time such results are determined. (See Note 10)

m) Goodwill

Goodwill represents the excess of cost over the fair value of the net assets of subsidiaries and affiliates acquired and is amortized using the straight-line method over a ten-year period.

n) Foreign exchange gains or losses

Transactions in foreign currencies are recorded at the prevailing exchange rate at the time of the related transactions. Foreign currency denominated assets and liabilities are translated at the prevailing exchange rate at the balance sheet date. Exchange rate differences are charged or credited directly to income of the year.

o) Employee benefits obligations

The cost of seniority premiums, where applicable, is recognized during the years of service of employees based on actuarial computations made by independent actuaries using the projected unit -credit method and financial hypotheses net of inflation, as required by Mexican accounting Bulletin D-3, *Labor Obligations* issued by the MIPA (See Note 12). Termination payments are charged to income in the year in which the decision to dismiss an employee is made.

p) Income tax and employee profit sharing

Bulletin D-4, *Accounting for Income Tax, Asset Tax and Employee Profit Sharing*, issued by the MIPA, requires that deferred taxes be determined on virtually all temporary differences in balance sheet accounts for financial and tax reporting purposes, using the enacted income tax rate at the time the financial statements are issued. Accordingly, the provision for income tax includes both the current year tax and the deferred portion. See Note 19 for additional information.

In conformity with Bulletin D-4, deferred employee profit sharing is recognized only on temporary differences that are considered to be non-recurring and that have a known turnaround time.

q) Advertising

All advertising costs are expensed as incurred. Advertising expense amounted to approximately, P. 1,892,861, P. 1,544,918 and P. 2,627,498, for the years ended December 31, 2001, 2002 and 2003, respectively.

r) Comprehensive income (loss)

In conformity with Bulletin B-4, *Comprehensive Income,* issued by the MIPA, comprehensive income (loss) in América Móvil consists of current year net income or loss shown in the statement of operations plus the current year result from holding non-monetary assets, the effects of translation of foreign entities, minority interest and the effect of deferred taxes applied directly to stockholders' equity.

s) Earnings per share

The Company determined earnings per share by dividing net income by the average weighted number of shares issued and outstanding during the period, as specified in Mexican accounting Bulletin B-14, *Earnings per share*, issued by the MIPA. To determine the weighted average number of shares issued and outstanding in 2001, 2002 and 2003, the number of shares held by the Company have been excluded from the computation.

t) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the amounts reported in the financial statements and in the accompanying notes. Actual results could differ from these estimates.

u) Concentration of risk

The Company invests a portion of its surplus cash in deposits in financial institutions with strong credit ratings and has established guidelines relating to diversification and maturities to maintain safety and liquidity. The Company has not experienced any important losses in its marketable securities. América Móvil does not believe it has significant concentrations of credit risks in its accounts receivable, because the Company's customer base is geographically diverse, thus spreading the trade credit risk.

The Company operates internationally; consequently, it is exposed to market risks for fluctuations in exchange rates.

Approximately 67%, 56% and 34% of the Company's aggregate interconnection expenditures in its cellular network for the years ended December 31, 2001, 2002 and 2003, respectively, represented services rendered from one supplier; approximately 85%, 75% and 75% of the aggregate cost of telephone equipment for such periods represented purchases from three suppliers; and approximately 90%, 90% and 65% of telephone plant purchases were made from two suppliers.

If any of these suppliers fails to provide the company with services or equipment on a timely and cost effective basis, the Company business and results of operations could be adversely affected.

v) Financial instruments

The Company follows the requirements of Bulletin C-2, *Financial Instruments,* issued by the MIPA, which, establishes the rules to be observed by issuers of and investors in financial instruments when valuing, presenting and disclosing these instruments in their financial information. Bulletin C-2 requires that financial instruments (derivatives) be recognized as assets and liabilities and that the determined gains and losses on such instruments be credited and charged, respectively, to income.

With the aim of reducing its financing costs, the Company uses derivatives such as interest-rate swaps and cross currency swaps. Those instruments have been recorded at their market value, and changes in the market value have been taken to income.

w) Recent pronouncements

Intangible Assets.- Effective January 1, 2003, the Company adopted the requirements of Mexican accounting Bulletin C-8, *Intangible Assets* issued by the MIPA, which, among other things, specifies that project development costs are to be capitalized if they meet certain established requirements with respect to their recognition as assets. Pre-operating costs are to be recognized as an expense of the period and intangible assets with indefinite useful lives are not to be amortized, but instead evaluated annually for impairment. Unamortized balances of pre-operating expenses capitalized in terms of the previous Bulletin C-8 are to be amortized as specified in such bulletin. The adoption of these new rules did not have any effect on the Company's financial statements.

Liabilities, Provisions, Contingent Assets and Liabilities and Commitments.- Effective January 1, 2003, the Company also adopted the requirements of Mexican accounting Bulletin C-9, Liabilities, Provisions, Contingent Assets and Liabilities and Commitments, issued by the MIPA which is more precise in defining provisions, accrued liabilities and contingent liabilities, and it contains new requirements with respect to the recording of provisions, the use of the present value and the early retirement of debt securities or their replacement by a new issues. Bulletin C-9 also specifies the rules for the valuation, presentation and disclosure of liabilities and provisions.

As a result of the application of Bulletin C-9, the Company recorded a provision at present value of P. 155,830 for costs related to retirement of assets. The amount of such provision was estimated using prevailing prices in each country in which, the Company operates. The initial effect of the application of this new accounting pronouncement represented an adjustment of P. 112,074 to the balance of retained earnings at the beginning of the year.

Rates used to discount the provision to present value were computed by each subsidiary considering, among other factors, the economic situation of their respective countries (country risk), cost of debt and free rate risk.

Accounting for the Impairment or Disposal of Long-Lived Assets.- In March 2003, the MIPA issued Bulletin C-15, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the observance of which is compulsory for fiscal years beginning on or after January 1, 2004. Bulletin C-15 defines the rules for the computation and recognition of asset impairment losses and their reversal, as well as for the presentation and disclosure of both assets whose values have been impaired and of discontinued operations. The Company early adopted this new Bulletin in 2003. Adoption of this guideline did not affect the Company's earnings or financial position.

x) Convenience translation

U.S dollar amounts as of December 31, 2003 shown in the financial statements have been included solely for the convenience of the reader and are translated from pesos with purchasing power as of December 31, 2003, as a matter of mathematical computation only, at an exchange rate of P.11.24 to US$ 1.00, the December 31, 2003 exchange rate. Such translations should not be construed as a representation that the peso amounts have been or could be converted into U.S. dollars at this or any other rate.

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

y) Reclassifications

Some amounts shown in the 2001 and 2002 financial statements have been reclassified for uniformity of presentation with 2003.

3. Marketable Securities

A summary of marketable securities as of December 31, 2002 and 2003 is as follows:

	2002		2003	
	Cost	Fair Value	Cost	Fair Value
Government bonds	P.1,214,202	P.1,297,051	**P.355,439**	**P.371,221**
Equity securities	481,700	213,050	**469,674**	**423,652**
	P.1,695,902	P.1,510,101	**P.825,113**	**P.794,873**

At December 31, 2001, 2002 and 2003, net unrealized gains (losses) on marketable securities were P. 411,210, P. (185,801) and P. (30,240), respectively. Net realized gains were P. 274,198, P. 299,771 and P. 487,244, in 2001, 2002 and 2003, respectively.

4. Accounts Receivable

Accounts receivable consists of the following:

	2002	2003
Subscribers	P.3,114,416	**P. 8,746,157**
Retailers	2,602,069	**1,571,312**
Cellular operators for interconnections	407,027	**949,935**
Recoverable taxes	361,366	**1,178,713**
Other	478,446	**848,984**
	6,963,324	**13,295,101**
Less: Allowance for doubtful accounts	(440,635)	**(1,880,415)**
Total	P.6,522,689	**P.11,414,686**

Activity in the allowance for doubtful accounts for the years ended December 31, 2001, 2002 and 2003 was as follows:

	2001	2002	2003
Opening balance as of December 31	P.(373,970)	P.(156,789)	**P. (440,635)**
Increases charged to costs and expenses	(154,063)	(668,723)	**(855,969)**
Effect of acquired companies			**(1,252,315)**
Decreases to reserve for write-offs	371,244	384,877	**668,504**
Ending balance	P.(156,789)	P.(440,635)	**P.(1,880,415)**

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

5. Inventories

Inventories consist of the following:

	2002	2003
Cellular telephones and accessories	P.3,160,505	**P.5,427,107**
Less:		
Reserve for obsolete inventory	(33,312)	**(197,851)**
Net	P.3,127,193	**P.5,229,256**

6. Prepaid Expenses

In September 2003, Telcel entered into an agreement with Operadora Unefon, S.A. de C.V., whereby the latter agrees to provide Telcel exclusive and uninterrupted access to a nationwide wireless network using the 1850-1865 MHz / 1930-1945 MHz (Band "A") radio spectrum, for a 16-year period. Under the terms of the agreement, Telcel paid in advance a total consideration of P. 2,925 million (US$ 267.7 million) that represented the present value of the amounts due over the term of the contract and which is being amortized using the straight-line method over a 16-year period.

Current portion of prepaid expenses amounts to P.184,797 and long-term portion of prepaid expense amounts to P.2,696,527.

7. Plant, Property and Equipment

a) Plant, property and equipment consist of the following:

	2002	2003
Telephone plant and equipment	P. 67,846,718	**P. 83,725,347**
Land and buildings	7,030,549	**7,050,009**
Other assets	12,017,029	**14,832,107**
	86,894,296	**105,607,463**
Accumulated depreciation	(28,921,225)	**(40,909,625)**
Net	57,973,071	**64,697,838**
Construction in progress and advances to equipment suppliers	4,011,815	**5,557,136**
Inventories for use in construction of the telephone plant	1,009,113	**906,668**
Total	P. 62,993,999	**P. 71,161,642**

b) Included in plant, property and equipment are the following assets held under capital leases:

	2002	2003
Assets under capital leases	P. 45,082	**P.1,022,071**
Accumulated depreciation	(44,033)	**(60,853)**
	P. 1,049	**P. 961,218**

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

c) In 2003, Telcel entered into a three year P. 950 million sale and lease back agreement of a portion of its telephone plant with an unrelated party. This transaction gave rise to a loss of approximately P. 2,784 million, which in conformity with Mexican accounting Bulletin D-5, *Leases*, issued by the MIPA, was deferred and is being amortized based on the remaining useful life of the asset. The Company recorded the telephone plant under the sale and leaseback agreement as a capital lease and the corresponding liabilities are represented by minimum future payments (see Note 16). Derived from the transaction mentioned above, the Company also recorded a deferred tax liability of approximately P. 889 million.

Current portion of the deferred charge amounts to P. 397,250 and was included under the caption other current assets and long-term portion of the deferred charge amounts to P. 2,297,288.

d) Depreciation expense for the years ended December 31, 2001, 2002 and 2003 was P. 3,921,251, P. 6,425,542 and P. 9,726,756, respectively.

e) Through December 31, 1996, items comprising the telephone plant in Mexico were restated based on the acquisition date and cost, applying the factor derived from the specific indexes determined by the Company and validated by an independent appraiser registered with the Mexican National Banking and Securities Commission ("CNBV)".

Effective January 1, 1997, Bulletin B-10 eliminated the use of appraisals to present telephone plant, property and equipment in the financial statements. At December 31, 2002 and 2003 this caption was restated as follows:

- The December 31, 1996 appraisal value of the imported telephone plant, as well as the cost of subsequent additions to such plant, were restated based on the rate of inflation in the respective country of origin and the prevailing exchange rate at the balance sheet date (specific indexation factors).
- The appraised value of land, buildings and other fixed assets of domestic origin at December 31, 1996, and the cost of subsequent additions to such assets were restated based on the NCPI.

At December 31, 2003, approximately 89% of the value of the telephone plant, property and equipment (74% in 2002) has been restated using specific indexation factors.

f) Following are the plant, property and equipment amounts at December 31, 2002 and 2003, restated on the basis of the 2003 NCPI (starting with the appraised values at December 31, 1996), to meet NBSC disclosure requirements with respect to the restatement of fixed assets based on specific indexation factors:

	2002	2003
Telephone plant and equipment	P. 69,698,860	**P. 93,511,069**
Land and buildings	6,261,525	**6,242,065**
Other assets	12,045,286	**14,785,466**
	88,005,671	**114,538,600**
Accumulated depreciation	(28,887,367)	**(44,109,760)**
Net	59,118,304	**70,428,840**
Construction in progress and advances to equipment suppliers	4,011,815	**5,557,136**
Inventories for use in construction of the telephone plant	1,009,113	**906,668**
Total	P. 64,139,232	**P. 76,892,644**

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

8. Licenses

As of December 31, 2002 and 2003 licenses are as follows:

	2002	2003
Investment:		
Opening balance as of December 31	P. 2,719,221	**P.16,488,010**
Effect of acquired companies	13,768,789	**8,142,931**
Effect of translation of foreign entities		**5,204,148**
Cancellation		**(1,479,999)**
Other increases		**758,460**
	16,488,010	**29,113,550**
Amortization:		
Opening balance as of December 31		**(503,523)**
Amortization of the year	(503,523)	**(2,333,703)**
Effect of translation of foreign entities		**(468,373)**
	(503,523)	**(3,305,599)**
Ending balance, net	P.15,984,487	**P.25,807,951**

Amortization expense for the year ended December 31, 2001 was P. 306,118.

9. Trademarks

As of December 31, 2002 and 2003 trademarks are as follows:

	2002	2003
Investment:		
Opening balance as of December 31		**P.6,796,530**
Effect of acquired companies	P.6,796,530	**1,807,928**
	6,796,530	**8,604,458**
Amortization:		
Opening balance as of December 31		
Amortization of the year		**(719,677)**
		(719,677)
Ending balance, net	P.6,796,530	**P.7,884,781**

10. Investments

An analysis at December 31, 2002 and 2003 is as follows:

	2002	2003
Investments in:		
Affiliates	P.2,910,623	**P.2,192,355**
Other investments	380,192	**356,244**
Total	P.3,290,815	**P.2,548,599**

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

I. Investments in affiliates

An analysis of equity investments in affiliated companies at December 31, 2002 and 2003, and a brief description of major acquisitions is as follows:

	2002	2003
CompUSA, Inc.	P.2,434,589	
Organización Recuperadora de Cartera S.A. de C.V. (ORCA)	476,034	**P. 425,355**
US Commercial Corporation, S.A. de C.V.		**1,767,000**
Total	P.2,910,623	**P.2,192,355**

CompUSA

In December 2003, the Company exchanged its 49% equity interest in CompUSA for a 29.69% equity interest in U.S. Commercial Corp, S.A. de C.V., ("USCO"). The Company received an additional P. 180 million on the exchange.

At the time of the sale, the affiliate's book value was P. 2,226,016, and based on the amounts of the transaction described in the preceding paragraph, a loss of P. 279,016, was included as part of the caption other income (loss), net.

In January 2004, the Company changed the classification of its investment in USCO from equity investee to available for sale.

The Company's equity in the net loss of CompUSA at December 31, 2002 includes an impairment on its goodwill of P.2,137,216, which is included under equity in net results of affiliates in the statement of operations.

SBC International Puerto Rico

In January 2002, the Company sold its 50% equity interest in SBC International Puerto Rico, Inc. to SBC International, Inc. (SBCI) in US$ 106 million in cash and its 11.9% equity interest in Telecom Américas. A gain of P. 11,218 was recognized as a result of this transaction, which is, included under the caption other income (loss), net in the statement of operations.

Empresas Cablevisión

In April 2002, the Company sold its 49% equity interest in Empresas Cablevisión, S.A. de C.V. and subsidiaries in a public offering through the Mexican Stock Exchange for P. 2,065,974 , realizing a gain of P. 1,334,070 on the sale, which is included under the caption other income (loss), net in the statement of operations.

Other

At December 31, 2001 and 2002, the Company charged P. 2,132,600 and P. 40,793, respectively, to results of operations for the impairment in the value of non-strategic affiliates ARBROS Communications, Inc, Iberbanda, Network Access and Armillaire in 2001 and Eurotec, S.A. in 2002.

The equity in the 2001 net loss of Telecom Américas includes an impairment to the value of this company's subsidiaries in the amount of P. 1,283,910, which is presented under equity in net results of affiliates in the statement of operations.

II. Investments in subsidiaries

An analysis of the Company most important equity investments in subsidiaries is as follows:

As explained in detail in subsequent paragraphs, during 2003 and 2002, the Company made several acquisitions. The results of operations of the acquired entities were incorporated into the Company's financial statements in the month following the acquisition date.

2003 Acquisitions

All of the Company acquisitions were recorded using the purchase method. The purchase prices of net acquired assets were allocated based on their estimated market values, as follows:

	Historical amounts at acquisition date in thousands of US Dollars					
	Celcaribe	BSE	CTE	CTI	BCP	Total
Current Assets	$ 13,795	$ 36,550	$168,503	$110,469	$114,829	$ 444,146
Fixed assets	17,696	112,714	409,011	93,331	152,713	785,465
Licences	82,205	101,602	23,640	55,271	494,417	757,135
Trademarks			93,666	90,336		184,002
Other assets			25,055	2,859	5,792	33,706
Less:						
Current liabilities	13,408	38,980	173,420	71,186	106,947	403,941
Long term debt		2,000	51,250	40,298	17,435	110,983
Fair value of net assets acquired	$100,288	$209,886	$495,205	$240,782	$643,369	$1,689,530
% participation acquired	98.08%	97.55%	51.00%	92.00%	100.00%	
Net assets acquired	98,362	204,744	252,055	221,519	643,369	1,420,049
Amount paid	98,362	204,744	417,000	221,519	643,369	1,584,994
Goodwill generated	$	$	$164,945	$	$	$ 164,945

Through appraisals made by independent experts, the Company determined the fair value of Trademarks. The Company made estimations in order to determine the fair value of licenses, based on market values of licenses with similar characteristics.

a) CELCARIBE (Colombia)

In February 2003, the Company, through Comcel, acquired from Millicom Cellular International a 98.08% equity interest in Celcaribe, S.A. for approximately US$ 98.3 million. As a result, América Móvil has expanded its capacity to provide services throughout Colombia. Celcaribe provides in addition to cellular services, data transmission, internet and short-message services.

b) BSE (Brazil)

In May 2003, the Company, through Telecom Américas, acquired from BellSouth Corporation and Verbier a 89.45% equity interest in BSE, S.A., for approximately US$ 180 million. Through additional capitalization in May 2003, of approximately US$25 million the Company increased its equity interest in BSE to 97.55%. BSE provides cellular telecommunications services to approximately one million subscribers in the Ceará, Piauí, Río Grande do Norte, Paraiba, Pernambuco and Alagoas states in Brazil.

c) CTE (El Salvador)

In October 2003, América Móvil acquired from France Telecom and other investors a 51% equity interest in Compañía de Telecomunicaciones de El Salvador (CTE), for approximately US$ 417 million. CTE provides fixed mobile and other telecommunications services in El Salvador and has approximately 700 thousand fixed line subscribers and 166 thousand cellular subscribers.

d) CTI (Argentina)

As a result of the October 2003 debt restructuring agreement in CTI Holdings, S.A. ("CTI"), the controlling company of CTI PCS, S.A. ("CTI PCS") and CTI Compañía de Teléfonos del Interior, S.A. ("Interior"), América Móvil acquired a 64% equity interest in such companies. In November 2003, América Móvil increased such equity interest to 92% by purchasing additional shares from various minority stockholders. The total purchase price was US$ 221.5 million. The remaining 8% interest in CTI is owned by Techint Compañía Técnica Internacional S.A.C.I., or Techint Group, which, has the right to require the Company to purchase all of their interest in CTI for US$17.1 million at any time during the two years following the completion of the restructuring of CTI's unsecured indebtedness. América Móvil has the right to require the Techint Group to sell their interest in CTI at any time during such period for US$18.8 million. CTI provides nationwide PCS wireless services in Argentina.

At the time of the acquisition, CTI had US$263 million in principal amount of senior notes due 2008, which were in default. These notes are subject to an out-of-court reorganization agreement (*acuerdo preventivo extrajudicia, or* "APE") in Argentina, which was approved by the court in December 2003. Pursuant to this agreement, the notes will be cancelled in exchange for an aggregate cash payment of approximately US$37.1 million. The judgment approving the APE has been challenged by a creditor of one of CTI's operating subsidiaries. The Company believes the appeal has no merit. In February 2004, the judge allowed the appeal to proceed but did not suspend the effect of his order approving the APE. Accordingly, The Company decided to make payment under the APE, and expects to make this payment on March 1, 2004. If the appeal were successful, CTI's obligations under the notes would be reinstated. As of the date of this report only US$43.5 million in principal amount of the notes remain outstanding in the hands of third parties.

e) BCP (Brazil)

In November 2003, the Company, through Telecom Américas acquired from certain lenders to BCP, which had acquired the shares formerly held by affiliates of Bell South Corporation, the Safra Family and local minority investors, a 100% equity interest in BCP, S.A., for approximately US$ 643.3 million. BCP provides cellular telecommunications services to approximately 1.7 million subscribers in the Sao Paulo metropolitan area.

f) ENITEL (Nicaragua)

On December 17, 2003, the Nicaraguan government accepted América Móvil's public bid to purchase 49% of the shares of Empresa Nicaragüense de Telecomunicaciones, S.A. ("ENITEL") for a total purchase price of US$ 49.6 million. The closing date was January 2004. ENITEL is the sole provider of fixed telephone services in Nicaragua and has approximately 200 thousand phone lines. ENITEL also provides cellular telephone services to 120 thousand fixed-wire lines.

2002 Acquisitions

a) Telecom Américas (Brazil)

Telecom Américas was incorporated in November of 2000, as a joint venture among América Móvil, Bell Canada International (BCI) and SBC Internacional Inc. (SBCI), as a vehicle that would serve the three parties in their expansion in Latin America, with approximately the following equity interests: América Móvil, 44.3%; BCI, 44.3%, and SBCI, 11.4%.

At December 31, 2001, as a result of a series of transactions involving the cancellation of contributions payable to Telecom Américas and additional capitalizations by the shareholders, the ownership interest was as follows: América Móvil, 45.5%; BCI, 41.7%, and SBCI, 12.8%.

In February of 2002, Telecom Américas was reorganized to maintain investments in cellular companies solely in Brazil. According to an agreement executed for this purpose, América Móvil transferred to Telecom Américas its 41% equity interest in ATL plus US$ 80 million in cash; Telecom Américas transferred its 77.1% and 60% equity interest in Comcel and Techtel respectively to América Móvil; its 76% equity interest in Canbras to BCI; and its 59% equity interest in Genesis equally to América Móvil and BCI. BCI, SBCI and América Móvil's equity interest in Telecom Américas did not change as a result of the restructuring.

In April 2002, Telecom Américas issued to a financial investor 1,844 convertible preferred shares with no voting rights, which at that date represented 6.9% of the capital stock of Telecom Américas. The preferred shares may be converted to common shares at any time at the option of the holder. Preferred shares have no voting rights, or right to representation in the board of directors. As of 2006, the holders will have the right to sell half the preferred shares back to Telecom Américas for US$ 150 million plus interest at a nominal rate and, likewise, as of 2006, the Company will have the right to purchase half of the shares at the same price.

In May of 2002, América Móvil acquired BCI´s 39.1% equity interest for approximately US$ 370 million, and in June of 2002, it acquired SBCI's 11.9% equity interests for approximately US$ 173 million.

As a result of the aforementioned transactions, at December 31, 2002, América Móvil's equity interest in Telecom Américas increased to 96% approximately from 45% at December 31, 2001.

At December 31, 2003, as a result of additional capitalizations by the shareholders, América Móvil's ownership interest in Telecom Américas was 97.55%.

At December 31, 2003, Telecom América's cellular holdings in Brazil include: ATL, Tess, Telet, Americel, BSE and BCP band B cellular operators in the states of Rio de Janeiro, Sao Paulo, Rio Grande do Sul and various states in the northern part of Brazil. During the fourth of quarter 2003, América Móvil launched its new Claro brand throughout Brazil.

b) Comcel (Colombia)

Comunicación Celular S.A. ("Comcel") and Occidente y Caribe Celular S.A. ("Occel") provide wireless telecommunications service in Colombia's eastern and western regions, respectively. América Móvil acquired its investment in Comcel and Occel in 2002 as a result of the restructuring of Telecom Américas and increased its interest to the present levels through a series of capitalized investments made in 2002 and 2003. The Company currently holds a 95.67% equity interest in Comcel and a 93.4% equity investment in Occel.

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

At December 31, 2003, Comcel's cellular holdings in Colombia include: Comcel, Occel and Celcaribe band B cellular operators.

c) Techtel—LMDS Comunicaciones Interactivas (Argentina)

América Móvil holds a 60% equity interest in Telcel Wireless Argentina, LLC ("Telcel Argentina"), which, in turn, wholly owns Techtel, a company that provides video and data transfer, as well as value added telecommunications services. América Móvil acquired its equity interest in Techtel in 2002 as a result of the restructuring of Telecom Américas.

Other acquisitions

During 2003, América Móvil invested approximately US$ 77 million (US$ 154 million in 2002) to acquire minority interests in Conecel (Ecuador) and ACT (Guatemala). As a result, the Company increased its equity interest in these subsidiaries to 100%, from 80.6% and 96.9%, respectively.

Other minor acquisitions made by the Company in 2002 aggregated approximately P. 353,498.

The results of operations of the companies acquired in 2001, 2002 and 2003 have been included in the Company's financial statements from the month following the date of acquisition through the end of the period presented.

The Company is not obligated to make any further payments or provide any form of additional or contingent consideration related to these acquisitions, other than those already disclosed.

The following consolidated pro forma financial data for the years ended December 31, 2001, 2002 and 2003 have not been audited and are based on the Company's historical financial statements, adjusted to give effect to (i) the series of acquisitions mentioned in the preceding paragraphs; and (ii) certain accounting adjustments related to the amortization of goodwill and licenses, a reduction in interest income derived from the decrease in cash as a result of the previously-mentioned purchases and adjustments to depreciation of the net fixed assets of the acquired companies.

The pro forma adjustments assume that the purchases were made at the beginning of the acquisition year and the immediately preceding year and are based upon available information and other assumptions that management considers reasonable.

The pro forma financial information is not intended to indicate what the effect on the Company would have been had the transactions in question actually occurred, nor are they intended to predict the Company's results of operations.

	Unaudited pro forma consolidated América Móvil for the years ended December 31,		
	2001	2002	2003
Operating revenues	P. 70,569,931	P.75,602,854	**P.97,201,553**
Net (loss) income	(12,016,422)	(7,241,816)	**17,416,198**
(Loss) earnings per share (in Mexican Pesos)	(0.91)	(0.55)	**1.35**

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

III. Goodwill

An analysis of goodwill at December 31, 2002 and 2003 is as follows:

	2002	2003
Investment:		
Opening balance as of December 31	P. 5,683,069	**P. 9,242,062**
Effect of acquired companies	3,104,433	**1,853,322**
Effects of translation of foreign entities	635,662	**1,503,222**
Cancellations	(181,102)	
	9,242,062	**12,598,606**
Amortization:		
Opening balance as of December 31	(1,143,693)	**(2,978,186)**
Amortization of the year	(1,677,198)	**(1,097,725)**
Effects of translation of foreign entities	(157,295)	**(494,346)**
	(2,978,186)	**(4,570,257)**
Ending balance, net	P. 6,263,876	**P. 8,028,349**

Amortization expense for the year ended December 31, 2001 was P. 692,879.

11. Financial Instruments

To hedge its exposure to financial risks, in 2003, the Company entered into US dollar and Mexican peso interest-rate swaps for the exchange of cash flows for the amount determined by applying agreed interest rates to the base amount. Under these contracts, the Company agreed to receive the Libor variable interest rate at various terms plus a differential and the CETES variable interest rate at various terms plus a differential and to pay a fixed rate, for the US dollar and Mexican peso interest-rate swaps, respectively.

At December 31, 2003 the Company has US dollar and Mexican peso interest-rate swaps for a total base amount of US$ 1,426.4 million and P. 6,000 million, respectively. The Company had no instruments of this type at December 31, 2002.

Additionally, at December 31, 2002 and 2003, the Company had contracted cross currency swaps for an outstanding base amount of US$ 208.8 and US$ 310.4 million, respectively.

Interest-rate swaps and cross-currency swaps are recorded in results of operations at the respective market interest rates. Gains on these swaps for 2003 were credited to operations as part of the caption comprehensive cost of financing for the year in the amount of P. 118,894 (losses of P. 167,817 were charged in 2002).

12. Employee Benefits Obligations

In 1994, Telcel set up an irrevocable trust fund to cover the payment of the obligations for seniority premiums, adopting the policy of making contributions to the fund as they are deemed necessary. No contributions were made to the fund in 2001, 2002 and 2003.

The transition asset, past services and variances in assumptions are amortized over a thirteen-year period, which is the estimated average remaining working lifetime of Telcel's employees.

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

An analysis of the net period cost for 2001, 2002 and 2003 is as follows:

	2001	2002	2003
Service cost	P.1,377	P.1,766	**P.1,870**
Financial cost of projected benefit obligations	223	339	**451**
Expected return on plan assets	(213)	(245)	**(252)**
Amortization of actuarial gain	(28)	(21)	**(23)**
Net period cost	P.1,359	P.1,839	**P.2,046**

The change in the pension plan benefit obligation is as follows:

	2002	2003
Benefit obligation at the beginning of the year	P.5,065	**P.6,733**
Service cost	1,766	**1,870**
Interest cost	339	**451**
Actuarial gain	(408)	**(465)**
Benefits paid	(29)	**(32)**
Benefit obligation at the end of the year	P.6,733	**P.8,557**

An analysis of the seniority premium reserve at December 31, 2002 and 2003 is as follows:

	2002	2003
Projected benefit obligation	P. 6,733	**P. 8,557**
Plan assets	(2,752)	**(4,581)**
Transition asset	55	**47**
Actuarial gain	1,055	**1,275**
Net projected liability	P. 5,091	**P. 5,298**
Unfunded accumulated benefit obligation	P. 3,981	**P. 3,976**
Accumulated benefit obligation	P. 6,733	**P. 8,557**

The current net liability was included in the balance sheet under the caption other accounts payable and accrued liabilities.

The change in employee benefit plan assets and plan funded status is as follows:

	2002	2003
Fair value of plan assets at beginning of year	P. 2,724	**P. 2,752**
Real investment return	28	**1,829**
Fair value of plan assets at end of year	P. 2,752	**P. 4,581**

	2002	2003
Funded status	P.(3,981)	**P.(3,976)**
Unrecognized net actuarial gain	(1,055)	**(1,275)**
Unrecognized net transition asset	(55)	**(47)**
Net amount recognized	P.(5,091)	**P.(5,298)**

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

The net of inflation rates used to determine the actuarial present value of benefit obligations at December 31, 2001, 2002 and 2003 are presented below:

	2001	2002	2003
Discount rate	6.8%	6.8%	**6.8%**
Expected return on plan assets	6.8	6.8	**6.8**
Rate of compensation increase	1.9	1.9	**1.9**

13. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	2002	2003
Suppliers	P. 7,386,956	**P.12,618,896**
Sundry creditors	1,140,138	**2,857,896**
Contingencies	1,253,871	**2,709,105**
Interest payable	929,965	**923,120**
Accrued expenses	291,834	**260,075**
Guarantee deposits	342,235	**316,574**
Retirement of assets provision		**155,830**
Others	30,727	**103,203**
Total	P.11,375,726	**P.19,944,699**

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

14. Debt

The Company's debt consists of the following:

	2002		Maturity from		2003	Maturity from	
Currency	Items	Rate	2002 to	Total 2002	Rate	2003 to	Total 2003
U.S Dollars							
	Exim Banks	L+.20 to L+1.65	2009	P. 8,788,067	**L+.20 to L+1.65**	**2009**	**P. 8,934,407**
	Syndicated loans	L+.75 to L+1.35	2007	10,721,906	**L+.75 to L+1.35**	**2007**	**11,236,000**
	Fixed-rate securities	3.62%	2004	3,897,456	**3.3990%**	**2004**	**347,033**
	Bank loans	L+.34 to L+1.50	2006	7,671,518	**L+.30 to L+1.50**	**2006**	**8,212,954**
	Suppliers	3.1675% to 10%	2004	643,625	**3.1675% to 10%**	**2004**	**149,619**
	BNDES	UMBNDES 4.5% to UMBNDES 5.0%	2008	782,697	**UMBNDES+4.5% to UMBNDES+5.05**	**2008**	**675,565**
	Leasing						**11,445**
	Others				**L+4.50; 11.25%**	**2008**	**527,321**
	Subtotal Dollars			32,505,269			**30,094,344**
Mexican Pesos							
	Domestic senior notes ("Certificados Bursátiles")	Various	2009	10,398,405	**Various**	**2009**	**11,250,000**
	Syndicated loans				**TIIE + .80**	**2008**	**1,750,000**
	Bank loans	$TIIE_{28}$ +.70	2004	831,760	**TIIE**	**2004**	**1,000,000**
	Leasing				**TIIE + .55**	**2006**	**950,000**
	Subtotal Mexican Pesos			11,230,165			**14,950,000**
Reais							
	BNDES	TJLP + 2.80% to TJLP +5.00%	2007	2,273,044	**TJLP + 2.80% to TJLP + 5.00%**	**2007**	**2,402,875**
	Bank loans	CDI + 1.20		925,537	**CDI +.90**	**2005**	**60,607**
	Licenses	12% + Inflation	2010	922,695	**12% + Inflation**	**2010**	**365,788**
	Subtotal Reais			4,121,276			**2,829,270**
Colombian pesos							
	Bond				**IPC + 7.50%**	**2010**	**808,866**
	Subtotal Colombian pesos						**808,866**
Others Currencies							
	Bank loans	9%	2003	178,534	**6.50%**	**2004**	**598,868**
	Financial Leasing	13%	2004	1,198	**7.00%**	**2004**	**31,497**
	Subtotal Other currencies			179,732			**630,365**
	Total Debt			48,036,442			**49,312,845**
	Less: short-term debt and current portion of long-term debt			10,637,007			**12,108,296**
	Long term debt			P.37,399,435			**P.37,204,549**

1) L = LIBOR
2) UMBNDES = Monetary Unit of Brazilian Development Bank (BNDES)
3) TIIE = Mexican Equilibrium Funding Rate
4) TJLP =Long Term Interest Rate
5) CDI =Financial Certificate of Deposit

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

The above-mentioned interest rates are subject to variances in international and local rates and do not include the effect of the Company's agreement to reimburse certain lenders for Mexican taxes withheld. The Company's weighted average interest rate cost on borrowed funds at December 31, 2003 was approximately 5.19% (5.45% at December 31, 2002).

In addition to this rate, The Company must reimburse international lenders (with the exception of loans provided or guaranteed by export credit agencies) for Mexican taxes withheld, typically 4.9% of the interest payment. Fees in financing transactions generally add approximately ten basis points to financing costs.

Short-term debt at December 31, 2002 and 2003 consists of the following:

Concept	2002	2003
Domestic senior notes	P.1,819,475	
Fixed-rate securities	2,748,157	**P. 347,033**
Syndicated loans	1,297,351	**1,241,578**
Other loans	1,526,717	**6,602,879**
Total	P.7,391,700	**P.8,191,490**
Weighted average interest rate	6.7%	**3.05%**

Maturities of long-term debt at December 31, 2003 are as follows:

Years	Amount
2005	P.14,606,800
2006	10,955,100
2007	5,595,528
2008	3,269,676
2009 and thereafter	2,777,445
Total	P.37,204,549

Lines of credit guaranteed by Export Credit Agencies.- The Company has a number of equipment financing facilities, under which export development agencies provide support for financing to purchase exports from their respective countries. These facilities are generally medium to long-term, with periodic amortization and interest at a spread over LIBOR. They are extended to the Company or to operating subsidiaries, usually with guarantees from one or more of América Móvil, Telcel or Sercotel.

During 2002 and 2003, the Company established lines of credit up to US$ 250 million with the Export Development Corporation (EDC) of Canada to purchase telecommunications equipment. Drawings on these lines of credit are repayable semiannually and bear interest at LIBOR plus 0.95% to LIBOR plus 1.25% with maturities between 2004 and 2009.

Syndicated loans.- During 2001 and 2002, the Company entered into syndicated loan agreements for US$ 500, US$ 200 and US$ 400 million. With respect to the first loan of US$ 500 million, US$ 100 million was repaid in 2002 and the remaining US$ 400 million is due in January 2005, bearing interest at LIBOR plus 1.0%. The US$ 200 million syndicated loan is due in May 2005, bearing interest at LIBOR plus 1.0%.

The US$ 400 million syndicated loan has been structured into three tranches (credits A, B and C for US$ 121 million, US$ 137 million and US$ 142 million, respectively) with maturities in 2003, 2005 and 2007, bearing interest at LIBOR plus 0.75%, LIBOR plus 1.10% and LIBOR plus 1.35%, respectively. In 2003, the Company has renewed tranche A for US$110.5 million for an additional six month period.

BNDES.- At December 31, 2002, ATL, Tess and Americel have outstanding syndicated loans provided with resources of the Brazilian development bank Banco Nacional de Desenvolvimiento Económico e Social ("BNDES"). These loans are principally denominated in reais, with a portion indexed to US dollars. The principal amount of the loan is approximately R$ 618 million plus approximately US$ 60 million.

Purchase of licenses.- As of December 2003, the Company owed the Brazilian Government P. 365.7 million in reais- denominated obligations. These are indexed based on factors derived from Brazilian Consumer Price Index and carry a coupon of 12%. They are payable over 8 years in equal annual amortization beginning in August 2005.

Domestic Senior Notes (certificados bursatiles).- The CNBV has authorized the Company to establish three programs for the issuance of domestic senior notes guaranteed by Telcel for P. 5,000 million each.

During 2002, the Company made seven issues of the second program for amounts ranging from P. 400 to P. 1,250 million, with maturities ranging from 3 to 7 years. Three issues bear a fixed annual interest rate ranging from 10.40% to 10.45% and the remaining four issues bear a floating interest rate established as a percentage of the CETES rate.

During 2003, the Company made three issues of the third program each for an amount of P.1,000 million, the first one with maturity in 2006 at a rate of Cetes 91 plus 1.20% and the other two maturing in 2008 at a rate of Cetes 182 plus 0.90% and Cetes 91 plus 0.89%, respectively.

As of December 31, 2003, the Company had a total of P. 11,250 million outstanding in the market.

General

At December 31, 2003, the Company had a number of bank facilities bearing interest at LIBOR plus a spread. For certain of the facilities, the spread over LIBOR can vary if there is a deterioration in the Company´s financial condition. The facilities have similar terms as to covenants, and under all of the facilities América Móvil, Sercotel and Telcel are either borrowers or guarantors. For certain of these facilities, Telgua is also a guarantor.

Additionally, the Company has available two commercial paper programs for P. 2,000 and P. 5,000 million. As of December 31, 2003, the Company had no outstanding commercial paper debt.

The Company is subject to financial and operating covenants under the loan agreements. They limit the ability to pledge assets, to effect a merger or a sale of all or substantially all of the assets, and to permit restrictions on the ability of the subsidiaries to pay dividends or make distributions to the Company. The most restrictive financial covenants require the Company to maintain a consolidated ratio of debt to EBITDA not greater than 3.5 to 1 and a consolidated ratio of EBITDA to interest expense not less than 2.5 to 1 (using terms defined in the loan agreements). Telcel is subject to financial covenants similar to those applicable to América Móvil. A number of the financing instruments are subject to either acceleration or repurchase at the holder's option if there is a change of control. In the event of a default under certain material provisions of some of the bank loans, the Company is prohibited from paying dividends to the shareholders. At December 31, 2003, the Company was in compliance with all of these requirements.

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

At December 31, 2003, 87% of total outstanding consolidated debt is guaranteed by Telcel.

15. Foreign-Currency Position and Transactions

a) At December 31, 2002 and 2003, América Móvil had the following foreign-currency denominated assets and liabilities:

	Foreign currency in million			
	2002	Exchange Rate At December 31 2002	2003	Exchange Rate At December 31 2003
Assets				
US dollar	380	10.31	**1,326**	**11.23**
Quetzal	432	1.34	**702**	**1.39**
Reais	1,942	2.91	**2,356**	**3.89**
Colombian peso	240,505	0.0035	**290,163**	**0.004**
Argentinean peso			**380**	**3.83**
Euro			**1**	**14.11**
Liabilities				
US dollar	(3,710)	10.31	**(3,726)**	**11.23**
Quetzal	(1,107)	1.34	**(1,330)**	**1.39**
Reais	(1,540)	2.91	**(4,160)**	**3.89**
Colombian peso	(288,605)	0.0035	**(781,447)**	**0.004**
Argentinean peso			**(395)**	**3.83**

At February 23, 2004 the exchange rate of the Mexican peso relative to the US dollar, quetzal, real, Colombian peso, Argentinean peso and Euro was P. 11.04 per US dollar, P. 1.36 per quetzal, P. 3.73 per real, P. 0.004 per Colombian peso, P. 3.78 per Argentinean peso and P. 13.8 per Euro.

b) In the years ended December 31, 2001, 2002 and 2003, the Company had the following transactions denominated in foreign currencies. Currencies other than the US dollar (reais, quetzals, Colombian pesos, Argentinean peso and Euro) were translated to US dollars using the average exchange rate for the year.

	Thousands of U.S. dollars		
	2001	2002	2003
Net revenues	1,048,464	1,711,259	**3,037,013**
Operating costs and expenses	1,655,682	2,423,335	**4,103,468**
Interest income	62,867	108,469	**141,484**
Interest expense	90,514	147,529	**298,075**
Other income (expense), net	95,808	(110,778)	**260,394**

16. Commitments and Contingencies

a) As of December 31, 2003, the Company has entered into various leases (as a lessee) with related parties for the buildings in which its offices are located, as well as with owners of property where the Company has installed radio bases. The leases expire within one to five years.

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

Following is an analysis of minimum rental payments due in the next five years. In some cases, the amount will be increased either based on the NCPI or on the appraisal values of the property.

The Company leases certain equipment used in its operations under capital leases. At December 31, 2003, the Company had the following commitments under non-cancelable leases:

Years ended December 31,	Capital lease	Operating lease
2004	**P. 27,915**	**P. 752,771**
2005	**493,205**	**769,516**
2006	**492,557**	**790,920**
2007		**800,905**
2008 and thereafter		**3,705,691**
Total	**1,013,677**	**P.6,819,803**
Less interest	**(20,735)**	
Present value of minimum rental payments	**992,942**	
Less current installments	**37,401**	
Long-term obligations at December 31, 2003	**P. 955,541**	

Rent charged to expenses in 2001, 2002 and 2003 aggregated, P. 247,564, P. 344,679 and P. 1,091,415, respectively.

b) Certain Telmex Obligations Iberbanda

Telmex has guaranteed certain obligations of Iberbanda, S.A.(formerly FirstMark Comunicaciones España, S.A.). The guarantee is limited to 13.7 million euros (P. 194 million). América Móvil has agreed to indemnify Telmex for any liability derived from this guarantee.

Post Spin-Off Agreement

In conformity with clause eleven of the post spin-off master agreement between Telmex and América Móvil, Telmex is obligated to indemnify and hold América Móvil harmless from any and all claims resulting from any liability or contingency which was to be paid by Telmex as a result of the spin-off of América Móvil from Telmex and América Móvil is obligated to indemnify and hold Telmex harmless from any liability or contingency which was expressly transferred to América Móvil as a result of the spin-off América Móvil from Telmex.

c) Payment Guarantees With Suppliers

At December 31, 2003, some of the Companies subsidiaries had commitments to acquire equipment comprising their GSM networks, for as much as approximately US$ 580 million (approximately P. 6,516 million), which amounts have been guaranteed by America Móvil.

Telcel

d) Antitrust Proceedings

In November 1995, a competitor of Telcel that provides cellular telephone services reported Telmex and Telcel to Cofeco, the Federal Competition Commission, for alleged monopolistic practices. In July 2001, Cofeco ruled that Telmex was responsible for the alleged monopolistic practices. The ruling did not find Telcel responsible for such practices.

Administrative proceedings were commenced in January and June 2001 by Cofeco against Telcel for alleged anti-competitive behavior in connection with certain actions carried out by certain distributors of Telcel in 2001. In May 2002, Cofeco ruled against Telcel in connection with the proceeding begun in January. Telcel appealed this ruling in June 2002. In September 2002, Cofeco ruled against this appeal. Telcel filed a lawsuit (*demanda de nulidad*) against this ruling in January 2003, the resolution of which is still pending. With respect to the administrative proceedings commenced in June 2001, Cofeco ruled against Telcel in December 2002, and Telcel appealed this ruling. In May 2003, Cofeco ruled against this appeal. In August 2003, Telcel filed a lawsuit (*demanda de nulidad*) against this ruling, the resolution of which is pending. If the Company is unsuccessful in challenging these proceedings, they may result in fines or specific regulations applicable to Telcel.

e) Administrative Investigation

The Company has received requests for information from the CNBV and the SEC regarding Telcel's entry into a capacity services agreement with Operadora Unefon in September 2003. The investigation regards the alleged use by Operadora Unefon of the US$267.7 million paid by Telcel to Operadora Unefon under the agreement and related public disclosures made by an affiliate of Operadora Unefon. The Company is cooperating with the authorities.

f) Interconnection

Under the terms of its concessions for the 800 megahertz spectrum, Telcel must pay a royalty on gross revenues from concessioned services. The royalty is levied at rates that vary from region to region but average approximately 8%. The Company believes that short message services are value-added services, which are not concessioned services, and that revenues from short message services should not be subject to this royalty. In related proceedings, Cofetel has ruled that short text messages are subject to the interconnection regulatory regime and that such services do not constitute value-added services. The Company is currently disputing these issues in an administrative proceeding, but have made provisions in the financial statements with respect to this potential liability.

CompUSA

g) In January 2000, COC Services, LTD. ("COC Services") filed with the District Court for the County of Dallas, Texas, a lawsuit against CompUSA, Inc. ("CompUSA") alleging breach of contract and civil liability on the part of CompUSA in connection with certain letter of intent relating to the franchises granted to various Mexican retailers. The lawsuit also named Grupo Carso, Grupo Sanborns and Carlos Slim Helú as additional defendants. In the lawsuit, COC Services sought to recover from CompUSA US$150 million (approximately P. 1,685.4) in actual damages for breach of contract, tortious interference with a contract or prospective contract, and conspiracy, as well as US$2 million (approximately P. 22.4) in damages for fraud and US$300 million (approximately P. 3,370.8) in punitive damages, plus interest and the reimbursement of all legal fees and expenses. The lawsuit was turned over to the 116th District Court for the County of Dallas, Texas, and a jury trial was held in January and February 2001. The jury trial concluded in February 2001 with a verdict against all the defendants in respect of several COC claims. The veredict awarded to COC Services actual and punitive damages from the various defendants, as follows: punitive damages of US$175.5 million (approximately P. 1,971.9) from James Halpin, CompUSA's former Chief Executive Officer, US$94.5 million (approximately P. 1,061.8) from CompUSA, US$67.5 million (approximately P. 758.4) from Carlos Slim Helú, US$13.5 million (approximately P. 151.6) from Grupo Carso and US$13.5 million (approximately P. 151.6) from Grupo Sanborns. The defendants filed with the court a motion challenging various legal aspects of the final award.

On May 18, 2001, the court reduced the amount of the damages awarded by the jury veredict against Grupo Carso, Grupo Sanborns, Carlos Slim Helú, CompUSA and James Halpin, from US$454.0 million (approximately P. 5,101.1) to US$121.5 million (approximately P. 1,365.1), which represented a 73% reduction. In addition, the court vacated the jury award against CompUSA and James Halpin. Grupo Carso, Grupo Sanborns and Carlos Slim Helú have filed various motions in connection with these proceedings, and have filed an appeal with the competent courts of the State of Texas. Such actions are pending and we cannot predict their outcome, but we have posted with the court a bond to guarantee the payment of any amounts that may be awarded by a final resolution. Although the amount of the jury veredict has been reduced, we plan to continue pursuing all legal avenues available before the competent courts, for so long as it may be necessary, in order to obtain the dismissal of the pending accusations. COC Services has appealed the judgment, seeking to obtain the payment of damages in an amount closer than that stipulated in the jury veredict, and to reinstate CompUSA and James Halpin as defendants. The appeals have been processed and all arguments have been heard. The final resolution of the court of appeals is currently pending.

Telgua

h) Reversal of Privatization

In June 2000, the executive branch of the Guatemalan government issued declarations concerning Empresa Guatemalteca de Telecomunicaciones ("Guatel"), a Guatemalan state agency that conducted the privatization of Telgua. The declarations stated that certain actions of Guatel relating to the privatization of Telgua were contrary to the interests of the Guatemalan State. In September 2000, the Guatemalan government commenced judicial proceedings against Guatel, Telgua and certain other parties involved in the privatization of Telgua seeking reversal of the privatization.

In October 2001, the Guatemalan State announced a governmental accord issued by the President of Guatemala and the Cabinet Ministers establishing the principal terms and conditions of a settlement agreement among the Guatemalan State, Telgua, Guatel and America Central Tel S.A. ("ACT"), and ordering the Attorney General of Guatemala to enter into such agreement in the name and on behalf of the Guatemalan State.

Under the terms of the settlement agreement, which was executed on October 2001, Telgua agreed, among other things, to undertake a fixed, mobile, rural and Internet telephone development project within Guatemala, to be completed within a period of three years and to consist of an investment of at least 1,950 million quetzals (approximately US$246 million), and to establish a total of 380,000 public, mobile and rural telephone lines.

Pursuant to the settlement agreement, the Guatemalan State, ACT and Telgua agreed to abandon all litigation and related actions with respect to this matter. While the competent court held that as a procedural matter the attorney for the Guatemalan State could not withdraw the State's claims, it recognized the settlement agreement and ordered the files closed. During 2002, certain former government officials presented claims to the Guatemalan courts challenging the validity of the October 2001 settlement agreement on the grounds that they should have been included as parties. These actions are pending.

i) ITI-GEDO

In addition, judicial proceedings were commenced in the United States District Court for the Southern District of New York in March 2001 by International Telecom, Inc. ("ITI") against Generadora Eléctrica de Oriente, S.A. ("GEDO"), Antonio Jorge Álvarez and Telgua, alleging breach of contract, tortious interference with contract and fraud in connection with an international telecommunications service agreement. In March 2002, the court granted Telgua's motion to dismiss the case against it for lack of personal jurisdiction, holding that Telgua had insufficient contacts with New York to subject it to jurisdiction in that forum. After a final judgment is issued, ITI, GEDO or Mr. Álvarez may appeal the decision dismissing Telgua from the litigation to the United States Court of Appeals for the Second Circuit.

Comcel

j) Value Added Tax

The Colombian tax authorities have demanded that Comcel and Occel pay additional value-added taxes arising from cellular activation fees in 1995 and 1996. Comcel and Occel have challenged these claims before the corresponding administrative authorities. The administrative authorities have reviewed several of the bi-monthly tax periods in question and have decided all of them in favor of Comcel and Occel.

The amount claimed by the tax authorities (including fines and interest) relating to the tax periods for which challenges were still pending as of December 31, 2003 totaled approximately Colombian P. 19.6 billion for Comcel and P. 2.7 billion for Occel (approximately P. 79.2 million and P. 10.9 million, respectively). In the opinion of its management, Comcel and Occel have appropriately filed and paid the value-added tax for all of the periods in question and has made no provisions in its financial statements as of December 31, 2003 against these proceedings.

k) Voice/IP

In March 2000, the Colombian Superintendencia de Industria y Comercio (SIC) issued Resolution No. 4954, requiring Comcel to pay a fine of Colombian P. 234 million for alleged anti-competitive behavior. In addition to this administrative fine, the SIC ordered Comcel to pay damages to other long distance operators. The long distance operators estimated their damages to be US$70 million. Comcel requested an administrative review of the damages decision, which was denied in June 2000. Comcel appealed, and the appeal was rejected in November 2000. Comcel resubmitted the appeal in February 2001.

Comcel also filed a special action in court challenging the denial of the administrative review. Following a series of court proceedings, a Colombian appeals court in June 2002 ordered that Comcel's February 2001 appeal be granted and that the administrative decision against Comcel be reviewed. After additional proceedings, the Consejo Superior de la Judicatura ratified this decision. However, in 2003, an appeals court decided to revoke the decision of the Consejo Superior de la Judicatura, and the Tribunal Superior de Bogotá currently is reverting the procedure back to the SIC in order to continue the damages claim.

Telecom Americas

l) Tess and ATL-Telecom Leste

ANATEL has challenged each of Tess and ATL regarding the calculation of inflation-related adjustments due under these companies' concession agreements with ANATEL. Forty percent of the concession price under each of these agreements was due upon execution and 60% was due in three equal annual installments (subject to inflation-related adjustments and interest) beginning in 1999.

Both companies have made these concession payments, but ANATEL has rejected the companies' calculation of the inflation-related adjustments and requested payment of the alleged deficiencies. The companies have filed declaratory and consignment actions in Brazilian courts seeking resolution of the disputes. The court of first instance ruled against ATL's filing for declaratory action in October 2001 and ATL's filing for consignment action in September 2002. Subsequently, ATL filed appeals, which are pending. In September 2003, the court of first instance ruled against Tess' filing for consignment action. Subsequently, Tess filed an appeal, which is still pending. No ruling has been made to date in respect of the declaratory action filed by Tess. The aggregate contested amounts were approximately R$422 million (including potential penalties and interest) (US$146 million) at December 31, 2003. We have made provisions in our financial statements with respect to this potential liability.

m) BNDESPAR

Prior to our acquisition of Telet and Americel, BNDESPar, a subsidiary of BNDES, the Brazilian development bank, had entered into investment and other shareholder agreements with Americel, Telet and certain of their significant shareholders. Under these agreements, BNDESPar had the right, among others, to participate in the sale of shares of Telet and Americel in the event of certain transfers of control, for so long as BNDESPar held 5% of the share of capital in those companies. In October 2003, the Company increased the capital of each of Telet and Americel and BNDESPar's ownership fell below 5% from approximately 20% in each as it elected not to exercise its preemptive rights. Subsequently, BNDESPar sent official notices to Telet and Americel reserving its rights under the agreements in respect of certain past transfers of shares. To the Company´s knowledge, BNDESPar has not commenced judicial action against us or any of our subsidiaries. The Company does not believe that BNDESPar has a valid claim against us or our subsidiaries under the agreements. Moreover, does not believe that any such possible actions, even if successful, could result in a material adverse effect on our business, results or liquidity, but it is difficult for to predict the outcome of any such possible actions since a lawsuit has not yet been filed.

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

17. Related Parties

a) Following is an analysis of balances due from/to related parties as of December 31, 2002 and 2003. All of the companies are considered América Móvils' affiliates, as the Company's principal stockholders are also directly or indirectly stockholders of these related parties.

	December 31, 2002	December 31, 2003
Accounts receivable:		
Teléfonos de México, S.A. de C.V.	P.506,192	**P.497,629**
Sanborns Hermanos, S.A. de C.V.	63,276	**69,306**
Sears Roebuck, S.A. de C.V.	21,076	**40,665**
Teléfonos del Noroeste, S.A. de C.V.	16,797	**27,081**
Seguros Inbursa, S.A. de C.V.		**7,414**
Others	2,057	**5,710**
	P.609,398	**P.647,805**
Accounts payable:		
América Telecom, S.A. de C.V.	P. 46,238	**P. 48,455**
Fianza Guardiana Inbursa, S.A. de C.V.	23,455	**26,511**
Consorcio Red Uno, S.A. de C.V.	18,872	**3,634**
Alquiladora de Casas, S.A. de C.V.	215	**450**
Carso Global Telecom, S.A. de C.V.		**21,767**
Compañía de Teléfonos Bienes y Raíces, S.A. de C.V.	331	**16,631**
Others	21,093	**12,075**
Total	P.110,204	**P.129,523**

b) Neither Telmex nor América Móvil owns any capital stock in the other; however, both companies are controlled by the same group of stockholders. The relationship between Telmex and América Móvil is limited to commercial relationships in the ordinary course of business between a major fixed-line network operator and a major wireless network operator including, among others, the interconnection of their respective networks and the use of facilities, particularly the co-location on premises owned by Telmex. These operational relationships are subject to various agreements, which, for the most part, were in place prior to the spin-off and have continued in effect without significant modification following the spin-off. Many of them are also subject to specific regulations governing all telecommunications operators. The terms of these agreements are similar to those on which each company does business with other unaffiliated parties.

c) In 2001, marketable securities included notes and corporate bonds issued by related parties, interest earned on such instruments for the years ended December 31, 2001 and 2002 were P. 401,774 and P. 81,346, respectively.

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

d) In the years ended December 31, 2001, 2002 and 2003 the Company had the following significant transactions with related parties, (mainly with Telmex):

	2001	2002	2003
Revenues:			
Calling Party Pays (CPP) interconnection fees and other(1)	P.8,421,326	P.8,746,336	**P.9,553,850**
Costs and expenses:			
Payments of long-distance, circuits and others(2)	3,821,476	3,637,594	**3,902,024**
Commercial, administrative and general:			
Advertising	473,706	467,765	**533,662**
Others, net	(109,882)	189,450	**(4,609)**
Interest expense (income)	6,588	57,215	**(4,706)**

(1) Interconnection fees from CPP: incoming calls from a fixed-line telephone to a wireless telephone. Prior to the spin-off Telcel had entered into interconnection agreements with Telmex. The interconnection agreements specify a number of connection points, locations of interconnection points, the method by which signals must be transmitted and received and the costs and fees of interconnection.

(2) Includes: a) Interconnection (cost): payments of interconnection for outgoing calls from the wireless network to the fixed-line network; b) Long-distance: payments for the use of national and international long-distance; and c) leases of buildings and other cellular space.

e) Telcel has entered into various leasing and co-location agreements with a subsidiary of Telmex. Under these agreements, Telcel pays monthly fees for the use of Telmex’s antenna and repeater space, and has the right to install its interconnection equipment.

f) The Company purchases materials and services from related parties under terms no less favorable than it could obtain from unaffiliated parties. Such materials and services include insurance and bank services provided by Grupo Financiero Inbursa, S.A. and certain other subsidiaries.

18. Stockholders’ Equity

a) The shares of América Móvil were authorized and issued pursuant to the Telmex stockholders’ meeting on September 25, 2000 approving the spin-off. Capital stock at December 31, 2001, 2002 and 2003, is represented by 13,199 million, 12,916 million and 12,836 million common shares with no par value, respectively, representing the fixed portion of capital.

An analysis of the shares at December 31, 2003 is as follows:

Millions of shares	
3,647	Series AA voting shares
279	Series A voting shares
8,910	Series L limited voting rights
12,836	

b) Series AA shares, which may be subscribed only by Mexican individuals and corporate entities, must represent at all times no less than 20% of capital stock and no less than 51% of the combined AA shares and A shares. Common series A shares, which may be freely subscribed, must account for no more than 19.6% of capital stock and no more than 49% of the common shares. Series AA and A shares combined may not represent more than 51% of capital stock. The combined number of series L shares, which have limited voting rights and may be freely subscribed, and series A shares may not exceed 80% of capital stock.

The Company's bylaws permit the holders of series L shares to exchange such shares, in certain circumstances, for series AA shares, commencing January 1, 2001. During 2001, a total of 605 million series L shares were exchanged for series AA shares.

c) In April 2002 and 2003, the stockholders approved payment of a cash dividend of Ps. 0.044 and Ps. 0.060 per share, respectively, payable in four installments of Ps. 0.011 and Ps. 0.015 each in June, September and December of 2002 and 2003 and in March 2003 and 2004.

During the three year period ended December 31, 2003, the Company has purchased the following shares:

Year	Number of shares in million		Amount in thousands of Mexican pesos		Historical amounts in thousands of Mexican pesos	
	"L" Shares	"A" Shares	"L" Shares	"A" Shares	"L" Shares	"A" Shares
2001	807	4	P.7,477,552	P.44,363	P.6,662,635	P.38,999
2002	281.6	1.9	P.2,178,493	P.13,506	P.2,038,972	P.12,641
2003	66.2	0.2	P. 975,119	P. 350	P.1,009,870	P. 330

Under the Mexican Securities Trading Act, amended starting June 1, 2001, it is no longer required to create a reserve for the repurchase of the Company's own shares. The Company's own shares that have been purchased since this change were acquired using the reserve.

d) In conformity with the Mexican Corporations Act, at least 5% of the net income of each year must be appropriated to increase the legal reserve until it reaches 20% of capital stock issued and outstanding.

19. Income Tax, Asset Tax and Employee Profit Sharing

a) Mexico

1) Effective January 1, 2002, the Ministry of Finance and Public Credit authorized América Móvil to consolidate the group tax returns of its Mexican subsidiaries. Global Central América, S.A. de C.V., one of the Company's subsidiaries is excluded from this tax consolidation.

2) Asset tax is a minimum income tax payable on the average value of most assets net of certain liabilities. Since asset tax may be credited against income tax, the former is actually payable only to the extent that it exceeds income tax. Asset tax for the years ended December 31, 2001, 2002 and 2003 was P. 114,819, P. 1,356,718 and P. 1,076,528, respectively. Such amounts were paid by crediting income tax paid in such years. Asset tax for the years ended December 31, 2002 and 2003, was determined on a consolidated basis.

3) The statutory income tax rate for 2002 and 2003 was 35% and 34% respectively, However, corporate taxpayers had the option of deferring a portion, so that the tax payable in 2001 represented 30% of taxable income. The deferred portion of the tax had to be controlled in the so-called "net reinvested tax profit account" (CUFINRE) to clearly identify the earnings on which the taxpayer opted to defer payment of a portion of income tax. Effective January 1, 2002, the above-mentioned option of deferring a portion of income tax, was eliminated.

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

Since in 2001, the Company opted for this tax deferral, earnings will be considered to be distributed first from the "CUFINRE" account and any excess will be paid from the "net tax profit account" ("CUFIN") so as to pay the 5% deferred tax.

Any distribution of earnings in excess of the above-mentioned account balances will be subject to payment of corporate income tax.

At December 31, 2003, the balance of the restated contributed capital account (CUCA) and CUFIN was P. 29,665,720,and P. 30,905,823, respectively.

4) An analysis of income tax charged to results of operations for the years ended December 31, 2001, 2002 and 2003 is as follows:

	2001	2002	2003
Current year income tax of Mexican Subsidiaries	P.3,470,644	P.3,309,574	**P.2,642,174**
Current year income tax of foreign Subsidiaries	119,925	282,692	**555,117**
Deferred income tax of Mexican Operations	(300,288)	(380,958)	**80,235**
Total	P.3,290,281	P.3,211,308	**P.3,277,526**

The current year income tax of Mexican subsidiaries includes a tax credit of P. 864 million resulting from the favorable ruling handed down in an appeal against the tax authority's rejection of certain deductions in connection with the fiscal treatment on the loss of sale of subsidiaries.

5) A reconciliation of the statutory corporate income tax rate to the effective rate recognized for financial reporting purposes is as follows:

	Year ended December 31		
	2001	2002	2003
Statutory income tax rate in Mexico	35.0%	**35.0%**	**34.0%**
Financing costs	1.8	**0.2**	**8.80**
Goodwill	0.7	**0.5**	**1.42**
Impairment on affiliates	1.0		
Sale of affiliates		**(4.5)**	
Recoverably taxes			**(7.4)**
Asset tax		**5.2**	**7.5**
Royalties			**(10.4)**
Others	5.4	**(8.1)**	**3.6**
Effective tax rate for Mexican operations	43.9	**28.3**	**37.5**
Revenues and costs from foreign subsidiaries	7.3	**(2.0)**	**(20.3)**
Effective tax rate	51.2%	**26.3%**	**17.2%**

On January 1, 2002, a annual one-percentage point decrease in the income tax rate was approved, starting in 2003, so that in 2005 the rate will be 32%. The effect of this tax rate change on the determination of deferred taxes for the year represented a credit to result of operations in 2003, of approximately P. 130 million. The effect of this change is included in each of the concepts presented.

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

6) The temporary differences on which the Company recognized deferred taxes in the years ended December 31, 2002 and 2003, were as follows:

	December 31, 2002	December 31, 2003
Deferred tax assets		
Liability provisions	P. (387,727)	**P. (434,134)**
Other	(164,987)	**(153,419)**
Deferred revenues	(488,424)	**(782,689)**
Tax loss carryforwards	(5,671,749)	**(19,383,420)**
	(6,712,887)	**(20,753,662)**
Deferred tax liabilities		
Fixed assets	1,883,497	**2,539,064**
Inventories	723,785	**935,909**
Licenses	583,650	**651,778**
Sale and lease back		**889,290**
	3,190,932	**5,016,041**
Valuation allowance	5,662,646	**19,386,476**
Deferred income tax liability	P. 2,140,691	**P. 3,648,855**

7) The Company is legally required to pay employee profit sharing in addition to the compensations and benefits to which Mexican employees are contractually entitled. The statutory employee profit sharing rate in 2001, 2002 and 2003 was 10% of taxable income.

b) Foreign Subsidiaries

The foreign subsidiaries determine their income tax based on the individual results of each subsidiary and in conformity with the specific tax regimes of each country. The pretax (loss) income and tax provisions of these subsidiaries in 2001, 2002 and 2003 were P. (2,449,956), P. 1,330,656, P.3,759,371 and P. 119,925, P. 282,692 and P. 555,117, respectively.

At December 31, 2003, America Móvil's foreign subsidiaries, have available tax loss carryforwards in conformity with the tax regulations of their respective countries as follows:

Million of pesos at December 31, 2003

Years	Brazil	Argentina	USA	Colombia	Ecuador
1997	P. 45		P. 12		
1998	1,540		408		
1999	11,116	P. 83	390		P. 81
2000	7,721	949	1,786	P.1,243	460
2001	9,125	517	1,223	1,180	348
2002	7,758	5,191	94	162	116
2003	4,628	641			46
	P.41,933	P.7,381	P.3,913	P.2,585	P.1,051

In Brazil there is no time limit on the carryforward of tax losses; however, the carryforward in each year may not exceed 30% of the tax base for such year.

In Argentina, the tax loss of a given year may be carried forward only against the taxable earnings of the succeeding five years.

Up to 2002, tax losses incurred in Colombia, may be carried forward against taxable earnings of the succeeding five years, with no limitations whatsoever. Beginning in 2003, the tax loss of a given year maybe carryforwards only against the taxable earnings of the succeeding eight years, not exceeding 25% of the earnings generated in each of those years.

Tracfone experienced a change in ownership as defined by U.S. Internal Revenue Code section 382, under which, there is an annual limitation on Tracfone's ability to realize the benefit of its loss carryforwards. As a result, some or all of the Tracfone's loss carryforwards may never be realized.

In Ecuador the tax loss of a given year maybe carryforwards only against the taxable earnings of the succeeding five years, not exceeding 25% of the earnings generated in each of those years.

In Guatemala and El Salvador there is no carryforward of tax losses against earnings of future years.

20. Stock option plan

During 2001, the Company established a stock option plan for most of its senior executives. The Compensation Committee and Board of Directors authorized the plan, reserving a total of 3,215,000 L Shares from treasury. The subscription price for the 2001 plan is P. 1.00 per share. Participants under the plan may exercise 25% of the options during 2001, 25% during 2002, 25% during 2003, and the remaining 25% during 2004. Because the options do not expire if not exercised in a particular year, a participant could wait until the fourth anniversary of the plan to exercise 100% of the options granted. During 2002 and 2003, the Company established second and third plans, respectively, each of which functions under the same rules as the 2001 plan, except that the second plan established in 2002 has a one-year lag while the third plan established in 2003 has a two-year lag. Additional L Shares from treasury were reserved for such plans. As of December 31, 2003, a total of 3,355,750 L Shares have been acquired by employees under the stock option plans. At December 31, 2003, the Company has expensed the difference between the market value of the total authorized shares and the subscription price.

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

21. Segments

América Móvil operates primarily in one segment (cellular services); however, as mentioned in Note 1 above, the Company has international telecommunications operations in Mexico, Guatemala, Nicaragua, Ecuador, El Salvador, Brazil, Argentina, Colombia and United States. The accounting policies of the segments are the same as those described in Note 2. The following summary shows the most important segment information:

	Mexico Corporate	Mexico (Telcel)	Guatemala (includes Nicaraguan operations)	Ecuador	Colombia	Brazil	Argentina	U.S.A.	El Salvador	Eliminations	Consolidated total
December 31, 2001											
Operating revenues		35,460,890	4,406,171	852,491				4,748,540		(10,688)	45,457,404
Depreciation and amortization	241,566	2,697,582	1,119,651	646,249				264,418		(49,218)	4,920,248
Operating loss income	(1,890,874)	9,837,962	1,343,631	(546,628)				(1,694,227)		(375,384)	6,674,480
Interest paid	1,075,726	5,063,565	539,228	127,443						(5,660,941)	1,145,021
Segment assets	74,981,185	75,136,512	11,018,358	4,194,031				1,493,131		(64,989,837)	101,833,380
Plant, property and equipment, net	603,483	33,497,338	7,961,852	1,353,635				517,839			43,934,147
Goodwill, net	2,319,822	501,856	325,688	2,027,756						(496,562)	4,678,560
Licenses, net		1,849,691	537,892	331,637							2,719,220
December 31, 2002											
Operating revenues		42,407,871	4,620,722	1,300,688	3,838,763	3,316,564	49,032	4,241,627		(32,671)	59,742,596
Depreciation and amortization	247,794	3,913,562	1,244,856	226,293	914,357	1,897,828	(60,392)	166,969		54,996	8,606,263
Operating loss income	212,035	12,290,269	1,108,690	(109,613)	355,889	(901,876)	44,303	(256,908)		237,622	12,980,411
Interest paid	4,587,479	8,761,004	392,879	56,954	425,896	686,420	10,092			(12,424,350)	2,496,374
Segment assets	267,439,076	80,072,447	11,776,136	4,390,739	9,380,478	4,058,989	809,708	1,295,424		(261,685,375)	117,537,622
Plant, property and equipment, net	860,426	35,422,658	9,507,389	1,538,363	5,681,460	9,430,259	934,851	420,200		(801,607)	62,993,999
Goodwill, net	2,138,671		441,709	2,046,822	1,619,466		274,717			(257,509)	6,263,876
Trademarks					1,974,142	4,822,388					6,796,530
Licenses, net		1,694,775	597,764	305,174	2,284,094	11,102,448	232				15,984,487
December 31, 2003											
Operating revenues		52,465,905	5,662,567	2,716,700	5,769,694	11,397,248	889,348	6,246,478	811,906	(18,874)	85,940,972
Depreciation and amortization	1,133,875	4,719,971	1,360,255	452,536	1,398,657	4,319,775	96,371	196,350	160,321	39,750	13,877,861
Operating loss income	(1,204,704)	17,695,289	1,706,214	548,529	592,468	(2,134,005)	70,451	200,179	269,429	216,245	17,960,095
Interest paid	5,927,629	5,555,664	412,117	69,406	475,909	1,730,162	225,440		529	(10,621,490)	3,775,366
Segment assets	263,073,070	43,673,117	10,775,727	5,357,175	12,763,467	61,315,156	4,839,104	2,399,293	8,911,217	(263,128,779)	149,978,547
Plant, property and equipment, net	1,148,449	28,364,683	7,799,619	2,370,918	6,917,840	18,026,807	1,455,481	359,566	4,718,279		71,161,642
Goodwill, net	3,061,521		577,091	1,849,132	2,831,175		287,871			(578,441)	8,028,349
Trademarks					1,782,692	4,034,641	1,015,015		1,052,433		7,884,781
Licenses, net		1,553,455	638,732	256,289	2,623,521	19,894,324	639,971		327,528	(125,869)	25,807,951

22. Subsequent Events

The Company has issued and privately offered senior notes in an amount of US$ 1.6 billion (See Note 24)

23. Differences between Mexican and U.S. GAAP

The Company's consolidated financial statements are prepared in accordance with Mexican GAAP, which differ in certain respects from generally accepted accounting principles in the United States (U.S. GAAP).

The reconciliation to U.S. GAAP does not include the reversal of the adjustments to the financial statements for the effects of inflation required under Mexican GAAP (Bulletin B-10), because the application of Bulletin B-10 represents a comprehensive measure of the effects of price level changes in the Mexican economy and, as such, is considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

The principal differences between Mexican GAAP and U.S. GAAP, as they relate to the Company, are described below together with an explanation, where appropriate, of the method used to determine the adjustments that affect operating income, net income, total stockholders' equity and resources provided by operating and financing activities.

Income Statement Information:

Cost of sales as shown in the income statement, includes cost of sales of telephone equipment and other in the amount of P. 8,413,262, P. 12,049,529 and P. 19,222,816, for the years ended December 31, 2001, 2002 and 2003, respectively.

Cash Flow Information:

Under Mexican GAAP, the Company presents consolidated statements of changes in financial position, as described in Note 2. The changes in the consolidated financial statement balances included in this statement constitute resources provided by and used in operating, financing and investing activities stated in constant pesos (including monetary and foreign exchange gains and losses). Under Mexican GAAP changes in trading securities are presented as investing activities, while under U.S. GAAP the cash flows from these type of securities should be disclosed as cash provided by (used in) operating activities.

Statement of Financial Accounting Standards No.95 (SFAS No. 95), "Statement of Cash Flows," does not provide guidance with respect to inflation adjusted financial statements. In accordance with Mexican GAAP, the changes in current and long-term debt due to restatement in constant pesos, including the effect of exchange differences, are presented in the statement of changes in financial position in the financing activities section. The Company has adopted the guidance issued by the AICPA SEC Regulations Committee's International Practices Task Force in its meeting held on November 24, 1998, encouraging foreign registrants that file price level adjusted financial statements to provide cash flow statements that show separately the effects of inflation on cash flows.

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

If the changes in trading securities, the monetary gain and the exchange gain or loss related to the debt were treated as components of operating activities, summarized consolidated statements of cash flows derived from information prepared in accordance with U.S. GAAP would be as follows:

	Year ended December 31,		
	2001	2002	2003
Operating activities:			
Net (loss) income	P. (670,140)	P. 6,037,225	**P. 14,898,894**
Depreciation	4,496,868	6,990,841	**10,314,852**
Amortization	998,997	1,147,097	**3,053,380**
Amortization of loss of sale and lease back			**134,042**
Amortization of prepaid expenses			**75,428**
Excess of contributed company over cost	(106,950)	(1,004,907)	
Deferred taxes	(802,146)	121,144	**1,348,836**
Monetary effect	817,611	(2,871,978)	**(2,350,798)**
Equity in results of affiliates, minority interest and others	3,842,859	4,030,110	**481,431**
Effect of exchange rate differences on debt	(700,393)	(1,983,089)	**(1,276,286)**
Marketable securities	532,575	9,368,493	**715,228**
Change in operating assets and liabilities	(875,738)	2,328,427	**(678,747)**
Resources provided by operating activities	7,533,543	24,163,363	**26,716,260**
Financing activities:			
New loans	21,974,690	41,850,901	**22,512,225**
Repayment of loans	(6,648,718)	(15,433,454)	**(19,959,537)**
Purchase of Company's own shares and cash dividend paid	(7,821,115)	(2,602,356)	**(1,749,584)**
Resources provided by financing activities	7,504,857	23,815,091	**803,104**
Resources used in investing activities	(38,125,297)	(40,124,217)	**(29,191,090)**
Effect of inflation accounting	70,945	(1,118,582)	**1,445,908**
Net (decrease) increase in cash and cash equivalents	(23,015,952)	6,735,655	**(225,818)**
Cash and cash equivalents at beginning of year	25,793,277	2,777,325	**9,512,980**
Cash and cash equivalents at end of year	P. 2,777,325	P. 9,512,980	**P. 9,287,162**

Net resources provided by operating activities reflect cash payments for interest, income tax and employee profit sharing as follows:

	Year ended December 31,		
	2001	2002	2003
Interest expense	P. 47,772	P.2,522,224	**P.2,551,943**
Income tax	2,345,579	3,961,536	**3,171,943**
Employee profit sharing	154,248	200,811	**182,348**

Cash flows from purchases and sales of trading securities during 2001 were P. 10,626,421 and P. 1,777,721, respectively. Cash flows from purchases and sales of trading securities during 2002 were P. 1,518,575 and P. 10,523,173, respectively. Cash flows from purchases and sales of trading securities during 2003 were P. 370,593 and P. 1,528,591, respectively.

Capitalized Interest:

Under Mexican GAAP, the Company does not capitalize net financing costs on assets under construction. Under U.S. GAAP, interest on borrowings in foreign currencies or comprehensive financing cost for borrowings in pesos, must be considered an additional cost of constructed assets to be capitalized in plant, property and equipment and depreciated over the lives of the related assets. The amount of interest or net financing costs capitalized for U.S. GAAP purposes was determined by reference to the Company's average interest cost of outstanding borrowings, and qualifying expenditures during each of the years presented.

Valuation of Plant, Property and Equipment:

As previously discussed in Note 7, through December 31, 1996, items comprising telephone plant were restated based on the acquisition date and cost, applying the factors derived from the specific indexes determined by the Company and validated by an independent appraiser registered with the NBSC. Since January 1, 1997, the valuation method of plant, property and equipment was modified, as Bulletin B-10 eliminated the use of appraisals to restate plant, property and equipment.

The restatement method required by the Bulletin B-10, which was adopted in 1997 by the Company as described in Note 7e, is not acceptable for U.S. GAAP purposes; consequently, the difference between this method and the restatement of plant, property and equipment based on the NCPI was taken to the U.S. GAAP reconciliations.

As a result of this comparison, plant, property and equipment and stockholders' equity increased by P. 1,145,233 in 2002 and P. 6,856,757 in 2003 and depreciation expense increased by P. 477,944 in 2001, P. 416,884 in 2002 and P. 438,141 in 2003.

Deferred Income Tax and Deferred Employee Profit Sharing:

As explained in Note 2 under Mexican GAAP, Bulletin D-4 requires that deferred income tax be determined on virtually all temporary differences in balance sheet accounts for financing and tax reporting purposes. Statement of Financial Accounting Standards No. 109 (SFAS No. 109) "Accounting for Income Taxes," requires deferred income tax be determined using the liability method for all temporary differences between financial reporting and tax bases of assets and liabilities and that such difference be measured at the enacted income tax rates for the years in which such taxes will be payable or refundable. Consequently, the main differences between SFAS 109 and D-4, as they relate to the Company, which were included as reconciling items are:

- the effect of income tax on the difference between the indexed cost and the restatement through use of specific indexation factors of fixed assets is applied as an adjustment to stockholders' equity, and
- the effect of deferred taxes on the other U.S. GAAP adjustments reflected in the respective summaries.

In addition, the Company is required to pay employee profit sharing in accordance with Mexican labor law. Deferred employee profit sharing under U.S. GAAP has been determined following the guidelines of SFAS No.109. Bulletin D-4 did not significantly change the accounting for employee profit sharing.

To determine operating income under U.S. GAAP, deferred employee profit sharing and employee profit sharing expense are considered as operating expenses.

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

Significant components of deferred taxes under U.S. GAAP at December 31, 2002 and 2003 are as follows:

	2002			2003		
	Income Tax	Employee Profit Sharing	Deferred Taxes	Income Tax	Employee Profit Sharing	Deferred Taxes
Deferred tax assets:						
Tax loss carry forwards	P. 5,671,748		P. 5,671,748	**P. 18,067,265**		**P. 18,067,265**
Accrued liabilities	1,311,378	P. 142,223	1,453,601	**1,583,287**	**P. 401,695**	**1,984,982**
Deferred revenues	488,424	139,549	627,973	**1,059,670**	**237,178**	**1,296,848**
Others	72,919	10,240	83,159	**195,202**	**14,271**	**209,473**
Valuation allowance	(6,380,316)	(87,592)	(6,467,908)	**(17,817,858)**		**(17,817,858)**
Total deferred tax assets	1,164,153	204,420	1,368,573	**3,087,566**	**653,144**	**3,740,710**
Deferred tax liabilities:						
Fixed assets	(3,411,314)	(632,322)	(4,043,636)	**(5,487,947)**	**(533,004)**	**(6,020,951)**
Inventories	(723,785)	(206,796)	(930,581)	**(938,336)**	**(283,609)**	**(1,221,945)**
Sale and lease back				**(889,290)**	**(269,481)**	**(1,158,771)**
Licenses	(583,650)	(166,757)	(750,407)	**(940,381)**	**(136,503)**	**(1,076,884)**
Others	(4,090)	(1,169)	(5,259)	**(747,273)**		**(747,273)**
Total deferred tax Liabilities	(4,722,839)	(1,007,044)	(5,729,883)	**(9,003,227)**	**(1,222,597)**	**(10,225,824)**
Net deferred tax liabilities	P.(3,558,686)	P. (802,624)	P.(4,361,310)	**P. (5,915,661)**	**P. (569,453)**	**P. (6,485,114)**

For Mexican GAAP purposes, net deferred income tax liabilities of P. 2,140,691 and P. 3,648,855 were recognized at December 31, 2002 and 2003.

Business Combinations, Goodwill and Other Intangible Assets:

In 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, “Business Combinations,” and SFAS No. 142, “Goodwill and Other Intangible Assets.” SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 141 also includes guidance on the initial recognition and measurement of goodwill and other intangible assets arising from business combinations, including intangible assets with indefinite useful lives. SFAS 142 prohibits the amortization of goodwill and intangible assets with indefinite useful lives. SFAS 142 requires that these assets be reviewed for impairment at least annually. Intangible assets with finite lives will continue to be amortized over their estimated useful lives. Additionally, SFAS 142 requires that goodwill included in the carrying value of equity method investments no longer be amortized.

The Company adopted SFAS 142 in 2002. Application of the nonamortization provisions of Statement 142 resulted in an increase in net income of P. 1,677,198 and P.1,097,725 in 2002 and 2003, respectively. Had the Company adopted SFAS 142 in 2001, the nonamortization of goodwill in such year would have decrease the net loss by P. 692,879.

Additionally, as mentioned in Note 10, the equity in the net loss of CompUSA at December 31, 2002, includes an impairment of its goodwill as reported in its financial statements of P. 2,137,216, which is included in the caption “Equity in net results of affiliates” in the Mexican GAAP Consolidated Statements of Operations.

In 2003, the Company performed the required impairment tests of goodwill and indefinite-lived intangible assets, and the tests did not result in an impairment charge.

Negative Goodwill:

In 2000, under Mexican GAAP, the excess value of ATL when contributed to Telecom Américas, in the amount of P. 1,116,563 was considered as a gain and included under the caption other income, net. For U.S. GAAP purposes, the Company accounted for this excess value as negative goodwill which was being amortized over a ten-year period until December 31, 2001. Amortization for the year ended December 31, 2001 was P. 111,656.

In 2002 as a result of the application of SFAS 141, the Company included in the U.S. GAAP reconciliation, as a cumulative effect of an accounting change the write off of the unamortized negative goodwill at December 31, 2001, which amounted to P. 1,004,907.

Also in 2002 the remaining percentage of América Móvil´s interest in ATL was contributed to Telecom Américas. Under Mexican GAAP, the excess value of ATL in the amount of P. 643,574 was considered a gain and included under the caption other income, net. For US GAAP purposes since this was considered a step acquisition, this excess was accounted for as negative goodwill and netted with the positive goodwill of ATL in the U.S. GAAP reconciliation acquired in previous years.

Net Gain (loss) on sale to affiliates:

In 2002, the Company recognized in its equity in results of affiliates a gain of P. 228,007 (América Móvil's equity interest) derived from the sale of assets by CompUSA to Organización Recuperadora de Cartera, S.A. (ORCA). Since both entities are affiliates of América Móvil, this gain was considered a transaction between entities under common control; therefore, this gain was considered as additional paid in capital for US GAAP purposes. In addition, the excess value paid by ORCA on such sale, was, under Mexican GAAP, considered as goodwill which was being amortized over a ten-year period. During 2002 and 2003, ORCA amortized P. 56,448 and P. 50,000, respectively (América Móvil's equity interest); therefore, net adjustments of P. 171,559 and P. 50,000 in 2002 and 2003, respectively, were included in the US GAAP reconciliation.

In 2003, as mentioned in Note 10, the Company exchanged its 49% equity interest in CompUSA for a 29.69% equity interest in U.S. Commercial Corp, S.A. de C.V., ("USCO"). The Company received an additional P.180 million on the exchange. As a result of this transaction, a loss of P. 279,016 was recognized under Mexican GAAP. For US GAAP purposes, this transaction was considered a transaction between entities under common control; therefore, the loss is accounted for as a reduction of paid in capital.

Accrued Vacation Pay:

Up to December 31, 2002, for Mexican GAAP, the expense for vacation pay was recognized when paid rather than during the period in which it was earned by employees. For U.S. GAAP purposes, the Company determined the accrued liability for vacation pay at December 31, 2001 and 2002, and accordingly, adjusted the expense for vacation pay for the periods then ended. Beginning 2003, under Mexican GAAP the Company has accounted for vacation pay using the accrual method.

Unrealized gains and losses

In accordance with Statements of Financial Accounting Standard No.115 "Accounting for Certain Investments in Debt and Equity Securities" unrealized gains for available-for-sale securities are excluded from earnings and reported as a net amount in a separate component of Stockholders' equity. Once the gain is realized it is recognized in the statement of operations.

Employee Benefits Obligations:

The Company recognizes the cost for seniority premiums on the basis of actuarial computations. The Company's funding policy has been in accordance with the projected unit credit method based on the provisions of Bulletin D-3 issued by the Mexican Institute of Public Accountants for recording labor obligations by employers. This bulletin substantially follows the same basis for the computation of labor costs and related liability as prescribed by SFAS No. 87.

The differences between D-3 and SFAS 87, as they relate to the Company are not presented because such information is considered to be immaterial in relation to the consolidated financial statements taken as a whole.

Minority Interest:

Under Mexican GAAP, minority interest is presented as a component of stockholders' equity, immediately after total majority stockholders' equity. Under U.S. GAAP, minority interest is generally presented out of stockholders' equity. As a result of the above, for U.S. GAAP purposes the Company reclassified minority interest from stockholders' equity, decreasing its total stockholders' equity by P. 1,224,762 and P. 5,098,719 at December 31, 2002 and 2003, respectively. In addition, minority interest as reported under Mexican GAAP in the statement of operations of P. 224,027, P. 139,645 and P. (351,849) in 2001, 2002 and 2003, respectively has been excluded from the income statement reconciliation.

Reporting Comprehensive Income:

Statement of Financial Accounting Standards No. 130 establishes rules for the reporting and disclosure of comprehensive income and the related components. SFAS No. 130 requires the deficit from restatement of stockholders' equity, deferred taxes on the difference between indexed cost and replacement cost and the effect of translation of foreign entities, to be included in other comprehensive income.

Cumulative effects of the surplus from restatement of stockholder's equity, deferred taxes on the difference between indexed cost and replacement cost and the effect of translation of foreign entities included in comprehensive income at December 31, 2003, that increased (decreased) stockholder's equity are P. 703,747, P. 683,762 and P. (9,122,853), respectively.

Accounting for Derivative Instruments and Hedging Activities:

For U.S. GAAP reporting, beginning January 1, 2001, the Company adopted Statement of Financial Accounting Standards (SFAS) 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which establishes that all derivative instruments (including certain derivative instruments embedded in other contracts) should be recognized in the balance sheet as assets or liabilities at their fair values and changes in their fair value are recognized immediately in earnings, unless the derivative qualifies as a "hedge" as defined in SFAS 133 for which certain special accounting treatment is permitted.

As of December 31, 2002 and 2003, there were no differences in accounting for derivative instruments between Mexican and U.S. GAAP, as they relate to the Company.

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

Asset Retirement Obligations:

Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations", requires that legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost should be capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset. As mentioned in Note 2, under the requirements of the new Mexican Bulletin C-9, the Company recognized a provision at present value of P. 155,830 for cost related to retirement of assets; therefore, no reconciling item is included in the US GAAP reconciliation.

Effects of Inflation Accounting on Approximate U.S. GAAP Adjustments:

To determine the net effect on the consolidated financial statements of recognizing the adjustments described above, it is necessary to recognize the effects of applying the Mexican GAAP inflation accounting provisions (described in Note 2) to such adjustments. These effects are taken into consideration in the preparation of U.S. GAAP reconciliations of net income, operating income and equity.

Summary

Net income, operating income and total stockholders' equity, adjusted to take into account the material differences between Mexican GAAP and U.S. GAAP, are as follows:

	Year ended December 31,		
	2001	2002	2003
Net (loss) income as reported under Mexican GAAP	P.(1,134,050)	P.4,644,052	**P.15,383,485**
U.S. GAAP adjustments:			
Capitalized interest or net financing cost	428,794	66,147	
Depreciation of capitalized interest	(97,673)	(148,415)	**(149,955)**
Accrued vacation pay	(37,866)	(35,963)	**213,949**
Deferred income tax on U.S. GAAP adjustments	323,603	(604,007)	**(1,368,770)**
Difference between the restatement of depreciation expense based on specific indexation factors and on the basis of the NCPI	(477,944)	(416,884)	**(438,141)**
Deferred employee profit sharing on U.S. GAAP adjustments	100,974	(175,867)	**142,506**
Deferred employee profit sharing	77,280	277,771	**(42,337)**
Minority interest	224,027	139,645	**(351,849)**
Unrealized gains on securities	(393,058)	393,058	
Amortization of the excess of contributed company over cost	111,656		
Non-amortization of goodwill		1,677,198	**1,097,725**
Application of additional negative goodwill of ATL to goodwill		(643,574)	
Net (gain) loss on sale to affiliate, net		(171,559)	**329,016**
Effect of accounting change		1,004,907	
Effects of inflation accounting on U.S. GAAP Adjustments	204,117	30,716	**83,265**
Total U.S. GAAP adjustments, net	463,910	1,393,173	**(484,591)**
Net (loss) income under U.S. GAAP	P. (670,140)	P.6,037,225	**P.14,898,894**
Weighted average of common shares outstanding as of December 31, (in million):	13,199	13,123	**12,912**
Net (loss) income per share under U.S. GAAP (in pesos):	P. (0.05)	P. 0.46	**P. 1.15**

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

After giving effect to the foregoing adjustments for accrued vacation pay, amortization of the excess of contributed company over cost, depreciation of capitalized interest, the difference between the restatement of depreciation expense based on specific indexation factors and on the basis of the NCPI, non-amortization of goodwill and the application of additional goodwill, as well of the reclassification of the employee profit sharing expense and the deferred employee profit sharing expense, operating income under U.S. GAAP totaled P. 6,141,230, P. 13,312,374 and P.18,535,904 in 2001, 2002 and 2003, respectively.

	December 31,	
	2002	2003
Total stockholders' equity under Mexican GAAP	P.51,145,864	**P.69,211,871**
U.S. GAAP adjustments, net of effects of inflation on monetary items:		
Capitalized interest or net financing cost	1,319,936	**1,319,936**
Accumulated depreciation of capitalized interest or net financing cost	(424,957)	**(574,912)**
Accrued vacation pay	(213,949)	
Deferred income tax from US GAAP	(688,897)	**(1,537,169)**
Deferred employee profit sharing from US GAAP	(107,515)	**77,440**
Deferred employee profit sharing	(629,129)	**(640,580)**
Deferred taxes on the difference between the indexed cost and replacement cost valuation of fixed assets	(795,078)	**(735,950)**
Difference between the restatement of fixed assets based on specific indexation factors and on the basis of the NCPI	1,145,233	**6,856,757**
Minority interest	(1,224,762)	**(5,098,719)**
Non-amortization of goodwill	1,677,198	**2,774,923**
Application of additional negative goodwill of ATL to Goodwill	(643,574)	**(643,574)**
Net gain on sale to affiliate	(171,559)	**157,457**
Total U.S. GAAP adjustments, net	(757,053)	**1,955,609**
Total stockholders' equity under U.S. GAAP	P.50,388,811	**P.71,167,480**

Other Recent Accounting Pronouncements:

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities. Interpretation No. 46 addresses how to identify variable interest entities and provides guidance as to how a company may assess its interests in a variable interest entity for purposes of deciding whether consolidation of that entity is required. The adoption of Interpretation No. 46 did not have an impact on the Company's financial statements since it has no investments in variable interest entities.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. The Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The adoption of SFAS No. 150 did not have an impact on the Company's financial statements.

Disclosure about Fair Value of Financial Instruments:

In accordance with Statement of Financial Accounting Standards No. 107 (SFAS No. 107), "Disclosures about Fair Value of Financial Instruments," under U.S. GAAP it is necessary to provide information about the fair value of certain financial instruments for which it is practicable to estimate that value.

The carrying amounts of cash and short-term investments, accounts receivable and accounts payable and accrued liabilities approximate fair values due to the short maturity of these instruments.

The fair value of total debt, excluding capital leases, is estimated using discounted cash flow analyses based on current borrowing rates offered to the Company for debt of the same remaining maturities and the market value for the domestic senior notes at December 31, 2002 and 2003. As of December 31, 2002 and 2003, the carrying value of total debt is P. 48,035,245 and P.48,319,903, respectively. The fair value is P. 46,157,069 at December 31, 2002 and P. 49,808,470 at December 31, 2003.

As of December 31, 2002 and 2003, the estimated fair value of the cross currency swaps amounts to P. 149,124 and P. 235,192, respectively. The Company had no instruments of this type at December 31, 2001.

Additionally, at December 31, 2003, the Company has interest-rate swaps with and estimated fair value of P. 235,509.

Stock options:

Under local GAAP, due to immateriality of the amounts involved, the Company has expensed the difference between the market value of the total authorized shares and the subscription price for P. 16,212 and P. 67,484 in 2002 and 2003, respectively. Under U.S. GAAP the Company recognizes a compensation expense which amounted to P. 4,605, P. 4,385 and P. 9,477 for the years ended December 31, 2001, 2002 and 2003, respectively, using the intrinsic value-based method of accounting prescribed by APB Opinion No. 25, “Accounting for stock issued to employees,” as allowed by Statement of Financial Accounting Standards No. 123 (“SFAS 123”), “Accounting for stock based compensation.”

The fair value for the options was estimated at the date of grant, using a Black-Scholes option pricing model with the following assumptions used for grants in 2001, 2002 and 2003: risk-free interest rate of 15.30%, 11.44% and 7.15%; dividend yield of 0.39%, 0.60% and 0.45%; expected volatility factor of 41.2%, 40.0% and 35.3%; and expected option life of 1.8, 2.3 and 2.8 years, respectively. The fair value of each option at the date of granted in 2001, 2002 and 2003 was P. 5.99, P. 5.92 and P. 18.51, respectively.

Information related to options is summarized below:

	Number of stock options (in millions)	Weighted average exercise price
Outstanding at January 1, 2001		
Granted	3.215	5.99
Exercised		
Outstanding at December 31, 2001	3.215	5.99
Granted	2.939	5.92
Exercised	2.035	7.58
Outstanding at December 31, 2002	4.119	6.49
Granted	2.565	18.51
Exercised	1.321	14.59
Outstanding at December 31, 2003	5.363	13.19

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

For purposes of pro forma disclosure, if the Company were to account for its employee stock options granted under the fair value method of SFAS 123, the estimated fair value of the options at the date of the grant is amortized to expense over the vesting period. Under the fair value method, the Company's U.S. GAAP net income and net income per share would have been as follows:

	Year ended December 31,		
	2001	2002	2003
Net income	P.(670,140)	P.6,037,225	P.14,898,894
Stock-based compensation cost included in net income	4,605	4,385	9,477
Stock-based compensation cost that would have been included in net income if the fair value based method had been applied to all awards			
Pro forma net income as if the fair value based method had been applied to all awards	P. 4,820	P. 9,171	P. 21,044
Earnings per share (in pesos):	P.(670,355)	P.6,032,439	P.14,887,327
Basic:			
As reported	P. (0.05)	P. 0.46	P. 1.15
Pro forma	P. (0.05)	P. 0.46	P. 1.15
Diluted:			
As reported	P. (0.05)	P. 0.46	P. 1.13
Pro forma	P. (0.05)	P. 0.46	P. 1.13

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

Consolidated Statements of Changes in Stockholders' Equity
Under U.S. GAAP at December 31, 2002 and 2003
(Thousands of Constant Pesos with purchasing power as of December 31, 2003)

		Retained earnings				
	Capital Stock	Reserve for purchase of Company's own	Legal reserve	Unappropriated	Total	Other accumulate comprehensiv income (loss
Balances at December 31, 2000	P.31,617,217		P.324,654	P. 39,709,434	P.40,034,088	P. (621,4
Increase in legal reserve			90,963	(90,963)		
Increase in reserve for purchase of Company's own shares		11,220,961		(11,220,961)		
Cash purchase of Company's own shares	(22,756)	(7,499,159)			(7,499,159)	
Dividends paid				(622,314)	(622,314)	
Comprehensive income:						
Net loss for the year				(670,140)	(670,140)	
Other comprehensive income:						
Effect of translation of foreign entities						(377,6
Unrealized gains on securities						393,0
Surplus from holding nonmonetary assets						617,0
Deferred taxes allocated to equity, net of inflation						(232,8
Comprehensive income						
Balances at December 31, 2001	31,594,461	3,721,802	415,617	27,105,056	31,242,475	(221,8
Cash purchase of Company's own shares	(7,583)	(2,184,416)			(2,184,416)	
Dividends paid				(618,296)	(618,296)	
Comprehensive income:						
Net income for the year				6,037,225	6,037,225	
Other comprehensive income:						
Effect of translation of foreign entities						(15,060,1
Unrealized gains on securities						(393,0
Comprehensive income						

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

Consolidated Statements of Changes in Stockholders' Equity—(Cont.)
Under U.S. GAAP at December 31, 2002 and 2003
(Thousands of Constant Pesos with purchasing power as of December 31, 2003)

		Retained earnings				
	Capital Stock	Reserve for purchase of Company's own	Legal reserve	Unappropriated	Total	Other accumulate comprehensi income (loss
Balances at December 31, 2002	31,586,878	1,537,386	415,617	32,523,985	34,476,988	(15,675,0
Cumulative effect of adoption of a new accounting principle				(112,074)	(112,074)	
Excess of the book value over price paid to acquired minority Interest				(178,478)	(178,478)	
Increase in reserve for purchase of Company's own shares		5,122,000		(5,122,000)		
Cash purchase of Company's own shares	(1,713)	(973,756)			(973,756)	
Dividends paid				(793,915)	(793,915)	
Comprehensive income:						
Net income for the year				14,898,894	14,898,894	
Other comprehensive income:						
Effect of translation of foreign entities						6,991,0
Deferred taxes allocate to equity, net of effect of inflation						948,7
Comprehensive income						
Balances at December 31, 2003	P.31,585,165	P.5,685,630	P.415,617	P.41,216,412	P.47,317,659	P. (7,735,3

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

24. Supplemental Guarantor Information

On March 9, 2004, the Company concluded the issuance of US$ 500 million in principal amount of 4.125% senior notes due 2009 and US$ 800 million in principal amount of 5.50% senior notes due 2014. In addition on April 20, 2004, the Company issued US$ 300 million in principal amount of floating rate notes due 2007, bearing interest at a rate equal to three-month Libor plus 0.625%. These notes are fully and unconditionally guaranteed by Telcel.

Consolidating Condensed Financial Statements

The following consolidating information presents condensed consolidating balance sheets as of December 31, 2002 and 2003 and condensed consolidating statements of operations and cash flows for each of the three years in the period ended December 31, 2003 of the Company and Telcel These statements are prepared in accordance with Mexican GAAP with the exception that the subsidiaries are accounted for as investments under the equity method rather than being consolidated. The guarantees of the Guarantor are full and unconditional. The significant differences between Mexican GAAP and U.S. GAAP as they affect the Guarantor are set out below.

The Company's consolidating condensed financial statements for the (i) Company; (ii) its wholly-owned subsidiary (Telcel on stand alone 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:

Condensed consolidated balance sheets:

	Parent	Wholly-owned Guarantor Subsidiary	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
		December 31, 2002			
Current assets:					
Cash and cash equivalents	P. 1,885	P. 1,358,853	P. 8,152,242		P. 9,512,980
Marketable securities			1,510,101		1,510,101
Accounts receivable, net	11,356	3,287,429	3,223,904		6,522,689
Related parties	9,551,278	1,130,113	33,791,700	P. (43,863,693)	609,398
Inventories, net		2,128,781	998,412		3,127,193
Other current assets		210,508	715,046		925,554
Plant property and equipment, net		27,827,610	35,166,389		62,993,999
Investments	51,269,878	41,296,123	3,290,815	(92,566,001)	3,290,815
Licenses, net		1,694,775	14,289,712		15,984,487
Trademarks			6,796,530		6,796,530
Goodwill, net			6,263,876		6,263,876
Total assets	P.60,834,397	P.78,934,192	P.114,198,727	P.(136,429,694)	P.117,537,622
Liabilities:					
Short-term debt	P. 1,819,475	P. 425,131	P. 8,392,401		P. 10,637,007
Current liabilities	514,889	11,249,770	17,185,686	P. (12,736,293)	16,214,052

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

	Parent	Wholly-owned Guarantor Subsidiary	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
		December 31, 2002			
Long-term debt	8,578,931	1,700,523	27,119,981		37,399,435
Other non-current liabilities		33,227,769	40,895	(31,127,400)	2,141,264
Total liabilities	10,913,295	46,603,193	52,738,963	(43,863,693)	66,391,758
Total majority stockholders' equity	49,921,102	32,330,999	60,235,002	(92,566,001)	49,921,102
Minority interest			1,224,762		1,224,762
Total stockholders' equity under Mexican GAAP	49,921,102	32,330,999	61,459,764	(92,566,001)	51,145,864
Total liabilities and stockholders' equity	P.60,834,397	P.78,934,192	P.114,198,727	P.(136,429,694)	P.117,537,622
		December 31, 2003			
Current assets:					
Cash and cash equivalents	P. 60,265	P. 1,344,896	P. 7,882,001		P. 9,287,162
Marketable securities			794,873		794,873
Accounts receivable, net	11,487	3,008,532	8,394,667		11,414,686
Related parties	9,658,533	1,065,774	35,779,947	P. (45,856,449)	647,805
Inventories, net		2,836,089	2,393,167		5,229,256
Other current assets		919,626	1,260,002		2,179,628
Plant property and equipment, net		21,677,989	49,483,653		71,161,642
Investments	66,328,617	22,801,769	2,548,599	(89,130,386)	2,548,599
Licenses, net		1,539,859	24,268,092		25,807,951
Trademarks			7,884,781		7,884,781
Goodwill, net			8,028,349		8,028,349
Other assets		4,993,815			4,993,815
Total assets	P.76,058,902	P.60,188,349	P.148,718,131	P.(134,986,835)	P.149,978,547
Liabilities:					
Short-term debt	P. 510,486	P. 452,578	P. 11,145,232		P. 12,108,296
Current liabilities	185,264	17,208,376	27,899,813	P. (17,617,886)	27,675,567
Long-term debt	11,250,000	2,567,445	23,387,104		37,204,549
Other non-current liabilities		29,882,193	2,134,634	(28,238,563)	3,778,264
Total liabilities	11,945,750	50,110,592	64,566,783	(45,856,449)	80,766,676
Total majority stockholders' equity	64,113,152	10,077,757	79,052,629	(89,130,386)	64,113,152
Minority interest			5,098,719		5,098,719
Total stockholders' equity under Mexican GAAP	64,113,152	10,077,757	84,151,348	(89,130,386)	69,211,871
Total liabilities and stockholders' equity	P.76,058,902	P.60,188,349	P.148,718,131	P.(134,986,835)	P.149,978,547

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

Condensed consolidated statements of operations:

	Parent	Wholly-owned Guarantor Subsidiary	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	For the year ended December 31, 2001				
Total revenues		P.35,460,890	P.12,282,261	P.(2,285,747)	P.45,457,404
Total cost and expenses operating	P. 63,284	27,220,234	13,990,511	(2,491,105)	38,782,924
Operating (loss) income	(63,284)	8,240,656	(1,708,250)	205,358	6,674,480
Interest income	319,290	142,627	6,017,702	(5,595,459)	884,160
Interest expense	(276,579)	(5,439,075)	(1,024,826)	5,595,459	(1,145,021)
Exchange loss, net	16	(583,957)	201,907		(382,034)
Monetary effect, net	166,953	1,426,125	(2,410,689)		(817,611)
Other financing income (cost), net			795,609		795,609
Other income (loss), net	238,102	(437,835)	828,302	(205,358)	423,211
Tax provision	55,842	1,715,891	1,728,225		3,499,958
Equity in results of affiliates	(1,238,679)	508,734	(4,066,886)	729,945	(4,066,886)
Majority net (loss) income	P. (910,023)	P. 2,141,384	P. (2,871,329)	P. 729,945	P. (910,023)
Minority net (loss) income	P.	P.	P. (224,027)	P.	P. (224,027)
	For the year ended December 31, 2002				
Total revenues		P.42,407,871	P.22,814,057	P.(5,479,332)	P.59,742,596
Total cost and expenses operating	P. 32,841	34,572,514	17,789,397	(5,632,567)	46,762,185
Operating (loss) income	(32,841)	7,835,357	5,024,660	153,235	12,980,411
Interest income	1,345,078	203,985	6,852,219	(6,999,779)	1,401,503
Interest expense	(1,042,352)	(5,726,450)	(2,727,351)	6,999,779	2,496,374
Exchange loss, net	(239)	(2,358,811)	832,631		(1,526,419)
Monetary effect, net	25,098	1,758,143	1,088,737		2,871,978
Other financing income (cost), net			(1,273,744)		(1,273,744)
Other income (loss), net		(1,500,804)	1,924,103	(153,235)	270,064
Tax provision	109,492	425,209	2,878,911		3,413,612
Equity in results of affiliates	4,598,445	4,119,062	(4,169,755)	(8,717,507)	(4,169,755)
Majority net income (loss)	P. 4,783,697	P. 3,905,273	P. 4,812,234	P.(8,717,507)	P. 4,783,697
Minority interest net income (loss)	P.	P.	P. (139,645)	P.	P. (139,645)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

	Parent	Wholly-owned Guarantor Subsidiary	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	For the year ended December 31, 2003				
Total revenues		P.52,465,905	P.42,337,578	P. (8,862,511)	P.85,940,972
Total cost and expenses operating	P. 86,276	42,078,637	34,685,988	(8,870,024)	67,980,877
Operating (loss) income	(86,276)	10,387,268	7,651,590	7,513	17,960,095
Interest income	1,306,972	106,658	10,321,293	(9,352,366)	2,382,557
Interest expense	(1,070,648)	(5,536,804)	(3,739,511)	6,571,597	(3,775,366)
Exchange loss, net	15	(4,405,787)	2,979,789	2,780,769	1,354,786
Monetary effect, net	49,663	1,467,803	833,332		2,350,798
Other financing income (cost), net			(189,395)		(189,395)
Other (loss) income, net	(323)	(589,657)	(447,451)	(7,513)	(1,044,944)
Tax provision	90,522	(563,050)	3,997,992		3,525,464
Equity in results of affiliates	14,922,755	5,160,528	(129,582)	(20,083,283)	(129,582)
Majority net income (loss)	P.15,031,636	P. 7,153,059	P.12,930,224	P.(20,083,283)	P.15,031,636
Minority net income (loss)	P.	P.	P. 351,849	P.	P. 351,849

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

Condensed consolidated statements of changes in financial position:

	Parent	Wholly-owned Guarantor Subsidiary	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
			December 31, 2001		
Operating activities:					
Net (loss) income	P. (910,023)	P. 2,141,384	P. (2,871,329)	P. 729,945	P. (910,023)
Non-cash items	1,238,678	1,729,580	8,581,133	(729,945)	10,819,446
Changes in operating assets and liabilities:	(6,153,111)	4,198,522	854,824		(1,099,765)
Resources (used in) provided by operating activities	(5,824,456)	8,069,486	6,564,628		8,809,658
Financing activities:					
Bank loans, net	5,494,815	566,760	8,564,004		14,625,579
Dividends paid	(622,314)				(622,314)
Decrease in capital stock and retained earnings due to purchases of Company's own shares	(7,521,915)	2,569,637		(2,569,637)	(7,521,915)
Resources (used in) provided by financing activities	(2,649,414)	3,136,397	8,564,004	(2,569,637)	6,481,350
Investing activities:					
Investment in telephone plant		(6,979,685)	(5,184,468)		(12,164,153)
Investment in subsidiaries and affiliated companies	8,473,989	(4,515,920)	(23,013,996)	2,569,637	(16,486,290)
Marketable securities			(9,044,625)		(9,044,625)
Investment in licenses			(290,710)		(290,710)
Resources provided by (used in) investing activities	8,473,989	(11,495,605)	(37,533,799)	2,569,637	(37,985,778)
Net increase (decrease) in cash and cash equivalents	119	(289,722)	(22,405,167)		(22,694,770)
Cash and cash equivalents at beginning of the Period		735,527	24,736,568		25,472,095
Cash and cash equivalents at end of the period	P. 119	P. 445,805	P. 2,331,401	P.	P. 2,777,325

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

Condensed consolidated statements of changes in financial position:

	Parent	Wholly-owned Guarantor Subsidiary	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	For the year ended December 31, 2002				
Operating activities:					
Net income	P. 4,783,697	P. 3,905,273	P. 4,812,234	P.(8,717,507)	P. 4,783,697
Non-cash items	(4,598,445)	(1,301,298)	9,618,089	8,717,507	12,435,853
Changes in operating assets and liabilities:	(2,894,634)	568,185	4,654,875		2,328,426
Resources (used in) provided by operating activities	(2,709,382)	3,172,160	19,085,198		19,547,976
Financing activities:					
Bank loans, net	4,903,590	(358,763)	19,889,531		24,434,358
Dividends paid	(618,296)				(618,296)
Decrease in capital stock and retained earnings due to purchases of Company's own shares	(2,191,999)	65,835		(65,835)	(2,191,999)
Resources provided by (used in) financing activities	2,093,295	(292,928)	19,889,531	(65,835)	21,624,063
	For the year ended December 31, 2002				
Investing activities:					
Investment in telephone plant		(1,250,399)	(24,234,995)		(25,485,394)
Investment in subsidiaries and affiliated companies	617,853	(715,785)	2,277,932	65,835	2,245,835
Marketable securities			9,368,493		9,368,493
Investments in trademarks			(6,796,530)		(6,796,530)
Investment in licenses			(13,768,788)		(13,768,788)
Resources provided by (used in) investing activities	617,853	(1,966,184)	(33,153,888)	65,835	(34,436,384)
Net increase decrease in cash and cash equivalents	1,766	913,048	5,820,841		6,735,655
Cash and cash equivalents at beginning of the period	119	445,805	2,331,401		2,777,325
Cash and cash equivalents at end of the period	P. 1,885	P. 1,358,853	P. 8,152,242	P.	P. 9,512,980

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

	Parent	Wholly-owned Guarantor Subsidiary	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	For the year ended December 31, 2003				
Operating activities:					
Net income	P. 15,031,636	P. 7,153,059	P. 12,930,224	P.(20,083,283)	P. 15,031,636
Non-cash items	(14,922,755)	(2,015,312)	11,151,932	20,083,283	14,297,148
Changes in operating assets and liabilities:	72,244	(2,812,513)	2,097,522		(642,747)
Resources provided by operating activities	181,125	2,325,234	26,179,678		28,686,037
Financing activities:					
Bank loans, net	852,946	894,369	(470,913)		1,276,402
Dividends paid	(793,915)	(3,540,271)		3,540,271	(793,915)
Decrease in capital stock and retained earnings due to purchases of Company's own shares	(975,469)				(975,469)
Resources provided by financing activities	(916,438)	(2,645,902)	(470,913)	3,540,271	(492,982)
Investing activities:					
Investment in telephone plant		2,328,007	(24,687,578)		(22,359,571)
Investment in subsidiaries and affiliated companies	793,693	(2,021,296)	3,879,034	(3,540,271)	(888,840)
Marketable securities			715,228		715,228
Minority interest			3,343,630		3,343,630
Investments in trademarks			(1,807,928)		(1,807,928)
Investment in licenses			(7,421,392)		(7,421,392)
Resources used in investing activities	793,693	306,711	(25,979,006)	(3,540,271)	(28,418,873)
Net increase (decrease) in cash and cash equivalents	58,380	(13,957)	(270,241)		(225,818)
Cash and cash equivalents at beginning of the period	1,885	1,358,853	8,152,242		9,512,980
Cash and cash equivalents at end of the period	P. 60,265	P. 1,344,896	P. 7,882,001	P.	P. 9,287,162

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

Guarantor US GAAP reconciliation of net income and stockholder's equity

As discussed at the beginning of Note 23, the following reconciliation to US GAAP does not include the reversal of the adjustments to the financial statements for the effects of inflation required under Mexican GAAP (Bulletin B-10), because the application of Bulletin B-10 represents a comprehensive measure of the effects of price level changes in the Mexican economy and, as such, is considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

Summary

The principal differences between Mexican GAAP and U.S. GAAP, as they relate to the consolidated financial statements of the Company, are those of the Guarantor, and are basically the same as those described in Note 23, except for the adjustments applied directly to the sub-holdings companies as the non amortization of goodwill, minority interest and gains or losses on sales to affiliates. Net income and total stockholders' equity, adjusted to take into account the material differences between Mexican GAAP and U.S. GAAP, are as follows:

	Year ended December 31,		
	2001	2002	2003
Net income as reported under Mexican GAAP	P.2,141,384	P.3,905,273	**P.7,153,059**
U.S. GAAP adjustments:			
Capitalized interest or net financing cost, net	331,121	(82,268)	**(149,955)**
Accrued vacation pay	(37,866)	(35,963)	**213,949**
Deferred income tax and employee profit sharing adjustments	537,469	(588,511)	**575,343**
Difference between the restatement of depreciation expense based on specific indexation factors and on the basis of the NCPI	(477,944)	(129,326)	**2,041**
Effects of U.S. GAAP adjustments on subsidiaries, net	(34,702)	100,453	**(877,597)**
Effects of inflation accounting on U.S. GAAP Adjustments	203,207	25,377	**120,765**
Total U.S. GAAP adjustments, net	521,285	(710,238)	**(115,454)**
Net (loss) income under U.S. GAAP	P.2,662,669	P.3,195,035	**P.7,037,605**

	December 31,	
	2002	2003
Total stockholders' equity under Mexican GAAP	P.32,330,999	**P.10,077,757**
U.S. GAAP adjustments, net of effects of inflation on monetary items:		
Capitalized interest or net financing cost, net	894,979	**745,024**
Accrued vacation pay	(213,949)	
Deferred income tax and employee profit sharing Adjustments	(744,796)	**(120,468)**
Difference between the restatement of fixed assets based on specific indexation factors and on the basis of the NCPI	162,601	**437,613**
Effect of U.S. GAAP adjustments on subsidiaries, net	(506,761)	**(921,783)**
Total U.S. GAAP adjustments, net	(407,926)	**140,386**
Total stockholders' equity under U.S. GAAP	P.31,923,073	**P.10,218,143**

Report of Independent Registered Chartered Accountants

To the Board of Directors and Shareholders of Telecom Américas Ltd.

We have audited the accompanying consolidated balance sheets of Telecom Américas Ltd. as at December 31, 2001 and 2000 and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for the year ended December 31, 2001 and the 186-day period ended December 31, 2000. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the 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 an 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, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2001 and 2000 and the consolidated results of its operations and its cash flows for the year ended December 31, 2001 and the 186-day period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Montreal, Canada

January 31, 2002, except as to Notes 1 and 25 which are as of February 12, 2002

TELECOM AMERICAS LTD.

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000
(in thousands of U.S. dollars)

	Notes	2001	2000 (186 days)
Revenues		$ 473,207	$ —
Cost of sales		220,786	—
Selling, general and administrative expenses		139,179	28
Depreciation and amortization		248,280	—
Operating loss from continuing operations		(135,038)	28
Equity in loss of joint venture investees	9,24	(98,885)	(21,459)
Foreign exchange loss	24	(17,081)	—
Interest expense	18	(246,751)	—
Other income		29,895	8
Loss from continuing operations before minority interest		(467,860)	(21,423)
Minority interest		36,772	—
Net loss from continuing operations		(431,088)	(21,423)
Discontinued operations	3	(513,135)	(51,748)
Net loss		$(944,223)	$(73,171)

TELECOM AMERICAS LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended and for the 186-day period ended December 31
(in thousands of U.S. dollars)

	2001	2000 (186 days)
Net loss	$ (944,223)	$(73,171)
Other comprehensive loss:		
Foreign currency translation adjustment net of income taxes of nil	(192,545)	(24,986)
	$(1,136,768)	$ 98,157

TELECOM AMERICAS LTD.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000
(in thousands of U.S. dollars, except number of shares)

	Common stock		Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total
	Shares	Par value				
Balance at beginning of period	—	$—	$ —	$ —	$ —	$ —
Issuance of common stock (Note 17)	12,000.000	12	—	—	—	12
Cancellation of shares pursuant to reorganization of the Corporation's share capital (Note 17)	(12,000.000)	(12)	—	—	—	(12)
Issuance of shares of new common stock (Note 17)	22,309.858	22	3,629,990			3,630,012
Foreign currency translation loss	—	—	—	—	(24,986)	(24,986)
Net loss	—	—	—	(73,171)		(73,171)
Balances at December 31, 2000	22,309.858	22	3,629,990	(73,171)	(24,986)	3,531,855
Issuance of common stock (Note 17)	1,439.298	2	234,184	—	—	234,186
Cancellation of shares (Note 17)	(865,956)	(1)	(140,898)	—	—	(140,899)
Foreign currency translation loss	—	—	—	—	(192,545)	(192,545)
Net loss	—	—	—	(944,223)	—	(944,223)
Balances at December 31, 2001	22,883.200	$ 23	$(3,723,276)	$(1,017,394)	$(217,531)	$2,488,374

TELECOM AMERICAS LTD.

CONSOLIDATED BALANCE SHEETS

As at December 31,
(in thousands of U.S. dollars)

	Notes	2001	2000
Current assets			
Cash and cash equivalents	4	$ 552,245	$ 65,814
Notes receivable	5	11,415	2,151,690
Accounts receivable, net	6	204,163	69,091
Inventory		93,410	19,330
Prepaid expenses and other current assets		34,680	4,983
		895,913	2,310,908
Goodwill, net	7,8	3,033,791	947,968
Investments, at equity	9	—	947,193
Fixed assets, net	10	1,429,092	268,638
Licenses, net	11	1,821,297	286,699
Other assets		105,120	27,166
		$ 7,285,213	$4,788,572
Current liabilities			
Short-term loan facilities	12	896,063	$ 64,790
Accounts payable and accrued liabilities	13	753,913	106,876
Notes payable	14	143,693	5,090
Long-term debt due within one year	15	979,769	67,576
		2,773,438	244,332
Long-term debt	15	1,748,898	714,712
Other long-term liabilities	16	127,540	—
		4,649,876	959,044
Minority interest		146,963	22,673
Series C Preferred Stock	17	—	275,000
Commitments and contingencies	22		
Stockholders' equity			
Common stock	17	23	22
Additional paid-in capital	17	3,723,276	3,629,990
Deficit		(1,017,394)	(73,171)
Accumulated other comprehensive loss		(217,531)	(24,986)
		2,488,374	3,531,855
		$ 7,285,213	$4,788,572

On behalf of the Board of Directors

Director

Director

TELECOM AMERICAS LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000
(in thousands of U.S. dollars)

	Notes	2001	2000 (186 days)
Operations			
Net loss from continuing operations		$ (431,088)	$ (21,422)
Items not affecting cash			
Depreciation and amortization		248,280	—
Unrealized foreign exchange losses		62,957	—
Accreted interest on long-term debt		52,894	—
Minority interest		(36,772)	—
Equity in net loss of associated company		98,885	21,459
Amortization of discount on notes	15	21,771	—
Changes in working capital items		125,219	(92)
Cash provided by (used for) continuing operations		142,146	(55)
Investing activities			
Acquisition of subsidiaries (net of cash)		(616,877)	—
Investments		(146,891)	(8,386)
Notes receivable		1,436,147	—
Capital expenditures		(136,667)	
Other long-term assets		(33,801)	—
Cash provided by (used for) continuing investing activities		501,911	(8,386)
Financing activities			
Short-term loan facilities		9,229	—
Increase in notes payable		172,846	—
Addition of long-term debt		391,502	—
Reduction of long-term debt		(516,753)	—
Issuance of common shares		234,186	—
Other long-term liabilities		56,194	—
Shareholder contributions (including subsidiaries' cash of $19,108,000 in 2000)		—	159,307
Cash provided by continuing financing activities		347,204	159,307
Foreign exchange loss on cash held in foreign currencies		(5,131)	—
Cash used for discontinued operations		(499,699)	(85,052)
Net increase in cash and cash equivalents		486,431	65,814
Cash and cash equivalents, beginning of period		65,814	—
Cash and cash equivalents, end of period	4	$ 522,245	$ 65,814

See Note 21 for supplementary cash flow information

TELECOM AMERICAS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000 (all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

1. Description of Business and Basis of Presentation

Ivey Holdco Ltd. was incorporated under the Companies Act 1981 of Bermuda on June 28, 2000, and on November 8, 2000, changed its name to Telecom Americas Ltd. ("Telecom Americas").

Telecom Americas, through joint ventures and subsidiaries (collectively the "Corporation") is a communications company.

a) Formation of Telecom Americas

On November 16, 2000, pursuant to a joint venture agreement entered into by America Movil S.A. de C.V. ("America Movil"), Bell Canada International Inc. ("BCI") and SBC International Inc. ("SBC"), Telecom Americas received the following contributions in exchange for 22,309.858 shares of Common stock and 1,690.142 shares of Series C Preferred stock (see Note 16):

(i) BCI contributed certain of its equity interests in Latin American investments and promissory notes payable in the amount of $964,140,000 and;

(ii) America Movil and SBC contributed their respective equity interests in ATL—Algar Telecom Leste S.A. ("ATL") and America Movil contributed $164,950,000 in cash, $1,007,500,000 in promissory notes payable and a $180,050,000 commitment to contribute its 60% economic interest in an Argentine broadband company, Techtel LMDS Communicaciones Interativas S.A. ("Techtel"). America Movil undertook to contribute Techtel upon the receipt of the necessary regulatory approvals.

The results of operations and cash flows reflect the operations of the companies contributed as of the effective dates of their contribution to the Corporation which reflect approximately one month of operations for such companies in 2000.

The following table summarizes the Corporation's principal operations, along with the accounting treatment for such operations as of December 31, 2001.

Company	Operations	Equity Interest(1)	Accounting Treatment
Continuing Operations			
Brazil Mobile			
ATL-Algar Telecom Leste S.A. ("ATL")	Cellular	59.0%	Consolidation
Tess S.A. ("Tess")	Cellular	100.0%	Consolidation
Telet S.A. ("Telet")	Cellular	77.6%	Consolidation
Americel S.A. ("Americel")	Cellular	76.7%	Consolidation
Discontinued Operations			
Brazil Broadband			
Canbras Communications Corporation ("Canbras")	Broadband cable and ISP	75.6%	Discontinued operation
Spanish Americas Broadband			
Techtel-LMDS Comunicaciones Interativas ("Techtel") S.A.	Broadband, Long Distance Carrier	60.0%	Discontinued operation
Genesis Telecom C.A. ("Genesis")	LMDS	59.1%	Discontinued operation
Spanish Americas Mobile			
Comunicacion Celular S.A.—Comcel S.A. ("Comcel")	Cellular	77.1%	Discontinued operation

(1) Figures represent Telecom Americas' economic interests in the operating companies listed.

b) Telecom Americas Reorganization

In order to address the funding requirements of Telecom Americas, on February 8, 2002, BCI, America Movil and SBC completed the reorganization (the "Reorganization") of Telecom Americas. This resulted in Telecom Americas becoming a company focused exclusively on the provision of mobile wireless services in Brazil, with reduced consolidated indebtedness.

The Reorganization included the following transactions (see Note 3):

- Telecom Americas transferred its 77.1% indirect interest in Comcel to America Movil;
- America Movil transferred cash U.S.$80 million and its 41% indirect interest in ATL to Telecom Americas;
- Telecom Americas distributed its 75.6% indirect interest in Canbras to BCI;
- Telecom Americas distributed its 59.1% interest in Genesis equally to BCI and America Movil; and
- Telecom Americas will distribute its 60% indirect interest in Techtel to America Movil upon the receipt of regulatory approvals.

c) In January 2002, America Movil agreed to sell its investment in Cellular Communications of Puerto Rico, a cellular property, to SBC for cash and a note redeemable for SBC's investment in Telecom Americas.

2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

a) Investments

The financial statements of entities which are controlled by the Corporation are consolidated and entities which are jointly controlled by the Corporation, referred to as joint venture investees, are accounted for using the equity method. All significant intercompany transactions and balances have been eliminated.

b) Revenue Recognition

Revenues from airtime, monthly fixed charges, prepaid cards, and cable subscriber fees are recognized when services are provided. Revenues from sales of equipment are recognized upon shipment to third party distributors or direct sales to subscribers. Activation revenues are deferred and amortized over the expected period of benefit.

c) Translation of Foreign Currencies

The financial statements of Telecom Americas' subsidiaries and joint venture investees which have a functional currency other than the U.S. dollar are translated into U.S. dollars in accordance with Statement of

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

Financial Accounting Standard ("SFAS") No. 52, "Foreign Currency Translation". Assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the average exchange rates prevailing during the period. The resulting translation gains or losses are accumulated and reported in other comprehensive income or loss.

d) Cash and Cash Equivalents

Cash and cash equivalents represent cash and highly-liquid investments with a maturity of three months or less at the date of acquisition.

e) Inventory

Inventory consists mainly of mobile telephones held for resale and is recorded at the lower of weighted average cost or market.

f) Fixed Assets

Fixed assets are recorded at cost and are depreciated and amortized over their expected useful lives, using principally the straight-line method. The annual depreciation and amortization rates by fixed asset category are as follows:

Buildings	20-25 years
Network equipment	3-15 years
Other equipment	3-10 years
Leasehold improvements	5-10 years

Costs that are directly attributable to the construction of a network, including materials, direct labour, construction overhead and interest are capitalized and are included in network equipment.

g) Licenses

Licenses are recorded at cost and are amortized over their terms ranging from 15 to 20 years using the straight-line method.

h) Handset Subsidies

The excess of cost over the selling price of handsets is expensed upon subscriber activation.

i) Goodwill

Goodwill represents the excess of the purchase price over the estimated fair values of the net assets of subsidiaries and joint venture investees at the dates of acquisition. Goodwill is amortized on a straight-line basis over the estimated useful lives ranging between 9 and 17 years. For acquisitions recorded after June 30, 2001, the Corporation did not amortize the associated goodwill in accordance with the new Standards of the Financial Accounting Standards Board ("FASB"). (See Note 2n).

j) Impairment of Long-lived Assets

The Corporation evaluates the carrying value of its long-lived assets, including goodwill, on an ongoing basis. In order to determine whether an impairment exists, management compares the undiscounted cash flows estimated to be generated by those assets with their carrying amount. If such assets are considered to be impaired, the impairment charge to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Any permanent impairment in the carrying value of assets is charged against income in the period an impairment is determined (See Note 2n).

k) Income Taxes

The Corporation accounts for income taxes under the liability method. Deferred taxes relate to the expected future tax consequences of temporary differences between the carrying amount of balance sheet items and their corresponding tax values. Deferred tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the deferred tax assets will be realized. Deferred tax assets and liabilities are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Telecom Americas is not liable for income taxes in Bermuda. It has been given assurance from the appropriate authorities that in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any of the aforementioned taxes shall not be applicable until March 28, 2016.

l) Comprehensive Income (loss)

Comprehensive income (loss) is comprised entirely of foreign currency translation adjustments, net of income taxes.

m) Derivative Instruments and Hedging Activities

To manage interest rate exposure, the Corporation enters into interest rate swap agreements. Furthermore, the Corporation manages exposure to fluctuations in foreign exchange rates by creating offsetting positions principally through the use of foreign exchange swaps. The Corporation enters into foreign exchange swaps to hedge certain short-term loan facilities. The Corporation does not use financial instruments for trading or speculative purposes.

In accordance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", the Corporation records derivatives on the balance sheet as assets or liabilities measured at fair value. For those derivatives representing effective hedges of risks and exposures, unrealized gains or losses resulting from changes in the fair values are presented either in net earnings or as a component of comprehensive income (loss), depending upon the nature of the hedge.

n) Recent Accounting Pronouncement

The FASB recently issued SFAS No. 141, "Business Combinations", and No. 142, "Goodwill and Other Intangible Assets". Effective July 1, 2001, the standards require that all business combinations be accounted for using the purchase method. Additionally, effective January 1, 2002, goodwill and intangible assets with an indefinite life will no longer be amortized to earnings and will be assessed for impairment on an annual basis in accordance with the new standards, including a transitional impairment test. The Corporation is currently evaluating the impact of the adoption of the new standards, and therefore has not yet finalized their effect on its consolidated financial statements. However, a substantial amount of goodwill on the consolidated balance sheet at January 1, 2002 may be found to be impaired.

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

The FASB recently issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets", which is effective for fiscal years beginning after December 15, 2001 and addresses how to account for and report impairments or disposals of long-lived assets (including discontinued operations). An impairment loss is to be recorded on long-lived assets being held or used when the carrying amount of the asset is not recoverable from its undiscounted cash flows. The impairment loss is equal to the difference between the asset's carrying amount and estimated fair value. Long-lived assets to be disposed of by other then a sale for cash are to be accounted for and reported like assets being held or used, except that the impairment loss is recognized at the time of the disposition. Long-lived assets to be disposed of by sale are to be recorded at the lower of their carrying amount or estimated fair value (less costs to sell) at the time the plan of disposition has been approved and committed to by the appropriate company management. The results of operations of discontinued operations must be reported in the period in which they occur. In addition, depreciation is to cease at the same time. The Corporation's management does not expect the adoption of this standard to have a significant impact on its future consolidated financial results.

3. Discontinued Operations

Discontinued operations are comprised of the following:

Spanish Americas Mobile, Spanish Americas Broadband and Brazil Broadband

Effective December 31, 2001, the Corporation adopted a formal plan of disposal for all of its operations in the Spanish Americas Mobile (Comcel), Spanish Americas Broadband (Techtel and Genesis) and Brazil Broadband (Canbras) business segments. On February 8, 2002, Comcel, Canbras, Genesis and Techtel were disposed of at management's best estimate of fair value as part of the Reorganization, as described in Note 1. As at December 31, 2001, a provision was recorded for the expected loss on disposal.

	Years ended December 31	
	2001	2000 (186 days)
Revenues applicable to discontinued operations, excluded from consolidated revenues	$ 355,100	$ 25,356
Net operating loss from discontinued operations, net of tax:	(252,086)	(53,424)
Provision for loss on disposal	(280,754)	—
Minority interest	19,705	1,676
Net loss from discontinued operations	$(513,135)	$(51,748)

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

Amounts related to the discontinued operations included in the consolidated balance sheets are as follows:

	Years ended December 31	
	2001	2000
Current assets	$ 153,892	$ 124,470
Fixed assets, net	434,194	268,637
Licenses, net	290,079	286,699
Goodwill	1,023,693	947,968
Other assets	61,040	26,971
	1,962,898	1,654,745
Current liabilities	673,594	244,154
Long-term debt	543,754	714,712
Total liabilities	1,217,348	958,866
Net assets	$ 745,550	$ 695,879

Cash flows from discontinued operations are as follows:

	Years ended December 31	
	2001	2000 (186 days)
Operating activities	$ (35,059)	$(46,274)
Investing activities	(334,958)	(4,792)
Financing activities	(128,171)	(36,999)
Foreign exchange (loss) gain on cash held in foreign currencies	(1,511)	3,013
Cash flows from discontinued operations	$(499,699)	$(85,052)

4. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2001 include $351,633,000 of restricted cash. This amount represents cash not available for use other than to collateralize short-term bank loans of certain subsidiaries of the Corporation.

5. Notes Receivable

	2001	2000
Shareholders(1)	$ —	$2,151,690
Other	11,415	—
	$11,415	$2,151,690

(1) These notes are non-interest bearing, payable on demand and include $180,050,000 receivable from America Movil representing its commitment to contribute its 60% economic interest in Techtel (see Note 1).

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

6. Accounts Receivable

	2001	2000
Third parties		
Customers	$195,759	$65,482
Other	24,058	7,855
	219,817	73,337
Allowance for doubtful accounts	(15,837)	(4,350)
Net	203,980	68,987
Related parties		
Associated company(1)	183	104
	$204,163	$69,091

(1) An associated company is a company where the Corporation or any one of the Corporation's shareholders exercises significant influence.

7. Investments in Subsidiaries

During the year ended December 31, 2001 the Corporation completed several acquisitions.

The results of operations for each of the acquisitions are included in the consolidated statements of earnings as of the effective date of acquisition. Each acquisition was accounted for using the purchase method.

2001

The allocation of the purchase price to the estimated fair value of net assets acquired is as follows:

	ATL(b)	Americel(c)	Telet(c)	Tess(d)	Techtel(e)	Total
Current assets (including cash of $405,078,000)	408,420	53,814	39,462	107,345	17,491	626,532
Fixed assets	245,604	151,310	208,447	296,389	94,946	996,696
License	721,119	94,807	135,693	736,526	26,114	1,714,259
Other assets	1,173	12,542	7,843	5,409	36,020	62,987
	1,376,316	312,473	391,445	1,145,669	174,571	3,400,474
Less:						
Current liabilities	97,260	266,546	299,991	528,151	16,994	1,208,942
Long-term debt	980,144	70,308	102,118	393,660	53,209	1,599,439
Minority interest	122,573	—	—	—	41,748	164,321
Net assets (liabilities) acquired	176,339	(24,381)	(10,664)	223,858	62,620	427,772
Goodwill	123,661	232,939	193,079	667,491	147,430	1,364,600
Consideration paid	300,000	208,558	182,415	891,349	210,050	1,792,372
Goodwill amortization period	12 years	11 years	11 years	12 years	N/A	

a) On February 28, 2001 Canbras completed a rights offering amounting to $66,058,000 (CDN$99,105,000). The Corporation exercised all rights issued to it, as well as all remaining rights which were unexercised at the expiry of the offering, for a total investment of $54,373,000 (CDN$81,575,000) and which resulted in an increase of its economic interest in Canbras from 70.7% to 75.6%.

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

b) On March 27, 2001, the Corporation invested U.S.$300,000,000 in ATL, increasing its total economic interest from 50% to 59% and changed its basis of accounting for ATL from the equity method to consolidation as of that date.

c) On March 30, 2001, the Corporation acquired an additional 16.3% economic interest in each of Americal and Telet for an aggregate purchase price of $153,311,000.

On September 25, 2001, the Corporation acquired an additional 42.7% and 43.4% economic interest in each of Americel and Telet, respectively, for an aggregate purchase price of $376,364,000 including acquisition costs and changed its basis of accounting for Americel and Telet from the equity method to consolidation as of that date.

On December 5, 2001, the Corporation acquired an additional 1.3% and 1.5% in Americel and Telet, respectively for an aggregate purchase price of $14,612,000.

d) On April 9, 2001, the Corporation acquired, for total consideration of approximately $950,000,000 a 100% economic interest in Tess, one of two B Band cellular companies operating in the Brazilian state of Sao Paulo. The consideration consisted of $318,725,000 in cash and $631,275,000 in notes payable (see Note 14), which had an estimated fair value of $571,275,000, resulting in an effective purchase price of approximately $890,000,000 before related costs of acquisition.

The following table summarizes the results of the Corporation as if it had acquired Tess at January 1, 2001:

	2001
Revenues	$ 523,867
Net loss	(1,005,355)

e) On August 31, 2001, the Corporation acquired, for a total consideration of $210,050,000, a 60% economic interest in Techtel, an Argentine broadband company. Techtel was contributed to Telecom Americas by America Movil in exchange for shares pursuant to the joint venture agreement entered into in November 2000 (see Note 1).

f) During 2001, the Corporation invested amounts totalling $187,117,000 in Comcel resulting in an increase in its economic interest from 68.5% to 77.1%

g) During November 2001, the Corporation invested $14,471,000 in Genesis, resulting in an increase in its economic interest from 51.0% to 59.06%.

2000

During the 186-day period ended December 31, 2000, the Corporation either directly, through subsidiaries or operating companies, completed several transactions as follows:

a) During December 2000, the Corporation converted, through a subsidiary, a note receivable in the amount of $17,083,000 (CDN$25,590,000) into common shares of Canbras Communications, resulting in an additional 6.2% effective economic interest for the Corporation. The transaction resulted in additional goodwill of $2,648,000.

b) During December 2000, the Corporation, through a subsidiary, invested $116,000,000, resulting in a 9.33% increase in the Corporation's effective economic interest in Comcel. The net equity investment of the minority interest shareholders of Comcel is Nil as a result of accumulated losses experienced by Comcel. Consequently, the Corporation does not allocate losses to the minority interest shareholders.

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

8. Goodwill, Net

	Cost	Accumulated amortization	Net book value
2001	$3,199,520	$165,729	$3,033,791
2000	$ 953,866	$ 5,898	$ 947,968

9. Investments, At Equity

As at December 31, 2000, investments at equity comprised the following joint venture investees (see Notes 7 b) and c)):

	2000
ATL	$806,374
Americel	66,932
Telet	73,887
	$947,193

During 2000, the Corporation made cash investments in the aggregate of $8,386,000 to fund its pro-rata share of its joint venture investees' operations. These investments did not change the Corporation's economic interest in such operations.

The table below sets out the financial position and results of operations of investments for the periods during which they were accounted for using the equity method:

	2001	2000
Balance sheet		
Total assets		$2,103,997(1)
Total liabilities		1,996,695
Statement of operations		
Revenues	$ 263,029	$ 68,338
Net loss	$(313,481)	$ (61,976)

(1) Includes approximately $899,793,000 of goodwill (net of accumulated amortization).

10. Fixed Assets, Net

2001

	Cost	Accumulated depreciation/ amortization	Net book value
Land	$ 8,604	$ —	$ 8,604
Buildings	39,614	2,827	36,787
Network equipment	861,469	223,399	638,070
Other equipment	494,025	158,103	335,922
Network equipment under construction	323,686	—	323,686
Leasehold improvements	109,687	23,664	86,023
	$1,837,085	407,993	$1,429,092

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

2000

	Cost	Accumulated depreciation/ amortization	Net book value
Land	$ 2,899	$ —	$ 2,899
Buildings	6,543	1,332	5,211
Network equipment	246,269	85,054	161,215
Other equipment	57,672	15,841	41,831
Network equipment under construction	55,120	—	55,120
Leasehold improvements	3,357	995	2,362
	$ 371,860	$103,222	$ 268,638

11. Licenses

	Cost	Accumulated amortization	Net book value
2001	$2,319,616	$498,319	$1,821,297
2000	$ 402,043	$115,344	$ 286,699

12. Short-term Loan Facilities

The Corporation’s principal short-term loan facilities are as follows:

Comcel

At December 31, 2001, Comcel had $33,081,000 owing to banks, bearing interest at variable rates. Effective interest rates at December 31, 2001 on these loans ranged from Colombian fixed-term deposit rate plus 1.67% to Colombian fixed-term deposit rate plus 7% on peso denominated loans ($22,523,000), and at LIBOR plus 4.5% on U.S. dollar denominated loans ($10,558,000). The LIBOR and the Colombian fixed-term deposit rates were 2.44% and 10.75%, respectively, as at December 31, 2001.

ATL

At December 31, 2001, ATL had $79,063,000 owing to banks, bearing interest at variable rates. Effective interest rates at December 31, 2001 on these loans ranged from 102.4% of the Interbank Certificate Deposit rate (“CDI”) to 118% of CDI on real denominated loans ($33,240,000) and from 7.4% to 12.35% on foreign exchange variation rate (“FE”) loans denominated in U.S. dollars ($45,823,000). The CDI and FE rates were 19.02% and 7.45% respectively as at December 31, 2001. Included in the real denominated loans are $41,865,000, which were swapped from U.S. dollars to real. (See Note 24)

Tess

At December 31, 2001, Tess had $175,888,000 owing to banks, bearing interest at variable and fixed rates. Effective interest rates at December 31, 2001 on these loans ranged from 2% to 12.35% on FE loans denominated in U.S. dollars ($119,583,000) and from 101% of CDI to 140% of CDI and fixed rates of 17.8% to 26.08% on real denominated loans ($56,304,000). Included in the real denominated loans are $23,588,000, which were swapped from U.S. dollars to real. (See Note 24)

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

Americel

At December 31, 2001, Americel had $196,306,000 owing to banks bearing interest at variable rates. Effective interest rates at December 31, 2001 on these loans ranged from 104% of CDI to 130% of CDI on Real denominated loans ($142,448,000) and from 4.5% to 12% on FE loans denominated in U.S. dollars ($53,858,000). Included in the real denominated loans are $11,298,000, which were swapped from U.S. dollars to real. (See Note 24)

Telet

At December 31, 2001, Telet had $408,030,000 owing to banks, bearing interest at variable rates. Effective interest rates at December 31, 2001 on these loans ranged from 5% to 19% on FE loans ($280,091,000) and from 104% of CDI to 134% of CDI on real denominated loans ($127,939,000).

13. Accounts Payable and Accrued Liabilities

	2001	2000
Third parties		
Trade	$227,498	$ 48,316
Accrued liabilities	242,761	56,234
	470,259	104,550
Provision for loss on disposal (see Note 3)	280,754	—
	751,013	104,550
Related parties		
Shareholder	—	1,688
Affiliated companies(1)	2,900	638
	2,900	2,326
	$753,913	$106,876

(1) Affiliated companies are companies controlled by the Corporation's shareholders.

14. Notes Payable

	2001	2000
Third parties	$ 3,076	$5,090
Shareholders(1)	140,617	—
	$143,693	$5,090

(1) Notes payable to shareholders, bearing interest at various rates up to 6.75%, maturing February 8, 2002.

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

15. Long-term Debt

	2001	2000
Continuing Operations		
ATL:		
Equipment financing, bearing interest at LIBOR plus 2.50% to LIBOR plus 3.75%, repayable in varying amounts ending in 2002	$215,769	—
Bank loans (R$295,253,000), bearing interest at the long-term Brazilian Development bank prime rate ("TJLP") plus 3.00% to TJLP plus 4.50%, due in 2007	239,288	—
Debentures (R$573,230,000), bearing interest at CDI plus 1.20% repayable in 2003	151,485	
Other	13,601	—
	620,143	—
Tess:		
Equipment financing, bearing interest at LIBOR plus 6.50%, repayable in varying amounts ending in 2002	$271,301	$ —
Bank loans (R$227,543,000) bearing interest at TJLP plus 2.80% to TJLP plus 4.30%, due in 2006	99,448	—
Bank loans, bearing interest at FE 4.30%, due in 2006	16,678	—
	387,427	—
Americel:		
Bank loan (R$181,517,000) bearing interest at TJLP plus 3.0% repayable in varying amounts beginning in 2002 and ending in 2006	$ 79,408	$ —
Other	—	—
	79,408	—
Telet:		
Equipment financing, bearing interest at LIBOR plus 3.75%, due in 2002	$ 40,504	$ —
Other	12,392	—
	52,896	—
Discounted Operations		
Comcel:		
14.125% senior deferred coupon bonds, due in 2005	$280,370	$281,103
Senior term loan, bearing interest at LIBOR plus a variable margin (3.25% to 4.25%), repayable in varying payments ending in 2002	92,832	164,513
14% senior discount notes, due in 2004	185,495	178,903
Bank loans, bearing interest at LIBOR plus 2.70% to LIBOR plus 3.75%, repayable in varying amounts ending in 2004	21,319	33,584
Bank loans (2001—Cols Ps 53,099,440,000, 2000—Col Ps 82,574,300,000), bearing interest at 15.00% to 17.00%, repayable in varying amounts ending in 2002	24,110	36,932
Other	17,796	24,617
	621,922	719,652

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

	2001	2000
Techtel:		
Other	$ 65,417	$ —
Canbras:		
Floating rate note facility, bearing interest at LIBOR plus 4.50% to LIBOR plus 7.50%, due in 2007	$ 27,752	$ 27,735
Bank loan repaid in 2001	—	16,664
Other	2,946	9,276
	30,698	53,675
Genesis Telecom:		
Equipment financing, bearing interest at LIBOR plus 8.00% to LIBOR plus 10.00%, repayable in varying amounts ending 2004	$ 7,695	$ 8,735
Other	—	226
	7,695	8,961
Telecom Americas:		
Tess Note (see Notes a) and b)):		
Series A Notes bearing interest at LIBOR, payable annually, with principal repayable in three equal annual installments ending in April 2004	$ 315,638	$ —
Series B Notes bearing interest at an average rate of 3.62%, payable semi-annually, with principal repayable in three equal annual installments ending in April 2004	315,638	—
Discount on Series A and Series B Notes (see Note 7 d)	(38,229)	—
	593,047	—
Loan payable to a shareholder, bearing interest at 12% per year, maturing June 15, 2004	198,619	—
Loan payable to a shareholder, bearing interest at 12% per year, maturing June 15, 2004, repayable in shares of Telecom Americas (see Note c)	71,395	—
	863,061	—
	2,728,667	782,288
Less: due within one year	979,769	67,576
	$1,748,898	$714,712

Estimated principal repayments of long-term debt outstanding at December 31, 2001 over the next five years are as follows:

2002	2003	2004	2005	2006
979,769	469,304	756,274	390,251	78,251

a) Tess Notes

The Tess Notes were purchased by an affiliate of America Movil from the vendors of Tess.

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

b) Change of Control Covenants

The covenants of the Tess Notes, Series A and B include change of control clauses in respect of the ownership of BCI by its ultimate parent company. If these clauses were to be breached, the repayment of the outstanding amounts under these financial obligations could be accelerated.

c) 12% Loan Repayable in Shares of Telecom Americas

During December 2001, the Corporation received a loan facility in the amount of U.S.$120,000,000, bearing interest at 12%, repayable on June 15, 2004 in shares of Telecom Americas at a price of $47,353.06 per share.

d) Collateral

In general, substantially all of the assets of the Corporation's operating companies have been pledged to secure short-term and long-term loan facilities.

16. Other Long-Term Liabilities

Other long-term liabilities are comprised of disputed amounts related to license fee instalments payable to Agencia Nacional de Telecomunicacoes ("Anatel") for ATL ($78,781,000) and Tess ($48,759,000). The amounts in dispute reflect a difference in the application of inflation indexing in the computation of the license instalments payable in March, 1999, 2000 and 2001 and interest thereon. The dispute is not expected to be resolved within the next twelve months.

17. Preferred and Common Stock

Authorized	
Common stock, par value $1.00 per share	46,309.858(1)
Series C Preferred stock, par value $1.00 per share, voting, cancelled during 2001.	1,690.142

(1) As of June 30, 2001, the share capital of Telecom Americas consists of a single class of Common Stock.

	2001	2000
Issued and outstanding		
22,883.200 in 2001 (22,309.858 in 2000) Common stock	$ 23	$22
Nil in 2001 (1,690.142 in 2000) Series C Preferred stock	—	2
	$ 23	$24

On July 13, 2001, BCI and America Movil each tendered shares of Telecom Americas to redeem $275,000,000 and $140,898,191, respectively, of notes due to Telecom Americas. As a result, 1,690.142 Series C Preferred stock in the amount of $275,000,000 and 865.956 shares of Common stock, having a par value of $1.00, in the amount of $140,898,191 were cancelled.

On September 19, 2001, Telecom Americas issued 1,439.298 shares of Common Stock having a par value of $1.00 per share, in exchange for cash consideration of $234,186,349.

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

On June 28, 2000, in connection with its incorporation, Telecom Americas issued 12,000 shares of Common stock in exchange for cash consideration of $12,000.

On November 16, 2000, Telecom Americas issued redeemable Preferred stock Series A through G (100 shares for each of Series A, B, D, E, F and G of Preferred stock, par value $1.00 per share and 1,690.142 shares of Series C preferred stock, par value $1.00 per share). Series A, B, D, E, F and G of Preferred stock were non-voting and non-convertible. In exchange for the issuance of shares of Preferred stock, the Corporation received $164,950,000 in cash, $2,151,690,000 in promissory notes and equity interests in certain investments having an aggregate fair value of $1,588,360,000. Also on November 16, 2000, in connection with a reorganization of the Corporation's authorized and issued share capital, the Series A, B, D, E, F and G of Preferred stock and 12,000 shares of Common stock outstanding at that time were exchanged for 22,309.858 shares of new Common stock having a par value of $1.00 per share. As a result of this reorganization of share capital, all authorized and unissued Preferred stock series, A, B, D, E, F and G were cancelled.

Outstanding Common Stock at December 31, 2001 are owned as follows:

	Number	Ownership
BCI	9,536.138	41.7%
America Movil	10,415.643	45.5%
SBC	2,931.419	12.8%
	22,883.200	100.000%

18. Interest Expense

	2001	2000 (186 days)
Interest expense—long-term debt	$ 83,554	$—
Interest expense—other	163,197	—
	$246,751	$—

19. Income Taxes

As at December 31, future income taxes are as follows:

	2001	2000
Deferred tax assets:		
Tax benefits on losses	$ 807,255	$ 183,664
Deferred tax liabilities:		
Current assets	11,523	1,284
Other assets	9,851	41,861
Current liabilities	39,999	4,391
Total deferred tax liabilities	61,373	47,536
	745,882	136,128
Valuation Allowance	(745,882)	(136,128)
Deferred taxes, net	$ —	$ —

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

The Corporation has Brazilian non-capital tax losses from continuing operations carried forward amounting to approximately $1,847,000,000 that can be used to offset future years' taxable income indefinitely. A significant portion of these losses was accumulated in the foreign operations prior to them being contributed to or acquired by the Corporation (see Notes 1 and 7). The benefit of these losses has not been reflected in the consolidated financial statements except to the extent of future income tax liabilities.

The valuation allowance as at December 31, 2001 and 2000 represents primarily tax benefits on losses carryforwards that may remain indefinitely unutilized.

20. Segmented Information

As of December 31, 2001, the Corporation's continuing operations are in only one operating segment: Brazil Mobile, which is comprised of four cellular companies in Brazil.

21. Supplementary Cash Flow Information

	2001	2000 (186 days)
a) Changes in working capital items		
Increase (decrease) in current assets of continuing operations		
Accounts receivable	$ (7,584)	$ (299)
Inventory	(25,556)	—
Prepaid expenses and other current assets	1,156	28
Decrease in accounts payable and accrued liabilities	157,203	179
Decrease in working capital items	$125,219	$ (92)
b) Non-cash investing and financial activities		
Investing activities		
Increase in promissory notes receivable from shareholders	$ —	$(2,151,690)
Shareholder contributions	—	(1,588,360)
Non-cash consideration paid for subsidiaries	841,325	—
Financing activities	$841,325	$(3,740,050)
Issuance of shares of common stock and of Preferred Series C stock (including additional paid-in capital)	$ —	$ 3,740,050
Redemption of shares	415,898	—
	$415,898	$ 3,740,050
c) Other cash flow information		
Interest paid	$173,628	$ —
Income taxes paid	$ —	$ —

22. Commitments and Contingencies

a) At December 31, 2001, the Corporation is committed in the aggregate amount of $81,400,000 under the terms of operating leases with various expiration dates for the rental of premises and equipment.

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

Annual lease payments in 2001 amounted to $19,349,000. Future payments will be as follows:

2002	2003	2004	2005	2006
$18,849	$11,597	$7,730	$5,883	$5,511

b) Pursuant to the joint venture agreement relating to the formation of Telecom Americas, BCI agreed to increase the amount of the promissory notes it contributed to Telecom Americas to the extent Comcel is required to pay damages in excess of U.S.$5 million as a result of litigation in respect of the provision by Comcel, between December 1998 and September 1999, of long distance services through voice-over Internet protocol (VOIP). Comcel is currently involved in litigation whereby plaintiffs are claiming damages of approximately U.S.$70 million. While Comcel's Colombian counsel believes the damage allegations will be subject to defenses on the merits and that substantially all of the claims lack a sufficient evidentiary basis, there can be no assurance that Comcel will be successful in its defense.

As part of the Telecom Americas Reorganization (see Note 1) which closed on February 8, 2002, the parties agreed to modify the existing indemnification obligation of BCI. BCI has agreed: (i) that BCI shall indemnify Comcel for the initial U.S.$5 million of damages; (ii) Comcel shall be responsible for damages in excess of U.S.$5 million up to and including U.S.$7.5 million; and (iii) BCI shall indemnify Comcel for any damages in excess of U.S.$7.5 million.

c) The Corporation's consolidated long-term debt includes certain debt of ATL and Tess ($215,769,000 and $217,301,000, respectively), maturing in 2002 (see Note 15). Management of ATL and Tess are currently renegotiating the repayment terms of such debt.

The accounts of ATL and Tess have been included in these consolidated financial statements on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations. The continuation of ATL and Tess as going concerns is dependent upon their ability to successfully renegotiate the terms of the long-term debt referred to above, the ability to generate sufficient future cash flows to meet their obligations on a timely basis and the continuing financial support of Telecom Americas.

Should ATL and Tess not be able to continue as going concerns, the recoverability by the Corporation of the net assets included in these consolidated financial statements is in doubt. In addition, the Corporation guarantees the majority of these subsidiaries long-term bank loans and equipment financings.

Management believes that the terms of the long-term debt will be successfully renegotiated.

The net assets at December 31, 2001 related to each of ATL and Tess included in these consolidated financial statements are as follows:

	ATL	Tess	Total
Assets	$1,738,631	$1,597,079	$3,335,710
Liabilities	919,628	1,549,935	2,469,563
Net assets	$ 819,003	$ 47,144	$ 866,147

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

23. Related Party Transactions

In the normal course of business, the Corporation had transactions which were measured at exchange amounts with its shareholders and affiliated companies as follows:

	2001	2000
Interest expense	$43,511	$6,977

24. Financial Instruments

a) Currency Risk

The Corporation is exposed to market risks from changes in foreign currency rates.

b) Concentration of Credit Risk

Financial instruments which potentially subject the Corporation to concentration of credit risk consist principally of accounts receivable from customers and distributors. The Corporation's customers from continuing operations are located in Brazil. The ability of the customers to pay their debt depends, in part, upon the general condition of the Brazilian economy. Generally, the Corporation does not require collateral or other security to support receivables.

c) Fair Value of Financial Instruments

Fair values approximate amounts at which financial instruments could be exchanged for instruments of similar risk, principal and remaining features. Fair values are based on estimates using present value and other valuation techniques which are significantly affected by assumptions concerning future cash flows and discount rates and should not be interpreted as being realizable in an immediate settlement of the instruments. Estimated fair value of the Corporation's financial instruments, where the fair value differs from the carrying amounts in the financial statements as at December 31, 200 are as follows:

	2001		2000	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Long-term debt	$2,728,667	$2,624,240	$782,288	$690,542

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, short-term loan facilities, notes payable and accounts payable, in the consolidated balance sheet, approximate their estimated fair values.

In addition, the fair value of the foreign exchange swaps utilized by the Corporation as hedges for certain short-term loan facilities (see Note 12) amounts to $6,296,000 ($Nil in 2000) and is included in short-term loan facilities in these consolidated financial statements. Foreign exchange loss and equity loss of joint venture investees for the year ended December 31, 2001 includes $13,419,000 and $2,369,000, respectively, ($Nil in 2000) relating to realized and unrealized fair value gains on foreign exchange swaps.

d) Interest Rate Risk

The Corporation is exposed to market risks from changes in interest rates on its long-term debt and does not currently hold any financial instruments that mitigate this risk.

25. Subsequent Events

On February 12, 2002, the Corporation entered into an agreement with a private investor relating to the purchase of U.S.$300 million of common shares in Telecom Americas. The proceeds will be used to retire debt. The transaction is expected to close in the first quarter of 2002, and is subject to a number of conditions.

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OFFERING MEMORANDUM

October 28, 2004

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