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

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, 2005

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

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

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

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

The number of outstanding shares of each of the registrant s classes of capital or common stock as of December 31, 2005:

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

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

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

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PART I

Item 3. Key Information

SELECTED FINANCIAL DATA

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

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

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

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

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

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

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

On July 18, 2005, we effected a three-for-one stock split. Unless otherwise noted, all share and per share data in this annual report have been adjusted to reflect the stock split for all periods presented.

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

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

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

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

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

(see footnotes on following page)

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

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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. There can be no assurance that the Mexican government will maintain its current policies with regard to the peso or that the peso will not depreciate or appreciate significantly in the future.

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

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

(1) Average of month-end rates.

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

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

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FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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RISK FACTORS

Risks Relating to Our Businesses

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

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

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

Among other things, our competitors could:

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

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

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

Changes in government regulation could hurt our businesses

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

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

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

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

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

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

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

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

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

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

Our concessions and licenses are subject to termination

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

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

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

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

We are subject to significant litigation

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

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

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

- physical damage to access lines;
- power surges or outages;
- limitations on the use of our radiobases;
- software defects; and
- disruptions beyond our control.

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

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

The cost of acquiring a new subscriber is much higher than the cost of maintaining an existing subscriber. Accordingly, subscriber deactivations, or churn, could have a material negative impact on our operating income, even if we are able to obtain one new subscriber for each lost subscriber. Because a substantial majority of our subscribers are prepaid, we do not have long-term contracts with those subscribers. Our weighted monthly average churn rate on a consolidated basis for the twelve-month periods ended December 31, 2005 and 2004 was 2.81% and 2.90%, respectively. If we experience an increase in our churn rate, our ability to achieve revenue growth could be materially impaired. In addition, a decline in general economic conditions could lead to an increase in churn, particularly among our prepaid subscribers.

Risks Relating to the Wireless Industry Generally

Changes in the wireless industry could affect our future financial performance

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

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

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

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

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

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

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

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

We are controlled by one shareholder

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

We have significant transactions with affiliates

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

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

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

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

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

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

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

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

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

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

Our bylaws restrict transfers of shares in some circumstances

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

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

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

Our bylaws may only be enforced in Mexico

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

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

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

Risks Relating to Developments in Mexico and Other Countries

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

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

- significant governmental influence over local economies;

substantial fluctuations in economic growth;

high levels of inflation;

changes in currency values;

exchange controls or restrictions on expatriation of earnings;

high domestic interest rates;

wage and price controls;

changes in governmental economic or tax policies;

imposition of trade barriers;

unexpected changes in regulation; and

overall political, social and economic instability.

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

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

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

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

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

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

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

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

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

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

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

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

Item 4. Information on the Company

GENERAL

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

Our principal operations are:

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

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

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

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

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

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

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

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

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

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

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

Our Markets

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

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

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

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

Our Strategy

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

Recent Acquisitions

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

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

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

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

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

Operating Information

We count our wireless subscribers by the number of lines activated. We continue to count post-paid subscribers for the length of their contracts. We continue to count prepaid subscribers for so long as they continue to use our service, and then for a prescribed period of time thereafter, which differs according to the particular market. When a subscriber voluntarily disconnects his service, or there is a payment default, the subscriber is cancelled or churned, and we no longer count the subscriber. We calculate our subscriber market share by dividing our own subscriber figures into the total market subscriber figures periodically reported by the regulatory authorities in the markets in which we operate. We understand that these regulatory authorities compile total market subscriber figures based on subscriber figures provided to them by market participants, and we do not independently verify these figures.

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

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

History

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

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

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

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

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

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Major Subsidiaries

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

Name of Company	Jurisdiction	Ownership Interest(1)	Main Activity
AMX Tenedora, S.A de C.V. .	Mexico	100.0%	Holding company
Sercotel, S.A. de C.V.	Mexico	100.0	Holding company
Radiomóvil Dipsa, S.A. de C.V.	Mexico	100.0	Wireless
CTI Holdings, S.A.	Argentina	100.0	Holding company
CTI PCS, S.A.	Argentina	100.0	Wireless
CTI Compañía de Teléfonos del Interior, S.A.	Argentina	100.0	Wireless
Telecom Americas Ltd.	Bermuda	98.9	Holding company
Americel S.A.	Brazil	99.2	Wireless
Telet S.A.	Brazil	99.2	Wireless
BCP S.A.	Brazil	99.9	Wireless
Smartcom, S.A.	Chile	100.0	Wireless
Comunicación Celular S.A. (Comcel).	Colombia	99.2	Wireless
Consorcio Ecuatoriano de Telecomunicaciones, S.A. (CONECEL).	Ecuador	100.0	Wireless
Compañía de Telecomunicaciones de El Salvador (CTE)	El Salvador	95.8	Fixed-line/Wireless
TracFone Wireless, Inc.	Florida	98.2	Wireless
Telecomunicaciones de Guatemala, S.A.	Guatemala	99.1	Fixed-line
Servicios de Comunicaciones Personales Inalámbricas, S.A.	Guatemala	99.1	Wireless
Servicios de Comunicaciones de Honduras, S.A. de C.V.	Honduras	100.0	Wireless
Empresa Nicaragüense de Telecomunicaciones, S.A. (ENITEL)	Nicaragua	99.3	Fixed-line/Wireless
Servicios de Comunicaciones de Nicaragua, S.A.	Nicaragua	100.0	Wireless
AMX Paraguay, S.A.	Paraguay	100.0	Wireless
América Móvil Perú, S.A.C.	Peru	100.0	Wireless
AM Wireless Uruguay, S.A.	Uruguay	100.0	Wireless

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

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MEXICAN OPERATIONS

Our subsidiary Telcel is the leading provider of wireless communications services in Mexico. As of December 31, 2005, Telcel s cellular network covered 62% of the geographical area of Mexico, including all major cities, and 86% 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 (Bands A, D and F) radio spectrums. As of December 31, 2005, Telcel had approximately 35.9 million cellular subscribers and, according to Cofetel, as of December 2005, an approximately 77% share of the Mexican wireless market. Approximately 93.4% of Telcel s cellular subscribers as of December 31, 2005 were prepaid customers.

In 2005, Telcel had revenues of Ps. 89,586 million (U.S.$8,365 million), representing 49.2% of our consolidated revenues for such period. As of December 31, 2005, Telcel accounted for approximately 38.5% of our total wireless subscribers, as compared to 47.2% at December 31, 2004.

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,				
	2001	2002	2003	2004	2005
	(peso amounts in constant Mexican pesos as of December 31, 2005)				
Operating revenues (millions)	Ps. 38,544	Ps. 46,096	Ps. 57,027	Ps. 73,180	Ps. 89,586
Average monthly revenues per subscriber during preceding 12 months(1)	Ps. 218	Ps. 180	Ps. 192	Ps. 200	Ps. 192
Operating income (millions)(2)	Ps. 10,694	Ps. 13,359	Ps. 19,234	Ps. 26,388	Ps. 34,413
Cellular lines in service (thousands)	16,965	20,067	23,444	28,851	35,914
Subscriber growth during preceding 12 months	62.2%	18.3%	16.8%	23.1%	24.5%
Company penetration(3)	16.9%	19.7%	22.1%	27.3%	34.8%
Average monthly minutes of use per subscriber during preceding 12 months	73	67	81	99	103
Churn rate(4)	3.1	3.5	3.9	3.0	3.1
Employees	7,644	7,943	8,624	9,354	11,129

(1) Average for the year of the amount obtained each month by dividing service revenues by the average number of customers during such month. The figure includes both prepaid and postpaid customers.
(2) See Note 19 to our audited consolidated financial statements.
(3) Number of Telcel cellular lines in service divided by the population of Mexico based on the latest census data available.
(4) Total number of customer deactivations for the period divided by total subscribers at the beginning of such period.

The business of Telcel is subject to comprehensive regulation and oversight by the Mexican Communications Ministry, Cofetel, Cofeco and Profeco. 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 and Profeco are independent agencies of the Ministry of Economy. Regulation and oversight are governed by the General Communications Law (*Ley de Vías Generales de Comunicación*), the Telecommunications Law, the Telecommunications Regulations adopted under both the General Communications Law and Telecommunications Law, the Federal Economic Competition Law (*Ley Federal de Competencia Económica*), the Federal Customer Protection Law (*Ley Federal de Protección del Consumidor*) and the concessions and license agreements granted by the Communications Ministry. See Regulation.

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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 and short text messages that are included in the monthly service change;
- usage charges, for usage in excess of the specified number of minutes or short text messages included in the monthly charge; and
- additional charges, including charges for data services, voicemail and general information.

Certain plans include the cost of national 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. As part of postpaid plans, Telcel typically offers additional digital services such as voicemail, call forwarding, call waiting, caller ID and three-way calling, which are all included in the monthly fee. In addition, Telcel offers its postpaid customers the flexibility to manage their additional usage costs by contracting additional minutes of use under the prepaid system. Telcel also offers customized services to its corporate clients. Postpaid customers may terminate plans at any time, except customers that receive a handset as part of subscribing to a plan, which must remain with the plan for at least one year.

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. In recent periods, Telcel has offered postpaid plans that include effective price-per-minute reductions. In addition, Telcel offers discounts that reduce the effective rates paid by its customers for calls to fixed lines or other Telcel wireless customers.

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.

Prepaid customers typically generate lower levels of cellular usage and are often unwilling to make a fixed financial commitment or do not have the credit profile to purchase postpaid plans. 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.

Basic rates for prepaid plans have remained unchanged since 2002. However, Telcel offers effective price-per-minute seasonal discounts and effective discounts under certain friends and family programs. Beginning in 2006, Telcel offers a preferential rate to customers who have remained active for a period of at least one year with respect to certain outgoing calls.

Telcel believes the prepaid market represents a large and growing under-penetrated market in Mexico. Compared to the average postpaid plan, prepaid plans involve higher average per minute airtime charges, lower

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customer acquisition costs and billing expenses, and low 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 calls within a local area, 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. Cofetel recently issued regulations, which will be effective in October 2006, that extend the calling party pays system to all calls within Mexico. Under the new regulations, all airtime fees regardless of the recipient s location within Mexico would be paid by the calling party.

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. Since December 2004 postpaid customers may send and receive short messages to and from users of networks in the United States and more recently to and from 18 other countries.

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 content services include personalized ring tones and games. To further enhance its content offerings with well-known brands, Telcel has built a Content Community through agreements and special alliances with other companies, such as MTV, Universal Music, Warner Music 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 including 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

Telcel offers circuit switch data (CSD) to all its users and general packet radio services (GPRS) to its users through its GSM network.

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GPRS is a non-voice value added service that allows information to be sent and received across a mobile telephone network. GPRS radio resources are used only when users are actually sending or receiving data. Rather than dedicating a radio channel to a mobile data user for a fixed period of time, the available radio resource can be concurrently shared between several users. This efficient use of scarce radio resources means that large numbers of GPRS users can share the same bandwidth and be served from a single cell. The number of users supported depends on the application being used and how much data is being transferred. Because of the spectrum efficiency of GPRS, there is less need to build in idle capacity that is only used during peak hours. GPRS therefore lets Telcel maximize the use of its network resources.

GPRS facilitates faster connections than previous technologies, such as CSD. No dial-up modem connection is necessary. The speed of GPRS is an important feature for time critical applications, and Telcel s GPRS services are able to accommodate corporate applications such as:

Transmission of Still Images Still images such as photographs, pictures, postcards, greeting cards and presentations and static web pages can be sent and received over the mobile network as they are across fixed telephone networks. GPRS permits users to post images from a digital camera connected to a GPRS radio device directly to an Internet site, allowing near real-time desktop publishing.

Transmission of Moving Images The capacity of GPRS to facilitate transmission of moving images has market applications such as monitoring parking lots or building sites for intruders and sending images of patients from ambulances to hospitals.

Web Browsing GPRS permits more rapid web browsing and enhanced access to web images.

Document Sharing GPRS facilitates document sharing and remote collaboration, permitting people in different locations to work on the same document at the same time.

Job Dispatch GPRS can be used to communicate assignments from office-based staff to mobile field staff. These job dispatch applications can then be combined with vehicle positioning applications to allow the nearest available suitable personnel to be deployed to serve a customer.

Corporate Email and Remote LAN Access GPRS facilitates the extension of corporate email systems beyond an employee s office PC. Remote LAN applications provide an employee with remote access to desk-top applications, such as intranet, corporate e-mail and database applications.

Internet Email Users of internet e-mail can receive direct notification on their mobile phone of incoming mail.

Vehicle Positioning Vehicle positioning applications integrate satellite positioning systems with nonvoice mobile services. These applications can be used to deliver services including remote vehicle diagnostics and ad-hoc stolen vehicle tracking.

File Transfer Users can download large files from the mobile network, such as presentation documents, appliance manuals or software applications.

Home Automation Home automation applications will permit customers to monitor home security from outside of the office and perform other functions, such as operating certain home appliances.

Push-to-Talk Services

In 2004, Telcel began to offer push-to-talk services over its GSM network. Postpaid customers may use push-to-talk over cellular (or POC) to communicate with other Telcel customers that subscribe to this service across Mexico at no cost in addition to the fixed monthly charge.

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 complimentary or at a discounted price, if they enter into a long-term contract with Telcel.

Most of the handsets that Telcel currently offers are dual-band, which can switch between the 800 and 1900 megahertz radio spectrums. In addition, Telcel offers tri-band and four-band handsets, which can also operate in the 900 megahertz radio spectrum and/or the 1800 megahertz radio spectrum. Telcel no longer offers analog handsets.

Interconnection

Telcel earns interconnection revenues from calls to any of its subscribers that originate with another service provider in the same local area within Mexico (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. Telcel must pay interconnection fees in respect of calls made by its subscribers to customers of other service providers (cellular and fixed) in the same local area within Mexico. See Regulation Interconnection under this Item 4.

Under the new calling party pays system, Telcel will start earning revenues from any national and international long distance calls made to any of its subscribers that originate from another service provider.

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 353 such agreements covering GSM and TDMA networks around the world. As of the date of this annual report, Telcel had roaming agreements covering 132 countries. Roaming payments are channeled through Cibernet Corporation, which functions as a central international clearing house that collects and redistributes roaming fees from and to the participating providers.

In November 2005, we signed a cooperation agreement with Vodafone, pursuant to which both groups will deliver international roaming services to their customers. This agreement extends to Telcel and all our subsidiaries in Latin America. Initially, the services offered pursuant to the agreement include voice and GPRS roaming services, preferred roaming and virtual home environment. The parties also plan to offer pre-paid roaming and pre-paid roaming top-up services at a later stage.

Marketing

Telcel develops customer and brand 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 and related products, certain GSM postpaid plans and certain value-added services. In October 2003, Telcel launched a loyalty awards program for its postpaid customers, called *Círculo Azul*.

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.

Sales and Distribution

Telcel markets its wireless services primarily through exclusive distributors located throughout Mexico. In the year ended December 31, 2005, approximately 88% of Telcel s sales of handsets were generated by cellular distributors, with approximately 11% from sales in company-owned stores, and approximately 1% from direct sales to corporate accounts.

Telcel has relationships with a network of approximately 1,047 exclusive distributors, who sell Telcel s services and products through approximately 43,570 points of sale 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, technical support and payment centers. Telcel owns and operates 164 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. We estimate that pre-paid cards are available through approximately 135,000 points of sale in Mexico.

Telcel sells prepaid airtime principally through the sale of cards. Telcel also offers customers the option of buying airtime through other means.

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 through pre-authorized debit or credit charges, in person at banks (including through banks Internet websites), at Telcel retail stores and other designated retail stores, and 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.

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Customer Service

Telcel places a high priority on providing its customers with quality customer care and support. Approximately 53% 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. Telcel uses time division multiple access (TDMA) digital technology in the 800 megahertz frequency spectrum. 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 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.

TDMA network

Telcel has a nationwide TDMA network. TDMA permits the use of advanced 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 SMS, extended battery life, added call security and improved voice quality.

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. Telcel continues with the expansion of its GSM network. The 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, MMS, 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, Telcel s GSM network offers service in all nine regions in Mexico. As of December 31, 2005, Telcel covered approximately 741 cities with the GSM network, and Telcel s GSM subscriber base accounted for approximately 62.6% of Telcel s total subscribers as of December 31, 2005. 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. Since the last quarter of 2004, Telcel offers CSD as well as HSCSD services in all nine regions through its new GSM network.

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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 currently in the process of upgrading the GSM/GPRS network with Enhanced Data Rates for Global Evolution (EDGE) technology. It has implemented EDGE technology in more than 57,000 localities, including all the major cities in Mexico. Telcel expects that EDGE will facilitate the 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 significantly higher speeds and in more places.

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 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 is launching EDGE with the existing GSM technology and plans to migrate to the W-CDMA third generation technology using the existing 850 megahertz and/or 900 megahertz spectrum, and, if made available by Cofetel, a new set of broadband frequencies.

Spectrum

Telcel currently holds concessions in each of the nine regions of Mexico in both the 800 megahertz and 1900 megahertz radio spectrums and has a functioning nationwide network. Three other companies also hold concessions for nationwide service using the 1900 megahertz spectrum.

Telcel currently holds 28.4 megahertz of capacity in the 1900 megahertz spectrum in each of Mexico s nine regions. It acquired 10 megahertz of this capacity in 1998 and 10 megahertz in 2005, in each case through public auctions. Telcel acquired 8.4 megahertz as a result of the assignment of capacity from Unefon during 2005. This assignment, which was approved by Cofeco and the Ministry of Communications, cancelled the 16-year term service agreement entered into with Unefon in September 2003. No consideration in addition to the U.S.$267.7 million paid to Unefon in 2003 for the service agreement was paid for the assignment.

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 public fixed wireless services in rural, semi-urban and urban regions in Mexico.

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),

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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 routing and switching equipment. During 2003 and 2004, Telcel sold its reception and transmission equipment for Ps. 4,633 million to unrelated financial institutions and subsequently leased back this property for periods of three to four years. Telcel has the option to reacquire this 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 154 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 65% (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, BenQ and Samsung.

Competition

Telcel faces competition from other cellular providers using the 800 megahertz spectrum and from providers with PCS licenses that have developed and continue to develop wireless service on the 1900 megahertz 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., 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 77% in 2005.

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.

During April 2006, the Mexican Congress enacted amendments to the Telecommunications Law aimed at strengthening the regulatory power of Cofetel, stimulating increased investment in telecommunications and increasing competition. All members of Cofetel resigned upon effectiveness of the amendments, and new members were recently elected. We are unable to predict the effect that the new provisions will have on our business.

Additionally, the amendments to the Telecommunications Law and the Federal Radio and Television Law (*Ley Federal de Radio y Televisión*) allow radio and television broadcasting companies to apply for authorizations to provide telecommunications services.

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 five commissioners appointed by the President of Mexico and ratified by the Senate, 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 Economic Competition Law, 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.

In addition, we are subject to regulation from Profeco under the Federal Consumer Protection Law. This law regulates the quality of services required to be provided to consumers and provides a mechanism to address consumer complaints. Profeco has the authority to impose fines, which can be significant.

Rates

The Telecommunications Law provides that concessionaires may freely determine the rates for telecommunications services within the limits of their concessions. 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 prior to implementing such rates. The

Communications Ministry is authorized to impose specific rate requirements on any operator that is determined to have substantial market power under the Federal Economic Competition Law. 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 (Bands A, D and F) radio spectrum and a related concession to provide cellular telecommunications services on that frequency. The 800 megahertz (Band B) concessions, except for Region 9 which covers Mexico City and the states of Mexico, Morelos and Hidalgo, require Telcel to pay semi-annual continuing fees (*aprovechamientos*) determined as a percentage of gross revenues derived from the concessioned services. The percentage is between 5% and 10%. During 2005, a Mexican court permitted Telcel to eliminate from its 800 megahertz concession for Region 9 the obligation to make this semi-annual payment, against a one time payment of Ps. 2,122 million. Telcel was able to credit against this payment, semi-annual fees totaling Ps. 1,980 million paid by Telcel from 2000 to 2005. The 1900 megahertz (Band D) concessions, which were purchased for a fixed amount in 1998, and the 1900 megahertz (Band A) concessions, which were acquired by assignment from Unefon, do not require Telcel to pay continuing fees (*aprovechamientos*).

Pursuant to the Federal Contributions Law (*Ley Federal de Derechos*), 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 depend on the relevant region and radio spectrum band. These annual fees (*derechos*) can be high and are payable irrespective of the amount of fees (*aprovechamientos*) paid. Currently, we are not required to pay *derechos* in respect of our Bands A, B and D concessions since they were awarded prior to 2003. The 1900 megahertz (Band F) concessions, which we acquired during 2005, require the payment of annual fees (*derechos*) of Ps. 255 million (subject to adjustment for inflation) annually for 20 years for all 9 regions, but do not require the payment of fees (*aprovechamientos*). We have challenged our obligation to pay such annual fee as we believe it is contrary to certain provisions of the Mexican Telecommunications Law. We obtained a preliminary injunction against the payment of such fees, which is currently subject to appeal by the authorities.

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 or 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 Band D concessions will expire in 2018, the Band A concessions in 2019 and the Band F concessions in 2025. All of these concessions are subject to renewal for additional 20-year terms.

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 limited Telcel to provide these services only to its wireless subscribers until December 2005. Beginning in 2006, Telcel may offer national and international long distance services to non-subscribers.

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.

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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.

In April 2006, the Mexican Congress amended the Federal Economic Competition Law. The amendment strengthens the authority of the Federal Competition Commission, expands the definition of monopolistic practices, provides a more rigorous approval process for business combinations and establishes more stringent penalties, including substantially higher fines and the divestiture of assets. As a result of this amendment, it is likely that the Federal Competition Commission will exercise stricter enforcement of the Federal Economic Competition Law, which could restrict our operations and increase competition.

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 interconnection charge payable to us by another local operator for a call from its customer to our network was Ps. 1.71 in 2005 and is currently Ps. 1.54 per minute. This charge is scheduled to decrease to Ps. 1.39 in 2007 and thereafter remain constant through 2010. These charges have been agreed with all cellular operators and various fixed-line operators, including Telmex. Three fixed-line operators have challenged these charges, seeking to reduce them. See Legal Proceedings Telcel Interconnection Fees under Item 8. 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 all but one of Telcel s 800 megahertz concessions 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 any 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. The latter regime also applies to one of Telcel s 800 megahertz concessions. 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.

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NON-MEXICAN OPERATIONS

We have subsidiaries or businesses in the telecommunications sector in Argentina, Brazil, Central America (El Salvador, Guatemala, Honduras and Nicaragua), Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and the United States. Our principal subsidiaries outside Mexico are described below. The revenues of our subsidiaries other than Telcel represented 50.8% of our consolidated revenues for 2005.

In addition, we expect to have opportunities to invest in other telecommunications companies outside Mexico, especially in Latin America and the Caribbean, 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. On April 2, 2006, we agreed to acquire the equity interests of Verizon in certain companies through which it beneficially owns shares in Verizon Dominicana, Telecomunicaciones de Puerto Rico and, through an equally owned joint venture with our affiliate Telmex, Compañía Anónima Nacional de Teléfonos de Venezuela. See Information on the Company General Recent Acquisitions under Item 4 for more information about these transactions. 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.

	December 31,		
	2003	2004	2005
	(in constant Mexican pesos as of December 31, 2005, except lines in service, minutes of use and churn)		
ARGENTINA			
CTI(1)			
Operating revenues (millions)	Ps. 2,935	Ps. 5,759	Ps. 11,219
Average monthly revenues per subscriber during preceding 12 months(2)	Ps. 191	Ps. 176	Ps. 155
Operating income (loss) (millions)	Ps. 736	Ps. (417)	Ps. 578
Cellular lines in service (thousands)	1,411	3,587	6,627
Average monthly minutes of use per subscriber during preceding 12 months	Ps. 144	Ps. 163	Ps. 145
Churn rate(3)	1.5%	2.0%	2.3%
BRAZIL			
Telecom Americas(4)			
Consolidated operating revenues from continuing operations (millions)	Ps. 12,388	Ps. 23,753	Ps. 30,564
Average monthly revenues per subscriber during preceding 12 months(2)	Ps. 158	Ps. 127	Ps. 114
Operating loss from continuing operations (millions)	Ps. (2,320)	Ps. (6,799)	Ps. (8,780)
Cellular lines in service (thousands)	9,521	13,657	18,659
Average monthly minutes of use per subscriber during preceding 12 months	Ps. 91	Ps. 98	Ps. 81
Churn rate(3)	2.3%	2.7%	2.7%

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	December 31,		
	2003	2004	2005
	(in constant Mexican pesos as of December 31, 2005, except lines in service, minutes of use and churn)		
CENTRAL AMERICA(5)			
Telgua (Guatemala and Sercom Nicaragua)			
Combined operating revenues (millions)	Ps. 6,155	Ps. 7,407	Ps. 7,269
Average monthly revenues per subscriber during preceding 12 months(2)	Ps. 177	Ps. 176	Ps. 134
Operating income (millions)	Ps. 1,854	Ps. 2,433	Ps. 2,413
Lines in service (thousands):			
Fixed	930	933	953
Cellular	970	1,526	2,214
Average monthly minutes of use per subscriber during preceding 12 months	Ps. 209	Ps. 202	Ps. 216
Churn rate(3)	1.4%	1.6%	1.2%
CTE (El Salvador)(6)			
Combined operating revenues (millions)	Ps. 4,610	Ps. 4,877	Ps. 4,942
Average monthly revenues per subscriber during preceding 12 months(2)	Ps. 242	Ps. 198	Ps. 151
Operating income (millions)	Ps. 1,238	Ps. 1,664	Ps. 1,786
Lines in service (thousands):			
Fixed	704	781	808
Cellular	212	518	859
Average monthly minutes of use per subscriber during preceding 12 months	Ps. 127	Ps. 27	Ps. 106
Churn rate(3)	2.4%	2.6%	1.0%
COLOMBIA			
Comcel(7)			
Combined operating revenues (millions)	Ps. 6,272	Ps. 9,649	Ps. 15,565
Average monthly revenues per subscriber during preceding 12 months(2)	Ps. 140	Ps. 149	Ps. 115
Operating income (millions)	Ps. 643	Ps. 632	Ps. 1,221
Cellular lines in service (thousands)	3,674	5,814	13,775
Average monthly minutes of use per subscriber during preceding 12 months	Ps. 82	Ps. 114	Ps. 119
Churn rate(3)	3.1%	2.9%	1.5%
ECUADOR			
Conecel			
Operating revenues (millions)	Ps. 2,953	Ps. 4,430	Ps. 6,865
Average monthly revenues per subscriber during preceding 12 months(2)	Ps. 177	Ps. 150	Ps. 134
Operating income (millions)	Ps. 596	Ps. 914	Ps. 1,083
Cellular lines in service (thousands)	1,537	2,326	4,100
Average monthly minutes of use per subscriber during preceding 12 months	Ps. 54	Ps. 50	Ps. 45
Churn rate(3)	3.4%	3.7%	2.9%

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	December 31,		
	2003	2004	2005
	(in constant Mexican pesos as of December 31, 2005, except lines in service, minutes of use and churn)		
UNITED STATES			
TracFone			
Operating revenues (millions)	Ps. 6,789	Ps. 9,257	Ps. 10,968
Average monthly revenues per subscriber during preceding 12 months(2)	Ps. 189	Ps. 171	Ps. 155
Operating income (millions)	Ps. 218	Ps. 328	Ps. 714
Cellular lines in service (thousands)	2,952	4,394	6,135
Average monthly minutes of use per subscriber during preceding 12 months	Ps. 54	Ps. 59	Ps. 63
Churn rate(3)	4.0%	4.2%	4.6%

(1) Although we began consolidating the results of CTI in our financial statements in November 2003, data provided for 2003 is for the full year.
(2) Average for the year of the amount obtained each month by dividing service revenues by the average number of customers during such month. The figure includes both prepaid and postpaid customers.
(3) Total number of customer deactivations for a period divided by total subscribers at the beginning of such period.
(4) Starting in 2003, our operations in Brazil 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.
(5) For our operations in Central America, average monthly revenues per subscriber, average monthly minutes of use per subscriber and churn rate are presented only with respect to our wireless services in these countries and do not take into consideration our fixed-line services. In March 2006, Sercom Nicaragua was sold to ENITEL.
(6) Although we began consolidating the results of CTE in our financial statements in November 2003, data provided for 2003 is for the full year.
(7) In February 2003, Comcel began consolidating the results of Celcaribe.

We also have operations in Nicaragua (ENITEL), Honduras and Uruguay (CTI Móvil) as from 2004 and in Chile, Paraguay and Peru as from 2005, which are not presented in the table above. The operations are presented under the caption Others in our segment information included in note 19 to our audited consolidated financial statements included in this annual report. We own, directly or indirectly, a substantial majority of the telephone plant of our non-Mexican operations.

Argentina (CTI)

CTI Holdings provides nationwide PCS wireless service in Argentina under the CTI Móvil brand name, through its wholly-owned subsidiaries CTI Compañía de Teléfonos del Interior, S.A. (CTI Interior) and CTI PCS, S.A. (CTI PCS). We own a 100% interest in CTI, which we acquired through a series of transactions in 2003 and 2004. We paid approximately U.S.$238.6 million for the acquisition of our interests in CTI. We began including the results of CTI in our audited consolidated financial statements in November 2003. Since the acquisition, CTI s subscriber base has grown significantly, from 1.3 million in October 2003 to 6.6 million at December 31, 2005.

At December 31, 2005, CTI had approximately a 32% share of the Argentine wireless market. Approximately 73% of CTI s subscribers at December 31, 2005 resided in the interior of Argentina and the balance in the greater Buenos Aires region.

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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. Prepaid customers represented 88% of CTI s total subscribers as of December 31, 2005. In addition, CTI offers long distance and value added services.

CTI s cellular network uses GSM, AMPS and CDMA technology and covers approximately 96% of Argentina s population. CTI is deploying a nationwide GSM network in Argentina. The GSM network, when completed, is expected to cover approximately 98% of Argentina s population. At December 31, 2005, CTI had 1,763 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, and Movistar, a subsidiary of Telefónica Móviles of Spain. Movistar is the company resulting from the merger in 2005 of Unifon and Movicom, which was acquired in January 2005 by Telefónica Móviles from Bell South.

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 one of the three largest providers of wireless telecommunication services in Brazil, with an estimated nationwide market share in Brazil at December 31, 2005, of approximately 22%. Brazil is the largest market in Latin America in terms of wireless customers.

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, 2005, Telecom Americas served approximately 18.7 million subscribers compared to 13.7 million subscribers at December 31, 2004 and covered approximately 168 million licensed points of presence (POPs). At December 31, 2005, approximately 84% of Telecom Americas subscribers were prepaid customers.

Telecom Americas owns and operates cellular networks using both GSM and TDMA digital technology. We operate in Brazil under the PCS (Serviço Móvel Pessoal) regime. Telecom Americas launched its GSM network in 2003 in certain major urban areas, and as of December 31, 2005, the GSM network covered more than 2,233 cities and was used by 72% of Telecom Americas wireless subscribers. 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. GSM is gradually becoming our principal wireless technology in Brazil.

Telecom Americas has owned companies with operations in Brazil since shortly after Brazil allowed competition in the wireless industry in 1997 and 1998 and in 2003 began to operate in the metropolitan region of São Paulo and in the states of Bahia, Sergipe and Paraná (except for the cities of Londrina and Tamarana). As discussed further below, Telecom Americas built its operations through a number of transactions commencing in 2000 and ending with the acquisitions of BSE and BCP during 2003 and the acquisition of a license in the Minas Gerais region in 2004.

Prior to an internal reorganization of our Brazilian operations effected on December 31, 2005, Telecom Americas wireless properties in Brazil included ATL Telecom Leste S.A., Tess S.A., Telet S.A., Americel S.A., BSE S.A., BCP S.A. and Stemar Telecomunicações Ltda. Each of these companies is or was licensed to operate in a specific state or area of Brazil: ATL in the states of Rio de Janeiro and Espírito Santo; Tess in the state of São Paulo (other than the city and metropolitan region of São Paulo); Telet in the states of Rio Grande do Sul, Santa Catarina and Paraná (except for the cities of Londrina and Tamarana); Americel in seven states in the central-west and northern regions of Brazil; BSE in the states of Ceará, Piauí, Rio Grande do Norte, Paraiba, Pernambuco and Alagoas; BCP in the metropolitan area of São Paulo; and Stemar in the states of Bahia and Sergipe. Effective December 31, 2005, ATL, Tess, Stemar and BSE were merged into BCP, and BCP now operates in the regions previously covered by ATL, Tess, Stemar and BSE. We expect to merge Americel and Telet into BCP during 2006. In April 2005, Stemar was awarded a license to operate wireless services in the Minas Gerais region. At December 31, 2005, the Telecom Americas operating companies had approximately 7,682 employees. We own all of our network equipment in Brazil.

Telecom Americas owns more than 99.9% of the share capital of BCP. BNDESPar (the private equity arm of BNDES, the Brazilian development bank) holds approximately 0.62% and 0.74% of the share capital of Americel and Telet, respectively.

We currently own approximately 98.9% of Telecom Americas. 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. We acquired half of these preferred shares in March 2005. The remaining shares have been converted into common shares, and the holder has the right to sell these shares to us beginning in October 2006 for U.S.$150 million plus interest.

Sales and Distribution

Claro markets its wireless services primarily through retail chains (approximately 5,210 points of sale) and exclusive distributors (dealers) (approximately 3,836 points of sale) located throughout the regions where it operates in Brazil. In the year ended December 31, 2005, approximately 57% of Claro s sales of handsets were generated by retail chains, 33% by exclusive distributors (dealers) and approximately 11% from sales in company-owned stores, of which there are approximately 121. Claro also sells and distributes its products and services over the internet.

Claro has implemented permanent training and evaluation programs for dealers to help maintain the level of service quality.

Claro 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, prepaid plans, purchase prepaid cards and purchase handsets. Claro s stores serve as customer sales and service centers and Claro expects to continue to open new service centers as necessary in order to offer its products directly to subscribers in more effective ways.

Claro has a corporate sales group to service the needs of its large corporate and other high-usage customers.

Billing and Collection

Claro bills its postpaid customers through monthly invoices, which detail itemized charges such as usage, services such as voicemail, and long-distance and roaming charges, in addition to applicable taxes. Customers may pay their bills with a credit card, through online banking, or in person at the post office, outlets of federal lottery houses *(Casas Lotéricas*) or some of Claro s stores.

If a postpaid customer s payment is overdue, service may be suspended until the payment for 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 180 days past due are categorized as doubtful accounts.

Depending on the value of a prepaid card, a prepaid customer who purchases a card has between 30 and 90 days from the date of activation of the card to use the airtime. After such time, the customer can no longer use that airtime for outgoing calls unless the customer activates a new card. Sixty days after the card expires, unless the customer activates a new card, the balance on the card, if any, is recognized as revenue.

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 four 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 wireless companies that were created upon the breakup of Telebrás. The others are Telecom Italia Mobile (TIM), Oi, and TeleAmazônia Celular and Telemig Celular. 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

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%. We began including the results of BSE in our audited 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.$643.3 million. All of BCP s outstanding long-term indebtedness prior to the acquisition was cancelled or acquired by us in connection with the transaction. We began including the results of BCP in our audited 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 paid 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, the National Telecommunications Agency of Brazil, or ANATEL, to regulate its telecommunications industry. 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

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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, our operating companies in Brazil 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. 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 basic plan rates only for inflation and on an annual basis. However, operators are allowed to create non-basic plans and modify them, without prior ANATEL approval. Discounts from existing service plans, both basic and non-basic, are allowed without ANATEL approval.

ANATEL has called for public hearings on possible new regulations regarding the method of determining interconnection fees by cellular providers. Currently, operators determine interconnection fees by agreement, subject to ANATEL intervention only in case of disputes. The proposed new regulations would provide for a fully allocated cost-based method of determining interconnection fees charged by operators belonging to an economic group with significant market power, and would include a transition period for such operators. It is not yet clear how the determination of whether an operator belongs to an economic group with significant market share would be made for purposes of these proposed regulations. Given the size of our operations in Brazil, we may be deemed to belong to an economic group with significant market power.

Another change in the interconnections regime is expected for 2005-2006, relating to the introduction of bill and keep for the settlement of interconnection fees between mobile operators with respect to local calls. ANATEL has postponed the effective date of the new proposed regime, which was originally scheduled for July 2005, as a result of objections by industry participants. ANATEL has not announced a new date for effectiveness of the proposed regime or whether it intends to proceed with the implementation of the proposed regime.

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 99.1% of the stock of Telgua.

At December 31, 2005, Telgua had approximately 953,000 fixed-line subscribers compared to approximately 933,000 at December 31, 2004, a market share of approximately 94%.

Telgua s wireless business is operated by its wholly-owned subsidiary Servicios de Comunicaciones Personales Inalámbricas, S.A. (Sercom). Sercom s cellular network uses CDMA digital technology and, as of October 2003, overlaid GSM technology. Telgua s network covers approximately 68% of its population. At December 31, 2005, Sercom had approximately 1.9 million wireless subscribers, representing a market share of approximately 48%.

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 fixed-line 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) and Telefónica Móviles.

At December 31, 2005, Telgua had 2,773 employees.

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.

Nicaragua (Sercom and ENITEL)

We own a 99.1% interest in Servicios de Comunicaciones de Nicaragua, S.A. (Sercom Nicaragua), which launched wireless services in Nicaragua in December 2002. Sercom s cellular network uses GSM technology to provide service to its customer base. At December 31, 2005, Sercom Nicaragua had approximately 301,000 wireless subscribers, representing approximately 28% of the wireless market in Nicaragua.

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. We consummated this acquisition in January 2004. ENITEL provides fixed, mobile and other telecommunications services in Nicaragua. In August 2004, we acquired an additional 50.03% interest in ENITEL from Megatel LLC and certain other investors for a price of U.S.$128 million.

At December 31, 2005, ENITEL had approximately 446,000 wireless subscribers, which we estimate represents approximately 41% of the wireless market in Nicaragua, and approximately 235,000 fixed-line subscribers, which represents 100% of the fixed-line market in Nicaragua.

ENITEL s wireless network uses GSM digital technology and covers approximately 51% of the Nicaraguan population. ENITEL is also a major provider of fixed-line services in Nicaragua. ENITEL offers a variety of services through its fixed-line and wireless networks, including Internet access and data transmission, and also sells handsets and related products. ENITEL 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, 2005, ENITEL and Sercom Nicaragua had 1,904 employees.

The principal competitor of Sercom Nicaragua and ENITEL in the Nicaraguan wireless sector is Telefónica Móviles (Movistar), which has a market share of approximately 33%.

In March 2006, we sold our interest in Sercom Nicaragua to ENITEL. ENITEL plans to consolidate its wireless services with those of Sercom Nicaragua.

Sercom Nicaragua s and ENITEL 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)*.

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El Salvador (CTE)

Compañía de Telecomunicaciones de El Salvador (CTE) and its subsidiaries provide 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. In December 2004, we acquired an additional 41.54% interest in CTE from the government of El Salvador for approximately U.S.$294.9 million. As a result of the two transactions and a number of public market transactions in El Salvador, we had a 95.8% interest in CTE at December 31, 2005. We began including the results of CTE in our audited consolidated financial statements in November 2003.

At December 31, 2005, CTE had approximately 808,000 fixed-line subscribers and a market share of approximately 87%.

CTE s wireless business is operated by its wholly-owned subsidiary CTE Telecom Personal S.A. de C.V. Personal s cellular network uses GSM digital technology and covers approximately 87% of the Salvadorean population. At December 31, 2005, Personal had approximately 859,000 wireless subscribers, which we estimate represents a market share of approximately 33%. 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, 2005, CTE and its subsidiaries had approximately 2,515 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 33%. CTE also competes with Telefónica de El Salvador, an affiliate of Telefónica Móviles of Spain, Digicel, which is owned by a consortium of international investors and Intelfon.

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 Personal holds a nationwide PCS 1900 concession to operate its cellular network.

Honduras (Sercom Honduras)

In the same transaction in which we agreed to purchase the additional 50.03% of ENITEL, we also agreed to acquire all of the shares of Megatel de Honduras, S.A. de C.V., now called Servicios de Comunicaciones de Honduras, S.A. de C.V. (Sercom Honduras), which provides wireless and other telecommunications services in Honduras. The acquisition of Megatel de Honduras, S.A. de C.V. closed in June 2004.

At December 31, 2005, Sercom Honduras had approximately 427,000 wireless subscribers, representing approximately 36% of the wireless market in Honduras. The Company uses GSM technology to provide service to its customer base. At December 31, 2005, Sercom Honduras had approximately 345 employees.

The principal competitor of Sercom Honduras in the Honduran wireless sector is Celtel, an affiliate of Millicon International, which has a market share of approximately 64%.

Sercom Honduras business is subject to comprehensive regulation and oversight by the Honduran Telecommunications Agency (*Comisión Nacional de Telecomunicaciones* (CONATEL)) under the Telecommunications Law (*Ley Marco del Sector de Telecomunicaciones*).

Chile (Smartcom)

In August 2005, we began providing wireless services in Chile through Smartcom, S.A.

Smartcom, S.A. provides nationwide wireless service in Chile under the Smartcom brand name. We own a 100% interest in Smartcom, which we acquired in August 2005 from Endesa Participadas, S.A. for U.S.$505.00 million (Ps. 5,454 million). We began including the results of Smartcom in our audited consolidated financial statements in September 2005. Smartcom had approximately 1.7 million wireless subscribers as of June 30, 2005 and approximately 1.9 million wireless subscribers as of December 31, 2005.

At December 31, 2005, Smartcom had approximately a 17% share of the Chilean wireless market and was the third largest wireless operator in Chile measured by the number of subscribers.

Smartcom was granted one of three nationwide PCS licenses in 1997. In 1998, it began providing services in Chile under the Chilesat PCS brand, which was changed in 1999 to Smartcom. Smartcom offers basic cellular service through a variety of rate plans and also offers prepaid services. Prepaid customers represented 86% of Smartcom s total subscribers as of December 31, 2005. In addition, Smartcom offers long distance and value added services.

Smartcom s cellular network uses CDMA technology and covers approximately 93% of Chile s population. Smartcom is currently deploying a nationwide GSM network in Chile. At December 31, 2005, Smartcom had 677 employees.

Smartcom s principal competitors are Entel PCS and Movistar.

Smartcom holds a concession covering the entire Chilean territory. The concession was awarded in June 1997 and covers a 30-year period. The concession contains coverage, reporting and service requirements. The Chilean Transportation and Communications Ministry (*Ministerio de Transporte y Telecomunicaciones*) is in charge of supervising the telecommunications industry in Chile. It is authorized to foreclose and sell the shares of a concessionaire in case of specified breaches of the terms of the concession.

Colombia (Comcel)

Comunicación Celular S.A. (Comcel) provides wireless telecommunications services in the eastern, western and Caribbean regions of Colombia. We have operated in the eastern and western regions of Colombia since 2002 and in the Caribbean region since February 2003. As of December 31, 2005, we had a 99.2% interest in Comcel.

Comcel s network uses GSM and TDMA technology and covers approximately 83% of Colombia s cities and municipalities. In late 2003, Comcel completed the overlay of a GSM network and can now offer GSM services nationwide. At December 31, 2005, Comcel had approximately 13.8 million subscribers, compared to 5.8 million subscribers at December 31, 2004, and believed it had a 63% share of the wireless market.

Comcel offers basic cellular service through a variety of rate plans and also offers prepaid service. Prepaid customers represented 85% of Comcel s total subscribers as of December 31, 2005. Purchasers of Comcel s Amigo kit for prepaid service receive a cellular phone together with airtime included, 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 more than 100,000 locations nationwide. Comcel s strategy is to continue to expand its customer base through the build-out of its network.

At December 31, 2005, Comcel had 2,317 employees.

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In each of the three regions of Colombia, we compete with Telefónica Móviles (which bought the BellSouth properties in Colombia in 2004) and Colombia Móvil, a consortium of two Colombian public-sector, fixed-line operators. Colombia Móvil started nationwide commercial operations in November 2003. 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 holds 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 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 March 2004, the Ministry of Communications has agreed to renew Comcel s 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, 2005, Conecel had approximately 4.1 million subscribers, compared to approximately 2.3 million at December 31, 2004, representing a 65% share of the Ecuadorian wireless market. Prepaid customers represented 91% of Conecel s total subscribers as of December 31, 2005.

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 89% of Ecuador s population. 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.

At December 31, 2005, Conecel had 1,171 employees.

Conecel s principal competitor is Telefónica Móviles, which following the purchase of the Bell South properties in Ecuador in 2004 offers wireless local, national and international long-distance and public telephone services 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.

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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.

Paraguay (AMX Paraguay)

In July 2005, we began providing wireless services in Paraguay through AMX Paraguay.

AMX Paraguay provides nationwide wireless service in Paraguay under the CTI Móvil brand. We own 100 % interest in AMX Paraguay, which we acquired in July 2005 from Hutchison Telecom for U.S.$25 million (Ps. 273 million). We began including the results of AMX Paraguay in our audited consolidated financial statements in August 2005. AMX Paraguay had approximately 119,000 wireless subscribers as of June 30, 2005 and approximately 172,000 wireless subscribers as of December 31, 2005.

At December 31, 2005, AMX Paraguay had approximately 10% share of the Paraguayan wireless market and was the fourth largest wireless operator in Paraguay measured by the number of subscribers.

AMX Paraguay began providing nationwide services in Paraguay in 2000. AMX Paraguay offers basic cellular service through a variety of rate plans and also offers prepaid services. Prepraid customers represented 73% of AMX Paraguay s total subscribers as of December 31, 2005. In addition, AMX Paraguay offers value added services.

AMX Paraguay s cellular network uses GSM technology and covers approximately 74% of Paraguay s population. AMX Paraguay is expanding its nationwide GSM network in Paraguay. At December 31, 2005, AMX Paraguay had 164 employees.

AMX Paraguay s principal competitors are: Telcel (Milicom International), Nucleo, a subsidiary of Personal, the wireless operator of Telecom Argentina, and Hola Paraguay.

AMX Paraguay holds a PCS 1900 spectrum license and a data transmission license covering Paraguays three most populated cities, Asunción, Encarnación and Ciudad del Este. The licenses were granted in December 2003 and October 2004, respectively, and each covers a 5-year period. The licenses are renewable, subject to regulatory approval, and contain coverage, reporting and service requirements. The National Telecommunications Commission of Paraguay (*Comisión Nacional de Telecomunicaciones de Paraguay*) is in charge of supervising the telecommunications industry in Paraguay. It is authorized to cancel licenses in case of specified breaches of the terms of a license.

Peru (América Móvil Perú)

In August 2005, we began providing wireless services in Peru through América Móvil Perú, S.A.C.

América Móvil Perú provides nationwide wireless service in Peru under the Claro brand. We own 100 % interest in América Móvil Perú, which we acquired in August 2005 from TIM International N.V., a member of the Telecom Italia group, for 330 million (Ps. 4,431 million) (based on an enterprise value of 407 million). We began including the results of América Móvil Perú in our audited consolidated financial statements in September 2005. América Móvil Perú had approximately 1.4 million wireless subscribers as of June 30, 2005 and approximately 2.0 million wireless subscribers as of December 31, 2005.

At December 31, 2005, América Móvil Perú had approximately 35% share of the Peruvian wireless market and was the second largest wireless operator in Peru measured by the number of subscribers.

América Móvil Perú began providing services in certain regions of Peru in 2001. América Móvil Perú offers basic cellular service through a variety of rate plans and also offers prepaid services. Prepraid customers represented 88% of América Móvil Perú s total subscribers as of December 31, 2005. In addition, América Móvil Perú offers long distance and value added services.

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América Móvil Perú s cellular network uses GSM technology and covers approximately 64% of Peru s population. América Móvil Perú is in the process of expanding its GSM network. At December 31, 2005, América Móvil Perú had 1,611 employees.

América Móvil Perú s principal competitor is Movistar Perú, a subsidiary of Telefónica Móviles.

América Móvil Perú holds concessions to provide PCS, long-distance and value added services covering 24 departments and 72 cities in Perú. The concessions were awarded by the Ministry of Transportation and Communications (*Ministerio de Transportación y Communicaciones*) in May 2000, March 2001 and December 2002, respectively, and each covers a 20-year period . The concessions contain coverage, reporting and service requirements. The Supervising Entity of Private Investment in Telecommunications of Peru (*Organismo Supervisor de Inversión Privada en Telecomunicaciones del Perú*) is in charge of supervising the telecommunications industry in Peru. The Ministry of Transportation and Communications is authorized to cancel the concessions in case of specified breaches of the terms of a concession.

Amov Peru S.A., our wholly-owned subsidiary, holds a Band C 30 megahertz license covering the entire Peruvian territory. We expect to transfer this license to América Móvil Peru during 2006. We have received governmental approval for the transfer.

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, 2005, TracFone had approximately 6.1 million subscribers, all of which are prepaid subscribers, and is one of the three largest operators in the U.S. prepaid cellular market. TracFone s subscriber base increased by approximately 39.6% in 2005.

TracFone does not own any wireless telecommunications facilities or hold any wireless 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 virtually 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 recurring capital expenditures. 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.

As of December 31, 2005, TracFone had 515 employees.

TracFone competes with the major U.S. wireless operators and other mobile virtual network operators. TracFone expects that many of these entities 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 wireless licenses to carry out its business.

AM Wireless Uruguay

In June 2004, we acquired a 20-year license to operate three broad-band PCS frequencies in Uruguay at a cost U.S.$13.6 million. We began providing wireless services in Uruguay in December 2004, through AM Wireless Uruguay, a subsidiary of CTI. AM Wireless Uruguay uses GSM technology to provide service to its customer base. As of December 31, 2005, AM Wireless Uruguay had approximately 168,000 wireless subscribers. AM Wireless Uruguay had 85 employees at December 31, 2005.

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, 2005. 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.

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. 189 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. 293 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 45.0% 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.

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CAPITAL EXPENDITURES

The following table sets forth our consolidated capital expenditures (in nominal amounts) for each year in the three-year period ended December 31, 2005. The table below includes capital expenditures in property, plant and equipment. We have also dedicated resources to acquire new companies and licenses and increase our interest in some of our subsidiaries, which in 2005, 2004 and 2003 amounted to Ps. 10,769 million, Ps. 7,802 million and Ps. 19,736 million, respectively. See Liquidity and Capital Resources Capital Requirements under Item 5.

	Year ended December 31,		
	2003	2004	2005
	(millions of nominal pesos)		
Transmission and switching equipment	Ps.11,685	Ps.20,175	Ps.34,807
Other	1,968	2,242	3,867
Total capital expenditures	Ps.13,653	Ps. 22,417	Ps.38,674

Our capital expenditures during 2005 related primarily to the expansion and upgrading of our GSM networks in terms of geographic coverage and capacity. We have budgeted capital expenditures of approximately U.S.$3.04 billion for the year ending December 31, 2006, but this budgeted amount could change as we re-evaluate our expenditure needs during the year or as a result of any acquisitions. This amount excludes payments in connection with the acquisitions of Verizon Dominicana, TELPRI and CANTV. We expect that our capital expenditures during 2006 will primarily relate to expanding the capacity of our GSM networks, since we have substantially completed our current GSM network coverage expansion plans throughout our principal markets in Latin America. In addition, we are deploying or expanding GSM networks in Paraguay, Peru and Chile. We expect to spend approximately 65% of our 2006 budgeted capital expenditures in South America (principally in Brazil and Colombia), 25% in North America (principally in Mexico) and 10% in Central America.

We expect to finance our capital expenditures for 2006 with funds generated from operations and, depending on market conditions and our other capital requirements, new debt financings.

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Item 5. Operating and Financial Review and Prospects

The following discussion should be read in conjunction with our audited consolidated 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 20 to the audited consolidated financial statements provides a description of the principal differences between Mexican GAAP and U.S. GAAP, as they relate to us, a reconciliation to U.S. GAAP of income and total stockholders equity, a description of how operating income under U.S. GAAP was determined 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, 2005.

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

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

We count our wireless subscribers by the number of lines activated. We continue to count post-paid subscribers for the length of their contracts. We continue to count prepaid subscribers for so long as they continue to use our service, and then for a prescribed period of time thereafter, which differs according to the particular market. When a subscriber voluntarily disconnects his service, or there is a payment default, the subscriber is cancelled or churned, and we no longer count the subscriber. We calculate our subscriber market share by dividing our own subscriber figures into the total market subscriber figures periodically reported by the regulatory authorities in the markets in which we operate. We understand that these regulatory authorities compile total market subscriber figures based on subscriber figures provided to them by market participants, and we do not independently verify these figures.

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Overview

Trends in Operating Results

We have experienced significant growth in our operating revenues (30.8% in 2005 and 49.1% in 2004) and operating income (38.8% in 2005 and 24.4% in 2004) in recent years. Besides acquisitions, the principal factors affecting our operating revenues and operating income relate to growth in subscribers and traffic. Traffic can grow as a result of increased usage by existing customers or as a result of subscriber growth or both. We have generally experienced both increased usage and subscriber growth in recent periods. Due to competitive pressures, we have not increased prices in recent periods.

At December 31, 2005, we had approximately 93.3 million wireless subscribers, as compared to 61.1 million at December 31, 2004, a 52.7% increase. During 2004, we experienced a 17.2 million or 39.8% increase in wireless subscribers. Subscriber growth during 2005 was substantially attributable to organic growth by our existing subsidiaries rather than acquisitions of new companies.

We believe that 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. Our operating margins, particularly in certain geographic segments, have tended to decline during periods of accelerated subscriber growth because of the costs of acquiring new subscribers, which include subsidies for equipment purchases and activation commissions. Each of our markets has different competitive and economic conditions. The market and competitive conditions are independent in the different markets in which we operate, and they are sometimes subject to rapid change.

Effects of Recent Acquisitions

During the last three years, we acquired a total of ten companies throughout Latin America. The consolidation of these companies affects the comparability of our recent results. We recorded all of these acquisitions using the purchase method, and the results of each acquired company were consolidated in our financial statements as from the month following the consummation of its acquisition. Our audited 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);

BCP (as from December 2003);

Sercom Honduras (as from July 2004);

ENITEL (as from August 2004);

AMX Paraguay (as of August 2005);

Smartcom, S.A. (as of September 2005); and

América Móvil Perú, S.A.C. (as of September 2005).

The following table sets forth the full-year revenues of the companies acquired during the last three years in millions of constant pesos as of December 31, 2005, 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 audited consolidated financial statements.

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	Annual Revenues (peso amounts in millions of constant Mexican pesos as of December 31, 2005)					
	2003	% consolidated	2004	% consolidated	2005	% consolidated
Celcaribe(1)	Ps. 596	92.5%	Ps. 938	100.0%	N/A	100%
BSE(2)	2,443	70.0	2,793	100.0	Ps. 3,662	100
CTE	4,610	19.0	4,877	100.0	4,942	100
CTI	2,935	19.8	5,759	100.0	11,219	100
BCP	5,397	9.0	5,111	100.0	7,118	100
Sercom Honduras			490	65.0	854	100
ENITEL			1,742	43.8	1,984	100
AMX Paraguay					229	46.9
Smartcom					3,251	36.37
América Móvil Perú					3,089	39.6

(1) Effective December 31, 2004, Celcaribe was merged into Comcel.

(2) Effective December 31, 2005, BSE was merged into BCP.

The comparability of our results during the periods discussed below is particularly affected by our 2003 acquisitions. As a result of the acquisitions, we obtained 4.2 million new wireless subscribers during 2003, representing approximately 35% of our subscriber growth during 2003. The most significant of the 2003 acquisitions were consummated during the last quarter of 2003. As a result, our 2003 financial statements only include the results of these acquired companies for a limited number of months, whereas our 2004 financial statements include them for the full year. Acquisitions accounted for approximately 10% of our wireless subscriber growth during 2005.

As discussed under Item 4 of this annual report, on April 2, 2006, by means of three separate agreements, we agreed to acquire the equity interests of Verizon Communications Inc. in certain companies through which it beneficially owns shares in Verizon Dominicana, Telecomunicaciones de Puerto Rico, or TELPRI, and, through an equally owned joint venture with our affiliate Telmex, Compañía Anónima Nacional de Teléfonos de Venezuela, or CANTV. Each of the three acquisitions is subject to regulatory approvals and other closing conditions. None of the acquisitions is conditioned on the closing of the others, and we expect to close an acquisition as soon as practicable after the conditions applicable to the closing of that particular acquisition are satisfied or waived. Each of the acquisition agreements is subject to termination if the applicable closing conditions are not satisfied or waived by a specified date. The consummation of these transactions would affect the comparability of our future results.

We agreed to acquire control of 100% of the issued and outstanding capital stock of Verizon Dominicana for a purchase price of U.S.$2,062 million. This price assumes that Verizon Dominicana will have no net indebtedness at closing and is subject to adjustments for changes in net indebtedness and working capital through closing. Verizon Dominicana is the largest telecommunications provider in the Dominican Republic. According to information provided to us, Verizon Dominicana had over 752 thousand wireline subscribers and 1.8 million wireless subscribers as of December 31, 2005 and recorded revenues of U.S.$916 million, operating income of U.S.$358 million and net income of U.S.$276 million for 2005 (in each case under U.S. GAAP).

We agreed to acquire control of 52.01% of the issued and outstanding shares of common stock of TELPRI for a purchase price of U.S.$939 million. This price assumes that TELPRI s net indebtedness will not exceed U.S.$523 million at closing and is subject to adjustment for changes in net indebtedness and working capital through closing. We agreed with Verizon to offer to purchase the shares of TELPRI held by its other shareholders, at the same per share price, and subject to the terms and conditions as set forth in our agreement with Verizon (including purchase price adjustments). The Puerto Rico Telephone Authority, an entity of the Commonwealth of Puerto Rico, holds 28% of the share capital of TELPRI, Popular, Inc. holds 13% and an

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employee stock ownership plan holds the remaining 7%. Popular, Inc. has agreed to sell to us its 13% holding, but to date we have not yet received notice from the other holders of TELPRI on whether they will sell their shares to us. The purchase of the entire 47.99% held by these entities would require us to pay an additional U.S.$866.4 million (of which U.S.$234 million would be paid to Popular, Inc.). TELPRI is Puerto Rico s largest telecommunications service provider and second largest wireless service provider. According to information publicly reported by TELPRI, TELPRI had 1.1 million access lines and 485,000 wireless customers as of December 31, 2005 and recorded revenues of U.S.$1,253 million, operating income of U.S.$177 million and net income of U.S.$79 million for 2005 (in each case under U.S. GAAP).

Our joint venture with Telmex agreed to acquire control of Verizon s equity interest in CANTV for a purchase price of U.S.$676.6 million. The purchase price represents U.S.$3.01 per ordinary share of CANTV OR U.S.$21.10 PER American Depositary of CANTV. Each American Depositary Shares represents 7 ordinary shares of CANTV. Verizon beneficially owns approximately 28.51% of the outstanding capital stock of CANTV. The joint venture will acquire Verizon s equity interest in CANTV by means of the purchase of a subsidiary of Verizon that holds all of the ordinary shares and ADSs of CANTV beneficially owned by Verizon. As required by Venezuelan law, following the closing of the purchase of Verizon s equity interest in CANTV, and, subject to regulatory approval, the joint venture will offer to purchase (i) the remaining outstanding shares of CANTV at the Bolivar equivalent, based on the official exchange rate established by the Venezuelan authorities, of the price per share paid to Verizon and (ii) the remaining outstanding American Depositary Shares at the same price per ADS paid to Verizon. CANTV is the leading provider of telecommunications services in Venezuela. According to information publicly reported by CANTV, it had approximately 3.1 million switched access lines and over 5.1 million wireless subscribers as of December 31, 2005 and recorded revenues of Venezuelan Bs. 1,525.6 billion, operating income of Venezuelan Bs. 135.8 billion and net income of Venezuelan Bs. 137.7 billion for 2005 (in each case in accordance with IFRS).

We expect to finance these acquisitions with a combination of cash from operations and new debt financings.

Geographic Segments

We have operations in fourteen countries, which are grouped for financial reporting purposes in nine geographic segments. Segment information is presented in Note 19 to our audited consolidated financial statements included in this annual report. Mexico has traditionally been our principal geographic market, accounting for 49.2% of our total operating revenues in 2005 and 38.5% of our total wireless subscribers at December 31, 2005. The percentage of our total operating revenues represented by Mexico has decreased in recent periods (61.0% in 2003 and 52.6% in 2004) principally as a result of acquisitions outside Mexico. We expect Mexico to remain our principal geographic market in the near future but expect that our non-Mexican operations will continue to grow in importance. During 2005 and 2004, we experienced faster subscriber growth from our non-Mexican operations than from our Mexican operations. We believe this reflects to a large extent the economic recovery in South America during recent years.

Brazil is our second most important market in terms of revenues and subscribers, accounting for 16.8% of our total operating revenues in 2005 and 20.0% of our total wireless subscribers at December 31, 2005. We have made significant investments in Brazil in recent periods, through acquisitions and expansions of our networks, and the importance of our Brazilian operations has increased significantly with respect to our overall results.

Our Colombian operations have experienced accelerated subscriber growth in recent years, and as a result Colombia has become our third largest market in terms of revenues and subscribers. During 2005, Comcel registered the largest wireless subscriber growth, both in relative and absolute terms, among our geographic operations.

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The table below sets forth the percentage of our revenues and total wireless subscribers represented by each of our operating segments for the periods indicated.

	2003		2004		2005	
	% Revenues	% Subscribers(1)	% Revenues	% Subscribers(1)	% Revenues	% Subscribers(1)
Argentina	1.0%	3.2%	4.1%	5.9%	6.2%	7.1%
Brazil	13.3	21.7	17.1	22.3	16.8	20.0
Guatemala(2)	6.6	2.0	5.3	2.1	4.0	2.4
Colombia	6.7	8.4	6.9	9.5	8.5	14.8
Ecuador	3.2	3.5	3.2	3.8	3.8	4.4
El Salvador	0.9	0.5	3.5	0.8	2.7	0.9
Mexico	61.0	53.4	52.6	47.2	49.2	38.5
United States	7.3	6.7	6.6	7.2	6.0	6.6
Other(3)		0.6	0.7	1.2	2.8	5.3

(1) As of December 31.
(2) Includes Sercom Nicaragua.
(3) Includes Chile, Honduras, Nicaragua (ENITEL), Paraguay, Peru and Uruguay.

Our subsidiaries report significantly different operating margins, with Mexico and Central America showing margins higher than our consolidated operating margin in 2005 and the remainder showing lower margins or, in the case of Brazil, operating losses.

The factors that drive financial performance can differ for our operations in different countries, depending on the business model, competitive situation, regulatory environment, economic factors, capital expenditures requirements, debt profile and many other factors. Accordingly, our results of operations in each period reflect a combination of different effects in the different countries.

Effects of Economic Conditions and Exchange Rates

Our results of operations are affected by economic conditions in Mexico, Brazil 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. We recorded a foreign exchange gain of Ps. 2,940 million in 2005, principally as a result of the appreciation of the Brazilian real and the Mexican peso relative to the U.S. dollar during the first six months of 2005. We also reported a foreign exchange gain in 2004 (Ps. 2,526 million) and in 2003 (Ps. 1,473 million). Foreign exchange results have had and may continue to have an important effect on our net income.

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 50.8% of our 2005 operating revenues and 78% of our year-end 2005 assets, as compared to 47.4% and 65%, respectively, in 2004.

We record monetary gains or losses reflecting the effects of inflation on our net monetary assets or liabilities. During the past three years, our monetary liabilities have exceeded our monetary assets, and as a result, we have reported net gains from monetary position. Our levels of net monetary liabilities and inflation have been relatively stable during the last three years, and accordingly, our gains from monetary position have not fluctuated significantly from year to year. This may change, however, if inflation or our level of net monetary liabilities fluctuates significantly in the future.

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Composition of Operating Revenues

Most of our operating revenues (81.2% in 2005) 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.

Seasonality of our Business

Our business has been subject to a certain degree of seasonality, characterized by a higher number of new clients during the fourth quarter of each year. We believe this is driven by the Christmas shopping season.

Consolidated Results of Operations

The discussion below includes the results of our transactions with affiliates, including Telmex. Affiliate transaction information is presented in Note 16 to our audited consolidated financial statements included in this annual report.

Operating Revenues

Operating revenues increased by 30.8% in 2005 and by 49.1% in 2004. The Ps. 42,919 million increase in revenues in 2005 reflects principally subscriber growth and increased traffic. We experienced subscriber growth in all of our markets during 2005. The rate of subscriber growth in Mexico during 2005 (24.5%) was lower than that in the rest of our principal markets, reflecting higher overall penetration in the Mexican cellular market by Telcel and its competitors.

In 2005 and 2004, we lowered the effective price of our services in some of our markets. This contributed to our ability to attract new subscribers and to an increase in usage, but had an adverse impact on average revenues per subscriber in some of our markets. In addition, our average revenues per subscriber were affected during 2005 by lower effective rates in some of our principal markets resulting from regulatory changes and by a higher portion of our total subscriber base represented by prepaid subscribers, which generate on average lower revenues than postpaid subscribers.

Service revenues accounted for Ps. 33,675 million of the Ps. 42,919 million increase in operating revenues in 2005. This represents a 29.4% increase in service revenues between 2004 and 2005. We have experienced an increase in revenues from other services, such as data-services, including SMS messaging, and other value-added services. Revenues from other services increased by 74.2% in 2005 to Ps. 20,903 million, and as a percentage of service revenues increased to 14.1% in 2005 from 10.4% in 2004.

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The increase in operating revenues in 2005 includes a Ps. 9,244 million, or 37.2%, increase in equipment revenues reflecting subscriber growth and the migration of customers to GSM services. Subscribers need to purchase a new handset in order to migrate to GSM. Equipment revenues as a percentage of total revenues increased from 17.8% in 2004 to 18.7% in 2005.

In 2004, our operating revenues increased by Ps. 45,822 million, or 49.1%, compared to 2003. This increase reflected principally subscriber growth, as well as acquisitions. We made important acquisitions during the second half of 2003 (CTE, CTI and BCP). These companies were not consolidated until the latter part of 2003. If the companies acquired during 2003 had been consolidated for the full year 2003, we estimate that our revenue growth for 2004 would have been approximately 30.7%.

Operating Costs and Expenses

Cost of services and equipment Cost of services and equipment represented 48.9% of operating revenues in 2005, 48.6% of operating revenues in 2004 and 43.6% of operating revenues in 2003. Cost of services and equipment increased by 32.0% in 2005 and by 66.0% in 2004. The increases in cost of services and equipment relative to revenues in 2005 and 2004 compared to 2003 reflect primarily increased subscriber acquisition costs, particularly equipment costs. We experienced rapid subscriber growth during 2005 and 2004. This impacts our margins since we incur costs, such as equipment subsidies, activation commissions and marketing expenses, when we acquire new subscribers.

Cost of equipment was Ps. 54,104 million in 2005 and Ps. 40,306 million in 2004, and primarily represents the cost of handsets sold to subscribers. Equipment costs increased by 34.2% in 2005 and by 92.1% in 2004. Our cost of equipment significantly exceeded our equipment revenues during 2005 and 2004, since we subsidize the cost of equipment for new subscribers. As a percentage of our cost of equipment, equipment revenues were 62.9% in 2005 and 61.6% in 2004. This decline reflects a reduction in our average cost of handsets and a higher proportion of our equipment revenues represented by sales of SIM cards, which are not subsidized.

Cost of services increased by 28.7% in 2005, to Ps. 35,110 million. This increase in cost of services was slower than the growth in service revenues, which increased by 29.4% in 2005. Cost of services increased by 37.5% in 2004 as compared to 2003, while service revenues increased by 42.5% during the same period. These costs have increased more slowly than our service revenues because of increasing scale, cost control measures and higher usage of GSM services.

Commercial, administrative and general Commercial, administrative and general expenses represented 20.9% of operating revenues in 2005, 20.2% of operating revenues in 2004 and 19.3% of operating revenues in 2003. On an absolute basis, commercial administrative and general expenses increased by 34.9% in 2005 and 55.7% in 2004. Notwithstanding our cost control measures and increasing scale, these expenses outpaced revenue growth in 2005 and 2004 due principally to increased subscriber acquisition costs, including commissions and marketing expenses.

Depreciation and amortization Depreciation and amortization represented 11.7% of operating revenues in 2005, as compared to 13.8% in 2004, reflecting principally the rapid growth of our revenues and the non-amortization of goodwill in Mexico since January 1, 2005. Depreciation and amortization increased by 10.7% in 2005 and by 27.4% in 2004. The increases in depreciation and amortization in 2005 and 2004 reflect the substantial investments made in our networks, particularly in connection with the launch and expansion of GSM services in many of our markets.

In accordance with a recent change in Mexican GAAP, as from January 1, 2005 we no longer amortize goodwill. In 2004, the amortization of goodwill was Ps. 1,137 million. If we had continued recording amortization of goodwill during 2005, we would have reported Ps. 1,074 million in additional depreciation and amortization expense.

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Operating Income

Operating income increased by 38.8% in 2005 and 24.4% in 2004. With the exception of Telecom Americas, all of our subsidiaries reported operating income in 2005. In 2004, all of our subsidiaries other than Telecom Americas and CTI reported operating income.

Operating margin (operating income as a percentage of operating revenues) was 18.5% in 2005, 17.4% in 2004 and 20.9% in 2003. The improvement in our operating margin during 2005 reflects principally a decrease in our depreciation and amortization expenses relative to our operating revenues. The decrease in our operating margin in 2004 resulted primarily from significant increases in our cost of equipment and our commercial, administrative and general expenses.

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 cost of Ps. 1,194 million in 2005, as compared to comprehensive financing income of Ps. 1,972 million in 2004 and Ps. 2,308 million in 2003. The change in our comprehensive financing results between 2005 and 2004 reflects principally significant increases in our interest expense and other financing costs. The decrease in comprehensive financing income between 2004 and 2003 reflects increases in net interest and other financial expenses, which were partially offset by higher foreign exchange gains and gains from monetary position.

For 2005 and 2004, changes in the components of comprehensive financing cost were as follows:

In 2005 and 2004, we had interest income of Ps. 3,198 million and Ps. 2,393 million, respectively. The increase was primarily related to an increase in our average cash balance during 2005, as compared to 2004.

In 2005 and 2004, we had interest expense of Ps. 7,110 million and Ps. 4,747 million, respectively. The increase was primarily a result of an increase in our total indebtedness, as well as an increase in the percentage of our total debt represented by longer term debt.

We had a foreign exchange gain of Ps. 2,940 million in 2005, as compared to a gain of Ps. 2,526 million in 2004. The foreign exchange gain in 2005 was primarily due to the appreciation of the Mexican peso and the Brazilian real against the U.S. dollar during the first six months of 2005, whereas the gain in 2004 was principally attributable to the appreciation of the Brazilian real and the Colombian peso relative to the U.S. dollar. Our foreign exchange results are determined on the basis of the exchange exposures faced by our different operating currencies against the U.S. dollar, and not just on the basis of changes between the Mexican peso and the U.S. dollar.

Since 2002, our average monetary liabilities have exceeded our average monetary assets, resulting in net gains from monetary position. In 2005, we reported a Ps. 3,088 million net monetary gain, as compared to Ps. 3,051 million in 2004.

We reported a net other financing cost of Ps. 3,309 million in 2005 and of Ps. 1,251 million in 2004. Net other financing costs include commissions, fair-value gains and losses on investments, and gains and losses on the sale of investments. Our net financing costs in 2005 are principally attributable to fair value losses recorded on derivative instruments held by the Company and certain financing costs relating to the purchase of equipment in Brazil.

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Income Tax and Employee Profit-Sharing

The statutory rate of Mexican corporate income tax was 30% in 2005, 33% in 2004 and 34% in 2003. Our effective rates of provisions for corporate income tax as a percentage of pretax income were 1.05%, 31.4% and 16.7% for 2005, 2004 and 2003, respectively. The decrease in our effective tax rate in 2005 principally reflects lower provisions as a result of significant tax losses recognized in Mexico as a result of an internal corporate reorganization undertaken during the fourth quarter of 2005. As part of this reorganization, AM Latin America LLC, a Delaware limited liability company through which we held our interests in the non-Mexican operations, sold its interests in our non-Mexican operations to other subsidiaries generally located in our different geographic markets. The one-time capital loss recorded in connection with this reorganization resulted in a reduction of Ps. 10,110 million to our income tax expense during 2005. See note 18 a) to our audited consolidated financial statements included in this annual report. The increase in our effective tax rate in 2004 reflects principally an increase in deferred taxes relating mainly to our operations in Mexico. These deferred taxes recognized in Mexico were recorded principally in connection with losses or expenses arising from the sale and leaseback of telephone plant in December 2004, licensing payments made in respect of our trademarks and an increase in inventories. In 2003, our effective tax rate was below the corporate income tax rate primarily because 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 29% in 2006 and 28% in 2007.

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.

Other Income (Loss), Net

In 2005, we recorded other net loss of Ps. 408 million, compared to other net income of Ps. 92 million in 2004 and other net loss of Ps. 1,136 million in 2003. The loss in 2005 reflects losses on the sale of plant by Telcel. The loss in 2003 reflects primarily losses recorded in connection with the exchange of our interest in CompUSA for an interest in U.S. Commercial Corp., and cash. See Related Party Transactions under Item 7.

Equity in Results of Affiliates

Our proportionate share of the results of equity-method affiliates resulted in net losses of Ps. 42 million in 2005, Ps. 96 million in 2004 and Ps. 141 million in 2003. The net losses in 2005 and 2004 reflect principally our share of the net losses reported by Telvista. The net losses in 2003 reflect principally our share of net losses in CompUSA, which we reported under the equity method until the exchange of our interest in CompUSA for an interest in U.S. Commercial Corp. in December 2003.

Net Income

We had net income of Ps. 31,641 million in 2005, Ps. 17,063 million in 2004, and Ps. 16,338 million in 2003. The increase in net income in 2005 principally reflects the increase in operating income and the decrease in income tax expense. The increase in net income in 2004 reflected the increase in revenues, which offset the increase in operating expenses and income taxes.

Results of Operations by Geographic Segment

We discuss below the operating results of our subsidiaries that provide telecommunication services in our principal markets. All amounts discussed below are presented in accordance with Mexican GAAP. Note 2(g) to our audited 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 2003 and 2004 are restated at constant pesos as of December 31, 2005 based on the annual rate of inflation in Mexico. The data reported for the year ended December 31, 2004 was restated in constant pesos as of December 31, 2005 by applying a factor of 1.0333.

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				
	2003	2004	% Change	2005	% Change
Guatemalan quetzal	1.3975	1.4525	3.9%	1.4092	(3.0)%
U.S. dollar(1)	11.2360	11.2648	0.3	10.7109	(4.9)
Brazilian real	3.8890	4.2438	9.1	4.5759	7.8
Colombian peso	0.0040	0.0047	17.5	0.0047	(0.0)
Argentine peso	3.8300	3.7814	(1.3)	3.5326	(6.6)
El Salvador colones	1.2841	1.2874	0.3	1.2241	(4.9)

(1) The U.S. dollar is the sole monetary instrument and unit of account and the main currency for transaction purposes in Ecuador.

Note 19 to our audited 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

Telcel s operating revenues increased by 22.4% in 2005 and by 28.3% in 2004, benefiting from subscriber growth and increases in traffic during both periods. In 2005, the number of Telcel subscribers increased by 24.5% to approximately 35.9 million, compared to an increase of approximately 23.1% to approximately 28.9 million in 2004. We do not expect this acceleration of subscriber growth to continue in the future as penetration rates increase in Mexico.

We experienced increases in average MOUs per subscriber of approximately 4.0% in 2005 and approximately 22.2% in 2004, while ARPUs decreased slightly in 2005, by approximately 4.0%, and increased by 4.2% in 2004. During 2005 and 2004, we lowered the effective price of some of our services in Mexico, which contributed to the increase in subscribers and MOUs but had a negative impact on ARPUs. In addition, in 2005, our ARPUs were negatively affected by a reduction in interconnection tariffs and an increase in the share of our total traffic represented by data services, such as SMS messaging, which on average generate lower revenues per minute of use than voice services. Reductions in interconnection tariffs for calls between fixed and mobile phones became effective in Mexico as of January 2005. The reduction was of 10% in 2005, increasing to 19% in 2006 and 27.1% in 2007, in each case as compared to 2004 rates. Telcel has typically received more revenue from such fees than it has had to pay to fixed line operators for interconnection services. Telcel s churn rate increased from approximately 3.0% in 2004 to 3.1% in 2005.

Operating income increased by 30.4% in 2005 and by 37.2% in 2004. Our operating margin was 38.4% in 2005 and 36.1% in 2004. The increase in operating margin in 2005 reflects a combination of factors, including lower cost of equipment per subscriber and greater efficiency resulting from increasing scale. During 2005, Telcel experienced a reduction in its average cost of handsets and a higher proportion of equipment revenues represented by sales of SIM cards, which are not subsidized. In addition, GSM traffic is an increasing component of our total traffic in Mexico, and GSM traffic is not subject to the royalties (*aprovechamientos*) payable in respect of services under our 800 megahertz (Band B) concessions. Finally, with the growth in its subscriber base, Telcel s depreciation and amortization expenses have decreased as a percentage of its operating revenues, from 7.18% in 2004 to 6.72% in 2005.

Brazil

Telecom Americas operating revenues increased by 28.7% in 2005 and by 91.7% in 2004. Telecom America s 2003 results include BSE from May 2003 and BCP from December 2003. If we had consolidated BCP and BSE for the full year 2003, our operating revenues in 2004 would have increased by 29.3%. Apart from the acquisitions of BCP and BSE, the increases in operating revenues in 2005 and 2004 were attributable primarily to subscriber growth. In addition, the relative appreciation of the Brazilian real against the Mexican peso in 2005 compared to 2004 and in 2004 compared to 2003 contributed to the increase in operating revenues in both years. In 2005, the number of Telecom Americas subscribers increased by five million subscribers, to approximately 18.7 million subscribers. In 2004, the number of Telecom Americas subscribers increased by 4.1 million subscribers, to approximately 13.6 million subscribers.

During 2005, average MOUs per subscriber declined by 17.3% and ARPUs declined by 10.2%, as compared to 2004. The decline in both MOUs and ARPUs during 2005 was primarily attributable to subscriber growth. New subscribers generally generate lower average revenues than existing subscribers as a result of traffic subsidies and lower usage. In addition, ARPUs were negatively affected by lower interconnection revenues per subscriber and more conservative recognition policies regarding delinquent subscribers. Our churn rate remained constant between 2004 and 2005, at 2.7%.

Telecom Americas reported an operating loss of Ps. 8,780 million in 2005, as compared to a Ps. 6,799 million operating loss in 2004. The increased operating loss in 2005 reflected principally higher subscriber acquisition costs. High subscriber acquisition costs resulting from rapid subscriber growth and competition continue to adversely impact our margins in Brazil. In addition, during 2005, Telecom Americas operating income was affected by more conservative policies regarding the recording of reserves.

Argentina

CTI s operating revenues increased by 94.8% in 2005. The increase in 2005 was attributable primarily to subscriber growth. In 2005, the number of CTI subscribers increased by 3.0 million subscribers, to approximately 6.6 million subscribers. Average MOUs per subscriber decreased by 11.0% in 2005 compared to 2004, while ARPUs declined by 11.9% during the same period, and we experienced an increase in our churn rate, from 2.0% in 2004 to 2.3% in 2005. The decline in MOUs and ARPUs in 2005 principally reflected subscriber growth. New subscribers generally generate lower average revenues than existing subscribers as a result of traffic subsidies and lower usage. In addition, ARPUs in 2005 were negatively affected by an increase in the share of total traffic represented by data services, such as SMS messaging, which on average generate lower revenues per minute of use than voice services.

CTI reported operating income of Ps. 578 million in 2005, as compared to operating loss in 2004 of Ps. 417 million. This reflected both the increased scale of our business in Argentina and lower acquisition costs per subscriber, principally lower average handset acquisition costs.

Central America Guatemala (Telgua) and Sercom Nicaragua

Operating revenues for Telgua and Sercom Nicaragua decreased by 1.9% in 2005 and increased by 20.3% in 2004. The decrease reflected a decline in revenue from Telgua s fixed line business, principally from long-distance services, as well as the impact of the depreciation in value of the Guatemalan quetzal against the Mexican peso during 2005 on our reported results. In 2005, the number of wireless subscribers for Telgua and

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Sercom Nicaragua increased by 45.1%, to approximately 2.2 million, and the number of fixed line subscribers increased to approximately 953 thousand from 933 thousand as of December 31, 2004. In 2004, the number of wireless subscribers for Telgua and Sercom Nicaragua increased by 57.3%, to approximately 1.5 million and the number of fixed-line subscribers increased from 930 thousand as of December 31, 2003, to approximately 933 thousand. During 2005, average MOUs per wireless subscriber were positively affected, and ARPUs per wireless subscriber were negatively affected, by a reduction in tariffs. For the year ended December 31, 2005, wireless services accounted for approximately 49.70% of our operating revenues for Telgua and Sercom Nicaragua, and fixed-line and other services for approximately 50.30%, as compared to 43.3% and 56.7%, respectively, in 2004.

Operating income for Telgua and Sercom Nicaragua decreased slightly in 2005, to Ps. 2,413 million from Ps. 2,433 in 2004, and increased by 31.2% in 2004. Operating margin was 33.2% in 2005 and 32.9% in 2004.

Central America El Salvador

CTE s operating revenues from continuing operations increased by 1.3% in 2005. The increase in 2005 was attributable primarily to subscriber growth. In 2005, the number of CTE wireless subscribers increased by 341 thousand subscribers, to approximately 859 thousand subscribers, and the number of fixed-line subscribers increased by 27 thousand subscribers, to approximately 808 thousand subscribers. For the year ended December 31, 2005, wireless services accounted for approximately 25.8% of CTE s operating revenues, and fixed-line and other services for approximately 74.2%, as compared to 17.4% and 82.6%, respectively, in 2004.

CTE reported operating income of Ps. 1,786 million in 2005, a 7.3% increase compared to operating income of Ps. 1,664 million in 2004. CTE s operating margin was 36.1% in 2005 and 34.1% in 2004. The increase in operating margin was principally attributable to the fixed line business.

Colombia

Comcel s operating revenues increased by 61.3% in 2005 and by 53.8% in 2004. The relative appreciation of the Colombian peso compared to the Mexican peso in 2004 compared to 2003 contributed to the increase in operating revenues in 2004, accounting for approximately 33% of the increase.

Apart from exchange effects in 2004, the increase in operating revenues in 2005 and 2004 was attributable principally to subscriber growth and increased traffic. In 2005, the number of Comcel subscribers increased by 137% to approximately 13.8 million. In 2004, the number of Comcel subscribers increased by 58.2%, to approximately 5.8 million. Comcel experienced increases in average MOUs per subscriber of approximately 4.4% in 2005 and approximately 39.0% in 2004, while ARPUs decreased by approximately 22.8% in 2005 and increased by 6.4% in 2004. The decline in ARPUs during 2005 reflected principally subscriber growth and a reduction in interconnection tariffs beginning in the fourth quarter of 2005. Comcel s churn rate decreased from approximately 2.9% in 2004 to 1.5% in 2005.

Comcel s operating income increased by 93.2% in 2005. Comcel s operating margin was 7.8% in 2005 and 6.6% in 2004. The increase in operating margin during 2005 resulted principally from lower depreciation and amortization expenses, which in turn were mainly due to the non-amortization of goodwill starting in 2005.

Ecuador

Conecel s operating revenues increased by 55.0% in 2005 and by 50.0% in 2004. The increase in 2005 was attributable principally to increases in subscriber growth. In 2005, the number of Conecel subscribers increased by 76.3%, to approximately 4.1 million. In 2004, the number of Conecel subscribers increased by 51.3%, to approximately 2.3 million. Both ARPUs and MOUs declined during 2005, by approximately 10.7% and 10.0%, respectively. The decline in ARPUs and MOUs reflected principally subscriber growth. In addition, ARPUs were negatively affected during 2005 by a decrease in interconnection tariffs. Conecel s churn rate decreased from 3.7% in 2004 to 2.9% in 2005.

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Conecel s operating income was Ps. 1,083 million in 2005 and Ps. 914 million in 2004. Our operating margin was 15.8% in 2005 and 20.6% in 2004. This decline in margin reflected principally higher subscriber acquisition costs.

United States

Tracfone s operating revenues increased by 18.5% in 2005 and by 36.3% in 2004. The increase in operating revenues in 2005 was attributable principally to subscriber growth and increased traffic. In 2005, the number of TracFone subscribers increased by 39.6%, to approximately 6.1 million, and in 2004, the number of TracFone subscribers increased by 48.9%, to approximately 4.4 million. Although average MOUs per subscriber increased in 2005 as compared to 2004 (by 6.8%), ARPUs declined by approximately 9.4% in 2005 compared to 2004. The churn rate increased from 4.2% in 2004 to 4.6% in 2005.

Tracfone s operating income was Ps. 714 million in 2005 and Ps. 328 million in 2004. Tracfone s operating margin increased from 3.5% in 2004 to 6.5% in 2005. The improved operating margin principally reflected greater efficiency resulting from increasing scale, as well as lower average handset acquisition costs.

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 2005 and 2004, we invested approximately Ps. 38.7 billion (nominal amounts) and Ps. 22.4 billion (nominal amounts), respectively, in plant, property and equipment. We have budgeted capital expenditures for 2006 to be approximately U.S.$3.04 billion. See Capital Expenditures under Item 4.

- We pay dividends, and we also repurchase our own shares from time to time. We paid Ps. 13,943 million in dividends in 2005 and Ps. 1,624 million in 2004, and we are paying dividends quarterly in 2006. Dividends for 2005 include an extraordinary dividend of Ps. 0.30 per share paid in December 2005, for a total of Ps. 10,877 million. In April 2006, our shareholders authorized a dividend of Ps. 0.10 per share, payable in July 2006. We also spent (including commissions and value-added taxes) Ps. 6,549 million repurchasing our own shares in the open market in 2005 and Ps. 12,842 million in 2004. 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 2006.

- During 2005 and 2004, we spent approximately Ps. 10,769 million and Ps. 7,802 million, respectively, in order to acquire new companies and licenses and increase our interests in some of our subsidiaries.

- During 2005, we used Ps. 26,058 million to repay debt, as compared to Ps. 36,584 million in 2004.

The following table summarizes certain contractual liabilities as of December 31, 2005. Our purchase obligations and approximately 60% of our debt described below are denominated in U.S. dollars. The table does not include accounts payable or pension liabilities, and amounts set forth in the table do not include interest.

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	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, 2005)				
Contractual obligations as of December 31, 2005:					
Equipment leases	Ps. 4,756	Ps. 713	Ps. 4,043	Ps.	Ps.
Real estate leases	9,145	1,615	4,272	1,148	2,110
Long-term debt	51,530	285	18,775	2,091	30,379
Short-term debt	16,722	16,722			
Purchase obligations (1)	9,694	1,607	8,087		
Total	Ps. 91,847	Ps. 20,942	Ps. 35,177	Ps. 3,239	Ps. 32,489

(1) See discussion below.

We have entered into agreements to purchase equipment for the expansion of our GSM networks. Total amounts payable under those contracts that are not reflected in our accounts payable or paid are approximately U.S.$755 million (Ps. 8,087 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. In addition, we are obligated, at the option of the counterparty, to purchase all of the shares of our subsidiary Telecom Americas that are not already owned by us. The minority shareholder has the right to sell its shares to us beginning in October 2006 for U.S.$150 million plus interest at an annual rate of 3%. Other than the amounts described in the table above, we had no other outstanding material purchase commitments as of December 31, 2005. 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.

Under many of our concessions and licenses, we are required to make annual royalty payments in order to continue using such concessions and licenses. These payments are typically calculated as a percentage of gross revenues generated under such concessions and licenses. In the case of the 1900 megahertz spectrum (Band F) concessions in Mexico, however, we are required to pay Ps. 255 million (subject to adjustment for inflation) annually for 20 years in respect of the 10 megahertz acquired during 2005.

We could have opportunities in the future to invest in other telecommunications companies outside Mexico, especially in Latin America and the Caribbean, 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 require significant funding for capital expenditures. On April 2, 2006, we agreed to acquire the equity interests of Verizon in certain companies through which it beneficially owns shares in Verizon Dominicana, Telecomunicaciones de Puerto Rico and, through an equally owned joint venture with our affiliate Telmex, Compañía Anónima Nacional de Teléfonos de Venezuela. See the discussion included earlier in this Item 5 under Overview Effects of Recent Acquisitions for more information about these transactions.

Capital Resources

We generate substantial resources from our operations. On a consolidated basis, operating activities provided Ps. 60,538 million in 2005 and Ps. 39,114 million in 2004.

In addition to funds generated from operations, we have used new borrowings to fund acquisitions and capital expenditures and refinance debt. We have traditionally relied on a combination of equipment financings, borrowings from international banks and borrowings in the Mexican capital market. In March 2004, we accessed for the first time the international dollar debt markets, with offerings totaling U.S.$2.1 billion. During 2005, we issued U.S.$1.0 billion and Ps. 5,000 million principal amount of senior notes in the international debt capital markets.

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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. However, pursuant to our bylaws, holders of AA and A Shares may exchange their AA and A Shares for L Shares on a one-to-one basis.

Outstanding Indebtedness

At December 31, 2005, we had total consolidated indebtedness of Ps. 68,537 million, as compared to Ps. 63,506 million at December 31, 2004. Cash and cash equivalents amounted to Ps. 11,277 million at December 31, 2005 and Ps. 17,068 million at December 31, 2004. Approximately 60% of our indebtedness at December 31, 2005 was denominated in currencies other than Mexican pesos (approximately 55.2% in U.S. dollars and 4.6% in other currencies, principally in Colombian pesos), and approximately 40.6% of our consolidated debt obligations bore interest at floating rates. Of our total debt at December 31, 2005, Ps. 17,007 million (or 24.8%) was classified as short-term.

Our net debt (total debt minus cash and cash equivalents) at December 31, 2005 increased by 23.3% as compared to December 31, 2004. This principally reflects increased amounts spent during 2005 for capital expenditures, acquisitions and dividends.

Since 2004, we have relied on the international debt markets as a principal source of financing, and in December 2004, we established a shelf registration for up to U.S.$2 billion of debt securities with the U.S. Securities and Exchange Commission. We have issued six series of senior notes in the international debt markets; U.S.$3.1 billion in dollar-denominated senior notes and Ps. 5,000 million in peso-denominated senior notes. As a result of these offerings, we were able to extend the average life of our indebtedness at attractive rates. Our ability to access the international debt capital markets on these terms has been largely a function of the credit ratings given to our debt. As of the date of this annual report, our dollar-denominated senior notes are rated A3 by Moody s Investors Service, BBB+ by Standard and Poor s Rating Group and BBB+ by Fitch Ratings, which ratings are generally considered to connote investment grade debt with moderate to low credit risk. Adverse economic conditions or changing circumstances may, however, cause our ratings to be downgraded. There are only a few Mexican companies with an investment grade rating, and the ability of those companies, including us, to maintain an investment grade rating is in large part contingent on Mexico maintaining its investment grade rating which it attained in 2000. The weighted average cost of all our third-party debt at December 31, 2005 (excluding commissions and reimbursement of certain lenders for Mexican taxes withheld) was approximately 8.19%, as compared to 8.25% at December 31, 2004.

Our major categories of indebtedness at December 31, 2005 are as follows:

U.S. dollar-denominated senior notes. At December 31, 2005, we had approximately U.S.$3.1 billion (Ps. 33,129 million) outstanding under several series of U.S. dollar-denominated senior notes issued in the international capital markets during 2004 and 2005:

U.S.$498 million (Ps. 5,334 million) senior notes due 2009, bearing interest at a fixed rate of 4.125%;

U.S.$795 million (Ps. 8,515 million) senior notes due 2014, bearing interest at a fixed rate of 5.500%;

U.S.$500 million (Ps. 5,355 million) senior notes due 2015, bearing interest at a fixed rate of 5.750%; and

U.S.$300 million (Ps. 3,213 million) senior notes due 2007, bearing interest at a floating rate of LIBOR plus 0.625%; and

U.S.$1.0 billion (Ps. 10,771 million) senior notes due 2035, bearing interest at a fixed rate of 6 $^{3}/8$%.

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The senior notes are all guaranteed by Telcel and limit our ability to incur secured debt and prohibit us from selling control of Telcel.

Mexican peso-denominated senior notes. On October 5, 2005, we issued Ps. 5,000 million in principal amount of 9.0% senior notes due January 2016, which were issued under our SEC shelf registration and sold in the international and Mexican debt capital markets. These notes are denominated in Mexican pesos, but all amounts in respect of the notes are payable in U.S. dollars, unless a holder of notes elects to receive payment in Mexican pesos in accordance with certain specified procedures. These notes are guaranteed by Telcel and limit our ability to incur secured debt and prohibit us from selling control of Telcel.

Mexican peso-denominated notes (certificados bursatiles). At December 31, 2005, we had Ps. 12,550 million in senior notes that had been sold in the Mexican capital markets. These senior notes were issued by us with a guarantee from Telcel, between 2001 and 2004, and have varying maturities, ranging from 2006 through 2010. Some bear interest at fixed rates, and others at variable rates based on Cetes (a rate based on the cost of Mexican treasuries) or TIIE (a Mexican interbank rate).

Bank loans. At December 31, 2005, we had approximately Ps. 10,742 million outstanding under a number of bank facilities bearing interest principally at variable rates based on TIIE or LIBOR.

Sale and leasebacks. During 2003 and 2004, Telcel entered into sale and leaseback transactions with respect to a portion of its telephone plant. At December 31, 2005, lease payment obligations under these contracts amounted to Ps. 4,009 million. Payments are due on a monthly basis through 2008 and bear interest at a variable rate based on TIIE plus a spread. In addition, in 2004 and 2005, Conecel entered into sale and leaseback transactions with respect to a portion of its telephone plant. At December 31, 2005, lease payment obligations under the contract amounted to U.S.$70 million (Ps. 747 million). Payments are due on a monthly basis through 2008 and bear interest at LIBOR plus a spread.

Colombian peso-denominated notes. In 2004, Comcel issued Colombian peso-denominated notes in the Colombian capital markets in three different series. At December 31, 2005, the aggregate principal amount outstanding was Ps. 2,110 million. These notes bear interest at a variable rate based on the IPC (the Colombian consumer price index rate) plus a spread, and mature in 2010 and 2013. These notes are guaranteed by América Móvil.

At December 31, 2005, Telcel had, on an unconsolidated basis, unsecured and unsubordinated obligations under indebtedness and guarantees of parent company and subsidiary indebtedness of approximately Ps. 63,617 million (U.S.$5,939 million), excluding subordinated debt owed to us or our other subsidiaries. In addition, at December 31, 2005, our operating subsidiaries other than Telcel had indebtedness of Ps. 4,920 million (U.S.$459 million).

In April 2006, we borrowed U.S.$2,000 million under a syndicated loan facility. The loan matures in April 2011, bears interest at LIBOR plus a spread and is guaranteed by Telcel. The proceeds from the loan are being used to prepay indebtedness, principally bank loans, and for general corporate purposes. The facility limits our ability to incur secured debt and pledge assets, to effect a merger or sell substantially all of our assets, to sell control of Telcel or to permit restrictions on the ability of Telcel to pay dividends or make distributions to us. In addition, the facility require us to maintain a consolidated ratio of debt to EBITDA not greater than 4.0 to 1.0 and a consolidated ratio of EBITDA to interest expense not less than 2.5 to 1.0. The loan is subject to acceleration if there is a change of control.

Risk Management

We regularly assess our interest rate and currency exchange exposures in order to determine how to manage the risk associated with these exposures. We use derivative instruments to hedge or adjust our exposures. We have also used derivative instruments from time to time to seek to reduce our costs of financing. Our practices vary from time to time depending on our judgment of the level of risk, expectations as to exchange or interest

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rate movements and the costs of using derivative instruments. We may stop using derivative instruments or modify our practices at any time. As of December 31, 2005, after taking into account derivative transactions, approximately 12.1% of our total debt was effectively denominated in U.S. dollars and approximately 26% was effectively subject to floating rates.

As of December 31, 2005, we had entered into U.S. dollar-Mexican peso cross currency swaps in respect of U.S.$800 million of our total U.S. dollar-denominated debt. Under these swaps, we have effectively replaced our obligation to make payment in U.S. dollars with an obligation to make payment in Mexican pesos.

As of December 31, 2005, we had entered into Mexican peso-U.S. dollar cross currency and interest rate swaps in respect of Ps.$1,000 million of our total Mexican peso at a variable rate denominated debt. Under these swaps we have effectively replaced our obligation to make payment in Mexican pesos at a variable rate with an obligation to make payment in U.S. dollars at a variable rate. In addition, we had entered into U.S. dollar-Mexican peso forwards for a total of U.S.$1,475 million to hedge our exposure to our U.S. dollar-denominated debt.

A significant portion of our peso-denominated indebtedness bears interest at floating rates. We have entered into interest rate coverage transactions to reduce our exposure to changes in Mexican interest rates. Specifically, we have entered into interest rate swaps in which we pay interest at a fixed rate and receive interest on a floating rate, on a notional amount in Mexican pesos. As of December 31, 2005, the aggregate notional amount of domestic interest rate swaps was Ps. 5,000 million.

We have also covered part of our exposure to U.S. dollar debt that bears interest at floating rates. The aggregate notional amount of U.S. dollar interest rate swaps as of December 31, 2005 was approximately U.S.$1.03 billion. The general effect of these swaps is to replace an obligation to pay floating-rate interest on our debt with an obligation to pay fixed-rate interest.

In addition, as of December 31, 2005, we had U.S. dollar-Mexican peso cross currency and interest rate swaps with an aggregate notional amount of U.S.$400 million that were not at the time hedging any underlying liability. We had originally entered into these instruments to hedge underlying risks arising from debt, but during 2004 or 2005 we refinanced the underlying debt and decided to maintain the derivative instruments.

The aggregate effect of all of our derivative instruments during 2005 was a loss of Ps.1,120 million reflected as part of our comprehensive financing income and a loss of Ps. 92.9 million recorded as part of shareholders equity under the caption other comprehensive loss items, as compared to a gain of Ps. 503.8 million in 2004 reflected as part of our comprehensive financing income.

As of December 31, 2005, the fair value of our derivative instruments was Ps. (1,862.7) million.

Off-Balance Sheet Arrangements

We have an obligation to purchase all of the shares of our subsidiary Telecom Americas that are not already owned by us from its minority shareholder. The minority shareholder has the right to sell its shares to us beginning in October 2006 for U.S.$150 million plus interest at an annual rate of 3%.

Except for the obligation described above, as of December 31, 2005, 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. 31,618 million in 2005, Ps. 17,218 million in 2004, and Ps. 16,194 million in 2003. Compared to Mexican GAAP, net income under U.S. GAAP was approximately 0.29% lower in 2005 and 0.9% higher in 2004.

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 2005 net income related to the recording of deferred income taxes, the restatement of the carrying value of property, plant and equipment to reflect the effects of inflation and the recognition and depreciation of capitalized interest on assets under construction. Under Mexican GAAP, in order to reflect the effects of inflation on our imported telephone plant and equipment, we restate its value based on the rate of inflation in the respective country of origin and the prevailing exchange rate at the balance sheet date. The use of this method, which is known as the specific indexation method, is not permitted under U.S. GAAP, and as a result, for purposes of U.S. GAAP, we restate nonmonetary assets based on the Mexican National Consumer Price Index. During 2005, restatement based on the Mexican National Consumer Price Index would have resulted in a higher carrying value for our plant and equipment and higher depreciation expenses, and the corresponding U.S. GAAP reconciliation adjustments resulted in decreases in our net income and increases in our stockholders equity under U.S. GAAP as compared to Mexican GAAP. Under Mexican GAAP, we expense net financing costs on assets under construction, whereas for U.S. GAAP purposes, these costs must be capitalized in property, plant and equipment and depreciated over the lives of the related assets. During 2004 and 2005, we had significant financing costs with respect to assets under construction, particularly in Mexico and Brazil, and the corresponding U.S. GAAP reconciliation adjustments resulted in increases to our net income and stockholders equity under U.S. GAAP as compared to Mexican GAAP. Finally, during 2005, for U.S. GAAP purposes, we recorded significant deferred income tax expenses in respect of some of our reconciliation adjustments, principally on the restatement of the carrying value of property, plant and equipment. Other differences that had a significant effect on 2005 net income relate to the recording of deferred employee profit sharing, the accounting for acquisitions or divestitures between entities under common control, the presentation of minority interests, the adoption of EITF 00-21 (relating to revenue arrangements with multiple deliverables) and the effect of inflation accounting on U.S. GAAP adjustments. The differences in stockholders equity under Mexican GAAP and U.S. GAAP reflect principally these same matters, as well as the reversal of the amortization of goodwill under Mexican GAAP through 2004 and of net gains on sales to affiliates. For a discussion of the principal differences between Mexican GAAP and U.S. GAAP, see Note 20 to our audited 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.

Purchase accounting purchase price allocation

During 2005, 2004 and 2003, we made a number of acquisitions applying the purchase method of accounting. Accounting for the acquisition of a business under the purchase method requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. The most difficult estimations of individual fair values are those involving properties, plants and equipment and identifiable intangible assets, such as our licenses and trademarks. We use all available information to make these fair value determinations, including the retention of independent experts to determine the fair value of trademarks and an examination of the market value of licenses with similar characteristics to determine the fair value of licenses.

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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 2005 to Ps. 15,340 million, or 10.3% of our operating costs and expenses. See Note 7 to our audited 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 long-lived assets, including plant, property and equipment, licenses and trademarks and goodwill. These balances are based on historical costs net of accumulated depreciation and amortization and are restated for inflation. 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. Recoverability for assets identifiable to individual locations, such as plant, property and equipment and licenses and trademarks, is determined by comparing the forecasted undiscounted cash flows generated by these assets to the assets net carrying value. The amount of impairment loss, if any, is measured as the difference between net book value of the assets and their estimated market value. Because the analysis we perform requires that we estimate the future cash flows attributable to these assets, we are required 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 2005 and 2004 did not result in any significant impairment of our plant, property and equipment or consolidated goodwill.

Deferred Taxes

We are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves the jurisdiction-by-jurisdiction estimation of actual current tax exposure and the assessment of temporary differences resulting from the differing treatment of certain items, such as accruals and amortization, for tax and financial reporting purposes. These differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheets. We must assess in the course of our tax planning procedures the fiscal year of the reversal of our deferred tax assets and liabilities, and if there will be future taxable profits in those periods. We reverse in the current year deferred tax assets and liabilities for timing differences that have been recorded if we anticipate that the future reversal will take place in a tax-loss year. If we estimate that timing differences of a current year will be reversed in a later tax-loss year, we do not record deferred tax assets and liabilities for those timing differences. Significant management judgment is required in determining our provisions for income taxes, deferred tax assets and liabilities. The analysis is based on estimates of taxable income in the jurisdictions in which the group operates and the period over which the deferred tax assets and liabilities will be recoverable. If actual results differ from these estimates, or we adjust these estimates in future periods, our financial position and results of operations may be materially affected.

We record a valuation allowance to reduce the deferred tax assets to an amount that we believe is more likely than not to be realized. In assessing the need for the valuation allowance, we considered future taxable income and ongoing tax planning strategies. In the event that our estimates of projected future taxable income and benefits from tax planning strategies are lowered, or changes in current tax regulations are enacted that would impose restrictions on the timing or extent of our ability to utilize the tax benefits of net operating loss carry-forwards in the future, an adjustment to the recorded amount of net deferred tax assets would be made, with a related charge to income. As of December 31, 2005, we had a valuation allowance covering approximately 86.01% of our deferred tax assets of Ps. 25,704 million.

Derivative Instruments

On January 1, 2005, Bulletin C-10, *Instrumentos Financieros Derivados y Operaciones de Cobertura* (Derivative Financial Instruments and Hedging Activities), went into effect, and the Company adopted the provisions of Bulletin C-10 on a prospective basis. Accordingly, the Company values and records all derivative instruments and hedging activities in the balance sheet as either an asset or liability measured at their fair value. Changes in the fair value of derivative instruments are recorded each year in the income statement or as part of other comprehensive income within stockholders equity, based on the type of hedging instrument and the effectiveness of the hedge.

Bulletin C-10 classifies hedges as fair value hedges, cash flow hedges or hedges of net investment in a foreign subsidiary. In a fair value hedge, the changes in the fair value of both the hedge and the underlying hedged item are recognized in the income statement. In a cash flow hedge, the effective portion of the changes in the fair value of the hedge is recognized as part of other comprehensive income within stockholders equity, while any ineffective portion is recorded in the income statement as part of comprehensive financing cost on a current basis. The deferred gain or loss in stockholders equity is reclassified to the income statement during the period in which the underlying hedged item affects income.

Bulletin C-10 provides criteria to determine the effectiveness of the hedge and requires an evaluation by the Company of the effectiveness of the hedge at the time of inception and periodically. Hedges considered as effective are those in which the fair value or cash flows of the hedged item are offset on a period by period or cumulative basis by changes in the fair value or cash flow of the hedge by a range of between 80% and 125%.

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Item 6. Directors, Senior Management and Employees

MANAGEMENT

Directors

Our 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 in April 2006, 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.

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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 Honorary Lifetime Chairman	Born: First elected: Term expires: Principal occupation: Other directorships and business experience:	1940 2000 Lifetime Honorary Chairman of the Board of Directors of Grupo Carso, S.A. de C.V. Honorary Lifetime Chairman of the Board of Directors of Telmex and Grupo Financiero Inbursa, S.A. de C.V.
Patrick Slim Domit Chairman and Member of the Executive Committee	Born: First elected: Term expires: Other directorships: Business experience:	1969 2004 2007 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. Chief Executive Officer of Grupo Carso, S.A. de C.V.
Daniel Hajj Aboumrad Director and Member of the Executive Committee	Born: First elected: Term expires: Principal occupation: Other directorships: Business experience:	1966 2000 2007 Chief Executive Officer of América Móvil Director of Carso Global Telecom, América Telecom and Grupo Carso, S.A. de C.V. Chief Executive Officer of Hulera Euzkadi, S.A. de C.V.
Jaime Chico Pardo Director	Born: First elected: Term expires: Principal occupation: Other directorships:	1950 2000 2007

	Chief Executive Officer of Telmex
	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)

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Alejandro Soberón Kuri	Born:	1960
Director and Chairman of the Audit Committee	First elected:	2000
	Term expires:	2007
	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	Born:	1963
Director	First elected:	2000
	Term expires:	2007
	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
Rayford Wilkins	Born:	1951
Director and Member of the Executive Committee	First elected:	2005
	Term expires:	2007
	Principal occupation:	Group President AT&T
	Other directorships:	Various positions in the wireless industry at SBC Group
John Stephens	Born:	1959
Director	First elected:	2005
	Term expires:	2007
	Principal occupation:	Senior Vice President and Controller AT&T
Claudio X. González Laporte	Born:	1934
Director and Member of the Compensation Committee	First elected:	2000
	Term expires:	2007
	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	Born:	1930
Director and Member of the Audit Committee and the Compensation Committee	First elected:	2000
	Term expires:	2007
	Other directorships:	Director of Grupo Financiero Inbursa, S.A. de C.V.
	Business experience:	Chief Executive Officer of Nacional Financiera S.N.C., served in the Mexican Ministry of Finance and Public Credit

Carlos Bremer Gutiérrez	Born:	1960
Director and Member of the Audit Committee	First elected:	2004
	Term expires:	2007
	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.

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

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 our 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. Patrick Slim Domit and Daniel Hajj Aboumrad, named by the Mexican controlling shareholders, and Mr. Rayford Wilkins, named by SBC International, Inc.

Audit Committee

The Audit Committee consists of Messrs. Alejandro Soberón Kuri, chairman, David Ibarra Muñoz and Mr. Carlos Bremer Gutiérrez. 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, among other things:

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

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

recommend procedures for preparing financial statements and internal controls;

monitor internal controls and accounting for specified types of matters;

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

review with the auditors the annual financial statements and the accounting principles being applied in the annual and the interim financial statements;

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

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

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

report to the Board of Directors on its activities;

opine on transactions with related parties as defined in the Securities Market Law and propose independent consulting specialists to opine on such transactions;

develop procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, including for the confidential submission of concerns regarding such matters by employees; 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 and under Rule 10A-3 of the U.S. Securities and Exchange Act of 1934.

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.

Investments Committee

In February 2006, the Board of Directors created an Investments Committee, with a mandate to analyze, approve and execute the terms and conditions of proposed investments and acquisitions. The Investments Committee is composed of the following members: Patrick Slim Domit, Daniel Hajj Aboumrad, Claudio X. Gonzalez Laporte, Alejandro Soberón Kuri, David Ibarra Muñoz, Rayford Wilkings and María Asunción Aramburuzabala Larregui. The Committee has authority to review, approve and execute any and all actions required to consummate proposed investments and acquisitions.

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New Mexican Securities Market Law

On December 30, 2005, a new Securities Market Law was enacted in Mexico. Prior to December 2006, we must amend our bylaws and practices to reflect the requirements of the new law. For more information see Item 10.

The new law will require us to have one or more committees, comprised of a majority of independent members (as defined in the Mexican Securities Market Law and determined by our shareholders meeting), that oversee our corporate practices. In particular, the law requires that the committee or committees evaluate and give an opinion to the Board of Directors regarding, among others (i) our non-ordinary course transactions with related parties; (ii) the use and disposition of the company s assets; (ii) certain material transactions such as (a) transactions not in the ordinary course of business, (b) transactions representing an investment greater than 5% of the company s assets on a consolidated basis and (c) transactions involving guarantees or the incurrence of financial obligations for more than 5% of the company s assets on a consolidated basis; (iii) executive and director compensation; and (iv) waivers for board members, executives and other persons with influence on the company, to benefit from business opportunities pertaining to the company. The company must publicly disclose any case in which the resolution of the board differs from the opinion of the committee regarding any of these matters.

In addition, the new law mandate certain enhanced functions and responsibilities for our Audit Committee, which include (i) evaluation of performance of the external auditors; (ii) review and, discussion of the financial statements of the company and advising the board of directors of the committee s recommendations for approval of such financial statements; (iii) oversight of internal controls and internal audit procedures of the company; (iv) the receipt and analysis of recommendations and observations to its functions from shareholders, members of the board of directors and senior management, and the authority to act upon such recommendations and observations; (v) the authority to call a shareholders meeting and to contribute to the meeting s agenda; and (vi) oversight of the performance of the general manager.

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Senior Management

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

Daniel Hajj Aboumrad Chief Executive Officer	Appointed: Business experience:	2000 Director of Telmex s Mexican subsidiaries, Chief Executive Officer of Companía Hulera Euzkadi, S.A. de C.V.
Carlos José García Moreno Elizondo Chief Financial Officer	Appointed: Business experience:	2001 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 Latin American Operations	Appointed: Business experience:	2000 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.
Alejandro Cantú Jiménez General Counsel and Corporate Secretary	Appointed: Business experience:	2001 Mijares, Angoitia, Cortés y Fuentes, S.C.
José Elias Briones Capetillo Administration and Finance	Appointed: Business experience:	2001 Comptroller of Telcel

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.

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Compensation of Directors and Senior Management

The aggregate compensation paid to our directors (including compensation paid to members of our Audit Committee) and senior management in 2005 was approximately Ps. 2.8 million and Ps. 30.4 million, respectively. Provisions made in 2005 to provide pension, retirement or similar benefits for management totaled approximately Ps. 2.6 million.

Share Ownership

According to beneficial ownership reports filed with the SEC, Carlos Slim Helú, the lifetime honorary chairman of our Board of Directors, and certain members of his immediate family, including his son and chairman of our Board of Directors, Patrick Slim Domit, together own a majority of the voting stock of América Telecom, S.A. de C.V., our controlling shareholder. See Major Shareholders. In addition, according to beneficial ownership reports filed with the SEC, Carlos Slim Helú holds 120,000 of our A Shares and 180,000 of our L Shares directly, and Patrick Slim Domit holds 24,402 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.

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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, 2005:

	December 31,		
	2003	**2004**	**2005**
Number of employees	24,860	23,303	34,650
Category of activity:			