AMERICA MOVIL SAB DE CV/
Form 20-F
May 01, 2015
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As filed with the Securities and Exchange Commission on April 30, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 20-F

Annual Report Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

for the fiscal year ended December 31, 2014

Commission file number: 1-16269

AMÉRICA MÓVIL, S.A.B. DE C.V.

(exact name of registrant as specified in its charter)

America Mobile

(translation of registrant s name into English)

United Mexican States

(jurisdiction of incorporation)

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

(address of principal executive offices)

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11529, México, D.F., México

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

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

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

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

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

The number of outstanding shares of each of the registrant s classes of capital or common stock as of December 31, 2014:

23,384 million	AA Shares
649 million	A Shares
44,120 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 check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ¨ **Yes** 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨ International Financial Reporting Standards as issued by the International Accounting Standards Board x Other ¨

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

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

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

SELECTED FINANCIAL DATA

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

We present our financial statements in Mexican pesos. This annual report contains translations of various peso amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations that the peso amounts actually represent the U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, we have translated U.S. dollar amounts from pesos at the exchange rate of Ps.14.7348 to U.S.$1.00, which was the rate reported by Banco de México for December 31, 2014, as published in the Official Gazette of the Federation (*Diario Oficial de la Federación*, or Official Gazette).

In June 2011, we effected a two for one stock split. Unless otherwise noted, all share and per share data in this annual report have been adjusted to reflect the stock split for all periods presented. The selected financial information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements. We have not included earnings or dividends on a per American Depositary Share (ADS) basis. Each L Share ADS represents 20 L Shares and each A Share ADS represents 20 A Shares.

	For the year ended December 31,					
	2010	2011	2012	2013	2014	2014
	(in millions of Mexican pesos, except share and per share amounts)					(millions of U.S. dollars, except share and per share amounts)
Income Statement Data:						
Operating revenues	Ps. 629,889	Ps. 689,966	Ps. 775,070	Ps. 786,101	Ps. 848,262	U.S.$ 57,635

Operating costs and expenses	478,959	532,360	613,920	631,843	691,708	46,997
Depreciation and amortization	91,071	93,997	103,585	101,535	114,994	7,813
Operating income	150,930	157,606	161,150	154,258	156,554	10,638
Net profit	Ps. 98,905	Ps. 88,199	Ps. 91,649	Ps. 74,974	Ps. 47,498	U.S.$ 3,227
Net profit attributable to:						
Equity holders of the parent	Ps. 91,123	Ps. 83,045	Ps. 90,988	Ps. 74,625	Ps. 46,146	U.S.$ 3,135
Non-controlling interests	7,782	5,154	661	349	1,352	92
Net profit	Ps. 98,905	Ps. 88,199	Ps. 91,649	Ps. 74,974	Ps. 47,498	U.S.$ 3,227
Earnings per share:						
Basic	Ps. 1.15	Ps. 1.06	Ps. 1.19	Ps. 1.02	Ps. 0.67	U.S.$ 0.05
Diluted	Ps. 1.15	Ps. 1.06	Ps. 1.19	Ps. 1.02	Ps. 0.67	U.S.$ 0.05
Dividends declared per share[(1)]	Ps. 0.16	Ps. 0.18	Ps. 0.20	Ps. 0.22	Ps. 0.24	U.S.$ 0.016
Weighted average number of shares outstanding (millions):						
Basic	79,020	78,599	76,111	72,866	69,254	
Diluted	79,020	78,599	76,111	72,866	69,254	

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	As of December 31,					
	2010	2011	2012	2013	2014	2014
	(in millions of Mexican pesos, except share and per share amounts)					(millions of U.S. dollars, except share and per share amounts)
Balance Sheet Data:						
Property, plant and equipment, net	Ps. 411,820	Ps. 466,087	Ps. 500,434	Ps. 501,107	Ps. 595,596	U.S.$ 40,467
Total assets	863,083	939,603	987,685	1,025,592	1,278,357	86,856
Short-term debt and current portion of long-term debt	9,039	26,643	13,622	25,841	57,806	3,928
Long-term debt	294,060	353,975	404,048	464,478	545,949	37,094
Total equity	293,411	236,461	254,848	210,301	234,639	15,943
Capital stock	96,433	96,420	96,415	96,392	96,383	6,549
Number of outstanding shares (millions):						
AA Shares	23,424	23,424	23,424	23,424	23,384	
A Shares	786	756	712	681	649	
L Shares	56,136	52,810	51,703	46,370	44,120	
Ratio of Earnings to Fixed Charges(2)	6.8	5.6	5.4	3.9	3.5	

(1) Figures provided represent the annual dividend declared at the general shareholders meeting. For information on dividends paid per share translated into U.S. dollars, see Financial Information Dividends under Item 8.

(2) Earnings, for this purpose, consist of profit before income tax, plus interest expense, interest implicit in operating leases and current period amortization of interest capitalized in prior periods, minus equity interest in net income of associates, during the period.

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EXCHANGE RATES

The following table sets forth, for the periods indicated, the high, low, average and period-end noon buying rate in New York City for cable transfers in pesos published by the Board of Governors of the Federal Reserve System, expressed in pesos per U.S. dollar.

Period	High	Low	Average(1)	Period End
2010	13.1940	12.1556	12.6352	12.3825
2011	14.2542	11.5050	12.4270	13.9510
2012	14.3650	12.6250	13.1404	12.9635
2013	13.4330	11.9760	12.8574	13.0980
2014	14.7940	12.8455	13.3700	14.7500
October	13.5727	13.3940	13.4795	13.4825
November	13.9210	13.5360	13.6148	13.9210
December	14.7940	13.9355	14.5205	14.7500
2015				
January	15.0050	14.5640	14.6972	15.0050
February	15.1025	14.7480	14.9170	14.9390
March	15.5815	14.9330	15.2374	15.2450
April (through April 24)	15.4275	14.8025	15.1770	15.3825

(1) Average of month-end rates.

On April 24, 2015, the noon buying rate published by the Board of Governors of the Federal Reserve System was Ps.15.3825 to U.S.$1.00.

FORWARD-LOOKING STATEMENTS

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

- projections of our commercial, operating or financial performance, our financing, our capital structure or our other financial items or ratios;
- statements of our plans, objectives or goals, including those relating to acquisitions, competition and rates;
- statements concerning regulation or regulatory developments;

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

- competitive developments in the telecommunications sector;

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

- statements of assumptions underlying the foregoing statements.

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

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

Forward-looking statements speak only as of the date they are made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.

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RISK FACTORS

Risks Relating to Our Operations

Competition in the telecommunications industry is intense and could adversely affect the revenues and profitability of our operations

Our businesses face substantial competition. We expect that competition will intensify in the future as a result of the entry of new competitors, the development of new technologies, products and services and convergence. We also expect consolidation in the telecommunications industry, as companies respond to the need for cost reduction and additional spectrum. This trend may result in larger competitors with greater financial, technical, promotional and other resources to compete with our businesses.

Among other things, our competitors could:

- provide increased handset subsidies;
- offer higher commissions to retailers;
- provide free airtime or other services (such as internet access);
- offer services at lower costs through double, triple and quadruple play packages or other pricing strategies;
- expand their networks faster; or
- develop and deploy improved technologies faster.

Competition can lead us to increase advertising and promotional spending and to reduce prices for services and handsets. These developments may lead to smaller operating margins, greater choices for customers, possible consumer confusion and increasing movement of customers among competitors, which may make it difficult for us to retain or add new customers. The cost of adding new customers may also continue to increase, reducing profitability even if customer growth continues.

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

New Legal Framework for the Regulation of Telecommunications Services in Mexico

Mexico developed a new legal framework for the regulation of telecommunications and broadcasting services, based on a package of constitutional amendments enacted in June 2013 and implementing legislation enacted in July 2014. The new Federal Telecommunications Institute (*Instituto Federal de Telecomunicaciones*, or the IFT) issued a resolution in March 2014, determining that our operating subsidiaries in Mexico are part of an economic interest group that is a preponderant economic agent in the Mexican telecommunications sector, and imposing certain asymmetric regulations on our Mexican fixed-line and wireless businesses. The Mexican President signed into law and the Mexican Congress approved implementing legislation effecting the constitutional amendments in July 2014 which, among other things, eliminated domestic long-distance call charges for fixed-line and wireless services provided by all carriers in Mexico and prohibited us from charging interconnection rates. We are contesting the IFT s preponderant economic agent determination and the imposition of asymmetric regulations, but the existing measures are in effect while our challenge is pending and failure to comply with the new legal framework may result in material fines as well as restrictions on our operations and our ability to enter into new markets, such as broadcasting and Pay TV. The long-term effects of the IFT measures and the implementing legislation could be adverse to our interests in significant respects and could materially adversely affect our business and results of operations.

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Governmental or regulatory actions could adversely affect our operations

Our operations are subject to extensive government regulation and can be adversely affected by changes in law, regulation or regulatory policy. The licensing, construction, operation, sale, resale and interconnection arrangements of telecommunications systems in Latin America and elsewhere are regulated to varying degrees by government or regulatory authorities. Any of these authorities having jurisdiction over our businesses could adopt or change regulations or take other actions that could adversely affect our operations. In particular, the regulation of prices that operators may charge for their services could have a material adverse effect by reducing our profit margins.

See Regulation under Item 4, Legal Proceedings under Item 8 and Note 20 to our audited consolidated financial statements included in this annual report.

In addition, changes in political administrations could lead to the adoption of policies concerning competition and taxation of communications services. For example, Mexico has developed a new legal framework that aims to promote competition and investment in the telecommunications sector by imposing asymmetric regulation upon economic agents deemed preponderant. Furthermore, in the countries in which we operate outside of Mexico, we could face policies such as preferences for local over foreign ownership of communications licenses and assets or for government over private ownership, which could make it more cumbersome or impossible for us to continue to develop our businesses. Restrictions such as those described above could result in our incurring losses of revenues and require capital investments, all of which could materially adversely affect our businesses and results of operations.

Our failure to meet or maintain quality of service goals and standards could result in fines

The terms of the concessions under which our subsidiaries operate require them to meet certain service quality goals, including, for example, minimum call completion rates, maximum busy circuits rates, operator availability and responsiveness to repair requests. Failure to meet service quality obligations in the past has resulted in the imposition of fines by regulatory entities. Our ability to comply with these obligations in the future may be affected by factors beyond our control and, accordingly, we cannot assure that we will be able to comply with them.

Dominant carrier regulations could adversely affect our business by limiting our ability to pursue competitive and profitable strategies

Our regulators are authorized to impose specific requirements as to rates (including mobile termination rates), service quality and information on operators that are determined to have substantial market power in a specific market. We cannot predict what steps regulatory authorities might take in response to determinations regarding substantial market power in the countries in which we operate. However, adverse determinations against our subsidiaries could result in material fines, penalties or restrictions on our operations. We may also face additional regulatory restrictions and scrutiny as a result of our provision of combined services.

We believe that if dominant carrier regulations are imposed on our business in the future, they will likely reduce our flexibility to adopt competitive market policies and impose specific tariff requirements or other special regulations on us, such as additional requirements regarding disclosure of information or quality of service. For example, Mexico has developed a new legal framework for the regulation of the telecommunications sector that imposes asymmetric measures on preponderant economic agents. Any such new regulation could have a material adverse effect on our operations.

We must continue to acquire additional radio spectrum capacity and upgrade our existing networks in order to expand our customer base and maintain the quality of our wireless services

Licensed radio spectrum is essential to our growth and the quality of our wireless services, not only for our global system for mobile communications (GSM), universal mobile telecommunications systems (UMTS) and long term evolution (LTE) networks, but also for the deployment of new generation networks to offer improved data and value-added services. We obtain most of our radio spectrum through auctions conducted by governments of the countries in which we operate. Participation in spectrum auctions in most of these countries requires prior government authorization, and we may be subject to caps on our ability to acquire additional spectrum. Our inability to acquire additional radio spectrum capacity could affect our ability to compete successfully because it could result in, among other things, a decrease in the quality of our network and service and in our ability to meet the demands of our customers.

In the event we are unable to acquire additional radio spectrum capacity, we can increase the density of our network by building more cell and switch sites, but such measures are costly and would be subject to local restrictions and approvals, and they would not meet our needs as effectively.

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

Our concessions and licenses are for fixed terms, and conditions may be imposed on their renewal

Our concessions and licenses have specified terms, ranging typically from 5 to 20 years, and are generally subject to renewal upon payment of a fee, but renewal is not assured. For example, we currently face upcoming renewal of our Band B concession covering the Mexico City area that will expire in October 2015. The loss of, or failure to renew, any one concession could have a material adverse effect on our business and results of operations. Our ability to renew concessions and the terms of renewal are subject to a number of factors beyond our control, including the prevalent regulatory and political environment at the time of renewal. Fees are typically established at the time of renewal. As a condition for renewal, we may be required to agree to new and stricter terms and service requirements. If our concessions are not renewed, we are required to transfer the assets covered by the concession to the government, generally at fair market value, although certain jurisdictions provide for other valuation methodologies.

In addition, the regulatory regimes and laws of the jurisdictions in which we operate permit the government to revoke our concessions under certain circumstances. In Mexico, for example, the Federal Law on Telecommunications and Broadcasting gives the government the right to expropriate our concessions or to take over the management of our networks, facilities and personnel in cases of imminent danger to national security, internal peace or the national economy, natural disasters and public unrest.

We continue to look for acquisition opportunities, and any future acquisitions and related financing could have a material effect on our business, results of operations and financial condition

We continue to look for investment opportunities in telecommunications and related companies worldwide, including in markets where we are already present, and we often have several possible acquisitions under consideration. Any future acquisitions, and related financing and acquired indebtedness, could have a material effect on our business, results of operations and financial condition, but we cannot provide assurance that we will complete any of them. In addition, we may incur significant costs and expenses as we integrate these companies in our systems, controls and networks.

We are subject to significant litigation

Some of our subsidiaries are subject to significant litigation that, if determined adversely to our interests, may have a material adverse effect on our business, results of operations, financial condition or prospects. Our significant litigation is described in Regulation under Item 4 and in Note 20 to our audited consolidated financial statements included in this annual report.

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We are contesting significant tax assessments

We and some of our subsidiaries have been notified of tax assessments for significant amounts by the tax authorities of the countries in which we operate, especially in Mexico, Brazil and Ecuador. The tax assessments relate to, among other things, alleged improper deductions and underpayments. We are contesting these tax assessments in several administrative and legal proceedings, and our challenges are at various stages. If determined adversely to us, these proceedings may have a material adverse effect on our business, results of operations, financial condition or prospects. In addition, in some jurisdictions challenges to tax assessments require the posting of a bond or security for the contested amount, which may reduce our flexibility in operating our business. Our significant tax assessments are described in Note 20 to our audited consolidated financial statements included in this annual report.

A system failure could cause delays or interruptions of service, which could have an adverse effect on our operations

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

- physical damage to access lines and fixed networks;
- power surges or outages;
- natural disasters;
- malicious actions, such as theft or misuse of customer data;
- limitations on the use of our radio bases;
- software defects;
- human error; and
- disruptions beyond our control.

In Brazil, for example, our satellite operations may be affected if we experience a delay in launching new satellites to replace those currently in use when they reach the end of their operational lives. Such delay may occur because of, among other reasons, construction delays, unavailability of launch vehicles and/or launch failures.

We have instituted measures to reduce these risks. However, there is no assurance that any measures we implement will be effective in preventing system failures under all circumstances. System failures may cause interruptions in services or reduced capacity for our customers, either of which may have an adverse effect on our operations due to, for example, increased expenses, potential legal liability, loss of existing and potential subscribers, reduced user traffic, decreased revenues and reputational harm.

Cyber-attacks or other breaches of network or information technology security could have an adverse effect on our business

Cyber-attacks or other breaches of network or information technology security may cause equipment failures or disruptions to our operations. Our inability to operate our fixed-line or wireless networks as a result of such events, even for a limited period of time, may result in significant expenses or loss of market share to other communications providers. In addition, the potential liabilities associated with these events could exceed the insurance coverage we maintain. Cyber-attacks, which include the use of malware, computer viruses and other means for disruption or unauthorized access to companies, have increased in frequency, scope and potential harm in recent years. The preventive actions we take to reduce the risk of cyber incidents and protect our information technology and networks may be insufficient to repel a major cyber-attack in the future. The costs associated with a major cyber-attack on us could include increased expenditures on cyber security measures, litigation, damage to our reputation, lost revenues from business interruption and the loss of existing customers and business partners. In addition, if we fail to prevent the theft of valuable information such as financial data and sensitive information about us, or if we fail to protect the privacy of customer and employee confidential data against breaches of network or information technology security, it could result in damage to our reputation, which could adversely impact customer and investor confidence. Any of these occurrences could result in a material adverse effect on our results of operations and financial condition.

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

The cost of acquiring a new subscriber is much higher than the cost of maintaining an existing subscriber. Accordingly, subscriber deactivations, or churn, could have a material negative impact on our operating income, even if we are able to obtain one new subscriber for each lost subscriber. A substantial majority of our subscribers are prepaid, and we do not have long-term contracts with them. Our weighted monthly average churn rate on a consolidated basis was 3.6% for the year ended December 31, 2013 and 3.8% for the year ended December 31, 2014. If we experience an increase in our churn rate, our ability to achieve revenue growth could be materially impaired. In addition, a decline in general economic conditions could lead to an increase in churn, particularly among our prepaid subscribers.

We rely on key suppliers and vendors to provide equipment that we need to operate our business

We rely upon various key suppliers and vendors, including Apple, Samsung, TCL Communication Technology (Alcatel-OneTouch), Sony (formerly, Sony-Ericsson), LG, Huawei, Microsoft (formerly, Nokia), Alcatel-Lucent, Ericsson and ZTE to provide us with handsets, network equipment or services, which we need to expand and operate our business. If these suppliers or vendors fail to provide equipment or service to us on a timely basis, we could experience disruptions, which could have an adverse effect on our revenues and results of operations. In addition, we might be unable to satisfy requirements under our concessions.

Our ability to pay dividends and repay debt depends on our subsidiaries ability to transfer income and dividends to us

We are a holding company with no significant assets other than the shares of our subsidiaries and our holdings of cash and cash equivalents. Our ability to pay dividends and repay debt depends on the continued transfer to us of dividends and other income from our subsidiaries. The ability of our subsidiaries to pay dividends and make other transfers to us may be limited by various regulatory, contractual and legal constraints that affect them.

We may fail to realize the benefits anticipated from acquisitions, divestments and significant investments we make from time to time

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

Risks Relating to the Telecommunications Industry Generally

Changes in the telecommunications industry could affect our future financial performance

The telecommunications industry continues to experience significant changes as new technologies are developed that offer subscribers an array of choices for their communications needs. These changes include, among others, regulatory changes, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new products, and changes in end-user needs and preferences. In Mexico and in the other countries in which we conduct business, there is uncertainty as to the pace and extent of growth in subscriber demand, and as to the extent to which prices for airtime, broadband access, Pay TV and fixed-line rental may continue to decline. Our ability to compete in the delivery of high-quality internet and broadband services is particularly important, given the increasing contribution of revenues from data services to our overall growth. If we are unable to meet future advances in competing technologies on a timely basis or at an acceptable cost, we could lose subscribers to our competitors. In general, the development of new services in our industry requires us to anticipate and respond to the varied and continually changing demands of our subscribers. It also requires significant capital expenditure, including investment in the continual maintenance and upgrading of our networks, in order to expand coverage, increase our capacity to absorb higher bandwidth usage and adapt to new technologies. We may not be able to accurately predict technological trends or the success of new services in the market. In addition, there could be legal or regulatory restraints to our introduction of new services. If these services fail to gain acceptance in the marketplace, or if costs associated with implementation and completion of the introduction of these services materially increase, our ability to retain and attract subscribers could be adversely affected. This is true across many of the services we provide, including wireless and cable technology.

The intellectual property rights utilized by us, our suppliers or service providers may infringe on intellectual property rights owned by others

Some of our products and services use intellectual property that we own or license from others. We also provide content services we receive from content producers and distributors, such as ring tones, text games, video games, video, including TV programs and movies, wallpapers or screensavers, and we outsource services to service providers, including billing and customer care functions, that incorporate or utilize intellectual property. We and some of our suppliers, content distributors and service providers have received, and may receive in the future, assertions and claims from third parties that the content, products or software utilized by us or our suppliers, content producers and distributors and service providers infringe on the patents or other intellectual property rights of these third parties. These claims could require us or an infringing supplier, content distributor or service provider to cease engaging in certain activities, including selling, offering and providing the relevant products and services. Such claims and assertions also could subject us to costly litigation and significant liabilities for damages or royalty payments, or require us to cease certain activities or to cease selling certain products and services.

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

Portable communications devices have been alleged to pose health risks, including cancer, due to radio frequency emissions. Lawsuits have been filed in the United States against certain participants in the wireless industry alleging various adverse health consequences as a result of wireless phone usage, and our subsidiaries may be subject to similar litigation in the future. Research and studies are ongoing, and there can be no assurance that further research and studies will not demonstrate a link between radio frequency emissions and health concerns. Any negative findings in these studies could adversely affect the use of wireless technology and, as a result, our future financial performance.

Developments in the telecommunications sector have resulted, and may result, in substantial write-downs of the carrying value of certain of our assets

Where the circumstances require, we review the carrying value of each of our assets, subsidiaries, and investments in associates to assess whether those carrying values can be supported by the future discounted cash flows expected to be derived from such assets. Whenever we consider that due to changes in the economic, regulatory, business or political environment, our goodwill, investments in associates, intangible assets or fixed assets may be impaired, we consider the necessity of performing certain valuation tests, which may result in impairment charges. The recognition of impairments of tangible, intangible and financial assets could adversely affect our results of operations. See

Impairment of Long-Lived Assets under Item 5.

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

Members of one family may be deemed to control us

Based on reports of beneficial ownership of our shares filed with the SEC, Carlos Slim Helú, a member of our Board of Directors, together with his sons and daughters (together, the Slim Family), including his two sons who are co-chairs of our Board of Directors, Patrick Slim Domit and Carlos Slim Domit, may be deemed to control us. The Slim Family may be able to elect a majority of the members of our Board of Directors and to determine the outcome of other actions requiring a vote of our shareholders, except in very limited cases that require a vote of the holders of L Shares. The interests of the Slim Family may diverge from the interests of our other investors.

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We have significant transactions with affiliates

We engage in different transactions with certain subsidiaries of Grupo Carso, S.A.B. de C.V. (Grupo Carso) and Grupo Financiero Inbursa, S.A.B. de C.V. (Grupo Financiero Inbursa), which may be deemed for certain purposes to be under common control with América Móvil. Many of these transactions occur in the ordinary course of business. Transactions with affiliates may create the potential for conflicts of interest.

We also make investments together with related parties, sell our investments to related parties and buy investments from related parties. For more information about our transactions with affiliates see Related Party Transactions under Item 7.

Our bylaws restrict transfers of shares in some circumstances

Our bylaws provide that any acquisition or transfer of more than 10% of our capital stock by any person or group of persons acting together requires the approval of our Board of Directors. You may not acquire or transfer more than 10% of our capital stock without the approval of our Board of Directors.

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

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

Holders of L Shares and L Share ADSs have limited voting rights

Our bylaws provide that holders of L Shares are not permitted to vote except on such limited matters as, among others, the transformation or merger of América Móvil or the cancellation of registration of the L Shares with the Mexican Securities Registry (*Registro Nacional de Valores*, or RNV) maintained by the Mexican Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*, or CNBV) or any stock exchange on which they are listed. If you hold L Shares or L Share ADSs, you will not be able to vote on most matters, including the declaration of dividends, that are subject to a shareholder vote in accordance with our bylaws.

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

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

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

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

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Our bylaws may only be enforced in Mexico

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

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

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

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

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

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

Risks Relating to Developments in Mexico and Other Countries

Economic, political and social conditions in Latin America, the United States, the Caribbean and Europe may adversely affect our business

Our financial performance may be significantly affected by general economic, political and social conditions in the markets where we operate, particularly in Mexico, Brazil, Colombia, Central America, the United States and Europe. Many countries in Latin America and the Caribbean, including Mexico, Brazil and Argentina have suffered significant economic, political and social crises in the past, and these events may occur again in the future. We cannot predict whether changes in political administrations will result in changes in governmental policy and whether such changes will affect our business. Factors related to economic, political and social conditions that could affect our performance include:

significant governmental influence over local economies;

substantial fluctuations in economic growth;

high levels of inflation;

changes in currency values;

exchange controls or restrictions on expatriation of earnings;

high domestic interest rates;

price controls;

changes in governmental economic or tax policies;

imposition of trade barriers;

unexpected changes in regulation; and

overall political, social and economic instability.

Adverse economic, political and social conditions in Latin America, the United States, the Caribbean or in Europe may inhibit demand for telecommunication services and create uncertainty regarding our operating environment or may affect our ability to renew our licenses and concessions, to maintain or increase our market share or profitability and may have an adverse impact on future acquisition efforts, which could have a material adverse effect on our company.

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

Changes in exchange rates could adversely affect our financial condition and results of operations

We are affected by fluctuations in the value of the currencies in which we conduct operations compared to the currencies in which our indebtedness is denominated. Such changes result in exchange losses or gains on our net indebtedness and accounts payable. In 2013, changes in currency exchange rates led us to report net foreign exchange losses of Ps.19.6 billion. In 2014, we reported net foreign exchange losses of Ps. 28.6 billion.

In addition, currency fluctuations between the Mexican peso and the currencies of our non-Mexican subsidiaries affect our results as reported in Mexican pesos. Currency fluctuations are expected to continue to affect our financial income and expense.

Major devaluation or depreciation of the currencies in which we conduct operations could cause governments to impose exchange controls that would interfere with or limit our ability to transfer funds between us and our subsidiaries

Major devaluation or depreciation of the currencies in which we conduct operations may result in disruption of the international foreign exchange markets and may limit our ability to transfer or to convert such currencies into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal on our indebtedness. For example, although the Mexican government does not currently restrict, and for many years has not restricted, the right or ability of Mexican or foreign persons or entities to convert pesos into U.S. dollars or to transfer other currencies out of Mexico, it could, however, institute restrictive exchange rate policies in the future. Similarly, the Brazilian government may impose temporary restrictions on the conversion of Brazilian reais into foreign currencies and on the remittance to foreign investors of proceeds from investments in Brazil whenever there is a serious imbalance in Brazil s balance of payments or a reason to foresee a serious imbalance. The Argentine peso has experienced significant devaluation over the past several years and the government has adopted various rules and regulations since late 2011 that established increasingly stringent restrictions on access to the foreign exchange market and the transfer of foreign currency outside Argentina. These enhanced exchange controls have practically closed the foreign exchange market to retail transactions, and the Argentine peso/U.S. dollar exchange rate in the unofficial market substantially differs from the official foreign exchange rate. The Argentine government could impose further exchange controls or restrictions on the movement of capital and take other measures in the future in response to capital flight or a significant depreciation of the Argentine peso.

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Developments in other countries may affect the market price of our securities and adversely affect our ability to raise additional financing

The market value of securities of Mexican companies is, to varying degrees, affected by economic and market conditions in other countries, including the United States, the European Union (the EU) and emerging market countries. Although economic conditions in such countries may differ significantly from economic conditions in Mexico, investors reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers. Crises in the United States, the EU and emerging market countries may diminish investor interest in securities of Mexican issuers. This could materially and adversely affect the market price of our securities, and could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

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Item 4. Information on the Company

GENERAL

History and Corporate Information

América Móvil, S.A.B. de C.V. (América Móvil or the Company) is a *sociedad anónima bursátil de capital variable* organized under the laws of Mexico. We were established in September 2000 when Teléfonos de México, S.A.B. de C.V. (Telmex), a fixed-line Mexican telecommunications operator privatized in 1990, spun off to us its wireless operations in Mexico and other countries. We have made significant acquisitions throughout Latin America, the United States, the Caribbean and Europe, and we have also expanded our businesses organically. During 2010, we acquired control of Telmex and Telmex Internacional, S.A.B. de C.V. (currently, Telmex Internacional, S.A. de C.V., or Telmex Internacional) in a series of public tender offers. We continue to look for other investment opportunities in telecommunication companies worldwide, including in markets where we are already present, and we often have several possible acquisitions under consideration.

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

Business Overview

We provide telecommunications services in 25 countries. We are the leading telecommunications services provider in Latin America ranking first in wireless, fixed-line, broadband, and Pay TV services based on the number of revenue generating units (RGUs). Our largest operations are in Mexico and Brazil, which together account for over half of our total RGUs and in each of which we have the largest market share based on RGUs. We also have major wireless, fixed-line or Pay TV operations in 16 other countries in Latin America and 7 countries in Central and Eastern Europe. The table below provides a summary of the principal businesses we conduct and the principal brand names we use in each country where we operated as of December 31, 2014.

Country	Principal Brands	Principal Businesses
Mexico	Telcel	Wireless
	Telmex	Fixed-line
Argentina	Claro	Wireless, Fixed-line
Austria	A1	Wireless, Fixed-line
Belarus	velcom	Wireless
Brazil	Claro	Wireless, Fixed-line, Pay TV
	Embratel	
	NET	
Bulgaria	Mobiltel	Wireless, Fixed-line
Chile	Claro	Wireless, Fixed-line, Pay TV
Colombia	Claro	Wireless, Fixed-line, Pay TV
Costa Rica	Claro	Wireless, Fixed-line, Pay TV
Croatia	Vipnet	Wireless, Fixed-line, Pay TV
Dominican Republic	Claro	Wireless, Fixed-line, Pay TV
Ecuador	Claro	Wireless, Fixed-line, Pay TV
El Salvador	Claro	Wireless, Fixed-line, Pay TV

Guatemala	Claro	Wireless, Fixed-line, Pay TV
Honduras	Claro	Wireless, Fixed-line, Pay TV
Macedonia	Vip Operator	Wireless, Fixed-line, Pay TV
Nicaragua	Claro	Wireless, Fixed-line, Pay TV
Panama	Claro	Wireless, Pay TV
Paraguay	Claro	Wireless, Pay TV
Peru	Claro	Wireless, Fixed-line, Pay TV
Puerto Rico	Claro	Wireless, Fixed-line, Pay TV
Serbia	Vip mobile	Wireless
Slovenia	Si.mobil	Wireless
Uruguay	Claro	Wireless
United States	TracFone, Straight Talk	Wireless

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We intend to build on our position as the leader in integrated telecommunications services in Latin America and the Caribbean by continuing to expand our subscriber base, both by developing our existing businesses and by making strategic acquisitions when opportunities arise. We have developed world-class integrated telecommunications platforms to offer our customers new services and enhanced communications solutions with higher data speed transmissions at lower prices. We continue investing in our networks to increase coverage and implement new technologies to optimize or network capabilities. See Seasonality of our Business under Item 5 for a discussion on the seasonality of our business.

The following table sets forth the number of our wireless subscribers and our fixed RGUs, which together make up the total RGUs, in the countries where we operate. Fixed RGUs consist of fixed-lines, broadband accesses and Pay TV units (which include subscribers to our Pay TV services and, separately, to certain other digital services). The table includes total wireless subscribers and fixed RGUs of all consolidated subsidiaries and affiliates, without adjusting where our equity interest is less than 100%. The table reflects the geographic segments we use in our consolidated financial statements and in particular: (a) Southern Cone includes Argentina, Chile, Paraguay and Uruguay; (b) Andean Region includes Ecuador and Peru; (c) Central America includes Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama, (d) Caribbean includes the Dominican Republic and Puerto Rico; and (e) Europe includes Austria, Belarus, Bulgaria, Croatia, Macedonia, Serbia and Slovenia.

	December 31, (in thousands)		
	2012	**2013**	**2014**
Wireless subscribers:			
Mexico	70,366	73,505	71,463
Brazil	65,239	68,704	71,107
Colombia	30,371	28,977	29,775
Southern Cone	27,432	28,166	27,754
Andean Region	24,638	23,886	24,270
Central America	15,271	17,222	13,973
United States	22,392	23,659	26,006
Caribbean	5,848	5,764	5,092
Europe			20,008
Total wireless subscribers	261,557	269,883	289,448
Fixed RGUs:			
Mexico	22,721	22,451	22,250
Brazil	28,586	32,683	36,096
Colombia	4,195	4,748	5,307
Southern Cone	1,508	1,714	1,826
Andean Region	1,120	1,343	1,576
Central America	3,896	4,261	4,606
Caribbean	2,165	2,244	2,347
Europe			4,402
Total Fixed RGUs	64,191	69,444	78,410

Our principal operations are described below. We operate in all of our geographic segments under the Claro brand, except in Mexico, the U.S. and Europe, as described below.

Mexico Wireless. Our subsidiary Radiomóvil Dipsa, S.A. de C.V. (Telcel), which operates under the name Telcel, is the largest provider of wireless telecommunications services, based on the number of subscribers, on the fastest 3G and 4G LTE networks in Mexico.

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Mexico Fixed-Line. Our subsidiary Telmex, which operates under that name, is the largest nationwide provider of fixed-voice and broadband services in Mexico based on the number of fixed RGUs.

Brazil. Our subsidiary Claro S.A. (Claro Brasil) provides wireless, fixed-line and Pay TV services under the brand names Claro, Embratel and NET. Claro Brasil became one of the leading providers of telecommunications services in Brazil, following a reorganization of our subsidiaries on December 31, 2014, in which our subsidiaries Embratel Participações S.A. (Embrapar), Empresa Brasileira de Telecomunicações (Embratel) and Net Serviços de Comunicação (Net Serviços) merged into Claro Brasil. We are the largest provider of telecommunications services in Brazil based on the number of RGUs.

Colombia. We provide integrated telecommunication services in Colombia, where we are the largest wireless service provider based on the number of subscribers. We also provide fixed-line telecommunications and Pay TV services. We are the largest carrier of broadband and Pay TV services and the third largest carrier in fixed voice services, in each case based on the number of RGUs.

Southern Cone. We provide wireless and fixed-line services in Argentina, Paraguay, Uruguay and Chile. In Chile and Paraguay, we offer nationwide Pay TV services.

Andean Region. We provide wireless services, fixed-line telecommunications and Pay TV services in Peru and Ecuador. In Ecuador, we are the largest wireless operator and are making important inroads into fixed-line services. In Peru, we are the second largest operator in all business lines, based on the number of RGUs.

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

United States. Our subsidiary TracFone Wireless Inc. (TracFone) is engaged in the sale and distribution of no-contract wireless services and wireless phones throughout the United States, Puerto Rico and the U.S. Virgin Islands. It is one of the largest virtual network operators (MVNO) and operates under the brands TracFone, Straight Talk, SafeLink Wireless, Net10 Wireless and Simple Mobile.

Caribbean. We provide fixed-line telecommunications, wireless, broadband and Pay TV services in the Dominican Republic and Puerto Rico. In each country, we are one of the largest telecommunications services provider based on the number of RGUs.

Europe. Our subsidiary Telekom Austria AG (Telekom Austria) is a leading provider of wireless and fixed-line telecommunications services in Central and Eastern Europe. It is listed on the Vienna Stock Exchange.

For a list of certain other subsidiaries, see Exhibit 8.1 to this annual report.

Property, Plants and Equipment

See Note 10 to our audited consolidated financial statements.

Other Investments

We have a substantial investment in Koninklijke KPN N.V. (KPN). KPN is the leading telecommunications and IT services provider in the Netherlands and is listed on the Amsterdam Stock Exchange (Euronext Amsterdam). In our audited consolidated financial statements, we account for KPN using the equity method.

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Recent Developments

Telcel Tower Spin-off

In April 2015, a majority of the outstanding AA and A Shares, voting together at an extraordinary shareholders meeting, approved the spin-off of a new company that will own Telcel s towers and certain related infrastructure used by its wireless operations in Mexico. The new company will be a Mexican corporation whose business will initially be to construct, install, maintain, operate and market, directly or through its subsidiaries, various types of towers, other support structures, physical space for the location of towers, and non-electronic components, in each case used for the installation of wireless communication transmission equipment, as well as to provide other services related directly or indirectly to the telecommunications sector. The implementation of the spin-off is subject to certain corporate, regulatory and governmental approvals.

Settlement with Axtel and Avantel

In March 2015, our subsidiaries Telcel, Telmex and Teléfonos del Noroeste, S.A. de C.V. (Telnor), reached a settlement agreement with Axtel, S.A.B. de C.V. and Avantel, S. de R.L. de C.V. (collectively, Axtel) to settle all disputes regarding termination rates and related interconnection matters. After accounting for the payment of all disputed and outstanding amounts related to mobile termination services, we made a net payment of Ps.950 million to Axtel as part of the settlement. Axtel concurrently signed agreements to become the first mobile MVNO to use Telcel s network to provide mobile phone services and to access and share the passive infrastructure owned by Telmex in Mexico.

Fine Imposed on Telmex by the Instituto Federal de Telecomunicaciones

In January 2015, the Federal Telecommunications Institute (*Instituto Federal de Telecomunicaciones*, or IFT) imposed a fine of Ps.14.4 million on Telmex for failing to file a notification of an alleged merger (*concentración*) with the IFT in November 2008, with respect to arrangements between Telmex and Dish México Holdings, S. de R.L. de C.V. and its related companies. Telmex has challenged the IFT s resolution imposing such fine, since we believe such arrangements do not constitute a merger as defined by the IFT.

TracFone Settlement with the U.S. Federal Trade Commission

In January 2015, our subsidiary TracFone agreed to pay U.S.$40 million to settle with the U.S. Federal Trade Commission (FTC) and the plaintiffs to four civil class actions, in each case with respect to certain advertising practices for TracFone s unlimited data plans. The funds will be used to provide refunds to consumers through a claims process that will be jointly administered by the FTC and the civil class plaintiffs counsel.

Acquisition of Spectrum in Four Countries

Between the months of October 2014 and February 2015, we paid a total of U.S.$1.8 billion to purchase additional spectrum to expand our 4G LTE and 3G networks in four countries: Brazil (20 MHz of spectrum in the 700 MHz band); Argentina (20 MHz of spectrum in the 1,700 MHz band and 30 MHz of spectrum in the 700 MHz band); Ecuador (20 MHz of spectrum in the 1,900 MHz band and 40 MHz of spectrum in the 1700 MHz-2100 band); and Puerto Rico (10 MHz of spectrum in the 1,700 MHz band).

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MEXICO WIRELESS OPERATIONS

We offer wireless services and products in Mexico through our subsidiary Telcel and Telcel s subsidiaries and affiliates in Mexico. Telcel is the leading provider of wireless communications services in Mexico. We also offer yellow-pages directory services in Mexico through Anuncios en Directorios, S.A. de C.V. and publishing services through Editorial Contenido, S.A. de C.V.

As of December 31, 2014, we had approximately 71.5 million cellular subscribers, approximately 86.1% of which were prepaid customers, which represented a market share of 69.5%.

In 2014, our Mexico Wireless segment had revenues of Ps.195,710 million representing 23.1% of our consolidated revenues for such period. As of December 31, 2014, our Mexico Wireless operations represented approximately 24.7% of our total wireless subscribers, as compared to 27.2% at December 31, 2013.

The following table sets forth information regarding our Mexico Wireless segment s subscriber base, market share and operating measures at the dates and for the periods indicated.

		December 31,	
	2012	**2013**	**2014**
ARPU (year ended)	Ps. 176	Ps. 167	Ps. 165
Subscribers (thousands):			
Prepaid	61,756	64,112	61,507
Postpaid	8,610	9,393	9,956
Total	70,366	73,505	71,463
Market share	69.6%	70.2%	69.5%
MOUs (year ended)	265	273	266
Wireless churn rate (year ended)	3.7%	3.8%	4.3%

Services and Products

Voice Services and Products

Telcel offers wireless voice and data services under a variety of service plans to meet the needs of different user segments. The plans are either postpaid, where the customer is billed monthly for the previous month, or prepaid, where the customer pays in advance for a specified volume of use over a specified period. Although prepaid customers typically generate lower levels of usage and are often unwilling to make a fixed financial commitment or do not have the credit profile to purchase postpaid plans, we believe the prepaid market represents a large and growing market in Mexico because, compared to the average postpaid plan, prepaid plans involve higher average per minute airtime charges, lower customer acquisition costs and billing expenses, and no payment risk.

Rates for postpaid plans have not increased since April 1999 and rates for prepaid plans have not increased since 2002. Rates for both types of plans are affected by the Mexican economic and regulatory environment. In addition, in recent periods Telcel has offered certain discounts and promotions that reduce the effective rates that its postpaid and prepaid customers pay.

Telcel offers international roaming services to its subscribers through the networks of cellular service providers with which Telcel has entered into international roaming agreements around the world. In Mexico, Telcel also provides GSM, 3G and 4G LTE roaming services to customers of Telcel s international roaming partners.

In connection with the provision of its voice services, in the past Telcel earned mobile termination revenues from calls to any of its subscribers that originated with another service provider. Telcel charged the service provider from whose network the call originates a mobile termination charge for the time Telcel s network is used in connection with the call. Under the 2014 implementing legislation and the IFT s determination that we are part of a group constituting a preponderant economic agent, Telcel is no longer able to charge other service providers any mobile termination rates. Telcel filed a challenge (*juicio de amparo*) against the IFT s resolution, which is still pending. Similarly, Telcel must continue to pay mobile termination rates in respect of calls made by its subscribers to customers of other service providers and such rates are freely negotiated with such other providers See Regulation Mexico and Regulation Mexico Mexican Regulatory Proceedings Mobile Termination Rates under this Item 4 and Note 20 to our audited consolidated financial statements included in this annual report.

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Value-Added Services

Telcel offers value-added services that include internet access, messaging, and other wireless entertainment and corporate services.

Telcel provides internet access through its GSM/EDGE, 3G and 4G LTE networks. Telcel s internet services include roaming capability and wireless internet connectivity for feature phones, smartphones, tablets and laptops, including data transmission, e-mail services, instant messaging, content streaming, interactive applications and other internet services.

In addition, Telcel offers other wireless services, including wireless security services, mobile payment solutions, machine-to-machine services, mobile banking, VPN services, *Oficina Móvil Telcel* (a services suite designed to provide companies with productivity-enhancing applications), video calls, and Personal Communications Service (PCS). On our website, *Claroideas*, Telcel also offers a wide range of services and content such as video, music, games and other applications.

Handsets and Accessories

Telcel offers a variety of products as complements to its wireless services, including handsets, feature phones, smartphones, broadband cards, tablets and accessories such as chargers, headsets and batteries.

Marketing

Telcel develops customer and brand awareness through its marketing and promotion efforts and high-quality customer care. Telcel builds upon the strength of its well-recognized brand name to increase consumer awareness and customer loyalty, employing continuous advertising efforts through print, radio, television, digital media, sponsorship of sports events and other outdoor advertising campaigns. Telcel promotes social responsibility through programs such as its alliances with the World Wildlife Fund and the (RED) campaign. In addition, Telcel has a loyalty rewards program, *Círculo Azul*, that offers postpaid customers points that can be redeemed for handsets and other goods or services provided by third parties.

In 2014, our marketing efforts were mainly focused on promoting our 4G LTE network as well as a variety of rate plans, products and services throughout Mexico.

Sales and Distribution

Telcel markets its wireless services and products primarily through distributors located throughout Mexico, who sell Telcel s services and products, including handsets, postpaid plans and prepaid cards, and receive commissions through approximately 19,274 points of sale. In addition, Telcel s company-owned retail stores offer one-stop shopping for a variety of wireless services and products. Walk-in customers can subscribe for postpaid plans, purchase prepaid cards and purchase handsets and accessories. As of December 31, 2014, Telcel owned and operated 369 customer sales and service centers throughout Mexico and will continue to open new sales and service centers as necessary in order to offer its products directly to subscribers in more effective ways. In addition, Telcel has a dedicated corporate sales group to service the needs of its large corporate and other high-usage customers. For the year ended December 31, 2014, approximately 34.0% of Telcel s sales of handsets were generated from cellular distributors, 39.0% from retail chains, 24.0% from company-owned stores, and 3.0% from direct sales to corporate accounts.

Billing and Collection

Telcel bills its postpaid customers through monthly invoices, which detail itemized charges. Customers may pay their bills through pre-authorized debit or credit charges, in person at banks and at Telcel s and other designated retail stores and electronically through the internet websites of Telcel and of banks.

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Before IFT s determination that we are part of a group constituting a preponderant economic agent, if a postpaid customer s payment was overdue, all services could be suspended temporarily until full payment for all outstanding charges was received. If the subscriber s payment was more than 60 days past due, all services could be discontinued permanently. As a result of IFT s determination of preponderance, we are no longer permitted to make any suspensions to any telecommunications services other than data services.

Accounts that are more than 90 days past due are considered doubtful accounts.

A prepaid customer who purchases airtime credit has between 10 and 60 days, depending on the amount purchased, to use the airtime. After 30 or 60 days, depending on the amount purchased, the customer can no longer use that airtime for outgoing calls unless the customer purchases additional airtime credit.

Customer Service

Telcel places a high priority on providing its customers with quality customer care and support, with approximately 65.6% of Telcel s employees dedicated to customer service. Customers may call a toll-free telephone number, go to one of the customer sales and service centers located throughout Mexico or access Telcel s website to make inquiries.

Our Networks and Technology

Telcel s wireless networks, which cover approximately 93.0% of the Mexican population, use digital technologies in the 850 MHz frequency spectrum, 1900 MHz frequency spectrum and the 1.7/2.1 GHz frequency spectrum. As of December 31, 2014, Telcel has networks using:

- GSM technology in the 1900 and 850 MHz frequency spectrums;
- enhanced data rates for GSM evolution (EDGE) technologies in the 1900 and 850 MHz frequency spectrum;
- 3G UMTS/HSPA technologies in the 850 and 1900 MHz frequency spectrum; and
- 4G LTE technology in the 1.7/2.1 GHz frequency spectrum.

GSM/EDGE network

Currently, Telcel s GSM network offers service in all nine regions in Mexico, having built and installed a GSM network in the 1900 MHz spectrum in those regions. In addition, Telcel has continued with the expansion of its GSM network by using the 850 MHz and 1900 MHz spectrum since 2006. As of December 31, 2014, Telcel s GSM subscriber base represented approximately 48.5% of Telcel s total subscribers.

In addition, Telcel upgraded the GSM network with EDGE technology in 2005. It has implemented EDGE technology in all localities with GSM coverage (approximately 202,309 localities), including all the major cities and roads in Mexico.

3G network

Telcel operates a UMTS 3G network in Mexico using the existing 850 MHz spectrum using HSPA, a wireless telephony communications protocol that allows networks based on UMTS to have higher data transfer speeds and capacity. In addition, Telcel continues to expand its 3G network by using the 1900 MHz spectrum band. As of December 31, 2014, Telcel s UMTS/HSPA network covered approximately 146,453 localities, including all of Mexico s principal cities. Telcel plans to continue expanding its 3G coverage in Mexico throughout 2015 to urban as well as rural areas. As of December 31, 2014, Telcel s UMTS/HSPA subscriber base represented approximately 47.4% of Telcel s total subscribers. We expect to improve our network coverage in cities and areas with high data usage through the ongoing deployment of HSPA+ protocol.

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4G LTE network

In November 2012, Telcel began offering 4G services using a LTE technology based network in Mexico s nine major cities and expanded its coverage to other large and medium cities through 2014. Telcel plans to continue expanding its coverage through 2015. LTE allows us to offer higher bitrates in wireless data services and is the leading 4G technology across the globe. As of December 31, 2014, Telcel s 4G LTE subscriber base represented approximately 4.1% of Telcel s total subscribers.

Competition

Telcel faces competition from other wireless providers using the 850 MHz spectrum and from providers with PCS licenses that provide wireless service on the 1900 MHz spectrum. Telcel s principal competitors are AT&T Inc. (AT&T) and Telefónica S.A (Movistar).

As a result of the Federal Law on Telecommunications and Broadcasting, Telcel also faces competition from MVNOs such as Axtel, Quickly Phone, S.A. de C.V. (Quickly Phone) and Telecomunicaciones 360, S.A. de C.V. (Elektra), all of which are MVNOs under Telcel s network, as well as Virgin Mobile México, S. de R.L. de C.V. (Virgin Mobile), Teligentia, S.A. de C.V. (Cierto), Lycamobile, S.A.P.I. de C.V. (Lycamobile), Coppel Móvil, S.A. de C.V. (Coppel) and Maz Tiempo, S.A.P.I. de C.V. (Maz Tiempo), all of which are MVNOs under Telefónica s network.

The effects of competition on Telcel depend, in part, on the business strategies of its competitors, on regulatory developments and on the general economic and business climate in Mexico, including demand growth, interest rates, inflation and exchange rates. The effects could include loss of market share and pressure to reduce rates. See Regulation Mexico under this Item 4.

Directory Services and Products

Print Directories

We publish and distribute yellow-pages and white-pages directories. Basic listing in our yellow-pages directories is provided at no charge and includes the name, address and telephone number of the business according to its classification. In addition, we sell paid advertising space on an annual basis in our yellow-pages directories and offer various advertising options to our customers.

Internet Directory

Through our Sección Amarilla business, we provide a wide range of advertising, e-commerce and digital marketing services, from local directory services, maps and videos to search engine optimization (SEO) and search engine marketing (SEM) strategies for small and medium business and large advertisers, e-commerce platforms, application development for mobile devices, digital discount coupons and social media solutions.

We are the largest provider of yellow-pages directories in Mexico, where we compete with other types of media, including television broadcasting, newspaper, radio, direct mail, search engines and other internet yellow-pages.

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MEXICO FIXED OPERATIONS

We offer fixed-line services and products in Mexico mainly through our subsidiary Telmex and its subsidiaries in Mexico. Telmex is the leading provider of fixed-line voice and broadband services in Mexico. As of December 31, 2014, we had approximately 13.1 million fixed voice RGUs and 9.2 million broadband RGUs in Mexico.

In 2014, our Mexico Fixed segment had revenues of Ps.107,518 million, representing 12.7% of our consolidated revenues for such period. As of December 31, 2014, our Mexico Fixed operations represented approximately 28.4% of our total fixed RGUs, as compared to 32.3% at December 31, 2013.

The following table sets forth information regarding our Mexico Fixed segment s fixed RGU base, traffic and operating measures at the dates and for the periods indicated:

	December 31,		
	2012	2013	2014
Fixed RGUs (thousands):			
Fixed voice	14,224	13,543	13,088
Broadband	8,497	8,908	9,162
Total	22,721	22,451	22,250
Traffic (year ended) (millions):			
Long-distance minutes	33,156	34,868	37,091
Interconnection minutes	38,368	41,216	42,189
Total minutes	71,524	76,084	79,280
Churn rate (year ended):			
Fixed voice	1.1%	1.4%	1.1%
Broadband	1.4%	1.2%	1.2%

Services and Products

Voice Services and Products

Telmex offers a variety of fixed-line voice services and products, including local service and domestic and international long-distance service and public telephony services, under a variety of plans to meet the needs of different market segments.

Telmex charges for fixed-line local telephone service include (a) installation charges, (b) monthly line-rental charges, (c) local-service calls, (d) digital services and (e) charges for other services, such as the transfer and reconnection of a line to another address. Residential customers pay a fixed charge per local call in excess of a monthly allowance of 100 local calls, and commercial customers pay for every local call. The concession Telmex holds to operate a public network for basic telephone services allows but does not require Telmex to base its charges on the duration of each call. Telmex does not currently charge by duration of calls in any region, except in the case of prepaid services.

Telmex s rates for long-distance service are based on call duration and type of service (direct-dial or operator-assisted) and apply once customers exceed the number of minutes included in their service packages. Under the 2014 telecommunications legislation, as of January 2015, Telmex is no longer permitted to charge its clients for domestic long-distance calls.

Charges for international long-distance calls are based on call duration, type of service (direct-dial or operator-assisted) and the destination of the call. These charges apply once customers exceed the number of minutes included in their plan. Customers can choose from a variety of discount rate plans. Telmex has not increased its rates since 2001 for local telephone service and since 1999 for international long-distance calls, continuing its trend of offering lower rates in real terms every year. In addition, Telmex provides interconnection services pursuant to which (a) long-distance, local and mobile-phone carriers operating in Mexico establish points of interconnection between their networks and Telmex s network and (b) Telmex carries calls between the points of interconnection and its customers. When a customer of another carrier calls a local-service customer of Telmex, Telmex completes the call by carrying the call from the point of interconnection to the particular customer, and when a local-service customer of Telmex who has preselected a competing long-distance carrier makes a long-distance call, Telmex carries the call from the customer to the point of interconnection with that other long-distance carrier s network. Under the 2014 implementing legislation and the IFT s determination that we are part of a group constituting a preponderant economic agent, Telmex is no longer able to charge other carriers any termination rates. Telmex filed a challenge (*juicio de amparo*) against the IFT s resolution, which is still pending. Telmex must continue to pay termination rates in respect of calls made by its customers to customers of other carriers and such rates are freely negotiated with such other carriers. See Regulation Mexico under this Item 4 and Note 20 to our audited consolidated financial statements included in this annual report.

Data Services and Products

Telmex s data service business is comprised of internet access service and corporate network services. Telmex s broadband service, which it provides under the Infinitum brand, allows its customers to use its high-capacity connectivity services with applications such as video-conferencing. Infinitum operates over Asymmetric Digital Subscriber Line technology.

Corporate network services consist of voice, video and data-transmission between two or more end points using private circuits. Telmex s principal products for corporate networks are ladalinks (*ladaenlaces*) and multi-service virtual private networks (VPNs), which allows Telmex to provide different levels of service applications. Telmex also provides specialized assistance and technical support for these applications, as well as network-outsourcing services that include maintenance, support and integration of communication networks and information systems.

Consistent with Telmex s strategy of increasing the value of its fixed-line service, it has focused on customers needs, and offers packages of telecommunications services that include internet access and a customized mix of local calls, minutes for international long-distance calls and calls to wireless phones.

Other Services and Products

In addition, Telmex provides various telecommunications and telecommunications-related products and services that include sales of computers, telecommunications equipment and accessories, public phone services and billing and collection services to third parties. Telmex offers billing and collection services through its phone bills to other companies.

Telmex currently provides billing and collection services to companies such as Medicall Home, Socio Águila, Teletón, Telecomunicaciones de México and Dish México S. de R.L. de C.V. (Dish México). In November 2008, Telmex entered into several agreements with Dish México and its affiliates, which operate a DTH Pay TV system in Mexico, pursuant to which Telmex is currently providing customary services, including billing and collection, among others. In July 2014, Telmex announced that it decided not to invest directly in a joint venture with Dish.

Sales and Distribution

Telmex uses its network of Telmex stores (*Tiendas Telmex*) to offer its products and services throughout Mexico. In addition to functioning as customer-service centers, Telmex s stores offer a wide range of computer and telecommunications equipment and accessories, which may be purchased outright or through installment payment plans.

Billing and Collection

Telmex bills its customers through monthly invoices, which detail itemized charges. Customers may pay their bills through pre-authorized debit or credit charges, in person at banks and at Telmex s and other designated retail stores and electronically through the internet websites of Telmex and of banks.

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Our Networks and Technology

Telmex s local and long-distance fiber optic network connects all major cities in Mexico, where our network comprised of more than 200 thousand km of fiber optic cable and passed approximately 20 million homes as of December 31, 2014. In addition, Telmex s local and long-distance fiber optic network connects Mexico, through submarine cables, with multiple countries.

Competition

Telmex faces competition from other holders of long-distance and local-service licenses, Pay TV operators that provide telephone and internet service and wireless telecommunications providers. Telmex s main competitors in Mexico are Alestra S. de R.L. de C.V., Axtel S.A.B. de C.V., Maxcom Telecomunicaciones S.A.B. de C.V., Megacable Holdings S.A.B. de C.V., Cablevisión, S.A.B. de C.V., and Cablemás, S.A. de C.V.

BRAZIL OPERATIONS

We offer wireless, fixed-line voice, broadband, Pay TV and directory services and products in Brazil through our subsidiaries Americel S.A. (Americel), Claro Brasil, Embratel Tvsat (Claro TV) and Star One S.A. (Star One). Claro Brasil became one of the leading providers of telecommunications services in Brazil, following a reorganization of our subsidiaries on December 31, 2014, in which our subsidiaries Embrapar, Embratel, then one of the major domestic long-distance service providers, and Net Serviços, then the largest cable television operator in Brazil, merged into Claro Brasil, consolidating all activities previously provided by the merged companies. We offer wireless and fixed-line services under the Claro brand and are still using Embratel and NET brands for sales and marketing purposes.

As of December 31, 2014, we had approximately 71.1 million wireless subscribers, approximately 78.0% of which were prepaid customers, which represented a market share of 25.3%. As of December 31, 2014, we also had approximately 12.2 million fixed voice RGUs, 7.6 million broadband RGUs and 16.3 million Pay TV RGUs.

In 2014, our Brazil segment had revenues of Ps. 204,647 million, representing 24.1% of our consolidated revenues for such period. As of December 31, 2014, our Brazil segment operations represented approximately 24.6% of our total wireless subscribers, as compared to 25.5% at December 31, 2013, and approximately 46.0% of our total fixed RGUs, as compared to 47.1% at December 31, 2013.

The following table sets forth information regarding our Brazil segment s subscriber and fixed RGU base, traffic, market share and operating measures at the dates and for the periods indicated. Operating data in the following table include Net Serviços for all three years.

	December 31,		
	2012	**2013**	**2014**
Wireless Operations:			
ARPU (year ended)	Ps. 107	Ps. 89	Ps. 83
Subscribers (thousands):			
Prepaid	52,170	54,386	55,455
Postpaid	13,069	14,318	15,652

Total	65,239	68,704	71,107
Market share	24.1%	24.8%	25.3%
MOUs (year ended)	115	128	121
Wireless churn rate (year ended)	3.7%	3.3%	3.3%
Fixed Operations:			
Fixed RGUs (thousands):			
Fixed voice	10,280	11,188	12,159
Broadband	5,752	6,689	7,599
Pay TV	12,554	14,806	16,338
Total	28,586	32,683	36,096

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	December 31,		
	2012	**2013**	**2014**
Traffic (year ended) (millions):			
Long-distance minutes	23,692	27,843	29,521
Interconnection minutes	8,848	10,678	11,015
Total minutes	32,540	38,521	40,536
Churn rate (year ended):			
Fixed voice	1.6%	1.8%	1.7%
Broadband	1.3%	1.5%	1.5%
Pay TV	1.7%	1.8%	1.8%

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Services and Products

Wireless Voice Services and Products

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

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

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

Fixed-line Voice Services and Products

With the reorganization of our subsidiaries in Brazil in December 2014, Claro Brasil became one of Brazil s major domestic long-distance service providers, offering inter-regional, intra-regional and intra-sectorial long-distance services to corporate and residential customers throughout Brazil. Claro Brasil also provides international long-distance services. Claro Brasil s long-distance voice services customers are not pre-subscribed, meaning that customers do not register with Claro Brasil before it begins providing services to them. Instead, each time a customer initiates a long-distance domestic or international call from either a fixed or a mobile terminal, the customer chooses whether to use Claro Brasil s services by dialing the 21 selection code or to use the services of another service provider by dialing a different code. In addition, Claro Brasil provides local fixed telephony services and is present in all Brazilian states. Claro Brasil also offers services to large-sized and medium-sized business customers under the Rede Vip brand.

In addition, other telecommunications companies that wish to interconnect with and use Claro Brasil s network must pay certain fees, including a network usage fee. The network usage fee is subject to a price cap set by the Brazilian Agency of Telecommunications (*Agência Nacional de Telecomunicações*, or Anatel).

Claro Brasil also provides a fixed-line telephony service, under the brand NET Fone using Voice over Internet Protocol (VoIP) technology, which works like conventional fixed-line telephony and allows the user to make local and long-distance and international calls to any telephone or handset. As of December 31, 2014, this service had approximately 6.4 million RGUs, compared to 5.7 million as of December 31, 2013, and is available in more than 177 cities.

Broadband and Data Services

Claro Brasil is also one of Brazil s leading providers of data communication services, serving a client base that includes a majority of Brazil s top 500 corporations. Claro Brasil s data-transmission services include the renting of high-speed data lines to businesses and to other telecommunications providers, satellite-data-transmission, internet services, packet-switched data-transmission, frame-relay, cloud computing, data centers, telepresence and message-handling systems.

Claro Brasil is Brazil s leading provider of broadband internet services to residential customers, marketing its services under the NET Virtua brand. This product is available at various download speeds. NET Virtua had approximately 7.3 million RGUs as of December 31, 2014, compared to 6.2 million as of December 31, 2013.

Pay TV

Claro Brasil is the leading provider of cable Pay TV services to residential customers in Brazil. As of December 31, 2014, Claro Brasil had approximately 6.8 million digital cable Pay TV RGUs and offered cable in 178 locations, including Rio de Janeiro and São

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Paulo. Among others, we offer Pay TV and Pay-Per-View programming under the NET brand, digital Pay TV under the NET Digital brand and high definition (HD) Pay TV under the NET Digital HD MAX brand, as well as digital video recorder, interactive and video-on-demand services. Claro Brasil is also the only Pay TV operator in Brazil to broadcast content in HD 3D.

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

Claro TV also offers Pay TV services through DTH technology. Monthly subscription fees for such services range in price from R$49,90 to R$199,00, taxes included.

Other Services

Claro Brasil, through its subsidiary Star One, is Brazil s leading provider of satellite capacity (space-segment). Claro Brasil s satellite fleet has helped to significantly expand the telecommunications services it offers to its customers, reaching areas not covered by terrestrial networks with services such as television, data, internet, distance learning, telephony and other special services projects. Claro Brasil also provides text, sound and image transmission and maritime communications services, as well as call center services, through its subsidiary BrasilCenter Comunicações Ltda. (BrasilCenter).

Marketing

Claro Brasil has developed a variety of promotional programs and products tailored to meet its customers mobility needs while increasing its market share. These promotional programs and products represent the company s most significant competitive advantages together with technology innovation it was the first telecommunications company in Brazil to offer 4G services. Claro Brasil also targets corporate customers through the Embratel brand by offering customized products and services. Additionally, Claro Brasil has innovative customer loyalty programs that help it retain customers.

Claro Brasil has developed a variety of promotional and customer retention programs that offer discounts and are designed to increase Claro Brasil s market share and promote usage of 21 , the carrier-selection code assigned to Claro Brasil. In addition, Claro Brasil, through the Embratel brand, develops campaigns that target specific groups of corporate customers, such as small- and medium-sized businesses or regional groups.

Claro Brasil uses both a centralized marketing team and regional marketing specialists to help meet its goals of increased market penetration, customer loyalty and revenue per household for its broadband internet services and Pay TV services to residential customers. In addition, Claro Brasil is constantly monitoring its subscriber preferences and the markets in which it operates to be able to meet its goals through a variety of tailored programs.

Sales and Distribution

Claro Brasil markets its services primarily through retail chains, which amount to approximately 10,000 points of sale, exclusive distributors, which represent approximately 5,080 points of sale, and its approximately 340 company-owned stores, which offer one-stop shopping for a variety of cellular services and products. Claro Brasil also sells and distributes its products and services over the internet. Claro Brasil s stores also serve as customer-service centers, and Claro Brasil expects to continue to open new service centers as necessary in order to offer its products directly to subscribers in more effective ways. Claro Brasil also has a corporate-sales group to cater to the needs of its large corporate and other high-usage customers. For the year ended December 31, 2014, approximately 50.5% of Claro

Brasil s sales of handsets were generated by retail chains, 19. 6% by exclusive distributors and approximately 14.1% from sales in company-owned stores.

Claro Brasil s local fixed telephony service, Claro Fixo, is marketed in person through exclusive dealers, through BrasilCenter and the internet. Claro Brasil s other local fixed-telephone service, NET Fone, is marketed through Claro Brasil s sales and distribution channels. Claro Brasil s Pay TV service, Claro TV, is marketed in person through exclusive dealers and its company-owned stores, by phone through call centers and by the internet through Claro Brasil s website. In addition, Claro Brasil has a corporate-sales group dedicated to the needs of its medium and large corporate and other high-usage customers.

Claro Brasil s broadband internet services and Pay TV services to residential customers are marketed through coordinated efforts that include telemarketing, the internet, mail advertising, door-to-door sales and retail sales. In addition, Claro Brasil also relies on third-party vendors to market its services through call centers.

Billing and Collection

Wireless Operations

Claro Brasil bills its postpaid customers through monthly invoices that detail itemized charges and services. Customers may pay their bills with a credit card, through online banking, or in person at banks, post offices or federal lottery houses (*casas lotéricas*).

If a Claro Brasil postpaid customer s payment is overdue, service may be suspended temporarily until payment is received. Accounts that are more than 180 days past due are categorized as doubtful accounts, as are all other accounts related to the same customer.

A Claro Brasil prepaid customer who purchases a card has between 10 and 300 days from the date of activation of the card to use the airtime, depending on the amount added. After such time, the customer can no longer use that airtime for outgoing calls unless the customer activates a new card.

Fixed-line Operations

Claro Brasil directly bills a portion of its customers for their fixed-line telecommunications and related services, including collect-calling and standard voice services. However, due to the risk of bad debts resulting from direct billing, Claro Brasil has taken a number of measures designed to reduce such risk, including implementing co-billing arrangements with other local operators that allow them to bill their local customers for Claro Brasil s long-distance fees, using call centers, implementing an automated collections system, employing an anti-fraud system, using third-party collection firms and implementing a customer data system that allows for faster updating of information, flexibility in customer account structure, quality improvement and improved payment of taxes across the different Brazilian states.

For its broadband internet services, under the NET Virtua brand, and its cable Pay TV services, Claro Brasil bills its residential customers through monthly invoices that detail itemized charges and services, including monthly subscription fees, broadband and Pay TV services and Claro Brasil s fixed-line voice services, as incurred by customers, in addition to applicable taxes. Accounts that are more than 30 days past due are considered disconnected, at which time Claro Brasil blocks the account s signal. If the customer remains in arrears, Claro Brasil proceeds to collect any equipment, such as set-top boxes, that may be located in the customer s location. In addition, Claro Brasil focuses on customer service to reduce bad-debt expenses.

Our Networks and Technology

Wireless Networks

Claro Brasil owns and operates wireless networks using GSM, 3G and LTE technologies. As of December 31, 2014, Claro Brasil s GSM network, which Claro Brasil continues to roll out, covered more than 3,653 cities and 91.7% of Brazil s population. In addition, Claro Brasil s 3G network, which was the first in Brazil and which Claro Brasil continues to roll out, covers 1,768 cities and 76.9% of Brazil s population. Claro Brasil s LTE network, which was the first in Brazil and which Claro Brasil continues to roll out, covers 95 cities and 37.1% of Brazil s population.

Fixed-line Networks

Claro Brasil owns the largest long-distance network in Latin America and the largest data-transmission network in Brazil. Claro Brasil s long-distance and data-transmission networks use fiber optic, digital microwave, satellite and copper wireline technologies. Claro Brasil s networks use a 100% digital switching system for voice and data services and the latest generation Internet Protocol (IP) routers to support IP-based services, internet access and VPNs, through Multiprotocol Label Switching technology. Claro Brasil s internet backbone is the largest in Latin America, with 1,830 Gbps capacity distributed through Miami, New York and Atlanta, and 4,650 Gbps through 59 routing centers in Brazil, and its network also connects to the international internet backbone.

Claro Brasil also has approximately 81,298 kilometers of cable in a mesh network that has three or more outlets with a capacity of 7.1 TbPs. Claro Brasil has local metropolitan digital fiber networks with approximately 28,980 kilometers of cable in the major Brazilian cities and is attaching fiber extensions to commercial buildings connected to metropolitan rings, providing high quality direct connections. Claro Brasil s submarine cable network reaches all continents through ten different cable systems in which it has various ownership interests. Claro Brasil s networks have also been modified to use Claro Brasil s coaxial cable networks to provide telephony services to Claro Brasil s broadband customers through NET Fone.

To supplement its network, Claro Brasil uses long-distance microwave systems, in areas where installation of fiber cables is difficult, with a total range of 16,254 kilometers and seven satellites to provide services to remote locations within the country and it leases satellite capacity from international satellite systems and submarine capacity in other private cable systems. Claro Brasil also offers local telephony services to its Claro Fixo residential customers using CDMA wireless technology.

For its broadband internet services, under the NET Virtua brand, and its cable Pay TV services to residential customers, Claro Brasil has an advanced network that uses coaxial and fiber optic technologies that allows it to provide a wide range of services and products at bandwidth capacities of 450 MHz, 550 MHz and 750 MHz or above. Claro Brasil s network also helps it reduce piracy by enabling Claro Brasil to scramble its signal in any of the homes through which the network passes. Claro Brasil also believes that its network is equipped to respond to future customer preferences, as it has bi-directional technology for almost all homes passed. The network also has in place the architecture necessary to provide pay-per-view and video-on-demand services in additional regions once it becomes commercially viable to do so. As of December 31, 2014, Claro Brasil s network had over 126,541 kilometers of cable and passed approximately 21.3 million homes in 178 localities.

Satellite Network

Star One has the most extensive satellite system in Latin America with a fleet covering the entire territory of South America and Mexico, as well as part of Central America and part of Florida. Star One currently has seven satellites in full operation (i.e., in geostationary orbit), including one it owns jointly with SES S.A. These satellites currently operate in the C-band and/or Ku-band frequencies. Star One also operates two satellite control centers that are certified by the International Organization for Standardization.

Star One has a program to replace satellites that are nearing or have reached the end of their contractual lives, thereby ensuring the continuity and quality of their services. Pursuant to that program, Star One successfully launched the C-3 satellite in November 2012 to replace the B-3 satellite. The C-3 satellite brought new Ku-band capacity over Brazilian territory and the Andean Region. In addition, Star One entered into a contract with Space System/Loral, in January 2012 and July 2013, for the in-orbit delivery of two new satellites: (i) the Star One C4 satellite, to be launched in July 2015, will provide Ku-band capacity; and (ii) the Star One D1 satellite, to be launched in the second half of 2016, will provide C, Ku and Ka-band capacity. The Star One C4 satellite is primarily intended to supply capacity for DTH services for Claro TV throughout Brazil and in other DTH operations in South America. The Star One D1 satellite will replace the B-4 satellite to expand Ku-band capacity in Brazil and South America as well as to initiate businesses by using the new Ka-band technology.

Competition

Claro Brasil s principal wireless competitors are Telefônica Brasil S.A., TIM Celular S.A., Oi S.A., Companhia de Telecomunicações do Brasil Central Algar Telecom, Sercomtel S.A. Telecomunicações, and Nextel Telecomunicações Ltda.; its principal fixed-line competitors are Oi S.A., Companhia de Telecomunicações do Brasil Central Algar

Telecom, Telefônica Brasil S.A. and Global Village Telecom Ltda; and its principal Pay TV competitors are Sky Brasil, Telefónica Brasil S.A., Oi S.A. and Global Village Telecom Ltda.

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COLOMBIA OPERATIONS

We offer wireless, fixed-line voice, broadband, Pay TV and advertisement services in Colombia through our subsidiaries Comunicación Celular S.A. (Comcel) and Telmex Colombia S.A. (Telmex Colombia). We offered phone directory services through Páginas Telmex S.A. until October 2014, when we dissolved that entity, discontinued its printing services, and transferred its advertisement services to Telmex Colombia. We offer both our wireless and fixed-line services under the Claro brand. We are the largest wireless telecommunications and Pay TV services provider in Colombia, measured by number of subscribers. As of December 31, 2014, we had approximately 29.8 million wireless subscribers, approximately 80.3% of which were prepaid customers, representing a market share of 59.4%. As of December 31, 2014, we also had approximately 1.4 million fixed RGUs, 1.7 million broadband RGUs and 2.2 million Pay TV RGUs.

In 2014, our Colombia segment had revenues of Ps.75,992 million, representing 9.0% of our consolidated revenues for such period. As of December 31, 2014, our Colombia segment operations represented approximately 10.3% of our total wireless subscribers, as compared to 10.7% at December 31, 2013, and approximately 6.8% of our total fixed voice RGUs, as compared to 6.8% at December 31, 2013.

The following table sets forth information regarding our Colombia segment s subscriber and fixed RGU base, traffic, market share and operating measures at the dates and for the periods indicated. The figures presented below, for all periods, have been adjusted to reflect the removal of our operations in Panama from this segment:

	December 31,		
	2012	**2013**	**2014**
Wireless Operations:			
ARPU (year ended)	Ps. 147	Ps. 146	Ps. 135
Subscribers (thousands):			
Prepaid	25,019	23,263	23,914
Postpaid	5,352	5,714	5,861
Total	30,371	28,977	29,775
Market share	61.8%	60.9%	59.4%
MOUs (year ended)	230	220	219
Wireless churn rate (year ended)	4.1%	4.4%	4.0%
Fixed Operations:			
Fixed RGUs (thousands):			
Fixed voice	986	1,206	1,401
Broadband	1,190	1,449	1,714
Pay TV	2,019	2,093	2,192
Total	4,195	4,748	5,307
Traffic (year ended) (millions):			
Long-distance minutes	71	91	107
Interconnection minutes	717	902	1,036

Total minutes	788	993	1,143
Churn rate (year ended):			
Fixed voice	1.9%	1.7%	1.5%
Broadband	1.8%	1.8%	1.6%
Pay TV	2.0%	1.8%	1.6%

Services and Products

Wireless Services and Products

We offer postpaid and prepaid wireless voice and data services under a variety of plans to meet the needs of different market segments. We also offer international roaming services to our subscribers through wireless service providers with which we have entered into international roaming agreements around the world, and we provide GSM and 3G roaming services to customers of our international roaming partners. Certain network usage fees are subject to special regulations issued by the Communications Regulation Commission (*Comisión de Regulación de Comunicaciones*, or CRC). See Regulation Colombia under this Item 4.

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

We offer data services, including SMS, MMS, premium SMS and premium MMS, mobile entertainment services, data-transmission (including messaging, chat and access to social networks), internet browsing and e-mail services.

We also offer a variety of products as complements to our wireless service, including handsets and smartphones, and accessories such as chargers, headsets, batteries, broadband cards, tablets and netbooks.

Fixed-line Services and Products

We offer fixed-line voice services, including local and long-distance services, data services, including data administration and hosting services, broadband services and Pay TV services, such as video on demand, to both corporate and residential customers under a variety of plans to meet the needs of different user segments. In addition, we offer data center and carrier services.

Our Networks and Technology

Our wireless networks, which cover approximately 72% of the population, use 3G or 4G technologies, and our fixed-line networks use HFC and optical fiber technologies. As of December 31, 2014, our network passed 7.1 million homes.

Competition

Our principal wireless competitors are Colombia Telecomunicaciones S.A., E.S.P. (Movistar) and Colombia Móvil S.A. (Tigo); and our principal fixed-line competitors are Movistar, Empresa de Telecomunicaciones de Bogotá S.A. E.S.P (ETB) and UNE EPM Telecomunicaciones S.A. E.S.P (which merged with Tigo in 2014). We also face competition from MVNOs such as Virgin Mobile and Uff! Móvil.

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SOUTHERN CONE OPERATIONS

We offer wireless, fixed-line voice, broadband and Pay TV services and products in our Southern Cone segment under the Claro brand through our subsidiaries AMX Argentina S.A. (AMX Argentina), Telmex Argentina S.A. (Telmex Argentina), Claro Chile S.A (Claro Chile), Claro Comunicaciones S.A. (Claro Comunicaciones), Claro Servicios Empresariales S.A. (Claro Servicios Empresariales), AMX Paraguay, S.A. (AMX Paraguay), AM Wireless Uruguay, S.A. (AM Wireless Uruguay), Telstar, S.A. and Flimay S.A. (Flimay). We are the largest wireless telecommunications services provider in Argentina and the third largest in Chile, Paraguay and Uruguay, measured by number of subscribers. As of December 31, 2014, we had approximately 27.8 million wireless subscribers, approximately 64.0% of which were prepaid customers, representing a market share of 27.4%. As of December 31, 2014, we also had approximately 0.5 million fixed voice RGUs, 0.4 million broadband RGUs and 0.9 million Pay TV RGUs.

In 2014, our Southern Cone segment had revenues of Ps.56,532 million, representing 6.7% of our consolidated revenues for such period. As of December 31, 2014, our Southern Cone segment operations represented approximately 9.6% of our total wireless subscribers, compared to approximately 10.4% as of December 31, 2013, and approximately 2.3% of our total fixed RGUs, compared to 2.5% at December 31, 2013.

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The following table sets forth information regarding our Southern Cone segment s subscriber and fixed RGU base, traffic, market share and operating measures at the dates and for the periods indicated:

	December 31, 2012	2013	2014
Wireless Operations:			
ARPU (year ended)	Ps. 142	Ps. 131	Ps. 111
Subscribers (thousands):			
Prepaid	18,545	18,636	17,764
Postpaid	8,887	9,530	9,990
Total	27,432	28,166	27,754
Market share	28.4%	27.3%	27.4%
MOUs (year ended)	160	158	144
Wireless churn rate (year ended)	3.1%	2.6%	2.9%
Fixed Operations:			
Fixed RGUs (thousands):			
Fixed voice	478	499	531
Broadband	381	410	437
Pay TV	649	805	858
Total	1,508	1,714	1,826
Traffic (year ended) (millions):			
Long-distance minutes	2,546	2,554	2,461
Interconnection minutes	1,185	1,061	1,037
Total minutes	3,731	3,615	3,498
Churn rate (year ended):			
Fixed voice	1.6%	1.6%	1.7%
Broadband	2.3%	2.4%	2.1%
Pay TV	4.4%	3.3%	3.5%

Services and Products

Wireless Services and Products

We offer postpaid and prepaid wireless voice and data services under a variety of plans to meet the needs of different market segments. We also offer international roaming services to our subscribers through the networks of cellular service providers with which we have entered into international roaming agreements around the world, and we provide GSM and 3G roaming services to customers of our international roaming partners.

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

We offer data services, including SMS, MMS, premium SMS and premium MMS, mobile entertainment services, data-transmission, internet browsing and e-mail services.

We also offer a variety of products as complements to our wireless service, including handsets and smartphones, and accessories such as chargers, headsets, batteries, broadband cards and netbooks. In addition, we offer other wireless services, such as push-to-talk services.

Fixed-line Services and Products

We offer fixed-line voice services, including local and long-distance services, data services, including data administration and hosting services and broadband services to both corporate and residential customers under a variety of plans to meet the needs of different user segments. We also offer DTH Pay TV services in Chile and Paraguay and video-on-demand services in Chile, Argentina and Paraguay.

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Our Networks and Technology

In Argentina, our wireless networks, which cover approximately 99.0% of the population, use GSM and 3G technologies. In Chile, our wireless networks, which cover approximately 98.0% of the population, use GSM, 3G and 4G technologies. In Paraguay, our wireless networks, which cover approximately 75.9% of the population, use GSM and 3G technologies. In Uruguay our wireless networks, which cover approximately 91.6% of the population, use GSM, Wideband Code Division Multiple Access (WCDMA) and LTE technologies. In Argentina, our fixed-line networks use pre-WiMax, Wireless Local Loop, WiMax, local point-multipoint distribution service (LMDS), HFC and Gigabit Passive Optical Networks technologies. In Chile, our fixed-line networks use HFC technologies and our Paid TV services use DTH technologies. In Uruguay, our fixed-line networks use LMDS and HFC technologies.

Competition

In Argentina, our principal wireless competitors are Telecom Personal S.A., Telefónica S.A. (Movistar) and Empresa Argentina de Soluciones Satelitales S.A.; and our principal fixed-line competitors are Teléfonica de Argentina S.A., Telecom Argentina S.A., Global Crossing S.A., Comsat S.A. and NSS S.A. In Chile, our principal wireless competitors are Entel S.A. and Telefónica Chile S.A. (Movistar); and our principal fixed-line competitors are Telefónica Chile S.A. (Movistar), VTR Globalcom S.A., DirecTV Latin America LLC and Grupo GTD. In Paraguay, our principal competitors are COPACO S.A. (*Compañía Paraguaya de Comunicaciones S.A.*), a state-owned monopoly in the provision of fixed voice local and international long-distance services, Telecel S.A. (TIGO), which is controlled by Millicom International Cellular S.A. (Millicom), Núcleo S.A. (Personal), which is controlled by Telecom Argentina S.A., and Hola Paraguay S.A. In Uruguay, our principal wireless competitors are Telefónica Móviles del Uruguay S.A. (Movistar) and the state-owned National Administration of Telecommunications (*Administración Nacional de Telecomunicaciones*) which is also a fixed-voice, long-distance services monopoly.

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ANDEAN REGION OPERATIONS

We offer wireless, fixed-line voice, broadband, Pay TV and directory services and products in our Andean Region segment under the Claro brand through our subsidiaries Consorcio Ecuatoriano de Telecomunicaciones S.A. (Conecel), Ecuador Telecom S.A. (Ecuador Telecom) and América Móvil Perú, S.A.C. (Claro). Conecel is the largest wireless telecommunications services provider in Ecuador and the second largest in Peru, measured by number of subscribers.

As of December 31, 2014, we had approximately 24.3 million wireless subscribers, approximately 73.9% of which were prepaid customers, representing a market share of 50.3%. As of December 31, 2014, we also had approximately 0.8 million fixed voice RGUs, 0.4 million broadband RGUs and 0.4 million Pay TV RGUs.

In 2014, our Andean Region segment had revenues of Ps.47,802 million, representing 5.6% of our consolidated revenues for such period. As of December 31, 2014, our Andean Region segment operations represented approximately 8.4% of our total wireless subscribers, as compared to 8.9% at December 31, 2013, and approximately 2.0% of our total fixed RGUs, as compared to 1.9% at December 31, 2013.

The following table sets forth information regarding our Andean Region segment s subscriber and fixed RGU base, traffic, market share and operating measures at the dates and for the periods indicated:

		December 31,	
	2012	**2013**	**2014**
Wireless Operations:			
ARPU (year ended)	Ps. 121	Ps. 124	Ps. 129
Subscribers (thousands):			
Prepaid	19,919	18,118	17,938
Postpaid	4,719	5,768	6,332
Total	24,638	23,886	24,270
Market share	52.1%	50.1%	50.3%
MOUs (year ended)	133	139	146
Wireless churn rate (year ended)	2.8%	3.9%	3.7%
Fixed Operations:			
Fixed RGUs (thousands):			
Fixed voice	584	686	766
Broadband	264	345	434
Pay TV	272	312	376
Total	1,120	1,343	1,576
Traffic (year ended) (millions):			
Long-distance minutes	344	455	373
Interconnection minutes	1,214	1,596	1,602
Total minutes	1,558	2,051	1,975

Churn rate (year ended):			
Fixed voice	1.6%	3.5%	3.5%
Broadband	2.6%	2.9%	2.7%
Pay TV	5.4%	4.1%	4.2%

Services and Products

Wireless Services and Products

We offer postpaid and prepaid wireless voice and data services under a variety of plans to meet the needs of different market segments. We also offer international roaming services to our subscribers through the networks of cellular service providers with which we have entered into international roaming agreements around the world, and we provide GSM and 3G roaming services to customers of our international roaming partners.

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

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We offer data services, including SMS, MMS, premium SMS and premium MMS, mobile entertainment services, data-transmission, internet browsing and e-mail services.

We also offer a variety of products as complements to our wireless service, including handsets and smartphones, and accessories such as chargers, headsets, batteries, broadband cards and netbooks.

Fixed-line Services and Products

We offer fixed-line voice services, including local and long-distance services, data services, including data administration and hosting services, broadband services and Pay TV services to both corporate and residential customers under a variety of plans to meet the needs of different user segments.

Our Networks and Technology

In Ecuador, our wireless networks, which cover approximately 96.0% of the population, use GSM and 3G technologies, while in Peru, our wireless networks cover approximately 77.0% of the population, use GSM, 3G, HSPA, HSPA+ and LTE (FDD) technologies. In Ecuador, our fixed-line networks use HFC technologies and passed 510,000 homes as of December 31, 2014, while in Peru our fixed-line networks use CDMA, HFC, DTH, copper wire, LMDS, LTE (TDD) and WiMax technologies and passed 1.2 million homes as of December 31, 2014.

Competition

In Ecuador, our principal wireless competitor is Otecel S.A. (Movistar) and our principal fixed-line competitors are Corporación Nacional de Telecomunicaciones CNT E.P. and Setel S.A. (Grupo TV Cable). In Peru, our principal wireless competitor is Telefónica Moviles S.A. (Movistar) and our principal fixed-line and Pay TV competitors are Telefónica del Perú S.A.A., Telefónica Multimedia S.A.C. (Movistar TV) and DirecTV Peru S.R.L.

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CENTRAL AMERICA OPERATIONS

We offer wireless, fixed-line voice, broadband, Pay TV and directory services and products in our Central America segment under the Claro brand through our subsidiaries Compañía de Telecomunicaciones de El Salvador (CTE), S.A. de C.V. (CTE), CTE Telecom Personal, S.A. de C.V. (CTE Telecom Personal), Telecomunicaciones de Guatemala, S.A. (Telgua), Empresa Nicaragüense de Telecomunicaciones, S.A. (Enitel), Servicios de Comunicaciones de Honduras, S.A. de C.V. (Sercom Honduras), Claro CR Telecomunicaciones S.A. (Claro Costa Rica) and Claro Panamá, S.A. (Claro Panamá). We are the largest wireless telecommunications services provider in Nicaragua, the second largest in El Salvador, Guatemala and Honduras and the third largest in Panama, in each case measured by number of subscribers.

As of December 31, 2014, we had approximately 14.0 million wireless subscribers, approximately 86.3% of which were prepaid customers, which represented a market share of 26.8%. As of December 31, 2014, we also had approximately 3.0 million fixed voice RGUs, 0.7 million broadband RGUs and 1.0 million Pay TV RGUs.

In 2014, our Central America segment had revenues of Ps.27,023 million, representing 3.2% of our consolidated revenues for such period. As of December 31, 2014, our Central America segment operations represented approximately 4.8% of our total wireless subscribers, as compared to 6.4% at December 31, 2013 and approximately 5.9% of our total fixed RGUs, as compared to 6.1% at December 31, 2013.

The following table sets forth information regarding our Central America segment s subscriber and fixed RGU base, traffic, market share and operating measures at the dates and for the periods indicated.

	December 31,		
	2012	2013	2014
Wireless Operations:			
ARPU (year ended)	Ps. 78	Ps. 74	Ps. 85
Subscribers (thousands):			
Prepaid	13,861	15,555	12,058
Postpaid	1,410	1,667	1,915
Total	15,271	17,222	13,973
Market share	30.3%	32.9%	26.8%
MOUs (year ended)	153	148	166
Wireless churn rate (year ended)	3.2%	3.7%	7.2%
Fixed Operations:			
Fixed RGUs (thousands):			
Fixed voice	2,594	2,767	2,969
Broadband	566	631	675
Pay TV	736	863	962
Total	3,896	4,261	4,606
Traffic (year ended) (millions):			
Long-distance minutes	2,594	2,705	2,777

Interconnection minutes	693	672	655
Total minutes	3,287	3,377	3,432
Churn rate (year ended):			
Fixed voice	0.7%	0.7%	0.8%
Broadband	1.3%	1.3%	1.4%
Pay TV	3.4%	2.8%	2.7%

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Services and Products

Wireless Services and Products

We offer postpaid and prepaid wireless voice and data services under a variety of plans to meet the needs of different market segments. We also offer international roaming services to our subscribers through the networks of cellular service providers with which we have entered into international roaming agreements around the world, and we provide GSM and 3G roaming services to customers of our international roaming partners.

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

We offer data services, including SMS, MMS, premium SMS and premium MMS, mobile entertainment services, data-transmission, internet browsing, e-mail services and access to social networking, instant messaging applications and some over-the-top television services.

We also offer a variety of products as complements to our wireless service, including handsets, smartphones and tablets, and accessories such as chargers, headsets, batteries, broadband cards and netbooks. In addition, we offer other wireless services, such as push-to-talk services.

Fixed-line Services and Products

We offer fixed-line voice services, including local and long-distance services, data services, including data administration and hosting services, broadband services and Pay TV services to both corporate and residential customers under a variety of plans to meet the needs of different user segments.

Our Networks and Technology

In El Salvador, our wireless networks, which cover approximately 91.0% of the population, use 3G and GSM technologies. In Guatemala, our wireless networks, which cover approximately 89.0% of the population, use 3G and GSM technologies. In Honduras, our wireless networks, which cover approximately 78.0% of the population, use 3G and GSM technologies. In Nicaragua, our wireless networks, which cover approximately 81.0% of the population, use GSM technologies. In Panama, our wireless networks, which cover approximately 84.2% of the population, use 3G and GSM technology. Our wireless networks in Costa Rica, which cover approximately 74.0% of the population, use 3G and GSM technologies. Our Central America fixed-line networks use HFC, VoIP and plain old telephone service (POTS) technologies.

Competition

In El Salvador, our principal wireless competitors are Telemóvil El Salvador, S.A. (Tigo), Telefónica Móviles El Salvador, S.A. de C.V., Digicel S.A de C.V., a Millicom subsidiary, and Intelfon S.A. de C.V., and our principal fixed-line competitor is Amnet S.A. In Guatemala, our principal wireless competitors are Comunicaciones Celulares, S.A. (Tigo) and Telefónica Móviles Guatemala, S.A. In Honduras, our principal wireless competitors are Telefónica Celular, S.A. (CELTEL) and Empresa Hondureña de Telecomunicaciones (Honducel), and our principal fixed-line competitor is Empresa Hondureña de Telecomunicaciones (Hondutel). In Nicaragua, our principal wireless competitor is Telefonía Celular de Nicaragua, S.A. In Panama, our principal wireless and Pay TV competitors are Telefónica

Móviles Panamá S.A., Cable & Wireless Panamá S.A., Digicel Panamá, S.A., Cable Onda, S.A. and Media Vision Panamá, S.A. (SKY). In Costa Rica, our principal competitors are the Instituto Costarricense de Electricidad (ICE), Telefónica de Costa Rica, S.A. and Amnet S.A.

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UNITED STATES OPERATIONS

We offer wireless services and products in our United States segment through our subsidiary TracFone under the TracFone, Net10, SafeLink, Straight Talk, Simple Mobile, Telcel America and PagePlus brands. TracFone also recently launched a new brand called TotalWireless. TracFone is the largest MVNO in the United States, measured by number of subscribers.

In January, 2014, we acquired substantially all assets of Start Wireless Group, Inc., a MVNO in the United States operating under the PagePlus brand that offers prepaid plans for voice, messaging and data, among other services, and that, as of the date of the acquisition, provided services to approximately 1.4 million customers.

As of December 31, 2014, we had approximately 26 million wireless subscribers, all of which were prepaid customers, which represented a 34.8% share of the prepaid wireless market. In 2014, our United States segment had revenues of Ps.91,097 million, representing 10.7% of our consolidated revenues for such period. As of December 31, 2014, our United States segment operations represented approximately 9.0% of our total wireless subscribers, as compared to 8.8% as of December 31, 2013.

The following table sets forth information regarding our United States segment s subscriber base, market share and operating measures at the dates and for the periods indicated:

	December 31,		
	2012	2013	2014
ARPU (year ended)	Ps. 225	Ps. 248	Ps. 267
Subscribers (thousands):			
Prepaid	22,392	23,659	26,006
Market share	31.6%	33.4%	34.8%
MOUs (year ended)	457	525	537
Wireless churn rate (year ended)	3.9%	3.9%	4.0%

Services and Products

We offer prepaid wireless services, as well as prepaid wireless handsets directly to consumers online and through an extensive distribution network of independent retailers. We also offer entertainment solutions, such as on-demand services to network providers in Latin America.

Networks and Technology

We do not own any wireless telecommunications facilities or hold any wireless spectrum licenses in the United States. Instead, we purchase airtime through agreements with approximately eleven wireless service providers and re-sell airtime to customers. Through these agreements, we have a nationwide virtual network covering almost all areas in which wireless services are available.

Competition

We compete with the major U.S. wireless operators and other MVNOs such as Sprint Corporation, T-Mobile International AG, Verizon Communications Inc. and AT&T.

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CARIBBEAN OPERATIONS

We offer wireless, fixed-line voice, broadband and Pay TV services and products in our Caribbean segment under the Claro brand through our subsidiaries Compañía Dominicana de Teléfonos, S.A. (Codetel) and Telecomunicaciones de Puerto Rico, Inc. (Telpri). We are the largest telecommunications services provider in the Dominican Republic and Puerto Rico, measured by number of subscribers.

As of December 31, 2014, we had approximately 5.1 million wireless subscribers, approximately 69.7% of which were prepaid customers, which represented a market share of 46.4%. As of December 31, 2014, we also had approximately 1.4 million fixed voice RGUs, 0.7 million broadband RGUs and 0.3 million Pay TV RGUs.

In 2014, our Caribbean segment had revenues of Ps.25,842 million, representing 3.0% of our consolidated revenues for such period. As of December 31, 2014, our Caribbean segment operations represented approximately 1.8% of our total wireless subscribers, as compared to 2.1% at December 31, 2013, and approximately 3.0% of our total fixed RGUs, which was the same as at December 31, 2013.

The following table sets forth information regarding our Caribbean segment s subscriber and fixed RGU base, traffic, market share and operating measures at the dates and for the periods indicated:

	December 31,		
	2012	**2013**	**2014**
Wireless Operations:			
ARPU (year ended)	Ps. 201	Ps. 184	Ps. 201
Subscribers (thousands):			
Prepaid	4,382	4,269	3,551
Postpaid	1,466	1,495	1,541
Total	5,848	5,764	5,092
Market share	45.4%	44.9%	46.4%
MOUs (year ended)	327	303	293
Wireless churn rate (year ended)	4.0%	4.4%	4.9%
Fixed Operations:			
Fixed RGUs (thousands):			
Fixed voice	1,365	1,359	1,359
Broadband	628	668	727
Pay TV	172	217	261
Total	2,165	2,244	2,347
Traffic (year ended) (millions):			
Long-distance minutes	4,953	4,962	5,014
Interconnection minutes	2,836	2,696	2,293

Total minutes	7,789	7,658	7,307
Churn rate (year ended):			
Fixed voice	1.7%	1.4%	1.4%
Broadband	2.5%	2.3%	1.9%
Pay TV	2.5%	2.4%	2.4%

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Services and Products

Wireless Services and Products

We offer postpaid and prepaid wireless voice and data services under a variety of plans to meet the needs of different market segments. We also offer international roaming services to our subscribers through the networks of cellular service providers with which we have entered into international roaming agreements around the world, and we provide CDMA, GSM, 3G and LTE roaming services to customers of our international roaming partners.

In connection with the provision of our voice services in the Dominican Republic, we earn interconnection revenues from calls to any of our subscribers that originate with another service provider. We charge the service provider from whose network the call originates an interconnection charge for the time our network is used in connection with the call. Similarly, we must pay interconnection fees in respect of calls made by our subscribers to customers of other service providers.

In Puerto Rico, reverse toll billing is in place, under which any intra-island long-distance fees charged to connect our fixed-line customers to other wireless providers are paid by such wireless providers. Some wireless carriers have installed facilities that connect directly to those operation centers that serve our fixed-line customers, thereby avoiding the payment of long-distance fees. However, changes in the traffic routing strategy or overflows of traffic could trigger reverse toll billing for any resulting intra-island long-distance fees. With respect to interconnection fees, under the Intercarrier Compensation Reform issued by the FCC, we entered into bill and keep agreements governing the interconnection of local traffic between all wireless carriers and our fixed-line customers in July 2012.

We offer data services, including SMS, MMS, premium SMS and premium MMS, mobile entertainment services, data-transmission, internet browsing and e-mail services. We also offer a variety of products as complements to our wireless service, including handsets, smartphones, tablets and accessories such as chargers, headsets, batteries, broadband cards and netbooks.

Fixed-line Services and Products

We offer fixed-line voice services, including local and long-distance services, data services, including data administration and hosting services, broadband services and video or Pay TV services to both corporate and residential customers under a variety of plans to meet the needs of different user segments. In addition, we offer VoIP and network monitoring services in the Dominican Republic and Puerto Rico.

Our Networks and Technology

In the Dominican Republic, our wireless networks, which cover approximately 98.5% of the population, use CDMA, GSM and 3G technologies. In Puerto Rico, our wireless networks, which cover approximately 84.0% of the population, use GSM, 3G and LTE technologies. In the Caribbean, our networks use POTS, VoIP, broadband, DTH and Internet Protocol Television (IPTV) technologies and DTH satellite TV Solution. During 2014, we stopped providing DTH satellite services directly and terminated our license from the FCC to do so. We have continued to offer such services using Dish Networks satellites, pursuant to an agreement with that company. In the Dominican Republic, our television market share is 45.5%, the largest of any provider.

Competition

In the Dominican Republic, our principal wireless competitor is Altice Dominican Republic, S.A.S., which acquired our former wireless and fixed-line competitors, Orange Dominicana S.A. and Tricom S.A., respectively. The Dominican television market is highly competitive, with a large number of companies operating in the country, the most important being Tricom, Aster, Wind and Sky. The Puerto Rican wireless market is highly competitive with AT&T Mobility Puerto Rico Inc., Sprint Nextel Corp., T-Mobile USA Inc. and PR Wireless Inc. (Open Mobile) and multiple MVNOs registered at the Puerto Rico Telecommunications Regulatory

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Board, as our principal competitors. AT&T Mobility Puerto Rico is the largest wireless operator in Puerto Rico, where we hold a close second position. In the fixed-line business, our principal competitors in Puerto Rico are AT&T Mobility Puerto Rico Inc., Choice Cable, Liberty Cablevision of Puerto Rico LLC, WorldNet Telecommunications, Inc. and other competitive local exchange carriers. The Puerto Rican television market has two cable companies whose operations are divided into geographical monopolies, which are Choice Cable and Liberty Cablevision of Puerto Rico LLC, and two satellite providers, Dish Networks and DirecTV.

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EUROPE OPERATIONS

In Europe, we offer wireless, fixed-line voice, broadband, and Pay TV services through our subsidiary Telekom Austria and its subsidiaries. We offer wireless, fixed-line voice, mobile and fixed broadband, and Internet Protocol Television (IPTV) services under the A1 brand in Austria; wireless and mobile broadband services under the velcom brand in Belarus; wireless, fixed-line voice, mobile and fixed broadband and IPTV services under the Mobiltel brand in Bulgaria; wireless, fixed-line, mobile and fixed broadband, IPTV and satellite TV services under the Vipnet brand in Croatia; wireless, fixed-line voice, mobile and fixed broadband and Pay TV services under the Vip Operator brand in the Republic of Macedonia; wireless and mobile broadband services under the Vip mobile brand in the Republic of Serbia; and wireless and mobile broadband services under the Si.mobil brand in Slovenia.

As of December 31, 2014, we had approximately 20 million wireless subscribers, approximately 29.5% of which were prepaid customers. As of December 31, 2014, we also had approximately 2.0 million fixed voice RGUs, 1.8 million broadband RGUs and .6 million Pay TV RGUs.

We began consolidating Telekom Austria in July, 2014. Our Europe segment had revenues of Ps.37,392 million from July to December 2014, representing approximately 4.4% of our consolidated revenues for the year. As of December 31, 2014, our Europe segment operations represented approximately 6.9% of our total wireless subscribers and approximately 5.6% of our total fixed RGUs.

The following table sets forth information regarding our Europe segment s subscriber and fixed RGU base, traffic, market share and operating measures at the dates and for the periods indicated.

	December 31, 2014
Wireless Operations:	
ARPU (year ended)	Ps. 172
Subscribers (thousands):	
Prepaid	5,910
Postpaid	14,098
Total	20,008
Market share	36%
MOUs (year ended)(1)	300
Wireless churn rate (year ended)	2.0%
Fixed Operations:	
Fixed RGUs (thousands):	
Fixed voice	2,042
Broadband	1,800
Pay TV	560
Total	4,402
Traffic (year ended) (millions):	
Long-distance minutes	4,696

Churn rate (year ended):	
Fixed voice	0.7%
Broadband	0.6%
Pay TV	1.1%

(1) Excludes traffic attributable to Macedonia for the period of January to August 2014.

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Services and Products

Wireless Voice Services and Products

We offer postpaid and prepaid wireless voice and data services under a variety of plans to meet the needs of different market segments in Europe. We also offer international roaming services to our subscribers through the networks of cellular service providers with which we have entered into international roaming agreements around the world and provide GSM, UMTS and LTE roaming services to customers of our international roaming partners.

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

We offer data services, including SMS, MMS, mobile broadband and internet access.

We also offer a variety of products as complements to our wireless services, including handsets and smartphones, and accessories such as chargers, headsets, batteries, broadband cards and netbooks.

Fixed-line Voice Services and Products

We offer fixed-line voice services, including local and long-distance services, data services, including housing and hosting services, broadband services and Pay TV services, including IPTV and satellite TV services, to both corporate and residential customers under a variety of plans to meet the needs of different user segments.

Other Services

Telekom Austria, through its subsidiary M2M, provides machine-to-machine solutions through the automated data transfer among machines, sensors and devices like vending machines, trucks, appliances and buildings with the purpose of remotely monitoring and controlling activity or status changes without human interaction.

Telekom Austria also has dedicated business units for wholesale and international sales. The wholesale business markets Telekom Austria s network and basic services, as well as satellite communications solutions, to international mobile and fixed-line telecommunication and internet service providers. In 2013, we became the first provider to launch a wholesale platform for LTE data roaming in Austria. The international sales unit services corporate clients such as multinational companies in Central and Eastern Europe to provide a broad portfolio of mobile and fixed-line communication products and services.

Our Networks and Technology

In Austria, our wireless networks, which cover approximately 99.5% of the population, use 2G, 3G, 4G technologies. In Belarus, our wireless networks, which cover approximately 98.9% of the population, use 2G, 3G technologies. In Bulgaria, our wireless networks, which cover approximately 99.7% of the population, use 2G, 3G and 4G technologies. In Croatia, our wireless networks, which cover approximately 99.0% of the population, use 2G, 3G, 4G technologies. In Macedonia, our wireless networks, which cover approximately 99.0% of the population, use 2G, 3G, 4G technology. Our wireless networks in Serbia, which cover approximately 97.6% of the population, use 2G, 3G technologies. Our wireless networks in Slovenia, which cover approximately 99.9% of the population, use 2G, 3G, 4G technologies. Our Europe fixed-line networks use HFC, copper wire lines (xDSL) and fiber optic networks (GPON) technologies.

Competition

In Austria, our principal wireless competitors are T-Mobile Austria GmbH and Hutchinson Drei Austria GmbH and our principal fixed-line competitors are Tele2 Telecommunication GmbH and UPC Austria GmbH. In Belarus, our principal competitors are Mobile TeleSystems, JLLC. (MTS) and CJSC BeST (life:). In Bulgaria, our principal wireless competitors are Bulgarian Telecommunications Company EAD (VIVACOM) and Telenor Bulgaria EAD and our principal fixed-line competitors are Blizoo Media and Broadband EAD. In Croatia, our principal wireless competitors are Hrvatski Telekom d.d. and Tele2 d.o.o.. In Macedonia, our principal fixed-line competitor is Makedonski Telekom AD and our principal wireless competitors are T-Mobile Macedonia AD, ONE Telecommunications Services DOOEL Skopje and Albafone. In Serbia, our principal competitors are Telekom Srbija a.d. (m:ts) and Telenor d.o.o.. In Slovenia, our principal competitors are Telekom Slovenije d.d., Tusmobil d.o.o., Debitel telekomunikacije d.d., T-2 d.o.o. and IZI mobil d.d.

OTHER INVESTMENTS

Geographic diversification has been a key to our financial success, as it has provided for greater stability in our cash flow and profitability, and has contributed to our strong credit ratings. In recent years, we have been evaluating the expansion of our operations to regions outside of Latin America. In particular, we believe that Europe presents opportunities for investment in the telecommunications sector that could benefit us and our shareholders over the long term. For additional information on our acquisitions and investments, see Notes 11 and 12 to our consolidated financial statements.

Investment in KPN

As of April 23, 2015, we own 21.1% of the shares of KPN and we are its largest shareholder. KPN is the leading telecommunications and IT service provider in the Netherlands, offering fixed-line service, wireless service, internet and Pay TV to consumers. KPN offers business customers complete telecommunications and IT solutions. KPN IT Solutions (previously known as Getronics) offers global IT services and is the Benelux market leader in the area of infrastructure and network related IT solutions. KPN provides wholesale network services to third parties and operates an IP-based infrastructure with global scale in international wholesale through iBasis.

REGULATION

Mexico

Applicable Legislation

Over the past two years, Mexico has developed a new legal framework for the regulation of telecommunications and broadcasting services. The new legal framework is based on a package of constitutional amendments passed in June 2013 and implementing legislation enacted in July 2014, which established the new Federal Law on Telecommunications and Broadcasting (*Ley Federal de Telecomunicaciones y Radiodifusión*) and the Law for the Public Broadcasting System of the Mexican State (*Ley del Sistema Público de Radiodifusión del Estado Mexicano*) to replace the existing statutory framework. The prior General Communications Law (*Ley de Vías Generales de Comunicación*) and regulations adopted thereunder, remain effective under the new legal framework, as do dominant carrier provisions under prior legislation, with certain modifications.

The new legal framework provides for the IFT to determine whether there is a preponderant economic agent in the telecommunications sector, and such determination can be based on number of customers, traffic or network capacity. In March 2014, the IFT determined that an economic interest group consisting of us and our operating subsidiaries Telcel, Telmex and Telnor, as well as Grupo Carso and Grupo Financiero Inbursa, constitutes the preponderant economic agent in the telecommunications sector, based on a finding that we serve more than half of the customers in Mexico as measured by the IFT on a national basis.

The 2013 constitutional amendments authorize the IFT to impose on a preponderant economic agent a special regulatory regime, as supplemented by the 2014 implementing legislation. The special regime is referred to as asymmetric regulation, because it applies to one market participant and not to the others. Pursuant to the IFT s determination that we are part of a group constituting a preponderant economic agent, we are subject to extensive asymmetric regulations in our Mexican fixed-line and wireless businesses. See Asymmetric Regulation of the Preponderant Economic Agent under this Item 4.

We have begun judicial proceedings to challenge the determination of preponderant economic agent and the related measures imposed under the new legal framework, but the 2013 constitutional amendments do not provide for interim relief from the regulations pending judicial consideration of our challenges.

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This new legal framework has had a substantial impact on our business and operations in Mexico. The long-term effects will depend on further regulations and other actions by the IFT, how we and our competitors adapt, how customers behave in response and how the telecommunications and media markets develop. It would be premature to predict the long-term effects of the emerging regulatory framework, but they could be adverse to our interests in significant respects.

Principal Regulatory Authorities

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

The IFT has authority over the application of legislation specific to telecommunications and broadcasting, and also over competition legislation as it applies to those sectors. While most of the powers previously exercised by the Mexican Ministry of Communications and Transportation (*Secretaría de Comunicaciones y Transportes*) were transferred to the IFT, there are a few specific public policy matters over which it retains authority.

The Mexican government has certain powers in its relations with concessionaires, including the right to take over the management of an operator s networks, facilities and personnel in cases of imminent danger to national security, public order or the national economy, natural disasters and public unrest as well as to ensure continuity of public services. Except in the event of war, the Mexican government must indemnify the title holder for damages and losses.

Telecommunications operators are also subject to regulation by the Federal Consumer Bureau (*Procuraduría Federal del Consumidor*, or Profeco) under the Federal Consumer Protection Law (*Ley Federal de Protección al Consumidor*). This law regulates publicity, quality of services and information required to be provided to consumers and provides a mechanism to address consumer complaints. It also permits class actions for consumer claims. Profeco has the authority to initiate class actions on behalf of consumers and to impose fines, which can be significant.

Wireless Rates

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

As a result of the preponderance determination, Telcel s wireless rates are subject to pre-approval by the IFT before they can take effect. In addition, the 2014 legislation established that preoponderant agents may not charge interconnection rates. Therefore, Telcel may not charge other operators for the interconnection services it provides, while it continues to pay for the interconnection services provided to it by other operators. See Asymmetric Regulation of the Preponderant Economic Agent under this Item 4.

The IFT is also authorized to impose specific rate requirements on any operator that is determined by the IFT to have substantial market power under the Federal Antitrust Law (*Ley Federal de Competencia Económica*) and the 2014 legislation. See Mexican Regulatory Proceedings under this Item 4.

Fixed Line Rates

Under Telmex s concession, Telmex s rates for basic telephone services in any period, including installation, monthly rent, measured local-service and long-distance service, are subject to a ceiling on the price of a basket of such services, weighted to reflect the volume of each service provided by Telmex during the preceding period. Telmex is required to file a model before the IFT every four years with its projections of units of operation for basic services, costs and prices. There is also a price floor based on Telmex s average long-run incremental cost. Within this aggregate price range, Telmex is free to determine the structure of its own rates, with the exception of domestic long-distance rates, which were abolished under the 2014 legislation. As a result of the preponderance determination, Telmex s rates are subject to pre-approval by the IFT before they can take effect.

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The price ceiling varies directly with the Mexican National Consumer Price Index (*Indice Nacional de Precios al Consumidor*), allowing Telmex to raise nominal rates to keep pace with inflation (minus a productivity factor set for the telecommunications industry), subject to consultation with the IFT. Telmex has not raised its nominal rates since March 2001, for local service, and since March 1999 for long-distance service. Under Telmex s concession, the price ceiling is also adjusted downward periodically to pass on the benefits of Telmex s increased productivity to its customers. The IFT sets a periodic adjustment for every four-year period to permit Telmex to maintain an internal rate of return equal to its weighted average cost of capital. For services extending beyond basic telephone service, Telmex is free to set its rates.

The 2014 legislation established that the preponderant agent may not charge interconnection rates. Therefore, Telmex may not charge other operators for the interconnection services it provides, while it continues to pay for the interconnection services provided to it by other operators. See Asymmetric Regulation of the Preponderant Economic Agent under this Item 4.

Concessions

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

There are two types of concessions, as described below.

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

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

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

Termination of Concessions

Mexican legislation provides that under certain circumstances, assets of a concessionaire may be acquired by the federal government upon termination of the concession. The compensation to the concessionaire, if any, and the procedures to be followed depend on the type of concession, the type of assets and the interpretation of applicable legislation by the competent authorities at the time.

Migration of Concessions

The new regulatory framework provides for a unified concession under which an operator may provide any service of telecommunications or broadcasting and for a mechanism to migrate to such unified concession system.

However, migration is subject to additional conditions for a predominant economic agent. Under these provisions, before Telmex can migrate its current concession to a unified concession, certain specific requirements must be met, including: (i) payment of any new concession fee to be determined by the Ministry of Finance (*Secretaría de Hacienda y Crédito Público*), (ii) compliance with current requirements under the concession, the 2013 constitutional amendments, the 2014 legislation and any additional measures imposed by the IFT on the preponderant economic agent and (iii) such other requirements, terms and conditions as the IFT may establish. Consequently, Telmex may not be able to provide additional services, such as broadcasting, in the near term.

Telcel Concessions

Telcel operates under several different concessions covering particular frequencies and regions, holding an average of 72.8 MHz of capacity in Mexico s nine regions in the 850 MHz, 1900 MHz and 1.7/2.1 GHz spectrum. The following tables summarize Telcel s concessions.

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

In addition to the 850 MHz, 1900 MHz and 1.7/2.1 GHz concessions detailed in the tables above, in December 2002, Telcel obtained a concession to install and operate a telecommunications network to provide national and international long-distance services, as well as data-transmission services. The concession was granted for an initial term of 15 years, and it is subject to extension for an additional 15-year period.

Renewal

The eight Band B concessions covering regions outside the Mexico City area were renewed in 2010 and 2011, with certain additional conditions imposed on Telcel. Telcel challenged the imposition of some of these conditions in a proceeding that does not affect the validity of the renewals, and a final resolution of such challenge is still pending. All of these concessions are subject to renewal for additional 15-year terms.

On April 20, 2010, Telcel requested the renewal of the Band B concession covering the Mexico City area (Region 9) that will expire in October 2015, and that request is still pending. The Band D concessions will expire in 2018, the Band A concessions in 2019, the Band F concessions in 2025 and the nationwide 1.7/2.1 GHz concession in 2030. All of these concessions are subject to renewal for equal terms.

Concession Fees

In addition to the upfront payment applicable to all of the 1900 MHz (F Band) concessions, 1.7/2.1 GHz (B2, C and D Bands) concessions and 850 MHz concessions (Regions 1 to 8), owners of concessions granted or renewed on or after January 1, 2003 are also required to pay annual fees (*derechos*) for the use and exploitation of radio spectrum bands. The amounts payable are set forth by the Federal Annual Fees Law (*Ley Federal de Derechos*) and vary depending on the relevant region and radio spectrum band. Currently, Telcel is not required to pay these fees for its Bands A and D 1900 MHz concessions since they were awarded prior to 2003, but it is required to pay them for additional 10 MHz of capacity in the 1900 MHz spectrum (Band F) acquired in 2005.

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Service Quality Requirements

The concessions set forth extensive requirements for the quality and continuity of Telcel s services, including, in some cases, maximum rates of incomplete and dropped calls and connection time. In 2011, the Federal Telecommunications Commission (*Comisión Federal de Telecomunicaciones*, or Cofetel) issued a new Fundamental Technical Plan for Quality of Local Wireless Services (*Plan Técnico Fundamental de Calidad del Servicio Local Móvil*, or the 2011 Technical Plan). It is currently under review by the IFT, which is expected to modify it pursuant to the new regulatory framework. The 2011 Technical Plan is applicable to all wireless operators, including Telcel. The 2011 Technical Plan imposes additional service quality requirements for voice, SMS and internet services to those set forth in our concessions, includes a methodology based on site measurements that may be publicly available, as well as potential fines for non-compliance with voice-quality requirements. We believe we are in compliance with the service quality requirements of our concessions and of the 2011 Technical Plan. Nonetheless, Telcel has been notified of a number of proceedings seeking to impose penalties on Telcel on the basis of alleged non-compliance with the service quality requirements of the previous technical plan, as well as some proceedings from alleged service quality non-compliance during network failures. Telcel is challenging the allegations and penalties in proceedings that are still pending.

Telmex Concessions

Telmex s concession was granted in 1976 and amended in August 1990. Currently set to expire in 2026, Telmex s concession may be extended for an additional 15-year term subject to additional requirements that the IFT may impose. Thereafter, it may be renewed for successive 30-year terms. Telmex s subsidiary, Telnor, holds a separate concession in a region located in two states in northwestern Mexico that will expire in 2026 and may be extended for an additional 15-year term thereafter. The material terms of the Telnor concession are similar to those of the Telmex concession.

In addition, Telmex currently holds concessions for the use of frequencies to provide wireless local access and point-to-point and point-to-multipoint transmission. Telmex obtained these concessions from Cofetel through a competitive bidding process for a term of up to 20 years that may be extended for additional 20-year terms.

Asymmetric Regulation of the Preponderant Economic Agent

Based on the IFT s determination that we, our Mexican operating subsidiaries and affiliates constitute a preponderant economic agent in the telecommunications sector, we are subject to extensive specific asymmetric measures. Some of the most important measures are summarized below.

Interconnection. In March 2014, the IFT imposed on Telcel the interconnection rate it must charge to all other operators for traffic to Telcel s network from April 6, 2014 to December 31, 2014. The rate charged was reduced from Ps.0.3490 to Ps.0.2045 per minute. The 2014 legislation, however, eliminated interconnection rates for the preponderant economic agent as of August 13, 2014, such that neither Telcel nor Telmex may charge other operators for the interconnection services they provide, while continuing to pay such operators for their interconnection services. Telcel and Telmex have each filed challenges to the elimination of interconnection rates.

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

Sharing of Infrastructure. We must provide other operators access to use our passive infrastructure, including towers, sites, ducts and rights of way. Upon approval by the IFT of the reference terms (*ofertas públicas de referencia*) for the use of our passive infrastructure, we negotiate access rates with other operators and, if agreement cannot be reached, rates may be determined by the IFT using a long-run average incremental costs methodology.

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Local Loop Unbundling. We must offer other operators access to elements of our local network separately. We have sumitted our proposed reference terms for unbundled access to the IFT, and it is currently under review. Access rates will be determined by the IFT using a methodology of long run average incremental costs.

Leasing of Dedicated Links. We must lease dedicated links to other operators. Upon approval by the IFT of the reference terms for leasing of our dedicated links, we negotiate access rates with other operators and, if agreement cannot be reached, rates may be determined by the IFT using a retail minus methodology, except for dedicated-link leasing for interconnection services where the IFT uses a long-run average incremental costs methodology.

Mobile Virtual Network Operators. We must provide MVNOs access to services we provide to our customers. Upon approval by the IFT of the reference terms of access to such service, we negotiate access rates with MVNOs and, if agreement cannot be reached, rates may be determined by the IFT using retail minus methodology. We recently finalized agreements with three MVNOs as of the date of this annual report.

Roaming. We must provide roaming services at a national level to other wireless operators. Upon approval by the IFT of the reference terms governing our roaming agreements, we negotiate access rates with other operators. If an agreement cannot be reached, rates may be determined by the IFT, using a long-run average incremental cost methodology.

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

Certain Obligations on the Provision of Retail Services. Certain rates for the provision of telecommunications services to our customers are subject to the IFT authorization, in the case of fixed-line and wireless services, and to rate controls, in the case of fixed-line services only, using methodologies related to maximum prices and replicability tests that are currently under analysis by us and the IFT. We are also subject to various obligations relating to the sale of services and products, including the obligation to offer individually all services that we previously offered under a bundle scheme, limitations on exclusivity for handsets and tablets and the obligation to unlock handsets.

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

Reporting of Service Obligations. We are subject to obligations related to reporting of service, including the publication of reference terms for wholesale and interconnection services that are subject to asymmetric regulation. The reference terms have been submitted to the IFT and approved.

The specific measures of asymmetric regulation can be terminated if the IFT declares that effective competition conditions exist in the telecommunications sector or if we cease to be considered a preponderant economic agent. The measures will be reviewed for this purpose every two years. However, regardless of whether we continue to be considered a preponderant economic agent, the IFT is authorized to impose specific rate requirements, among other asymmetric regulations, on any operator that is determined by the IFT to have substantial market power in any of the markets regulated under the Federal Antitrust Law. See Mexican Regulatory Proceedings under this Item 4.

IFT Substantial Market Power Investigations

The 2014 legislation provides for the IFT to determine whether there are telecommunications or broadcasting operators that have substantial market power in the markets where they operate and to impose the necessary measures to maintain free competition in such markets. The IFT has initiated investigations in order to determine whether operators with substantial market power exist in a number of markets in which we operate. We are not aware that any of these investigations involves a determination that we or any of our subsidiaries or affiliates is an operator with substantive market power in the markets under investigation.

Mexican Regulatory Proceedings

We are subject to certain regulatory proceedings, as described below, but we expect some of them to be superseded in part by measures taken by the IFT under the 2014 implementing legislation.

Telcel Antitrust Investigations Substantial Market Power

Telcel is the target of two substantial market power investigations initiated by the Federal Competition Commission (*Comisión Federal de Competencia*, or Cofeco). The investigations are now being conducted by the IFT. In the first investigation, Cofeco determined that Telcel had substantial market power over the mobile termination switched services it provides to other concessionaries through its network. The second investigation determined that Telcel had substantial market power in the nationwide market for voice and data services. Telcel filed challenges (*juicios de amparo*) to both determinations. Resolution of both challenges is pending.

These determinations, if upheld, would allow the IFT to impose against Telcel additional requirements as to rates, quality of service and information, among other things.

Telcel Antitrust Litigations Monopolistic Practices

In April 2011, following a regulatory inquiry initiated in 2006, Cofeco notified our subsidiary Telcel of a resolution imposing a fine of Ps.11,989 million for alleged relative monopolistic practices (*prácticas monopólicas relativas*) that also, allegedly, constituted a repeat offense (*reincidencia*). In May 2012, Cofeco revoked the fine. As a condition to the revocation of the fine, Telcel must comply with specific undertakings that it proposed to Cofeco in March 2012.

The IFT is now responsible for monitoring Telcel s compliance with respect to such undertakings and in the event of any breach, may impose a fine of up to 8.0% of Telcel s annual revenues. Telcel believes it has complied with all of the undertakings and expects the IFT to confirm such compliance. Certain operators challenged the revocation of the fine, and most of those proceedings have now been resolved on terms favorable to Telcel. See Note 20 to our audited consolidated financial statements included in this annual report.

Telmex Antitrust Investigations Substantial Market Power

Beginning in 2007, Cofeco initiated four investigations to evaluate whether Telmex and its subsidiary Telnor have substantial power in certain markets. Cofeco issued final resolutions concluding that Telmex and Telnor have substantial power in all four of the relevant markets investigated. Telmex and Telnor challenged their findings and two of Telnor s challenges have been denied, effectively upholding Cofeco s findings, while the remaining two challenges are still pending. With respect to the matters for which the challenges were denied, the IFT can impose specific tariff requirements or other special regulations, such as additional requirements regarding disclosure of information or quality of service. In April 2012, the IFT s predecessor, Cofetel, published an agreement in the Official

Gazette, establishing requirements regarding tariffs, quality of service, and information for dedicated-link leasing. Telmex believes it could have an adverse impact on its revenues and results of operations. Telmex and Telnor have filed a petition for relief against that resolution, and that petition is still pending. See Note 20 to our audited consolidated financial statements included in this annual report.

Brazil

Legislation and Main Regulatory Authorities

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

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Licenses

In August 2014, Anatel approved our proposal for the corporate reorganization of our subsidiaries in Brazil, which we effected with the objective of simplifying our corporate structure and reducing our operational costs in Brazil. On December 31, 2014, the reorganization was consummated and Embratel, Embrapar and Net Serviços merged into Claro Brasil. As a result, all licenses previously granted to Embratel and Net Serviços were transferred to Claro Brasil.

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

Company	License
Claro Brasil	Fixed Local Voice Services**
	Domestic and International Long Distance Voice Services (STFC)*
	Personal Communication Services (SMP)
	Data Services (SCM)**
	Cable TV Services (SEAC)**
	Mobile Maritime Services (SMM)**
	Global Mobile Satellite Services (SMGS)**
Claro TV	DTH TV Services (SEAC)**
	Data Services (SCM)**
Americel	Data Services (SCM)**
Star One	Data Services (SCM)**

	Satellite Exploitation
Primesys	Data Services (SLE)**
Telmex do Brasil	Data Services (SCM)**

* This license will expire in 2025.
** These licenses have an indefinite term.

Claro Brasil hold licenses to provide services under the PCS (SMP) regime in the 450 MHz, 700 MHz, 850 MHz, 900 MHz, 1,800 MHz, 1,900 MHz, 2,100 MHz and 2,500 MHz spectrum bands. Our subsidiaries expect to continue to acquire spectrum as Anatel conducts additional auctions.

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

egions in Brazil	Termination Dates						
					3G	4G	4G
	450 MHz	850 MHz	900 MHz	1800 MHz	1900 2100 MHz	2500 MHz	700 MHz
tional (all states)						October, 2027***	December, 20
ere	October, 2027	July, 2027	July, 2027	July, 2027**	March, 2023	-	-
ndônia	October, 2027	July, 2027	July, 2027	July, 2027**	March, 2023	-	-
ecantins	October, 2027	July, 2027	July, 2027	July, 2027**	March, 2023	-	-
strito Federal	-	July, 2027	July, 2027	July, 2027**	March, 2023	-	-
ato Grosso	-	July, 2027	July, 2027	July, 2027**	March, 2023	-	-
ato Grosso do l	-	July, 2027	July, 2027	July, 2027**	March, 2023	-	-
oiás	-	July, 2027	July, 2027	July, 2027**	March, 2023	-	-
hia	October, 2027	-	December, 2017	December, 2017	March, 2023	-	-
rgipe	-	-	December, 2017	December, 2017	March, 2023	-	-
agoas	-	August, 2027	August, 2027	August, 2027	March, 2023	-	-
ará	-	August, 2027	August, 2027	August, 2027	March, 2023	-	-
raíba	-	August, 2027	August, 2027	August, 2027	March, 2023	-	-
auí	-	August, 2027	August, 2027	August, 2027	March, 2023	-	-
rnambuco	-	August, 2027	August, 2027	August, 2027	March, 2023	-	-
o Grande do orte	-	August, 2027	August, 2027	August, 2027	March, 2023	-	-
raná	-	-	December, 2017	December, 2017***	March, 2023	-	-
raná (Norte)	-	-	December, 2022	March, 2023	March, 2023	-	-
nta Catarina	-	-	December, 2017	December, 2017**	March, 2023	-	-
o de Janeiro	-	April, 2028	April, 2028	April, 2028***	March, 2023	-	-
pírito Santo	-	April, 2028	April, 2028	April, 2028***	March, 2023	-	-
o Grande do Sul	-	April, 2028	April, 2028	April, 2028***	March, 2023	-	-
o Paulo Capital	October, 2027*	August, 2027	August, 2027	August, 2027	March, 2023	-	-
o Paulo Interior	-	March, 2028	March, 2028	March, 2028	March, 2023	-	-
inas Gerais	-	-	April, 2020	March, 2023	March, 2023	-	-
inas Gerais riângulo ineiro)	-	-	-	March, 2023	March, 2023	-	-
nazonas	October, 2027	March, 2023	-	December, 2022	March, 2023	-	-
aranhão	October, 2027	March, 2023	-	December, 2022	March, 2023	-	-
raima	October, 2027	March, 2023	-	December, 2022	March, 2023	-	-
napá	October, 2027	March, 2023	-	December, 2022	March, 2023	-	-
rá	October, 2027	March, 2023	-	December, 2022	March, 2023	-	-

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

** Certain blocks covered will expire in March 2023.

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

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

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

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

Rates

Anatel regulates rates (tariffs and prices) for all telecommunications services, except for data transmission, Pay TV and satellite capacity rates, which are not regulated. In general, PCS license-holders and domestic long-distance concession-holders are authorized to increase basic plan rates annually and to adjust only for inflation (less a factor determined by Anatel based on the productivity of each operator during the year). Claro Brasil may set international long-distance rates freely, as approved by Anatel in December 2012, provided it gives Anatel and the public advance notice.

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Regulation of Wholesale Competition

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

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

In addition, Embratel was determined to have significant market power in the market for long distance leased lines, Claro Brasil and Embratel were determined to have significant market power in the telecommunications infrastructure market, and Net Serviços was determined to have significant market power in the local coaxial transmission market, together with several of their wireless and fixed-line competitors. Following the merger of Embratel and Net Serviços into Claro Brasil, Claro Brasil is required to publish and Anatel must approve its reference offers in each such market. Moreover, wholesale contracts entered into by operators determined to have significant market power, for the sale of such operators services, are overseen by independant third-party companies.

In 2013 Anatel approved Claro Brasil s wholesale public offerings with respect to national roaming, telecommunications infrastructure, long distance leased lines, wireless termination rates, internet network interconnection and internet links.

In light of evolving market conditions, Anatel will review its determination of which operators have significant market power on a biannual basis. Anatel began its first review in November 2014, and such review has not been completed. Anatel may also propose modifications to the asymmetric measures applicable under the PGMC, which would be subject to public comment.

Claro Brasil challenged Anatel s application of certain asymmetric measures with respect to wireless termination services, and requested a clarification of the rules applicable to operators in the national roaming market, in an administrative proceeding in 2013. Its challenge was denied, and Claro Brasil is awaiting the results of its appeal.

Network Usage Fees and Fixed-Line Interconnection Rates

In July 2014, Anatel approved Resolution N. 639, establishing the reference terms for fees charged in connection with wireless network and leased lines usage, and setting a price cap on fees charged for fixed network usage. Such values, developed based on Anatel s cost model studies, will be applicable beginning February 2016.

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

Special Obligations

Concession Fees

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

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Claro Brasil (as successor in rights and obligations of Embratel) is also required to pay a fee every two years during the term of its domestic and international long-distance concessions equal to 2.0% of the revenues from long distance telephone services, net of taxes and social contributions, for the year preceding the payment.

Reversible Assets

Claro Brasil s domestic and international long-distance fixed-line concessions provide that the concessionaire s assets, such as equipment, infrastructure and any other property or rights essential for the provision of domestic and international long-distance fixed-line services and considered as reversible, cannot be disconnected, replaced or sold without the prior regulatory approval of Anatel. Upon expiration of these concessions, such assets may revert to the Brazilian government in which case any compensation for investments made in those assets would be negotiated with Anatel at the time of expiration. Those assets we use exclusively in the provision of wireless and Pay TV services are not subject to reversion.

Universal Coverage Obligations

Pursuant to the General Plan of Universal Access Targets (*Plano Geral de Metas de Universalização*), as a concessionaire of domestic and international long-distance services, Claro Brasil is required to install public telephones in remote areas that are more than 30 km from localities where individual fixed-line voice services are available. As of December 31, 2014, Claro Brasil had installed 1,516 public telephones in compliance with this requirement.

In 2012 Anatel auctioned 2.5 GHz (4G) spectrum frequencies with coverage obligations that aim to expand broadband access to rural and low-income areas. In 2014, Anatel auctioned additional 700 MHz (4G) spectrum frequencies without coverage obligations. Claro Brasil won spectrum bands in each of these auctions. As a result, Claro Brasil and other winners of the 2014 auctions must provide compensation to digital TV-LTE operators for the cost associated with setting up filters to avoid signal interference. Additionally, winners in this auction must purchase digital TV set-top boxes for members of the governmental program Bolsa Familia and compensate analog broadcasters for releasing spectrum.

Quality Services Goals

Telecommunications providers are subject to quality targets under their concessions and the Quality of Service Regulation (*Regulamento de Gestão da Qualidade*, or RGQ), issued in December 2012. Non-compliance with the targets set by the RGQ and other quality of service regulations may result in the imposition of penalties by Anatel.

Telecommunications Service Consumer s Rights

On March 7, 2014, Anatel approved the General Regulation of Telecommunications Services Consumer s Rights (*Regulamento Geral de Direitos do Consumidor de Serviços de Telecomunicações*), which aims to establish rules on service, debt collection and provision of fixed and wireless voice, data and Pay TV services. The regulation resulted in significant improvements, including the implementation by Claro Brasil of new processes and technologies aimed at enhancing customer service.

Colombia

The Information and Communications Ministry (*Ministerio de Tecnologías de la Información y las Comunicaciones*, or ICT Ministry) and the Communications Regulatory Commission (*Comisión de Regulación de Comunicaciones*, or

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

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Wireless

In 2012, the CRC issued Resolutions 4002 and 4050, which seek to correct an alleged market failure, imposing the following measures on Comcel: (i) asymmetric access charges for call termination on Comcel s network, whereby we must offer lower rates to our competitors than the rates we pay them; and (ii) restrictions on the rates we charge our users for calls outside our network (off-net calls), which must not exceed the rates we charge for calls within our network (on-net calls). Asymmetric access charges were expected to end by January 1, 2015.

In December 31, 2014, the CRC issued Resolution 4660, which updates the access charges scheme applicable to all operators. While it is unclear whether this new scheme of general applicability also has the effect of extending the specific asymmetric charges applicable to Comcel beyond January 1, 2015, the CRC has responded to Comcel s requests for clarification by confirming that such scheme is general in nature and not targeted at Comcel. However, our competitors claim that the new scheme has the effect of extending asymmetric access charges until December 2016. Movistar and Tigo filed a claim before SIC, which issued a preliminary injunction ordering Comcel to continue to apply asymmetric charges with respect to Movistar, pending a decision on the merits of the underlying claim. Comcel will contest this decision and vigorously defend its position that asymmetric access charges should not apply after January 1, 2015.

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

Under the terms of Comcel s concessions to provide wireless telecommunications services in Colombia, it is required to make quarterly royalty payments based on its revenues to the ICT Ministry. In October 2012, a draft bill restricting any one wireless provider from controlling more than 30.0% of the wireless market was proposed in the Colombian Congress, though the initiative was not approved.

In November 2013, Comcel qualified under the provisions of Law 1341 of 2009 related to the general authorization for the provision of wireless services, and was included in the register of ICT Ministry networks and services administrated by the ICT Ministry. Such general authorization superseded all of Comcel s concession contracts and, consequently, such concessions were terminated.

As a result of the termination of Comcel s concessions, the ICT Ministry and Comcel will begin discussions that seek to reach mutual agreement with respect to the assets that will revert to the government, in light of the Colombian Constitutional Court s decision C-555 of 2013. In that decision, the Court held that certain laws limiting telecommunications providers obligation to return to the state assets related to their concessions upon their expiry did not apply to concessions granted prior to 1998. Because our concessions were granted prior to 1998, they follow the reversion clauses contained in their respective agreements, whose scope will be the subject of future discussions between the ICT Ministry and Comcel.

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

Pay TV

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

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Southern Cone

Argentina

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

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

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

Pursuant to Decree 558/08 all telecommunications providers, including AMX Argentina and Telmex Argentina, must contribute 1.0% of their monthly revenues, determined after certain deductions, to the Universal Fund (*Fondo Fiduciario del Servicio Universal*) to finance the provision of telecommunication services in underserved areas and to underserved persons.

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

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

In July 2014, the Federal Government announced a public auction for the 850, 1900, 1700-2100 and 700 MHz frequency bands, which was held in October 2014 and resulted in AMX Argentina acquiring spectrum in the 1900, 1700-2100 and 700 bands.

In July 2014, the Communications Secretary issued Resolution 68/2014, approving the Regulations for MVNOs.

In December 2014, a new telecommunications law, Argentina Digital Act N° 27.078 (*Ley Argentina Digital*) was enacted. Such law allows telecommunications licensees to provide audiovisual media services, except for those provided through satellite infrastructure, and creates a new authority, the Federal Authority for Information and Communications Technologies (*Autoridad Federal de Tecnologías de la Información y las Comunicaciones*).

Chile

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

Telecomunicaciones), which acts primarily through the Undersecretary of Telecommunications.

Claro Chile holds a concession covering the entire Chilean territory of 30 Mhz in the 1900 Mhz band. The concession was granted in June 1997 and covers a thirty-year period. The concession imposes coverage, reporting and service quality requirements. The Chilean Transportation and Communications Ministry is authorized to foreclose any concessionaire in the event of specified breaches of the terms of the concession.

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

Claro Chile also holds a nationwide fixed and wireless data transmission concession for the use of 40 Mhz in the 2.6 Mhz Band. Such concession was granted in November 2012 for a period of 30 years.

In March 2014, one of our subsidiaries, Claro Servicios Empresariales, obtained a new nationwide wireless data transmission concession, this one for the use of 20 Mhz in the 700 Mhz Band (under the APAC standard). The decree granting such concession has been issued and is under review of the office of the Comptroller, for its final publication in the official gazette, which would trigger the right of use and the deployment obligations related to that concession.

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

Paraguay

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

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

Uruguay

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

In February 2013, Flimay was notified by the Court of Administrative Disputes (TCA) that its license for the provision of DTH had become effective. In May 2013, administrative authorities revoked that license. Flimay lodged an appeal against such administrative resolution and in December 2014, it was notified by the TCA that the administrative act that had revoked Flimay s DTH license had been provisionally suspended, pending final resolution of the appeal.

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

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Andean Region

Ecuador

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

- the National Telecommunications, Regulation and Control Agency (*Agencia de Regulación y Control de las Telecomunicaciones*), which is responsible for policy, licensing and oversight of radio-electric spectrum use, telecommunications services provision and for the monitoring of the use of authorized frequencies and concession-provision compliance.

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

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

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

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

In February 2014, following a regulatory claim filed in 2012 by the state-owned operator, the Superintendency of Control of Market Power (*Superintendencia de Control del Poder del Mercado,* or SCPM) imposed a fine on Conecel of Ps.1,809 million (U.S.$138.4 million), for alleged monopolistic practices related to five locations in which the state-owned operator argues that Conecel has exclusive rights to deploy its network, preventing others from doing so. In March 2014, Conecel challenged the fine and posted a guarantee for 50.0% of its value. Through a judicial order issued during that same month, the competent court allowed Conecel s lawsuit and suspended the effects of the contested fine. In addition, our subsidiaries in Ecuador face other processes before the local regulatory authorities.

In February 2015, a new Telecommunications Law (*Ley Orgánica de Telecomunicaciones*) went into effect. It established new regulations for operators with significant market power and fines based on operators incomes, as well as additional fees to be paid by operators based on the number of users.

Peru

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

América Móvil Perú holds nationwide concessions to provide wireless, PCS, fixed-line, local carrier, domestic and international long-distance, Pay TV services (through DTH and HFC technologies), public telephony and value-added services (including internet access) covering all regions in Peru. The concessions were awarded between May 1999 and June 2008, operating 25 MHz on the 850 MHz band, 35 MHz on the 1900 MHz band, 50 MHz on the 3.5 GHz band, 10 MHz on the 450 MHz band and 56 MHz on the 10.5 GHz band. América Móvil Péru has also acquired from a third-party operator 10 MHz in the 1700-2100 frequency band and such acquisition is still pending government authorization.

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

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Mobile number portability was implemented in January 2010. During 2014, transfer requests from other wireless operators to América Móvil Perú represented 27.4% of total portability requests.

Fixed number portability was implemented in July 2014. During 2014, transfer requests from other fixed operators to América Móvil Perú represented 47.7% of total portability requests.

On March 2015, a new resolution on mobile termination rates was issued, establishing two different rates, one for América Móvil Perú and Telefónica del Perú, and a different one for Entel and Viettel.

Europe

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

Regulation (EU) No 531/2012 of the European Parliament and of the Council, effective as of July 2012, regulates wholesale and retail access to roaming services within the EU, with the objective of, among other things, enhancing competition and lowering roaming charges. The regulation establishes price caps on certain retail and wholesale charges, and it mandates the separate sale of retail roaming services from domestic wireless communication services, enabling users to access bundled voice, SMS and data roaming services from alternative providers without paying a tariff for switching providers.

Austria

The Telecommunications Act of 2003 (*Telekommunikationsgesetz 2003*) established the legal framework for the regulation of retail and wholesale communications networks and services in Austria. The Telecom-Control Commission (Telecom-Control Commission or TKK) and the Austrian Communications Authority (*KommAustria*) are responsible for overseeing and regulating the telecommunications and broadcasting media sectors, respectively. In addition, the Austrian Regulatory Authority for Broadcasting and Telecommunications (*Rundfunk und Telekom Regulierungs-GmbH*) provides operational support to these authorities.

The TKK is required to carry out market analyses of the telecommunications sector and determine whether one or more companies have significant market power. A1 is considered to hold a dominant market position in several retail and wholesale markets, and it is therefore subject to additional measures, including extensive regulations of network access and price and the obligation to publish reference offers for access to certain networks and infrastructure.

The right to provide wireless services to the public in Austria requires a license for the use of spectrum. These spectrum licenses have a limited term. A1 holds licenses, allocated by the TKK by auction, to operate in the 800 MHz band (expiring in December 2029), 900 MHz band (expiring in December 2034), 1800 MHz band (expiring in December 2034), 2100 MHz band (expiring in December 2020) and the 2600 MHz band (expiring in December 2026).

Bulgaria The Communications Regulation Commission regulates and oversees the telecommunications sector in Bulgaria. Mobiltel has licenses to operate in the 900, 1,800 and 2,100 MHz bands and, in April 2014, renewed its licenses to operate in the 900 and 1,800 MHz frequency bands until June 2024 for a total cost of 30.6 million. Mobiltel must also pay an annual spectrum fee of 2.2 million.

Croatia The Croatian Post and Electronic Communications Agency (Hrvatska Agencija Za Po tu I Elektroničke Komunikacije or HAKOM) regulates and oversees the telecommunications sector in Croatia. Spectrum usage fees increased in 2014, and there are ongoing investigations within the European Commission to determine whether such fee increases comply with EU law. HAKOM is closely monitoring the recent retail and wholesale price increases implemented by all three mobile operators in Croatia in response to the higher spectrum usage fees. Vipnet has licenses to operate in the 800, 900, 1,800 and 2,100 MHz frequency bands.

Belarus The Ministry of Communications and Information regulates and oversees the telecommunications sector in Belarus. The National Traffic Exchange Center , enables interaction between telecommunication networks, organizes payments for connecting telecommunications networks to the networks of foreign countries, and other related functions. velcom currently holds licenses to operate in the 900, 1,800 and 2,100 MHz frequency bands and under the existing framework, such licenses are automatically prolonged without additional cost.

Slovenia The Agency for Communication Networks and Services (*Agencija za Komunikacijska Omre ja in Storitve*) regulates and oversees the telecommunications sector in Slovenia. In April 2014, Si.mobil acquired nearly half of all available Slovenian frequency spectrum in an auction at a cost of 63.9 million. As a result, Si.mobil holds 15-year licenses to operate in the 800, 900, 1,800, 2,100 and 2,600 MHz frequency bands.

Serbia The Regulatory Agency for Electronic Communications and Postal Services regulates and oversees the telecommunications sector in Serbia. Vip mobile has acquired spectrum in the 900, 1,800 and 2,100 MHz frequency bands, but its access to spectrum is limited by comparison to its two primary competitors.

Macedonia *The Agency for Electronic Communications*and oversees the telecommunications sector in Macedonia, which is governed by the Electronic Communications Law. Vip operator has licenses to operate in the 800, 900 and 1,800 MHz frequency bands.

Other Jurisdictions

Costa Rica Claro Costa Rica s business is subject to comprehensive regulation and oversight by the Superintendency of Telecommunications (*Superintendencia de Telecomunicaciones*, or SUTEL) and by the Ministry of Science, Technology and Telecommunications (*Ministerio de Ciencia, Tecnología y Telecomunicaciones*). Claro holds a concession in the 1800 MHz and 2100 MHz bands to operate its cellular network. Claro Costa Rica obtained a license in October 2012 to operate Pay TV through DTH and started providing Pay TV services in December 2012.

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

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

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

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

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

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

Dominican Republic The Dominican Institute of Telecommunications (*Instituto Dominicano de las Telecomunicaciones*, or Indotel) is responsible for supervising the telecommunications industry in the Dominican Republic. Codetel holds concessions to provide telecommunication services in the Dominican Republic. The concessions do not contain coverage, reporting or service requirements and grant the right to use 25 MHz in the 800 MHz frequency band, 30 MHz in the 1900 MHz frequency band, 30 MHz in the 3.5 GHz frequency band and 40MHz in the 1700/2100 (AWS) frequency band until 2030. Indotel is authorized to cancel the concessions in the event of specified breaches of their terms.

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

Item 4A. Unresolved Staff Comments

None

Item 5. Operating and Financial Review and Prospects

Introduction

Segments

We have operations in 25 countries, which are grouped for financial reporting purposes in ten segments. Our operations in Mexico are presented in two segments Mexico Wireless, which comprises principally Telcel, and Mexico Fixed, which consists of Telmex and its subsidiaries providing fixed-line services. Our headquarters operations are allocated to the Mexico Wireless segment. Segment information is presented in Note 21 to our audited consolidated financial statements.

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

Constant Currency Presentation

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

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Effects of Exchange Rates

Our results of operations are affected by changes in currency exchange rates. As discussed above, currency variations between the Mexican peso and the currencies of our non-Mexican subsidiaries, especially the Brazilian real, affect our results of operations as reported in Mexican pesos. In 2014, the Mexican peso was generally stronger against our other operating currencies than in 2013, which tended to reduce the reported amounts attributable to our non-Mexican operations.

We also recognize exchange gain and loss attributable to changes in the value of our operating currencies, particularly the Mexican peso and Brazilian real, against the currencies in which our indebtedness and accounts payable are denominated especially the U.S. dollar. Appreciation of our operating currencies generally results in foreign exchange gains, while depreciation of these currencies generally results in foreign exchange losses. Changes in exchange rates also affect the fair value of derivative financial instruments that we use to manage our currency-risk exposures, which are generally not accounted for as hedging. In 2014, the Mexican peso and the Brazilian real weakened against the currencies of our indebtedness, and we recorded net foreign exchange losses of Ps.28.6 billion and net fair value gains on derivatives of Ps.10.0 million. In 2013, the Mexican peso and especially the Brazilian real weakened against the currencies of our indebtedness, and we recorded net foreign exchange losses of Ps.19.6 billion and net fair value gains on derivatives of Ps.5.9 billion. See Note 7 to our audited consolidated financial statements.

Effects of Regulation

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

Composition of Operating Revenues

During 2014, our total operating revenues consisted of: wireless voice revenues (30.1% of total operating revenue), fixed voice revenues (13.5% of total operating revenue), wireless data revenues (23.0% of total operating revenue), fixed data revenues (11.5% of total operating revenue), Pay TV revenues (8.1% of total operating revenue), equipment, accessories and computer sales revenues (11.3% of total operating revenue) and other services (2.5% of total operating revenue).

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

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

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

Equipment, accessories and computer sales revenues primarily include revenues from the sale of handsets, accessories 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 towards making a profit from handset sales because it also takes into account the service revenues that are expected to result when the handset is used.

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Other services include sales revenues from other businesses, such as yellow pages, call center services, wireless security services and publishing.

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

Seasonality of our Business

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

Effect of Consolidating Telekom Austria

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

Use of Certain Operating Measures

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

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

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

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

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

General Trends Affecting Operating Results

Our results of operations in 2014 reflected several continuing long-term trends including:

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

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- changes in the telecommunications regulatory environment;
- growing demand for data services over fixed and wireless networks and for smartphones and devices with data service capabilities;
- declining demand for fixed voice services;
- declining interconnection rates; and
- growing operating costs reflecting, among other things, higher cost of content for Pay TV and data services, costs of providing customer care, as well as costs of operating larger and more complex networks.

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

Several other significant factors affected 2014 performance; in particular, the implementation in Mexico of new regulatory measures that became effective in 2014. In addition, the contribution of our Brazilian businesses to our operating results was adversely affected by the depreciation of the Brazilian currency against the Mexican peso. Exchange-rate movements also affected our reported financing costs, as they do every year.

Consolidated Results of Operations for 2014 and 2013

Operating Revenues

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

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

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

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

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

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

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

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

Operating Costs and Expenses

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

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

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

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

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

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

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

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Operating Income

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

Non-Operating Items

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

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

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

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

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

Net Income

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

Consolidated Results of Operations for 2013 and 2012

Operating Revenues

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

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

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

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

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

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

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

Operating Costs and Expenses

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

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

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

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

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

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

Operating Income

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

Non-Operating Items

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

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

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

Valuation of derivatives and other financial items, net The net change in valuation of derivatives and other financial items represented a loss of Ps.5.2 billion in 2013, compared to a loss of Ps.12.5 billion in 2012. The loss is principally due to other financial expenses including commissions on financial services and interest cost of labor obligations. See Note 14(d) to our audited consolidated financial statements included in this annual report.

Equity interest in net income of associated companies Our share of the net income of associated companies accounted for under the equity method was of Ps.0.04 billion in 2013 and Ps.0.8 billion in 2012. Our results from equity method investees for 2013 primarily reflect our interests in KPN and Telekom Austria, which were acquired in 2012 and 2013.

Income Tax Our effective rates of provisions for corporate income tax as a percentage of pretax income were 28.8% in 2013 and 33.4% in 2012. Our effective tax rate differs from the Mexican statutory rate of 30.0%, and decreased in 2013, primarily because of losses from the sale and restructuring of financial assets. See Note 13 to our audited consolidated financial statements.

Net Income

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

Segment Results of Operations

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

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

	Mexican pesos per foreign currency unit (average for the period)				
	2012	**% Change**	**2013**	**% Change**	**2014**
Brazilian real	6.7605	(12.2)	5.9334	(4.7)	5.6574
Colombian peso	0.0073	(6.7)	0.0068	(2.5)	0.0067
Argentine peso	2.9305	(20.1)	2.3410	(29.9)	1.6406
U.S. dollar	13.1663	(3.0)	12.7660	4.2	13.2969
Euro	16.9276	0.2	16.9966	4.0	17.6507

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

	Year ended December 31, 2012			
	Operating revenues		Operating income (loss)	
	(in millions of Mexican pesos)	(as a % of total operating revenues)	(in millions of Mexican pesos)	(as a % of total operating income (loss))
Mexico Wireless	Ps. 183,645	23.7%	Ps. 81,961	50.9%
Mexico Fixed	106,025	13.7	20,862	12.9
Brazil	209,787	27.1	12,686	7.9
Colombia	73,432	9.5	22,710	14.1
Southern Cone	62,018	8.0	8,071	5.0
Andean Region	42,495	5.5	13,177	8.2
Central America	23,047	3.0	(3,497)	(2.2)
United States	63,144	8.1	1,828	1.1
Caribbean	27,441	3.5	2,883	1.8
Eliminations	(15,964)	(2.1)	469	0.3
Total	Ps. 775,070	100.0%	Ps. 161,150	100.0%

	Year ended December 31, 2013			
	Operating revenues		Operating income (loss)	
	(in millions of Mexican pesos)	(as a % of total operating revenues)	(in millions of Mexican pesos)	(as a % of total operating income (loss))
Mexico Wireless	Ps. 193,178	24.6%	Ps. 78,761	51.1%
Mexico Fixed	105,869	13.5	20,038	13.0
Brazil	199,887	25.4	11,101	7.2
Colombia	74,210	9.4	21,351	13.8
Southern Cone	61,521	7.8	6,174	4.0
Andean Region	45,113	5.7	11,910	7.7

Central America	24,219	3.1	(1,129)	(0.7)
United States	77,167	9.8	939	0.6
Caribbean	25,509	3.2	4,478	2.9
Eliminations	(20,572)	(2.5)	635	0.4
Total	Ps. 786,101	100.0%	Ps. 154,258	100.0%

	Year ended December 31, 2014			
	Operating revenues		Operating income (loss)	
	(in millions of Mexican pesos)	(as a % of total operating revenues)	(in millions of Mexican pesos)	(as a % of total operating income (loss))
Mexico Wireless	Ps. 195,710	23.1%	Ps. 73,462	46.9%
Mexico Fixed	107,518	12.7	22,284	14.5
Brazil	204,647	24.1	12,669	8.1
Colombia	75,992	9.0	17,669	11.3
Southern Cone	56,532	6.7	6,593	4.2
Andean Region	47,802	5.6	12,132	7.7

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	Year ended December 31, 2014			
	Operating revenues		Operating income (loss)	
	(in millions of Mexican pesos)	(as a % of total operating revenues)	(in millions of Mexican pesos)	(as a % of total operating income)
Central America	27,023	3.2	(212)	(0.1)
United States	91,097	10.7	1,520	1.0
Caribbean	25,842	3.0	4,923	3.1
Europe	37,392	4.4	5,229	3.3
Eliminations	(21,293)	(2.5)	285	0.2
Total	Ps. 848,262	100.0%	Ps. 156,554	100.0%

Interperiod Segment Comparisons

The following discussion addresses the financial performance of each of our operating segments, first by comparing results for 2014 and 2013, and then by comparing results for 2013 and 2012. In the period-to-period comparisons for each segment, we include percentage changes in operating revenues, percentage changes in operating income and operating margin (operating income as a percentage of operating revenues), in each case calculated based on the segment financial information presented in Note 21 to our audited financial statements, which is prepared in accordance with IFRS. Each geographical segment includes all income, cost and expense eliminations that occurred between subsidiaries within the geographical segment. The Mexico Wireless segment also includes corporate income, costs and expenses.

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

2014 Compared to 2013

Mexico Wireless

Segment operating revenues increased by 1.3% in 2014. Adjusted revenues increased 0.7% in 2014. This increase was primarily driven by an increase in value-added services revenues. Wireless voice revenues decreased by 9.6% in 2014, reflecting primarily to the elimination of domestic roaming charges and the elimination of interconnection charges. Wireless data revenues increased by 14.2% in 2014, principally due to increased customer usage of value-added services, including messaging, content downloading, mobile applications and e-commerce, and an increase in revenues from service plans offering higher data capacity.

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

Average MOUs per subscriber decreased by 2.6% in 2014. ARPU decreased by 1.1% in 2014, principally as a result of the elimination of interconnection rates and domestic roaming charges. The wireless churn rate for our Mexican

Wireless operations was 3.8% during 2013 and 4.3% in 2014.

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

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Mexico Fixed

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

In 2014, the number of fixed RGUs in Mexico decreased by 3.4%, and the number of broadband RGUs in Mexico increased by 2.9%, resulting in a decrease in total fixed RGUs in Mexico of 0.9% to approximately 22.3 million as of December 31, 2014. In 2014, long-distance minutes increased by 6.4% and interconnection minutes increased by 2.4%, resulting in an increase in total minutes in Mexico of 4.2%. The fixed voice churn rate decreased slightly from 1.4% in 2013 to 1.1% in 2014. The broadband churn rate remained unchanged from 2013 at 1.2% in 2014.

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

Brazil

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

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

Average MOUs per subscriber decreased by 5.5% in 2014. The decrease in average MOUs during 2014 reflects the dilution effect of subscriber growth. ARPU decreased by 6.2% in 2014. At constant exchange rates, ARPU decreased by 1.7%, reflecting a decrease in monthly airtime and interconnection rates that was not offset by increased data usage.

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

2014 and 4.2% in 2013. Adjusted segment operating income and operating margin in 2014 were affected by subscriber acquisition costs, higher costs for customer service, call centers and energy, and advertising, higher rent and marketing costs associated with the integration of our various Brazilian brands.

Colombia

Segment operating revenues increased 2.4% in 2014. Adjusted operating revenues increased by 5.2%. Fixed and wireless data services increased by 13.3% and 5.8%, respectively, in 2014, primarily due to increased purchase of bundled packages of services, higher demand for data plans and an increase in subscribers for internet services. Fixed voice revenues increased by 4.2% and wireless voice revenues decreased 4.9% in 2014. Pay TV revenues increased by 13.4% in 2014.

Average MOUs per subscriber decreased by 0.6% in 2014. ARPU decreased by 7.4% in 2014. At constant exchange rates, ARPU decreased by 5%, primarily reflecting a decrease in traffic, partially resulting from fundamental changes in our commercial conditions, linked to regulatory measures. Wireless data use did not increase sufficiently to offset these declines.

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

Southern Cone Argentina, Chile, Paraguay and Uruguay

Segment operating revenues decreased by 8.1% in 2014, reflecting a decrease of 4.3% in Argentina, Paraguay and Uruguay and a decrease of 15.2% in Chile. Adjusted segment operating revenues increased by 20.1%, reflecting an adjusted operating revenue increase of 36.5% in Argentina, Paraguay and Uruguay and a decrease of 6.2% in Chile. The decrease in operating revenues was driven primarily by lower interconnection tariffs due to regulatory measures in Chile, partially offset by increased revenues in Chile and Argentina from higher data usage, such as data purchased in bundled service packages. For this segment, we analyze results in Argentina, Paraguay and Uruguay in terms of the Argentine peso because Argentina accounts for the major portion of the operations in these three countries.

Average MOUs per subscriber decreased by 8.9% in 2014, primarily due to the phasing out of promotional packages from earlier periods for both postpaid and prepaid services. ARPU decreased by 14.8% in Argentina, Paraguay and Uruguay, and decreased by 14.9% in Chile. At constant exchange rates, ARPU increased by 18.5% in Argentina, Paraguay and Uruguay, primarily driven by inflationary pressures, and decreased by 5.8% in Chile, where it was negatively affected by a decrease in revenues from voice services.

Segment operating income increased by 6.8% in 2014, reflecting a decrease in operating income of 0.8% in Argentina, Paraguay and Uruguay and a decrease in operating loss of 15.2% in Chile. Adjusted segment operating income increased by 68.5%, reflecting an increase in adjusted operating income of 42.5% in Argentina, Paraguay and Uruguay and an increase in adjusted operating loss of 6.4% in Chile. Segment operating margin was 11.7% in 2014, reflecting an operating margin of 27.4% in Argentina, Paraguay and Uruguay and (19.3)% in Chile. In 2014, adjusted operating margin was 15.9%, reflecting an adjusted operating margin of 28.1% in Argentina, Paraguay and Uruguay and 19.3% in Chile. In 2013, adjusted operating margin was 13.1%, reflecting an adjusted operating margin of 26.2% in Argentina, Paraguay and Uruguay, and (19.3)% in Chile. Results of operations in all countries in the segment in 2014 reflected cost efficiencies related to maintenance, leases, spare parts and customer services, which grew at a lower rate than operating income, as well as a decrease in spectrum costs in Chile.

Andean Region Ecuador and Peru

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

Average MOUs per subscriber increased by 4.6% in 2014, principally reflecting increased overall traffic. ARPU increased by 4.0% in Ecuador and increased by 3.8% in Peru. At constant exchange rates, ARPU in Ecuador remained practically unchanged, with a slight decrease of 0.1%, while ARPU in Peru increased 4.7%, principally due to greater usage of data services.

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

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

Segment operating revenues increased by 11.6% in 2014. Adjusted segment operating revenues increased by 7.1% in 2014. This increase was driven primarily by increased revenues from wireless voice and fixed and wireless data services in each country and, in Nicaragua, in Pay TV, partially offsetting declining fixed voice usage and prices per minute for calls in El Salvador and Guatemala. For this purpose, we analyze adjusted segment results in U.S. dollars because it is the functional currency in our operations in El Salvador and Panama and the currencies in Costa Rica, Guatemala, Honduras and Nicaragua are relatively stable against the U.S. dollar.

Average MOUs per subscriber increased by 11.7% in 2014, primarily due to a decrease in the average price per minute of voice services. ARPU increased by 15.6%. This increase was primarily attributable to greater usage of both voice and data services.

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

United States

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

Average MOUs per subscriber increased by 2.3% in 2014. ARPU increased by 7.7% in 2014. At constant exchange rates, ARPU increased by 3.5%. The increase in average MOUs and in ARPU is primarily due to the rise in sales of bucket plans, some of which offer unlimited usage for a fixed monthly rate.

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

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

Caribbean Dominican Republic and Puerto Rico

Segment operating revenues increased by 1.3% in 2014. Adjusted segment operating revenues decreased by 2.8%. We analyze segment results in U.S. dollars because it is the functional currency in our operations in Puerto Rico and the currency in the Dominican Republic is relatively stable against the U.S. dollar.

Average MOUs per subscriber decreased by 3.6% in 2014, primarily due to the dilution effect of new clients. ARPU increased by 4.9% in 2014. This decrease in ARPU was primarily attributable to declining prices and average voice usage, and a more competitive market for voice services.

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

Europe

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

2013 Compared to 2012

Mexico Wireless

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

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

Average MOUs per subscriber increased by 3.0% in 2013. ARPU decreased by 5.1% in 2013. During 2013, we lowered the price of some of our services in Mexico through new commercial plans and promotions, which contributed to the increase in subscribers (primarily prepaid subscribers, who received double the airtime they purchased under various promotional packages) and MOUs. Reductions in interconnection tariffs and a decline in long-distance traffic resulted in lower interconnection revenues in 2013. The wireless churn rate for our Mexican Wireless operations was 3.7% during 2012 and 3.8% in 2013.

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

Mexico Fixed

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

In 2013, the number of fixed voice RGUs in Mexico decreased by 4.8%, and the number of broadband RGUs in Mexico increased by 4.8%, resulting in a decrease in total fixed RGUs in Mexico of 1.2% to approximately

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

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

Brazil

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

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

Average MOUs per subscriber increased by 11.3% in 2013. The increase in average MOUs during 2013 reflects increased traffic, on net and from other providers, in our network, which was partly due to new commercial plans and promotional packages. ARPU decreased by 16.8% in 2013. This decrease during 2013 reflects a decrease in monthly airtime and interconnection rates that was not offset by increased data usage.

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

Colombia

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

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

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

Southern Cone Argentina, Chile, Paraguay and Uruguay

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

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

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

Andean Region Ecuador and Peru

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

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

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

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

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

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

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

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United States

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

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

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

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

Caribbean Dominican Republic and Puerto Rico

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

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

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

Liquidity and Capital Resources

Funding Requirements

We generate substantial cash flows from our operations. On a consolidated basis, operating activities provided Ps.240.6 billion in 2014 and Ps.187.8 billion in 2013. Our cash and cash equivalents amounted to Ps.66.5 billion at December 31, 2014 compared to Ps.48.2 billion at December 31, 2013. We believe our working capital is sufficient for our present requirements. We use the cash that we generate from our operations and from borrowings primarily for the following purposes:

We make substantial capital expenditures to continue expanding and improving our networks in each country in which we operate. Our capital expenditures on plant, property and equipment and acquisition or renewal of licenses were Ps.145.6 billion in 2014 and Ps.121.8 billion in 2013. The amount we spend on acquisitions and licenses varies significantly from year to year, depending on acquisition opportunities, concession renewal schedules and needs for more spectrum. We have budgeted capital expenditures for 2015 to be approximately U.S.$8.9 billion (Ps.139.7 billion).

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

We must pay interest on our indebtedness and repay principal when due. As of December 31, 2014, we had approximately Ps.57.8 billion of principal and amortization due in 2015.

We pay regular dividends. We paid Ps.17.1 billion in dividends in 2014 and Ps.15.7 billion in 2013. Our shareholders approved on April 30 the payment of a Ps.0.26 ordinary dividend per share in two installments in 2015 and a Ps.0.30 special dividend per share in one installment in September 2015.

We regularly repurchase our own shares. We spent Ps.35.0 billion repurchasing our own shares in the open market in 2014 and Ps.70.7 billion in 2013. Our shareholders have authorized additional repurchases, and as of March 31, 2015, we have spent Ps.10.1 billion repurchasing our shares in the open market in 2015, but whether we will continue to do so will depend on our operating cash flow and on various other considerations, including market prices and our other capital requirements.

Contractual Commitments

The following table summarizes certain contractual obligations as of December 31, 2014. Many of our obligations are denominated in currencies other than Mexican pesos. Our purchase obligations and also approximately 39.5% of our debt are denominated in U.S. dollars. The table does not include accounts payable or pension liabilities, and amounts set forth in the table do not include interest and do not give effect to hedging transactions.

	Payments Due by Period (in millions)				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Contractual obligations as of December 31, 2014:					
Equipment leases	Ps. 471	Ps. 244	Ps. 227	Ps.	Ps.
Real estate leases	51,960	10,173	15,163	12,369	14,255
Short-term debt	57,806	57,806			
Long-term debt	545,949		142,824	88,797	314,328
Purchase obligations	97,191	57,770	39,421		
Total	Ps. 753,377	Ps. 125,993	Ps. 197,635	Ps. 101,166	Ps. 328,583

Other than the amounts described in the table above, we had no other outstanding material purchase commitments as of December 31, 2014. We enter into a number of supply, advertising and other contracts in the ordinary course of business, but those contracts are not material to our liquidity.

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

Borrowings

In addition to cash flows generated from operations, we rely on a combination of borrowings in the Mexican and international capital markets, borrowings from international banks and equipment financing. In managing our funding, we generally seek to keep our leverage, as measured by the ratio of net debt to EBITDA, at a level that is consistent with maintaining ratings given to our debt by the principal credit rating agencies. Our total consolidated indebtedness as of December 31, 2014 was Ps.603.8 billion, of which Ps.57.8 billion was short-term debt (including the current portion of long-term debt), compared to Ps.490.3 billion as of December 31, 2013. Our net debt (total debt minus cash and cash equivalents) at December 31, 2014 was Ps.537.3 billion, compared to Ps.442.2 billion as of December 13, 2013.

Without taking into account the effects of derivative financial instruments that we use to manage our interest rate and currency risk, approximately 86.0% of our indebtedness at December 31, 2014 was denominated in currencies other than Mexican pesos (approximately 45.0% of such non-Mexican peso debt in U.S. dollars and

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55.0% in other currencies), and approximately 5.0% of our consolidated debt obligations bore interest at floating rates. After the effects of derivative transactions, approximately 32.0% of our total debt as of December 31, 2014 was denominated in U.S. dollars.